



**30**  
YEARS  
1986 - 2016

**Servizitalia**

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

Registered Office Via S. Pietro, 59/b

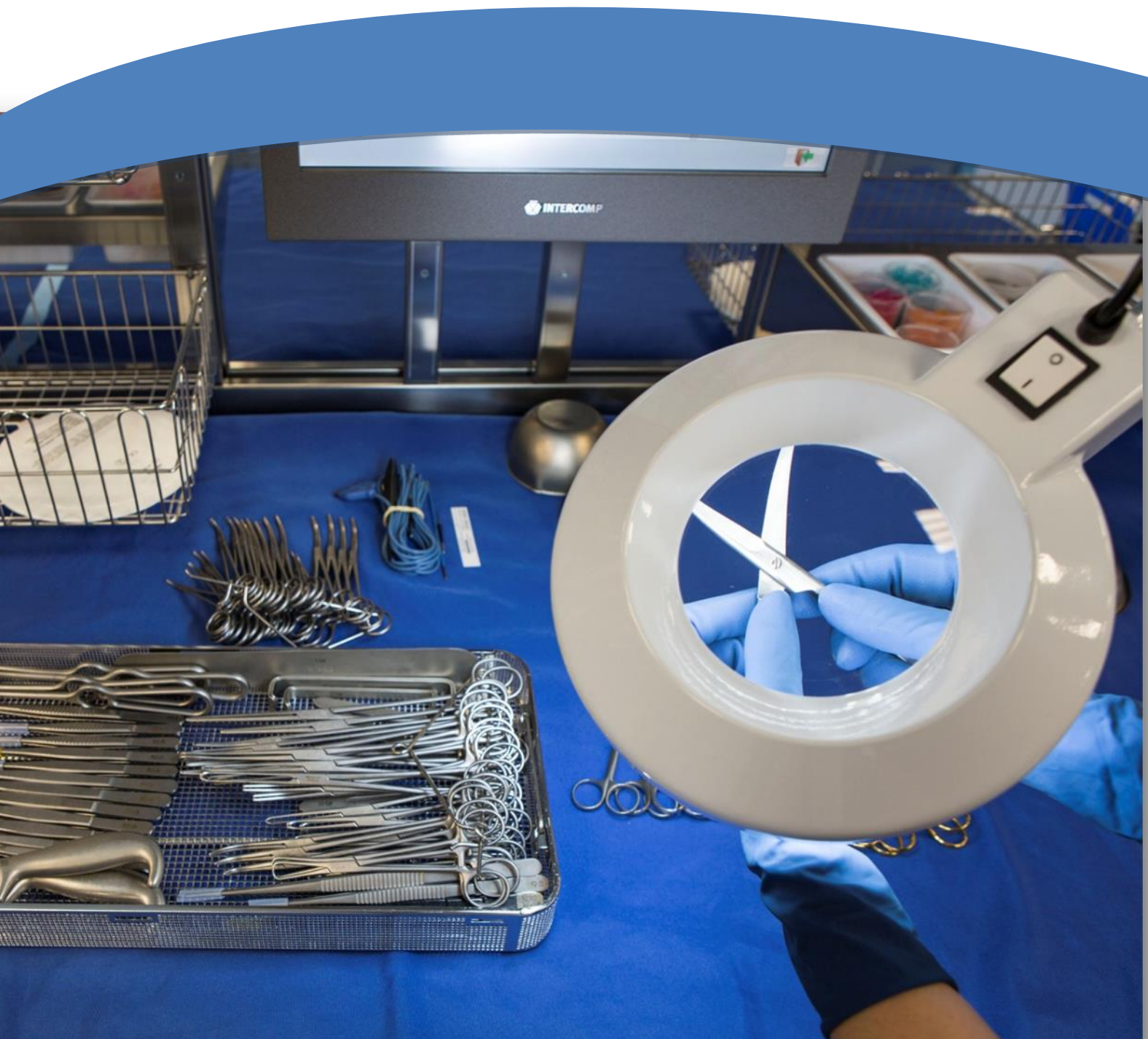
43019 Castellina di Soragna (PR)

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)

# HALF-YEAR FINANCIAL REPORT AS AT 30 JUNE 2016



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## COMPANY OFFICERS AND CORPORATE INFORMATION

### Board of Directors (in office until approval of the 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
Paola Gina Maria Schwizer (1)-(2)-(3)	Independent Director
Romina Guglielmetti (1)-(2)	Independent Director
Paola Elisabetta Maria 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 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 (in office until approval of the Financial Statements as at 31 December 2023)

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

### Registered office and company information

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

Tel. +390524598511, Fax +390524598232, website: [www.si-servizitalia.com](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

### Investor Relations

Giovanni Manti – IR, Chiara Peterlini and Elena Abbati – IR assistants

email: [investor@si-servizitalia.com](mailto:investor@si-servizitalia.com) – Tel. +39 0524598511, Fax +39 0524598232

## GROUP STRUCTURE

Servizi Italia S.p.A., registered office in Castellina di Soragna (PR), listed in the STAR segment of the Borsa Italiana S.p.A. MTA stock exchange, is the main Italian operator in the supply of integrated services for the rental, washing and sterilisation of textiles and surgical instruments for hospital facilities. With a technologically advanced production platform broken down into laundry 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 30 June 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>Share holding</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.	São Paulo (SP) - Brazil	R\$ 134,404,852	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%
San Martino 2000 S.c.r.l.	Genoa - Italy	EUR 10,000	60%
Lavsim Higienização Têxtil S.A.	São Roque (SP) - Brazil	R\$ 550,000	100%(*)
Maxlav Lavanderia Especializada S.A.	Jaguariúna (SP) - Brazil	R\$ 2,825,060	50.1%(*)
Vida Lavanderias Especializada S.A.	Santana de Parnaíba (SP) - Brazil	R\$ 1,900,000	50.1%(*)
Aqualav Serviços De Higienização Ltda	Vila Idalina, Poá (SP) - Brazil	R\$ 6,400,000	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>% interest</b>
Centro Italia Servizi S.r.l. in liquidazione (in liquidation) (***)	Arezzo - Italy	EUR 10,000	50%
PSIS S.r.l.	Padua - Italy	EUR 10,000,000	50%
Arezzo Servizi S.c.r.l.	Arezzo - Italy	EUR 10,000	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. in liquidazione (in liquidation) (**)	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 230,916,000	51%
Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi	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%

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

(\*\*) Company in liquidation from 1 January 2016.

(\*\*\*) Company in liquidation from 19 May 2016.

## INTERIM REPORT

This half-year financial report as at 30 June 2016 includes the half-year condensed consolidated financial statements as at 30 June 2016 prepared in compliance with IAS 34 on interim financial reporting, as approved by Regulation (EC) No. 1606/2002. In order to also allow a better evaluation of the economic-financial performance, the summary tables below include some "alternative performance indicators" not provided for by IFRS. The footnotes to said tables indicate the calculation method and the composition of these ratios, in line with the guidelines of the European Securities and Market Authority (ESMA).

### Main consolidated income statement figures

The table below presents a comparison of the main consolidated income statement figures as at 30 June 2016 with the results as at 30 June 2015 (in thousands of Euros).

<i>(thousands of Euros)</i>	<b>30 June 2016</b>	<b>30 June 2015</b>	<b>Change</b>	<b>Change %</b>
Revenue	115,483	117,217	(1,734)	-1.5%
EBITDA (a)	32,653	32,185	468	1.5%
<i>EBITDA %</i>	28.3%	27.5%		
Operating profit (EBIT)	9,215	9,709	(494)	-5.1%
<i>Operating profit (EBIT)%</i>	8.0%	8.3%		
Net profit	7,246	5,936	1,310	22.1%
<i>Net profit %</i>	6.3%	5.1%		

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

<i>(thousands of Euros)</i>	<b>30 June 2016</b>	<b>31 December 2015</b>	<b>Change</b>	<b>Change %</b>
Net operating working capital (a)	13,489	13,726	(237)	-1.7%
Other current assets/liabilities (b)	(10,176)	(7,565)	(2,611)	34.5%
<b>Net working capital</b>	<b>3,313</b>	<b>6,161</b>	<b>(2,848)</b>	<b>-46.2%</b>
Non-current assets - medium/long-term provisions	195,107	183,086	12,021	6.6%
<b>Invested capital</b>	<b>198,420</b>	<b>189,247</b>	<b>9,173</b>	<b>4.8%</b>
Shareholders' equity (B)	133,682	122,094	11,588	9.5%
Net financial debt (d) (A)	64,738	67,153	(2,415)	-3.6%
<b>Invested capital (c)</b>	<b>198,420</b>	<b>189,247</b>	<b>9,173</b>	<b>4.8%</b>
<b>Gearing [A/(A+B)]</b>	<b>32.63%</b>	<b>35.48%</b>		
<b>Debt/Equity (A/B)</b>	<b>48.43%</b>	<b>55.00%</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 presents a comparison between the main consolidated cash flow figures as at 30 June 2016 and as at 30 June 2015 (in thousands of Euros).

<i>(thousands of Euros)</i>	<b>30 June 2016</b>	<b>30 June 2015</b>	<b>Change</b>
Cash flow generated (absorbed) by operations	26,451	14,488	11,963
Cash flow generated (absorbed) by investment activities	(20,667)	(20,441)	(226)
Cash flow generated (absorbed) by financing activities	(6,965)	4,862	(11,827)
Increase/(decrease) in cash and cash equivalents	(1,181)	(1,091)	(90)
Opening cash and cash equivalents	7,082	5,178	1,904
Effect of exchange rate fluctuations	(665)	709	(1,374)
Closing cash and cash equivalents	6,566	3,378	3,188

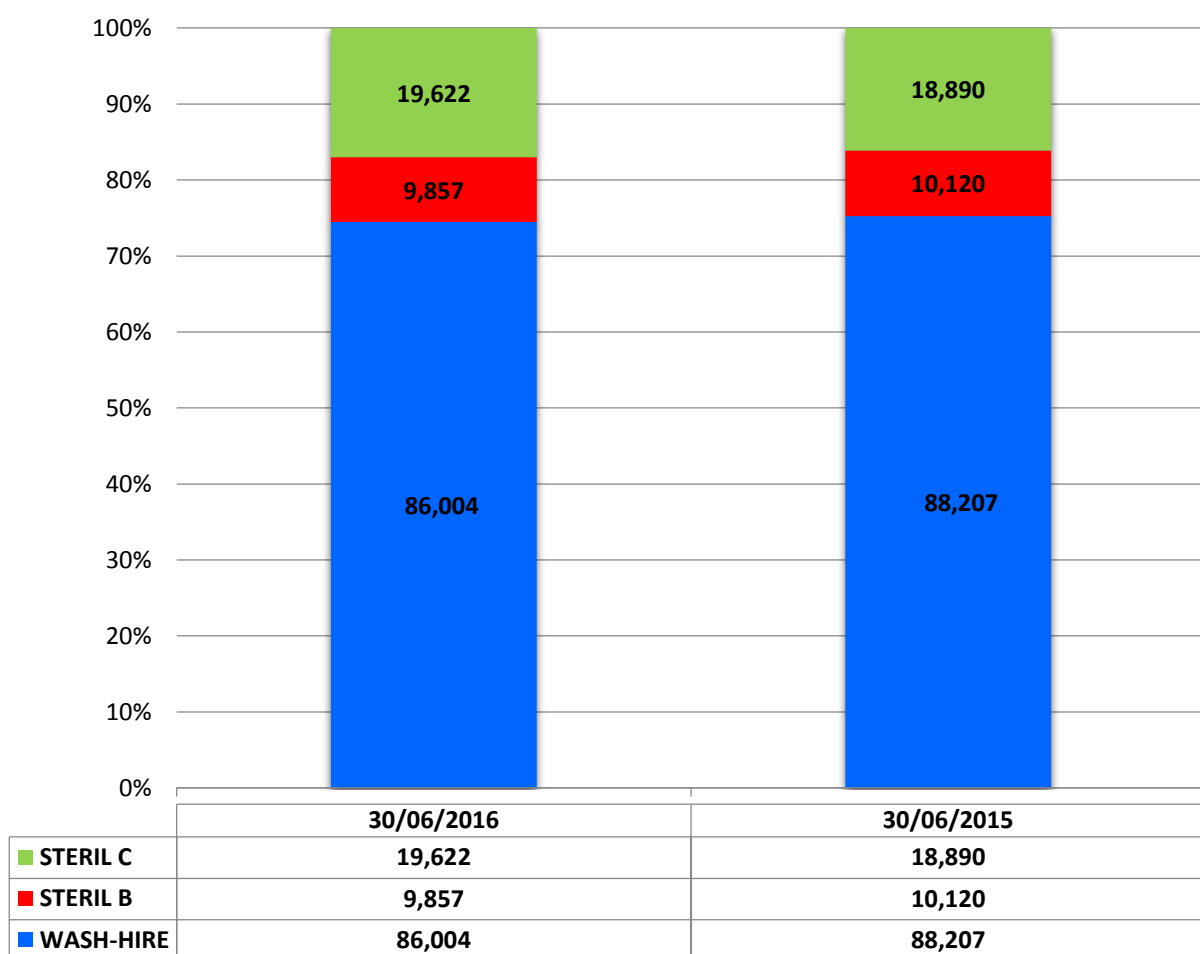
### Company information and business performance

In terms of the business performance, in the first half of 2016, Servizi Italia Group recorded a decrease in consolidated turnover, with revenues from sales and services amounting to Euro 115,483 thousand, therefore marking a reduction of 1.5% compared to the interim financial statements as at 30 June 2015. The turnover contribution of Euro 2,407 thousand from the newly consolidated Brazilian company Aqualav Serviços De Higienização Ltda and the increase in turnover from the surgical instrument sterilisation line (Euro 732 thousand) contained the fall in revenues compared to the same period in the previous year. Turnover in the Brazilian area was impacted by the drop in value of the average Real exchange rate compared to the average rate in the first half of 2015, down by around 24.8% (given the same exchange rate, the increase in revenues in the Brazilian area would come to Euro 3,024 thousand), whereas in the Italian area, on the wash-hire and textile sterilisation lines, revenues were impacted by the renegotiation of contracts in the portfolio owing to application of the spending review and the conclusion of contracts with certain customers.

Please note the following as regards revenue from sales and services by sector in the first half of 2016 and 2015:

- Revenue from wash-hire services decreased by 2.5% from Euro 88,207 thousand in the first half of 2015 to Euro 86,004 thousand in the first half of 2016.
- Revenue from linen sterilisation services decreased by 2.6% from Euro 10,120 thousand in the first half of 2015 to Euro 9,857 thousand in the first half of 2016.
- Revenue from surgical instrument sterilisation increased by 3.9% from Euro 18,890 thousand in the first half of 2015 to Euro 19,622 thousand in the first half of 2016.

