

# 31 March 2017

## Interim Management Report



**Servizitalia**

**Headquarter: via San Pietro, 59/B**

**43019 Castellina di Soragna (PR) – ITALY**

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

**Tax code and Parma Business Register No: 08531760158**

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## 1 COMPANY OFFICERS AND CORPORATE INFORMATION

### Board of Directors (in office until approval of the Financial Statements as at 31 December 2017)

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

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

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

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

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

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

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

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

### Registered office and company information

Servizi Italia S.p.A. Via S. Pietro, 59/b – 43019 Castellina di Soragna (PR) – Italy  
Tel.+39 0524598511, Fax+39 0524598232, website: [www.si-servizitalia.com](http://www.si-servizitalia.com);  
Share Capital: € 31,809,451 fully paid-up  
Tax code and Parma Business Register No. 08531760158; Certified email: [si-servizitalia@postacert.cedacri.it](mailto:si-servizitalia@postacert.cedacri.it)  
Founded: 1986  
Stock market listing: Borsa Italiana S.p.A. Mercato Telematico Azionario (MTA, electronic stock market), STAR segment  
Ordinary Share ISIN: IT0003814537, BLOOMBERG: SRI IM, REUTERS: SRI.MI  
LEI Code: 815600C8F6D5ACBA9F86

### Investor Relations

Giovanni Manti – IR, Chiara Peterlini - IR assistant  
E-mail: [investor@si-servizitalia.com](mailto:investor@si-servizitalia.com) – Tel. +390524598511, Fax +390524598232

## 2 GROUP STRUCTURE

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

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

Company Name Parent Company and Subsidiaries	Registered Offices	Share capital	% interest
Servizi Italia S.p.A.	Castellina di Soragna (Parma) – Italy	EUR 31,809,451	Parent Company
SRI Empreendimentos e Participações Ltda	São Paulo (SP) – Brazil	R\$ 142,913,102	100%
Servizi Italia Medical S.r.l.	Spino D'Adda (CR) – Italy	EUR 200,000	100%
Se.Sa.Tre. S.c.r.l.	Genoa – Italy	EUR 20,000	60%
San Martino 2000 S.c.r.l.	Genoa - Italy	EUR 10,000	60%
Lavsim Higienização Têxtil S.A.	São Roque (SP) - Brazil	R\$ 550,000	100% <sup>(*)</sup>
Maxlav Lavanderia Especializada S.A.	Jaguariúna (SP) - Brazil	R\$ 2,825,060	50.1% <sup>(*)</sup>
Vida Lavanderias Especializada S.A.	Santana de Parnaíba (SP) - Brazil	R\$ 3,600,000	50.1% <sup>(*)</sup>
Aqualav Serviços De Higienização Ltda	Vila Idalina, Poá, Stato di San Paolo - Brazil	R\$ 15,400,000	100% <sup>(*)</sup>

(\*) Held through SRI Empreendimentos e Participações Ltda

Company Name Associates and Jointly-controlled Companies	Registered Offices	Share capital	% interest
Arezzo Servizi S.c.r.l.	Arezzo – Italy	EUR 10,000	50%
PSIS S.r.l.	Padua - Italy	EUR 10,000,000	50%
Ekolav S.r.l.	Lastra a Signa (FI) - Italy	EUR 100,000	50%
Steril Piemonte S.c.r.l.	Turin - Italy	EUR 4,000,000	50%
AMG S.r.l.	Busca (CN) - Italy	EUR 100,000	50%
Iniziative Produttive Piemontesi S.r.l.	Turin - Italy	EUR 2,500,000	37.625%
Piemonte Servizi Sanitari S.c.r.l.	Turin - Italy	EUR 10,000	30% <sup>(^)</sup>
SE.STE.RO. S.r.l. in liquidazione (**)	Castellina di Soragna (PR) - Italy	EUR 400,000	25%
CO.SE.S S.c.r.l.	Perugia - Italy	EUR 10,000	25%
SAS Sterilizasyon Servisleri A.Ş.	Istanbul - Turkey	TL 3,502,000	51%
Shubhram Hospital Solutions Private Limited	New Delhi - India	INR 270,171,720	51%
Ankateks Turizm Insaat Tekstil Ltd.	Ankara – Turkey	TRY 5,000,000	40%
Finanza & Progetti S.p.A.	Vicenza – Italy	EUR 550,000	50%
Brixia S.r.l.	Milano – Italy	EUR 10,000	23%

Saniservice Sh.p.k.	Tirana – Albania	LEK	2,745,600	30%
Servizi Sanitari Integrati Marocco S.a.r.l.	Casablanca – Morocco	MAD	96,900	51%

(<sup>(\*)</sup> Indirect shareholding of 15.05% through Iniziative Produttive Piemontesi S.r.l.

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

### 3 DIRECTORS' REPORT ON MANAGEMENT

This Interim Report as at 31 March 2017 includes the condensed consolidated financial statements as at 31 March 2017. The Group's main economic, equity and financial highlights as at 31 March 2017 are shown below along with the comparative information set in compliance with the IAS/IFRS International Accounting Standards.

The consolidated subsidiaries are San Martino 2000 S.c.r.l., Se.Sa.Tre. S.c.r.l., Servizi Italia Medical S.r.l., and SRI Empreendimentos e Participações Ltda (parent company of: Lavsim Higienização Têxtil S.A., Maxlav Lavanderia Especializada S.A., Vida Lavanderias Especializada S.A. and Aqualav Serviços De Higienização Ltda). In order to allow a better evaluation of the economic and financial performance, the following summary tables show some "Alternative performance indicators", not provided by the IFRS International Accounting Standards. The footnotes of said tables indicate the calculation method used and the composition of these indexes, in line with the guidelines of the European Securities and Market Authority (ESMA).

