

**SERVIZI ITALIA S.p.A.**

Registered Offices Via S. Pietro, 59/b

43019 Castellina di Soragna (PR)

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

Tax code and Parma Business Register No.: 08531760158

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# SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2016



## Table of Contents

Notice of call of the ordinary shareholders' meeting.....	3
Company officers and corporate information .....	6
Group structure .....	7

<b>Directors' report</b> .....	8
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## Servizi Italia S.p.A.

Separate financial statements of Servizi Italia S.p.A. as at 31 December 2016 .....	41
<i>Separate accounting schedules as at 31 December 2016</i> .....	42
<i>Explanatory Notes to the separate financial statements</i> .....	46
Certification of the separate financial statements pursuant to Article 154-bis of Italian Legislative Decree No. 58/98 .....	103
Independent auditors' report on the separate financial statements of Servizi Italia S.p.A. ....	104
Board of Statutory Auditors' report to the shareholders' meeting of Servizi Italia S.p.A.....	106

## Servizi Italia Group

Consolidated financial statements of the Servizi Italia Group as at 31 December 2016 .....	114
<i>Consolidated accounting schedules as at 31 December 2016</i> .....	115
<i>Explanatory Notes to the consolidated financial statements</i> .....	119
Certification of the consolidated financial statements pursuant to Art. 154-bis of Italian Legislative Decree No. 58/98 .....	184
Independent auditors' report on the consolidated financial statements of the Servizi Italia Group ....	185

**SERVIZI ITALIA S.P.A.**

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

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

Tax code and Parma Business Register enrolment No. 08531760158

VAT No. 02144660343

**NOTICE OF CALL OF THE ORDINARY SHAREHOLDERS' MEETING**

Those entitled to participate in the Shareholders' meeting and exercise the right to vote are called to an ordinary shareholders' meeting at the registered offices in Via San Pietro 59/b, 43019 Castellina di Soragna (PR), on a first call on **20 April 2017 at 10.30 a.m.** and, if necessary, upon a second call, on 21 April 2017, at the same time and place, to discuss and resolve on the following **agenda**:

1. Separate financial statements as at 31 December 2016; Director's Report on Operations; Board of Statutory Auditors Report and Independent Auditors' Report; Allocation of the profit for the year. Presentation of the Consolidated financial statements as at 31 December 2016;
  - 1.1 Separate financial statements as at 31 December 2016; Director's Report on Operations; Board of Statutory Auditors Report and Independent Auditors' Report. Presentation of the Consolidated financial statements as at 31 December 2016;
  - 1.2 Allocation of the profit for the year;
2. Authorisation to purchase and avail of Treasury Shares and completion of transactions on the same, subject to revocation of the previous resolution, for the unused portion;
3. Presentation and approval of the remuneration policy as per Article 123-ter of Italian Legislative Decree No. 58/98 for the Directors and the Executives with strategic responsibilities;
4. Appointment of the members of the Board of Statutory Auditors and of the Chairman for the periods 2017-2018-2019; determination of related remunerations;
  - 4.1 Appointment of three Statutory Auditors and two Alternate Auditors;
  - 4.2 Appointment of the Chairman;
  - 4.3 Determination of the annual remuneration for the members of the Board of Statutory Auditors.

**Disclosure on the share capital.** The Company's share capital is 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 8 March 2017, the Company held 371,520 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.si-servizitalia.com](http://www.si-servizitalia.com) (Investor Relations >Corporate Governance > Shareholders' Meeting).

**Participation in the Shareholders' Meeting.** Pursuant to Article 83-sexies of Italian Legislative Decree No. 58/98 as amended (the "Consolidated Finance Law" or "CFL") and Article 13 of the Articles of Association, Shareholders are entitled to attend if they have the right to vote and the Company, by 13 April 2017, has received the communication from the appointed intermediaries, bearing witness to their ownership of the shares on the basis of the accounting records relating to the end of the accounting day of the seventh open market day prior to the date set for the Meeting in first call, i.e. 7 April 2017 (*record date*). Those who only become owners of shares after the *record date* are not entitled to participate and vote during the Meeting. Pursuant to Article 13.2 of the Articles of Association, each party with the right to vote who has the right to participate in the Meeting, may arrange for themselves to be represented by others via written proxy, in compliance with and within the limits of the matters laid down by law. The proxy may be granted also electronically or by means of an IT document signed in electronic form as per Article 21, paragraph 2 of Italian Legislative Decree No. 82 dated 7 March 2005, in accordance with current legislation.

A proxy form is available at the registered offices and on the Company website [www.si-servizitalia.com](http://www.si-servizitalia.com) (Investor Relations >Corporate Governance > Shareholders' Meeting), as well as with the qualified intermediaries; the proxy can be sent to the Company by means of forwarding, via certified e-mail, to the following address [si-servizitalia@postacert.cedacri.it](mailto:si-servizitalia@postacert.cedacri.it), together with the communication issued by the appointed intermediaries in compliance with their accounting records.

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

Pursuant to Article 11.6 of the Articles of Association, the Company does not designate a party to which the Shareholders can grant a proxy with voting instructions for participation in General meetings pursuant to Article 135-undecies of the CFL.

**Right to ask questions.** Pursuant to Article 127-ter of the CFL, those who have the right to vote can ask questions about the agenda items, also before the meeting, by the deadline of 17 April 2017, by means of registered letter sent to the Company's registered offices, or via certified e-mail to the e-mail address [si-servizitalia@postacert.cedacri.it](mailto:si-servizitalia@postacert.cedacri.it); for the purpose of exercising this right, the Company must receive a specific communication issued

by the intermediaries, the custodians of the shares owned by the Shareholder. These questions shall be answered at the latest during the Meeting, with the faculty of the Company to provide a single answer to questions with the same content.

**Supplementing of the agenda and presentation of new resolution proposals.** Pursuant to Article 126-*bis* of the CFL, 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 18 March 2017), 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 requests must be presented in writing, forwarded via registered letter to the Company's registered offices, or by means of notification to the e-mail address [si-servizitalia@postacert.cedacri.it](mailto:si-servizitalia@postacert.cedacri.it) and accompanied by a specific communication issued by the intermediaries where the shares owned by the Shareholders are deposited. 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 calling, at least fifteen days before the date fixed for the Meeting in first calling. The request to supplement the agenda is not permitted for the items on which the Meeting resolves, as per the law, upon proposal of the directors or on the basis of a project or a report drawn up by the same, differing from those as per Article 125-*ter*, first paragraph of the CFL. 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 management body by the last deadline for the presentation of the integration request. The management body shall make the report available to the general public, accompanied by its assessments, if any, at the same time as the publication of the notification of integration, making it available at the registered offices, on the Company website and by means of the other formalities envisaged by the Consob regulations in force on the subject.

**Shareholding required for the submission of lists of candidates for members of the Board of Statutory Auditors.** It should be noted that pursuant to the current legislative provisions and Article 20 of the Articles of Association, the appointment of the Board of Statutory Auditors is based on the lists submitted by the shareholders where the candidates are listed by means of a consecutive number. The lists include two sections: one for the candidates to the statutory auditor office, the other for the candidates to the alternate auditor office. Each section must have at least one male and one female candidate; the candidates must be entered into the list alternating (one male, one female or vice versa, and so on). The lists with less than three candidates are exempt. Each list must also have as an attachment, by the deadline for its filing with the registered offices, the additional documentation as set forth by Article 20 of the Articles of Association and indicated in the Directors' Report relating to point 4 of the agenda of the Shareholders' meeting that can be freely consulted on the website [www.si-servizitalia.com](http://www.si-servizitalia.com) (Investor Relations>Corporate Governance>Shareholders' Meeting).

The following have the right to present lists (in consideration of the matters established by Consob by means of Resolution No. 19856 published on 25 January 2017): 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.

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.

The certification of ownership of this shareholding can also be produced after the filing provided that this takes place by the deadlines set out for the publication of the lists by the Company and by sending the appropriate communications as required by current legislation, i.e. by 30 March 2017.

The lists must be filed at the Company's registered offices or forwarded by means of e-mail to the following address [si-servizitalia@postacert.cedacri.it](mailto:si-servizitalia@postacert.cedacri.it), by the twenty-fifth day prior to the date set out for the Meeting in first call, i.e. by 26 March 2017, and made available to the general public at the registered offices, on the website and using the other formalities as set forth by Consob regulations, at least twenty-one days before the date of the Meeting, i.e. 30 March 2017. If at the expiry of the 25th day prior to the day set out for the first call of the Shareholders' Meeting, i.e. by 26 March 2017, only one list has been submitted, or the only lists submitted are by Shareholders related with one another, pursuant to article 144-quinquies of the Consob Regulations no. 11971/1999, the lists can be submitted up to the 3rd day after this date, i.e. by 29 March 2017. In this case, said threshold is reduced to 1.25% (article 144-sexies, paragraph 5, Consob Regulation no. 11971/1999).

It must be noted that the Consob Recommendation no. DEM/9017893 of 26 February 2009, states that the Shareholders who submit a minority list, must file together with the list, a declaration stating the absence of association relationships, also indirect, as set forth in article 144-quinquies of the Consob Regulation no. 19971/1999.

The lists that do not comply with the above provisions will not be considered as submitted lists.

Pursuant to article 20 of the Articles of Association, the renewal of the Board of Statutory Auditors must comply with the regulations regarding a balance in gender, as per Law no. 120 of 12 July 2011; pursuant to this law, the gender that is less represented is entitled to a number of auditors equal to at least one third of the elected auditors. If the Shareholders intend to submit a list for the renewal of the Board of Statutory Auditors with three or more candidates - considering both the Statutory and the Alternate Auditors - these lists must include both genders, so that the candidates of the least represented gender are at least 1/3 of the total (rounding up in the case of a fraction).

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**Documentation.** The reports of the Board of Directors on the items of the agenda and the resolution proposals contained therein as well as the documentation relating to the agenda items, as required by current legislation, shall be made available to the general public at the Company's registered offices, on the Company website [www.si-servizitalia.com](http://www.si-servizitalia.com), in the section Investor Relations>Corporate Governance>Shareholders' Meeting, and can be accessed through the storage mechanism IInfo at the following e-mail address [www.1info.it](mailto:www.1info.it), under the terms and formalities as per the law. The remaining documentation useful for the Meeting shall be published by the legal deadlines. The Shareholders have the faculty to obtain a copy of the same at their own expense.

It should furthermore be noted that, pursuant to Article 125-*quater* of the CFL, the Company's website [www.si-servizitalia.com](http://www.si-servizitalia.com) (Investor Relations>Corporate Governance>Shareholders' Meeting) provides the following documents or information: (i) the documents which will be submitted to the Meeting; (ii) the forms which the Shareholders have the faculty to use for the vote by proxy and the related instructions; (iii) the information on the amount of the Company's share capital with indication of the number and of the categories of shares which it is divided up into.

**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.si-servizitalia.com](http://www.si-servizitalia.com), in the section Investor Relations>Corporate Governance>Shareholders' Meeting or write to the Corporate Services office at the following certified e-mail address [si-servizitalia@postacert.cedacri.it](mailto:si-servizitalia@postacert.cedacri.it).

This notice of call is published as of today's date, pursuant to Article 125-*bis* of the CFL and pursuant to Article 11 of the Articles of Association, on the Company's website [www.si-servizitalia.com](http://www.si-servizitalia.com) (Investor Relations >Corporate Governance > Shareholders' Meeting) and can be accessed through the storage mechanism IInfo at the e-mail address [www.iinfo.it](mailto:www.iinfo.it) and, in extract form, in the newspaper MF - MILANO FINANZA dated 9 March 2017.

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

*Castellina di Soragna, Parma, Italy 8 March 2017.*

*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 2017)

Name and Surname	Position
Roberto Olivi	Chairman
Enea Righi	Vice-Chairman and CEO
Ilaria Eugeniani	Director
Emil Anceschi	Director
Antonio Paglialonga	Director
Lino Zanichelli	Director
Vasco Salsi	Director
Marco Marchetti	Director with proxy
Paola Schwizer (1)-(2)-(3)	Independent Director
Romina Guglielmetti (1)-(2)	Independent Director
Paola Galbiati (1)-(2)	Independent Director

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

### Board of Statutory Auditors (in office until approval of the Separate Financial Statements as at 31 December 2016)

Name and Surname	Position
Marco Elefanti	Chairman
Anna Maria Fellegara	Statutory Auditor
Andrea Spollero	Statutory Auditor
Ernestina Bosoni	Alternate Auditor
Lorenzo Keller	Alternate Auditor

### Supervisory Body (in office until 2 February 2019)

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

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

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

### Registered offices and company information

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

Tel. +390524598511, Fax +390524598232, internet site: [www.si-servizitalia.com](http://www.si-servizitalia.com);

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

Tax code and Parma Business Register No.: 08531760158; Certified email: [si-servizitalia@postacert.cedacri.it](mailto:si-servizitalia@postacert.cedacri.it)

Founded: 1986

Stock market listing: Borsa Italiana S.p.A. Mercato Telematico Azionario (MTA, electronic stock market), STAR segment

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

LEI Code: 815600C8F6D5ACBA9F86

### Investor Relations

Giovanni Manti – IR, Chiara Peterlini - IR *assistant*

email: [investor@si-servizitalia.com](mailto:investor@si-servizitalia.com) – Tel. +390524598511, Fax +390524598232

## GROUP STRUCTURE

Servizi Italia S.p.A., registered offices in Castellina di Soragna (PR), listed in the STAR segment of the Borsa Italiana S.p.A. MTA stock exchange, is the leading Italian operator in the supply of integrated services for the wash-hire and sterilisation of textile materials and surgical instruments for hospital facilities. With a technologically advanced production platform broken down into laundering facilities, 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 and Albania.

As at 31 December 2016, the Servizi Italia Group included the following Companies:

<b>Company Name Parent Company and Subsidiaries</b>	<b>Registered Offices</b>	<b>Share Capital</b>	<b>% interest</b>
Servizi Italia S.p.A.	Castellina di Soragna (Parma) - Italy	EUR 31,809,451	Parent Company
SRI Empreendimentos e Participações L.t.d.a.	City of São Paulo, State of São Paulo - Brazil	R\$ 142,913,102	100%
Servizi Italia Medical S.r.l.	Castellina di Soragna (PR) - Italy	EUR 200,000	100%
Se.Sa.Tre. S.c.r.l.	Genoa - Italy	EUR 20,000	60%
Tintoria Lombarda Divisione Sanitaria S.r.l.	Barbariga (BS) – Italy	EUR 260,626	100%
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	R\$ 550,000	100%(*)
Maxlav Lavanderia Especializada S.A.	Jaguariúna, State of São Paulo - Brazil	R\$ 2,825,060	50.1%(*)
Vida Lavanderias Especializada S.A.	Santana de Parnaíba, State of São Paulo - Brazil	R\$ 1,900,000	50.1%(*)
Aqualav Serviços De Higienização Ltda	Vila Idalina, Poá, State of São Paulo - Brazil	R\$ 15,400,000	100%(*)

(\*) Held through SRI Empreendimentos e Participações Ltda

<b>Company Name Associates and Jointly controlled Companies</b>	<b>Registered Offices</b>	<b>Share Capital</b>	<b>% holding</b>
Arezzo Servizi S.c.r.l.	Arezzo - Italy	EUR 10,000	50%
PSIS S.r.l.	Padua - Italy	EUR 10,000,000	50%
Ekolav S.r.l.	Lastra a Signa (FI) - Italy	EUR 100,000	50%
Steril Piemonte S.c.r.l.	Turin - Italy	EUR 4,000,000	50%
AMG S.r.l.	Busca (CN) - Italy	EUR 100,000	50%
Iniziative Produttive Piemontesi S.r.l.	Turin - Italy	EUR 2,500,000	37.625%
Piemonte Servizi Sanitari S.c.r.l.	Turin - Italy	EUR 10,000	30%(^)
SE.STE.RO. S.r.l.(**)	Castellina di Soragna (PR) - Italy	EUR 400,000	25%
CO.SE.S S.c.r.l.	Perugia - Italy	EUR 10,000	25%
SAS Sterilizasyon Servisleri A.Ş.	Istanbul - Turkey	TRY 500,000	51%
Shubhram Hospital Solutions Private Limited	New Delhi - India	INR 270,171,720	51%
Ankateks Turizm Insaat Tekstil Ltd.	Ankara – Turkey	TRY 5,000,000	40%
Finanza & Progetti S.p.A.	Vicenza - Italy	EUR 550,000	50%

Saniservice Sh.p.k.	Tirana – Albania	LEK	2,745,600	30%
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<sup>(1)</sup> Indirect shareholding of 15.05% through Iniziative Produttive Piemontesi S.r.l.

<sup>(\*\*)</sup> Company in liquidation from 1 January 2016.

## DIRECTORS' REPORT

These separate financial statements include the consolidated financial statements as at 31 December 2016. The Group's main economic, equity and financial highlights as at 31 December 2016 are shown below along with the comparative information set in compliance with the IAS/IFRS International Accounting Standards.

The consolidated subsidiaries are San Martino 2000 S.c.r.l., Se.Sa.Tre. S.c.r.l., Servizi Italia Medical S.r.l., Tintoria Lombarda Divisione Sanitaria S.r.l. and SRI Empreendimentos e Participações Ltda (parent company of the companies: Lavsim Higienização Têxtil S.A., Maxlav Lavanderia Especializada S.A., Vida Lavanderias Especializada S.A. and Aqualav Serviços De Higienização Ltda). 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 indexes, 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 148,762 thousand. The result for the year was a profit of Euro 11,880 thousand. This result was achieved after having provided Euro 2,842 thousand for current and deferred tax and Euro 38,979 thousand for amortisation, depreciation, impairment and provision.

### Main income statement figures

The table below shows a comparison of the main 2016 income statement figures with the results for 2015 (in thousands of Euros):

<i>(thousands of Euros)</i>	31 December 2016	31 December 2015	Change	Change %
Revenues	198,757	202,057	(3,300)	-1.6%
EBITDA (a)	53,675	54,974	(1,299)	-2.4%
<i>EBITDA %</i>	<i>27.0%</i>	<i>27.2%</i>		
Operating profit (EBIT)	14,696	16,208	(1,512)	-9.3%
<i>Operating profit (EBIT)%</i>	<i>7.4%</i>	<i>8.0%</i>		
Net profit	11,880	11,724	156	1.3%
<i>Net profit %</i>	<i>6.0%</i>	<i>5.8%</i>		

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

## Main statement of financial position figures

The table below shows a comparison of the main 2016 statement of financial position figures with the figures for 2015 (in thousands of Euros):

<i>(thousands of Euros)</i>	Year ended as at 31 December		Change	Change %
	2016	2015		
Net operating working capital (a)	12,725	17,740	(5,015)	-28%
Other current assets/liabilities (b)	(13,836)	(10,594)	(3,242)	31%
<b>Net working capital</b>	<b>(1,111)</b>	<b>7,146</b>	<b>(8,257)</b>	<b>-116%</b>
Non-current assets - medium/long-term provisions	223,321	198,321	25,000	13%
<b>Invested capital</b>	<b>222,210</b>	<b>205,467</b>	<b>16,743</b>	<b>8%</b>
Shareholders' equity	148,762	138,123	10,639	8%
Net financial debt (d)	73,448	67,344	6,104	9%
<b>Invested capital (c)</b>	<b>222,210</b>	<b>205,467</b>	<b>16,743</b>	<b>8%</b>

- (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) Invested capital is not an accounting measurement under the IFRSs endorsed by the European Union. The Company management has defined invested capital as the sum of Shareholders' equity and net financial debt.
- (d) The management has defined net financial debt as the sum of amounts Due to banks and other lenders net of Cash and cash equivalents and Current financial receivables.

## Main cash flow figures

The table below shows a comparison between the main cash flow figures as at 31 December 2016 and as at 31 December 2015 (in thousands of Euros).

<i>(thousands of Euros)</i>	Year ended as at 31 December		Change
	2016	2015	
Cash flow generated (absorbed) by operations	48,894	38,336	10,558
Net cash flow generated (absorbed) by investment activities	(50,209)	(58,827)	8,618
Net cash flow generated (absorbed) by financing activities	328	18,264	(17,936)
Increase/(decrease) in cash and cash equivalents	(987)	(2,227)	1,240
Opening cash and cash equivalents	2,012	4,239	(2,227)
Closing cash and cash equivalents	1,025	2,012	(987)

## Servizi Italia Group

The consolidated financial statements as at 31 December 2016 present Group shareholders' equity of Euro 137,211 thousand and shareholders' equity attributable to non-controlling interests of Euro 545 thousand. The result for the year was a profit of Euro 10,515 thousand. This result was achieved after having provided Euro 2,557 thousand for current and deferred tax and Euro 50,278 thousand for amortisation, depreciation, impairments and provision.

The companies, consolidated line-by-line in the financial statements for the period ended 31 December 2016, were the following:

**Consorzio San Martino 2000 S.c.r.l.**, a consortium company established in 2003, with headquarters in Genoa, for the management of the contract relating to the San Martino di Genova hospital, 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.

**Consorzio SE.SA.TRE. S.c.r.l.**, a consortium company established in 2008, with headquarters in Genoa, for the management of the contract relating to the Treviso Local Health Unit No. 9, 60% of which held by Servizi Italia S.p.A., operates as intermediary between the customer and the consortia companies without generating its own profits.

**Servizi Italia Medical S.r.l.**, a limited liability company established in 2005, with headquarters in Castellina di Soragna (Pr) whose activities involve the purchase, intermediation, sale and production and/or development of cal devices. The consolidation of Servizi Italia Medical S.r.l. generated sales revenues for Euro 2,789 thousand, an EBITDA of Euro 39 thousand, an EBIT of Euro 23 thousand and a profit pertaining to the Group of Euro 22 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 headquarters in Jaguariuna, State of São Paulo (Brazil);
- 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);
- 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 an investee company starting from 2 July 2012 of Servizi Italia S.p.A.;
- 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 with particular focus on hospitals, nursing homes and healthcare facilities in the capital. The consolidation of the companies generated sales revenues for Euro 27,337 thousand, an EBITDA of Euro 4,131 thousand, a negative EBIT of Euro 74 thousand and losses pertaining to the Group for Euro 654 thousand.

**Tintoria Lombarda Divisione Sanitaria S.r.l.**, a limited liability company established in 2016, with headquarters in Barbariga (BS), active in the sector of wash-hire services for healthcare structures. The consolidation of Tintoria Lombarda Divisione Sanitaria S.r.l. generated sales revenues for Euro 6,740 thousand, EBITDA of Euro 1,251 thousand, EBIT of Euro 179 thousand and a profit pertaining to the Group for Euro 66 thousand.

## Statement of reconciliation between separate and consolidated financial statements

The reconciliation between the shareholders' equity and result for the year and the corresponding consolidated figures is as follows:

<i>(thousands of Euros)</i>	2016 profit (loss)	2016 shareholders' equity	2015 profit (loss)	2015 shareholders' equity
<b>Profit (loss) and shareholders' equity of the parent company</b>	<b>11,880</b>	<b>148,762</b>	<b>11,724</b>	<b>138,123</b>
Profit (loss) and shareholders' equity of the subsidiaries	(192)	45,174	(42)	30,941
Elimination of equity investments	-	(76,285)	-	(53,060)
Consolidation differences	-	22,959	-	10,208
Other surplus value emerging at the time of acquisition	(653)	2,378	(20)	275
Registration of options on minority interests	(309)	(3,313)	1,520	(2,686)
Valuation of equity investments	(217)	(1,918)	(756)	(1,701)
Elimination of intercompany dividends	-	-	-	-
Intercompany profits included in the inventory	7	-	58	(7)
<b>Consolidated profit (loss) and shareholders' equity</b>	<b>10,515</b>	<b>137,756</b>	<b>12,484</b>	<b>122,093</b>
Allocation of non-controlling interests profit (loss) and shareholders' equity	(64)	(545)	244	(379)
<b>Group profit (loss) and shareholders' equity</b>	<b>10,451</b>	<b>137,211</b>	<b>12,728</b>	<b>121,714</b>

## Main consolidated income statement figures

The table below presents a comparison of the main consolidated income statement figures as at 31 December 2016 with the results as at 31 December 2015 (in thousands of Euros):

<i>(thousands of Euros)</i>	31 December 2016	31 December 2015	Change	Change %
Revenues	237,716	229,983	7,733	3.4%
EBITDA (a)	64,022	63,649	373	0.6%
<i>EBITDA %</i>	26.9%	27.7%		
Operating profit (EBIT)	13,745	16,565	(2,820)	-17.0%
<i>Operating profit (EBIT)%</i>	5.8%	7.2%		
Net profit	10,515	12,483	(1,969)	-15.8%
<i>Net profit %</i>	4.4%	5.4%		

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

## 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 2016 with the figures as at 31 December 2015 (in thousands of Euros):

<i>(thousands of Euros)</i>	31 December 2016	31 December 2015	Change	Change %
Net operating working capital (a)	12,608	13,726	(1,118)	-8.1%
Other current assets/liabilities (b)	(11,692)	(7,565)	(4,127)	54.6%
<b>Net working capital</b>	<b>916</b>	<b>6,161</b>	<b>(5,245)</b>	<b>-85.1%</b>
Non-current assets - medium/long-term provisions	216,457	183,086	33,371	18.2%
<b>Invested capital</b>	<b>217,373</b>	<b>189,247</b>	<b>28,126</b>	<b>14.9%</b>
Shareholders' equity	137,756	122,094	15,662	12.8%
Net financial debt (d)	79,617	67,153	12,464	18.6%
<b>Invested capital (c)</b>	<b>217,373</b>	<b>189,247</b>	<b>28,126</b>	<b>14.9%</b>

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

- (b) Other current assets/liabilities are calculated as the difference between other current assets, current tax receivables, current tax payables and other current liabilities.
- (c) The Company management has defined invested capital as the sum of Shareholders' equity and net financial debt.
- (d) The management has defined net financial debt as the sum of amounts Due to banks and other lenders net of Cash and cash equivalents and Current financial receivables.

### Main consolidated cash flow figures

The table below shows a comparison between the main consolidated cash flow figures as at 31 December 2016 and as at 31 December 2015 (in thousands of Euros):

<i>(thousands of Euros)</i>	Year ended as at 31 December		Change
	2016	2015	
Cash flow generated (absorbed) by operations	56,900	40,369	16,531
Net cash flow generated (absorbed) by investment activities	(56,035)	(50,916)	(5,119)
Net cash flow generated (absorbed) by financing activities	(3,241)	14,472	(17,713)
Increase/(decrease) in cash and cash equivalents	(2,376)	3,925	(6,301)
Opening cash and cash equivalents	7,082	5,178	1,904
Effect of exchange rate fluctuations	(757)	2,021	(2,778)
Closing cash and cash equivalents	5,463	7,082	(1,619)

### Company information and business performance

Servizi Italia S.p.A.'s business performance recorded revenues from sales and services in 2016 of Euro 198,757 thousand in total.

The consolidated turnover of the Servizi Italia Group stood at Euro 237,716 thousand showing an increase of 3.4% compared to 2015, due primarily to the consolidation of Tintoria Lombarda Divisione Sanitaria S.r.l. and Aqualav Serviços De Higienização Ltda (acquired at the end of the previous year). On a like-for-like consolidation basis, the sales loss of the Group would have been approximately 1.7%. The turnover in the Brazilian area was impacted by a drop in value of the average Real exchange rate, whereas the Italian area was negatively impacted by the renegotiation of contracts in the portfolio due to the application of the spending review and the termination of contracts with some customers.

Please note the following as regards consolidated revenue from sales and services by sector in the years 2016 and 2015:

- revenue from wash-hire services increased by 3.8% from Euro 173,453 thousand in 2015 to Euro 180,085 thousand in 2016. In relative terms, the wash-hire as at 31 December 2016, is 75.8% of the total amount of sales and services, showing an increase compared with the 75.4% as at 31 December 2015;
- revenue from linen sterilisation services increased by 0.9% from Euro 19,002 thousand in the year ended 31 December 2015 to Euro 19,165 thousand in the year ended 31 December 2016;
- revenue from surgical instrument sterilisation services increased by 2.5% from Euro 37,528 thousand in the year ended 31 December 2015 to Euro 38,466 thousand in the year ended 31 December 2016.

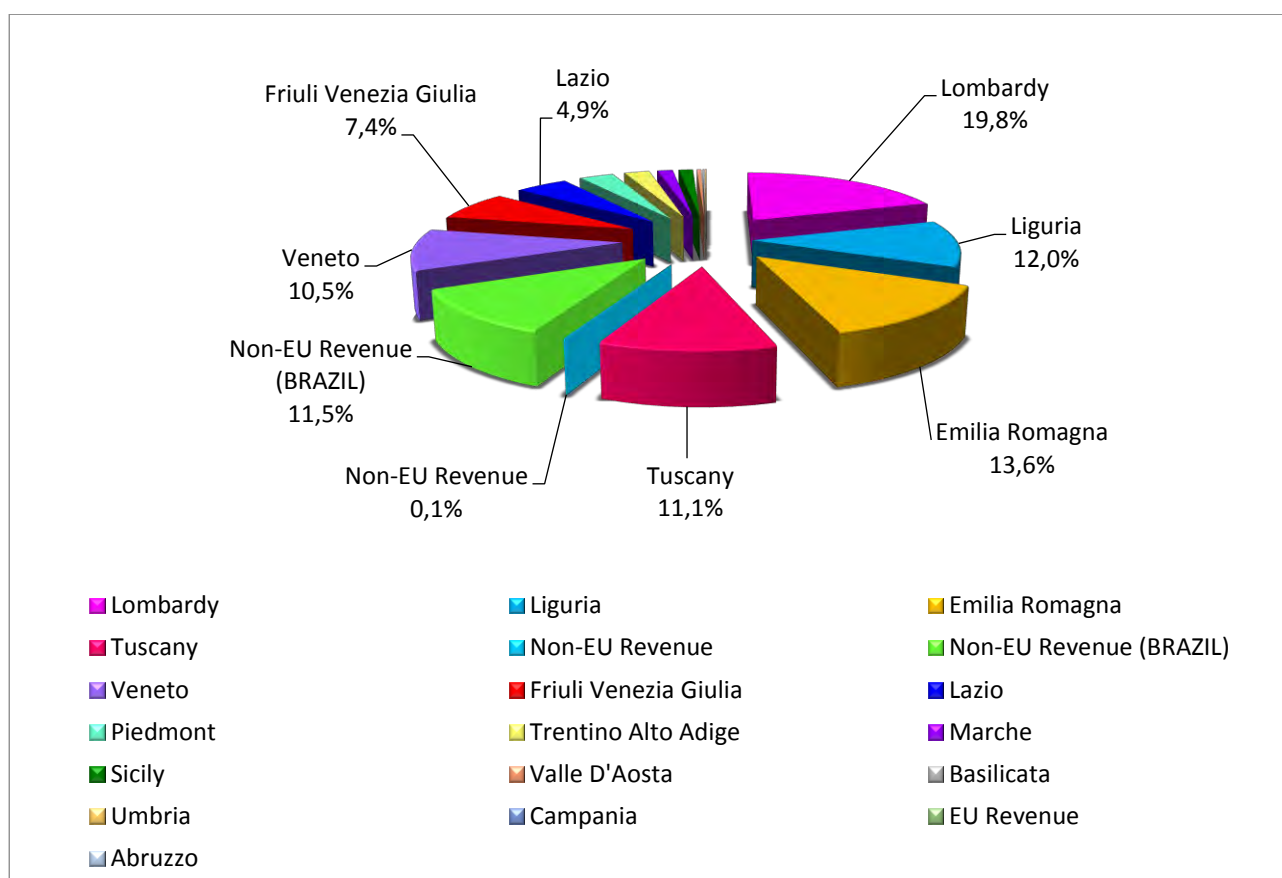
The 2016 turnover of the line was positively affected by the starting of services provided to some customers.



The table below shows revenues from sales and services of the Servizi Italia Group by region, listed in alphabetical order, for the periods ending on 31 December 2016 and 2015, taken from the consolidated financial statements:

<i>(thousands of Euros)</i>	31 December 2016	%	31 December 2015	%	Change
Abruzzo	5	-	12	-	n.s.
Basilicata	415	0.2%	402	0.2%	3.2%
Campania	50	-	44	-	13.6%
Emilia Romagna	32,254	13.6%	32,066	13.8%	0.6%
Friuli Venezia Giulia	17,658	7.4%	17,270	7.4%	2.2%
Lazio	11,676	4.9%	12,708	5.6%	-8.1%
Liguria	28,420	12.0%	27,892	12.1%	1.9%
Lombardy	46,986	19.6%	42,979	18.6%	9.3%
Marche	3,481	1.5%	3,499	1.5%	-0.5%
Piedmont	7,733	3.3%	9,972	4.3%	-22.5%

Sicily	3,217	1.4%	3,178	1.4%	1.2%
Tuscany	26,441	11.1%	25,969	11.3%	1.8%
Trentino Alto Adige	5,665	2.4%	5,698	2.4%	-0.6%
Umbria	253	0.1%	255	0.1%	-0.8%
Valle D'Aosta	1,031	0.4%	1,193	0.5%	-13.6%
Veneto	24,926	10.5%	25,845	11.2%	-3.6%
EU revenues	-	-	14	-	n.s.
NON-EU revenues	168	0.1%	-	-	n.s.
NON-EEC revenues (BRAZIL)	27,337	11.5%	20,987	9.6%	30.3%
<b>Total</b>	<b>237,716</b>	<b>100.0%</b>	<b>229,983</b>	<b>100.0%</b>	<b>3.4%</b>



## Servizi Italia Group investments

Group investments in 2016 amounted to around Euro 43 million, up compared with approximately Euro 40 million in 2015.

Purchases of linen and technical fabrics rose from Euro 28.7 million in 2015 to Euro 30.2 million in 2016, about 70.3% of the total investments made. The increase was due primarily to the consolidation of Tintoria Lombarda Divisione Sanitaria S.r.l. and to the budget increase for the Brazilian companies.

At a business line level, the wash-hire segment showed higher investments (Euro 36.9 million) due to the acquisition of the company Tintoria Lombarda Divisione Sanitaria S.r.l. in the Italian area and Aqualav Serviços De Higienização Ltda in the Brazilian area. The surgical instrument sterilisation line, in which the investments reached about Euro 3.9 million, included Euro 1.4 million for the purchase of the surgical instruments, Euro 0.9 million for the construction of the surgical instrument sterilisation facility of Ariccia and Euro 0.5 million for the restructuring of the surgical instrument sterilisation facility at Centro Traumatologico Ortopedico of Azienda Ospedaliera Careggi of Florence.

### **Servizi Italia S.p.A.**

**EBITDA** declined from Euro 54,974 thousand in 2015 to Euro 53,675 thousand in 2016 (2.4% decrease in absolute value). In relative terms, EBITDA, as regards revenues from sales and services, remained fairly stable from 27.2% to the 27.0% of the previous year. The EBITDA margin was negatively affected by the decrease in revenue from the wash-hire line due to the termination of some contracts and the renegotiation of existing contracts with the application of the spending review. The sales loss of the wash-hire line was partially mitigated by the business volume generated in the segment of surgical instrument sterilisation, which showed a 2.5 growth compared with the previous year. The recovery of EBITDA versus the loss in turnover was due to a decline in personnel cost (1.7% in absolute value) following the redefinition of the hourly modules at some production units of the laundering facility, the reallocation of volumes to the facilities for a better management of the service and the reorganisation of the production equipment as well as cost reduction for services (3.7% in absolute value).

The **operating profit (EBIT)** increased from Euro 16,208 thousand to Euro 14,696 thousand after recognising depreciation, amortisation, impairment and provision of Euro 38,979 thousand. In relative terms, the ratio between EBIT and revenue from sales and services decreased by 0.6%. In comparing the financial years, the increase in the impact of depreciation, amortisation, impairment and provision of the revenue is to be linked to the incremental depreciation for the start-up of the surgical instrument sterilisation facilities of Messina and Florence.

**Profit before tax** decreased by 4.7% from Euro 15,447 thousand to Euro 14,722 thousand. Financial management showed a decrease in net financial charges in 2016 following a decrease in the rates applied to loans.

The separate financial statements as at 31 December 2016 reported a **net profit** of Euro 11,880 thousand compared with Euro 11,724 thousand in 2015, an increase of 1.3% but also a significant recovery, compared with the profit before taxes due to a reduction of the effective tax rate by 4.8%. The decrease in tax burden was mainly determined by the benefit deriving from the deduction from the taxable income of the so-called “super-depreciations”, as set forth in the Stability Law of 2016 (article 1, paragraphs 91-94 and 97, Law 208/2015), and the reversal of the deferred tax liabilities provision following the acquisition of the customer

portfolios of the companies merged in 2015, which has made possible the deduction of the related depreciations.

### **Servizi Italia Group**

Consolidated **EBITDA** grew from Euro 63,649 thousand in 2015 to Euro 64,023 thousand in 2016, a 0.6% increase in absolute terms. This increase was due to the consolidation, within the Italian scope, of Tintoria Lombarda Divisione Sanitaria S.r.l., and of Aqualav Serviços De Higienização Ltda, within the Brazilian area. EBITDA was positively impacted by the increase in sales revenues (3.4% in absolute value) from both the wash-hire and the instrument sterilisation lines, while it was negatively impacted by a significant increase in operating expenses (3.7% in absolute value) and especially in personnel expense. The increase in personnel expense is affected, within the Italian area, by the consolidation of Tintoria Lombarda Divisione Sanitaria S.r.l. offset by the reduction in personnel expense for the redefinition of the hourly modules in some production units and the restructuring of the company Servizi Italia Medical S.r.l. Within the Brazilian area, on the contrary, an increase in personnel expense was due primarily to the company Aqualav Serviços De Higienização Ltda and to the effects of the adjustments to the inflation rate of the labour agreements of the state of São Paulo (Brazil) and to the increase in labour units following a growth in the laundry services thanks to the awarding of new contracts.

The consolidated **operating results (EBIT)** declined from Euro 16,565 thousand in 2015 to Euro 13,745 thousand in 2016 after recording amortisation, depreciation, impairment and provision for Euro 50,278 thousand, a 6.8% increase compared with the previous year, which was the result, in the Brazilian area, of an increase in the depreciation of linen and the new production lines, whereas in the Italian area, it was the result of the customer portfolio and the depreciation of linens of Tintoria Lombarda Divisione Sanitaria S.r.l. as well as of an incremental depreciation due to the start-up of the surgical instrument sterilisation facilities of Messina and Florence. EBIT in relation to turnover decreased from 7.2% to 5.8%.

**Profit before tax** decreased from Euro 16,435 thousand to Euro 13,072 thousand. Financial operations, despite an overall reduction of 0.4% in gross financial charges, showed an increase in net financial charges, compared with the previous year, which included for Euro 2,032 thousand a financial income deriving from the recalculation of the debt from the put options related to the purchase of the residual 49.9% of the companies Maxlav Lavanderia Especializada S.A. and Vida Lavanderias Especializada S.A.

The consolidated financial statements at 31 December 2016 closed with a **net profit** of Euro 10,515 thousand compared to Euro 12,483 thousand in 2015 showing a significant recovery, compared with the income before taxes, due to a decrease in tax burden within the Italian area, based on the benefit deriving from the deduction from the company's income of the so-called "super-amortisation", as set forth in the Stability Law 2016 (article 1, paragraph 91-94 and 97, Law 208/2015), and on the reversal of the deferred tax liabilities provision following the acquisition of customer portfolios from the companies merged in 2015, which has made possible the deduction of the related depreciations.

## **Significant events and transactions**

On 14 March, the Board of Directors exercised the power granted by the Extraordinary Shareholders' Meeting of 26 September 2014, pursuant to article 2443 of the Italian Civil Code, to increase the share capital, against payment and in divisible form, for the total amount, including any premium, up to a maximum Euro 4,000,000 through the issuing of a maximum 1,150,000 new ordinary shares, with a par value of Euro 1.00 each, with the same characteristics as those outstanding, excluding the purchase option pursuant to article 2441, paragraph 4, second section, of the Italian Civil Code, reserved by subscription to Steris UK Holding Limited. For additional information, refer to the documentation related to the Shareholders' Meeting of 26 September 2014, to the “Lock-up” shareholders' agreement, and to the press releases of 26 September and 6 October 2014 as well as subsequent communications available on the Company's internet site.

On 6 April, Servizi Italia S.p.A. announced the new composition of the share capital, following the increase in the shareholding of STERIS Corporation (via the wholly owned indirect subsidiary Steris UK Holding Limited) in the shareholding structure of Servizi Italia, by means of an Authorised Share Capital Increase in the amount of Euro 3,999,997 (inclusive of share premium), with the exclusion of option rights as per Article 2441, paragraph 4, second section of the Italian Civil Code, by means of the issuance of 1,110,185 ordinary shares of the company at an issue price for the new shares of Euro 3.6030. Servizi Italia did not sell any treasury shares for the Authorised Share Capital Increase. Steris UK Holding Limited holds a 5.9% stake in Servizi Italia. Certification of the execution of the share capital increase was filed care of the Parma Companies' Register on 5 April 2016.

On 20 April, the Shareholders' Meeting approved the financial statements as at 31 December 2015 and the distribution of a gross dividend of Euro 0.15 per share outstanding on the coupon date, excluding treasury shares. Payment took place on 27 April 2016, with a coupon payment on 25 April 2016.

The Shareholders' Meeting authorised the Board of Directors to purchase and sell treasury shares, based on prior revocation of the resolution of 22 April 2015. The plan meets the need of offering an opportunity for the efficient investment of company liquidity and the possibility of using it for strategic transactions and/or to complete subsequent share purchase and sale transactions, within the limits permitted by the applicable market practices. The authorisation is for a maximum number of Servizi Italia S.p.A. ordinary shares equating to 20% of the share capital, taking into account the treasury shares already held, for a period of 18 months as of the Shareholders' Meeting resolution. The purchase transactions will be carried out on the market at a price of up to 20% more or less than the weighted average of official prices in the 3 days preceding the individual transaction.

The Shareholders' Meeting of 20 April, held also in extraordinary session, approved the amendments to article 2 of the Articles of Association, containing the “Corporate purpose”, targeted at better structuring and clarifying the activities involved in the corporate purpose, actually adjusting it into line with the current market conditions in which the Company operates. The amendments made do not determine any change to the

company's activities, whose scope remains essentially unchanged, nor involve potential changes in business risk and/or cost-effectiveness of the investment, therefore, do not entitle shareholders to exercise the right of withdrawal set forth in the applicable regulations.

The Board of Directors meeting, held on 20 April, resolved to launch the programme for the purchase and sale of treasury shares, in implementation of the resolution issued by the ordinary Shareholders' Meeting.

On 4 May, the Company announced, pursuant to article 131 of the CONSOB Regulation no. 11971/1999 as amended – that the shareholders' agreements contained in the Lock-up stipulated on 4 August 2014 between Servizi Italia S.p.A., STERIS Corporation and STERIS UK Holding Limited, concerning 1,877,607 ordinary shares representing 5.90% of the share capital of Servizi Italia S.p.A., were terminated with no need for any amendment of and/or supplement to the Lock-up itself.

On 9 June, the Company announced the inauguration and simultaneous launch of the production activities of the sterilisation centre at the University Hospital Madre Teresa di Tirana. For further information, please refer to the press release issued on the same date.

On 14 June, the Company announced that Shubhram Hospital Solutions Private Limited was awarded the contract for providing the flat and packed linen wash-hire service to healthcare facilities located in the New Delhi area, headed up by Fortis Healthcare Ltd. Group. The contract that Shubhram executed with the Fortis Group has an initial duration of 5 years, renewable for an additional 5 years, and entered into force as from July 2016. The annual value of this awarded contract, when fully effective, is INR 255.0 million, about Euro 3.4 million. For further information, please refer to the press release issued on the same date.

On 21 June, the Company announced that the Brazilian companies of the Servizi Italia Group signed a contract for hospital linen wash-hire services, for a term of five years, which became effective in June 2016, with increasing production volumes of linen to be reconditioned at the various laundry facilities of the Group. The contract has a total value, over the entire contractual period, of about Euro 20 million (at the exchange rate in effect on 21 June). For further information, please refer to the press release issued on the same date.

On 7 July, the Company completed the acquisition of 100% of the share capital of “Tintoria Lombarda Divisione Sanitaria S.r.l.”, a company to which the business unit for the healthcare sector of Tintoria Lombarda di Fasoli Aldo S.p.A., one of the leading Italian operators in the wash-hire for healthcare facilities sector, was transferred. This transaction allows Servizi Italia to further strengthen its leadership in Italy, in particular in the central-northern area, characterised by more favourable economic conditions than those at the national level. The Company has a customer portfolio characterised, on average, by long-term contracts that, over the course of 2015, allowed the Company to generate a production value of approximately Euro 14 million with a net pro-forma operating profit of about Euro 1.8 million. The price of this acquisition was approximately Euro 13.7 million, and was paid by Servizi Italia, as hereinafter detailed: (i) Euro 10.4 million was paid to the sellers at closing, (ii) Euro 2.2 million (of which Euro 1.4 million already paid following the signing of the contract

in March 2016) was deposited in an escrow account to cover the contractual guarantees of Servizi Italia and (iii) Euro 1.1 million was paid by Servizi Italia to the direct benefit of Tintoria Lombarda for the purpose of strengthening its net equity and closing some accounting balances with the sellers at the closing date. Servizi Italia stated that the escrow account will have a total value of Euro 2.2 million and will be released in the next 36 months (after the counterparty meets all its contractual obligations). This transaction was funded by a bank loan.

