

31 December 2017

**SEPARATE AND CONSOLIDATED
FINANCIAL STATEMENTS**



**Registered Offices: Via S. Pietro, 59/B
43019 Castellina di Soragna (PR) – ITALY**

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

Tax Code and Register of Companies no.:

08531760158

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SERVIZI ITALIA S.P.A.

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

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

Tax code and Parma Business Register enrolment No. 08531760158

VAT No. 02144660343

NOTICE OF CALL OF THE ORDINARY SHAREHOLDERS' MEETING

Those entitled to participate in the Shareholders' meeting and exercise the right to vote are called to an ordinary shareholders' meeting at the registered offices in Via San Pietro 59/b, 43019 Castellina di Soragna (PR), on a first call on **20 April 2018 at 10.30** and, if necessary, upon a second call, on 23 April 2018, at the same time and place, to discuss and resolve on the following **agenda**:

1. Separate financial statements as at 31 December 2017; Director's Report on Operations; Board of Statutory Auditors Report and Independent Auditors' Report; Allocation of the profit for the year. Presentation of the Consolidated financial statements as at 31 December 2017;
 - 1.1 Separate financial statements as at 31 December 2017; Director's Report on Operations; Board of Statutory Auditors Report and Independent Auditors' Report. Presentation of the Consolidated financial statements as at 31 December 2017;
 - 1.2 Allocation of the profit for the year;
2. Non financial statement pursuant to Italian Legislative Decree No. 254 of 30/12/2016: Presentation of the 2017 Social and Environmental Sustainability Report;
3. Authorisation to purchase and avail of Treasury Shares and completion of transactions on the same, subject to revocation of the previous resolution, for the unused portion;
4. Remuneration policy pursuant to article 123-ter of Italian Legislative Decree No. 58 of 24 February 1998;
5. Appointment of the members of the Board of Directors and determination of their remuneration.
 - 5.1. Establishment of the number of members of the Board of Directors;
 - 5.2. Establishment of the duration of the office;
 - 5.3. Appointment of the Directors;
 - 5.4. Establishment of the fee in overall terms for the members of the Board of Directors.
6. Supplement to the remuneration for the appointment for the official audit of the accounts for the years 2017-2023.

SHARE CAPITAL AND VOTING RIGHTS

The Company's share capital is divided up into 31,809,451 ordinary shares with a par value of Euro 1 each. Each share assigns the right to one vote. As at 7 March 2018, the Company held 10,550 treasury shares, in relation to which - pursuant to the law - the voting right is suspended. This number could vary in the period between today's date and that of the Shareholders' Meeting. Any change in the treasury shares shall be communicated when the business of said meeting commences. The information on the composition of the share capital is available on the website www.si-servizitalia.com (Corporate Governance>Shareholders' Meeting 2018).

THOSE ENTITLED TO TAKE PART IN THE MEETING

Pursuant to Article 83-sexies of Italian Legislative Decree No. 58/98 as amended (the "Consolidated Finance Law" or "CFL") and Article 13 of the Articles of Association, Shareholders are entitled to attend if they have the right to vote and the Company, by 17 April 2018, has received the communication from the appointed intermediaries, bearing witness to their ownership of the shares on the basis of the accounting records relating to the end of the accounting day of the seventh open market day prior to the date set for the Meeting in first call, i.e. 11 April 2018 (record date). Those who only become owners of shares after the record date are not entitled to participate and vote during the Meeting.

VOTING BY PROXY

Pursuant to Article 13.2 of the Articles of Association, each party with the right to vote who has the right to participate in the Meeting, may arrange for themselves to be represented by others via written proxy, in compliance with and within the limits of the matters laid down by law. The proxy may be granted also electronically or by means of an IT document signed in electronic form as per Article 21, paragraph 2 of Italian Legislative Decree No. 82 dated 7 March 2005, in accordance with current legislation.

A proxy form is available care of the registered offices and on the Company website www.si-servizitalia.com (Corporate Governance > Shareholders' Meeting 2018), as well as care of the qualified intermediaries; the proxy can be sent to the Company by means of forwarding, via certified e-mail, to the following address si-servizitalia@postacert.cedacri.it, together with the communication issued by the appointed intermediaries in compliance with their accounting records.

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

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

RIGHT TO ASK QUESTIONS ON THE ITEMS ON THE AGENDA

Pursuant to Article 127-ter of the CFL, those who have the right to vote can ask questions about the agenda items, also before the meeting, by the deadline of 17 April 2018, by means of registered letter sent to the Company's registered offices, or via certified e-mail to the e-mail address si-servizitalia@postacert.cedacri.it; for the purpose of exercising this right, the Company must receive a specific communication issued by the intermediaries,

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

SUPPLEMENTING OF THE AGENDA AND PRESENTATION OF NEW RESOLUTION PROPOSALS

Pursuant to Article 126-bis of the CFL, the Shareholders which, also jointly, represent at least a fortieth of the Company's share capital, can request, within ten days of the publication of the call for the Meeting (i.e. by 17 March 2018), to add to the meeting's agenda some additional items that they must indicate in their request, or they can submit new resolution proposals on the items already included in the agenda. The requests must be presented in writing, forwarded via registered letter to the Company's registered offices, or by means of notification to the e-mail address si-servizitalia@postacert.cedacri.it and accompanied by a specific communication issued by the intermediaries where the shares owned by the Shareholders are deposited. Disclosure shall be made of any integration of the list of business, which the Meeting shall have to deal with, or the presentation of additional resolution proposals on the matters already on the agenda, in the prescribed forms for the publication of this notice of calling, at least fifteen days before the date fixed for the Meeting in first calling. The request to supplement the agenda is not permitted for the items on which the Meeting resolves, as per the law, upon proposal of the directors or on the basis of a project or a report drawn up by the same, differing from those as per Article 125-ter, first paragraph of the CFL. The Shareholders who request the integration of the agenda must draw up a report, which discloses the reason for the resolution proposals on the new business whose discussion they propose, or the reason relating to the additional resolution proposals presented on the business already on the agenda. The report must be delivered to the management body by the last deadline for the presentation of the integration request. The management body shall make the report available to the general public, accompanied by its assessments, if any, at the same time as the publication of the notification of integration, making it available at the registered offices, on the Company website and by means of the other formalities envisaged by the Consob regulations in force on the subject.

APPOINTMENT OF THE BOARD OF DIRECTORS

It is hereby disclosed that pursuant to the current legislative provisions and Article 15 of the Articles of Association, the appointment of the Board of Directors takes place in the basis of lists presented by the shareholders in which the candidates are listed by means of a consecutive number.

Each list must also have as an attachment, by the deadline for its filing with the registered offices, the additional documentation as set forth by Article 15 of the Articles of Association and indicated in the Directors' Report relating to point 5 of the agenda of the Shareholders' meeting that can be freely consulted on the website www.si-servizitalia.com (Corporate Governance>Shareholders' Meeting 2018).

The following have the right to present lists (in consideration of the matters established by Consob by means of Resolution No. 20273 published on 24 January 2018): Shareholders who, alone or together with other Shareholders, are overall the holders of shares with the right to vote representing at least 2.5% of the share capital with the right to vote during Ordinary Shareholders' Meetings.

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

The communication bearing witness to the ownership of this investment holding can also be produced after filing provided that this takes place by the deadlines envisaged for the publication of the lists by the Company by means of forwarding of the communications envisaged by current legislation by 30 March 2018.

The lists, together with the information regarding the identity of the shareholders that present them and the whole holding owned, as well as the curriculum vitae regarding the personal and professional characteristics of the candidates, with the possible certification of their fitness to qualify as independent and the indication of the offices of administration and control covered in other companies and the statements with which each candidate certifies the non existence of causes of ineligibility or incompatibility and the satisfaction of the requirements set forth in the current legislation and the articles of association, must be filed care of the Company's registered offices or forwarded by means of e-mail to si-servizitalia@postacert.cedacri.it, by the twenty-fifth day prior to that fixed for the meeting in first calling, or rather by 26 March 2018, and made available to the general public care of the registered offices, on the website and using the other formalities envisaged by Consob as per the regulations, at least twenty-one days before the date of the meeting, or rather 30 March 2018.

In the event that just one list is presented (or in the event that no list is presented), the meeting resolves in pursuance of the law and with the legal majorities, without observing the procedure set forth in the articles of association, in observance of the regulations inherent to the balance between genders in force as and when applicable.

Pursuant to article 15 of the Articles of Association, the renewal of the Board of Directors must comply with the regulations regarding a balance in gender, as per Law no. 120 of 12 July 2011. Pursuant to this law, the gender that is less represented is entitled to a number of auditors equal to at least one third of the elected directors. If the Shareholders intend to submit a list for the renewal of the Board of Directors with three or more candidates, these lists must ensure the presence of both genders, so that the candidates of the least represented gender are at least 1/3 of the total (rounding up in the case of a fraction).

It must be noted that the Consob Recommendation no. DEM/9017893 of 26 February 2009 states that the Shareholders who submit a minority list, must file together with the list, a declaration stating the absence of association relationships, also indirect, as set forth in paragraph 3 of article 147-ter of the Consolidated Finance Law and article 144-quinquies of the Issuers' Regulations, with the shareholders holding, also jointly, a controlling interest or plurality interest, where identifiable on the basis of the communications of the significant equity investments pursuant to Art. 120 of the CFL or the publication of the shareholders' agreements pursuant to Art. 122 of the same Decree.

The lists with a number of candidates higher than seven must contain at least three candidates that meet the independence requirements set for the auditors pursuant to paragraph 3 of Art. 148 of the CFL as well as Art. 3 of the Corporate Governance Code. The lists that do not comply with the above provisions will not be considered as submitted lists.

DOCUMENTATION

The reports of the Board of Directors on the items of the agenda and the resolution proposals contained therein as well as the documentation relating to the agenda items, as required by current legislation, shall be made available to the general public at the Company's registered offices, on the Company website www.si-servizitalia.com in the section Corporate Governance>Shareholders' Meeting 2018, and can be accessed through the storage mechanism InInfo at

the following e-mail address www.linfo.it under the terms and formalities as per the law. The remaining documentation useful for the Meeting shall be published by the legal deadlines. The Shareholders have the faculty to obtain a copy of the same at their own expense.

It should furthermore be recalled that, pursuant to Article 125 quater of the CFL, the Company's website www.si-servizitalia.com (Corporate Governance>Shareholders' Meeting 2018) provides the following documents or information: (i) the documents which will be submitted to the Meeting; (ii) the forms which the Shareholders have the faculty to use for the vote by proxy and the related instructions; (iii) the information on the amount of the Company's share capital with indication of the number and of the categories of shares which it is divided up into.

REQUEST FOR INFORMATION

With regard to any additional information relating to the Shareholders' meeting, and in particular the formalities for exercising the rights, it is possible to consult the Company's website www.si-servizitalia.com in the section Corporate Governance>Shareholders' Meeting 2018 or write to the Corporate Services office at the following certified e-mail address si-servizitalia@postacert.cedacri.it.

This notice of call is published as of today's date, pursuant to Article 125-bis of the CFL and pursuant to Article 11 of the Articles of Association, on the Company's website www.si-servizitalia.com (Corporate Governance > Shareholders' Meeting 2018) and can be accessed through the storage mechanism IInfo at the e-mail address www.linfo.it and, in extract form, in the newspaper MF - MILANO FINANZA dated 8 March 2018.

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

Castellina di Soragna, Parma, Italy 7 March 2018.

*The Chairman of the Board of Directors
Signed Roberto Olivi*

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 (5)	Director
Antonio Paglialonga	Director
Lino Zanichelli	Director
Vasco Salsi	Director
Antonio Aristide Mastrangelo (4)	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; (4) In office from 11 September 2017, co-opted pursuant to Art. 2386 of the Italian Civil Code and art. 13 of the company Articles of Association following the resignation of Marco Marchetti; (5) who ceased to hold office on 17 January 2018.

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

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

Supervisory Body (in office until 2 February 2019)

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

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

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

Registered offices and company information

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

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

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

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

Founded: 1986

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

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

Investor Relations Department

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GROUP STRUCTURE

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

As at 31 December 2017, the Servizi Italia Group included the following Companies:

Company name Parent Company and Subsidiaries	Registered office	Share capital	Interest of equity investments
Servizi Italia S.p.A.	Castellina di Soragna (Parma) - Italy	EUR 31,809,451	Parent
SRI Empreendimentos e Participações L.t.d.a.	City of São Paulo, State of São Paulo - Brazil	R\$ 146,798,102	100%
Steritek S.p.A.	Malagnino (CR)- Italy	EUR 134,500	70%
Se.Sa.Tre. S.c.r.l. in liquidazione	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, State of São Paulo - Brazil	R\$ 550,000	100% (*)
Maxlav Lavanderia Especializada S.A.	Jaguariúna, State of São Paulo - Brazil	R\$ 2,825,060	50.1% (*)
Vida Lavanderias Especializada S.A.	Santana de Parnaíba, State of São Paulo - Brazil	R\$ 3,600,000	50.1% (*)
Aqualav Serviços De Higienização Ltda	Vila Idalina, Poá, State of São Paulo - Brazil	R\$ 15,400,000	100% (*)
Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi	Ankara – Turkey	TRY 5,000,000	55%
Ergülteks Temizlik Tekstil Ltd. Sti.	Smirne - Turkey	TRY 1,700,000	57.5% (**)

(*) Held through SRI Empreendimentos e Participações Ltda

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

Company name Associates and Jointly-controlled Companies	Registered office	Share capital	% holding
Arezzo Servizi S.c.r.l.	Arezzo - Italy	EUR 10,000	50%
PSIS S.r.l.	Padua - Italy	EUR 10,000,000	50%
Ekolav S.r.l.	Lastra a Signa (FI) - Italy	EUR 100,000	50%
Steril Piemonte S.c.r.l.	Turin - Italy	EUR 4,000,000	50%
AMG S.r.l.	Busca (CN) - Italy	EUR 100,000	50%
Iniziative Produttive Piemontesi S.r.l.	Turin - Italy	EUR 2,500,000	37.625%
Piemonte Servizi Sanitari S.c.r.l.	Turin - Italy	EUR 10,000	30% (°)
SE.STE.RO. S.r.l. in liquidazione	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 3,502,000	51%
Shubhram Hospital Solutions Private Ltd.	New Delhi - India	INR 270,171,720	51%

Finanza & Progetti S.p.A.	Vicenza - Italy	EUR	550,000	50%
Brixia S.r.l.	Milan - Italy	EUR	10,000	23%
Saniservice Sh.p.k.	Tirana – Albania	LEK	2,745,600	30%
Servizi Sanitari Integrati Marocco S.a.r.l.	Casablanca - Morocco	MAD	122,000	51%

⁽⁷⁾ Indirect shareholding of 15.05% through Iniziative Produttive Piemontesi S.r.l.

DIRECTORS' REPORT

This Directors' report includes the data regarding the separate and consolidated financial statement as at 31 December 2017. The Group's main financial highlights as at 31 December 2017 are shown below, compared with those of the previous year. The figures were prepared in compliance with IAS/IFRS.

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

Servizi Italia S.p.A.

The separate financial statements of Servizi Italia S.p.A. disclose a shareholders' equity of Euro 142,427 thousand. The result for the year was a profit of Euro 13,822 thousand. This result was achieved after having provided Euro 2,448 thousand for current and deferred tax and Euro 43,004 thousand for amortisation, depreciation, impairment and provision. The result of the separate financial statements of Servizi Italia S.p.A. is influenced by the choice to apply valuation at equity of the subsidiaries; the accounting policies in question were amended retrospectively and the change implied the reinstatement of the comparative figures for the year 2016, with a decrease in the economic result of Euro 884 thousand, a decrease of Euro 9,356 thousand on the value of the other reserves and retained earnings and a decrease in the value of the equity investments in subsidiaries and associates of Euro 10,240 thousand.

Main income statement figures

The table below shows a comparison of the main 2017 income statement figures with the reinstated results for 2016 (in thousands of Euros):

<i>(thousands of Euros)</i>	31 December 2017	31 December 2016 reinstated	Changes	Chg. %
Revenues	211,199	198,757	12,442	6.3%

EBITDA (a)	56,536	53,675	2,861	5.3%
<i>EBITDA %</i>	26.8%	27.0%		
Operating profit (EBIT)	13,532	14,696	(1,164)	-7.9%
<i>Operating profit (EBIT)%</i>	6.4%	7.4%		
Net profit	13,822	10,996	2,826	25.7%
<i>Net profit %</i>	6.5%	5.5%		

(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.

The income statement figures felt the effects of the non-recurring and one-off components. Therefore, the main adjusted indicators are reported below:

<i>(thousands of Euros)</i>	31 December 2017	(1)	31 December 2017 <i>adjusted</i>	31 December 2016 <i>reinstated</i>	Changes adj.	Change % adj.
Revenues	211,199		211,199	198,757	12,442	6.3%
EBITDA (a)	56,536	1,326	57,862	53,675	4,187	7.8%
<i>EBITDA %</i>	26.8%		27.4%	27.0%		
Operating profit (EBIT)	13,532		14,858	14,696	162	1.1%
<i>Operating profit (EBIT)%</i>	6.4%		7.0%	7.4%		
Net profit	13,822	(311)	14,837	10,996	3,841	34.9%
<i>Net profit %</i>	6.5%		7.0%	5.5%		

(1) The adjusted data do not take account of non-recurring costs relating to the restructuring and industrial reorganisation of the North-West area for Euro 557 thousand, in particular incentives, indemnities and Naspi (acronym for Italian monthly compensation for unemployment), before the tax effect of Euro 134 thousand and one-off costs of the indemnity to the affiliated company Focus S.p.A. for Euro 408 thousand, before the tax effect of Euro 114 thousand and the payment of registration tax and accessory charges for the acquisition of Lavanderia Industriale Z.B.M. S.p.A. for Euro 361 thousand, gross of other charges and the tax effects of Euro 63 thousand.

Main statement of financial position figures

The table below shows a comparison of the main 2017 statement of financial position figures with the figures for 2016 (in thousands of Euros):

<i>(thousands of Euros)</i>	Year ended as at 31 December		Change	Change %
	2017	2016 reinstated		
Net operating working capital (a)	8,201	12,725	(4,524)	-36%
Other current assets/liabilities (b)	(11,801)	(13,836)	2,035	-15%
Net working capital	(3,600)	(1,111)	(2,489)	224%
Non-current assets - medium/long-term provisions	222,316	213,080	9,236	4%
Invested capital	218,716	211,969	6,747	3%
Shareholders' equity (B)	142,427	138,521	3,906	3%
Net financial debt (d)	76,289	73,448	2,841	4%
Invested capital (c)	218,716	211,969	6,747	3%

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

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

(c) Invested capital is not an accounting measurement under the IFRSs endorsed by the European Union. The Company management has defined invested capital as the sum of Shareholders' equity and net financial debt.

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

Main cash flow figures

The table below shows a comparison between the main cash flow figures as at 31 December 2017 and as at 31 December 2016 (in thousands of Euros).

<i>(thousands of Euros)</i>	Year ended as at 31 December		Change
	2017	2016 reinstated	
Cash flow generated (absorbed) by operations	55,581	48,894	6,687
Net cash flow generated (absorbed) by investment activities	(47,779)	(50,209)	2,430
Net cash flow generated (absorbed) by financing activities	(7,834)	328	(8,162)
Increase/(decrease) in cash and cash equivalents	(32)	(987)	955
Opening cash and cash equivalents	1,546	2,012	(466)
Closing cash and cash equivalents	1,514	1,025	489

Servizi Italia Group

The consolidated financial statements as at 31 December 2017 present Group shareholders' equity of Euro 139,075 thousand and shareholders' equity attributable to non-controlling interests of Euro 2,564 thousand. The result for the year was a profit of Euro 14,364 thousand. This result was achieved after having provided Euro 3,397 thousand for current and deferred tax and Euro 53,453 thousand for amortisation, depreciation, impairments and provision.

The companies, consolidated line-by-line in the financial statements for the period ended 31 December 2017, were the following:

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

Consorzio Se.Sa.Tre. S.c.r.l. in liquidazione, a consortium company established in 2008 and in liquidation as of 1 January 2018, with its registered office in Genoa, for the management of the contract relating to the Treviso Local Healthcare Provider No. 9, 60% of which held by Servizi Italia S.p.A., operates as intermediary between the customer and the consortia companies without generating own profits.

Steritek S.p.A., a joint-stock company established in 1999 with its registered office in Malagnino (CR), the leading Italian supplier of system validation and control services for sterilization processes and surgical instrument washing systems. The consolidation of Steritek S.p.A. generated sales revenues for Euro 998 thousand, an EBITDA of Euro 232 thousand, an EBIT of Euro 202 thousand and a profit pertaining to the Group of Euro 95 thousand.

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

- as from 19 July 2013, a shareholding of 50.1% in the share capital of Maxlav Lavanderia Especializada S.A. with its registered office in Jaguariuna, State of São Paulo (Brazil);
- as from 19 July 2013, a shareholding of 50.1% in the share capital of Vida Lavanderias Especializada S.A., with headquarters in Santana de Parnaíba, State of São Paulo (Brazil);
- as from 20 January 2015, a shareholding of 100% in the share capital of Lavsim Higienização Têxtil S.A., a Brazilian company with headquarters in São Roque, State of São Paulo (Brazil), already an investee company starting from 2 July 2012 of Servizi Italia S.p.A.;
- as from 23 December 2015, a shareholding of 100% in the share capital of the company, under Brazilian law, Aqualav Serviços De Higienização Ltda, with headquarters in Vila Idalina, Poá, State of São Paulo (Brazil).

The companies are involved in the supply of laundry services in the health sector in the State of São Paulo with particular focus on hospitals, nursing homes and healthcare facilities in the capital. The consolidation of the companies generated sales revenues for Euro 32,203 thousand, an EBITDA of Euro 6,597 thousand, an EBIT of Euro 964 thousand and losses pertaining to the Group for Euro 227 thousand.

Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi, 55% owned by Servizi Italia S.p.A., with 57.5% controlled company Ergülteks Temizlik Tekstil Ltd. Sti. with a registered office in Smirne, is a leading company subject to Turkish law, based in Ankara and active through the brand “Ankara Laundry” in the laundry washing sector for healthcare facilities mainly located in central-western Turkey. The consolidation of companies generated sales revenues for Euro 4,270 thousand, EBITDA of Euro 1,573 thousand, EBIT of Euro 1,406 thousand and profit pertaining to the Group for Euro 437 thousand.

Statement of reconciliation between separate and consolidated financial statements

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

<i>(thousands of Euros)</i>	2017 profit (loss)	2017 shareholders' equity	Restated 2016 profit (loss)	Restated 2016 shareholders' equity
Profit (loss) and shareholders’ equity of the parent company	13,822	142,427	10,996	138,521
Profit (loss) and shareholders’ equity of the subsidiaries	1,424	48,225	(192)	50,864
Elimination of equity investments	(1,057)	(69,509)	891	(71,324)
Consolidation differences	-	28,209	-	22,959
Other surplus value emerging at the time of acquisition	68	8	(653)	2,378
Registration of options on non-controlling interests	(531)	(5,688)	(309)	(3,724)
Valuation of affiliated companies and joint ventures with the equity method	639	(2,033)	(217)	(1,918)
Elimination of intercompany dividends	-	-	-	-
Consolidated profit (loss) and shareholders’ equity	14,364	141,639	10,515	137,756

Allocation of non-controlling interests profit (loss) and shareholders' equity	(594)	(2,564)	(64)	(545)
Group profit (loss) and shareholders' equity	13,770	139,074	10,451	137,212

Main consolidated income statement figures

The table below presents a comparison of the main consolidated income statement figures as at 31 December 2017 with the results as at 31 December 2016 (in thousands of Euros):

<i>(thousands of Euros)</i>	31 December 2017	31 December 2016	Change	Change %
Revenues	252,102	237,716	14,386	6.1%
EBITDA (a)	69,829	64,022	5,807	9.1%
<i>EBITDA %</i>	27.7%	26.9%		
Operating profit (EBIT)	16,376	13,745	2,631	19.1%
<i>Operating profit (EBIT)%</i>	6.5%	5.8%		
Net profit	14,365	10,515	3,850	36.6%
<i>Net profit %</i>	5.7%	4.4%		

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

The income statement figures felt the effects of the non-recurring and one-off components and, therefore, the main adjusted indicators are reported below:

<i>(thousands of Euros)</i>	31 December 2017	(1)	31 December 2017 <i>adjusted</i>	31 December 2016	Adjusted changes	Change % <i>adj.</i>
Revenues	252,102		252,102	237,716	14,386	6.1%
EBITDA (a)	69,829	1,326	71,155	64,022	7,133	11.1%
<i>EBITDA %</i>	27.7%		28.2%	26.9%		
Operating profit (EBIT)	16,376		17,702	13,745	3,957	28.8%
<i>Operating profit (EBIT)%</i>	6.5%		7.0%	5.8%		
Net profit	14,365	(311)	15,380	10,515	4,865	46.3%
<i>Net profit %</i>	5.7%		6.1%	4.4%		

(1) The adjusted data do not take account of non-recurring costs relating to the restructuring and industrial restructuring of the North-West area for Euro 557 thousand, in particular incentives, indemnities and Naspi, gross of the tax effect of Euro 134 thousand and one-off costs relative to the indemnity to the associated company Focus S.p.A. for Euro 408 thousand, before the tax effect of Euro 114 thousand and the payment of registration tax and accessory charges for the acquisition of Lavanderia Industriale Z.B.M. S.p.A. for Euro 361 thousand, gross of other charges and of the tax effect of Euro 63 thousand.

Main consolidated statement of financial position figures

The table below presents a comparison of the main consolidated statement of financial position figures as at 31 December 2017 with the figures as at 31 December 2016 (in thousands of Euros):

<i>(thousands of Euros)</i>	31 December 2017	31 December 2016	Change	Change %
Net operating working capital (a)	10,934	12,608	(1,674)	-13.3%
Other current assets/liabilities (b)	(12,000)	(11,692)	(308)	2.6%
Net working capital	(1,066)	916	(1,982)	-216.4%
Non-current assets - medium/long-term provisions	218,353	216,457	1,896	0.9%
Invested capital	217,287	217,373	(86)	-
Shareholders' equity (B)	141,639	137,756	3,883	2.8%
Net financial debt (d) (A)	75,648	79,617	(3,969)	-5.0%
Invested capital (c)	217,287	217,373	(86)	-

- (a) Net operating working capital is not an accounting measurement under the IFRSs endorsed by the European Union. The Company management has defined net operating working capital as the algebraic sum of inventories, trade receivables and trade payables.
- (b) Other current assets/liabilities are calculated as the difference between other current assets, current tax receivables, current tax payables and other current liabilities.
- (c) The Company management has defined invested capital as the sum of Shareholders' equity and net financial debt.
- (d) The management has defined net financial debt as the sum of amounts Due to banks and other lenders net of Cash and cash equivalents and Current financial receivables.

Main consolidated cash flow figures

The table below shows a comparison between the main consolidated cash flow figures as at 31 December 2017 and as at 31 December 2016 (in thousands of Euros):

<i>(thousands of Euros)</i>	Year ended as at 31 December		Change
	2017	2016	
Cash flow generated (absorbed) by operations	67,267	56,900	10,367
Net cash flow generated (absorbed) by investment activities	(54,315)	(56,035)	1,720
Net cash flow generated (absorbed) by financing activities	(9,695)	(3,241)	(6,454)
Increase/(decrease) in cash and cash equivalents	3,257	(2,376)	5,633
Opening cash and cash equivalents	5,463	7,082	(1,619)
Effect of exchange rate fluctuations	721	(757)	1,478
Closing cash and cash equivalents	7,999	5,463	2,536

Company information and business performance

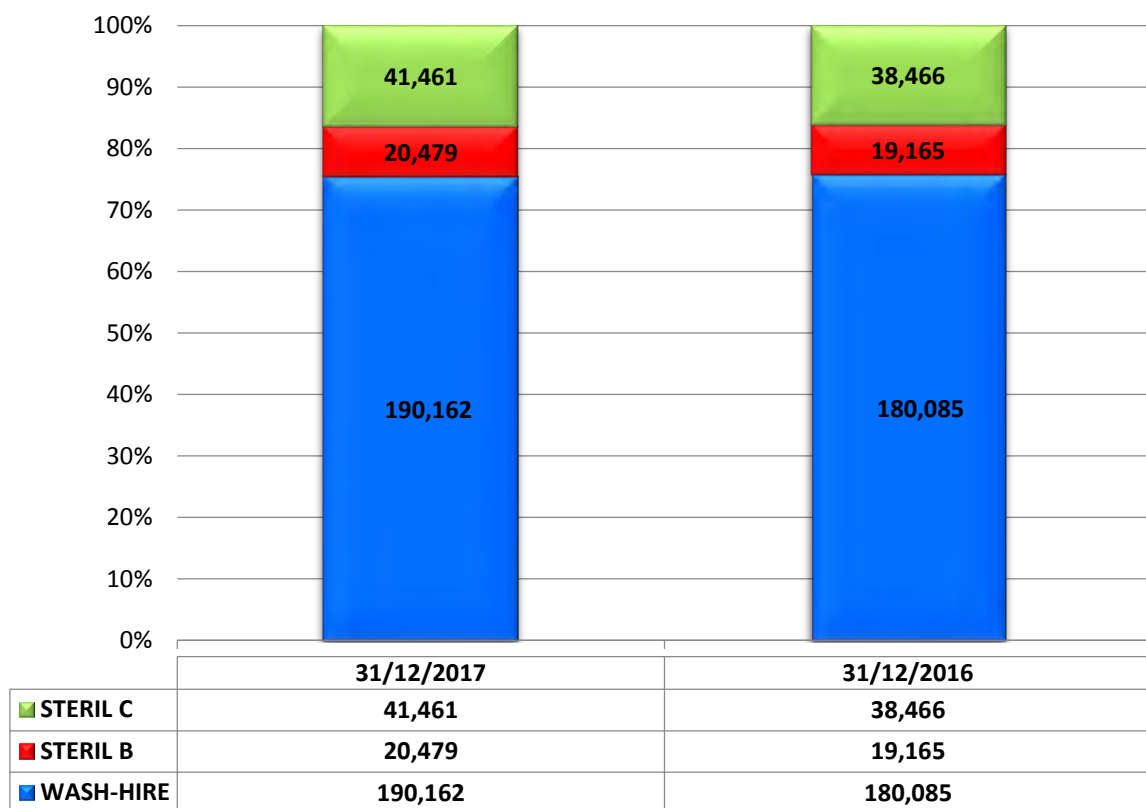
Servizi Italia S.p.A.'s business performance recorded revenues from sales and services in 2017 of Euro 211,199 thousand in total.

The consolidated revenues of the Servizi Italia Group amounted to € 252,102 thousand, reporting an increase of 6.1% compared to 2016, mainly due to the consolidation of Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi and - with regard to line for sterilization of surgical instruments - the consolidation of Steritek S.p.A. In the Brazilian market, the revaluation of circa 6.5% of the average Real / Euro exchange rate compared to the same year of the previous year had an impact in addition to the increase in turnover recorded on new orders.

Please note the following as regards consolidated revenues from sales and services by sector in the years 2017 and 2016:

- revenues from wash-hire services increased by 5.6% from Euro 180,085 thousand in 2016 to Euro 190,162 thousand in 2017. In relative terms, the wash-hire as at 31 December 2017 is 75.4% of the total amount of sales and services, showing a decrease compared with the 75.8% as at 31 December 2016;
- revenues from linen sterilisation services increased by 6.9% from Euro 19,165 thousand in the year ended 31 December 2016 to Euro 20,479 thousand in the year ended 31 December 2017;

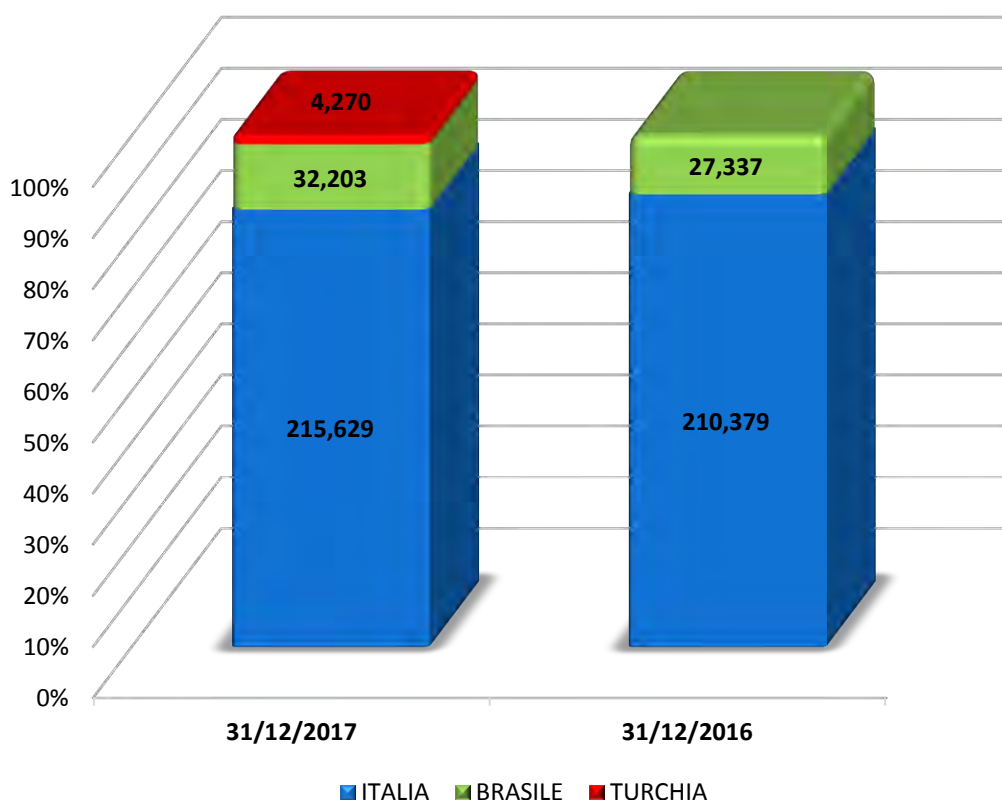
- revenues from surgical instrument sterilisation services increased by 7.8% from Euro 38,466 thousand in the year ended 31 December 2016 to Euro 41,461 thousand in the year ended 31 December 2017. The 2017 turnover of the line was positively affected by the starting of services provided to some customers.



The table below shows revenues from sales and services of the Servizi Italia Group by region, broken down by geographical area, for the years ending on 31 December 2017 and 2016:

<i>(thousands of Euros)</i>	31 December 2017	%	31 December 2016	%	Changes
Revenues - Italy	215,629	85.5%	210,379	88.5%	2.5%
Revenues - Turkey	4,270	1.7%	-	-	-
Revenues - Brazil	32,203	12.8%	27,337	11.5%	17.8%
Sales revenues	252,102	100.0%	237,716	100.0%	6.1%

Specifically, the increase in turnover in Brazil refers to 10.8% for systematic growth and the remaining 7.0% to positive exchange rate differences.



The table below shows revenues from sales and services of the Servizi Italia Group by region and for the periods ending on 31 December 2017 and 2016, taken from the consolidated financial statements:

<i>(thousands of Euros)</i>	31 December 2017	%	31 December 2016	%	Changes
Abruzzo	4	-	5	-	-20.0%
Basilicata	431	0.2%	415	0.2%	3.9%
Calabria	2	-	-	-	-
Campania	63	-	50	-	26.0%
Emilia Romagna	31,865	12.6%	32,254	13.6%	-1.2%
Friuli Venezia Giulia	19,627	7.8%	17,658	7.4%	11.2%
Latium	12,088	4.8%	11,676	4.9%	3.5%
Liguria	26,851	10.7%	28,420	12.0%	-5.5%
Lombardy	51,270	20.3%	46,986	19.6%	9.1%
Marches	3,795	1.5%	3,481	1.5%	9.0%
Molise	1	-	-	-	-
Piedmont	6,644	2.6%	7,733	3.3%	-14.1%
Apulia	12	-	-	-	-
Sicily	3,783	1.5%	3,217	1.4%	17.6%
Tuscany	26,938	10.7%	26,441	11.1%	1.9%
Trentino Alto Adige	6,050	2.4%	5,665	2.4%	6.8%
Umbria	266	0.1%	253	0.1%	5.1%
Valle D'Aosta	499	0.2%	1,031	0.4%	-51.6%
Veneto	24,916	9.9%	24,926	10.5%	-
NON-EU revenues	524	0.2%	168	0.1%	211.9%
NON-EU revenues (TURKEY)	4,270	1.7%	-	-	-
NON-EU revenues (BRAZIL)	32,203	12.8%	27,337	11.5%	17.8%
Total	252,102	100%	237,716	100.0%	6.1%

Servizi Italia Group investments

Group investments in 2017 amounted to around Euro 50 million, up compared with approximately Euro 43 million in 2016.

Purchases of linen and technical fabrics rose from Euro 30.2 million in 2016 to Euro 35.0 million in 2017, about 70.6% of the total investments made. This increase was due primarily to the increase in assets of Italian and Brazilian companies.

In terms of *business*, it is the segment of the wash-room which reported the higher investments (Euro 43.0 million), due to the increase in linen supplied with integrated tracking systems in addition to the systems necessary for reading this new equipment. The surgical instrument sterilisation line, in which the investments reached about Euro 4.7 million, included Euro 2.0 million for the purchase of the surgical instruments, Euro 0.5 million for the construction of the surgical instrument sterilisation facility of the ASST (healthcare provider) of Valle Olona for the hospital facilities of Busto Arsizio and Euro 0.2 million for the restructuring of the surgical instrument sterilisation facility at the DEAS (emergency room services) of Azienda Ospedaliera (Hospital) Careggi of Florence.

Servizi Italia S.p.A.

EBITDA moved from Euro 53,675 thousand in 2016 to Euro 56,536 thousand in 2017 (5.3% increase in absolute value). In relative terms, EBITDA, as regards revenues from sales and services, remained fairly stable, from 27.0% of the previous year to 26.8%. EBITDA was positively affected by the increase in revenues from sales in the wash-hire line - as a result of the merger by incorporation of Tintoria Lombarda Sanitary Division S.r.l. - as well as in the linen sterilization line due to the merger by incorporation of Servizi Italia Medical S.r.l. and in the instrument sterilization line due to the increase in turnover. This financial ratio was affected by greater containment of operating costs such as utilities, rentals, administrative costs and use of third-party personnel, while the increase in personnel costs both in the wash hire segment and in the surgical instrument sterilization segment was a negative factor. The EBITDA ratio was also negatively impacted, for Euro 1,326 thousand, by one-off costs relating to expenses for restructuring and industrial reorganisation following the termination of activities of the Barbariga (BS) site, incentives, indemnities and Naspi (acronym for Italian monthly compensation for unemployment) for Euro 557 thousand and the payment of registration tax and accessory charges for the acquisition of Lavanderia Industriale Z.B.M. S.p.A. for Euro 361 thousand as well as the indemnity totalling Euro 408 thousand recognised to the company Focus S.p.A. for the value loss following the restructuring of the Castellina di Soragna (PR) facilities. Net of one-off components, **adjusted EBITDA**,

amounting to Euro 57,862 thousand, rose by 7.8% in absolute terms, and with a relative incidence of 27.4%, compared to 27.0% in 2016.

The **operating profit (EBIT)** increased from Euro 14,696 thousand to Euro 13,532 thousand after recognising depreciation, amortisation, impairment and allocations of Euro 43,004 thousand, a 0.8% increase with respect to the incidence of the previous year. This increase was due to the gradual shift to linen equipped with integrated tracking systems, even on initial allocations of new orders, as well as to the amortization of the customer portfolio resulting from the acquisition of the company Tintoria Lombarda Divisione Sanitaria S.r.l. and the increase in the write-down of trade receivables of certain private customers. Net of one-off components, **adjusted EBIT**, equal to Euro 14,858 thousand, was essentially in line with the period of comparison.

Profit before tax increased by 17.6% from Euro 13,838 thousand to Euro 16,270 thousand. Financial management showed a decrease in net financial charges in 2017 following a decrease in the rates applied to loans. The improvement was achieved due to the positive results obtained in the scope of consolidation of subsidiaries, and made evident by the decision to apply the valuation according to the equity method of the subsidiaries which led to a positive effect on the result of Euro 1,516 thousand compared to the restated comparative amount in which negative differences were recorded for Euro 884 thousand.

The separate financial statements as at 31 December 2017 closed with **net profit** of Euro 13,822 thousand, up by 25.7% in absolute terms compared to Euro 10,996 thousand in 2016. The result was positively affected by the decrease in the tax burden which was mainly determined by the decrease in the IRES rate, as well as by the benefit deriving from the business income deduction of so-called “super and hyper-depreciation”, as required by the 2017 Budget Law (L. 232 / 2016).

Servizi Italia Group

Consolidated **EBITDA** grew from Euro 64,022 thousand in 2016 to Euro 69,829 thousand in 2017, a 9.1% increase in absolute terms. On a like-for-like basis, the increase in EBITDA would be around 3.6% in absolute value. EBITDA was positively impacted by the increase in sales revenues in both the wash-hire line and the surgical instrument sterilisation line - due to the consolidation of Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi and Steritek S.p.A. - with a greater reduction in operating costs in relative terms such as utilities, rentals, administrative costs and the use of third-party personnel, while it was negatively impacted by a increase in personnel expense, in particular in the Brazilian area, due primarily to the effects of the adjustments to the inflation rate of the labour agreements of the state of São Paulo, and the increase in labour units following growth in the laundry services thanks to the awarding of new contracts and the revaluation of the Real/Euro exchange rate.

The EBITDA ratio was also negatively impacted, for Euro 1,326 thousand, by one-off costs relating to expenses for restructuring and industrial reorganisation following the termination of activities of the Barbariga (BS) site, incentives, indemnities and Naspi for Euro 557 thousand and the payment of registration tax and accessory charges for the acquisition of Lavanderia Industriale Z.B.M. S.p.A. for Euro 361 thousand, as well as the indemnity totalling Euro 408 thousand recognised to the company Focus S.p.A. for the value loss following the restructuring of the Castellina di Soragna (PR) facilities. Net of one-off components, **adjusted EBITDA**, amounting to Euro 71,155 thousand, rose by 11.1% in absolute terms, and with a relative incidence of 28.2% (27.6% given an equivalent scope of consolidation), compared to 26.9% in 2016.

The consolidated **operating profit (EBIT)** increased from Euro 13,745 thousand to Euro 16,376 thousand after recognising depreciation, amortisation, and write-downs for Euro 53,453 thousand. The relative incidence remained unchanged, equal to 21.2%. The incidence of increases in the depreciations of linen shown in the Italian area is offset by the increase in turnover deriving from laundry services in the Turkish area and consolidated as of 2017.

Net of one-off components, **adjusted EBITDA**, amounting to Euro 17,702 thousand, and with a relative incidence of 7.0% (6.3% given an equivalent scope of consolidation) grew compared to the 5.8% in 2016.

Profit before tax increased from Euro 13,072 thousand to Euro 17,761 thousand. The improvement was primarily achieved due to the positive results recorded by associates and jointly controlled companies, consolidated using the equity method, and by the collection of dividends paid by subsidiaries.

The consolidated financial statements as at 31 December 2017 closed with a **net profit** of Euro 14,365 thousand compared to Euro 10,515 thousand realised in 2016, with a relative incidence that grew from 4.4% in 2016 to 5.7% in 2017 (5.5% given the equivalent scope of consolidation) and with an increase in absolute terms of Euro 3,850 thousand, equal to 36.6%.

Significant events and transactions

On 10 February 2017, the merger by incorporation of the wholly-owned subsidiary Tintoria Lombarda Divisione Sanitaria S.r.l. into Servizi Italia S.p.A. was finalised. The merger took effect from 1 March 2017 for statutory purposes. As from that date, the merging company (Servizi Italia S.p.A.) took over all the income and expense-generating legal relations relating to the merged company, with the execution of the organisational integration of the administrative and production processes targeted at achieving greater management efficiency and integration. The merger also made provision for the termination of the production activities provided by the Barbariga (BS) site, which were shifted to other laundry sites

with the available production capacity and, in agreement with the trade union organisations, the reallocation of part of the workforce to other production sites.

On 13 February 2017, the Company announced its presence in Morocco, for the primary purpose of developing and strengthening the surgical sterilisation business through the Moroccan company Servizi Italia Marocco S.a.r.l. To this end, Servizi Italia purchased 51.0% of Servizi Sanitari Integrati Marocco S.a.r.l., a company that on 10 February 2017 signed a preliminary contract for the establishment of Servizi Italia Marocco S.a.r.l, which will be 50% owned by Servizi Sanitari Integrati Marocco S.a.r.l. and 50% owned by local partner Blue Field Healthcare S.a.r.l.

On 28 March 2017, the Company published its fourth Sustainability Report, proof of its constant commitment to economic and social sustainability, based on the gradual prospect of shared value. The Report is testimony to the Company's commitment to making strategic content regarding Corporate Social Responsibility available to stakeholders.

On 20 April 2017, the Shareholders' Meeting approved the financial statements as at 31 December 2016 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 26 April 2017, with a coupon payment on 24 April 2017. The Shareholders' Meeting also appointed the members of the Board of Statutory Auditors and its Chairman for the years 2017–2018–2019, and determined the related remuneration.

The Shareholders' Meeting authorised the Board of Directors to purchase and sell treasury shares, subject to revocation of the resolution of 20 April 2016. 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. Additional information on the event is available on the Company's website.

The Board of Directors meeting, held on 20 April 2017, resolved to launch the programme for the purchase and sale of treasury shares, in implementation of the resolution issued by the ordinary Shareholders' Meeting.

On 12 May 2017, the Board of Directors verified that the statutory auditors met the independence requirements, based on the checks performed by the Board of Statutory Auditors after the appointment, in compliance with the provisions of the Corporate Governance Code. The Board of Directors also verified the requirements for remaining in the STAR segment (ref. 2.2.3, paragraph 10 of the Regulation of Borsa Italiana and IA.4.2.3, paragraph 3, of the Instructions), in order to comply with the terms and methods set forth in the Issuers' Regulations of Borsa Italiana and the instructions in the Issuers'

Regulations. In addition, it also approved the legislative update to the Regulations for Related Party Transactions.

On 16 May 2017, the Company announced the exercising of the option to purchase an additional 15% stake in the Turkish company Ankateks, obtaining control of the Group on 19 July 2017, and strengthening its position in the market. Additional information on the event is available on the Company's website.

On 11 July 2017, the Company announced that Servizi Italia S.p.A.'s Board of Directors and the Shareholders' Meeting of Servizi Italia Medical S.r.l. approved the merger by incorporation of the wholly-owned subsidiary Servizi Italia Medical S.r.l. in Servizi Italia S.p.A. The merger operation was effective as of 1 October 2017. The merger became effective for accounting and tax purposes as of 1 January 2017. For more details and information, refer to the documents available on the Company's website.

On 2 August 2017, the Company announced that, pursuant to the applicable regulations, Marco Marchetti stepped down from the role of executive Director and manager of Servizi Italia S.p.A. Pursuant to art. 2386 of the Italian Civil Code and art. 13 of the company Articles of Association; on 11 September, the Board of Directors resolved to appoint, via co-optation, Antonio Aristide Mastrangelo as the new director. For more details and information, refer to the documents available on the Company's website.

On 5 September 2017, the Company announced the acquisition of the majority stake in Steritek S.p.A., a leading Italian operator in providing validation services for sterilisation cycles, for surgical instrument washing services and accessory services for healthcare facilities. Thanks to this transaction, Servizi Italia diversifies its existing business lines, expanding the range of high value added and similar services to its sterilisation activities. For more details and information, refer to the documents available on the Company's website.

On 13 October 2015, the Italian Revenue Agency, Provincial Office of Brescia, sent a Tax Audit Report Notice concerning direct taxes, VAT and IRAP relating to 2010, against Padana Everest S.r.l., merged into Servizi Italia S.p.A. in 2012, where a higher taxable amount was disputed, based on the assumption of an undue decrease in income concerning the tax exemption of investments set forth in Law-Decree no. 78 of 1 July 2009 (so-called "Tremonti-ter"). On 23 December 2015, the Office notified Servizi Italia the Notice of Assessment, with which - by fully acknowledging the findings of the tax audit report - it did not recognize a portion of eligible investments for the Tremonti-ter purposes. In 2016, Servizi Italia filed an appeal against the notice, asking it to be cancelled; the Provincial Tax Commission of Brescia

rejected the appeal presented and, on 22 March 2017, Servizi Italia S.p.A. filed an appeal to the Regional Tax Commission, believing the tax claim to be illegitimate and objectively unfounded. The hearing for the appeal has not yet been scheduled.