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



Consolidated **EBITDA** rose by 1.5% from Euro 32,185 thousand in the first half of 2015 to Euro 32,653 thousand in the first half of 2016, determined by the reduction in the costs of raw materials, industrial services, consortium and commercial costs and administrative costs. In addition, personnel costs recorded a reduction of 1.9% in absolute terms, due essentially to the redefinition of the hourly module of some Italian production units and the restructuring of the company Servizi Italia Medical S.r.l. Also in terms of relative incidence, **EBITDA** recorded growth, up from 27.5% in the first half of 2015 to 28.3% in the first half of 2016.

**Consolidated operating profit (EBIT)** fell from Euro 9,709 thousand to Euro 9,215 thousand, after having allocated amortisation, depreciation and impairment of Euro 23,438 thousand, marking a reduction of 5.1%, while, in relative terms, the **EBIT margin** was essentially in line with the half being compared. There was an increase in the impact of depreciation, amortisation and impairment (1.1%) in the first half of 2016, compared to the first half of 2015. This increase was determined, in the Brazilian area, by the rise in the depreciation of linen and new production lines, and, in the Italian area, by the increase in the depreciation of linen supplied to new customers, the depreciation for the start-up of the surgical instrument sterilisation centre at the G. Martino University Hospital of Messina, the increase in the depreciation of surgical instruments and investments for

the performance of construction and plant works connected to tender contracts. As regards amortisation, please note the amortisation of software purchased to improve management of laundries' production and sterilisation facilities and, for the Parent Company, the effects of recognition of the non-compete agreement signed with the previous CEO.

**Profit before tax** increased by 7.7% from Euro 8,439 thousand to Euro 9,085 thousand. Financial management revealed a decrease of 89.8% in net financial expense, in absolute terms, compared to the same period of the previous year, equal to 0.1% of turnover (1.1% over 2015 turnover), mainly as a result of the reduction in the rates applied to loans and the positive results achieved by the associates consolidated at equity.

Therefore, the consolidated financial statements as at 30 June 2016 closed with a **net profit** of Euro 7,246 thousand, up compared to Euro 5,936 thousand in the first half of 2015, also thanks to the decrease in the impact of the tax rate.

### **Transactions with parent companies and associates**

Servizi Italia Group's transactions with subsidiaries, associates, jointly controlled companies and parent companies are entered into in compliance with the application regulation governing related party transactions and mainly concern: (i) relations related to contracts for the provision of commercial services; (ii) financial transactions, composed of loans receivables and payable. For details, please refer to paragraph 8 of the notes to the consolidated half-year financial statements as at 30 June 2016.

### **Information on treasury shares and/or shareholdings in parent companies**

On 20 April 2016, the Company's ordinary shareholders' meeting authorised the Board of Directors to purchase and sell treasury shares. The plan responds to 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 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 purchases may be made at any time, on one or more occasions, effective from 21 April 2016.

As at 30 June 2016, the company held 303,891 treasury shares, equal to 0.96% of share capital, as a result of the purchases and sales made on the market regulated and managed by Borsa Italiana.

### **Significant events and transactions**

On 29 February 2016, the company signed a binding agreement for the purchase of 100% of a newly formed company that will be called "Tintoria Lombarda Divisione Sanitaria S.r.l.", which will be assigned the

operating branch of the company Tintoria Lombarda di Fasoli Aldo S.p.A, one of the leading Italian operators in linen wash-hire for healthcare facilities. The transaction was completed on 7 July 2016, as reported in the section "Significant events after the end of the half".

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. For more information, please refer to the documentation relating to the shareholders' meeting dated 26 September 2014, to the "lock-up" shareholders' agreement and the press releases of 26 September and 6 October 2014 and subsequent communications available on the company's website.

On 6 April, 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 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 coupon payment on 25 April 2016.

The Shareholders' meeting authorised the Board of Directors to perform purchases and sales of 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 for the completion of subsequent share purchases and sales, 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 treasury share purchase transactions will be carried out on the market at a price of up to 20% more or less than the weighted average official prices in the 3 days preceding the individual transaction.

The shareholders' meeting of 20 April, also held in extraordinary session, approved the amendments to the articles of association, namely to art. 2 containing the “Corporate purpose”, targeted at structuring and better 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 2016, resolved the launch of the treasury share purchase and sale plan, in implementation of the resolution passed by the ordinary shareholders' meeting.

On 4 May, 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.

On 9 June, the Company communicated the inauguration and simultaneous launch of production activities of the sterilisation centre at the Mother Therese University Hospital of Tirana . For more information, please refer to the press release circulated on said date.

On 14 June, the Company announced that the 51% owned subsidiary Shubhram Hospital Solutions Private Limited signed a contract for the award of the hospital linen and packed linen wash-hire service to the healthcare facilities located in the New Delhi area headed up by the Fortis Healthcare Ltd Group. The contract Shubhram signed with the Fortis Group has an initial duration of 5 years, renewable for a further 5 years and will come into force in July 2016. The annual value of the award, when fully effective, is INR 255.0 million, roughly Euro 3.4 million. For more information, please refer to the press release circulated on said 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 came into force in June 2016 with increasing production volumes of linen to be reconditioned at the various Group laundry facilities. The contract has a total value, for the entire contract period, of roughly Euro 20 million (at 21 June’s exchange rate). For more information, please refer to the press release circulated on said date.

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

Customer	Service provided	Duration years	Contract value per year (thousands of Euros)
<b>ESTAR – AO Careggi di Firenze</b> (awarded as part of a temporary joint consortium)	Sterilisation service for Florence Trauma and Orthopedic Center	1	1,121

<b>ASP Emanuele Brignole di Genova</b>	Linen wash-hire service.	2	151
<b>Ospedale Evangelico Internazionale di Genova</b>	Supply of sterile linen kits for operations composed of reusable and non-woven textile	4	191
<b>ASSB Bolzano</b>	Linen and packed linen wash-hire and transport service.	3	477
<b>AZIENDA ULSS 6 Vicenza</b> (awarded as part of a temporary joint consortium)	Linen wash-hire, mattress and garments service	5	3,380
<b>Az. Osp. San Camillo Forlanini di Roma</b> (awarded as part of a temporary joint consortium)	Linen wash-hire, non-sterile non-woven textile, sterile linens and garments service	3	3,194
<b>APAC Trento – Anaunia Taio</b> (awarded as part of a temporary joint consortium)	Linen 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

### Significant events after the end of the half

On 7 July 2016, the Company completed the acquisition of 100% of the share capital of “Tintoria Lombarda Divisione Sanitaria S.r.l.”, a company which was transferred the operating branch dedicated to the healthcare sector of the company Tintoria Lombarda di Fasoli Aldo S.p.A., among the leading Italian operators in the linen wash-hire segment for healthcare facilities. The transaction allows Servizi Italia to further consolidate its leadership in Italy, particularly in the central-northern area characterised by the most favourable economic conditions in the sector at 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 value of production of almost Euro 14 million, with a net pro-forma operating profit of around Euro 1.8 million. The transaction envisaged a total price of around Euro 13.9 million paid by Servizi Italia as detailed below: (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 after signing of the transaction in March 2016) was deposited in an escrow account to cover Servizi Italia’s contractual guarantees and (iii) Euro 1.3 million was paid by Servizi Italia to the direct benefit of Tintoria Lombarda with the goal of strengthening its shareholders’ equity and closing some existing accounting positions vis-à-vis the sellers at the closing date. Servizi Italia communicates that the escrow account will therefore have a total value of Euro 2.2 million and will be released in the next 36 months (based on prior fulfilment of the contractual obligations by the counterparty). The transaction was financed by bank debt.

On 1 August 2016, the Company announced that up until 29 July 2016 it had acquired 307,291 treasury shares on the market regulated and managed by Borsa Italiana, equal to 0.97% of the share capital.

### **Business outlook**

The results achieved in the first half of 2016 confirm the estimates and income statement and cash flow projections set forth in the plan. In 2016, the Group expects results that will take account of the commitment to consolidate the investments made in the countries in which it operates, consolidation of the Group's organisational structure, and to achieve significant operating efficiency targets in order to maintain and improve business margins and profitability.

### **Financial derivatives**

As at 30 June 2016, the Group held no derivatives.

### **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.

#### *Information on proceedings in progress*

Aside from the information reported previously 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 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 solely for the purposes of the administrative liabilities of legal entities pursuant to Legislative Decree 231 of 2001 for an alleged offence for which a director and a former director were charged, regarding the award of a tender for the assignment of the nine-year contract of the AOU Policlinico di Modena – so-called “Global Service – which took place by means of resolution of 19 December 2008, to the RTI (temporary joint consortium) established by Coopservice Soc.Coop.p.A., in its lead capacity as lead contractor, and the other companies including Servizi Italia S.p.A., Padana Everest S.r.l. and Lavanderia Industriale ZBM S.p.A. (companies merged by incorporation in 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 confirmed the absolute lack of involvement in the events contested and promptly appointed a defence counsel to undertake any necessary action to prove this, a hearing was set for 19 December 2016.

- The subsidiary Servizi Italia Medical S.r.l. has proceedings in progress solely for the purposes of the administrative liabilities of legal entities pursuant to Legislative Decree 231 of 2001 for which a director was charged, regarding the awarding of the tender for the assignment of the nine-year contract of the AOU Policlinico di Modena for the assignment of the supply, based on piecework contracts, of single procedure kits, which took place by means of resolution of 28 December 2009. As a result of the request for a committal for trial notified in May 2016, the Company, which confirmed its absolute lack of involvement in the events contested, promptly appointed a defence counsel to undertake any necessary action to prove this. The preliminary hearing was set for 19 December 2016;
- On 13 October 2015, the tax authorities sent the notice of a Report on Findings regarding direct taxes, VAT and IRAP (regional business tax) relating to 2010, vis-à-vis Padana Everest S.r.l., incorporated by Servizi Italia S.p.A. in 2012, in which the higher taxable amounts were disputed based on the assumption of the undue decrease in income relating to the tax exemption of investments set forth in Decree Law no. 78 of 1 July 2009 (so-called Tremonti-ter). On 19 February 2016, Servizi Italia filed an appeal against the notice, requesting that it be cancelled, given that the tax claim is deemed illegitimate and objectively groundless. The hearing was held on 12 July 2016 to discuss the appeal at the Provincial Tax Commission of Brescia.

### **Risk Factors**

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

To minimise such risks, the Group has adopted timescales and control methods which allow the company Management to monitor risks and inform the Board of Directors so that it may approve all transactions involving a commitment by the Company with respect to third-party lenders.

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.

### **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 Journal 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 predetermined 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.

During the relevant period:

- 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.

## **Occupational Health and Safety**

Several occupational health and safety informational/training/instructional meetings were held during the period involving the top management, the operational managers, the Prevention and Protection Service and the Company Physicians.

In the first half of 2016, the safety team's activities included:

- 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 provision agreements with third-party companies;
- safety coordination at temporary work sites for expansion works on existing facilities;
- continuous monitoring of indicators.

## **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 (SISTR).

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. Therefore, a request was made to the manager GSE (Energy Services Operator) for the certification of these energy savings and issuing of the relative Energy Efficiency Certificates, also referred to as white certificates, established by the Decrees of the Ministry of Productive Activities jointly with the Ministry for the Environment and Land Protection of 20 July 2004 (Ministerial Decree 20/7/04 electricity, Ministerial Decree 20/7/04 gas), as subsequently amended and supplemented by Ministerial Decree 21/12/07 and Ministerial Decree of 28 December 2012, the latter of which sets the national quantitative objectives for the increase in energy efficiency in the 2013-2016 period.

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

The Servizi Italia Group’s total employees, including those of the consolidated companies, were as follows as at 30 June 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	162	1,612	1,803
Servizi Italia Medical S.r.l.	-	1	-	1
Lavsim Higienização Têxtil S.A.	2 executives	18	482	502
Maxlav Lavanderia Especializada S.A.	5 executives	11	449	465
Vida Lavanderias Especializada S.A.	-	3	204	207
Aqualav Serviços De Higienização Ltda	1 executive	8	246	255
<b>TOTAL</b>	16 executives and 21 middle managers	203	2,993	3,233

## 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), whose legislative and economic parts expired on 30 June 2015. The Industry Executives national collective labour agreement is applied for the Company's managerial staff.

During the period, 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.

An outline agreement for renewal of the national collective labour agreement was signed on 13 July 2016. The trade unions will commence a phase of worker consultation to assess the outcome of the negotiations, and will then proceed to sign the renewal of the national collective labour agreement.

## Training and development

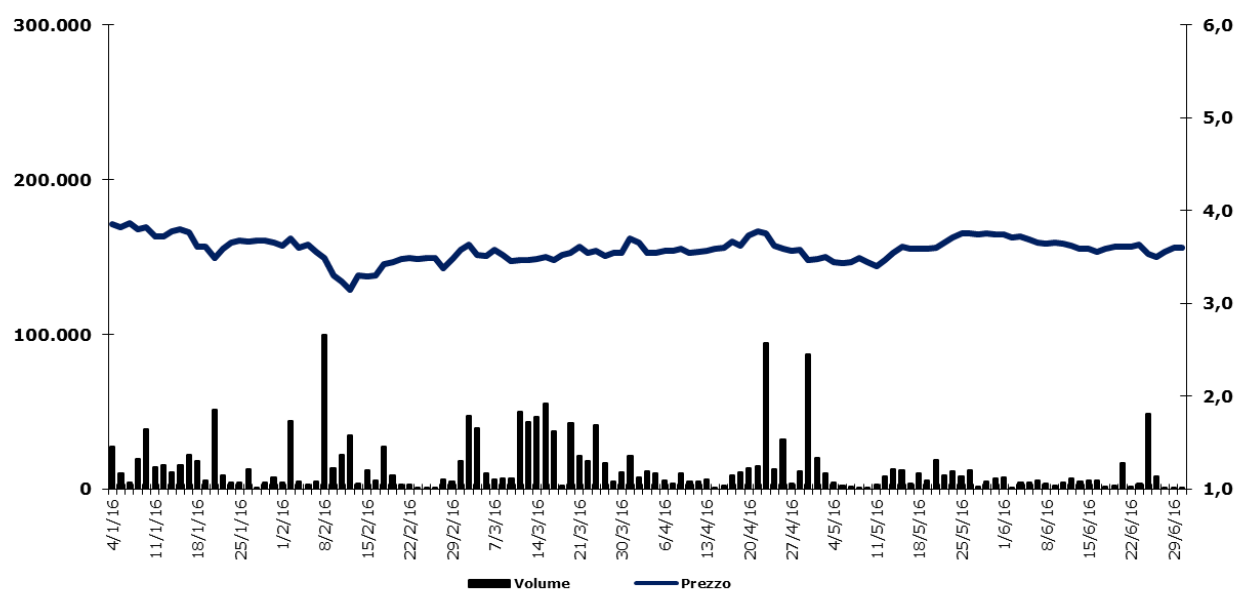
In line with the annual training Plan, the training activities carried out in the first half of 2016 focused on updating the knowledge of all personnel, supporting professional growth for operating as well as technical positions and strengthening the skills of those with roles of responsibility, fully aware that training represents a strategic leverage for development and company growth. During the half, training activities also addressed the integrated quality/environment/safety system, the use of IT systems, assessments on groups of employees and regulatory updates applicable to the various company departments.