On 5 August 2016, the Board of Directors approved an operation of greater importance with Focus S.p.A., a related party since it is 100% held by Coopservice Soc.coop.p.a., through the 100% held subsidiary Aurum S.p.A.. This operation concerned the execution with the related party Focus S.p.A. of three lease agreements for the properties Castellina di Soragna (PR), Montecchio Precalcino (VI) and Ariccia (RM). The preliminary procedure has led to the publication of the information document related to transactions of greater importance with related parties, drawn up pursuant to article 5 of the Consob Regulation no. 17221/2010 as amended, accompanied by the required opinion issued by the Control and Risk Committee acting for the Committee for Transactions with Related Parties. For more information, refer to the information document available on the Company's website.

On 30 September 2016, upon the delivery of a Formal Notice of Assessments issued by the Italian Inland Revenue - Regional Directorate Office of Emilia Romagna – Major Tax Payers Office, tax audit activities regarding income taxes, VAT and IRAP, for the 2013 tax period and the operations related to this period for any possible impact on the previous and subsequent tax periods for the Parent Company, were completed. The following was extrapolated from the Formal Notice of Assessments:

- the non-valuation of active intercompany transactions with the Brazilian subsidiary SRI Empreendimentos e Participações L.t.d.a. concerning the costs for services incurred by the Parent Company for the acquisition of the Brazilian operative companies and which should have been subject to charge-back;
- the identification of components deriving from the factoring fees to be fiscally treated according to the regulations on tax losses instead of the regulations on financial items;
- the deduction of negative income items set out contractually and identified according to the IAS 18 standards and recorded under risk provision.

It must be noted that the Formal Notice of Assessments does not involve any obligation of payment since the decision whether to proceed, or not, in issuing assessment notices is the responsibility of the Revenue Agency. The Company believes to have correctly fulfilled all tax obligations and is carrying out additional assessments on defence measures and/or on the definition of the most appropriate litigation approach to adopt, if necessary.

On 30 September, the Company communicated the Board of Directors' approval of the merger of Tintoria Lombarda Divisione Sanitaria S.r.l. into Servizi Italia S.p.A. This operation falls under the scope of the Group restructuring aimed at simplifying the structure of the investment chain, the strengthening of its operational efficiency and integration, in addition to reducing administrative costs. On 3 October, the project for the merger

by incorporation into Servizi Italia S.p.A. of Tintoria Lombarda Divisione Sanitaria S.r.l., as approved by the respective administrative boards on 30 September 2016, was filed with the Business Register of Parma and Brescia.

On 14 November 2016, the Sole Shareholders of Tintoria Lombarda Divisione Sanitaria S.r.l and the Board of Directors of Servizi Italia S.p.A. approved the merger by incorporation of the 100% held subsidiary Tintoria Lombarda Divisione Sanitaria S.r.l. into Servizi Italia S.p.A.

The main characteristics of the contracts awarded during the year, 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)
<b>ESTAR – AO Careggi di Firenze</b> (awarded as part of a Temporary Joint Consortium)	CTO Firenze Sterilisation Service	1	1,121
<b>ASP Emanuele Brignole of Genoa</b>	Linen wash-hire service	2	151
<b>Ospedale Evangelico Internazionale of Genoa</b>	Supply of sterile linen kits for surgical procedures composed of TTR and TNT textiles	4	191
<b>ASSB Bolzano</b>	Service for the wash-hire and delivery of flat and packed linen	3	477
<b>AZIENDA ULSS 6 Vicenza</b> (awarded as part of a Temporary Joint Consortium)	Linen wash-hire, mattresses and garment service	5	3,380
<b>Az. Osp. San Camillo Forlanini of Rome</b> (awarded as part of a Temporary Joint Consortium)	Linen wash-hire, non-sterile TNT textile, linens and sterile items service.	3	3,194
<b>APAC Trento – Anaunia Taio</b> (awarded as part of a Temporary Joint Consortium)	Flat and packed linen wash-hire service.	4	151
<b>Istituto Ortopedico Rizzoli di Bologna</b> (awarded as part of a Temporary Joint Consortium)	Linen wash-hire service	6	850
<b>La Quiete – Udine</b> (awarded as part of a Temporary Joint Consortium)	Wash-hire service	5	594
<b>Vimercate Salute e Gestioni Scarl</b>	Wash-hire service	3	686
<b>IRCCS Cà Granda – Ospedale Maggiore Policlinico di Milano</b> (awarded as part of a Temporary Joint Consortium)	Wash-hire, maintenance, delivery and pickup of mattresses service	5	57

<b>Azienda Universitaria Integrata di Trieste</b> (awarded as part of a Temporary Joint Consortium)	Wash-hire service	1	69
<b>Ospedale di Suzzara</b>	Wash-hire service	3	55
<b>Fondazione Salvatore Maugeri</b>	Wash-hire service	3	850*
<b>Siram S.p.A.</b>	Wash-hire service provided to ASST “Papa Giovanni XXIII” – Bergamo presidio ospedaliero San Giovanni Bianco	14	220*
<b>Brixia Service S.r.l.</b>	Wash-hire service	3	90*

\*customers of the company Tintoria Lombarda Divisione Sanitaria S.r.l.

### **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, which could be linked in any way to said activities.

### **Transactions with subsidiaries, associates, jointly controlled companies, parent companies and companies subject to the control of the latter**

Servizi Italia S.p.A.’s transactions with subsidiaries, associates, jointly controlled companies and parent companies mainly relate to:

- Dealings associated with commercial service agreements;
- 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, the Board of Directors approved on 24 November 2010 and updated on 13 November 2015 the Regulations for related party transactions, which are posted on the company website.

### **Significant events after the end of the year**

On 10 February 2017, the merger by incorporation of the 100% held subsidiary Tintoria Lombarda Divisione Sanitaria S.r.l. into Servizi Italia S.p.A., was finalised. The statutory effectiveness of the merger will begin on 1 March 2017. As from that date, the merging company (Servizi Italia S.p.A.) will take over all assets and

liabilities of the merged company, the offices held by all directors and officers of the merged companies will cease and all the powers of attorney previously issued will be extinguished.

On 13 February 2017, the Company announced its presence in Morocco, for the primary purpose of developing and strengthening the surgical sterilisation business through the company Servizi Italia Marocco S.a.r.l. under Moroccan law. To this purpose, Servizi Italia purchased 51.0% of Servizi Sanitari Integrati Marocco S.a.r.l. (“SSIM”), a company that on 10 February 2017 executed a preliminary contract for the establishment of SI Marocco, to be held for 50% by SSIM and 50% by the local partner Blue Field Healthcare S.a.r.l.. SSIM is a Moroccan company which, in recent years, has developed locally its own business network in the healthcare sector and that will operate as a holding company of the operative start-up SI Marocco.

### **Business outlook**

For 2017, the Group expects results that will take into account the commitment to strengthen the investments made in the countries in which it operates, to strengthen the organisational structure of the Group and to achieve the important objectives of operational efficiency in order to maintain and improve the levels of margins and profitability of the business. In particular, the strategy of the Servizi Italia Group will focus on the achievement of the following objectives:

- strengthening its leadership in Italy, through the participation and the acquisition of contracts and cross-selling on acquired contracts and through operations of external growth aimed at increasing the value of both the hire-wash and sterilisation businesses;
- improvements in the margins and profitability of the business in the countries where the Group operates. In detail:
  - in Italy, with activities that meet the healthcare requirements of the regions that are implementing new healthcare organisational models;
  - in Brazil, through cost containment, the on-going search for production synergies and efficiencies and the reorganisation of the Group's companies;
  - in India, through activities carried out by the local management, aimed at promoting the business model in order to increase the demand and the revenue which support the start-up expenses arising from the opening of the new company;
  - in Turkey, through the implementation of policies and organisational/industrial models linked to coordination and control.
- strengthening the organisational structure of the Group by reorganising and recruiting management resources in support of the strategy and business development.

## **Financial derivatives**

As at 31 December 2016 and 31 December 2015, the Group held no financial derivatives.

## **Company Headquarters**

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

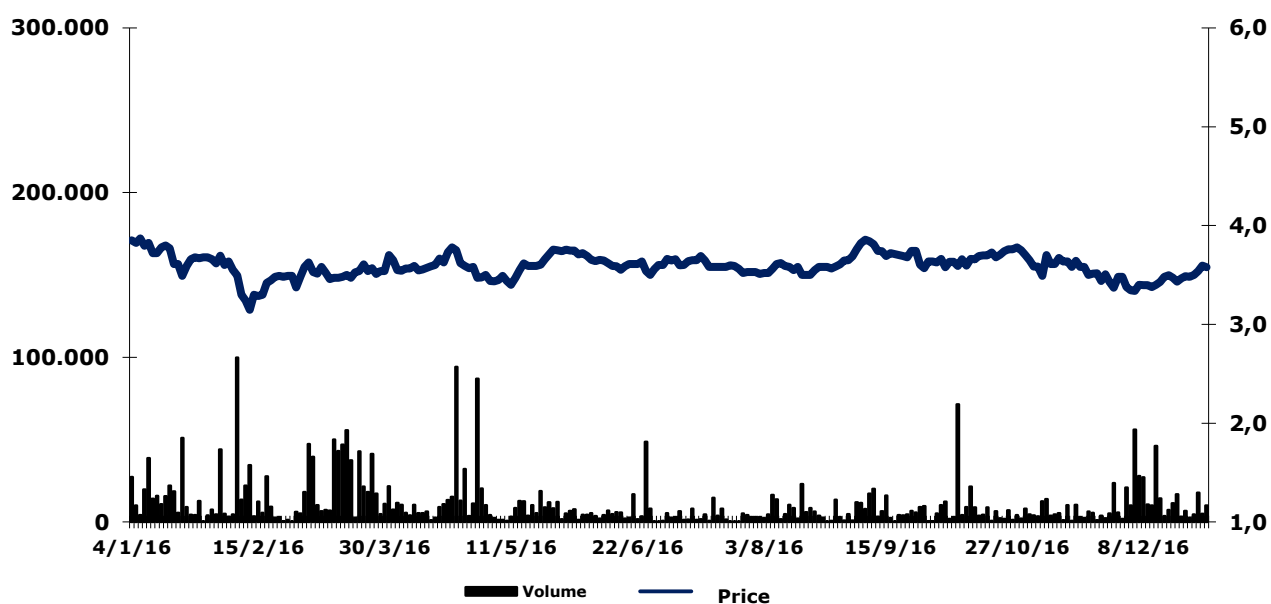
- Via S. Pietro 59/c – 43019 Castellina di Soragna (PR), Italy
- Via Palugara 22 – 36030 Montecchio Precalcino (VI), Italy
- Via Quarto Negroni 58 – 00040 Ariccia (Rome), Italy
- Via Concordia, snc – 31040 Treviso (TV)
- Via Travnik, 20 – 34018 San Dorligo della Valle (TS)
- Via Lungo Rio Freddo, 15 – 50141 Firenze (FI)
- Viale Grado, 51 – Lauzacco – 33050 Pavia di Udine (UD)
- Via Giardini, 1355 – Baggiovara – 41100 Modena (MO)
- Viale Luigi Borri, 57 – 21100 Varese (VA)
- Piazza Nicola Leotta, 4 – 90127 Palermo (PA)
- Via Albisola, 109 – 16162 Genova Bolzaneto (GE)
- Via Sambrioli, 1 – 25039 Travagliato (BS)
- Via Primo Maggio n. 125– 29027 Podenzano (PC)
- Via Aldo Moro n.8 – 44124 Cona, Ferrara (FE)
- Largo Rosanna Benzi 10 – Ospedale San Martino – 16132 Genova (GE)
- Piazzale Santa Maria Misericordia 15 – 33100 Udine (UD)
- Via Cisa snc – Ospedale San Bartolomeo – 19038 Sarzana (SP)
- Via Ugo Foscolo, 7 – 59110 Prato (PO)
- P.le Spedali Civili 1 - 25123 Brescia (BS)
- Via Largo Ugo Dossena 2 – 26013 Crema (CR)
- Via Linfano, 6 – 38062 Arco (TN)

## 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 2016 are reported below along with share volume and price trends (in Euros):

Share and stock exchange data	31 December 2016
No. of shares making up the share capital	31,809,451
Price at IPO: 4 April 2007	8.50
Price as at 31 December 2016	3.57
Maximum price during the period	3.87
Minimum price during the period	3.14
Average price during the period	3.58
Volumes traded during the period	2,821,754
Average volumes during the period	11,022

### Share volumes and prices as at 31 December 2016



In 2016, the investor relations team held several individual and group meetings with analysts and investors and also organised guided tours of the sterilisation centres and industrial laundering sites for shareholders and potential investors who so requested. During the reference period, the Company met with investors at the "STAR Conference" event in Milan and London organised by Borsa Italiana.

### Report on corporate governance and the ownership set-ups

The information on the ownership set-ups and on corporate governance is contained in the specific report drawn up in accordance with Article 123 bis of the CFL, 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, the concentration of cash management relationships with the same. The Company in fact 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 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, the general managers and the executives with strategic responsibilities**

The information on the remuneration of the directors, the general managers 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 CFL, which forms an integral part of the financial statement documentation and which will be published in accordance with the matters envisaged by current legislation.

### **Risk management information**

The Company's model is based on integrated and adequate risk management and internal control systems. This model 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.

Via the Director responsible for the internal control and risk management system and the Internal Audit Manager, the Board of Directors plans, organises and manages initiatives designed to ensure that company targets are achieved by periodically reviewing objectives, changing processes based on changes within and outside the Company, and promoting and maintaining a culture and climate favourably oriented towards risk management within the company.

With a view to Governance Control, the Company has prepared and implements a series of internal procedures and controls to apply corporate governance at all levels, in terms of operational efficiency and business integrity.

The Enterprise Risk Management (ERM) tool manages risks in an integrated manner.

The primary objectives of ERM are:

- identifying business risks and the processes that manage them;
- creating a correlation between risk management processes, decision-making processes and the company strategy;
- ensuring that sufficient risk management processes take place within business processes.

The Company has defined a Corporate Risk Model within its ERM policy, which reflects the types of risk expected in light of the company's activities. Updates are approved annually by the Board of Directors. The Risk Model is the foundation and common language of the process of identifying, evaluating, controlling and reporting priority corporate risks.

The primary business risks identified (strategic, operational, financial and compliance) based on the activities of the Company and its subsidiaries are examined by the entire Board of Directors as well as the members of the Board of Statutory Auditors and the Control and Risks Committee. Meanwhile, the Director responsible for the internal control and risk management system, the Financial Reporting Manager, the Internal Audit Manager, the Organisation and Systems Manager, the Supervisory Body and the Control and Risks Committee are responsible for planning, implementing and managing the internal control system. In addition, in line with the ERM policy, a risk mapping and risk scoring methodology has been adopted which identifies the significance of the risk based on an assessment of global impact, likelihood and control level.

The Company also implements the ERM process and the Risk Self-Assessment, the results of which are disclosed to the Control and Risks Committee and the Board of Directors and are used in the preparation of specific risk-based audit plans.

### **Risk Factors**

The Group, in order to minimise different types of risks to which it is exposed, has adopted time scales and control methods, which allow the company's management to monitor risks and to inform the Board of Directors so that it may approve all transactions involving a commitment by the Company with respect to third parties. 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 Company 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.

- **Strategic and policy risks**

#### *Market risk and sector competition*

The activities of the Group are affected by the general conditions of the economy in the markets in which it operates. A period of economic crisis, with a consequent slowdown in consumption, may have a negative impact on the sales of the Group, with a subsequent decline in production volumes. The current macro-

economic scenario causes a significant uncertainty on forward-looking statements with the consequent risk that a more modest performance may impact, in the short term, the margins. To mitigate the possible negative impact that a lower demand may have on the company's profitability, the Servizi Italia Group 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 to several countries (Italy, Brazil, Turkey, Albania and India) 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, as an example, from changes in the political, social economic and regulatory systems adopted by these countries or from extraordinary events such as acts of terrorism, civil disturbances, restrictions on services provided by the Group, as well as policies aimed at the control of foreign exchange rates, inflation phenomena, sanctions and nationalisations. The probability that the events described above may occur, varies from country to country and it is difficult to predict. However, top management constantly and closely monitors these situations in order to implement in a timely manner any possible change that can minimise the economic or financial impact resulting therefrom.

#### *Risks associated with growth*

The Group aims at continuing to grow through a strategy based on strengthening its presence in the markets in which it operates and on expanding its geographic presence. Within this strategy, the Group may have to face some challenges in managing possible adjustments to the structure or business model, or in its capacity to identifying market trends and related local demand. In addition, the Group may incur start-up expenses arising from the opening of new companies. 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 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. Furthermore the processes, in addition to the appropriate formal procedures, provide for due diligence operations, binding multi-level internal authorisation processes, more effective project management and project control activities which are carried out by top management in order to timely implement any possible change and therefore minimise the economic or financial impact that may derive from the above described events which could occur in any of the countries involved.

- **Risks associated with the outside environment**

*Risks associated with customers' orders*

The Group aims at achieving its internal growth in the markets where it operates, through a strategy that includes the awarding of service contracts through public calls for tender or private negotiations, which are regulated by laws that may differ from country to country. More specifically, the contracts executed with customers have generally 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 the economic, equity and financial position of the Group. As regards the contracts in the portfolio, there is no overlapping of expiry dates, and it should also be noted that the leadership and the reputation of the Group and the quality of services provided encourage the customers to renew their contracts. In fact, the strategy adopted by the Group ensures customer retention by maintaining a continuous trade relationship with the customers in the long-term and with the objective of maintaining a low churn rate.

*Risks associated with the competition*

The comparative map of the markets in the countries where the Group operates differs from country to country. In detail: (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 to be excluded that the intensifying of the competition level in the service sector in which the Group operates may affect its future activities and cause a negative impact on its activities and its economic, equity and financial position. The Group responds to this risk by offering innovative services of proven quality that are provided in strict compliance with the applicable regulations.

*Risks associated with changes in sector legislation*

The Servizi Italia Group operates in a sector characterised by very specific and detailed legislation, which is continually evolving. The Company cannot exclude 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). To this regard, the availability of internal professionals with high technical skills in the respective spheres of responsibility and constantly up-dated in their field, permit a

constant monitoring of the legislative changes. The up-date system with regard to sector standardisation is activated by means of the main on-line channels and sector subscriptions.

- **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 company's net borrowing, which is mainly characterised by short-term debt. The interest rate, which the Group is mainly exposed to, is the Euribor. In relation to the global financial crisis, the Company is assessing the appropriateness of taking out hedging transactions on the rates, even if the financial management outstanding aspires to the optimisation of the financial expense and not to establishing derivatives for speculative purposes.

*Credit risk*

Receivables are due from public institutions, and as such, they are certain in terms of collectability and, by nature, not subject to impairment risks, and from private customers and therefore exposed to 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 in question could become more significant in the event of an increase in the private customer component, however this aspect is mitigated by a careful selection and financing of the customers.

*Price risk*

This is the risk associated with the volatility of the prices of the raw materials and the energy commodities, with particular reference to electricity and gas used in the primary production processes. The price risk is also controlled by means of the entering into of purchase of goods and services agreements with price blocks and on-average annual timescales, joined by constant monitoring of the performance of the prices so as to identify opportunities for making savings. 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 amendments with the Customers in order to adjust the price of the rendered services; 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 currency may be influenced by exchange rate fluctuations with an impact on commercial margins (economic risk), like the trade and financial receivables

and payables denominated in currency can be affected by the conversion rates used, with effects on the economic result (transactional risk). In conclusion, the exchange rate fluctuations also have repercussions on the consolidated results and the shareholders' equity attributable to the shareholders of the group parent 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 the 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. It should also be noted that the Company holds controlling interests in 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 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.

#### *Liquidity risk*

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

- delay in the 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 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.

- **Process risks**

#### *Risks associated with related party transactions*

Relationships with related parties are governed in compliance with the Regulations adopted by Consob resolution no. 17221 of 12 March 2010, as amended, and with the regulations for Transactions carried out with related parties, as approved by the Company on 24 November 2010 and amended on 13 November 2015. The Servizi Italia Group has relationships with related parties (as defined by international accounting standard IAS 24); these relationships have been analysed in the specific supplementary annual and consolidated income statement and statement of financial position as at 31 December 2016 and stated in detail in the related notes.

The “Regulations for related party transactions” contain the rules, which govern the identification, approval and execution of the related party transactions put together by Servizi Italia, directly or via subsidiaries, for the purpose of ensuring the transparency and correctness, both essential and procedural, of said transactions.

*Risks associated with the linen and surgical instrument sterilisation activities and the adequacy of the insurance coverage*

The Group is exposed to risks associated with the type of activities carried out as well as the methods adopted for providing the services. In detail, the linen and surgical instrument sterilisation activities involve the preparation of sterile medical devices to be used at the departments of the hospitals.

Any defects in the sterilisation process could generate liability for the Company 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 afore-mentioned 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 have taken place, which have 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 environmental responsibilities*

The Group operates in the sector of industrial laundries, which is particularly exposed to environmental risks such as, by way of example, air, soil and water pollution, deriving from the disposal of waste, toxic-harmful emissions and spillages of toxic-harmful materials. Accordingly, the Company has taken out insurance policies for civil liability to cover, inter alia, environmental risks as well, in line with sector practices. However, there can be no certainty with regard to the adequacy of the insurance coverage in relation to any liabilities or action furthered by third parties for the compensation of damages potentially caused by the company with regard to environmental aspects. Therefore, the risk that the Company may have to bear possible additional charges and costs, with a consequently negative impact on its economic and financial results, cannot be excluded.

*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 to have applied the best diligence in complying with the provisions of 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.

### **Information on proceedings in progress**

Aside from that reported in the section "Significant events and transactions":

- Servizi Italia S.p.A. is involved in proceedings for an alleged offence pursuant to Italian Legislative Decree 231 of 2001 relating to the AUSL (Local Health Authority) of Viterbo, for which a former director was charged with a predicate offence in relation to the awarding of a tender for the assignment of the supply of wash-hire services, sterilisation and hire of surgical instruments for the aforementioned AUSL of Viterbo; no significant events occurred in the period. Through its lawyers, the Parent Company prepared defence pleadings demonstrating the groundlessness of the accusation and, as a result, the absolute lack of involvement of the company as well as its former director;
- Servizi Italia S.p.A. has proceedings in progress for the administrative liability of the legal entities, pursuant to Italian Legislative Decree 231 of 2001, for an alleged offence charged to a Director and a former Director, concerning the award of a tender for a nine year contract of the AOU Policlinico di Modena - so-called "Global Service" - decided with resolution of 19.12.2008, to the RTI (temporary joint consortium) established by Coopservice Soc.Coop.p.A., in its capacity as lead contractor, and other companies including Servizi Italia S.p.A., Padana Everest S.r.l. and Lavanderia Industriale ZBM S.p.A. (companies merged by incorporation into Servizi Italia S.p.A.). As a result of the request for a committal for trial notified in May 2016, to the parties involved in the proceedings, including the Company, which confirms its absolute lack of involvement in the events contested and promptly appointed a defence counsel in order to undertake any necessary legal action that would prove it. The preliminary hearing, started on 19 December 2016, is under way;
- The subsidiary Servizi Italia Medical S.r.l. has proceedings in progress, for the administrative liability of the legal entities pursuant to Italian Legislative Decree 231 of 2001, which charged a former Director with reference to the awarding, on 28/12/2009, of a tender contract of nine years of the AOU Policlinico di Modena, for the assignment of a supply, based on a piecework contract, of disposable procedure kits. As a result of the request for a committal for trial notified in May 2016, the Company,

which confirms its absolute lack of involvement in the events contested, has promptly appointed a defence counsel in order to undertake any legal action that would prove it. The preliminary hearing, started on 19 December 2016, is under way;

- On 13 October 2015, the tax authorities sent a Tax Assessment Notice concerning direct taxes, VAT and IRAP relating to 2010, against Padana Everest S.r.l., merged into Servizi Italia S.p.A. in 2012, where a higher taxable amount was disputed, based on the assumption of an undue decrease in income concerning the tax exemption of investments set forth in Law-Decree no. 78 of 1 July 2009 (so-called Tremonti-ter). On 19 February 2016, Servizi Italy filed an appeal against the Notice, requesting that it be cancelled, since the tax claim is deemed unlawful and objectively groundless. On 12 July 2016, a hearing was held to discuss the appeal with the Provincial Tax Commission of Brescia.

### **Security Policy Document**

Pursuant to annex B, point 26 of Italian Legislative Decree No. 196/2003 on the Personal data protection code, the directors acknowledge that the Company has worked to uphold personal data protection measures, also in light of the provisions introduced by Italian Legislative Decree No. 196/2003 and Italian Decree Law No. 207 of 30 December 2008, published in Official Gazette No. 300 of 31 December 2008.

### **Quality, Health, Safety and Environment**

The Company takes an integrated approach to Quality, Safety and Environment matters and promotes the development and use of the system as a fundamental element of prevention and continuous operational improvement, with respect for and in systematic dialogue with the relevant social context and in line with international best practices.

In order to become a market leader in terms of service safety and reliability, the Company's organisational structure aims to demonstrate that the activities carried out:

- guarantee and demonstrate that the process is able to systematically produce services that comply with preset specifications defined on the basis of customer requirements and applicable regulatory requirements in force;
- aim to increase the level of customer satisfaction via effective management of the quality, safety and environment system and continuous improvement;
- are oriented towards protecting the community and the environment, the health and safety of the population and the prevention of pollution in compliance with current legislation.

In 2016:

- the applicable Managers carried out the audits planned in the company departments as well as at production sites;

- accredited third party Certification Bodies successfully completed the renewal audits to maintain existing certifications and to obtain them for the new production sites.

The Company has obtained and maintained the certification according to the following standards:

- UNI EN ISO 9001:2008, for the achievement of the Quality Management System;
- UNI EN ISO 13485:2012, for the achievement of a Quality Management System, supporting the organisation for the planning and development, production, installation and assistance of the Medical Devices, as well as the planning, development and supply of the related services;
- UNI EN ISO 14001:2004, for the achievement of an Environmental Management System to support the organisation;
- UNI EN 20471:2013, High visibility clothing for professional use, control and checking system for high visibility clothing subject to washing and maintenance;
- UNI EN 14065:2004, “Laundry-treated fabric” bio-contamination control system. Bio-contamination control system assessed according to the RABC guidelines issued by ASSOSISTEMA;
- BS OHSAS 18001:2007, Management System safeguarding the Health and Safety of the Workers.
- EC certification, in compliance with enclosure V of the 93/42/EEC European Directive and subsequent amendments (assimilated in Italy by means of Italian Legislative Decree No. 46 dated 24 February 1997 and subsequent amendments), concerning the medical devices, bearing witness to the approval of the quality guarantee system relating to production and/or sterilisation of the Medical Devices created in sterile kits for the operator segments of the hospitals.

### **Occupational Health and Safety**

As regards labour safety and protection, the Company has continued in 2016, as in previous years, to carry out important activities aimed at reducing and managing the ergonomic risk:

- analyses were carried out with the support of Ergonomics certified technicians and with the use of extremely advanced technologies, such as an analysis of inertial movements;
- some major technical adjustments were introduced in order to reduce the biomechanical overload to the upper limbs;
- risk assessment activities applied to machinery and equipment, and technical interventions aimed at reducing the residual risk associated with their use, continued;

- some important improvements were also made to plants, in order to make them safer and to increase the protection of production labour.

The year 2016 has also witnessed the start-up of several work sites, where it was necessary to ensure compliance with the laws (Title IV of 81/08), and the management of any interference with the current production activities (pursuant to article 26 of Legislative Decree 81/08)

During 2016, the team in charge of safety carried out the following activities:

- a review and update of the Risk Assessment Document;
- the implementation of activities to prepare and draft the Interference Risk Assessment Document (D.U.V.R.I.) pursuant to Art. 26 of Italian Legislative Decree 81/08 relating to contracts, sub-contracts or service agreements with third-party companies;
- continuous monitoring of safety indicators;
- training and information during annual meetings, dedicated to occupational health and safety and to environmental protection aspects. The annual initiative is furthered by the Employer and involves Delegates, Company Medical Officers, Workers' Safety Representatives from each production site, Production site and Contract Managers. More specifically, in 2016, more attention was paid to the training on biological risks, with the drawing up of a specific information manual to be distributed to all exposed personnel. In addition, several classes on Electrical risks were offered, pursuant to IEC 11-27:2014.

With regard to 2016, the representative Maurizio Vitali reported to the Board of Directors with regard to aspects concerning Occupational Health and Safety with a review of the trend of indicators that are representative of the Safety Management System, as well as the investment made for the safety of the work environments.

### **Industrial accident situation**

With regard to company personnel, the analysis of the industrial accident trend in the last three years 2014-2016, excluding the accidents to and from work (accidents for all purposes but not to be considered as related to working activities), disclosed a decrease of 7.2% and emphasised, with respect to the previous three-year period, a decrease in the number of accidents of 3.7%. This figure was decisively affected by both the investments made in terms of technological innovation and adaptation of the machines and equipment, and the effective application of the disclosure and training activities implemented for the purpose of raising awareness of conduct in this connection regarding industrial accidents.

With regard to the values of the frequency indices (Fi) and the severity indices (Si), again in the three-year period 2014-2016, the same provided clear indication of a positive trend further confirming the effective

application of the commitments implemented by the Company, in terms of economic and training investments. In detail: (i) the frequency index decreased by around 16%; (ii) the severity index decreased around 6%. The study of the accidents is an important factor for the Company, for the purpose of gaining a more precise view of the causes which generate the same, exclusively linked to the work activities and of being able, consequently, to intervene in a targeted manner where problematic issues appear to be, with a view to prevention and ongoing improvement with regard to occupational health and safety.

### **Environmental Regulations and energy saving activities**

To conduct its business, Servizi Italia S.p.A. is required to comply with the provisions of binding environmental regulations (Italian Legislative Decree No. 152 of 3 April 2006, which entered into force on 29 April 2006 - the “Consolidated Environmental Law” or, alternatively, “Decree 152/2006”). The main elements for which the Company has obtained due authorisation from the applicable entities for all production sites are emissions into the atmosphere, water, withdrawals and discharges.

Waste management is implemented at each production site that produces waste: the Company regularly updates the waste register with information on the qualitative and quantitative characteristics of waste and, in line with the methods and timing established and in compliance with binding legislation, it has also registered its operating sites for the application of the electronic waste tracking control system (SISTRI).

During the period, the Company continued with additional energy efficiency actions aimed at primary energy savings, through the reduction of natural gas consumption by production site plants.

With regard to 2016, the Company, represented by its Energy Manager, requested the Energy Services Operator (GSE) for type II Energy Efficiency Certificates, i.e. regarding natural gas savings, and obtained certification for the energy savings implemented and at the same time the issue of the related Energy Efficiency Certificates (1,066 certificates).

### **Human resources and industrial relations**

The Servizi Italia Group’s total employees, including those of the consolidated companies, were as follows as at 31 December 2016:

<b>Company</b>	<b>Executives and Middle managers</b>	<b>White-collar staff</b>	<b>Blue-collar staff</b>	<b>Total</b>
Servizi Italia S.p.A.	8 executives and 21 middle managers	161	1,581	1,771
Servizi Italia Medical S.r.l.	-	1	-	1
Tintoria Lombarda Divisione Sanitaria S.r.l.	-	9	104	113
Lavsim Higienização Têxtil S.A.	1 executive	23	365	389

Maxlav Lavanderia Especializada S.A.	4 executives	11	449	464
Vida Lavanderias Especializada S.A.	-	5	189	194
Aqualav Serviços De Higienização Ltda	1 executive	9	261	271
TOTAL	14 executives and 21 middle managers	219	2,949	3,203

## **Industrial Relations**

The company's relations with the unions have always been characterised by respect for the roles and prerogatives of all parties and have always resulted in shared agreements. Over the years, this has made it possible to maintain union relations based on reciprocal respect and shared expectations.

With regard to its blue-collar and white-collar staff, Servizi Italia S.p.A. applies the national collective labour Agreement for employees of companies in the integrated industrial system of textile and related medical services, entered into by Assosistema and the trade unions, Femca-Cisl, Filctem-Cgil and Uiltec-Uil (and also separately with UGL), expiring on 30 June 2015. The Industry Executives national collective labour agreement is applied for the Company's managerial staff.

In 2016, talks continued with the Trade Union Organisations and the company workers' representatives with the aim of defining shared solutions in light of the market situation, particularly to identify flexible operating and logistics solutions and to continue streamlining the staff, in order to pursue greater efficiency and integration.

On 13 July 2016, the draft agreement for the renewal of the National Collective Labour Agreement was signed after being approved by the workers. Some negotiations are still under way for the final execution of the new National Collective Labour Agreement.

During 2016, the Human Resources Director and the Appointments and Remuneration Committee complied with the matters required by current legislation so as to make information available relating to the remuneration of Directors vested with particular offices, Executives with strategic responsibilities, Senior Manager and Executives, submitting a specific report for the approval of the shareholders' meeting, drawn up as per format No. 7-bis, pursuant to Article 123-ter of the CFL. For further information on the fixed and variable remuneration policy, reference is made to the 2016 Remuneration report, which is an integral part of the financial statement documentation.

## **Training and development**

Activities were carried out in 2016, involving 8,700 training hours and more than 920 employees attending in at least one training classes during the year, regarding operating and technical/management roles.

These activities focused on guaranteeing the constant up-dating of all the staff, supporting the professional growth of the junior figures and strengthening the skills of those with roles of responsibility, with the awareness that training represents a strategic leverage for company growth and the development of new business ventures.

As in previous years, steps were taken to prefer the internal resources who guaranteed 90% of the teaching activities, while market training was used for the expertise not available in-house.

A significant portion of the training activities concerned the integrated quality/environment/safety system with particular attention to Italian Legislative Decree no. 81/2008, as amended; to this regard, about 6,800 hours were provided to guarantee the training and up-dating of the operational staff and supervisors.

### **Organisation and development**

With regard to organisational changes, the policy adopted by the Servizi Italia Group in relation to the entities acquired is characterised by respect and promotion of cultural differences and the management of the companies acquired/invested in, by means of a process of gradual integration of the companies in an already existing Group. The programmes, drawn up by Servizi Italia with regard to acquisition transactions, are therefore in line with this policy and will result in specific planning aimed at guaranteeing a correct control and coordination.

As regards the 100% held subsidiary Tintoria Lombarda Divisione Sanitaria S.r.l., following the acquisition occurring on 7 July 2016, the governance of the company was reconfigured by appointing the control bodies; organisational structure activities aimed at defining tasks and responsibilities regarding functions and processes, were set up. More specifically, the areas involved in this analysis were: Trade, External services at wardrobes, Purchases, Information Systems, Quality-Environment-Safety- Regulations in general, Accounting, Operations, Human Resources and Industrial relations. More specifically, synergies and optimisations were researched by implementing policies related to the coordination and control by the Parent Company, and organisation and processes were set up in order to facilitate the merger by incorporation into Servizi Italia.

As for the company operating in foreign markets in 2016:

A. With regard to the companies operating in the Brazilian market:

- auditing activities were performed, for the purpose of analysing information and implementing the Organisational model set forth by the law, relating to Corporate Governance and the general management of the companies with regard to organisational and legislative compliance;
- training and on-site assistance was guaranteed on laundry operations, with the presence of expert Servizi Italia employees for the purpose of implementing the business, operating and plant

engineering model at the laundering facilities like the one adopted by the other Group production sites;

- training and on-site assistance on administrative and auditing activities was guaranteed, with the presence of expert Servizi Italia employees for the purpose of facilitating the financial statement definition and reporting operations and facilitating the correct information flow to the local auditing company and the control bodies of Servizi Italia;
- activities were carried out for the optimisations and synergies of services common to the SRI group companies; and a commercial strategy was agreed upon and launched for the purpose of developing the wash-hire service, with the amendment of the supply contracts with the customers from pure washing services to hire services; along with the search for cross-selling opportunities with target customers in favour of the sterilisation or general supply added value services.

B. With regard to the companies operating on the Indian market:

- training and on-site assistance was guaranteed on laundry operations, with the presence of expert Servizi Italia employees for the purpose of implementing the business, operating and plant engineering model at the laundering facilities like the one adopted by the other Group production sites;
- training and on-site assistance on control and administrative activities, with the attendance of Servizi Italia employees, were guaranteed for the purpose of facilitating the preparation of the financial statement and report on operations, and of encouraging a correct information flow to Servizi Italia; the localisation of the information system and SAP production, as well as of the departments that guarantee the traceability of textiles, was implemented;
- a commercial strategy was launched, for the purpose of raising the awareness of potential public/private health customers in the Delhi area, with regard to the outsourcing of the washing/wash-hire services;

C. With regard to the companies operating on the Turkish market:

- a trade strategy providing for the cooperation in the Public Private Partnership (PPP) projects was launched. These projects involve the supply of wash-hire and sterilisation services; as well as promotional and sensitisation activities toward potential healthcare customers with the outsourcing of sterilisation and surgical instruments services;

- an on-site cooperation and assistance on the operations carried out by the laundries of the Ankateks Group and SAS, with the presence of Servizi Italia experts, started in order to analyse the production context and the management models in use.

### **Other information**

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

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

### **Allocation of the profit (loss) for the year**

Dear Shareholders,

the Board of Directors, given the net profit of the period amounting to Euro 11,879,985, is asking you to approve the separate financial statements closed at 31 December 2016, by proposing:

- to allocate Euro 593,999, equal to 5% of the profit, to the legal reserve;
- the distribution to the shareholders of an ordinary single dividend, gross of the legal withholdings, equal to 0.15 euro cents for the shares in circulation, with the exclusion of the treasury shares in the portfolio, for a maximum amount of Euro 4,771,418;
- to carry forward the residual profit for the year.

The dividend will be paid as from 26 April 2017, with ex-dividend date on 24 April 2017, and will be paid to the shares, which will be in circulation as of that date.

The Chairman of the Board of Directors

(Roberto Olivi)





**30**  
YEARS  
1986 - 2016

**Servizitalia**

**SERVIZI ITALIA S.p.A.**

Registered Offices Via S. Pietro, 59/b

43019 Castellina di Soragna (PR)

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

Tax code and Parma Business Register No.: 08531760158

Certified email: [si-servizitalia@postacert.cedacri.it](mailto:si-servizitalia@postacert.cedacri.it)

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## SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2016



## Accounting schedules

### STATEMENT OF FINANCIAL POSITION

<i>(Euros)</i>	Notes	As at 31 December 2016	<i>of which with related parties (Note 8)</i>	As at 31 December 2015	<i>of which with related parties (Note 8)</i>
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	6.1	93,412,780	-	100,257,999	-
Intangible assets	6.2	1,875,975	-	2,837,205	-
Goodwill	6.3	32,275,093	-	32,275,094	-
Equity investments in subsidiaries and associates	6.4	90,240,181	-	62,592,005	-
Equity investments in other companies	6.5	3,602,192	-	3,542,018	-
Financial receivables	6.6	7,667,819	4,809,236	3,824,477	933,821
Deferred tax assets	6.7	1,040,286	-	1,152,802	-
Other assets	6.8	5,146,108	-	3,713,813	-
<b>Total non-current assets</b>		<b>235,260,434</b>		<b>210,195,413</b>	
<b>Current assets</b>					
Inventories	6.9	3,317,130	-	3,034,776	-
Trade receivables	6.10	68,601,375	11,403,981	78,990,937	10,226,535
Current tax receivables	6.11	2,495,264	-	2,274,083	-
Financial receivables	6.12	16,878,514	14,336,452	9,017,439	6,838,018
Other assets	6.13	6,335,058	-	4,450,336	-
Cash and cash equivalents	6.14	1,025,100	-	2,011,757	-
<b>Total current assets</b>		<b>98,652,441</b>		<b>99,779,328</b>	
<b>TOTAL ASSETS</b>		<b>333,912,875</b>		<b>309,974,741</b>	
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>					
<b>Shareholders' equity</b>					
Share Capital	6.15	31,461,231	-	30,443,650	-
Other reserves and retained earnings	6.15	105,420,592	-	95,955,644	-
Profit (loss) for the year		11,879,985	-	11,724,115	-
<b>TOTAL SHAREHOLDERS' EQUITY</b>	6.15	<b>148,761,808</b>		<b>138,123,409</b>	
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Due to banks and other lenders	6.16	45,021,944	-	34,666,304	-
Deferred tax liabilities	6.17	1,342,802	-	1,758,872	-
Employee benefits	6.18	10,415,686	-	9,964,228	-
Provisions for risks and charges	6.19	124,000	-	151,428	-
Other financial liabilities	6.20	57,228	-	-	-
<b>Total non-current liabilities</b>		<b>56,961,660</b>		<b>46,540,832</b>	
<b>Current liabilities</b>					
Due to banks and other lenders	6.16	46,329,473	-	43,706,999	-
Trade payables	6.21	59,193,276	13,500,274	64,285,249	13,228,964
Current tax payables	6.22	-	-	-	-
Other financial liabilities	6.23	7,625,266	-	962,467	-
Other payables	6.24	15,041,392	-	16,355,785	-
<b>Total current liabilities</b>		<b>128,189,407</b>		<b>125,310,500</b>	
<b>TOTAL LIABILITIES</b>		<b>185,151,067</b>		<b>171,851,332</b>	
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>333,912,875</b>		<b>309,974,741</b>	

## INCOME STATEMENT

<i>(Euros)</i>	Notes	As at 31 December 2016	<i>of which with related parties (Note 8)</i>	As at 31 December 2015	<i>of which with related parties (Note 8)</i>
<b>Revenues from sales</b>	<b>7.1</b>	<b>198,757,031</b>	<i>4,797,275</i>	<b>202,057,210</b>	<i>3,053,495</i>
Other income	7.2	10,191,234	<i>6,717,850</i>	11,068,604	<i>6,340,122</i>
Raw materials and consumables	7.3	(18,212,644)	<i>(1,294,596)</i>	(17,026,041)	<i>(1,850,493)</i>
Costs for services	7.4	(73,922,348)	<i>(32,382,853)</i>	(76,729,877)	<i>(33,234,539)</i>
Personnel expense	7.5	(62,063,525)	<i>(3,757,099)</i>	(63,110,413)	<i>(3,839,420)</i>
Other costs	7.6	(1,074,775)	<i>(12,639)</i>	(1,285,036)	<i>(23,887)</i>
Depreciation, amortisation, impairment and provisions	7.7	(38,979,006)	-	(38,766,779)	-
<b>Operating profit</b>		<b>14,695,967</b>		<b>16,207,668</b>	
Financial income	7.8	1,342,885	<i>344,649</i>	959,220	<i>96,908</i>
Financial expense	7.9	(1,572,871)	-	(2,334,824)	-
Income/(expense) from valuation of equity investments		-	-	(8,999)	-
Income/(expense) from equity investments in other companies	7.10	256,370	<i>181,840</i>	623,444	-
<b>Profit before tax</b>		<b>14,722,351</b>		<b>15,446,509</b>	
Income taxes	7.11	(2,842,366)		(3,722,394)	
<b>Profit (loss) for the year</b>		<b>11,879,985</b>		<b>11,724,115</b>	

## STATEMENT OF COMPREHENSIVE INCOME

<i>(Euros)</i>	Notes	Year ended as at 31 December	
		2016	2015
<b>Profit (loss) for the year</b>		<b>11,879,985</b>	<b>11,724,115</b>
<i>Other comprehensive income that will not be reclassified to the Income Statement</i>			
Actuarial gains (losses) on defined benefit plans	6.18	(236,476)	(70,478)
Income taxes on other comprehensive income	6.7 6.17	56,754	(105)
<i>Other comprehensive income that may be reclassified to the Income Statement</i>			
Gains (losses) from translation of foreign financial statements		-	-
Income taxes on other comprehensive income		-	-
<b>Total other comprehensive income after taxes</b>		<b>(179,722)</b>	<b>(70,583)</b>
<b>Total comprehensive income for the period</b>		<b>11,700,263</b>	<b>11,653,532</b>

## STATEMENT OF CASH FLOWS

<i>(Euros)</i>	Notes	As at 31 December 2016	<i>of which with related parties (Note 8)</i>	As at 31 December 2015	<i>of which with related parties (Note 8)</i>
<i>Cash flow generated (absorbed) by operations</i>					
Profit/(loss) before tax		14,722,351	-	15,446,509	-
Payment of current taxes		(2,765,084)	-	(7,140,426)	-
Amortisation and depreciation	7.7	38,417,643	-	38,045,782	-
Impairment and provisions	7.7	561,363	-	720,996	-
(Income)/expense from equity investments in other companies	7.10	(256,370)	-	(623,444)	-
Gains/(losses) on disposal	7.2 7.6	(228,460)	-	(177,238)	-
Interest income and expense accrued	7.8 7.9	229,986	-	1,375,604	-
Interest income collected	7.8	488,270	-	442,512	-
Interest expense paid	7.9	(1,339,411)	-	(2,195,121)	-
Provision for employee benefits	6.18	505,807	-	410,330	-
		<b>50,336,095</b>		<b>46,305,504</b>	
(Increase)/decrease in inventories	6.9	(282,354)	-	(133,126)	-
(Increase)/decrease in trade receivables	6.10	7,122,401	<i>(1,177,446)</i>	1,173,112	<i>2,555,180</i>
Increase/(decrease) in trade payables	6.21	(2,895,633)	<i>271,310</i>	544,829	<i>(6,476,014)</i>
Increase/(decrease) in other assets and liabilities	6.8 6.13 6.19 6.20 6.23 6.24	(4,965,892)	-	(8,127,812)	-
Settlement of employee benefits	6.18	(420,116)	-	(1,426,857)	-
<b>Cash flow generated (absorbed) by operations</b>		<b>48,894,501</b>		<b>38,335,650</b>	
<i>Net cash flow generated (absorbed) by the investment activities in</i>					
Intangible assets	6.2	(292,041)	-	(1,365,079)	-
Property, plant and equipment	6.1	(30,090,693)	-	(31,714,882)	-
Dividends received	7.10	256,370	-	623,444	-
Sale of equity investments		-	-	-	-
Purchase of equity investments	6.4 6.5	(20,083,084)	-	(26,370,719)	-
<b>Net cash flow generated (absorbed) by investment activities</b>		<b>(50,209,448)</b>		<b>(58,827,236)</b>	
<i>Net cash flow generated (absorbed) by financing activities in</i>					
Financial receivables	6.6 6.12	(11,587,960)	<i>(11,373,849)</i>	24,012	<i>819,807</i>
Net (purchase)/sales of treasury shares	6.15	(333,912)	-	941,900	-
Dividends paid	6.15	(4,727,949)	-	(4,503,386)	-
Share Capital increase	6.15	3,999,997	-	7,681,674	-
Current liabilities to banks and other lenders	6.16	2,622,474	-	5,645,556	-
Non-current liabilities to banks and other lenders	6.16	10,355,640	-	8,474,468	-
<b>Net cash flow generated (absorbed) by financing activities</b>		<b>328,290</b>		<b>18,264,224</b>	
<b>Increase/(decrease) in cash and cash equivalents</b>		<b>(986,657)</b>		<b>(2,227,362)</b>	
<b>Opening cash and cash equivalents</b>	6.14	<b>2,011,757</b>		<b>1,325,970</b>	
<b>Incorporated cash</b>	2	-		<b>2,913,150</b>	
<b>Closing cash and cash equivalents</b>	6.14	<b>1,025,100</b>		<b>2,011,757</b>	

## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (Note 6.15)

<i>(Euros)</i>	Share Capital	Share premium reserve	Legal Reserve	Profit reserve	Profit (loss) for the year	Total Shareholders' Equity
<b>Balance as at 1 January 2015</b>	<b>27,905,760</b>	<b>43,233,210</b>	<b>3,579,895</b>	<b>33,659,202</b>	<b>12,112,688</b>	<b>120,490,755</b>
Allocation of profit from the previous year	-	-	605,634	7,003,668	(7,609,302)	-
Distribution of dividends	-	-	-	-	(4,503,386)	(4,503,386)
Share Capital increase	2,327,780	5,353,894	-	-	-	7,681,674
Incorporations	-	-	-	1,858,934	-	1,858,934
Treasury share transactions	210,110	731,790	-	-	-	941,900
Comprehensive income for the year	-	-	-	(70,583)	11,724,115	11,653,532
<b>Balance as at 31 December 2015</b>	<b>30,443,650</b>	<b>49,318,894</b>	<b>4,185,529</b>	<b>42,451,221</b>	<b>11,724,115</b>	<b>138,123,409</b>
Allocation of profit from the previous year	-	-	586,206	6,409,960	(6,996,166)	-
Distribution of dividends	-	-	-	-	(4,727,949)	(4,727,949)
Share Capital increase	1,110,185	2,889,812	-	-	-	3,999,997
Treasury share transactions	(92,604)	(241,308)	-	-	-	(333,912)
Comprehensive income for the year	-	-	-	(179,722)	11,879,985	11,700,263
<b>Balance as at 31 December 2016</b>	<b>31,461,231</b>	<b>51,967,398</b>	<b>4,771,735</b>	<b>48,681,459</b>	<b>11,879,985</b>	<b>148,761,808</b>

## Explanatory Notes

### 2 INTRODUCTION

The separate 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, have been drawn up in compliance with the international accounting standards "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 by the Board of Directors on 13 March 2017; the latter authorised the publication of the same.

