



Half-Year Financial Report

30 June 2020



**Servizi
Italia**

SERVIZI ITALIA S.P.A.
via San Pietro, 59/B - 43019 Castellina di Soragna (PR) - ITALY
Share Capital: Euro 31,809,451 fully paid-up
Tax Code and Register of Companies No.: 08531760158
Certified Email: si-servizitalia@postacert.cedacri.it
Tel. +39 0524 598511 - Fax +39 0524 598232
www.servizitaliagroup.com

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CORPORATE BODIES AND COMPANY INFORMATION

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

Name and Surname	Position
Roberto Olivi (*)	President
Ilaria Eugeniani (*)	Vice President
Michele Magagna (*)	Director
Umberto Zuliani	Director
Antonio Paglialonga	Director
Lino Zanichelli	Director
Simona Campanini(^)	Director
Giovanni Manti	Director
Antonio Aristide Mastrangelo ⁽¹⁾⁽²⁾⁽³⁾	Independent Director
Romina Guglielmetti ⁽¹⁾⁽²⁾	Independent Director
Chiara Mio ⁽¹⁾⁽²⁾	Independent Director

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

(*) Members of the Executive Committee

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

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

Name and Surname	Position
Roberto Cassader	President
Gianfranco Milanese	Statutory auditor
Benedetta Pinna	Statutory auditor
Elena Iotti	Alternate auditor
Davide Barbieri	Alternate auditor

Supervisory Body (in office until 2 February 2022)

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

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

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

Registered office and company information

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

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

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

Tax Code and Parma Register of Companies no.: 08531760158; Certified Email: si-servizitalia@postacert.cedacri.it

Founded: 1986

Stock market listing: Borsa Italiana S.p.A MTA, electronic stock market, STAR segment

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

LEI Code: 815600C8F6D5ACBA9F86

Investor Relations

Giovanni Manti (IR) - Luigi Innocenti - Pietro Giliotti

e-mail: investor@si-servizitalia.com - Tel. +390524598511, Fax +390524598232

GROUP STRUCTURE

Servizi Italia S.p.A., registered offices in Castellina di Soragna (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, linen sterilisation centres, surgical instrument sterilisation centres and numerous wardrobes, the Company and its Italian and overseas subsidiaries forming the Servizi Italia Group, mainly provide a 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 30 June 2020, the Servizi Italia Group included the following Companies:

Company Name Parent Company and Subsidiaries	Registered Office	Share Capital	Interest of equity investments
Servizi Italia S.p.A.	Castellina di Soragna (Parma) - Italy	EUR 31,809,451	Parent Company
Ekolav S.r.l.	Lastra a Signa (FI) - Italy	EUR 100,000	100%
Wash Service S.r.l.	Castellina di Soragna (Parma) - Italy	EUR 10,000	90%
Steritek S.p.A.	Malagnino (CR) - Italy	EUR 134,500	70%
San Martino 2000 S.c.r.l.	Genoa - Italy	EUR 10,000	60%
SRI Empreendimentos e Participações L.t.d.a.	City of São Paulo, State of São Paulo - Brazil	BRL 204,597,982	100%
Lavsim Higienização Têxtil S.A.	São Roque, São Paulo - Brazil	BRL 14,930,000	100% ^(*)
Maxlav Lavanderia Especializada S.A.	Jaguariúna, São Paulo - Brazil	BRL 2,825,060	100% ^(*)
Vida Lavanderias Especializada S.A.	Santana de Parnaíba, São Paulo - Brazil	BRL 3,600,000	100% ^(*)
Aqualav Serviços De Higienização Ltda	Vila Idalina, Poá, State of São Paulo - Brazil	BRL 15,400,000	100% ^(*)
Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi	Ankara - Turkey	TRY 20,000,000	55%
Ergülteks Temizlik Tekstil Ltd. Sti.	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

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

Company Name Associates and Jointly-Controlled Companies	Registered Office	Share Capital	Interest of equity investments
Shubhram Hospital Solutions Private Ltd.	Nuova Delhi - India	INR 317,219,030	51%
Servizi Sanitari Integrati Marocco S.a.r.l.	Casablanca - Morocco	MAD 122,000	51%
SAS Sterilizasyon Servisleri A.Ş.	Istanbul - Turkey	TRY 13,517,000	51%
Arezzo Servizi S.c.r.l.	Arezzo - Italy	EUR 10,000	50%
PSIS S.r.l.	Padova - Italy	EUR 10,000,000	50%
Steril Piemonte S.c.r.l.	Torino - Italy	EUR 4,000,000	50%
AMG S.r.l.	Busca (CN) - Italy	EUR 100,000	50%
Finanza & Progetti S.p.A.	Vicenza - Italy	EUR 550,000	50%
Sanitary cleaning Sh.p.k.	Tirana - Albania	LEK 2,798,800	40%
Iniziativa Produttive Piemontesi S.r.l.	Torino - Italy	EUR 2,500,000	37,63%
Piemonte Servizi Sanitari S.c.r.l.	Torino - Italy	EUR 10,000	30% ^(*)
Saniservice Sh.p.k.	Tirana - Albania	LEK 2,745,600	30%
CO.S.E.S S.c.r.l. in liquidazione	Perugia - Italy	EUR 10,000	25%
Idsmed Servizi Pte. Limited	Singapore - Singapore	SGD 1,000,000	30%
StirApp S.r.l.	Modena - Italy	EUR 208,124	25%
Brixia S.r.l.	Milano - Italy	EUR 10,000	23%

^(*) to which is added the indirect shareholding through Iniziativa Produttive Piemontesi S.r.l. of 15.05%.

INTERIM REPORT

This Half-Year consolidated financial statements as at 30 June 2020 has been drafted according to the *International Financial Reporting Standards* – hereinafter “IFRS” or “International Accounting Standards”) approved by the European Commission, in force as at 30 June 2020 and has been drafted pursuant to Article 154-ter of Legislative Decree no. 58 of 24 February 1998 and in compliance with CONSOB Regulation no. 11971 of 14 May 1999 and subsequent amendments.

This Half-Year Financial Report includes the half-year condensed consolidated financial statements as at 30 June 2020 drafted in compliance with IAS 34 on interim financial reporting, as approved by EC Regulation No. 1606/2002. In order to also allow for a better evaluation of the economic and financial performance, the following summary tables show some “Alternative performance indicators” which are not provided by the IFRS accounting standards. The footnotes of said tables indicate the calculation method used and composition of these ratios, in line with the guidelines of the *European Securities and Market Authority* (ESMA).

Main consolidated income statement figures

The table below presents a comparison of the main consolidated income statement figures as at 30 June 2020 with the results as at 30 June 2019 (in thousands of Euros):

(thousands of Euros)	30 June 2020	30 June 2019	Change	Change %
Revenues	117,943	131,745	(13,802)	-10.5%
Ebitda ^(a)	27,466	34,068	(6,602)	
Ebitda %	23.3%	25.9%		-2.6%
Operating profit (Ebit)	233	6,217	(5,984)	
Operating profit (Ebit)%	0.2%	4.7%		-4.5%
Net Income	(214)	4,804	(5,018)	
Net Income %	-0.2%	3.6%		-3.8%

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

Main consolidated statement of financial position figures

The table below presents a comparison of the main consolidated statement of financial position figures as at 30 June 2020 with the figures as at 31 December 2019 (in thousands of Euro):

(thousands of Euros)	30 June 2020	31 December 2019	Change	Change %
Net operating working capital (a)	(1,390)	6,644	(8,034)	-120.9%
Other current assets/liabilities (b)	(12,400)	(18,852)	6,452	-34.2%
Net working capital	(13,790)	(12,208)	(1,582)	13.0%
Non-current assets – Medium/Long term provisions	269,163	277,873	(8,710)	-3.1%
of which right of use for IFRS 16	33,132	35,783	(2,651)	-7.4%
Net Invested capital	255,373	265,665	(10,292)	-3.9%
Shareholders' equity (B)	119,491	138,257	(18,766)	-13.6%
Net financial debt (d) (A)	135,882	127,408	8,474	6.7%
of which financial liabilities for IFRS 16	33,488	36,258	(2,770)	-7.6%
Net Invested capital (c)	255,373	265,665	(10,292)	-3.9%
Gearing [A/(A+B)]	53.2%	48.0%		
Debt/Equity (A/B)	113.7%	92.2%		

- (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 net 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 cashflow figures

The table below presents a comparison between the main consolidated cash flow figure as at 30 June 2020 and as at 30 June 2019 (in thousands of Euros):

(thousands of Euros)	30 June 2020	30 June 2019	Change
Cash flow generated (absorbed) by operations	24,234	24,435	(201)
Net cash flow generated (absorbed) by investments activities	(27,272)	(29,168)	1,896
Net cash flow generated (absorbed) by financing activities	1,384	9,549	(8,165)
Increase/(decrease) in cash and cash equivalents	(1,654)	4,816	(6,470)
Opening cash and cash equivalents	7,141	7,003	138
Effect of exchange rate fluctuations	1,486	39	1,447
Closing cash and cash equivalents	4,001	11,780	(7,779)

Company Information and Business performance

As regards the business performance, in the first half of 2020, the Servizi Italia Group recorded a consolidated turnover equal to Euro 117,943 thousand, down by 10.5% (-7.7% at the same consolidation scope) compared to the first semester of 2019.

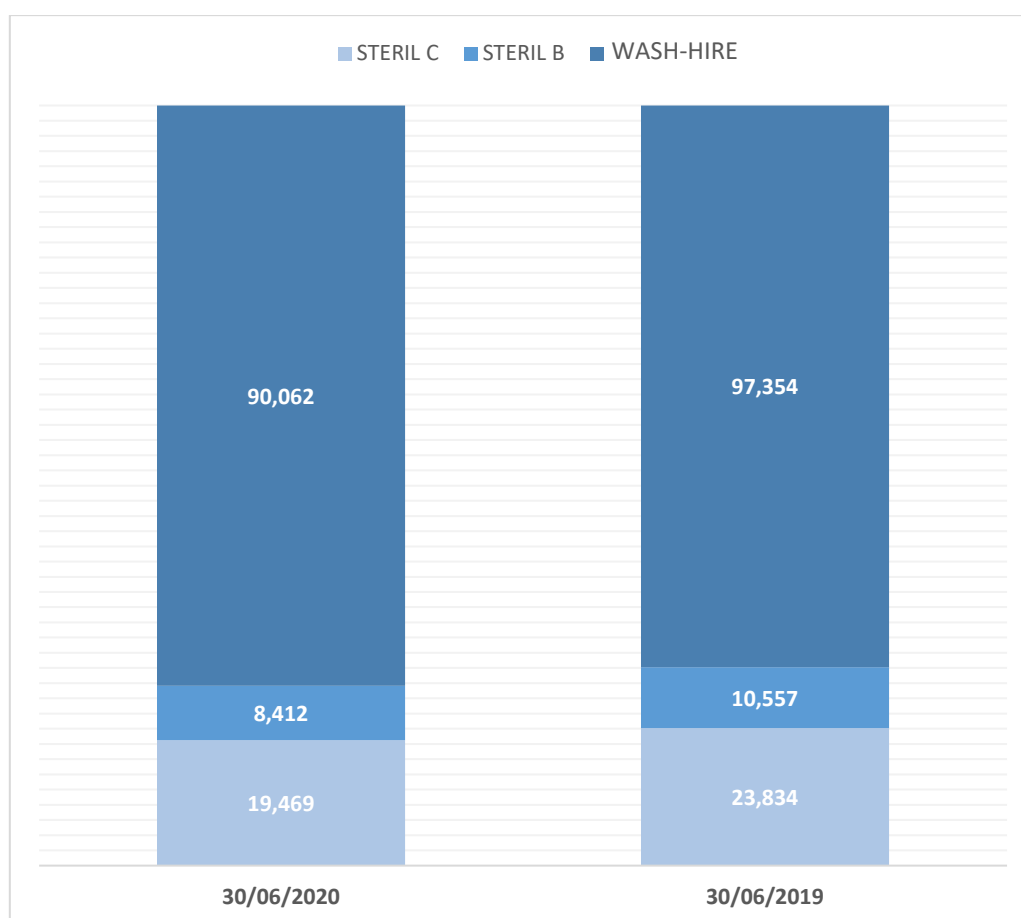
Please note the following as regards revenue from sales and services in the first half of 2020 and 2019:

- Revenues from **wash-hire services**, which in absolute terms represent 76.4% of the Group's revenues, pass from Euro 97,354 thousand in the first six months of 2019 to Euro 90,062 thousand in the first half of 2020 (-7.5%), only partially sustained by the excellent organic growth registered in Brazil and Turkey (however offset by a negative exchange rate variation) and by the acquisitions made during 2019 influencing the whole period (+3.3%). In Italy, the drop in revenues is due to lower revenues recorded by the Parent Company in Lazio, to the start of new contracts in Lombardia and Emilia-Romagna with prices on average lower than in the past, as well as to a significant decrease in revenues generated by hotel and restaurants sector starting from March 2020 (entirely due to the Covid-19 epidemiological emergency situation). Revenues in the Brazilian area are characterized by an organic growth in local currency of 3.8%, which has been offset by a negative exchange rate effect of 20.5% (depreciation of the Brazilian Real against Euro), which led to a negative variation for the period of 16.7%. Turkish revenues as well have registered a positive organic growth for the period (13.2%), however offset by a negative exchange effect of 12.6% (depreciation of the Turkish Lira against the Euro), which led to a net positive change in turnover of 0.7%;
- Revenues from **textile sterilization** (steril B), which in absolute terms represent 7.1% of the Group's revenues, decreased from Euro 10,557 thousand in the first six months of 2019 to Euro 8,412 thousand in the first semester of 2020, down by 20.3%. This segment is affected by the

effects of the current epidemiological situation in terms of lower volumes due to a reduction of surgical activities, in addition to the end of some contracts in Friuli Venezia Giulia and Lombardia together with the contraction of some supplies abroad.

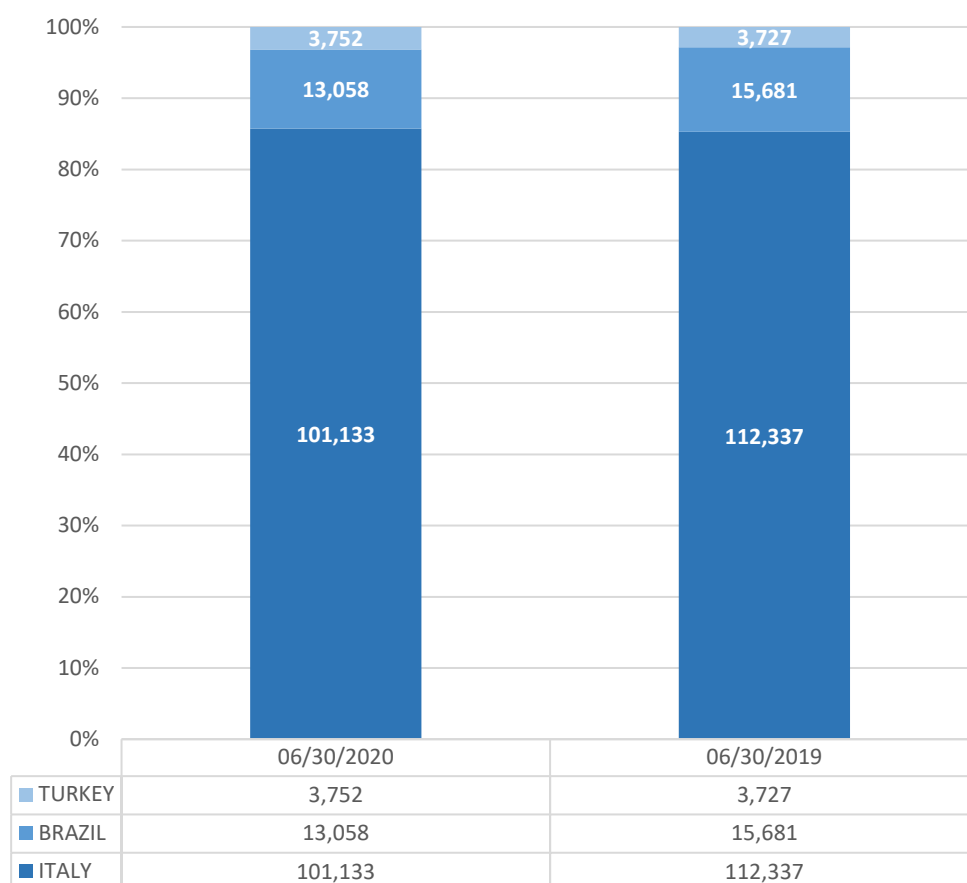
- Revenues from **surgical instruments sterilization** services (steril C), which in absolute terms represent 16.5% of the Group's revenues, pass from Euro 23,834 thousand in the first six months of 2019 to Euro 19,469 thousand in the first semester of 2020, down by 18.3%. In particular, it should be noted that this segment - although showing positive signs of recovery as early as June 2020, due to the gradual resumption of surgical activities - recorded a drop in revenues during the period, starting from March 2020, mainly because of the reduction of surgical operations due to Covid-19 emergency.