With regard to the delivery of a Formal Notice of Assessments, dated 30 September 2016, issued by the Italian Revenue Agency - Regional Directorate Office of Emilia Romagna - Major Tax Payers Office, already communicated in the section Information on proceedings in progress in the Half-year Financial Report as at 30 June 2017, on 9 August 2017 Servizi Italia S.p.A. received, regarding the years 2012 and 2013, orders to file an appearance from the Italian Revenue Agency in order to enter into discussions. Therefore, the Company met with officials from the Italian Revenue Agency to re-propose its evaluations and briefs in support of its work, reaching a settlement with the Tax Authorities, which recognised the positions of Servizi Italia S.p.A. regarding the recognition of components arising from factoring fees and the deductions of negative income components provided by contract and recorded according to the IAS 18 principle, mediating on the matter of active transactions with the subsidiary SRI Empreendimentos e Participações L.t.d.a. On 24 October 2017, Servizi Italia S.p.A., in evaluating the benefits of an agreement with the Italian Revenue Agency at the pre-dispute phase, for the purposes of reaching a settlement, paid the amounts set out in the Italian Revenue Agency's proposal, in order to avoid the establishment of long dispute proceedings which would have meant it losing the possibility - among other things - of implementing corrective actions in the event of being the losing party. Therefore, the taxes involved in the settlement and the associated accessory charges have already been booked to this report, as well as the recovery of costs for services to SRI Empreendimentos e Participações L.t.d.a., with a net total impact on the consolidated financial statements of around Euro 317 thousand.

During the month of December 2017, the Company established an office in the new headquarters at the same address, implemented as part of the redevelopment project of the production area of Castellina di Soragna (PR). The building, built according to criteria of eco-compatibility, responds to the need for larger spaces following the acquisitions completed by Servizi Italia in recent years; it consists of a ground floor and a first floor with a sizing adequate to meet company developmental needs for years to come. The new headquarters have a modern interior design with open space, offices, meeting rooms as well as common and relaxation areas for improved work well-being in order to contribute to greater efficiency in workflows between people and with a view to effective sharing and exchange of knowledge.

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

Customer	Service provided	Duration years	Contract value per year (thousands of Euros)
ESTAR – AO Careggi of Florence (awarded as part of a Temporary Joint Consortium)	CTO Florence Sterilisation Service	1	1,121
ASP Emanuele Brignole of Genoa	Linen wash-hire service	2	151
Ospedale Evangelico Internazionale of Genoa	Supply of sterile linen kits for surgical procedures composed of TTR and TNT textiles	4	191
ASSB Bolzano	Service for the wash-hire and delivery of flat and packed linen	3	477
AZIENDA ULSS 6 Vicenza (awarded as part of a Temporary Joint Consortium)	Linen wash-hire, mattresses and garment service	5	3,380
Az. Osp. San Camillo Forlanini of Rome (awarded as part of a Temporary Joint Consortium)	Linen wash-hire, non-sterile TNT textile, linens and sterile items service.	3	3,194
APAC Trento – Anaunia Taio (awarded as part of a Temporary Joint Consortium)	Flat and packed linen wash-hire service.	4	151
Istituto Ortopedico Rizzoli of Bologna (awarded as part of a Temporary Joint Consortium)	Linen wash-hire service	6	850
La Quiete – Udine (awarded as part of a Temporary Joint Consortium)	Wash-hire service	5	594
Vimercate Salute e Gestioni Scarl	Wash-hire service	3	686
IRCCS Cà Granda – Ospedale Maggiore Policlinico of Milan (awarded as part of a Temporary Joint Consortium)	Wash-hire, maintenance, delivery and pickup of mattresses service	5	57
Azienda Universitaria Integrata of Trieste (awarded as part of a Temporary Joint Consortium)	Wash-hire service	1	69
Suzzara Hospital	Wash-hire service	3	55
Fondazione Salvatore Maugeri	Wash-hire service	3	850
SIRAM - Bergamo Hospital	Wash-hire service provided to ASST “Papa Giovanni XXIII” – Bergamo presidio ospedaliero San Giovanni Bianco	14	220

Brixia Service S.r.l.	Wash-hire service	3	90
SIRAM - Bergamo Hospital	Management and operation of the sterilization center inside the Papa Giovanni XXIII Hospital in Bergamo	13	1,860
ASP Fondazione Muner de Giudici and ASP Casa di Riposo Giuseppe Sirch	Laundry service of flat linen, packaged, staff uniforms and washing of guest linen at A.S.P. "FONDAZIONE E. MUNER DE GIUDICI" of Lovaria – Pradamano (UD) and A.S.P. "CASA DI RISPOSTO GIUSEPPE SIRCH" of San Pietro al Natisone (UD)	3	169
ULSS 2 Serenissima – Mestre (awarded as part of a temporary joint consortium)	Sterilization service at the hospital center of Mestre	3	309
Emporium - Griesfeld Nursing Home of Bolzano	Laundry and rental service of the Griesfeld Nursing Home of Bolzano (BO)	4	50
Comprehensive community Oltradige-Bassa Atesina (Domus - Laives)	Laundry services for the Centro di Degenza Domus Meridiana of Laives	4	67
APSP Matteo Brunetti - Paluzza UD	Rental, washing, disinfection, drying, ironing and bending of the flat and sanitary linen for the Covil di Paluzza elderly residential facilities	3	54

Treasury shares

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

Research & Development activities

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

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

Servizi Italia S.p.A.'s transactions with subsidiaries, associates, jointly controlled companies and parent companies mainly relate to: (i) Relations related to contracts for the supply of services of a commercial nature; and (ii) Financial relations involving loans. These transactions are described in detail in the explanatory notes to the Financial Statements, in section 8.

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

Significant events after the end of the year

On 19 January 2018, the Company announced the resignation submitted by the director Emil Anceschi on 17 January 2018. The Board of Directors has noted that - despite the resignation of the director - the composition of the Board of Directors is in any case in line with currently effective provisions on gender balance and the number of directors meeting independence requirements. Given the above - and the imminent expiration of the mandate of the current administrative body on the date of approval of the financial statements as at 31 December 2017 - the Board, with the favourable opinion of the Board of Statutory Auditors, deemed it appropriate to not to proceed with the co-optation pursuant to the company Articles of Association and Art. 2386 of the Italian Civil Code but instead to await a resolution regarding the appointment of the entire administrative body directly at the next Shareholders' Meeting. For more details and information, refer to the documents available on the Company's website.

On 31 January 2018, the Company communicated the resignation of Mr. Maurizio Casol, an executive with strategic responsibilities and related party pursuant to the Regulations approved by Consob resolution no. 17221/2010 and the RPT Regulations adopted by Servizi Italia. For more details and information, refer to the documents available on the Company's website.

Business outlook

The Group - for the 2018 financial year - forecasts results that take into account the commitment to consolidate investments made in the countries in which it operates as well as the consolidation of the Group's organizational structure and the attainment of important management efficiency objectives that aim, amongst other goals, to go beyond just meeting the quality requirements of customers, thereby maintaining and improving the levels of profitability and margins of the *business*. In particular, the strategy of the Servizi Italia Group will focus on the achievement of the following objectives:

- strengthening its leadership in Italy, through the participation and the acquisition of contracts and cross-selling on acquired contracts and through operations of external growth aimed at increasing the value of the individual wash-hire, sterilization and new services *business*;
- improvements in the margins and profitability of the business in the countries where the Group operates. In detail:
 - in Italy, with activities that meet the healthcare requirements of the Regions that are implementing new healthcare organisational models;
 - in Brazil, through cost containment, the on-going search for production synergies and efficiencies and the reorganisation of the Group's companies;

- in India, through activities carried out by the local management, aimed at promoting the business model in order to increase the demand and the revenue which support the start-up expenses arising from the opening of the new company;
- in Turkey, through the implementation of policies and organisational/industrial models linked to the parent company;
- consolidation of the organizational structure of the Group with the implementation of a new organizational model which aims, on the one hand, to attain strategic priorities - given the international growth of the company - and, on the other hand, strives to valorise the services of the business lines by preparing for the introduction of functions necessary for the development of new processes in order to guarantee the continuity of all the businesses provided by the Group. The organizational model has also adapted to developments in the administrative and accounting structure of the company, as well as to that of any subsidiaries of strategic importance, particularly with reference to the internal control and risk management system;
- further develop the value of corporate sustainability which is increasingly deemed applicable across all business areas.

Derivatives

As at 31 December 2017 and 31 December 2016, the Group held no financial derivatives.

Company Headquarters

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

- Via S. Pietro 59/c – 43019 Castellina di Soragna (PR)
- Via Palugara 22 – 36030 Montecchio Precalcino (VI)
- Via Quarto Negroni 58 – 00040 Ariccia (Rome)
- Via Concordia, snc – 31040 Treviso (TV)
- Via Travnik, 20 – 34018 San Dorligo della Valle (TS)
- Via Lungo Rio Freddo, 15 – 50141 Florence (FI)
- Viale Grado, 51 – Lauzacco – 33050 Pavia di Udine (UD)
- Via Giardini, 1355 – Baggiovara – 41100 Modena (MO)
- Viale Luigi Borri, 57 – 21100 Varese (VA)
- Piazza Nicola Leotta, 4 – 90127 Palermo (PA)
- Via Albisola, 109 – 16162 Genoa Bolzaneto (GE)
- Via Sambrioli, 1 – 25039 Travagliato (BS)

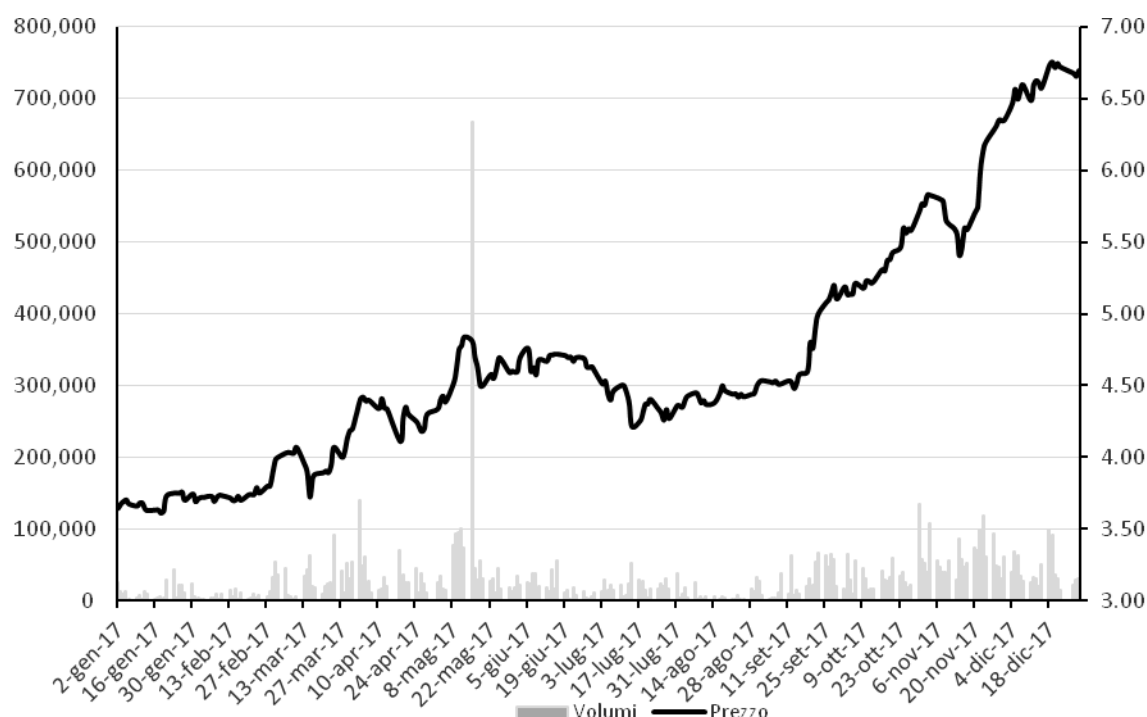
- Via Primo Maggio n. 125– 29027 Podenzano (PC)
- Via Aldo Moro n.8 – 44124 Cona, Ferrara (FE)
- Largo Rosanna Benzi 10 – Ospedale San Martino – 16132 Genoa (GE)
- Piazzale Santa Maria Misericordia 15 – 33100 Udine (UD)
- P.zza Org. Mond. Della Sanità 1 – 24127 Bergamo (BG)
- Via Consolare Valeria 1 – 98124 Messina (ME)
- Via Cisa snc – Ospedale San Bartolomeo – 19038 Sarzana (SP)
- Via Ugo Foscolo, 7 – 59110 Prato (PO)
- P.le Spedali Civili 1 - 25123 Brescia (BS)
- Via Largo Ugo Dossena 2 – 26013 Crema (CR)
- Via Linfano, 6 – 38062 Arco (TN)

Servizi Italia and the financial markets

The Company shares have been traded 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 31 December 2017 is disclosed below along with share volume and price trends (in Euros):

Share and stock exchange data	31 December 2017
No. of shares making up the share capital	31,809,451
Price at IPO: 4 April 2007	8.50
Price as at 31 December 2017	6.70
Maximum price during the period	6.76
Minimum price during the period	3.61
Average price during the period	4.686
Volumes traded during the period	8,007,036
Average volumes during the period	31,526.76

Share volumes and prices as at 31 December 2017



In 2017, 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. In 2017, the Company met with investors at the “STAR Conference” events in Milan and London organised by Borsa Italiana and also appointed Midcap Partners (Appointed rep by Louis Capital Markets UK, LLP) to conduct a research study, published on the Company’s website together with that of Specialist Intermonte SIM.

Report on corporate governance and the ownership set-ups

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

Servizi Italia S.p.A. is not subject to the management and co-ordination activities of either the direct parent company Aurum S.p.A. or the indirect parent company Coopservice S. Coop. p. A., since the following indices of probable subjection to third party management and co-ordination activities do not exist, such as the issue of directives pertaining to the financial and lending policy, the establishment of group operating strategies, the concentration of cash management relationships with the same. The Company in fact operates under conditions of corporate and entrepreneurial autonomy and operates autonomously in commercial dealings with its customers and suppliers. Furthermore, Servizi Italia - in

compliance with the matters envisaged by Italian Law No. 262 dated 28 December 2005 - has adopted all the necessary measures (such as, for example, the appointment of the Control and Risks Committee, the *Lead Independent Director* and the adoption of internal regulations regarding transactions with related parties) which permit it not to be subject to management and co-ordination activities.

Report on the remuneration of the directors, the general manager and the executives with strategic responsibilities

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

Non-financial statement: 2017 sustainability report

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

Risk management information

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

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

1. Business objectives:

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

2. Governance objectives:

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

Via the Director responsible for the internal control and risk management system and the Internal Audit Manager, the Board of Directors plans, organises and manages initiatives designed to ensure that company targets are achieved by periodically reviewing objectives, changing processes based on

changes within and outside the Company, and promoting and maintaining a culture and climate favourably oriented towards risk management within the company.

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

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

The primary objectives of ERM are:

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

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

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

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

Risk Factors

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

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

- **Strategic and policy risks**

Market risk and sector competition

The activities of the Group are affected by the general conditions of the economy in the markets in which it operates. A period of economic crisis, with a consequent slowdown in consumption, may have a negative impact on the sales of the Group, with a subsequent decline in production volumes. The current macro-economic scenario causes a significant uncertainty on forward-looking statements with the consequent risk that a more modest performance may impact, in the short term, the margins. To mitigate the possible negative impact that a lower demand may have on the Company's profitability, the Servizi Italia Group has set up a managing structure that, through project management and project control activities, pursues objectives of organisational and operational efficiency in order to maintain the levels of margins and profitability of the business in general.

Country risk

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

Risks associated with growth

The Group aims at continuing to grow through a strategy based on strengthening its presence in the markets in which it operates and on expanding its geographic presence. Within this strategy, the Group

may have to face some challenges in managing possible adjustments to the structure or business model, or in its capacity to identifying market trends and related local demand. In addition, the Group may incur start-up expenses arising from the opening of new companies. Finally, if the growth of the Group is pursued through external actions such as acquisition operations, it is possible that it may have to face, inter alia, difficulties connected to the correct measurements and integration of the acquired assets, as well as not achieving the expected synergies which may negatively reflect on the asset and the future economic-financial results of the Group. For the purpose of mitigating these risks, the Group has set up a number of internal processes for safeguarding the approval and valuation phases of the investment initiatives. Furthermore the processes, in addition to the appropriate formal procedures, provide for due diligence operations, binding multi-level internal authorisation processes, more effective project management and project control activities which are carried out by Top management in order to timely implement any possible change and therefore minimise the economic or financial impact that may derive from the above described events which could occur in any of the countries involved.

- **Risks associated with the outside environment**

Risks associated with customers' orders

The Group aims at achieving its internal growth in the markets where it operates, through a strategy that includes the awarding of service contracts through public calls for tender or private negotiations, which are regulated by laws that may differ from country to country. More specifically, the contracts executed with customers have generally a multi-annual duration, with the possibility, at the end of the first natural expiry date, of an extension for an additional period, normally of the same duration as the initial one; this allows the Group to plan its future activities. However, there are no certainties about the Group being able to maintain the same relationship as a contractual vendor and no certainties about the fact that the new public calls for tender or other private negotiations will offer technical-economic conditions of interest to the Group; this may cause negative and significant effects on the business and the economic, equity and financial position of the Group. As regards the contracts in the portfolio, there is no overlapping of expiry dates, and it should also be noted that the leadership and the reputation of the Group and the quality of services provided encourage the customers to renew their contracts. In fact, the strategy adopted by the Group ensures customer retention by maintaining a continuous trade relationship with the customers in the long-term and with the objective of maintaining a low churn rate.

Risks associated with the competition

The comparative map of the markets in the countries where the Group operates differs from country to country. In detail: (i) the Italian market is highly competitive due to the presence of different operators in the sector of the services offered; (ii) the Brazilian market, due to the growing penetration rate of the

demand for services, has witnessed the development of the competition map represented by operators, who through external growth operations, have strengthened their positions in some areas of the country, and by other family-based and small-sized operators, with a limited capacity of self-financing and relatively ineffective management models; (iii) the market of the other countries where the Group operates at this time is not characterised by a significant competitive map. It is not possible to exclude that the intensification of the level of competition in the sector of the services in which the Group operates may condition activities in the future and have significantly negative impacts on operations and on income, the financial position and cash flows. The Group deals with this risk by offering innovative services of proven quality in rigorous compliance with regulations.

Risks associated with changes in sector legislation

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

- **Financial risks**

Interest rate risk

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

Credit risk

Receivables are due from public institutions, and as such they are certain in terms of collectability and, by nature, not subject to impairment risks, and from private customers and therefore exposed to uncertainties. The Group has adopted procedures for the ongoing monitoring of its exposure to different counterparties and has implemented adequate measures for risk mitigation through procedures for the recovery of doubtful receivables using legal assistance if the filing of legal actions is required.

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

Price risk

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

Exchange rate risk

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

With reference to the transactional risk, under the co-ordination of the Administration, Finance and Audit divisions, the Group handles the exposure to foreign exchange rate risk on certain currency flows (Brazilian Real, Turkish Lira, Indian Rupee and Albanian Lek) as regards development investments in Brazil, Turkey, India and Albania in order to minimise any possible negative effect. It should also be noted that the Company holds controlling interests in companies that prepare their financial statements in a currency other than the Euro, the latter being used for the consolidated financial statements. This exposes the Group to translation risks, due to the conversion into Euro of the assets and liabilities of the subsidiaries that operate with currencies other than the Euro. The main exposures to foreign exchange

translation risk are constantly monitored and, at present, it is not believed necessary to adopt specific hedging policies covering these exposures.

Liquidity risk

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

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

- **Process risks**

Risks associated with related party transactions

Transactions with related parties are regulated in compliance with the provisions of the Regulations approved by Consob with resolution no. 17221 of 12 March 2010, as subsequently amended, and the Regulations for Transactions with Related Parties approved by the Company on 24 November 2010, subsequently amended on 13 November 2015 and 12 May 2017. The Servizi Italia Group has transactions outstanding with related parties (as defined by international accounting standard IAS 24); these transactions have been analysed in the specific supplementary annual and consolidated income statement and statement of financial position schedules as at 31 December 2017 and stated in detail in the related notes.

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

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

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

Any defects in the sterilisation process could generate liability for the Company vis-à-vis the customers or third parties and give rise to subsequent requests for damage compensation. Accordingly, the Company has taken out insurance policies to cover these risks, in line with sector practice, to cover the liability: (i) in relation to the product, and (ii) civil vis-à-vis third parties and workers in the sterilisation centres.

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

Risks associated with environmental responsibilities

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

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

The Group has adopted the management and organisation model envisaged by Italian Legislative Decree No. 231/2001 for the purpose of creating a system of rules aimed at preventing the adoption of unlawful conduct by senior management, executives or in any event those with decision-making powers deemed significant for the purpose of application of this legislation.

The Company believes that it has applied the utmost diligence in the implementation of the provisions pursuant to Italian Legislative Decree No. 231/2001; however, no certainty exists with regard to the fact that the model adopted by the Company may be considered suitable by the legal authority possibly called to check the cases contemplated by said legislation. If such cases should occur, and in the event of an

unlawful event, the Company's exemption from liability is not recognised on the basis of the provisions contained in said decree, it is envisaged that the Company, in any event and for all the unlawful acts committed, will be fined, as well as, for more serious cases, be subject to disqualification measures, such as disqualification from carrying out activities, suspension or revocation of authorisations, licences or concessions, prohibition from contracting with public administration authorities, exclusion from loans, grants and subsidies and possible revocation of those already granted and, in conclusion, prohibition from publicising goods and services, with consequent significant negative impacts on the Group's economic and financial results.

Information on proceedings in progress

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

Servizi Italia S.p.A. is involved in proceedings for an alleged offence pursuant to Italian Legislative Decree no. 231 of 2001 relating to the AUSL (Local Health Authority) of Viterbo, for which a former director was charged with a predicate offence in relation to the awarding of a tender for the assignment of the supply of wash-hire services, sterilisation and hire of surgical instruments for the aforementioned AUSL of Viterbo. Through its lawyers, Servizi Italia 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 in the alleged events;

Servizi Italia S.p.A. has proceedings in progress for the administrative liability of legal entities - pursuant to Italian Legislative Decree No. 231 of 2001 - for an alleged offence charged to a Director and a former Director, concerning the award of a tender for a nine year contract of the AOU Policlinico di Modena - so-called "Global Service" - decided with resolution of 19.12.2008, to the RTI (temporary joint consortium) established by Coopservice Soc.Coop.p.A., in its capacity as lead contractor, and other companies including Servizi Italia S.p.A., Padana Everest S.r.l. and Lavanderia Industriale ZBM S.p.A. (companies merged by incorporation into Servizi Italia S.p.A.). The Company, which confirms its absolute lack of involvement in the events contested, has promptly appointed a defence counsel in order to undertake any legal action that would prove it; the proceedings began in the autumn and are currently underway.

On 3 April 2017, as part of the preliminary hearing relating to the proceedings which involved the subsidiary Servizi Italia Medical S.r.l., the Preliminary Hearing Judge ruled that there was no need to give a decision as the fact did not constitute an offence. The proceedings involving the company for the administrative liability of legal entities - pursuant to Italian Legislative Decree 231 of 2001 - which charged a former Director with reference to the awarding, by means of a resolution on 28/12/2009, of a

tender contract of nine years of the AOU Policlinico di Modena, for the assignment of a supply, based on a piecework contract, of disposable procedure kits, were therefore closed.

On 13 October 2015, the Italian Revenue Agency, Provincial Office of Brescia, sent a Tax Audit Report Notice concerning direct taxes, VAT and IRAP relating to 2010, against Padana Everest S.r.l., merged into Servizi Italia S.p.A. in 2012, where a higher taxable amount was disputed, based on the assumption of an undue decrease in income concerning the tax exemption of investments set forth in Law-Decree no. 78 of 1 July 2009 (so-called Tremonti-ter). On 23 December 2015, the Office notified Servizi Italia of the Notice of Assessment, with which - by *fully* acknowledging the findings of the tax audit report - it did not recognize a portion of eligible investments for the Tremonti-ter purposes. In 2016, Servizi Italia S.p.A. filed an appeal against the notice, asking it to be cancelled; the Provincial Tax Commission of Brescia rejected the appeal presented and, on 22 March 2017, Servizi Italia S.p.A. filed an appeal to the Regional Tax Commission, believing the tax claim to be illegitimate and objectively unfounded. The hearing for the appeal has not yet been scheduled.

Security Policy Document

Pursuant to annex B, point 26 of Italian Legislative Decree No. 196/2003 on the Personal data protection code, the directors acknowledge that the Company has worked to uphold personal data protection measures, also in light of the provisions introduced by Italian Legislative Decree No. 196/2003 and Italian Decree Law No. 207 of 30 December 2008, published in Official Gazette No. 300 of 31 December 2008. The company is implementing a project in order to ensure - within the deadlines set by the regulations - company *compliance* with the provisions of the Regulations (GDPR, *General Data Protection Regulation*).

Management systems pertaining to Quality, Health, Workplace Safety and Environment themes

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

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

- guarantee and demonstrate that the process is able to systematically produce services that comply with preset specifications defined on the basis of customer requirements and applicable regulatory requirements in force;

- aim to increase the level of customer satisfaction via effective management of the quality, safety and environment system and continuous improvement;
- are oriented towards protecting the community and the environment, the health and safety of the population and the prevention of pollution in compliance with current legislation.

In 2017:

- the applicable Managers carried out the audits planned in the company departments as well as at production sites;
- accredited third party Certification Bodies successfully completed the renewal audits to maintain existing certifications and to obtain them for the new production sites.

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

- UNI EN ISO 9001 for the achievement of the Quality Management System;
- UNI EN ISO 13485, for the achievement of a Quality Management System, supporting the organisation for the planning and development, production, installation and assistance of the Medical Devices, as well as the planning, development and supply of the related services;
- UNI EN ISO 14001, for the achievement of an Environmental Management System to support the organisation;
- UNI EN 20471, High visibility clothing for professional use, control and checking system for high visibility clothing subject to washing and maintenance;
- UNI EN 14065, “Laundry-treated fabric” bio-contamination control system. Bio-contamination control system assessed according to the RABC guidelines issued by ASSOSISTEMA;
- BS OHSAS 18001, Management System safeguarding the Health and Safety of the Workers.
- EC Certification in compliance with European Directive 93/42/EEC and its subsequent amendments and supplements (implemented in Italy with Italian Legislative Decree No. 46 of 24.02.1997 and its subsequent amendments and supplements), and concerning medical devices, specifically Medical Devices made in sterile kits for operational wards of hospital facilities.

Occupational Health and Safety

As regards labour safety and protection, Servizi Italia S.p.A. has continued in 2017, as in previous years, to carry out important activities aimed at reducing and managing the ergonomic risk:

- analyses were carried out with the support of Ergonomics certified technicians and with the use of extremely advanced technologies, such as an analysis of inertial movements;

- some major technical adjustments were introduced in order to reduce the biomechanical overload to the upper limbs;
- risk assessment activities applied to machinery and equipment, and technical interventions aimed at reducing the residual risk associated with their use, continued;
- some important improvements were also made to plants, in order to make them safer and to increase the protection of production labour.
- the modalities of execution of overground works have been improved through technical, training and organizational interventions.

In addition, the year 2017 witnessed the start of certain construction sites which required the management of the legislation (Section IV, Legislative Decree no. 81/08) and of interferences with productive activities underway (in accordance with Article 26 of Legislative Decree 81/08).

During 2017, the team in charge of safety carried out the following activities:

- a review and update of the Risk Assessment Document;
- implementation of the activities for the preparation and drafting of the D.U.V.R.I. (consolidated document on the assessment of risk from interference) pursuant to Art. 26 of Italian Legislative Decree 81/08 and pertaining to tender agreements, subcontracts or service agreements with third parties;
- continuous monitoring of safety indicators;
- training and information during annual meetings, dedicated to occupational health and safety and to environmental protection aspects. The annual initiative is furthered by the Employer and involves Delegates, Company Medical Officers, Workers' Safety Representatives from each production site, Production site and Contract Managers.

With regard to 2017, the representative Maurizio Vitali reported to the Board of Directors with regard to aspects concerning Occupational Health and Safety with a review of the trend of indicators that are representative of the Safety Management System, as well as the investment made for the safety of the work environments.

Accident prevention within Servizi Italia S.p.A.

With regard to company personnel, the analysis of the industrial accident trend in the last three years 2015-2017, excluding the accidents to and from work (accidents for all purposes but not to be considered as related to working activities), reported an increase of 13% compared to the previous three years. The

data were significantly affected by the following factors: i) the increased organizational complexity due to the management of new contracts and the presence of temporary work sites for the construction of new production sites in the sterilization field; and ii) the expansion of production capacity of the laundry site in Travagliato; the latter has increased production volumes and introduced new personnel with the implementation of an additional work shift.

With regard to the values of the frequency (If) and severity (Ig) indices - again in the 2015-2017 three-year period - the same reported, compared to the previous three-year period, an average percentage increase of 8.30% for If and 4.33% for Ig. The If figure is mainly due to the greater number of accidents that occurred, even if with few days of absence or even none; the Ig figure is due to events that involved multiple days of absence. In both cases, the events involved non-violent traumas associated with incorrect handling actions taken upon personal initiative. Company oversight remains constant, as does the application of commitments in terms of economic and training investments pertaining to upgrades and the technological innovation and adaptation of machinery and equipment as well as the effective application of reporting and training activities implemented for the purpose of raising awareness of conduct in this connection regarding industrial accidents. For this purpose, the Company has initiated a specific Safety Coach training course for supervisors, with the aim of controlling behaviours in the workplace.

The study of the accidents is an important factor for the Company, for the purpose of gaining a more precise view of the causes which generate the same, exclusively linked to the work activities and of being able, consequently, to intervene in a targeted manner where problematic issues appear to be, with a view to prevention and ongoing improvement with regard to occupational health and safety.

Environmental Regulations and energy saving activities

To conduct its business, Servizi Italia S.p.A. is required to comply with the provisions of binding environmental regulations (Italian Legislative Decree No. 152 of 3 April 2006, which entered into force on 29 April 2006). The 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 course of 2017, the Company continued with additional energy efficiency actions aimed at primary energy savings, through the reduction of natural gas consumption by production site plants. In 2017, the Company, represented by its Energy Manager, requested the Energy Services Operator (GSE) for type II Energy Efficiency Certificates, i.e. regarding natural gas savings, and obtained certification for the energy savings implemented and at the same time the issue of the related Energy Efficiency Certificates (904 certificates).

For additional information on issues concerning the Group's Management Systems in the areas of Quality, Health and Workplace Safety and the Environment, please refer to the Non-Financial Statement: 2017 Sustainability Report

Human resources and industrial relations

The Servizi Italia Group's total employees, including those of the consolidated companies, were as follows as at 31 December 2017:

Company	Executives	Middle managers	White-collar staff	Blue-collar staff	Total
Servizi Italia S.p.A.	7	22	163	1,689	1,881
Steritek S.p.A.	-	-	17	-	17
Lavsim Higienização Têxtil S.A.	2	9	20	363	394
Maxlav Lavanderia Especializada S.A.	5	-	7	436	448
Vida Lavanderias Especializada S.A.	-	-	4	173	177
Aqualav Serviços De Higienização Ltda	-	1	7	219	227
Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi	2	1	5	191	199
Ergülteks Temizlik Tekstil Ltd. Sti.	-	-	3	124	127
TOTAL	16	33	226	3,195	3,470

Industrial Relations

The company's relations with the unions during 2017 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. The Industry Executives national collective labour agreement is applied for the Company's managerial staff.

In 2017, 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. In particular, the Human Resources Department interacted with the area trade union organisations and the trade union representatives, for the management of the project for the renovation of the production sites in the North-west, aimed at rationalising and saturating the production activities in that area. Therefore, a plan was drafted for the handling of excess staff, following the termination of activities of the Barbariga (BS) site, which was confirmed through the transfer of personnel to the neighbouring production sites and incentivised exits.

On 11 May 2017, an agreement was signed for the renewal of the national collective labour Agreement for employees of companies in the integrated industrial system of textile and related medical services. The agreement solidifies what was agreed by the social parties in the outline agreement of 13 July 2016.

Training and development

Activities were carried out in 2017, involving 8,400 training hours and more than 1,231 employees attending in at least one training classes during the year, regarding operating and technical/management roles. As a result, the total number of hours supplied with respect to the previous year decreased, but the number of workers involved in at least one training intervention significantly increased.

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

Compared to previous years, the share of “market training” has increased compared to that provided by internal teachers, which nevertheless remains above 50% of all implemented training activities.

A consistent portion of the training activities concerned the integrated quality/environment/safety system with particular attention to Italian Legislative Decree No. 81/2008 and its subsequent amendments and supplements; in this connection, around 6,006 hours were provided to guarantee the training and up-dating of the operational staff and supervisors.

Organisation and development

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

In 2017, a project was implemented that envisaged a phase of analysis of the current organizational model in addition to the identification of organizational critical factors as well as critical success factors; as a result, a new organizational model will be implemented in 2018. The identified model is in compliance with the international growth strategy of the Servizi Italia Group; it provides for:

- a structural review of the current model in order to valorise the services of the business lines, prepare the introduction of functions necessary for the development of new processes and adjust the administrative and accounting structure of the company, as well as that of any subsidiaries of strategic importance, to the changing size of the company, particularly with reference to the internal control and risk management system;
- re-allocation of company HR structures in order to guarantee continuity of all businesses provided by the Group;
- the implementation- following a *succession planning* process - of individual development plants by preparing replacement options for key strategic roles in the organisation or positions that are fundamental for *business continuity*.

With regard to the subsidiary which is 70% owned by Steritek SpA, and following the acquisition in September 2017, the company's governance system was restructured by appointing the supervisory bodies and the policies for coordination and control by the Parent Company - which envisage, amongst other items, the roll out of Servizi Italia's accounting platform - were initiated.

As for the company operating in foreign markets in 2017:

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

- auditing activities were performed, for the purpose of analysing information and implementing the Organisational model set forth by the law, relating to Corporate Governance and the general management of the companies with regard to organisational and legislative compliance; The various companies have adopted a Code of Ethics;
- training and *on site* assistance was guaranteed on laundry operations, with the presence of expert Servizi Italia employees for the purpose of implementing the business, operating and plant engineering model at the laundering facilities like the one adopted by the other Group production sites;
- training and *on site* assistance on administrative and auditing activities was guaranteed, with the presence of expert Servizi Italia employees for the purpose of facilitating the financial statement definition and reporting operations and facilitating the correct information flow to the local auditing company and the control bodies of Servizi Italia;

- activities were carried out for the optimisations and synergies of services common to the SRI group companies; and a commercial strategy was agreed upon and launched for the purpose of developing the wash-hire service, with the amendment of the supply contracts with the customers from pure washing services to hire services; along with the search for cross-selling opportunities with target customers in favour of the sterilisation or general supply added value services.

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

- a trade strategy providing for the cooperation in the *Public Private Partnership* (PPP) projects was launched. These projects involve the supply of wash-hire and sterilisation services; as well as promotional and sensitisation activities toward potential healthcare customers with the outsourcing of sterilisation and surgical instruments services;
- a on-site cooperation and assistance on the *operations* carried out by the laundries of the Ankateks Group and SAS, with the presence of Servizi Italia experts, started in order to analyse the production context and the management models in use.

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

- training and *on site* assistance was guaranteed on laundry operations, with the presence of expert Servizi Italia employees for the purpose of implementing the business, operating and plant engineering model at the laundering facilities like the one adopted by the other Group production sites;
- training and on-site assistance was guaranteed on control and administrative activities, with the presence of expert Servizi Italia personnel for the purpose of facilitating the financial statement definition and reporting operations and encouraging the correct information flow to Servizi Italia;
- a commercial strategy was launched, for the purpose of raising the awareness of potential public/private health customers in the Delhi area, with regard to the outsourcing of the washing/wash-hire services;

Other information

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

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

Allocation of the profit (loss) for the year

Dear Shareholders,

the Board of Directors, given the net profit of the period amounting to Euro 13,822,067, is asking you to approve the separate financial statements closed at 31 December 2017, by proposing:

- to allocate Euro 691,103, equal to 5% of the profit, to the legal reserve;
- the distribution to the shareholders of an ordinary single dividend, gross of the legal withholdings, equal to 0.17 euro cents for the shares in circulation, with the exclusion of the treasury shares in the portfolio, for a maximum amount of Euro 5,407,607;
- to allocate € 1,743,925 to the valuation reserve for equity investments by using the equity method;
- to carry forward the residual profit for the year.

The dividend will be paid as from 3 May 2018, with ex-dividend date on 30 April 2018, and will be paid to the shares, which will be in circulation as of that date.

The Chairman of the Board of Directors

(Roberto Olivi)



SERVIZI ITALIA S.p.A.

Registered Offices: Via S. Pietro, 59/B

43019 Castellina di Soragna (PR) – ITALY

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

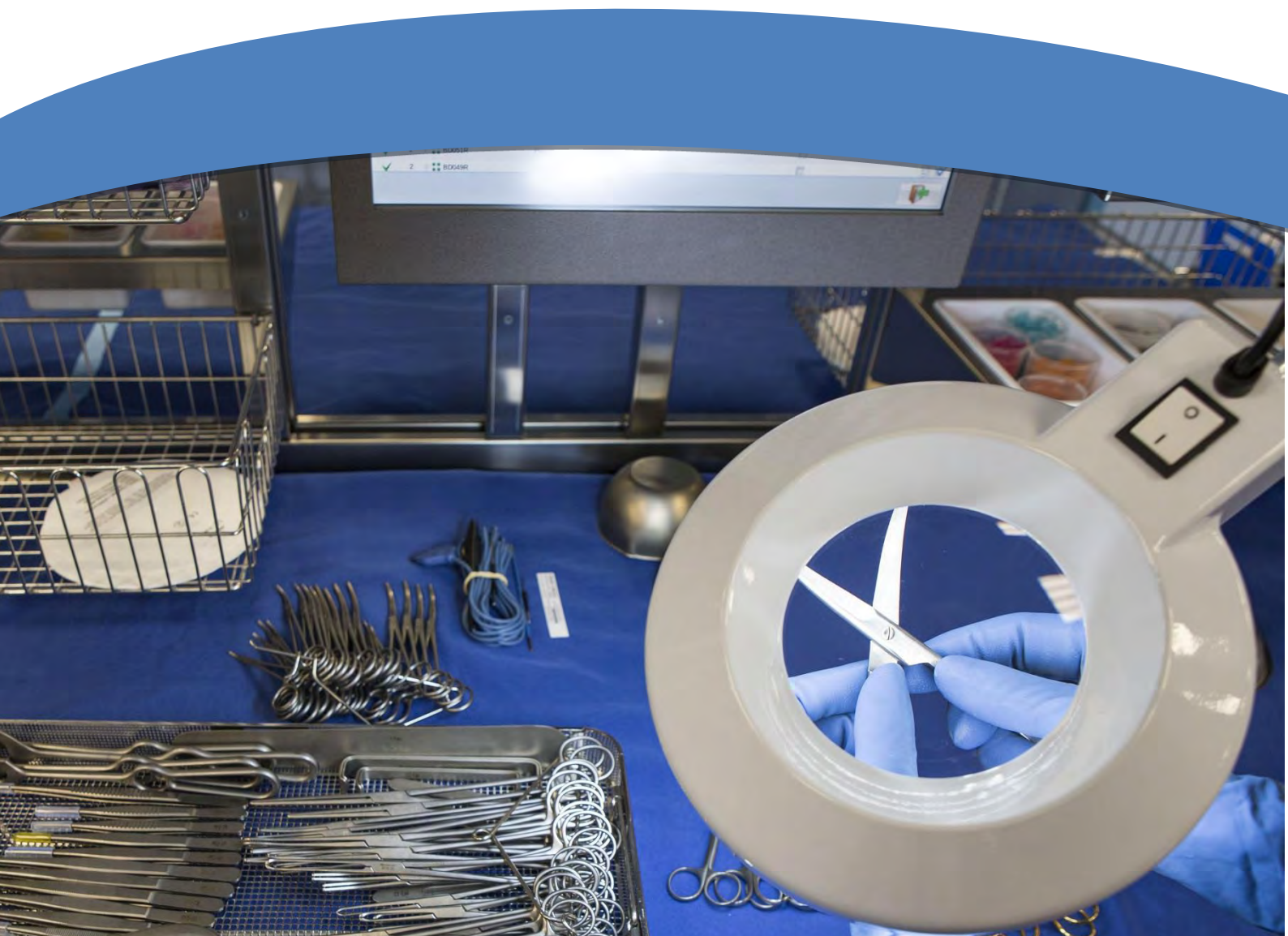
Tax Code and Parma Register of Companies no.: 08531760158

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SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017



ACCOUNTING SCHEDULES
STATEMENT OF FINANCIAL POSITION

<i>(Euros)</i>							
	Note	As at 31 December 2017	<i>of which with related parties (Note 8)</i>	As at 31 December 2016 reinstated	<i>of which with related parties (Note 8)</i>	As at 1 January 2016 reinstated	<i>of which with related parties (Note 8)</i>
ASSETS							
Non-current assets							
Property, plant and equipment	6.1	99,601,560	-	93,412,780	-	100,257,999	-
Intangible assets	6.2	4,022,452	-	1,875,975	-	2,837,205	-
Goodwill	6.3	42,575,158	-	32,275,093	-	32,275,094	-
Equity-accounted investments	6.4	50,078,578	-	49,317,948	-	25,962,571	-
Equity investments in associates, jointly controlled companies and other companies	6.5	27,901,350	-	34,284,030	-	24,294,253	-
Financial receivables	6.6	7,646,969	4,659,863	7,667,819	4,809,236	3,824,477	933,821
Deferred tax assets	6.7	1,173,460	-	1,040,286	-	1,152,802	-
Other assets	6.8	3,060,658	-	5,146,108	-	3,713,813	-
Total non-current assets		236,060,185		225,020,039		194,318,214	
Current assets							
Inventories	6.9	4,303,475	-	3,317,130	-	3,034,776	-
Trade receivables	6.10	73,582,194	13,522,287	68,601,375	11,403,981	78,990,937	10,226,535
Current tax receivables	6.11	1,728,481	-	2,495,264	-	2,274,083	-
Financial receivables	6.12	7,950,913	5,883,010	16,878,514	14,336,452	9,017,439	6,838,018
Other assets	6.13	7,086,152	-	6,335,058	-	4,450,336	-
Cash and cash equivalents	6.14	1,513,611	-	1,025,100	-	2,011,757	-
Total current assets		96,164,826		98,652,441		99,779,328	
TOTAL ASSETS		332,225,011		323,672,480		294,097,542	
SHAREHOLDERS' EQUITY AND LIABILITIES							
Shareholders' equity							
Share capital	6.15	31,798,901	-	31,461,231	-	30,443,650	-
Other reserves and retained earnings	6.15	96,805,953	-	96,064,174	-	78,357,520	-
Profit (loss) for the year		13,822,067	-	10,996,008	-	13,445,040	-
TOTAL SHAREHOLDERS' EQUITY	6.15	142,426,921		138,521,413		122,246,210	
LIABILITIES							
Non-current liabilities							
Due to banks and other lenders	6.16	39,191,019	-	45,021,944	-	34,666,304	-
Deferred taxes liabilities	6.17	2,404,641	-	1,342,802	-	1,758,872	-
Employee benefits	6.18	9,994,532	-	10,415,686	-	9,964,228	-
Provisions for risks and charges	6.19	120,000	-	124,000	-	151,428	-
Other financial liabilities	6.20	1,225,000	-	57,228	-	-	-
Total non-current liabilities		52,935,192		56,961,660		46,540,832	
Current liabilities							
Due to banks and other lenders	6.16	46,562,791	-	46,329,473	-	43,706,999	-
Trade payables	6.21	69,684,639	13,871,390	59,193,276	13,500,274	64,285,249	13,228,964
Current tax payables	6.22	-	-	-	-	-	-
Employee benefits	6.18	876,772	-	-	-	-	-
Other financial liabilities	6.23	3,685,000	2,460,000	7,625,266	-	962,467	-
Other payables	6.24	16,053,696	-	15,041,392	-	16,355,785	-
Total current liabilities		136,862,898		128,189,407		125,310,500	
TOTAL LIABILITIES		189,798,090		185,151,067		171,851,332	
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		332,225,011		323,672,480		294,097,542	

INCOME STATEMENT

<i>(Euros)</i>					
	Note	As at 31 December 2017	<i>of which with related parties (Note 8)</i>	As at 31 December 2016 reinstated	<i>of which with related parties (Note 8)</i>
Sales revenues	7.1	211,199,346	8,993,210	198,757,031	4,797,275
Other income	7.2	10,707,493	7,171,896	10,191,234	6,717,850
Raw materials and consumables	7.3	(20,229,242)	(58,502)	(18,212,644)	(1,294,596)
Costs for services	7.4	(75,896,223)	(31,818,865)	(73,922,348)	(32,382,853)
Personnel expense	7.5	(67,475,844)	(4,483,341)	(62,063,525)	(3,757,099)
<i>- of which non-recurring</i>		(557,326)		-	
Other costs	7.6	(1,769,377)	(423,532)	(1,074,775)	(12,639)
Depreciation, amortisation, impairment and provisions	7.7	(43,004,234)	-	(38,979,006)	-
Operating profit		13,531,919		14,695,967	
Financial income	7.8	1,750,884	600,665	1,342,885	344,649
Financial expenses	7.9	(1,198,445)	-	(1,572,871)	-
Revaluation/impairment of equity-accounted investments	6.4	304,050	-	(883,977)	-
Income/(expense) from equity investments in other companies	7.10	1,882,058	379,013	256,370	181,840
Profit before tax		16,270,466		13,838,374	
Income taxes	7.11	(2,448,399)		(2,842,366)	
<i>- of which non-recurring</i>		(133,758)		-	
Profit (loss) for the year		13,822,067		10,996,008	

STATEMENT OF COMPREHENSIVE INCOME

<i>(Euros)</i>		Year ended as at 31 December	
	Note	2017	2016 reinstated
Profit (loss) for the year		13,822,067	10,996,008
<i>Other comprehensive income that will not be reclassified to the Income Statement</i>			
Actuarial gains (losses) on defined benefit plans	6.18	22,069	(236,476)
Portion of comprehensive income of the companies measured using the equity method		-	(5,586)
Income taxes on other comprehensive income	6.7 6.17	(5,297)	58,095
<i>Other comprehensive income that may be reclassified to the Income Statement</i>			
Portion of comprehensive income of the companies measured using the equity method	6.4	(6,840,693)	6,525,026
Income taxes on other comprehensive income		-	-
Total other comprehensive income after taxes		(6,823,921)	6,341,059
Total comprehensive income for the period		6,998,146	17,337,067

STATEMENT OF CASH FLOWS

<i>(Euros)</i>	Note	As at 31 December 2017	<i>of which with related parties (Note 8)</i>	As at 31 December 2016 reinstated	<i>of which with related parties (Note 8)</i>
<i>Cash flow generated (absorbed) by operations</i>					
Profit/(loss) before tax		16,270,466	-	13,838,374	-
Payment of current taxes		(883,389)	-	(2,765,084)	-
Amortisation	7.7	42,160,890	-	38,417,643	-
Impairment and provisions	7.7	843,344	-	1,445,341	-
(Income)/expense from equity investments in other companies	7.10	(2,186,108)	-	(256,370)	-
Gains/(losses) on disposal	7.2 7.6	(508,785)	-	(228,460)	-
Interest income and expense accrued	7.8 7.9	(552,439)	-	229,986	-
Interest income collected	7.8	678,770	-	488,270	-
Interest expense paid	7.9	(970,302)	-	(1,339,411)	-
Provision for employee benefits	6.18	367,581	-	505,807	-
		55,220,028		50,336,096	
(Increase)/decrease in inventories	6.9	(673,947)	-	(282,354)	-
(Increase)/decrease in trade receivables	6.10	(1,344,840)	(3,295,752)	7,122,400	2,555,180
Increase/(decrease) in trade payables	6.21	10,289,267	642,426	(2,895,633)	(6,476,014)
Increase/(decrease) in other assets and liabilities	6.8 6.13 6.19 6.20 6.23 6.24	(7,132,556)	-	(4,965,892)	-
Settlement of employee benefits	6.18	(777,195)	-	(420,116)	-
Cash flow generated (absorbed) by operations		55,580,757		48,894,501	
<i>Net cash flow generated (absorbed) by the investment activities in</i>					
Intangible assets	6.2	(308,109)	-	(292,041)	-
Property, plant and equipment	6.1	(38,510,468)	-	(30,090,693)	-
Dividends received	7.10	669,589	-	256,370	-
Sale of equity investments		14,847	-	-	-
Purchase of equity investments	6.4 6.5	(9,645,113)	-	(20,083,084)	-
Net cash flow generated (absorbed) by investment activities		(47,779,254)		(50,209,448)	
<i>Net cash flow generated (absorbed) by financing activities in</i>					
Financial receivables	6.6 6.12	1,348,294	(2,771,034)	(11,587,960)	819,807
Net (purchase)/sales of treasury shares	6.15	1,620,067	-	(333,912)	-
Dividends paid	6.15	(4,712,705)	-	(4,727,949)	-
Share Capital increase	6.15	-	-	3,999,997	-
Current liabilities to banks and other lenders	6.16	(258,315)	-	2,622,474	-
Non-current liabilities to banks and other lenders	6.16	(5,830,925)	-	10,355,640	-
Net cash flow generated (absorbed) by financing activities		(7,833,584)		328,290	
Increase/(decrease) in cash and cash equivalents		(32,081)		(986,657)	
Opening cash and cash equivalents	6.14	1,025,100		2,011,757	
Incorporated cash	2	520,592		-	
Closing cash and cash equivalents	6.14	1,513,611		1,025,100	

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (Note 6.15)

<i>(Euros)</i>	Share capital	Share premium reserve	Legal reserve	Profit reserve	Translation reserve	Profit (loss) for the year	Total Shareholders' Equity
Balance as at 1 January 2016	30,443,650	49,318,894	4,185,529	42,451,221	-	11,724,115	138,123,409
Allocation of profit from the previous year	-	-	586,206	6,409,960	-	(6,996,166)	-
Reinstatement due to using the equity method	-	-	-	(8,485,884)	(7,391,315)	-	(15,877,199)
Distribution of dividends	-	-	-	-	-	(4,727,949)	(4,727,949)
Share Capital increase	1,110,185	2,889,812	-	-	-	-	3,999,997
Treasury share transactions	(92,604)	(241,308)	-	-	-	-	(333,912)
Comprehensive income for the year	-	-	-	(183,967)	6,525,026	10,996,008	17,337,067
Balance as at 31 December 2016	31,461,231	51,967,398	4,771,735	40,191,330	(866,289)	10,996,008	138,521,413
Allocation of profit from the previous year	-	-	593,999	5,689,304	-	(6,283,303)	-
Distribution of dividends	-	-	-	-	-	(4,712,705)	(4,712,705)
Share Capital increase	-	-	-	-	-	-	-
Incorporations	-	-	-	-	-	-	-
Treasury share transactions	337,670	1,282,397	-	-	-	-	1,620,067
Comprehensive income for the year	-	-	-	16,772	(6,840,693)	13,822,067	6,998,146
Balance as at 31 December 2017	31,798,901	53,249,795	5,365,734	45,897,406	(7,706,982)	13,822,067	142,426,921

Explanatory Notes

2 INTRODUCTION

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

These financial statements were approved by the Board of Directors on 13 March 2018; the latter authorised the publication of the same.