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 separated on the basis of whether they are current or non-current;
- in the Income Statement, costs and revenues are classified by nature;
- a separate Statement of Comprehensive Income has been provided;
- the Cash Flow Statement has been prepared using the indirect method, as permitted under IAS 7;
- the Statement of Comprehensive Income has been prepared according to the provisions of IAS 1.

#### **IFRS accounting standards, amendments and IFRS interpretations adopted from 1 January 2016**

The following IFRS accounting principles, amendments and interpretations were first adopted by the Company starting on 1 January 2016:

- Amendments to **IAS 19 "Defined Benefit Plans: Employee Contributions"** (issued on 21 November 2013): Concerning the recognition in the financial statements of the contributions made by the employees or third parties to the defined benefit plans.
- Amendments to **IFRS 11 "Accounting for acquisitions of interests in joint operations"** (issued on 6 May 2014): Concerning the accounting for acquisition of interests in a joint operation when the operation constitute a business.

- Amendments to **IAS 16** and **IAS 38** “*Clarification of acceptable methods of depreciation and amortisation*” (issued on 12 May 2014): Establishing that a depreciation method based on revenue is not appropriate, because the revenue arising from the operation of a business of which the asset under depreciation or amortisation is part usually reflects a different pattern from the mere use of the economic benefits arising from the asset, which is a pre-requisite for depreciation or amortisation.
- Amendment to **IAS 1** “*Disclosure Initiative*” (issued on 18 December 2014): The objective of the amendments is to provide some clarifications on disclosures and other elements, which may be perceived as hindrance to a clear and intelligible presentation of the financial statements.
- Amendments to **IAS 27** *Equity Method in Separate Financial Statements* (issued on 12 August 2014): It introduces the option to use in the separate financial statements of an organisation the equity method for the measurement of the shareholdings in subsidiaries, in jointly controlled companies and associated companies and affiliates.
- Amendments to **IFRS 10**, **IFRS 12** and **IAS 28** “*Investment Entities: Applying the Consolidation Exception*” (issued on 18 December 2014), containing changes to address issues arisen following the application of the consolidation exceptions granted to the investment entities.

Finally, within the annual process of improvement of the standards, on 12 December 2013, IASB has published the document “*Annual Improvements to IFRSs: 2010-2012 Cycle*” (including IFRS 2 *Share Based Payments – Definition of vesting condition*, IFRS 3 *Business Combination – Accounting for contingent consideration*, IFRS 8 *Operating segments – Aggregation of operating segments e Reconciliation of total of the reportable segments’ assets to the entity’s assets*, IFRS 13 *Fair value Measurement – Short-term receivables and payables*) and on 25 September 2014, the document “*Annual Improvements to IFRSs: 2012-2014 Cycle*” (including: IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations*, IFRS 7 – *Financial Instruments: Disclosure* and IAS 19 – *Employee Benefits*) partly amending existing standards.

The adoption of the amendments did not impact the financial statements of the Company.

**Accounting standards, amendments and IFRS/IFRIC interpretations endorsed by the European Union, but not yet mandatorily applicable and not early adopted by the Company as at 31 December 2016**

- Principle **IFRS 15** – *Revenue from Contracts with Customers* (issued on 28 May 2014 and supplemented with additional clarifications published on 12 April 2016), bound to replace principles IAS 18 – *Revenue* and IAS 11 – *Construction Contracts*, as well as the interpretations IFRIC 13 – *Customer Loyalty Programmes*, IFRIC 15 – *Agreements for the Construction of Real Estate*, IFRIC 18 – *Transfers of Assets from Customers* and SIC 31 – *Revenues-Barter Transactions Involving Advertising Services*. The standard provides for a new revenue recognition model, which will be applicable to all agreements made with customers, with the exception of those falling under the

scope of application of other IAS/IFRSs such as leases and insurance policy contracts and financial instruments. The main steps for revenue recognition according to the new model are:

- identifying the agreement in place with the customer;
- identifying the performance obligations under the agreement;
- defining the transaction price;
- price allocation to the performance obligations under the agreement;
- revenue recognition criteria when the entity satisfies each performance obligation.

The standard applies as from 1 January 2018, though early application is permitted. The amendments to IFRS 15, Clarifications to IFRS 15 – *Revenue from Contracts with Customers*, published by IASB on 12 April 2016, have not yet been approved by the European Union.

- Final version of the **IFRS 9 – *Financial Instruments*** (issued on 24 July 2014). The standard includes the results of the IASB project, pending the replacement of IAS 39:
  - It introduces new criteria to classify and measure financial assets and liabilities;
  - With reference to the impairment model, the new standard requires the losses on receivables to be estimated based on the expected losses model (instead of the incurred losses model of IAS 39) using information that can be evidenced, available free of charge or without unreasonable effort and including historic, current and forecast data;
  - A new hedge accounting model is introduced (additional types of transactions can be designated for hedge accounting, different accounting method for forward contracts and options when they are included in a hedge accounting transaction, changes to effectiveness test).

The new standard, which supersedes the previous versions of IFRS 9, must be applied in the financial statements starting on 1 January 2018 and thereafter.

#### **Accounting standards, amendments and IFRS interpretations still not approved by the European Union.**

At the reference date of this Annual report, the competent bodies of the European Union have still not concluded the approval process needed for the adoption of the amendments and standards described below.

- Standard **IFRS 14 – *Regulatory Deferral Accounts*** (issued on 30 January 2014) which permits just those who adopt the IFRS for the first time to continue to recognise the amounts relating to the activities subject to regulated rates (“*Rate Regulation Activities*”) as per the previous accounting standards adopted. Given the Company/Group is not a first-time adopter, this standard is not applicable.
- Standard **IFRS 16 – *Leases*** (issued on 13 January 2016), intended to replace IAS 17 – *Leases*, as well as the IFRIC 4 *interpretations Determining whether an Arrangement contains a Lease*,

SIC-15 *Operating Leases—Incentives* e SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

- The new standard provides a new definition of lease and introduces a criterion based on the right of use of an asset to differentiate between leasing and service agreements, by identifying the following discriminant factors: the identification of the asset, right of replacement of the asset, the right to obtain substantially all the economic benefits deriving from the use of the asset and the right to control the use of the asset underlying the agreement.
- The standard sets out a single accounting model for the recognition and measurement of lease agreements which provides for the recording of the leased asset, under assets with a counter entry under financial liabilities, with the possibility of not recognising as leasing the contracts that have “low-value assets” and the leasing with a contract duration of up to 12 months. On the other hand, the Standard does not include significant changes for the lessor.
- The standard applies starting from 1 January 2019 but an early application is permitted, only for the early adopters of IFRS 15 - Revenue from Contracts with Customers.
- Amendment to **IAS 12** “*Recognition of Deferred Tax Assets for Unrealised Losses*” (issued on 19 January 2016). The document aims at providing some clarifications on the recognition of deferred tax assets on the non-realised losses at the occurrence of certain circumstances and the estimate of taxable revenue for future periods. The amendments apply as from 1 January 2017 but early application is permitted.
- Amendment to **IAS 7** “*Disclosure Initiative*” (issued on 29 January 2016). The document aims at providing some clarifications in order to improve the information on financial liabilities. In particular, the amendments require to provide information that would allow the users of the financial statement to comprehend the changes in liabilities deriving from loan transactions. The amendments apply as from 1 January 2017 but early application is permitted. The submission of comparative information with previous years is not required.
- Amendment to **IFRS 2** “*Classification and measurement of share-based payment transactions*” (issued on 20 June 2016), containing some clarifications regarding the recording of the effects of vesting conditions in the presence of cash-settled share-based payments, the classification of share-based payments with net settlement characteristics and the recording of changes to the terms and conditions of a share-based payment which modify the classification from cash-settled to equity-settled. The amendments apply as from 1 January 2018 but early application is permitted.
- Document “*Annual Improvements to IFRSs: 2014-2016 Cycle*”, issued on 8 December 2016 (including *IFRS 1 First-Time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters*, *IAS 28 Investments in Associates and Joint Ventures – Measuring investees at Fair value through profit or loss: an investment-*

*by-investment choice or a consistent policy choice*, IFRS 12 *Disclosure of Interests in Other Entities – Clarification of the scope of the Standard*) which partially supplement the pre-existing standards.

- Interpretation of **IFRIC 22 “Foreign Currency Transactions and Advance Consideration”** (issued on 8 December 2016). The interpretation aims at providing guidelines for transactions carried out in a foreign currency where some non-monetary advances or payments on account are recorded in the financial statements before recognising their related asset, cost or revenue. This document provides guidelines on how an organisation must determine the date of a transaction, and consequently, the spot foreign exchange rate to use when transactions in a foreign exchange are carried out and where the payment is made or received in advance. IFRIC 22 applies as from 1 January 2018, though early application is permitted.
- Amendment to **IAS 40 “Transfers of Investment Property”** (issued on 8 December 2016). These changes clarify the transfer of a property to or from an investment property. More specifically, an organisation must reclassify a property among or from investment properties only when it is evident that a change occurred in the use of the property. This change must be referred to a specific event that has occurred and therefore must not be limited to a change in the intent of the organisation's top management. The amendments apply as from 1 January 2018 but early application is permitted.
- Amendments to **IFRS 10 and IAS 28 “Sales or Contribution of Assets between an Investor and its Associate or Joint Venture”** (issued on 11 September 2014). The document was published in order to solve the current conflict between the IAS 28 and IFRS 10 related to the measurement of the profit or the loss resulting from the sale or contribution of a non-monetary asset to a joint venture or affiliate in exchange for a share in the capital of the latter. To date, IASB has suspended the application of this amendment.

With reference to IFRS 9, IFRS 15 and IFRS 16 described above, the Company is evaluating the implementation criteria and the impacts on its consolidated financial statements, while with reference to the other standards and interpretations detailed above, it is not expected that the adoption will lead to significant impacts on the measurement of the assets, liabilities, costs and revenues of the Company.

## **2.1 Activities**

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 Company offers the following Services: (a) Wash-hire, including (i) planning and provision of integrated rental, 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 and management of hospital wardrobes; (b) Linen sterilisation services, including 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 (c) Surgical instrument sterilisation services including (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.

### 3 GROUP

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

### 4 ACCOUNTING STANDARDS AND BASIS OF PREPARATION

The separate financial statements have been drawn up in accordance with the criterion of cost, except in the cases specifically described in the following notes, for which the current value (“fair value”) has been 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.

The 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 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:

	<b>Years</b>
Industrial buildings	33
Plant and machinery	12
General plant	7
Industrial and commercial equipment	4
Specific equipment	8
Linen	3
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. According to this standard, the value of the land and that of the buildings, which exist on the same are, separated and only the building is depreciated. 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 impairments may be subject to subsequent value write-backs if the reasons for the impairment cease to exist.

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 wash-hire 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*

A lease contract is defined to be financial if it involves the substantial transfer of all risks and benefits arising from owning the asset. Assets acquired via financial lease agreements are recognised under property, plant and equipment with the recognition under the 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.

For operating lease agreements, instead, the instalments are recorded in the Income Statement on a straight-line basis over the life of the contract.

### C. *Intangible assets*

Only identifiable assets, controlled by the enterprise, which are able to produce future economic benefits, can be defined as intangible assets. They also include the goodwill when acquired for a consideration described in section D below.

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 estimates useful life (3 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 separate financial statements, the goodwill relating to the acquisition of subsidiaries, associates or jointly controlled companies is included in the item “Equity investments in subsidiaries, associates and jointly-controlled companies”.

All the goodwill is checked annually to identify any impairment losses (“impairment test”) and is recognised net of the impairments made.

The impairments possibly recognised are not reinstated.

For the purposes of the impairment test, the goodwill is allocated to the individual cash generating units (“CGUs”) or groups of CGUs, which it is believed, will provide the benefits relating to the acquisition to which the goodwill refers.

### E. *Impairment test*

In the presence of situations that may potentially generate impairment losses, the property, plant and equipment and intangible assets are subject to impairment tests through the measurement of the recoverable value of the asset and a comparison with the related net accounting 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. 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.

The goodwill and the assets with an indefinite useful life or assets not available for use are subject at least once a year to an impairment test so as to check the recoverability of the value. The assets, which are amortised/depreciated, are subject to the impairment test on the occurrence of events and circumstances, which indicate that the book value might not be recoverable. In such cases, the book value of the asset is written down until reaching the recoverable value. Contrary to the rules applied to other intangible assets, write-backs are not permitted for the goodwill.

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

As of each financial statement date, steps are taken to check any recovery of the impairments made on the non-financial assets further to impairment tests.

#### *F. Equity investments*

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 and by virtue of which one 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 power to govern the company; (iii) of 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 jointly controlled companies, 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 S.p.A 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. Jointly controlled assets (joint operations) are recorded by recognising the portion of asset and liability, cost and revenue that pertain thereto.

Equity investments in subsidiaries, associates and jointly controlled 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.

G. *Financial assets and liabilities*

These include the equity investments available for sale and the other non-current financial assets such as securities held with the intention of maintaining them in the portfolio until maturity, non-current loans and receivables, trade receivables and other receivables originating from the company and the other current financial assets such as cash and cash equivalents.

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.

They also include financial payables, trade payables and other payables and the other financial liabilities as well as derivative instruments.

The financial assets and liabilities are initially recognised at fair value. Their initial recognition takes into account the transaction costs directly attributable to the purchase or the issue costs, which are included in the initial recognition of all the assets and liabilities, which can be defined as financial instruments. Subsequent recognition depends on the type of instrument. In detail:

- trading assets are recognised at fair value with recording of the changes in the income statement;
- available-for-sale assets (“Equity investments in other companies”) are recognised at fair value and the gains or losses, which emerge, are recorded under other comprehensive income as from the moment of the effective disposal when they reverse to the income statement. The losses from recognition at fair value are by contrast directly booked to the income statement in cases when objective evidence exists that the financial asset has undergone impairment even if the asset has not yet been disposed of. Unlisted equity investments in relation to which the fair value cannot be reliably measured are by contrast recognised at cost less impairment; the cost is reinstated in subsequent years if the reasons for the impairments no longer exist. This category includes the equity investment held for a percentage of less than 20%;
- the financial assets with certain and pre-determined flows and with a pre-established maturity which one intends to maintain until maturity, other than equity investments, are recognised at amortised cost, using the original effective interest rate and, consequently, the future cash

flows are discounted back to the financial statement date on the basis of the effective rate. Furthermore, the recognition of the receivables takes into account the solvency of the creditors as well as the credit risk characteristics indicative of the ability of the individual debtors to pay. Only the receivables factored without recourse which satisfy the requirements envisaged for derecognition indicated in IAS 39 are eliminated from the financial statements;

- the other financial liabilities are recognised at amortised cost. Specifically, the costs incurred for the acquisition of loans (transaction costs) and any issue discount or premium directly adjust the face value of the loan. The financial expense is calculated according to the effective interest rate method;
- derivative instruments are recorded in the statement of financial position and are recognised at fair value and the gains and losses determined are respectively recorded in the income statement if the derivatives cannot be defined as hedges as per IAS 39 or they hedge a price risk (fair value hedge) or under other comprehensive income if they hedge a future cash flow or a future contractual commitment already undertaken as at the financial statement date (cash flow hedge);
- trade receivables and payables and other receivables and payables are recorded under current or non-current assets/liabilities in relation to the envisaged date of collection or payment.

#### *H. Other assets*

Other current assets are recorded, at the time of initial recognition, at fair value and subsequently at amortised cost on the basis of the effective interest rate method. If there is objective evidence of impairment indicators, the asset is written down to an extent so that it is equal to the discounted back value of the flows, which can be obtained in the future.

Impairment losses are recognised in the income statement. If in subsequent periods, the reasons for the previous impairments cease to exist, the value of the assets is reinstated up to the extent of the value, which would have derived from the application of the amortised cost if the impairment had not been made.

The white certificates are allocated in relation to the achievement of energy savings via 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”.

*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:

- Employee severance indemnity fund accruing as from 1 January 2007: this 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.
- Employee severance indemnity fund accrued as at 31 December 2006: this remains to be 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

IFRS 2 sets forth that the stock options are to be classified within the scope of “share-based payments” and provides, for the type classified as “equity-settled” (where the payment is regulated using instruments representative of equity), for the determination - as of the date of assignment of the fair value - of the option rights issued and the related recognition as personnel expense to be spread in a linear manner over the period of accrual of the rights (the so-called vesting period) with the recording of 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 provided for 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.

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*

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.

Sales revenues are recognised at the time ownership is transferred, which as a rule takes place on delivery or shipment of the goods. Revenues for the provision of services are recognised with reference to the stage of completion of the activities to which they refer; in particular, revenues for washing, wash-hire, sterilisation and other services are recognised in the period in which they were provided, even if not yet invoiced, and are determined by supplementing those recognised by means of advance payment invoicing with appropriate estimates.

The revenues are recognised at fair value in consideration of what has been received and represent the amount of the goods supplied and/or services provided.

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 in the period the shareholders' meeting of the investee company, 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 Income Statement in the consolidated financial statements.

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 undertaking the conversion of all the potential shares, which have a dilutive effect.

*O. Used 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 statements 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, which characterises the assumptions, and conditions on which the estimates are based.

*P. 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 consolidated financial data restated, 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 in question involves the allocation of the 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 impairment the goodwill allocated to the same. The allocation of the goodwill to the cash flow generating units and the determination of the latter leads to the adoption of estimates which depend on factors, which may change over time with consequent effects, possibly significant, with respect to the valuations made by the directors.
- ✓ Linen asset: the economic life of the Company's linen used in the production process has been estimated taking into consideration numerous factors that may affect it, such as for example the wear and tear deriving from the use and from the washing cycles. These factors are liable 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, which may vary over time and determine significant effects on the valuation of the deferred tax assets.
- ✓ Provisions for risk and charges: in the presence of legal and tax-related risks, provisions are recognised representative of the risk of losing lawsuits. The value of the provisions recorded in the financial statements relating to these risks represents the best estimate as of the financial statement data made by management. 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 separate financial statements.

- ✓ Revenues from sales and services: The revenues for services under way 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 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.

## **5 RISK MANAGEMENT POLICY**

The management of the financial risks within the Servizi Italia Group is carried out centrally within the sphere of precise organisational directives, which discipline the handling of the same and the control of all the transactions, which have strict relevance in the composition of the financial and/or trade assets and liabilities.

Servizi Italia S.p.A.'s activities are exposed to various types of risk, including interest rate, credit, liquidity and price risks.

To minimise such risks, Servizi Italia S.p.A. has adopted timescales and control methods, which allow company management to monitor this risk and inform the Board of Directors so that it may approve all transactions involving a commitment by the Company with respect to third parties.

### **5.1 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 commodities, with particular reference to electricity and gas used in the primary production processes and of cotton to which the purchase cost of the linen is linked. Within the sphere 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. The price risk is also controlled by means of the entering into of purchase agreements with price blocks and on-average annual timescales, joined by constant monitoring of the performance of the prices so as to identify opportunities for making savings.

### *Interest rate risk*

Net financial debt of the Company is characterised by short-term payables, which, at 31 December 2016, represent about 50.72% with a 0.74% annual average rate. As regards the global financial crisis, the company is monitoring the market and weighing up the opportunity of taking out hedging transactions on the rates in order to limit the adverse impacts of any change in interest rates on the company's income statement. Following is a table that shows, with values expressed in thousands of Euro, the effect that a 0.5% increase or decrease in the rate would have.

<i>(thousands of Euros)</i>	0.5% rate increase		0.5% rate decrease	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Financial receivables	+88	+65	(88)	(65)
Financial payables	+471	+405	(471)	(405)
Factoring of receivables	+428	+379	(428)	(379)

### *Credit risk*

The receivables, since they are essentially due from public bodies, are deemed certain in terms of collectability and, by nature, are not subject to the risk of loss. The collection times depend on the loans received, the Local Health Authorities, the Hospitals and the Regional Authorities and at present average collection days are 124.

A summary of the trade receivables net and gross of the related bad debt provisions and the stratification by maturity of receivables not written down is presented below:

<i>(thousands of Euros)</i>	As at 31 December	
	2016	2015
Gross trade receivables	73,776	84,522
Bad debt provisions	(5,175)	(5,531)
<b>Net trade receivables</b>	<b>68,601</b>	<b>78,991</b>
Guarantees in portfolio	None	None
Falling due	31,898	42,885
Past due by less than 3 months	12,035	15,535
Past due by more than 3 months	6,585	8,651
Past due by more than 7 months	18,083	11,920

The credit risk is constantly monitored by means of periodic processing of past due situations which are subject to the 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 in question could become more significant in the event of an increase in the private customer component, however this aspect is mitigated by a careful selection and financing of the 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, the liquidity risk is linked to two main factors:

- delay in the 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 the payments for the receivables. In order to balance this risk, factoring agreements have been entered into with the without-recourse formula, renewed also for 2017.

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 Company has entered into covenants relating to the mortgage loans with Cassa di Risparmio in Bologna S.p.A., Banca Nazionale del Lavoro S.p.A., Cassa di Risparmio di Parma e Piacenza SpA, Banca Popolare di Milano S.Coop.a r.l., therefore the possibility of early repayment of these loans with respect to the repayment plan, is envisaged. As at 31 December 2016, the Company had observed the covenants entered into.

The following table analyses the "worst case" scenario with reference to the financial liabilities (including trade payables and other payables) in which all the flows indicated are un-discounted future nominal cash flows, determined with reference to the residual contractual maturities, both for the principal portion and 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. The 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 company only partially uses the short-term bank credit facilities available.

<i>(thousands of Euros)</i>	Financial payables		Trade and other payables		Total	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Less than or equal to 3 months	18,271	34,797	52,107	65,812	70,378	100,609
3 to 12 months	28,572	9,391	21,613	13,969	50,185	23,360
1 to 2 years	18,701	10,794	-	-	18,701	10,794
More than 2 years	26,933	24,570	-	-	26,933	24,570
<b>Total</b>	<b>92,476</b>	<b>79,552</b>	<b>73,720</b>	<b>79,781</b>	<b>166,196</b>	<b>159,333</b>

### *Exchange rate risk*

Investments in Brazil, Turkey, India and recently Albania, have positioned the Group in an international context, exposing it to risks generated by fluctuations in the Euro/Real, Euro/Turkish Lira, Euro/Indian Rupee and Euro/Albanese Lek exchange rates.

The exchange rate risk must only be hedged 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 Company has decided not to enter into hedging transactions on exchange rates since no inflows of capital are envisaged over the short term.

## 5.2 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.

The classification of IFRS 13 involves 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. 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. With regard to equity investments in other companies, prices listed on active markets are not available. Therefore, their fair value cannot be measured reliably. For the same reason, they are measured at cost, possibly written down due to impairment.

<i>Euro</i>	Financial assets				Financial liabilities	
	at fair value through profit and loss	held to maturity	loans and receivables	available for sale	at fair value through profit and loss	at amortised cost
<i>Measurement criteria</i>	<i>fair value</i>	<i>amortised cost</i>	<i>amortised cost</i>	<i>cost</i>	<i>fair value</i>	<i>amortised cost</i>
<b>Non-current assets</b>						
Equity investments in other companies				3,602,192		
Financial receivables			7,667,819			
Other assets			5,146,109			
<b>Current assets</b>						
Trade receivables			68,601,375			
Current tax receivables			2,495,264			
Financial receivables			16,878,514			
Other assets			6,335,058			

<b>Non-current liabilities</b>	
Due to banks and other lenders	45,021,944
Other financial liabilities	57,228
<b>Current liabilities</b>	
Due to banks and other lenders	46,329,473
Trade payables	59,193,276
Current tax payables	-
Other financial liabilities	7,625,266
Other payables	15,041,392

### 5.3 Supplementary information on the capital

The Company's objectives, in relation to the management of the capital and the financial resources, involve safeguarding the ability 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, Servizi Italia S.p.A. controls capital on the basis of the debt ratio (gearing) calculated as the ratio between the net financial debt and net invested capital.

<i>(thousands of Euros)</i>	Year ended as at 31 December		Change	Change %
	2016	2015		
Shareholders' equity (B)	148,762	138,123	10,639	8%
Net financial debt (a) (A)	73,448	67,344	6,104	9%
<b>Invested capital (C)</b>	<b>222,210</b>	<b>205,467</b>	<b>16,743</b>	<b>8%</b>
<b>Gearing (A/C)</b>	<b>33.1%</b>	<b>32.8%</b>		

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

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

On 5 April 2016, following an increase in the shareholding of STERIS Corporation in the shareholding structure of Servizi Italia, through an authorised Share Capital increase in the amount of Euro 3,999,997 by issuing 1,110,185 ordinary shares of the company at the issuance price of Euro 3.6030 for each new share, the new capital share composition (fully paid up) of Servizi Italia S.p.A. is now Euro 31,809,451, represented by 31,809,451 ordinary shares of a unit nominal value of Euro 1.00 each. The related certification pursuant to Article 2444 of the Italian Civil Code was filed with the Parma Business Register as of the same date.

### 5.4 Segment reporting

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

- Wash-hire;

- Linen sterilisation (Steril B);
- Surgical instrument sterilisation (Steril C).

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

## 6 STATEMENT OF FINANCIAL POSITION

### 6.1 Property, plant and equipment

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

<i>(thousands of Euros)</i>	<b>Land and Buildings</b>	<b>Plant and machinery</b>	<b>Returnable assets</b>	<b>Equipment</b>	<b>Other assets</b>	<b>Assets under construction</b>	<b>Total</b>
Historical cost	2,199	94,668	26,453	51,147	69,303	2,329	246,099
Accumulated depreciation	(992)	(55,219)	(14,465)	(30,898)	(42,795)	-	(144,369)
<b>Balance as at 1 January 2015</b>	<b>1,207</b>	<b>39,449</b>	<b>11,988</b>	<b>20,249</b>	<b>26,508</b>	<b>2,329</b>	<b>101,730</b>
Incorporations	-	1,850	68	84	1,414	-	3,416
Increases	59	2,216	445	2,727	24,766	2,105	32,318
Decreases	(1)	(49)	(21)	(9)	(30)	(314)	(424)
Depreciation	(106)	(6,408)	(1,795)	(5,007)	(23,466)	-	(36,782)
Reclassifications	-	326	-	913	71	(1,310)	-
<b>Balance as at 31 December 2015</b>	<b>1,159</b>	<b>37,384</b>	<b>10,685</b>	<b>18,957</b>	<b>29,263</b>	<b>2,810</b>	<b>100,258</b>
Historical cost	2,204	102,966	24,650	54,115	96,734	2,810	283,479
Accumulated depreciation	(1,045)	(65,582)	(13,965)	(35,158)	(67,471)	-	(183,221)
<b>Balance as at 1 January 2016</b>	<b>1,159</b>	<b>37,384</b>	<b>10,685</b>	<b>18,957</b>	<b>29,263</b>	<b>2,810</b>	<b>100,258</b>
Increases	40	1,991	1,421	2,438	22,390	2,346	30,626
Decreases	-	(187)	(2)	(59)	(32)	(27)	(307)
Depreciation	(104)	(6,336)	(2,514)	(5,079)	(23,131)	-	(37,164)
Reclassifications	4	731	1,110	650	47	(2,542)	-
<b>Balance as at 31 December 2016</b>	<b>1,099</b>	<b>33,583</b>	<b>10,700</b>	<b>16,907</b>	<b>28,537</b>	<b>2,587</b>	<b>93,413</b>
Historical cost	2,248	104,615	27,176	56,459	98,184	2,587	291,269
Accumulated depreciation	(1,149)	(71,032)	(16,476)	(39,552)	(69,647)	-	(197,856)
<b>Balance as at 31 December 2016</b>	<b>1,099</b>	<b>33,583</b>	<b>10,700</b>	<b>16,907</b>	<b>28,537</b>	<b>2,587</b>	<b>93,413</b>

#### *Land and Buildings*

Increases in Land and Buildings in 2016, of Euro 40 thousand, are primarily the results of investments in light constructions for the plants of Genova Bolzaneto for Euro 17 thousand, Travagliato for Euro 14 thousand and Arco di Trento for Euro 8 thousand.

#### *Plant and machinery*

The increases concern investments in plant and machinery for washing and sterilisation at the following production sites: Ariccia for Euro 405 thousand, Pavia di Udine for Euro 331 thousand, Florence for Euro 194 thousand, Montecchio Precalcino for Euro 150 thousand, Travagliato for Euro 145 thousand, Arco di Trento for Euro 104 thousand, Castellina di Soragna for Euro 103 thousand, Genova Bolzaneto for Euro 74 thousand.

The remaining part regards investments carried out at the customers' sites for the purchase of plants and machinery in support of wash and sterilisation activities, in particular for surgical instruments sterilisation at Centro Traumatologico Ortopedico (Euro 117 thousand), for the wardrobes at the facilities ASL of Grosseto (Euro 181 thousand) and for the wardrobe at the Garbagnate Hospital (Euro 43 thousand).

In addition, this item shows reclassifications for Euro 731 thousand of which Euro 188 thousand for the start-up of machinery at the facilities of Genova Bolzaneto, Euro 348 thousand for the start -up of the new surgical instrument sterilisation facility of Messina.

#### *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.

With regard to the year ended 31 December 2016, the increases, in the amount of Euro 1,421 thousand, mainly concerned the redevelopment of the properties where the leased production sites are located and in particular the industrial laundries for a total of Euro 947 thousand, while the remaining portion relates to investments made at the customers sites for improvements and the adjustments of the existing systems in use for Euro 474 thousand.

In addition, this item shows the reclassification of intangible assets in progress of Euro 1,110 thousand. In particular, Euro 870 thousand refers to the start of the new surgical instrument sterilisation facility of Messina, Euro 103 thousand to the requalification of the plant of Ariccia, Euro 79 thousand to interventions carried out at the facility of Montecchio Precalcino and Euro 54 thousand refers to the expansion carried out in Azienda Ospedaliera Careggi.

#### *Industrial and commercial equipment*

The changes during the year ended 31 December 2016 present an increase of Euro 1,005 thousand for the purchase of industrial and commercial equipment, of which Euro 1,433 thousand for the purchase of surgical instruments.

The reclassification of the equipment, amounting to Euro 650 thousand, concerns primarily the first use of surgical instruments by ASST of Valle Olona at the hospital of Busto Arsizio, amounting to Euro 291 thousand, the sterilisation facility of Baggiovara for Euro 205 thousand, and the start-up of the new site of Messina for Euro 93 thousand.

#### *Other assets*

The item is broken down as follows:

<i>(thousands of Euros)</i>	<b>As at 31 December 2016</b>	<b>As at 31 December 2015</b>
Linens and mattresses	27,366	28,013
Furniture and fixtures	111	133
Electronic machinery	775	878
Cars	7	20
Motor vehicles	206	157
Telephone switchboards	72	62
<b>Total</b>	<b>28,537</b>	<b>29,263</b>

The purchases made during the year mainly derive from investments in linen, for a total of Euro 22,016 thousand, necessary for an increasingly efficient management of the inventory, both for the new contracts acquired during 2016 and upon renewal of the existing contracts.

The Company sold linen, generating a capital gain of Euro 198 thousand.

Furthermore, the value of the linen and mattresses completely amortised, for a total of Euro 20,818 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 be able to establish any additional contribution to the production process.

#### *Assets under construction*

These are mainly returnable assets as per the previous point, under construction at period end.

The item for 2016 is broken down as follows:

<i>(thousands of Euros)</i>	<b>As at 31 December 2016</b>
Sterilisation centre investments	1,240
Laundering facility investments	396
Investments on contracts	951
<b>Total</b>	<b>2,587</b>

As here detailed, the most significant investments in the previous year, amounting to Euro 2,346 thousand, relate to major structural and technical works in addition to the supply of new equipment. More specifically, the investments concern the plant of Montecchio Precalcino (Euro 206 thousand), Arco di Trento (Euro 44 thousand), Travagliato (Euro 36 thousand), the surgical instrument sterilisation facility of Udine (Euro 60 thousand), the new instrument sterilisation facility of Ariccia (Euro 862

thousand), the wardrobes at the hospital ASL of Grosseto (Euro 609 thousand) and the new sterilisation facility for ASST of Valle Olona for the hospital of Busto Arsizio (Euro 157 thousand).

The reclassification of the year ended 31 December 2016, refers primarily, in addition to the first use of the surgical instruments of Busto Arsizio and Baggiovara, to the start-up of the new facility of Messina.

A breakdown as at 31 December 2016 and 2015 of the commitments for operational leasing fees is provided below:

<i>(thousands of Euros)</i>	<b>As at 31 December</b>	
	<b>2016</b>	<b>2015</b>
Within 12 months	3,296	3,171
Between one and five years	10,277	7,333
Beyond 5 years	10,727	5,400
<b>Total</b>	<b>24,300</b>	<b>15,904</b>

## 6.2 Intangible assets

This item changed as follows:

<i>(thousands of Euros)</i>	Trademarks and software	Customer contract portfolio	Other intangible assets	Assets under construction and payments on account	Total
<b>Balance as at 1 January 2015</b>	<b>443</b>	<b>-</b>	<b>-</b>	<b>272</b>	<b>715</b>
Incorporations	21	2,000	-	-	2,021
Increases	251	-	1,016	112	1,379
Decreases	-	-	-	(14)	(14)
Amortisation	(501)	(410)	(353)	-	(1,264)
Reclassifications	223	-	-	(223)	-
<b>Balance as at 31 December 2015</b>	<b>437</b>	<b>1,590</b>	<b>663</b>	<b>147</b>	<b>2,837</b>
Historical cost	3,045	3,184	1,016	147	7,392
Accumulated amortisation	(2,608)	(1,594)	(353)	-	(4,555)
<b>Balance as at 1 January 2016</b>	<b>437</b>	<b>1,590</b>	<b>663</b>	<b>147</b>	<b>2,837</b>
Increases	252	-	-	43	295
Decreases	(3)	-	-	-	(3)
Amortisation	(410)	(335)	(508)	-	(1,253)
Reclassifications	147	-	-	(147)	-
<b>Balance as at 31 December 2016</b>	<b>423</b>	<b>1,255</b>	<b>155</b>	<b>43</b>	<b>1,876</b>
Historical cost	3,439	3,184	1,016	43	7,682
Accumulated amortisation	(3,016)	(1,929)	(861)	-	(5,806)
<b>Balance as at 31 December 2016</b>	<b>423</b>	<b>1,255</b>	<b>155</b>	<b>43</b>	<b>1,876</b>

The increase in intangible assets is essentially due to investments in software.

The reclassifications, of Euro 147 thousand, relate to the software.

Assets in progress mainly concern the management software being implemented.

### 6.3 Goodwill

This item changed as follows:

<i>(thousands of Euros)</i>	<b>Goodwill</b>
<b>Balance as at 1 January 2015</b>	<b>21,709</b>
Increases /(decreases)	10,566
<b>Balance as at 31 December 2015</b>	<b>32,275</b>
Increases /(decreases)	-
<b>Balance as at 31 December 2016</b>	<b>32,275</b>

The goodwill is allocated to Servizi Italia S.p.A.'s cash generating unit, which reflects the operational areas of the companies acquired and incorporated over the years.

The impairment test is carried out by comparing the value of the goodwill and the number of activities autonomously able to produce cash flow (CGU), which the same can be reasonably allocated to, with the value in use of the CGU or that recoverable from the same via sale, whichever is the higher (fair value). 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 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 with 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 industrial plan set up for the 2017-2021 period.

The terminal value is determined by applying a perpetual growth factor of 1.0% 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, which characterise the Italian market. The discount rate used, equating to 5.08% (5.54% 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 has been estimated, after taxes, on a consistent basis with the cash flows being considered, by means of the determination of the weighted average cost of the capital (WACC).

A sensitivity analysis was carried out about the recoverability of the book value of the goodwill according to changes in the main assumptions that were used to calculate the book values also considering a conservative approach to the choice of the financial parameters above. The analysis carried out has shown that, to make the carrying value the same as the recoverable value, the following would be necessary: (i) a reduction in the growth rate of the terminal values of 5.2 percentage points or (ii) an increase of 73% of the WACC adopted or (iii) an annual reduction of the reference EBIT of 49%, all of this in order to maintain unchanged, from time to time, the other assumptions of the plan. At this

time, it is not reasonable to hypothesise any change in the assumptions made which could lead to the cancellation of the surplus.

With reference to 31 December 2016 and the previous years, the impairment test carried out did not reveal any impairments to be booked to the recorded goodwill.

#### 6.4 Equity investment in subsidiaries, associates and jointly controlled companies

Equity investments in subsidiaries underwent the following changes:

<i>(thousands of Euros)</i>	Change in 2016			31 December 2016
	1 January 2016	Increases	Decreases	
<b>Subsidiaries</b>				
S. Martino 2000 S.c.r.l.	6	-	-	6
Se.sa.tre. S.c.r.l.	12	-	-	12
SRI Empreendimentos e Participacoes LTDA	41,115	4,000	-	45,115
Tintoria Lombarda Divisione Sanitaria S.r.l.	-	13,718	-	13,718
Servizi Italia Medical S.r.l.	707	-	-	707
<b>Total</b>	<b>41,840</b>	<b>17,718</b>	<b>-</b>	<b>59,558</b>

<i>(thousands of Euros)</i>	Change in 2015			31 December 2015
	1 January 2015	Increases	Decreases	
<b>Subsidiaries</b>				
S. Martino 2000 S.c.r.l.	6	-	-	6
Se.sa.tre. S.c.r.l.	12	-	-	12
Lavanderia Industriale Z.B.M. S.p.A.	15,070	-	(15,070)	-
SRI Empreendimentos e Participacoes LTDA	23,615	17,500	-	41,115
Si.Gi. Servizi Ospedalieri S.r.l. (sole shareholder company)	1,764	-	(1,764)	-
Servizi Italia Medical S.r.l.	707	-	-	707
<b>Total</b>	<b>41,174</b>	<b>17,500</b>	<b>(16,834)</b>	<b>41,840</b>

The main change in the item is due to the acquisition on 7 July 2016 of the company Tintoria Lombarda Divisione Sanitaria S.r.l. for Euro 13,718 thousand and the capital increase of SRI Empreendimentos and Participações Ltda for Euro 4,000 thousand. The latter was necessary to fund investments at the companies Aqualav Serviços De Higienização Ltda and Maxlav Lavanderia Especializada S.A..

Equity investments in associates and jointly controlled companies underwent the following changes:

<i>(thousands of Euros)</i>	Change in 2016			31 December 2016
	1 January 2016	Increases	Decreases	
<b>Associates and jointly controlled companies</b>				
Finanza & Progetti S.p.A.	5,100	160	-	5,260
Centro Italia Servizi S.r.l. in liquidation	5	-	(5)	-
Arezzo Servizi S.c.r.l.	-	5	-	5
CO.S.E.S S.c.r.l.	3	-	-	3
PSIS S.r.l.	5,000	-	-	5,000
Ekolav S.r.l.	50	-	-	50
Steril Piemonte S.c.r.l.	2,000	-	-	2,000
AMG S.r.l.	2,033	-	-	2,033
Iniziative Produttive Piemontesi S.r.l.	1,322	-	-	1,322
SE.STE.RO. S.r.l. in liquidation	100	-	-	100
Piemonte Servizi Sanitari S.c.r.l.	3	-	-	3

Saniservice Sh.p.k.	6	-	-	6
Ankateks Turizm Insaat Tekstil Temizleme Sanayi Ve	4,469	8,228	-	12,697
SAS Sterilizasyon Servisleri A.Ş.	86	255	-	341
Shubhram Hospital Solutions Private Limited	575	1,287	-	1,862
<b>Total</b>	<b>20,752</b>	<b>9,935</b>	<b>(5)</b>	<b>30,682</b>

During the year, the consortium Arezzo Servizi S.c.r.l. was established in order to provide wash-hire and disinfection services for the tender contract concerning the Area Vasta Sud Est for the hospital Ausl of Arezzo.

On 27 December 2016, a request for cancellation from the Business Register of Centro Italia Servizi S.r.l. in liquidation was filed.

The increase in value of the shareholding in the Indian company Shubhram Hospital Solutions Private Limited is to be entirely attributed to a share capital increase amounting to INR 94,336 thousand.

The increase in value of the shareholding in the company Finanza & Progetti S.p.A. refers to a higher reserve for capital increase of Euro 160 thousand.

The increase in value of the investment in the Turkish company SAS Sterilizasyon Servisleri A.Ş. results from the contributions, towards future capital increase, of TL 1,826 thousand.