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



The table below shows revenues from sales and services of the Servizi Italia Group, broken down by geographical area, for the periods ending on 30 June 2020 and 2019:

(thousands of Euros)	30 June 2020	%	30 June 2019	%	Change %	Organic change %	Translation change %
Revenues - Italy	101,133	85.7%	112,337	85.3%	-10.0%	-12.8%	0.0%
Revenues - Turkey	3,752	3.2%	3,727	2.8%	0.7%	13.2%	-12.6%
Revenues - Brazil	13,058	11.1%	15,681	11.9%	-16.7%	3.8%	-20.5%
Revenues from sales	117,943	100.0%	131,745	100%	-10.5%	-10.1%	-2.8%



Consolidated EBITDA passed from Euro 34,068 thousand in the first six months of 2019 to Euro 27,466 thousand in the first semester of 2020. Despite the strong reduction of revenues of the period, the reduction of EBITDA margin has been limited, passing from 25.9% to 23.3% (23.6% at constant exchange rates and on a like-for-like basis). This data reflects, in particular, the positive performances of Brazil and Turkey, as well as the measures taken to contain operating and structural costs. However, there was a higher incidence of raw material costs compared to turnover (+0.9%), mainly due to the purchase of disposable devices and P.P.E. related to the Covid-19 emergency, and a higher incidence of costs for services (+1.3%), in particular due to a wider use of outsourcing of core services, i.e. external laundries and wardrobe services related to Covid-19 emergency. Personnel costs increased as percentage on turnover (+0.6%), despite a less recourse to temporary work and, for facing the Covid-19 emergency, a higher use of holidays, permits and wages guarantee funds (Italian acronym: CIG), which contributed to a 9% decrease in absolute terms of personnel costs. Despite the Covid-19 emergency, the excellent results of operating margins at an international level were confirmed in the

first half of 2020 both in Brazil (EBITDA margin 33.9%), which recorded a significant increase compared to the first half of 2019, and in Turkey (EBITDA margin 31.3%).

The operating result (**EBIT**) passed from Euro 6,217 thousand in the first half of 2019 (4.5% compared to turnover of the period) to Euro 233 thousand in the same period of 2020 (0.2% compared to the turnover of the period, or 0.4% at constant exchange rates and on a like-for-like basis), as a result of the trends already described in the comments on the change in EBITDA.

Financial management shew an increase in charges compared to the same period of the previous year due to exchange rate losses (Euro 482 thousand) mainly related to the depreciation of the Brazilian Real and the Turkish Lira against the Euro. It should also be noted that the results for the first half of the year were negatively impacted by the valuation according to equity method of some jointly controlled companies, whose results have been affected by the crisis related to the Covid-19 emergency and by high exchange rate losses due to the depreciation of relevant currencies (in particular Albanese Lek and Indian Rupee) against the Euro.

Taxes for the period were positive and amounted to Euro 1,492 thousand, mainly deriving from the recognition in the income statement of deferred tax assets on the tax loss for the period generated by Servizi Italia S.p.A., due to the cumulation of tax benefits deriving, in the Italian area, from the deduction of the so-called "super and hyper-depreciation", as provided for by the 2017 Budget Law (Law 232/2016).

The consolidated financial statements as at 30 June 2020 therefore close with a net loss of Euro 214 thousand, compared to a net profit of Euro 4,804 thousand in the same period of the previous year.

Transactions with parent companies and associates

Servizi Italia S.p.A.'s transactions with subsidiaries, associates, jointly controlled companies and parent companies mainly relate to: (i) dealings associated with commercial service agreements; (ii) financial dealings, represented by loans. These transactions are described in detail in the explanatory notes to the consolidated financial statements, paragraph 8.

It should also be noted that, following 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, last updated on 14 November 2018 and posted on Company's website.

Information on treasury shares and/or shareholdings in parent companies

On 28 April 2020, the Shareholders' Meeting renewed the authorization to purchase and dispose treasury shares, as proposed by the Board of Directors of Servizi Italia, after revoking the authorization dated 30 May 2019. The Board of Directors of Servizi Italia, in implementation of the resolution taken by the Shareholders' Meeting to authorize the purchase and disposal of treasury shares, has resolved to renew the buy-back program. Pursuant to article 144-bis of the Regulation adopted by Consob resolution no. 11971/99 ("Issuers' Regulation") and having regard to article 2 of

the EU Delegated Regulation 2016/1052 and Consob guidelines, details on buy-back program are provided below.

Target of the program: the buy-back program – in accordance with the resolution adopted today by the Shareholders' Meeting of the Company – is aimed at creating a stock of treasury shares to be used, if necessary, for extraordinary transactions and/or in case of exchange and/or sale of equity investments and, at the same time, represents an opportunity for efficient investment of Company's liquidity.

Maximum quantity of shares to be purchased and maximum countervalue: the maximum quantity of treasury shares to be purchased executing the program, in compliance with the Shareholders' Meeting authorization of 30 May 2019, is equal to a maximum of 6,361,890 ordinary shares of the Company (corresponding to the fifth part of the share capital), taking into consideration the shares already held by the Company from time to time. The maximum amount of money allocated for the execution of the program is estimated to be no more than Euro 15 million. The purchase may be made in several installments, in accordance with the above-mentioned authorization of the Shareholders' Meeting.

Duration of the program: the duration of the program identified by the Board of Directors is 29 April 2020 - 28 October 2021, included. It is recalled that: (i) the authorization to purchase treasury shares approved by today's Shareholders' Meeting has a duration of 18 months from the date of the resolution and will expire on 28 October 2021; while (ii) the authorization to dispose of treasury shares, even before the purchases are exhausted, was given by the Shareholders' Meeting without time limits.

Purchase method: in compliance with the Shareholders' Meeting authorization of 28 April 2020, the purchase of treasury shares will be carried out, through the intermediary INTERMONTE SIM S.p.A., on the MTA (Telematic Stock Market) according to the operating methods and price conditions set by the provisions of articles 3 and 4, paragraph 2, letter b) of the EU Delegated Regulation 2016/1052, and in compliance with the principle of equal treatment of shareholders and the guidelines adopted by the Supervisory Authority. In particular, the purchase price of each share must be, as a minimum, not less than 20% and, as a maximum, not more than 20% of the weighted average of the official prices of the shares recorded by Borsa Italiana on the MTA in the 3 days prior to each purchase transaction, being understood that it may not be higher than the highest price between the price of the last independent transaction and the price of the highest current independent purchase offer on the MTA, in compliance with the Shareholders' resolution of 28 April 2020 and any applicable regulations (including European regulations). In addition, the shares purchased in each session may not exceed 25% of the average daily volume of Servizi Italia S.p.A. shares traded on the MTA, calculated on the basis of the average daily trading volume in the 20 trading days prior to the date of purchase. As anticipated, the share purchase program will be coordinated by INTERMONTE SIM S.p.A., which will take also negotiating decisions regarding the timing of purchases, in full independence from the Company, always within the limits of what resolved by the Shareholders' Meeting. Any subsequent changes to the aforesaid schedule will be promptly communicated to the public. The Company will provide the public with information on purchases according the terms provided by current regulations.

As at 30 June 2020, following the transactions on the market regulated and managed by Borsa Italiana, the Company held n. 1,360,717 treasury shares, equal to 4.28% of the share capital.

On 3 August 2020, the Company announced that up to 31 July 2020, it had purchased on the regulated market managed by Borsa Italiana 1,403,610 treasury shares, equal to 4.41% of the share capital.

Significant events and transactions

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

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

On 15 April 2020, the minority shareholders of the Brazilian companies Maxlav Lavanderia Especializada S.A. and Vida Lavanderia Especializada S.A., which were already indirectly controlled by Servizi Italia through a 65.1% stake, exercised the put option to sell their 34.9% stake in the share capital of the two companies for a total consideration of Real 19,994 thousand (Euro 3,501 thousand at the exchange rate of 15 April 2020). Servizi Italia therefore, through SRI Empreendimentos and Participacoes LTDA., will hold 100% of the share capital of both companies.

On 28 April 2020, the Ordinary Shareholders' Meeting:

- approved the Parent Company's financial statements as at 31 December 2019 and the distribution of a gross unit dividend of Euro 0.14 per share, treasury shares in portfolio excluded; (ii) renewed the authorization to purchase and dispose treasury shares, according to what proposed by the Board of Directors, subject to revocation of the previous authorization (dated 20 April 2018) for anything not used;
- renewed the authorization to purchase and dispose treasury shares, as proposed by the Board of Directors. The resolution authorizes to purchase a maximum of 6,361,890 ordinary shares with a par value of Euro 1.00 each, corresponding to the fifth part of Company's share capital (taking into account the shares already held by the Company from time to time) for a period of 18 months from today's date, while the duration of the authorization relating to the disposal of treasury shares has no time limit;
- approved the remuneration policy of Servizi Italia S.p.A.;
- appointed the members of the Board of Statutory Auditors, who will remain in office until the Shareholders' Meeting called to approve the financial statements as at 31 December 2022, also determining their remuneration;

- resolved to integrate the Board of Directors by appointing the candidate proposed by the majority Shareholder Aurum S.p.A., Giovanni Manti, manager with strategic responsibilities. He will remain in office until the expiry of the current Board of Directors and, therefore, until the Shareholders' Meeting called to approve the financial statements as at 31 December 2020.

On 28 April 2020, the Board of Directors appointed Mr. Angelo Minotta as Financial Reporting Manager, in view of the additional positions of Deputy Chairman of the Board of Directors and member of the Executive Committee assigned to Ms. Ilaria Eugeni, who holds the role of CFO of the Company.

On 30 April 2020, Servizi Italia received the resignation with immediate effect of Director Paola Schwizer, who resigned as director of the Company due to the add up of professional commitments. It should be noted that the resigning director is not entitled to indemnities or other benefits resulting from the termination of the office and that at the date of resignation she holds no share in Servizi Italia S.p.A.

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

The Company, in line with the actions set out in the 2020-2022 sustainability plan (which considers the Group's activities and investments for one or more "SDGs" sustainable development objectives), on 18 May 2020 obtained the EPD (Environmental Product Declaration) certification for Washing and Sterilization Service of Drapes and Gowns in R.T.T. and, on 29 May 2020, the UNI CEI EN ISO 50001:2018 certification for the energy management system.

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

Customer	Description of service provided	Duration years	Contract value per year (Euro thousands)
Azienda ULSS 8 Berica*	Integrated management of anti-RX personal protective equipment	15 months	53
Rete Ferroviaria Italiana (Gruppo Ferrovie dello Stato)**	PPE washing services	2	111
A4 Autostrada S.p.A.**	Wash-hire and maintenance of high-visibility PPE	3	68
ARPAE Emilia Romagna*	Wash-hire services for staff clothes	3	130
ASST Spedali Civili di Brescia* (awarded as part of a temporary consortium)	Extension of sterilization service: construction of a sub-CSSD in Gardone Val Trompia and outsourcing of new specialties	4	654

Regione Sardegna – Lotto 1: ATS Sardegna** (awarded as part of a temporary consortium)	Wash-hire services	5	278
Regione Sardegna – Lotto 2: AO Brotzu e AOU Cagliari** (awarded as part of a temporary consortium)	Wash-hire services	5	91
Regione Sardegna – Lotto 3: AOU Sassari** (awarded as part of a temporary consortium)	Wash-hire services	5	80
ASST Milano Nord**	Wash-hire services	2,5	609
ASM Impianti e servizi ambientali S.p.A.**	Rental, washing, maintenance, logistics and management of uniforms and high visibility PPE	3	58
IRCCS “Burlo Garofalo”*	Surgical instruments sterilization services	1	210
INAIL per il Centro Protesi di Vigorso di Budrio (BO) e Centro Protesi di Roma*	Wash-hire services	4	120

* re-awarded

** new customer

Here are the contracts ending during the reference period:

Customer	Description of service provided	Contract value per year (Euro thousands)
ASST SS. Paolo e Carlo	Wash-hire services	2,321
Fondazione Maugeri	Wash-hire services	720
Ospedale di Suzzara (KOS)	Wash-hire services	58

Information about Covid-19

During the first semester of 2020, the Group's activities, which operate in strict compliance with the relevant regulations, were affected by the viral pandemic SARS-Cov-2 or Covid-19 (also known as Coronavirus), which had its first displays in Italy from February 2020 and in other countries where the Group operates from the beginning of March 2020.

The Group has promptly started to monitor the effects of the pandemic on its results and the related analyses are still ongoing. In the first semester of 2020, there were different impacts on Group's results, depending on the sector of reference and relative geographical area.

For what concerns the Group's activities in Italy, the following should be particularly noted:

- since the beginning of Coronavirus emergency, the wash-hire sector in healthcare has seen an increase in the reconditioning activities of certain categories of hospital textiles, with particular regard to the reconditioning of uniforms of healthcare workers, as well as a greater demand for equipment. These higher volumes compensated the lower demand for bed linen, since hospitals, in their strategy to contain the virus, reduced hospital accesses and interrupted outpatient services, thus causing a reduction in bed linen consumption. As of the date of this document, there has been a gradual recovery of ordinary healthcare services and hospitalisation;
- surgical instrument sterilization services have recorded an activity contraction, which is considered temporary. In fact, in this emergency, hospitals have generally adopted a strategy to reduce the number of scheduled surgical operations in operating theatres, confirming only emergency services. As of the date of this document, there has been a gradual recovery of ordinary healthcare services and therefore hospitalisation;
- wash-hire services for homecare and nursing homes have recorded a reduction in production volumes, connected to the number of deaths of elderly guests of residential facilities and a

temporary slowdown in access to the residential facilities. It is believed that the effect on business is temporary, since the service is considered defensive, essential and of public utility. It is therefore estimated that over the next few months there will be a gradual recovery in health and social services to fragile adults, who are partially or totally non-autonomous, in favour of day and night hospitality, personal care, surveillance, but also medical care, rehabilitation services and socialising activities;

- the wash-hire services for hotel and catering sector have recorded a contraction in sales volumes and, to date, Government's actions to incentive/sustain domestic and foreign tourism and therefore the recovery in the short term of the activities are not foreseeable. In this regard, it should be noted that the hotel and catering services represent a minority share of Servizi Italia's business;
- Government's provisions for the lockdown of production activities of industrial companies have led to a temporary contraction in the volume of laundry services for community and industry (Workwear). The effect on business is temporary since, at the present time, the gradual resumption of activities is being promoted, in compliance with the provisions of the law. In this regard, it should be noted that workwear laundry services represent a minority share of Servizi Italia's business.