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

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

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

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

IFRS accounting standards, amendments and interpretations applied as at 1 January 2017

The following IFRS accounting principles, amendments and interpretations were applied for the first time by the Company starting on 1 January 2017:

- Amendment to **IAS 7 "Disclosure Initiative"** (issued on 29 January 2016). This document provides some clarifications to improve the information on financial liabilities. Specifically, the

amendments require such disclosures as to allow the recipients of the financial statements to understand changes in liabilities generated by financing operations.

- Amendment to **IAS 12 “Recognition of Deferred Tax Assets for Unrealised Losses”** (issued on 19 January 2016). This document provides clarifications on the recognition of deferred tax assets for unrealised losses in the measurement of financial assets “*Available for Sale*”, under certain circumstances and on the estimation of taxable income for future periods.

The option of these amendments did not impact the financial statements of the Company.

Accounting standards, amendments and IFRS and IFRIC interpretations endorsed by the European Union, still not applicable on a mandatory basis and not adopted early by the Company as at 31 December 2017

- **Principle IFRS 15 – Revenue from Contracts with Customers** (issued on 28 May 2014 and supplemented with additional clarifications published on 12 April 2016), bound to replace 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, insurance 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 applies as from 1 January 2018. The amendments to IFRS 15, Clarifications to IFRS 15 – Revenue from Contracts with Customers, have been approved by the European Union on 6 November 2017.

Based on the analyses carried out, the directors expect the application of IFRS 15 not to have a significant impact on the amounts posted as revenue and on the relevant information reported in the financial statements of the Company.

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

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

Based on the analyses carried out, the directors expect the application of IFRS 9 not to have a significant impact on the amounts and on the relevant information reported in the financial statements of the Company. In particular, the application of the accounting standard will have an overall negative impact on the Shareholders' equity as at 31 December 2017 of Euro 151 thousand to be attributed to the recognition of trade receivables according to the provisions of the new standard.

- Standard **IFRS 16 – Leases** (issued on 13 January 2016), intended to replace IAS 17 – Leases, as well as the 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 control (right of use) of an asset to differentiate between leasing and service agreements, by identifying the following distinguishing factors: asset identification, right of replacement of the asset, right to obtain substantially all the economic benefits deriving from the use of the asset and right to control the use of the asset underlying the agreement.

The standard introduces a single lessee accounting model for the recognition and measurement of lease agreements, which provides for the recording of the leased asset, under assets with a counter entry under financial liabilities, with the possibility of not recognising as leasing the

contracts that have “low-value assets” and the leasing with a contract duration of up to 12 months. On the other hand, the Standard does not include significant changes for the lessor.

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

With reference to IFRS 16 described above, the Company is evaluating the implementation criteria and the impacts on its financial statements, however, it is not possible to estimate the effects until the Company has completed a detailed analysis; the application of the new standard will mainly concern lease agreements on properties and operating lease agreements on vehicles.

With reference to the other standards and interpretations detailed above, it is not expected that the adoption will lead to significant impacts on the measurement of the assets, liabilities, costs and revenues of the Company.

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

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

- Amendment to **IFRS 2 “Classification and measurement of share-based payment transactions”** (issued on 20 June 2016). This document provides clarifications on how to account for the effects of vesting conditions in cash-settled share-based payments, how to classify share-based payments that include net settlement features and how to account for changes to the terms and conditions of a share-based payment that turn cash-settled share-based payment to equity-settled share-based payment. The amendments apply as from 1 January 2018.
- Document “**Annual Improvements to IFRSs: 2014-2016 Cycle**”, issued on 8 December 2016 (including IFRS 1 First-Time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters, IAS 28 Investments in Associates and Joint Ventures – Measuring investees at Fair value through profit or loss: an investment-by-investment choice or a consistent policy choice, IFRS 12 Disclosure of Interests in Other Entities – Clarification of the scope of the Standard) which partially supplement the pre-existing standards. Most of the amendments apply as from 1 January 2018.

- Interpretation of **IFRIC 22 “Foreign Currency Transactions and Advance Consideration”** (issued on 8 December 2016). This interpretation provides guidelines on foreign currency transactions when non-monetary advance consideration paid or received is recognised before recognition of the relating asset, expense or income. This document clarifies how an entity has to determine the date of the transaction and consequently the spot exchange rate to be used for foreign currency transactions whose consideration is paid or received in advance. IFRIC 22 applies as from 1 January 2018.
- Amendment to **IAS 40 “Transfers of Investment Property”** (issued on 8 December 2016). These amendments provide clarifications on the transfer of properties to, or from, investment properties. Specifically, an entity should only reclassify a property asset to or from investment property when there is evidence of a change in use of that asset. Such change in use must be supported by a specific event occurred in the past. A change in intention by the entity’s management alone is not sufficient. These amendments apply as from 1 January 2018.
- On 7 June 2017, the IASB published the interpretative document **IFRIC 23 – Uncertainty over Income Tax Treatments**. This interpretation provides guidelines on how to determine the accounting tax position when there is uncertainty over income tax treatments and requires that the uncertainty on the determination of liabilities or asset for income taxes should be recognised in the financial statements when it is probable that entity will pay or receive the amount in question. Therefore, the interpretation does not provide any new mandatory disclosure; however, the entity should assess whether is necessary to provide disclosures on the management consideration done in relation to the uncertainty inherent to the recognition of the income taxes, in accordance with IAS 1.

This interpretation applies as from 1 January 2019, though early adoption is allowed.

- Amendment to **IFRS 9 “Prepayment Features with Negative Compensation** (issued on 12 October 2017). This document specifies that the instruments that required an early repayment could respect the “SPPI” test also if the “reasonable additional compensation” to be paid in case of early repayment is a “negative compensation” for the lender. The amendment applies as from 1 January 2019, though early adoption is allowed.
- Amendment to **IAS 28 “Long-term Interests in Associates and Joint Ventures”** (issued on 12 October 2017)”. This document clarifies the need to apply IFRS 9, including the requirements linked to the impairment, to the other long-term interests in associates and joint ventures to which the equity method does not apply. The amendment applies as from 1 January 2019, though early adoption is allowed.

- Document “**Annual Improvements to IFRSs 2015-2017 Cycle**”, issued on 12 December 2017 (including IFRS 3 Business Combinations and IFRS 11 Joint Arrangements – Remeasurement of previously held interest in a joint operation, IAS 12 Income Taxes – Income tax consequences of payments on financial instruments classified as equity, IAS 23 Borrowing costs Disclosure of Interests in Other Entities – Borrowing costs eligible for capitalisation), which acknowledges the amendments to some standards as part of the annual improvement process. The amendments apply as from 1 January 2019, though early adoption is allowed.
- Amendment to **IFRS 10 and IAS 28 “Sales or Contribution of Assets between an Investor and its Associate or Joint Venture”** (issued on 11 September 2014). The 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.
- Standard **IFRS 14 – Regulatory Deferral Accounts** (issued on 30 January 2014) which permits just those who adopt the IFRS for the first time to continue to recognise the amounts relating to the activities subject to regulated rates (“Rate Regulation Activities”) as per the previous accounting standards adopted. Given the Company/Group is not a first-time adopter, this standard is not applicable.

Redetermination of the 2016 Income statement and Balance sheet figures following the adoption of the equity method for the recognition of the equity investments in subsidiaries

On 23 December 2015, Regulation (EU) 2015/2441 of the Commission of 18 December 2015 was published in Official Gazette L 336. It adopts the “Amendments to IAS 27 Separate Financial Statements: entitled Equity Method in Separate Financial Statements”. The amendments allow the application of the equity method described in IAS 28 Investments in Associates and Joint Ventures, for the recognition, in the separate financial statements, of the investments in subsidiaries, joint ventures and associates, beginning from the financial statements regarding the years that start from 1 January 2016.

In order to better represent the results obtained by Servizi Italia S.p.A. starting from these financial statements, the Directors have decided to use the equity method for the recognition of the investments in subsidiaries, in place of the criterion of cost applied in previous years. The equity method in particular is consistent with the non temporary nature of the investment in subsidiaries and the significant influence on their operating and strategic policies exercised by Servizi Italia S.p.A. Its application allows the recognition of the economic results of the subsidiaries at the time

they form, according to accrual basis accounting and consistently with the indications in the consolidated financial statements of the group; the application of the equity method actually realises a synthetic consolidation of the financial statements of the subsidiaries.

In accordance with par. 22 of IAS 8, the change in the accounting policies in question was made retrospectively, i.e. recording the effects in the opening shareholders' equity in the financial statements as at 31 December 2016, presented solely for the purpose of comparison with these financial statements. This allows for a representation of the equity and financial situation and of the economic results of the company as if it had always used the equity method for the recognition of the investments in subsidiaries. The following adjustments were thus made to the financial highlights of the year 2016:

- Separate statement of the investments measured using the equity method, according to IAS 1;
- Investments in subsidiaries measured at equity: decrease of Euro 10.2 million compared to the previous recognition at cost;
- Other reserves and retained earnings: decrease of Euro 9.4 million;
- Profit (loss) for the year: decrease of Euro 884 thousand.

The tables below highlight the changes to the individual items occurred in the Income statement and in the Statement of comprehensive income 2016 and in the Balance Sheet as at 31 December 2016 and 1 January 2016, consequently to the mentioned amendments.

INCOME STATEMENT

<i>(thousands of Euros)</i>	31 December 2016	Reinstatement	31 December 2016 reinstated
Sales revenues	198,757,031	-	198,757,031
Other income	10,191,234	-	10,191,234
Raw materials and consumables	(18,212,644)	-	(18,212,644)
Costs for services	(73,922,348)	-	(73,922,348)
Personnel expense	(62,063,525)	-	(62,063,525)
Other costs	(1,074,775)	-	(1,074,775)
Depreciation, amortisation, impairment and provisions	(38,979,006)	-	(38,979,006)
Operating profit	14,695,967		14,695,967
Financial income	1,342,885	-	1,342,885
Financial expenses	(1,572,871)	-	(1,572,871)
Revaluation/impairment of equity-accounted investments	-	(883,977)	(883,977)
Income/(expense) from equity investments in other companies	256,370	-	256,370
Profit before tax	14,722,351	(883,977)	13,838,374
Income taxes	(2,842,366)	-	(2,842,366)
Profit (loss) for the year	11,879,985	(883,977)	10,996,008

STATEMENT OF COMPREHENSIVE INCOME

<i>(thousands of Euros)</i>	31 December 2016	Reinstatement	31 December 2016 reinstated
Profit (loss) for the year	11,879,985	(883,977)	10,996,008
<i>Other comprehensive income</i>			
Actuarial gains (losses)	(236,476)	-	(236,476)
Portion of comprehensive income of the investments measured using the equity method	-	(5,586)	(5,586)
Income taxes on other comprehensive income	56,754	1,341	58,095
<i>Other comprehensive income that may be reclassified to the Income Statement</i>			
Portion of comprehensive income of the investments measured using the equity method	-	6,525,026	6,525,026
Income taxes on other comprehensive income	-	-	-
Total other comprehensive income after taxes	(179,722)	6,520,781	6,341,059
Total comprehensive income for the period	11,700,263	5,636,804	17,337,067

BALANCE SHEET

<i>(thousands of Euros)</i>	31 December 2016	Reclassifications	Reinstatement	31 December 2016 reinstated
ASSETS				
Non-current assets				
Property, plant and equipment	93,412,780	-	-	93,412,780
Intangible assets	1,875,975	-	-	1,875,975
Goodwill	32,275,093	-	-	32,275,093
Equity investments in subsidiaries and associates	90,240,181	(90,240,181)	-	-
Equity-accounted investments	-	59,558,343	(10,240,395)	49,317,948
Equity investments in other companies	3,602,192	(3,602,192)	-	-
Equity investments in associates, jointly controlled and other companies	-	34,284,030	-	34,284,030
Financial receivables	7,667,819	-	-	7,667,819
Deferred tax assets	1,040,286	-	-	1,040,286
Other assets	5,146,108	-	-	5,146,108
Total non-current assets	235,260,434	-	(10,240,395)	225,020,039
Current assets				
Inventories	3,317,130	-	-	3,317,130
Trade receivables	68,601,375	-	-	68,601,375
Tax receivables	2,495,264	-	-	2,495,264
Financial receivables	16,878,514	-	-	16,878,514
Other assets	6,335,058	-	-	6,335,058
Cash and cash equivalents	1,025,100	-	-	1,025,100
Total current assets	98,652,441	-	-	98,652,441
TOTAL ASSETS	333,912,875	-	(10,240,395)	323,672,480
SHAREHOLDERS' EQUITY AND LIABILITIES				
Group shareholders' equity				
Share capital	31,461,231	-	-	31,461,231
Other reserves and retained earnings	105,420,592	-	(9,356,418)	96,064,174
Profit (loss) for the year	11,879,985	-	(883,977)	10,996,008
Total group shareholders' equity	148,761,808	-	(10,240,395)	138,521,413
LIABILITIES				
Non-current liabilities				
Due to banks and other lenders	45,021,944	-	-	45,021,944
Deferred taxes liabilities	1,342,802	-	-	1,342,802

Employee benefits	10,415,686	-	-	10,415,686
Provisions for risks and charges	124,000	-	-	124,000
Other financial liabilities	57,228	-	-	57,228
Total non-current liabilities	56,961,660	-	-	56,961,660
Current liabilities				
Due to banks and other lenders	46,329,473	-	-	46,329,473
Trade payables	59,193,276	-	-	59,193,276
Other financial liabilities	7,625,266	-	-	7,625,266
Other payables	15,041,392	-	-	15,041,392
Total current liabilities	128,189,407	-	-	128,189,407
Total liabilities	185,151,067	-	-	185,151,067
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	333,912,875	-	(10,240,395)	323,672,480

<i>(thousands of Euros)</i>	1 January 2016	Reclassifications	Reinstatement	1 January 2016 reinstated
ASSETS				
Non-current assets				
Property, plant and equipment	100,257,999	-	-	100,257,999
Intangible assets	2,837,205	-	-	2,837,205
Goodwill	32,275,094	-	-	32,275,094
Equity investments in subsidiaries and associates	62,592,005	(62,592,005)	-	-
Equity-accounted investments	-	41,839,770	(15,877,199)	25,962,571
Equity investments in other companies	3,542,018	(3,542,018)	-	-
Equity investments in associates, jointly controlled and other companies	-	24,294,253	-	24,294,253
Financial receivables	3,824,477	-	-	3,824,477
Deferred tax assets	1,152,802	-	-	1,152,802
Other assets	3,713,813	-	-	3,713,813
Total non-current assets	210,195,413	-	(15,877,199)	194,318,214
Current assets				
Inventories	3,034,776	-	-	3,034,776
Trade receivables	78,990,937	-	-	78,990,937
Tax receivables	2,274,083	-	-	2,274,083
Financial receivables	9,017,439	-	-	9,017,439
Other assets	4,450,336	-	-	4,450,336
Cash and cash equivalents	2,011,757	-	-	2,011,757
Total current assets	99,779,328	-	-	99,779,328
TOTAL ASSETS	309,974,741	-	(15,877,199)	294,097,542
SHAREHOLDERS' EQUITY AND LIABILITIES				
Group shareholders' equity				
Share capital	30,443,650	-	-	30,443,650
Other reserves and retained earnings	95,955,644	-	(17,598,124)	78,357,520
Profit (loss) for the year	11,724,115	-	1,720,925	13,445,040
Total group shareholders' equity	138,123,409	-	(15,877,199)	122,246,210
LIABILITIES				
Non-current liabilities				
Due to banks and other lenders	34,666,304	-	-	34,666,304
Deferred taxes liabilities	1,758,872	-	-	1,758,872
Employee benefits	9,964,228	-	-	9,964,228
Provisions for risks and charges	151,428	-	-	151,428
Other financial liabilities	-	-	-	-
Total non-current liabilities	46,540,832	-	-	46,540,832
Current liabilities				

Due to banks and other lenders	43,706,999	-	-	43,706,999
Trade payables	64,285,249	-	-	64,285,249
Other financial liabilities	962,467	-	-	962,467
Other payables	16,355,785	-	-	16,355,785
Total current liabilities	125,310,500	-	-	125,310,500
Total liabilities	171,851,332	-	-	171,851,332
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	309,974,741	-	(15,877,199)	294,097,542

Merger by incorporation of Tintoria Lombarda Divisione Sanitaria S.r.l. and Servizi Italia Medical S.r.l.

On 1 March 2017 and 1 October 2017, respectively, the wholly owned companies Tintoria Lombarda Divisione Sanitaria S.r.l. and Servizi Italia Medical S.r.l. (sole shareholder company) were merged via incorporation into Servizi Italia S.p.A. The merger became effective for accounting and tax purposes as of 1 January 2017.

In order to obtain a standard benchmark for comparison with the values of the first post-merger financial statements, the data relating to the year 2016 were restated to also include those of the merged companies, and the reinstated 2016 statement of financial position, the 2016 income statement and the 2016 statement of comprehensive income are shown below in the “pro forma” column.

STATEMENT OF FINANCIAL POSITION	Servizi Italia S.p.A 31 December 2016	Effects of the merger		Servizi Italia S.p.A 31 December 2016
	Reinstated	Tintoria Lombarda Divisione Sanitaria S.r.l.	Servizi Italia Medical S.r.l.	Proforma
<i>(Euros)</i>				
ASSETS				
Non-current assets				
Property, plant and equipment	93,412,780	7,726,087	25,088	101,163,955
Intangible assets	1,875,975	3,384,515	33,095	5,293,585
Goodwill	32,275,093	10,300,065	-	42,575,158
Equity-accounted investments	49,317,948	(13,462,432)	(1,402,871)	34,452,645
Equity investments in associates, jointly controlled and other companies	34,284,030	27,158	-	34,311,188
Derivatives	-	-	-	-
Financial receivables	7,667,819	158,000	-	7,825,819
Deferred tax assets	1,040,286	21,840	-	1,062,126
Other assets	5,146,108	-	-	5,146,108
Total non-current assets	225,020,039	8,155,233	(1,344,688)	231,830,584
Current assets				
Inventories	3,317,130	82,971	229,427	3,629,528
Trade receivables	68,601,375	5,590,277	416,727	74,608,379
Tax receivables	2,495,264	-	167,593	2,662,857
Financial receivables	16,878,514	(7,944,910)	-	8,933,604
Other assets	6,335,058	303,465	296,259	6,934,782
Cash and cash equivalents	1,025,100	317,214	203,378	1,545,692
Total current assets	98,652,441	(1,650,983)	1,313,384	98,314,842
TOTAL ASSETS	323,672,480	6,504,250	(31,304)	330,145,426

SHAREHOLDERS' EQUITY AND LIABILITIES**Group shareholders' equity**

Share capital	31,461,231	-	-	31,461,231
Other reserves and retained earnings	96,064,174	-	-	96,064,174
Profit (loss) for the year	10,996,008	-	-	10,996,008
Total group shareholders' equity	138,521,413	-	-	138,521,413

LIABILITIES**Non-current liabilities**

Due to banks and other lenders	45,021,944	-	-	45,021,944
Derivatives	-	-	-	-
Deferred taxes liabilities	1,342,802	1,196,403	-	2,539,205
Employee benefits	10,415,686	802,344	65	11,218,095
Provisions for risks and charges	124,000	-	-	124,000
Other financial liabilities	57,228	36,588	-	93,816
Total non-current liabilities	56,961,660	2,035,335	65	58,997,060

Current liabilities

Due to banks and other lenders	46,329,473	491,632	-	46,821,105
Trade payables	59,193,276	2,514,254	(42,366)	61,665,164
Current tax payables	-	1,004	-	1,004
Employee benefits	-	-	-	-
Other financial liabilities	7,625,266	-	-	7,625,266
Other payables	15,041,392	1,462,025	10,997	16,514,414
Total current liabilities	128,189,407	4,468,915	(31,369)	132,626,953
Total liabilities	185,151,067	6,504,250	(31,304)	191,624,013
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	323,672,480	6,504,250	(31,304)	330,145,426

INCOME STATEMENT	Servizi	Effects of the merger		Servizi
	Italia S.p.A			Italia S.p.A
	31 December 2016			31 December 2016
(Euros)	Reinstated	Tintoria Lombarda Divisione Sanitaria S.r.l.	Servizi Italia Medical S.r.l.	Proforma
Sales revenues	198,757,031	6,567,739	1,336,369	206,661,139
Other income	10,191,234	15,347	(136,054)	10,070,527
Raw materials and consumables	(18,212,644)	(466,812)	(970,131)	(19,649,587)
Costs for services	(73,922,348)	(2,467,782)	(94,587)	(76,484,717)
Personnel expense	(62,063,525)	(2,357,936)	(94,262)	(64,515,723)
Other costs	(1,074,775)	(39,294)	(1,984)	(1,116,053)
Depreciation, amortisation and impairment	(38,979,006)	(1,512,240)	(16,703)	(40,507,949)
Operating profit	14,695,967	(260,978)	22,648	14,457,637
Financial income	1,342,885	(32,778)	542	1,310,649
Financial expenses	(1,572,871)	(107,671)	(1,241)	(1,681,783)
Revaluation/impairment of equity-accounted investments	(883,977)	251,899	(21,949)	(654,027)
Income/(expense) from equity investments in other companies	256,370	-	-	256,370
Profit before tax	13,838,374	(149,528)	-	13,688,846
Income taxes	(2,842,366)	149,528	-	(2,692,838)
Profit (loss) for the year	10,996,008	-	-	10,996,008

STATEMENT OF COMPREHENSIVE INCOME**Effects of the merger**

(Euros)	Servizi Italia S.p.A 31 December 2016			Servizi Italia S.p.A 31 December 2016
	Reinstated	Tintoria Lombarda Divisione Sanitaria S.r.l.	Servizi Italia Medical S.r.l.	Proforma
Profit (loss) for the year	10,996,008	-	-	10,996,008
<i>Other comprehensive income</i>				
Actuarial gains (losses)	(236,476)	(5,586)	-	(242,062)
Portion of comprehensive income of the investments measured using the equity method	(5,586)	5,586	-	-
Income taxes on other comprehensive income	58,095	-	-	58,095
<i>Other comprehensive income that may be reclassified to the Income Statement</i>				
Portion of comprehensive income of the investments measured using the equity method	6,525,026	-	-	6,525,026
Income taxes on other comprehensive income	-	-	-	-
Total other comprehensive income after taxes	6,341,059	-	-	6,341,059
Total comprehensive income for the period	17,337,067	-	-	17,337,067

2.1 Core Business

The Company operates in the domestic market, providing integrated wash-hire and sterilisation services for textiles and surgical instruments to social/welfare and public and private hospital facilities. In particular, the Company offers the following services: (a) wash-hire, including (i) planning and provision of integrated rental, reconditioning (disinfection, washing, finishing and packaging) and logistics (pick-up and distribution to usage centres) services for textile items, mattresses and accessories (pillowcases, curtains), (ii) rental and washing of high visibility “118” emergency service items and (iii) logistics and management of hospital wardrobes; (b) linen sterilisation services, including the planning and rental of sterile medical devices for operating theatres (linens for operating theatres and scrubs) packed in sets for the operating theatre, in cotton or in re-usable technical fabric, as well as personal protection equipment (gloves, masks); and (c) surgical instrument sterilisation services including (i) planning and provision of washing, packaging and sterilisation services for surgical instruments (owned or rented) and accessories for operating theatres and (ii) planning, installation and renovation of sterilisation centres.

3 THE COMPANY AS PART OF A GROUP

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

4 ACCOUNTING STANDARDS AND BASIS OF PREPARATION

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

A. *Property, plant and equipment*

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

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

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

	Years
Industrial buildings	33
Plant and machinery	12
General plant	7
Industrial and commercial equipment	4
Specific equipment	8
Linen	3
Furniture and fixtures	8
Electronic machinery	5
Cars	4
Other vehicles	5

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

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

If there are indicators of impairment, the assets are subject to an Impairment test as per the following section E; any impairments may be subject to subsequent value write-backs if the reasons for the impairment cease to exist.

These fixed assets include the costs for the creation of the sterilisation and washing installations at the customer sites, which are used exclusively by the Company. These assets are depreciated over the useful life of the assets or the residual duration of the wash-hire

contract, whichever is the shorter. The ownership of the asset is transferred to the customer on termination of the contract.

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

B. Leasing

A lease agreement is defined to be financial if it involves the substantial transfer of all risks and benefits arising from owning the asset. Assets acquired via financial lease agreements are recognised under property, plant and equipment with the recognition under the liabilities of a financial payable for the same amount. The payable is progressively reduced on the basis of the repayment plan for the principal amounts included in the fees contractually envisaged, while the value of the assets recorded among property, plant and equipment is systematically depreciated in relation to the economic-technical life of said asset.

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

C. Intangible assets

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

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

The intangible assets with a defined useful life are amortised systematically as from the moment the asset is available for use over the envisaged period of utility. They are mainly represented by software licences acquired for a consideration capitalised on the basis of the cost incurred. These costs are amortised on a straight-line basis according to their estimates useful life (3 years). The value attributed, upon an acquisition, to the contract portfolio is amortised based on the residual duration of the related contracts and proportional to the time of the distribution of the benefit flow resulting therefrom.

D. Goodwill

Goodwill represents the additional costs incurred with respect to the fair value of the net assets identified at the time of acquisition of a subsidiary, associate or business. In the separate financial statements, the goodwill relating to the acquisition of subsidiaries, associates or jointly controlled companies is included in the item “Equity investments in subsidiaries, associates and jointly-controlled companies”.

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

The impairments possibly recognised are not reinstated.

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

E. Impairment test

In the presence of situations that may potentially generate impairment losses, the property, plant and equipment and intangible assets are subject to Impairment tests through the measurement of the recoverable value of the asset and a comparison with the related net accounting value. If the recoverable value is less than the carrying value, the latter is adjusted accordingly. This reduction represents a loss in value, which is recognised in the Income Statement. If a write-down, previously carried out, no longer has a reason to exist, except for the goodwill, its book value is written back using the new value deriving from the estimate, provided that this value does not exceed the net carrying value that the asset would have had if no write-down was ever carried out. The write-back is also recorded in the Income Statement.

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

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

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

F. Equity investments

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

power to govern the company; (iii) of the control of a number of votes sufficient to exercise the de facto control of the company's ordinary shareholders' meeting.

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

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

1. Equity investments in subsidiaries

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

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

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

The profits and losses from transactions between an entity and a subsidiary are recognised in the financial statements of the entity only limited to the share of third parties in the subsidiary. When a company measured at equity own subsidiaries, associates or joint-ventures, the profit (loss) for the year, the other comprehensive

income and the net assets considered in the application of the equity method are those recognised in the consolidated financial statements of the investee company.

In case of subjective evidence of impairment, the equity investments undergoes the Impairment test procedure, according to the same methods described previously for property, plant and equipment and intangible assets in paragraph “Impairment test”.

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

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

Currency	Exchange rate as at 31 December 2017	Average exchange rate for 2017	Exchange rate as at 31 December 2016	Average exchange rate for 2016
Brazilian Real (R\$)	3.9729	3.6041	3.4305	3.856143
Turkish Lira (TL)	4.5464	4.1214	3.7072	3.343253

2. Equity investments in associates, jointly controlled and other companies

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

The equity investments in other companies are recognised at fair value and the gains or losses, which emerge, are recorded under other comprehensive income as from the moment of the effective disposal when they reverse to the income statement. The losses from recognition at fair value are by contrast directly booked to the income statement in cases when objective evidence exists that the equity investment has undergone impairment even if it has not yet been disposed of. Unlisted equity investments in relation to which the fair value cannot be reliably measured are by contrast recognised at cost less impairment; the cost is reinstated in subsequent years if the reasons for the impairments no longer exist. This category includes the equity investment held for a percentage of less than 20%;

G. *Financial assets and liabilities*

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

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

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

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

- trading assets are recognised at fair value with recording of the changes in the income statement;
- the financial assets with certain and pre-determined flows and with a pre-established maturity which one intends to maintain until maturity, other than equity investments, are recognised at amortised cost, using the original effective interest rate and, consequently, the future cash flows are discounted back to the financial statement date on the basis of the effective rate. Furthermore, the recognition of the receivables takes into account the solvency of the creditors as well as the credit risk characteristics indicative of the ability of the individual debtors to pay. Only the receivables factored without recourse which satisfy the requirements envisaged for derecognition indicated in IAS 39 are eliminated from the financial statements;
- the other financial liabilities are recognised at amortised cost. Specifically, the costs incurred for the acquisition of loans (transaction costs) and any issue discount or premium directly adjust the face value of the loan. The financial expense is calculated according to the effective interest rate method;
- derivative instruments are recorded in the statement of financial position and are recognised at fair value and the gains and losses determined are respectively recorded in the income statement if the derivatives cannot be defined as hedges as per IAS 39 or they hedge a price risk (fair value hedge) or under other comprehensive income if they hedge a future cash flow or a future contractual commitment already undertaken as at the financial statement date (cash flow hedge);
- trade receivables and payables and other receivables and payables are recorded under current or non-current assets/liabilities in relation to the envisaged date of collection or payment.

H. Other assets

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

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

The white certificates are allocated in relation to the achievement of energy savings via the application of efficient systems and technologies.

The white certificates are recognised in the accounts on an accruals basis under “Other income”, in proportion to the TOE (tonne of oil equivalent) savings effectively made in the period.

The recognition of the same is carried out at the average annual market value unless the year-end market value is significantly lower. The decreases due to sales of white certificates matured during the period or in previous periods are valued at the disposal price. The capital gains and losses deriving from the sales of certificates in periods different to those of maturity are recorded respectively under “Other income” or “Other costs”.

I. Inventories

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

J. Employee benefits

Post-employment plans

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

- Employee severance indemnity fund accruing as from 1 January 2007: this falls within the category of defined-contribution plans both in the event of opting for supplementary welfare and in the case of assignment to the Treasury Fund of INPS. The accounting treatment is similar to that existing for other kinds of contributory payments.
- Employee severance indemnity fund accrued as at 31 December 2006: this remains to be a defined-benefits plan determined by applying an actuarial-type method; the amount of the

rights accrued in the period by the employees is booked to the Income statement under the item payroll and related costs while the figurative financial expense which the company would incur if a loan was requested from the market for an amount equal to the severance indemnity is booked to net financial income (expense). The actuarial gains and losses which reflect the effects deriving from changes in the actuarial hypotheses used are recognised under other comprehensive income in accordance with the matters envisaged by IAS 19 Employee benefits, section 93A.

Remuneration plans under the form of participation in the capital

IFRS 2 sets forth that the stock options are to be classified within the scope of “share-based payments” and provides, for the type classified as “equity-settled” (where the payment is regulated using instruments representative of equity), for the determination - as of the date of assignment of the fair value - of the option rights issued and the related recognition as personnel expense to be spread in a linear manner over the period of accrual of the rights (the so-called vesting period) with the recording of a matching balance under shareholders’ equity reserves. This treatment is carried out on the basis of the estimate of the rights, which will effectively accrue in favour of the employees, taking into consideration the conditions of availability of the same not based on the market value of the rights.

Other long-term benefits

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

K. Provisions for risks and charges

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

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

L. Revenue and cost recognition

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

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

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

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

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

M. Income taxes

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

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

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

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

N. Earnings per share

Basic and diluted earnings per share are indicated at the bottom of the Income Statement in the consolidated financial statements.

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

O. Used of estimated values

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

P. Particularly significant accounting standards

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

- ✓ Goodwill: in accordance with the accounting standards adopted for the drafting of the financial statements, the Company checks the goodwill each year so as to ascertain the existence of any impairment to be recognised in the income statement. In detail, the check in question involves the allocation of the goodwill to cash flow generating units and the subsequent determination of the related recoverable value. If it should emerge as lower than the book value of the cash flow generating units, steps shall have to be taken to impairment the goodwill allocated to the same. The allocation of the goodwill to the cash flow generating units and the determination of the latter leads to the adoption of estimates which depend on factors, which may change over time with consequent effects, possibly significant, with respect to the valuations made by the directors.
- ✓ Linen assets: the economic life of the Company's linen used in the production process has been estimated taking into consideration numerous factors that may affect it, such as for example the wear and tear deriving from the use and from the washing cycles.

These factors are liable to changes over time and could significantly affect the depreciation of the linen.

- ✓ Deferred taxation: the recognition of deferred tax assets is carried out on the basis of the expectations of income envisaged in future periods. The valuation of the expected income for the purposes of recognition of the deferred taxation depends on factors, which may vary over time and determine significant effects on the valuation of the deferred tax assets.
- ✓ Provisions for risks and charges: in the presence of legal and tax-related risks, provisions are recognised representative of the risk of losing lawsuits. The value of the provisions recorded in the financial statements relating to these risks represents the best estimate as of the financial statement data made by management. This estimate involves the adoption of assumptions which depend on factors which may change over time and which therefore could have significant effects with respect to the current estimates made by the directors for the drafting of the separate financial statements.
- ✓ Revenues from sales and services: the revenues for services under way in relation to contracts, which envisage invoicing of advance payments and the balance on the basis of the data communicated by the customer (days of hospitalisation, number of operations), are estimated internally on the basis of the past data supplemented by the most up-to-date information available. This estimate involves the adoption of hypotheses on the performance of the variable to which the payment is linked.

5 RISK MANAGEMENT POLICY

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

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

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

5.1 Type of risks hedged

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

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

- exchange rate risk.

Price risk

This is the risk associated with the volatility of the prices of the raw materials and the energy commodities, with particular reference to electricity and gas used in the primary production processes and of cotton to which the purchase cost of the linen is linked. Within the sphere of the tenders, the company avails itself of clauses, which permit it to adjust the price of the services provided in the event of significant cost changes. The price risk is also controlled by means of the entering into of purchase agreements with price blocks and on-average annual timescales, joined by constant monitoring of the performance of the prices so as to identify opportunities for making savings.

Interest rate risk

The Company's net financial debt comprises short-term payables which, as at 31 December 2017, represent approximately 54.3% of its debt, at an average annual rate of around 0.44%. In relation to the global financial crisis, the Company is monitoring the market and assessing the appropriateness of taking out hedging transactions on the rates in order to limit the negative impacts of changes in interest rates on the company's income statement. The table below demonstrates the effect that would be generated by a 0.5% increase or decrease in rates (in thousands of Euros).

<i>(thousands of Euros)</i>	0.5% rate increase		0.5% rate decrease	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Financial receivables	+72	+88	(72)	(88)
Financial payables	+491	+471	(491)	(471)
Factoring of receivables	+458	+428	(458)	(428)

Credit risk

The receivables, since they are essentially due from public bodies, are deemed certain in terms of collectability and, by nature, are not subject to the risk of loss. The collection times depend on the loans received, the Local Health Authorities, the Hospitals and the Regional Authorities and at present average collection days are 125.

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

<i>(thousands of Euros)</i>	As at 31 December	
	2017	2016
Gross trade receivables	79,457	73,776
Bad debt provisions	(5,875)	(5,175)
Net trade receivables	73,582	68,601
Guarantees in portfolio	None	None
Falling due	35,573	31,898
Past due by less than 3 months	12,677	12,035
Past due by more than 3 months	6,412	6,585
Past due by more than 7 months	18,920	18,083

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

Liquidity risk

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

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

Concentrating its business on orders contracted with the Public Administration Authorities, the Company is exposed to risks associated with delays in the payments for the receivables. In order to balance this risk, factoring agreements have been entered into with the without-recourse formula, renewed also for 2017.

To correctly manage the liquidity risk, an adequate level of cash and cash equivalents must be maintained. In light of the predominantly public nature of the group's customers and the average collection times, cash and cash equivalents are mainly obtained from accounts receivable financing and medium-term loans. The Company has entered into covenants relating to the mortgage loans with Cassa di Risparmio in Bologna S.p.A., Banca Nazionale del Lavoro S.p.A., Cassa di Risparmio di Parma e Piacenza S.p.A., Banca Popolare di Milano S.Coop.a r.l. and Unicredit Banca S.p.A.; therefore, the possibility of early repayment of these loans with respect to the repayment plan is envisaged. As at 31 December 2017, the Company had observed the covenants entered into.

The following table analyses the "worst case" scenario with reference to the financial liabilities (including trade payables and other payables) in which all the flows indicated are un-discounted future nominal cash flows, determined with reference to the residual contractual maturities, both for the principal portion and the interest portion. The loans have been included on the basis of the first maturity on which the repayment can be requested and the non-revolving loans are considered callable on demand. The financial payables with a maturity of less than or equal to 3 months are almost entirely characterised by self-liquidating bank loans for invoice advances which, in as such, are replaced on maturity by new advances on newly-issued invoices. It should also be considered that the company only partially uses the short-term bank credit facilities available.

<i>(thousands of Euros)</i>	Financial payables		Trade and other payables		Total	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Less than or equal to 3 months	28,598	18,271	64,974	52,107	93,571	70,378
3 to 12 months	18,367	28,572	20,227	21,613	38,594	50,185
1 to 2 years	21,464	18,701	-	-	21,464	18,701
More than 2 years	18,104	26,933	-	-	18,104	26,933
Total	86,533	92,476	85,201	73,720	171,734	166,196

Exchange rate risk

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

The exchange rate risk must only be hedged if it has a significant impact on the cash flows with respect to the reference currency. The costs and risks associated with a hedging policy must be acceptable both from a financial and commercial standpoint and accordingly the Company has decided not to enter into hedging transactions on exchange rates since no inflows of capital are envisaged over the short term.

5.2 Fair value hierarchy and information

IFRS 13 requires that the classification of the financial instruments at fair value be determined on the basis of the quality of the sources of the inputs used in the valuation of the fair value.

The classification of IFRS 13 involves the following hierarchy:

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

The types of financial instruments present in the financial statement items are shown in the following table, with indication of the accounting treatment applied. Note that no financial instrument has been valued at fair value. With regard to the financial instruments valued at amortised cost, it is believed that the book value also represents a reasonable approximation of their valuation at fair value. With regard to equity investments in other companies, prices listed on active markets are not available. Therefore, their fair value cannot be measured reliably. For the same reason, they are measured at cost, possibly written down due to impairment.

(Euros)	Financial assets				Financial liabilities	
	At fair value through profit and loss	Held to maturity	Loans and receivables	Available for sale	At fair value through profit and loss	At amortised cost
<i>Measurement criteria</i>	<i>Fair value</i>	<i>Amortised cost</i>	<i>Amortised cost</i>	<i>Cost</i>	<i>Fair value</i>	<i>Amortised cost</i>
Non-current assets						
Equity investments in other companies				3,612,344		
Financial receivables			7,646,969			
Other assets			3,060,658			
Current assets						

Trade receivables	73,582,194	
Current tax receivables	1,728,481	
Financial receivables	7,950,913	
Other assets	7,086,158	
Non-current liabilities		
Due to banks and other lenders		39,191,019
Other financial liabilities		1,225,000
Current liabilities		
Due to banks and other lenders		46,562,791
Trade payables		69,684,639
Current tax payables		-
Other financial liabilities		3,685,000
Other payables		16,053,696

5.3 Supplementary information on the capital

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

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

<i>(thousands of Euros)</i>	Year ended as at 31 December		Change	Change %
	2017	2016 reinstated		
Shareholders' equity (B)	142,427	138,521	3,906	3%
Net financial debt (a) (A)	76,289	73,448	2,841	4%
Invested capital (C)	218,716	211,969	6,747	3%
Gearing (A/C)	34.9%	34.7%		

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

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

5.4 Segment reporting

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

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

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

6 STATEMENT OF FINANCIAL POSITION

6.1 Property, plant and equipment

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

<i>(thousands of Euros)</i>	Land and buildings	Plant and machinery	Returnable assets	Equipment	Other assets	Assets under construction	Total
Historical cost	2,204	102,966	24,650	54,115	96,734	2,810	283,479
Accumulated amortisation	(1,045)	(65,582)	(13,965)	(35,158)	(67,471)	-	(183,221)
Balance as at 1 January 2016	1,159	37,384	10,685	18,957	29,263	2,810	100,258
Increases	40	1,991	1,421	2,438	22,390	2,346	30,626
Decreases	-	(187)	(2)	(59)	(32)	(27)	(307)
Amortisation	(104)	(6,336)	(2,514)	(5,079)	(23,131)	-	(37,164)
Reclassifications	4	731	1,110	650	47	(2,542)	-
Balance as at 31 December 2016	1,099	33,583	10,700	16,907	28,537	2,587	93,413
Historical cost	2,248	104,615	27,176	56,459	98,184	2,587	291,269
Accumulated amortisation	(1,149)	(71,032)	(16,476)	(39,552)	(69,647)	-	(197,856)
Balance as at 1 January 2017	1,099	33,583	10,700	16,907	28,537	2,587	93,413
Incorporations	3,311	885	130	142	3,283	-	7,751
Increases	35	4,529	1,511	3,417	28,058	1,624	39,174
Decreases	-	(86)	-	(105)	(9)	(46)	(246)
Amortisation	(185)	(6,220)	(2,556)	(5,032)	(26,588)	-	(40,581)
Write-downs (write-back)	-	90	(2)	-	-	2	90
Reclassifications	-	1,425	596	74	6	(2,101)	-
Balance as at 31 December 2017	4,260	34,206	10,379	15,403	33,287	2,066	99,601
Historical cost	6,286	114,206	29,421	59,716	111,568	2,066	323,263
Accumulated amortisation	(2,026)	(80,000)	(19,042)	(44,313)	(78,281)	-	(223,662)
Balance as at 31 December 2017	4,260	34,206	10,379	15,403	33,287	2,066	99,601

The item Mergers by incorporation includes the balances of the companies merged by incorporation Tintoria Lombarda Divisione Sanitaria S.r.l. and Servizi Italia Medical S.r.l.

Land and Buildings

The item includes incorporations for Euro 3,311 thousand (relating to the acquisition of Tintoria Lombarda Divisione Sanitaria S.r.l.) and increases equal to Euro 35 thousand. The latter mainly relate to investments in temporary constructions made for the Pavia di Udine (Euro 16 thousand) and Florence (Euro 15 thousand) premises.

Plant and machinery

The increases concern investments in plant and machinery for laundries and the sterilisation centres at the following production sites: Castellina di Soragna for Euro 1,838 thousand, Ariccia for Euro 183 thousand, Pavia di Udine for Euro 173 thousand, Travagliato for Euro 321 thousand,

Florence for Euro 337 thousand, Genoa Bolzaneto for Euro 85 thousand and Arco di Trento for Euro 61 thousand. Investments are also recorded for Euro 328 thousand for the new Management headquarters in Castellina di Soragna.

The remaining part regards investments carried out at the customers' sites for the purchase of plants and machinery in support of wash and sterilisation activities, in particular for surgical instruments sterilisation at Clinica Columbus in Milan (Euro 68 thousand), the surgical instrument sterilisation centre at ASST in Crema (Euro 100 thousand) and the various wardrobes located in Italy (Euro 820 thousand) to allow the reading of the linen tracking systems.

The item presents reclassifications of Euro 1,425 thousand, of which Euro 357 thousand relating to the launch of the new Ariccia facility and Euro 749 thousand relating to investments for reading the linen tracking systems.

Returnable assets

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

On the basis of contractual commitments, the Company bore the cost of the partial renovation of premises 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.

With regard to the year ended 31 December 2017, the increases in investments, equal to Euro 1,511 thousand mainly concerned the redevelopment of the properties where the leased production sites are located and in particular the industrial laundries for a total of Euro 937 thousand, while the remaining portion relates to investments made at the customers sites for improvements and the adjustments of the existing systems in use for Euro 511 thousand. Euro 40 thousand refer to the new Management headquarters.

In addition, this item shows the reclassification of Euro 596 thousand. In particular, Euro 434 thousand refers to the start of the new surgical instrument sterilisation facility of Ariccia, Euro 62 thousand to the laundry facility of Montecchio Precalcino, Euro 45 thousand to the Arco di Trento laundry facility and Euro 35 thousand to the Travagliato laundry facility.

Industrial and commercial equipment

The changes during the year ended 31 December 2017 present an increase of Euro 3,417 thousand for the purchase of industrial and commercial equipment, of which Euro 1,937 thousand for the purchase of surgical instruments.

Other assets

The item includes incorporations for Euro 3,283 thousand, of which Euro 3,221 thousand refers to the laundry facility of the incorporated company Tintoria Lombarda Divisione Sanitaria S.r.l.