With reference to the increase in the value of the investment in the company Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi, please see the Explanatory Notes, note 6.23

Following is a list of companies, share capital and investment in the subsidiaries, associates and jointly controlled companies held by the Company and the total amount of current and non-current assets, current and non-current liabilities, revenue, costs and results at 31 December 2016:

(thousands)

Company Name	Registered Offices	Currency	Share Capital	% holding
San Martino 2000 S.c.r.l.	Genoa	Eur	10	60%
Se.Sa.Tre. S.c.r.l.	Genoa	Eur	20	60%
Servizi Italia Medical S.r.l.	Castellina di Soragna (PR)	Eur	200	100%
Tintoria Lombarda Divisione Sanitaria S.r.l.	Barbariga (BS)	Eur	261	100%
SRI Empreendimentos e Participacoes LTDA	São Paulo (Brazil)	R\$	142,913	100%
Lavsim Higienização Têxtil S.A.	São Roque, São Paulo (Brazil)	R\$	550	100%
Maxlav Lavanderia Especializada S.A.	Jaguariúna, State of São Paulo (Brazil)	R\$	2,825	50.10%
Vida Lavanderias Especializada S.A.	Santana de Parnaíba SP (Brazil)	R\$	1,900	50.10%
Aqualav Serviços De Higienização Ltda	Vila Idalina, Poá, State of São Paulo (Brazil)	R\$	15,400	100.00%
SAS Sterilizasyon Servisleri A.Ş.	Istanbul, Turkey	TL	500	51%
Saniservice Sh.p.k.	Tirana – Albania	Lek	2,746	30%
Shubhram Hospital Solutions Private Limited	New Delhi - India	INR	270,172	51%
Ankateks Turizm İnşaat Tekstil Temizleme Sanayi Ve	Ankara, Turkey	TL	5,000	40%
Finanza & Progetti S.p.A.	Padua	Eur	550	50%
Arezzo Servizi S.c.r.l.	Arezzo	Eur	10	50%
CO.SE.S S.c.r.l.	Perugia	Eur	10	25%
PSIS S.r.l.	Padua	Eur	10,000	50%

Ekolav S.r.l.	Lastra a Signa (FI)	Eur	100	50%
Steril Piemonte S.c.r.l.	Turin	Eur	4,000	50%
AMG S.r.l.	Busca (CN)	Eur	100	50%
SE.STE.RO S.r.l. in liquidation	Castellina di Soragna (PR)	Eur	400	25%
Iniziative Produttive Piemontesi S.r.l.	Turin	Eur	2,500	37.63%
Piemonte Servizi Sanitari s.c.r.l.	Turin	Eur	10	30%

(thousands)

As at 31 December 2016

Company Name	Currency	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Shareholders' equity	Revenues	Costs	Profit/(Loss)
San Martino 2000 S.c.r.l.	Eur	1,817	2,054	-	3,861	10	8,580	8,580	-
Se.Sa.Tre. S.c.r.l.	Eur	3,321	6,709	-	10,010	20	11,039	11,039	-
Servizi Italia Medical S.r.l.	Eur	58	2,288	-	943	1,403	2,799	2,777	22
Tintoria Lombarda Divisione Sanitaria S.r.l.	Eur	7,735	7,148	1,017	13,620	246	9,023	10,264	(1,241)
SRI Empreendimentos e Participacoes LTDA	R\$	138,676	11,370	1,215	2,290	146,541	-	(967)	967
Lavsim Higienização Têxtil S.A.	R\$	33,941	15,422	32,844	9,372	7,147	39,143	39,429	(286)
Maxlav Lavanderia Especializada S.A.	R\$	24,898	11,581	22,253	10,592	3,634	41,000	40,960	40
Vida Lavanderias Especializada S.A.	R\$	1,022	2,633	636	2,989	30	12,535	12,081	454
Aqualav Serviços De Higienização Ltda	R\$	18,191	12,631	17,351	3,735	9,736	20,982	23,238	(2,256)
SAS Sterilizasyon Servisleri A.Ş.	TL	-	2,008	-	72	1,936	272	319	(47)
Saniservice Sh.p.k.	Lek	665,069	355,983	838,426	316,354	(133,728)	157,813	273,249	(115,436)
Shubhram Hospital Solutions Private Limited	INR	756,776	81,480	447,654	343,300	47,302	148,503	238,804	(90,301)
Ankateks Turizm İnfaat Tekstil Temizleme Sanayi Ve*	TL	18,721	16,527	4,419	17,594	13,235	23,568	15,772	7,796
Finanza & Progetti S.p.A.	Eur	2,602	948	-	434	3,116	-	113	(113)
Arezzo Servizi S.c.r.l.	Eur	1,194	668	240	1,612	10	1,465	1,465	-
CO.SE.S S.c.r.l.	Eur	1	1,153	129	1,015	10	2,794	2,794	-
PSIS S.r.l.	Eur	23,265	6,054	4,500	16,417	8,402	9,101	8,987	114
Ekolav S.r.l.	Eur	2,011	1,193	862	2,203	139	2,633	2,617	16
Steril Piemonte S.c.r.l.	Eur	5,135	1,816	-	3,006	3,945	2,786	2,786	-
AMG S.r.l.	Eur	1,868	2,159	537	923	2,567	4,010	3,879	131
SE.STE.RO S.r.l. in liquidation	Eur	-	1,440	-	993	447	-	44	(44)
Iniziative Produttive Piemontesi S.r.l.	Eur	790	3,293	225	2,113	1,745	4,251	4,194	57
Piemonte Servizi Sanitari s.c.a.r.l.	Eur	23	767	-	780	10	1,183	1,183	-

\*The data refers to the sub-consolidation of the Ankateks Group

The value of negative net equity of the company Saniservice Sh.p.K. is affected by the results obtained during the industrial start-up and entry into effect of the agreement.

## 6.5 Equity investments in other companies

The item changed as follows:

(thousands of Euros)	Change in 2016			
	1 January 2016	Increases	Decreases	31 December 2016
Asolo Hospital Service S.p.A.	464	-	-	464
Prosa S.p.A.	462	-	-	462
PROG.ESTE S.p.A.	1,212	-	-	1,212
Progeni S.p.A.	380	-	-	380
Sesamo S.p.A.	353	-	-	353
Synchron Nuovo San Gerardo S.p.A.	344	-	-	344
Spv Arena Sanità	278	-	-	278
Other	49	60	-	109
<b>Total</b>	<b>3,542</b>	<b>60</b>	<b>-</b>	<b>3,602</b>

The change in item Other is due to the acquisition, during the period, of the shareholding in Consorzio Zenit Società Cooperativa and the increase in the shareholding in Consorzio Nazionale Servizi.

The total values of the assets, liabilities, revenues and net 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 2016:

	Registered Offices	Financial statement figures as at 31 December 2015				% holding as at 31 December 2016
		Assets	Liabilities	Revenues	Profit/(Loss)	
Asolo Hospital Service S.p.A.	Asolo (TV)	95,403	88,236	37,790	368	7.03%
Prosa S.p.A.	Carpi (MO)	9,889	5,063	1,877	594	13.20%
Progeni S.p.A.	Milan	297,349	286,399	48,226	534	3.80%
Sesamo S.p.A.	Carpi (MO)	39,770	31,217	17,774	1,038	12.17%
PROG.ESTE.. S.p.A.	Carpi (MO)	228,000	218,974	35,389	108	10.14%

## 6.6 Financial receivables

The item is broken down as follows:

	As at 31 December	
	2016	2015
Prosa S.p.A.	255	321
Sesamo S.p.A.	353	353
Progeni S.p.A.	982	982
PROG.ESTE. S.p.A.	531	531
Saniservice Sh.p.K.	4,000	162
Summano Sanità S.p.A.	2	3
Se.Sa.Tre. S.c.r.l.	-	772
Ankateks Turizm Insaat Tekstil Temizleme Sanayi Ve	809	-
Arena Sanità	461	446
Synchron	275	254
<b>Total</b>	<b>7,668</b>	<b>3,824</b>

The financial receivables refer to the interest-bearing loans granted to the companies Prosa S.p.A. (3.50% rate plus 3-month Euribor), Sesamo S.p.A. (3% rate plus IRS rate at 20 years), Progeni S.p.A. (7.31% rate), PROG.ESTE. S.p.A. (6.96% rate) and Summano Sanità S.p.A. (6.1% rate) and with a duration equal to that of the global service agreements for which the companies were established (respective expiry dates of 21 February 2031, 31 December 2037, 31 December 2033, 31 December 2031 and 31 December 2030). The loan to the subsidiary Se.Sa.Tre. S.c.r.l. was granted in order to guarantee the correct financial management at a 3-month Euribor rate, in addition to a spread equal to 1% and with expiry at 31 December 2017. This loan decreased subsequent to the repayment as per the amortisation plan. The loan granted to Prosa S.p.A, decreased due to a partial repayment occurred in 2016, while the loans granted to the companies Arena Sanità S.p.A. (3.4% rate plus 6-month Euribor) and Synchron S.p.A. (rate 8%) increased due to the capitalisation of the interest accrued during the year. The loan granted to the Albanian company Saniservice Sh.p.k. (7% rate) was increased due to the payment of new loan tranches aimed at supporting the investments necessary to perform the new service

agreements awarded locally. In 2016, a new loan was granted to the company Ankateks Turizm Insaat Tekstil Temizleme Sanayi Ve (rate 9%).

## 6.7 Deferred tax assets

This item changed as follows:

<i>(thousands of Euros)</i>	Share Capital increase costs	Property, plant and equipment	Employee benefits	Other costs with deferred deductibilit y	Total
<b>Deferred taxation as at 1 January 2015</b>					
Incorporations Lavanderia Industriale ZBM S.p.A. e Si.Gi. Servizi Ospedalieri S.r.l.	-	13	7	2	22
Changes recognised in the income statement	(45)	341	-	(33)	263
Changes recognised under shareholders' equity	-	-	-	-	-
Changes recognised in other comprehensive income	-	-	(6)	-	(6)
<b>Deferred taxation as at 31 December 2015</b>	<b>48</b>	<b>784</b>	<b>134</b>	<b>187</b>	<b>1,153</b>
Changes recognised in the income statement	(36)	(127)	-	(7)	(170)
Changes recognised under shareholders' equity	-	-	-	-	-
Changes recognised in other comprehensive income	-	-	57	-	57
<b>Deferred taxation as at 31 December 2016</b>	<b>12</b>	<b>657</b>	<b>191</b>	<b>180</b>	<b>1,040</b>

Deferred tax assets referring to property, plant and equipment represent the deferred taxation related to the ordinary process of depreciation of the linen.

## 6.8 Other assets

The item is broken down as follows:

<i>(thousands of Euros)</i>	<b>As at 31 December</b>	
	<b>2016</b>	<b>2015</b>
Substitute tax Italian Legislative Decree 185 subsequent years	3,313	1,880
Receivables for IRES reimbursement request pursuant to Art. 2 par. 1-quater Italian Decree Law No. 201	1,833	1,834
<b>Total</b>	<b>5,146</b>	<b>3,714</b>

Other non-current assets increased from Euro 3,714 thousand as at 31 December 2015 to Euro 5,146 thousand as at 31 December 2016. The change in the substitute tax item is due to the payment of Euro 1,691 thousand in accordance with articles 15, par. 10-12 of Legislative Decree 185/08, aimed at obtaining the tax recognition of the goodwill value, deriving from the merger by incorporation occurring in 2015 of Lavanderia Industriale ZBM S.p.A.. This substitute tax was recognised as an advance on current taxes and will be entered into the Income Statement within the time frame when the company will benefit from the tax deductions related to said goodwill amounts.

## 6.9 Inventories

Inventories at year-end primarily included 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>	<b>As at 31 December</b>	
	<b>2016</b>	<b>2015</b>
Due from third parties	57,280	68,765
Due from the subsidiaries	10,058	9,392
Due from associates	896	643
Due from parent companies	366	120
Receivables from companies under the control of the parent companies	1	71
<b>Total</b>	<b>68,601</b>	<b>78,991</b>

### 6.10.1 Trade receivables due from third parties

The item is broken down as follows:

<i>(thousands of Euros)</i>	<b>As at 31 December</b>	
	<b>2016</b>	<b>2015</b>
Due from customers	62,455	74,296
Bad debt provision	(5,175)	(5,531)
<b>Total</b>	<b>57,280</b>	<b>68,765</b>

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

- factoring transactions were carried out on trade receivables without recourse, with Credem Factor, for a total of Euro 52,146 thousand for a consideration of Euro 52,012 thousand;
- trade receivables were factored without recourse to Unicredit Factoring, due from Lazio Regional local health units and hospitals for Euro 2,214 thousand, for a consideration of Euro 2,205 thousand;
- Euro 31,264 thousand in trade receivables were transferred, in accordance with a clause on transfer without recourse, to Unicredit Factoring S.p.A. against a consideration of Euro 31,196 thousand.

The bad debt provision changed as follows in 2016 and 2015:

<i>(thousands of Euros)</i>	
<b>Balance as at 1 January 2015</b>	<b>5,320</b>
Incorporations	15
Uses	(160)
Adjustments	(40)
Provisions	396
<b>Balance as at 31 December 2015</b>	<b>5,531</b>
Uses	(533)
Adjustments	(81)
Provisions	258
<b>Balance as at 31 December 2016</b>	<b>5,175</b>

#### *6.10.2 Trade receivables due from subsidiaries*

The balance of Euro 10,058 thousand as at 31 December 2016, includes trade receivables due from the subsidiaries Se.Sa.Tre S.c.r.l. for Euro 7,548 thousand, San Martino 2000 S.c.r.l. for Euro 2,276 thousand, Servizi Italia Medical S.p.A. for Euro 73 thousand, SRI Empreendimentos e Participacoes LTDA for Euro 147 thousand and Tintoria Lombarda Divisione Sanitaria S.r.l. for Euro 14 thousand. Amounts due from Se.Sa.Tre. S.c.r.l. are essentially linked to the charge-back of costs invoiced to Servizi Italia S.p.A., but referring to the management of the contract related to LHU 9 in Treviso.

#### *6.10.3 Trade receivables due from associates, jointly controlled and parent companies*

The balance as at 31 December 2016 of trade receivables due from associates and jointly controlled companies, amounting to Euro 896 thousand, is essentially represented by trade receivables due from Companies PSIS S.r.l. for Euro 150 thousand, Steril Piemonte S.c.r.l. for Euro 160 thousand, AMG S.r.l. for Euro 144 thousand, SE.STE.RO. S.r.l. in liquidation for Euro 82 thousand, Saniservice Sh.p.k. for Euro 249 thousand and Finanza & Progetti S.p.A. for Euro 69 thousand. Furthermore, there is a credit balance due from the parent company Coopservice Soc.Coop. p.A. for Euro 366 thousand.

## 6.11 Current tax receivables

The item is broken down as follows:

<i>(thousands of Euros)</i>	<b>As at 31 December</b>	
	<b>2016</b>	<b>2015</b>
Tax receivables	5,489	5,475
Tax payables	(2,994)	(3,201)
<b>Total</b>	<b>2,495</b>	<b>2,274</b>

This item includes the amount exceeding the receivables for advances on the current taxes of 2016, net of related tax payables.

## 6.12 Financial receivables

The item is broken down as follows:

<i>(thousands of Euros)</i>	<b>As at 31 December</b>	
	<b>2016</b>	<b>2015</b>
Asolo Hospital Service S.p.A.	1,673	1,563
P.S.I.S. S.r.l.	3,847	3,856
Ekolav S.r.l.	174	172
AMG S.r.l.	-	502
Arezzo Servizi S.c.r.l.	151	-
Se.Sa.Tre. S.c.r.l.	785	1,059
Tintoria Lombarda Divisione Sanitaria S.r.l.	7,945	-
Steril Piemonte S.c.r.l.	1,153	1,156
Iniziative Produttive Piemontesi S.r.l.	90	91
Gesteam S.r.l.	313	328
Other	748	290
<b>Total</b>	<b>16,879</b>	<b>9,017</b>

Financial receivables are for loans granted to the companies indicated above, which are due within the year or repayable on demand. The increase, compared with 31 December 2015, is due to the new loan agreements in favour of the company Tintoria Lombarda Divisione Sanitaria S.r.l. and Arezzo Servizi S.c.r.l. and to the interest accrued on the single loans and not yet collected. In 2016, the interest-bearing loan granted to AMG S.r.l. was repaid.

## 6.13 Other assets

The item is broken down as follows:

<i>(thousands of Euros)</i>	<b>As at 31 December</b>	
	<b>2016</b>	<b>2015</b>
Guarantee deposits receivable	119	154
Due from others	5,506	3,504
Prepayments	710	792
<b>Total</b>	<b>6,335</b>	<b>4,450</b>

Guarantee deposits receivable essentially relate to energy utilities and rentals.

The item Due to others includes mainly the receivables from INPS for the welfare support system and tax bonus, as per Legislative Decree 66/2014 for Euro 657 thousand and VAT receivables for Euro 2,984 thousand.

The remaining balance of the Receivables 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>	<b>As at 31 December</b>	
	<b>2016</b>	<b>2015</b>
Bank and postal deposits	998	1,992
Cheques	1	-
Cash at bank and in hand	26	20
<b>Total</b>	<b>1,025</b>	<b>2,012</b>

## 6.15 Shareholders' equity

### 6.15.1 Share Capital and reserves

On 5 April 2016, following an increase in the shareholding of STERIS Corporation, the new share capital structure (fully paid up) of Servizi Italia S.p.A. is equal to Euro 31,809,451, represented by 31,809,451 ordinary shares with nominal value of Euro 1.00 each.

In 2016, the Company purchased 92,604 treasury shares with a value of Euro 334 thousand, i.e. 0.29% of the share capital, at the average book value of Euro 3.61 per share. Following these transactions, the Company held 348,220 treasury shares amounting to 1.09% of the share capital as at 31 December 2016. The equivalent value of the treasury shares held on 31 December 2016, equal to Euro 1,435 thousand, was classified as decreasing the share capital for the par value of the same, equating to Euro 348 thousand, and as reducing the share premium reserve for the excess of the purchase value with respect to the par value, amounting to Euro 1,087 thousand.

The Legal reserve and Other reserves increased due to the allocation of the 2015 profit of the Company as per the resolution of the shareholders' meeting held on 20 April 2016, along with the payment of dividends for Euro 4,728 thousand equating to 15 euro cents per share.

#### 6.15.2 Possibility of use and distributable nature of the Shareholders' equity items

<i>(thousands of Euros)</i>	<b>Amount</b>	<b>Usability (1)</b>	<b>Available portion</b>	<b>Distributable portion</b>
Share Capital	31,461	-	-	-
Share premium reserve	51,967	A, B	51,967	-
Legal Reserve	4,772	B	-	-
Other reserves	48,681	A, B, C	48,681	47,246
<b>Total share capital and reserves</b>	<b>136,882</b>		<b>100,649</b>	<b>47,246</b>
Profit (loss) for the year	11,880			
<b>Total Shareholders' Equity</b>	<b>148,762</b>			

(1) Usability:  
A: for share capital increases  
B: to cover losses  
C: for distribution to shareholders

The share premium reserve cannot be distributed since the legal reserve has not reached the limit envisaged by Article 2430 of the Italian Civil Code.

#### 6.16 Due to banks and other lenders

The item is broken down as follows:

<i>(thousands of Euros)</i>	<b>As at 31 December 2016</b>			<b>As at 31 December 2015</b>		
	<b>Current</b>	<b>Non-current</b>	<b>Total</b>	<b>Current</b>	<b>Non-current</b>	<b>Total</b>
Due to banks	46,279	45,022	91,301	43,451	34,666	78,117
Due to other lenders	50	-	50	256	-	256
<b>Total</b>	<b>46,329</b>	<b>45,022</b>	<b>91,351</b>	<b>43,707</b>	<b>34,666</b>	<b>78,373</b>

##### 6.16.1 Due to banks

The portion of the payable falling due within 12 months relating to the item Due to banks as at 31 December 2016 showed an increase compared with 31 December 2015 of Euro 2,828 thousand. This increase was due to the repayment of the loan instalments expired during the period, net of the instalments of the new loans expiring within 12 months.

The portion of the payable falling due beyond 12 months relating to the item Due to banks as at 31 December 2016 increased with respect to 31 December 2015 by Euro 10,356 thousand as a result of the subscription of new loans granted by Banca Popolare dell'Emilia Romagna soc. coop., in the amount of Euro 7,000 thousand on 28 January 2016, with a three-year duration, by Cassa di Risparmio di Parma e Piacenza SpA in the amount of Euro 10,000 thousand on 1 July 2016, with a four-year duration, and by Banca Nazionale del Lavoro SpA in the amount of Euro 14,000 thousand on 21 July 2016, with a five-year duration. The subscription of the new loans was necessary in order to support the funding of the planned investments and the acquisition of the company Tintoria Lombarda Divisione Sanitaria S.r.l. The loans granted by Banca Nazionale del Lavoro S.p.A. require the maintenance of a net financial

position of less than 1.5 times the amount of shareholders' equity and less than 2.0 times the Ebitda (covenant), requirements that were met as at 31 December 2016. The loans granted by Cassa di Risparmio in Bologna S.p.A. and by Cassa di Risparmio di Parma e Piacenza S.p.A. require the maintenance of a net financial position of less than 1.5 times the amount of shareholders' equity and less than 2.5 times the Ebitda (covenant), requirements that were met as at 31 December 2016. The loan granted by Banca Popolare di Milano S.Coop.a r.l. requires the maintenance of a Net financial position of less than 2 times the amount of Shareholders' equity and less than 2 times the Ebitda (covenant), requirement that was met as at 31 December 2016.

Amounts due to banks are shown below by maturity:

<i>(thousands of Euros)</i>	<b>As at 31 December</b>	
	<b>2016</b>	<b>2015</b>
Less than or equal to 6 months	37,142	38,254
6 to 12 months	9,137	5,197
1 to 5 years	45,022	33,897
More than 5 years	-	769
<b>Total</b>	<b>91,301</b>	<b>78,117</b>

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

<i>(thousands of Euros)</i>	<b>As at 31 December</b>	
	<b>2016</b>	<b>2015</b>
1 to 2 years	18,356	10,455
2 to 5 years	26,666	23,442
More than 5 years	-	769
<b>Total</b>	<b>45,022</b>	<b>34,666</b>

The average effective interest rates for 2016 were as follows:

	<b>As at 31 December</b>	
	<b>2016</b>	<b>2015</b>
Advances on invoices	0.74%	1.56%
Bank loan	1.01%	2.10%

#### *6.16.2 Due to other lenders*

Payables to other lenders are broken down by maturity below:

<i>(thousands of Euros)</i>	<b>As at 31 December</b>	
	<b>2016</b>	<b>2015</b>
Less than or equal to 6 months	50	256
6 to 12 months	-	-
1 to 5 years	-	-
More than 5 years	-	-
<b>Total</b>	<b>50</b>	<b>256</b>

No amounts due to other lenders have been recorded under non-current liabilities.

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

<i>(thousands of Euros)</i>	As at 31 December	
	2016	2015
Floating rate	-	256
Fixed rate	50	-
<b>Total</b>	<b>50</b>	<b>256</b>

### 6.17 Deferred tax liabilities

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

<i>(thousands of Euros)</i>	Leasing	Employee benefits	Property, plant and equipment	Intangible assets	Goodwill	Total
<b>Deferred tax liabilities as at 1 January 2015</b>	<b>238</b>	-	<b>23</b>	-	<b>1,207</b>	<b>1,468</b>
Incorporations Lavanderia Industriale ZBM S.p.A. e Si.Gi. Servizi Ospedalieri S.r.l.	-	-	-	628	-	628
Changes recognised in the income statement	(130)	-	(2)	(173)	(32)	(337)
<b>Deferred tax liabilities as at 31 December 2015</b>	<b>108</b>	-	<b>21</b>	<b>455</b>	<b>1,175</b>	<b>1,759</b>
Changes recognised in the income statement	(64)	-	-	(455)	103	(416)
Changes recognised in other comprehensive income	-	-	-	-	-	-
<b>Deferred tax liabilities as at 31 December 2016</b>	<b>44</b>	-	<b>21</b>	-	<b>1,278</b>	<b>1,343</b>

The decrease in the deferred tax provision was due primarily to the surplus amounts allocated to the customer portfolios of the companies that were merged in 2015, and which made possible the deduction of the related amortisations.

### 6.18 Employee benefits

This item changed as follows:

<i>(thousands of Euros)</i>	Year	
	2016	2015
<b>Opening balance</b>	<b>9,964</b>	<b>10,220</b>
Incorporations	-	508
Provision	506	453
Financial expense	129	140
Actuarial (gains)/losses	237	70
Transfers (to)/from other provisions	-	-
(Uses)	(420)	(1,427)
<b>Closing balance</b>	<b>10,416</b>	<b>9,964</b>

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

This item includes the amount accrued on the LTI-Cash 2015-2017 variable remuneration plan for Directors, Managers, Senior Managers and Executives, based on which a bonus is disbursed at the end of the three-year period if certain economic and financial targets are met and in relation to the Servizi Italia share price, as well as the severance for termination of the office accrued by the CEO.

### 6.18.1 Financial hypotheses adopted

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

	Year	
	2016	2015
Technical annual discounting back rate	0.86%	1.39%
Annual inflation rate	1.50%	1.75%
Annual growth rate of the severance indemnity	2.63%	2.81%

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 10 years.

### 6.18.2 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 off 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 presupposed;
- for the probabilities of leaving employment for reasons other than demise, on the basis of statistics provided by the Company, the annual frequencies of 7.50% have been considered;
- with regard to the probability of advance, a year-by-year value of 3.00% was supposed.

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 were disbursed by the employer within the limits of the amount accrued, based on the provisions allocated up to 31 December 2006. If the amount of the advance is not covered by the amount accrued at the employer, the difference is disbursed by the Treasury Fund set up at INPS.

With regard to the matters set forth above and for just the 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.

### 6.18.3 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	(348)	370	104	(102)	(237)	272

## 6.19 Provisions for risks and charges

The item is broken down as follows:

<i>(thousands of Euros)</i>	Year	
	2016	2015
<b>Opening balance</b>	<b>151</b>	<b>64</b>
Provisions	-	120
Uses	(27)	(33)
Other changes	-	-
<b>Closing balance</b>	<b>124</b>	<b>151</b>

## 6.20 Other non-current financial liabilities

The substitute tax ex art.176 for Euro 57 thousand referring to the customer portfolio of Lavanderia Industriale Z.B.M. S.p.A. and Si.Gi. Servizi Ospedalieri S.r.l. was reclassified under this item.

## 6.21 Trade payables

The item is broken down as follows:

<i>(thousands of Euros)</i>	<b>As at 31 December</b>	
	<b>2016</b>	<b>2015</b>
Due to suppliers	46,648	52,165
Due to subsidiaries	5,344	4,818
Due to associates	2,649	3,711
Due to parent companies	4,259	3,446
Payables to companies under the control of the parent companies	293	145
<b>Total</b>	<b>59,193</b>	<b>64,285</b>

### 6.21.1 *Due to suppliers*

The balance as at 31 December 2016 refers entirely to trade payables due within 12 months.

### 6.21.2 *Due to subsidiaries*

The balance at 31 December 2016 consists of trade payables, within 12 months, to the subsidiaries Servizi Italia Medical S.p.A. for Euro 899 thousand, San Martino 2000 S.c.r.l. for Euro 1,053 thousand, Tintoria Lombarda Divisione Sanitaria S.r.l. for Euro 1,192 and Se.Sa.Tre S.c.r.l. for Euro 2,199 thousand.

### 6.21.3 *Due to associates and jointly controlled companies*

The balance at 31 December 2016 consists primarily of trade payables to Società Steril Piemonte S.c.r.l. for Euro 671 thousand, Ekolav S.r.l. for Euro 481 thousand, Se.Ste.Ro. S.r.l. in liquidation for Euro 418 thousand, AMG S.r.l. for Euro 347 thousand, Co.Se.S. S.c.r.l. for Euro 234 thousand, Arezzo Servizi S.c.r.l. for Euro 192 thousand, Iniziative Produttive Piemontesi S.r.l. for Euro 161 thousand, Piemonte Servizi Sanitari S.c.r.l. per Euro 135 thousand and PSIS S.r.l. for Euro 11 thousand.

### 6.21.4 *Due to parent companies*

Trade payables due to the parent company Coopservice S.Coop.p.A. amounted to Euro 4,259 thousand.

### 6.21.5 *Payables to companies under the control of the parent companies*

Trade payables to companies under the control of the parent company Coopservice S.Coop.p.A. amounted to Euro 293 thousand of which Euro 190 thousand due to Archimede S.p.A., Euro 97 thousand due to Focus S.p.A. and Euro 6 thousand due to Adpersonam S.r.l..

## 6.22 Current tax payables

With regard to 2016, the balance is stated in the item “Current tax receivables” since the net value is a credit.

## 6.23 Other current financial liabilities

This item shows an allocation to provision of Euro 7,625 thousand. This amount refers to the residual payable due to other shareholders of the company for the acquisition of 40.0% of the investment in Ankateks Turizm İnşaat Tekstil Temizleme San. Ve Tic. Ltd. Şti. This amount, which must be paid by Servizi Italia S.p.A. to the sellers, is tied to the value of the company and calculated based on the 2016 results subject to audit.

## 6.24 Other current payables

The table below provides a breakdown of other current payables.

<i>(thousands of Euros)</i>	<b>As at 31 December</b>	
	<b>2016</b>	<b>2015</b>
Accrued liabilities	115	18
Deferred income	612	800
Due to social security and welfare institutions	4,427	4,685
Other payables	9,887	10,853
<b>Total</b>	<b>15,041</b>	<b>16,356</b>

### 6.24.1 Due to social security and welfare institutions

Amounts due to social security 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) totalling Euro 4,427 thousand, all falling due within the year.

### 6.24.2 Other payables

The item is broken down as follows:

<i>(thousands of Euros)</i>	<b>As at 31 December</b>	
	<b>2016</b>	<b>2015</b>
Due to employees	7,818	8,097
Employee/professional IRPEF (personal income tax) payable	1,843	1,965
Other payables	226	791
<b>Total</b>	<b>9,887</b>	<b>10,853</b>

The decrease in the item Other payables, compared with the previous year, is to be attributed primarily to the balance of the non-compete agreement executed with the previous CEO for Euro 516 thousand.

## 6.25 Financial guarantee contracts

The table below lists the guarantees given by the company, existing as at 31 December 2016:

<i>(thousands of Euros)</i>	<b>As at 31 December</b>	
	<b>2016</b>	<b>2015</b>
Guarantees issued by banks and insurance companies for tenders	63,841	59,822
Guarantees issued by banks and insurance companies for lease agreements and utilities	603	577
Guarantees issued by banks and insurance companies in favour of third parties	38,331	36,962
Owned assets held by third parties	49	49
Pledge on Asolo Hospital Service shares to back loans granted to the Project Companies	464	464
Pledge on Sesamo shares to back loans granted to the Project Companies	237	237
Pledge on PROG.ESTE. shares to back loans granted to the Project Companies	1,212	1,212
Pledge on Progeni shares to back loans granted to the Project Companies	380	380
<b>Total</b>	<b>105,117</b>	<b>99,703</b>

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. and Shubhram Hospital Solutions Private Limited to back loan agreements.

Mortgage loans on owned property: the company has not granted liens on owned property and has no mortgage loans.

Pledge on Asolo Hospital Service, Sesamo, Progeni and PROG.ESTE. shares to back loans granted to the project companies: this pledge was granted to the banks providing the project financing on the shares representing the company's shareholding in the special purpose entity.

## 7 INCOME STATEMENT

### 7.1 Revenue from sales

The item is broken down as follows by business:

<i>(thousands of Euros)</i>	Year ended as at 31 December	
	2016	2015
Wash-hire	141,126	145,527
Steril B	19,165	19,002
Steril C	38,466	37,528
<b>Total</b>	<b>198,757</b>	<b>202,057</b>

Revenues from Servizi Italia declined by 1.6% compared with the previous year. This decrease is primarily due to the effect on the wash-hire line, of the renegotiation of the prices of contracts in the portfolio for the application of the spending review, the reorganisation of different hospital structures with the consequent reduction in the number of beds and the termination of a contractual relationship with some customers. To be recognised in the period is the start-up of new tender contracts such as ASST of Valle Olona for the hospital of Busto Arsizio, the ASST Fatebenefratelli Sacco and ULSS no. 2 Feltre. Turnover in the surgical instrument sterilisation segment grew by 2.5% compared to the previous year. This increase is due primarily to the gradual increase in turnover from customers such as ASST Spedali Civili di Brescia, Azienda Ospedaliera Careggi di Firenze, A.S.U.I. di Udine, and to the new contract with ASST della Valle Olona for the hospital of Busto Arsizio. As regards the revenues of the linen sterilisation line, the start of the tender contract for disposable supplies to “Ente per la Gestione Accentrata dei Servizi Condivisi di Udine” has positively impacted the results.

<i>(thousands of Euros)</i>	31 December 2016	%	31 December 2015	%	Change
Abruzzo	5	-	4	-	-
Basilicata	415	0.2%	402	0.2%	3.2%
Campania	50	-	44	-	13.6%
Emilia Romagna	32,098	16.2%	31,909	15.8%	0.6%
Friuli Venezia Giulia	17,658	8.9%	17,270	8.5%	2.2%
Lazio	11,676	5.9%	12,708	6.3%	-8.1%
Liguria	28,183	14.2%	26,791	13.3%	5.2%
Lombardy	40,584	20.4%	42,470	21.0%	-4.4%
Marche	3,481	1.8%	3,499	1.7%	-0.5%
Piedmont	7,620	3.8%	9,838	4.9%	-22.5%
Sicily	3,217	1.6%	3,178	1.6%	1.2%
Tuscany	26,089	13.1%	25,635	12.7%	1.8%
Trentino Alto Adige	5,665	2.9%	5,697	2.8%	-0.6%
Umbria	253	0.1%	255	0.1%	-0.8%
Valle D'Aosta	1,031	0.5%	1,193	0.6%	-13.6%
Veneto	20,564	10.3%	21,150	10.5%	-2.8%
NON-EEC revenues	168	0.1%	-	-	-
EEC Revenues	-	-	14	-	-
<b>Total</b>	<b>198,757</b>	<b>100.0%</b>	<b>202,057</b>	<b>100.0%</b>	<b>-1.6%</b>

## 7.2 Other income

This balance comprises recoveries of costs and personnel attributable to third parties for Euro 5,393 thousand, charge-backs of Euro 3,421 thousand for consortium costs, non-recurring income of Euro 411 thousand, ordinary capital gains from disposal of assets for Euro 286 thousand and other income of Euro 680 thousand.

## 7.3 Raw materials and consumables

Consumption of raw materials, amounting to Euro 18,213 thousand, increased with respect to the previous year (Euro 17,026 thousand in 2015). The increase in this item is due to the increase in the purchase of the new disposable supply for “Ente per la Gestione Accentrata dei Servizi Condivisi” of Udine, “Azienda Ospedaliera Galliera” of Genoa and the subsidiaries San Martino 2000 S.c.r.l. and Se.Sa.Tre. S.c.r.l.

## 7.4 Costs for services

The item is broken down as follows:

<i>(thousands of Euros)</i>	<b>Year ended as at 31 December</b>	
	<b>2016</b>	<b>2015</b>
External laundering and other industrial services	(17,088)	(17,678)
Travel and transport	(10,980)	(11,386)
Utilities	(9,167)	(10,052)
Administrative costs	(2,186)	(2,319)
Consortium and sales costs	(20,203)	(20,954)
Personnel expense	(1,318)	(1,427)
Maintenance	(4,444)	(4,379)
Use of third-party assets	(7,035)	(7,240)
Other services	(1,501)	(1,295)
<b>Total</b>	<b>(73,922)</b>	<b>(76,730)</b>

The external laundering and other industrial services showed a 3.3% decrease. This is to be mostly attributed to a lesser use of external laundry and surgical instrument sterilisation services at third party sites, partially offset by the increase in the wardrobe services at the site of the hospital of Busto Arsizio, ASST Valle Olona, and ASST Fatebenefratelli, given the entry into effect during the period of the contracts executed with them.

The costs for travel and transport showed a decrease of Euro 406 thousand. The decrease is to be attributed to the termination of some contracts and to a reduction in costs for the reorganisation of some sections and a reduction in tariffs.

Utility costs showed an 8.8% decline from Euro 10,052 thousand in the 2015 period to Euro 9,167 thousand in 2016. This decrease is due to a reduction in gas tariffs for the renegotiation of contracts and a contraction in consumption made possible by greater production efficiencies.

Consortium and sales costs were down by Euro 751 thousand from Euro 20,954 thousand as at 31 December 2015 to Euro 20,203 thousand as at 31 December 2016. This item was down primarily due to lower charge-backs of costs received for the temporary joint consortia working with the customers ASL TO 4 of Ivrea, Azienda Ospedaliera of Desio and Vimercate, and Azienda Sanitaria Locale Viterbo.

Maintenance costs were up by Euro 65 thousand from Euro 4,379 thousand to Euro 4,444 thousand. This was basically due to greater maintenance expenses at the surgical instrument sterilisation centres and for machinery.

Costs for the use of third party assets showed a Euro 205 thousand decrease. This decrease is primarily due to the new contract with Azienda Ospedaliera San Camillo of Rome, which does not include the supply of anti-decubitus mattresses.

## 7.5 Personnel expense

The item is broken down as follows:

<i>(thousands of Euros)</i>	<b>Year ended as at 31 December</b>	
	<b>2016</b>	<b>2015</b>
Costs for directors' fees	(1,284)	(1,227)
Salaries and wages	(42,949)	(43,280)
Temporary work	(1,303)	(1,503)
Social security charges	(13,399)	(14,068)
Employee severance indemnity	(2,900)	(2,832)
Other costs	(229)	(200)
<b>Total</b>	<b>(62,064)</b>	<b>(63,110)</b>

Personnel expense decreased by Euro 1,046 thousand, from Euro 63,110 thousand for 2015 to Euro 62,064 thousand for 2016. The cost reduction is to be attributed to the redefinition of the hourly modules in some laundry production units, the reallocation of volumes to the plants for a better management of the service and the reorganisation of the production system. As regards surgical instrument sterilisation, it must be noted that the reduction in personnel in Bergamo was offset by an increase in the number of operators at the Florence facility for providing services to Centro Traumatologico Ortopedico and to the Volano departments of Azienda Ospedaliera Careggi.

The table below shows the average breakdown of personnel:

	<b>As at 31 December</b>	
	<b>2016</b>	<b>2015</b>
Executives	8	8
Middle managers	20	18
White-collar staff	151	143
Blue-collar staff	1,612	1,609
<b>Total</b>	<b>1,791</b>	<b>1,778</b>

## 7.6 Other costs

The item is broken down as follows:

<i>(thousands of Euros)</i>	Year ended as at 31 December	
	2016	2015
Tax-related expense	(377)	(170)
Contingent liabilities	(34)	(398)
Membership fees	(175)	(204)
Gifts to customers and employees	(113)	(118)
Other	(376)	(395)
<b>Total</b>	<b>(1,075)</b>	<b>(1,285)</b>

## 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	
	2016	2015
Amortisation of intangible assets	(1,253)	(1,264)
Depreciation of property, plant and equipment	(37,164)	(36,782)
Impairment and provisions	(562)	(721)
<b>Total</b>	<b>(38,979)</b>	<b>(38,767)</b>

The increase in the depreciation of tangible assets is tied to the start-up of the surgical instrument sterilisation facilities at Azienda Ospedaliera Universitaria G. Martino of Messina and Centro Traumatologico Ortopedico of Azienda Ospedaliera Careggi of Florence. In addition, the increase in the depreciation value of surgical instruments should be noted.

The reduction in impairment and provision items is due to fewer allocations to provisions for the write-down of the receivables from customers compared with the previous year.

## 7.8 Financial income

The item is broken down as follows:

<i>(thousands of Euros)</i>	Year ended as at 31 December	
	2016	2015
Bank interest income	1	3
Default interest	634	517
Interest income on loans to third-party companies	594	376
Other financial income	114	63
<b>Total</b>	<b>1,343</b>	<b>959</b>

Default interest, despite the general improvement in collections, showed an increase following delayed payments by some customers. “Interest income on loans” has increased following the new granted loans while the other financial income has increased following the collection of interest from VAT quarterly repayments.

## 7.9 Financial expense

The item is broken down as follows:

<i>(thousands of Euros)</i>	Year ended as at 31 December	
	2016	2015
Interest expense and bank commission	(1,040)	(1,713)
Interest and expense to other lenders	(255)	(425)
Financial expense on severance indemnities	(131)	(150)
Other financial expense	(147)	(47)
<b>Total</b>	<b>(1,573)</b>	<b>(2,335)</b>

The decrease in “Interest expense and bank commission” is due to the subscription of loans with better rates than previous ones, as well as to the renegotiation of rates on self-liquidating lines. “Interest and expense to other lenders” decreased as a result of the reduction in the spreads renegotiated with the banks, on factoring transactions without recourse. “Other financial expense” showed an increase due to the loss on the exchange rate translation into Euro, as at 31 December 2016, of the loan in Turkish Lira granted to the company Ankateks Turizm İnşaat Tekstil Temizleme Sanayi VE.

## 7.10 Income and expense from equity investments

The item Income and expense from equity investments is represented by dividends collected in 2016 for Euro 256 thousand. More specifically, Euro 182 thousand were collected from the liquidation of the associate Centro Italia Servizi S.r.l. and Euro 74 thousand from the subsidiary Prosa S.p.A.

## 7.11 Income taxes

The item is broken down as follows:

<i>(thousands of Euros)</i>	Year ended as at 31 December	
	2016	2015
Current taxes	(3,089)	(4,316)
Deferred tax assets/(liabilities)	247	594
<b>Total</b>	<b>(2,842)</b>	<b>(3,722)</b>

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

<i>(thousands of Euros)</i>	Year ended as at 31 December			
	2016	Incidence	2015	Incidence
<b>IRES (company earnings tax) reconciliation</b>				
Profit before tax from Income statement	14,722		15,447	
<b>Theoretical taxes</b>	<b>4,049</b>	<b>27.5%</b>	<b>4,248</b>	<b>27.5%</b>
Tax effects of the permanent differences:				
on increases	552	3.7%	140	0.9%
on decreases	(2,755)	-18.7%	(1,784)	-11.6%

substitute taxes	298	2.0%	258	1.7%
<b>Total effective IRES taxes</b>	<b>2,143</b>	<b>14.6%</b>	<b>2,861</b>	<b>16.3%</b>
IRAP (regional business tax)	699	4.7%	861	5.6%
<b>Total effective IRES and IRAP taxes</b>	<b>2,842</b>	<b>19.3%</b>	<b>3,722</b>	<b>24.1%</b>

The tax rate decreased by 4.8 percentage points, from 24.1% in 2015 to 19.3% in 2016. The decrease in tax burden was mainly determined by the benefit deriving from the deduction from the taxable income of the so-called “super-depreciations”, as set forth in the Stability law of 2016 (article 1, paragraphs 91-94 and 97, Law 208/2015), and the reversal of the deferred tax liabilities provision following the acquisition of the customer portfolios of the companies merged in 2015, which has made possible the deduction of the related depreciations.

## 8 TRANSACTIONS WITH GROUP COMPANIES AND RELATED PARTIES

The transactions of Servizi Italia S.p.A. with subsidiaries, associates, jointly controlled companies 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. These transactions are basically a set of combined operations of a homogeneous nature carried out starting from the beginning of the reference year and based on a single design. Although these transactions are not qualifiable individually as being of greater importance, not even their combination, activated in the reference year and considered as cumulated, qualifies as being of greater importance. With reference to the amount exposed in the financial statements of the reference year, this was generated by the renewal of existing contracts or contracts stipulated in the period.