## Servizi Italia and the financial markets

The Company shares have been traded in the STAR segment of the Borsa Italiana S.p.A. screen-based stock market (MTA) since 22 June 2009. The main share and stock exchange data as at 30 June 2016 is disclosed below along with share volume and price trends (in Euros):

<b>Share and stock exchange data</b>	<b>30 June 2016</b>
No. of shares making up the share capital	31,809,451
Price at IPO: 04.04.07	8.50
Price as at 30 June 2016	3.60
Maximum price during the period	3.87
Minimum price during the period	3.15
Average price during the period	3.58
Volumes traded during the period	1,818,676
Average volumes during the period	14,320

## Share volumes and prices as at 30 June 2016



During the period, 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 relevant period, the Company met with investors at the “STAR Conference” event in Milan organised by Borsa Italiana on 15-16 March 2016.

The Chairman of the Board of Directors  
(Roberto Olivi)

**HALF-YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF SERVIZI ITALIA GROUP AS AT 30 JUNE 2016**
**Accounting schedules**
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

<i>(thousands of Euros)</i>	Notes	30 June 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>					
Tangible fixed assets	6.1	120,395	-	120,736	-
Intangible fixed assets	6.2	3,159	-	3,473	-
Goodwill	6.3	44,401	-	42,483	-
Equity-accounted investments	6.4	27,754	-	19,051	-
Equity investments in other companies	6.5	3,602	-	3,542	-
Financial receivables	6.6	5,659	2,622	3,234	162
Deferred tax assets	6.7	2,124	-	1,800	-
Other assets	6.8	6,256	-	6,108	-
<b>Total non-current assets</b>		<b>213,350</b>		<b>200,427</b>	
<b>Current assets</b>					
Inventories	6.9	4,857	-	4,409	-
Trade receivables	6.10	74,611	1,379	74,746	1,139
Current tax receivables	6.11	431	-	2,478	-
Financial receivables	6.12	9,883	5,991	8,067	5,779
Other assets	6.13	14,397	-	9,241	-
Cash and cash equivalents	6.14	6,566	-	7,082	-
<b>Total current assets</b>		<b>110,745</b>		<b>106,023</b>	
<b>TOTAL ASSETS</b>		<b>324,095</b>		<b>306,450</b>	
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>					
<b>Group shareholders' equity</b>					
Share capital	6.15	31,506	-	30,444	-
Other reserves and retained earnings	6.15	94,468	-	78,543	-
Profit (loss) for the period		7,182	-	12,728	-
<b>Total shareholders' equity attributable to shareholders of the parent</b>		<b>133,156</b>		<b>121,715</b>	
<b>Total shareholders' equity attributable to non-controlling interests</b>		<b>526</b>		<b>379</b>	
<b>TOTAL SHAREHOLDERS' EQUITY</b>	6.15	<b>133,682</b>		<b>122,094</b>	
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Due to banks and other lenders	6.16	34,368	-	36,111	-
Deferred tax liabilities	6.17	1,416	-	1,867	-
Employee benefits	6.18	10,151	-	9,989	-
Provisions for risks and charges	6.19	2,656	-	2,277	-
Other financial liabilities	6.20	4,020	-	3,208	-
<b>Total non-current liabilities</b>		<b>52,611</b>		<b>53,452</b>	
<b>Current liabilities</b>					
Due to banks and other lenders	6.16	46,819	-	46,191	-
Trade payables	6.21	65,979	9,870	65,429	8,607
Current tax payables	6.22	188	-	365	-
Employee benefits	6.18	-	-	-	-
Other financial liabilities	6.23	7,132	-	1,078	-
Other payables	6.24	17,684	-	17,841	-
<b>Total current liabilities</b>		<b>137,802</b>	-	<b>130,904</b>	-
<b>TOTAL LIABILITIES</b>		<b>190,413</b>		<b>184,356</b>	
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>324,095</b>		<b>306,450</b>	

## CONSOLIDATED INCOME STATEMENT

<i>(thousands of Euros)</i>					
	Notes	30 June 2016	<i>of which with related parties (Note 8)</i>	30 June 2015	<i>of which with related parties (Note 8)</i>
<b>Revenues from sales</b>	<b>7.1</b>	<b>115,483</b>	457	<b>117,217</b>	549
Other income	7.2	2,149	303	2,591	274
Raw materials and consumables	7.3	(12,127)	(4)	(12,529)	(28)
Costs for services	7.4	(35,116)	(10,102)	(36,539)	(10,260)
Labour costs	7.5	(37,096)	(1,908)	(37,826)	(2,035)
Other costs	7.6	(640)	(11)	(729)	(28)
Depreciation, amortisation, impairment and provisions	7.7	(23,438)	-	(22,476)	-
<b>Operating profit</b>		<b>9,215</b>		<b>9,709</b>	
Financial income	7.8	899	69	552	34
Financial expense	7.9	(1,119)	-	(1,917)	-
Income/(expense) from equity investments in other companies	7.10	-	-	-	-
Revaluation/impairment of equity-accounted investments	6.4	90	-	95	-
<b>Profit before tax</b>		<b>9,085</b>		<b>8,439</b>	
Income taxes	7.11	(1,839)		(2,503)	
<b>Profit (loss) for the period</b>		<b>7,246</b>		<b>5,936</b>	
of which: Attributable to shareholders of the parent		7,182		6,040	
Attributable to non-controlling interests		64		(104)	
<b>Basic earnings per share (in Euros)</b>	<b>7.12</b>	<b>0.23</b>		<b>0.21</b>	
<b>Diluted earnings per share (in Euros)</b>	<b>7.12</b>	<b>0.23</b>		<b>0.21</b>	

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>(thousands of Euros)</i>		
	30 June 2016	30 June 2015
<b>Profit (loss) for the period</b>	7,246	5,936
<i>Other comprehensive income that will not be reclassified to the Income Statement</i>		
Actuarial gains (losses) on defined benefit plans	-	-
Income taxes on other comprehensive income	-	-
<i>Other comprehensive income that may be reclassified to the Income Statement</i>		
Gains (losses) from translation of foreign financial statements	5,244	(1,936)
Income taxes on other comprehensive income	-	-
<b>Total other comprehensive income after taxes</b>	<b>5,244</b>	<b>(1,936)</b>
<b>Total comprehensive income for the period</b>	<b>12,490</b>	<b>4,000</b>
of which: Attributable to shareholders of the parent	12,343	4,060
Attributable to non-controlling interests	147	(60)

## CONSOLIDATED CASH FLOW STATEMENT

<i>(thousands of Euros)</i>	Notes	as at 30 June 2016	of which with related parties (Note 8)	as at 30 June 2015	of which with related parties (Note 8)
<i>Cash flow generated (absorbed) by operations</i>					
Profit (loss) before tax		9,085	-	8,439	-
Payment of current taxes		(326)	-	(461)	-
Depreciation	7.7	23,161	-	22,230	-
Impairment and provisions	7.7	277	-	246	-
(Revaluation)/impairment of equity investments	6.4 7.10	(90)	-	(95)	-
Gains/losses on disposal	7.2 7.6	(136)	-	(80)	-
Interest income and expense accrued	7.8 7.9	220	-	1,365	-
Interest income collected		462	-	133	-
Interest expense paid		(913)	-	(1,541)	-
Provisions for employee benefits	6.18	326	-	306	-
		<b>32,066</b>		<b>30,542</b>	
(Increase)/decrease in inventories	6.9	(359)	-	(9)	-
(Increase)/decrease in trade receivables	6.10	(446)	(240)	(1,555)	146
Increase/(decrease) in trade payables	6.21	1,986	1,263	1,754	328
Increase/(decrease) in other assets and liabilities		(6,569)	-	(14,937)	-
Settlement of employee benefits	6.18	(227)	-	(1,307)	-
<b>Cash flow generated (absorbed) by operations</b>		<b>26,451</b>		<b>14,488</b>	
<i>Cash flow generated (absorbed) from investment activities in:</i>					
Intangible fixed assets	6.2	(297)	-	(1,210)	-
Tangible fixed assets	6.1	(19,297)	-	(19,204)	-
Dividends received	7.10	-	-	240	-
Acquisitions		-	-	-	-
Equity investments	6.4 6.5	(1,073)	-	(267)	-
<b>Cash flow generated (absorbed) by investment activities</b>		<b>(20,667)</b>		<b>(20,441)</b>	
<i>Cash flow generated (absorbed) from financing activities in:</i>					
Financial receivables	6.6 6.12	(4,700)	(2,672)	(702)	(113)
Dividends paid	6.15	(4,728)	-	(4,503)	-
Net purchase/sale of treasury shares	6.15	(174)	-	925	-
Share capital increase	6.15	4,000	-	-	-
Shareholders' equity	6.15	-	-	-	-
Current liabilities to banks and other lenders	6.16	459	-	4,732	-
Non-current liabilities to banks and other lenders	6.16	(1,822)	-	4,410	-
<b>Cash flow generated (absorbed) from financing activities</b>		<b>(6,965)</b>		<b>4,862</b>	
<b>(Increase)/decrease in cash and cash equivalents</b>		<b>(1,181)</b>		<b>(1,091)</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>(665)</b>		<b>709</b>	
<b>Closing cash and cash equivalents</b>	6.14	<b>6,566</b>		<b>3,378</b>	
<b>Increase/(decrease) in cash and cash equivalents</b>		<b>(1,181)</b>	-	<b>(1,091)</b>	-

## STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

(thousands of Euros)

	Share capital	Share premium reserve	Legal Reserve	Retained earnings	Translation reserve	Profit (loss) for the year	Reserves and profit (loss) of non-controlling interests	Total Shareholders' Equity
<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>1702</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)
Change in the scope of consolidation	-	-	-	-	-	-	-	-
Share capital increase	1,110	2,890	-	-	-	-	-	4,000
Treasury share transactions	(48)	(126)	-	-	-	-	-	(174)
Change in translation reserve	-	-	-	-	5,161	-	83	5,244
Comprehensive profit (loss) for the period	-	-	-	-	-	7,182	64	7,246
<b>Balance at 30 June 2016</b>	<b>31,506</b>	<b>52,082</b>	<b>4,772</b>	<b>39,845</b>	<b>(2,231)</b>	<b>7,182</b>	<b>526</b>	<b>133,682</b>

### 1 INTRODUCTION

These half-year condensed consolidated financial statements as at 30 June 2016 of the Servizi Italia Group, subject to limited audit, have been prepared in compliance with Art. 154 *ter* of Italian Legislative Decree 58/1999 as amended as well as the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), on the basis of the text published in the Official Journal of the European Communities (OJEC). These interim financial statements have been prepared in “condensed” form as established by IAS 34, and therefore must be read together with the Group’s consolidated financial statements as at 31 December 2015.

The condensed half-yearly financial report includes the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position, the statement of changes in consolidated shareholders’ equity, the cash flow statement and the notes, in line with the requirements of IFRS.

The half-year condensed consolidated financial statements were drafted in compliance with the IFRS issued by the International Accounting Standards Board and approved by the European Union at the time of drafting of these financial statements. IFRS mean also all revised international accounting standards (IAS) and all interpretations of the International (IFRS) Interpretations Committee (IFRIC), previously known as the Standing Interpretations Committee (SIC).

The accounting standards and methods used to prepare the Group's consolidated interim financial statements are the same as those applied in the last annual financial statements. Please also note that the following amendments to standards and interpretations became applicable on 1 January 2016:

- Amendments to IAS 19 “*Defined Benefit Plans: Employee Contributions*” (issued on 21 November 2013) concerning the recognition of contributions from employees or third parties to defined benefit plans.
- Amendments to IFRS 11 *Joint Arrangements – “Accounting for acquisitions of interests in joint operations”* (issued on 6 May 2014) concerning the accounting for acquisitions of interests in a joint operation when the operation constitutes a business.
- Amendments to IAS 16 *Property, plant and equipment* and IAS 41 *Agriculture – “Bearer Plants”* (issued on 30 June 2014) providing for bearer plants, i.e. fruit trees that bear produce annually (such as vines, hazelnut plants) to be accounted for under IAS 16 (rather than IAS 41).
- Amendments to IAS 16 – *Property, plant and Equipment* and IAS 38 – *Intangibles Assets – “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 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.
- Amendments to IAS 1 – “*Disclosure Initiative*” (issued on 18 December 2014): the goal of the amendments is to provide some clarifications on disclosures and other elements that may be perceived as hindrance to a clear and intelligible presentation of financial statements.

On 12 December 2013, the IASB published 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* and *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 – 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 these amendments had no impact on the financial statements of the Group.

### **Accounting standards, amendments and IFRS interpretations not yet endorsed by the European Union**

The European Union has not yet completed its endorsement process for the standards and amendments below reported at the date of this Interim financial report.

- IFRS 15 – Revenue from Contracts with Customers (issued on 28 May 2014 and supplemented with further clarifications published on 12 April 2016) bound to replace 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.

This standard is applicable as of 1 January 2018, though early adoption is allowed.

- Final version of IFRS 9 – Financial instruments (issued on 24 July 2014). The standard includes the results of the classification, valuation, impairment and hedge accounting phases relating to 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 to reporting periods beginning on 1 January 2018 and thereafter.

- On 13 January 2016, the IASB issued IFRS 16 – Leases which is to replace IAS 17 – Leases, as well as IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15

## Operating Leases—Incentives and 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 control (right of use) of an asset to differentiate between lease and service agreements according to: asset identification, right to replacement of the asset, right to obtain all economic benefits arising out of use of the asset and right to control the use of the asset underlying the agreement.

The standard introduces a single lessee accounting model for recognising and measuring lease agreements, which provides for the underlying asset – including assets underlying operating leases – to be recognised in the statement of financial position as assets and lease financial liabilities. Lessees may elect to not recognise agreements for low-value assets or with a term of up to 12 months within the scope of this standard. No significant changes are introduced for lessor accounting.

The standard applies for reporting periods beginning on or after January 1, 2019. Early application is only allowed for early adopters of IFRS 15 - Revenue from Contracts with Customers.