The current health emergency represents an extraordinary and unpredictable event which alters the synallagma of some contracts, considered as essential. In support of these facts, it should be noted that the National Anti-Corruption Authority (Italian acronym: ANAC) expressed its opinion on "issues relating to contracts concerning integrated services for the rental, sanitization and sterilization of textile and medical devices used in hospital and outpatient facilities, both public and private, as a result of the health emergency situation" by means of resolution no. 540 dated 1 July 2020. The resolution took note of the "serious economic imbalance of the current contractual relationships concerning the provision of hospital wash-hire services determined by the current emergency situation", and establishes the "prerequisite to justify the use of a variant in progress for unforeseen and unforeseeable circumstances pursuant to Article 106, paragraph 1, letter c) of the Code of Public Contracts". These elements put the Group in a position to initiate discussions with customer administrations in order to define the conditions for the recovery of excess costs incurred during the period of crisis resulting from the pandemic.

In addition to Italy, the activities consolidated on a line-by-line basis by the Group concern laundry services for healthcare in Brazil and Turkey as well. In these countries, the Coronavirus emergency started to have effects some weeks later than in Italy. On the basis of the preliminary analysis carried out, it is estimated that the effects of the emergency on business volumes in these areas follow the same trend for hospital laundry services as in Italy. On the basis of the analyses carried out, it should be noted that in the Brazil area, despite the high virologic impact throughout the country, volumes did not fall significantly, thanks in part to the ability to primarily serve emergency facilities set up to deal with the epidemiological crisis, while in the Turkish area, volumes processed by industrial plants followed a trend indirectly proportional to the cases of Covid-19, recording a negative peak in April, but recovering from June on.

The mix of factors highlighted here above, in relation to how Coronavirus emergency impacted service demand trends, had a direct impact on productive and business support activities. In particular:

- The operations within laundries working with the healthcare sector increased, with changes in shifts, transfers of production activities among Group's operating sites having available production capacity, recourse to the outsourcing to qualified third parties of washing services;
- Changes in the provision and delivery of services at hospitals;
- Reduction of operations in CSSDs and laundries dedicated to activities other than healthcare, with a consequent need for targeted personnel management;
- Remote working in order to reduce travels and contacts for both management and employees, who had been previously trained in correct and safe use of hardware and software, also using holidays and days of leave, if possible;
- Increase in the procurement of goods and services to avoid the spread of contagion and protect the health and safety of personnel, with a substantial increase in costs for the purchase of personal protective equipment that will also impact the coming months (i.e. devices for access control) , as well as the environment and business continuity. In order to maintain the supply chain, measures have been taken to review contracts for the supply of goods and services in order to guarantee emergency services and contain costs and/or investments in response to the contraction in demand for services and production volumes.

In view of the fact that the services provided by the Group are considered essential, crucial and of public utility and therefore defensive with respect to the current epidemiological situation, the Group has implemented risk & project management and project control activities in order to (i) avoid the spread of contagion and protect the health and safety of its personnel and the environment, (ii) ensure business continuity, (iii) mitigate any possible negative impact on economic results coming from a drop in demand for certain types of services; (iv) have an updated mapping of risks, related impacts and mitigation actions in the various areas of Company organization, in line with the requirements of Risk Management and Internal Audit processes.

Moreover, management did not detect a worsening of the liquidity risk for the Group that, in the emergency phase, was able to manage its financial needs with the sole use of self-liquidating and short-term lines without resorting to new medium/long-term finance at worse conditions.

Significant events after the end of the half

With regard to the procedure launched by Veneto Region for the awarding of the wash-hire service of linen, mattresses and clothing for healthcare companies of the area, in the first ten days of July, the cases pending before the Italian State Council has been successfully concluded for Servizi Italia, resulting the winner of the tender. With regard to the above-mentioned tender, Servizi Italia has been awarded 5 lots relating to public healthcare facilities located in the Veneto Region, relating both to re-adjustments of customers already in portfolio and new awards. The contract, with a duration of 5 years, has a total value of approximately Euro 90.4 million for the entire period and includes the revision of service prices according to the ISTAT index.

On 30 July 2020, the Board of Directors of the Company appointed Mr. Andrea Gozzi, former Chief Operating Officer and Manager with strategic responsibilities, as General Manager, in order to enhance and strengthen the constant and profitable collaboration with the Executive Committee and top management functions.

Business outlook

The Group's activities are influenced by the general economic conditions and the epidemiological situation of the countries in which it operates. In relation to the impact of the crisis caused by the Covid-19 virus, the first economic effects appeared in March 2020 and, in response to these events, the Group re-adapted its strategy on the basis of the new medium/long-term guidelines, integrating it with the new post-Covid-19 corporate strategy, aligning objectives and targets to the new context. In addition to what has been described above regarding the effects of the Covid-19 viral epidemic, it should be noted that the Italian market for industrial laundries is experiencing a structural contraction related to certain critical issues specific to the healthcare services sector, such as the phenomenon of the awarding of contracts with downward economic offers, the effects of which have affected the Parent Company, with the failure to reconfirm contracts in portfolio and the awarding of contracts already in portfolio at lower prices than in the past. While maintaining forecasts of an overall positive operating margin in the foreseeable future, management will be affected in the medium term by a reduction in turnover in the domestic wash-hire sector and a reduction in operating margins which, in part, can be offset by the further development of the sectors with higher margins and by the following targets:

- modification of both commercial and operational strategy, according to the market context of the countries in which the Group operates;
- revision of technical and economic guidance, re-engineering and reorganization of the organizational model, thanks to the support of technologies and digitization of processes that allow the efficiency of operational activities and business support, and finally the use of institutes and legal instruments for personnel management (e.g. CIGO, Italian acronym for Ordinary Wages Guarantee Fund);
- implementation of appropriate measures to ensure business continuity, managing the epidemiological risk to ensure health, safety and working activities of employees, in compliance with the regulatory requirements of governments in the countries where the Group operates, protocols on safety in the workplace and internal operating procedures.

Moreover, the Group as a whole will be able to benefit from the effects of the internationalization strategy by consolidating the positive results achieved in the countries where it operates, particularly in Brazil and Turkey.

The Group has a solid financial position which, despite the period of crisis, allowed the Shareholders' Meeting of 28 April to approve the distribution of dividends to the shareholders, to face the period of crisis with a wide recourse to self-liquidating and short-term lines without resorting to new medium/long-term finance at worse conditions in terms of onerousness, which would have led to a future burden on financial management, and to maintain good creditworthiness with banking institutions.

Following the above considerations, the Group remains confident to be able to effectively manage both the effects of the current epidemiological crisis together and its future objectives.

Derivatives

As at 30 June 2020, the Group held no derivatives. Some companies of which there is no exclusive control, and which are therefore not consolidated line-by-line, have subscribed financial derivatives to hedge the risk of interest rate fluctuations on project financing loans, having considered the significant size of the financial commitments undertaken and the duration of more than ten years. The economic and equity effects of these derivative instruments are incorporated in the valuations of the equity investments in the companies that hold them.

Risk management information

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

- Risk governance and risk culture;
- Strategy and definition of risk targets;
- Risk analysis;
- Risk information, communication and reporting;
- Monitoring of the performance of the risk model.

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

1. Business objectives:

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

2. Governance objectives:

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

The Board of Directors, through the Manager of the internal control and risk management system and the Head of Internal Audit, has implemented special processes to identify the responsibilities for the control of the risk, to ensure the soundness and the continuity of the business in the long term. It has therefore acquired an internal control system aimed at controlling and monitoring the risks related to the activities carried out. This control system has been reflected in the internal regulations of the Group and the different companies subject to the coordination and control (as, for example, the Model 231/01, Code of Conduct, Group Policy).

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

1. **first level:** the operating units identify, assess, monitor, mitigate and report the risks deriving from the ordinary business activity, ensuring that operations are in line with the risk limits and targets assigned;

2. **second level:** the director in charge of the internal control system is responsible for the control of all categories of risk and must provide a clear representation to the Control and Risks Committee or to the Board of Directors of the risk profile of the Group and its soundness;
3. **third level:** the Internal Auditing function, which reports directly to the Board of Directors, assesses the suitability of the internal control system as a whole to ensure the effectiveness and efficiency of the processes, the safeguard of the assets of the company and the investors, the reliability and the integrity of the accounting and management data, the compliance with internal and external provisions and to the guidelines of the management.

For the performance of its activities, the Internal Auditing submits to the Board of Directors, a plan of the activities, which describes the audits planned in line with the risks associated to the activities aimed to the achievement of the business objectives.

The results of the activities carried out, every six months, are brought to the attention of the Board of Directors and the Board of Statutory Auditors, after review by the Control and Risks Committee; the areas of concern recognised during the audit are, instead, promptly reported to the business units in charge of the implementation of improvement initiatives.

The Servizi Italia Group, aware of its mission and corporate policy, pursue the objective of monitoring correctly the risks identified in all activities, which is an essential condition to preserve the trust of the stakeholders and to ensure the sustainability of the business over time.

The risk management process is common to all control functions, in line with the reference best practice; the different categories of risk are defined within the Group Risk Policy, which is updated at least once a year. The Risk Policy represent the Risk Appetite Framework (below, also “RAF”) of the Group, or, the key instrument with which the Board of Directors defines the propension to risk, the tolerance thresholds, the risk limits, the risk management policies and the framework of the corresponding organisational processes. The RAF, the Risk Policy and, therefore, the internal regulations on risk management also consider aspects related to the management of the risks of a social, environmental and economic nature (ESG), updated in order to include the aspects arising by the post Covid-19 framework, for which specific mitigation actions have been taken.

Information on proceedings in progress

Servizi Italia S.p.A. is currently involved in proceedings 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 then 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 at the proceedings currently underway. It should be noted that a director currently holding office in Servizi Italia is also involved in the above proceedings (as an executive body with spending powers in companies belonging to the Coopservice

Group), although this fact relates to another economic operator outside the Servizi Italia Group and belonging to the Coopservice Group. It should be noted that to date no precautionary or disqualification measures have been applied against the person referred to, and that the contracting authority has neither revoked the contract nor indicated that it intends to assess the possible revocation of the contract. The Company, having carried out the necessary checks and assessed the soundness of its defensive arguments on the one hand, and the vagueness and unreliability of the current estimate of the possible economic damage that could be caused to it, has not yet decided to make any provisions in the financial statements.

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 appropriately inform the Director in charge of the internal control system and (also through him) the Board of Directors.

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

The activities of the Servizi Italia Group are exposed to various types of risks, including changes in interest rates, credit, liquidity and cash flow risks. In order to minimize these risks, the Group has adopted control methods and timescales that allow Management to monitor this risk and to instruct the Board of Directors so that it can express its approval of all transactions that the Group undertakes with third-party lenders.

Other information

Pursuant to Art. 3 of Consob Resolution No. 18079 dated 20 January 2012, Servizi Italia S.p.A. decided to join the out-put regime set forth in Art. 70, Par. 8 and Art. 71, Par. 1 bis, of Consob Regulation No. 11971/99 (as amended), availing itself of the right to derogate from the obligation to publish the disclosures as set forth in Annex 3B of the afore-mentioned Consob Regulation at the time of significant merges, spin-offs, share capital increases through contributions in kind, acquisitions and transfers.

With reference to the changes made to the regulatory framework in 2016, Servizi Italia S.p.A. publishes the additional periodical information, meeting the obligations specified for the issuers listed in the STAR segment in Art. 2.2.3, Par. 3, of the Regulations for the Markets organised and managed by Borsa Italiana S.p.A. and in the notice No. 7578 issued by Borsa Italiana on 21 April 2016.

Human resources and industrial relations

The Servizi Italia Group's total employees, including those of the consolidated companies, were as follows as at 30 June 2020:

Company	Executives	Middle managers	White-collar staff	Blue-collar staff	Total
Servizi Italia S.p.A.	12	33	174	1,725	1,944
Steritek S.p.A.	-	-	19	-	19
Wash Service S.r.l.	-	-	7	46	53
Ekolav S.r.l.	-	-	8	50	58
Lavsim Higienização Têxtil S.A	1	12	47	359	419
Maxlav Lavanderia Especializada S.A.	3	1	11	427	442
Vida Lavanderias Especializada S.A.	0	1	3	153	157
Aqualav Serviços De Higienização Ltda	0	2	3	232	237
Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi	2	1	5	228	236
Ergülteks Temizlik Tekstil Ltd. Sti.	0	0	2	124	126
TOTAL	18	50	279	3,344	3,691

Industrial Relations

During the first half of 2020, the HR Department mainly focused its efforts to enable the continuation of production activities during the Covid 19 epidemiological emergency, in order to mitigate possible negative effects on the provision of services to customers and ensure business continuity.

In particular, the activities concerned:

- the monitoring of regulatory developments about travel bans, implementing appropriate measures to prevent the spread of contagion;
- analysis of the impact of the emergency on resources and work organisation in order to assess changes at production level and activate the tools provided by legislation and collective bargaining to deal with them.
- activation of social shock absorbers for the production sites affected by a decrease in activities due to the emergency in progress.

In this context, the dialogue between the Company, trade unions and workers' representatives continued, with the aim of seeking shared solutions to respond to the market and to the epidemiological situation.

During the first months of the year, the HR Manager took part to the negotiations for renewing the national collective bargaining agreement for the category, which expired in March 2019, but activities have been since March 2020 due to the epidemiological emergency and not restarted yet.

Training and development

In the first half of 2020, in accordance with the provisions of the Annual Training Plan, the training activities carried were focused on guaranteeing the constant up-dating of all the staff, supporting the professional development of junior employees and strengthening the skills of those with roles of responsibility, aware that training represents strategic leverage for the growth of the company and

the development of new business ventures. Training focused on the following areas: (i) management training specified in the individual development plans; (ii) professional technique and technical systems; (iii) health and safety on the workplace, with specific updates on Covid-19 risks, environment and quality; (iv) certification systems and regulations in general.

Servizi Italia and the financial markets

The Company shares have been traded in the STAR segment of the Borsa Italiana S.p.A. screen-based stock market (MTA) since 22 June 2009. The main share and stock exchange data as at 30 June 2020 is disclosed below along with share volume and price trends:

(thousands of Euros)	30 June 2020
No. of shares making up the share capital	31,809,451
Price at IPO: 04 April 2007	8.50
Price as at 30 June 2019	2.32
Maximum price during the period	3.22
Minimum price during the period	1.95
Average price during the period	2.55
Volumes traded during the period	14,471,018
Average volumes during the period	114,849

Share volumes and prices as at 30 June 2020



During 2020, the Investor Relations Team attended the Virtual STAR Conference in Milan (26 May 2020) and made several individual and group calls with analysts and investors.

The Group, in addition to the research study of the Specialist Intermonte SIM, has entrusted Midcap Partners (Appointed rep by Louis Capital Markets UK, LLP).