#### Main consolidated income statement figures

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

(thousands of Euros)	31 March 2017	31 March 2016	Changes	Change %
Revenues	62,912	57,240	5,672	9.9%
EBITDA (a)	17,720	16,504	1,216	7.4%
EBITDA %	28.2%	28.8%		
Operating profit (EBIT)	4,343	5,206	(863)	-16.6%
<i>Operating profit (EBIT)%</i>	<i>6.9%</i>	<i>9.1%</i>		
Profit before tax	5,123	4,808	315	6.6%
<i>Profit before tax %</i>	<i>8.1%</i>	<i>8.4%</i>		
Net profit	4,136	3,673	463	12.6%
<i>Net profit %</i>	<i>6.6%</i>	<i>6.4%</i>		

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

## Main consolidated statement of financial position figures

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

(thousands of Euros)	31 March 2017	31 December 2016	31 March 2016
Net operating working capital (a)	15,151	12,608	13,694
Other current assets/liabilities (b)	(10,691)	(11,692)	(2,035)
<b>Net working capital</b>	<b>4,460</b>	<b>916</b>	<b>11,659</b>
Non-current assets - medium/long-term provisions	218,320	216,457	183,218
<b>Invested capital</b>	<b>222,780</b>	<b>217,373</b>	<b>194,877</b>
Shareholders' equity (B)	142,536	137,756	126,845
Net financial debt (d) (A)	80,244	79,617	68,032
<b>Invested capital (c)</b>	<b>222,780</b>	<b>217,373</b>	<b>194,877</b>

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

## Group information and business performance

Servizi Italia Group recorded a consolidated turnover amounting to Euro 62,912 thousand, up by 9.9% compared to the same period last year. The consolidated turnover has grown both in Italy (+5.3%) and Brazil (+4.6%); in Italy, the main contribution comes from the wash-hire sector, up by 12.1%, as an effect of the acquisition of Tintoria Lombarda Divisione Sanitaria S.r.l, occurred on 7 July 2016; in Brazil the main influences come from the increase in turnover earned by the operative companies and from the revaluation of Real/Euro exchange rate, compared to the same period last year. It is also to underline an increase in linen and surgical instruments sterilization lines.

Consolidated **EBITDA** passed from Euro 16,504 thousand of the first quarter 2016 to Euro 17,720 thousand of the first quarter 2017, recording an increase of 7.4%. EBITDA has been positively influenced by the increase of revenues coming from wash-hire and sterilization lines, with a better containment in relative terms of operative costs such as utilities and third-party personnel costs; on the other side, a significant increase of labour costs, especially in the Brazilian area, negatively affected the item. This increase is mainly due to the effects of the inflation rate adjustments of the collective agreement of workers in the state of São Paulo, the inclusion of new labour force as a consequence of an increase of laundry services for the award of new contracts and the revaluation of the Real/Euro exchange rate.

The consolidated **operating profit (EBIT)** passed from Euro 5,206 thousand to Euro 4,343 thousand after recognising depreciation and amortisation of Euro 13,377 thousand, with an increase of 1.5%, compared to the relative incidence registered in the same period last year and determined by the increase of the amortization

for linen as initial allocations of new contracts, the write-down of receivables and the amortization of customers portfolio emerged from the acquisition of the company Tintoria Lombarda Divisione Sanitaria S.r.l.

**Profit before taxes** rose from Euro 4,808 thousand to Euro 5,123 thousand, increasing by 6.6% in absolute value. Financial management shew a reduction of the relative load of net financial expenses compared to the same period of the previous year as a result of a reduction of rates charged on loans and an increase of the financial income due also to the recognition during the period of a positive foreign exchange difference for the reduction of the Turkish Lira/Euro exchange rate on 31 March 2017, compared to 31 December 2016.

The result is also positively influenced by the revaluation of shareholdings valued at equity, in particular the Turkish company Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi.

Therefore, the interim consolidated financial statements as at 31 March 2017 close with **net profit** of Euro 4,136 thousand, recording an increase of 12.6% compared to Euro 3,673 thousand in the first quarter of 2016, also thanks to a decrease of tax rate incidence, passing from 23.6% in the first quarter of 2016 to 19.3% in the first quarter of 2017.

### **Significant events and transactions**

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

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

On 28 March 2017, the Company published its fourth Sustainability Report, as proof of the constant commitment that the company is putting on economic and social sustainability, in a progressive perspective of shared value. The report demonstrates the commitment in order to make accessible to the stakeholders the strategic contents on Corporate Social Responsibility.

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

Customer	Service provided	Duration years	Contract value per year (thousands of Euros)
<b>ASL AL ASTI</b> (awarded as part of a temporary joint consortium)	Wash-hire service	5	195

<b>EGAS UDINE</b> (awarded as part of a temporary joint consortium)	Supply of sterile non-woven devices	1	757
<b>TERME DI COMANO (TN)</b> (awarded as part of a temporary joint consortium)	Laundry service	1	117

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

On 20 April, the Shareholders Meeting approved the financial statements as at 31 December 2016 and the distribution of a gross dividend of Euro 0.15 per share outstanding on the coupon date, excluding treasury shares. Payment took place on 26 April 2017, with a coupon payment on 24 April 2017. The same Meeting also appointed the Statutory Auditors Board for the years 2017 – 2018 – 2019 and determined relevant remuneration.

The Shareholders' Meeting authorised the Board of Directors to purchase and sell treasury shares, subject to revocation of the resolution of 20 April 2016. The plan responds to the need to gain access to opportunities for the efficient investment of company liquidity and to have the possibility of using it for strategic transactions and/or to complete subsequent share purchase and sale transactions, to the extent allowed by permitted market practices. The authorisation is for a maximum number of Servizi Italia S.p.A. ordinary shares equating to 20% of the share capital, taking into account the treasury shares already held, for a period of 18 months as of the shareholders' meeting resolution. The purchase transactions will be carried out on the market at a price of up to 20% more or less than the weighted average official prices in the 3 days preceding the individual transaction.