- On 11 September 2014 the IASB issued amendments to IFRS 10 and IAS 28 “Sales or Contribution of Assets between an Investor and its Associate or Joint Venture”. The purpose of these amendments was to resolve the conflict between IAS 28 and IFRS 10 concerning the measurement of profit or loss arising from transfers or assignments of a non-monetary asset to a joint venture or associate in return for its shares. The IASB has suspended the application of these amendments for the time being.
- On 18 December 2014, the IASB published document “*Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)*” (issued on 18 December 2014) introduces certain changes to address issues arisen after the application of the consolidation exception granted to investment entities. The amendments apply at the latest as of the reporting period starting on 1 January 2016 or at a later date. Early adoption is allowed.
- On 19 January 2016 the IASB issued the document "Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)" that contains some amendments to IAS 12. The document aims at providing some clarifications on the recognition of deferred tax assets on tax losses carried forward upon the occurrence of certain circumstances as well as on the measurement of taxable income for future years. The amendments apply as of 1 January 2017, though early adoption is allowed.
- On 29 January 2016 the IASB published the document "Disclosure Initiative (Amendments to IAS 7)" that contains some amendments to IAS 7. The document aims at clarifying and improving disclosures on financial liabilities. In particular, the amendments require to disclose information that enables users of the financial statements to understand the changes in liabilities arising from financing transactions. The amendments apply as of 1 January 2017, though early adoption is allowed. No comparative information relating to prior years is required.

- On 20 June 2016 the IASB published the document "Classification and measurement of share-based payment transactions (Amendments to IFRS 2)" that contains some clarifications in relation to the accounting of the effects coming from vesting conditions in the presence of cash-settled share-based payments, the classification of share-based payments with net settlement characteristics and the recognition of changes to the terms and conditions of a share-based payment which modify its classification from cash-settled to equity-settled. The amendments apply as of 1 January 2018, though early adoption is allowed.

About accounting standards amendments IFRS 9, IFRS 15 and IFRS 16, Directors are looking for the implementation criteria and impacts on the Group financial statements.

The adoption of the other amendments described above had no impact on the assets, liabilities, costs and revenues of the Group.

The half-year financial report was approved by the Board of Directors of Servizi Italia S.p.A. on -5 August 2016.

## **1.1 Activities**

The Group primarily works in the domestic market and in the State of São Paulo (Brazil), in India, in Turkey and in Albania, 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, registered offices in Reggio Emilia, which holds a controlling shareholding via the Company Aurum S.p.A., with registered offices in Via Rochdale no. 5, Reggio Emilia, for which it is not subject to management and coordination by Coopservice S.Coop.p.A. and its Board of Directors makes its own strategic and operating decisions fully autonomously.

## **3 CONSOLIDATION PRINCIPLES AND ACCOUNTING STANDARDS**

### **3.1 Consolidation principles**

The half-year condensed consolidated financial statements as at 30 June 2016 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. Control is exercised based on a direct or indirect holding of the majority of shares with voting rights, or the exercise of dominant influence, i.e., the power to determine, including indirectly on the basis of contractual or legal agreements, the financial and operating decisions of the entity and obtain the relative benefits, even regardless of shareholding. Control is determined by considering the existence of potential voting rights that may be exercised at the reporting date.

The financial statements consolidated line-by-line were prepared as at 30 June 2016 and have been adjusted as required to bring them into line with the accounting standards of Servizi Italia S.p.A.

The consolidation criteria are the same as those applied in the Group's consolidated financial statements as at 31 December 2015.

### 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 30 June 2016	Shareholding as at 30 June 2016	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%
SRI Empreendimentos e Participacoes LTDA	São Paulo (Brazil)	R\$	134,405	100%	100%
Lavsim Higienização Têxtil S.A.	São Roque, SP (Brazil)	R\$	550	100%	100%
Maxlav Lavanderia Especializada S.A.	Jaguariúna, SP (Brazil)	R\$	2,825	50.1%	50.1%
Vida Lavanderias Especializada S.A.	Santana de Parnaíba, SP (Brazil)	R\$	1,900	50.1%	50.1%
Aqualav Serviços De Higienização Ltda	Vila Idalina, Poá,SP-(Brazil)	R\$	6,400	100%	100%

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

<i>(thousands)</i>	Registered offices	Currency	Share capital as at 30 June 2016	Shareholding as at 30 June 2016	Shareholding as at 31 December 2015
Centro Italia Servizi S.r.l. in liquidazione (in liquidation)	Arezzo	EUR	10	50%	50%
CO.S.E.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%
Iniziative Produttive Piemontesi S.r.l.	Turin	EUR	2,500	37.63%	37.63%
SE.STE.RO. S.r.l. in liquidazione (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	230,916	51%	51%
SAS Sterilizasyon Servisleri A.Ş.	Istanbul, Turkey	TL	500	51%	51%
Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi	Ankara – Turkey	TL	5,000	40%	40%

The following exchange rates were used to consolidate the companies that prepare their financial statements in a currency other than the Euro, which is used in the consolidated financial statements of the Servizi Italia Group:

Currency	Average exchange rate as at 30 June 2016	Final exchange rate as at 30 June 2016	Average exchange rate as at 30 June 2015	Final exchange rate as at 31 December 2015
<b>Brazilian Real (R\$)</b>	4.129549	3.5898	3.310148	4.3117
<b>Turkish Lira (TL)</b>	3.259274	3.206	2.862006	3.1765
<b>Albanese Lek (Lek)</b>	138.179544	137.367	-	137.02
<b>Indian Rupee (INR)</b>	75.00187	74.9603	70.122366	72.0215

### 3.3 Accounting standards and basis of preparation

The accounting standards and basis of preparation, reported in the introduction to the Notes to the financial statements, are the same as those used to prepare the consolidated financial statements as at 31 December 2015, which should be referred to for a description.

The condensed consolidated half-year financial statements as at 30 June 2016 were drafted on the basis of the going concern assumption.

## 4 RISK MANAGEMENT POLICY

Within the Servizi Italia Group, specific organisational directives centrally govern risk management and control over all transactions relevant to the composition of 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 risks and inform the Board of Directors so that it may approve all transactions involving a commitment by the Company with respect to third parties.

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

### 4.1 Type of risks hedged

#### *Exchange rate risk*

The investments in Brazil, Turkey, India and Albania launch the Company into an international context, exposing it to risk generated by fluctuations in the Euro/Real, Euro/Turkish Lira, Euro/Indian Rupee and Euro/Albanian 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 relevant 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.

### *Credit risk*

There are significant concentrations of credit by customer and geographical area, and extended collection timescales. Around 18.5% of turnover comes from customers in the Lombardy Region, roughly 14.1% from customers in the Emilia Romagna Region, around 12.4% from customers in the Liguria Region, roughly 11.5% from customers in the Tuscany Region and approximately 10.7% from customers in the Veneto Region. In light of the fact that customers are predominantly public companies, default risk is deemed low. However, these customers have extended payment times which depend on loans received by the local health units and hospitals from the Regions. Currently, the average day sales outstanding are 118.

### *Liquidity risk*

To correctly manage 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 obtained primarily from accounts receivable financing and, to a lesser extent, from medium-term, unsecured credit lines. The Group also uses factoring without recourse.

### *Interest rate risk*

The Group's net financial debt primarily comprises short-term payables which, as at 30 June 2016, represent approximately 57.67% of its debt, at an average annual rate of around 0.94%. In relation to the global financial crisis, the Company is monitoring the market and weighing up the opportunity of taking out hedging transactions on the rates to limit the adverse impacts of interest rate changes on the company's income statement. The table below demonstrates the effect that would be generated by a 0.5% increase or decrease in rates (in thousands of Euros).

<i>(thousands of Euros)</i>	0.5% rate increase		0.5% rate decrease	
	30 June 2016	31 December 2015	30 June 2016	31 December 2015
Financial receivables	+38	+67	(38)	(67)
Financial payables	+241	+428	(241)	(428)
Factoring of receivables	+203	+379	(203)	(379)

## **4.2 Fair value information**

The Group does not hold financial instruments measured at fair value. Therefore, no classification based on input quality is provided. Financial assets and financial liabilities are recognised at amortised cost. For equity investments in other companies, price quotations in active markets are not available. Therefore, their fair value cannot be measured reliably. Such equity investments are measured at cost, if applicable less impairment losses or capital repayments.

## **5 SEGMENT REPORTING**

The Servizi Italia Group's segment reporting is organised as follows:

- *Wash-hire*: this includes (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, 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)*: 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 Servizi Italia Group considers the breakdown by business area to be more significant. The core business areas are identified based on how the Group is managed, how management responsibilities are attributed and how business reporting is analysed by the management.

(thousands of Euros)	Half-year ended as at 30 June 2016			
	Wash-hire	Steril B	Steril C	Total
Earnings from sales and services	86,004	9,857	19,622	115,483
Other income	1,098	168	883	2,149
Raw materials and materials	(8,316)	(2,536)	(1,275)	(12,127)
Costs for services	(25,578)	(3,110)	(6,428)	(35,116)
Labour costs	(28,781)	(2,262)	(6,053)	(37,096)
Other costs	(548)	(24)	(68)	(640)
<b>EBITDA (a)</b>	<b>23,879</b>	<b>2,093</b>	<b>6,681</b>	<b>32,653</b>
Depreciation and write-downs	(18,815)	(956)	(3,667)	(23,438)
<b>Operating profit (EBIT)</b>	<b>5,064</b>	<b>1,137</b>	<b>3,014</b>	<b>9,215</b>
Financial income and expense and income and expense from equity investments in other companies				(130)
<b>Profit before tax</b>				<b>9,085</b>
Income taxes				(1,839)
<b>Profit (loss) for the year</b>				<b>7,246</b>
Of which portion attributable to non-controlling interests				64
<b>Of which portion attributable to shareholders of the parent</b>				<b>7,182</b>

<i>(thousands of Euros)</i>	<b>Half-year ended as at 30 June 2015</b>			
	<b>Wash-hire</b>	<b>Steril B</b>	<b>Steril C</b>	<b>Total</b>
Earnings from sales and services	88,207	10,120	18,890	117,217
Other income	1,283	122	1,186	2,591
Raw materials and materials	(8,614)	(2,667)	(1,248)	(12,529)
Costs for services	(26,750)	(2,995)	(6,794)	(36,539)
Labour costs	(29,585)	(2,280)	(5,961)	(37,826)
Other costs	(582)	(32)	(115)	(729)
<b>EBITDA (a)</b>	<b>23,959</b>	<b>2,268</b>	<b>5,958</b>	<b>32,185</b>
Depreciation and write-downs	(18,052)	(1,066)	(3,358)	(22,476)
<b>Operating profit (EBIT)</b>	<b>5,907</b>	<b>1,202</b>	<b>2,600</b>	<b>9,709</b>
Financial income and expense and income and expense from equity investments in other companies				(1,270)
<b>Profit before tax</b>				<b>8,439</b>
Income taxes				(2,503)
<b>Profit (loss) for the year</b>				<b>5,936</b>
Of which portion attributable to non-controlling interests				(104)
<b>Of which portion attributable to shareholders of the parent</b>				<b>6,040</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.

Revenue from wash-hire services decreased by 2.5% from Euro 88,207 thousand in the first half of 2015 to Euro 86,004 thousand in the first half of 2016. In relative terms, this service accounts for 74.5% of total revenue from sales and services as at 30 June 2016, essentially in line with the same period in the previous year (75.3% as at 30 June 2015). The loss in value of the average Real exchange rate in the first half of 2016 with respect to the average exchange rate in the same period in 2015 and the end of some wash-hire contracts, e.g. those with con LHU Roma C, LHU Vercelli, Hospital of Desio and Vimercate and Azienda Ospedaliera Istituti Clinici di Perfezionamento had a significant impact on the turnover of the wash-hire line. The turnover of the wash-hire segment was positively impacted by the revenue deriving from the consolidation of Aqualav Serviços De Higienização Ltda in the Brazilian area, while in the Italian area, by the revenue deriving from new contracts such as Hospital of Circolo Busto Arsizio, Hospital Fatebenefratelli and Oftalmic Division and Pessina Gestioni S.r.l. for Hospital Garbagnate and contracts already in place (e.g. LHU of Piacenza and European Oncology Institute S.r.l.).

In terms of margins, the wash-hire EBITDA was 27.8% compared to 27.2% in the previous year, and EBIT decreased from 6.7% to 5.9%. The decrease in operating costs (in particular, in absolute terms, costs for raw materials saw a decrease of 3.5%, costs for services were down 4.4% and personnel expense was down 2.7%) affected turnover to the tune of 73.5%, compared to 74.3% in the first half of 2015. At EBIT level, amortisation, depreciation, impairment and provisions recorded growth over the same period in the previous year, due to higher linen depreciation of the Brazilian and Italian companies and due to the accounting of the non-compete agreement stipulated with the previous CEO, as well as the impact of the amortisation of the customer portfolio of the incorporated company Si.Gi. Servizi Ospedalieri S.r.l.

Revenue from linen sterilisation services decreased by 2.6% to Euro 9,857 thousand, accounting for 8.5% of total sales. The decrease in the line's revenues is related to the end of the contract with the LHU of Legnano and the reduction in the turnover of the customer Hospital of San Martino of Genoa owing to the renegotiation of the contract, despite the rise in turnover of customers such as Hospital Galliera

and Genoa Evangelical Hospital. In terms of margins, the EBITDA of the linen sterilisation business stood at 21.2% compared to 22.4% in the previous year, and EBIT increased to 11.5% from 11.9%.

Turnover in the surgical instrument sterilisation segment grew by 3.9% compared to the first half of the previous year. This increase is mainly attributable to the gradual increase in turnover from customers such as the Spedali Civili Hospital in Brescia, Meyer Hospital and Careggi Hospital in Florence. Surgical instrument sterilisation is the segment with the highest profitability in terms of EBITDA, at 34.0%, and in terms of EBIT, at 15.4%, despite the impact on depreciation of the start-up of the sterilisation centre at the G. Martino di Messina University Hospital and the increase in the depreciation of surgical instruments.