It should be noted that, although the Consolidated Shareholders' Equity of the Servizi Italia Group is higher than the market capitalization as at 30 June 2020, it is not considered as an indicator of impairment, also in consideration of the results of the impairment tests carried out as at 31 December

2019 and reconfirmed by the qualitative and sensitivity analyses formulated by management following the Covid-19 emergency.

The Chairman of the Board of Directors
(Roberto Olivi)

HALF-YEAR CONDENSED FINANCIAL STATEMENTS OF THE SERVIZI ITALIA GROUP AS AT 30 JUNE 2020

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>(thousands of Euros)</i>	Notes	30 June 2020	<i>of which with related parties (Note 8)</i>	31 December 2019	<i>of which with related parties (Note 8)</i>
ASSETS					
Non-current assets					
Property, plant and equipment	6.1	169,788	23,633	175,575	24,307
Intangible assets	6.2	5,828	-	5,901	-
Goodwill	6.3	67,322	-	71,025	-
Equity-accounted investments	6.4	24,538	-	25,372	-
Equity investments in other companies		3,322	-	3,677	-
Financial receivables		6,841	4,158	6,577	4,000
Deferred tax assets	6.5	6,694	-	4,960	-
Other assets		4,446	-	5,821	-
Total non-current assets		288,779		298,908	
Current assets					
Inventories		7,174	-	6,882	-
Trade receivables	6.6	70,536	8,289	72,126	8,403
Current tax assets		2,059	-	2,085	-
Financial receivables		6,579	5,595	8,310	5,936
Other assets	6.7	10,124	-	9,604	-
Cash and cash equivalents		4,001	-	7,141	-
Total current assets		100,473		106,148	
TOTAL ASSETS		389,252		405,056	
SHAREHOLDERS' EQUITY AND LIABILITIES					
Group shareholders' equity					
Share capital		30,449	-	30,935	-
Other reserves and retained earnings		86,828	-	94,728	-
Net profit of the period		(300)	-	8,990	-
Total shareholders' equity attributable to shareholders of the parent		116,977		134,653	
Total shareholders' equity attributable to non-controlling interests		2,514		3,604	
TOTAL SHAREHOLDERS' EQUITY	6.8	119,491		138,257	
LIABILITIES					
Non-current liabilities					
Due to banks and other lenders	6.9	57,661	22,534	68,558	23,749
Deferred tax liabilities	6.10	2,419	-	2,408	-
Employee benefits	6.11	9,782	-	10,321	-
Provisions for risks and charges	6.12	4,019	-	4,429	-
Other financial liabilities	6.14	3,396	-	3,877	-
Total non-current liabilities		77,277		89,593	
Current liabilities					
Due to banks and other lenders	6.9	88,801	1,455	74,301	1,105
Trade payables	6.13	79,100	9,602	72,364	8,203
Current tax liabilities		234	-	191	-
Other financial liabilities	6.14	3,145	1,560	9,269	2,460
Provisions for risks and charges	6.12	1,363	-	1,453	-
Other liabilities	6.15	19,841	-	19,628	-
Total current liabilities		192,484		177,206	
TOTAL LIABILITIES		269,761		266,799	
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		389,252		405,056	

CONSOLIDATED INCOME STATEMENT

(thousands of Euros)	Notes	30 June 2020	of which with related parties (Note 8)	30 June 2019	of which with related parties (Note 8)
Revenues from sales	7.1	117,943	6,700	131,745	7,895
Other income		2,501	572	2,244	211
Raw materials and consumables	7.2	(13,290)	(80)	(13,725)	(5)
Costs for services	7.3	(37,303)	(7,729)	(39,995)	(9,260)
Personnel expenses	7.4	(41,443)	(2,263)	(45,537)	(2,695)
Other costs		(942)	(14)	(664)	(11)
Depreciation/amortization and provisions	7.5	(27,233)	(976)	(27,851)	(925)
Operating profit (loss)		233		6,217	
Financial income	7.6	1,003	403	958	296
Financial expenses	7.6	(2,866)	(712)	(2,703)	(705)
Income/(Expense) from equity investments		1,052	-	211	-
Revaluation/impairment of equity-accounted investments	6.4	(914)	-	493	-
Profit (Loss) before taxes		(1,492)		5,176	
Income taxes	7.7	1,278		(372)	
Profit (Loss) of the period		(214)		4,804	
of which: Share pertaining to the Shareholders of the Parent Company		(300)		4,570	
Share pertaining to the minority shareholders		86		234	
Base earnings/(losses) per share (Euro per share)	7.8	(0.01)		0.15	
Diluted earnings/(losses) per share (Euro per share)	7.8	(0.01)		0.15	

COMPREHENSIVE CONSOLIDATED INCOME STATEMENT

(thousands of Euros)	30 June 2020	30 June 2019
Profit (Loss) of the period	(214)	4,804
<i>Other comprehensive income that will not be reclassified to the Income Statement</i>		
Actuarial gains (losses) on defined benefit plans	-	-
Income taxes on other comprehensive income	-	-
<i>Other comprehensive income that may be reclassified to the Income Statement</i>		
Gains (losses) from translation of foreign financial statements	(12,300)	(396)
Portion of comprehensive income of the investments measured using the equity method	(288)	(935)
Income taxes on other comprehensive income	-	-
Total other comprehensive income after taxes	(12,588)	(1,331)
Total comprehensive income for the period	(12,802)	3,473
of which: Attributable to shareholders of the parent	(12,873)	3,312
Attributable to non-controlling interests	71	161

CONSOLIDATED STATEMENT OF CASHFLOW

<i>(thousands of Euros)</i>	Notes	as at 30 June 2020	<i>of which with related parties (Note 8)</i>	as at 30 June 2019	<i>of which with related parties (Note 8)</i>
<i>Generated (absorbed) cash flow from operating activities</i>					
Profit (loss) before taxes		(1,493)	-	5,178	-
Current taxes payment		(153)	-	(116)	-
Depreciation	7.5	26,701	-	27,516	-
Impairment and provisions	7.5	532	-	335	-
Gain/losses on equity investments	6.4	(138)	-	(704)	-
Capital gains/(losses) from divestment		(542)	-	(318)	-
Interest and expense income	7.6	1,863	-	1,745	-
Received interest incomes		558	-	327	-
Paid interest expenses		(1,161)	-	(1,035)	-
Paid interest on lease liabilities		(1,128)	(712)	(994)	(705)
Provisions for employee benefits	6.11	(195)	-	600	-
		24,844		32,534	
(Increase)/Decrease in inventories		(706)	-	(490)	-
(Increase)/Decrease in trade receivables	6.6	(2,998)	115	(7,684)	(851)
(Increase)/Decrease in trade payables	6.13	9,756	1,399	6,816	889
(Increase)/Decrease in other assets and liabilities		(6,320)	(900)	(6,521)	-
Settlement of employee benefits	6.11	(341)	-	(220)	-
Generated (Absorbed) cash flow from operating activities		24,235		24,435	
<i>Generated (Absorbed) cashflow net of investing activities in:</i>					
Intangible assets	6.2	(621)	-	(663)	-
Property, plant and equipment	6.1	(27,871)	-	(26,909)	-
Dividends received		122	-	211	-
Acquisitions		-	-	(1,377)	-
Equity investments	6.4	1,098	-	(430)	-
Generated (Absorbed) cashflow net of investment activities		(27,272)		(29,168)	
<i>Generated (Absorbed) cashflow from investment activities in:</i>					
Financial receivables		1,392	183	(276)	(309)
Dividends paid	6.8	(4,738)	-	(5,152)	-
Purchase of treasury shares	6.8	(1,226)	-	(499)	-
Share capital increase (minority shareholders)		-	-	524	-
Short-term liabilities due to banks and other lenders	6.9	17,750	-	10,580	-
Long-term liabilities due to banks and other lenders	6.9	(9,912)	-	5,756	-
Reimbursement of leasing liabilities		(1,882)	(699)	(1,384)	(635)
Generated (Absorbed) cashflow from financing activities		1,384		9,549	
Increase/(Decrease) in cash and cash equivalents		(1,654)		4,816	
Cash and cash equivalents at the beginning of the period		7,141		7,003	
Effect of exchange rates on cash and cash equivalents		1,486		39	
Cash and cash equivalents at the end of the period		4,001		11,780	
Increase/(Decrease) in cash and cash equivalents		(1,654)		4,816	

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

<i>(thousands of Euros)</i>	Share Capital	Share premium reserve	Legal reserve	Retained earnings	Translation reserve	Profit (loss) of the period	Reserves and profit (loss) of non-controlling interests	Total Shareholders' Equity
Balance as at 1 January 2019	31,430	52,258	5,366	50,804	(15,383)	11,600	2,163	138,238
Allocation of profit from the previous year	-	-	561	6,031	-	(6,592)	-	-
Distribution of dividends	-	-	-	-	-	(5,008)	(144)	(5,152)
Share capital increase in controlled companies	-	-	-	-	-	-	1,028	1,028
Put-option on minority shares	-	-	-	(860)	-	-	-	(860)
Change in consolidation scope	-	-	-	-	-	-	181	181
Treasury share transactions	(133)	(366)	-	-	-	-	-	(499)
Profit (loss) for the period	-	-	-	-	-	4,570	234	4,804
Other items of comprehensive income	-	-	-	(935)	(323)	-	(73)	(1,331)
Balance as at 30 June 2019	31,297	51,892	5,927	55,040	(15,706)	4,570	3,389	136,409

<i>(thousands of Euros)</i>	Share Capital	Share premium reserve	Legal reserve	Retained earnings	Translation reserve	Profit (loss) of the period	Reserves and profit (loss) of non-controlling interests	Total Shareholders' Equity
Balance as at 1 January 2020	30,935	51,198	6,618	54,204	(17,292)	8,990	3,604	138,257
Allocation of profit from the previous year	-	-	-	4,710	-	(4,710)	-	-
Distribution of dividends	-	-	-	-	-	(4,280)	(458)	(4,738)
Acquisition of third party shares	-	-	-	703	-	-	(703)	-
Share capital increase in controlled companies	-	-	-	-	-	-	-	-
Put-option on minority shares	-	-	-	-	-	-	-	-
Change in consolidation scope	-	-	-	-	-	-	-	-
Treasury share transactions	(486)	(740)	-	-	-	-	-	(1,226)
Profit (loss) for the period	-	-	-	-	-	(300)	86	(214)
Other items of comprehensive income	-	-	-	(288)	(12,285)	-	(15)	(12,588)
Balance as at 30 June 2020	30,449	50,458	6,618	59,329	(29,577)	(300)	2,514	119,491

EXPLANATORY NOTES

1 Introduction

The condensed consolidated half-year financial statements as at 30 June 2020 of the Servizi Italia Group, which have undergone a limited audit, have been prepared in accordance with art. 154-ter of Legislative Decree 58/1999 and subsequent amendments and additions, as well as in compliance with the "International Financial Reporting Standards - IFRS" issued by the International Accounting Standards Board (IASB), on the basis of the text published in the Official Journal of the European Communities (O.J.E.C.). These half-yearly financial statements have been prepared in "condensed" form in accordance with IAS 34, therefore they do not include all the information normally included in annual financial statements and must therefore be read together with the consolidated financial statements of the Group as at 31 December 2019.

The condensed consolidated half-year financial statements include the consolidated income statement, the comprehensive consolidated income statement, the consolidated statement of financial position, the consolidated statement of changes in shareholders' equity, the statement of cashflow and the explanatory notes, in accordance with IFRS requirements.

The condensed consolidated half-year financial statements have been prepared in accordance with the IFRS issued by the International Accounting Standards Board and approved by the European Union at the time of preparation of these financial statements. The term IFRS also includes all the revised international accounting standards (IAS) and all the interpretations of the International (IFRS) Interpretations Committee (IFRIC), previously known as the Standing Interpretations Committee (SIC).

Covid-19 disclosure in relation to accounting effects

The health emergency caused by Covid-19 is a relevant event within the meaning of paragraph 15 of IAS 34 and the Group analyzed it in detail, with reference to the recommendations issued by Italian and European regulators (Consob, Esma, Iosco).

Considering the current situation, business public utility and the multi-year nature of contracts, management has not identified elements classifiable as indicators of impairment with particular reference to the item "Goodwill". In order to measure the exposure to the risk of non-recoverability of financial statement items subject to impairment testing, a test and sensitivity analysis have been performed in relation to the results of the impairment test presented in the annual financial statements as at 31 December 2019, which confirmed the conclusions already reached at that time, which indicated the complete recoverability of the values present in the assets.

As it stands, there is no significant impact on other financial statement elements related to Covid-19, with special reference to the most relevant estimates for the Group.

For this reason, Company's management has assessed that, despite the difficult economic and financial context, there are no uncertainties about Company's continuity and there is no financial, management

or operational indicator that could suggest critical issues regarding the Group's ability to meet its obligations in the foreseeable future and in particular in the next 12 months.

IFRS accounting standards, amendments and interpretations applicable from 1 January 2020

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

- On 31 October 2018, the IASB published the document “**Definition of Material (Amendments to IAS 1 and IAS 8)**”. The document introduced an amendment to the definition of “relevant” contained in IAS 1 – *Presentation of Financial Statements* and IAS 8 – *Accounting Policies, Changes in Accounting Estimates and Errors*. The task of this amendment is to clarify the definition of “relevant” and introduce the concept of “*obscured information*” alongside the concepts of omitted or incorrect information already present in the two principles being amended. The amendment clarifies that information is “*obscured*” when it is described in such a way as to produce an effect similar to the effect that omitted or incorrect information would have produced. The adoption of this amendment had no effect on Group's consolidated financial statements.
- On 29 March 2018, the IASB published an amendment to “**References to the Conceptual framework in IFRS Standards**”. The amendment is applicable beginning 1 January 2020 or later, with early application allowed. The *Conceptual framework* defines the fundamental concepts for financial reporting and guides the development of the IFRS standards. The document helps to guarantee standards are conceptually consistent and that similar transactions are treated the same way, in order to provide useful information to investors, financiers and other creditors. The *Conceptual Framework* supports the companies in developing accounting principles when no other IFRS standard is applicable to a particular transaction and, more generally, helps stakeholders to understand and interpret the Standards.
- On 26 September 2019, the IASB published the amendment called “**Amendments to IFRS 9, IAS 39 and IFRS 7: Interest rate benchmark reform**”. This modifies the IFRS 9 – *Financial Instruments* and IAS 39 – *Financial instruments: recognition and Measurement*, as well as IFRS 7 – *Financial Instruments: Disclosures*. In particular, the amendment modifies some requirements needed for applying the *hedge accounting*, providing temporary exceptions, in order to mitigate the impact coming from the uncertainty of the IBOR reform (still in progress) on future cashflows in the period before its completion. The amendment also introduces the obligation for companies to provide in their financial statements additional information about the hedging relations that are directly affected by the uncertainties surrounding the reform and to which the above waivers apply. The adoption of this amendment had no effect on Group's consolidated financial statements.
- On 22 October 2018, the IAS published the document “**Definition of a Business (Amendments to IFRS 3)**”. The document provides certain clarifications on the definition of a business for the purposes of the proper application of IFRS 3. Specifically, the new definition highlights that while a business normally produces an output, having an output does not mean to have necessarily a business, if there is an integrated set of activities/processes and assets. However, in order to satisfy the definition of a business, an integrated set of activities/processes and assets shall include, at the very least, an input and a substantive process which, together, make a significant contribution towards the ability to create outputs. Accordingly, the IASB has replaced the term “ability to create outputs” with “ability to contribute towards the creation of

outputs” in order to clarify that a business may exist even without the presence of all of the inputs and processes necessary to create an output.