The Board of Directors, which took place on 20 April 2017, resolved to launch the programme for the purchase and sale of treasury shares, in accordance with the resolution adopted by the ordinary shareholders' meeting.

## **Business outlook**

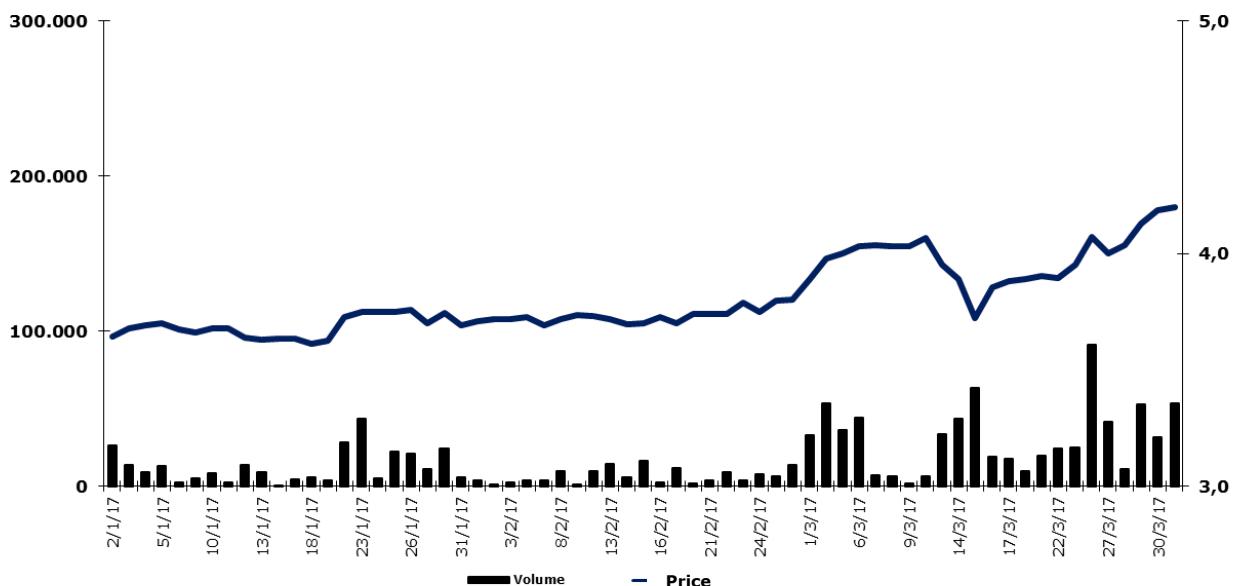
The results achieved in the first quarter of 2017 confirm the estimates and income statement and cash flow projections set forth in the plan. For the year 2017, the Group foresees results that take into consideration the commitment to consolidate the investments in the countries in which it operates, by achieving significant targets in terms of organizational and management efficiency. These targets are aimed at satisfying not only customers' quality requirements, but also at implementing the social sustainability value, which is more and more considered as across-the-board to the different aspects of business.

## **Servizi Italia and the financial markets**

The Company shares have been traded on the STAR segment of the Borsa Italiana S.p.A. electronic stock market since 22 June 2009. The main share and stock exchange data as at 31 March 2017 are reported below along with share volume and price trends (in Euros):

Share and stock exchange data	31 March 2017
No. of shares making up the share capital	31,809,451
Price at IPO: 4 April 2007	8.50
Price as at 31 March 2017	4.20
Maximum price during the period	4.20
Minimum price during the period	3.61
Average price during the period	3.80
Volumes traded during the period	1,130,001
Average volumes during the period	17,384.63

### Share volumes and prices as at 31 March 2017



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

### Other information

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

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

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

## 4 ACCOUNTING SCHEDULES

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(thousands of Euros)	31 March 2017	31 December 2016
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	125,362	125,795
Intangible assets	5,601	6,028
Goodwill	55,413	55,234
Equity-accounted investments	32,920	28,764
Equity investments in other companies	3,627	3,629
Financial receivables	7,788	7,826
Deferred tax assets	2,419	2,351
Other assets	7,618	7,651
<b>Total non-current assets</b>	<b>240,748</b>	<b>237,278</b>
<b>Current assets</b>		
Inventories	5,248	5,011
Trade receivables	72,819	71,141
Current tax receivables	2,327	2,865
Financial receivables	8,126	8,188
Other assets	13,381	12,203
Cash and cash equivalents	4,808	5,463
<b>Total current assets</b>	<b>106,709</b>	<b>104,871</b>
<b>TOTAL ASSETS</b>	<b>347,457</b>	<b>342,149</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>		
<b>Group shareholders' equity</b>		
Share capital	31,428	31,461
Other reserves and retained earnings	106,169	95,299
Profit (loss) for the period	4,118	10,451
<b>Total shareholders' equity attributable to shareholders of the parent</b>	<b>141,715</b>	<b>137,211</b>
<b>Total shareholders' equity attributable to non-controlling interests</b>	<b>821</b>	<b>545</b>
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>142,536</b>	<b>137,756</b>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Due to banks and other lenders	40,542	45,237
Deferred tax liabilities	2,686	2,633
Employee benefits	11,300	11,218
Provisions for risks and charges	2,830	2,798
Other financial liabilities	5,612	4,172
<b>Total non-current liabilities</b>	<b>62,970</b>	<b>66,058</b>
<b>Current liabilities</b>		
Due to banks and other lenders	52,636	48,031
Trade payables	62,916	63,544
Current tax payables	257	22
Other financial liabilities	7,620	8,072
Other payables	18,522	18,666
<b>Total current liabilities</b>	<b>141,951</b>	<b>138,335</b>
<b>TOTAL LIABILITIES</b>	<b>204,921</b>	<b>204,393</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>347,457</b>	<b>342,149</b>