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

<i>(thousands of Euros)</i>	Half-year ended as at 30 June 2016			
	Wash-hire	Steril B	Steril C	Total
<b>Total revenue from sales and services</b>	<b>86,004</b>	<b>9,857</b>	<b>19,622</b>	<b>115,483</b>
Investments in property, plant and equipment and intangible assets	16,848	1,230	2,225	20,303
Depreciation of property, plant and equipment and amortisation of intangible assets	18,538	956	3,667	23,161
<b>Net book value of property, plant and equipment and intangible assets</b>	<b>86,238</b>	<b>5,040</b>	<b>32,276</b>	<b>123,554</b>

<i>(thousands of Euros)</i>	Year ended as at 31 December 2015			
	Wash-hire	Steril B	Steril C	Total
<b>Total revenue from sales and services</b>	<b>173,453</b>	<b>19,002</b>	<b>37,528</b>	<b>229,983</b>
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
<b>Net book value of property, plant and equipment and intangible assets</b>	<b>85,315</b>	<b>5,281</b>	<b>33,613</b>	<b>124,209</b>

## 5.1 Seasonality

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

## 6 STATEMENT OF FINANCIAL POSITION

### 6.1 Tangible fixed assets

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

<i>(thousands of Euros)</i>	Land and Buildings	Plant and machinery	Returnable assets	Equipment	Other assets	Fixed assets in progress and payments on account	Total
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	119,297	35,777	59,045	112,993	2,857	332,258
Accumulated depreciation	(1,075)	(73,036)	(21,912)	(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	10	1,472	255	15	659	6	2,417
Increases	35	1,244	427	1,286	14,795	2,199	19,986
Decreases	-	(10)	(2)	(4)	(230)	(4)	(250)
Depreciation	(58)	(4,045)	(1,809)	(2,857)	(13,725)	-	(22,494)
Reclassifications	4	458	1,158	313	40	(1,973)	-
<b>Balance as at 30 June 2016</b>	<b>1,205</b>	<b>45,380</b>	<b>13,894</b>	<b>18,875</b>	<b>37,956</b>	<b>3,085</b>	<b>120,395</b>
Historical cost	2,344	122,517	37,668	60,663	128,639	3,085	354,916
Accumulated depreciation	(1,139)	(77,137)	(23,774)	(41,788)	(90,683)	-	(234,521)
<b>Balance as at 30 June 2016</b>	<b>1,205</b>	<b>45,380</b>	<b>13,894</b>	<b>18,875</b>	<b>37,956</b>	<b>3,085</b>	<b>120,395</b>

Notes on the main changes:

#### *Plant and machinery*

The increases in the first half of 2016 mainly concern investments in plant and machinery for the Pavia di Udine (Euro 114 thousand), Travagliato (Euro 135 thousand), Montecchio Precalcino (Euro 133 thousand), Genova Bolzaneto (Euro 34 thousand), Arco di Trento (Euro 47 thousand) and Florence (Euro 192 thousand) facilities and for the new contracts relating to Garbagnate Hospital (Euro 43 thousand) Fatebenefratelli Hospital (Euro 20 thousand) and for the Brazilian companies Lavsim Higienização Têxtil S.A. (Euro 232 thousand), Maxlav Lavanderia Especializada S.A. (Euro 70 thousand) and Aqualav Serviços De Higienização Ltda (Euro 117 thousand).

#### *Returnable assets*

These mainly refer to investments made at customers to construct and renovate existing plants used for washing and sterilisation activities. Therefore, the Company maintains control over, obtains benefits from and bears the operating risks of these plants. The entity maintains ownership of the plants at the end of the wash-hire/washing/sterilisation contract.

On the basis of contractual commitments, the Group bore the cost of the partial renovation and expansion of the industrial laundry facilities owned by the contracting entities, to increase the efficiency of the rented linen washing and sanitation service. These costs have been amortised in accordance with the amortisation schedules linked to the duration of the existing contract with the contracting entities, which is less than the useful life of the works completed.

As at 30 June 2016, the item was impacted by reclassifications of Euro 1,025 thousand concerning the start-up of the surgical instrument sterilisation centre at the G. Martino di Messina University Hospital.

#### *Industrial and commercial equipment*

The changes in the half ended as at 30 June 2016 relate to the increases of Euro 1,286 thousand, of which Euro 668 thousand relating to the purchase of surgical instruments and Euro 311 thousand for the purchase of industrial equipment.

### *Other assets*

The item is broken down as follows:

<i>(thousands of Euros)</i>	<b>as at 30 June 2016</b>	<b>as at 31 December 2015</b>
Linens and mattresses	36,010	34,357
Furniture and fixtures	139	155
Electronic machinery	949	973
Cars	36	43
Motor vehicles	741	821
Telephone switchboards	81	62
Other	-	6
<b>Total</b>	<b>37,956</b>	<b>36,417</b>

Increases refer primarily to investments in linens (Euro 14,441 thousand in the first half of 2016) 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.

### *Assets under construction*

These are investments under way at the end of the first half.

The item is broken down as follows as at 30 June 2016:

<i>(thousands of Euros)</i>	<b>as at 30 June 2016</b>	<b>as at 31 December 2015</b>
Sterilisation centre investments	1,611	2,198
Laundering facility investments	263	493
Investments on contracts	1,195	135
Investments at the production sites of the subsidiary Lavsim Higienização Têxtil S.A. and Maxlav L.E. S.A.	16	31
<b>Total</b>	<b>3,085</b>	<b>2,857</b>

The increases in the first half of 2016 relating to sterilisation facilities mainly concern investments for the construction or renovation of surgical instrument sterilisation centres. In particular, these investments concern the construction of the new sterilisation centre at the Ariccia facility (Euro 219 thousand), the renovation of a sub-centre at the Careggi Hospital of Florence (Euro 240 thousand) and the construction of a new surgical instrument sterilisation centre at the Busto Arsizio Hospital (Euro 510 thousand). The item 'investments in contracts' was impacted, for Euro 821 thousand, by the investment for the construction of new facilities at the linen stores of LHU Toscana South-East.

Reclassifications of fixed assets in progress were also recorded, for a total of Euro 1,956 thousand, relating mainly to the start-up of the surgical instrument sterilisation centre at the G. Martino of Messina University Hospital for Euro 1,425 thousand and the commissioning of the surgical instruments of Baggiovara for Euro 205 thousand.

## 6.2 Intangible fixed assets

This item changed as follows:

<i>(thousands of Euros)</i>	Trademarks and software	Customer contract portfolio	Other fixed assets	Intangible assets in progress 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	-	-	-	39	39
Increases	317	-	-	-	317
Decreases	(3)	-	-	-	(3)
Amortisation	(224)	(190)	(253)	-	(667)
Reclassifications	384	-	-	(384)	-
<b>Balance as at 30 June 2016</b>	<b>936</b>	<b>1,784</b>	<b>410</b>	<b>29</b>	<b>3,159</b>
Historical cost	4,106	3,613	1,016	29	8,764
Accumulated amortisation	(3,170)	(1,829)	(606)	-	(5,605)
<b>Balance as at 30 June 2016</b>	<b>936</b>	<b>1,784</b>	<b>410</b>	<b>29</b>	<b>3,159</b>

The increase in intangible fixed assets is essentially due to investments in software in the Italian area (Euro 183 thousand) and in the Brazilian area (Euro 134 thousand).

## 6.3 Goodwill

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

Goodwill is allocated by geographical area as follows:

<i>(thousands of Euros)</i>	as at 31 December 2015	Increases /(decreases)	Translation differences	as at 30 June 2016
Italy CGU	32,943	-	-	32,943
Brazil CGU	9,540	-	1,918	11,458
<b>Total</b>	<b>42,483</b>	<b>-</b>	<b>1,918</b>	<b>44,401</b>

The change in the first half is entirely attributable to differences from the translation into Euros of goodwill arising from acquisitions in Brazil.

At the date of approval of these half-year consolidated financial statements, no facts or events have taken place that may indicate an impairment loss in the goodwill recognised and tested for impairment at the end of 2015.

## 6.4 Equity-accounted investments

The item Equity-accounted investments changed as follows:

(thousands of Euros)	Change during the half as at 30 June 2016					as at 30 June 2016
	1 January 2016	Increases	Decreases	Revaluations	Impairments	
<b>Associates</b>						
Saniservice Sh.p.k.	(40)	-	-	-	(139)	(179)
Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi	4,485	7,600	-	422	-	12,507
Finanza & Progetti S.p.a	5,091	-	-	-	(16)	5,075
Centro Italia Servizi S.r.l. in liquidazione (in liquidation)	157	-	-	21	-	178
CO.SE.S S.c.r.l.	3	-	-	-	-	3
PSIS S.r.l.	4,144	-	-	144	-	4,288
Ekolav S.r.l.	61	-	-	16	-	77
Steril Piemonte S.c.r.l.	1,973	-	-	-	-	1,973
AMG S.r.l.	2,255	-	-	52	-	2,307
Iniziative Produttive Piemontesi S.r.l.	1,106	-	-	-	(34)	1,072
SE.STE.RO. S.r.l. in liquidazione (in liquidation)	123	-	-	-	(8)	115
Piemonte Servizi Sanitari S.c.r.l.	3	-	-	-	-	3
Arezzo Servizi S.c.r.l.	-	5	-	-	-	5
SAS Sterilizasyon Servisleri A.Ş.	25	-	-	-	(4)	21
Shubhram Hospital Solutions Private Limited	(335)	1,007	-	-	(363)	309
<b>Total</b>	<b>19,051</b>	<b>8,612</b>	<b>-</b>	<b>655</b>	<b>(564)</b>	<b>27,754</b>

The increase in the value of the equity investment in the Indian company Shubhram Hospital Solutions Private Limited is attributable entirely to a share capital increase of INR 74,315 thousand; with reference to the increase in the value of the equity investment in the company Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi, please refer to note 6.23.

## 6.5 Equity investments in other companies

This item changed as follows in the first half of 2016:

(thousands of Euros)	Change during the half as at 30 June 2016				as at 30 June 2016
	1 January 2016	Increases	Impairment losses/Decreases		
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
CCFS Consorzio Coop. Finanziario	14	-	-		14
Gesteam S.r.l.	9	-	-		9
Consorzio Lani Energie	1	-	-		1
Summano Sanità S.p.A.	11	-	-		11
Consorzio Zenit Soc. Coop.	-	10	-		10
Consorzio Nazionale Servizi	13	50	-		63
Synchron Nuovo San Gerardo S.p.A.	344	-	-		344
SPV Arena Sanità	278	-	-		278
Other	1	-	-		1
<b>Total</b>	<b>3,542</b>	<b>60</b>	<b>-</b>		<b>3,602</b>

## 6.6 Non-current financial receivables

The item is broken down as follows:

<i>(thousands of Euros)</i>	as at 30 June 2016	as at 31 December 2015
Prosa S.p.A.	321	321
Sesamo S.p.A.	353	353
Saniservice Sh.p.k.	1,686	162
Progeni S.p.A.	982	982
Prog.Este S.p.A.	531	531
Summano Sanità S.p.A.	3	3
Arena Sanità S.p.A.	446	446
Synchron S.p.A.	254	254
Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi	936	-
Ospedale Irmandade de Santa Casa de Misericordia de São Paulo	147	182
<b>Total</b>	<b>5,659</b>	<b>3,234</b>

Financial receivables relate to interest-bearing loans granted to the companies Prosa S.p.A., Sesamo S.p.A., Progeni S.p.A., Prog.Este S.p.A., Summano Sanità S.p.A., Arena Sanità S.p.A. and Synchron S.p.A. with a term equal to the global service agreements for which they were established (expiring on 21 February 2031, 31 December 2037, 31 December 2033, 31 December 2031 and 31 December 2035, 20 August 2032 and 14 June 2042 respectively), as well as the loans granted to Irmandade de Santa Casa de Misericordia Hospital in São Paulo as part of the activities carried out by the Brazilian subsidiaries. Loans were granted during the half to the foreign investees Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi (Euro 936 thousand) and Saniservice Sh.p.K. (for a further Euro 1,524 thousand).

## 6.7 Deferred tax assets

This item changed as follows:

<i>(thousands of Euros)</i>	Share capital increase costs	Tangible fixed assets	Employee benefits	Other costs with deferred deductibility	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>
Changes recognised in the income statement	(18)	189	-	153	324
Changes recognised under shareholders' equity	-	-	-	-	-
Changes recognised in other comprehensive income	-	-	-	-	-
<b>Deferred taxation as at 30 June 2016</b>	<b>30</b>	<b>973</b>	<b>134</b>	<b>987</b>	<b>2,124</b>

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

## 6.8 Other non-current assets

The item is broken down as follows:

<i>(thousands of Euros)</i>	as at 30 June 2016	as at 31 December 2015
Substitute tax Italian D.L. 185 subsequent years	1,751	1,880
Receivables for IRES reimbursement request pursuant to Art. 2c.1-quater Italian D.L. 201	1,834	1,834
Aqualav credit in escrow account	1,945	1,860
Other non-current assets	726	534
<b>Total</b>	<b>6,256</b>	<b>6,108</b>

Other non-current assets rose from Euro 6,108 thousand as at 31 December 2015 to Euro 6,256 thousand as at 30 June 2016. The increase in the item is due essentially to the revaluation of the exchange rate of the Brazilian currency. The reduction in substitute tax is due to the release to the income statement for the pertinent deduction of the goodwill released in 2013 and previous years. This substitute tax was recognised as an advance payment of current taxes and is released to the income statement in the period of time in which the Group benefits from the tax deductions connected with said goodwill.

## 6.9 Inventories

Inventories at year-end primarily included washing products, chemical products, packaging, consumables, spare parts, single-use materials and procedure kits.

## 6.10 Trade receivables

The item is broken down as follows:

<i>(thousands of Euros)</i>	as at 30 June 2016	as at 31 December 2015
Due from third parties	73,621	73,983
Due from associates	761	643
Due from parent companies	229	120
<b>Total</b>	<b>74,611</b>	<b>74,746</b>

### *Trade receivables due from third parties*

The item is broken down as follows:

<i>(thousands of Euros)</i>	as at 30 June 2016	as at 31 December 2015
Due from customers	79,111	79,514
Bad debt provision	(5,490)	(5,531)
<b>Total</b>	<b>73,621</b>	<b>73,983</b>

During the half, the Servizi Italia Group transferred the receivables described below.

- transfer without recourse to Credemfactor S.p.A. of Euro 23,522 thousand in trade receivables for consideration of Euro 23,461 thousand;
- participation in the transfer without recourse to Unicredit Factoring S.p.A. of Euro 2,120 thousand in trade receivables due from Lazio Region local health units and hospitals for consideration of Euro 2,111 thousand;
- trade receivables were factored without recourse to Unicredit Factoring S.p.A. for Euro 14,882 thousand, for a consideration of Euro 14,848 thousand.

The bad debt provision changed as follows in the first half of 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	(197)
Adjustments	(63)
Provisions	219
<b>Balance as at 30 June 2016</b>	<b>5,490</b>

#### *Trade receivables due from associates and jointly controlled companies*

The balance as at 30 June 2016, amounting to Euro 761 thousand, is represented by trade receivables due mainly from the companies AMG S.r.l. (Euro 259 thousand), Steril Piemonte S.c.r.l. (Euro 165 thousand), PSIS S.r.l. (Euro 129 thousand), Saniservice Sh.p.k. (Euro 87 thousand), Se.Ste.Ro. S.r.l. in liquidazione (in liquidation) (Euro 82 thousand) and Ekolav S.r.l. (Euro 18 thousand).