Income statement, statement of financial position and financial transactions with companies of the Servizi Italia Group in 2016 are presented below:

<i>(thousands of Euros)</i>							
<b>31 December 2016</b>							
<i>Income statement</i>	Sale of goods and services	Purchase of goods and services	Personnel expense	Purchases of property, plant and equipment and intangible assets	Other costs	Income from equity investments	Financial income
Coopservice S.Coop.p.A. (parent company)	201	10,296	-	8	-	-	-
Aurum S.p.A. (parent company)	-	-	-	-	-	-	-
Consorzio San Martino 2000 S.c.r.l. (subsidiary)	3,874	5,147	-	-	-	-	-

Consorzio Se.Sa.Tre. S.c.r.l. (subsidiary)	5,973	6,901	-	-	-	-	14
Servizi Italia Medical S.r.l. (subsidiary)	147	1,294	-	1	-	-	-
Tintoria Lombarda Divisione Sanitaria S.r.l. (subsidiary)	14	227	-	-	-	-	45
SRI Empreendimentos e Participacoes LTDA (subsidiary)	147	-	-	-	-	-	-
Centro Italia Servizi S.r.l. in liquidation (associate)	3	156	-	-	-	182	-
Arezzo Servizi S.c.r.l. (associate)	17	733	-	-	-	-	1
Consorzio Co.Se.S. (associate)	-	695	-	-	-	-	-
SE.STE.RO. S.r.l. in liquidation (associate)	2	-	-	-	-	-	-
PSIS S.r.l. (associate)	123	14	-	32	-	-	47
Amg S.r.l. (associate)	299	701	-	-	-	-	1
Ekolav S.r.l. (associate)	7	1,273	-	3	-	-	2
Steril Piemonte S.c.r.l. (associate)	318	1,393	-	8	-	-	3
Piemonte Servizi Sanitaria S.c.r.l. (associate)	-	355	-	-	-	-	-
Iniziative Produttive Piemontesi S.r.l. (associate)	8	369	-	3	-	-	-
SAS Sterilizasyon Servisleri A.Ş. (associate)	-	-	-	-	-	-	-
Shubhram Hospital Solutions Private Limited (associate)	-	-	-	-	-	-	-
Ankateks Turizm İnsaat Tekstil Temizleme Sanayi VE (associate)	-	-	-	-	-	-	47
Saniservice Sh.p.k. (associate)	287	-	-	-	-	-	185
Finanza & Progetti (associate)	69	-	-	-	-	-	-
Elettrica Gover S.r.l. (affiliated)	-	4	-	-	-	-	-
Focus S.p.A. (affiliated)	-	2,736	-	-	13	-	-
Archimede S.p.A. (affiliated)	-	-	918	-	-	-	-
Gesta S.p.A. (affiliated)	1	-	-	-	-	-	-
New Fleur S.r.l. (affiliated)	25	974	-	-	-	-	-
Ad Personam S.r.l. (affiliated)	-	13	-	-	-	-	-
Padana Emmedue S.r.l. (related party)	-	109	-	-	-	-	-
Padana Emmedue S.p.A. (related party)	-	287	-	-	-	-	-
<b>Total</b>	<b>11,515</b>	<b>33,677</b>	<b>918</b>	<b>55</b>	<b>13</b>	<b>182</b>	<b>345</b>

(thousands of Euros)

31 December 2015

Income statement	31 December 2015					
	Sale of goods and services	Purchase of goods and services	Personnel expense	Purchases of property, plant and equipment and intangible assets	Other costs	Financial income
Coopservice S.Coop.p.A. (parent company)	317	10,242	-	1	-	-
Aurum S.p.A. (parent company)	-	-	-	-	-	-
Consorzio San Martino 2000 S.c.r.l. (subsidiary)	3,073	5,258	-	-	-	-
Consorzio Se.Sa.Tre. S.c.r.l. (subsidiary)	4,981	7,073	-	6	4	28
Servizi Italia Medical S.r.l. (subsidiary)	131	1,793	-	18	-	-
Centro Italia Servizi S.r.l. (associate)	9	924	-	-	-	-
Consorzio Co.Se.S. (associate)	-	650	-	-	-	-
SE.STE.RO. S.r.l. (associate)	72	496	-	-	2	-
PSIS S.r.l. (associate)	106	34	-	26	5	56
Amg S.r.l. (associate)	314	878	-	-	-	3
Ekolav S.r.l. (associate)	4	1,354	-	1	-	2
Steril Piemonte S.c.r.l. (associate)	312	1,458	-	-	-	6
Piemonte Servizi Sanitaria S.c.r.l. (associate)	-	690	-	-	-	-
Iniziative Produttive Piemontesi S.r.l. (associate)	-	472	-	-	-	-
SAS Sterilizasyon Servisleri A.Ş. (associate)	-	-	-	-	-	-
Shubhram Hospital Solutions Private Limited (associate)	-	-	-	-	-	-
Ankateks Turizm İnsaat Tekstil Temizleme Sanayi VE (associate)	-	-	-	-	-	-
Saniservice Sh.p.k. (associate)	36	-	-	-	-	2

Finanza & Progetti (associate)	-	-	-	-	-	-
Elettrica Gover S.r.l. (affiliated)	-	1	-	12	-	-
Focus S.p.A. (affiliated)	-	2,502	-	-	13	-
Archimede S.p.A. (affiliated)	5	-	1,118	-	-	-
Electric System S.r.l. (affiliated)	-	1	-	-	-	-
New Fleur S.r.l. (affiliated)	34	810	-	-	-	-
Ad Personam S.r.l. (affiliated)	-	25	-	-	-	-
Padana Emmedue S.r.l. (related party)	-	288	-	-	-	-
Padana Emmedue S.p.A. (related party)	-	136	-	-	-	-
<b>Total</b>	<b>9,394</b>	<b>35,085</b>	<b>1,118</b>	<b>64</b>	<b>24</b>	<b>97</b>

Aside from the figures shown above, as at 31 December 2016 income statement transactions with related parties include directors' fees of Euro 1,352 thousand and executive personnel expense of Euro 1,487 thousand. As at 31 December 2015, directors' fees amounted to Euro 1,281 thousand, while executive personnel expense came to Euro 1,440 thousand.

(thousands of Euros)

31 December 2016

<i>Statement of financial position</i>	<b>Amount of trade receivables</b>	<b>Amount of trade payables</b>	<b>Amount of financial receivables</b>	<b>Amount of financial payables</b>	<b>Amount of other liabilities</b>
Coopservice S.Coop.p.A. (parent company)	366	4,259	-	-	-
Aurum S.p.A. (parent company)	-	-	-	-	-
Consorzio San Martino 2000 S.c.r.l. (subsidiary)	2,276	1,053	-	-	-
Consorzio Se.Sa.Tre. S.c.r.l. (subsidiary)	7,548	2,199	785	-	-
Servizi Italia Medical S.r.l. (subsidiary)	73	899	-	-	-
Tintoria Lombarda Divisione Sanitaria S.r.l. (subsidiary)	14	1,192	7,945	-	-
SRI Empreendimentos e Participacoes LTDA (subsidiary)	147	-	-	-	-
Centro Italia Servizi S.r.l. in liquidation (associate)	-	-	-	-	-
Arezzo Servizi S.c.r.l. (associate)	9	192	150	-	-
Consorzio Co.Se.S. (associate)	-	234	-	-	-
SE.STE.RO. S.r.l. in liquidation (associate)	82	418	-	-	-
PSIS S.r.l. (associate)	150	11	3,847	-	-
Amg S.r.l. (associate)	144	347	1	-	-
Ekolav S.r.l. (associate)	13	481	174	-	-
Steril Piemonte S.c.r.l. (associate)	160	671	1,153	-	-
Piemonte Servizi Sanitaria S.c.r.l. (associate)	-	135	-	-	-
Iniziative Produttive Piemontesi S.r.l. (associate)	9	161	91	-	-
SAS Sterilizasyon Servisleri A.Ş. (associate)	-	-	-	-	-
Shubhram Hospital Solutions Private Limited (associate)	11	-	-	-	-
Ankateks Turizm İnsaat Tekstil Temizleme Sanayi VE (associate)	-	-	857	-	-
Saniservice Sh.p.k. (associate)	249	-	4,143	-	-
Finanza & Progetti (associate)	69	-	-	-	-
Elettrica Gover S.r.l. (affiliated)	-	4	-	-	-
Focus S.p.A. (affiliated)	-	97	-	-	-
Archimede S.p.A. (affiliated)	-	190	-	-	-
Gesta S.p.A. (affiliated)	2	-	-	-	-
New Fleur S.r.l. (affiliated)	82	645	-	-	-
Ad Personam S.r.l. (affiliated)	-	6	-	-	-
Padana Emmedue S.r.l. (related party)	-	43	-	-	-
Padana Emmedue S.p.A. (related party)	-	263	-	-	-
<b>Total</b>	<b>11,404</b>	<b>13,500</b>	<b>19,146</b>	<b>-</b>	<b>-</b>

(thousands of Euros)

31 December 2015

<i>Statement of financial position</i>	<b>Amount of trade receivables</b>	<b>Amount of trade payables</b>	<b>Amount of financial receivables</b>	<b>Amount of financial payables</b>	<b>Amount of other liabilities</b>
Coopservice S.Coop.p.A. (parent company)	120	3,446	-	-	-
Aurum S.p.A. (parent company)	-	-	-	-	-
Consorzio San Martino 2000 S.c.r.l. (subsidiary)	1,639	1,082	-	-	-
Consorzio Se.Sa.Tre. S.c.r.l. (subsidiary)	7,651	3,204	1,831	-	-
Servizi Italia Medical S.r.l. (subsidiary)	102	532	-	-	-
Centro Italia Servizi S.r.l. (associate)	9	322	-	-	-
Consorzio Co.Se.S. (associate)	-	432	-	-	-
SE.STE.RO. S.r.l. (associate)	67	549	-	-	-
PSIS S.r.l. (associate)	172	108	3,856	-	-
Amg S.r.l. (associate)	149	425	502	-	-
Ekolav S.r.l. (associate)	21	552	172	-	-
Steril Piemonte S.c.r.l. (associate)	160	704	1,156	-	-
Piemonte Servizi Sanitaria S.c.r.l. (associate)	-	390	-	-	-
Iniziative Produttive Piemontesi S.r.l. (associate)	20	230	91	-	-
SAS Sterilizasyon Servisleri A.Ş. (associate)	-	-	-	-	-
Shubhram Hospital Solutions Private Limited (associate)	9	-	-	-	-
Ankateks Turizm İnsaat Tekstil Temizleme Sanayi VE (associate)	-	-	-	-	-
Saniservice Sh.p.k. (associate)	36	-	164	-	-
Finanza & Progetti (associate)	-	-	-	-	-
Elettrica Gover S.r.l. (affiliated)	-	-	-	-	-
Focus S.p.A. (affiliated)	-	2	-	-	-
Archimede S.p.A. (affiliated)	-	142	-	-	-
Electric System S.r.l. (affiliated)	-	-	-	-	-
New Fleur S.r.l. (affiliated)	72	637	-	-	-
Ad Personam S.r.l. (affiliated)	-	1	-	-	-
Padana Emmedue S.r.l. (related party)	-	96	-	-	-
Padana Emmedue S.p.A. (related party)	-	375	-	-	-
<b>Total</b>	<b>10,227</b>	<b>13,229</b>	<b>7,772</b>	<b>-</b>	<b>-</b>

Following are the most significant relationships broken down by Companies where the transactions related to the individual contracts actually fall within the Company's ordinary business:

*Coopservice S.Coop.p.A.*

Revenue from sales and the associated trade receivables as at 31 December 2016 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) services for road haulage transport of textiles and/or surgical instruments, for Euro 8,465 thousand; (ii) services for the management of wardrobes at customer sites, for Euro 867 thousand; (iii) use of third party staff for Euro 13 thousand; (iv) technical cleaning services that are carried out at some production/operating sites of Servizi Italia and surveillance/security services provided to some facilities, through night patrolling and interventions based on alarms, for Euro 686 thousand.

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

As at 31 December 2016, revenues from the sale of goods and services and related trade receivables due from Consorzio San Martino 2000 S.c.r.l. refer to the services provided by Servizi Italia S.p.A. for the performance of the contract outstanding with the IRCCS Az. Osp. Univ. San Martino of Genoa. 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.

*Consorzio Se.Sa.Tre. S.c.r.l.*

As at 31 December 2016, the revenue of Consorzio Se.Sa.Tre. S.c.r.l. refers to the services provided by Servizi Italia S.p.A. for the performance of the existing contact with Az. U.L.S.S. n. 9 Treviso of the Veneto Region. 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. The value of the financial receivables refer to an interest-bearing loan, granted pro rata by the shareholders Servizi Italia S.p.A. and Servizi Ospedalieri S.p.A., in order to guarantee the Consortium the economic means necessary for carrying out its business activities.

*Servizi Italia Medical S.r.l.*

Purchases of goods and services and the related trade payables due to Società Servizi Italia Medical S.r.l. are primarily for the purchase of disposable Medical Devices used in surgical procedures, for Euro 1,284 thousand.

*Tintoria Lombarda Divisione Sanitaria S.r.l.*

At 31 December 2016, purchases of goods and services and the related trade payables due to Società Tintoria Lombarda Divisione Sanitaria S.r.l. are primarily for laundering services for Euro 161 thousand and the use of third party staff for Euro 20 thousand. The financial receivable relates to a loan granted for Euro 7,945 thousand to support current investments.

*SRI Empreendimentos e Participacoes LTDA*

At 31 December 2016, revenue from the sale of goods and services, and related trade receivables due to SRI Empreendimentos e Participacoes LTDA, refer to charge-backs of the seconded personnel working at the subsidiary.

*Centro Italia Servizi S.r.l. in liquidation*

During the period, with the expiry of the previous tender contract executed with the Hospital of Arezzo, the company Centro Italia Servizi S.r.l. was placed in liquidation and on 27 December 2016, a request for cancellation from the Business Registry was filed. Revenue from sales of goods and services to

Centro Italia Servizi S.r.l. in liquidation refers to the transfer of assets used in the wash-hire business carried out by this associate at the Arezzo hospital.

*Arezzo Servizi S.c.r.l.*

On 15 February 2016, the company Arezzo Servizi S.c.r.l. was established. 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 AUSL of Arezzo. As at 31 December 2016, revenue from sales of goods and services and the related trade receivables due from Arezzo Servizi S.c.r.l. refer to the sale of assets used in the wash-hire business. On the other hand, 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 150 thousand loan granted to the associate.

*Consorzio CO.SE.S. S.c.r.l.*

As at 31 December 2016, revenues from the sale of goods and services and purchase costs concerning Consorzio CO.SE.S S.c.r.l. refer to the charge-back of costs incurred by the Company and by the Consortium for surgical instrument sterilisation services provided at Azienda Ospedaliera - Complesso Ospedaliero - San Giovanni Addolorata of Rome.

*PSIS S.r.l.*

As at 31 December 2016, revenues from the sale of goods and services due from PSIS S.r.l. refer to the administrative management service charge-back. The financial receivable relates to a loan granted for Euro 3,847 thousand to support current investments.

*AMG S.r.l.*

At the end of 2016, economic transactions were mainly for external laundering services at the Asti, Casale Monferrato and Vercelli and Turin 3 LHAs (Euro 688 thousand); the revenues derive from linen sterilisation services and the supply of disposable medical devices for surgical procedures.

*Ekolav S.r.l.*

Purchases of goods, services, and the related trade payables due in relation to Ekolav S.r.l. are primarily for laundering (Euro 1,015 thousand) and transport (Euro 85 thousand) services. The financial receivable is for a Euro 174 thousand loan granted to the associate.

*Steril Piemonte S.c.r.l.*

As at 31 December 2016, revenues from the sale of goods and services and purchase costs associated with Steril Piemonte S.c.r.l. refer to the charge-back of costs incurred by the Company and by the

Consortium for surgical instrument sterilisation activities at ASL (Local Health Authority) AL Piedmont Region. The financial receivable is for a Euro 1,153 thousand loan granted to the associate.

*Piemonte Servizi Sanitari S.c.r.l.*

As at 31 December 2016, income statement and statement of financial position transactions with Piemonte Servizi Sanitari S.c.r.l. refer to the handling of tenders relating the Novara and Turin 4 LHAs.

*Iniziativa Produttive Piemontesi S.r.l.*

Purchases of goods and services and related trade payables pertaining to Iniziativa Produttive Piemontesi S.r.l., mainly refer to the charge-backs on supplies of sterile kits for Az. Osp. Ordine Mauriziano di Torino for Euro 369 thousand. The financial receivable is for a Euro 91 thousand loan granted to the associate.

*Ankateks Turizm İnşaat Tekstil Temizleme Sanayi VE*

At 31 December 2016, a financial income of Euro 47 thousand referred to the 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 this associate for Euro 857 thousand.

*Saniservice Sh.p.k.*

On 31 December 2016, the income from the sale of goods and services to Saniservice Sh.p.k., referred primarily to the supply of materials for the operations of the sterilisation facility for Euro 167 thousand and trade management services for Euro 120 thousand. The financial receivable is for a Euro 4,143 thousand loan granted to the associate.

*Focus S.p.A.*

Transactions with Focus S.p.A. relate to lease agreements on the Castellina di Soragna, Montecchio Precalcino, Ariccia and Genoa Bolzaneto properties. The first agreements are for six years and renewable for another six, while the Genoa Bolzaneto agreement is for fourteen years and renewable for another six. In 2016, lease agreements were renewed for the properties of Castellina di Soragna (PR), Montecchio Precalcino (VI) and Ariccia (RM). For this operation, the preliminary procedure has led to the publication of the information document related to transactions of greater importance with related parties, prepared pursuant to article 5 of the Consob regulations no. 17221/2010 as amended, accompanied by the required opinion issued by the Control and Risk Committee for transactions with related parties. For more information, refer to the information document available on the Company's website.

The total consideration for leased properties amounted to Euro 2,484 thousand in 2016.

*Archimede S.p.A.*

Transactions with Archimede S.p.A. are associated with temporary staff leasing service agreements.

*New Fleur S.r.l.*

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

*Padana Emmedue S.r.l.*

Servizi Italia S.p.A. uses the linen wash services provided by Padana Emmedue S.r.l.. In 2016, this amounted to Euro 102 thousand.

*Padana Emmedue S.p.A.*

The business and equity relationships with Padana Emmedue S.p.A. concern the lease agreements of the properties of Travagliato and Podenzano, the duration of which is six years, renewable for an additional six years. The total consideration for leased properties amounted to Euro 287 thousand in 2016. The transactions of Servizi Italia S.p.A. with Padana Emmedue S.p.A., referring to lease agreements, are conducted in compliance with the applicable Regulations governing transactions with related parties.

## **9 INCOME FROM NON-RECURRING, ATYPICAL AND/OR UNUSUAL TRANSACTIONS**

There are no income components deriving from events or transactions whose occurrence is non-recurrent or from those transactions or events which do not take place frequently during the usual performance of the business, as defined by point 2 of the Consob resolution no. 15559 of 27 July 2006.

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 20 April 2016, authorised the Board of Directors to purchase and sell treasury shares, subject to revocation of the resolution of 22 April 2015.

The approved own share purchase and placement plan meets the need to gain access to opportunities for the efficient investment of company liquidity and to have the possibility of using it for strategic transactions and/or to complete subsequent share purchase and sale transactions, to the extent allowed by permitted market practices. The plan has a maximum duration of 18 months as from 20 April 2016, date of issue of the authorisation by the shareholders' meeting.

The maximum number of shares that can be purchased, not exceeding 20% of the share capital of the company, as at the date of the Shareholders' Meeting resolution, is 6,072,099.20 and it results from the difference between the maximum number of own shares that the Company may purchase and the number of own shares which at the date of the resolution of 20 April 2016, were held by Servizi Italia S.p.A., in

the implementing of the resolution issued on 22 April 2015, and totalled 289,791 shares. The purchases and sales of treasury shares are carried out on the regulated market, in compliance with the applicable legislative and regulatory provisions, according to the operating formalities established by Article 132 of the CFL, Article 144 bis of the Issuers' Regulations, in compliance with the EC Regulation 2273/2003 dated 22 December 2003 and in observance of the shareholders' meeting resolution dated 20 April 2016. The purchase of own shares is carried out for a maximum counter value as long as it is within the limit of the distributable profit and reserves available, according to the most recently approved Financial Statements. The purchase of own shares is carried out at a minimum purchase price no less than 20% of the weighted average of the official prices of the shares as recorded by Borsa Italiana in the 3 days preceding each single operation, and a maximum price of purchase no greater than 20% of the weighted average of the official prices of shares recorded by Borsa Italiana in the 3 days preceding each single operation.

The intermediary appointed to carry out the purchase of own shares is INTERMONTE SIM S.p.A.

As at 31 December 2016, the number of treasury shares in the portfolio amounted in total to 348,220 shares, corresponding to 1.0947% of the share capital.

On 10 March 2017, the Company announced that until 10 March 2017 it had acquired 371,720 treasury shares, equivalent to 1.1686% of the share capital, on the regulated market managed by Borsa Italiana.

## **11 FEES, STOCK OPTIONS AND DIRECTORS SHAREHOLDINGS, 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 CFL for 2016.

## **12 PAYMENT PLANS BASED ON FINANCIAL INSTRUMENTS**

There were no Payment plans based on financial instruments as at 31 December 2016.

## **13 INFORMATION PURSUANT TO ARTICLE 149-DUODECIES OF THE ISSUER CONSOB REGULATIONS**

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

Type of services	Party providing the services	Recipient	Fees
Accounts audit	Deloitte & Touche S.p.A	Servizi Italia S.p.A.	75,300
Accounts audit	Deloitte & Touche S.p.A	Subsidiaries/associates	36,125
Accounts audit	Deloitte & Touche S.p.A. network	Subsidiaries/associates	69,804
Advisory services	Deloitte & Touche S.p.A. network	Servizi Italia S.p.A.	-

#### **14 SIGNIFICANT EVENTS AND TRANSACTIONS**

Please see the related section of the Report on Operations.

#### **15 SIGNIFICANT EVENTS AFTER THE END OF THE YEAR**

On 10 February 2017, the merger by incorporation of the 100% held subsidiary Tintoria Lombarda Divisione Sanitaria S.r.l. into Servizi Italia S.p.A., was finalised. The statutory effectiveness of the merger will begin on 1 March 2017. As from that date, the merging company (Servizi Italia S.p.A.) will take over all assets and liabilities of the merged company, the offices held by all directors and officers of the merged companies will cease and all the powers of attorney previously issued will be extinguished.

On 13 February 2017, the Company announced its presence in Morocco, for the primary purpose of developing and strengthening the surgical sterilisation business through the company Servizi Italia Marocco S.a.r.l. under Moroccan Law. To this purpose, Servizi Italia purchased 51.0% of Servizi Sanitari Integrati Marocco S.a.r.l. ("SSIM"), a company that on 10 February 2017 executed a preliminary contract for the establishment of SI Marocco, to be held for 50% by SSIM and 50% by the local partner Blue Field Healthcare S.a.r.l.. SSIM is a Moroccan company which, in recent years, has developed locally its own business network in the healthcare sector and that will operate as a holding company of the operative start-up SI Marocco.

On 10 March 2017, the Company announced that until 10 March 2017 it had acquired 371,720 treasury shares, equivalent to 1.1686% of the share capital, on the regulated market managed by Borsa Italiana.

The Chairman of the Board of Directors

(Roberto Olivi)



**Certification of the separate financial statements pursuant to Article 154-bis of Italian Legislative Decree No. 58/98**

Castellina di Soragna, Italy, 13 March 2017

In consideration of the provisions of Art. 154-bis, paragraphs 3 and 4 of Italian Legislative Decree No. 58 of 24 February 1998, the undersigned Enea Righi, in his capacity as “CEO”, and Ilaria Eugeniani, in her capacity as “Financial Reporting Manager” of Servizi Italia S.p.A., certify:

- a) the adequacy in relation to the characteristics of the company and
- b) the effective application of the administrative and accounting procedures for the formation of the separate financial statements during 2016.

It is also hereby stated that the separate financial statements as at 31 December 2016:

- 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 Company.

The Directors’ report 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 it is exposed to.

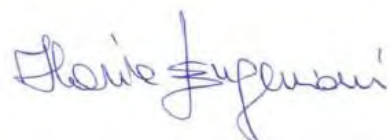
The CEO

Enea Righi



The Financial Reporting Manager

Ilaria Eugeniani



# Independent auditors' report on the separate financial statements of Servizi Italia S.p.A.



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## INDEPENDENT AUDITORS' REPORT PURSUANT TO ART. 14 AND 16 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010

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

### Report on the Financial Statements

We have audited the accompanying financial statements of Servizi Italia S.p.A., which comprise the statement of financial position as at December 31, 2016, income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

#### *Management's Responsibility for the Financial Statements*

The Company's Directors are responsible for the preparation of these 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 n° 38/2005.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) issued pursuant to art. 11 of Italian Legislative Decree 39/10. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation that give a true and fair view of financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of Servizi Italia S.p.A. as at December 31, 2016, and of its financial performance and 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 n° 38/2005.

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Parma Roma Torino Treviso Verona  
Sede Legale: Via Tortona, 25 - 20144 Milano | Capitale Sociale: Euro 10.328.220,00 i.v.

Codice Fiscale/Registro delle imprese Milano n. 03049560166 - R.E.A. Milano n. 1720239 | Partita IVA: IT 03049560166

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## **Report on Other Legal and Regulatory Requirements**

*Opinion on the consistency of the report on operations and of certain information included in the report on corporate governance with the financial statements*

We have performed the procedures indicated in the Auditing Standard (SA Italia) n° 720B in order to express, as required by law, an opinion on the consistency of the report on operations and of certain information included in the report on corporate governance required by art. 123-bis, n° 4, of Italian Legislative Decree n° 58/98, which are the responsibility of the Directors of Servizi Italia S.p.A., with the financial statements of Servizi Italia S.p.A as at December 31, 2016. In our opinion the report on operations and the information included in the report on corporate governance referred to above are consistent with the financial statements of Servizi Italia S.p.A as at December 31, 2016.

DELOITTE & TOUCHE S.p.A.

*Signed by*  
**Domenico Farioli**  
Partner

Parma, Italy  
March 28, 2017

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

**REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE GENERAL  
SHAREHOLDERS' MEETING OF**

**SERVIZI ITALIA S.P.A**

**(pursuant to Article 153 of Legislative Decree 58/1998 and to Article 2429, paragraph 3 of the  
Italian Civil Code)**

**FINANCIAL STATEMENT AS AT 31 DECEMBER 2016**

Dear Shareholders,

pursuant to article 2429 of the Italian Civil Code and to article 153, paragraph 1, of Legislative Decree no. 58 of 24<sup>th</sup> February 1998, we inform you that during the year ended 31<sup>st</sup> December 2015 we carried out the surveillance activities according to the provisions of the Civil Code, articles 149 and followings of the mentioned Legislative Decree, Revision of the Consolidated Law (Legislative Decree no. 39/2010) and the instructions contained in communications given by CONSOB, taking into account the principles of conduct recommended by the National Board of Accountants and Public Accountants.

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

Accordingly, we report about the supervision activity required by law that we have been carrying out during the year ended 31<sup>st</sup> December 2016.

The incumbent Board of Statutory Auditors was appointed by the Shareholders' Meeting of 22 April 2014 in accordance with the legal and regulations provisions, as well as the Articles of association. Its mandate is ending with the approval of the Annual Financial Statement as at December 31, 2016.

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

In 2016, the extraordinary operations carried out by the company were:

**a) Capital Increase**

On 14 March 2016, the Board of Directors exercised the power attributed to it by the extraordinary shareholders' meeting of 26 September 2014 pursuant to art. 2443 of the Italian Civil Code, to increase share capital against payment and in divisible form, for a total amount, including any premium of up to Euro 4,000,000, through the issuing of a maximum of 1,150,000 new ordinary shares with a par value of Euro 1.00 each, with the same characteristics as those outstanding, excluding the purchase option in accordance with art. 2441, paragraph 4, second section, of the Italian Civil Code, reserved for subscription to Steris UK Holding Limited.

On 6 April 2016, Servizi Italia S.p.a. announced the new composition of the share capital further to the increase in the shareholding of STERIS Corporation (via the wholly-owned indirect subsidiary Steris UK Holding Limited) in the shareholding structure of Servizi Italia, by means of a Reserved Share Capital Increase for an amount equal to Euro 3,999,996.56 (inclusive of share premium), with the exclusion of the purchase option as per Article 2441, paragraph 4, second section of the Italian Civil Code, by means of the issue of 1,110,185 ordinary shares of the company at an issue price for the new shares of Euro 3.6030. Servizi Italia did not sell any treasury shares for the Reserved Share Capital Increase. Steris UK Holding Limited holds a 5.9% stake in Servizi Italia's share capital. Certification of the execution of the share capital increase was filed at the Parma Companies Business Register on 5 April 2016.

On 4 May 2016, the Company announced, pursuant to art. 131 of CONSOB Regulation no. 11971/1999 and subsequent amendments - that the shareholders' agreements contained in the Lock-up stipulated on 4 August 2014 between Servizi Italia S.p.A., STERIS Corporation and STERIS UK Holding Limited, regarding 1,877,607 ordinary shares representing 5.90% of the share capital Servizi Italia S.p.A., were terminated, with no need to make any amendment and/or to the Lock-up itself.

#### **b) Shareholding acquisition**

On 7 July 2016, the Company announced the acquisition of 100% of "Tintoria Lombarda Divisione Sanitaria S.r.l.", a company which has been awarded of the operational branch of the company Tintoria Lombarda di Fasoli Aldo S.p.A, one of the main Italian operator of wash-hire for healthcare facilities.

#### **c) Merging operations**

On 30 September 2016, the Company announced that the Board of Directors approved the project of merger by incorporation of the wholly owned company Tintoria Lombarda Divisione Sanitaria S.r.l. into Servizi Italia S.p.A. The transaction is part of a reorganization of the Group through simplifying the holding structure, pursuing greater efficiency and operational integration, as well as reduction of administrative costs. On 3 October 2016, the plan of merging by incorporation Tintoria Lombarda Divisione Sanitaria S.r.l. into Servizi Italia S.p.A. was filed at the Companies Registers in Parma and Brescia, as approved on 30 September 2016 by the administrative bodies of each related company

On 14 November 2016, the Sole Director of Tintoria Lombarda Divisione Sanitaria S.r.l. and the Board of directors of Servizi Italia S.p.A. approved the merger by incorporation of the wholly-owned company Tintoria Lombarda Divisione Sanitaria S.r.l. into Servizi Italia S.p.A.

**The Board of Auditors has been periodically informed by the Directors pursuant to article 150 Legislative Decree 5/98 and, throughout the year, has:**

- Attended the meetings of the Board of Directors, for a total of 12 sessions (28/01, 01/02, 22/02, 01/03, 14/03, 20/04, 12/05, 01/07, 05/08, 30/09, 14/11, 23/12), during which it has been informed on the activities and major operations performed by the company and its subsidiaries;

- Held 7 periodic meetings (07/01, 05/04, 10/05, 01/07, 30/09, 23/12 e 28/12), during which there was also a mutual exchange of information with the external auditors Deloitte & Touche S.p.A. and the CEO, ensuring that no imprudent, risky or in potential conflict of interests operation have been implemented, as well as no operation against the law or in conflict with the resolutions of the Assembly or able to compromise the integrity of the assets of the company. Moreover, at each meeting, the Board systematically discussed with the CFO and the Manager responsible for preparing corporate accounting documents;
- Supervised, as far as concerned, the adequacy of the Company organizational structure, in terms of compliance with the principles of proper administration and the adequacy of instructions given to the subsidiaries pursuant to article 114, paragraph 2 of Legislative Decree no. 58/1998. This has been made by collecting information from the heads of the organizational functions in order to achieve a mutual exchange of data and relevant information;
- Periodically examined, within the evaluation of the adequacy of the adopted internal control system, the updated map of all the risks related to the Company and its subsidiaries and then we have received, from the Internal Auditor, the positive evaluation on the suitability of the system under examination to achieve an acceptable overall risk profile; the evaluation was based on the assessment of the risk map and the overall monitoring of the internal control system. The Board, also coordinated with the Risk and Control Committee, taking note of the audit planning compiled by the Internal Auditor;
- Verified, through the report of the Supervisory Body, the aspects related to the adequacy and constant updating of the organizational model pursuant to Legislative Decree 231/01, also in relation to the regulation updates. Moreover, during the year the Model has been updated following the entry into force on 11 April 2016 of the Law 29 October 2016, n. 199, which introduced the crime of illegal hiring in the category of offenses relevant under Legislative Decree 8 June 2001, n. 231 regarding the offense responsibility of organizations, through the amendment of Article 25-quinquies paragraph 1, letter a);
- Verified that during 2016 there were no reports and/or opportunities for enabling the information flow required by the whistleblowing procedure, adopted on a voluntarily basis by the Company, following the updating of the Corporate Governance Code. The procedure is intended to ensure an adequate internal system of reporting by employees of any irregularity or violation of the laws and internal procedures. In particular, the corporate governance bodies have promoted the introduction of a dedicated communication system with modalities that will ensure the confidentiality and anonymity of the informant, excluding the risk of retaliation and discrimination and avoiding areas of overlap with the provisions of the Organizational Model Management (MOG) pursuant to Legislative Decree 231/01 and its current effective hedges on anticipated risks;

- Studied all the documentation related to financial, industrial and support operations among companies which can be reasonably considered compliant to the principles of good administration and consistent with the company articles of association and the spirit of the current law;
- Detected that no atypical and/or unusual operations, as defined by CONSOB communication DEM/6064293 dated July 28, 2006, have been carried out both within the Group and with related or third parties, as confirmed also by the Board of Directors, the Independent Auditors and the Internal Auditor;
- Supervised on the actual implementation of the corporate governance rules envisaged in the Code of Conduct adopted by the Italian Stock Exchange;
- Adapted its supervisory functions, *inter alia*, to the activity of the statutory audit of annual and consolidated accounts verifying the independence of the independent auditors, especially for what concerns the provision of non-audit services to the Company under statutory audit, pursuant to art. 17, paragraph 9, letter a) of the Legislative Decree 39/2010;
- Confirmed, the independence of the Independent auditors, also with reference to non-statutory audit services provided to the Company by the independent auditors and by other legal entities belonging to the same network as specifically indicated in the financial statements. In this regard, the Board of Auditors informs that, during 2016 it has been informed about and verified the assignment to Deloitte & Touche S.p.A. of:
  - o a professional appointment, aimed at the issue of an audit report limited to the Sustainability Report of the Servizi Italia Group as the 31 December 2016 and for subsequent years until the approval of the Balance sheet as at 31 December 2023. The Board verified the compatibility of this assignment with the current regulations and specifically with the provisions of article 17, of the Legislative Decree 39/2010 as amended by Legislative Decree no. 135/2016 and the prohibitions set forth in article 5 European Regulation 537/2014 therein recalled. Based on these verification it has given its opinion as required by Consob Communication DAC/RM/ 97001574 dated 1997 and the applicable laws;
  - o The Board acknowledges that during the year 2016, based on what reported by the same Independent Auditors, the subsidiary Tintoria Lombarda Divisione Sanitaria Srl, prior to the merger, has conferred to Deloitte & Touche S.p.A. an assignment related to audit services and issue of certifications required by regulatory authorities.
  - o There are no further evidence assignments to entities belonging to the same network, to shareholders, directors, members of supervisory bodies and/or employees of the said

independent auditors, with the exception of the tasks relating to consulting services for support to the development and external growth of the company;

- Stated, based on the declarations made by the Directors and taking note of the evaluations expressed by the Board of Directors, that criteria and inspection procedures adopted by the Board itself for evaluating the independency of its members have been correctly applied (we have verified the independence of 3 Board members: Paola Schwizer, Romina Guglielmetti and Paola Galbiati);
- Successfully carried out the annual verification of compliance with the criteria of independence of each member, as required by the Code of Conduct and Regulation of Organized Markets managed by Borsa Italiana S.p.A;
- Carried out, pursuant to Italian Stock Exchange Issuers' Regulation, the compliance with the criteria for remaining in the STAR segment of Borsa Italiana (ref. art. 2.2.3, paragraph 10 of the Issuers' Regulation and IA.4.2.3., paragraph 3, of the Instructions);
- Verified the correct distribution of the total compensations within the Board of Directors, as approved by the Shareholders' Meeting on 22<sup>nd</sup> April 2015;
- Verified that the Directors, in accordance with CONSOB dispositions, have underlined in the Annual Financial Statement Report all the transactions carried out with companies of the Group and related parties. The Board has verified, with the help of the Internal Control Responsible, the compliance to the procedures which ensure that they were concluded under reasonable terms and in the interest of the Company;
- verified that the Company is able to regularly and promptly comply with the reporting obligations required by law, pursuant to art. 114, 2<sup>nd</sup> paragraph of the Legislative Decree 58/1998 for subsidiaries within the scope of consolidation;
- Supervised, pursuant to ex art. 19, paragraph 1 of the Legislative Decree 39/2010, on the financial informative process, on the efficiency of the internal control system, of the audit system and of the risk management;
- Received, pursuant to art. 19 paragraph 3 of the Legislative Decree 39/2010, the report of the Independent Auditors issued on 8<sup>th</sup> March 2017, explaining the key matters arisen from the statutory audit and any significant weakness connected to the internal control system and related to the financial reporting process. The report did not highlighted any deficiency;
- Examined the coherence of the information included the Report on Corporate Governance and financial structure 2016, drafted according to the provisions of art. 123-bis of the Consolidated

Law on Finance with the Separated and consolidated Balance Sheet. The Independent Auditors did not express any comment nor indicated any information reference with regard to the Report;

- Attended the meetings of the Remuneration and Nomination Committee which were held during 2016 and taken note of what the Committee reported during the Board of Directors with regard to (i) the Annual Bonus System (ABS) for 2016; (ii) and the Long Term Incentive Cash Plan for the years 2015-2016-2017; (iii) the 2016 Report on remuneration drafted according to the provisions of the framework nr. 7-bis and art. 123-ter of the Consolidated Law on Finance. The report concerns the general remuneration policy of the Company with regard to Directors, Executives with strategic responsibilities, Senior Managers and Executives;

Herewith, the Board gives also acknowledge of the following;

- The Company has adopted an Internal Dealing Code of Conduct and the subsequent communication obligations for those considered as relevant subjects for what concerns purchase, sale, underwriting, trading and any other operation which transfers the ownership of Servizi Italia's shares or other financial instruments linked to them, even through third parties;
- The Company activated an integrated risk management model based on the Enterprise Risk Management international principles, whose continuous development is connected to the changing needs of the Company, this model works as support to the administrative and control bodies of the Company;
- In compliance with the Legislative Decree 196/2003 and subsequent amendments regarding the personal data processing, the Company has drawn up a safety policy document for the year 2016;
- For what concerns the Safety Management System (SGS) and the Environment Management System (SGA), the Company has maintained its certifications according to BS OHSAS 18001 and UNI EN ISO 14001 standards in all its production sites, according to what indicated in the Legislative Decree no. 81 dated April 9, 2008 "Consolidated law on health and safety at work" and Legislative Decree no. 152 dated April 3, 2006 "Environmental Regulations";
- The Company has drafted, in due time, the half-year financial report according to the provisions of art. 2428 of the Italian Civil Code. The report has been received by the Board of Auditors, made available to the public at the registered office of the Company and on the Company Internet website: [www.si-servizitalia.com](http://www.si-servizitalia.com) according to the applicable law;
- The company continued its operations of incorporating the new Brazilian Anti-Corruption Law in the internal policies of the Brazilian subsidiaries. The mentioned Anti-Corruption Law envisages mechanisms and procedures similar to those required by Legislative Decree no. 231/01.

### **Atypical and unusual operations**

No atypical or unusual operations result.

### **Intercompany and with related parties operations**

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

The transactions with related parties, as defined by the International Accounting Standard (IAS) 24, that the Company carried out during 2016 with subsidiaries, associates and joint ventures mainly refer to: (i) relationships connected to commercial services; (ii) financial relationships, i.e. financing. From an economic, assets and financial point of view, the main transactions can be considered as ordinary and concluded at market or standard conditions, and governed by contracts. These reflect the effective use of the services and their correct implementation in the interest of the Company, as aimed at rationalising the use of Group resources. The information on transaction with related parties can be found in the explanatory notes of the Annual Financial Statement and, for the Group as a whole, in the Consolidated Annual Financial Statement. The information herein reported is adequate, taking into consideration the size and the structure of the Company; for this reason, we refer to those sections which also show the characteristics of the operations and subsequent economic effects.

During 2016, the Board has followed and verified the preliminary procedure, which led to the publication of the information document relating to major importance transactions with related parties, drafted pursuant to art. 5 of Consob Regulation no. 17221/2010 and subsequent amendments, with reference to the three rental contracts with FOCUS S.p.A. for the properties in Castellina di Soragna (PR), Montecchio Precalcino (VI) and Ariccia (RM). For more information, please refer to the document available on the company's website. With regard to the above mentioned transaction, the prescribed opinion issued by the Control and Risk Committee as Committee for Transactions with Related Parties has been acquired.

During the year, the Board of Auditors has not issued opinions in accordance with art. 2389 of the Italian Civil Code, it has not received any notification from the Supervisory Body and it has not received any notification according to art. 2408 of the Italian Civil Code, nor complaint by shareholders or third parties.

No omissions, wrongful acts or irregularities have been detected during the supervisory activity.

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

- The respect of the laws, the articles of association and the principles a correct administration must comply with;

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

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

The activity of the Board has been reported in the minutes of meetings held during 2016. For what concerns the Consolidated Balance Sheet of the Group, the Statutory Auditors analyzed the contents and they have no comments, pointing out that – pursuant to C.F.L., art. 165 paragraph 1 bis, the independent auditors of your Company, as listed Parent Company, are fully responsible for the review of such Financial Statements.

#### **Proposal to the General Shareholders' Meeting**

The Board expresses its favorable opinion for approving the Balance Sheet as at 31.12.2016 and agrees with the Net Income allocation proposed by the Board of Directors.