## CONSOLIDATED INCOME STATEMENT

(thousands of Euros)	31 March 2017	31 March 2016
<b>Revenues from sales</b>	<b>62,912</b>	<b>57,240</b>
Other income	875	916
Raw materials and consumables	(6,550)	(5,827)
Costs for services	(18,934)	(17,348)
Personnel expense	(20,337)	(18,117)
Other costs	(246)	(360)
Depreciation, amortisation, impairments and provisions	(13,377)	(11,298)
<b>Operating profit</b>	<b>4,343</b>	<b>5,206</b>
Financial income	912	418
Financial expense	(462)	(663)
Income/(expense) from equity investments in other companies	-	-
Revaluation/impairment of equity-accounted investments	330	(153)
<b>Profit before tax</b>	<b>5,123</b>	<b>4,808</b>
Income taxes	(987)	(1,135)
<b>Profit (loss) for the period</b>	<b>4,136</b>	<b>3,673</b>
of which: Attributable to shareholders of the parent	4,118	3,672
Attributable to non-controlling interests	18	1

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(thousands of Euros)	31 March 2017	31 March 2016
<b>Profit (loss) for the period</b>	<b>4,136</b>	<b>3,673</b>
<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	522	1,185
Income taxes on other comprehensive income	-	-
<b>Total other comprehensive income after taxes</b>	<b>522</b>	<b>1,185</b>
<b>Total comprehensive income for the period</b>	<b>4,658</b>	<b>4,858</b>
of which: Attributable to shareholders of the parent	4,633	4,839
Attributable to non-controlling interests	25	18

## CONSOLIDATED NET FINANCIAL POSITION

(thousands of Euros)	31 March 2017	31 December 2016	31 March 2016
Cash and cash equivalents in hand	31	29	32
Cash at bank	4,777	5,434	4,656
<b>Cash and cash equivalents</b>	<b>4,808</b>	<b>5,463</b>	<b>4,688</b>
Current financial receivables	8,126	8,188	9,535
Current liabilities to banks and other lenders	(52,636)	(48,031)	(44,044)
<b>Current net financial debt</b>	<b>(44,510)</b>	<b>(39,843)</b>	<b>(34,509)</b>
Non-current liabilities to banks and other lenders	(40,542)	(45,237)	(38,211)
<b>Non-current net financial debt</b>	<b>(40,542)</b>	<b>(45,237)</b>	<b>(38,211)</b>
<b>Net financial debt</b>	<b>(80,244)</b>	<b>(79,617)</b>	<b>(68,032)</b>

## 5 NOTES

### 5.1 Introduction

The Interim Report as at 31 March 2017 has been prepared in compliance with Art. 154-ter of the Consolidated Law on Finance.

The accounting principles and criteria adopted to prepare this Interim Report as at 31 March 2017, which has not been audited, are the same as those used to prepare the annual financial statements. As required by Consob communication No. DEM/5073567 of 4 November 2005, the Company has exercised the option to provide less detail than is required under IAS 34 (Interim Financial Reporting).

The subsidiaries San Martino 2000 S.c.r.l., Se.Sa.Tre. S.c.r.l., Servizi Italia Medical S.r.l., SRI Empreendimentos e Participações Ltda, Lavsim Higienização Têxtil S.A., Maxlav Lavanderia Especializada S.A., Vida Lavanderias Especializada S.A. and Aqualav Serviços De Higienização Ltda. are all consolidated line-by-line.

The estimation criteria used to prepare the Interim Report are basically the same as those applied in the Annual Financial Statements.

This Interim Report is approved by the Board of Directors on 12 May 2017.

### 5.2 Performance by business segment and geographical area

The revenue from sales and services of the Servizi Italia Group is shown below divided by business line for the periods ending 31 March 2017 and 2016:

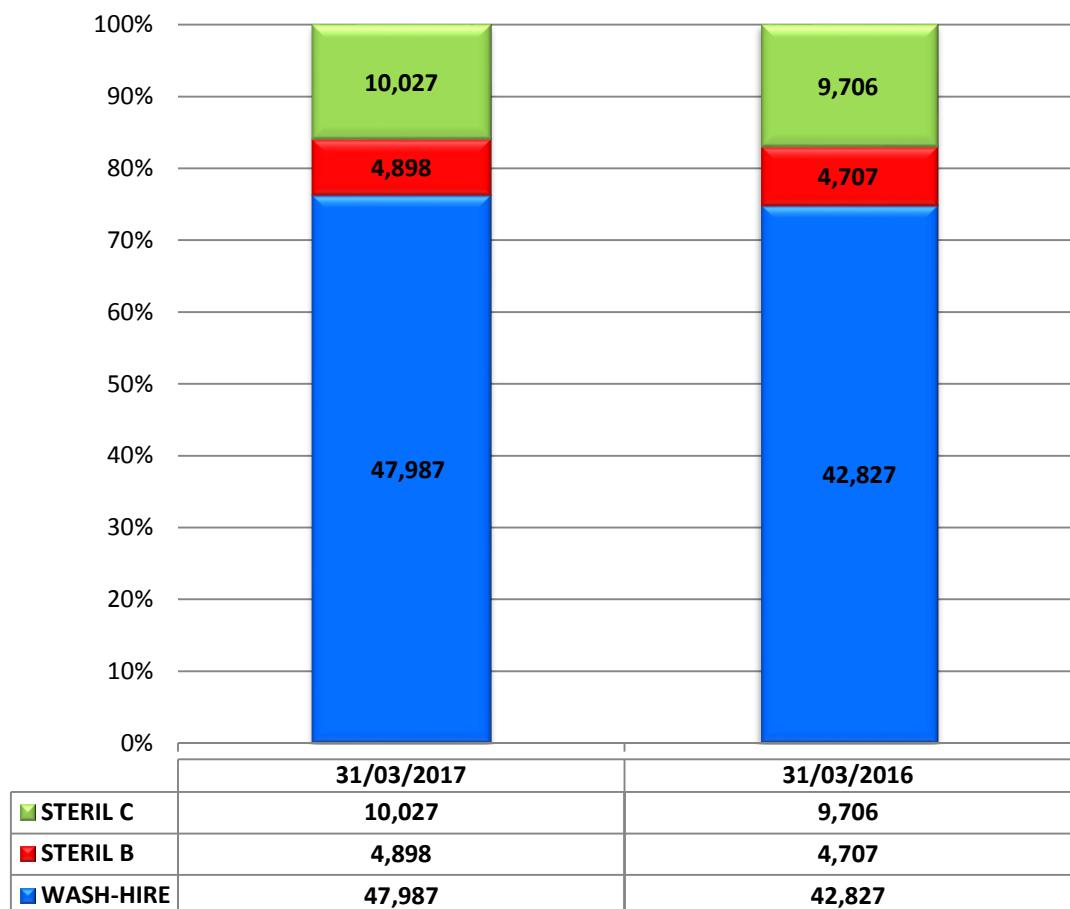
(thousands of Euros)	31 March 2017	%	31 March 2016	%	Changes
Wash-hire	47,987	76.3%	42,827	74.8%	12.0%
Linen sterilisation (STERIL B)	4,898	7.8%	4,707	8.2%	4.1%
Surgical instrument sterilisation (STERIL C)	10,027	15.9%	9,706	17.0%	3.3%
<b>Revenues from sales</b>	<b>62,912</b>	<b>100.0%</b>	<b>57,240</b>	<b>100.0%</b>	<b>9.9%</b>