### **6.11 Current tax receivables**

The item is broken down as follows:

<i>(thousands of Euros)</i>	<b>as at 30 June 2016</b>	<b>as at 31 December 2015</b>
Tax receivables	6,394	5,679
Tax payables	(5,963)	(3,201)
<b>Total</b>	<b>431</b>	<b>2,478</b>

### **6.12 Current financial receivables**

The item is broken down as follows:

<i>(thousands of Euros)</i>	<b>as at 30 June 2016</b>	<b>as at 31 December 2015</b>
Asolo Hospital Service S.p.A.	1,677	1,563
P.S.I.S. S.r.l.	3,881	3,856
Ekolav S.r.l.	173	172
AMG S.r.l.	503	502
Steril Piemonte S.c.r.l.	1,152	1,156

Iniziativa Produttive Piemontesi S.r.l.	91	91
Gesteam S.r.l.	320	328
Arezzo Servizi S.c.r.l.	150	-
Escrow for purchase of Tintoria Lombarda equity investment	1,420	-
Other	516	399
<b>Total</b>	<b>9,883</b>	<b>8,067</b>

Financial receivables relate to the interest-bearing loans granted to the companies indicated above and expiring in the next year and repayable on demand and to the advance deposited in an escrow account for the purchase of the equity investment in Tintoria Lombarda Divisione Sanitaria S.r.l. The increase compared to 31 December 2015 is essentially due to the interest accrued on the individual loans and still not collected, the new loan granted to the company Arezzo Servizi S.c.r.l. and to the escrow account payment already detailed.

### 6.13 Other current assets

The item is broken down as follows:

<i>(thousands of Euros)</i>	as at 30 June 2016	as at 31 December 2015
Due from others	12,386	8,205
Prepayments	1,831	831
Guarantee deposits receivable	95	156
Accrued income	85	49
<b>Total</b>	<b>14,397</b>	<b>9,241</b>

Other current assets rose from Euro 9,241 thousand as at 31 December 2015 to Euro 14,397 thousand at 30 June 2016. 'Due from others' rose compared to 31 December 2015, due to the increase in the amounts due to the subsidiaries Se.Sa.Tre. S.c.r.l. and San Martino 2000 S.c.r.l. from the consortium company Servizi Ospedalieri S.p.A. and the increase in the VAT credit. Prepayments increased primarily as a result of rentals and insurance premiums that will fall due in the second half of the year. The item also includes guarantee deposits relating to energy utilities and rentals.

### 6.14 Cash and cash equivalents

The item is broken down as follows:

<i>(thousands of Euros)</i>	as at 30 June 2016	as at 31 December 2015
Bank and postal deposits	6,527	7,057
Cheques	13	-
Cash at bank and in hand	26	25
<b>Total</b>	<b>6,566</b>	<b>7,082</b>

Cash and cash equivalents as at 30 June 2016 recorded a decrease of Euro 516 thousand when compared to 31 December 2015. The changes in cash and cash equivalents can be better analysed by looking at the development of the cash flow statement, which shows the positive or negative contribution from the other balance sheet items to the final result, in terms of the creation or absorption of liquidity.

### 6.15 Shareholders' equity

On 6 April 2016, the Company announced the new composition of the share capital (fully subscribed and paid in) 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 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. Following said transaction, as at 30 June 2016, Servizi Italia S.p.A.'s share capital, fully subscribed and paid in, is subdivided into 31,809,451 ordinary shares with a unit par value of Euro 1 each. In the first half of 2016, the Company purchased 48,275 treasury shares with a value of Euro 174 thousand, equivalent to 0.15% of the share capital, at the average purchase price of Euro 3.61 per share. Following these transactions, the Company held 303,891 treasury shares amounting to 0.96% of the share capital as at 30 June 2016. The equivalent value of the treasury shares held on 30 June 2016, equal to Euro 1,276 thousand, was classified as decreasing the share capital for the par value of the same, equating to Euro 304 thousand, and as reducing the share premium reserve for the excess of the purchase value with respect to the par value, amounting to Euro 972 thousand. The legal reserve and retained earnings/(losses) increased due to the allocation of the profit from 2015, following the payment of dividends for Euro 4,728 thousand. The positive effect, for Euro 5,244 thousand, on the reserves for the translation of the equity of the Brazilian companies should also be noted, as a result of the revaluation of the Real/Euro exchange rate.

## 6.16 Due to banks and other lenders

The item is broken down as follows:

<i>(thousands of Euros)</i>	as at 30 June 2016			as at 31 December 2015		
	Current	Non-current	Total	Current	Non-current	Total
Payables to banks	45,201	33,851	<b>79,052</b>	44,361	35,589	<b>79,950</b>
Due to other lenders	1,618	517	<b>2,135</b>	1,830	522	<b>2,352</b>
<b>Total</b>	<b>46,819</b>	<b>34,368</b>	<b>81,187</b>	<b>46,191</b>	<b>36,111</b>	<b>82,302</b>

### *Payables to banks*

As at 30 June 2016, amounts due to banks in more than 12 months changed with respect to 31 December 2015, due to the repayment of the portions that expired during the year and the subscription of a new unsecured loan of Euro 7,000 thousand with Banca Popolare dell'Emilia Romagna soc. Coop. (residual debt falling due after 12 months of Euro 4,111 thousand), for a three-year term, targeted at maintaining the balance between short and medium-term debt. The item in question also includes unsecured loans taken out with Cassa di Risparmio di Parma e Piacenza SpA (residual debt falling due after 12 months of Euro 5,057 thousand), with Banca Carige Italia S.p.A. (residual debt falling due after 12 months of Euro 5,568 thousand) and Cassa di Risparmio in Bologna S.p.A. (residual debt falling due after 12 months of Euro 7,500 thousand), Banca Popolare di Milano S. Coop.a r.l. (residual debt falling due after 12 months of Euro 11,323 thousand) and the portion of the debt falling due after the year of the Brazilian subsidiaries (Euro 292 thousand). The loans stipulated with Cassa di Risparmio di Parma e Piacenza SpA and with Cassa di Risparmio in Bologna S.p.A. require the maintenance of a net financial position of less than 1.5 times the value of shareholders' equity and less than 2.5 times the Ebitda (covenant). The loan stipulated with Banca Popolare di Milano S. Coop.a r.l. requires the maintenance of a net financial position of less than 2 times the value of shareholders' equity and less than 2 times the Ebitda (covenant). All of the above covenants have been respected at the reporting date.

Amounts due to banks are shown below by maturity:

<i>(thousands of Euros)</i>	as at 30 June 2016	as at 31 December 2015
Less than or equal to 6 months	38,612	38,759
6 to 12 months	6,589	5,602
1 to 5 years	33,851	34,820
More than 5 years	-	769
<b>Total</b>	<b>79,052</b>	<b>79,950</b>

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

<i>(thousands of Euros)</i>	as at 30 June 2016	as at 31 December 2015
1 to 2 years	13,127	11,109
2 to 5 years	20,724	23,711
More than 5 years	-	769
<b>Total</b>	<b>33,851</b>	<b>35,589</b>

#### *Due to other lenders*

Current payables to other lenders as at 30 June 2016 relate mainly to the debt contracted by the subsidiary Se.Sa.Tre. S.c.r.l. vis-à-vis non-controlling shareholder Servizi Ospedalieri S.p.A. for Euro 692 thousand (Euro 706 thousand as at 31 December 2015), the amount due to Credem Factor (Euro 295 thousand) and due to Unicredit Factoring (Euro 478 thousand) for invoices factored without recourse but paid incorrectly by the customer in our favour and the financial payables of the Brazilian subsidiaries (Euro 65 thousand).

As at 30 June 2016, non-current amounts are attributable to the financial payable to the non-controlling shareholder of the subsidiary Se.Sa.Tre. S.c.r.l. of Euro 515 thousand (Euro 515 thousand as at 31 December 2015 as well) and financial payables of the Brazilian subsidiaries of Euro 2 thousand.

Payables to other lenders are broken down by maturity below.

<i>(thousands of Euros)</i>	as at 30 June 2016	as at 31 December 2015
Less than or equal to 6 months	1,618	1,113
6 to 12 months	-	717
1 to 5 years	517	522
More than 5 years	-	-
<b>Total</b>	<b>2,135</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 30 June 2016	as at 31 December 2015
1 to 2 years	517	522
2 to 5 years	-	-
More than 5 years	-	-
<b>Total</b>	<b>517</b>	<b>522</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	Fixed assets	Goodwill	Other	Total
<b>Deferred tax liabilities as at 1 January 2015</b>	<b>238</b>	-	<b>821</b>	<b>1,206</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>585</b>	<b>1,174</b>	-	<b>1,867</b>
Changes recognised in the income statement	(40)	-	(464)	53	-	(451)
Changes recognised in other comprehensive income	-	-	-	-	-	-
<b>Deferred tax liabilities as at 30 June 2016</b>	<b>68</b>	-	<b>121</b>	<b>1,227</b>	-	<b>1,416</b>

There are no deferred taxes which have not been recognised since the associated payment is deemed to be improbable.

The reduction in the provision for deferred taxes was determined primarily by the tax relief of the customer portfolios of the companies merged in 2015 which made their relative amortisation deductible.

## 6.18 Employee benefits

This item changed as follows:

<i>(thousands of Euros)</i>	as at 30 June 2016	as at 31 December 2015
<b>Opening balance</b>	<b>9,989</b>	<b>10,855</b>
Change in the scope of consolidation	-	-
Provision net of transfers to pension funds	326	430
Financial expense	63	140
Actuarial (gains)/losses	-	70
Transfers (to)/from other provisions	-	-
(Uses net of transfers to pension funds)	(227)	(1,506)
<b>Final amount</b>	<b>10,151</b>	<b>9,989</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 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.

## 6.19 Provisions for risks and charges

The item is broken down as follows:

<i>(thousands of Euros)</i>	as at 30 June 2016	as at 31 December 2015
<b>Opening balance</b>	<b>2,277</b>	<b>126</b>
Provisions	419	2,199
Uses	(40)	(33)

Other changes	-	(15)
<b>Final amount</b>	<b>2,656</b>	<b>2,277</b>

The increase in the item is due to the revaluation of the Real/Euro exchange rate on the provision for labour disputes set aside in 2015 by the Brazilian company Aqualav Serviços De Higienização Ltda.

## 6.20 Other non-current financial liabilities

The item is broken down as follows:

<i>(thousands of Euros)</i>	as at 30 June 2016	as at 31 December 2015
Deferred price - Aqualav Serviços De Higienização Ltda	627	522
Payable for put options on Maxlav Lavanderia Especializada S.A. and Vida Lavanderias Especializada S.A.	3,393	2,686
<b>Total</b>	<b>4,020</b>	<b>3,208</b>

The increase compared to 31 December 2015 derives from the effects coming from the actualization of the payable for the put options connected with the purchase of the remaining 49.9% of the companies Maxlav Lavanderia Especializada S.A. and Vida Lavanderias Especializada S.A. and the revaluation of the Real/Euro exchange rate.

## 6.21 Trade payables

The item is broken down as follows:

<i>(thousands of Euros)</i>	as at 30 June 2016	as at 31 December 2015
Payables to suppliers	56,869	57,946
Due to associates	3,465	3,711
Due to parent companies	4,334	3,627
Due to companies subject to control of parent companies	1,311	145
<b>Total</b>	<b>65,979</b>	<b>65,429</b>

### *Payables to suppliers*

The balance as at 30 June 2016 refers entirely to trade payables due within 12 months.

### *Due to associates and the parent company*

The balance as at 30 June 2016 mainly refers to trade payables due to the associates Steril Piemonte S.c.r.l. (Euro 721 thousand), Co.Se.S. S.c.r.l. (Euro 696 thousand), AMG S.r.l. (Euro 630 thousand) Ekolav S.r.l. (Euro 546 thousand) and SE.STE.RO. S.r.l. in liquidation (Euro 418 thousand).

### *Due to parent companies*

Trade payables due to the parent company Coopservice S.Coop.p.A. are mainly for transport services.

### *Due to companies subject to control of parent companies*

Trade payables due to companies subject to control of the parent companies relate to amounts due to the companies Focus S.p.A. (Euro 1,172 thousand), Archimede S.p.A. (Euro 130 thousand) and Adpersonam S.r.l. (Euro 9 thousand).

## 6.22 Current tax payables

The item is broken down as follows:

<i>(thousands of Euros)</i>	as at 30 June 2016	as at 31 December 2015
Tax receivables	1,787	2,438
Tax payables	(1,975)	(2,803)
<b>Total</b>	<b>(188)</b>	<b>(365)</b>

The amount refers to the current tax payables of consolidated companies.

## 6.23 Other current financial liabilities

<i>(thousands of Euros)</i>	as at 30 June 2016	as at 31 December 2015
Due to Ankateks shareholders	6,993	962
Deferred price - Aqualav Serviços De Higienização Ltda	70	58
Payable for earn-out on Maxlav Lavanderia Especializada S.A. and Vida Lavanderias Especializada S.A.	69	58
<b>Total</b>	<b>7,132</b>	<b>1,078</b>

The change in the period is related, in particular, to the estimated increase in the payable for the payment of the 40.0% stake in Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi. The price that needs to be paid by Servizi Italia S.p.A. to the sellers is linked to the value of the company and calculated on the basis of the 2016 results subject to audit. Since the current estimates of the 2016 results of said company are above the previous expectations, the higher value of the company is accompanied by a simultaneous increase in other current financial liabilities.

## 6.24 Other current payables

The table below provides a breakdown of other current liabilities.

<i>(thousands of Euros)</i>	as at 30 June 2016	as at 31 December 2015
Accrued liabilities	64	18
Deferred income	758	800
Due to social security and welfare institutions	4,254	5,115
Other payables	12,608	11,908
<b>Total</b>	<b>17,684</b>	<b>17,841</b>

The item fell by Euro 157 thousand, down from Euro 17,841 thousand as at 31 December 2015 to Euro 17,684 thousand as at 30 June 2016. The difference is attributable primarily to the fall in payables to social security and welfare institutions.

### *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 4,254 thousand, all falling due within 12 months.

### *Other payables*

The item is broken down as follows:

<i>(thousands of Euros)</i>	as at 30 June 2016	as at 31 December 2015
Due to employees	10,578	8,859
Employee/professional IRPEF (personal income tax) payable	1,403	1,972
Other payables	627	1,077
<b>Total</b>	<b>12,608</b>	<b>11,908</b>

The increase in the item is a result of the rise in due to employees of Brazilian companies compared to 31 December 2015.

## **6.25 Net financial debt**

The Group's net financial debt as at 30 June 2016 and as at 31 December 2015 is shown below.

<i>(thousands of Euros)</i>	as at 30 June 2016	as at 31 December 2015
Cash and cash equivalents in hand	39	25
Cash at bank	6,527	7,057
<b>Cash and cash equivalents</b>	<b>6,566</b>	<b>7,082</b>
Current financial receivables	9,883	8,067
Current liabilities to banks and other lenders	(46,819)	(46,191)
<b>Current net financial debt</b>	<b>(36,936)</b>	<b>(38,124)</b>
Non-current liabilities to banks and other lenders	(34,368)	(36,111)
<b>Non-current net financial debt</b>	<b>(34,368)</b>	<b>(36,111)</b>
<b>Net financial debt</b>	<b>(64,738)</b>	<b>(67,153)</b>

The decrease of Euro 2,415 thousand in net financial debt as at 30 June 2016, compared to 31 December 2015, is the result of a careful cash flow management.