Castellina di Soragna – Italy, 28 March 2017


THE CHAIRMAN OF THE BOARD OF STATUTORY AUDITORS

Marco Elefanti



STATUTORY AUDITORS

Annamaria Fellegara



Andrea Spollero



8 of 8



**SERVIZI ITALIA S.p.A.**

Registered Offices Via S. Pietro, 59/b

43019 Castellina di Soragna (PR)

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

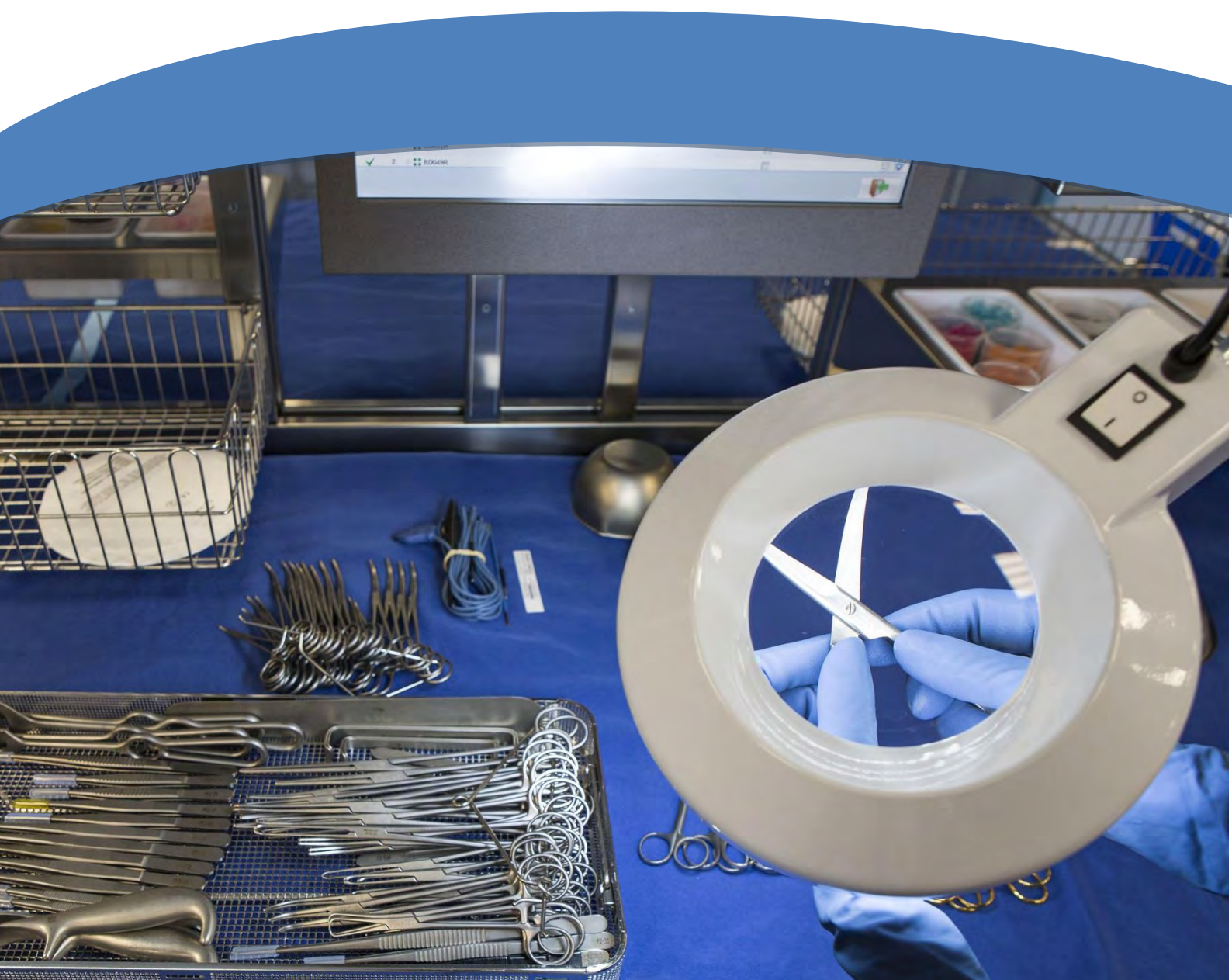
Tax code and Parma Business Register No.: 08531760158

Certified email: [si-servizitalia@postacert.cedacri.it](mailto:si-servizitalia@postacert.cedacri.it)

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# CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2016



## Accounting schedules

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>(thousands of Euros)</i>	Notes	31 December 2016	<i>of which with related parties (Note 8)</i>	31 December 2015	<i>of which with related parties (Note 8)</i>
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	6.1	125,795	-	120,736	-
Intangible assets	6.2	6,028	-	3,473	-
Goodwill	6.3	55,234	-	42,483	-
Equity-accounted investments	6.4	28,764	-	19,051	-
Equity investments in other companies	6.5	3,629	-	3,542	-
Financial receivables	6.6	7,826	4,809	3,234	162
Deferred tax assets	6.7	2,351	-	1,800	-
Other assets	6.8	7,651	-	6,108	-
<b>Total non-current assets</b>		<b>237,278</b>		<b>200,427</b>	
<b>Current assets</b>					
Inventories	6.9	5,011	-	4,409	-
Trade receivables	6.10	71,141	1,613	74,746	1,139
Current tax receivables	6.11	2,865	-	2,478	-
Financial receivables	6.12	8,188	5,606	8,067	5,779
Other assets	6.13	12,203	-	9,241	-
Cash and cash equivalents	6.14	5,463	-	7,082	-
<b>Total current assets</b>		<b>104,871</b>		<b>106,023</b>	
<b>TOTAL ASSETS</b>		<b>342,149</b>		<b>306,450</b>	
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>					
<b>Group shareholders' equity</b>					
Share Capital	6.15	31,461	-	30,444	-
Other reserves and retained earnings	6.15	95,299	-	78,543	-
Profit (loss) for the year		10,451	-	12,728	-
<b>Total shareholders' equity attributable to shareholders of the parent</b>		<b>137,211</b>		<b>121,715</b>	
<b>Total shareholders' equity attributable to non-controlling interests</b>		<b>545</b>		<b>379</b>	
<b>TOTAL SHAREHOLDERS' EQUITY</b>	6.15	<b>137,756</b>		<b>122,094</b>	
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Due to banks and other lenders	6.16	45,237	-	36,111	-
Deferred tax liabilities	6.17	2,633	-	1,867	-
Employee benefits	6.18	11,218	-	9,989	-
Provisions for risks and charges	6.19	2,798	-	2,277	-
Other financial liabilities	6.20	4,172	-	3,208	-
<b>Total non-current liabilities</b>		<b>66,058</b>		<b>53,452</b>	
<b>Current liabilities</b>					
Due to banks and other lenders	6.16	48,031	-	46,191	-
Trade payables	6.21	63,544	8,365	65,429	8,607
Current tax payables	6.22	22	-	365	-
Other financial liabilities	6.23	8,072	-	1,078	-
Other payables	6.24	18,666	-	17,841	-
<b>Total current liabilities</b>		<b>138,335</b>	-	<b>130,904</b>	-
<b>TOTAL LIABILITIES</b>		<b>204,393</b>		<b>184,356</b>	
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>342,149</b>		<b>306,450</b>	

## CONSOLIDATED INCOME STATEMENT

<i>(thousands of Euros)</i>					
	Notes	31 December 2016	<i>of which with related parties (Note 8)</i>	31 December 2015	<i>of which with related parties (Note 8)</i>
<b>Revenues from sales</b>	7.1	<b>237,716</b>	991	<b>229,983</b>	997
Other income	7.2	4,377	688	5,372	568
Raw materials and consumables	7.3	(25,123)	(9)	(23,775)	(53)
Costs for services	7.4	(74,591)	(20,624)	(72,881)	(21,456)
Personnel expense	7.5	(76,819)	(4,378)	(73,398)	(4,255)
Other costs	7.6	(1,537)	(13)	(1,652)	(20)
Depreciation, amortisation, impairment and provisions	7.7	(50,278)	-	(47,084)	-
<b>Operating profit</b>		<b>13,745</b>		<b>16,565</b>	
Financial income	7.8	1,760	286	3,315	69
Financial expense	7.9	(2,473)	-	(3,303)	-
Income/(expense) from equity investments in other companies	7.10	105	30	383	-
Revaluation/impairment of equity-accounted investments	6.4	(65)	-	(525)	-
<b>Profit before tax</b>		<b>13,072</b>		<b>16,435</b>	
Income taxes	7.11	(2,557)		(3,952)	
<b>Profit (loss) for the year</b>		<b>10,515</b>		<b>12,483</b>	
of which: Attributable to shareholders of the parent		10,451		12,728	
Attributable to non-controlling interests		64		(245)	
<b>Basic earnings per share (in Euros)</b>	7.12	<b>0.335</b>		<b>0.443</b>	
<b>Diluted earnings per share (in Euros)</b>	7.12	<b>0.335</b>		<b>0.443</b>	

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>(thousands of Euros)</i>			
	Notes	31 December	
		2016	2015
<b>Profit (loss) for the year</b>		<b>10,515</b>	<b>12,483</b>
<i>Other comprehensive income that will not be reclassified to the Income Statement</i>			
Actuarial gains (losses) on defined benefit plans	6.18	(242)	(70)
Income taxes on other comprehensive income	6.7 6.17	-	-
<i>Other comprehensive income that may be reclassified to the Income Statement</i>			
Gains (losses) from translation of foreign financial statements		6,627	(6,027)
Income taxes on other comprehensive income		-	-
<b>Total other comprehensive income after taxes</b>		<b>6,385</b>	<b>(6,097)</b>
<b>Total comprehensive income for the period</b>		<b>16,900</b>	<b>6,386</b>
of which: Attributable to shareholders of the parent		16,734	6,695
Attributable to non-controlling interests		166	(309)

## CONSOLIDATED CASH FLOW STATEMENT

<i>(thousands of Euros)</i>	Notes	As at 31 December 2016	<i>of which with related parties (Note 8)</i>	As at 31 December 2015	<i>of which with related parties (Note 8)</i>
<i>Cash flow generated (absorbed) by operations</i>					
Profit (loss) before tax		13,072	-	16,436	-
Payment of current taxes		(3,633)	-	(7,463)	-
Amortisation and depreciation	7.7	49,499	-	46,317	-
Impairment and provisions	7.7	778	-	767	-
(Revaluation)/impairment of equity investments	6.4 7.10	(39)	-	142	-
Gains/losses on disposal	7.2 7.6	(308)	-	(252)	-
Interest income and expense accrued	7.8 7.9	713	-	(12)	-
Interest income collected	7.8	906	-	429	-
Interest expense paid	7.9	(1,924)	-	(2,740)	-
Provisions for employee benefits	6.18	502	-	429	-
		<b>59,566</b>		<b>54,053</b>	
(Increase)/decrease in inventories	6.9	(166)	-	(166)	-
(Increase)/decrease in trade receivables	6.10	6,498	(474)	(537)	253
Increase/(decrease) in trade payables	6.21	(3,558)	(242)	3,275	(488)
Increase/(decrease) in other assets and liabilities	6.8 6.13 6.19 6.20 6.23 6.24	(4,907)	-	(14,750)	-
Settlement of employee benefits	6.18	(533)	-	(1,506)	-
<b>Cash flow generated (absorbed) by operations</b>		<b>56,900</b>		<b>40,369</b>	
<i>Net cash flow generated (absorbed) from investment activities in:</i>					
Intangible assets	6.2	(471)	-	(1,386)	-
Property, plant and equipment	6.1	(40,797)	-	(38,212)	-
Dividends received	7.10	182	-	240	-
Acquisitions	3.3	(12,822)	-	(3,062)	-
Equity investments	6.4 6.5	(2,127)	-	(8,496)	-
<b>Net cash flow generated (absorbed) by investment activities</b>		<b>(56,035)</b>		<b>(50,916)</b>	
<i>Cash flow generated (absorbed) from financing activities in:</i>					
Financial receivables	6.6 6.12	(4,558)	(4,474)	(732)	(69)
Dividends paid	6.15	(4,728)	-	(4,504)	-
Net (purchase)/sales of treasury shares	6.15	(334)	-	942	-
Share Capital increase	6.15	4,000	-	7,682	-
Shareholders' equity		-	-	-	-
Current liabilities to banks and other lenders	6.16	(3,543)	-	3,486	-
Non-current liabilities to banks and other lenders	6.16	5,922	-	7,598	-
<b>Cash flow generated (absorbed) from financing activities</b>		<b>(3,241)</b>		<b>14,472</b>	
<b>(Increase)/decrease in cash and cash equivalents</b>		<b>(2,376)</b>		<b>3,925</b>	
<b>Opening cash and cash equivalents</b>	6.14	<b>7,082</b>		<b>5,178</b>	
<b>Effect of exchange rate fluctuations</b>		<b>(757)</b>		<b>2,021</b>	
<b>Closing cash and cash equivalents</b>	6.14	<b>5,463</b>		<b>7,082</b>	

## STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY (Note 6.15)

(thousands of Euros)

	Share Capital	Share premium reserve	Legal Reserve	Retained earnings	Translation reserve	Profit (loss) for the year	Reserves and profit (loss) of non- controlling interests	Total Shareholders' Equity
<b>Balance as at 1 January 2015</b>	<b>27,906</b>	<b>43,232</b>	<b>3,580</b>	<b>23,521</b>	<b>(1,430)</b>	<b>13,077</b>	<b>1,702</b>	<b>111,588</b>
Allocation of profit from the previous year	-	-	606	7,968	-	(8,574)	-	-
Distribution of dividends	-	-	-	-	-	(4,503)	-	(4,503)
Change in the scope of consolidation	-	-	-	1,013	-	-	(1,013)	-
Share Capital increase	2,328	5,354	-	-	-	-	-	7,682
Treasury share transactions	210	732	-	-	-	-	-	942
Change in translation reserve	-	-	-	-	(5,962)	-	(66)	(6,028)
Comprehensive income for the year	-	-	-	(71)	-	12,728	(244)	12,413
<b>Balance as at 31 December 2015</b>	<b>30,444</b>	<b>49,318</b>	<b>4,186</b>	<b>32,431</b>	<b>(7,392)</b>	<b>12,728</b>	<b>379</b>	<b>122,094</b>
Allocation of profit from the previous year	-	-	586	7,414	-	(8,000)	-	-
Distribution of dividends	-	-	-	-	-	(4,728)	-	(4,728)
Share Capital increase	1,110	2,890	-	-	-	-	-	4,000
Treasury share transactions	(93)	(241)	-	-	-	-	-	(334)
Change in translation reserve	-	-	-	-	6,525	-	102	6,627
Other changes	-	-	-	(234)	-	-	-	(234)
Comprehensive income for the year	-	-	-	(184)	-	10,451	64	10,331
<b>Balance as at 31 December 2016</b>	<b>31,461</b>	<b>51,967</b>	<b>4,772</b>	<b>39,427</b>	<b>(867)</b>	<b>10,451</b>	<b>545</b>	<b>137,756</b>

## Explanatory Notes

### INTRODUCTION

The Consolidated 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, have been drawn up in compliance with the international accounting standards "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 by the Board of Directors on 13 March 2017; the latter authorised the publication of the same.

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 separated on the basis of whether they are current or non-current;
- in the Income Statement, costs and revenues are classified by nature;
- a separate Statement of Comprehensive Income has been provided;
- the Cash Flow Statement has been prepared using the indirect method, as permitted under IAS 7;
- the Consolidated Statement of Comprehensive Income has been prepared according to the provisions of IAS 1.

### **IFRS accounting standards, amendments and interpretations applied as at 1 January 2016**

The following IFRS accounting principles, amendments and interpretations were applied for the first time by the Group starting on 1 January 2016:

- Amendments to **IAS 19 "Defined Benefit Plans: Employee Contributions"** (issued on 21 November 2013): Concerning the recognition in the financial statements of the contributions made by the employees or third parties to the defined benefit plans.
- Amendments to **IFRS 11 "Accounting for acquisitions of interests in joint operations"** (issued on 6 May 2014): Concerning the accounting for acquisition of interests in a joint operation when the operation constitute a business.

- Amendments to **IAS 16** and **IAS 38** “**Clarification of acceptable methods of depreciation and amortisation**” (issued on 12 May 2014): Establishing that a depreciation method based on revenue is not appropriate, because the revenue arising from the operation of a business of which the asset under depreciation or amortisation is part usually reflects a different pattern from the mere use of the economic benefits arising from the asset, which is a prerequisite for depreciation or amortisation.
- Amendment to **IAS 1** “**Disclosure Initiative**” (issued on 18 December 2014): The objective of the amendments is to provide some clarifications on disclosures and other elements, which may be perceived as hindrance to a clear and intelligible presentation of the financial statements.
- Amendments to **IFRS 10**, **IFRS 12** and **IAS 28** “**Investment Entities: Applying the Consolidation Exception**” (issued on 18 December 2014), containing changes to address issues arisen following the application of the consolidation exceptions granted to the investment entities.

Finally, within the annual process of improvement of the standards, on 12 December 2013, IASB has published the document “**Annual Improvements to IFRSs: 2010-2012 Cycle**” (including IFRS 2 *Share Based Payments – Definition of vesting condition*, IFRS 3 *Business Combination – Accounting for contingent consideration*, IFRS 8 *Operating segments – Aggregation of operating segments e Reconciliation of total of the reportable segments’ assets to the entity’s assets*, IFRS 13 *Fair value Measurement – Short-term receivables and payables*) and on 25 September 2014, the document “**Annual Improvements to IFRSs: 2012-2014 Cycle**” (including: IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations*, IFRS 7 – *Financial Instruments: Disclosure* and IAS 19 – *Employee Benefits*) which partially supplement the pre-existing standards.

The option of the amendments above did not impact the consolidated financial statements of the Group.

**Accounting standards, amendments and IFRS and IFRIC interpretations approved by the European Union, still not applicable on a mandatory basis and not adopted early by the Group as at 31 December 2016**

- Principle **IFRS 15 – Revenue from Contracts with Customers** (issued on 28 May 2014 and supplemented with additional clarifications published on 12 April 2016), bound to replace principles IAS 18 – *Revenue* and IAS 11 – *Construction Contracts*, as well as the interpretations IFRIC 13 – *Customer Loyalty Programmes*, IFRIC 15 – *Agreements for the Construction of Real Estate*, IFRIC 18 – *Transfers of Assets from Customers* and SIC 31 – *Revenues-Barter Transactions Involving Advertising Services*. The standard provides for a new revenue recognition model, which will be applicable to all agreements made with customers, with the exception of those falling under the scope of application of other

IAS/IFRSs such as leases and insurance policy contracts and financial instruments. The main steps for revenue recognition according to the new model are:

- identifying the agreement in place with the customer;
- identifying the performance obligations under the agreement;
- defining the transaction price;
- price allocation to the performance obligations under the agreement;
- revenue recognition criteria when the entity satisfies each performance obligation.

The standard applies as from 1 January 2018, though early application is permitted. The amendments to IFRS 15, Clarifications to IFRS 15 – Revenue from Contracts with Customers, published by IASB on 12 April 2016, have not yet been approved by the European Union.

- Final version of the **IFRS 9 – *Financial Instruments*** (issued on 24 July 2014). The standard includes the results of the IASB project, pending the replacement of IAS 39:
  - it introduces new criteria to classify and measure financial assets and liabilities;
  - With reference to the impairment model, the new standard requires the losses on receivables to be estimated based on the expected losses model (instead of the incurred losses model of IAS 39) using information that can be evidenced, available free of charge or without unreasonable effort and including historic, current and forecast data;
  - a new hedge accounting model is introduced (additional types of transactions can be designated for hedge accounting, different accounting method for forward contracts and options when they are included in a hedge accounting transaction, changes to effectiveness test).

The new standard must be applied in the financial statements starting on 1 January 2018 or later.

### **Accounting standards, amendments and IFRS interpretations still not approved by the European Union.**

At the reference date of this Annual report, the competent bodies of the European Union have still not concluded the approval process needed for the adoption of the amendments and standards described below.

- Standard **IFRS 14 – *Regulatory Deferral Accounts*** (issued on 30 January 2014) which permits just those who adopt the IFRS for the first time to continue to recognise the amounts relating to the activities subject to regulated rates (“*Rate Regulation Activities*”) as per the previous accounting standards adopted. Given the Company/Group is not a first-time adopter, this standard is not applicable.
- Standard **IFRS 16 – *Leases*** (issued on 13 January 2016), intended to replace IAS 17 – *Leases*, as well as the IFRIC 4 *interpretations Determining whether an Arrangement contains a Lease*, SIC-

*15 Operating Leases—Incentives e SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.*

The new standard provides a new definition of lease and introduces a criterion based on the right of use of an asset to differentiate between leasing and service agreements, by identifying the following discriminant factors: the identification of the asset, right of replacement of the asset, the right to obtain substantially all the economic benefits deriving from the use of the asset and the right to control the use of the asset underlying the agreement.

The standard sets out a single accounting model for the recognition and measurement of lease agreements which provides for the recording of the leased asset, under assets with a counter entry under financial liabilities, with the possibility of not recognising as leasing the contracts that have “low-value assets” and the leasing with a contract duration of up to 12 months. On the other hand, the Standard does not include significant changes for the lessor.

The standard applies starting from 1 January 2019 but an early application is permitted, only for the early adopters of IFRS 15 - Revenue from Contracts with Customers.

- Amendment to **IAS 12 “*Recognition of Deferred Tax Assets for Unrealised Losses*”** (issued on 19 January 2016). The document aims at providing some clarifications on the recognition of deferred tax assets on the non-realised losses at the occurrence of certain circumstances and the estimate of taxable revenue for future periods. The amendments apply as from 1 January 2017 but early application is permitted.
- Amendment to **IAS 7 “*Disclosure Initiative*”** (issued on 29 January 2016). The document aims at providing some clarifications in order to improve the information on financial liabilities. In particular, the amendments require to provide information that would allow the users of the financial statement to comprehend the changes in liabilities deriving from loan transactions. The amendments apply as from 1 January 2017 but early application is permitted. The submission of comparative information with previous years is not required.
- Amendment to **IFRS 2 “*Classification and measurement of share-based payment transactions*”** (issued on 20 June 2016), containing some clarifications regarding the recording of the effects of vesting conditions in the presence of cash-settled share-based payments, the classification of share-based payments with net settlement characteristics and the recording of changes to the terms and conditions of a share-based payment which modify the classification from cash-settled to equity-settled. The amendments apply as from 1 January 2018 but early application is permitted.
- Document “***Annual Improvements to IFRSs: 2014-2016 Cycle***”, issued on 8 December 2016 (including *IFRS 1 First-Time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters*, *IAS 28 Investments in Associates and Joint Ventures – Measuring investees at Fair value through profit or loss: an investment-by-investment*

*choice or a consistent policy choice, IFRS 12 Disclosure of Interests in Other Entities – Clarification of the scope of the Standard*) which partially supplement the pre-existing standards.

- Interpretation of **IFRIC 22 “Foreign Currency Transactions and Advance Consideration”** (issued on 8 December 2016). The interpretation aims at providing guidelines for transactions carried out in a foreign currency where some non-monetary advances or payments on account are recorded in the financial statements before recognising their related asset, cost or revenue. This document provides guidelines on how an organisation must determine the date of a transaction, and consequently, the spot foreign exchange rate to use when transactions in a foreign exchange are carried out and where the payment is made or received in advance. IFRIC 22 applies as from 1 January 2018, though early application is permitted.
- Amendment to **IAS 40 “Transfers of Investment Property”** (issued on 8 December 2016). These changes clarify the transfer of a property to or from an investment property. More specifically, an organisation must reclassify a property among or from investment properties only when it is evident that a change occurred in the use of the property. This change must be referred to a specific event that has occurred and therefore must not be limited to a change in the intent of the organisation's top management. The amendments apply as from 1 January 2018 but early application is permitted.
- Amendments to **IFRS 10 and IAS 28 “Sales or Contribution of Assets between an Investor and its Associate or Joint Venture”** (issued on 11 September 2014). The document was published in order to solve the current conflict between the IAS 28 and IFRS 10 related to the measurement of the profit or the loss resulting from the sale or contribution of a non-monetary asset to a joint venture or affiliate in exchange for a share in the capital of the latter. To date, IASB has suspended the application of this amendment.

With reference to IFRS 9, IFRS 15 and IFRS 16 described above, the Group is evaluating the implementation criteria and the impacts on its consolidated financial statements, while with reference to the other standards and interpretations detailed above, it is not expected that the adoption will lead to significant impacts on the measurement of the assets, liabilities, costs and revenues of the Group.

## **1.1 Activities**

The Group primarily works in the domestic market and in the State of São Paulo (Brazil), in India, in Albania and in 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 Company offers the following Services: (a) Wash-hire, including (i) planning and provision of integrated rental, 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 and management of hospital wardrobes; (b) Linen sterilisation services, including 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 (c) Surgical instrument sterilisation services including (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 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., the same, 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.

Investments in associates and jointly controlled companies (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. The 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.

Joint control agreements in which the parties hold rights on the net assets of the agreement are defined as jointly controlled companies, 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.

The financial statements consolidated line-by-line were prepared as at 31 December 2015 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 2016	Average exchange rate for 2016
Brazilian Real	3.4305	3.856143
Turkish Lira	3.7072	3.343253
Albanese Lek	135.23	137.316615
Indian Rupee	71.5935	74.371691

### 3.2 Scope of consolidation

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

<i>(thousands)</i>					
	Registered offices	Currency	Share Capital as at 31 December 2016	Shareholding as at 31 December 2016	Percent. of shareholding as at 31 December 2015
San Martino 2000 S.c.r.l.	Genoa	Eur	10	60%	60%
Se.sa.tre. S.c.r.l.	Genoa	Eur	20	60%	60%
Servizi Italia Medical S.r.l.	Castellina di Soragna (PR)	Eur	200	100%	100%
Tintoria Lombarda Divisione Sanitaria S.r.l.	Barbariga (BS)	Eur	261	100%	-
SRI Empreendimentos e Participacoes LTDA	São Paulo (Brazil)	R\$	142,913	100%	100%
Lavsim Higienização Têxtil S.A.	São Roque, State of São Paulo (Brazil)	R\$	550	100%	100%
Maxlav Lavanderia Especializada S.A.	Jaguariúna, State of São Paulo (Brazil)	R\$	2,825	50.10%	50.10%
Vida Lavanderias Especializada S.A.	Santana de Parnaíba SP (Brazil)	R\$	1,900	50.10%	50.10%
Aqualav Serviços De Higienização Ltda	Vila Idalina, Poá, State of São Paulo (Brazil)	R\$	15,400	100.00%	100.00%

On 7 July 2016, Servizi Italia S.p.A. acquired 100% of the company Tintoria Lombarda Divisione Sanitaria S.r.l. The equity investments in Maxlav Lavanderia Especializada S.A. and Vida Lavanderias Especializada S.A. are considered to be subsidiaries also due to the agreements with the local shareholders, which assign Servizi Italia control as defined above.

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

<i>(thousands)</i>					
	Registered offices	Currency	Share Capital as at 31 December 2016	Shareholding as at 31 December 2016	Percentage of shareholding as at 31 December 2015
CO.SE.S S.c.r.l.	Perugia	Eur	10	25%	25%
PSIS S.r.l.	Padua	Eur	10,000	50%	50%
Ekolav S.r.l.	Lastra a Signa (FI)	Eur	100	50%	50%
AMG S.r.l.	Busca (CN)	Eur	100	50%	50%
Steril Piemonte S.c.r.l.	Turin	Eur	4,000	50%	50%
Iniziativa Produttive Piemontesi S.r.l.	Turin	Eur	2,500	37.63%	37.63%
SE.STE.RO. S.r.l. in liquidation	Castellina di Soragna (PR)	Eur	400	25%	25%
Piemonte Servizi Sanitari S.c.r.l.	Turin	Eur	10	30%	30%
Finanza & Progetti S.p.A.	Padua	Eur	550	50%	50%
Arezzo Servizi S.c.r.l.	Arezzo	Eur	10	50%	-
Saniservice Sh.p.k.	Tirana – Albania	Lek	2,746	30%	30%
Shubhram Hospital Solutions Private Limited	New Delhi - India	INR	270,172	51%	51%
SAS Sterilizasyon Servisleri A.Ş.	Istanbul, Turkey	TL	500	51%	51%
Ankateks Turizm Insaat Tekstil Temizleme Sanayi Ve	Ankara, Turkey	TL	5,000	40%	40%

During the year, the consortium Arezzo Servizi S.c.r.l. was established in order to provide a hire, wash and disinfection service for the tender contract concerning the Area Vasta Sud Est for the hospital Ausl of Arezzo, whereas the company Centro Italia Servizi in liquidation was cancelled on 27 December 2016.

With reference to Shubhram Hospital Solutions Private Limited and SAS Sterilizasyon Servisleri A.Ş., the governance and the handling of the operating and strategic policies are disciplined by agreements entered into with local partners, which assign the shareholders joint control over the two companies.

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

#### *Acquisition of Tintoria Lombarda Divisione Sanitaria S.r.l.*

On 7 July 2016, the Company acquired 100% of the share capital of Tintoria Lombarda Divisione Sanitaria S.r.l. against the payment of an overall consideration, net of price adjustment components, of Euro 13,719 thousand.

The current value of assets, liabilities and net equity of Tintoria Lombarda Divisione Sanitaria S.r.l. at 7 July 2016, compared with the recorded amount of the shareholding, i.e. Euro 13,719 thousand, has led to the calculation of the goodwill standing at Euro 10,300 thousand.

The comparison between the book value as per the IFRS standards and the fair value of the assets and liabilities acquired and the goodwill generated by the acquisition, is presented below:

	<b>7 July 2016</b>	
	<b>Fair value</b>	<b>Book value</b>
	<i>(thousands of Euros)</i>	<i>(thousands of Euros)</i>
Property, plant and equipment	7,861	7,861
Intangible assets	3,835	12
Equity investments in other companies	190	190
Deferred tax assets	19	19
Inventories	323	323
Trade and other receivables	6,276	6,276
Employee severance indemnity and risk fund	(882)	(882)
Deferred tax liabilities	(1,320)	(253)
Non-current financial payables	(3,071)	(3,071)
Current financial payables	(5,096)	(5,096)
Trade payables	(4,554)	(4,554)
Current tax payables	(26)	(26)
Other current payables	(1,033)	(1,033)
<b>Other current payables</b>	<b>2,522</b>	<b>(235)</b>
<b>Cash and cash equivalents as at the acquisition date</b>	<b>897</b>	<b>897</b>
Confirmatory earnest money	1,420	
Consideration already paid at the time of acquisition	12,493	
Financial receivables Servizi Italia versus TLDS Srl	(195)	
<b>Total consideration of the 100% acquisition</b>	<b>13,719</b>	
<b>Goodwill deriving from the acquisition</b>	<b>10,300</b>	

The fair values of the company acquired correspond with the book values, with the exception of the “customer order book” as separable and identifiable intangible assets and thus valued. For the purpose

of calculating the related fair value, the Group has decided to apply the so-called Multi-Period Excess Earnings Method (MEEM) since the methodology is recognised by the practice and applied commonly in the calculation of the economic value of contracts and customer lists. Based on this methodology approach, the value of the intangible asset, “portfolio customer agreements”, was quantified at Euro 3,823 thousand.

### 3.4 Summary of the accounting standards and basis of preparation

The consolidated financial statements have been drawn up in accordance with the criterion of cost, except in the cases specifically described in the following notes, for which the current value (“fair value”) has been 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.

The 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 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:

	<b>Years</b>
Industrial buildings	33
Plant and machinery	12
General plant	7
Industrial and commercial equipment	4
Specific equipment	8
Linen	3
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. According to this standard, the value of the land and that of the buildings, which

exist on the same are, separated and only the building is depreciated. 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 impairments may be subject to subsequent value write-backs if the reasons for the impairment cease to exist. 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 wash-hire 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*

A lease contract is defined to be financial if it involves the substantial transfer of all risks and benefits arising from owning the asset. Assets acquired via financial lease agreements are recognised under property, plant and equipment with the recognition under the 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.

For operating lease agreements, instead, the instalments are recorded in the Income Statement on a straight-line basis over the life of the contract.

#### *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 estimates useful life (3 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, the goodwill relating to the acquisition of associates and jointly controlled companies is included in the item "Equity-accounted investments".

All the goodwill is checked annually to identify any impairment losses ("impairment test") and is recognised net of the impairments made.

The impairments possibly recognised are not reinstated.

For the purposes of the impairment test, the goodwill is allocated to the individual cash generating units ("CGUs") or groups of CGUs, which it is believed, will provide the benefits relating to the acquisition to which the goodwill refers.

*E. Impairment test*

In the presence of situations that may potentially generate impairment losses, the property, plant and equipment and intangible assets are subject to impairment tests through the measurement of the recoverable value of the asset and a comparison with the related net accounting 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. 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.

The goodwill and the assets with an indefinite useful life or assets not available for use are subject at least once a year to an impairment test so as to check the recoverability of the value. The assets, which are amortised/depreciated, are subject to the impairment test on the occurrence of events and circumstances, which indicate that the book value might not be recoverable. In such cases, the book value of the asset is written down until reaching the recoverable value. Contrary to the rules applied to other intangible assets, write-backs are not permitted for the goodwill.

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

As of each financial statement date, steps are taken to check any recovery of the impairments made on the non-financial assets further to impairment tests.

*F. Equity investments*

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

*G. Financial assets and liabilities*

These include the equity investments available for sale and the other non-current financial assets such as securities held with the intention of maintaining them in the portfolio until maturity, non-current loans and receivables, trade receivables and other receivables originating from the company and the other current financial assets such as cash and cash equivalents.

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.

They also include financial payables, trade payables and other payables and the other financial liabilities as well as derivative instruments.

The financial assets and liabilities are initially recognised at fair value. Their initial recognition takes into account the transaction costs directly attributable to the purchase or the issue costs, which are included in the initial recognition of all the assets and liabilities, which can be defined as financial instruments. Subsequent recognition depends on the type of instrument. In detail:

- trading assets are recognised at fair value with recording of the changes in the income statement;
- available-for-sale assets (“Equity investments in other companies”) are recognised at fair value and the gains or losses, which emerge, are recorded under other comprehensive income as from the moment of the effective disposal when they reverse to the income statement. The losses from recognition at fair value are by contrast directly booked to the income statement in cases when objective evidence exists that the financial asset has undergone impairment even if the asset has not yet been disposed of. Unlisted equity investments in relation to which the fair value cannot be reliably measured are by contrast recognised at cost less impairment. This category includes the equity investment held for a percentage of less than 20%;
- the financial assets with certain and pre-determined flows and with a pre-established maturity which one intends to maintain until maturity, other than equity investments, are recognised at amortised cost, using the original effective interest rate and, consequently, the future cash flows are discounted back to the financial statement date on the basis of the

effective rate. Furthermore, the recognition of the receivables takes into account the solvency of the creditors as well as the credit risk characteristics indicative of the ability of the individual debtors to pay. Only the receivables factored without recourse which satisfy the requirements envisaged for derecognition indicated in IAS 39 are eliminated from the financial statements;

- the other financial liabilities are recognised at amortised cost. Specifically, the costs incurred for the acquisition of loans (transaction costs) and any issue discount or premium directly adjust the face value of the loan. The financial expense is calculated according to the effective interest rate method;
- derivative instruments are recorded in the statement of financial position and are recognised at fair value and the gains and losses determined are respectively recorded in the income statement if the derivatives cannot be defined as hedges as per IAS 39 or they hedge a price risk (fair value hedge) or under other comprehensive income if they hedge a future cash flow or a future contractual commitment already undertaken as at the financial statement date (cash flow hedge).
- trade receivables and payables and other receivables and payables are recorded under current or non-current assets/liabilities in relation to the envisaged date of collection or payment.

#### *H. Other assets*

Other current assets are recorded, at the time of initial recognition, at fair value and subsequently at amortised cost on the basis of the effective interest rate method. If there is objective evidence of impairment indicators, the asset is written down to an extent so that it is equal to the discounted back value of the flows, which can be obtained in the future.

Impairment losses are recognised in the income statement. If in subsequent periods, the reasons for the previous impairments cease to exist, the value of the assets is reinstated up to the extent of the value, which would have derived from the application of the amortised cost if the impairment had not been made.

The white certificates are allocated in relation to the achievement of energy savings via 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”.

*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:

- Employee severance indemnity fund accruing as from 1 January 2007: this 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.
- Employee severance indemnity fund accrued as at 31 December 2006: this remains to be 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

IFRS 2 sets forth that the stock options are to be classified within the scope of “share-based payments” and provides, for the type classified as “equity-settled” (where the payment is regulated using instruments representative of equity), for the determination - as of the date of assignment of the fair value - of the option rights issued and the related recognition as personnel expense to be spread in a linear manner over the period of accrual of the rights (the so-called vesting period) with the recording of 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 provided for 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.

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*

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.

Sales revenues are recognised at the time ownership is transferred, which as a rule takes place on delivery or shipment of the goods. Revenues for the provision of services are recognised with reference to the stage of completion of the activities to which they refer; in particular, revenues for washing, wash-hire, sterilisation and other services are recognised in the period in which they were provided, even if not yet invoiced, and are determined by supplementing those recognised by means of advance payment invoicing with appropriate estimates.

The revenues are recognised at fair value in consideration of what has been received and represent the amount of the goods supplied and/or services provided.

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 in the period the shareholders' meeting of the investee company, 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 undertaking the conversion of all the potential shares, which have a dilutive effect.

*O. Used 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 afore-

mentioned 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, which characterises the assumptions, and conditions on which they are based.

*P. 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 consolidated financial data restated, 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 in question involves the allocation of the 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 impairment the goodwill allocated to the same. The allocation of the goodwill to the cash flow generating units and the determination of the latter leads to the adoption of estimates which depend on factors, which may change over time with consequent effects, possibly significant, with respect to the valuations made by the directors.
- Linen asset: the economic life of the Company's linen used in the production process has been estimated taking into consideration numerous factors that may affect it, such as for example the wear and tear deriving from the use and from the washing cycles. These factors are liable 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, which may vary over time and determine significant effects on the valuation of the deferred tax assets.
- Provisions for risk and charges: in the presence of legal and tax-related risks, provisions are recognised representative of the risk of losing lawsuits. The value of the provisions recorded in the financial statements relating to these risks represents the best estimate as of the financial statement data made by management. 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 under way 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 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 shares: these financial liabilities are valued at the current disbursement value as set out at 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 the financial risks within the Servizi Italia Group is carried out centrally within the sphere of precise organisational directives, which discipline the handling of the same and the control of all the transactions, which have strict relevance in the composition of the financial and/or trade assets and liabilities.

The 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 inform the Board of Directors so that it may approve all transactions involving a commitment by the Company with respect to third parties.

##### **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 commodities, with particular reference to electricity and gas used in the primary production processes and of 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. The price risk is also controlled by means of the entering into of purchase agreements with price blocks and on-average annual timescales, joined by constant monitoring of the performance of the prices so as to identify opportunities for making savings.

#### *Interest rate risk*

Net debt of the Group is primarily characterised by short-term debt, which, at 31 December 2016, represents about 51.5% with an annual average rate of about 0.76%. As regards the global financial crisis, the company is monitoring the market and weighing up the opportunity of taking out hedging transactions on the rates in order to limit the adverse impacts of any change in interest rates on the company's income statement. Following is a table that shows, with values expressed in thousands of Euro, the effect that a 0.5% increase or decrease in the rate would have.

<i>(thousands of Euros)</i>	<b>0.5% rate increase</b>		<b>0.5% rate decrease</b>	
	<b>31 December 2016</b>	<b>31 December 2015</b>	<b>31 December 2016</b>	<b>31 December 2015</b>
Financial receivables	+90	+67	(90)	(67)
Financial payables	+487	+428	(487)	(428)
Transfer of credit without recourse	+428	+379	(428)	(379)

#### *Credit risk*

The receivables, since they are essentially due from public bodies, are deemed certain in terms of collectability and, due to their nature, are not subject to the risk of loss. The collection times depend on the loans received, the Local Health Authorities, the Hospitals and the Regional Authorities and at present average collection days are 108.

A summary of the trade receivables net and gross of the related bad debt provisions and the stratification by maturity of receivables not written down is presented below:

<i>(thousands of Euros)</i>	<b>As at 31 December</b>	
	<b>2016</b>	<b>2015</b>
Gross trade receivables	76,643	80,277
Bad debt provisions	(5,502)	(5,531)
<b>Net trade receivables</b>	<b>71,141</b>	<b>74,746</b>
Guarantees in portfolio	None	None
Falling due	32,879	44,148
Past due by less than 3 months	13,416	12,946
Past due by more than 3 months	7,146	6,434
Past due by more than 7 months	17,700	11,217

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 in question

could become more significant in the event of an increase in the private customer component, however this aspect is mitigated by a careful selection and financing of the 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 the 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 the payments for the receivables. In order to balance this risk, factoring agreements have been entered into with the without-recourse formula, renewed also for 2017.

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 Company has entered into covenants relating to the mortgage loans with Cassa di Risparmio in Bologna S.p.A., Banca Nazionale del Lavoro S.p.A., Cassa di Risparmio di Parma e Piacenza SpA, Banca Popolare di Milano S.Coop.a r.l., therefore the possibility of early repayment of these loans with respect to the repayment plan, is envisaged. As at 31 December 2016, the Company had observed the covenants entered into.

The following table analyses the "worst case" scenario with reference to the financial liabilities (including trade payables and other payables) in which all the flows indicated are un-discounted future nominal cash flows, determined with reference to the residual contractual maturities, both for the principal portion and 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. The 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 company only partially uses the short-term bank credit facilities available.

<i>(thousands of Euros)</i>	Financial payables		Trade and other payables		Total	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Less than or equal to 3 months	19,581	35,962	61,995	66,188	81,576	102,150
3 to 12 months	28,849	11,141	19,267	16,632	48,116	27,773
1 to 2 years	20,264	11,455	-	-	20,264	11,455
More than 2 years	30,989	29,292	-	-	30,989	29,292
<b>Total</b>	<b>99,683</b>	<b>87,850</b>	<b>81,262</b>	<b>82,820</b>	<b>180,945</b>	<b>170,670</b>

### *Exchange rate risk*

The investments in Brazil, Turkey, India and in Albania, have positioned the Company in an international context, exposing it to risk generated by fluctuations in the Euro/Real, Euro/Turkish Lira, Euro/Indian Rupee and Albanese Euro/Lek exchange rates.

The exchange rate risk must only be hedged 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 Company has decided not to enter into hedging transactions on exchange rates since no inflows of capital are envisaged over the short term.

## **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.

The classification of IFRS 13 involves 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. 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. With regard to equity investments in other companies, prices listed on active markets are not available. Therefore, their fair value cannot be measured reliably. For the same reason, they are measured at cost, possibly written down due to impairment.

<i>(thousands of Euros)</i>	<b>Financial assets</b>				<b>Financial liabilities</b>	
	<b>at fair value through profit and loss</b>	<b>held to maturity</b>	<b>loans and receivables</b>	<b>available for sale</b>	<b>at fair value through profit and loss</b>	<b>at amortised cost</b>
	<i>fair value</i>	<i>amortised cost</i>	<i>amortised cost</i>	<i>cost</i>	<i>fair value</i>	<i>amortised cost</i>
<b>Non-current assets</b>						
Equity investments in other companies				3,629		
Financial receivables			7,826			
Other assets			7,651			
<b>Current assets</b>						
Trade receivables			71,141			
Current tax receivables			2,865			
Financial receivables			8,188			
Other assets			12,203			
<b>Non-current liabilities</b>						
Due to banks and other lenders						45,237
Other financial liabilities						4,172
<b>Current liabilities</b>						
Due to banks and other lenders						48,031
Trade payables						63,544
Current tax payables						22
Other financial liabilities						8,072
Other payables						18,666

### 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.

<i>(thousands of Euros)</i>	<b>Year ended as at 31 December</b>		<b>Change</b>	<b>Change</b>
	<b>2016</b>	<b>2015</b>		<b>%</b>
	Shareholders' equity (B)	137,756	122,094	15,662
Net financial debt (a) (A)	79,617	67,153	12,464	18.6%
<b>Invested capital (C)</b>	<b>217,373</b>	<b>189,247</b>	<b>28,126</b>	<b>14.9%</b>
<b>Gearing (A/C)</b>	<b>36.6%</b>	<b>35.5%</b>		

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

With regard to the main dynamics, which have affected the debt, see section 6.25.

On 5 April 2016, following an increase in the shareholding of STERIS Corporation in the shareholding structure of Servizi Italia, through an authorised Share Capital increase in the amount of Euro 3,999,997 by issuing 1,110,185 ordinary shares of the company at the issuance price of Euro 3.6030 for each new share, the new capital share composition (fully paid up) of Servizi Italia S.p.A. is now Euro 31,809,451, represented by 31,809,451 ordinary shares of a unit nominal value of Euro 1.00 each. The related certification pursuant to Article 2444 of the Italian Civil Code was filed with the Parma Business Register as of the same date.

## 5 SEGMENT REPORTING

The Servizi Italia Group's segment reporting is defined 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 wardrobes;
- *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);
- *Surgical instrument sterilisation (Steril C)*: this includes (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.

In terms of geographical areas, please note that the Servizi Italia Group:

- works almost exclusively in Italy, except for the Brazilian companies Lavsim Higienização Têxtil S.A., Maxlav Lavanderia Especializada S.A., Vida Lavanderias Especializada S.A. and Aqualav Serviços De Higienização Ltda held through the subsidiary SRI Empreendimentos e Participações Ltda.
- offers the same types of services in each geographical area in Italy and abroad.

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

The segment reporting reflects the structure of the reporting periodically analysed by management so as to manage the business, and is subject to periodic HQ reporting.

<i>(thousands of Euros)</i>	<b>Year ended as at 31 December 2016</b>			
	<b>Wash-hire</b>	<b>Steril B</b>	<b>Steril C</b>	<b>Total</b>
Revenue from sales and services	180,085	19,165	38,466	237,716
Other income	2,116	294	1,967	4,377
Raw materials and materials	(17,553)	(5,004)	(2,566)	(25,123)
Costs for services	(55,549)	(6,150)	(12,892)	(74,591)
Personnel expense	(60,544)	(4,346)	(11,929)	(76,819)
Other costs	(1,285)	(66)	(186)	(1,537)
<b>EBITDA (a)</b>	<b>47,270</b>	<b>3,893</b>	<b>12,860</b>	<b>64,023</b>
Depreciation, amortisation and impairment	(40,741)	(1,940)	(7,597)	(50,278)
<b>Operating profit (EBIT)</b>	<b>6,529</b>	<b>1,953</b>	<b>5,263</b>	<b>13,745</b>
Financial income and expense and income and expense from equity investments in other companies				(673)
<b>Profit before tax</b>				<b>13,072</b>
Income taxes				(2,557)
<b>Profit (loss) for the year</b>				<b>10,515</b>
Of which portion attributable to non-controlling interests				64
<b>Of which portion attributable to shareholders of the parent</b>				<b>10,451</b>

<i>(thousands of Euros)</i>	<b>Year ended as at 31 December 2015</b>			
	<b>Wash-hire</b>	<b>Steril B</b>	<b>Steril C</b>	<b>Total</b>
Revenues from sales and services	173,453	19,002	37,528	229,983
Other income	2,940	342	2,090	5,372
Raw materials and materials	(16,410)	(4,893)	(2,472)	(23,775)
Costs for services	(53,823)	(5,810)	(13,248)	(72,881)
Personnel expense	(57,277)	(4,339)	(11,782)	(73,398)
Other costs	(1,322)	(70)	(260)	(1,652)
<b>EBITDA (a)</b>	<b>47,561</b>	<b>4,232</b>	<b>11,856</b>	<b>63,649</b>
Depreciation, amortisation, impairment and provisions	(38,194)	(2,181)	(6,709)	(47,084)
<b>Operating profit (EBIT)</b>	<b>9,367</b>	<b>2,051</b>	<b>5,147</b>	<b>16,565</b>
Financial income and expense and income and expense from equity investments in other companies				(130)
<b>Profit before tax</b>				<b>16,435</b>
Income taxes				(3,952)
<b>Profit (loss) for the year</b>				<b>12,483</b>
Of which portion attributable to non-controlling interests				(245)
<b>Of which portion attributable to shareholders of the parent</b>				<b>12,728</b>

(a) EBITDA is not an accounting measurement under the IFRSs endorsed by the European Union. The Company management has defined EBITDA as the difference between the value of sales and services and operating costs before depreciation, amortisation, impairment and provisions.

The wash-hire line which in absolute terms represents 75.8% of the revenue of the Group, increased by 3.8% compared with 2015. The increase in turnover from the line is due to the consolidation of Tintoria Lombarda Divisione Sanitaria S.r.l. for Euro 6,568 thousand and, within the Brazilian area, to the consolidation of Aqualav Serviços De Higienização Ltda for Euro 4,976 thousand. On a like-for-like consolidation basis, the sales loss of the line would have been approximately 2.8%. The turnover of the Brazilian area is affected by the loss in the impairment of the average exchange rate of the Real, compared with the average rate in 2015, of approximately 4.2% (at equal foreign exchange rates, the increase in revenue from the area would have been Euro 1,150 thousand), whereas in Italy the renegotiation of the contracts in the portfolio for the application of the spending review and the

termination of contractual relationships with some customers had an unfavourable impact. New orders, such as those from ASST della Valle Olona for the hospital of Busto Arsizio, the ASST Fatebenefratelli Sacco and ULSS no. 2 Feltre had a positive impact on the turnover of the wash-hire segment. At the margin level, the wash-hire showed an EBITDA margin at 26.2% compared with 27.4% of the previous year and an EBIT margin at 3.6% compared with 5.4% with an increase in amortisation/depreciation, impairment and provision in the amount of Euro 2,547 thousand compared with 2015. At the EBIT level, the amortisation/depreciation, impairment and provision showed an increase due to the greater depreciation of linen by the Brazilian companies and by Tintoria Lombarda Divisione Sanitaria S.r.l., and also, for the latter, due to the effects of the write-down of the customer portfolio.