The amendment also introduced a concentration test, which is optional for the entity, for use in determining if a set of activities/processes and assets acquired is not a business. If the test produces a positive result, the set of activities/processes and tests acquired is not a business and the standard does not require any further tests. If the test produces a negative result, the entity shall perform further analysis of the activities/processes and assets acquired in order to identify the presence of a business. For this purpose, the amendment has added numerous illustrative examples to IFRS 3 in order to provide an understanding of the practice application of the new definition of business in specific circumstances. The amendments apply to all business combinations and asset acquisitions after 1 January 2020, but early application is permitted. The adoption of this amendment had no effect on Group's consolidated financial statements.

IFRS and IFRIC accounting standards, amendments and interpretations endorsed by the European Union, not yet mandatory and not adopted in advance by the Group as at 30 June 2020

As at 30 June 2020, no IFRS and IFRIC accounting standards, amendments and interpretations endorsed by the European Union but not yet mandatory have been issued.

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

At the reference date of these consolidated financial statements, the competent bodies of the European Union have not yet concluded the endorsement process needed for the adoption of the amendments and standards described below.

- In 23 January 2020, the IASB published an amendment called “***Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current***”, whose main objective is to determine whether payables and other liabilities with uncertain settlement date should be classified as current or non-current in the statement of financial position. Amendments are getting into force on 1 January 2022, but the IASB has issued an exposure draft in order to postpone their entry into force to 1 January 2023; however, early application is allowed. Directors do not expect a significant effect on the consolidated financial statements of the Group from the adoption of this amendment.
- On 14 May 2020, the IASB has issued the following amendments:
 - *Amendments to IFRS 3 Business Combinations*: the purpose of the amendments is to update the reference in IFRS 3 to the revised version of the Conceptual Framework, without changing the provisions of IFRS 3.
 - *Amendments to IAS 16 Property, Plant and Equipment*: the amendments introduce the impossibility of reducing the cost of property, plant and equipment by the amount received from the sale of products while the asset is being prepared for its intended use. These sales, on the other hand, must be recorded in the income statement under income, as well as associated costs.
 - *Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets*: the amendment clarifies that in estimating the possible onerousness of a contract, all costs

directly attributable to the contract must be considered. Consequently, the estimate of the possible onerousness of a contract includes not only incremental costs (such as, for example, the cost of the direct material used in processing), but also all costs that the enterprise cannot avoid because it has entered into the contract (such as, for example, the share of personnel costs and depreciation of the machinery used to fulfil the contract).

- *Annual Improvements 2018-2020*: the amendments were made to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and to the Illustrative Examples of IFRS 16 Leases.

All amendments are getting into force from 1 January 2022. Directors do not expect a significant effect on the consolidated financial statements of the Group from the adoption of this amendment.

- On 28 May 2020, the IASB issued an amendment called “***Covid-19 Related Rent Concessions (Amendment to IFRS 16)***.” The document gives the lessees the possibility to account the reductions in rents connected with Covid-19 without having to assess, through the analysis of the contracts, whether the definition of lease amendments of IFRS 16 is respected. Therefore, lessors may account for such benefits that reduce lease payments directly in the income statement on the effective date of the reduction. Although this amendment is applicable to financial statements beginning on 1 June 2020, except for the possibility of early application by a company whose financial statements begin on 1 January 2020, it has not yet been endorsed by the European Union and therefore has not been applied by the Group as at 30 June 2020. Directors do not expect a significant effect on the consolidated financial statements of the Group from the adoption of this amendment.
- On 28 May 2020, the IASB issued an amendment called “*Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)*”. The amendments allow to extend to 1 January 2023 the temporary exemption from the application of IFRS 9. These amendments are getting into force on 1 January 2021. Directors do not expect a significant effect on the consolidated financial statements of the Group from the adoption of this amendment.

1.1 Core business

The Group mainly operates on the Italian market, in the State of Sao Paulo (Brazil), Albania, India, Morocco and Turkey, providing integrated services for the rental, washing and sterilization of textiles and surgical instruments for public and private social welfare, hotel and hospital facilities. In particular, the services provided by the Company are articulated in: wash-hire services, which include (i) planning and provision of integrated hire, reconditioning (disinfection, washing, finishing and packaging) and logistics (pick-up and distribution to usage centres) services for textile items, mattresses and accessories (pillowcases, curtains), (ii) rental and washing of high visibility “118” emergency service items and (iii) logistics, transport and management of hospital linen storage facilities; linen sterilisation services, which include the planning and rental of sterile medical devices for operating theatres (linens for operating theatres and scrubs) packed in sets for the operating theatre, in cotton or in re-usable technical fabric, as well as personal protection equipment (gloves, masks); and surgical instrument

sterilisation services, which include (i) planning and provision of washing, packaging and sterilisation services for surgical instruments (owned or rented) and accessories for operating theatres and (ii) planning, installation and renovation of sterilisation centres.

2 The Company as part of a group

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

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.c.p.a. In fact, Servizi Italia S.p.A. operates under conditions of corporate and entrepreneurial autonomy in commercial dealings with its customers and suppliers and independently defines its industrial plans and/or budgets. Furthermore, Servizi Italia S.p.A. - in compliance with the provisions of Italian Law No. 262 dated 28 December 2005 - has adopted all the necessary measures which permit it not to be subject to management and co-ordination activities.

3 Consolidation principles and accounting standards

3.1 Consolidation principles

The half-year condensed consolidated financial statements as at 30 June 2020 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.

Investments in associates and jointly controlled companies (joint ventures) are measured using the equity method, while jointly controlled assets (joint operations) are recorded by recognising the portion of the assets and liabilities, costs and revenues that pertain thereto, directly into the financial statements of the company that is party to the agreements.

The financial statements consolidated line-by-line drafted as at 30 June 2020 are those appropriately prepared and approved by the administrative bodies, and have been adjusted as required to bring them into line with the accounting standards of Servizi Italia S.p.A.

The consolidation criteria are the same as those applied in the Group's consolidated financial statements as at 31 December 2019.

3.2 Consolidation scope

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

<i>(Thousand)</i>	Registered Office	Currency	Share Capital as at 30 June 2020	Percent share-holding as at 30 June 2020	Percent share-holding as at 31 December 2019
San Martino 2000 S.c.r.l.	Genoa - Italy	EUR	10	60%	60%
Steritek S.p.A.	Malagnino (CR) - Italy	EUR	134	70%	70%

Ankateks Turizm infaat Tekstil Temizleme Sanayi Ve Ergülteks Temizlik Tekstil Ltd. Sti.**	Ankara - Turkey	TRY	20,000	55%	55%
SRI Empreendimentos e Participacoes LTDA	São Paulo - Brazil	BRL	204,598	100%	100%
Lavsim Higienização Têxtil S.A.*	São Roque São Paulo - Brazil	BRL	9,280	100%	100%
Maxlav Lavanderia Especializada S.A.*	Jaguariúna, São Paulo - Brazil	BRL	2,825	65.1%	65.1%
Vida Lavanderias Especializada S.A.*	Santana de Parnaíba, São Paulo - Brazil	BRL	3,600	65.1%	65.1%
Aqualav Serviços De Higienização Ltda*	Vila Idalina, Poá, São Paulo - Brazil	BRL	15,400	100%	100%
Ekolav S.r.l.	Lastra a Signa (FI) - Italy	EUR	100	100%	100%
Wash Service S.r.l.	Castellina di Soragna (Parma) - Italy	EUR	10	90%	90%

*Held through SRI Empreendimentos e Participações Ltda

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

On 25 March 2020, the Junta Comercial do Estado Do Amazonas has approved the process of extinction, with retroactive effect from 20 February 2020, of the company SIA Lavanderia S.A. in liquidation, initially approved by the Company's shareholders' meeting. Therefore, as from the above date, the company is extinguished and consequently excluded from the Group's scope of consolidation.

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

(Thousand)	Registered office	Currency	Share capital as at 30 June 2020	Percent interest as at 30 June 2020	Percent interest as at 31 December 2019
CO.SE.S S.c.r.l. in liquidazione	Perugia - Italy	EUR	10	25%	25%
PSIS S.r.l.	Padua - Italy	EUR	10,000	50%	50%
AMG S.r.l.	Busca (CN) - Italy	EUR	100	50%	50%
Steril Piemonte S.c.r.l.	Turin - Italy	EUR	4,000	50%	50%
Iniziativa Produttive Piemontesi S.r.l.	Turin - Italy	EUR	2,500	37.63%	37.63%
Piemonte Servizi Sanitari S.c.r.l.	Turin - Italy	EUR	10	30% ⁽¹⁾	30% (*)
Finanza & Progetti S.p.A.	Padua - Italy	EUR	550	50%	50%
Arezzo Servizi S.c.r.l.	Arezzo - Italy	EUR	10	50%	50%
Brixia S.r.l.	Milan - Italy	EUR	10	23%	23%
Saniservice Sh.p.k.	Tirana - Albania	LEK	2,746	30%	30%
Shubhram Hospital Solutions Private Limited	New Delhi - India	INR	317,219	51%	51%
SAS Sterilizasyon Servisleri A.Ş.	Istanbul - Turkey	TRY	10,342	51%	51%
Servizi Sanitari Integrati Marocco S.a.r.l.	Casablanca - Morocco	MAD	122	51%	51%
IDS MED Servizi Pte. Limited	Singapore - Singapore	SGD	1,000	30%	30%
StirApp S.r.l.	Modena - Italy	EUR	208	25%	25%
Sanitary cleaning Sh.p.k.	Tirana - Albania	LEK	2,799	40%	40%

⁽¹⁾ Indirect 15.05% interest through Iniziativa Produttive Piemontesi S.r.l.

The following conversion rates in Euro were used for the consolidation of those companies that prepare financial statements in currencies other than the functional currency used in the consolidated financial statements of the Servizi Italia Group:

Currency	Average exchange rate as at 30 June 2020	Final exchange rate as at 30 June 2020	Average exchange rate as at 30 June 2019	Final exchange rate as at 31 December 2019
Brazilian Real (R\$)	5.4104	6.1118	4.3417	4.5157
Turkish Lira (TL)	7.1492	7.6761	6.3562	6.6843
Albanese Lek (Lek)	123.6233	124.0900	123.88	122.0500
Indian Rupee (INR)	81.7046	84.6235	79.124	80.1870
Moroccan Dhiram (MAD)	10.7586	10.8740	10.847	10.7810
Singapore Dollar (SGD)	1.5411	1.5648	1.5356	1.5111

3.3 Accounting standards and basis of preparation

The accounting standards and basis of preparation, reported in the introduction to the Notes to the financial statements, are the same as those used to prepare the consolidated financial statements as at 31 December 2019, which should be referred to for a description, with the exception of the IFRS standards, amendments and interpretations applied for the first time as at 1 January 2020 and described, together with the effects on the half-year condensed consolidated financial statements, in the introduction to these Notes.

The half-year condensed consolidated financial statements as at 30 June 2020 has been drafted on the basis of the going concern assumption.

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

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

The principal internal and external risks to which the Group is exposed are described in the directors' report accompanying the separate financial statements as at 31 December 2019. A description of market risks and the relative hedging policies is provided below.

4.1 Type of risks hedged

Exchange rate risk

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

The exchange rate risk assessment policy weighs the risk of currency fluctuations against the size and time distribution of the cash flows expressed in foreign currency and against the cost of possible hedging transactions. The valuations carried out, considering that no capital inflows from abroad are expected in the short term, have led to the conclusion that it is advisable not to activate currency risk hedging operations.

Credit risk

Credit risk is constantly monitored through the periodic elaboration of past due situations, which are submitted to the analysis of the Group's financial structure. The Group has also adopted procedures for recovering problem loans and avails itself of the assistance of lawyers in case of litigation.

Since customers are predominantly public companies, the risk of non-collection is deemed low. However, these customers have extended payment times which depend on loans received by Local Health Units and hospitals from the Regions. Currently, the average days sales outstanding are 102.

The trade receivables shown in the financial statements are adjusted by the expected losses according to a model that refers to a loss expected over the entire life of the trade receivables in compliance with the simplified approach provided by IFRS 9. The expected loss rates applied are substantially in line with those indicated in the consolidated financial statements as at 31 December 2019.

Liquidity risk

To correctly manage liquidity risk, an adequate level of cash and cash equivalents must be maintained. Considering the predominantly public nature of the Group's customers and the average collection times, cash and cash equivalents are obtained primarily from accounts receivable financing and, to a lesser extent, from medium-term, unsecured credit lines. The Group also uses factoring without recourse.

Interest rate risk

The Company's net financial debt comprises short-term payables which, as at 30 June 2020, represent approximately 61% of its debt at an average annual rate, in relation to short-term bank debt, of around 0.50%. In relation to the global financial crisis, the Group is monitoring the market and regularly assessing the opportunity to carry out hedging transactions to limit the negative impact of future interest rate changes on the income statement. The table below shows the effect that would be generated by a 0.5% increase or decrease in rates (in thousands of Euros).

(thousands of Euros)	0.5% rate increase		0.5% rate decrease	
	30 June 2020	31 December 2019	30 June 2020	31 December 2019
Financial receivables	+29	+65	(29)	(65)
Financial payables	+310	+619	(310)	(619)
Factoring of receivables	+216	+423	(216)	(423)

4.2 Fair value information

Financial assets and financial liabilities are recognized at amortised cost. 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.

Most of these investments cannot be freely transferred to third parties as they are subject to rules and agreements that effectively prevent their free movement. Investments in other companies are measured at fair value when there is an active market for securities representing such investments. Gains or losses resulting from changes in fair value are recognized directly in the income statement. In the absence of an active market, which is the case for all equity investments held by the Company as at 30 June 2020, equity investments in other companies are valued at purchase or founding cost, adjusted if necessary, for impairment or capital repayments, as the best estimate of fair value.

The Group does not hold financial instruments measured at fair value and therefore no classification based on input quality is provided.

5 Segment reporting

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

- *Wash hire*: this includes (i) planning and provision of integrated hire, reconditioning (disinfection, washing, finishing and packaging) and logistics (pick-up and distribution to usage centres) services for textile items, mattresses and accessories (pillowcases, curtains), (ii) rental and washing of high visibility "118" emergency service items and (iii) logistics, transport and management of hospital linen storage facilities;
- *Linen sterilisation (Steril B)*: this includes the planning and rental of sterile medical devices for operating theatres (linens for operating theatres and scrubs) packed in kits for the operating theatre, in cotton or in re-usable technical fabric, as well as personal protection equipment;
- *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, the Servizi Italia Group:

- operates in the Italian territory, with the exception of Brazilian (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) and Turkish (Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi and Ergülteks Temizlik Tekstil Ltd. Sti) companies.
- mostly offers the same types of services in each geographical area in Italy and abroad.

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

The Servizi Italia Group considers the breakdown by business area to be more significant. The core business areas are identified based on how the Group is managed, how management responsibilities are attributed and how business reporting is analysed by the management.