The item is broken down as follows:

<i>(thousands of Euros)</i>	As at 31 December 2017	As at 31 December 2016
Linens and mattresses	31,787	27,366
Furniture and fixtures	340	111
Electronic machinery	934	775
Cars	2	7
Motor vehicles	147	206
Telephone switchboards	77	72
Total	33,287	28,537

The purchases made during the year mainly derive from linen, for a total of Euro 27,278 thousand, which are necessary for an increasingly efficient management of the warehouse, both for the new contracts acquired during 2017 and at the time of the renewal of existing contracts.

The Company sold linen, generating a capital gain of Euro 388 thousand.

Furthermore, the value of the linen and mattresses completely amortised, for a total of Euro 21,924 thousand, was reversed from the respective accumulated depreciation, because it is presumed that on conclusion of the useful life of said assets, the value is no longer quantifiable so as to be able to establish any additional contribution to the production process.

Assets under construction

These are investments under way at the end of the year.

The item for 2017 is broken down as follows:

<i>(thousands of Euros)</i>	as at 31 December 2017
Sterilisation centre investments	749
Laundering facility investments	503
Investments on contracts	807
Total	2,059

Investments in sterilisation centres primarily concern the construction or renovation of surgical instrument sterilisation centres. These investments concern, in particular, the construction of the new surgical instrument sterilisation centre at ASST of Valle Olona for the hospital of Busto Arsizio (Euro 519 thousand).

Investments for laundries in the year refer to the requalification of the production areas (for Euro 50 thousand) and to the supplies and adjustments of plant and machinery for the washing lines (for Euro 453 thousand).

In the year investments for contracts recorded an increase of Euro 650 thousand and reclassifications of Euro 788 thousand. These investments mainly refer to the machinery for reading of the tracking systems for the linen destined to different wardrobes.

A breakdown as at 31 December 2017 and 2016 of the commitments for operational leasing fees is provided below:

<i>(thousands of Euros)</i>	As at 31 December	
	2017	2016
Within 12 months	3,441	3,296
Between one and five years	12,705	10,277
Beyond 5 years	11,197	10,727
Total	27,343	24,300

6.2 Intangible assets

This item changed as follows:

<i>(thousands of Euros)</i>	Trademarks and software	Customer contracts portfolio	Other intangible assets	Assets under construction and payments on account	Total
Balance as at 1 January 2016	437	1,590	663	147	2,837
Increases	252	-	-	43	295
Decreases	(3)	-	-	-	(3)
Amortisation	(410)	(335)	(508)	-	(1,253)
Reclassifications	147	-	-	(147)	-
Balance as at 31 December 2016	423	1,255	155	43	1,876
Historical cost	3,439	3,184	1,016	43	7,682
Accumulated amortisation	(3,016)	(1,929)	(861)	-	(5,806)
Balance as at 1 January 2017	423	1,255	155	43	1,876
Incorporations	7	3,381	-	29	3,417
Increases	295	-	-	17	312
Decreases	(4)	-	-	-	(4)
Amortisation	(410)	(1,014)	(155)	-	(1,579)
Write-downs (write-back)	-	-	-	-	-
Reclassifications	43	-	-	(43)	-
Balance as at 31 December 2017	354	3,622	-	46	4,022
Historical cost	4,011	7,006	1,016	46	12,079
Accumulated amortisation	(3,657)	(3,384)	(1,016)	-	(8,057)
Balance as at 31 December 2017	354	3,622	-	46	4,022

The increase in intangible assets is essentially due to investments in software for Euro 295 thousand.

Assets in progress mainly concern the management software being implemented.

6.3 Goodwill

This item changed as follows:

<i>(thousands of Euros)</i>	Goodwill
Balance as at 1 January 2016	32,275
Increases /(decreases)	-
Balance as at 31 December 2016	32,275
Increases /(decreases)	10,300
Balance as at 31 December 2017	42,575

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

The impairment test is carried out by comparing the value of the goodwill and the number of activities autonomously able to produce cash flow (CGU), which the same can be reasonably allocated to, with the value in use of the CGU or that recoverable from the same via sale, whichever is the higher (fair value). In detail, the value in use was determined by applying the "discounted cash flow" method discounting back the operating cash flows emerging from economic-financial projections relating to a period of five years. The multi-annual plan, which was used for impairment tests, was previously approved by the Board of Directors of Servizi Italia S.p.A. The underlying hypotheses of the plan used reflect past experience and the information gathered at the time of purchase, and are consistent the external sources of information available. The Company has taken into consideration, with reference to the period in question, the expected performance resulting from the industrial plan set up for the 2018-2022 period.

The terminal value is determined by applying a perpetual growth factor of 1.40% to the operating cash flow relating to the last year of the plan appropriately standardised, essentially representative on the one part of the inflation rate expected in Italy and on the other part of the uncertainties, which characterise the Italian market. The discount rate used, equating to 5.87% (5.08% in the previous year), reflects the current valuations of the market with reference to the current value of money and the specific risks associated with the activities. The discount rate has been estimated, after taxes, on a consistent basis with the cash flows being considered, by means of the determination of the weighted average cost of the capital (WACC).

A sensitivity analysis was carried out about the recoverability of the book value of the goodwill according to changes in the main assumptions that were used to calculate the book values also considering a conservative approach to the choice of the financial parameters above. The analysis carried out has shown that, to make the recoverable value the same as the carrying value, the following would be necessary: (i) a reduction in the growth rate of the terminal values of 3.0 percentage points (1.6% decline) or (ii) an increase of 39% of the WACC adopted or (iii) an annual reduction of the reference EBIT of 35%, all of this in order to maintain unchanged, from time to time, the other assumptions of the plan. At this time, it is not reasonable to hypothesise any change in the assumptions made which could lead to the cancellation of the surplus.

With reference to 31 December 2017 and the previous years, the impairment test carried out did not reveal any impairments to be booked to the recorded goodwill.

6.4 Equity-accounted investments

Equity investments in subsidiaries underwent the following changes:

(thousands of Euros)	Change in 2017					31 December 2017
	31 December 2016 reinstated	Revaluations / Impairment	Increases	Decreases	Change Translation reserve	
Subsidiaries						
S. Martino 2000 S.c.r.l.	6	-	-	-	-	6
Se.Sa.Tre. S.c.r.l. in liquidazione	12	-	-	-	-	12
Steritek S.p.A.	-	95	3,105	-	-	3,200
SRI Empreendimentos e Participacoes LTDA	34,435	(228)	1,000	-	(4,702)	30,505
Ankateks Turizm Insaat Tekstil Temizleme Sanayi Ve	-	437	18,057	-	(2,138)	16,356
Tintoria Lombarda Divisione Sanitaria S.r.l.	13,462	-	-	(13,462)	-	-
Servizi Italia Medical S.r.l.	1,403	-	-	(1,403)	-	-
Total	49,318	304	22,162	(14,865)	(6,840)	50,079

On 19 July 2017, Servizi Italia S.p.A. exercised the call option targeted at acquiring an additional 15% of the share capital of the Turkish company Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi, which in turn controls the company Ergülteks Temizlik Tekstil Ltd. Sti. (Ankara Group), in which Servizi Italia S.p.A. had a 40% stake since 15 October 2015. Servizi Italia S.p.A. now holds 55% and thus obtained control over the Ankara Group, significantly strengthening its position in the Turkish market. The value of the equity investment includes Euro 1,212 thousand referring to the greater fair value, compared to the cost incurred, of the 40% share held before acquiring control over the Ankara Group. This re-determined value, together with the payment made for the purchase of the subsequent 15%, represents the opening recognition cost of the equity investment, subsequently adjusted to consider the portions of profits and losses recorded by the subsidiary on the date control was acquired.

On 5 September 2017, Servizi Italia S.p.A. also acquired 70% of the share capital of Steritek S.p.A. The value of the equity investments has decreased consequently to the mergers by incorporation of Tintoria Lombarda Divisione Sanitaria S.r.l. and Servizi Italia Medical S.r.l.

The value of the equity investments in subsidiaries is affected by the adoption of the equity method for the measurement of the shareholdings in subsidiaries, as previously described. In accordance with par. 22 of IAS 8, the accounting policies in question were amended retrospectively with a decrease in the value of the equity investments in subsidiaries of the year 2016 of Euro 10,240 thousand, as described in the previous paragraph “Redetermination of the 2016 Income statement and Balance sheet figures following the adoption of the equity method for the recognition of the equity investments in subsidiaries”.

Equity investments in subsidiaries measured with the equity method, except for those in consortia, include implicit goodwill originating at the time of the acquisition, as follows:

- SRI Empreendimentos e Participações L.t.d.a.: Euro 10,354 thousand

- Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi: Euro 15,067 thousand
- Steritek S.p.A.: Euro 2,121 thousand

When considering that the equity method synthetically reflects the same effects of the consolidation process, the implicit goodwill contained in the book value of the equity investments in subsidiaries is thus equal to that posted in the consolidated financial statements of the Servizi Italia Group and, as such, is subject to the impairment test each year. In detail, the value in use is determined by applying the “discounted cash flow” method discounting back the operating flows emerging from economic-financial projections relating to a period of five years. The underlying hypotheses of the plans used reflect past experience, and the information gathered at the time of purchase for the Brazilian/Turkish market and are consistent the external sources of information available. The Company has taken into consideration, with reference to the period in question, the expected performance resulting from the industrial plan set up for the 2018-2022 period.

The terminal value is determined by applying a perpetual growth factor of 1.40% for the Steritek CGU, 4.02% for the Brazil CGU and 7.51% for the Turkey CGU to the operating cash flow relating to the last year of the plan appropriately standardised (these rates are essentially representative on the one part of the inflation rate expected in Italy, Brazil and Turkey to which the prices of services offered are indexed and on the other part of the uncertainties which characterise the Brazilian and Turkish markets, which present risks of a macroeconomic nature). The discount rate used to discount back the cash flows of the Steritek CGU located in Italy is 5.87%, 10.94% for the Brazil CGU and 14.22% for the Turkey CGU. These rates reflect the current valuations of the market with reference to the current value of money and the specific risks associated with the activities. The discount rates have been estimated, after taxes, on a consistent basis with the cash flows considered, by means of the determination of the weighted average cost of the capital (WACC). Following is a list of companies, share capital and investment in the subsidiaries held and the total amount of current and non-current assets, current and non-current liabilities, revenue, costs and results at 31 December 2017:

(thousands)

Company name	Registered office	Currency	Share capital	% holding
San Martino 2000 S.c.r.l.	Genoa	Eur	10	60%
Se.Sa.Tre. S.c.r.l. in liquidazione	Genoa	Eur	20	60%
Steritek S.p.A.	Cremona	Eur	134	70%
SRI Empreendimentos e Participacoes LTDA	São Paulo (Brazil)	R\$	142,913	100%
Lavsim Higienização Têxtil S.A.*	São Roque, São Paulo (Brazil)	R\$	550	100%
Maxlav Lavanderia Especializada S.A.*	Jaguariúna, State of São Paulo (Brazil)	R\$	2,825	50.10%
Vida Lavanderias Especializada S.A.*	Santana de Parnaíba SP (Brazil)	R\$	3,600	50.10%
Aqualav Serviços De Higienização Ltda*	Vila Idalina, Poá, State of São Paulo (Brazil)	R\$	15,400	100.00%
Ankateks Turizm İnşaat Tekstil Temizleme Sanayi Ve	Ankara, Turkey	TL	5,000	55%
Ergülteks Temizlik Tekstil Ltd. Sti.**	Smirne, Turkey	TL	1,700	57.5%

* Held through SRI Empreendimentos e Participações Ltda

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

<i>(thousands)</i>									
As at 31 December 2017									
Company name	Currency	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Shareholders' equity	Revenues	Costs	Profit/(Loss)
San Martino 2000 S.c.r.l.	Eur	1,817	3,585	-	5,392	10	8,095	8,095	-
Se.Sa.Tre. S.c.r.l. in liquidazione	Eur	1,533	4,548	-	6,061	20	11,051	11,051	-
Steritek S.p.A.	Eur	125	2,197	247	532	1,543	2,675	2,300	375
SRI Empreendimentos e Participacoes LTDA	R\$	139,615	16,904	861	5,523	150,135	-	291	(291)
Lavsim Higienização Têxtil S.A.*	R\$	36,403	10,462	26,593	11,604	8,668	45,932	44,411	1,521
Maxlav Lavanderia Especializada S.A.*	R\$	23,557	17,083	25,345	10,676	4,619	46,336	45,351	985
Vida Lavanderias Especializada S.A.*	R\$	1,689	2,921	570	2,005	2,035	12,922	12,617	305
Aqualav Serviços De Higienização Ltda*	R\$	21,991	13,440	20,059	6,436	8,936	21,520	22,320	(800)
Ankateks Turizm İnşaat Tekstil Temizleme Sanayi Ve	TL	12,446	19,178	6,622	14,596	10,406	12,875	9,548	3,327
Ergülteks Temizlik Tekstil Ltd. Sti.**	TL	2,857	7,834	1,145	7,410	2,136	5,584	5,402	182

* Held through SRI Empreendimentos e Participações Ltda

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

6.5 Equity investments in associates, jointly controlled and other companies

The item is broken down as follows:

<i>(thousands of Euros)</i>		
As at 31 December		
	2017	2016 reinstated
Equity investments in associates, jointly controlled	24,289	30,682
Equity investments in other companies	3,612	3,602
Total	27,901	34,284

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

<i>(thousands of Euros)</i>				
Change in 2017				
	1 January 2017 reinstated	Increases	Decreases	31 December 2017
Finanza & Progetti S.p.A.	5,260	3,060	-	8,320
Brixia S.r.l.	-	3,002	-	3,002
Arezzo Servizi S.c.r.l.	5	-	-	5
CO.SE.S S.c.r.l.	3	-	-	3
PSIS S.r.l.	5,000	-	-	5,000
Ekolav S.r.l.	50	-	-	50
Steril Piemonte S.c.r.l.	2,000	-	-	2,000
AMG S.r.l.	2,033	-	-	2,033
Iniziativa Produttive Piemontesi S.r.l.	1,322	-	-	1,322
SE.STE.RO. S.r.l. in liquidazione	100	-	-	100
Piemonte Servizi Sanitari S.c.r.l.	3	-	-	3
Saniservice Sh.p.k.	6	-	-	6
Servizi Sanitari Integrati Marocco S.a.r.l.	-	89	-	89
Ankateks Turizm İnşaat Tekstil Temizleme Sanayi Ve	12,697	-	(12,697)	-
SAS Sterilizasyon Servisleri A.Ş.	341	153	-	494
Shubhram Hospital Solutions Private Limited	1,862	-	-	1,862
Total	30,682	6,304	(12,697)	24,289

The reduction in the item is attributable mainly to the acquisition of control of the company Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi on 19 July 2017, after which Servizi Italia S.p.A. exercised the option to acquire 15% of the share capital on 16 May 2017. Up until the date of acquisition of the control, the company was classified with associates.

An increase in the share already held by Tintoria Lombarda Divisione Sanitaria S.r.l. in Brixia S.r.l. (a company which handles Facility Management services in the hospital ASST Spedali Civili of Brescia) was recorded in the period, with a subsequent increase in the turnover achieved in the relevant contract and the subscription of a new tranche of the share capital increase in the company Finanza & Progetti S.p.A.

The increase in value of the shareholding in the company Finanza & Progetti S.p.A. refers to a capital increase of Euro 3,060 thousand.

On 13 February 2017, Servizi Italia purchased 51.0% of Servizi Sanitari Integrati Marocco S.a.r.l., a company that on 10 February 2017 signed a preliminary contract for the establishment of Servizi Italia Marocco S.a.r.l, which will be 50% owned by Servizi Sanitari Integrati Marocco S.a.r.l. and 50% owned by local partner Blue Field Healthcare S.a.r.l.

Following is a list of companies, share capital and investment in the associates and jointly controlled companies held by the Company and the total amount of current and non-current assets, current and non-current liabilities, revenue, costs and results at 31 December 2017:

(thousands)

Company name	Registered office	Currency	Share capital	% holding
SAS Sterilizasyon Servisleri A.Ş.	Istanbul, Turkey	TL	3502	51%
Saniservice Sh.p.k.	Tirana – Albania	Lek	2,746	30%
Shubhram Hospital Solutions Private Limited	New Delhi - India	INR	270,172	51%
Finanza & Progetti S.p.A.*	Padua	Eur	550	50%
Arezzo Servizi S.c.r.l.	Arezzo	Eur	10	50%
CO.SE.S S.c.r.l.	Perugia	Eur	10	25%
PSIS S.r.l.	Padua	Eur	10,000	50%
Ekolav S.r.l.	Lastra a Signa (FI)	Eur	100	50%
Steril Piemonte S.c.r.l.	Turin	Eur	4,000	50%
AMG S.r.l.	Busca (CN)	Eur	100	50%
SE.STE.RO S.r.l. in liquidazione	Castellina di Soragna (PR)	Eur	400	25%
Iniziative Produttive Piemontesi S.r.l.	Turin	Eur	2,500	37.63%
Brixia S.r.l.	Milan	Eur	10	23%
Servizi Sanitari Integrati Marocco S.a.r.l.	Casablanca - Morocco	MAD	122	51%
Piemonte Servizi Sanitari s.c.r.l.	Turin	Eur	10	30%

(thousands)

As at 31 December 2017

Company name	Currency	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Shareholders' equity	Revenues	Costs	Profit/(Loss)
SAS Sterilizasyon Servisleri A.Ş.	TL	1,897	2,544	-	282	4,159	2,996	1,950	1,046
Saniservice Sh.p.k.	Lek	1,266,616	833,056	1,231,942	887,913	(20,183)	945,820	832,274	113,546
Shubhram Hospital Solutions Private Limited	INR	916,912	118,008	558,098	499,008	(22,186)	326,222	392,797	(66,575)
Finanza & Progetti S.p.A.*	Eur	18,469	16,370	13	23,840	10,986	23,059	21,539	1,520
Arezzo Servizi S.c.r.l.	Eur	1,064	638	267	1,425	10	2,349	2,349	-

CO.SE.S S.c.r.l.**	Eur	1	1,170	129	1,032	10	2,794	2,794	-
PSIS S.r.l.	Eur	21,523	4,034	2,884	14,876	7,797	8,223	8,828	(605)
Ekolav S.r.l.	Eur	2,087	1,300	843	2,313	231	2,867	2,775	92
Steril Piemonte S.c.r.l.	Eur	4,558	2,279	-	2,892	3,945	2,721	2,721	-
AMG S.r.l.	Eur	1,900	2,681	545	1,339	2,697	4,074	3,819	255
SE.STE.RO S.r.l. in liquidazione	Eur	-	456	-	1	455	-	(8)	8
Iniziative Produttive Piemontesi S.r.l.	Eur	690	3,174	247	1,801	1,816	3,606	3,535	71
Brixia S.r.l.	Eur	2	5,294	-	5,249	47	18,591	18,599	(8)
Servizi Sanitari Integrati Marocco S.a.r.l.	Mad	500	390	-	78	812	-	86	(86)
Piemonte Servizi Sanitari s.c.r.l.	Eur	15	686	-	691	10	1,120	1,120	-

*The data refers to the sub-consolidation with the subsidiary Ospedal Grando S.p.A.

** dated 31 December 2016

Equity investments in other companies underwent the following changes:

<i>(thousands of Euros)</i>	Change in 2017			
	1 January 2017 reinstated	Increases	Decreases	31 December 2017
Asolo Hospital Service S.p.A.	464	-	-	464
Prosa S.p.A.	462	-	-	462
PROG.ESTE S.p.A.	1,212	-	-	1,212
Progeni S.p.A.	380	-	-	380
Sesamo S.p.A.	353	-	-	353
Synchron Nuovo San Gerardo S.p.A.	344	-	-	344
Spv Arena Sanità	278	-	-	278
Futura S.r.l.	-	25	-	25
Other	109	-	(15)	94
Total	3,602	25	(15)	3,612

Regarding this item, mention should be made of the increase of Euro 25 thousand in the equity investment in Futura S.r.l., the company acquired through the merger of Tintoria Lombarda Divisione Sanitaria S.r.l. During the year the shares (equal to Euro 15 thousand) of Consorzio C.C.F.S. were sold.

The equity investments in other companies refer to investments of a strategic and productive nature, which are actually all held as they refer to the management of contracts or concessions. These equity investments were measured at the cost of purchase or of establishment since no active market exists for these securities which, in most cases, cannot even be freely transferred to third parties as they are subject to rules and understandings that actually prevent their free circulation. This accounting policy is in any case deemed to be close to the fair value of the security.

The total values of the assets, liabilities, revenues and net profit/loss, on the basis of the last set of available financial statements, of the main equity investments in other companies held by the Company are presented below, along with related shareholding held as at 31 December 2017:

	Financial statement figures as at 31 December 2016					
	Registered office	Assets	Liabilities	Revenues	Profit/ (Loss)	Shareholding as at 31 December 2017
Asolo Hospital Service S.p.A.	Asolo (TV)	101,476	95,763	43,007	467	7.03%
Prosa S.p.A.	Carpi (MO)	9,580	4,267	1,979	1,052	13.20%
Progeni S.p.A.	Milan	298,032	304,581	44,258	999	3.80%
Sesamo S.p.A.	Carpi (MO)	38,137	30,643	18,113	1,040	12.17%
Prog.Este. S.p.A.	Carpi (MO)	217,220	218,366	35,015	307	10.14%

6.6 Non-current financial receivables

The item is broken down as follows:

	As at 31 December	
	2017	2016
Prosa S.p.A.	189	255
Sesamo S.p.A.	353	353
Progeni S.p.A.	982	982
Prog.Este. S.p.A.	531	531
Saniservice Sh.p.K.	4,000	4000
Summano Sanità S.p.A.	2	2
Futura S.r.l.	158	-
Ankateks Turizm Insaat Tekstil Temizleme Sanayi Ve	660	809
Arena Sanità	476	461
Syncron	296	275
Total	7,647	7,668

The financial receivables refer to the interest-bearing loans granted to the companies Prosa S.p.A. (3.50% rate plus 3-month Euribor), Sesamo S.p.A. (3% rate plus IRS rate at 20 years), Progeni S.p.A. (7.31% rate), Prog.Este. S.p.A. (rate equal to 6.96%), Summano Sanità S.p.A. (rate equal to 6.25%), Arena Sanità S.p.A. (rate 3.4% plus 6-month Euribor) and Synchron S.p.A. (rate 8%) and with a term equal to the global service agreements for which the companies were established (expiring on 21 February 2031, 31 December 2037, 31 December 2033, 31 December 2031, 31 December 2035, 20 August 2032, 14 June 2042, respectively), as well as the loans granted to the company Futura S.r.l. (expiring on 31 December 2035) and to the Albanian investee company Saniservice Sh.p.K. and the Turkish investee company Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi, whose value in foreign currency fell due to the write-down of the Turkish Lira. The loan granted to Prosa S.p.A. decreased after a partial repayment occurred in 2017, while the loans granted to the companies Arena Sanità S.p.A. and Synchron S.p.A. increased due to the capitalisation of the interest accrued during the year.

6.7 Deferred tax assets

This item changed as follows:

<i>(thousands of Euros)</i>	Share Capital increase costs	Property, plant and equipment	Employee benefits	Other costs with deferred deductibility	Total
Deferred taxation as at 1 January 2016	48	784	134	187	1,153
Changes recognised in the income statement	(36)	(127)	-	(7)	(170)
Changes recognised under shareholders' equity	-	-	-	-	-
Changes recognised in other comprehensive income	-	-	57	-	57
Deferred taxation as at 31 December 2016	12	657	191	180	1,040
Incorporations	-	-	18	4	22
Changes recognised in the income statement	(9)	66	(21)	80	116
Changes recognised under shareholders' equity	-	-	-	-	-
Changes recognised in other comprehensive income	-	-	(5)	-	(5)
Deferred taxation as at 31 December 2017	3	723	183	264	1,173

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

6.8 Other non-current assets

The item is broken down as follows:

<i>(thousands of Euros)</i>	As at 31 December	
	2017	2016
Substitute tax Italian Decree Law 185/2008 subsequent years	2,885	3,313
Receivables for IRES reimbursement request pursuant to Art. 2 par. 1-quater Italian Decree Law No. 201	176	1,833
Total	3,061	5,146

Other non-current assets moved from Euro 5,146 thousand as at 31 December 2016 to Euro 3,061 thousand as at 31 December 2017. The reduction in the item is due to the collection in June 2017 of part of the receivable of the IRES refund request pursuant to art. 2, paragraph 1-quater Decree Law no. 201. The drop in substitute tax is due to the release to the income statement for the pertinent deduction of the goodwill released in 2016 and previous years. This substitute tax was recognised as a prepaid current tax and is released to the income statement over the period of time in which the Company benefits from the tax deductions connected with the goodwill.

6.9 Inventories

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

6.10 Trade receivables

The item is broken down as follows:

<i>(thousands of Euros)</i>	As at 31 December	
	2017	2016
Due from third parties	60,182	57,280
Due from the subsidiaries	9,946	10,058
Due from associates	3,269	896
Due from parent companies	184	366
Receivables from companies under the control of the parent companies	1	1
Total	73,582	68,601

6.10.1 Trade receivables due from third parties

The item is broken down as follows:

<i>(thousands of Euros)</i>	As at 31 December	
	2017	2016
Due from customers	66,057	62,455
Bad debt provision	(5,875)	(5,175)
Total	60,182	57,280

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

- factoring transactions were carried out on trade receivables without recourse, with Credem Factor, for a total of Euro 59,592 thousand for a consideration of Euro 59,443 thousand;
- trade receivables were factored without recourse to Unicredit Factoring, due from Lazio Regional local health units and hospitals for Euro 324 thousand, for a consideration of Euro 322 thousand;
- Euro 31,740 thousand in trade receivables were transferred, in accordance with a clause on transfer without recourse, to Unicredit Factoring S.p.A. against a consideration of Euro 31,676 thousand.

The bad debt provision changed as follows in 2017 and 2016:

<i>(thousands of Euros)</i>	
Balance as at 1 January 2016	5,531
Uses	(533)
Adjustments	(81)
Provisions	258
Balance as at 31 December 2016	5,175
Incorporations	198
Uses	(42)
Adjustments	(123)
Provisions	667
Balance as at 31 December 2017	5,875

6.10.2 Trade receivables due from subsidiaries

The balance of Euro 9,946 thousand as at 31 December 2017 includes trade receivables due from the subsidiaries Se.Sa.Tre S.c.r.l. in liquidazione for Euro 4,529 thousand, San Martino 2000 S.c.r.l. for Euro 4,422 thousand, SRI Empreendimentos e Participacoes LTDA for Euro 935 thousand and Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi for Euro 59 thousand. Amounts due from Se.Sa.Tre. in liquidazione are essentially linked to the charge-back of costs invoiced to Servizi Italia S.p.A., but referring to the management of the contract related to AULSS 2 Marca Trevigiana. Amounts due from San Martino 2000 S.c.r.l. are instead essentially linked to the charge-back of costs invoiced to Servizi Italia S.p.A., but referring to the management of the contract related to IRCCS Az. Osp. Univ. San Martino of Genoa.

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

The balance as at 31 December 2017 of trade receivables due from associates and jointly controlled companies, amounting to Euro 3,269 thousand, is essentially represented by trade receivables due from Brixia S.r.l. for Euro 1,371 thousand, Saniservice Sh.p.k. for Euro 811 thousand, PSIS S.r.l. for Euro 342 thousand, Steril Piemonte S.c.r.l. for Euro 278 thousand, AMG S.r.l. for Euro 252 thousand and Finanza & Progetti S.p.A. for Euro 127 thousand. The change when compared to the 31 December 2016 figure is primarily attributable to the company Brixia S.r.l. for the services contracted with ASST Spedali Civili of Brescia. Furthermore, there is a credit balance due from the parent company Coopservice Soc.Coop. p.A. for Euro 184 thousand.

6.11 Current tax receivables

The item is broken down as follows:

<i>(thousands of Euros)</i>	As at 31 December	
	2017	2016
Tax receivables	6,045	5,489
Tax payables	(4,317)	(2,994)
Total	1,728	2,495

This item includes the amount exceeding the receivables for advances on the current taxes of 2017, net of related tax payables.

6.12 Current financial receivables

The item is broken down as follows:

<i>(thousands of Euros)</i>	As at 31 December	
	2017	2016
Asolo Hospital Service S.p.A.	1,777	1,673
P.S.I.S. S.r.l.	3,891	3,847
Ekolav S.r.l.	172	174
Arezzo Servizi S.c.r.l.	403	151
Se.Sa.Tre. S.c.r.l. in liquidazione	5	785
Tintoria Lombarda Divisione Sanitaria S.r.l.	-	7,945

Steril Piemonte S.c.r.l.	651	1,153
Iniziative Produttive Piemontesi S.r.l.	90	90
Gesteam S.r.l.	313	313
Other	649	748
Total	7,951	16,879

Financial receivables are for loans granted to the companies indicated above, which are due within the year or repayable on demand. The reduction compared to 31 December 2016 is due to the cancellation, after the merger by incorporation, of the loan to Tintoria Lombarda Divisione Sanitaria S.r.l. During the year 2017 a partial repayment of Euro 500 thousand was made on the interest-bearing loan granted to Steril Piemonte S.c.r.l., while the loan to Arezzo Servizi S.c.r.l. was increased by Euro 250 thousand.

6.13 Other current assets

The item is broken down as follows:

<i>(thousands of Euros)</i>	As at 31 December	
	2017	2016
Guarantee deposits receivable	118	119
Due from others	6,151	5,506
Prepayments	817	710
Total	7,086	6,335

Guarantee deposits receivable essentially relate to energy utilities and rentals.

The item Due to others includes mainly the receivables from INPS for the welfare support system and tax bonus, as per Italian Legislative Decree 66/2014 for Euro 163 thousand and VAT receivables for Euro 4,301 thousand.

The remaining balance of the Receivables due from others is made up of advances and amounts due from social security and welfare institutions and sundry, all due within 12 months.

6.14 Cash and cash equivalents

The item is broken down as follows:

<i>(thousands of Euros)</i>	As at 31 December	
	2017	2016
Bank and postal deposits	1478	998
Cheques	-	1
Cash at bank and in hand	36	26
Total	1,514	1,025

6.15 Shareholders' equity

6.15.1 Share Capital and reserves

The share capital (fully paid up) of Servizi Italia S.p.A. is equal to Euro 31,809,451, represented by 31,809,451 ordinary shares with nominal value of Euro 1.00 each.

During the year 2017, the Company purchased 53,750 treasury shares with a value of Euro 220 thousand, equivalent to 0.17% of the share capital, at the average purchase price of Euro 4.09 per share and sold 391,420 treasury shares for a value of Euro 1,840 thousand, equating to 1.23% of the share capital at an average price of Euro 4.70 per share. Following these transactions, the Company held 10,550 treasury shares amounting to 0.03% of the share capital as at 31 December 2017. Their nominal amount as at 31 December 2017, of Euro 49 thousand, was classified as a decrease to share capital for their nominal amount of Euro 11 thousand, and the value exceeding the nominal amount, totalling Euro 38 thousand, was recognised as a reduction in the share premium reserve. The value of other reserves and retained earnings is affected by the adoption of the equity method for the measurement of the shareholdings in subsidiaries, as previously described. In accordance with par. 22 of IAS 8, the accounting policies in question were amended retrospectively on the year 2016, with a decrease in the value of other reserves and retained earnings of Euro 9,356 thousand and Euro 884 thousand in the economic result of the year.

The Legal reserve and Other reserves increased due to the allocation of the 2016 profit of the Company as per the resolution of the shareholders' meeting held on 20 April 2017, along with the payment of dividends for Euro 4,713 thousand equating to 15 euro cents per share.

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

<i>(thousands of Euros)</i>	Amount	Usability (1)	Available portion	Distributable portion
Share capital	31,799	-	-	-
Share premium reserve	53,250	A, B	53,250	-
Legal Reserve	5,366	B	-	-
Other reserves	38,190	A, B, C	38,190	38,190
Total share capital and reserves	128,604		91,440	38,190
Profit (loss) for the year	13,822			
Total Shareholders' Equity	142,427			

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

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

Other reserves include Retained earnings for Euro 45,897 thousand and the negative reserve for the conversion of the financial statements in foreign currency of the subsidiaries measured with the equity method for Euro 7,707 thousand.

6.16 Due to banks and other lenders

The item is broken down as follows:

<i>(thousands of Euros)</i>	As at 31 December 2017			As at 31 December 2016		
	Current	Non-current	Total	Current	Non-current	Total
Bank borrowing	46,513	39,191	85,704	46,279	45,022	91,301
Payables due to other lenders	50	-	50	50	-	50
Total	46,563	39,191	85,754	46,329	45,022	91,351

6.16.1 Bank borrowing

The portion of the payable falling due within 12 months relating to the item Due to banks as at 31 December 2017 showed an increase compared with 31 December 2016 of Euro 234 thousand. This increase was due to the repayment of the loan instalments expired during the period, net of the instalments of the new loans expiring within 12 months.

The portion of the payable falling due beyond 12 months relating to the item Due to banks as at 31 December 2017 decreased with respect to 31 December 2016 by Euro 5,831 thousand as a result of both the payment of mortgage instalments that fell due during the period and the subscription of new loans granted by Unicredit Banca S.p.A., in the amount of Euro 10,000 thousand on 9 May 2017, with a three-year duration, and by Banca Popolare dell'Emilia Romagna S.p.A., in the amount of Euro 10,000 thousand on 23 November 2017, with a four-year duration. The subscription of the new loans was necessary in order to support the funding of the planned investments and the payment of both the deferred price for the initial share of 40% held, and the acquisition of an additional 15% stake in the Turkish company Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi, maintaining a balanced ratio of short to medium-term borrowing. The loan stipulated with Banca Nazionale del Lavoro S.p.A. requires the maintenance of a net financial position of less than 1.5 times the value of shareholders' equity and less than 2.0 times the Ebitda (covenant), conditions which had been met as at 31 December 2017. The loans stipulated with Cassa di Risparmio in Bologna S.p.A., Unicredit Banca S.p.A. and Cassa di Risparmio di Parma e Piacenza S.p.A. require the maintenance of a net financial position of less than 1.5 times the value of shareholders' equity and less than 2.5 times the Ebitda (covenant), conditions which had been met as at 31 December 2017. 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), conditions which had been met as at 31 December 2017.

Amounts due to banks are shown below by maturity:

<i>(thousands of Euros)</i>	As at 31 December	
	2017	2016
Less than or equal to 6 months	34,420	37,142
6 to 12 months	12,093	9,137
1 to 5 years	39,191	45,022
More than 5 years	-	-
Total	85,704	91,301

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

<i>(thousands of Euros)</i>	As at 31 December	
	2017	2016
1 to 2 years	21,215	18,356
2 to 5 years	17,976	26,666
More than 5 years	-	-
Total	39,191	45,022

The average effective interest rates for 2017 were as follows:

	As at 31 December	
	2017	2016
Advances on invoices	0.44%	0.74%
Bank loan	0.86%	1.01%

6.16.2 Payables due to other lenders

Payables to other lenders are broken down by maturity below:

<i>(thousands of Euros)</i>	As at 31 December	
	2017	2016
Less than or equal to 6 months	50	50
6 to 12 months	-	-
1 to 5 years	-	-
More than 5 years	-	-
Total	50	50

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

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

<i>(thousands of Euros)</i>	As at 31 December	
	2017	2016
Floating rate	-	-
Fixed rate	50	50
Total	50	50

6.17 Deferred taxes liabilities

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

<i>(thousands of Euros)</i>	Leasing	Property, plant and equipment	Intangible assets	Goodwill	Total
Deferred tax liabilities as at 1 January 2016	108	21	455	1,175	1,759
Changes recognised in the income statement	(64)	-	(455)	103	(416)
Changes recognised in other comprehensive income	-	-	-	-	-
Deferred tax liabilities as at 31 December 2016	44	21	-	1,278	1,343
Incorporations	-	253	943	-	1,196
Changes recognised in the income statement	(19)	(5)	(211)	101	(134)
Changes recognised in other comprehensive income	-	-	-	-	-
Deferred tax liabilities as at 31 December 2017	25	269	732	1,379	2,405

The increase in the deferred tax provision was due primarily to the incorporation of the surplus amounts allocated to the customer portfolios and to the real estate portfolio of Tintoria Lombarda Divisione Sanitaria S.r.l. following the merger by incorporation in 2017.

6.18 Employee benefits

This item changed as follows:

<i>(thousands of Euros)</i>	Year	
	2017	2016
Opening balance	10,416	9,964
Incorporations	802	-
Provision	368	506
Financial expenses	85	129
Actuarial (gains)/losses	(22)	237
Transfers (to)/from other provisions	-	-
(Uses)	(777)	(420)
Reclassification	(877)	-
Closing balance	9,995	10,416

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

Worth mentioning about this item is the reclassification of Euro 877 thousand of the amounts accrued on the LTI-Cash 2015-2017 variable remuneration plan for Directors, Managers, Senior Managers and Executives, based on which a bonus is disbursed in 2018 if certain economic and financial targets are met and in relation to the Servizi Italia share price, as well as the severance for termination of the office accrued by the CEO.

With the approval of the financial statements as at 31 December 2017, the vesting period concluded relating to the 2015-2016-2017 LTI Cash Plan for Directors with special duties identified by the Board of Directors, Managers with strategic responsibilities, Senior Managers and special / key figures. The Remuneration Committee, together with the Board of Statutory Auditors, on March 13, 2018, provided in-depth disclosure and support to the Board of Directors, highlighting the achievement of the target performance expected for the group net result cumulated during the vesting period. The Board of Directors approved the disbursement of the bonus to the Beneficiaries, within the terms and conditions established in the regulation, of the target monetary premium, which, moreover, benefited from the positive value of the Total Shareholder Return linked to the value of the Company's share and to the dividends distributed. The amount set aside during the vesting period (including the company's social security contributions for each beneficiary), for Euro 877 thousand and allocated to the 2015-2016-2017 LTI Cash Plan, has therefore been expensed in the 2017 financial statements.

6.18.1 Financial hypotheses adopted

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

	Year	
	2017	2016
Technical annual discounting back rate	0.88%	0.86%
Annual inflation rate	1.50%	1.50%
Annual growth rate of the severance indemnity	2.63%	2.63%

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

6.18.2 Demographic hypotheses adopted

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

Further to the supplementary welfare reform as per Italian Legislative Decree No. 252 dated 5 December 2005, for employees who have decided to allocate the indemnity as from 1 January 2007 to the INPS Treasury Fund, the advances as per Article 2120 of the Italian Civil Code are calculated on the entire value of the severance indemnity accrued by the worker.

These advances are disbursed by the employer within the limits of the capacity of the amounts accrued by virtue of the provisions made up until 31 December 2006. If the amount of the advance is not covered by the amount accrued care of the employer, the difference is disbursed by the Treasury Fund set up care of INPS.

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

6.18.3 Sensitivity analysis

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

<i>(thousands of Euros)</i>	Discount rate		Inflation rate		Duration	
	0.50%	-0.50%	0.25%	-0.25%	+1 year	-1 year
Change in liabilities	(341)	363	102	(100)	(119)	116

6.19 Provisions for risks and charges

The item is broken down as follows:

<i>(thousands of Euros)</i>	As at 31 December	
	2017	2016
Opening balance	124	151
Provisions	-	-
Uses	(4)	(27)
Other changes	-	-
Closing balance	120	124

6.20 Other non-current financial liabilities

The item is broken down as follows:

<i>(thousands of Euros)</i>	As at 31 December	
	2017	2016
Payable due to Area S.r.l.	1,000	-
Payable to Steritek S.p.A. shareholders	225	-
Other payables	-	57
Total	1,225	57

The increase, compared with 31 December 2016, is due to recognition of the instalment of price connected to the acquisition of the 70% of the share capital of Steritek S.p.A. and the payable due to Area S.r.l. for the acquisition of shares in Brixia S.r.l.

6.21 Trade payables

The item is broken down as follows:

<i>(thousands of Euros)</i>	As at 31 December	
	2017	2016
Due to suppliers	57,099	46,648
Due to subsidiaries	4,892	5,344
Due to associates	2,877	2,649
Due to parent companies	3,904	4,259
Payables to companies under the control of the parent companies	913	293
Total	69,685	59,193

6.21.1 Due to suppliers

The balance as at 31 December 2017 refers entirely to trade payables due within 12 months.

6.21.2 Due to subsidiaries

The balance as at 31 December 2017 includes trade payables due within 12 months to the subsidiaries San Martino 2000 S.c.r.l for Euro 2,468 thousand, Se.Sa.Tre S.c.r.l. in liquidazione for Euro 2,270 thousand and Steritek S.p.A. for Euro 154 thousand.

6.21.3 Due to associates and the parent company

The balance at 31 December 2017 consists primarily of trade payables to Società Steril Piemonte S.c.r.l. for Euro 1,107 thousand, Ekolav S.r.l. for Euro 558 thousand, AMG S.r.l. for Euro 542 thousand, Arezzo Servizi S.c.r.l. for Euro 253 thousand, Piemonte Servizi Sanitari S.c.r.l. per Euro 217 thousand, Co.Se.S. S.c.r.l. for Euro 154 thousand and PSIS S.r.l. for Euro 46 thousand.

6.21.4 Due to parent companies

Trade payables due to the parent company Coopservice S.Coop.p.A. amounted to Euro 3,904 thousand.

6.21.5 Payables to companies under the control of the parent companies

Trade payables to companies under the control of the parent company Coopservice S.Coop.p.A. amounted to Euro 913 thousand of which Euro 557 thousand due to Focus S.p.A., Euro 248 thousand due to Archimede S.p.A., Euro 106 thousand due to Gesta S.p.A. and Euro 2 thousand due to Adpersonam S.r.l.

6.22 Current tax payables

With regard to 2017, the balance is stated in the item “Current tax receivables” since the net value is a credit.

6.23 Other current financial liabilities

The item is broken down as follows:

<i>(thousands of Euros)</i>	As at 31 December	
	2017	2016
Payables to shareholders Ankateks Turizm İnşaat Tekstil Temizleme San. Ve Tic. Ltd. Şti	-	7,625
Payable to Area S.r.l.	1,000	-
Payable to Steritek S.p.A. shareholders	225	-
Payable to Finanza e Progetti S.p.A.	2,460	-
Total	3,685	7,625

The change in the item is connected, in particular, with the balance of the amount due for the payment of the deferred price for the purchase of the 40.0% shareholding in Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi. The item takes into account the payable to Finanza e Progetti S.p.A. for the capital increase of Euro 2,460 thousand, the payable for the

instalment of price connected to the acquisition of the 70% of the share capital of Steritek S.p.A. and the payable due to Area S.r.l. for the acquisition of shares in Brixia S.r.l.

6.24 Other current payables

The table below provides a breakdown of other current payables.

<i>(thousands of Euros)</i>	As at 31 December	
	2017	2016
Accrued liabilities	199	115
Deferred income	435	612
Social security contributions	4,742	4,427
Other payables	10,678	9,887
Total	16,054	15,041

6.24.1 Social security contributions

Amounts due to social security institutions include contributions to INPS/INAIL/INPDAI (National Social Security Institution/Italian Institution for Insurance Against Workplace Accidents/National Welfare Institute for Industrial Managerial Employees) totalling Euro 4,742 thousand, all falling due within the year.

6.24.2 Other payables

The item is broken down as follows:

<i>(thousands of Euros)</i>	As at 31 December	
	2017	2016
Due to employees	8,183	7,818
Employee/professional IRPEF (personal income tax) payable	2,160	1,843
Other payables	335	226
Total	10,678	9,887

6.25 Financial guarantee contracts

The table below lists the guarantees given by the company, existing as at 31 December 2017:

<i>(thousands of Euros)</i>	As at 31 December	
	2017	2016
Guarantees issued by banks and insurance companies for tenders	59,397	63,841
Guarantees issued by banks and insurance companies for lease agreements and utilities	602	603
Guarantees issued by banks and insurance companies in favour of third parties	42,821	38,331
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
Total	105,162	105,117

Guarantees issued by banks and insurance companies for tenders: these were issued on behalf of the company in favour of customers or potential customers for participation in tenders, to guarantee the correct execution of the service.

Guarantees issued by banks and insurance companies for lease agreements and utilities: these were issued on behalf of the company to guarantee the payment of lease instalments and invoices for the supply of electricity and gas.

Guarantees issued by banks and insurance companies in favour of third parties: these are guarantees issued to back the payment of the company's portion of the project financing and guarantees issued in favour of PSIS S.r.l., Steril Piemonte S.c.r.l., I.P.P. S.r.l., Ekolav S.r.l., Saniservice Sh.p.k. and Shubhram Hospital Solutions Private Limited to back loan agreements.

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

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

7 INCOME STATEMENT

7.1 Revenues from sales

The item is broken down as follows by business:

<i>(thousands of Euros)</i>	Year ended as at 31 December	
	2017	2016
Wash-hire	150,151	141,126
Steril B	20,479	19,165
Steril C	40,569	38,466
Total	211,199	198,757

The revenues of Servizi Italia rose by 6.3% since last year. This increase is primarily due to the effect of the merger by incorporation of Tintoria Lombarda Divisione Sanitaria S.r.l. on the wash-hire line and of the merger by incorporation of Servizi Italia Medical S.r.l. on the linen sterilisation line. Turnover in the surgical instrument sterilisation segment grew by 5.5% compared to the previous year. This increase is due primarily to the gradual increase in turnover from customers such as Azienda Ospedaliera Careggi (Florence), ASST of Valle Olona for the hospital of Busto Arsizio and Azienda Ospedaliera Universitaria Policlinico Messina "G. Martino". As regards the revenues of the linen sterilisation line, the increase in turnover for disposable supplies to "Ente per la Gestione Accentrata dei Servizi Condivisi di Udine" has positively impacted the results.

<i>(thousands of Euros)</i>	31 December 2017	%	31 December 2016	%	Changes
Abruzzo	3	-	5	-	-
Basilicata	430	0.2%	415	0.2%	3.6%
Campania	55	-	50	-	10.0%
Emilia Romagna	31,732	15.0%	32,098	16.2%	-1.1%

Friuli Venezia Giulia	19,624	9.3%	17,658	8.9%	11.1%
Latium	11,988	5.7%	11,676	5.9%	2.7%
Liguria	26,809	12.7%	28,183	14.2%	-4.9%
Lombardy	50,958	24.1%	40,584	20.4%	25.6%
Marches	3,786	1.8%	3,481	1.8%	8.8%
Piedmont	6,628	3.1%	7,620	3.8%	-13.0%
Sicily	3,782	1.8%	3,217	1.6%	17.6%
Tuscany	26,936	12.8%	26,089	13.1%	3.2%
Trentino Alto Adige	6,024	2.9%	5,665	2.9%	6.3%
Umbria	258	0.1%	253	0.1%	2.0%
Valle D'Aosta	499	0.2%	1,031	0.5%	-51.6%
Veneto	21,223	10.0%	20,564	10.3%	3.2%
NON-EEC revenues	464	0.2%	168	0.1%	176.2%
Total	211,199	100.0%	198,757	100.0%	6.3%

7.2 Other income

This balance comprises recoveries of costs and personnel attributable to third parties for Euro 5,567 thousand, charge-backs of Euro 2,446 thousand for consortium costs, non-recurring income of Euro 1,006 thousand, ordinary capital gains from disposal of assets for Euro 514 thousand and other income of Euro 1,174 thousand.

7.3 Raw materials and consumables

Consumption of raw materials, amounting to Euro 20,229 thousand, increased with respect to the previous year (Euro 18,213 thousand in 2016). The increase in this item is due particularly to the increase in the purchase of the new disposable supply for Ente per la Gestione Accentrata dei Servizi Condivisi di Udine and the effect of the merger by incorporation of Servizi Italia Medical S.r.l.

7.4 Costs for services

The item is broken down as follows:

<i>(thousands of Euros)</i>	Year ended as at 31 December	
	2017	2016
External laundering and other industrial services	(19,071)	(17,088)
Travel and transport	(11,115)	(10,980)
Utilities	(8,709)	(9,167)
Administrative costs	(1,868)	(2,186)
Consortium and sales costs	(19,930)	(20,203)
Personnel expense	(1,372)	(1,318)
Maintenance	(5,060)	(4,444)
Use of third-party assets	(6,581)	(7,035)
Other services	(2,190)	(1,501)
Total	(75,896)	(73,922)

The increase in the item costs for services was basically linked to the effect of the merger of Tintoria Lombarda Divisione Sanitaria S.r.l. and Servizi Italia Medical S.r.l.