Revenues from wash-hire services have increased compared to the same period last year, passing from Euro 42,827 thousand in the first quarter of 2016 to Euro 47,987 thousand in the first quarter 2017. In relative terms, comparing the data to total sales and service revenues, wash-hire as at 31 March 2017 amounted to 76.3%, up by 12% compared to first quarter 2016. The wash-hire line has been positively influenced by increased revenues in the Brazilian area (up by 47.7%), an increase coming from new awards and from the revaluation of Real/Euro exchange rate in first quarter 2017 compared to the same period in 2016. The growth of revenues in the Italian area comes from the acquisition of Tintoria Lombarda Divisione Sanitaria S.r.l.

Revenues from linen sterilisation recorded an increase by 4.1%, amounting to Euro 4,898 thousand, with an incidence of 7.8% on total turnover. This increase in revenue has been positively affected by the start of the contract with "Ente per la Gestione Accentrata dei Servizi Condivisi" (EGAS) of Udine for the supply of disposable textiles.

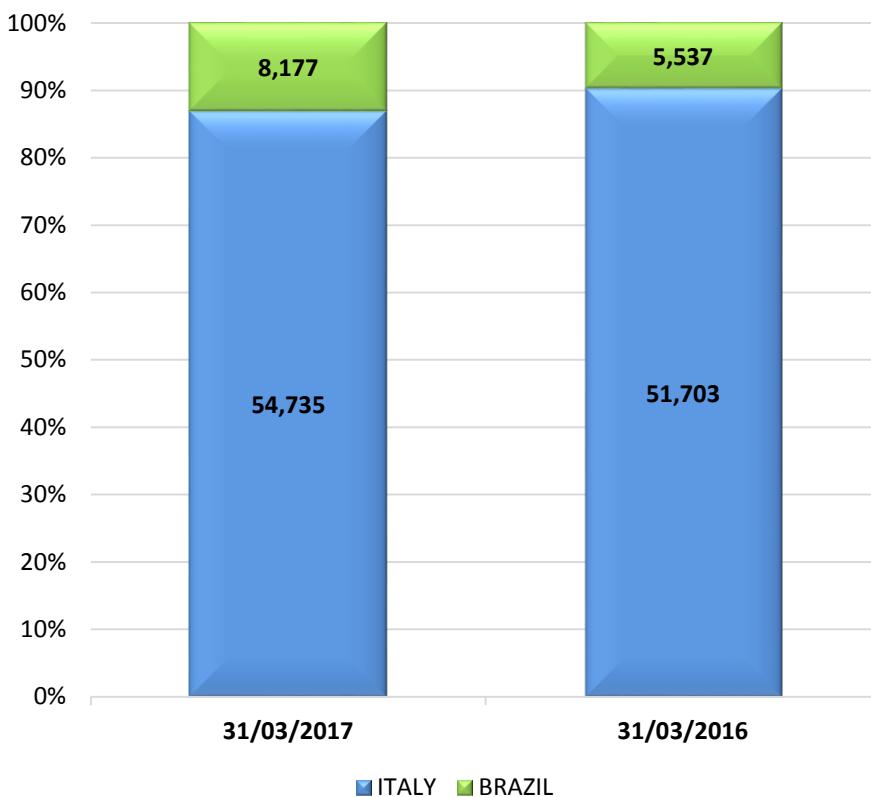
The turnover from the surgical instrument sterilization recorded a growth equal to 3.3% compared to the

same period in 2016. This increase is mainly attributable to the gradual increase in turnover from customers such as the Careggi Hospital in Florence, the ASST Valle Olona for the hospital in Busto Arsizio (VA), the University Hospital “G. Martino” in Messina and the A.S.U.I. of Udine.