(thousands of Euros)	Half-year ended as at 30 June 2020			
	Wash-hire	Steril B	Steril C	Total
Revenues from sales and services	90,062	8,412	19,469	117,943
Other income	1,366	112	1,023	2,501
Raw materials and materials	(8,502)	(2,955)	(1,833)	(13,290)
Costs for services	(29,194)	(2,082)	(6,027)	(37,303)
Personnel expense	(31,021)	(2,665)	(7,757)	(41,443)
Other costs	(846)	(26)	(70)	(942)
EBITDA^(a)	21,865	796	4,805	27,466
Depreciation, amortisation and impairment	(22,996)	(1,198)	(3,039)	(27,233)
Operating profit (EBIT)	(1,131)	(402)	1,766	233
Financial income and expense and income and expense from equity investments in other companies				(1,725)
Profit before tax				(1,492)
Taxes				1,278
Profit (loss) for the year				(214)
Of which portion attributable to shareholders of the parent				(300)
Of which portion attributable to non-controlling interests				86

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

(thousands of Euros)	Half-year ended as at 30 June 2019			
	Wash-hire	Steril B	Steril C	Total
Revenues from sales and services	97,354	10,557	23,834	131,745
Other income	1,139	155	950	2,244
Raw materials and materials	(7,921)	(3,740)	(2,064)	(13,725)
Costs for services	(31,594)	(2,213)	(6,188)	(39,995)
Personnel expense	(33,645)	(2,946)	(8,946)	(45,537)
Other costs	(558)	(23)	(83)	(664)
EBITDA^(a)	24,775	1,790	7,503	34,068
Depreciation, amortisation and impairment	(23,690)	(1,094)	(3,067)	(27,851)
Operating profit (EBIT)	1,085	696	4,436	6,217
Financial income and expense and income and expense from equity investments in other companies				(1,041)
Profit before tax				5,176
Taxes				(372)
Profit (loss) for the year				4,804
Of which portion attributable to shareholders of the parent				4,570
Of which portion attributable to non-controlling interests				234

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

Revenues from **wash-hire services**, which in absolute terms represent 76.4% of the Group's revenues, passed from Euro 97,354 thousand in the first six months of 2019 to Euro 90,062 thousand in 2020, down by 7.5%, even if partly sustained by acquisitions made in 2019 (+3.3%) and by the excellent growth in Brazil and Turkey which, however, has been offset by a 3.8% negative exchange rate leading to a 7.0% organic decrease. Despite the strong reduction in revenues in the period, the reduction in the EBITDA margin was limited; in fact, wash-hire shew an EBITDA margin of 24.3% and an EBIT margin of -1.3%, compared to 25.4% and 1.1% respectively in the same period of the previous year. This margin contraction has been influenced by the effects of the drop in sales of the segment in Italy, as already described in the section on the operating performance, as well as by the economic effects of Covid-19 emergency, which led to a reduction in margins due to a change in the production mix of reconditioned linen requested by customers. This unpredictable and sudden change led to a considerable increase in the consumption of packed linen and mattresses (activities with lower productivity and higher use of labour) and a decrease in consumption of flat linen, characterized, on the contrary, by a standardized and therefore more efficient production process. The immediate effects of the change, connected to the need to continue to provide a service of public utility and therefore indispensable, have limited the possibility of containing production costs.

Revenues from **textile sterilization services (steril B)**, which in absolute terms represent 7.1% of the Group's revenues, went from Euro 10,557 thousand in the first six months of 2019 to Euro 8,412 thousand, with a decrease of 20.3%. This division is affected by the effects of the current epidemiological situation in terms of lower volumes due to the drop in surgical activities, in addition to the termination of some contracts in the Friuli Venezia Giulia and Lombardia and the contraction of some supplies to foreign countries. In terms of margins, linen sterilization shew an EBITDA margin of

9.5%, compared to 17.0% of the previous year, while the EBIT margin went from 6.6% to -4.8% mainly due to the decrease in turnover.

Revenues from **surgical instruments sterilization services (steril C)**, which in absolute terms represent 16.5% of the Group's revenues, passed from Euro 23,834 thousand in the first six months of 2019 to Euro 19,469 thousand in the first semester 2020, down by 18.3%. It should be noted in particular that the Steril C segment, while showing positive signs of recovery as early as June 2020 due to the gradual resumption of surgical activity, recorded a decline from March 2020 mainly due to the drastic reduction in surgery related to Covid-19 emergency.

In terms of margins, the line showed an EBITDA margin of 24.7%, compared to 31.5% of the previous year, while EBIT margin went from 18.6% to 9.1% mainly due to the drop in turnover recorded on the line, the non-proportional reduction in production costs related and the lack of absorption of fixed costs.

The following graph shows the breakdown of revenues by business segment.



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

(thousands of Euros)	30 June 2020			
	Wash-hire	Steril B	Steril C	Total
Total revenues from sales and services	90,062	8,412	19,469	117,943
Investments in property, plant and equipment and intangible assets	26,131	1,164	1,980	29,275
Depreciation of property, plant and equipment and amortisation of intangible assets	22,476	1,196	3,026	26,698
Net book value of property, plant and equipment and intangible assets	148,326	3,490	23,800	175,616

(thousands of Euros)	30 June 2019			
	Wash-hire	Steril B	Steril C	Total
Total revenues from sales and services	97,354	10,557	23,834	131,745
Investments in property, plant and equipment and intangible assets	31,049	1,235	978	33,262
Depreciation of property, plant and equipment and amortisation of intangible assets	23,389	1,114	3,014	27,517
Net book value of property, plant and equipment and intangible assets	145,600	3,852	26,897	176,349

5.1 Seasonality

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

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	43,234	154,548	34,648	66,743	152,812	5,713	457,698
Accumulated depreciation	(5,773)	(99,713)	(24,270)	(52,262)	(100,105)	-	(282,123)
Balance as at 1 January 2020	37,461	54,835	10,378	14,481	52,707	5,713	175,575
Translation differences	(663)	(3,832)	(441)	(201)	(2,398)	(286)	(7,821)
Increases	368	2,654	133	2,414	21,145	1,668	28,382
Decreases	(118)	(20)	-	(31)	(92)	(214)	(475)
Amortization	(1,717)	(4,325)	(1,026)	(2,669)	(16,181)	-	(25,918)
Write-downs (reinstatements)	5	1	-	(1)	40	-	45
Reclassifications	-	2,202	95	177	180	(2,654)	-
Balance as at 30 June 2020	35,336	51,515	9,139	14,170	55,401	4,227	169,788
Historical cost	42,714	153,418	34,104	68,859	167,524	4,227	470,846
Accumulated depreciation	(7,378)	(101,903)	(24,965)	(54,689)	(112,123)	-	(301,058)
Balance as at 30 June 2020	35,336	51,515	9,139	14,170	55,401	4,227	169,788

The item “Translation differences” refers to the exchange rates of Brazilian (SRI Empreendimentos e Participações L.t.d.a., Lavsím Higienização Têxtil S.A., Maxlav Lavanderia Especializada S.A., Vida Lavanderias Especializada S.A., Aqualav Serviços De Higienização Ltda) and Turkish (Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi e Ergülteks Temizlik Tekstil Ltd. Sti.) companies.

Increases in the first half of 2020 primarily refer to investments in linen (Euro 20,320 thousand included in the item Other assets), to ensure increasingly more efficient inventory management, both for the partial renewal of contracts and for the first supply relating to contracts acquired during the period under analysis. The increase is also attributable to the increased demand for linen as a result of the Covid-19 emergency.

The increase in the item “Land and Buildings” in the first half of 2020 of Euro 368 thousand mainly concerns the adjustment of the rights of use due to the indexation of the rents.

The increases in the item “Plant and machinery”, equal to Euro 2,654 thousand, mainly concern investments made in plants in Italy (Euro 2,478 thousand), Brazil (Euro 73 thousand) and Turkey (Euro 102 thousand). The item also includes reclassifications mainly relating to the Italian and Turkish areas for the commissioning of plant and machinery (Euro 2,202 thousand).

The item “Industrial and commercial equipment” recorded increases of Euro 2,414 thousand, of which Euro 1,480 thousand relating to the purchase of surgical instruments as first supply for tenders awarded and Euro 934 thousand for the purchase of industrial equipment.

The increases in the item “Assets under construction” relate to works on third party assets still under construction at the end of the first half of 2020 for Euro 1,668 thousand, mainly related to the installation of new washing lines. The increases by territorial area are divided for Euro 1,355 thousand in Italy, Euro 298 thousand in Brazil and Euro 15 thousand in Turkey.

Reclassifications show decreases of Euro 2,654 thousand mainly relating to the commissioning of a new washing plant by the Turkish companies Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve

Ticaret Ltd Şirketi for Euro 454 thousand and Ergülteks Temizlik Tekstil Ltd. Sti for Euro 165 thousand and the Brazilian company Maxlav Lavanderia Especializada S.A. for Euro 149 thousand.

The item “Asset under construction” refers to the investments under way at the end of the first half and is composed as follows:

<i>(thousands of Euros)</i>	as at 30 June 2020	as at 31 December 2019
Sterilization centres investments	1,439	1,239
Laundering facilities investments	1,299	890
Investments on contracts	962	2,117
Investments at Brazilian production sites	489	728
Investments at Italian production sites	38	739
Total	4,227	5,713

The investments in sterilization centres, equal to Euro 1,439 thousand, mainly concern the construction of a new CSSD at ASST Valle Olona for the hospital facilities of Busto Arsizio (Euro 1,099 thousand) and Tradate (Euro 156 thousand). The item “Laundering facilities investments” mainly includes the supply and upgrading of machinery and plants for washing lines (Euro 742 thousand). The investments for contracts are mainly related to the setting up of laundry traceability systems for various wardrobes (Euro 178 thousand), as well as the design for the redevelopment of the premises for tenders (Euro 204).

6.2 Intangible assets

This item changed as follows:

<i>(thousands of Euros)</i>	Trademarks, Software, Patents and Intellectual Property Rights	Customer contracts portfolio	Other intangible assets	Assets under construction and payments on account	Total
Historical cost	6,817	8,368	624	266	16,075
Accumulated depreciation	(5,261)	(4,788)	(125)	-	(10,174)
Balance as at 1 January 2020	1,556	3,580	499	266	5,901
Translation differences	(58)	-	(124)	(3)	(185)
Increases	328	-	547	17	892
Decreases	-	-	-	-	-
Amortization	(346)	(245)	(189)	-	(780)
Write-downs (reinstatements)	-	-	-	-	-
Reclassifications	110	-	-	(110)	-
Balance as at 30 June 2020	1,590	3,335	733	170	5,828
Historical cost	7,112	8,368	1,008	170	16,658
Accumulated depreciation	(5,522)	(5,033)	(275)	-	(10,830)
Balance as at 30 June 2020	1,590	3,335	733	170	5,828

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

Moreover, the increases in item “Trademarks, Software, Patents and Intellectual Property Rights” is mainly attributable to the Parent Company’s purchase of software licences.

6.3 Goodwill

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

Goodwill is allocated by geographical area as follows:

(thousands of Euros)	as at 31 December 2019	Increases/ (Decreases)	Translation differences	as at 30 June 2020
CGU Italy	51,668	-	-	51,668
CGU Turkey	10,248	-	(1,324)	8,924
CGU Brazil	9,109	-	(2,379)	6,730
Total	71,025	-	(3,703)	67,322

The change in the period is mainly coming from the translation into Euro of goodwill arising from the acquisitions in Brazil and Turkey.

With the exception of the portion of goodwill relating to the Steritek CGU (surgical instrument sterilization operating segment), all others identified goodwill are included in the wash-hire operating segment, as defined for the purposes of segment reporting required by IFRS 8.

It should be noted that management has carried out a qualitative and quantitative assessment based on the effects of Covid-19 in relation to the expected results for 2020 and concluded that these, with a view to gradual regression in the third quarter, will not have significant and lasting effects on the Group's prospective results, both because of the public utility function of the business and the long-term nature of the contracts in the portfolio. Therefore, no elements classifiable as indicators of impairment have been identified. Nevertheless, on the basis of the new assessment mentioned above and in relation to the results of the impairment tests presented in the annual financial statements as at 31 December 2019, an examination and a sensitivity analysis have been carried out and they confirmed the conclusions already reached at that time, which indicated the complete recoverability of the values present in the assets.

6.4 Equity-accounted investments

The value of equity-accounted investments changed as follows:

(thousands of Euros)	Change as at 30 June 2020					30 June 2020
	1 January 2020	Increases (Decreases)	OCI changes	Share of profit/loss	Translation differences	
Associates and jointly-controlled companies						
Saniservice Sh.p.k.	423	-	-	(399)	(5)	19
Finanza & Progetti S.p.A.	9,328	-	(288)	173	-	9,213
Brixia S.r.l.	2,737	-	-	(59)	-	2,678
Arezzo Servizi S.c.r.l.	5	-	-	-	-	5
CO.SE.S S.c.r.l. in liquidazione	4	-	-	-	-	4
PSIS S.r.l.	3,980	-	-	(26)	-	3,954
Steril Piemonte S.c.r.l.	1,973	-	-	-	-	1,973
AMG S.r.l.	2,339	-	-	59	-	2,398
Iniziativa Produttive Piemontesi S.r.l.	1,085	-	-	(16)	-	1,069
Piemonte Servizi Sanitari S.c.r.l.	3	-	-	-	-	3
Servizi Sanitari Integrati Marocco S.a.r.l.	120	-	-	21	(1)	140
SAS Sterilizasyon Servisleri A.Ş.	1,293	-	-	38	(172)	1,159
Shubhram Hospital Solutions Private Limited	(1,201)	188	-	(573)	80	(1,506)
Sanitary Cleaning Sh.p.k.	1,391	-	-	20	(23)	1,388
Idsmed Servizi Pte. Limited	171	-	-	(116)	(4)	51
StirApp S.r.l.	520	-	-	(36)	-	484
Total	24,171	188	(288)	(914)	(125)	23,032

of which recognized in provisions for risks and charges	(1,201)	188	-	(573)	80	(1,506)
of which recorded in equity-accounted investments	25,372	-	(288)	(341)	(205)	24,538

Share of profit/loss reflect the portion of profits and losses earned by investee companies during the period.

The negative item in OCI change (Euro 288 thousand) corresponds to the portion attributable to the Servizi Italia Group, within the scope of application of the equity method, of the change in the fair value of the hedging derivatives subscribed by the company Ospedal Grando S.p.A. (controlled by the jointly controlled company Finanza e Progetti S.p.A.).

It should be noted that the negative results recorded in the period by Saniservice Sh.p.k. for Euro 399 thousand and Shubhram Hospital Solutions Private Limited for Euro 573 thousand, are largely attributable to the depreciation of Albanese Lek and Indian Rupee against the Euro during the period, as well as the lower turnover recorded between the first and second half of the year in relation to the emergency situation deriving from Covid-19.

For the joint venture Shubhram Hospital Solutions Private Limited, the negative value of the equity investment, corresponding to the portion of the losses accrued in excess of the value initially recognised, was recognised among the provisions for risks and charges in view of the commitments taken with the Indian partner.

6.5 Deferred tax assets

The item changed as follows:

<i>(thousands of Euros)</i>	Share capital increase costs	Leasing contracts	Property, plant and equipment	Employee benefits	Previous tax losses	Other costs with deferred deductibility	Total
Deferred taxes as at 31 December 2019	15	201	914	182	2,798	850	4,960
Changes recognised in the income statement	(2)	60	(61)	-	1,879	(142)	1,734
Changes recognised under shareholders' equity	-	-	-	-	-	-	-
Changes recognised in other comprehensive income	-	-	-	-	-	-	-
Deferred taxes as at 30 June 2020	13	261	853	182	4,677	708	6,694

There are no deferred tax assets not recognised in the financial statements, as the temporary differences generated were considered recoverable in future years. The item "Previous tax losses" mainly refers to the Parent Company.