External laundering and other industrial services rose by Euro 1,983 thousand compared to 2016. The item was impacted by the increase in the external laundry service and the linen store service (Euro 2,468 thousand) for customers of the former company Tintoria Lombarda Divisione Sanitaria S.r.l. These increases are offset by a contraction in the costs of the surgical instrument sterilisation service at the facilities of third parties amounting to Euro 239 thousand and of the personnel of third parties amounting to Euro 212 thousand.

Travel and transport costs increased by Euro 135 thousand. The increase is to be attributed to the management of the new customers acquired with the merger of Tintoria Lombarda Divisione Sanitaria S.r.l., limited by the termination of some contracts and the reduction in costs for the reorganisation of some sections and a reduction in tariffs.

Costs of utilities fell 5% from Euro 9,167 thousand in 2016 to Euro 8,709 thousand in 2017. This decrease is due to a reduction in gas tariffs for the renegotiation of contracts and a contraction in consumption made possible by greater production efficiencies.

Administrative costs fell by Euro 318 thousand compared to 2016, due to lower costs for extraordinary transactions. Costs for the acquisition of the company Tintoria Lombarda Divisione Sanitaria S.r.l. impacted the previous year.

Consortium and sales costs were down by Euro 273 thousand from Euro 20,203 thousand as at 31 December 2016 to Euro 19,930 thousand as at 31 December 2017. The decrease in the item is mainly due to the lower consortium costs of the subsidiary San Martino 2000 S.c.r.l. for the management of the service at IRCCS Azienda Ospedaliero Universitaria San Martino of Genoa.

The item maintenance was mainly impacted by the increase in the maintenance of surgical instruments, amounting to Euro 255 thousand.

The item 'use of third party assets' showed a decrease of Euro 454 thousand. This reduction is connected, in particular, with the new contracts with some customers, which do not make provision for the supply of anti-decubitus mattresses.

7.5 Personnel expense

The item is broken down as follows:

<i>(thousands of Euros)</i>	Year ended as at 31 December	
	2017	2016
Costs for directors' fees	(1,240)	(1,284)
Salaries and wages	(46,239)	(42,949)
Temporary work	(2,465)	(1,303)
Social security charges	(14,251)	(13,399)
Employee severance indemnity	(3,039)	(2,900)
Other costs	(242)	(229)
Total	(67,476)	(62,064)

Personnel expense increased by Euro 5,412 thousand from Euro 62,064 thousand in 2016 to Euro 67,476 thousand in 2017. The increase in personnel expense was impacted, as regards the Italian

area, by the restructuring of the production sites in the North-West, where a plan was drafted for the handling of excess staff, following the termination of activities of the Barbariga (BS) site, which was confirmed through the transfer of personnel to the neighbouring production sites and incentivised exits.

The table below shows the average breakdown of personnel:

	As at 31 December	
	2017	2016
Executives	8	8
Middle managers	25	20
White-collar staff	155	151
Blue-collar staff	1,663	1,612
Total	1,851	1,791

7.6 Other costs

The item is broken down as follows:

<i>(thousands of Euros)</i>	Year ended as at 31 December	
	2017	2016
Tax-related expense	(363)	(377)
Contingent liabilities	(388)	(34)
Membership fees	(185)	(175)
Gifts to customers and employees	(128)	(113)
Other	(705)	(376)
Total	(1,769)	(1,075)

Contingent liabilities and tax expense are composed of one-off costs for the payment of registration tax and accessory charges for the acquisition of Lavanderia Industriale Z.B.M. S.p.A. for Euro 361 thousand. In the year also the indemnity of Euro 408 thousand was recorded, due to Focus S.p.A. in connection with the renovation of the complex in Castellina di Soragna (PR).

7.7 Depreciation, amortisation, impairment and provisions

The item is broken down as follows:

<i>(thousands of Euros)</i>	Year ended as at 31 December	
	2017	2016
Amortisation of intangible assets	(1,579)	(1,253)
Depreciation of property, plant and equipment	(40,582)	(37,164)
Impairment and provisions	(843)	(562)
Total	(43,004)	(38,979)

The change in amortisation of intangible assets is due to the impact of the customer portfolio of Tintoria Lombarda Divisione Sanitaria S.r.l. The increase in the item depreciation of property,

plant and equipment, up from Euro 37,164 thousand to Euro 40,582 thousand, is due primarily to the investments in linen owing to the increase in equipment at the new customers.

The increase in the item impairment and provisions is due to more allocations for the write-down of the receivables from customers.

7.8 Financial income

The item is broken down as follows:

<i>(thousands of Euros)</i>	Year ended as at 31 December	
	2017	2016
Bank interest income	-	1
Default interest	742	634
Interest income on loans to third-party companies	692	594
Exchange rate earnings and losses	145	-
Other financial income	172	114
Total	1,751	1,343

Interest on arrears recorded an increase due to the delays accumulated by some private customers. Interest income on loans to third party companies rose as a result of 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 tax refunds of previous years.

7.9 Financial expenses

The item is broken down as follows:

<i>(thousands of Euros)</i>	Year ended as at 31 December	
	2017	2016
Interest expense and bank commission	(809)	(1,040)
Interest and expense to other lenders	(240)	(255)
Financial expense on severance indemnities	(87)	(131)
Other financial expenses	(62)	(147)
Total	(1,198)	(1,573)

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 a result of the reduction in the spreads renegotiated with the banks.

7.10 Income and expense from equity investments

The item includes a gain of Euro 1,212 thousand relating to the measurement at fair value of the 40% share in the Turkish company Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi, which in turn controls the company Ergülteks Temizlik Tekstil Ltd. Sti. (Ankara Group), compared to the cost value posted previously, consequently to the acquisition of control and the consequent application of the equity method for the recognition of the equity investment.

The item also includes dividends collected in 2017 for Euro 670 thousand. More specifically, Euro 317 thousand were collected from the subsidiary Ankateks Turizm İnsaat Tekstil Temizleme Sanayi VE, Euro 157 thousand from the investee company Sesamo S.p.A., Euro 132 thousand from the investee company Prosa S.p.A. and Euro 62 thousand from the subsidiary AMG S.rl.

7.11 Income taxes

The item is broken down as follows:

<i>(thousands of Euros)</i>	Year ended as at 31 December	
	2017	2016
Current taxes	(2,699)	(3,089)
Deferred tax assets/(liabilities)	251	247
Total	(2,448)	(2,842)

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

<i>(thousands of Euros)</i>	Year ended as at 31 December			
	2017	Incidence	2016	Incidence
IRES (company earnings tax) reconciliation				
Profit before tax from Income statement	16,270		13,838	
Theoretical taxes	3,905	24.0%	3,806	27.5%
Tax effects of the permanent differences:				
on increases	794	5.4%	552	4.0%
on decreases	(3,486)	-23.7%	(2,755)	-19.9%
foreign taxes	36	0.2%	-	-
substitute taxes	458	3.1%	298	2.2%
Total effective IRES taxes	1,707	10.5%	2,143	15.5%
IRAP (regional business tax)	741	4.6%	699	5.1%
Total effective IRES and IRAP taxes	2,448	15.0%	2,842	20.5%

The tax rate declined by 5.5 percentage points from 20.5% in 2016 to 15.0% in 2017. The decrease in tax burden was mainly determined by the decrease in the IRES rate and by the benefit deriving from the deduction from the taxable income of the so-called “super-depreciations”, as set forth in the Budget Law of 2017 (Law 232/2016).

8 TRANSACTIONS WITH GROUP COMPANIES AND RELATED PARTIES

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

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

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

in the reference year. The amount exposed in the financial statements, in the reference year was generated by the renewal of existing contracts or contracts stipulated in the year.

Income statement, statement of financial position and financial transactions with related companies in 2017 are presented below:

<i>Economic transactions</i>	31 December 2017						
	Sale of goods and services	Purchases of goods and services	Personnel expense	Purchases of property, plant and equipment and intangible assets	Other costs	Income from equity investments	Financial income
Coopservice S.Coop.p.A. (parent company)	123	10,279	-	1	-	-	-
Aurum S.p.A. (parent company)	-	-	-	-	-	-	-
Consorzio San Martino 2000 S.c.r.l. (subsidiary)	3,895	4,858	-	-	-	-	-
Consozio Se.Sa.Tre. S.c.r.l. in liquidazione (subsidiary)	5,848	6,865	-	-	-	-	5
Steritek S.p.A. (subsidiary)	-	105	-	-	-	-	-
Ankateks Turizm İnsaat Tekstil Temizleme Sanayi VE (subsidiary)	-	-	-	-	-	317	66
SRI Empreendimentos e Participacoes LTDA (subsidiary)	788	-	-	-	-	-	-
Brixia S.r.l. (associate)	3,713	-	-	-	-	-	-
Arezzo Servizi S.c.r.l. (associate)	19	1,160	-	1	-	-	3
Consorzio Co.Se.S. (associate)	-	573	-	-	-	-	-
SE.STE.RO. S.r.l. in liquidazione (associate)	15	-	-	-	-	-	-
PSIS S.r.l. (associate)	330	3	-	25	-	-	44
Amg S.r.l. (associate)	308	650	-	-	-	62	-
Ekolav S.r.l. (associate)	56	1,281	-	1	-	-	2
Steril Piemonte S.c.r.l. (associate)	309	1,361	-	-	-	-	1
Piemonte Servizi Sanitaria S.c.r.l. (associate)	-	336	-	-	-	-	-
Iniziative Produttive Piemontesi S.r.l. (associate)	23	39	-	1	-	-	-
SAS Sterilizasyon Servisleri A.Ş. (associate)	-	-	-	-	-	-	-
Shubhram Hospital Solutions Private Limited (associate)	-	-	-	-	-	-	-
Saniservice Sh.p.k. (associate)	645	-	-	-	-	-	480
Servizi Sanitari Integrati Marocco S.a.r.l. (associate)	-	-	-	-	-	-	-
Finanza & Progetti (associate)	58	-	-	-	-	-	-
Elettrica Gover S.r.l. (affiliated)	-	12	-	-	-	-	-
Focus S.p.A. (affiliated)	-	2,403	-	-	422	-	-
Archimede S.p.A. (affiliated)	-	3	1,472	-	-	-	-
Gesta S.p.A. (affiliated)	7	-	-	870	-	-	-
New Fleur S.r.l. (affiliated)	28	1,560	-	1	-	-	-
Ad Personam S.r.l. (affiliated)	-	2	-	-	-	-	-
Padana Emmedue S.r.l. (related party)	-	101	-	-	-	-	-
Everest S.r.l. (related party)	-	286	-	-	2	-	-
Total	16,165	31,877	1,472	900	424	379	601

(thousands of Euros)

31 December 2016

<i>Economic transactions</i>	Sale of goods and services	Purchases of goods and services	Personnel expense	Purchases of property, plant and equipment and intangible assets	Other costs	Income from equity investments	Financial income
Coopservice S.Coop.p.A. (parent company)	201	10,296	-	8	-	-	-
Aurum S.p.A. (parent company)	-	-	-	-	-	-	-
Consorzio San Martino 2000 S.c.r.l. (subsidiary)	3,874	5,147	-	-	-	-	-
Consozio Se.Sa.Tre. S.c.r.l. (subsidiary)	5,973	6,901	-	-	-	-	14
Servizi Italia Medical S.r.l. (subsidiary)	147	1,294	-	1	-	-	-
Tintoria Lombarda Divisione Sanitaria S.r.l. (subsidiary)	14	227	-	-	-	-	45
SRI Empreendimentos e Participacoes LTDA (subsidiary)	147	-	-	-	-	-	-
Centro Italia Servizi S.r.l. in liquidazione (associate)	3	156	-	-	-	182	-
Arezzo Servizi S.c.r.l. (associate)	17	733	-	-	-	-	1
Consorzio Co.Se.S. (associate)	-	695	-	-	-	-	-
SE.STE.RO. S.r.l. in liquidazione (associate)	2	-	-	-	-	-	-
PSIS S.r.l. (associate)	123	14	-	32	-	-	47
Amg S.r.l. (associate)	299	701	-	-	-	-	1
Ekolav S.r.l. (associate)	7	1,273	-	3	-	-	2
Steril Piemonte S.c.r.l. (associate)	318	1,393	-	8	-	-	3
Piemonte Servizi Sanitaria S.c.r.l. (associate)	-	355	-	-	-	-	-
Iniziative Produttive Piemontesi S.r.l. (associate)	8	369	-	3	-	-	-
SAS Sterilizasyon Servisleri A.Ş. (associate)	-	-	-	-	-	-	-
Shubhram Hospital Solutions Private Limited (associate)	-	-	-	-	-	-	-
Ankateks Turizm Insaat Tekstil Temizleme Sanayi Ve (associate)	-	-	-	-	-	-	47
Saniservice Sh.p.k. (associate)	287	-	-	-	-	-	185
Finanza & Progetti (associate)	69	-	-	-	-	-	-
Elettrica Gover S.r.l. (affiliated)	-	4	-	-	-	-	-
Focus S.p.A. (affiliated)	-	2,736	-	-	13	-	-
Archimede S.p.A. (affiliated)	-	-	918	-	-	-	-
Gesta S.p.A. (affiliated)	1	-	-	-	-	-	-
New Fleur S.r.l. (affiliated)	25	974	-	-	-	-	-
Ad Personam S.r.l. (affiliated)	-	13	-	-	-	-	-
Padana Emmedue S.r.l. (related party)	-	109	-	-	-	-	-
Padana Emmedue S.p.A. (related party)	-	287	-	-	-	-	-
Total	11,515	33,677	918	55	13	182	345

Aside from the figures shown above, as at 31 December 2017 income statement transactions with related parties include directors' fees of Euro 1,308 thousand and executive personnel expense of Euro 1,703 thousand (including Euro 270 thousand as settlement agreement for the termination of employment of Mr. Marco Marchetti). As at 31 December 2016, directors' fees amounted to Euro 1,352 thousand, while executive personnel expense came to Euro 1,487 thousand.

(thousands of Euros)

31 December 2017

<i>Statement of financial position</i>	Amount of trade receivables	Amount of trade payables	Amount of financial receivables	Amount of financial payables	Amount of other liabilities
Coopservice S.Coop.p.A. (parent company)	184	3,904	-	-	-
Aurum S.p.A. (parent company)	-	-	-	-	-
Consorzio San Martino 2000 S.c.r.l. (subsidiary)	4,422	2,468	-	-	-
Consozio Se.Sa.Tre. S.c.r.l. in liquidazione (subsidiary)	4,529	2,270	5	-	-
Steritek S.p.A. (subsidiary)	-	154	-	-	-
Ankateks Turizm İnsaat Tekstil Temizleme Sanayi VE (subsidiary)	59	-	660	-	-
SRI Empreendimentos e Participacoes LTDA (subsidiary)	935	-	-	-	-
Brixia S.r.l. (associate)	1,371	-	-	-	-
Arezzo Servizi S.c.r.l. (associate)	6	253	403	-	-
Consorzio Co.Se.S. (associate)	-	154	-	-	-
SE.STE.RO. S.r.l. in liquidazione (associate)	-	-	-	-	-
PSIS S.r.l. (associate)	342	46	3,891	-	-
Amg S.r.l. (associate)	252	542	-	-	-
Ekolav S.r.l. (associate)	71	558	172	-	-
Steril Piemonte S.c.r.l. (associate)	279	1,107	651	-	-
Piemonte Servizi Sanitaria S.c.r.l. (associate)	-	217	-	-	-
Iniziative Produttive Piemontesi S.r.l. (associate)	-	-	90	-	-
SAS Sterilizasyon Servisleri A.Ş. (associate)	-	-	-	-	-
Shubhram Hospital Solutions Private Limited (associate)	11	-	-	-	-
Saniservice Sh.p.k. (associate)	811	-	4,666	-	-
Servizi Sanitari Integrati Marocco S.a.r.l. (associate)	-	-	5	-	-
Finanza & Progetti (associate)	127	-	-	2,460	-
Elettrica Gover S.r.l. (affiliated)	-	4	-	-	-
Focus S.p.A. (affiliated)	-	557	-	-	-
Archimede S.p.A. (affiliated)	-	248	-	-	-
Gesta S.p.A. (affiliated)	1	106	-	-	-
New Fleur S.r.l. (affiliated)	122	1,005	-	-	-
Ad Personam S.r.l. (affiliated)	-	2	-	-	-
Padana Emmedue S.r.l. (related party)	-	41	-	-	-
Everest S.r.l. (related party)	-	235	-	-	-
Total	13,522	13,871	10,543	2,460	-

(thousands of Euros)

31 December 2016

<i>Statement of financial position</i>	Amount of trade receivables	Amount of trade payables	Amount of financial receivables	Amount of financial payables	Amount of other liabilities
Coopservice S.Coop.p.A. (parent company)	366	4,259	-	-	-
Aurum S.p.A. (parent company)	-	-	-	-	-
Consorzio San Martino 2000 S.c.r.l. (subsidiary)	2,276	1,053	-	-	-
Consozio Se.Sa.Tre. S.c.r.l. (subsidiary)	7,548	2,199	785	-	-
Servizi Italia Medical S.r.l. (subsidiary)	73	899	-	-	-
Tintoria Lombarda Divisione Sanitaria S.r.l. (subsidiary)	14	1,192	7,945	-	-
SRI Empreendimentos e Participacoes LTDA (subsidiary)	147	-	-	-	-
Centro Italia Servizi S.r.l. in liquidazione (associate)	-	-	-	-	-
Arezzo Servizi S.c.r.l. (associate)	9	192	150	-	-
Consorzio Co.Se.S. (associate)	-	234	-	-	-

SE.STE.RO. S.r.l. in liquidazione (associate)	82	418	-	-	-
PSIS S.r.l. (associate)	150	11	3,847	-	-
Amg S.r.l. (associate)	144	347	1	-	-
Ekolav S.r.l. (associate)	13	481	174	-	-
Steril Piemonte S.c.r.l. (associate)	160	671	1,153	-	-
Piemonte Servizi Sanitaria S.c.r.l. (associate)	-	135	-	-	-
Iniziative Produttive Piemontesi S.r.l. (associate)	9	161	91	-	-
SAS Sterilizasyon Servisleri A.Ş. (associate)	-	-	-	-	-
Shubhram Hospital Solutions Private Limited (associate)	11	-	-	-	-
Ankateks Turizm Insaat Tekstil Temizleme Sanayi Ve (associate)	-	-	857	-	-
Saniservice Sh.p.k. (associate)	249	-	4,143	-	-
Finanza & Progetti (associate)	69	-	-	-	-
Elettrica Gover S.r.l. (affiliated)	-	4	-	-	-
Focus S.p.A. (affiliated)	-	97	-	-	-
Archimede S.p.A. (affiliated)	-	190	-	-	-
Gesta S.p.A. (affiliated)	2	-	-	-	-
New Fleur S.r.l. (affiliated)	82	645	-	-	-
Ad Personam S.r.l. (affiliated)	-	6	-	-	-
Padana Emmedue S.r.l. (related party)	-	43	-	-	-
Padana Emmedue S.p.A. (related party)	-	263	-	-	-
Total	11,404	13,500	19,146	-	-

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

Coopservice S.Coop.p.A.

Revenues from sales and the associated trade receivables as at 31 December 2017 refer primarily to linen and textile washing services within the cleaning activities provided to the parent company.

Servizi Italia S.p.A. purchases from the parent company (i) road-based transport services for textiles and/or surgical instruments, for Euro 8,250 thousand; (ii) services for the management of wardrobes at customer sites, for Euro 1,028 thousand; (iii) use of third party staff for Euro 12 thousand; (iv) technical cleaning services that are carried out at some production/operating sites of Servizi Italia and surveillance/security services provided to some facilities, through night patrols and alarm-based interventions, for Euro 720 thousand.

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

As at 31 December 2017, revenues from the sale of goods and services and related trade receivables due from Consorzio San Martino 2000 S.c.r.l. refer to the services provided by Servizi Italia S.p.A. for the performance of the contract existing with the IRCCS Az. Osp. Univ. San Martino of Genoa. By contrast, purchase costs and the related trade payables regard the charge-back of costs incurred by the Consortium, which are divided amongst the shareholders on the basis of their shareholdings.

Conorzio Se.Sa.Tre. S.c.r.l. in liquidazione

As at 31 December 2017, the revenue of Conorzio Se.Sa.Tre. S.c.r.l. in liquidazione refers to the services provided by Servizi Italia S.p.A. for the performance of the existing contract with Azienda ULSS n. 2 Marca Trevigiana of the Veneto Region. By contrast, purchase costs and the related trade payables regard the charge-back of costs incurred by the Consortium, which are divided amongst the shareholders on the basis of their shareholdings. The value of the financial receivables refers to the portion of the interest accrued during the year for the interest-bearing loan that had been granted pro rata by the shareholders Servizi Italia S.p.A. and Servizi Ospedalieri S.p.A., in order to guarantee to the Consortium the economic means necessary for carrying out its business activities, which was extinguished on 31 December 2017. With the end of the previous tender contract executed with Azienda ULSS no. 2 Marca Trevigiana, Conorzio Se.Sa.Tre. S.c.r.l. with deed of 18 December 2017 was put in liquidation as of 1 January 2018.

Steritek S.p.A.

The company Steritek S.p.A., acquired by Servizi Italia S.p.A. on 5 September 2017, is a leading Italian operator in providing validation services and systematic control of sterilisation processes and of surgical instrument washing systems. The costs and trade payables due in relation to the subsidiary Steritek S.p.A. refer to the validation services for the sterilisation centres.

Ankateks Turizm İnfaat Tekstil Temizleme Sanayi VE

At 31 December 2017, financial income of Euro 66 thousand referred to the interest income accrued and not yet paid by the company Ankateks Turizm İnfaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi for the loan granted to the subsidiary for Euro 660 thousand, while the income from equity investments of Euro 317 thousand refers to the dividends collected from the subsidiary.

SRI Empreendimentos e Participacoes LTDA

At 31 December 2017, revenues from the sale of goods and services, and related trade receivables due to SRI Empreendimentos e Participacoes LTDA, refer to charge-backs of the seconded personnel working at the subsidiary and the charge-back of the costs for services referring to the Formal Notice of Assessments of 30 September 2016.

Brixia S.r.l.

As at 31 December 2017, the revenues from the sale of goods and services to Brixia S.r.l., related primarily to the wash-hire service at ASST Spedali Civili of Brescia, amounting to Euro 3,713 thousand.

Arezzo Servizi S.c.r.l.

The company's purpose is the provision of wash-hire services to “Aziende dell’Area Vasta Sud-Est” and, to a lesser extent, to the hospital AUSL of Arezzo. As at 31 December 2017, revenues from sales of goods and services and the related trade receivables due from Arezzo Servizi S.c.r.l.

refer to the sale of assets used in the wash-hire business. On the other hand, purchase costs and the relative trade payables regard the charge-back of costs incurred by Arezzo Servizi S.c.r.l., which are divided amongst the shareholders on the basis of their shareholdings. The financial receivable is for a Euro 403 thousand loan granted to the associate.

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

As at 31 December 2017, revenues from the sale of goods and services and purchase costs concerning Consorzio CO.SE.S S.c.r.l. refer to the charge-back of costs incurred by the Company and by the Consortium for surgical instrument sterilisation services provided at Azienda Ospedaliera - Complesso Ospedaliero - San Giovanni Addolorata of Rome.

Psis S.r.l.

As at 31 December 2017, revenues from the sale of goods and services due from PSIS S.r.l. refer to the administrative management service charge-back. The financial receivable relates to a loan granted for Euro 3,891 thousand to support current investments.

AMG S.r.l.

At the end of 2017, economic transactions were mainly for external laundering services at the Asti, Casale Monferrato and Turin 3 LHAs (Euro 650 thousand); the revenues derive from linen sterilisation services and the supply of disposable medical devices for surgical procedures.

Ekolav S.r.l.

Purchases of goods, services, and the related trade payables due in relation to Ekolav S.r.l. are primarily for laundering (Euro 1,015 thousand) and transport (Euro 84 thousand) services. The financial receivable is for a Euro 172 thousand loan granted to the associate.

Steril Piemonte S.c.r.l.

As at 31 December 2017, revenues 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 651 thousand loan granted to the associate.

Piemonte Servizi Sanitari S.c.r.l.

As at 31 December 2017, income statement and statement of financial position transactions with Piemonte Servizi Sanitari S.c.r.l. refer to the handling of tender relating the Novara ASL (Local Health Authority).

Iniziative Produttive Piemontesi S.r.l.

The financial receivable is for a Euro 90 thousand loan granted to the associate.

Saniservice Sh.p.k.

On 31 December 2017, the revenues from the sale of goods and services to Saniservice Sh.p.k. referred primarily to the supply of materials for the operations of the sterilisation facilities in Albania for Euro 464 thousand and trade management services for Euro 181 thousand. The financial receivable is for a Euro 4,423 thousand loan granted to the associate.

Finanza & Progetti S.p.A.

Revenues from the sale of goods and services to Finanza & Progetti S.p.A. Iniziative Produttive Piemontesi S.r.l. as at 31 December 2017 primarily relate to the reimbursement of the cost of the surety issued in favour of Ospedal Grando S.p.A. for Euro 58 thousand. The amount of other liabilities refers to the commitment to the future capital increase for Euro 2,460 thousand.

Focus S.p.A.

Transactions with Focus S.p.A. relate to lease agreements on the Castellina di Soragna (PR), Montecchio Precalcino (VI), Ariccia (RM) and Genoa Bolzaneto (GE) properties. The first agreements are for six years and renewable for another six, while the Genoa Bolzaneto (GE) agreement is for fourteen years and renewable for another six. During 2017 the new lease agreement was signed for the Management headquarters of Castellina di Soragna (PR) for a term of six years, renewable for another six.

The total consideration for leased properties amounted to Euro 2,403 thousand in 2017. In the year an indemnity of Euro 408 thousand was also recorded in connection with the renovation of the complex in Castellina di Soragna (PR).

Archimede S.p.A.

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

Gesta S.p.A.

Transactions with Gesta S.p.A. are related to the purchase, for Euro 870 thousand, of the cogeneration system at the production site in Castellina di Soragna (PR).

New Fleur S.r.l.

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

Padana Emmedue S.r.l.

Servizi Italia S.p.A. uses the linen wash services provided by Padana Emmedue S.r.l. In 2017, the relative consideration amounted to Euro 99 thousand.

Everest S.r.l.

Transactions with Everest S.r.l. relate to six-year lease agreements on the Travagliato and Podenzano properties, which are renewable for another six years. The total consideration for leased properties amounted to Euro 287 thousand in 2017. Servizi Italia S.p.A.'s transactions with Everest

S.r.l. in relation to lease agreements are entered into in compliance with the Regulations for related party transactions in force.

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

During the year, income components were recorded deriving from non-recurring transactions, due to greater costs of Euro 557 thousand relating to incentives, indemnities and Naspi (acronym for Italian monthly compensation for unemployment) to employees, as a result of the company restructuring and reorganisation activities, which concerned the termination of the activities of the Barbariga (BS) facility.

The impacts of these components were outlined in the income statement and in the comments on the individual items in this document.

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

10 TREASURY SHARES

The Shareholders' Meeting of 20 April 2017 authorised the Board of Directors to purchase and sell treasury shares, subject to revocation of the resolution of 20 April 2016.

The approved own share purchase and placement plan meets the need to gain access to opportunities for the efficient investment of company liquidity and to have the possibility of using it for strategic transactions and/or to complete subsequent share purchase and sale transactions, to the extent allowed by permitted market practices. The plan has a maximum duration of 18 months as from 20 April 2017, date of issue of the authorisation by the Shareholders' Meeting.

The maximum number of shares that can be purchased, not exceeding 20% of the share capital of the company, as at the date of the Shareholders' Meeting resolution, is 6,361,890.00 and it results from the difference between the maximum number of own shares that the Company may purchase and the number of own shares which, at the date of the resolution of 19 April 2017, were held by Servizi Italia S.p.A., in implementing the resolution issued on 20 April 2016, and totalled 101,629 shares. The purchases and sales of treasury shares will be carried out on the organised market, in compliance with the applicable legislative and regulatory provisions, according to the operating formalities established by Article 132 of the CFL, Article 144 bis of the Issuers' Regulations, in compliance with the EC Regulation 2273/2003 dated 22 December 2003 and in observance of the shareholders' meeting resolution dated 20 April 2017. Treasury shares are purchased for a maximum equivalent value to the extent to which can be covered by distributable reserves and available reserves as set forth in the latest duly approved financial statements. The purchase of own shares is carried out at a minimum purchase price no less than 20% of the weighted average of the official prices of the shares as recorded by Borsa Italiana in the 3 days preceding each single operation, and a maximum price of purchase no greater than 20% of the weighted average of the official prices of shares recorded by Borsa Italiana in the 3 days preceding each single operation.

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

As at 31 December 2017, the number of treasury shares in the portfolio amounted in total to 10,550 shares, corresponding to 0.03% of the share capital.

11 FEES, STOCK OPTIONS AND DIRECTORS SHAREHOLDINGS, EXECUTIVES WITH STRATEGIC RESPONSIBILITIES AND STATUTORY AUDITORS

As regards:

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

please see the Remuneration Report, drawn up pursuant to article 123-ter of CFL for 2017.

12 PAYMENT PLANS BASED ON FINANCIAL INSTRUMENTS

There were no Payment plans based on financial instruments as at 31 December 2017.

13 INFORMATION PURSUANT TO ARTICLE 149-DUODECIES OF CONSOB'S ISSUERS' REGULATIONS

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

Type of services	Party providing the services	Recipient	Fees
Accounts audit	Deloitte & Touche S.p.A	Servizi Italia S.p.A.	90,700
Accounts audit	Deloitte & Touche S.p.A	Subsidiaries	19,900
Accounts audit	Deloitte & Touche S.p.A. network	Subsidiaries	69,902
Certification services	Deloitte & Touche S.p.A	Servizi Italia S.p.A.	6,000
Other services	Deloitte & Touche S.p.A	Servizi Italia S.p.A.	25,000
Advisory services	Deloitte & Touche S.p.A. network	Servizi Italia S.p.A.	25,000
Advisory services	Deloitte & Touche S.p.A. network	Subsidiaries/associates	-
Total			236,502

14 SIGNIFICANT EVENTS AND TRANSACTIONS

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

15 SIGNIFICANT EVENTS AFTER THE END OF THE YEAR

On 19 January 2018, the Company communicated the resignation tendered by director Emil Anceschi on 17 January 2018. The Board of Directors found that, despite the Director's resignation, the composition of the Board of Directors is in any case in line with the current provisions regarding the gender and number of the directors who meet the independence requirements. In consideration of the above and of the imminent expiry of the mandate of the current administrative body with the approval of the financial statements as at 31/12/2017, the Board, with the favourable opinion of the Board of Statutory Auditors, deemed appropriate not to proceed with the co-optation pursuant to the articles of association and Art. 2386 of the Italian

Civil Code, but to submit the resolution regarding the appointment of the entire administrative body directly to the next Meeting. For more details and information, refer to the documents available on the Company's website.

On 31 January 2018, the Company communicated the termination of employment of Mr. Maurizio Casol, an executive with strategic responsibilities and related party pursuant to the Regulations approved with Consob resolution no. 17221/2010 and the RPT Regulations adopted by Servizi Italia. For more details and information, refer to the documents available on the Company's website.

The Chairman of the Board of Directors
(Roberto Olivi)

A handwritten signature in black ink, appearing to read 'Roberto Olivi', is positioned below the text identifying the Chairman of the Board of Directors.

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

Castellina di Soragna, 13 March 2018

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

- a) the adequacy in relation to the characteristics of the business and
- b) the effective application of the administrative and accounting procedures for the formation of the separate financial statements during 2017.

It is also hereby stated that the separate financial statements as at 31 December 2017:

- a) have been prepared in compliance with the applicable international accounting standards recognised in the European Union pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
- b) correspond to the books and accounting entries;
- c) provide a true and fair view of the financial position, income and cash flows of the Company.

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

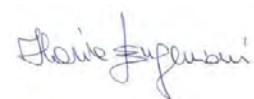
The CEO

Enea Righi



The Financial Reporting Manager

Ilaria Eugeniani



Independent auditors' report on the separate financial statements of the Servizi Italia Group



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

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Servizi Italia S.p.A. (the Company), which comprise the statement of financial position as at December 31, 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05.

Basis for Opinion

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

Key Audit Matters

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

Impairment test on Goodwill

Description of the key audit matter

The separate financial statements of Servizi Italia S.p.A. as of 31 December 2017 report goodwill of Euro 42,575 thousand, relating entirely to the Servizi Italia cash-generating unit (CGU) and deriving from business combinations carried out in the current and prior years. No impairment losses were recorded during the year.

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

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As stated in explanatory notes paragraphs "4 D Goodwill", "4 E Impairment test" and "4 P – Particularly significant accounting standards" to the separate financial statements, the assessment process adopted by Management to identify possible impairment losses involved making certain assumptions regarding, in particular, the estimate cash flows of the CGU, the appropriate discount rate (WACC) and the long-term growth rate (*g-rate*). These assumptions, reflected in the long-term plan for the Servizi Italia CGU, were influenced by future expectations and conditions in the reference market.

In view of the significance of the goodwill reported in the financial statements and the subjective nature of the estimates made to determine the cash flows of the CGU and the key variables of the impairment model, as well as the many unpredictable factors that might influence the performance of the market in which the Company operates, we considered the impairment test on goodwill to be a key audit matter of the audit of the separate financial statements of Servizi Italia S.p.A. as of 31 December 2017.

Note 6.3 presents information about the goodwill, including a sensitivity analysis that describes the effects of changing the key variables used to carry out the impairment test.

Audit procedures

We first examined the approach taken by Management to determine the value in use of the CGU, analysing the methods and assumptions applied by Management to carry out the impairment test.

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

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

We also examined the adequacy of the information disclosed by the Company about the impairment test and its consistency with the requirements of IAS 36.

Measurement of investments in subsidiaries

Description of the key audit matter

The separate financial statements of Servizi Italia S.p.A. as of 31 December 2017 report investments in subsidiaries totalling Euro 50,079 thousand, measured using the equity method. No impairment losses were recorded during the year.

As stated in explanatory note *paragraphs "4 E – Impairment test", "4 F – Equity investments" and "4 P – Particularly significant accounting standards"*, the process adopted by Management to identify possible impairment losses was complex and included assumptions about, among others, the forecast cash flows of the cash-generating units (CGUs), the appropriate discount rate (WACC) and the long-term growth rate (*g-rate*). These assumptions, reflected in the long-term plans of the CGUs represented by the subsidiaries, were also influenced by future expectations and market conditions that give rise to uncertainties, especially with regard to the investments held in SRI Empreendimentos Participações L.t.d.a (Brazil), with a carrying amount of Euro 30,505 thousand, and Ankateks Turizm İnfaat Tekstil Temizleme Sanayi Ve Ticaret A.S. (Turkey), with a carrying amount of Euro 16,356 thousand, which operate in geographical areas marked by economic instability. The carrying amount of the investments in consortium subsidiaries does not include any implicit goodwill.

In view of the significance of the above investments in subsidiaries reported in the financial statements, the subjective nature of the estimates made to determine the cash flows of the CGUs and the key variables of the impairment model used to measure their implicit goodwill, as well as the many unpredictable factors that might influence the markets in which the subsidiaries operate, we considered measurement of the investments in subsidiaries to be a key audit matter of the separate financial statements of Servizi Italia S.p.A. as of 31 December 2017.

Note 6.4 presents disclosure about the items subject to impairment test.

Audit procedures

We first examined the approach taken by Management to determine the carrying amount of the investments in subsidiaries, analysing the methods and assumptions used by Management to measure the equity investments concerned.

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

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

We also examined the adequacy of the information disclosed by the Company about the impairment test on implicit goodwill and its consistency with the requirements of IAS 36.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

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

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

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

The Directors of Servizi Italia S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and ownership structure of Servizi Italia S.p.A. as at December 31, 2017, including their consistency with the related financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the report on corporate governance and ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98 with the financial statements of Servizi Italia S.p.A. as at December 31, 2017 and on their compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations and information contained in the report on corporate governance and ownership structure are consistent with the financial statements of Servizi Italia S.p.A. as at December 31, 2017 and are prepared in accordance with the law.

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

DELOITTE & TOUCHE S.p.A.

Signed by
Domenico Farioli
Partner

Parma, Italy
March 29, 2018

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

Board of Statutory Auditors' report to the shareholders' meeting of Servizi Italia S.p.A.

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

SERVIZI ITALIA S.P.A.

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

FINANCIAL STATEMENT AS AT 31 DECEMBER 2017

Dear Shareholders,

pursuant to article 2429 of the Italian Civil Code and to article 153, paragraph 1, of Legislative Decree no. 58 of 24 February 1998, we inform you that during the year ended 31 December 2017 we carried out the surveillance activities according to the provisions of the Civil Code, articles 149 and followings of the mentioned Legislative Decree, Revision of the Consolidated Law (Legislative Decree no. 39/2010) and the instructions contained in communications given by CONSOB, taking into account the principles of conduct recommended by the National Board of Accountants and Public Accountants.

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

Accordingly, we report about the supervision activity required by law that we have been carrying out during the year ended 31 December 2017.

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

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

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

In 2017, the extraordinary operations carried out by the company were:

a) Shareholding acquisition

On 5 September 2017, the Company acquired the majority stake in Steritek S.p.A., a leading Italian operator in providing validation services for sterilisation cycles, for surgical instrument washing services and accessory services for healthcare facilities. Thanks to this transaction, Servizi Italia diversifies its existing business lines, expanding the range of high value added and similar services to its sterilisation activities.

b) Merging operations

On 10 February 2017, the merger by incorporation of the wholly-owned subsidiary Tintoria Lombarda Divisione Sanitaria S.r.l. into Servizi Italia S.p.A. was finalised. The merger took effect from 1 March 2017, therefore it

became effective from 1 January 2017 for tax and accounting purposes. As from that date, the merging company (Servizi Italia S.p.A.) took over all the income and expense-generating legal relations relating to the merged company, with the execution of the organisational integration of the administrative and production processes targeted at achieving greater management efficiency and integration.

On 11 July 2017, the Company announced that Servizi Italia S.p.A.'s Board of Directors and the Shareholders' meeting of Servizi Italia Medical S.r.l. approved the merger by incorporation of the wholly-owned subsidiary Servizi Italia Medical S.r.l. in Servizi Italia S.p.A. The merger took effect from 1 October 2017, therefore it became effective from 1 January 2017 for tax and accounting purposes.

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

- attended the meetings of the Board of Directors, for a total of 11 sessions (08/03, 13/03, 20/04, 12/05, 05/06, 04/07, 02/08, 11/09, 13/10, 14/11, 05/12), during which it has been informed on the activities and major operations performed by the company and its subsidiaries;
- held 6 periodic meetings (08/03, 12/05, 05/06, 01/09, 01/12 e 05/12), during which there was also a mutual exchange of information with the external auditors Deloitte & Touche S.p.A. and the CEO, ensuring that no imprudent, risky or in potential conflict of interests operation have been implemented, as well as no operation against the law or in conflict with the resolutions of the Assembly or able to compromise the integrity of the assets of the company. Moreover, at each meeting, the Board systematically discussed with the CFO and the Manager responsible for preparing corporate accounting documents;
- supervised, as far as concerned, the adequacy of the Company organizational structure, in terms of compliance with the principles of proper administration and the adequacy of instructions given to the subsidiaries pursuant to article 114, paragraph 2 of Legislative Decree no. 58/1998. This has been made by collecting information from the heads of the organizational functions in order to achieve a mutual exchange of data and relevant information;
- periodically examined, within the evaluation of the adequacy of the adopted internal control system, the updated map of all the risks related to the Company and its subsidiaries and then we have received, from the Internal Auditor, the positive evaluation on the suitability of the system under examination to achieve an acceptable overall risk profile; the evaluation was based on the assessment of the risk map and the overall monitoring of the internal control system. The Board, also coordinated with the Risk and Control Committee, taking note of the audit planning compiled by the Internal Auditor;
- verified, through the report of the Supervisory Body, the aspects related to the adequacy and constant updating of the organizational model pursuant to Legislative Decree 231/01, also in relation to the regulation updates. During the year in particular, the Model was updated after Legislative Decree no. 38/2017 came into force on 14 April 2017, amending art. 2635 of the Italian Civil Code "corruption amongst private entities", introducing in the Italian Civil Code art. 2635-bis "instigation to corruption amongst private entities" and art. 2635-ter "ancillary penalties".
- verified that during the Reference year there were no reports and/or opportunities for enabling the information flow required by the whistleblowing procedure, adopted on a voluntarily basis by the Company, following the updating of the Corporate Governance Code. The procedure is intended to ensure an adequate internal system of reporting by employees of any irregularity or violation of the laws and internal

procedures. In particular, the corporate governance bodies have promoted the introduction of a dedicated communication system with modalities that will ensure the confidentiality and anonymity of the informant, excluding the risk of retaliation and discrimination and avoiding areas of overlap with the provisions of the Organizational Model Management (MOG) pursuant to Legislative Decree 231/01 and its current effective hedges on anticipated risks;

- studied all the documentation related to financial, industrial and support operations among companies which can be reasonably considered compliant to the principles of good administration and consistent with the company articles of association and the spirit of the current law;
- detected that no atypical and/or unusual operations, as defined by CONSOB communication DEM/6064293 dated July 28, 2006, have been carried out both within the Group and with related or third parties, as confirmed also by the Board of Directors, the Independent Auditors and the Internal Auditor;
- supervised on the actual implementation of the corporate governance rules envisaged in the Code of Conduct adopted by the Italian Stock Exchange;
- supervised on the actual implementation of the resolution of the Shareholders' Meeting of 20 April 2017, which authorised the Board of Directors to purchase and sell treasury shares. The plan has a maximum duration of 18 months as from the date of issue of the authorisation by the Shareholders' meeting.
- supervised, with regard to the regulations on non financial reporting for the year 2017, on the observance of the provisions set forth in the principles of the Barnier Directive and Italian Legislative Decree 254/2016; thus on the compliance with the applicable legal provisions and the adequacy of the organisational, administrative, reporting and control system predisposed by the company in order to allow for the correct and complete representation in the non financial Report of the company business, its results and its impact with regard to the non financial matters referred to in art. 3, paragraph 1 of the decree (environmental, social, respect for human rights, etc.);
- adapted its supervisory functions, inter alia, to the activity of the statutory audit of annual and consolidated accounts verifying the independence of the independent auditors, especially for what concerns the provision of non-audit services to the Company under statutory audit, pursuant to art. 17, paragraph 9, letter a) of the Legislative Decree 39/2010;
- confirmed, the independence of the Independent auditors, also with reference to non-statutory audit services provided to the Company by the independent auditors and by other legal entities belonging to the same network as specifically indicated in the financial statements. In this regard, the Board of Auditors informs that, during 2017 it has been informed about and verified the assignment to Deloitte & Touche S.p.A. of:
 - o a professional appointment, aimed at the issue of an audit report limited to the Sustainability Report of the Servizi Italia Group as the 31 December 2017 and for subsequent years until the approval of the Balance sheet as at 31 December 2023. The Board verified the compatibility of this assignment with the current regulations and specifically with the provisions of article 10 and 17 of the Legislative Decree 39/2010 as amended by Legislative Decree no. 135/2016 and the prohibitions set forth in article 5 European Regulation 537/2014 therein recalled. Based on these verification it has given its opinion as required by Consob Communication DAC/RM/ 97001574 dated 1997 and the applicable laws;

- the Board acknowledges that during the year 2017, based on what reported by the same Independent Auditors, there was not conferred to Deloitte & Touche S.p.A. an assignment related to audit services and issue of certifications required by regulatory authorities.
 - there are no further evidence assignments to entities belonging to the same network, to shareholders, directors, members of supervisory bodies and/or employees of the said independent auditors, with the exception of the tasks relating to consulting services for support to the development and external growth of the company;
- stated, based on the declarations made by the Directors and taking note of the evaluations expressed by the Board of Directors, that criteria and inspection procedures adopted by the Board itself for evaluating the independency of its members have been correctly applied (we have verified the independence of 4 Board members: Paola Schwizer, Romina Guglielmetti, Paola Galbiati and Antonio Aristide Mastrangelo);
 - successfully carried out the annual verification of compliance with the criteria of independence of each member, as required by the Code of Conduct and Regulation of Organized Markets managed by Borsa Italiana S.p.A;
 - carried out, pursuant to Italian Stock Exchange Issuers' Regulation, the compliance with the criteria for Servizi Italia S.p.A. remaining in the STAR segment (ref. art. 2.2.3, paragraph 10 of the Borsa Italiana's Regulation and IA.4.2.3., paragraph 3, of the Instructions);
 - verified the correct distribution of the total compensations within the Board of Directors, as approved by the Shareholders' Meeting on 22nd April 2015;
 - verified that the Directors, in accordance with CONSOB dispositions, have underlined in the Annual Financial Statement Report all the transactions carried out with companies of the Group and related parties. The Board has verified, with the help of the Internal Control Responsible, the compliance to the procedures which ensure that they were concluded under reasonable terms and in the interest of the Company;
 - verified that the Company is able to regularly and promptly comply with the reporting obligations required by law, pursuant to art. 114, 2nd paragraph of the Legislative Decree 58/1998 for subsidiaries within the scope of consolidation;
 - supervised, pursuant to ex art. 19, paragraph 1 of the Legislative Decree 39/2010, on the financial informative process, on the efficiency of the internal control system, of the audit system and of the risk management;
 - received, pursuant to art. 19 paragraph 3 of the Legislative Decree 39/2010, the report of the Independent Auditors issued on 6th March 2018, explaining the key matters arisen from the statutory audit and any significant weakness connected to the internal control system and related to the financial reporting process. The report did not highlighted any deficiency;
 - examined the coherence of the information included the Report on Corporate Governance and financial structure 2017, drafted according to the provisions of art. 123-bis of the Consolidated Law on Finance with the Separated and consolidated Balance Sheet. The Independent Auditors did not express any comment nor indicated any information reference with regard to the Report;

- examined the coherence of the information included in the Non-financial disclosure: 2017 Sustainability Report, prepared in compliance with the guidelines GRI-G4. The Independent Auditors did not express any comment nor indicated any information reference with regard to the mentioned Report.
- attended the meetings of the Remuneration and Nomination Committee which were held during 2017 and taken note of what the Committee reported during the Board of Directors with regard to (i) the Annual Bonus System (ABS) for the reference year; (ii) and the Long Term Incentive Cash Plan for the three-year period 2015-2016-2017; (iii) the 2017 Report on remuneration drafted according to the provisions of the framework nr. 7-bis and art. 123-ter of the Consolidated Law on Finance, which deals with the general policy adopted by the Company on the remuneration of Directors vested with particular offices, Executives with strategic responsibilities, Senior Managers and Executives.

Herewith, the Board gives also acknowledge of the following;

- the Company has adopted an Internal Dealing Code of Conduct and the subsequent communication obligations for those considered as relevant subjects for what concerns purchase, sale, underwriting, trading and any other operation which transfers the ownership of Servizi Italia's shares or other financial instruments linked to them, even through third parties;
- the Company activated an integrated risk management model based on the Enterprise Risk Management international principles, whose continuous development is connected to the changing needs of the Company, this model works as support to the administrative and control bodies of the Company;
- in compliance with the provisions set forth in Italian Legislative Decree 196/2003 as amended as regards the processing of personal data, the Company prepared the security policy document with reference to the year 2017 and is carrying out a project in order to ensure, within the limits set by the regulations, the corporate compliance with reference to the provisions of Regulation EU 2016/679 on the protection of personal data (GDPR, *General Data Protection Regulation*);
- for what concerns the Safety Management System (SGS) and the Environment Management System (SGA), the Company has maintained its certifications according to BS OHSAS 18001 and UNI EN ISO 14001 standards in all its production sites, according to what indicated in the Legislative Decree no. 81 dated April 9, 2008 "Consolidated law on health and safety at work" and Legislative Decree no. 152 dated April 3, 2006 "Environmental Regulations";
- the Company has drafted, in due time, the half-year financial report according to the provisions of art. 2428 of the Italian Civil Code. The report has been received by the Board of Auditors, made available to the public at the registered office of the Company and on the Company Internet website www.si-servizitalia.com, according to the applicable law;
- the company continued its operations of incorporating the new Brazilian Anti-Corruption Law in the internal policies of the Brazilian subsidiaries. The mentioned Anti-Corruption Law envisages mechanisms and procedures similar to those required by Legislative Decree no. 231/01.