In particular, examining the individual items, there was a decrease of Euro 516 thousand in cash and cash equivalents in current accounts at banks compared to 31 December 2015 essentially as a result of the reduction in liquidity in the BNP Paribas account of the Brazilian subsidiary SRI Empreendimentos e Participações Ltda, which was used to finance group growth in Brazil.

Financial receivables recorded an increase of Euro 1,816 thousand compared to 31 December 2015, mainly due to the payment of an advance deposited in an escrow account, amounting to Euro 1,420 thousand, on the price established for the purchase of the company Tintoria Lombarda Divisione Sanitaria S.r.l.

Current liabilities to banks and other lenders rose by Euro 628 thousand, while non-current liabilities to banks and other lenders fell by Euro 1,743 thousand, due to the repayment of loan instalments in the period.

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

<i>(thousands of Euros)</i>	<b>As at 30 June 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	39	-	25	-
B. Other cash equivalents	6,527	-	7,057	-
C. Securities held for trading	-	-	-	-
<b>D. Cash and cash equivalents (A) + (B) + (C)</b>	<b>6,566</b>		<b>7,082</b>	
E. Current financial receivables	9,883	5,991	8,067	5,779
F. Current bank borrowings	(32,180)	-	(31,648)	-
G. Current portion of non-current borrowings	(14,639)	-	(14,544)	-
H. Other current financial payables	(7,132)	-	(1,078)	-
<b>I. Current financial debt (F) + (G) + (H)</b>	<b>(53,951)</b>		<b>(47,269)</b>	
<b>J. Current net financial debt (I) - (E) - (D)</b>	<b>(37,502)</b>		<b>(32,120)</b>	
K. Non-current bank borrowings	(34,368)	-	(36,111)	-
L. Bonds issued	-	-	-	-
M. Other non-current payables	(4,020)	-	(3,208)	-
<b>N. Non-current financial debt (K) + (L) + (M)</b>	<b>(38,388)</b>		<b>(39,318)</b>	
<b>O. Net financial debt (J) + (N)</b>	<b>(75,890)</b>		<b>(71,439)</b>	

## 6.26 Financial guarantee contracts

The table below lists the guarantees given by the company, existing as at 30 June 2016 and as at 31 December 2015:

<i>(thousands of Euros)</i>	<b>as at 30 June 2016</b>	<b>as at 31 December 2015</b>
Guarantees issued by banks and insurance companies for tenders	62,425	59,838
Guarantees issued by banks and insurance companies for lease agreements and utilities	602	577
Guarantees issued by banks and insurance companies in favour of third parties	41,337	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>106,706</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 di PSIS S.r.l., Steril Piemonte S.c.r.l., I.P.P. S.r.l., Ekolav S.r.l., Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi 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 PROFIT AND LOSS ACCOUNT

### 7.1 Revenue from sales

The item is broken down as follows by business:

<i>(thousands of Euros)</i>	<b>Half-year ended as at 30 June</b>	
	<b>2016</b>	<b>2015</b>
Wash-hire	86,004	88,207
Steril B	9,857	10,120
Steril C	19,622	18,890
<b>Revenues from sales</b>	<b>115,483</b>	<b>117,217</b>

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

<i>(thousands of Euros)</i>	<b>Half-year ended as at 30 June</b>	
	<b>2016</b>	<b>2015</b>
Abruzzo	4	7
Basilicata	219	209
Campania	24	21
Emilia Romagna	16,244	16,168
Friuli Venezia Giulia	8,758	8,679
Lazio	5,945	6,582
Liguria	14,281	14,081
Lombardy	21,241	21,535
Marche	1,718	1,779
Piedmont	4,086	5,244
Sicily	1,647	1,547
Tuscany	13,276	13,363
Trentino Alto Adige	2,737	2,787
Umbria	130	130
Valle D'Aosta	571	602
Veneto	12,350	12,922
EU revenues	-	11
Non-EU revenues	41	-
Non-EU revenues (BRAZIL)	12,211	11,550
<b>Total</b>	<b>115,483</b>	<b>117,217</b>

## 7.2 Other income

This balance mainly comprises ordinary gains of Euro 142 thousand from the disposal of assets, recoveries of costs and personnel attributable to third parties for Euro 501 thousand, charge-backs of Euro 1,012 thousand for consortium costs, non-recurring income of Euro 311 thousand and other income of Euro 183 thousand.

## 7.3 Raw materials and consumables

As at 30 June 2016, consumption of raw materials amounted to Euro 12,127 thousand, down by Euro 402 thousand compared to the same period of the previous year, primarily associated with washing products, chemical products, packaging, consumables, single-use materials and procedure kits.

## 7.4 Costs for services

The item is broken down as follows:

<i>(thousands of Euros)</i>	Half-year ended as at 30 June	
	2016	2015
External laundering and other industrial services	(9,764)	(9,949)
Travel and transport	(6,014)	(6,085)
Utilities	(5,866)	(6,030)
Administrative costs	(933)	(1,534)
Consortium and sales costs	(4,147)	(4,526)
Personnel expense	(1,266)	(1,040)
Maintenance	(2,573)	(2,904)
Use of third-party assets	(3,897)	(3,926)
Other services	(656)	(545)
<b>Total</b>	<b>(35,116)</b>	<b>(36,539)</b>

External laundering and other industrial services fell from Euro 9,949 thousand as at 30 June 2015 to Euro 9,764 thousand as at 30 June 2016. The reduction in the item is essentially attributable to the lower use of the external laundering services and the surgical instrument sterilisation service at third parties, partially offset by the increase in the linen store service at the customers Busto Arsizio Hospital and Fatebenefratelli Hospital, whose contracts started during the year.

Utility costs recorded a reduction, down from Euro 6,030 thousand as at 30 June 2015 to Euro 5,866 thousand as at 30 June 2016. This reduction is due to the reduction in gas tariffs owing to the renegotiation of contracts and the drop in consumption, made possible by greater production efficiencies.

The reduction in administrative costs from Euro 1,534 thousand as at 30 June 2015 to Euro 933 thousand as at 30 June 2016 is due essentially to lower legal costs compared to the same period of the previous year and less costs for extraordinary transactions (costs were incurred in 2015 for the acquisition of Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi). In addition, in 2015, the Brazilian subsidiary SRI Empreendimentos e Participações Ltda incurred higher costs relating to the acquisition of the remaining 50% of the company Lavsim Higienização Têxtil S.A.

Consortium and sales costs fell by Euro 379 thousand compared to the same period in the previous year, down from Euro 4,526 thousand as at 30 June 2015 to Euro 4,147 thousand as at 30 June 2016. The fall in the item is due mainly to lower charge-backs of costs received for the temporary joint consortia of

the customers ASL TO 4 di Ivrea, Azienda Ospedaliera di Desio e Vimercate and Azienda Sanitaria Locale Viterbo.

The increase of Euro 226 thousand in the item personnel expense compared to the same period of the previous year is attributable to the Brazilian company Aqualav Serviços De Higienização Ltda.

Maintenance recorded a reduction of Euro 331 thousand, connected with less expenses incurred, for the Brazilian production plants in particular.

## 7.5 Personnel expense

The item is broken down as follows:

<i>(thousands of Euros)</i>	<b>Half-year ended as at 30 June</b>	
	<b>2016</b>	<b>2015</b>
Costs for directors' fees	(743)	(566)
Salaries and wages	(25,842)	(26,321)
Temporary work	(681)	(759)
Social security charges	(8,286)	(8,663)
Employee severance indemnity	(1,431)	(1,439)
Other costs	(113)	(78)
<b>Total</b>	<b>(37,096)</b>	<b>(37,826)</b>

The decrease of Euro 730 thousand in personnel expense felt the effects, in the Italian area, of the redefinition of the hourly module of some production units and the restructuring of the company Servizi Italia Medical S.r.l. By contrast, the Brazilian area registered a slight increase in personnel expense, due primarily to the increase of the wash-hire service due to the awarding of the wash-hire contract of the São Camilo Group in the State of São Paulo.

The table below shows the average breakdown of personnel:

	<b>Personnel as at 30 June</b>	
	<b>2016</b>	<b>2015</b>
Executives	16	12
Middle managers	19	19
White-collar staff	191	174
Blue-collar staff	2,924	2,746
<b>Total</b>	<b>3,150</b>	<b>2,951</b>

## 7.6 Other costs

The item is broken down as follows:

<i>(thousands of Euros)</i>	<b>Half-year ended as at 30 June</b>	
	<b>2016</b>	<b>2015</b>
Tax-related expense	(87)	(92)
Contingent liabilities	-	(168)
Membership fees	(87)	(105)
Gifts to customers and employees	(1)	(6)
Other	(465)	(358)
<b>Total</b>	<b>(640)</b>	<b>(729)</b>

## 7.7 Depreciation, amortisation, impairment and provisions

The item is broken down as follows:

<i>(thousands of Euros)</i>	Half-year ended as at 30 June	
	2016	2015
Amortisation of intangible assets	(667)	(530)
Depreciation of property, plant and equipment	(22,494)	(21,700)
Impairment of receivables	(277)	(264)
(Allocations)/Uses of provision for sundry risks	-	18
<b>Total</b>	<b>(23,438)</b>	<b>(22,476)</b>

The change in the amortisation of intangible assets, amounting to 25.8%, refers mainly to the effects of the recognition of the non-compete agreement stipulated with the previous CEO, the impact of the amortisation of the customer portfolio of the incorporated company Si.Gi. Servizi Ospedalieri S.r.l. and the increase in the investments in software for better management of laundries' production and sterilisation centres.

The increase in the item depreciation of property, plant and equipment, up from Euro 21,700 thousand to Euro 22,494 thousand, is attributable mainly to the start-up of the surgical instrument sterilisation centre at the G. Martino di Messina University Hospital for Euro 256 thousand and investments in lines due to the increase in supplies to new customers in both the Italian and Brazilian areas.

## 7.8 Financial income

The item is broken down as follows:

<i>(thousands of Euros)</i>	Half-year ended as at 30 June	
	2016	2015
Bank interest income	181	87
Default interest	340	304
Interest income on loans to third-party companies	216	116
Exchange rate earnings and losses	66	-
Other financial earnings	96	45
<b>Total</b>	<b>899</b>	<b>552</b>

Bank interest income rose compared to 30 June 2015 as a result of the financial income generated by cash and cash equivalents in the BNP Paribas account of the Brazilian subsidiary SRI Empreendimentos e Participações L.t.d.a., while default interest was in line with 30 June 2015. Interest income on loans to third-party companies recorded a significant increase, mainly due to the new loans granted to the companies Saniservice Sh.p.K. and Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi. The item other financial income mainly includes interest income on the loan granted to Irmandade de Santa Casa de Misericordia Hospital de São Paulo.

## 7.9 Financial expenses

The item is broken down as follows:

<i>(thousands of Euros)</i>	Half-year ended as at 30 June	
	2016	2015
Interest expense and bank commission	(706)	(1,158)
Interest and expense to other lenders	(121)	(215)

Financial expense on employee benefits	(64)	(78)
Exchange rate earnings and losses	-	(115)
Other financial expense	(228)	(351)
<b>Total</b>	<b>(1,119)</b>	<b>(1,917)</b>

The fall in the item "Interest expense and bank commission" is essentially linked to the reduction in the rates applied by banks to the credit facilities used. The decrease in the item "Interest and expense to other lenders" is the result of the reduction in the spreads renegotiated with banks. Other financial expense fell primarily due to the decrease in expenses accrued on the payable relating to the put options associated with the acquisition of the remaining 49.9% of the Brazilian companies Maxlav Lavanderia Especializada S.A. and Vida Lavanderias Especializada S.A.

## 7.10 Income and expense from equity investments

No income and expense from equity investments was recorded as at 30 June 2016.

## 7.11 Income taxes

The item is broken down as follows:

<i>(thousands of Euros)</i>	<b>Half-year ended as at 30 June</b>	
	<b>2016</b>	<b>2015</b>
Current taxes	(2,518)	(2,633)
Deferred tax assets/(liabilities)	679	130
<b>Total</b>	<b>(1,839)</b>	<b>(2,503)</b>

The tax rate fell from 29.7% as at 30 June 2015 to 20.2% as at 30 June 2016. The decrease in the tax charge was determined mainly, in the Italian area, by the reversal of the provision for deferred tax liabilities as a result of the tax relief of the customer portfolios of the companies merged in 2015 which made their associated amortisation deductible and the benefit deriving from the deduction of so-called "super-amortisation" from company income, as set forth in the 2016 Stability Law (art. 1, paragraphs 91-94 and 97, Law 208/2015).

## 7.12 Earnings per share

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

<i>(thousands of Euros)</i>	<b>Half-year ended as at 30 June</b>	
	<b>2016</b>	<b>2015</b>
Profit/loss attributable to shareholders of the parent company	7,182	6,040
Average number of shares	30,968	28,137
<b>Basic earnings per share</b>	<b>0.23</b>	<b>0.21</b>

<i>(thousands of Euros)</i>	<b>Half-year ended as at 30 June</b>	
	<b>2016</b>	<b>2015</b>
Profit/loss for the year attributable to the Group:	7,182	6,040
Average number of shares outstanding	30,968	28,137
Number of shares with dilutive effect	-	698
Average number of shares used to calculate diluted EPS	30,968	28,835
<b>Diluted earnings per share</b>	<b>0.23</b>	<b>0.21</b>

It should be noted that the average number of shares outstanding rose compared to the 2015 financial statements, as a result of the share capital increase carried out in April 2016 with the subscription of 1,110,185 shares.

## 8 TRANSACTIONS WITH GROUP COMPANIES AND RELATED PARTIES

The Servizi Italia Group's transactions with subsidiaries, associates, jointly controlled companies and parent companies are entered into in compliance with the application regulation governing related party transactions and mainly concern:

- 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. In relation to the final value reported, this was generated in the relevant period by the renewal of existing contracts or contracts stipulated in the period.