Revenue from linen sterilisation services increased by 0.9% to Euro 19,165 thousand, accounting for 8.1% of total sales. As regards the revenues of the linen sterilisation line, the start of the tender contract for disposable supplies to “Ente per la Gestione Accentrata dei Servizi Condivisi di Udine” has positively impacted the results. In terms of margins, the EBITDA margin of the linen sterilisation business stood at 20.3% compared to 22.3% in the previous year, and EBIT margin increased to 10.2% from 10.8%.

Turnover in the surgical instrument sterilisation segment grew by 2.5% compared to the previous year. This increase is due primarily to the gradual increase in turnover from customers such as ASST Spedali Civili di Brescia, Azienda Ospedaliera Careggi di Firenze, A.S.U.I. di Udine, and to the new contract with ASST della Valle Olona for the hospital of Busto Arsizio. Surgical instrument sterilisation is the segment with the highest profitability in terms of EBITDA, at 33.4%, while its EBIT amounted to 13.7%. The greater incidence of amortisation of the surgical instrument sterilisation activities is linked to the nature of the business, which requires high investments for the creation, adaptation of the structural and plant engineering works and the purchase of surgical instruments. These investments are usually reimbursed over the duration of the contract by the customer. Compared with 2015, the margins were impacted by greater amortisation due to the start-up of the surgical instrument sterilisation facilities at Azienda Ospedaliera Universitaria G. Martino of Messina and Centro Traumatologico Ortopedico departments of Azienda Ospedaliera Careggi of Florence.

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

<i>(thousands of Euros)</i>	<b>Year ended as at 31 December 2016</b>			
	<b>Wash-hire</b>	<b>Steril B</b>	<b>Steril C</b>	<b>Total</b>
Total revenue from sales and services	180,085	19,165	38,466	237,716
Investments in property, plant and equipment and intangible assets	36,920	2,175	3,925	43,020
Depreciation of property, plant and equipment and amortisation of intangible assets	39,963	1,939	7,597	49,499
Net book value of property, plant and equipment and intangible assets	96,847	4,764	30,212	131,823

<i>(thousands of Euros)</i>	<b>Year ended as at 31 December 2015</b>			
	<b>Wash-hire</b>	<b>Steril B</b>	<b>Steril C</b>	<b>Total</b>
Total revenue from sales and services	173,453	19,002	37,528	229,983
Investments in property, plant and equipment and intangible assets	33,429	2,032	4,614	40,075
Depreciation of property, plant and equipment and amortisation of intangible assets	37,427	2,181	6,709	46,317
Net book value of property, plant and equipment and intangible assets	85,315	5,281	33,613	124,209

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

## 6 STATEMENT OF FINANCIAL POSITION

### 6.1 Property, plant and equipment

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

<i>(thousands of Euros)</i>	<b>Land and Buildings</b>	<b>Plant and machinery</b>	<b>Returnable assets</b>	<b>Equipment</b>	<b>Other assets</b>	<b>Assets under construction</b>	<b>Total</b>
Historical cost	2,308	117,113	37,834	56,335	91,098	2,362	307,050
Accumulated depreciation	(1,022)	(65,437)	(21,378)	(34,141)	(55,348)	-	(177,326)
<b>Balance as at 1 January 2015</b>	<b>1,286</b>	<b>51,676</b>	<b>16,456</b>	<b>22,194</b>	<b>35,750</b>	<b>2,362</b>	<b>129,724</b>
Translation differences	(19)	(2,048)	(360)	(16)	(896)	(8)	(3,347)
Change in the scope of consolidation	-	944	256	28	226	-	1,454
Increases	62	3,503	541	2,842	29,574	2,155	38,677
Decreases	(1)	(262)	(36)	(9)	(146)	(315)	(769)
Depreciation	(114)	(7,878)	(2,997)	(5,830)	(28,184)	-	(45,003)
Reclassifications	-	326	5	913	93	(1,337)	-
<b>Balance as at 31 December 2015</b>	<b>1,214</b>	<b>46,261</b>	<b>13,865</b>	<b>20,122</b>	<b>36,417</b>	<b>2,857</b>	<b>120,736</b>
Historical cost	2,289	119,299	35,775	59,045	112,993	2,857	332,258
Accumulated depreciation	(1,075)	(73,038)	(21,910)	(38,923)	(76,576)	-	(211,522)
<b>Balance as at 31 December 2015</b>	<b>1,214</b>	<b>46,261</b>	<b>13,865</b>	<b>20,122</b>	<b>36,417</b>	<b>2,857</b>	<b>120,736</b>
Translation differences	13	1,840	310	16	727	8	2,914
Change in the scope of consolidation	3,349	898	119	140	3,355	-	7,861
Increases	43	4,311	1,585	2,854	30,766	2,964	42,523
Decreases	-	(211)	(4)	(61)	(257)	(27)	(560)
Depreciation	(154)	(8,201)	(3,836)	(5,732)	(29,756)	-	(47,679)
Reclassifications	4	731	1,229	667	47	(2,678)	-
<b>Balance as at 31 December 2016</b>	<b>4,469</b>	<b>45,629</b>	<b>13,268</b>	<b>18,006</b>	<b>41,299</b>	<b>3,124</b>	<b>125,795</b>
Historical cost	6,356	129,852	39,110	62,383	129,449	3,124	370,274
Accumulated depreciation	(1,887)	(84,223)	(25,842)	(44,377)	(88,150)	-	(244,479)
<b>Balance as at 31 December 2016</b>	<b>4,469</b>	<b>45,629</b>	<b>13,268</b>	<b>18,006</b>	<b>41,299</b>	<b>3,124</b>	<b>125,795</b>

Notes on the main changes:

Changes in the consolidation scope refer to the acquisition of the company Tintoria Lombarda Divisione Sanitaria S.r.l..

#### *Land and Buildings*

The item "Land and Buildings" showed an investment increase of Euro 43 thousand and a change in the consolidation scope of Euro 3,349 thousand related to the company Tintoria Lombarda Divisione Sanitaria S.r.l..

#### *Plant and machinery*

This item showed a change, in the consolidation scope, of Euro 898 thousand related to the acquisition of the company Tintoria Lombarda Divisione Sanitaria S.r.l..

Investments in 2016 amounted to Euro 4,311 thousand whereas the reclassification amounted to Euro 731 thousand. More specifically, the increases were carried out at:

- the plants located in Italy for Euro 2,107 thousand (of which Euro 1,991 to be attributed to Servizi Italia S.p.A., Euro 18 thousand to Se.Sa.Tre. S.c.r.l. and Euro 98 thousand to Tintoria Lombarda Divisione Sanitaria S.r.l.);
- to the Brazilian companies for Euro 2,204 thousand (of which Lavsim Higienização Têxtil S.A. for Euro 288 thousand, Maxlav Lavanderia Especializada S.A. for Euro 1,211 thousand, Aqualav for Euro 691 thousand and Vida for Euro 14 thousand).

Investments concerned primarily: facilities for steam generation and water treatment, plants for the generation and control of combustion, facilities for the detergent dosage, machinery for washing, pressing and folding, and machinery for TAG readings in addition to new machinery for sterilisation.

#### *Returnable assets*

For the period closed at 31 December 2016, the item shows reclassifications for Euro 1,299 thousand, increases for Euro 1,585 thousand and changes in the consolidation scope equal to Euro 119 thousand related to the company Tintoria Lombarda Divisione Sanitaria S.r.l..

For the year ended 31 December 2016, the investments mainly concerned the building and plant engineering works linked to the achievement of improvements and the adaptation of the existing installations used for the 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 Group bore the costs of the partial renovation of the industrial laundering 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, which is less than the useful life of the works completed.

#### *Industrial and commercial equipment*

For the year ended 31 December 2016, a consolidation change of Euro 140 thousand concerning the consolidation of the company Tintoria Lombarda Divisione Sanitaria S.r.l., was recorded.

In addition, increases of Euro 2,854 thousand were recorded, of which Euro 1,472 thousand concerning the purchase of surgical instruments, Euro 1,117 thousand for the purchase of equipment used by the plants and the facilities in Italy, Euro 265 thousand for the purchase of equipment by the Brazilian companies.

The reclassification of equipment concerned primarily the start-up use of surgical instruments for the facility of Busto Arsizio for Euro 291 thousand, for the facility of Baggiovara for Euro 205 thousand

and for the start-up of the new facility for surgical instrument sterilisation of Messina, for Euro 93 thousand.

#### *Other assets*

<i>(thousands of Euros)</i>	<b>As at 31 December</b>	
	<b>2016</b>	<b>2015</b>
Linens and mattresses	39,488	34,357
Furniture and fixtures	134	155
Electronic machinery	923	973
Cars	32	43
Motor vehicles	649	821
Telephone switchboards	73	62
Other	-	6
<b>Total</b>	<b>41,299</b>	<b>36,417</b>

At 31 December 2016, the item “Other assets” showed a balance of Euro 41,299 thousand of which Euro 3,355 thousand concerning the consolidation of the Company Tintoria Lombarda Divisione Sanitaria S.r.l.. Purchases made during the period refer primarily to investments in linens, for a total of Euro 30,246 thousand, so as to ensure increasingly efficient inventory management, both for the partial renewal of contracts and for the first supply relating to contracts acquired during the year in question. More specifically, the investments in linen and mattresses for the period in question were carried out for Euro 4,684 thousand by the Brazilian companies, Euro 25,562 thousand by the facilities located in Italy (of which Euro 776 thousand by Tintoria Lombarda Divisione Sanitaria S.r.l.).

#### *Assets under construction*

These are mainly returnable assets as per the previous point, under construction at period end.

The item is broken down as follows as at 31 December 2016:

<i>(thousands of Euros)</i>	<b>As at 31 December</b>	
	<b>2016</b>	
Sterilisation centre investments	1,240	
Laundering facility investments	389	
Investments on contracts	951	
Investments at the production sites of the subsidiaries Lavsim Higienização Têxtil S.A. and Maxlav Lavanderia Especializada S.A..	537	
<b>Total</b>	<b>3,117</b>	

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

A breakdown as at 31 December 2016 and 2015 of the commitments for operational leasing fees is provided below:

<i>(thousands of Euros)</i>	<b>As at 31 December</b>	
	<b>2016</b>	<b>2015</b>
Within 12 months	3,528	3,386

Between one and five years	10,978	7,898
Beyond 5 years	11,226	5,522
<b>Total</b>	<b>25,732</b>	<b>16,805</b>

## 6.2 Intangible assets

This item changed as follows:

<i>(thousands of Euros)</i>	Trademarks and software	Customer contract portfolio	Other intangible assets	Assets under construction and payments on account	Total
Historical cost	2,916	3,643	-	566	7,125
Accumulated amortisation	(2,440)	(1,214)	-	-	(3,654)
<b>Balance as at 1 January 2015</b>	<b>476</b>	<b>2,429</b>	<b>-</b>	<b>566</b>	<b>3,471</b>
Translation differences	(1)	-	-	(67)	(68)
Change in the scope of consolidation	-	-	-	-	-
Increases	270	-	1,016	112	1,398
Decreases	-	-	-	(14)	(14)
Amortisation	(506)	(455)	(353)	-	(1,314)
Reclassifications	223	-	-	(223)	-
<b>Balance as at 31 December 2015</b>	<b>462</b>	<b>1,974</b>	<b>663</b>	<b>374</b>	<b>3,473</b>
Historical cost	3,317	3,613	1,016	374	8,320
Accumulated amortisation	(2,855)	(1,639)	(353)	-	(4,847)
<b>Balance as at 31 December 2015</b>	<b>462</b>	<b>1,974</b>	<b>663</b>	<b>374</b>	<b>3,473</b>
Translation differences	(4)	-	-	51	47
Change in the scope of consolidation	12	3,822	-	-	3,834
Increases	454	-	-	43	497
Decreases	(3)	-	-	-	(3)
Amortisation	(490)	(822)	(508)	-	(1,820)
Reclassifications	395	-	-	(395)	-
<b>Balance as at 31 December 2016</b>	<b>826</b>	<b>4,974</b>	<b>155</b>	<b>73</b>	<b>6,028</b>
Historical cost	4,466	7,435	1,016	73	12,990
Accumulated amortisation	(3,640)	(2,461)	(861)	-	(6,962)
<b>Balance as at 31 December 2016</b>	<b>826</b>	<b>4,974</b>	<b>155</b>	<b>73</b>	<b>6,028</b>

Under the item “Customer contract portfolio” is to be noted the change in consolidation, for Euro 3,822 thousand, which was defined during the allocation of the price for the acquisition of the company Tintoria Lombarda Divisione Sanitaria S.r.l.. The value of these contracts is amortised on a consistent basis with the period in which they will generate benefits.

Assets in progress mainly concern the management software being implemented.

### 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:

<i>(thousands of Euros)</i>	<b>As at 31 December 2015</b>	<b>Increases/ (Decreases)</b>	<b>Translation differences</b>	<b>As at 31 December 2016</b>
CGU Italy	32,943	10,300	-	43,243
CGU Brazil	9,540	-	2,451	11,991
<b>Total</b>	<b>42,483</b>	<b>10,300</b>	<b>2,451</b>	<b>55,234</b>

All goodwill identified is included in the Wash-hire operating segment as defined for the purposes of segment reporting set forth in IFRS 8. The change recorded in the amount of goodwill of CGU Italia is due to the accounting allocation process of the acquisition price of Tintoria Lombarda Divisione Sanitaria S.r.l., while for CGU Brazil, to the translation difference because of the decline in the Real foreign exchange rate.

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 was 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 by advance by the Boards of Directors of the subsidiaries and/or by the parent company Servizi Italia S.p.A.. The underlying hypotheses of the plans used reflect past experience, and the information gathered at the time of purchase for the Brazilian 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 industrial plan set up for the 2017-2021 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 1.0% for CGU Italia and 4.5% for CGU Brazil, substantially representative, on the one hand, of the inflation rate expected in Italy and in Brazil, 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. The discount rate used to discount back the cash flows of the CGUs located in Italy is 5.08% (5.54% last year) and 11.47% for the Brazil CGUs (12.09% last 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 about the recoverability of the accounting value of the goodwill according to the changes in the main assumptions used to determine the book value also considering a conservative approach to the choice of the financial parameters above. The analysis carried out has shown that, to make the carrying value the same as the recoverable value, the following would be necessary for CGU Italia: (i) a reduction in the growth rate of the terminal values of 5.2 percentage points or (ii) an increase of 73% of the WACC adopted or (iii) an annual reduction of the EBIT of reference of 49%, all of this in order to maintain unchanged, from time to time, the other assumptions of the plan. On the contrary, for CGU Brazil, in order to make the carrying value the same as the recoverable value, the following would be necessary: (i) a reduction in the growth rate of the terminal values of 0.3 percentage points or (ii) an increase of 2% of the WACC adopted or (iii) an annual reduction of the EBIT of reference of 4%, all of this in order to maintain unchanged, from time to time, the other assumptions of the plan.

With reference to 31 December 2016 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

This item changed as follows:

	Change in 2016					31 December 2016
	1 January 2016	Increases	Decreases	Revaluations	Impairments	
<i>(thousands of Euros)</i>						
<b>Associates and jointly controlled companies</b>						
Saniservice Sh.p.k.	(40)	-	-	-	(256)	(296)
Ankateks Turizm Insaat Tekstil Temizleme Sanayi Ve	4,485	8,228	-	728	-	13,441
Finanza & Progetti S.p.A.	5,091	160	-	-	(57)	5,194
Centro Italia Servizi S.r.l. in liquidation	157	-	(157)	-	-	-
Arezzo Servizi S.c.r.l.	-	5	-	-	-	5
CO.SE.S S.c.r.l.	3	-	-	-	-	3
PSIS S.r.l.	4,144	-	-	57	-	4,201
Ekolav S.r.l.	61	-	-	8	-	69
Steril Piemonte S.c.r.l.	1,973	-	-	-	-	1,973
AMG S.r.l.	2,255	-	-	74	-	2,329
Iniziative Produttive Piemontesi S.r.l.	1,106	-	-	21	-	1,127
SE.STE.RO. S.r.l. in liquidation	123	-	-	-	(11)	112
Piemonte Servizi Sanitari S.c.r.l.	3	-	-	-	-	3
SAS Sterilizasyon Servisleri A.Ş.	25	255	-	-	(14)	266
Shubhram Hospital Solutions Private Limited	(335)	1,287	-	-	(615)	337
<b>Total</b>	<b>19,051</b>	<b>9,935</b>	<b>(157)</b>	<b>888</b>	<b>(953)</b>	<b>28,764</b>

For the Indian company Shubhram Hospital Solutions Private Limited, a sensitivity analysis was carried out on the recoverability of the accounting value of the investment based on a change in the main assumptions used to calculate the use value, although in consideration of the conservative approach applied to the choice of financial parameters (the discount rate used for discounting the cash flows of the CGUs located in India is 10.53%). The terminal value is calculated by applying to the

operating cash flow, related to the last year of the plan adequately normalised, a perpetual growth factor of 5.11% for the CGU, substantially representative, on the one hand, of the expected inflation rate in India based on which the prices of the services offered were index-linked and, on the other hand, of the uncertainties that characterise the reference market. The analysis carried out has shown that, to make the carrying value the same as the recoverable value, the following would be necessary for CGU India: (i) a reduction in the growth rate of the terminal values of 4.5 percentage points or (ii) an increase of 31% of the WACC adopted or (iii) an annual reduction of the EBIT of reference of 25%, all of this in order to maintain unchanged, from time to time, the other assumptions of the plan.

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:

<i>(thousands)</i>									
<b>As at 31 December 2016</b>									
<b>Company Name</b>	<b>Currency</b>	<b>Non-current assets</b>	<b>Current assets</b>	<b>Non-current liabilities</b>	<b>Current liabilities</b>	<b>Shareholders' equity</b>	<b>Revenues</b>	<b>Costs</b>	<b>Profit/(Loss)</b>
SAS Sterilizasyon Servisleri A.Ş.	TL	-	2,008	-	72	1,936	272	319	(47)
Saniservice Sh.p.k.	Lek	665,069	355,983	838,426	316,354	(133,728)	157,813	273,249	(115,436)
Shubhram Hospital Solutions Private Limited	INR	756,776	81,480	447,654	343,300	47,302	148,503	238,804	(90,301)
Ankateks Turizm Insaat Tekstil Temizleme Sanayi Ve*	TL	18,721	16,527	4,419	17,594	13,235	23,568	15,772	7,796
Finanza & Progetti S.p.A.	Eur	2,602	948	-	434	3,116	-	113	(113)
Arezzo Servizi S.c.r.l.	Eur	1,194	668	240	1,612	10	1,465	1,465	-
CO.SE.S S.c.r.l.	Eur	1	1,153	129	1,015	10	2,794	2,794	-
PSIS S.r.l.	Eur	23,265	6,054	4,500	16,417	8,402	9,101	8,987	114
Ekolav S.r.l.	Eur	2,011	1,193	862	2,203	139	2,633	2,617	16
Steril Piemonte S.c.r.l.	Eur	5,135	1,816	-	3,006	3,945	2,786	2,786	-
AMG S.r.l.	Eur	1,868	2,159	537	923	2,567	4,010	3,879	131
SE.STE.RO S.r.l. in liquidation	Eur	-	1,440	-	993	447	-	44	(44)
Iniziative Produttive Piemontesi S.r.l.	Eur	790	3,293	225	2,113	1,745	4,251	4,194	57
Piemonte Servizi Sanitari s.c.a.r.l.	Eur	23	767	-	780	10	1,183	1,183	-

\*The data refers to the sub-consolidation of the Ankateks Group

The value of negative net equity of the company Saniservice Sh.p.K. is affected by the results obtained during the industrial start-up and entry into effect of the agreement.

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 jointly controlled companies as at 31 December 2016, are presented below:

<i>(thousands)</i>								
<b>As at 31 December 2016</b>								
<b>Company Name</b>	<b>Currency</b>	<b>Cash and cash equivalents</b>	<b>Current fin. liabilities</b>	<b>Non-current fin. liabilities</b>	<b>Impairments and amortisation/depreciation</b>	<b>Interest income</b>	<b>Interest expense</b>	<b>Income taxes</b>
SAS Sterilizasyon Servisleri A.Ş.	TL	1,923	-	-	1	2	1	-
Shubhram Hospital Solutions Private Limited	INR	13,405	311,087	447,654	77,964	3,746	31,093	-

Saniservice Sh.p.k.	Lek	33,902	39,466	838,426	40,412	-	39,922	-
Finanza & Progetti S.p.A.	Eur	138	-	-	-	142	1	-
Arezzo Servizi S.c.r.l.	Eur	60	300	-	330	-	2	7
PSIS S.r.l.	Eur	543	12,118	3,768	2,214	-	381	18
AMG S.r.l.	Eur	585	1,000	-	568	4	5	81

## 6.5 Equity investments in other companies

The item in question changed as follows in 2016:

	Change in 2016			
	1 January 2016	Increases	Impairment losses/Decreases	31 December 2016
Asolo Hospital Service S.p.A.	464	-	-	464
Prosa S.p.A.	462	-	-	462
PROG.ESTE S.p.A.	1,212	-	-	1,212
Progeni S.p.A.	380	-	-	380
Sesamo S.p.A.	353	-	-	353
Synchron Nuovo San Gerardo S.p.A.	344	-	-	344
SPV Arena Sanità	278	-	-	278
Futura S.r.l.	-	25	-	25
Brixia S.r.l.	-	2	-	2
Other	49	60	-	109
<b>Total</b>	<b>3,542</b>	<b>87</b>	<b>-</b>	<b>3,629</b>

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 2016:

	Registered Offices	Financial statement figures as at 31 December 2015				Shareholding as at 31 December 2016
		Assets	Liabilities	Revenues	Profit/(Loss)	
Asolo Hospital Service S.p.A.	Asolo (TV)	95,403	88,236	37,790	368	7.03%
Prosa S.p.A.	Carpi (MO)	9,889	5,063	1,877	594	13.20%
Progeni S.p.A.	Milan	297,349	286,399	48,226	534	3.80%
Sesamo S.p.A.	Carpi (MO)	39,770	31,217	17,774	1,038	12.17%
PROG.ESTE.. S.p.A.	Carpi (MO)	228,000	218,974	35,389	108	10.14%

## 6.6 Non-current financial receivables

The item is broken down as follows:

	As at 31 December	
	2016	2015
Prosa S.p.A.	255	321
Sesamo S.p.A.	353	353
Progeni S.p.A.	982	982
PROG.ESTE. S.p.A.	531	531

Saniservice Sh.p.K.	4,000	162
Summano Sanità S.p.A.	2	3
Ankateks Turizm Insaat Tekstil Temizleme Sanayi Ve	809	-
SPV Arena Sanità	461	446
Synchron Nuovo San Gerardo S.p.A.	275	254
Futura S.r.l.	158	-
Ospedale Irmandade de Santa Casa de Misericordia de São Paulo	-	182
<b>Total</b>	<b>7,826</b>	<b>3,234</b>

The financial receivables refer to the interest-bearing loans granted to the companies Prosa S.p.A. (3.50% rate plus 3-month Euribor), Sesamo S.p.A. (3% rate plus IRS rate at 20 years), Progeni S.p.A. (7.31% rate), PROG.ESTE. S.p.A. (6.96% rate) and Summano Sanità S.p.A. (6.1% rate) and with a duration equal to that of the global service agreements for which the companies were established (respective expiry dates of 21 February 2031, 31 December 2037, 31 December 2033, 31 December 2031 and 31 December 2030). The loan to the subsidiary Se.Sa.Tre. S.c.r.l. was granted in order to guarantee the correct financial management at a 3-month Euribor rate, in addition to a spread equal to 1% and with expiry at 31 December 2017. This loan decreased subsequent to the repayment as per the amortisation plan. The loan granted to Prosa S.p.A, decreased due to a partial repayment occurred in 2016, while the loans granted to the companies Arena Sanità S.p.A. (3.4% rate plus 6-month Euribor) and Synchron S.p.A. (rate 8%) increased due to the capitalisation of the interest accrued during the year. The loan granted to the Albanian company Saniservice Sh.p.k. (7% rate) was increased due to the payment of new loan tranches aimed at supporting the investments necessary to perform the new service agreements awarded locally. In 2016, a new loan was granted to the company Ankateks Turizm Insaat Tekstil Temizleme Sanayi Ve (9% rate), and the loan granted by the subsidiary Tintoria Lombarda Divisione Sanitaria S.r.l. (9% rate) was recorded in favour of the company Futura S.r.l. for Euro 158 thousand, expiry date on 31 December 2035, concerning the global service contract of ASST Spedali Civili of Brescia. The loan to Ospedale Irmandade de Santa Casa de Misericordia de São Paulo was extinguished in 2016 due to a settlement agreement based on which Lavsim Higienização Têxtil S.A. collected its trade receivable of Euro 2,468 thousand and SRI Empreendimentos e Participações L.t.d.a. waived the repayment of the loan.

## 6.7 Deferred tax assets

This item changed as follows:

<i>(thousands of Euros)</i>	Share Capital increase costs	Property, plant and equipment	Employee benefits	Other costs with deferred deductibili ty	Total
<b>Deferred taxation as at 1 January 2015</b>	<b>93</b>	<b>430</b>	<b>140</b>	<b>719</b>	<b>1,382</b>
Changes recognised in the income statement	(45)	354	-	115	424
Changes recognised under shareholders' equity	-	-	-	-	-
Changes recognised in other comprehensive income	-	-	(6)	-	(6)
<b>Deferred taxation as at 31 December 2015</b>	<b>48</b>	<b>784</b>	<b>134</b>	<b>834</b>	<b>1,800</b>
Change in the scope of consolidation	-	-	12	7	19

Changes recognised in the income statement	(36)	(28)	-	534	470
Changes recognised under shareholders' equity	-	-	-	-	-
Changes recognised in other comprehensive income	-	-	62	-	62
<b>Deferred taxation as at 31 December 2016</b>	<b>12</b>	<b>756</b>	<b>208</b>	<b>1,375</b>	<b>2,351</b>

Deferred tax assets referring to property, plant and equipment represent the deferred taxation related to the ordinary process of depreciation of the linen.

## 6.8 Other non-current assets

The item is broken down as follows:

<i>(thousands of Euros)</i>	<b>As at 31 December</b>	
	<b>2016</b>	<b>2015</b>
Substitute tax Italian Decree Law 185/2008 subsequent years	3,313	1,880
Receivables for IRES reimbursement request pursuant to Art. 2 par. 1-quater Italian Decree Law No. 201	1,833	1,834
Aqualav receivable, in escrow account	2,343	1,860
Other non-current assets	162	534
<b>Total</b>	<b>7,651</b>	<b>6,108</b>

Other non-current assets increased from Euro 6,108 thousand as at 31 December 2015 to Euro 7,651 thousand as at 31 December 2016. The change in the substitute tax item is due to the payment of Euro 1,691 thousand in accordance with articles 15, par. 10-12 of Legislative Decree 185/08, in order to obtain the tax recognition of the goodwill deriving from Lavanderia Industriale ZBM S.p.A. merged by incorporation into the Parent Company in 2015. This substitute tax was recognised as an advance on current taxes and will be entered into the Income Statement within the time frame when the company will benefit from the tax deductions related to said goodwill amounts. The increase in the receivable in escrow account of Aqualov Serviços De Higienização Ltda is due to the difference in the exchange rate.

## 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>	<b>As at 31 December</b>	
	<b>2016</b>	<b>2015</b>
Due from third parties	69,878	73,912
Due from associates	896	643
Due from parent companies	366	120
Receivables from companies under the control of the parent companies	1	71
<b>Total</b>	<b>71,141</b>	<b>74,746</b>

### 6.10.1 Trade receivables due from third parties

The item is broken down as follows:

<i>(thousands of Euros)</i>	As at 31 December	
	2016	2015
Due from customers	75,380	79,443
Bad debt provision	(5,502)	(5,531)
<b>Total</b>	<b>69,878</b>	<b>73,912</b>

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

- factoring transactions were carried out on trade receivables without recourse, with Credem Factor, for a total of Euro 52,146 thousand for a consideration of Euro 52,012 thousand;
- trade receivables were factored without recourse to Unicredit Factoring, due from Lazio Regional local health units and hospitals for Euro 2,214 thousand, for a consideration of Euro 2,205 thousand;
- Euro 31,264 thousand in trade receivables were transferred, in accordance with a clause on transfer without recourse, to Unicredit Factoring S.p.A. against a consideration of Euro 31,196 thousand.

The bad debt provision changed as follows in 2016 and in 2015:

<i>(thousands of Euros)</i>	
<b>Balance as at 1 January 2015</b>	<b>5,335</b>
Uses	(160)
Adjustments	(40)
Provisions	396
<b>Balance as at 31 December 2015</b>	<b>5,531</b>
Uses	(533)
Adjustments	(81)
Provisions	585
<b>Balance as at 31 December 2016</b>	<b>5,502</b>

### 6.10.2 Trade receivables due from associates and parent companies

The balance as at 31 December 2016 of trade receivables due from associates and jointly controlled companies, amounting to Euro 896 thousand, is essentially represented by trade receivables due from Companies PSIS S.r.l. for Euro 150 thousand, Steril Piemonte S.c.r.l. for Euro 160 thousand, AMG S.r.l. for Euro 144 thousand, SE.STE.RO. S.r.l. in liquidation for Euro 82 thousand, Saniservice Sh.p.k. for Euro 249 thousand and Finanza & Progetti S.p.A. for Euro 69 thousand. Furthermore, there is a credit balance due from the parent company Coopservice Soc.Coop. p.A. for Euro 366 thousand.

## 6.11 Current tax receivables

The item is broken down as follows:

<i>(thousands of Euros)</i>	As at 31 December	
	2016	2015
Tax receivables	5,859	5,679
Tax payables	(2,994)	(3,201)
<b>Total</b>	<b>2,865</b>	<b>2,478</b>

This item includes primarily the amount exceeding the receivable for advances on the current taxes of 2016, net of related tax payables of the Parent Company.

## 6.12 Current financial receivables

The item is broken down as follows:

<i>(thousands of Euros)</i>	As at 31 December	
	2016	2015
Asolo Hospital Service S.p.A.	1,673	1,563
P.S.I.S. S.r.l.	3,847	3,856
Ekolav S.r.l.	174	172
AMG S.r.l.	-	502
Arezzo Servizi S.c.r.l.	151	-
Steril Piemonte S.c.r.l.	1,153	1,156
Iniziative Produttive Piemontesi S.r.l.	90	91
Gesteam S.r.l.	313	328
Other	787	399
<b>Total</b>	<b>8,188</b>	<b>8,067</b>

Financial receivables are for loans granted to the companies indicated above, which are due within the year or repayable on demand. The increase compared to 31 December 2015 was basically due to the new loan granted to Arezzo Servizi S.c.r.l. and to the interest accrued on individual loans and not yet collected. In 2016, the interest-bearing loan granted to AMG S.r.l. was repaid. The item “Other” shows that in 2016 the loan in favour of the customer Ospedale Irmandade de Santa Casa de Misericordia di Sao Paolo (Brazil) was extinguished, as described in paragraph 6.6.

## 6.13 Other current assets

The item is broken down as follows:

<i>(thousands of Euros)</i>	As at 31 December	
	2016	2015
Due from others	11,223	8,205
Prepayments	836	831
Guarantee deposits receivable	137	156
Accrued income	7	49
<b>Total</b>	<b>12,203</b>	<b>9,241</b>

The item Due from others is composed of the receivables of the subsidiaries Se.Sa.Tre. S.c.r.l. and San Martino 2000 from the consortium Servizi Ospedalieri S.p.A. in the amount of Euro 2,149 thousand, the VAT receivable for Euro 5,068 thousand and, for the remaining part, mainly by advances and receivables toward welfare institutions, all collectable within the year.

#### 6.14 Cash and cash equivalents

The item is broken down as follows:

<i>(thousands of Euros)</i>	<b>As at 31 December</b>	
	<b>2016</b>	<b>2015</b>
Bank and postal deposits	5,434	7,057
Cheques	1	-
Cash at bank and in hand	28	25
<b>Total</b>	<b>5,463</b>	<b>7,082</b>

This item decreased by Euro 1,619 thousand compared to 31 December 2015. The decrease is essentially to be related to a reduction in the cash of the Brazilian subsidiary SRI Empreendimentos e Participações Ltda, following the funding of the investments carried out in loco in 2016, and to a reduction in the liquidity of the accounts of Servizi Italia S.p.A.

#### 6.15 Shareholders' equity

##### *Share Capital and reserves*

On 5 April 2016, following increase in the shareholding on STERIS Corporation, the new share capital structure (fully paid up) of Servizi Italia S.p.A. is equal to Euro 31,809,451, represented by 31,809,451 ordinary shares with nominal value of Euro 1.00 each.

In 2016, the Company purchased 92,604 treasury shares with a value of Euro 334 thousand, i.e. 0.29% of the share capital, at the average book value of Euro 3.61 per share. Following these transactions, the Company held 348,220 treasury shares amounting to 1.09% of the share capital as at 31 December 2016. The equivalent value of the treasury shares held on 31 December 2016, equal to Euro 1,435 thousand, was classified as decreasing the share capital for the par value of the same, equating to Euro 348 thousand, and as reducing the share premium reserve for the excess of the purchase value with respect to the par value, amounting to Euro 1,087 thousand.

The Legal reserve and Other reserves increased due to the allocation of the 2015 profit of the Company as per the resolution of the shareholders' meeting held on 20 April 2016, along with the payment of dividends for Euro 4,728 thousand. The positive impact for Euro 6,627 thousand on the translation reserves of equity of the Brazilian companies, following the revaluation of the Real/Euro exchange, should also be noted.

## 6.16 Due to banks and other lenders

The item is broken down as follows:

<i>(thousands of Euros)</i>	As at 31 December 2016			As at 31 December 2015		
	Current	Non-current	Total	Current	Non-current	Total
Due to banks	47,368	45,237	92,605	44,361	35,589	79,950
Due to other lenders	663	-	663	1,830	522	2,352
<b>Total</b>	<b>48,031</b>	<b>45,237</b>	<b>93,268</b>	<b>46,191</b>	<b>36,111</b>	<b>82,302</b>

### *Due to banks*

The portion of the payable falling due within 12 months relating to the item Due to banks as at 31 December 2016 increased with respect to 31 December 2015 by Euro 3,007 thousand due to the repayment of the loan instalments expired in the period, net of the instalments expiring within 12 months of the new subscribed loans.

The portion of the payable falling due beyond 12 months relating to the item Due to banks as at 31 December 2016 increased with respect to 31 December 2015 by Euro 9,648 thousand as a result of the repayment of the loan instalments to Banca Popolare dell'Emilia Romagna soc. coop. in the amount of Euro 7.000 thousand (residual payable beyond 12 months for Euro 2,944 thousand) on 28 January 2016, three year duration, with Cassa di Risparmio di Parma e Piacenza SpA in the amount of Euro 10,000 thousand (residual payable beyond 12 months for Euro 6,667 thousand) on 1 July 2016, four year duration and with Banca Nazionale del Lavoro SpA in the amount of Euro 14.000 (residual payable beyond 12 months for Euro 11,200 thousand) on 21 July 2016, five year duration. The subscription of the new loans was necessary in order to support the funding of the planned investments and the acquisition of the company Tintoria Lombarda Divisione Sanitaria S.r.l.. The portion of the payables expiring beyond 12 months includes also the loan subscribed with Cassa di Risparmio in Bologna S.p.A. for Euro 15,000 thousand (residual payable beyond 12 months for Euro 6,000 thousand) on 22 December 2014 for a five year duration, Banca Carige Italia S.p.A. for Euro 10,000 thousand (residual payable beyond 12 months for Euro 4,568 thousand) on 31 March 2015 with five year duration, Cassa di Risparmio di Parma e Piacenza SpA for Euro 10,000 thousand (residual payable beyond 12 months for Euro 3,804 thousand) on 27 April 2015 with four year duration, Banca Popolare di Milano S.Coop.a r.l. for Euro 15,000 thousand (residual payable beyond 12 months for Euro 9,839 thousand) on 2 November 2015 with a five year duration. The loans granted by Banca Nazionale del Lavoro S.p.A. require the maintenance of a Net Financial Position of less than 1.5 times the amount of Shareholders' Equity and less than 2.0 times the Ebitda (covenant), requirements that were met as at 31 December 2016. The loans granted by Cassa di Risparmio in Bologna S.p.A. and by Cassa di Risparmio di Parma e Piacenza S.p.A. require the maintenance of a net financial position of less than 1.5 times the amount of shareholders' equity and less than 2.5 times the Ebitda (covenant), requirements that were met as at 31 December 2016. The loan granted by Banca Popolare di Milano S.Coop.a r.l. requires the maintenance of a Net

Financial Position of less than 2 times the amount of Shareholders' Equity and less than 2 times the Ebitda (covenant), requirement that was met as at 31 December 2016.

The portion of payables due beyond 12 months also includes the medium-term debt of the Brazilian subsidiaries Lavsim Higienização Têxtil S.A. for a total of Euro 99 thousand, Maxlav Lavanderia Especializada S.A. for a total of Euro 94 thousand, Vida Lavanderias Especializada S.A. for a total of Euro 19 thousand and Aqualav Serviços De Higienização Ltda for a total of Euro 3 thousand.

Amounts due to banks are shown below by maturity:

<i>(thousands of Euros)</i>	<b>As at 31 December</b>	
	<b>2016</b>	<b>2015</b>
Less than or equal to 6 months	37,991	38,759
6 to 12 months	9,377	5,602
1 to 5 years	45,237	34,820
More than 5 years	-	769
<b>Total</b>	<b>92,605</b>	<b>79,950</b>

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

<i>(thousands of Euros)</i>	<b>As at 31 December</b>	
	<b>2016</b>	<b>2015</b>
1 to 2 years	18,524	11,109
2 to 5 years	26,713	23,711
More than 5 years	-	769
<b>Total</b>	<b>45,237</b>	<b>35,589</b>

The average effective interest rates as at 31 December 2016 were as follows:

<i>(thousands of Euros)</i>	<b>As at 31 December</b>	
	<b>2016</b>	<b>2015</b>
Advances on invoices	0.76%	1.92%
Bank loan	1.32%	2.17%

#### *Due to other lenders*

Amounts due to other lenders as at 31 December 2016, for the current portion, include (i) the payables due to Azienda Ospedaliera di Viterbo for Euro 50 thousand relating to a double payment made in our favour, (ii) the payables due to the subsidiary Se.Sa.Tre. S.c.r.l. to Servizi Ospedalieri S.p.A. for Euro 524 thousand (Euro 706 thousand as at 31 December 2015), and (iii) the payables of the Brazilian subsidiaries for a total of Euro 89 thousand.

At 31 December 2016, there are no other payables due to other lenders expiring beyond 12 months.

Payables to other lenders are broken down by maturity below:

<i>(thousands of Euros)</i>	<b>As at 31 December</b>	
	<b>2016</b>	<b>2015</b>
Less than or equal to 6 months	663	1,113

6 to 12 months	-	717
1 to 5 years	-	522
More than 5 years	-	-
<b>Total</b>	<b>663</b>	<b>2,352</b>

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

<i>(thousands of Euros)</i>	As at 31 December	
	2016	2015
1 to 2 years	-	522
2 to 5 years	-	-
More than 5 years	-	-
<b>Total</b>	<b>-</b>	<b>522</b>

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

<i>(thousands of Euros)</i>	As at 31 December	
	2016	2015
Floating rate	613	2,096
Fixed rate	50	256
<b>Total</b>	<b>663</b>	<b>2,352</b>

## 6.17 Deferred tax liabilities

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

<i>(thousands of Euros)</i>	Leasing	Employee benefits	Property, plant and equipment and intangible assets	Goodwill	Other	Total
<b>Deferred tax liabilities as at 1 January 2015</b>	<b>238</b>	<b>-</b>	<b>821</b>	<b>1,206</b>	<b>-</b>	<b>2,265</b>
Change in the scope of consolidation	-	-	-	-	-	-
Changes recognised in the income statement	(130)	-	(236)	(32)	-	(398)
Changes recognised in other comprehensive income	-	-	-	-	-	-
<b>Deferred tax liabilities as at 31 December 2015</b>	<b>108</b>	<b>-</b>	<b>585</b>	<b>1,174</b>	<b>-</b>	<b>1,867</b>
Change in the scope of consolidation	-	-	1,320	-	-	1,320
Changes recognised in the income statement	(64)	-	(593)	103	-	(554)
Changes recognised in other comprehensive income	-	-	-	-	-	-
<b>Deferred tax liabilities as at 31 December 2016</b>	<b>44</b>	<b>-</b>	<b>1,312</b>	<b>1,277</b>	<b>-</b>	<b>2,633</b>

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

## 6.18 Employee benefits

This item changed as follows:

<i>(thousands of Euros)</i>	Year	
	2016	2015
<b>Opening balance</b>	<b>9,989</b>	<b>10,855</b>
Change in the scope of consolidation	882	-
Provision	502	430
Financial expense	135	140

Actuarial (gains)/losses	242	70
Transfers (to)/from other provisions (Uses)	- (533)	- (1,506)
<b>Closing balance</b>	<b>11,218</b>	<b>9,989</b>

Changes in the consolidation scope refer to the provision for employee severance indemnities of the company Tintoria Lombarda Divisione Sanitaria S.r.l.

This item recognises the Employee severance indemnity and it also includes the amount accrued on the LTI-Cash 2015-2017 variable remuneration plan for Directors, Managers, Senior Managers and Executives, based on which a bonus is disbursed at the end of the three-year period if certain economic and financial targets are met and in relation to the Servizi Italia share price, as well as the severance for termination of the office accrued by the CEO.

#### *Financial hypotheses adopted*

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

	Year	
	2016	2015
Technical annual discounting back rate	0.86%	1.39%
Annual inflation rate	1.50%	1.75%
Annual growth rate of the severance indemnity	2.63%	2.81%

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 10 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 off 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 presupposed;
- for the probabilities of leaving employment for reasons other than demise, on the basis of statistics provided by the Company, the annual frequencies of 7.50% have been considered;
- with regard to the probability of advance, a year-by-year value of 3.00% was supposed.

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 were disbursed by the employer within the limits of the amount accrued, based on the provisions allocated up to 31 December 2006. If the amount of the advance is not covered by the amount accrued at the employer, the difference is disbursed by the Treasury Fund set up at INPS.

With regard to the matters set forth above and for just the 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	
	+0.5%	-0.50%	+0.25%	-0.25%	+1 year	-1 year
Change in liabilities	(380)	406	114	(112)	(270)	252

### **6.19 Provisions for risks and charges**

The item is broken down as follows:

<i>(thousands of Euros)</i>	Year	
	2016	2015
<b>Opening balance</b>	<b>2,277</b>	<b>126</b>
Provisions	52	2,199
Uses	(67)	(33)
Other changes	536	(15)
<b>Closing balance</b>	<b>2,798</b>	<b>2,277</b>

The increase in this item is due primarily to the revaluation of the Real/Euro exchange rate on the provision already set aside for disputes with employees, allocated in 2015 by the Brazilian company Aqualav Serviços De Higienização Ltda.

### **6.20 Other financial liabilities**

The item is broken down as follows:

<i>(thousands of Euros)</i>	As at 31 December	
	2016	2015
Deferred price Aqualav Serviços De Higienização Ltda	354	522

Payable for put options on Maxlav Lavanderia Especializada S.A. and Vida Lavanderias Especializada S.A.	3,724	2,686
Other payables	94	-
<b>Total</b>	<b>4,172</b>	<b>3,208</b>

The increase, compared with 31 December 2015, is due to the time-discounting effects (Euro 309 thousand) of the value of the debt for the put options associated with the purchase of the residual 49.9% of the companies Maxlav Lavanderia Especializada S.A. and e Vida Lavanderias Especializada S.A., and the revaluation of the exchange rate Real/Euro.

## 6.21 Trade payables

The item is broken down as follows:

<i>(thousands of Euros)</i>	As at 31 December	
	2016	2015
Due to suppliers	56,156	57,946
Due to associates	2,649	3,711
Due to parent companies	4,445	3,627
Payables to companies under the control of the parent companies	294	145
<b>Total</b>	<b>63,544</b>	<b>65,429</b>

### *Due to suppliers*

The balance as at 31 December 2016 refers entirely to trade payables due within 12 months.

### *Due to associates and the parent company*

The balance at 31 December 2016 consists primarily of trade payables to Società Steril Piemonte S.c.r.l. for Euro 670 thousand, Ekolav S.r.l. for Euro 481 thousand, Se.Ste.Ro. S.r.l. in liquidation for Euro 418 thousand, AMG S.r.l. for Euro 347 thousand, Co.Se.S. S.c.r.l. for Euro 234 thousand, Arezzo Servizi S.c.r.l. for Euro 192 thousand, Iniziative Produttive Piemontesi S.r.l. for Euro 161 thousand, Piemonte Servizi Sanitari S.c.r.l. per Euro 135 thousand and PSIS S.r.l. for Euro 11 thousand.