6.6 Trade receivables

The item is broken down as follows:

<i>(thousands of Euros)</i>	as at 30 June 2020	as at 31 December 2019
Due from third parties	66,751	68,033
Due from associates	3,577	3,926
Due from parent company	208	122
Receivables from companies under the control of the parent companies	-	45
Total	70,536	72,126

Trade receivables

The item is broken down as follows:

(thousands of Euros)	as at 30 June 2020	as at 31 December 2019
Trade receivables	73,415	74,322
Bad debt provisions	(6,664)	(6,289)
Total	66,751	68,033

The decrease in the item "Trade receivables" is partly coming from lower level of sales revenues and more transactions for selling receivables.

The Company took part in several transactions concerning the transfer of receivables as described here below:

- trade receivables were assigned without recourse to Credem Factor, for a total of Euro 23,912 thousand, in exchange for a consideration equal to Euro 23,857 thousand;
- trade receivables were assigned without recourse to Unicredit Factoring S.p.A. for a total of Euro 19,310 thousand, in exchange for a consideration equal to Euro 19,276 thousand.

The bad debt provision changed as follows:

(thousands of Euros)	Total
Balance as at 31 December 2019	6,289
Uses	(160)
Adjustments	-
Provisions	535
Balance as at 30 June 2020	6,664

6.7 Other assets - current

The item is broken down as follows:

(thousands of Euros)	as at 30 June 2020	as at 31 December 2019
Due from others	7,470	7,921
Prepayments	2,418	1,398
Guarantee deposits receivables	216	227
Accrued income	20	58
Total	10,124	9,604

The item "Due from others" is made up of the receivables of the subsidiary company San Martino 2000 S.c.r.l. from the consortium Servizi Ospedalieri S.p.A. in the amount of Euro 2,053 thousand, the VAT receivable for Euro 3,181 thousand (Euro 4,275 as at 31 December 2019) and, for the remaining part, mainly by advances and receivables toward welfare institutions, all collectable within the year. The item "Prepayments" increased primarily as a result of rentals and insurance premiums that were recognized at the beginning of the year. The item "Guarantee deposits" refers to energy utilities and rentals.

6.8 Shareholders' Equity

As at 30 June 2020, the fully subscribed and paid-up share capital of Servizi Italia S.p.A. is broken down into 31,809,451 ordinary shares with a nominal amount of Euro 1 each.

The Parent Company, throughout the first semester 2020, has purchased 486,506 treasury shares, equal to 1.53% of the share capital, with an average book value of Euro 2.52 per share, for a countervalue of Euro 1,227 thousand. Following these transactions, the Company held 1,360,717 treasury shares, equal to 4.28% of the share capital as at 30 June 2020. The value of the treasury shares held at 30 June 2020 of Euro 12,285 thousand was classified as a reduction in shareholders' equity. In addition, note should be taken of the negative impact, for Euro 12,285 thousand, on the translation reserves of the equity of the companies that prepare their financial statements in foreign currency and mainly as a result of the devaluation of the Brazilian Real and the Turkish Lira.

6.9 Due to banks and other lenders

The item is broken down as follows:

(thousands of Euros)	as at 30 June 2020			as at 31 December 2019		
	Current	Non-current	Total	Current	Non-current	Total
Liabilities to banks	84,520	27,297	111,817	69,994	35,593	105,587
Payables due to other lenders	4,281	30,364	34,645	4,307	32,965	37,272
Total	88,801	57,661	146,462	74,301	68,558	142,859

Bank borrowing

The portion of the payable falling due within 12 months relating to the item "Liabilities to banks" as at 30 June 2020 shew an increase of Euro 14,526 thousand compared to 31 December 2019, due to greater use of self-liquidating lines.

The portion of the payable falling due beyond 12 months relating to the item "Liabilities to banks" as at 30 June 2020 shew a decrease of Euro 8,296 thousand compared to 31 December 2019, due to the repayment of the portions of loans due during the year and the reclassification of the short-term instalments of loans due within the next 12 months.

Amounts due to banks are shown below by maturity:

(thousands of Euros)	as at 30 June 2020	as at 31 December 2019
Less than or equal to 6 months	70,781	54,573
6 to 12 months	13,739	15,422
1 to 5 years	27,293	35,568
More than 5 years	4	24
Total	111,817	105,587

Non-current amounts due to banks are broken down by maturity here below:

(thousands of Euros)	as at 30 June 2020	as at 31 December 2019
1 to 2 years	16,383	18,625
2 to 5 years	10,910	16,943
More than 5 years	4	25
Total	27,297	35,593

Some medium/long-term loans are subject to financial covenants based on data that can be inferred from the consolidated financial statements at the end of the financial year; no restrictions on compliance with financial covenants are envisaged as at 30 June 2020.

Payables due to other lenders

“Payables due to other lenders “as at 30 June 2020, for the current portion, mainly relate to the payable to Unicredit Factoring S.p.A. for Euro 426 thousand and to the payable contracted by the Turkish companies, in addition to financial payables relating to lease contracts in accordance with IFRS 16 applied from 1 January 2019 on, for Euro 3,400 thousand.

The non-current portion of the balance as at 30 June 2020 is attributable to the debt contracted by the Turkish subsidiary Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi in addition to payables related to lease contracts for Euro 30,088 thousand.

Payables to other lenders are broken down by maturity here below:

<i>(thousands of Euros)</i>	as at 30 June 2020	as at 31 December 2019
Less than or equal to 6 months	1,718	2,713
6 to 12 months	2,563	1,594
1 to 5 years	11,357	12,356
Over 5 years	19,007	20,609
Total	34,645	37,272

Non-current amounts due to other lenders are broken down by maturity here below:

<i>(thousands of Euros)</i>	as at 30 June 2020	as at 31 December 2019
1 to 2 years	3,513	3,858
2 to 5 years	7,844	8,498
Over 5 years	19,007	20,609
Total	30,364	32,965

6.10 Deferred tax liabilities

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

<i>(thousands of Euros)</i>	Leasing	Property, plant, equipment and intangible assets	Goodwill	Other	Total
Deferred tax liabilities as at 31 December 2019	-	789	1.594	25	2.408
Changes recognised in the income statement	-	(21)	25	7	11
Changes recognised under shareholders' equity	-	-	-	-	-
Changes recognised in other comprehensive income	-	-	-	-	-
Deferred taxes as at 30 June 2020	-	768	1.619	32	2.419

There are no unrecognised deferred taxes as the related payment is considered unlikely.

6.11 Employee benefits

The item changed as follows:

<i>(thousands of Euros)</i>	Total
Balance as at 1 January 2020	10,321
Provision	1,792
Financial expenses	15
Actuarial (gains)/losses	-
Transfers (to)/from other provisions (Uses)	(2,346)
Balance as at 30 June 2020	9,782

6.12 Provisions for risks and charges

The item changed as follows:

<i>(thousands of Euros)</i>	as at 30 June 2020	as at 31 December 2019
Opening balance	5,882	2,651
Provisions	813	3,286
Uses/resolutions	(662)	(8)
Translation differences	(651)	(47)
Closing balance	5,382	5,882

This includes the provision for the coverage of losses on equity investments for Euro 1,506 thousand, which refers to the equity investment in Shubhram Hospital Solutions Private Limited, and corresponds to the portion of the losses exceeding the value of the equity investment that will be covered in consideration of the commitments assumed with the local partner for the development of business in the Indian market.

“Uses” for the period mainly concern the partial reversal of the provision for onerous contracts (equal to Euro 2,173 thousand as at 30 June 2020), as result of estimates made by the parent Company in accordance with IAS 37 and concerning onerous contracts. The reversal, amounting to Euro 475 thousand, is aimed at offsetting the negative operating margins for the period estimated while drafting the consolidated financial statements as at 31 December 2019 in order to neutralize the impact of the reversal on Group's profitability. On the basis of projections made for provision estimation, a reabsorption of the amount set aside (equal to Euro 1,363 thousand) is expected within the next 12 months, given the average time of contracts analysed; therefore, it is reclassified under current liabilities, and the provision will be completely reabsorbed by 2025.

6.13 Trade payables

The item changed as follows:

<i>(thousands of Euros)</i>	as at 30 June 2020	as at 31 December 2019
Deposits	-	15
Due to suppliers	70,033	65,375
Due to associates	2,539	2,212
Due to parent company	5,308	4,625
Due to companies under the control of the parent companies	1,220	137
Total	79,100	72,364

Trade payables went from euro 72,364 thousand as at 30 June 2019 to Euro 79,100 thousand as at 30 June 2020 showing an increase of Euro 6,736 thousand. The increase is mainly due to more favourable payment extensions granted by suppliers in the first half of 2020.

6.14 Other financial liabilities

The item changed as follows:

<i>(thousands of Euros)</i>	30 June 2020	31 December 2019
Payables to Area S.r.l.	200	500
Put option payables of Steritek S.p.A.	1,821	1,814
Put option payables of Wash Service S.r.l.	881	874
Payables to Finanza e Progetti S.p.A.	1,560	2,460
Payables to Lavanderia Bolognini M&S S.r.l.	1,000	1,000

Payables to Wash Service S.r.l. shareholders	994	1,898
Deferred price Aqualav Serviços De Higienização L.t.d.a.	85	191
Put option payables for Maxlav Lavanderia Especializada S.A. and Vida Lavanderias Especializada S.A.	-	4,409
Total	6,541	13,146
of which non-current	3,145	3,877
of which current	3,396	9,269

The change in this item is mainly related to the payment of Euro 3,501 thousand (Real 19,994 thousand) for the exercise of the put option, made on 15 April 2020 by the minority shareholders of the Brazilian companies Maxlav Lavanderia Especializada S.A. and Vida Lavanderia Especializada S.A. respectively, which enabled the Parent Company to finalise the acquisition of the shares held by them equal to 34.9% of the share capital of the two companies. Therefore, following the transaction, Servizi Italia, through SRI Empreendimentos and Participacoes LTDA, now holds 100% of the share capital of both the two companies. During the period, payment was also made to the minority shareholders of Wash Service S.r.l. for the price instalments of 90% of the shares purchased in 2019 for Euro 904 thousand, as well as the payment in favour of Finanza e Progetti for Euro 900 thousand.

6.15 Other liabilities

The table below provides a breakdown of other current liabilities:

<i>(thousands of Euros)</i>	as at 30 June 2020	as at 31 December 2019
Accrued liabilities	129	135
Deferred income	50	55
Social security contributions	4,843	5,647
Due to employees	10,702	10,247
Employee/professional IRPEF (personal income tax) payable	1,590	2,546
Other payables	2,526	998
Total	19,840	19,628

Payables due to employees

The item “Due to employees” record a slight increase compared to 31 December 2019, passing from Euro 10,247 thousand as at 31 December 2019 to Euro 10,702 thousand as at 30 June 2020.

Payables due to social security and welfare institutions

Amounts due to social security and welfare institutions include contributions to INPS/INAIL/INPDAl (National Social Security Institution, Italian Institution for Insurance Against Workplace Accidents, National Welfare Institute for Industrial Managerial Employees), all falling due within 12 months.

6.16 Net financial debt

The Group’s net financial debt as at 30 June 2020, 31 December 2019 and 30 June 2019 is shown below:

<i>(thousands of Euros)</i>	as at 30 June 2020	as at 31 December 2019	as at 30 June 2019
Cash and cash equivalent in hand	147	44	47
Cash at bank	3,854	7,097	11,733
Cash and cash equivalents	4,001	7,141	11,780
Current financial receivables	6,579	8,310	9,674

Current liabilities to banks and other lenders	(88,801)	(74,301)	(74,700)
<i>of which financial liabilities for IFRS 16</i>	(3,400)	(3,707)	(3,603)
Current net financial debt	(82,222)	(65,991)	(65,026)
Non-current liabilities to banks and other lenders	(57,661)	(68,558)	(77,176)
<i>of which financial liabilities for IFRS 16</i>	(30,088)	(32,552)	(32,035)
Non-current net financial debt	(57,661)	(68,558)	(77,176)
Net financial debt	(135,882)	(127,408)	(130,422)

Please refer to the statement of cash flows for the description of the cash flow generated by operating, financing and investment activities and related effects on cash and cash equivalents.

The change in net financial debt as at 30 June 2020 compared to 31 December 2019 includes, among other things, the payment of dividends for Euro 4,280 thousand as well as the payment relating to the acquisition of minority interests in the Brazilian companies Maxlav Lavanderia Especializada S.A. and Vida Lavanderia Especializada S.A. for approximately Euro 3,501 thousand.

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

<i>(thousands of Euros)</i>	as at 30 June 2020	as at 31 December 2019	as at 30 June 2019
A. Cash	147	43	47
B. Other cash equivalents	3,854	7,097	11,733
C. Securities held for trading	-	-	-
D. Cash and cash equivalents (A)+(B)+(C)	4,001	7,140	11,780
E. Current financial receivables	6,579	8,310	9,674
F. Current bank borrowings	(66,073)	(41,291)	(36,990)
G. Current portion on non-current borrowings	(22,728)	(33,010)	(37,710)
<i>of which Financial Liabilities due to IFRS 16</i>	(3,400)	(3,707)	(3,603)
H. Other current financial payables	(3,145)	(9,269)	(5,569)
I. Current financial debt (F)+(G)+(H)	(91,945)	(83,570)	(80,269)
J. Current net financial debt (I)-(E)-(D)	(81,365)	(68,120)	(58,815)
K. Non-current bank borrowings	(57,661)	(68,558)	(77,176)
<i>of which Financial Liabilities due to IFRS 16</i>	(30,088)	(32,552)	(32,035)
L. Bonds issued	-	-	-
M. Other non-current payables	(3,396)	(3,876)	(6,956)
N. Non-current financial debt (K)+(L)+(M)	(61,057)	(72,434)	(84,132)
O. Net financial debt (J)+(N)	(142,422)	(140,554)	(142,947)

6.17 Financial guarantee contracts

The table below lists the guarantees given by the company, existing as at 30 June 2020 and 31 December 2019:

<i>(thousands of Euros)</i>	as at 30 June 2020	as at 31 December 2019
Guarantees issued by banks and insurance companies for tenders	71,041	73,353
Guarantees issued by banks and insurance companies for lease agreements and utilities	667	704
Guarantees issued by banks and insurance companies in favour of third parties	43,063	41,529
Owned assets held by third parties	107	76
Third party assets held at our facilities	-	-
Pledge on shares Asolo Hospital Service given as loan guarantee	66	464

Pledge on shares Sesamo given as loan guarantee	237	237
Pledge on shares Prog.Este given as loan guarantee	1,212	1,212
Pledge on shares Progeni given as loan guarantee	380	380
Pledge on shares Synchron given as loan guarantee	344	-
Pledge on quote Futura given as loan guarantee	89	89
Total	117,206	118,044

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

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

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

Mortgage loans on owned property: The Group has not granted liens on owned property and has no mortgage loans.

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

7 Income statement

7.1 Revenues from sales

The item is broken down as follows by business:

<i>(thousands of Euros)</i>	Half-year ended as at 30 June	
	2020	2019
Wash-hire	90,062	97,354
Steril B	8,412	10,557
Steril C	19,469	23,834
Revenues from sales	117,943	131,745

The item is broken down as follows by geographical area:

<i>(thousands of Euros)</i>	Half-year ended as at 30 June	
	2020	2019
Italy	101,133	112,337
Brazil	13,058	15,681
Turkey	3,752	3,727
Revenues from sales	117,943	131,745

7.2 Raw materials and consumables

As at 30 June 2020 consumption of raw materials was equal to Euro 13,290 thousand, down by Euro 435 thousand compared to the same period of the previous year. The consumption refers to washing products, chemical products, packaging, consumables and spare parts partly related to Ekolav S.r.l. and Wash Service S.r.l., which were not present in 2019 consolidation scope, as well as disposable materials and PPE for new customers and Covid-19 emergency.