The table below shows revenues from sales and services of the Servizi Italia Group by geographical area, for the periods ending on 31 March 2017 and 2016:

(thousands of Euros)	31 March 2017	%	31 March 2016	%	Changes
Revenues Italy	54,735	87.0%	51,703	90.3%	5.9%
Revenues Brazil	8,177	13.0%	5,537	9.7%	47.7%
<b>Revenues from sales</b>	<b>62,912</b>	<b>100.0%</b>	<b>57,240</b>	<b>100.0%</b>	<b>9.9%</b>



### 5.3 Notes on the main changes in the statement of financial position

#### Property, plant and equipment

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

(thousands of Euros)	Land and Buildings	Plant and machinery	Returnable assets	Equipment	Other assets	Assets under construction	Total
Historical cost	2,289	119,299	35,775	59,045	112,993	2,857	332,258
Accumulated depreciation	(1,075)	(73,038)	(21,910)	(38,923)	(76,576)	-	(211,522)
<b>Balance as at 1 January 2016</b>	<b>1,214</b>	<b>46,261</b>	<b>13,865</b>	<b>20,122</b>	<b>36,417</b>	<b>2,857</b>	<b>120,736</b>
Translation differences	13	1,840	310	16	727	8	2,914
Change in the scope of consolidation	3,349	898	119	140	3,355	-	7,861
Increases	43	4,311	1,585	2,854	30,766	2,964	42,523
Decreases	-	(211)	(4)	(61)	(257)	(27)	(560)
Depreciation	(154)	(8,201)	(3,836)	(5,732)	(29,756)	-	(47,679)
Reclassifications	4	731	1,229	667	47	(2,678)	-
<b>Balance as at 31 December 2016</b>	<b>4,469</b>	<b>45,629</b>	<b>13,268</b>	<b>18,006</b>	<b>41,299</b>	<b>3,124</b>	<b>125,795</b>
Historical cost	6,356	129,852	39,110	62,383	129,449	3,124	370,274
Accumulated depreciation	(1,887)	(84,223)	(25,842)	(44,377)	(88,150)	-	(244,479)
<b>Balance as at 31 December 2016</b>	<b>4,469</b>	<b>45,629</b>	<b>13,268</b>	<b>18,006</b>	<b>41,299</b>	<b>3,124</b>	<b>125,795</b>
Translation differences	1	162	25	5	110	8	311
Increases	2	703	471	431	9,156	1,149	11,912
Decreases	-	(120)	-	(3)	(15)	(5)	(143)
Depreciation	(49)	(2,028)	(946)	(1,443)	(8,047)	-	(12,513)

Reclassifications	-	785	653	46	20	(1,504)	-
<b>Balance as at 31 March 2017</b>	<b>4,423</b>	<b>45,131</b>	<b>13,471</b>	<b>17,042</b>	<b>42,523</b>	<b>2,772</b>	<b>125,362</b>
Historical cost	6,360	131,211	40,266	62,861	138,744	2,772	382,214
Accumulated depreciation	(1,937)	(86,080)	(26,795)	(45,819)	(96,221)	-	(256,852)
<b>Balance as at 31 March 2017</b>	<b>4,423</b>	<b>45,131</b>	<b>13,471</b>	<b>17,042</b>	<b>42,523</b>	<b>2,772</b>	<b>125,362</b>

The translation difference regards exchange rate fluctuations for the Brazilian companies Lavsim Higienização Têxtil S.A., Maxlav Lavanderia Especializada S.A., Vida Lavanderias Especializada S.A., SRI Empreendimentos e Participações Ltda. and Aqualav Serviços de Higienização Ltda.

Investments in property, plant and equipment in the first quarter of 2017 totally amount to Euro 11,912 thousand, including: Euro 9,063 thousand for linen as initial allocations of new contracts, Euro 1,149 thousand for assets under construction relating to returnable assets still under construction at the end of the quarter (of this, Euro 171 thousand are for investments made for requalifying the plant of Castellina di Soragna and Euro 796 thousand for Brazilian companies), Euro 126 thousand for surgical instruments and Euro 703 for plant and machineries (of this, Euro 390 for Brazilian companies, Euro 107 thousand for the plant of Castellina di Soragna and Euro 51 thousand for Ariccia plant).

Furthermore, reclassifications for a total amount of Euro 1,504 thousand have been recognised for assets in progress, primarily relating to the start-up of the new CSSD in Ariccia (Euro 879 thousand); the commissioning of new machineries for reading tags in the plants of Grosseto (Euro 122 thousand), Arezzo (Euro 113 thousand) and Baggiovara (Euro 44 thousand), and commissioning of plants and machineries at the Pavia di Udine plant (Euro 81 thousand).

### Shareholdings valued at equity

This item shows the following movements:

(thousands of Euros)	Movements as at 31 March 2017					31 March 2017
	1 January 2017	Increases	Decreases	Revaluations	Write-downs	
<b>Associates and jointly-controlled companies</b>						
Saniservice Sh.p.k.	(296)	-	-	37	-	(259)
Ankateks Turizm Insaat Tekstil Temizleme Sanayi Ve	13,441	-	-	152	-	13,593
Finanza & Progetti S.p.A.	5,194	600	-	-	-	5,794
Brixia S.r.l.	-	3,002	-	-	-	3,002
Arezzo Servizi S.c.r.l.	5	-	-	-	-	5
CO.S.E.S S.c.r.l.	3	-	-	-	-	3
PSIS S.r.l.	4,201	-	-	40	-	4,241
Ekolav S.r.l.	69	-	-	11	-	80
Steril Piemonte S.c.r.l.	1,973	-	-	-	-	1,973
AMG S.r.l.	2,329	-	-	45	-	2,374
Iniziative Produttive Piemontesi S.r.l.	1,127	-	-	41	-	1,168
SE.STE.RO. S.r.l. in liquidazione	112	-	(2)	-	-	110
Piemonte Servizi Sanitari S.c.r.l.	3	-	-	-	-	3
Servizi Sanitari Integrati Marocco S.a.r.l.	-	71	-	-	-	71
SAS Sterilizasyon Servisleri A.Ş.	266	153	(47)	-	-	372
Shubhram Hospital Solutions Private Limited	337	-	-	53	-	390
<b>Total</b>	<b>28,764</b>	<b>3,826</b>	<b>(49)</b>	<b>379</b>	<b>-</b>	<b>32,920</b>

The increase in the movements of equity investments mainly results from the increase in the share already held by Tintoria Lombarda Sanitary Division S.r.l. in Brixia S.r.l., a facility management company active in the Hospital District of ASST Spedali Civili di Brescia, with subsequent increase in turnover coming from that contract and from the subscription of a new tranche of capital increase in the company Finanza & Progetti S.p.A.