Atypical and unusual operations

No atypical or unusual operations result.

Transactions with group companies and related parties

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

The transactions with related parties, as defined by the International Accounting Standard (IAS) 24, that the Company carried out during 2017 with subsidiaries, associates, joint ventures and parent companies mainly refer to: (i) dealings associated with commercial service agreements; (ii) financial dealings, represented by loans. From an economic, equity and financial point of view, the group of main transactions constitute ordinary transactions conducted under conditions equivalent to market or standard conditions and are regulated by the appropriate contracts. These reflect the actual use of the services and their correct execution in the interest of the Company, as they are aimed at rationalising the use of the Group's resources. Information on the transactions with related parties is presented in the Notes to the financial statements and, with reference to the Group, to the consolidated financial statements; the information herein is deemed to be adequate also in consideration of the company's size and structure; reference is thus made to these sections, which also indicate the characteristics of the transactions and the consequent economic effects.

During the year 2017, the Board followed and verified the preliminary procedures that led to the adjustment of the rental fee regarding the property in Castellina di Soragna (PR), consequently to the delivery of the second batch of works regarding the new Management headquarters of the Company. The required opinion issued by the Control and Risk Committee acting for the Committee for Transactions with Related Parties was acquired on the mentioned transaction with the related party Focus S.p.A. pursuant to Consob Regulation no. 17221/2010 and the and the RPT Regulations adopted by Servizi Italia.

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

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

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

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

In addition to that, the Independent Audit Company Deloitte & Touche S.p.A. has transmitted to the Board its Reports about (i) the Separated and consolidated Balance Sheet of the Group; (ii) the Non-financial Report 2017, pursuant to art. 14 of the Legislative Decree 39 dated January 27, 2010 where an opinion with no remarks on the Company financial statement and Consolidated Financial Statement of the Group is expressed.

The activity of the Board has been reported in the minutes of meetings held during 2017. For what concerns the Consolidated Balance Sheet of the Group, the Statutory Auditors analysed the contents and they have no comments, pointing out that – pursuant to C.F.L., art. 165 paragraph 1 bis, the independent auditors of your Company, as listed Parent Company, are fully responsible for the review of such Financial Statements.

Proposal to the General Shareholders' Meeting

The Board expresses its favourable opinion:

- for approving the Balance Sheet as at 31.12.2018 and agrees with the Net Income allocation proposed by the Board of Directors.
- for approving the Non-financial Report 2017: Sustainability Report.

Castellina di Soragna – Italy, 29 March 2018

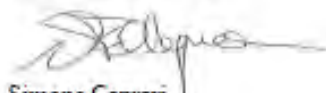
THE CHAIRMAN OF THE BOARD OF STATUTORY AUDITORS

Gianfranco Milanese

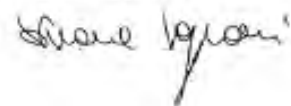


PERMANENT MEMBERS

Annamaria Fellegara



Simone Caprari



SERVIZI ITALIA S.p.A.
Registered Offices: Via S. Pietro, 59/B
43019 Castellina di Soragna (PR) – ITALY
Share Capital: Euro 31,809,451 fully paid-up
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CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017



Accounting schedules

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>(thousands of Euros)</i>						
	Note	31 December 2017	<i>of which with related parties (Note 8)</i>	31 December 2016	<i>of which with related parties (Note 8)</i>	
ASSETS						
Non-current assets						
Property, plant and equipment	6.1	124,172	-	125,795	-	
Intangible assets	6.2	4,638	-	6,028	-	
Goodwill	6.3	70,784	-	55,234	-	
Equity-accounted investments	6.4	22,257	-	28,764	-	
Equity investments in other companies	6.5	3,612	-	3,629	-	
Financial receivables	6.6	6,987	4,660	7,826	4,809	
Deferred tax assets	6.7	2,112	-	2,351	-	
Other assets	6.8	5,281	-	7,651	-	
Total non-current assets		239,843		237,278		
Assets held for sale	6.9	334	-	-	-	
Current assets						
Inventories	6.10	5,915	-	5,011	-	
Trade receivables	6.11	74,539	3,872	71,141	1,613	
Current tax receivables	6.12	1,972	-	2,865	-	
Financial receivables	6.13	7,946	5,599	8,188	5,606	
Other assets	6.14	10,703	-	12,203	-	
Cash and cash equivalents	6.15	7,999	-	5,463	-	
Total current assets		109,074		104,871		
TOTAL ASSETS		349,251		342,149		
SHAREHOLDERS' EQUITY AND LIABILITIES						
Group shareholders' equity						
Share capital	6.16	31,799	-	31,461	-	
Other reserves and retained earnings	6.16	93,506	-	95,299	-	
Profit (loss) for the year		13,770	-	10,451	-	
Total shareholders' equity attributable to shareholders of the parent		139,075		137,211		
Total shareholders' equity attributable to non-controlling interests		2,564		545		
TOTAL SHAREHOLDERS' EQUITY	6.16	141,639		137,756		
LIABILITIES						
Non-current liabilities						
Due to banks and other lenders	6.17	40,210	-	45,237	-	
Deferred taxes liabilities	6.18	2,645	-	2,633	-	
Employee benefits	6.19	10,322	-	11,218	-	
Provisions for risks and charges	6.20	2,447	-	2,798	-	
Other financial liabilities	6.21	6,076	-	4,172	-	
Total non-current liabilities		61,700		66,058		
Current liabilities						
Due to banks and other lenders	6.16	51,383	-	48,031	-	
Trade payables	6.21	69,854	9,106	63,544	8,365	
Current tax payables	6.22	157	-	22	-	
Employee benefits	6.18	877	-	-	-	
Other financial liabilities	6.23	5,176	2,460	8,072	-	
Other payables	6.24	18,465	-	18,666	-	
Total current liabilities		145,912	-	138,335	-	
TOTAL LIABILITIES		207,612		204,393		
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		349,251		342,149		

CONSOLIDATED INCOME STATEMENT

<i>(thousands of Euros)</i>					
	Note	31 December 2017	<i>of which with related parties (Note 8)</i>	31 December 2016	<i>of which with related parties (Note 8)</i>
Sales revenues	7.1	252,102	6,318	237,716	991
Other income	7.2	4,657	772	4,377	688
Raw materials and consumables	7.3	(25,946)	(57)	(25,123)	(9)
Costs for services	7.4	(76,866)	(20,520)	(74,591)	(20,624)
Personnel expense	7.5	(81,964)	(5,148)	(76,819)	(4,378)
- of which non-recurring		(557)		-	
Other costs	7.6	(2,154)	(424)	(1,537)	(13)
Depreciation, amortisation, impairment and provisions	7.7	(53,453)	-	(50,278)	-
Operating profit		16,376		13,745	
Financial income	7.8	2,059	553	1,760	286
Financial expenses	7.9	(2,442)	-	(2,473)	-
Income/(expense) from equity investments in other companies	7.10	750	-	105	30
Revaluation/impairment of equity-accounted investments	6.4	1,018	-	(65)	-
Profit before tax		17,761		13,072	
Income taxes	7.11	(3,397)		(2,557)	
- of which non-recurring		(134)		-	
Profit (loss) for the year		14,364		10,515	
of which: Attributable to shareholders of the parent		13,770		10,451	
Attributable to non-controlling interests		594		64	
Basic earnings per share (in Euros)	7.12	0.435		0.335	
Diluted earnings per share (in Euros)	7.12	0.435		0.335	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>(thousands of Euros)</i>			
	Note	31 December	
		2017	2016
Profit (loss) for the year		14,364	10,515
<i>Other comprehensive income that will not be reclassified to the Income Statement</i>			
Actuarial gains (losses) on defined benefit plans	6.18	22	(242)
Income taxes on other comprehensive income	6.7 6.17	(5)	-
<i>Other comprehensive income that may be reclassified to the Income Statement</i>			
Gains (losses) from translation of foreign financial statements		(7,068)	6,627
Income taxes on other comprehensive income		-	-
Total other comprehensive income after taxes		(7,051)	6,385
Total comprehensive income for the period		7,313	16,900
of which: Attributable to shareholders of the parent		6,946	16,734
Attributable to non-controlling interests		367	166

CONSOLIDATED CASH FLOW STATEMENT

<i>(thousands of Euros)</i>		As at 31 December 2017	<i>of which with related parties (Note 8)</i>	As at 31 December 2016	<i>of which with related parties (Note 8)</i>
	Note				
<i>Cash flow generated (absorbed) by operations</i>					
Profit (loss) before tax		17,761	-	13,072	-
Payment of current taxes		(1,492)	-	(3,633)	-
Amortisation	7.7	52,607	-	49,499	-
Impairment and provisions	7.7	846	-	778	-
(Revaluation)/impairment of equity investments	6.4 7.10	(1,767)	-	(39)	-
Gains/losses on disposal	7.2 7.6	(708)	-	(308)	-
Interest income and expense accrued	7.8 7.9	382	-	713	-
Interest income collected	7.8	987	-	906	-
Interest expense paid	7.9	(1,683)	-	(1,924)	-
Provisions for employee benefits	6.18	229	-	502	-
		67,162		59,566	
(Increase)/decrease in inventories	6.9	(805)	-	(166)	-
(Increase)/decrease in trade receivables	6.10	(2,993)	(2,259)	6,498	(474)
Increase/(decrease) in trade payables	6.21	8,050	741	(3,558)	(242)
Increase/(decrease) in other assets and liabilities	6.8 6.13 6.19 6.20 6.23 6.24	(3,370)	-	(4,907)	-
Settlement of employee benefits	6.18	(777)	-	(533)	-
Cash flow generated (absorbed) by operations		67,267		56,900	
<i>Net cash flow generated (absorbed) from investment activities in:</i>					
Intangible assets	6.2	(708)	-	(471)	-
Property, plant and equipment	6.1	(48,236)	-	(40,797)	-
Dividends received	7.10	291	-	182	-
Acquisitions	3.3	(4,214)	-	(12,822)	-
Equity investments	6.4 6.5	(1,448)	-	(2,127)	-
Net cash flow generated (absorbed) by investment activities		(54,315)		(56,035)	
<i>Cash flow generated (absorbed) from financing activities in:</i>					
Financial receivables	6.6 6.12	1,266	156	(4,558)	(4,474)
Dividends paid	6.15	(4,713)	-	(4,728)	-
Net (purchase)/sales of treasury shares	6.15	1,620	-	(334)	-
Share Capital increase	6.15	-	-	4,000	-
Shareholders' equity	6.15	(1,755)	-	-	-
Current liabilities to banks and other lenders	6.16	448	-	(3,543)	-
Non-current liabilities to banks and other lenders	6.16	(6,561)	-	5,922	-
Cash flow generated (absorbed) from financing activities		(9,695)		(3,241)	
(Increase)/decrease in cash and cash equivalents		3,257		(2,376)	
Opening cash and cash equivalents	6.14	5,463		7,082	
Effect of exchange rate fluctuations		721		(757)	
Closing cash and cash equivalents	6.14	7,999		5,463	

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

(thousands of Euros)

	Share capital	Share premium reserve	Legal reserve	Retained earnings	Translation reserve	Profit (loss) for the year	Reserves and profit (loss) of non-controlling interests	Total Shareholders' Equity
Balance as at 1 January 2016	30,444	49,318	4,186	32,431	(7,392)	12,728	379	122,094
Allocation of profit from the previous year	-	-	586	7,414	-	(8,000)	-	-
Distribution of dividends	-	-	-	-	-	(4,728)	-	(4,728)
Share Capital increase	1,110	2,890	-	-	-	-	-	4,000
Treasury share transactions	(93)	(241)	-	-	-	-	-	(334)
Change in translation reserve	-	-	-	-	6,525	-	102	6,627
Other changes	-	-	-	(234)	-	-	-	(234)
Comprehensive income for the year	-	-	-	(184)	-	10,451	64	10,331
Balance as at 31 December 2016	31,461	51,967	4,772	39,427	(867)	10,451	545	137,756
Allocation of profit from the previous year	-	-	594	5,144	-	(5,738)	-	-
Distribution of dividends	-	-	-	-	-	(4,713)	-	(4,713)
Change in the consolidation area	-	-	-	(1,990)	-	-	1,439	(551)
Share Capital increase	-	-	-	-	-	-	213	213
Treasury share transactions	338	1,282	-	-	-	-	-	1,620
Change in translation reserve	-	-	-	-	(6,840)	-	(227)	(7,067)
Other changes	-	-	-	-	-	-	-	-
Comprehensive income for the year	-	-	-	17	-	13,770	594	14,381
Balance as at 31 December 2017	31,799	53,249	5,366	42,598	(7,707)	13,770	2,564	141,639

Explanatory Notes

INTRODUCTION

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

These financial statements were approved by the Board of Directors on 13 March 2018; the latter authorised the publication of the same.

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

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

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

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

IFRS accounting standards, amendments and interpretations applied as at 01 January 2017

The following IFRS accounting principles, amendments and interpretations were applied for the first time by the Group starting on 1 January 2017:

- Amendment to **IAS 7 "Disclosure Initiative"** (issued on 29 January 2016). This document provides some clarifications to improve the information on financial liabilities. Specifically, the amendments require such disclosures as to allow the recipients of the financial statements to understand changes in liabilities generated by financing operations.
- Amendment to **IAS 12 "Recognition of Deferred Tax Assets for Unrealised Losses"** (issued on 19 January 2016). This document provides clarifications on the recognition of deferred tax

assets for unrealised losses in the measurement of financial assets “*Available for Sale*”, under certain circumstances and on the estimation of taxable income for future periods.

The option of these amendments did not impact the financial statements of the Company.

Accounting standards, amendments and IFRS and IFRIC interpretations endorsed by the European Union, still not applicable on a mandatory basis and not adopted early by the Company as at 31 December 2017

- **Principle IFRS 15 – Revenue from Contracts with Customers** (issued on 28 May 2014 and supplemented with additional clarifications published on 12 April 2016), bound to replace 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, insurance 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 applies as from 1 January 2018. The amendments to IFRS 15, Clarifications to IFRS 15 – Revenue from Contracts with Customers, have been approved by the European Union on 6 November 2017.

Based on the analyses carried out, the directors expect the application of IFRS 15 not to have a significant impact on the amounts posted as revenue and on the relevant information reported in the financial statements of the Group.

- Final version of the **IFRS 9 – Financial Instruments** (issued on 24 July 2014). The standard includes the results of the IASB project, pending the replacement of IAS 39:
 - it introduces new criteria to classify and measure financial assets and liabilities (together with the assessment of the negligible changes in financial liabilities);

- with reference to the impairment model, the new standard requires the losses on receivables to be estimated based on the expected losses model (instead of the incurred losses model of IAS 39) using information that can be evidenced, available free of charge or without unreasonable effort and including historic, current and forecast data;
- a new hedge accounting model is introduced (additional types of transactions can be designated for hedge accounting, different accounting method for forward contracts and options when they are included in a hedge accounting transaction, changes to effectiveness test).

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

Based on the analyses carried out, the directors expect the application of IFRS 9 not to have a significant impact on the amounts and on the relevant information reported in the financial statements of the Group. In particular, the application of the accounting standard will have an overall negative impact on the Shareholders' equity as at 31 December 2017 of Euro 151 thousand to be attributed to the recognition of trade receivables according to the provisions of the new standard.

- Standard **IFRS 16 – Leases** (issued on 13 January 2016), intended to replace IAS 17 – Leases, as well as the 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 control (right of use) of an asset to differentiate between leasing and service agreements, by identifying the following distinguishing factors: asset identification, right of replacement of the asset, right to obtain substantially all the economic benefits deriving from the use of the asset and right to control the use of the asset underlying the agreement.

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

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

With reference to IFRS 16 described above, the Group is evaluating the implementation criteria and the impacts on its financial statements, however, it is not possible to estimate the effects until the Group has completed a detailed analysis; the application of the new standard will mainly concern lease agreements on properties and operating lease agreements on vehicles.

With reference to the other standards and interpretations detailed above, it is not expected that the adoption will lead to significant impacts on the measurement of the assets, liabilities, costs and revenues of the Group.

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

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

- Amendment to **IFRS 2 “Classification and measurement of share-based payment transactions”** (issued on 20 June 2016). This document provides clarifications on how to account for the effects of vesting conditions in cash-settled share-based payments, how to classify share-based payments that include net settlement features and how to account for changes to the terms and conditions of a share-based payment that turn cash-settled share-based payment to equity-settled share-based payment. The amendments apply as from 1 January 2018.
- Document **“Annual Improvements to IFRSs: 2014-2016 Cycle”**, issued on 8 December 2016 (including IFRS 1 First-Time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters, IAS 28 Investments in Associates and Joint Ventures – Measuring investees at Fair value through profit or loss: an investment-by-investment choice or a consistent policy choice, IFRS 12 Disclosure of Interests in Other Entities – Clarification of the scope of the Standard) which partially supplement the pre-existing standards. Most of the amendments apply as from 1 January 2018.
- Interpretation of **IFRIC 22 “Foreign Currency Transactions and Advance Consideration”** (issued on 8 December 2016). This interpretation provides guidelines on foreign currency transactions when non-monetary advance consideration paid or received is recognised before recognition of the relating asset, expense or income. This document clarifies how an entity has to determine the date of the transaction and consequently the spot exchange rate to be used for foreign currency transactions whose consideration is paid or received in advance. IFRIC 22 applies as from 1 January 2018.

- Amendment to **IAS 40 “Transfers of Investment Property”** (issued on 8 December 2016). These amendments provide clarifications on the transfer of properties to, or from, investment properties. Specifically, an entity should only reclassify a property asset to or from investment property when there is evidence of a change in use of that asset. Such change in use must be supported by a specific event occurred in the past. A change in intention by the entity’s management alone is not sufficient. These amendments apply as from 1 January 2018.
- On 7 June 2017, the IASB published the interpretative document **IFRIC 23 – Uncertainty over Income Tax Treatments**. This interpretation provides guidelines on how to determine the accounting tax position when there is uncertainty over income tax treatments and requires that the uncertainty on the determination of liabilities or asset for income taxes should be recognised in the financial statements when it is probable that entity will pay or receive the amount in question. Therefore, the interpretation does not provide any new mandatory disclosure; however, the entity should assess whether is necessary to provide disclosures on the management consideration done in relation to the uncertainty inherent to the recognition of the income taxes, in accordance with IAS 1.

This interpretation applies as from 1 January 2019, though early adoption is allowed.

- Amendment to **IFRS 9 “Prepayment Features with Negative Compensation”** (issued on 12 October 2017). This document specifies that the instruments that required an early repayment could respect the “SPPI” test also if the “reasonable additional compensation” to be paid in case of early repayment is a “negative compensation” for the lender. The amendment applies as from 1 January 2019, though early adoption is allowed.
- Amendment to **IAS 28 “Long-term Interests in Associates and Joint Ventures”** (issued on 12 October 2017)”. This document clarifies the need to apply IFRS 9, including the requirements linked to the impairment, to the other long-term interests in associates and joint ventures to which the equity method does not apply. The amendment applies as from 1 January 2019, though early adoption is allowed.
- Document **“Annual Improvements to IFRSs 2015-2017 Cycle”**, issued on 12 December 2017 (including IFRS 3 Business Combinations and IFRS 11 Joint Arrangements – Remeasurement of previously held interest in a joint operation, IAS 12 Income Taxes – Income tax consequences of payments on financial instruments classified as equity, IAS 23 Borrowing costs Disclosure of Interests in Other Entities – Borrowing costs eligible for capitalisation), which acknowledges the amendments to some standards as part of the annual improvement process. The amendments apply as from 1 January 2019, though early adoption is allowed.

- Amendment to **IFRS 10 and IAS 28 “Sales or Contribution of Assets between an Investor and its Associate or Joint Venture”** (issued on 11 September 2014). The 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.
- Standard **IFRS 14 – Regulatory Deferral Accounts** (issued on 30 January 2014) which permits just those who adopt the IFRS for the first time to continue to recognise the amounts relating to the activities subject to regulated rates (“Rate Regulation Activities”) as per the previous accounting standards adopted. Given the Company/Group is not a first-time adopter, this standard is not applicable.

1.1 Core Business

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

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

3 CONSOLIDATION PRINCIPLES AND ACCOUNTING STANDARDS

3.1 Consolidation principles

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

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

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

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

The financial statements consolidated line-by-line were prepared as at 31 December 2017 and have been adjusted as required to bring them into line with the accounting standards of Servizi Italia S.p.A.:

- the assets and liabilities, expense and income are consolidated line-by-line allocating the minority shareholders, where applicable, the portion of shareholders' equity and net result for the year due to the same;
- business merger transactions, by virtue of which control over an entity is acquired, are recognised in the accounts by applying the purchase method. The purchase cost corresponds to the fair value as at the date of purchase of the assets sold, the liabilities undertaken, the equities issued and any other directly attributable accessory charge. The difference between the purchase cost and the fair value of the assets and liabilities acquired, if positive, is allocated to the asset item Goodwill; if it is negative, after having re-checked the correct measurement of the fair values of the assets and liabilities acquired and the purchase cost, it is recognised directly in the income statement, as income. The cost incurred for the acquisition is immediately recorded in the Income Statement. If the acquisition agreement provides for an adjustment of the price that is different according to the profitability of the acquired business over a defined period of time, or until a pre-set future date ("earn-out"), the adjustment is included in the purchase price starting from the date of acquisition and is valued at fair value at the date of acquisition while the subsequent changes are recorded in the Income Statement;
- the acquisition or the transfer of minority shareholdings of third parties, subsequent to the acquisition of control and if the control is maintained, are recorded under net equity;
- significant gains and losses from transactions between Companies consolidated line-by-line, not yet realised vis-à-vis third parties, are eliminated;
- receivable and payable transactions, costs and revenues, as well as the financial income and expense between companies consolidated line-by-line are eliminated;
- *put* options on minority shares lead to the recognition of a financial liability at the current value of the disbursement to be executed during the period. This liability reduces the non-controlling interests or the reserves of the Group in relation to the fact that the risks and benefits of said interests have been transferred or otherwise to the purchaser. Any changes in the estimate of the disbursement are recognised in the income statement;
- the financial statements of each company belonging to the Group are prepared in the currency of the primary economic sphere in which it operates (reporting currency). For the purposes of the consolidated financial statements, the financial statements of each foreign entity are expressed in Euros, which is the reporting currency of the Group and the presentation currency

for the consolidated financial statements. All the assets and liabilities of foreign companies in currency other than Euros, which fall within the scope of consolidation, are converted using the exchange rates existing as of the financial statement reference date (current exchange rate method). Income, costs and cash flows are converted at the average exchange rate for the period. The exchange differences deriving from the comparison between the opening shareholders' equity converted using the current rates and the same converted using the historical rates, as well as the difference between the profit/loss expressed using the average rates and that expressed using the current rates, are booked to other comprehensive income and recorded in a specific reserve;

- foreign currency transactions are recorded using the exchange rate in force as of the date of the transaction. Monetary assets and liabilities denominated in foreign currency are converted at the exchange rates existing as of the financial statement reference date. Non-monetary items valued at historical cost in foreign currency are converted using the exchange rate in force as of the date of initial recognition of the transaction. Non-monetary items recorded at fair value are converted using the exchange rate as of the date of determining this value;
- the exchange rates used for the conversion into Euros of the financial statements of the companies included in the scope of consolidation are illustrated below.

Currency	Exchange rate as at 31 December 2017	Average exchange rate for 2017	Exchange rate as at 31 December 2016	Average exchange rate for 2016
Brazilian Real (R\$)	3.9729	3.6041	3.4305	3.8561
Turkish Lira (TL)	4.5464	4.1214	3.7072	3.3433
Albanese Lek	133.58	134.11	135.23	137.32
Indian Rupee (INR)	76.6055	73.5324	71.5935	74.3717
Moroccan Dhiram (MAD)	11.236	10.993	-	-

* The average exchange rate for the consolidation of the Ankara Laundry group is 4.32274 (average from 19 July 2017 - date of acquisition of control - to 31 December 2017)

** The average exchange rate used for the valuation using the equity method of the company Servizi Sanitari Integrati Marocco is the average from 22 February 2017 - the date of acquisition - to 31 December 2017

3.2 Scope of Consolidation

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

(thousands)	Registered office	Currency	Share capital as at 31 December 2017	Percentage shareholding as at 31 December 2017	Percentage shareholding as at 31 December 2016
San Martino 2000 S.c.r.l.	Genoa	Eur	10	60%	60%
Se.Sa.Tre. S.c.r.l. in liquidazione	Genoa	Eur	20	60%	60%
Steritek S.p.A.	Malagnino (CR)	Eur	134	70%	-
Ankateks Turizm İnfaat Tekstil Temizleme Sanayi Ve	Ankara, Turkey	TRY	5,000	55%	40%
Ergülteks Temizlik Tekstil Ltd. Sti.**	Smirne - Turkey	TRY	1,700	57.5%	-
SRI Empreendimentos e Participacoes LTDA	São Paulo (Brazil)	R\$	146,798	100%	100%
Lavsim Higienização Têxtil S.A.*	São Roque, State of São Paulo (Brazil)	R\$	550	100%	100%
Maxlav Lavanderia Especializada S.A.*	Jaguariúna, State of São Paulo (Brazil)	R\$	2,825	50.1%	50.1%
Vida Lavanderias Especializada S.A.*	Santana de Parnaíba SP (Brazil)	R\$	3,600	50.1%	50.1%
Aqualav Serviços De Higienização Ltda*	Vila Idalina, Poá, State of São Paulo (Brazil)	R\$	15,400	100%	100%

*Held through SRI Empreendimentos e Participações Ltda

**Held through Ankateks Turizm İnfaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi

On 19 July 2017, Servizi Italia S.p.A. exercised the *call* option targeted at acquiring an additional 15% of the share capital of the Turkish company Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi, which owns 57.5% of the company Ergülteks Temizlik Tekstil Ltd Sti (Ankara Group); the latter was already owned by Servizi Italia S.p.A. as of 15 October 2015. Servizi Italia S.p.A., following the acquisition of an additional 15%, now owns 55% of the Turkish company and has thereby obtained control of the Ankara Group. On 5 September 2017, Servizi Italia S.p.A. also acquired 70% of the share capital of Steritek S.p.A., the primary Italian company offering validation services and systematic control of sterilization processes as well as of surgical instruments washing systems.

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

<i>(thousands)</i>					
	Registered office	Currency	Share capital as at 31 December 2017	Percentage shareholding as at 31 December 2017	Percentage shareholding as at 31 December 2016
CO.SE.S S.c.r.l.	Perugia	Eur	10	25%	25%
PSIS S.r.l.	Padua	Eur	10,000	50%	50%
Ekolav S.r.l.	Lastra a Signa (FI)	Eur	100	50%	50%
AMG S.r.l.	Busca (CN)	Eur	100	50%	50%
Steril Piemonte S.c.r.l.	Turin	Eur	4,000	50%	50%
Iniziative Produttive Piemontesi S.r.l.	Turin	Eur	2,500	37.63%	37.63%
SE.STE.RO. S.r.l. in liquidazione	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%	50%
Brixia S.r.l.	Milan	Eur	10	23%	18.3%
Saniservice Sh.p.k.	Tirana – Albania	Lek	2,746	30%	30%
Shubhram Hospital Solutions Private Limited	New Delhi - India	INR	270,172	51%	51%
SAS Sterilizasyon Servisleri A.Ş.	Istanbul, Turkey	TRY	3,502	51%	51%
Servizi Sanitari Integrati Marocco S.a.r.l.	Casablanca, Morocco	MAD	122	51%	-

On 13 February 2017, Servizi Italia purchased 51% of Servizi Sanitari Integrati Marocco S.a.r.l., a company that on 10 February 2017 signed a preliminary contract for the establishment of Servizi Italia Marocco S.a.r.l, which will be 50% owned by Servizi Sanitari Integrati Marocco S.a.r.l. and 50% owned by local partner Blue Field Healthcare S.a.r.l.

It should be noted that, during the course of the year, an increase was attained in the shareholding held in Brixia Srl, a company managing *Facility Management* services within the hospital facilities of ASST Spedali Civili of Brescia.

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

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

3.3.1 Acquisition of Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi

On 19 July 2017, Servizi Italia S.p.A. exercised the *call* option targeted at acquiring an additional 15% of the share capital of the Turkish company Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi, in which Servizi Italia S.p.A. had held a 40% stake since 15 October 2015.

Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi – with the subsidiary Ergülteks Temizlik Tekstil Ltd. Sti. (Ankara Group) is a leading company subject to Turkish law, based in Ankara and active through the brand “Ankara Laundry” in the laundry washing sector for healthcare facilities mainly located in central-western Turkey.

Servizi Italia S.p.A., following the acquisition of an additional 15% for a consideration of Euro 4,189 thousand, now holds 55% and has obtained control of the Ankara Group, significantly consolidating its presence in the Turkish market.

Servizi Italia S.p.A., at the same time, proceeded to define and pay sellers for the final price connected to the purchase of the initial 40% stake. Both the definition of the final price and the exercising of the *call* were defined on the basis of the 2016 results reviewed by the Ankara Group. Given that this is a business combination operation carried out in stages, in accordance with the provisions of IFRS 3, the interest previously held in the Ankara Group - equal to Euro 13,909 thousand at the date of acquisition of control - was recalculated at *fair value*, recording an income equal to Euro 458 thousand compared to the previous valuation at cost.

After comparing the *fair value* of the assets, liabilities acquired with respect to the total consideration paid, equal to Euro 18,058 thousand, a goodwill of Euro 17,068 thousand was generated

The following is a comparison between the current value (*fair value*) and the book value of the assets and liabilities acquired and the determination of the goodwill generated by the acquisition:

	19 July 2017	
	Fair value (thousands of Euros)	Book value (thousands of Euros)
Property, plant and equipment	3,468	3,468
Intangible assets	3	3
Deferred tax assets	50	50
Inventories	210	210
Trade and other receivables	3,518	3,518
Employee severance indemnity and risk fund	(105)	(105)
Deferred tax liabilities	(214)	(214)
Non-current financial payables	(1,676)	(1,676)
Current financial payables	(3,403)	(3,403)

Trade payables	(894)	(894)
Current tax payables	(131)	(131)
Other current payables	(855)	(855)
Fair value of acquired assets/liabilities	(30)	(30)
Cash and cash equivalents as at the acquisition date	2,037	2,037
Third party shareholders' equity	(1,017)	(1,017)
<i>Fair value of the equity investment already held (40%) (40%)</i>	13,909	
Purchase price of the 15% investment	4,149	
Fair value of 55% of the share capital of the Ankara Group	18,058	
Goodwill deriving from the acquisition	17,068	

On the closing date of these financial statements, the price allocation process was completed.

3.3.2 Acquisition of Steritek S.p.A.

On 5 September 2017, the Company acquired a 70% stake in Steritek S.p.A., a leading Italian operator in providing validation services and systematic control of sterilisation processes and of surgical instrument washing systems, for a total consideration, net of price adjustment components, of Euro 3,105 thousand and including a part of the deferred price for Euro 450 thousand, retained by Servizi Italia to guarantee any indemnities and contingent liabilities.

The acquisition involved the recognition of a liability for the part of the deferred price and for the commitments assumed which will involve probable future cash outlays connected with the mutual *put/call* options relating to 30% of Steritek S.p.A., exercisable in 2022. The options will be valued on the basis of a formula connected with the economic *performance* of the company in the years 2020 and 2021 and in consideration of the actual net financial position. Taking into account the specific characteristics of the options, a corresponding liability was recorded for € 1,990 thousand, adjusting the Group's shareholders' equity for the same amount.

The comparison between the *fair value* of the net assets of Steritek S.p.A. as at 5 September 2017, weighted for the 70% stake acquired, and the total cost incurred, amounting to 3,105 thousand Euro, led to the determination of goodwill totalling 2,121 thousand Euro.

The following is a comparison between the current value (*fair value*) and the book value of the assets and liabilities acquired and the determination of the goodwill generated by the acquisition:

	05 September 2017	
	Fair value (thousands of Euros)	Book value (thousands of Euros)
Property, plant and equipment	123	122
Intangible assets	3	8
Equity investments in other companies	-	-
Deferred tax assets	17	16
Inventories	18	18
Trade and other receivables	1,482	1,554
Employee severance indemnity and risk fund	(374)	(374)
Deferred tax liabilities	(1)	(1)

Non-current financial payables	(74)	(74)
Current financial payables	(64)	(64)
Trade payables	(167)	(167)
Current tax payables	(64)	(151)
Other current payables	(185)	(169)
Other current payables	713	715
Cash and cash equivalents as at the acquisition date	693	693
Consideration already paid at the time of acquisition	2,795	
Deferred price	450	
Adjustments for price definition	(140)	
Total compensation paid for the acquisition of Steritek (70%)	3,105	
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Goodwill deriving from the acquisition	2,121	
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On the closing date of these financial statements, the price allocation process was completed.

3.4 Summary of the accounting standards and basis of preparation

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

A. Property, plant and equipment

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

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

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

	Years
Industrial buildings	33
Plant and machinery	12
General plant	7
Industrial and commercial equipment	4
Specific equipment	8
Linen	3
Furniture and fixtures	8
Electronic machinery	5
Cars	4
Other vehicles	5

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

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

If there are indicators of impairment, the assets are subject to an (“*Impairment test*”) as per the following section E; any impairments may be subject to subsequent value write-backs if the reasons for the impairment cease to exist. These fixed assets include the costs for the creation of the sterilisation and washing installations at the customer sites, which are used exclusively by the Group. These assets are depreciated over the useful life of the assets or the residual duration of the wash-hire contract, whichever is the shorter. The ownership of the asset is transferred to the customer on termination of the contract.

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

B. Leasing

A lease agreement is defined to be financial if it involves the substantial transfer of all risks and benefits arising from owning the asset. Assets acquired via financial lease agreements are recognised under property, plant and equipment with the recognition under the liabilities of a financial payable for the same amount. The payable is progressively reduced on the basis of the repayment plan for the principal amounts included in the fees contractually envisaged, while the value of the assets recorded among property, plant and equipment is systematically depreciated in relation to the economic-technical life of said asset.

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

C. Intangible assets

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

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

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

amortised based on the residual duration of the related contracts and proportional to the time of the distribution of the benefit flow resulting therefrom.

D. Goodwill

Goodwill represents the additional costs incurred with respect to the *fair value* of the net assets identified at the time of acquisition of a subsidiary, associate or business. In the consolidated financial statements, the goodwill relating to the acquisition of associates and jointly controlled companies is included in the item “Equity-accounted investments”.

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

The impairments possibly recognised are not reinstated.

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

E. Impairment test

In the presence of situations that may potentially generate impairment losses, the property, plant and equipment and intangible assets are subject to *Impairment tests*, through the measurement of the recoverable value of the asset and a comparison with the related net accounting value. If the recoverable value is less than the carrying value, the latter is adjusted accordingly. This reduction represents a loss in value, which is recognised in the Income Statement. If a write-down, previously carried out, no longer has a reason to exist, except for the goodwill, its book value is written back using the new value deriving from the estimate, provided that this value does not exceed the net carrying value that the asset would have had if no write-down was ever carried out. The write-back is also recorded in the Income Statement.

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

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

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

F. Equity investments

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

In application of the equity method, the investment is initially recognised at cost and the book value is increased or decreased to recognize the investor's share of the subsidiary's profits or losses. The quota pertaining to the subsidiary's profit (loss) for the financial year is recognised in the separate income statement. The dividends received reduce the book value of the equity investment. Adjustments to the book value may also be necessary as a result of changes in the equity investment, deriving from changes in the items of the statement of comprehensive income of the subsidiary (e.g. changes deriving from foreign currency translation differences). The quota attributable to the investing firm of these changes is recorded among the other items of the statement of comprehensive income.

If the quota of losses of a subsidiary company is equal to or exceeds the value of the equity investment, after having eliminated the value of the interest, the additional losses are set aside and recognised as liabilities, only to the extent that there are legal or implicit obligations or payments have been made on behalf of the subsidiary company. If the subsidiary subsequently realizes profits, the investing firm will book the portion of profits pertaining to it only after it has equalled its share of unrealised losses.

Profits and losses deriving from transactions between an entity and associated firm or joint venture are booked in the entity's financial statements only for the portion of minority interests in the associate or joint venture. If a company valued with the equity method retains subsidiaries, associates or joint-ventures, the profit (loss) for the year, the other items of the statement of comprehensive income statement and the net assets considered during the application of the equity method are those recorded in the consolidated financial statements of the subsidiary company.

If there is objective evidence of a value loss, the shareholding is subject to an Impairment test, according to the same procedures previously described for intangible and tangible fixed assets in the paragraph “Impairment test”.

G. Financial assets and liabilities

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

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

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

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

- trading assets are recognised at fair value with recording of the changes in the income statement;
- available-for-sale assets (“Equity investments in other companies”) are recognised at fair value and the gains or losses, which emerge, are recorded under other comprehensive income as from the moment of the effective disposal when they reverse to the income statement. The losses from recognition at fair value are by contrast directly booked to the income statement in cases when objective evidence exists that the financial asset has undergone impairment even if the asset has not yet been disposed of. Unlisted equity investments in relation to which the fair value cannot be reliably measured are by contrast recognised at cost less impairment. This category includes the equity investment held for a percentage of less than 20%;
- the financial assets with certain and pre-determined flows and with a pre-established maturity which one intends to maintain until maturity, other than equity investments, are recognised at amortised cost, using the original effective interest rate and, consequently, the future cash flows are discounted back to the financial statement date on the basis of the effective rate. Furthermore, the recognition of the receivables takes into account the solvency of the creditors as well as the credit risk characteristics indicative of the ability of the individual debtors to pay. Only the receivables factored without recourse which satisfy the requirements envisaged for derecognition indicated in IAS 39 are eliminated from the financial statements;
- the other financial liabilities are recognised at amortised cost. Specifically, the costs incurred for the acquisition of loans (transaction costs) and any issue discount or premium directly adjust the face value of the loan. The financial expense is calculated according to the effective interest rate method;
- derivative instruments are recorded in the statement of financial position and are recognised at *fair value* and the gains and losses determined are respectively recorded in the income statement if the derivatives cannot be defined as hedges as per IAS 39 or they hedge a price risk (*fair value hedge*) or under other comprehensive income if they hedge a future cash flow or a future contractual commitment already undertaken as at the financial statement date (*cash flow hedge*);

- trade receivables and payables and other receivables and payables are recorded under current or non-current assets/liabilities in relation to the envisaged date of collection or payment.

H. Other assets

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

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

The white certificates are allocated in relation to the achievement of energy savings via the application of efficient systems and technologies.

The white certificates are recognised in the accounts on an accruals basis under “Other income”, in proportion to the TOE (tonne of oil equivalent) savings effectively made in the period.

The recognition of the same is carried out at the average annual market value unless the year-end market value is significantly lower. The decreases due to sales of white certificates matured during the period or in previous periods are valued at the disposal price. The capital gains and losses deriving from the sales of certificates in periods different to those of maturity are recorded respectively under “Other income” or “Other costs”.

I. Other non-current assets held for sale

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

J. Inventories

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

K. Employee benefits

Post-employment plans

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

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

Remuneration plans under the form of participation in the capital

IFRS 2 sets forth that the stock options are to be classified within the scope of “share-based payments” and provides, for the type classified as equity-settled” (where the payment is regulated using instruments representative of equity), for the determination - as of the date of assignment of the fair value - of the option rights issued and the related recognition as personnel expense to be spread in a linear manner over the period of accrual of the rights (the so-called vesting period) with the recording of a matching balance under shareholders’ equity reserves. This treatment is carried out on the basis of the estimate of the rights, which will effectively accrue in favour of the employees, taking into consideration the conditions of availability of the same not based on the market value of the rights.

Other long-term benefits

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

L. Provisions for risks and charges

Provisions for risks and charges are allocated exclusively in the presence of a current obligation, consequent to past events, which can be legal, contractual in type or derive from

declarations or conduct of the company such as to lead third parties to validly expect that the company itself is responsible or assumes responsibility for fulfilling an obligation (so-called implicit obligations). If the financial effect of time is significant, the liability is discounted back; the effect of this discounting back is recorded under financial expense.

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

M. Revenue and cost recognition

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

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

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

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

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

N. Income taxes

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

Prepaid and deferred taxes are calculated on the timing differences between the value assigned to an asset or liability in the financial statements and the corresponding values recognised for tax purposes, on the basis of the rates in force at the time the timing differences will reverse. Prepaid taxes are only recorded to the extent that it is probable that

there is taxable income available against which they can be used. The recoverability of the prepaid taxes recorded in previous years is valued as of closure of each set of financial statements.

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

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

O. Earnings per share

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

P. Used of estimated values

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

Q. Particularly significant accounting standards

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

- Goodwill: in accordance with the accounting standards adopted for the drafting of the financial statements, the Group checks the goodwill each year so as to ascertain the existence of any impairment to be recognised in the income statement. In detail, the check in question involves the allocation of the goodwill to cash flow generating units and the subsequent determination of the related recoverable value. If it should emerge as lower than the book value of the cash flow generating units, steps shall have to be

taken to impairment the goodwill allocated to the same. The allocation of the goodwill to the cash flow generating units and the determination of the latter leads to the adoption of estimates which depend on factors, which may change over time with consequent effects, possibly significant, with respect to the valuations made by the directors.

- Laundry asset: the economic life of the Company's linen used in the production process has been estimated taking into consideration numerous factors that may affect it, such as for example the wear and tear deriving from the use and from the washing cycles. These factors are liable to changes over time and could significantly affect the depreciation of the linen.
- Deferred taxes: the recognition of deferred tax assets is carried out on the basis of the expectations of income envisaged in future periods. The valuation of the expected income for the purposes of recognition of the deferred taxation depends on factors, which may vary over time and determine significant effects on the valuation of the deferred tax assets.
- Provisions for risks and charges: in the presence of legal and tax-related risks, provisions are recognised representative of the risk of losing lawsuits. The value of the provisions recorded in the financial statements relating to these risks represents the best estimate as of the financial statement data made by management. This estimate involves the adoption of assumptions which depend on factors which may change over time and which therefore could have significant effects with respect to the current estimates made by the directors for the drafting of the consolidated financial statements of the Servizi Italia Group.
- Revenues from sales and services: the revenues for services under way in relation to contracts, which envisage invoicing of advance payments and the balance on the basis of the data communicated by the customer (days of hospitalisation, number of operations), are estimated internally on the basis of the past data supplemented by the most up-to-date information available. This estimate involves the adoption of hypotheses on the performance of the variable to which the payment is linked.
- Financial liabilities for put options on minority interests: these are valued at the current value of the disbursement on the date of their exercise. This estimate is based on the income statement and statement of financial position values taken from long-term plans whose underlying conditions and hypotheses may undergo changes over time with consequent significant impacts on the estimate of the liabilities.

4 RISK MANAGEMENT POLICY

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

The Servizi Italia Group's activities are exposed to various risk types, including interest rate fluctuations and credit, liquidity, cash flow risks and currency-type risks.

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

4.1 Type of risks hedged

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

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

Price risk

This is the risk associated with the volatility of the prices of the raw materials and the energy commodities, with particular reference to electricity and gas used in the primary production processes and of cotton to which the purchase cost of the linen is linked. Within the sphere of the tenders, the Group avails itself of clauses, which permit it to adjust the price of the services provided in the event of significant cost changes. The price risk is also controlled by means of the entering into of purchase agreements with price blocks and on-average annual timescales, joined by constant monitoring of the performance of the prices so as to identify opportunities for making savings.

Interest rate risk

The Group's net financial debt primarily comprises short-term payables which, as at 31 December 2017, represent approximately 56.10% of its debt, at an average annual rate of around 0.45%. In relation to the global financial crisis, the Company is monitoring the market and assessing the appropriateness of taking out hedging transactions on the rates in order to limit the negative impacts of changes in interest rates on the company's income statement. The table below demonstrates the effect that would be generated by a 0.5% increase or decrease in rates (in thousands of Euros).

<i>(thousands of Euros)</i>	0.5% rate increase		0.5% rate decrease	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Financial receivables	+72	+90	(72)	(90)
Financial payables	+520	+487	(520)	(487)
Transfer without recourse of the receivable	+458	+428	(458)	(428)

Credit risk

The receivables, since they are essentially due from public bodies, are deemed certain in terms of collectability and, due to their nature, are not subject to the risk of loss. The collection times depend on the loans received, the Local Health Authorities, the Hospitals and the Regional Authorities and at present average collection days are 105.

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

<i>(thousands of Euros)</i>	As at 31 December	
	2017	2016
Gross trade receivables	80,432	76,643
Bad debt provisions	(5,893)	(5,502)
Net trade receivables	74,539	71,141
Guarantees in portfolio	None	None
Falling due	37,649	32,879
Past due by less than 3 months	11,901	13,416
Past due by more than 3 months	4,643	7,146
Past due by more than 7 months	20,346	17,700

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

Liquidity risk

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

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

Concentrating its business on orders contracted with the Public Administration Authorities, the Group is exposed to risks associated with delays in the payments for the receivables. In order to balance this risk, factoring agreements have been entered into with the without recourse formula, renewed also for 2017.

To correctly manage the liquidity risk, an adequate level of cash and cash equivalents must be maintained. In light of the predominantly public nature of the group's customers and the average collection times, cash and cash equivalents are mainly obtained from accounts receivable financing and medium-term loans. The Group has entered into covenants relating to the mortgage loans with Cassa di Risparmio in Bologna S.p.A., Banca Nazionale del Lavoro S.p.A., Cassa di Risparmio di Parma e Piacenza S.p.A., Banca Popolare di Milano S.Coop.a r.l.; therefore, the possibility of early

repayment of these loans with respect to the repayment plan, is envisaged. As at 31 December 2017, the Group had observed the *covenants* that were undersigned.

The following table analyses the “*worst case*” scenario with reference to the financial liabilities (including trade payables and other payables) in which all the flows indicated are un-discounted future nominal cash flows, determined with reference to the residual contractual maturities, both for the principal portion and the interest portion. The loans have been included on the basis of the first maturity on which the repayment can be requested and the non-revolving loans are considered callable on demand. The financial payables with a maturity of less than or equal to 3 months are almost entirely characterised by self-liquidating bank loans for invoice advances which, in as such, are replaced on maturity by new advances on newly-issued invoices. It should also be considered that the Group only partially uses the short-term bank credit facilities available.

<i>(thousands of Euros)</i>	Financial payables		Trade and other payables		Total	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Less than or equal to 3 months	30,944	19,581	68,507	61,995	99,451	81,576
3 to 12 months	25,502	28,849	19,180	19,267	44,682	48,116
1 to 2 years	23,005	20,264	-	-	23,005	20,264
More than 2 years	24,424	30,989	-	-	24,424	30,989
Total	103,875	99,683	87,687	81,262	191,562	180,945

Exchange rate risk

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

The exchange rate risk must only be hedged if it has a significant impact on the cash flows with respect to the reference currency. The costs and risks associated with a hedging policy must be acceptable both from a financial and commercial standpoint and accordingly the Group has decided not to enter into hedging transactions on exchange rates since no inflows of capital are envisaged over the short term.

It should be noted that the scope of consolidation includes subsidiary and associated companies that prepare their financial statements in a currency other than the Euro, the latter being used for the consolidated financial statements. This exposes the Group to translation risks, due to the conversion into Euro of the assets and liabilities of the subsidiaries and associated companies that operate with currencies other than the Euro. The main exposures to foreign exchange translation risk are constantly monitored and, at present, it is not believed necessary to adopt specific hedging policies covering these exposures. The following is a sensitivity analysis of the impacts on consolidated shareholders' equity of the two main currencies other than the Euro used within the scope of consolidation of the Servizi Italia group.