### *Due to parent companies*

Trade payables due to the parent company Coopservice S.Coop.p.A. amount to Euro 4,445 thousand.

### *Payables to companies under the control of the parent companies*

Trade payables to companies under the control of the parent company Coopservice S.Coop.p.A. amounted to Euro 294 thousand of which Euro 190 thousand due to Archimede S.p.A., Euro 98 thousand due to Focus S.p.A. and Euro 6 thousand due to Adpersonam S.r.l..

## 6.22 Current tax payables

The item is broken down as follows:

<i>(thousands of Euros)</i>	<b>As at 31 December</b>	
	<b>2016</b>	<b>2015</b>
Tax receivables	1,767	2,438
Tax payables	(1,789)	(2,803)
<b>Total</b>	<b>(22)</b>	<b>(365)</b>

The amount refers to current tax payables of the subsidiaries included in the consolidation area.

## 6.23 Other financial liabilities

The item is broken down as follows:

<i>(thousands of Euros)</i>	<b>As at 31 December</b>	
	<b>2016</b>	<b>2015</b>
Payables to shareholders Ankateks Turizm İnşaat Tekstil Temizleme San. Ve Tic. Ltd. Şti	7,625	962
Deferred price Aqualav Serviços De Higienização Ltda	375	58
Payable for earn-out on Maxlav Lavanderia Especializada S.A. and Vida Lavanderias Especializada S.A.	72	58
<b>Total</b>	<b>8,072</b>	<b>1,078</b>

The change in the item reflects the estimated increase in payables for the payment of the new 40.0% investment in Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi.

## 6.24 Other payables

The table below provides a breakdown of other current liabilities:

<i>(thousands of Euros)</i>	<b>As at 31 December</b>	
	<b>2016</b>	<b>2015</b>
Accrued liabilities	115	18
Deferred income	712	800
Due to social security and welfare institutions	5,319	5,115
Other payables	12,520	11,908
<b>Total</b>	<b>18,666</b>	<b>17,841</b>

### *Due to social security and welfare institutions*

Amounts due to social security include contributions to INPS/INAIL/INPDAL (National Social Security Institution/Italian Institution for Insurance Against Workplace Accidents/National Welfare Institute for Industrial Managerial Employees) totalling Euro 5,319 thousand, all falling due within the year.

### *Other payables*

The item is broken down as follows:

<i>(thousands of Euros)</i>	<b>As at 31 December</b>	
	<b>2016</b>	<b>2015</b>
Due to employees	9,502	8,859
Employee/professional IRPEF (personal income tax) payable	2,031	1,972

Other payables	987	1,077
<b>Total</b>	<b>12,520</b>	<b>11,908</b>

The increase in the item reflects the increase in payables to the employees of the Brazilian companies at 31 December 2015 and the consolidation of Tintoria Lombarda Divisione Sanitaria S.r.l. for Euro 615 thousand.

## 6.25 Net financial debt

The Group's net financial debt as at 31 December 2016 and as at 31 December 2015 is shown below:

<i>(thousands of Euros)</i>	<b>As at 31 December</b>	
	<b>2016</b>	<b>2015</b>
Cash and cash equivalents in hand	29	25
Cash at bank	5,434	7,057
<b>Cash and cash equivalents</b>	<b>5,463</b>	<b>7,082</b>
Current financial receivables	8,188	8,067
Current liabilities to banks and other lenders	(48,031)	(46,191)
<b>Current net financial debt</b>	<b>(39,843)</b>	<b>(38,124)</b>
Non-current liabilities to banks and other lenders	(45,237)	(36,111)
<b>Non-current net financial debt</b>	<b>(45,237)</b>	<b>(36,111)</b>
<b>Net financial debt</b>	<b>(79,617)</b>	<b>(67,153)</b>

The increase in net financial indebtedness was substantially due to the payment of the price for the 100% acquisition of the share capital of the company Tintoria Lombarda Divisione Sanitaria S.r.l.

More specifically, analysing the individual items, the item cash and cash equivalents shows a decline in the amount of Euro 1,619 thousand, following the use of the cash equivalents deposited in the current accounts of the Brazilian subsidiary SRI Empreendimentos e Participações Ltda, used to fund the investments made in loco, as well as the reduction in liquidity of the current accounts of Servizi Italia S.p.A..

The increase in financial receivables compared was Euro 121 thousand at 31 December 2015 and was essentially due to the interest accrued on individual loans and still not collected.

Current liabilities to banks and other lenders increased by Euro 1,840 thousand due to the payment of the loan expired during the period, net of the instalments with expiry date within 12 months of the new subscribed loans.

Non-current liabilities to banks and other lenders increased by Euro 9,126 thousand as a result of the repayment of new loans granted by Banca Popolare dell'Emilia Romagna soc. coop. in the amount of Euro 7,000 thousand on 28 January 2016, with Cassa di Risparmio di Parma e Piacenza SpA in the amount of Euro 10,000 thousand on 1 July 2016 and with Banca Nazionale del Lavoro SpA in the amount of Euro 14.000 thousand on 21 July 2016. The subscription of the new loans was necessary in

order to support the funding of the planned investments and the acquisition of the company Tintoria Lombarda Divisione Sanitaria S.r.l.

The net financial position below was prepared in accordance with the former CESR, now ESMA, recommendation of 10 February 2005, and reports the value of “Other current financial liabilities” under “Other current payables”, among which is the estimated increase in debt for the payment of the 40.0% investment in Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi, and the item “Other non-current payables” under “Other non-current financial liabilities”.

<i>(thousands of Euros)</i>	<b>As at 31 December 2016</b>	<i>of which with related parties</i>	<b>As at 31 December 2015</b>	<i>of which with related parties</i>
A. Cash	29	-	25	-
B. Other cash equivalents	5,434	-	7,057	-
C. Securities held for trading	-	-	-	-
<b>D. Cash and cash equivalents (A) + (B) + (C)</b>	<b>5,463</b>		<b>7,082</b>	
E. Current financial receivables	8,188	5,606	8,067	5,779
F. Current bank borrowings	(28,558)	-	(31,648)	-
G. Current portion of non-current borrowings	(19,473)	-	(14,544)	-
H. Other current financial payables	(8,072)	-	(1,078)	-
<b>I. Current financial debt (F) + (G) + (H)</b>	<b>(56,103)</b>		<b>(47,269)</b>	
<b>J. Current net financial debt (I) - (E) - (D)</b>	<b>(42,452)</b>		<b>(32,120)</b>	
K. Non-current bank borrowings	(45,237)	-	(36,111)	-
L. Bonds issued	-	-	-	-
M. Other non-current payables	(4,172)	-	(3,208)	-
<b>N. Non-current financial debt (K) + (L) + (M)</b>	<b>(49,409)</b>		<b>(39,318)</b>	
<b>O. Net financial debt (J) + (N)</b>	<b>(91,861)</b>		<b>(71,439)</b>	

## 6.26 Financial guarantee contracts

The table below lists the guarantees given, existing as at 31 December 2016:

<i>(thousands of Euros)</i>	<b>As at 31 December</b>	
	<b>2016</b>	<b>2015</b>
Guarantees issued by banks and insurance companies for tenders	66,448	59,838
Guarantees issued by banks and insurance companies for lease agreements and utilities	603	577
Guarantees issued by banks and insurance companies in favour of third parties	40,417	36,962
Owned assets held by third parties	49	49
Pledge on Asolo Hospital Service shares to back loans granted to the Project Companies	464	464
Pledge on Sesamo shares to back loans granted to the Project Companies	237	237
Pledge on PROG.ESTE. shares to back loans granted to the Project Companies	1,212	1,212
Pledge on Progeni shares to back loans granted to the Project Companies	380	380
<b>Total</b>	<b>109,810</b>	<b>99,719</b>

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. and Shubhram Hospital Solutions Private Limited to back loan agreements.

Mortgage loans on owned property: the company has not granted liens on owned property and has no mortgage loans.

Pledge on Asolo Hospital Service, Sesamo, Progeni and PROG.ESTE. shares to back loans granted to the project companies: this pledge was granted to the banks providing the project financing on the shares representing the company's shareholding in the special purpose entity.

## 7 INCOME STATEMENT

### 7.1 Revenue from sales

The item is broken down as follows by business:

<i>(thousands of Euros)</i>	Year ended as at 31 December	
	2016	2015
Wash-hire	180,085	173,453
Steril B	19,165	19,002
Steril C	38,466	37,528
<b>Total</b>	<b>237,716</b>	<b>229,983</b>

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

<i>(thousands of Euros)</i>	31 December 2016	31 December 2015
Abruzzo	5	12
Basilicata	415	402
Campania	50	44
Emilia Romagna	32,254	32,066
Friuli Venezia Giulia	17,658	17,270
Lazio	11,676	12,708
Liguria	28,420	27,892
Lombardy	46,986	42,979
Marche	3,481	3,499
Piedmont	7,733	9,972
Sicily	3,217	3,178
Tuscany	26,441	25,969
Trentino Alto Adige	5,665	5,698
Umbria	253	255
Valle D'Aosta	1,031	1,193
Veneto	24,926	25,845
EU revenues	-	14
NON-EU revenues	168	-
NON-EEC revenues (BRAZIL)	27,337	20,987
<b>Total</b>	<b>237,716</b>	<b>229,983</b>

## 7.2 Other income

This balance comprises ordinary gains of Euro 364 thousand from the disposal of assets, recoveries of costs and personnel attributable to third parties for Euro 1,054 thousand, charge-backs of Euro 2,005 thousand for consortium costs, non-recurring income of Euro 491 thousand, income for Euro 423 thousand and rents receivable for Euro 40 thousand.

## 7.3 Raw materials and consumables

Purchases of raw materials and consumables increased from Euro 23,775 thousand at 31 December 2015 to Euro 25,123 thousand at 31 December 2016, an increase due to the effect of the consolidation of Tintoria Lombarda Divisione Sanitaria S.r.l. which impacted this item by Euro 467 thousand, and to the increase in the purchase of packaging, detergents and spare parts in the Brazilian area.

## 7.4 Costs for services

The item is broken down as follows:

<i>(thousands of Euros)</i>	<b>As at 31 December</b>	
	<b>2016</b>	<b>2015</b>
External laundering and other industrial services	(20,823)	(20,229)
Travel and transport	(13,290)	(12,148)
Utilities	(11,903)	(12,027)
Administrative costs	(2,970)	(3,156)
Consortium and sales costs	(8,691)	(9,021)
Personnel expense	(2,419)	(2,007)
Maintenance	(5,421)	(5,555)
Use of third-party assets	(7,576)	(7,639)
Other services	(1,498)	(1,099)
<b>Total</b>	<b>(74,591)</b>	<b>(72,881)</b>

Item Costs for services increased by Euro 1,710 thousand compared with the same period of the previous year. This increase is resulting from the consolidation, within the Italian scope, of Tintoria Lombarda Divisione Sanitaria S.r.l. and, within the Brazilian scope, of Aqualav Serviços De Higienização Ltda. (acquired at the end of 2015). On a like-for-like consolidation basis, the costs for services would have amounted to Euro 69,925 thousand, therefore a 4.1% decrease compared with 31 December 2015.

External laundering and other industrial services rose by Euro 594 thousand compared to 2015. The increase in this item reflects essentially the consolidation of Tintoria Lombarda Divisione Sanitaria S.r.l. Furthermore, the item is impacted by the increase in the wardrobe service at the sites of new customers, for Euro 686 thousand. These increases are offset by a contraction in the costs of the surgical instrument sterilisation service at the facilities of third parties amounting to Euro 186 thousand and of the services provided by third parties amounting to Euro 280 thousand.

Costs for travel and transport showed an increase of Euro 1,142 thousand compared with 31 December 2015 due to the consolidation of Tintoria Lombarda Divisione Sanitaria S.r.l. and the outsourcing of the

transport service of the Brazilian company Lavsim Higienização Têxtil S.A. following the redefinition of the production logistics and the increase in the services due to the awarding of new contracts.

The consortium and sales costs, compared with the same period of the previous year, declined by Euro 330 thousand, from Euro 9,021 thousand at 31 December 2015 to Euro 8,691 thousand at 31 December 2016. The decline in this item is primarily due to lower charge-backs from ATI for the conclusion of the related contracts.

The increase in the item Personnel expense of Euro 412 thousand, compared with the previous year, is attributable to the Brazilian company Aqualav Serviços De Higienização Ltda..

The item Maintenance shows a decline of Euro 134 thousand due to lower expenses incurred, in particular from the use of the Brazilian production plants.

## 7.5 Personnel expense

The item is broken down as follows:

<i>(thousands of Euros)</i>	As at 31 December	
	2016	2015
Costs for directors' fees	(1,646)	(1,302)
Salaries and wages	(53,421)	(50,936)
Temporary work	(1,584)	(1,502)
Social security charges	(16,887)	(16,603)
Employee severance indemnity	(3,043)	(2,853)
Other costs	(238)	(202)
<b>Total</b>	<b>(76,819)</b>	<b>(73,398)</b>

Personnel expense increased from Euro 73,398 thousand at 31 December 2015 to Euro 76,819 thousand as at 31 December 2016. The increase in Personnel expense is due, in Italy, to the consolidation of Tintoria Lombarda Divisione Sanitaria S.r.l. (Euro 2,358 thousand) contrasted by the reduction in personnel expense due to the redefinition of hourly modules in some production units and to the restructuring of the company Servizi Italia Medical S.r.l.. Within the Brazilian scope, on the contrary, an increase in personnel expense is due primarily to the effects resulting from the consolidation of Aqualav Serviços De Higienização Ltda, and the adjustments to the inflation rate of the labour agreements of the state of São Paulo (Brazil), as well as to the increase of the labour force following a growth in laundry services thanks to the acquisition of new contracts.

The table below shows the average breakdown of personnel:

	As at 31 December	
	2016	2015
Executives	16	15
Middle managers	25	19
White-collar staff	201	185
Blue-collar staff	3,022	2,992
<b>Total</b>	<b>3,264</b>	<b>3,211</b>

## 7.6 Other costs

The item is broken down as follows:

<i>(thousands of Euros)</i>	<b>As at 31 December</b>	
	<b>2016</b>	<b>2015</b>
Tax-related expense	(380)	(175)
Contingent liabilities	(35)	(405)
Membership fees	(175)	(205)
Gifts to customers and employees	(113)	(118)
Other	(834)	(749)
<b>Total</b>	<b>(1,537)</b>	<b>(1,652)</b>

## 7.7 Depreciation, amortisation, impairment and provisions

The item is broken down as follows:

<i>(thousands of Euros)</i>	<b>As at 31 December</b>	
	<b>2016</b>	<b>2015</b>
Amortisation of intangible assets	(1,820)	(1,314)
Depreciation of property, plant and equipment	(47,679)	(45,003)
Other write-downs of intangible assets and property, plant and equipment	-	(6)
Write-down of financial assets	(210)	-
Impairment and provisions	(569)	(761)
<b>Total</b>	<b>(50,278)</b>	<b>(47,084)</b>

The change in the amortisation of intangible assets is due to the impact of the customer portfolio resulting from the consolidation of the company Tintoria Lombarda Divisione Sanitaria S.r.l..

The increase in the item depreciation of property, plant and equipment, from Euro 45,003 thousand to Euro 47,679 thousand, is attributable mainly to investments in linens in the Brazilian area, while in Italy is mainly due to the effects of the consolidation of Tintoria Lombarda Divisione Sanitaria S.r.l. and the start-up of the facilities for the surgical instrument sterilisation at Azienda Ospedaliera Universitaria G. Martino of Messina and Centro Traumatologico Ortopedico of Azienda Ospedaliera Careggi of Firenze.

Under the item Other impairments of fixed assets, the loss concerning the loan granted by the Brazilian subsidiary SRI Empreendimentos e Participações L.t.d.a. to Ospedale Irmandade de Santa Casa de Misericordia de São Paulo was recorded following a settlement agreement, as already described in paragraph 6.6.

The reduction in depreciations, amortisations, impairments and provisions is due to lower allocations to the provision covering the write-downs of receivables from customers, as in the previous year.

## 7.8 Financial income

The item is broken down as follows:

<i>(thousands of Euros)</i>	<b>As at 31 December</b>	
	<b>2016</b>	<b>2015</b>

Bank interest income	327	177
Default interest	634	517
Interest income on loans to third-party companies	535	348
Other financial income	264	2,273
<b>Total</b>	<b>1,760</b>	<b>3,315</b>

The increase in interest income from banks derives from the careful management of the cash and cash equivalents present in the current accounts of the subsidiary SRI Empreendimentos e Participações Ltda at BNP Paribas in San Paolo following investments made in Brazil. Default interest, despite the general improvement in collections, showed an increase following delayed payments by some customers. Interest income on loans showed an increase due to the new loans, while the decrease in other financial income is the result of a strong increase of the same as at 31 December 2015, related to the recalculation of the debt, of Euro 2,032 thousand, for the put options associated with the purchase of the residual 49.9% of the companies Maxlav Lavanderia Especializada S.A. and Vida Lavanderias Especializada S.A..

## 7.9 Financial expense

The item is broken down as follows:

<i>(thousands of Euros)</i>	<b>As at 31 December</b>	
	<b>2016</b>	<b>2015</b>
Interest expense and bank commission	(1,383)	(1,951)
Interest and expense to other lenders	(310)	(433)
Financial expense on employee benefits	(137)	(150)
Foreign exchange gains and losses	(41)	(133)
Other financial expense	(602)	(636)
<b>Total</b>	<b>(2,473)</b>	<b>(3,303)</b>

The decrease in “Interest expense and bank commission” is due to the subscription of loans with better rates than previous ones, as well as to the renegotiation of rates on self-liquidating lines. “Interest and expense to other lenders” decreased as a result of the reduction in the spreads renegotiated with the banks, on without recourse factoring transactions. Foreign currency exchange losses reflect, for Euro 104 thousand, the translation into Euro at 31 December 2016 of the value of the loan in Turkish Lira, granted to the company Ankateks Turizm İnşaat Tekstil Temizleme Sanayi VE,k; said losses also reflect, for Euro 14 thousand, the positive difference in the foreign exchange rate on the payment, made in June 2016, of the residual debt in Turkish currency to the other shareholders of the company for the acquisition of the 40.0% stake in Ankateks Turizm İnşaat Tekstil Temizleme San. Ve Tic. Ltd. Şti. and for Euro 49 thousand, the positive difference in the foreign exchange rate of the payment for machinery purchased in a foreign currency by the Brazilian subsidiaries. Other financial expenses are primarily attributable to the payables on liabilities incurred for the put options related to the purchase of the residual 49.9% of the companies Maxlav Lavanderia Especializada S.A. and Vida Lavanderias Especializada S.A., for Euro 309 thousand, and to the financial discount, of Euro 87 thousand, granted by the Brazilian company Lavsim Higienização Têxtil S.A. to Ospedale Irmandade de Santa Casa de

Misericordia de São Paulo, against the collection of Euro 2,468 thousand within the scope of the settlement agreement, as already described in paragraph 6.6.

## 7.10 Income and expense from equity investments

The item Income and expense from equity investments is represented by the dividends collected in 2016.

## 7.11 Income taxes

The item is broken down as follows:

<i>(thousands of Euros)</i>	Year ended as at 31 December	
	2016	2015
Current taxes	(3,434)	(4,867)
Deferred tax assets/(liabilities)	877	915
<b>Total</b>	<b>(2,557)</b>	<b>(3,952)</b>

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

<i>(thousands of Euros)</i>	Year ended as at 31 December			
	2016	Incidence	2015	Incidence
<b>IRES (company earnings tax) reconciliation</b>				
Profit before tax from Income statement	13,072		16,436	
<b>Theoretical taxes</b>	<b>3,595</b>	<b>27.5%</b>	<b>4,520</b>	<b>27.5%</b>
Tax effects of the permanent differences:				
on increases	583	4.5%	206	1.3%
on decreases	(2,817)	-21.6%	(2,273)	-13.8%
substitute taxes	298	2.3%	258	1.6%
differential on foreign taxes	198	1.5%	362	2.2%
<b>Total effective IRES taxes</b>	<b>1,856</b>	<b>14.2%</b>	<b>3,073</b>	<b>18.7%</b>
IRAP (regional business tax)	701	5.4%	879	5.3%
<b>Total effective taxes</b>	<b>2,557</b>	<b>19.6%</b>	<b>3,952</b>	<b>24.0%</b>

The tax rate decreased from 24.0% in 2015 to 19.6% in 2016. The decrease in tax burden was mainly determined, in the Italian area, by the benefit deriving from the deductions from the company's revenue of the so-called “super-depreciations”, as set forth in the Stability law of 2016 (article 1, paragraphs 91-94 and 97, Law 208/2015) and the reversal of the deferred tax fund following the customer portfolio acquisition from the companies merged in 2015 which has made the deduction of the related depreciations possible.

## 7.12 Earnings per share

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

<i>(thousands of Euros)</i>	Year ended as at 31 December	
	2016	2015
Profit/loss attributable to shareholders of the parent company	10,451	12,728
Average number of shares	31,227	28,737
<b>Basic earnings per share</b>	<b>0.335</b>	<b>0.443</b>

<i>(thousands of Euros)</i>	Year ended as at 31 December	
	2016	2015
Profit/loss for the year attributable to the Group:	10,451	12,728
Average number of shares outstanding	31,227	28,737
Number of shares with dilutive effect	-	-
Average number of shares used to calculate diluted EPS	31,227	28,737
<b>Diluted earnings per share</b>	<b>0.335</b>	<b>0.443</b>

It should be noted that the average number of outstanding shares showed an increase compared with the same figure of 2015, following a share capital increase as at April 2016, with the subscription of 1,110,185 shares.

## 8 TRANSACTIONS WITH GROUP COMPANIES AND RELATED PARTIES

The transactions of Servizi Italia S.p.A. with subsidiaries, associates, jointly controlled companies 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. These transactions are basically a set of combined operations of a homogeneous nature carried out starting from the beginning of the reference year and based on a single design. Although these transactions are not qualifiable individually as being of greater importance, not even their combination, activated in the reference year and considered as cumulated, qualifies as being of greater importance. With reference to the amount exposed in the financial statements of the reference year, this was generated by the renewal of existing contracts or contracts stipulated in the period.

Income statement, statement of financial position and financial transactions with companies of the Servizi Italia Group in 2016 are presented below:

<i>(thousands of Euros)</i>	31 December 2016							
	Sale of goods and services	Other income	Purchase of goods and services	Personnel expense	Purchases of property, plant and equipment and intangible assets	Other costs	Financial income	Income from equity investments
Coopservice S.Coop.p.A. (parent company)	165	36	10,655	-	8	-	-	-
Aurum S.p.A. (parent company)	-	-	-	-	-	-	-	-
Centro Italia Servizi S.r.l. in liquidation (associate)	2	1	156	-	-	-	-	30
Arezzo Servizi S.c.r.l. (associate)	10	7	733	-	-	-	1	-
Consorzio Co.Se.S. (associate)	-	-	695	-	-	-	-	-

SE.STE.RO. S.r.l. in liquidation (associate)	-	2	-	-	-	-	-	-
PSIS S.r.l. (associate)	210	118	19	-	45	-	47	-
Amg S.r.l. (associate)	296	3	701	-	-	-	1	-
Ekolav S.r.l. (associate)	2	5	1,273	-	3	-	2	-
Steril Piemonte S.c.r.l. (associate)	15	318	1,393	-	8	-	3	-
Piemonte Servizi Sanitari S.c.r.l. (associate)	-	-	355	-	-	-	-	-
Iniziative Produttive Piemontesi S.r.l. (associate)	98	8	369	-	3	-	-	-
SAS Sterilizasyon Servisleri A.Ş. (associate)	-	-	-	-	-	-	-	-
Shubhram Hospital Solutions Private Limited (associate)	-	-	-	-	-	-	-	-
Ankateks Turizm Insaat Tekstil Temizleme Sanayi VE (associate)	-	-	-	-	-	-	47	-
Saniservice Sh.p.k. (associate)	167	120	-	-	-	-	185	-
Finanza & Progetti (associate)	-	69	-	-	-	-	-	-
Elettrica Gover S.r.l. (affiliated)	-	-	4	-	-	-	-	-
Focus S.p.A. (affiliated)	-	-	2,736	-	-	13	-	-
Archimede S.p.A. (affiliated)	-	-	-	918	-	-	-	-
Gesta S.p.A. (affiliated)	-	1	-	-	-	-	-	-
New Fleur S.r.l. (affiliated)	26	-	974	-	-	-	-	-
Ad Personam S.r.l. (affiliated)	-	-	13	-	-	-	-	-
Padana Emmedue S.r.l. (related party)	-	-	109	-	-	-	-	-
Padana Emmedue S.p.A. (related party)	-	-	287	-	-	-	-	-
Limpar Serviços Especializados e Comércio de Produtos Ltda (related party)	-	-	114	-	-	-	-	-
Lilian Promenzio Rodrigues Affonso (related party)	-	-	47	-	-	-	-	-
<b>Total</b>	<b>991</b>	<b>688</b>	<b>20,633</b>	<b>918</b>	<b>67</b>	<b>13</b>	<b>286</b>	<b>30</b>

(thousands of Euros)

31 December 2015

<i>Income statement</i>	Sale of goods and services	Other income	Purchase of goods and services	Personnel expense	Purchases of property, plant and equipment and intangible assets	Other costs	Financial income
Coopservice S.Coop.p.A. (parent company)	281	36	10,610	-	1	-	-
Aurum S.p.A. (parent company)	-	-	-	-	-	-	-
Centro Italia Servizi S.r.l. (joint control)	3	6	924	-	-	-	-
Consorzio Co.Se.S. (associate)	-	-	650	-	-	-	-
SE.STE.RO. S.r.l. (associate)	32	65	496	-	-	2	-
PSIS S.r.l. (associate)	198	105	34	-	26	5	56
Amg S.r.l. (associate)	311	3	878	-	-	-	3
Ekolav S.r.l. (associate)	4	-	1,354	-	1	-	2
Steril Piemonte S.c.r.l. (associate)	13	312	1,458	-	-	-	6
Piemonte Servizi Sanitari S.c.r.l. (associate)	-	-	690	-	-	-	-
Iniziative Produttive Piemontesi S.r.l. (associate)	121	-	472	-	-	-	-
SAS Sterilizasyon Servisleri A.Ş. (associate)	-	-	-	-	-	-	-
Shubhram Hospital Solutions Private Limited (associate)	-	-	-	-	-	-	-
Saniservice Sh.p.k. (associate)	-	36	-	-	-	-	2
Elettrica Gover S.r.l. (affiliated)	-	-	1	-	12	-	-
Focus S.p.A. (affiliated)	-	-	2,502	-	-	13	-
Archimede S.p.A. (affiliated)	-	5	-	1,118	-	-	-
Electric System S.r.l. (affiliated)	-	-	1	-	-	-	-
New Fleur S.r.l. (affiliated)	34	-	810	-	-	-	-
Ad Personam S.r.l. (affiliated)	-	-	25	-	-	-	-
Padana Emmedue S.r.l. (related party)	-	-	288	-	-	-	-

Padana Emmedue S.p.A. (related party)	-	-	136	-	-	-	-
Limpar Serviços Especializados e Comércio de Produtos Ltda (related party)	-	-	142	-	-	-	-
Lilian Promenzio Rodrigues Affonso (related party)	-	-	38	-	-	-	-
<b>Total</b>	<b>997</b>	<b>568</b>	<b>21,509</b>	<b>1,118</b>	<b>40</b>	<b>20</b>	<b>69</b>

Aside from the figures shown above, as at 31 December 2016 income statement transactions with related parties include directors' fees of Euro 1,438 thousand and executive personnel expense of Euro 2,022 thousand. As at 31 December 2015, directors' fees amounted to Euro 1,361 thousand, while executive personnel expense came to Euro 1,776 thousand.

(thousands of Euros)

31 December 2016

<i>Statement of financial position</i>	Amount of trade receivables	Amount of trade payables	Amount of financial receivables	Amount of financial payables	Amount of other liabilities
Coopservice S.Coop.p.A. (parent company)	366	4,445	-	-	-
Aurum S.p.A. (parent company)	-	-	-	-	-
Centro Italia Servizi S.r.l. in liquidation (associate)	-	-	-	-	-
Arezzo Servizi S.c.r.l. (associate)	9	192	150	-	-
Consorzio Co.Se.S. (associate)	-	234	-	-	-
SE.STE.RO. S.r.l. in liquidation (associate)	82	418	-	-	-
PSIS S.r.l. (associate)	400	19	3,847	-	-
Amg S.r.l. (associate)	144	347	1	-	-
Ekolav S.r.l. (associate)	13	481	174	-	-
Steril Piemonte S.c.r.l. (associate)	160	671	1,153	-	-
Piemonte Servizi Sanitari S.c.r.l. (associate)	-	135	-	-	-
Iniziativa Produttive Piemontesi S.r.l. (associate)	26	161	90	-	-
SAS Sterilizasyon Servisleri A.Ş. (associate)	-	-	-	-	-
Shubhram Hospital Solutions Private Limited (associate)	11	-	-	-	-
Ankateks Turizm İnfaat Tekstil Temizleme Sanayi VE (associate)	-	-	857	-	-
Saniservice Sh.p.k. (associate)	249	-	4,143	-	-
Finanza & Progetti (associate)	69	-	-	-	-
Elettrica Gover S.r.l. (affiliated)	-	4	-	-	-
Focus S.p.A. (affiliated)	-	97	-	-	-
Archimede S.p.A. (affiliated)	-	190	-	-	-
Gesta S.p.A. (affiliated)	2	-	-	-	-
New Fleur S.r.l. (affiliated)	82	645	-	-	-
Ad Personam S.r.l. (affiliated)	-	6	-	-	-
Padana Emmedue S.r.l. (related party)	-	43	-	-	-
Padana Emmedue S.p.A. (related party)	-	263	-	-	-
Limpar Serviços Especializados e Comércio de Produtos Ltda (related party)	-	10	-	-	-
Lilian Promenzio Rodrigues Affonso (related party)	-	4	-	-	-
<b>Total</b>	<b>1,613</b>	<b>8,365</b>	<b>10,415</b>	<b>-</b>	<b>-</b>

(thousands of Euros)

31 December 2015

<i>Statement of financial position</i>	Amount of trade receivables	Amount of trade payables	Amount of financial receivables	Amount of financial payables	Amount of other liabilities
Coopservice S.Coop.p.A. (parent company)		120	3,627	-	-

Aurum S.p.A. (parent company)	-	-	-	-	-
Centro Italia Servizi S.r.l. (joint control)	9	322	-	-	-
Consorzio Co.Se.S. (associate)	-	432	-	-	-
SE.STE.RO. S.r.l. (associate)	84	549	-	-	-
PSIS S.r.l. (associate)	437	108	3,856	-	-
Amg S.r.l. (associate)	149	425	502	-	-
Ekolav S.r.l. (associate)	21	552	172	-	-
Steril Piemonte S.c.r.l. (associate)	160	704	1,156	-	-
Piemonte Servizi Sanitari S.c.r.l. (associate)	-	390	-	-	-
Iniziative Produttive Piemontesi S.r.l. (associate)	42	230	91	-	-
Shubhram Hospital Solutions Private Limited (associate)	9	-	-	-	-
Saniservice Sh.p.k. (associate)	36	-	164	-	-
Elettrica Gover S.r.l. (affiliated)	-	-	-	-	-
Focus S.p.A. (affiliated)	-	2	-	-	-
Archimede S.p.A. (affiliated)	-	142	-	-	-
Electric System S.r.l. (affiliated)	-	-	-	-	-
New Fleur S.r.l. (affiliated)	72	637	-	-	-
Ad Personam S.r.l. (affiliated)	-	1	-	-	-
Padana Emmedue S.r.l. (related party)	-	96	-	-	-
Padana Emmedue S.p.A. (related party)	-	375	-	-	-
Limpar Serviços Especializados e Comércio de Produtos Ltda (related party)	-	-	-	-	-
Lilian Promenzio Rodrigues Affonso (related party)	-	15	-	-	-
<b>Total</b>	<b>1,139</b>	<b>8,607</b>	<b>5,941</b>	<b>-</b>	<b>-</b>

Following are the most significant relationships broken down by Companies where the transactions related to the individual contracts actually fall within the Company's ordinary business:

*Coopservice S.Coop.p.A.*

Revenue from sales and the associated trade receivables as at 31 December 2016 refer primarily to linen and textile washing services within the cleaning activities provided to the parent company.

From the parent company, the Servizi Italia Group purchases: (i) road-based transport services for textiles and/or surgical instruments, for Euro 8,736 thousand; (ii) services for the management of wardrobes at customer sites, for Euro 867 thousand; (iii) use of third party staff for Euro 13 thousand; (iv) technical cleaning services that are 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, for Euro 774 thousand.

*Centro Italia Servizi S.r.l. in liquidation*

During the period, with the expiry of the previous tender contract executed with the Hospital of Arezzo, the company Centro Italia Servizi S.r.l. was placed in liquidation and on 27 December 2016, a request for cancellation from the Business Registry was filed. Revenue from sales of goods and services to Centro Italia Servizi S.r.l. in liquidation refers to the transfer of assets used in the wash-hire business carried out by this associate at the Arezzo hospital.

*Arezzo Servizi S.c.r.l.*

On 15 February 2016, the company Arezzo Servizi S.c.r.l. was established. 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 AUSL of Arezzo. As at 31 December 2016, revenue from sales of goods and services and the related trade receivables due from Arezzo Servizi S.c.r.l. refer to the sale of assets used in the wash-hire business. On the other hand, 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 150 thousand loan granted to the associate.

*Consorzio CO.SE.S. S.c.r.l.*

As at 31 December 2016, revenues from the sale of goods and services and purchase costs concerning Consorzio CO.SE.S S.c.r.l. refer to the charge-back of costs incurred by the Company and by the Consortium for surgical instrument sterilisation services provided at Azienda Ospedaliera - Complesso Ospedaliero - San Giovanni Addolorata of Rome.

*PSIS S.r.l.*

As at 31 December 2016, revenues from the sale of goods and services to PSIS S.r.l. mainly refer to the charge-back of administrative management services for Euro 88 thousand and the sale of disposable medical devices for Euro 205 thousand. The financial receivable relates to a loan granted for Euro 3,847 thousand to support current investments.

*AMG S.r.l.*

At the end of 2016, economic transactions were mainly for external laundering services at the Asti, Casale Monferrato and Vercelli and Turin 3 LHAs (Euro 688 thousand); the revenues derive from linen sterilisation services and the supply of disposable medical devices for surgical procedures.

*Ekolav S.r.l.*

Purchases of goods, services, and the related trade payables due in relation to Ekolav S.r.l. are primarily for laundering (Euro 1,015 thousand) and transport (Euro 85 thousand) services. The financial receivable is for a Euro 174 thousand loan granted to the associate.

*Steril Piemonte S.c.r.l.*

As at 31 December 2016, revenues from the sale of goods and services and purchase costs associated with Steril Piemonte S.c.r.l. refer to the charge-back of costs incurred by the Company and by the Consortium for surgical instrument sterilisation activities at ASL (Local Health Authority) AL Piedmont Region. The financial receivable is for a Euro 1,153 thousand loan granted to the associate.

*Piemonte Servizi Sanitari S.c.r.l.*

As at 31 December 2016, income statement and statement of financial position transactions with Piemonte Servizi Sanitari S.c.r.l. refer to the handling of tenders relating the Novara and Turin 4 LHAs.

*Iniziativa Produttive Piemontesi S.r.l.*

At 31 December 2016, revenues from the sale of goods and services for the company Società Iniziative Produttive Piemontesi S.r.l., are primarily due to the sale of disposable Medical Devices for Euro 98 thousand. Purchases of goods and services and the related trade payables mainly refer to the charge-backs on supplies of sterile kits for Az. Osp. Ordine Mauriziano di Torino for Euro 369 thousand. The financial receivable is for a Euro 91 thousand loan granted to the associate.

*Ankateks Turizm İnfaat Tekstil Temizleme Sanayi VE*

At 31 December 2016, a financial income of Euro 47 thousand referred to the interest income accrued and not yet paid by the company Ankateks Turizm İnfaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi for the loan granted to this associate for Euro 857 thousand.

*Saniservice Sh.p.k.*

On 31 December 2016, the income from the sale of goods and services to Saniservice Sh.p.k., referred primarily to the supply of materials for the operations of the sterilisation facility for Euro 167 thousand and trade management services for Euro 120 thousand. The financial receivable is for a Euro 4,143 thousand loan granted to the associate.

*Focus S.p.A.*

Transactions with Focus S.p.A. relate to lease agreements on the Castellina di Soragna, Montecchio Precalcino, Ariccia and Genoa Bolzaneto properties. The first agreements are for six years and renewable for another six, while the Genoa Bolzaneto agreement is for fourteen years and renewable for another six. In 2016, lease agreements were renewed for the properties of Castellina di Soragna (PR), Montecchio Precalcino (VI) and Ariccia (RM). For this operation, the preliminary procedure has led to the publication of the information document related to transactions of greater importance with related parties, prepared pursuant to article 5 of the Consob regulations no. 17221/2010 as amended, accompanied by the required opinion issued by the Control and Risk Committee for transactions with related parties. For more information, refer to the information document available on the Company's website.

The total consideration for leased properties amounted to Euro 2,484 thousand in 2016.

*Padana Emmedue S.r.l.*

Servizi Italia S.p.A. uses the linen wash services provided by Padana Emmedue S.r.l.. In 2016, this amounted to Euro 102 thousand.

*Padana Emmedue S.p.A.*

The business and equity relationships with Padana Emmedue S.p.A. concern the lease agreements of the properties of Travagliato and Podenzano, the duration of which is six years, renewable for an additional six years. The total consideration for leased properties amounted to Euro 287 thousand in 2016. The transactions of Servizi Italia S.p.A. with Padana Emmedue S.p.A., referring to lease agreements, are conducted in compliance with the applicable Regulations governing transactions with related parties.

*Limpar Serviços Especializados e Comércio de Produtos Ltda*

The purchase of goods and services and related trade payables to Società Limpar Serviços Especializados e Comércio de Produtos Ltda refer, primarily to cleaning services for Euro 90 thousand at the facility of Maxlav Lavanderia Especializada S.A. and Euro 24 thousand at the plant Vida Lavanderias Especializada S.A.

*Lilian Promenzio Rodrigues Affonso*

Trade and equity relationships with Lilian Promenzio Rodrigues Affonso concern primarily the lease agreement of the properties of Maxlav Lavanderia Especializada S.A., with a 10-year duration. The total consideration for leased properties amounted to Euro 47 thousand in 2016.

## **9 INCOME FROM NON-RECURRING, ATYPICAL AND/OR UNUSUAL TRANSACTIONS**

There are no income components deriving from events or transactions whose occurrence is non-recurrent or from those transactions or events which do not take place frequently during the usual performance of the business, as defined by point 2 of the Consob resolution no. 15559 of 27 July 2006.

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 20 April 2016, authorised the Board of Directors to purchase and sell treasury shares, subject to revocation of the resolution of 22 April 2015.

The approved own share purchase and placement plan meets the need to gain access to opportunities for the efficient investment of company liquidity and to have the possibility of using it for strategic transactions and/or to complete subsequent share purchase and sale transactions, to the extent allowed by permitted market practices. The plan has a maximum duration of 18 months as from 20 April 2016, date of issue of the authorisation by the shareholders' meeting.

The maximum number of shares that can be purchased, not exceeding 20% of the share capital of the company, as at the date of the Shareholders' Meeting resolution, is 6,072,099.20 and it results from the difference between the maximum number of own shares that the Company may purchase and the number of own shares which at the date of the resolution of 20 April 2016, were held by Servizi Italia S.p.A., in the implementing of the resolution issued on 22 April 2015, and totalled 289,791 shares. The purchases and sales of treasury shares are carried out on the regulated market, in compliance with the applicable legislative and regulatory provisions, according to the operating formalities established by Article 132 of the CFL, Article 144 bis of the Issuers' Regulations, in compliance with the EC Regulation 2273/2003 dated 22 December 2003 and in observance of the shareholders' meeting resolution dated 20 April 2016. The purchase of own shares is carried out for a maximum counter value as long as it is within the limit of the distributable profit and reserves available, according to the most recently approved Financial Statements. The purchase of own shares is carried out at a minimum purchase price no less than 20% of the weighted average of the official prices of the shares as recorded by Borsa Italiana in the 3 days preceding each single operation, and a maximum price of purchase no greater than 20% of the weighted average of the official prices of shares recorded by Borsa Italiana in the 3 days preceding each single operation.

The intermediary appointed to carry out the purchase of own shares is INTERMONTE SIM S.p.A.

As at 31 December 2016, the number of treasury shares in the portfolio amounted in total to 348,220 shares, corresponding to 1.0947% of the share capital.

On 10 March 2017, the Company announced that until 10 March 2017 it had acquired 371,720 treasury shares, equivalent to 1.1686% of the share capital, on the regulated market managed by Borsa Italiana.

## **11 FEES, STOCK OPTIONS AND DIRECTORS SHAREHOLDINGS, 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 CFL for 2016.

## **12 PAYMENT PLANS BASED ON FINANCIAL INSTRUMENTS**

There were no Payment plans based on financial instruments as at 31 December 2016.

## **13 SIGNIFICANT EVENTS AND TRANSACTIONS**

Please see the related section of the Report on Operations.

#### 14 SIGNIFICANT EVENTS AFTER THE END OF THE YEAR

On 10 February 2017, the merger by incorporation of the 100% held subsidiary Tintoria Lombarda Divisione Sanitaria S.r.l. into Servizi Italia S.p.A., was finalised. The statutory effectiveness of the merger will begin on 1 March 2017. As from that date, the merging company (Servizi Italia S.p.A.) will take over all assets and liabilities of the merged company, the offices held by all directors and officers of the merged companies will cease and all the powers of attorney previously issued will be extinguished.

On 13 February 2017, the Company announced its presence in Morocco, for the primary purpose of developing and strengthening the surgical sterilisation business through the company Servizi Italia Marocco S.a.r.l. under Moroccan law. To this purpose, Servizi Italia purchased 51.0% of Servizi Sanitari Integrati Marocco S.a.r.l. (“SSIM”), a company that on 10 February 2017 executed a preliminary contract for the establishment of SI Marocco, to be held for 50% by SSIM and 50% by the local partner Blue Field Healthcare S.a.r.l.. SSIM is a Moroccan company which, in recent years, has developed locally its own business network in the healthcare sector and that will operate as a holding company of the operative start-up SI Marocco.

The Chairman of the Board of Directors

(Roberto Olivi)



**Certification of the consolidated financial statements pursuant to Article 154-bis of Italian Legislative Decree No. 58/98**

Castellina di Soragna, Italy, 13 March 2017

In consideration of the provisions of Art. 154-bis, paragraphs 3 and 4 of Italian Legislative Decree No. 58 of 24 February 1998, the undersigned Enea Righi, in his capacity as “CEO”, and Ilaria Eugeniani, in her capacity as “Financial Reporting Manager” of Servizi Italia S.p.A., certify:

- a) the adequacy in relation to the characteristics of the company and
- b) the effective application of the administrative and accounting procedures for the preparation of the consolidated financial statements during 2016.


It is also hereby stated that the consolidated financial statements as at 31 December 2016:

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

The Directors’ report includes a reliable analysis of the operating performance and result, as well as of the issuer’s position and that of all the companies included in the scope of consolidation, together with a description of the main risks and uncertainties it is exposed to.

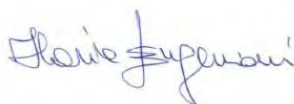
The CEO

Enea Righi



The Financial Reporting Manager

Ilaria Eugeniani



# Independent auditors' report on the consolidated financial statements of the Servizi Italia Group

# Deloitte

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## INDEPENDENT AUDITORS' REPORT PURSUANT TO ART. 14 AND 16 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010

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

### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Servizi Italia S.p.A. and its subsidiaries (the "Servizi Italia Group"), which comprise the consolidated statement of financial position as at December 31, 2016, the consolidated income statement, the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

#### *Management's Responsibility for the Consolidated Financial Statements*

The Company's Directors are responsible for the preparation of these 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 n° 38/2005.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) issued pursuant to art. 11 of Italian Legislative Decree 39/10. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation that give a true and fair view of consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Servizi Italia Group as at December 31, 2016, and of its financial performance and 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 n° 38/05.

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

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## **Report on Other Legal and Regulatory Requirements**

*Opinion on the consistency of the report on operations and of certain information included in the report on corporate governance with the consolidated financial statements*

We have performed the procedures indicated in the Auditing Standard (SA Italia) n° 720B in order to express, as required by law, an opinion on the consistency of the report on operations and of certain information included in the report on corporate governance required by art. 123-bis, n° 4, of Italian Legislative Decree n° 58/98, which are the responsibility of the Directors of Servizi Italia S.p.A., with the consolidated financial statements of the Servizi Italia Group as at December 31, 2016. In our opinion the report on operations and the information included in the report on corporate governance referred to above are consistent with the consolidated financial statements of the Servizi Italia Group as at December 31, 2016.

DELOITTE & TOUCHE S.p.A.

*Signed by*  
**Domenico Farioli**  
Partner

Parma, Italy  
March 28, 2017

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