### Trade receivables

Trade receivables amount to Euro 72,819 thousand as at 31 March 2017, up by Euro 1,678 thousand compared to 31 December 2016. During the period, Euro 14,742 thousand in trade receivables with public bodies were transferred to Credem Factor S.p.A. for a counter-value of Euro 14,705 thousand; the following trade receivables has been transferred to Unicredit Factoring S.p.A: Euro 324 thousand coming from Lazio Region for a counter-value of Euro 323 thousand and Euro 7,168 thousand coming from other regions for a counter-value of Euro 7,153 thousand.

### Other current assets

The item is broken down as follows:

(thousands of Euros)	as at 31 March 2017	as at 31 December 2016
Due from others	11,329	11,223
Prepayments	1,888	836
Guarantee deposits receivable	114	137
Accrued income	50	7
<b>Total</b>	<b>13,381</b>	<b>12,203</b>

Other current assets passed from Euro 12,203 thousand as at 31 December 2016 to Euro 13,381 thousand as at 31 March 2017. The item “Due from others” includes: receivables of the subsidiaries Se.Sa.Tre. S.c.r.l. and San Martino 2000 S.c.r.l. due from consortium company Servizi Ospedalieri S.p.A, for a total amount of Euro 2,637 thousand; VAT credit amounting to Euro 6,521 thousand and, for the remaining, mainly advances and receivables from social security institutions, all due within the year. The increase in “Prepayments” is mainly due to rent and insurance premiums, whose record was made at the beginning of the year. The item “Guarantee deposits receivable” is related to energy utilities and rents.

### Cash and cash equivalents

This item decreased by Euro 655 thousand compared to 31 December 2016. This decrease was mainly associated with the use of cash in the BNP Paribas account of the Brazilian subsidiary SRI Empreendimentos e Participações Ltda to finance group growth in Brazil.

## **Shareholders' equity**

As at 31 March 2017, shareholders' equity totalled Euro 142,536 thousand (including Euro 821 thousand attributable to non-controlling interests) compared to Euro 137,756 thousand (including Euro 545 thousand attributable to non-controlling interests) as at 31 December 2016.

As at 31 March 2017, the Company held 381,920 treasury shares, equivalent to approximately 1.20% of the share capital. The value of treasury shares was Euro 1,565 thousand. Their nominal amount, of Euro 382 thousand, was classified as a decrease to share capital, and the value exceeding the nominal amount, totalling Euro 1,183 thousand, was recognised as a reduction in the share premium reserve.

## **Non-current payables to banks and other lenders**

Non-current payables to banks and other lenders decreased from Euro 45,237 thousand as at 31 December 2016 to Euro 40,542 thousand in the first quarter of 2017. This difference of Euro 4,695 thousand resulted from the repayment of loan instalments falling due in the period.

## **Other non-current financial liabilities**

The table below provides a breakdown of other non-current liabilities.

(thousands of Euros)	as at 31 March 2017	as at 31 December 2016
Deferred price Aqualav Serviços De Higienização Ltda	359	354
Payable for put options on Maxlav Lavanderia Especializada S.A. and Vida Lavanderias Especializada S.A.	3,877	3,724
Other payables	1,376	94
<b>Total</b>	<b>5,612</b>	<b>4,172</b>

The increase compared to 31 December 2016 results from the recognition of the debt for the acquisition of the stakes of Brixia S.r.l. and from the effects of the revaluation of Real/Euro exchange rate, which increased the debt value for put options connected to the purchase of the remaining 49.9% of Maxlav Lavanderia Especializada S.A. and Vida Lavanderias Especializada S.A.

## **Current due to banks and other lenders**

The item increases by Euro 4,605 thousand, passing from Euro 48,031 thousand as at 31 December 2016 to Euro 52,636 as at 31 March 2017. This increase results from the repayment of loan instalments falling due in the period.

## **Trade payables**

Trade payables pass from Euro 63,544 thousand as at 31 December 2016 to Euro 62,916 thousand as at 31 March 2017 and they all refer to commercial debts payable within 12 months.

## Other current financial liabilities

The following table reports the composition of other current financial liabilities:

(thousands of Euros)	as at 31 March 2017	as at 31 December 2016
Payables to shareholders Ankateks Turizm İnşaat Tekstil Temizleme San. Ve Tic. Ltd. Şti	7,211	7,625
Deferred price Aqualav Serviços De Higienização Ltda	336	375
Payable for earn-out Maxlav Lavanderia Especializada S.A. and Vida Lavanderias Especializada S.A.	73	72
<b>Total</b>	<b>7,620</b>	<b>8,072</b>

## 5.4 Notes on the main changes in the income statement

### Raw materials and consumables

Purchases of raw materials and consumables increased, passing from Euro 5,827 thousand as at 31 March 2016 to Euro 6,550 thousand as at 31 March 2017. This increase is mainly attributable to a greater purchase of disposable items and procedure kits for supplies to new customers.

### Costs for services

The item is broken down as follows:

(thousands of Euros)	as at 31 March 2017	as at 31 March 2016
External laundering and other industrial services	(5,386)	(4,726)
Travel and transport	(3,624)	(2,998)
Utilities	(3,047)	(3,056)
Administrative costs	(621)	(520)
Consortium and sales costs	(2,118)	(2,006)
Personnel expense	(593)	(567)
Maintenance	(1,316)	(1,243)
Use of third-party assets	(1,846)	(1,966)
Other services	(383)	(266)
<b>Total</b>	<b>(18,934)</b>	<b>(17,348)</b>

The item “Costs for services” registers an increase of Euro 1,586 thousand compared to the same period last year, while the relative incidence on revenues is decreasing by 0.2%. This increase suffers the acquisition in the Italian area of Tintoria Lombarda Divisione Sanitaria S.r.l., occurred on 7 July 2016.