<i>(thousands of Euros)</i>	10% appreciation		10% depreciation	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Brazilian Real	3,482	3,885	(2,849)	(3,179)

Turkish Lira	283	159	(231)	(130)
Total relative to consolidated shareholders' equity	3,765	4,044	(3,080)	(3,309)

4.2 Fair value hierarchy and information

IFRS 13 requires that the classification of the financial instruments at fair value be determined on the basis of the quality of the sources of the inputs used in the valuation of the fair value.

The classification of IFRS 13 involves the following hierarchy:

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

The types of financial instruments present in the financial statement items are shown in the following table, with indication of the accounting treatment applied. Note that no financial instrument has been valued at *fair value*. With regard to the financial instruments valued at amortised cost, it is believed that the book value also represents a reasonable approximation of their valuation at *fair value*. With regard to equity investments in other companies, prices listed on active markets are not available. Therefore, their *fair value* cannot be measured reliably. For the same reason, they are measured at cost, possibly written down due to impairment.

<i>(thousands of Euros)</i>	Financial assets				Financial liabilities	
	<i>At fair value in the income statement</i>	held to maturity	loans and receivables	available for sale	<i>At fair value in the income statement</i>	at depreciated cost
<i>Measurement criteria</i>	<i>fair value</i>	<i>amortised cost</i>	<i>amortised cost</i>	<i>cost</i>	<i>fair value</i>	<i>amortised cost</i>
Non-current assets						
Equity investments in other companies				3,612		
Financial receivables			6,987			
Other assets			5,281			
Current assets						
Trade receivables			74,539			
Current tax receivables			1,972			
Financial receivables			7,946			
Other assets			10,703			
Non-current liabilities						
Due to banks and other lenders						40,210
Other financial liabilities						6,076
Current liabilities						
Due to banks and other lenders						51,383

Trade payables	69,854
Current tax payables	157
Other financial liabilities	5,176
Other payables	18,465

4.3 Supplementary information on the capital

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

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

<i>(thousands of Euros)</i>	Year ended as at 31 December		Change	Change %
	2017	2016		
Shareholders' equity (B)	141,639	137,756	3,883	2.8%
Net financial debt (a) (A)	75,648	79,617	(3,969)	-5.0%
Invested capital (C)	217,287	217,373	(86)	-
Gearing (A/C)	34.8%	36.6%		

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

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

5 SEGMENT REPORTING

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

- *Wash hire*: this includes (i) planning and provision of integrated hire, reconditioning (disinfection, washing, finishing and packaging) and logistics (pick-up and distribution to usage centres) services for textile items, mattresses and accessories (pillowcases, curtains), (ii) rental and washing of high visibility "118" emergency service items and (iii) logistics, transport and management of hospital wardrobes;
- *Linen sterilisation (Steril B)*: this includes the planning and rental of sterile medical devices for operating theatres (linens for operating theatres and scrubs) packed in *kit* for the operating theatre, in cotton or in re-usable technical fabric, as well as personal protection equipment (gloves, masks);
- *Sterilization of surgical instruments (Steril C)*: this includes (i) the design and supply of washing, packaging and sterilization services for surgical instruments (owned or rented) as well as accessories for operating rooms, (ii) the design, installation and renovation of

sterilization centres and, (iii) system validation and control services for sterilization processes and surgical instrument washing systems.

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

- the company operates in Italian territory, with the exception of 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, as well as the Turkish companies Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi Ergülteks Temizlik Tekstil Ltd. Sti.;
- offers the same types of services in each geographical area in Italy and abroad.

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

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

<i>(thousands of Euros)</i>	Year ended as at 31 December 2017			
	Wash-hire	Steril B	Steril C	Total
Revenues from sales and services	190,162	20,479	41,461	252,102
Other income	2,010	209	2,438	4,657
Raw materials and materials	(16,010)	(7,036)	(2,900)	(25,946)
Costs for services	(58,900)	(5,001)	(12,965)	(76,866)
Personnel expense	(64,373)	(4,458)	(13,133)	(81,964)
Other costs	(1,726)	(128)	(300)	(2,154)
EBITDA (a)	51,163	4,065	14,601	69,829
Depreciation, amortisation and impairment	(44,004)	(2,002)	(7,447)	(53,453)
Operating profit EBIT	7,159	2,063	7,154	16,376
Financial income and expense and income and expense from equity investments in other companies				1,385
Profit before tax				17,761
Taxes				(3,397)
Profit (loss) for the year				14,364
Of which portion attributable to non-controlling interests				594
Of which portion attributable to shareholders of the parent				13,770

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

Taxes	(2,557)
Profit (loss) for the year	10,515
Of which portion attributable to non-controlling interests	64
Of which portion attributable to shareholders of the parent	10,451

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

The wash-hire line which in absolute terms represents 75.4% of the revenue of the Group, increased by 5.6% compared with 2016. The consolidation of Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi and the acquisition, on 7 July 2016, of Tintoria Lombarda Divisione Sanitaria S.r.l. in addition to growth in Brazil (+ 17.8%) - due to the increase in turnover on new orders and the 6.5% revaluation of the average real / euro exchange rate compared to 2016 - positively affected the line. Given the same scope of consolidation, the decrease in revenues within the Wash-hire line would have been about 0.6% in relation to the Italian area, where the renegotiation of contracts in the portfolio for the application of the spending review and the conclusion of the contractual relationship had a negative effect with some customers.

In terms of margins, the wash-hire EBITDA was 26.9% compared to 26.2% in the previous year, and EBIT decreased from 3.6% to 3.8%, with an increase of Euro 3,263 thousand in amortisation/depreciation, impairment and provisions. In terms of EBIT, the portion of amortisation/depreciation, impairment and provisions increased due to the higher depreciation of linen of the Brazilian companies and of Servizi Italia S.p.A., which, in addition to the effect of the merger of Tintoria Lombarda Divisione Sanitaria S.r.l., has been affected by the investments in linens with integrated traceability system for the new customers. On a like-for-like basis, EBITDA would amount to roughly 26.7% and EBIT approximately 3.3%. It should also be noted that the line was impacted in full by the *one-off* relating to the cessation of activities at the Barbariga (BS) facility.

Revenue from linen sterilisation services increased by 6.9% to Euro 20,479 thousand, accounting for 8.1% of total sales. The trend in revenues of the linen sterilisation line affects the choice of more and more hospitals to move from the use of reusable technical fabrics to disposable ones. The line was positively affected by the increase in the sales volume of disposable products to the Entity for the Centralized Management of Joint Services in Udine. In terms of margins, the EBITDA margin of the linen sterilisation business stood at 19.8% compared to 20.3% in the previous year, and EBIT margin increased to 10.1% from 10.2%.

Turnover in the surgical instrument sterilisation segment grew by 7.8% compared to the previous year. The line was impacted not only by the gradual increase in turnover from customers such as Azienda Ospedaliera Careggi (Florence), ASST of Valle Olona for the hospital of Busto Arsizio, Azienda Ospedaliera Universitaria Policlinico Messina “G. Martino”, but also by the positive impact of the consolidation of Steritek S.p.A. for Euro 893 thousand. On a like-for-like basis, the growth in turnover would be 5.5%.

Surgical instrument sterilisation is the segment with the highest profitability both in terms of EBITDA, at 35.2%, and EBIT, which amounted to 17.3%. The greater incidence of amortisation of the surgical instrument sterilisation activities is linked to the nature of the business, which

requires high investments for the creation, adaptation of the structural and plant engineering works and the purchase of surgical instruments. These investments are usually reimbursed over the duration of the contract by the customer.

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

<i>(thousands of Euros)</i>	Year ended as at 31 December 2017			
	Wash-hire	Steril B	Steril C	Total
Total revenues from sales and services	190,162	20,479	41,461	252,102
Investments in property, plant and equipment and intangible assets	42,955	1,888	4,718	49,561
Depreciation of property, plant and equipment and amortisation of intangible assets	43,161	2,002	7,444	52,607
Net book value of property, plant and equipment and intangible assets	98,394	3,804	26,612	128,810

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

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

6 BALANCE SHEET

6.1 Property, plant and equipment

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

<i>(thousands of Euros)</i>	Land and buildings	Plant and machinery	Returnable assets	Equipment	Other assets	Assets under construction	Total
Historical cost	2,289	119,299	35,775	59,045	112,993	2,857	332,258
Accumulated amortisation	(1,075)	(73,038)	(21,910)	(38,923)	(76,576)	-	(211,522)
Balance as at 1 January 2016	1,214	46,261	13,865	20,122	36,417	2,857	120,736
Translation differences	13	1,840	310	16	727	8	2,914
Change in the scope of consolidation	3,349	898	119	140	3,355	-	7,861
Increases	43	4,311	1,585	2,854	30,766	2,964	42,523
Decreases	-	(211)	(4)	(61)	(257)	(27)	(560)
Amortisation	(154)	(8,201)	(3,836)	(5,732)	(29,756)	-	(47,679)
Reclassifications	4	731	1,229	667	47	(2,678)	-
Balance as at 31 December 2016	4,469	45,629	13,268	18,006	41,299	3,124	125,795
Historical cost	6,356	129,852	39,110	62,383	129,449	3,124	370,274
Accumulated amortisation	(1,887)	(84,223)	(25,842)	(44,377)	(88,150)	-	(244,479)
Balance as at 31 December 2016	4,469	45,629	13,268	18,006	41,299	3,124	125,795
Translation differences	(91)	(1,525)	(201)	(37)	(589)	(156)	(2,599)
Change in the scope of consolidation	728	1,669	1	88	386	720	3,592
Increases	35	5,696	1,755	3,803	36,088	1,813	49,190
Decreases	-	(212)	(1)	(112)	(706)	(51)	(1,082)

Amortisation	(201)	(8,237)	(3,616)	(5,737)	(33,097)	-	(50,888)
Write-downs (reinstatements)	-	164	(2)	-	-	2	164
Reclassifications	-	2,222	822	86	24	(3,154)	-
Balance as at 31 December 2017	4,940	45,406	12,026	16,097	43,405	2,298	124,172
Historical cost	7,088	131,312	32,137	62,106	136,051	2,298	370,992
Accumulated amortisation	(2,148)	(85,906)	(20,111)	(46,009)	(92,646)	-	(246,820)
Balance as at 31 December 2017	4,940	45,406	12,026	16,097	43,405	2,298	124,172

Notes on the main changes:

The variation in the scope of consolidation relates to the acquisition of the Turkish companies Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi and Ergülteks Temizlik Tekstil Ltd. Sti, and the Italian company Steritek S.p.A.

Land and buildings

The item Land and Buildings reported a variation of Euro 728 thousand relating to the Turkish companies, as well as an increase in investment of Euro 35 thousand by Servizi Italia S.p.A.

Plant and machinery

The change in the scope of consolidation, equal to Euro 1,669 thousand, refers for Euro 1,662 thousand to the Turkish companies and for Euro 7 thousand to Steritek S.p.A.

The increases in plant and machinery amounted to Euro 5,696 thousand. The latter primarily refer to the following:

- investments made in the factories located in Italy for Euro 4,582 thousand (Castellina di Soragna Euro 1,838 thousand, Pavia di Udine Euro 173 thousand, Travagliato Euro 321 thousand, Genoa Bolzaneto Euro 85 thousand, Ariccia Euro 183 thousand, Florence Euro 337 thousand). In addition, there were investments of Euro 328 thousand for the new management headquarters in Castellina di Soragna;
- investments made by Brazilian companies for Euro 1,074 thousand (Aqualav Serviços De Higienização Ltda Euro 584 thousand, Maxlav Lavanderia Especializada SA Euro 410 thousand, Lavsim Higienização Têxtil SA Euro 42 thousand and Vida Lavanderias Especializada SA Euro 38 thousand) and Turkish companies for Euro 40 thousand.

In addition, the item includes reclassifications of Euro 2,222 thousand, of which Euro 1,425 thousand realised by Servizi Italia S.p.A, Euro 161 thousand relating to the Brazilian companies and Euro 636 thousand realised by the Turkish companies in the period.

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.

The item shows reclassifications for Euro 822 thousand, increases for Euro 1,755 thousand and changes in the consolidation scope equal to Euro 1 thousand related to the company Steritek S.p.A.

In particular, Euro 658 thousand relate to the start-up of the new Ariccia plant, Euro 490 thousand relating to the upgrading of the Castellina di Soragna plant, Euro 124 thousand for work carried out at the Montecchio Precalcino plant, Euro 88 thousand realised at the Arco plant of Trento, Euro 47 thousand for the expansion carried out at the Careggi Hospital, Euro 248 thousand for interventions carried out at ASST Spedali Civili of Brescia, Euro 119 thousand for interventions carried out for the Messina plant and Euro 425 thousand realised by the Brazilian companies for adjustments to comply with local regulations.

Industrial and commercial equipment

The change in the scope of consolidation (Euro 88 thousand) relates to the consolidation of the company Steritek S.p.A.

The increase in investments for 2017, equal to Euro 3,803 thousand, is mainly related to the purchase of surgical instruments for Euro 2,010 thousand (Euro 1,937 thousand from Servizi Italia S.p.A. and Euro 73 thousand from the subsidiary Se.Sa.Tre Srl in liquidazione) and the purchase of equipment for use by Italian (Euro 1,537 thousand) and Brazilian (Euro 255 thousand) production sites.

Other assets

The item is broken down as follows:

<i>(thousands of Euros)</i>	As at 31 December	As at 31 December
	2017	2016
Linens and mattresses	41,032	39,488
Furniture and fixtures	391	134
Electronic machinery	1,178	923
Cars	33	32
Motor vehicles	642	649
Telephone switchboards	79	73
Other	50	-
Total	43,405	41,299

At 31 December 2017, the item “Other assets” showed a balance of Euro 43,405 thousand, of which Euro 386 thousand concerning the consolidation of Steritek S.p.A. (Euro 28 thousand) and Turkish companies (Euro 358 thousand).

The investments made during the year mainly derive from purchases of linen and mattresses, which totalled Euro 34,982 thousand, of which Euro 5,077 thousand in Brazil and Euro 29,905 thousand in Italy. These investments allow for increasingly efficient management of the warehouse supplied, so as to deal with both a partial renewal of contracts and a first supply for contracts acquired during the year in question.

Assets under construction

These are primarily investments under way at the end of the year.

During the year there were increases of Euro 1,813 thousand and reclassifications of completed investments for Euro 3,154 thousand.

The item in question is broken down as follows as at 31 December 2017:

<i>(thousands of Euros)</i>	as at 31 December 2017
Sterilisation centre investments	749
Laundering facility investments	503
Investments on contracts	807
Investments at the production sites of the subsidiaries Lavsim Higienização Têxtil S.A., Maxlav L.E. S.A. and Aqualav Serviços De Higienização Ltda	231
Total	2,290

Investments for sterilization plants mainly concern the construction or renovation of sterilization centres for surgical instruments. In particular, these investments were made by Servizi Italia S.p.A. and, in 2017, referred to the construction of the new sterilization plant for surgical instruments at ASST della Valle Olona for the hospital facilities in Busto Arsizio (Euro 519 thousand).

The investments for laundries are related not only to the interventions carried out on laundries and premises owned by the contracting entities (Euro 50 thousand), but also to the acquisition of new plants and machinery and / or adjustments to existing ones (Euro 453 thousand).

Investments for orders reported an increase of Euro 650 thousand during the year and reclassifications of Euro 788 thousand. These investments mainly relate to the reading machines for linen tracking systems allocated to different wardrobes.

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

A breakdown as at 31 December 2017 and 2016 of the commitments for operational leasing fees is provided below:

<i>(thousands of Euros)</i>	As at 31 December	
	2017	2016
Within 12 months	3,861	3,528
Between one and five years	13,387	10,978
Beyond 5 years	11,549	11,226
Total	28,797	25,732

6.2 Intangible assets

This item changed as follows:

<i>(thousands of Euros)</i>	Trademarks and software	Customer contracts portfolio	Other intangible assets	Assets under construction and payments on account	Total
Historical cost	3,317	3,613	1,016	374	8,320
Accumulated amortisation	(2,855)	(1,639)	(353)	-	(4,847)
Balance as at 1 January 2016	462	1,974	663	374	3,473
Translation differences	(4)	-	-	51	47
Change in the scope of consolidation	12	3,822	-	-	3,834
Increases	454	-	-	43	497
Decreases	(3)	-	-	-	(3)
Amortisation	(490)	(822)	(508)	-	(1,820)
Reclassifications	395	-	-	(395)	-
Balance as at 31 December 2016	826	4,974	155	73	6,028
Historical cost	4,466	7,435	1,016	73	12,990
Accumulated amortisation	(3,640)	(2,461)	(861)	-	(6,962)
Balance as at 31 December 2016	826	4,974	155	73	6,028
Translation differences	(44)	-	-	-	(44)
Change in the scope of consolidation	6	-	-	-	6
Increases	349	-	-	22	371
Decreases	(4)	-	-	-	(4)
Amortisation	(504)	(1,060)	(155)	-	(1,719)
Write-downs (reinstatements)	-	-	-	-	-
Reclassifications	47	-	-	(47)	-
Balance as at 31 December 2017	676	3,914	-	48	4,638
Historical cost	4,662	7,435	1,016	48	13,161
Accumulated amortisation	(3,986)	(3,521)	(1,016)	-	(8,523)
Balance as at 31 December 2017	676	3,914	-	48	4,638

Investments in intangible assets mainly relate to software.

The item reports a variation in consolidation of Euro 6 thousand relative for Euro 3 thousand to the company Steritek S.p.A. and for Euro 3 thousand to the Turkish companies, increases of Euro 349 thousand (of which Euro 295 thousand for Servizi Italia S.p.A., Euro 52 thousand for Brazilian companies and Euro 2 thousand for Turkish companies), as well as reclassifications for Euro 47 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 2016	Increases /(decreases)	Translation differences	As at 31 December 2017
CGU Italy	43,243	2,121	-	45,364
CGU Turkey	-	17,067	(2,001)	15,066
CGU Brazil	11,991	-	(1,637)	10,354
Total	55,234	19,188	(3,638)	70,784

The change in the value of the goodwill of CGU Italy is due to the process for the book allocation of the purchase price for Steritek S.p.A. Therefore, as of the current year, the Italian CGU is in turn made up of CGU Servizi Italia and CGU Steritek. With regard to CGU Brazil and CGU Turkey, the change is due to the foreign currency translation difference resulting from the change in the respective exchange rates (respectively Brazilian Real and Turkish Lira). With the exception of the portion of goodwill relating to CGU Steritek (surgical instrument sterilization operating segment), all other goodwill is included in the wash hire operating segment, as defined for the purposes of the sector reporting required by IFRS 8.

The impairment test is carried out by comparing the overall book value of each goodwill and total net assets, that are autonomously able to produce cash flows (CGU) and to which said value can be reasonably allocable, with the greater value between the one used for the CGU and the value that is recoverable through sale. In detail, the value in use was determined by applying the “discounted cash flow” method discounting back the operating flows emerging from economic-financial projections relating to a period of five years. The long-term plans which have been used for the impairment tests were approved by advance by the Boards of Directors of the subsidiaries and/or by the parent company Servizi Italia S.p.A. The underlying hypotheses of the plans used reflect past experience and the information gathered at the time of purchase for the Brazilian/Turkish market, and are consistent with the external sources of information available. The Company has taken into consideration, with reference to the period in question, the expected performance resulting from the industrial plan set up for the 2018-2022 period.

The terminal value is calculated by applying to the operating cash flow pertaining to the last year of the plan appropriately normalised, a percentage growth factor of 1.40% for CGU Italy, 4.02% for CGU Brazil and 7.51% for CGU Turkey, substantially representative, on the one hand, of the inflation rate expected in Italy, Brazil and Turkey, based on which the service prices of the offer have been index-linked, and, on the other hand, of the uncertainties that characterise the various reference markets, particularly the Brazilian and Turkish markets which have macroeconomic risks. The discounting rates used to discount the cash flows of the CGUs located in Italy are 5.87% (5.08% the previous year), 10.94% for CGU Brazil (11.47% in the previous year) and 14.22% for the CGU Turkey (not present in the previous year). These rates reflect the current valuations of the market with reference to the current value of money and the specific risks associated with the activities. The discount rates have been estimated, after taxes, on a consistent basis with the cash flows considered, by means of the determination of the weighted average cost of the capital (WACC).

A sensitivity analysis was carried out about the recoverability of the accounting value of the goodwill according to the changes in the main assumptions used to determine the book value also considering a conservative approach to the choice of the financial parameters above. The analysis carried out showed that, to make the book value equal to the recoverable value, it would be necessary to:

- ~ For CGU Servizi Italia: (i) a reduction in the growth rate of the terminal values of 3.0 percentage points or (ii) an increase of 39% of the WACC adopted or (iii) an annual

reduction of the reference EBIT of 35%, all while maintaining unchanged, from time to time, the other assumptions of the plan.

- ~ For the CGU Steritek (i) a decrease in the growth rate of terminal values of 38.2 percentage points or (ii) a WACC more than twice that of the one adopted or (iii) an annual decrease of the reference EBIT of 59%, all while maintaining unchanged, from time to time, the other assumptions of the plan.
- ~ for the CGU Brazil - and in order to make the accounting value equal to the recoverable value – the following is required: (i) a reduction in the growth rate of terminal values of 5.9 percentage points or (ii) a 34% increase in the WACC adopted or (iii) an annual reduction of the reference EBIT of 42%, all while maintaining unchanged, from time to time, the other assumptions of the plan.
- ~ For the CGU Turkey - and in order to make the accounting value equal to the recoverable value - the following is required (i) a reduction in the terminal value growth rate of 2.5 percentage points or (ii) an 11.8% increase in the WACC adopted or (iii) an annual reduction of the reference EBIT by 22%, all while maintaining unchanged, from time to time, the other assumptions of the plan.

With reference to 31 December 2017 and the previous years, the impairment tests carried out did not reveal any impairments to be booked to the recorded goodwill.

6.4 Equity-accounted investments

This item changed as follows:

<i>(thousands of Euros)</i>	Change in 2017					31 December 2017
	1 January 2017	Increases	Decreases	Revaluations	Impairment	
Associates and jointly controlled companies						
Saniservice Sh.p.k.	(296)	-	-	251	-	(45)
Ankateks Turizm Insaat Tekstil Temizleme Sanayi Ve	13,441	-	(13,767)	326	-	-
Finanza & Progetti S.p.A.	5,194	3,060	-	996	-	9,250
Brixia S.r.l.	-	3,002	-	-	(12)	2,990
Arezzo Servizi S.c.r.l.	5	-	-	-	-	5
CO.SE.S S.c.r.l.	3	-	-	-	-	3
PSIS S.r.l.	4,201	-	-	-	(303)	3,898
Ekolav S.r.l.	69	-	-	46	-	115
Steril Piemonte S.c.r.l.	1,973	-	-	-	-	1,973
AMG S.r.l.	2,329	-	(62)	128	-	2,395
Iniziative Produttive Piemontesi S.r.l.	1,127	-	-	27	-	1,154
SE.STE.RO. S.r.l. in liquidazione	112	-	-	2	-	114
Piemonte Servizi Sanitari S.c.r.l.	3	-	-	-	-	3
Servizi Sanitari Integrati Marocco S.a.r.l.	-	89	-	-	(5)	84
SAS Sterilizasyon Servisleri A.Ş.	266	153	-	47	-	466
Shubhram Hospital Solutions Private Limited	337	-	-	-	(485)	(148)
Total	28,764	6,304	(13,829)	1,823	(805)	22,257

For the Indian company Shubhram Hospital Solutions Private Limited, a sensitivity analysis was carried out on the recoverability of the accounting value of the investment based on a change in the main assumptions used to calculate the use value, although in consideration of the

conservative approach applied to the choice of financial parameters (the discount rate used for discounting the cash flows of the CGUs located in India is 10.75%). The terminal value is calculated by applying to the operating cash flow, related to the last year of the plan adequately normalised, a perpetual growth factor of 4.95% for the CGU, substantially representative, on the one hand, of the expected inflation rate in India based on which the prices of the services offered were index-linked and, on the other hand, of the uncertainties that characterise the reference market. The analysis carried out has shown that, to make the carrying value the same as the recoverable value, the following would be necessary for CGU India: (i) a reduction in the growth rate of the terminal values of 1.99 percentage points or (ii) an increase of 20.2% of the WACC adopted or (iii) an annual reduction of the EBIT of reference of 20.3%, all of this in order to maintain unchanged, from time to time, the other assumptions of the plan.

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

<i>(thousands)</i>									
As at 31 December 2017									
Company name	Currency	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Shareholders' equity	Revenues	Costs	Profit/(Loss)
SAS Sterilizasyon Servisleri A.Ş.	TL	1,897	2,544	-	282	4,159	2,996	1,950	1,046
Saniservice Sh.p.k.	Lek	1,266,616	833,056	1,231,942	887,913	(20,183)	945,820	832,274	113,546
Shubhram Hospital Solutions Private Limited	INR	916,912	118,008	558,098	499,008	(22,186)	326,222	392,797	(66,575)
Finanza & Progetti S.p.A.*	Eur	18,469	16,370	13	23,840	10,986	23,059	21,539	1,520
Arezzo Servizi S.c.r.l.	Eur	1,064	638	267	1,425	10	2,349	2,349	-
CO.SE.S S.c.r.l.**	Eur	1	1,170	129	1,032	10	2,794	2,794	-
PSIS S.r.l.	Eur	21,523	4,034	2,884	14,876	7,797	8,223	8,828	(605)
Ekolav S.r.l.	Eur	2,087	1,300	843	2,313	231	2,867	2,775	92
Steril Piemonte S.c.r.l.	Eur	4,558	2,279	-	2,892	3,945	2,721	2,721	-
AMG S.r.l.	Eur	1,900	2,681	545	1,339	2,697	4,074	3,819	255
SE.STE.RO S.r.l. in liquidazione	Eur	-	456	-	1	455	-	(8)	8
Iniziativa Produttive Piemontesi S.r.l.	Eur	690	3,174	247	1,801	1,816	3,606	3,535	71
Brixia S.r.l.	Eur	2	5,294	-	5,249	47	18,591	18,599	(8)
Servizi Sanitari Integrati Marocco S.a.r.l.	Mad	500	390	-	78	812	-	86	(86)
Piemonte Servizi Sanitari s.c.r.l.	Eur	15	686	-	691	10	1,120	1,120	-

* The reported data refer to the consolidated figures with the subsidiary Ospedal Grando S.p.A.

** Balance as at 31 December 2016

The overall values of cash and cash equivalents, current and non-current financial liabilities, impairments and amortisation/depreciation, interest income, interest expense and income taxes of the jointly controlled companies as at 31 December 2017, are presented below:

<i>(thousands)</i>									
As at 31 December 2017									
Company name	Currency	Cash and cash equivalents	Current fin. liabilities	Non-current fin. liabilities	Impairments and amortisation/depreciation	Receivable Interest	Interest expense	Income taxes	
SAS Sterilizasyon Servisleri A.Ş.	TL	745	-	-	292	18	-	109	
Shubhram Hospital Solutions Private Limited	INR	4,455	424,775	558,098	143,218	437	17,167	-	
Saniservice Sh.p.k.	Lek	96,812	138,368	1,231,942	199,309	-	123,087	42,154	
Servizi Sanitari Integrati Marocco S.a.r.l.	Mad	285	-	-	-	-	3	-	
Finanza & Progetti S.p.A.*	Eur	6,830	14,571	-	3,187	-	3	173	
Arezzo Servizi S.c.r.l.	Eur	1	800	-	632	-	9	13	
PSIS S.r.l.	Eur	172	10,537	2,007	2,785	3	225	12	
AMG S.r.l.	Eur	974	1,000	-	527	5	-	86	

* The reported data refer to the consolidated figures with the subsidiary Ospedal Grando S.p.A.

6.5 Equity investments in other companies

The item in question changed as follows in 2017:

	Change in 2017			31 December 2017
	1 January 2017	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
Synchron Nuovo San Gerardo S.p.A.	344	-	-	344
SPV Arena Sanità	278	-	-	278
Futura S.r.l.	25	-	-	25
Brixia S.r.l.	2	-	(2)	-
Other	109	-	(15)	94
Total	3,629	-	(17)	3,612

During the year, the shares (equal to Euro 15 thousand) of the C.C.F.S. Consortium were sold.

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

The total values of the assets, liabilities, revenues and profit/loss, on the basis of the last set of available financial statements, of the main equity investments in other companies held by the Company are presented below, along with related shareholding held as at 31 December 2017:

	Financial statement figures as at 31 December 2016					
	Registered office	Assets	Liabilities	Revenues	Profit/(Loss)	Shareholding as at 31 December 2017
Asolo Hospital Service S.p.A.	Asolo (TV)	101,476	95,763	43,007	467	7.03%
Prosa S.p.A.	Carpi (MO)	9,580	4,267	1,979	1,052	13.20%
Progeni S.p.A.	Milan	298,032	304,581	44,258	999	3.80%
Sesamo S.p.A.	Carpi (MO)	38,137	30,643	18,113	1,040	12.17%
Prog.este. S.p.A.	Carpi (MO)	217,220	218,366	35,015	307	10.14%

6.6 Non-current financial receivables

The item is broken down as follows:

	As at 31 December	
	2017	2016
Prosa S.p.A.	189	255
Sesamo S.p.A.	353	353

Progeni S.p.A.	982	982
Prog.Este S.p.A.	531	531
Saniservice Sh.p.K.	4,000	4,000
Summano Sanità S.p.A.	2	2
Ankateks Turizm Insaat Tekstil Temizleme Sanayi Ve	-	809
SPV Arena Sanità	476	461
Synchron Nuovo San Gerardo S.p.A.	296	275
Futura S.r.l.	158	158
Total	6,987	7,826

Financial receivables refer to interest-bearing loans granted to Prosa S.p.A. (rate equal to 3.50% plus 3-month Euribor), Sesamo S.p.A. (rate equal to 3% plus 20-year IRS), Progeni S.p.A. (rate at 7.31%), Prog.Este. S.p.A. (rate at 6.96%), Summano Sanità S.p.A. (rate at 6.25%), Arena Sanità S.p.A. (rate 3.4% plus 6-month Euribor) and Synchron S.p.A. (rate 8%) and with a duration equal to the global service contracts for which the companies were established (deadlines respectively on 21 February 2031, 31 December 2037, 31 December 2033, 31 December 2031, 31 December 2035, 20 August 2032, 14 June 2042), as well as the loans granted to the company Futura S.r.l. (expiration on 31 December 2035) and to the Albanian subsidiary company Saniservice Sh.p.K. The loan granted to Prosa S.p.A. decreased due to a partial repayment occurred in 2017, while the loans granted to the companies Arena Sanità S.p.A. and Synchron S.p.A. increased due to the capitalisation of the interest accrued during the year. The reduction in the item with respect to 31 December 2016 is attributable to the acquisition of control of the company Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi.

6.7 Deferred tax assets

This item changed as follows:

<i>(thousands of Euros)</i>	Share Capital increase costs	Property, plant and equipment	Employee benefits	Previous tax losses	Other costs with deferred deductibility	Total
Deferred taxation as at 1 January 2016	48	784	134	416	418	1,800
Change in the consolidation area	-	-	12	-	7	19
Changes recognised in the income statement	(36)	(28)	-	502	32	470
Changes recognised under shareholders' equity	-	-	-	-	-	-
Changes recognised in other comprehensive income	-	-	62	-	-	62
Deferred taxation as at 31 December 2016	12	756	208	918	457	2,351
Change in the consolidation area	-	-	-	-	67	67
Changes recognised in the income statement	(9)	34	(21)	(116)	(189)	(301)
Changes recognised under shareholders' equity	-	-	-	-	-	-
Changes recognised in other comprehensive income	-	-	(5)	-	-	(5)
Deferred taxation as at 31 December 2017	3	790	182	802	335	2,112

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

6.8 Other non-current assets

The item is broken down as follows:

<i>(thousands of Euros)</i>	As at 31 December	
	2017	2016
Substitute tax Italian Decree Law 185/2008 subsequent years	2,885	3,313
Receivables for IRES reimbursement request pursuant to Art. 2 par. 1-quater Italian Decree Law No. 201	175	1,833
Aqualav receivable, in escrow account	2,019	2,343
Other non-current assets	202	162
Total	5,281	7,651

Other non-current assets fell from Euro 7,651 thousand as at 31 December 2016 to Euro 5,281 thousand as at 31 December 2017. The reduction in the item is due to the collection, in June 2017, of part of the receivable of the IRES refund request pursuant to art. 2, paragraph 1-quater Decree Law no. 201. The drop in substitute tax is due to the release to the income statement for the pertinent deduction of the goodwill released in 2016 and previous years. This substitute tax was recognised as prepaid current taxes and is released to the income statement over the period of time in which the Group benefits from the tax deductions connected with the goodwill. The reduction in the receivable in escrow account of Aqualav Serviços De Higienização Ltda is due to the devaluation of the Real.

6.9 Assets held for sale

At 31 December 2017, non-current assets held for sale totalled Euro 334 thousand and refer to linen and surgical instruments of the company Se.Sa.Tre. S.c.r.l. in liquidazione, reclassified to the balance sheet item given that their book value is recoverable through a transfer, and carried out in the first few months of 2018.

6.10 Inventories

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

6.11 Trade receivables

The item is broken down as follows:

<i>(thousands of Euros)</i>	As at 31 December	
	2017	2016
Due from third parties	71,000	69,878
Due from associates	3,353	896
Due from parent companies	184	366
Receivables from companies under the control of the parent companies	2	1
Total	74,539	71,141

6.10.1 Trade receivables due from third parties

The item is broken down as follows:

<i>(thousands of Euros)</i>	As at 31 December	
	2017	2016
Due from customers	76,893	75,380
Bad debt provision	(5,893)	(5,502)
Total	71,000	69,878

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

- factoring transactions were carried out on trade receivables without recourse, with Credem Factor, for a total of Euro 59,592 thousand for a consideration of Euro 59,443 thousand;
- trade receivables were factored without recourse to Unicredit Factoring, due from Lazio Regional local health units and hospitals for Euro 324 thousand, for a consideration of Euro 322 thousand;
- Euro 31,740 thousand in trade receivables were transferred, in accordance with a clause on transfer without recourse, to Unicredit Factoring S.p.A. against a consideration of Euro 31,676 thousand.

The bad debt provision changed as follows in 2017 and in 2016:

<i>(thousands of Euros)</i>	
Balance as at 1 January 2016	5,531
Uses	(533)
Adjustments	(81)
Provisions	585
Balance as at 31 December 2016	5,502
Uses	(51)
Adjustments	(252)
Provisions	694
Balance as at 31 December 2017	5,893

6.10.2 Trade receivables due from associates and parent companies

The balance as at 31 December 2017 of trade receivables due from associates and jointly controlled companies, amounting to Euro 3,353 thousand, is essentially represented by trade receivables due from Companies towards the Brixia S.r.l. for Euro 1,371 thousand, Saniservice Sh.p.k. for Euro 811 thousand, PSIS S.r.l. for € 342 thousand, Steril Piemonte S.c.r.l. for Euro 278 thousand, AMG S.r.l. for Euro 252 thousand, Finanza & Progetti S.p.A. for Euro 127 thousand and Akan & Ankateks JV for Euro 84 thousand. The change when compared to the 31 December 2016 figure is primarily attributable to the company Brixia S.r.l. and services contracted with ASST Spedali Civili of Brescia. Furthermore, there is a credit balance due from the parent company Coopservice Soc.Coop. p.A. for Euro 184 thousand.

6.12 Current tax receivables

The item is broken down as follows:

<i>(thousands of Euros)</i>	As at 31 December	
	2017	2016
Tax receivables	6,289	5,859
Tax payables	(4,317)	(2,994)
Total	1,972	2,865

This item includes primarily the amount exceeding the receivable for advances on the current taxes of 2017, net of related tax payables of the Parent Company.

6.13 Current financial receivables

The item is broken down as follows:

<i>(thousands of Euros)</i>	As at 31 December	
	2017	2016
Asolo Hospital Service S.p.A.	1,777	1,673
P.S.I.S. S.r.l.	3,891	3,847
Ekolav S.r.l.	172	174
Arezzo Servizi S.c.r.l.	403	151
Steril Piemonte S.c.r.l.	651	1,153
Iniziative Produttive Piemontesi S.r.l.	90	90
Gesteam S.r.l.	313	313
Other	649	787
Total	7,946	8,188

Financial receivables are for loans granted to the companies indicated above, which are due within the year or repayable on demand. The decrease compared to 31 December 2016 is substantially due to the decrease in the loan granted to the company Steril Piemonte S.c.r.l. for Euro 500 thousand, the increase in the loan granted to the company Arezzo Servizi S.c.r.l. for Euro 250 thousand and interest accrued on individual loans and not yet collected.

6.14 Other current assets

The item is broken down as follows:

<i>(thousands of Euros)</i>	As at 31 December	
	2017	2016
Due from others	9,623	11,223
Prepayments	956	836
Guarantee deposits receivable	120	137
Accrued income	4	7
Total	10,703	12,203

The item Receivables from others is composed of the receivables of the subsidiaries Se.Sa.Tre. S.c.r.l. in liquidazione and San Martino 2000 from the consortium Servizi Ospedalieri S.p.A. in

the amount of Euro 2,120 thousand, the VAT receivable for Euro 4,509 thousand and, for the remaining part, mainly by advances and receivables toward welfare institutions, all collectable within the year.

6.15 Cash and cash equivalents

The item is broken down as follows:

<i>(thousands of Euros)</i>	As at 31 December	
	2017	2016
Bank and postal deposits	7,950	5,434
Cheques	-	1
Cash at bank and in hand	49	28
Total	7,999	5,463

The item in question increased by Euro 2,536 thousand compared to 31 December 2016. This increase is essentially due to the cash and cash equivalents of the Turkish subsidiary Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi.

6.16 Shareholders' equity

Share Capital and reserves

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

During 2017, the Company purchased 53,750 treasury shares with a value of Euro 220 thousand, equivalent to 0.17% of the share capital, at the average book price of Euro 4.09 per share and sold 391,420 treasury shares for a value of Euro 1,840 thousand, equating to 1.23% of the share capital at an average sales price of Euro 4.70 per share. Following these transactions, the Company held 10,550 treasury shares amounting to 0.03% of the share capital as at 31 December 2017. The countervalue of treasury shares held on 31 December 2017, equal to Euro 49 thousand, was classified as a reduction of the share capital for the nominal value of the same, equal to Euro 11 thousand, and as a reduction of the share premium reserve for the excess of purchase value compared to the nominal value, equal to Euro 38 thousand.

The Legal reserve and Other reserves increased due to the allocation of the 2016 profit of the Company as per the resolution of the shareholders' meeting held on 20 April 2017, along with the payment of dividends for Euro 4,713 thousand equating to 15 euro cents per share.

There was also a negative effect of Euro 7,707 thousand on the conversion reserves, with Euro 5,569 thousand deriving from the foreign currency translation of the net assets of the Brazilian companies and Euro 2,138 thousand deriving from the foreign currency translation of the net assets of the Turkish companies.

6.17 Due to banks and other lenders

The item is broken down as follows:

<i>(thousands of Euros)</i>	As at 31 December 2017			As at 31 December 2016		
	Current	Non-current	Total	Current	Non-current	Total
Bank borrowing	51,255	40,172	91,427	47,368	45,237	92,605
Payables due to other lenders	128	38	166	663	-	663
Total	51,383	40,210	91,593	48,031	45,237	93,268

Bank borrowing

The portion of the payable falling due within 12 months relating to the item Due to banks as at 31 December 2017 increased with respect to 31 December 2016 by Euro 3,887 thousand due to instalments due within 12 months of the new loans undersigned net of the repayment of the loan instalments expired during the year.

The quota of debt with a maturity of over 12 months relating to the item Due to banks at 31 December 2017 decreased by Euro 5,065 thousand compared to 31 December 2016 as a result of the repayment of mortgage instalments due in the period, net of the undersigning of new loans with Unicredit Banca S.p.A. worth Euro 10,000 thousand (debt remaining over 12 months for Euro 5,000 thousand) on 9 May 2017, with a duration of three years, and with Banca Popolare dell'Emilia Romagna S.p.A. valued at Euro 10,000 thousand (debt remaining over 12 months for Euro 7,529 thousand) on 23 November 2017, with a duration of four years. The signing of new loans was necessary in order to support the financing of the planned investments and the payment of both the deferred price for the first 40% stake and the acquisition of the additional 15% of share capital of the Turkish company Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi, while keeping the ratio between short and medium term debt balanced. The portion of debt with a maturity of over 12 months also includes the loan signed with the Cassa di Risparmio in Bologna S.p.A. for Euro 15,000 thousand (debt remaining over 12 months equal to Euro 3,000 thousand) on 22 December 2014 with a duration of five years, Banca Carige Italia S.p.A. for Euro 10,000 thousand (residual debt over 12 months for Euro 2,552 thousand) on 31 March 2015 with a duration of five years, Cassa di Risparmio di Parma and Piacenza S.p.A. for Euro 10,000 thousand (debt remaining over 12 months for Euro 1,271 thousand) on 27 April 2015 with a four-year term, Banca Popolare di Milano S.Coop.a r.l. for Euro 15,000 thousand (debt remaining over 12 months for Euro 6,847 thousand) on 2 November 2015 with a five-year term, Banca Popolare dell'Emilia Romagna S.p.A. worth Euro 7,000 thousand (residual debt over 12 months for Euro 592 thousand) on 28 January 2016, with a duration of three years, Cassa di Risparmio di Parma and Piacenza S.p.A. for Euro 10,000 thousand (residual debt over 12 months for Euro 4,000 thousand) on 1 July 2016 with a duration of four years, Banca Nazionale del Lavoro S.p.A. for Euro 14,000 thousand (debt remaining over 12 months for Euro 8,400 thousand) on 21 July 2016 with a duration of five years.

The loan stipulated with Banca Nazionale del Lavoro S.p.A. requires the maintenance of a net financial position of less than 1.5 times the value of shareholders' equity and less than 2.0 times

the Ebitda (covenant), conditions which had been met as at 31 December 2017. The loans stipulated with Cassa di Risparmio in Bologna S.p.A., Unicredit S.p.A. and Cassa di Risparmio di Parma e Piacenza S.p.A. require the maintenance of a net financial position of less than 1.5 times the value of shareholders' equity and less than 2.5 times the Ebitda (covenant), conditions which had been met as at 31 December 2017. 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), conditions which had been met as at 31 December 2017.

The portion of debt with a maturity of over 12 months also includes the medium-term debt of the subsidiary Steritek SpA. for an amount of Euro 46 thousand, of the Brazilian subsidiaries for an amount of Euro 45 thousand and of the Turkish subsidiaries for an amount of Euro 890 thousand.

Amounts due to banks are shown below by maturity:

<i>(thousands of Euros)</i>	As at 31 December	
	2017	2016
Less than or equal to 6 months	36,809	37,991
6 to 12 months	14,446	9,377
1 to 5 years	40,172	45,237
More than 5 years	-	-
Total	91,427	92,605

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

<i>(thousands of Euros)</i>	As at 31 December	
	2017	2016
1 to 2 years	21,927	18,524
2 to 5 years	18,245	26,713
More than 5 years	-	-
Total	40,172	45,237

The average effective interest rates as at 31 December 2017 were as follows:

	As at 31 December	
	2017	2016
Advances on invoices	0.45%	0.76%
Bank loan	1.56%	1.32%

Payables due to other lenders

Payables to other lenders as at 31 December 2017, for the current portion, include the payable to the hospital of Viterbo for Euro 50 thousand relative to a double payment made to our firm, the debt incurred by the subsidiary Se.Sa.Tre. S.c.r.l. in liquidazione towards the company Servizi Ospedalieri S.p.A. for Euro 3 thousand (Euro 524 thousand as at 31 December 2016) and the debt of foreign subsidiaries for a total of Euro 75 thousand.

The non-current portion of the balance as at 31 December 2017 is attributable to the debt incurred by the Turkish subsidiary Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi.

Payables to other lenders are broken down by maturity below:

<i>(thousands of Euros)</i>	As at 31 December	
	2017	2016
Less than or equal to 6 months	109	663
6 to 12 months	19	-
1 to 5 years	38	-
More than 5 years	-	-
Total	166	663

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

<i>(thousands of Euros)</i>	As at 31 December	
	2017	2016
1 to 2 years	28	-
2 to 5 years	10	-
More than 5 years	-	-
Total	38	-

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

<i>(thousands of Euros)</i>	As at 31 December	
	2017	2016
Floating rate	113	613
Fixed rate	53	50
Total	166	663

6.18 Deferred taxes liabilities

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

<i>(thousands of Euros)</i>	Leasing	Property, plant and equipment and intangible assets	Goodwill	Other	Total
Deferred tax liabilities as at 1 January 2016	108	585	1,174	-	1,867
Change in the consolidation area	-	1,320	-	-	1,320
Changes recognised in the income statement	(64)	(593)	103	-	(554)
Changes recognised in other comprehensive income	-	-	-	-	-
Deferred tax liabilities as at 31 December 2016	44	1,312	1,277	-	2,633
Change in the consolidation area	-	158	-	58	216
Changes recognised in the income statement	(19)	(237)	101	(49)	(204)
Changes recognised in other comprehensive income	-	-	-	-	-
Deferred tax liabilities as at 31 December 2017	25	1,233	1,378	9	2,645

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

6.19 Employee benefits

This item changed as follows:

<i>(thousands of Euros)</i>	Year	
	2017	2016
Opening balance	11,217	9,989
Change in the consolidation area	479	882
Provision	217	502
Financial expenses	85	135
Actuarial (gains)/losses	(22)	242
Transfers (to)/from other provisions	-	-
(Uses)	(777)	(533)
Reclassification	(877)	-
Closing balance	10,322	11,217

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

Worth mentioning about this item is the reclassification of Euro 877 thousand of the amounts accrued on the LTI-Cash 2015-2017 variable remuneration plan for Directors, Managers, Senior Managers and Executives, based on which a bonus is disbursed in 2018 if certain economic and financial targets are met and in relation to the Servizi Italia share price, as well as the severance for termination of the office accrued by the CEO.

With the approval of the financial statements as at 31 December 2017, the vesting period concluded relating to the 2015-2016-2017 LTI Cash Plan for Directors with special duties identified by the Board of Directors, Managers with strategic responsibilities, Senior Managers and special / key figures. The Remuneration Committee, together with the Board of Statutory Auditors, on March 13, 2018, provided in-depth disclosure and support to the Board of Directors, highlighting the achievement of the target performance expected for the group net result cumulated during the vesting period. The Board of Directors approved the disbursement of the bonus to the Beneficiaries, within the terms and conditions established in the regulation, of the target monetary premium, which, moreover, benefited from the positive value of the Total Shareholder Return linked to the value of the Company's share and to the dividends distributed. The amount set aside during the vesting period (including the company's social security contributions for each beneficiary), for Euro 877 thousand and allocated to the 2015-2016-2017 LTI Cash Plan, has therefore been expensed in the 2017 financial statements.

Financial hypotheses adopted

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

	Year	
	2017	2016
Technical annual discounting back rate	0.88%	0.86%
Annual inflation rate	1.50%	1.50%
Annual growth rate of the severance indemnity	2.63%	2.63%

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

Demographic hypotheses adopted

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

Further to the supplementary welfare reform as per Italian Legislative Decree No. 252 dated 5 December 2005, for employees who have decided to allocate the indemnity as from 1 January 2007 to the INPS Treasury Fund, the advances as per Article 2120 of the Italian Civil Code are calculated on the entire value of the severance indemnity accrued by the worker.

These advances are disbursed by the employer within the limits of the capacity of the amounts accrued by virtue of the provisions made up until 31 December 2006. If the amount of the advance is not covered by the amount accrued care of the employer, the difference is disbursed by the Treasury Fund set up care of INPS.