7.3 Costs for services

The item is broken down as follows:

<i>(thousands of Euros)</i>	Half-year ended as at 30 June	
	2020	2019
External laundering and other industrial services	12,433	12,460
Travels and transports	6,769	7,461
Utilities	6,156	6,680
Administrative costs	1,381	1,232
Consortium and sales costs	3,771	3,900
Personnel expenses	992	1,682
Maintenance	3,736	3,857
Use of third-party assets	1,259	1,673
Other services	806	1,050
Total	37,303	39,995

The item "Cost of services" decreased by 6.7% compared to the same period of the previous year, equal to Euro 2,692 thousand, passing from Euro 39,995 thousand in the first semester 2019 to Euro 37,303 thousand in the first semester 2020.

Travel and transport costs showed a decrease equal to Euro 692 thousand compared to 30 June 2019. This decrease is mainly related to the Italian area, due to lower volumes recorded by the Parent Company in Lazio and to the decrease in transport costs on "hotel" line due to the reduction in volumes linked to Covid-19 emergency.

The costs related to utilities showed a decrease of Euro 524 thousand compared to 30 June 2019. This decrease comes from a reduction of volumes concerning surgical instruments sterilization and from the contraction of energy prices.

Personnel expenses pass from Euro 1,682 thousand as at 30 June 2019 to Euro 992 thousand as at 30 June 2020 and this was thanks to a larger and wider use of remote working following Covid-19 emergency.

It should be noted that the decrease in costs for use of third party assets, which fell from Euro 1,673 thousand as at 30 June 2019 to Euro 1,259 thousand as at 30 June 2020, mainly concerned rental of anti-decubitus mattresses linked to lower volumes registered by the Parent Company in Lazio.

7.4 Personnel expense

The item is broken down as follows:

(thousands of Euros)	Half-year ended as at 30 June	
	2020	2019
Costs for Directors' fees	712	999
Salaries and wages	28,548	31,374
Temporary work	596	1,059
Social security charges	9,656	10,149
Employee severance indemnity	1,809	1,792
Other costs	122	164
Total	41,443	45,537

The item "Personnel expense" passes from Euro 45,537 thousand as at 30 June 2019 to Euro 41,443 thousand as at 30 June 2020, down by Euro 4,094 thousand. The period has been affected by:

- a management of personnel costs aimed at dealing with the effects of the contingent epidemic emergency situation, especially in March, April and May 2020 and mainly through incentives to use holidays, permits and wage funds (CIG) granted for the emergency;
- the release, following his resignation on 7 January 2020, of the end-of-term treatment set aside in favour of the previous Chief Executive Officer for Euro 500 thousand;
- lower allocations related to the variable remuneration policy for the period.

It should also be noticed a decrease in item "Temporary work", which passes from Euro 1,059 thousand as at 30 June 2019 to Euro 596 thousand as at 30 June 2020, mainly relating to Arco di Trento productive plant.

The following table shows the average breakdown of personnel:

	Personnel as at 30 June	
	2020	2019
Executives	19	18
Middle managers	48	42
White-collar staff	281	276
Blue-collar staff	3,262	3,325
Total	3,610	3,661

7.5 Depreciation, amortization, write-downs, impairment and provisions

The item is broken down as follows:

(thousands of Euros)	Half-year ended as at 30 June	
	2020	2019
Amortisation of intangible assets	780	548
Depreciation of property, plant and equipment	25,918	26,968
Impairment and provisions	535	335
Total	27,233	27,851

The item "Amortization, depreciation and write-downs" shows a decrease of Euro 618 thousand compared to the same period of the previous year, passing from Euro 27,851 thousand in the first half of 2019 to Euro 27,233 thousand in the first half of 2020. It should be noted that part of the effect of the negative variation related to the item "depreciation of tangible fixed assets" is to be mainly attributed to the revision of the estimate of the useful life of some classes of linen of the Parent Company and San Martino 2000 S.c.r.l. (packed linen, mattresses and hotel linen) made starting from

the annual financial statements as at 31 December 2019, to which reference should be made for adequate information.

On the other side, the item "amortization of intangible fixed assets" registers an increase of Euro 232 thousand due to the stipulation of a non-competition agreement with the previous CEO and to new investments in traceability software.

7.6 Financial income and expense

Financial income is broken down as follows:

<i>(thousands of Euros)</i>	Half-year ended as at 30 June	
	2020	2019
Bank interest income	71	198
Default interest	580	315
Interest income on loans to third-party companies	309	338
Other financial income	43	107
Exchange rate gains	-	-
Total	1,003	958

Financial expenses are composed as follows:

<i>(thousands of Euros)</i>	Half-year ended as at 30 June	
	2020	2019
Interest expense and bank commission	(935)	(1,254)
Interest and expense to other lenders	(178)	(137)
Financial expense on employee benefits	(15)	(49)
Net exchange rate losses	(482)	(61)
Other financial expenses	(1,256)	(1,202)
Total	(2,866)	(2,703)

The increase in the item "Exchange rate losses" is substantially linked to the depreciation of both the Real and the Turkish Lira against the Euro recorded in Brazil for Euro 373 thousand, in Italy for Euro 69 thousand and in Turkey for Euro 40 thousand. The item "Interest expense and bank commission" shows a decrease of Euro 319 thousand due to a greater use of self-liquidating lines compared to the same period of the previous year and a lower weight of foreign financial charges due to the depreciation of local currencies against the Euro.

7.7 Current and deferred taxes

The item is composed as follows:

<i>(thousands of Euros)</i>	Half-year ended as at 30 June	
	2020	2019
Current taxes	673	967
Deferred tax (assets)/liabilities	(1,951)	(595)
Total	(1,278)	372

7.8 Earnings per share

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

<i>(thousands of Euros)</i>	Half-year ended as at 30 June	
	2020	2019
Profit/loss attributable to shareholders of the parent company	(300)	4,570

Average number of shares	30,629	31,330
Basic earnings (losses) per share	(0.01)	0.15

<i>(thousands of Euros)</i>	Half-year ended as at 30 June	
	2020	2019
Profit/loss for the year attributable to the Group:	(300)	4,570
Average number of shares outstanding	30,629	31,330
Number of shares with dilutive effect	-	-
Average number of shares used to calculate diluted EPS	30,629	31,330
Diluted earnings (losses) per share	(0.01)	0.15

8 Transactions with group companies and related parties

The transactions of Servizi Italia S.p.A. with 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 nothing but the accumulation of homogeneous transactions, carried out from the beginning of the financial year of reference, which cannot be qualified individually as being of greater importance, not even the set of transactions activated in the period of reference. The value shown on the balance sheet in the reference period is generated by the renewal of existing contracts or contracts activated in the same period.

During the six-month period ended on 30 June 2020, no new agreements with related parties, having significant impact on the financial reporting of Gruppo Servizi Italia, have been signed.

The following table shows the transactions with related parties of the Servizi Italia Group as at 30 June 2020:

<i>(thousands of Euros)</i>	30 June 2020							
	Sale of goods and services	Other income	Purchases of goods and services	Personnel expense	Purchases of property, plant and equipment and intangible assets	Other costs	Financial income	Financial expenses
Economic transactions								
Coopservice S.Coop.p.A. (parent company)	35	60	5,550	-	-	2	-	-
Aurum S.p.A. (parent company)	-	-	-	-	-	-	-	-
Arezzo Servizi S.c.r.l. (jointly controlled)	5	5	534	-	-	-	1	-
Consorzio Co.Se.S. (associate)	-	-	-	-	-	-	-	-
Psis S.r.l. (jointly controlled)	106	59	4	-	4	-	22	-
Amg S.r.l. (jointly controlled)	-	8	348	-	-	-	-	-
Steril Piemonte S.c.r.l. (jointly controlled)	8	140	562	-	-	-	-	-
Piemonte Servizi Sanitari S.c.r.l. (associate)	-	47	148	-	-	-	-	-
Iniziativa Produttive Piemontesi S.r.l. (associate)	10	-	199	-	-	-	-	-

SAS Sterilizasyon Servisleri A.Ş. (jointly controlled)	-	4	-	-	-	-	-	-
Shubhram Hospital Solutions Pvt Ltd (jointly controlled)	-	-	-	-	-	-	-	-
Sanitary cleaning Sh.p.k. (jointly controlled)	-	-	-	-	-	-	-	-
Saniservice Sh.p.k. (jointly controlled)	167	60	-	-	-	-	369	-
Servizi Sanitari Integrati Marocco S.a.r.l. (jointly controlled)	-	-	-	-	-	-	-	-
Finanza & Progetti S.p.A. (jointly controlled)	-	25	-	-	-	-	-	-
Brixia S.r.l. (associate)	1,916	-	24	-	-	-	-	-
IdsMed Serviziplus PTE LTD. (jointly controlled)	-	54	-	-	-	-	-	-
Focus S.p.A. (affiliated)	-	-	-	-	-	12	-	712
Archimede S.p.A. (affiliated)	-	-	-	272	-	-	-	-
New Fleur S.r.l. (affiliated)	30	110	426	-	-	-	-	-
Ospedal Grando S.p.A. (related party)	4,010	-	5	-	-	-	-	-
Akan & Ankateks JV (associate)	393	-	-	38	-	-	-	-
Akan (related party)	10	-	9	1	-	-	-	-
Nimetsu & Ankateks JV (associate)	-	-	-	-	-	-	-	-
Atala (related party)	10	-	-	-	-	-	-	-
Ankor (related party)	-	-	-	-	-	-	-	-
Ozdortler (related party)	-	-	-	-	-	-	-	-
Oguzalp Ergul (related party)	-	-	-	-	-	-	11	-
Feleknaz Demir (related party)	-	-	-	-	-	-	-	-
Volkan Akan (related party)	-	-	-	-	-	-	-	-
Fevzi Cenk Kiliç (related party)	-	-	-	-	-	-	-	-
Total	6,700	572	7,809	311	4	14	403	712

In addition to the above, in the economic relations with related parties, the item “Personnel expense” as at 30 June 2020 includes remuneration for directors of Euro 672 thousand (of which Euro 86 thousand for social security charges) and costs relating to managerial staff of Euro 1,280 thousand.

It should be noted that in relation to Focus S.p.A., the Group, in accordance with IFRS 16, represented the fees for the period (Euro 1,410 thousand) as amortisation of rights of use (Euro 976 thousand) and financial charges (Euro 712 thousand).

The following table shows the statements of financial positions with the companies of the Servizi Italia Group at 30 June 2020:

Statement of financial position	30 June 2020					
	Amount of trade receivables	Amount of trade payables	Amount of financial receivables	Amount of right of use	Amount of financial liabilities	Amount of other liabilities
Coopservice S.Coop.p.A. (parent company)	207	5,308	-	-	-	-
Aurum S.p.A. (parent company)	-	-	-	-	-	-
Arezzo Servizi S.c.r.l. (jointly controlled)	5	554	401	-	-	-
Consorzio Co.Se.S. (associate)	-	2	-	-	-	-
Psis S.r.l. (jointly controlled)	267	7	3,865	-	-	-
Amg S.r.l. (jointly controlled)	11	634	-	-	-	-
Steril Piemonte S.c.r.l. (jointly controlled)	206	805	-	-	-	-
Piemonte Servizi Sanitari S.c.r.l. (associate)	66	232	158	-	-	-
Iniziativa Produttive Piemontesi S.r.l. (associate)	15	292	90	-	-	-
SAS Sterilizasyon Servisleri A.Ş. (jointly controlled)	4	-	-	-	-	-
Shubhram Hospital Solutions Pvt Ltd (jointly controlled)	-	-	-	-	-	-
Sanitary cleaning Sh.p.k. (jointly controlled)	-	-	-	-	-	-
Saniservice Sh.p.k. (jointly controlled)	2,302	-	5,123	-	-	-
Servizi Sanitari Integrati Marocco S.a.r.l. (jointly controlled)	-	-	-	-	-	-
Finanza & Progetti S.p.A. (jointly controlled)	257	-	-	-	1,560	-

Brixia S.r.l. (associate)	1,203	14	-	-	-	-
IdsMed Serviziplus PTE LTD. (jointly controlled)	27	-	-	-	-	-
Focus S.p.A. (affiliated)	-	1,148	-	23,633	23,989	-
Archimede S.p.A. (affiliated)	-	69	-	-	-	-
New Fleur S.r.l. (affiliated)	381	539	-	-	-	-
Ospedal Grando S.p.A. (related party)	2,576	-	-	-	-	-
Akan & Ankateks JV (associate)	756	-	-	-	-	-
Akan (related party)	6	-	-	-	-	-
Nimetsu & Ankateks JV (associate)	-	-	-	-	-	-
Atala (related party)	-	-	-	-	-	-
Ankor (related party)	-	-	-	-	-	-
Ozdortler (related party)	-	-	-	-	-	-
Oguzalp Ergul (related party)	-	-	116	-	-	-
Feleknaz Demir (related party)	-	-	-	-	-	-
Volkan Akan (related party)	-	-	-	-	-	-
Fevzi Cenk Kiliç (related party)	-	-	-	-	-	-
Total	8,289	9,604	9,753	23,633	25,549	-

9 Company officers' fees

Economic transactions with Company officers as at 30 June 2020 are summarised below:

- Board of Directors: Euro 672 thousand (recognised as personnel expenses);
- Board of Statutory Auditors: Euro 38 thousand (recognised as costs for services).

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

No income from non-recurring transactions has been recorded during the half.

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

The Chairman of the Board of Directors

(Roberto Olivi)

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

Castellina di Soragna, 7 August 2020

1. In consideration of the provisions of Art. 154-bis, paragraphs 3 and 4 of Italian Legislative Decree No. 58 of 24 February 1998, the undersigned Roberto Olivi, in his capacity as Chairman of the Board of Directors, and Angelo Minotta, in his capacity as “Financial Reporting Manager” of Servizi Italia S.p.A., certify:

- the adequacy in relation to the characteristics of the business and
- the effective application of the administrative and accounting procedures for the preparation of the consolidated financial statements during period 1 January 2020 – 30 June 2020.

2. It is also hereby stated that:

2.1 the half-year condensed consolidated financial report:

- a) has 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.

2.2 The Directors’ report includes a reliable analysis of the references to important events that occurred in the first six months of the year and their impact on the condensed half-yearly financial statements, together with a description of the main risks and uncertainties for the remaining six months of the year. The report also includes a reliable analysis of information on significant transactions with related parties.

The Chairman of the Board of Directors

Roberto Olivi

The Financial Reporting Manager

Angelo Minotta

REPORT ON REVIEW OF THE HALF-YEARLY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

Introduction

We have reviewed the accompanying half-yearly condensed consolidated financial statements of Servizi Italia S.p.A. and subsidiaries (the "Servizi Italia Group"), which comprise the statement of financial position as of June 30, 2020 and the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the six month period then ended, and a summary of significant accounting policies and other explanatory notes. The Directors are responsible for the preparation of the half-yearly condensed consolidated financial statements in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on the half-yearly condensed consolidated financial statements based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying half-yearly condensed consolidated financial statements of Servizi Italia Group as at June 30, 2020 are not prepared, in all material respects, in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union.

DELOITTE & TOUCHE S.p.A.

Signed by
Domenico Farioli
Partner

Parma, Italy
August 7, 2020

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

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

Sede Legale: Via Tortona, 25 – 20144 Milano | Capitale Sociale: Euro 10.328.220,00 i.v.
Codice Fiscale/Registro delle Imprese Milano n. 03049560166 – R.E.A. Milano n. 172039 | Partita IVA IT 03049560166

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