Transactions with related parties of the Servizi Italia Group with an impact on the income statement are shown below as at 30 June 2016 and as at 30 June 2015:

<i>(thousands of Euros)</i>	30 June 2016						
	Sale of goods and services	Other income	Purchases of goods and services	Personnel expense	Purchases of property, plant and equipment and intangible assets	Other costs	Financial income
Coopservice S.Coop.p.A. (parent company)	67	20	5,285	-	-	-	-
Aurum S.p.A. (parent company)	-	-	-	-	-	-	-
Centro Italia Servizi S.r.l. in liquidazione (in liquidation) (joint control)	2	1	156	-	-	-	-
Consorzio Co.Se.S. (associate)	-	-	320	-	-	-	-
SE.STE.RO. S.r.l. in liquidazione (in liquidation) (associate)	-	1	-	-	-	-	-
PSIS S.r.l. (associate)	117	58	12	-	22	-	24
Amg S.r.l. (associate)	159	-	365	-	-	-	1
Ekolav S.r.l. (associate)	1	-	669	-	-	-	1
Steril Piemonte S.c.r.l. (associate)	10	159	724	-	-	-	1
Piemonte Servizi Sanitari S.c.r.l. (associate)	-	-	183	-	-	-	-
Iniziative Produttive Piemontesi S.r.l. (associate)	40	-	180	-	-	-	-
Arezzo Servizi S.c.r.l. (associate)	8	2	251	-	-	-	-
Shubhram Hospital Solutions Private Limited (associate)	-	-	-	-	-	-	-
Saniservice Sh.p.k. (associate)	40	62	-	-	-	-	34
Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi (associate)	-	-	-	-	-	-	8
Elettrica Gover S.r.l. (affiliated company)	-	-	-	-	-	-	-
Focus S.p.A. (affiliated company)	-	-	1,406	-	-	11	-
Archimede S.p.A. (affiliated company)	-	-	-	358	-	-	-
Electric System S.r.l. (affiliated company)	-	-	-	-	-	-	-
New Fleur S.r.l. (affiliated company)	13	-	266	-	-	-	-
Ad Personam S.r.l. (affiliated company)	-	-	8	-	-	-	-
Padana Emmedue S.r.l. (related party)	-	-	56	-	-	-	-

Padana Emmedue S.r.l. (related party)	-	-	143	-	-	-	-
Limpar Serviços Especializados e Comércio de Produtos Ltda (related party)	-	-	60	-	-	-	-
Lilian Promenzio Rodrigues Affonso (related party)	-	-	22	-	-	-	-
<b>Total</b>	<b>457</b>	<b>303</b>	<b>10,106</b>	<b>358</b>	<b>22</b>	<b>11</b>	<b>69</b>

(thousands of Euros)

Income statement	30 June 2015						
	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)	177	19	5,200	-	1	8	-
Aurum S.p.A. (parent company)	-	-	-	-	-	-	-
Centro Italia Servizi S.r.l. (joint control)	1	3	482	-	-	-	-
Consorzio Co.Se.S. (associate)	-	-	314	-	-	-	-
Shubhram Hospital Solutions Private Limited (associate)	-	-	-	-	-	-	-
S.A.S. Sterilizasyon Servisleri A.Ş. (associate)	-	-	-	-	-	-	-
SE.STE.RO. S.r.l. (associate)	16	32	251	-	-	2	-
PSIS S.r.l. (associate)	95	62	13	-	16	-	29
Amg S.r.l. (associate)	167	-	446	-	-	-	1
Ekolav S.r.l. (associate)	-	-	673	-	1	-	1
Steril Piemonte S.c.r.l. (associate)	7	153	765	-	-	-	3
Piemonte Servizi Sanitari S.c.r.l. (associate)	-	-	360	-	-	-	-
Iniziative Produttive Piemontesi S.r.l. (associate)	65	-	260	-	-	-	-
Elettrica Gover S.r.l. (affiliated company)	-	-	1	-	11	-	-
Focus S.p.A. (affiliated company)	-	-	1,251	-	-	11	-
Archimede S.p.A. (affiliated company)	-	5	-	582	-	-	-
New Fleur S.r.l. (affiliated company)	21	-	252	-	-	7	-
Ad Personam S.r.l. (affiliated company)	-	-	19	-	-	-	-
Electric System S.r.l. (affiliated company)	-	-	1	-	-	-	-
<b>Total</b>	<b>549</b>	<b>274</b>	<b>10,288</b>	<b>582</b>	<b>29</b>	<b>28</b>	<b>34</b>

Aside from the figures shown above, as regards income statement transactions with related parties, the item “Personnel expense” as at 30 June 2016 includes directors’ fees of Euro 668 thousand (of which Euro 47 thousand for social security charges) and executive personnel expense of Euro 882 thousand. As at 30 June 2015, directors’ fees amounted to Euro 604 thousand (of which Euro 38 thousand for social security charges) and executive personnel expense came to Euro 849 thousand.

Transactions with related parties of the Servizi Italia Group with an impact on the statement of financial position are shown below as at 30 June 2016 and as at 31 December 2015:

(thousands of Euros)

Statement of financial position	30 June 2016				
	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)	229	4,334	-	-	-
Aurum S.p.A. (parent company)	-	-	-	-	-
Centro Italia Servizi S.r.l. in liquidazione (in liquidation) (joint control)	-	70	-	-	-
Consorzio Co.Se.S. (associate)	-	696	-	-	-
SE.STE.RO. S.r.l. in liquidazione (in liquidation) (associate)	82	418	-	-	-

PSIS S.r.l. (associate)	406	85	3,880	-	-
Amg S.r.l. (associate)	259	630	503	-	-
Ekolav S.r.l. (associate)	18	546	173	-	-
Steril Piemonte S.c.r.l. (associate)	171	721	1,152	-	-
Piemonte Servizi Sanitari S.c.r.l. (associate)	-	103	-	-	-
Iniziative Produttive Piemontesi S.r.l. (associate)	19	111	91	-	-
Arezzo Servizi S.c.r.l. (associate)	12	101	150	-	-
Shubhram Hospital Solutions Private Limited (associate)	9	-	-	-	-
Saniservice Sh.p.k. (associate)	87	-	1,720	-	-
Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi (associate)	-	-	944	-	-
Elektrica Gover S.r.l. (affiliated company)	-	-	-	-	-
Focus S.p.A. (affiliated company)	-	1,172	-	-	-
Archimede S.p.A. (affiliated company)	-	130	-	-	-
Electric System S.r.l. (affiliated company)	-	-	-	-	-
New Fleur S.r.l. (affiliated company)	87	285	-	-	-
Ad Personam S.r.l. (affiliated company)	-	9	-	-	-
Padana Emmedue S.r.l. (affiliated company)	-	68	-	-	-
Padana Emmedue S.r.l. (related party)	-	380	-	-	-
Limpar Serviços Especializados e Comércio de Produtos Ltda (related party)	-	7	-	-	-
Lilian Promenzio Rodrigues Affonso (related party)	-	4	-	-	-
<b>Total</b>	<b>1,379</b>	<b>9,870</b>	<b>8,613</b>	<b>-</b>	<b>-</b>

(thousands of Euros)

31 December 2015

Statement of financial position

	Amount of trade receivables	Amount of trade payables	Amount of financial receivables	Amount of financial payables	Amount of other liabilities
Coopservice S.Coop.p.A. (parent company)	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	-	-
Elektrica Gover S.r.l. (affiliated company)	-	-	-	-	-
Focus S.p.A. (affiliated company)	-	2	-	-	-
Archimede S.p.A. (affiliated company)	-	142	-	-	-
Electric System S.r.l. (affiliated company)	-	-	-	-	-
New Fleur S.r.l. (affiliated company)	72	637	-	-	-
Ad Personam S.r.l. (affiliated company)	-	1	-	-	-
Padana Emmedue S.r.l. (related party)	-	96	-	-	-
Padana Emmedue S.r.l. (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>

The most significant relations are detailed below, broken down by company where the transactions of the individual contracts actually fall within the Company's ordinary business:

*Coopservice Soc.Coop.p.A.*

Revenue from sales and the associated trade receivables as at 30 June 2016 refer primarily to linen washing services provided to the parent company. The Servizi Italia Group acquires the following from the Parent Company: (i) road-based transport services for textile items and/or surgical instruments for Euro 4,362 thousand; these services are no more than an aggregation of homogenous transactions, carried out from the start of the relevant year, in execution of a single plan, which, despite not qualifying as transactions of greater significance on an individual basis, not even the group of the same implemented in the relevant period and considered as accumulated, qualify as those of 'greater significance' pursuant to the application Regulation governing related parties; (ii) linen store management services at customers for Euro 410 thousand; (iii) technical cleaning services that are performed at certain production sites/operating sites of Servizi Italia and surveillance/security services performed at some offices via night patrols and alarm initiatives for Euro 387 thousand.

*Centro Italia Servizi S.r.l. in liquidazione (in liquidation)*

During the half under consideration, based on the expiry of the previous tender contract with the Hospital of Arezzo, the company Centro Italia Servizi S.r.l. was put into liquidation. As at 30 June 2016, revenue from sales of goods and services and the relative trade receivables due from Centro Italia Servizi S.r.l. in liquidazione (in liquidation) refer to the sale of assets to be used in the wash-hire business carried out by this associate at the Arezzo hospital. By contrast, purchase costs and the related trade payables regard the chargeback of costs incurred by the company, which are divided amongst the shareholders on the basis of their shareholdings.

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

As at 30 June 2016, revenues from the sale of goods and services and purchase costs vis-à-vis Consorzio CO.SE.S S.c.r.l. refer to the chargeback of costs incurred by the Company and by the Consortium for surgical instrument sterilisation activities at the San Giovanni Addolorata hospital in Rome.

*PSIS S.r.l.*

Revenue from the sale of goods and services and the associated trade receivables due from PSIS S.r.l. are mainly for the administrative management service charge of Euro 38 thousand and sales of single-use medical devices for Euro 112 thousand. The financial receivables of Euro 3,880 thousand are for internal financing granted to support current investments.

*AMG S.r.l.*

Economic transactions carried out with AMG S.r.l. are mainly for external laundering services at the Asti, Casale Monferrato and Turin 3 LHAs and (Euro 359 thousand), and revenue derives from linen sterilisation services. The Company has granted A.M.G. S.r.l. a loan of Euro 503 thousand to support current investments.

*Ekolav S.r.l.*

Purchases of goods and services and the relative trade payables due to Ekolav S.r.l. are primarily for laundering and transport services. The financial receivable is for a Euro 173 thousand loan granted to the associate.

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

As at 30 June 2016, revenue from the sale of goods and services and purchase costs linked to Steril Piemonte S.c.r.l. refer to the chargeback 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 1,152 thousand loan granted to the associate.

*Iniziative Produttive Piemontesi S.r.l.*

Revenue from the sale of goods and services to Iniziative Produttive Piemontesi S.r.l. as at 30 June 2016 primarily relates to the sale of single-use Medical Devices for Euro 40 thousand, whereas purchase costs relate to charge-backs of Euro 180 thousand for supplies of sterile kits for the Ordine Mauriziano Hospital in Turin. The financial receivable is for a Euro 91 thousand loan granted to the associate.

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

The company Arezzo Servizi S.c.r.l. was established on 15 February 2016. The company's purpose is the performance of the wash-hire service at companies in the Area Vasta Sud-Est and limited to the hospital AUSL (Local Health Authority) of Arezzo. As at 30 June 2016, revenue from the sale of goods and services and the associated trade receivables due from Arezzo Servizi S.c.r.l. refer to the sales of assets to be 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.

*Saniservice Sh.p.k.*

As at 30 June 2016, revenue from the sale of goods and services to Saniservice Sh.p.k. refers mainly to the supply of material for the management of the sterilisation centre for Euro 42 thousand and commercial management services for Euro 60 thousand. The financial receivable is for a Euro 1,720 thousand loan granted to the associate.

*Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi*

As at 30 June, the financial income of Euro 8 thousand refers to interest income accrued and still not paid from Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi for the loan of Euro 944 thousand 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. The total consideration for leased properties amounted to Euro 1,251 thousand in the first half of 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.p.A.*

Transactions with Padana Emmedue S.p.A. relate to lease agreements on the Travagliato and Podenzano properties, with a duration of six years, renewable for a further six. The total consideration for leased properties amounted to Euro 143 thousand in the first half of 2016. Servizi Italia S.p.A.'s transactions with Padana Emmedue S.p.A. regarding the lease agreements are entered into in compliance with the applicable Regulation governing related parties.

*Padana Emmedue S.r.l.*

Servizi Italia S.p.A. procures linen washing services from Padana Emmedue S.r.l. As at 30 June 2016, the consideration for this service was Euro 52 thousand.

*Limpar Serviços Especializados e Comércio de Produtos Ltda*

Purchases of goods and services and the associated trade payables due to Società Limpar Serviços Especializados e Comércio de Produtos Ltda refer primarily to cleaning services at the Maxlav Lavanderia Especializada S.A. facility for Euro 42 thousand and at Vida Lavanderias Especializada S.A. for Euro 18 thousand.

*Lilian Promenzio Rodrigues Affonso*

Transactions with Lilian Promenzio Rodrigues Affonso relate to the lease agreement on the Maxlav Lavanderia Especializada S.A. properties, for a duration of 10 years. The total consideration for leased properties amounted to Euro 22 thousand as at 30 June 2016.

## **8.1 Company officers' fees**

Economic transactions with the company officers as at 30 June 2016 are summarised below.

- Board of Directors: Euro 621 thousand (recognised as personnel expense);
- Board of Statutory Auditors: Euro 44 thousand (recognised as Costs for services).

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

During the half under consideration, there were no non-recurring, atypical and/or unusual transactions as defined in Consob communication No. 6064293 of 28 July 2006.

The Chairman of the Board of Directors  
(Roberto Olivi)

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

Castellina di Soragna, Italy, 5 August 2016

1. In consideration of the provisions of Art. 154-bis, paragraphs 3 and 4 of Italian Legislative Decree No. 58 of 24 February 1998, the undersigned Enea Righi, in his capacity as “CEO”, and Ilaria Eugeniani, in her capacity as “Financial Reporting Manager” of Servizi Italia S.p.A., certify:
  - the adequacy in relation to the characteristics of the company and
  - the effective application of the administrative and accounting procedures to prepare the half-year condensed consolidated financial statements from 1 January 2016 to 30 June 2016.
2. It is also certified that:
  - 2.1. the half-year condensed consolidated financial statements:
    - a) have been prepared in compliance with the applicable international accounting standards recognised in the European Community 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 suitably true and fair view of the financial position, income and cash flows of the issuer and of the consolidated companies.
3. The interim directors’ report includes a reliable analysis of the significant events that took place in the first six months of the year and their impact on the half-year condensed financial statements, along with a description of the principal risks and uncertainties for the remaining six months of the year. The interim directors’ report also includes a reliable analysis of information on related party transactions.

The CEO

Enea Righi

Financial Reporting Manager

Ilaria Eugeniani

## **REPORT ON REVIEW OF THE HALF-YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**To the Shareholders of  
SERVIZI ITALIA S.p.A.**

### **Introduction**

We have reviewed the accompanying half-year condensed consolidated financial statements, which comprise the statement of financial position, income statement, statement of comprehensive income, statement of changes in shareholders' equity and cash flow statement, and related explanatory notes of Servizi Italia S.p.A. and subsidiaries (the "Servizi Italia Group") as of June 30, 2016. The Directors are responsible for the preparation of this interim financial information in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on this interim financial information based on our review.

### **Scope of Review**

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

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

Sede Legale: Via Toriona, 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

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying half-year condensed consolidated financial statements of Servizi Italia Group as of June 30, 2016 are not prepared, in all material respects, in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union.

DELOITTE & TOUCHE S.p.A.

*Signed by*  
Domenico Farioli  
Partner

Parma, Italy  
August 6, 2016

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