Costs for external laundering and other industrial services passed from Euro 4,726 thousand as at 31 March 2016 to Euro 5,386 thousand as at 31 March 2017. The increase in this item was essentially due to an increase in the use of the external laundry service and to an increase in wardrobe services for customers of former Tintoria Lombarda Divisione Sanitaria S.r.l.

Costs for travel and transport register an increase by Euro 626 thousand compared to 31 March 2016, as an effect of the externalisation of transports at the Brazilian company Lavsim Higienização Têxtil S.A. and

subsequent reorganization of productive logistics and increase of service because of the awarding of new contracts.

Utilities costs recorded a decrease, from Euro 3,056 thousand to Euro 3,047 thousand. This decrease is due to a reduction of gas costs, thanks to a renegotiation of prices, and to a consumption containment that was possible thanks to wider productive efficiencies.

Consortium and sales costs passed from Euro 2,006 thousand as at 31 March 2016 to Euro 2,118 thousand as at 31 March 2017. The increase in the item is mainly due to higher allocated overheads received by ATI (Temporary Association of Companies) and to the increase in consortia percentages related to the service at the Azienda Toscana Sud Est for Arezzo hospital.

The item “Use of third-party assets” registers a decrease of Euro 120 thousand. This reduction is mainly due to new contracts with some customers, which do not include the supply of anti-decubitus mattresses.

### **Personnel expense**

The item is broken down as follows:

<i>(thousands of Euros)</i>	<b>as at 31 March 2017</b>	<b>as at 31 March 2016</b>
Costs for directors' fees	(391)	(365)
Salaries and wages	(13,984)	(12,664)
Temporary work	(498)	(326)
Social security charges	(4,587)	(3,994)
Employee severance indemnity	(813)	(711)
Other costs	(64)	(57)
<b>Total</b>	<b>(20,337)</b>	<b>(18,117)</b>

Personnel expense passed from Euro 18,117 thousand as at 31 March 2016 to Euro 20,337 thousand as at 31 March 2017. The Brazilian area registers an increase of labour cost, mainly attributable to the effects of the inflation rate adjustments of the collective agreement of workers in the State of São Paulo, to the inclusion of new workforce after the awarding of new contracts and subsequent increase in laundry services and to the revaluation of the Real/Euro exchange rate.

The table below shows the average breakdown of personnel:

	<b>31 March 2017</b>	<b>31 March 2016</b>
Executives	14	14
Middle managers	26	19
White-collar staff	202	192
Blue-collar staff	2,943	2,891
<b>Total</b>	<b>3,185</b>	<b>3,116</b>

## Depreciation, amortisation and impairment

The item is broken down as follows:

(thousands of Euros)	as at 31 March 2017	as at 31 March 2016
Amortisation of intangible assets	(496)	(326)
Depreciation of property, plant and equipment	(12,513)	(10,866)
Write-downs and provisions	(368)	(106)
<b>Total</b>	<b>(13,377)</b>	<b>(11,298)</b>

The variation in amortisation of intangible assets is due to the impact of customers' portfolio of Tintoria Lombarda Divisione Sanitaria S.r.l. The increase of the item "Depreciation of property, plant and equipment" passes from Euro 10,866 thousand to Euro 12,513 thousands and it has to be mainly related to investments in linen.

The increase in item "Write-downs and provisions" is due to the higher provision for impairment loss of credits due from customers.

## 5.5 Net financial position

The increase of Euro 627 thousand in net financial debt as at 31 March 2017 compared to 31 December 2016 resulted from more payments made to suppliers.

In particular, examining the individual items, there is a decrease of Euro 655 thousand in cash and cash equivalents in current accounts at banks compared to 31 December 2016 essentially as a result of the decrease in liquidity in the BNP Paribas account of the Brazilian subsidiary SRI Empreendimentos e Participações Ltda, which has been used to finance group growth in Brazil.

Financial receivables are in line with 31 December 2016.

Current payables to banks and other lenders increased by Euro 4,605 thousand, while non-current payables to banks and other lenders recorded a decrease of Euro 4,695 thousand as a result of the repayment of loan instalments falling due in the period.

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

(thousands of Euros)	as at 31 March 2017	as at 31 December 2016
A. Cash	31	29
B. Other cash equivalents	4,777	5,434
C. Securities held for trading	-	-
<b>D. Cash and cash equivalents (A) + (B) + (C)</b>	<b>4,808</b>	<b>5,463</b>
E. Current financial receivables	8,126	8,188
F. Current bank borrowings	(33,335)	(28,558)
G. Current portion of non-current borrowings	(19,301)	(19,473)

H. Other current financial payables	(7,620)	(8,072)
<b>I. Current financial debt (F) + (G) + (H)</b>	<b>(60,256)</b>	<b>(56,103)</b>
<b>J. Current net financial debt (I) - (E) - (D)</b>	<b>(47,322)</b>	<b>(42,452)</b>
K. Non-current bank borrowings	(40,542)	(45,237)
L. Bonds issued	-	-
M. Other non-current payables	(5,612)	(4,172)
<b>N. Non-current financial debt (K) + (L) + (M)</b>	<b>(46,154)</b>	<b>(49,409)</b>
<b>O. Net financial debt (J) + (N)</b>	<b>(93,476)</b>	<b>(91,861)</b>

Chairman of the Board of Directors

(Roberto Olivi)

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The Financial Reporting Manager Ilaria Eugeniani states pursuant to paragraph 2, Article 154 *bis* of the Consolidated Law on Finance that the accounting information presented in this document corresponds to the documented results, books and accounting entries.

The Financial Reporting Manager

(Ilaria Eugeniani)