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

Sensitivity analysis

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

<i>(thousands of Euros)</i>	Discount rate		Inflation rate		Duration	
	0.50%	-0.50%	0.25%	-0.25%	+1 year	-1 year
Change in liabilities	(341)	363	102	(100)	(119)	116

6.20 Provisions for risks and charges

The item is broken down as follows:

<i>(thousands of Euros)</i>	Year	
	2017	2016
Opening balance	2,798	2,277
Provisions	25	52
Uses	(4)	(67)
Other changes	(372)	536
Closing balance	2,447	2,798

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

6.21 Other financial liabilities

The item is broken down as follows:

<i>(thousands of Euros)</i>	As at 31 December	
	2017	2016
Payable due to Area S.r.l.	1,000	-
Payable to Steritek S.p.A. shareholders	225	-
Deferred price Aqualav Serviços De Higienização Ltda	217	354
Payable for put <i>put</i> options on Maxlav Lavanderia Especializada S.A. and Vida Lavanderias Especializada S.A.	2,638	3,724
Payable for Steritek S.p.A. put options	1,996	-
Other payables	-	94
Total	6,076	4,172

The increase compared to 31 December 2016 derives from the recognition of the payable to Area S.r.l. for the acquisition of the shares of Brixia S.r.l., the recognition of the put option, equal to Euro 1,996 thousand, for the acquisition of the remaining 30% of Steritek S.p.A., while the reclassification - in current financial liabilities - decreased the value of the debt for the put options linked to the purchase of the remaining 49.9% of the companies Maxlav Lavanderia Especializada SA and Vida Lavanderias Especializada S.A.

6.22 Trade payables

The item is broken down as follows:

<i>(thousands of Euros)</i>	As at 31 December	
	2017	2016

Due to suppliers	62,051	56,156
Due to associates	2,877	2,649
Due to parent companies	4,013	4,445
Payables to companies under the control of the parent companies	913	294
Total	69,854	63,544

Due to suppliers

The balance as at 31 December 2017 refers entirely to trade payables due within 12 months.

Due to associates

The balance as at 31 December 2017 is composed mainly of trade-related payables due to the associates Steril Piemonte S.c.r.l. for Euro 1,107 thousand, Ekolav S.r.l. for Euro 558 thousand, AMG S.r.l. for Euro 542 thousand, Arezzo Servizi S.c.r.l. for Euro 253 thousand, Piemonte Servizi Sanitari S.c.r.l. for Euro 217 thousand, Co.Se.S. S.c.r.l. for Euro 154 thousand and PSIS S.r.l. for Euro 46 thousand.

Due to parent companies

Trade payables due to the parent company Coopservice S.Coop.p.A. amount to Euro 4,013 thousand.

Payables to companies under the control of the parent companies

Trade payables to companies under the control of the parent company Coopservice S.Coop.p.A. amounted to Euro 913 thousand of which Euro 248 thousand due to Archimede S.p.A., Euro 106 thousand due to Focus S.p.A. and Euro 2 thousand due to Adpersonam S.r.l..

6.23 Current tax payables

The item is broken down as follows:

<i>(thousands of Euros)</i>	As at 31 December	
	2017	2016
Tax receivables	2,103	1,767
Tax payables	(2,260)	(1,789)
Total	(157)	(22)

The amount refers to current tax payables of the subsidiaries included in the consolidation area.

6.24 Other current financial liabilities

The item is broken down as follows:

<i>(thousands of Euros)</i>	As at 31 December	
	2017	2016
Payables to shareholders Ankateks Turizm İnşaat Tekstil Temizleme San. Ve Tic. Ltd. Şti	-	7,625

Payable due to Area S.r.l.	1,000	-
Payable to Steritek S.p.A. shareholders	225	-
Payable due to Finanza e Progetti S.p.A.	2,460	-
Deferred price Aqualav Serviços De Higienização Ltda	375	375
Payable for earn-out on Maxlav Lavanderia Especializada S.A. and Vida Lavanderias Especializada S.A.	1,116	72
Total	5,176	8,072

The change in the item is connected, in particular, with the balance of the amount due for the payment of the deferred price for the purchase of the 40.0% shareholding in Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi. The item also includes the payable to Finanza & Progetti S.p.A. for the share capital increase equal to Euro 2,460 thousand, the debt for the acquisition of the remaining 30% of the capital of Steritek S.p.A. and the debt to Area S.r.l. for the acquisition of the shares of Brixia S.r.l. The item also includes the reclassification in the short term of a portion of the earn-out debt of Maxlav Lavanderia Especializada S.A. and Vida Lavanderias Especializada S.A. for the expiry of the first put option linked to the acquisition of a further 15% of the share capital of the two Brazilian companies.

6.25 Other current payables

The table below provides a breakdown of other current liabilities:

<i>(thousands of Euros)</i>	As at 31 December	
	2017	2016
Accrued liabilities	202	115
Deferred income	435	712
Social security contributions	5,359	5,319
Other payables	12,469	12,520
Total	18,465	18,666

Social security contributions

Amounts due to social security include contributions to INPS/INAIL/INPDAI (National Social Security Institution/Italian Institution for Insurance Against Workplace Accidents/National Welfare Institute for Industrial Managerial Employees) totalling Euro 5,359 thousand, all falling due within the year.

Other payables

The item is broken down as follows:

<i>(thousands of Euros)</i>	As at 31 December	
	2017	2016
Due to employees	9,457	9,502
Employee/professional IRPEF (personal income tax) payable	2,219	2,031
Other payables	793	987
Total	12,469	12,520

6.26 Net financial debt

The Group's net financial debt as at 31 December 2017 and as at 31 December 2016 is shown below:

<i>(thousands of Euros)</i>	As at 31 December	
	2017	2016
Cash and cash equivalents in hand	49	29
Cash at bank	7,950	5,434
Cash and cash equivalents	7,999	5,463
Current financial receivables	7,946	8,188
Current liabilities to banks and other lenders	(51,383)	(48,031)
Current net financial debt	(43,437)	(39,843)
Non-current liabilities to banks and other lenders	(40,210)	(45,237)
Non-current net financial debt	(40,210)	(45,237)
Net financial debt	(75,648)	(79,617)

The decrease in net financial debt was basically caused by careful cash flow management.

In particular, analyzing the individual items, there was an increase in cash and cash equivalents for an amount of Euro 2,536 thousand, as a result of the consolidation of the liquid assets of the Turkish subsidiary Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi, also offset by increase in bank debt assumed to finance its acquisition.

The decrease in financial receivables compared to 31 December 2016 and equal to Euro 242 thousand is substantially due to the decrease in the loan granted to the company Steril Piemonte S.c.r.l. for Euro 500 thousand, net of the increase in the loan granted to the company Arezzo Servizi S.c.r.l. for Euro 250 thousand and interest accrued on individual loans and not yet collected.

Payables to banks and other current lenders increased by Euro 3,352 thousand due to the instalments due within 12 months of the new loans undersigned net of the repayment of the loan instalments expired during the year.

Non-current payables to banks and other lenders decreased by Euro 5,027 thousand, as a result of the repayment of loan instalments over the course of the year, net of the portion expiring after the end of the new loans signed with Unicredit Banca S.p.A. worth Euro 10,000 thousand (debt remaining over 12 months for €Euro 5,000 thousand) on 9 May 2017, and with Banca Popolare dell'Emilia Romagna S.p.A. worth Euro 10,000 thousand (debt remaining over 12 months for Euro 7,529 thousand) on 23 November 2017. The signing of new loans was necessary in order to support the financing of the planned investments and the payment of both the deferred price for the first 40% stake and the acquisition of the additional 15% of share capital of the Turkish company Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi while keeping the ratio between short and medium term debt balanced.

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 financial payables” and the value of “Other non-current financial liabilities” in “Other non-current payables”.

<i>(thousands of Euros)</i>	As at 31 December 2017	<i>of which with related parties</i>	As at 31 December 2016	<i>of which with related parties</i>
A. Cash	49	-	29	-
B. Other cash equivalents	7,950	-	5,434	-
C. Securities held for trading	-	-	-	-
D. Cash and cash equivalents (A)+(B)+(C)	7,999		5,463	
E. Current financial receivables	7,946	5,630	8,188	5,606
F. Current bank borrowings	(18,856)	-	(28,558)	-
G. Current portion of non-current borrowings	(32,527)	-	(19,473)	-
H. Other current financial payables	(5,176)	-	(8,072)	-
I. Current financial debt (F) + (G) + (H)	(56,559)		(56,103)	
J. Current net financial debt (I) - (E) - (D)	(40,614)		(42,452)	
K. Non-current bank borrowings	(40,210)	-	(45,237)	-
L. Bonds issued	-	-	-	-
M. Other non-current payables	(6,076)	-	(4,172)	-
N. Non-current financial debt (K) + (L) + (M)	(46,286)		(49,409)	
O. Net financial debt (J)+(N)	(86,900)		(91,861)	

6.27 Financial guarantee contracts

The table below lists the guarantees given, existing as at 31 December 2017:

<i>(thousands of Euros)</i>	As at 31 December	
	2017	2016
Guarantees issued by banks and insurance companies for tenders	59,454	66,448
Guarantees issued by banks and insurance companies for lease agreements and utilities	613	603
Guarantees issued by banks and insurance companies in favour of third parties	42,821	40,417
Owned assets held by third parties	82	49
Third party assets held at our facilities	14	-
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
Total	105,277	109,810

Guarantees issued by banks and insurance companies for tenders: these were issued on behalf of the company in favour of customers or potential customers for participation in tenders, to guarantee the correct execution of the service.

Guarantees issued by banks and insurance companies for lease agreements and utilities: these were issued on behalf of the company to guarantee the payment of lease instalments and invoices for the supply of electricity and gas.

Guarantees issued by banks and insurance companies in favour of third parties: these are guarantees issued to back the payment of the company’s portion of the project financing and guarantees issued in favour of PSIS S.r.l., Steril Piemonte S.c.r.l., I.P.P. S.r.l., Ekolav S.r.l. and Shubhram Hospital Solutions Private Limited to back loan agreements.

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

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

7 INCOME STATEMENT

7.1 Revenues from sales

The item is broken down as follows by business:

<i>(thousands of Euros)</i>	Year ended as at 31 December	
	2017	2016
Wash-hire	190,162	180,085
Steril B	20,479	19,165
Steril C	41,461	38,466
Sales revenues	252,102	237,716

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

<i>(thousands of Euros)</i>	31 December 2017	31 December 2016
Abruzzo	4	5
Basilicata	431	415
Calabria	2	-
Campania	63	50
Emilia Romagna	31,865	32,254
Friuli Venezia Giulia	19,627	17,658
Latium	12,088	11,676
Liguria	26,851	28,420
Lombardy	51,270	46,986
Marches	3,795	3,481
Molise	1	-
Piedmont	6,644	7,733
Apulia	12	-
Sicily	3,783	3,217
Tuscany	26,938	26,441
Trentino Alto Adige	6,050	5,665
Umbria	266	253
Valle D'Aosta	499	1,031
Veneto	24,916	24,926
NON-EU revenues	524	168
NON-EU revenues (TURKEY)	4,270	-
NON-EU revenues (BRAZIL)	32,203	27,337
Total	252,102	237,716

7.2 Other income

This balance comprises ordinary gains of Euro 656 thousand from the disposal of assets, recoveries of costs and personnel attributable to third parties for Euro 612 thousand, charge-backs of Euro

1,175 thousand for consortium costs, non-recurring income of Euro 1,171 thousand, income for Euro 994 thousand and rents receivable for Euro 49 thousand.

7.3 Raw materials and consumables

Acquisitions of raw materials and consumables changed from Euro 25,123 thousand at 31 December 2016 to Euro 25,946 thousand at 31 December 2017. This increase is due in particular to the consolidation of Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi which weighs on the item for Euro 513 thousand, due to the increase in the purchase of detergents and spare parts in the Brazilian area and in the Italian area as a result of the increase of disposable purchases and consumables for supplies to new customers.

7.4 Costs for services

The item is broken down as follows:

<i>(thousands of Euros)</i>	As at 31 December	
	2017	2016
External laundering and other industrial services	(22,551)	(20,823)
Travel and transport	(13,981)	(13,290)
Utilities	(11,397)	(11,903)
Administrative costs	(2,314)	(2,970)
Consortium and sales costs	(8,629)	(8,691)
Personnel expense	(2,514)	(2,419)
Maintenance	(6,137)	(5,421)
Use of third-party assets	(7,254)	(7,576)
Other services	(2,089)	(1,498)
Total	(76,866)	(74,591)

The item Costs for services increased by Euro 2,275 thousand compared with the previous year, while the relative incidence on revenues fell by 0.9%. This increase was impacted by the acquisition of Tintoria Lombarda Divisione Sanitaria S.r.l., Steritek S.p.A. and Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi. On a like-for-like basis, the costs for services would have amounted to Euro 73,270 thousand, therefore a decrease compared with 2016.

External laundering and other industrial services rose by Euro 1,728 thousand compared to 2016. The item was impacted by the increase in the external laundry service (Euro 557 thousand), especially in Brazil and Turkey, and the linen store service for customers of the former company Tintoria Lombarda Divisione Sanitaria S.r.l. (Euro 1,408 thousand). These increases are offset by a decrease in costs for third-party personnel, equal to Euro 568 thousand, and the costs of the service of sterilization of surgical instruments at third party facilities equal to Euro 243 thousand.

Costs for travel and transport showed an increase of Euro 691 thousand compared with 2016 due to the outsourcing of the transport service of the Brazilian company Lavsim Higienização Têxtil

S.A. following the redefinition of the production logistics and the increase in the services due to the awarding of new contracts, as well as the purchase of Tintoria Lombarda Divisione Sanitaria S.r.l.

Costs of utilities fell from Euro 11,903 thousand to Euro 11,397 thousand, despite the consolidation of the Turkish companies which had an impact of Euro 393 thousand. This decrease is due, in the Italian area, to a reduction in gas and lighting tariffs for the renegotiation of contracts and a contraction in consumption made possible by greater production efficiencies.

Administrative costs fell by Euro 656 thousand compared with the previous year, due to lower costs for extraordinary transactions. Costs for the acquisition of the company Tintoria Lombarda Divisione Sanitaria S.r.l. impacted the previous year.

The item maintenance was mainly impacted by the increase in the maintenance of surgical instruments, amounting to Euro 348 thousand, in the Italian area, and the maintenance of Turkish production sites for Euro 80 thousand. Brazilian production sites recorded a reduction in spending.

The item 'use of third party assets' showed a decrease of Euro 322 thousand. This reduction is connected, in particular, with the new contracts with some customers, which do not make provision for the supply of anti-decubitus mattresses.

7.5 Personnel expense

The item is broken down as follows:

<i>(thousands of Euros)</i>	As at 31 December	
	2017	2016
Costs for directors' fees	(1,782)	(1,646)
Salaries and wages	(56,562)	(53,421)
Temporary work	(2,465)	(1,584)
Social security charges	(17,830)	(16,887)
Employee severance indemnity	(3,080)	(3,043)
Other costs	(245)	(238)
Total	(81,964)	(76,819)

Personnel expense increased from Euro 76,819 thousand as at 31 December 2016 to Euro 81,964 thousand as at 31 December 2017. The year was impacted by the consolidation of Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi amounting to Euro 1,115 thousand and the consolidation of Steritek S.p.A. for Euro 412 thousand. Furthermore, the personnel expense was impacted by the restructuring of the production sites in North-West Italy, where a plan was drafted for the handling of excess staff, following the termination of activities of the Barbariga (BS) site, which was confirmed through the transfer of personnel to the neighbouring production sites and incentivised exits. Within the Brazilian area, an increase in personnel costs

was registered, due primarily to the effects of the adjustments to the inflation rate of the labour agreements of the state of São Paulo, and to the increase in labour units following growth in the laundry services thanks to the awarding of new contracts and the revaluation of the Real exchange rate.

The table below shows the average breakdown of personnel:

	As at 31 December	
	2017	2016
Executives	17	16
Middle managers	25	25
White-collar staff	229	201
Blue-collar staff	3,223	3,022
Total	3,494	3,264

7.6 Other costs

The item is broken down as follows:

<i>(thousands of Euros)</i>	As at 31 December	
	2017	2016
Tax-related expense	(365)	(380)
Contingent liabilities	(388)	(35)
Membership fees	(185)	(175)
Gifts to customers and employees	(128)	(113)
Other	(1,088)	(834)
Total	(2,154)	(1,537)

Deferred tax assets and tax charges include the one-off costs for the settlement of registration tax and accessories for the acquisition of the Industrial Laundry Z.B.M. SpA for Euro 361 thousand. In addition, during the year the indemnity of Euro 408 thousand to the company Focus S.p.A. - relative to the redevelopment of the complex of Castellina di Soragna (PR) - was booked.

7.7 Depreciation, amortisation, impairment and provisions

The item is broken down as follows:

<i>(thousands of Euros)</i>	As at 31 December	
	2017	2016
Amortisation of intangible assets	(1,719)	(1,820)
Depreciation of property, plant and equipment	(50,888)	(47,679)
Write-down of financial assets	-	(210)
Impairment and provisions	(846)	(569)
Total	(53,453)	(50,278)

The change in amortisation of intangible assets is due to the decrease in the customer portfolio of Lavanderia Industriale ZBM S.p.A. and at the closing, during the year, of the non-competition agreement signed with the previous CEO. The increase in the item amortisation of intangible assets, up from Euro 47,679 thousand to Euro 50,888 thousand, is due primarily to the investments in linen owing to the increase in equipment at the new customers in both the Italian and Brazilian areas. Under the item Impairments of fixed assets, the loss concerning the loan granted by the Brazilian subsidiary SRI Empreendimentos e Participações L.t.d.a. to Ospedale Irmandade de Santa Casa de Misericórdia de São Paulo was recorded in the previous year.

The increase in the item impairment and provisions is due to more allocations for the write-down of the receivables from private customers.

7.8 Financial income

The item is broken down as follows:

<i>(thousands of Euros)</i>	As at 31 December	
	2017	2016
Bank interest income	358	327
Default interest	742	634
Interest income on loans to third-party companies	655	535
Other financial income	304	264
Total	2,059	1,760

This increase in receivable interest is primarily derived from consolidation of the Turkish subsidiary Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi. Default interest, despite the general improvement in collections, showed an increase following delayed payments by certain private customers. Interest income on loans rose as a result of the new financing 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 tax refunds of previous years.

7.9 Financial expenses

The item is broken down as follows:

<i>(thousands of Euros)</i>	As at 31 December	
	2017	2016
Interest expense and bank commission	(1,314)	(1,383)
Interest and expense to other lenders	(254)	(310)
Financial expense on employee benefits	(88)	(137)
Exchange rate earnings and losses	(63)	(41)
Other financial expenses	(723)	(602)
Total	(2,442)	(2,473)

The decrease in interest expense and bank commissions is the consequence of the renegotiation of the rates applied by banks, net of the increase due to the consolidation of the payable interest of

the Turkish subsidiaries. “Interest and expense to other lenders” decreased as a result of the reduction in the spreads renegotiated with the banks, on without recourse factoring transactions. Foreign exchange losses primarily include Euro 149 thousand from the conversion in Euro at 31 December 2017 of the value of the loan in Turkish Lira granted to Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi, Euro 107 thousand from the negative exchange rate difference on the payment of machinery and equipment purchased in foreign currency by the Brazilian and Turkish subsidiaries, Euro 339 thousand from the positive exchange difference generated by the devaluation of the Turkish Lira recorded at the time of payment to the shareholders of the purchase differential of 40% of the share of share capital of the company Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi. Other financial charges derive mainly from financial charges on liabilities for the put options linked to the purchase of the remaining 49.9% of the companies Maxlav Lavanderia Especializada S.A. and Vida Lavanderias Especializada S.A., equal to Euro 526 thousand.

7.10 Income and expense from equity investments

The item income and expenses from equity investments is composed of dividends collected in 2017 and income amounting to Euro 459 thousand, recognised as a result of the recalculation of the interest held previously in Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi at the fair value on the acquisition date, given this involved a business combination carried out in several stages, in accordance with IFRS 3.

7.11 Income taxes

The item is broken down as follows:

<i>(thousands of Euros)</i>	Year ended as at 31 December	
	2017	2016
Current taxes	(3,410)	(3,434)
Deferred tax assets/(liabilities)	13	877
Total	(3,397)	(2,557)

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

<i>(thousands of Euros)</i>	Year ended as at 31 December			
	2017	Incidence	2016	Incidence
IRES (company earnings tax) reconciliation				
Profit before tax from Income statement	17,762		13,072	
Theoretical taxes	4,263	24.0%	3,595	27.5%
Tax effects of the permanent differences:				
on increases	926	5.2%	583	4.5%
on decreases	(3,986)	-22.4%	(2,817)	-21.6%
substitute taxes	458	2.6%	298	2.3%
differential on foreign taxes	967	5.4%	198	1.5%
Total effective IRES taxes	2,628	14.8%	1,856	14.2%
IRAP (regional business tax)	769	4.3%	701	5.4%
Total effective taxes	3,397	19.1%	2,557	19.6%

The tax rate decreased from 19.6% in 2016 to 19.1% in 2017. The decrease in the tax burden was mainly caused, in the Italian area, by the decrease in the IRES rate and the benefit deriving from the deduction from business income of so-called “super and hyper-depreciation”, as required by the 2017 Budget Law (L. 232 / 2016), and partly offset by the increase in income taxes produced abroad and resulting from the positive contribution of the Turkish group on the profit before taxes.

7.12 Earnings per share

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

<i>(thousands of Euros)</i>	Year ended as at 31 December	
	2017	2016
Profit/loss attributable to shareholders of the parent company	13,770	10,451
Average number of shares	31,680	31,227
Basic earnings per share	0.435	0.335

<i>(thousands of Euros)</i>	Year ended as at 31 December	
	2017	2016
Profit/loss for the year attributable to the Group:	13,770	10,451
Average number of shares outstanding	31,680	31,227
Number of shares with dilutive effect	-	-
Average number of shares used to calculate diluted EPS	31,680	31,227
Diluted earnings per share	0.435	0.335

8 TRANSACTIONS WITH GROUP COMPANIES AND RELATED PARTIES

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

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

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

Income statement, statement of financial position and financial transactions with associated companies in 2017 are presented below:

(thousands of Euros)

31 December 2017

<i>Economic transactions</i>	Sale of goods and services	Other income	Purchases of goods and services	Personnel expense	Purchases of property, plant and equipment and intangible assets	Other costs	Financial income	Income from equity investments
Coopservice S.Coop.p.A. (parent company)	85	38	10,599	-	1	-	-	-
Aurum S.p.A. (parent company)	-	-	-	-	-	-	-	-
Arezzo Servizi S.c.r.l. (associate)	9	9	1,160	-	1	-	3	-
Consorzio Co.Se.S. (associate)	8	-	573	-	-	-	-	-
SE.STE.RO. S.r.l. in liquidazione (associate)	-	15	-	-	-	-	-	-
PSIS S.r.l. (associate)	265	140	4	-	29	-	44	-
Amg S.r.l. (associate)	303	5	650	-	-	-	-	-
Ekolav S.r.l. (associate)	45	10	1,281	-	1	-	2	-
Steril Piemonte S.c.r.l. (associate)	15	304	1,361	-	-	-	1	-
Piemonte Servizi Sanitari S.c.r.l. (associate)	-	-	336	-	-	-	-	-
Iniziative Produttive Piemontesi S.r.l. (associate)	40	3	39	-	1	-	-	-
SAS Sterilizasyon Servisleri A.Ş. (associate)	-	-	-	-	-	-	-	-
Shubhram Hospital Solutions Private Limited (associate)	-	-	-	-	-	-	-	-
Saniservice Sh.p.k. (associate)	512	181	-	-	-	-	480	-
Servizi Sanitari Integrati Marocco S.a.r.l. (associate)	-	-	-	-	-	-	-	-
Finanza & Progetti S.p.A. (associate)	-	59	-	-	-	-	-	-
Brixia S.r.l. (associate)	3,713	-	-	-	-	-	-	-
Elettrica Gover S.r.l. (affiliated)	-	-	12	-	-	-	-	-
Focus S.p.A. (affiliated)	-	-	2,403	-	-	422	-	-
Archimede S.p.A. (affiliated)	-	-	3	1,472	-	-	-	-
Gesta S.p.A. (affiliated)	-	7	-	-	870	-	-	-
New Fleur S.r.l. (affiliated)	26	1	1,560	-	1	-	-	-
Ad Personam S.r.l. (affiliated)	-	-	2	-	-	-	-	-
Padana Emmedue S.r.l. (related party)	-	-	101	-	-	-	-	-
Everest S.r.l. (related party)	-	-	286	-	-	2	-	-
Akan & Ankateks JV (associate)	611	-	-	-	-	-	-	-
Akan (associate)	623	-	2	39	-	-	-	-
Nimetsu & Ankateks JV (associate)	45	-	-	-	-	-	-	-
Atala (associate)	18	-	-	-	-	-	-	-
Ankor (associate)	-	-	22	-	-	-	-	-
Ozdortler (associate)	-	-	-	-	-	-	-	-
Oguzalp Ergul (associate)	-	-	-	-	-	-	22	-
Feleknaz Demir (associate)	-	-	-	-	-	-	1	-
Limpar Serviços Especializados e Comércio de Produtos Ltda (related party)	-	-	133	-	-	-	-	-
Lilian Promenzio Rodrigues Affonso (related party)	-	-	50	-	-	-	-	-
Total	6,318	772	20,577	1,511	904	424	553	-

(thousands of Euros)

31 December 2016

<i>Economic transactions</i>	Sale of goods and services	Other income	Purchases of goods and services	Personnel expense	Purchases of property, plant and equipment and intangible assets	Other costs	Financial income	Income from equity investments
Coopservice S.Coop.p.A. (parent company)	165	36	10,655	-	8	-	-	-

Aurum S.p.A. (parent company)	-	-	-	-	-	-	-	-
Centro Italia Servizi S.r.l. in liquidazione (associate)	2	1	156	-	-	-	-	30
Arezzo Servizi S.c.r.l. (associate)	10	7	733	-	-	-	1	-
Consorzio Co.Se.S. (associate)	-	-	695	-	-	-	-	-
SE.STE.RO. S.r.l. in liquidazione (associate)	-	2	-	-	-	-	-	-
PSIS S.r.l. (associate)	210	118	19	-	45	-	47	-
Amg S.r.l. (associate)	296	3	701	-	-	-	1	-
Ekolav S.r.l. (associate)	2	5	1,273	-	3	-	2	-
Steril Piemonte S.c.r.l. (associate)	15	318	1,393	-	8	-	3	-
Piemonte Servizi Sanitari S.c.r.l. (associate)	-	-	355	-	-	-	-	-
Iniziative Produttive Piemontesi S.r.l. (associate)	98	8	369	-	3	-	-	-
SAS Sterilizasyon Servisleri A.Ş. (associate)	-	-	-	-	-	-	-	-
Shubhram Hospital Solutions Private Limited (associate)	-	-	-	-	-	-	-	-
Ankateks Turizm Insaat Tekstil Temizleme Sanayi Ve (associate)	-	-	-	-	-	-	47	-
Saniservice Sh.p.k. (associate)	167	120	-	-	-	-	185	-
Finanza & Progetti (associate)	-	69	-	-	-	-	-	-
Elettrica Gover S.r.l. (affiliated)	-	-	4	-	-	-	-	-
Focus S.p.A. (affiliated)	-	-	2,736	-	-	13	-	-
Archimede S.p.A. (affiliated)	-	-	-	918	-	-	-	-
Gesta S.p.A. (affiliated)	-	1	-	-	-	-	-	-
New Fleur S.r.l. (affiliated)	26	-	974	-	-	-	-	-
Ad Personam S.r.l. (affiliated)	-	-	13	-	-	-	-	-
Padana Emmedue S.r.l. (related party)	-	-	109	-	-	-	-	-
Padana Emmedue S.p.A. (related party)	-	-	287	-	-	-	-	-
Limpar Serviços Especializados e Comércio de Produtos Ltda (related party)	-	-	114	-	-	-	-	-
Lilian Promenzio Rodrigues Affonso (related party)	-	-	47	-	-	-	-	-
Total	991	688	20,633	918	67	13	286	30

In relation to economic transactions with related parties, and in addition to the above, at 31 December 2017, the following were considered: remuneration for directors for Euro 1,485 thousand and costs relating to senior management personnel for Euro 2,152 thousand (including Euro 270 thousand as settlement agreement for termination of the employment relationship of Mr. Marco Marchetti). As at 31 December 2016, directors' fees amounted to Euro 1,438 thousand, while executive personnel expense came to Euro 2,022 thousand.

<i>(thousands of Euros)</i>	31 December 2017				
	Amount of trade receivables	Amount of trade payables	Amount of financial receivables	Amount of financial payables	Amount of other liabilities
<i>Statement of financial position</i>					
Coopservice S.Coop.p.A. (parent company)	184	4,013	-	-	-
Aurum S.p.A. (parent company)	-	-	-	-	-
Arezzo Servizi S.c.r.l. (associate)	6	253	403	-	-
Consorzio Co.Se.S. (associate)	1	154	-	-	-
SE.STE.RO. S.r.l. in liquidazione (associate)	-	-	-	-	-
PSIS S.r.l. (associate)	408	49	3,891	-	-
Amg S.r.l. (associate)	252	542	-	-	-
Ekolav S.r.l. (associate)	71	558	172	-	-

Steril Piemonte S.c.r.l. (associate)	279	1,107	651	-	-
Piemonte Servizi Sanitari S.c.r.l. (associate)	-	217	-	-	-
Iniziative Produttive Piemontesi S.r.l. (associate)	6	-	90	-	-
SAS Sterilizasyon Servisleri A.Ş. (associate)	-	-	-	-	-
Shubhram Hospital Solutions Private Limited (associate)	11	-	-	-	-
Saniservice Sh.p.k. (associate)	862	-	4,666	-	-
Servizi Sanitari Integrati Marocco S.a.r.l. (associate)	-	-	5	-	-
Finanza & Progetti S.p.A. (associate)	127	-	-	-	2,460
Brixia S.r.l. (associate)	1,371	-	-	-	-
Elettrica Gover S.r.l. (affiliated)	-	4	-	-	-
Focus S.p.A. (affiliated)	-	557	-	-	-
Archimede S.p.A. (affiliated)	-	248	-	-	-
Gesta S.p.A. (affiliated)	1	106	-	-	-
New Fleur S.r.l. (affiliated)	122	1,005	-	-	-
Ad Personam S.r.l. (affiliated)	-	2	-	-	-
Padana Emmedue S.r.l. (related party)	-	41	-	-	-
Everest S.r.l. (related party)	-	235	-	-	-
Akan & Ankateks JV (associate)	84	-	-	-	-
Akan (associate)	84	-	-	-	-
Nimetsu & Ankateks JV (associate)	-	-	-	-	-
Atala (associate)	3	-	-	-	-
Ankor (associate)	-	2	99	-	-
Ozdortler (associate)	-	-	-	-	-
Oguzalp Ergul (associate)	-	-	270	-	-
Feleknaz Demir (associate)	-	-	12	-	-
Limpar Serviços Especializados e Comércio de Produtos Ltda (related party)	-	9	-	-	-
Lilian Promenzio Rodrigues Affonso (related party)	-	4	-	-	-
Total	3,872	9,106	10,259	-	2,460

(thousands of Euros)

31 December 2016

<i>Statement of financial position</i>	Amount of trade receivables	Amount of trade payables	Amount of financial receivables	Amount of financial payables	Amount of other liabilities
Coopservice S.Coop.p.A. (parent company)	366	4,445	-	-	-
Aurum S.p.A. (parent company)	-	-	-	-	-
Centro Italia Servizi S.r.l. in liquidazione (associate)	-	-	-	-	-
Arezzo Servizi S.c.r.l. (associate)	9	192	150	-	-
Consorzio Co.Se.S. (associate)	-	234	-	-	-
SE.STE.RO. S.r.l. in liquidazione (associate)	82	418	-	-	-
PSIS S.r.l. (associate)	400	19	3,847	-	-
Amg S.r.l. (associate)	144	347	1	-	-
Ekolav S.r.l. (associate)	13	481	174	-	-
Steril Piemonte S.c.r.l. (associate)	160	671	1,153	-	-
Piemonte Servizi Sanitari S.c.r.l. (associate)	-	135	-	-	-
Iniziative Produttive Piemontesi S.r.l. (associate)	26	161	90	-	-
SAS Sterilizasyon Servisleri A.Ş. (associate)	-	-	-	-	-
Shubhram Hospital Solutions Private Limited (associate)	11	-	-	-	-
Ankateks Turizm Insaat Tekstil Temizleme Sanayi Ve (associate)	-	-	857	-	-
Saniservice Sh.p.k. (associate)	249	-	4,143	-	-
Finanza & Progetti (associate)	69	-	-	-	-
Elettrica Gover S.r.l. (affiliated)	-	4	-	-	-

Focus S.p.A. (affiliated)	-	97	-	-	-
Archimede S.p.A. (affiliated)	-	190	-	-	-
Gesta S.p.A. (affiliated)	2	-	-	-	-
New Fleur S.r.l. (affiliated)	82	645	-	-	-
Ad Personam S.r.l. (affiliated)	-	6	-	-	-
Padana Emmedue S.r.l. (related party)	-	43	-	-	-
Padana Emmedue S.p.A. (related party)	-	263	-	-	-
Limpar Serviços Especializados e Comércio de Produtos Ltda (related party)	-	10	-	-	-
Lilian Promenzio Rodrigues Affonso (related party)	-	4	-	-	-
Total	1,613	8,365	10,415	-	-

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

Coopservice S.Coop.p.A.

Revenues from sales and the associated trade receivables as at 31 December 2017 refer primarily to linen and textile washing services within the cleaning activities provided to the parent company.

From the parent company, the Servizi Italia Group purchases: (i) road-based transport services for textiles and/or surgical instruments, for Euro 8,480 thousand; (ii) services for the management of wardrobes at customer sites, for Euro 1,028 thousand; (iii) use of third party staff for Euro 12 thousand; (iv) technical cleaning services that are carried out at some production/operating sites of Servizi Italia and surveillance/security services provided to some facilities, through night patrols and alarm-based interventions, for Euro 809 thousand.

Arezzo Servizi S.c.r.l.

The company's purpose is the provision of wash-hire services to "Aziende dell'Area Vasta Sud-Est" and, to a lesser extent, to the hospital AUSL of Arezzo. As at 31 December 2017, revenues from sales of goods and services and the related trade receivables due from Arezzo Servizi S.c.r.l. refer to the sale of assets used in the wash-hire business. On the other hand, purchase costs and the relative trade payables regard the charge-back of costs incurred by Arezzo Servizi S.c.r.l., which are divided amongst the shareholders on the basis of their shareholdings. The financial receivable is for a Euro 403 thousand loan granted to the associate.

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

As of 31 December 2017, revenues from the sale of goods and services and purchase costs relative to Consorzio CO.SE.S. refer to the charge-back of costs incurred by the Company and by the Consortium for surgical instrument sterilisation services provided at Azienda Ospedaliera - Complesso Ospedaliero - San Giovanni Addolorata of Rome.

Psis S.r.l.

As at 31 December 2017, revenues from the sale of goods and services to PSIS S.r.l. mainly refer to the charge-back of administrative management services for Euro 76 thousand and validation

services for Euro 75 thousand. The financial receivable relates to a loan granted for Euro 3,891 thousand to support current investments.

AMG S.r.l.

At the end of 2017, economic transactions were mainly for external laundering services at the Asti, Casale Monferrato and Turin 3 LHAs (Euro 650 thousand); the revenues derive from linen sterilisation services and the supply of disposable medical devices for surgical procedures.

Ekolav S.r.l.

Purchases of goods, services, and the related trade payables due in relation to Ekolav S.r.l. are primarily for laundering (Euro 1,015 thousand) and transport (Euro 84 thousand) services. The financial receivable is for a Euro 172 thousand loan granted to the associate.

Steril Piemonte S.c.r.l.

As at 31 December 2017, revenues from the sale of goods and services and purchase costs associated with Steril Piemonte S.c.r.l. refer to the charge-back of costs incurred by the Company and by the Consortium for surgical instrument sterilisation activities at ASL (Local Health Authority) AL of the Piedmont Region. The financial receivable is for a Euro 651 thousand loan granted to the associate.

Iniziativa Produttive Piemontesi S.r.l.

At 31 December 2017, revenues from the sale of goods and services for the company Società Iniziativa Produttive Piemontesi S.r.l., are primarily due to validation services for Euro 20 thousand. The financial receivable is for a Euro 90 thousand loan granted to the associate.

Saniservice Sh.p.k.

On 31 December 2017, the revenues from the sale of goods and services to Saniservice Sh.p.k. referred primarily to the supply of materials for the operations of the sterilisation facilities for Euro 464 thousand as well as validation services Euro 48 thousand and trade management services for Euro 181 thousand. The financial receivable is for a Euro 4,423 thousand loan granted to the associate.

Finanza & Progetti S.p.A.

As of 31 December 2017, revenues from sales and services to Finanza & Progetti S.p.A. refer mainly to the reimbursement of the cost of the surety issued to Ospedal Grando S.p.A. and equal to Euro 58 thousand. The value of other liabilities relates to the commitment to the future increase in share capital of Euro 2,460 thousand.

Brixia S.r.l.

As at 31 December 2017, the revenues from the sale of goods and services to Brixia S.r.l., related primarily to the wash-hire service at ASST Spedali Civili of Brescia, amounting to Euro 3,713 thousand.

Focus S.p.A.

Financial and equity relationships with Focus S.p.A. relate to lease agreements on the Castellina di Soragna (PR), Montecchio Precalcino (VI), Ariccia (RM) and Genoa Bolzaneto (GE) properties. The first agreements are for six years and renewable for another six, while the Genoa Bolzaneto (GE) agreement is for fourteen years and renewable for another six. In 2017, a new lease agreement was signed for the six-year renewable office in Castellina di Soragna (PR), which can be renewed for a further six years.

In 2017, the total consideration for leased properties amounted to Euro 2,403 thousand. In addition, during the year the indemnity of Euro 408 thousand - following the redevelopment of the complex of Castellina di Soragna (PR) - was booked.

Padana Emmedue S.r.l.

Servizi Italia S.p.A. uses the linen wash services provided by Padana Emmedue S.r.l.. In 2017, this amounted to Euro 99 thousand.

Everest S.r.l.

The business and equity relationships with Everest S.r.l. concern the lease agreements of the properties of Travagliato and Podenzano, the duration of which is six years, renewable for an additional six years. The total consideration for leased properties amounted to Euro 287 thousand in 2017. Servizi Italia S.p.A.'s transactions with Everest S.r.l. in relation to lease agreements are entered into in compliance with the Regulations for related party transactions in force.

Akan & Ankateks JV

Company 49% owned by Ankateks Turizm İnfaat Tekstil Temizleme Sanayi VE and set up for participation in a hospital contract in the city of Ankara. Purchases of goods and services and the related trade payables to the Akan & Ankateks JV Company mainly refer to laundry services for Euro 611 thousand.

Akan

Company controlled by one of the minority shareholders of Ankateks Turizm İnfaat Tekstil Temizleme Sanayi VE and active in the laundry sector for the hotel market in the Ankara area. Purchases of goods and services and the related trade payables to the Akan Company mainly refer to laundry services for Euro 623 thousand.

Ankor

Related party as a minority shareholder of Ankateks Turizm İnfaat Tekstil Temizleme Sanayi VE. The financial receivable is for a Euro 99 thousand loan granted to the company.

Oguzalp Ergul

Related party as a minority shareholder of Ergülteks Temizlik Tekstil Ltd. Sti. The financial receivable is for a Euro 270 thousand loan granted to the company.

Limpar Serviços Especializados e Comércio de Produtos Ltda

The purchase of goods and services and related trade payables to Limpar Serviços Especializados e Comércio de Produtos Ltda refer primarily to cleaning services for Euro 103 thousand at the facility of Maxlav Lavanderia Especializada S.A. and Euro 30 thousand at the plant Vida Lavanderias Especializada S.A.

Lilian Promenzio Rodrigues Affonso

Financial and equity relationships with Lilian Promenzio Rodrigues Affonso concern primarily the lease agreement of the properties of Maxlav Lavanderia Especializada S.A., with a 10-year duration. In 2017, the total consideration for leased properties amounted to Euro 50 thousand.

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

During the year, income components were recorded deriving from non-recurring transactions, due to greater costs of Euro 557 thousand relating to incentives, indemnities and Naspi to employees, as a result of the company restructuring and reorganisation activities, which concerned the termination of the activities of the Barbariga (BS) facility.

The impacts of these components were outlined in the income statement and in the comments on the individual items in this document.

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

10 TREASURY SHARES

The Shareholders' Meeting of 20 April 2017, authorised the Board of Directors to purchase and sell treasury shares, subject to revocation of the resolution of 20 April 2016.

The approved own share purchase and placement plan meets the need to gain access to opportunities for the efficient investment of company liquidity and to have the possibility of using it for strategic transactions and/or to complete subsequent share purchase and sale transactions, to the extent allowed by permitted market practices. The plan has a maximum duration of 18 months as from 20 April 2017, date of issue of the authorisation by the Shareholders' Meeting.

The maximum number of shares that can be purchased, not exceeding 20% of the share capital of the company, as at the date of the Shareholders' Meeting resolution, is 6,361,890.00 and it results from the difference between the maximum number of own shares that the Company may purchase and the number of own shares which at the date of the resolution of 19 April 2017, were held by Servizi Italia S.p.A., in implementing the resolution issued on 20 April 2016, and totalled 101,629 shares. The purchases and sales of treasury shares are carried out on the organised market, in compliance with the applicable legislative and regulatory provisions, according to the operating formalities established by Article 132 of the CFL, Article 144 bis of the Issuers' Regulations, in compliance with the EC Regulation 2273/2003 dated 22 December 2003 and in observance of the shareholders' meeting resolution dated 20 April 2017. Treasury shares are purchased for a maximum equivalent value to the extent to which can be covered by distributable reserves and available reserves as set forth in the latest duly approved financial statements. The purchase of own shares is carried out at a minimum purchase price no less than 20% of the weighted average of the official prices of the shares as recorded by Borsa Italiana in the 3 days preceding each single operation, and a maximum price of purchase no greater than 20% of the weighted average of the official prices of shares recorded by Borsa Italiana in the 3 days preceding each single operation. The intermediary appointed to carry out the purchase of own shares is INTERMONTE SIM S.p.A. As at 31 December 2017, the number of treasury shares in the portfolio amounted in total to 10,550 shares, corresponding to 0.03% of the share capital.

11 FEES, STOCK OPTIONS AND DIRECTORS SHAREHOLDINGS, OFFICERS WITH STRATEGIC RESPONSIBILITIES AND STATUTORY AUDITORS

As regards:

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

please see the Remuneration Report, drawn up pursuant to article 123-ter of CFL for 2016.

12 PAYMENT PLANS BASED ON FINANCIAL INSTRUMENTS

There were no Payment plans based on financial instruments as at 31 December 2017.

13 SIGNIFICANT EVENTS AND TRANSACTIONS

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

14 SIGNIFICANT EVENTS AFTER THE END OF THE YEAR

15 On 19 January 2018, the Company communicated the resignation tendered by director Emil Anceschi on 17 January 2018. The Board of Directors found that, despite the Director's resignation, the composition of the Board of Directors is in any case in line with the current provisions regarding the gender and number of the directors who meet the independence requirements. In consideration of the above and of the imminent expiry of the mandate of the current administrative body with the approval of the financial statements as at 31/12/2017, the Board, with the favourable opinion of the Board of Statutory Auditors, deemed appropriate not to proceed with the co-optation pursuant to the articles of association and Art. 2386 of the Italian Civil Code, but to submit the resolution regarding the appointment of the entire administrative body directly to the next Meeting. For more details and information, refer to the documents available on the Company's website.

On 31 January 2018, the Company communicated the termination of employment of Mr. Maurizio Casol, an executive with strategic responsibilities and related party pursuant to the Regulations approved with Consob resolution no. 17221/2010 and the RPT Regulations adopted by Servizi Italia. For more details and information, refer to the documents available on the Company's website.

The Chairman of the Board of Directors
(Roberto Olivi)



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

Castellina di Soragna, 13 March 2018

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

- a) the adequacy in relation to the characteristics of the business and
- b) the effective application of the administrative and accounting procedures for the preparation of the consolidated financial statements during 2017.

It is also hereby stated that the consolidated financial statements as at 31 December 2017:

- a) have been prepared in compliance with the applicable international accounting standards recognised in the European Union pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
- b) correspond to the books and accounting entries;
- c) provide a true and fair view of the financial position, income and cash flows of the Company and all the companies included in the scope of consolidation.

The Directors’ report includes a reliable analysis of the operating performance and result, as well as of the issuer’s position and that of all the companies included in the scope of consolidation, together with a description of the main risks and uncertainties it is exposed to.

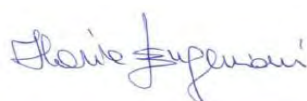
The CEO

Enea Righi



The Financial Reporting Manager

Ilaria Eugeniani



Independent auditors' report on the consolidated financial statements of the Servizi Italia Group



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

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

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Servizi Italia S.p.A. and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05.

Basis for Opinion

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

Key Audit Matters

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

Impairment test on goodwill

Description of the key audit matter

The consolidated financial statements of the Servizi Italia Group as of 31 December 2017 report goodwill of Euro 70,784 thousand deriving from acquisitions made in prior years, Euro 43,243 thousand relating to the Servizi Italia cash-generating unit (CGU) and Euro 10,354 thousand relating to the Brazil CGU, as well as in the current year, Euro 15,066 thousand relating to the Turkey CGU and Euro 2,121 thousand relating to the Steritek CGU. No impairment losses were recorded during the year.

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

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As stated in explanatory notes "3.4 D Goodwill", "3.4 E Impairment test" and "3.4 Q – Particularly Significant accounting standards" to the consolidated financial statements, the assessment process adopted by Management to identify possible impairment losses involved making certain assumptions regarding, in particular, the estimated cash flows of each CGU, the appropriate discount rate (WACC) and the long-term growth rate (*g-rate*). The assumptions reflected in the long-term plans of the CGUs concerned are influenced by future expectations and market conditions, which are affected by uncertainties especially with regard to the Brazil CGU and Turkey CGU, given the marked economic instability of those geographical areas.

In view of the significance of the goodwill reported in the financial statements and the subjective nature of the estimates made to determine the cash flows of the CGUs and the key variables of the impairment model, as well as the many unpredictable factors that might influence the performance of the markets in which the Group operates, we considered the impairment test on goodwill to be a key audit matter of the consolidated financial statements of the Servizi Italia Group as of 31 December 2017.

Note 6.3 presents information about the goodwill, including a sensitivity analysis that describes the effects of changing the key variables used to carry out the impairment test.

Audit procedures

We first examined the approach taken by Management to determine the value in use of the CGUs, analysing the methods and assumptions applied by Management to carry out the impairment test.

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

- observation and understanding of the relevant controls implemented by the Servizi Italia Group over the impairment testing process;
- analysis of the reasonableness of the principal assumptions made in order to forecast cash flows, partly by analysing external data and obtaining information from Management that we deemed to be significant; in particular, our procedures included an examination of the forecast cash flows considering historical performance and the ability of the Group to make accurate forecasts;
- analysis of actual values in comparison with the original plans, in order to assess the nature of variances and the reliability of the budgeting process;
- assessment of the reasonableness of the discount rate (WACC) and the long-term growth rate (*g-rate*), partly via the appropriate identification of and reference to external sources that are normally used in professional practice and to key data for main comparables;
- verification of the mathematical accuracy of the model used to determine the value in use of the CGUs;
- verification that the carrying amount of the CGUs was determined properly;
- verification of the sensitivity analysis prepared by Management.

We also examined the adequacy of the information disclosed by the Group about the impairment test and its consistency with the requirements of IAS 36.

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

The Directors of Servizi Italia S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and the ownership structure of Servizi Italia Group as at December 31, 2017, including their consistency with the related consolidated financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the report on corporate governance and the ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98, with the consolidated financial statements of Servizi Italia Group as at December 31, 2017 and on their compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations and some specific information contained in the report on corporate governance and the ownership structure are consistent with the consolidated financial statements of Servizi Italia Group as at December 31, 2017 and are prepared in accordance with the law.

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

Statement pursuant to art. 4 of the Consob Regulation for the implementation of Legislative Decree 30 December 2016, no. 54

The Directors of Servizi Italia S.p.A. are responsible for the preparation of the non-financial statement pursuant to Legislative Decree 30 December 2016, no. 254.

We verified the approval by the Directors of the non-financial statement.

Pursuant to art. 3, paragraph 10 of Legislative Decree 30 December 2016, no. 254, this statement is subject of a separate attestation issued by us.

DELOITTE & TOUCHE S.p.A.

Signed by
Domenico Farioli
Partner

Parma, Italy
March 29, 2018

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