30 June 2018

Half-year Financial Report

Servizitalia

Registered Offices: Via S. Pietro, 59/B
43019 Castellina di Soragna (PR) – ITALY
Share Capital: Euro 31,809,451 fully paid-up
Tax Code and Register of Companies no.: 08531760158
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COMPANY OFFICERS AND CORPORATE INFORMATION

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

Name and Surname	Position
Roberto Olivi	Chairman
Enea Righi	Vice-Chairman and CEO
Ilaria Eugeniani	Director
Michele Magagna	Director
Umberto Zuliani	Director
Antonio Paglialonga	Director
Lino Zanichelli	Director
Antonio Aristide Mastrangelo	Independent Director
Paola Schwizer (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

Board of Statutory Auditors (in office until approval of the Separate 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	Chairwoman
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 offices and company information

Servizi Italia S.p.A. Via S. Pietro, 59/b – 43019 Castellina di Soragna (PR) – Italy
Tel. +390524598511, Fax +390524598232, website: www.si-servizitalia.com;
Share Capital: Euro 31,809,451 fully paid-up
Tax Code and Parma Register of Companies no.: 08531760158; Certified email: si-servizitalia@postacert.cedacri.it
Founded: 1986
Stock market listing: Borsa Italiana S.p.A. Mercato Telematico Azionario (MTA, electronic stock market), STAR segment
Ordinary Share ISIN: IT0003814537, BLOOMBERG: SRI IM, REUTERS: SRI.MI
LEI Code: 815600C8F6D5ACBA9F86

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GROUP STRUCTURE

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

As at 30 June 2018, the Servizi Italia Group included the following Companies:

Company name Parent Company and Subsidiaries	Registered office	Share capital		Interest of equity investment
Servizi Italia S.p.A.	Castellina di Soragna (Parma) - Italy	EUR	31,809,451	Parent
SRI Empreendimentos e Participações L.t.d.a.	City of São Paulo, State of São Paulo - Brazil	BRL	154,769,102	100%
Steritek S.p.A.	Malagnino (CR)- Italy	EUR	134,500	70%
Se.Sa.Tre. S.c.r.l. in liquidation	Genoa - Italy	EUR	20,000	60%
San Martino 2000 S.c.r.l.	Genoa - Italy	EUR	10,000	60%
Lavsim Higienização Têxtil S.A.	São Roque, State of São Paulo - Brazil	BRL	550,000	100%(*)
Maxlav Lavanderia Especializada S.A.	Jaguariúna, State of São Paulo - Brazil	BRL	2,825,060	50.1%(*)
Vida Lavanderias Especializada S.A.	Santana de Parnaiba, State of São Paulo - Brazil	BRL	3,600,000	50.1%(*)
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	5,000,000	55%
Ergülteks Temizlik Tekstil Ltd. Sti.	Smirne - Turkey	TRY	1,700,000	57.5%(**)

(*) Held through SRI Empreendimentos e Participações Ltda
(**) Held through Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi

Company name Associates and Jointly-controlled Companies	Registered office	Share capital		Interest of equity investment
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%(^)
CO.SE.S S.c.r.l. in liquidation	Perugia - Italy	EUR	10,000	25%
SAS Sterilizasyon Servisleri A.Ş.	Istanbul - Turkey	TRY	6,742,000	51%
Shubhram Hospital Solutions Private Ltd.	New Delhi - India	INR	305,171,720	51%
Finanza & Progetti S.p.A.	Vicenza - Italy	EUR	550,000	50%
Brixia S.r.l.	Milan - Italy	EUR	10,000	23%
Saniservice Sh.p.k.	Tirana – Albania	ALL	2,745,600	30%
Servizi Sanitari Integrati Marocco S.a.r.l.	Casablanca - Morocco	MAD	122,000	51%
Sia Lavanderias S.A.	Manaus, State of Amazonas - Brazil	BRL	5,000,000	51%(*)
Steriliza Serviços de Esterilizaçao S.A.	São Roque, State of São Paulo - Brazil	BRL	2,000,000	51%(*)
Idsmed Servizi Pte. Limited	Singapore – Singapore	SGD	10	30%

(^) Indirect shareholding of 15.05% through Iniziative Produttive Piemontesi S.r.l.
(*) Held through SRI Empreendimentos e Participações Ltda

INTERIM REPORT

This half-year financial report as at 30 June 2018 includes the half-year condensed consolidated financial statements as at 30 June 2018 prepared in compliance with IAS 34 on interim financial reporting, as approved by Regulation (EC) 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”, not provided by the IFRS International Accounting Standards. The footnotes of said tables indicate the calculation method used and the composition of these ratios, in line with the guidelines of the European Securities and Market Authority (ESMA).

Main consolidated income statement figures

The table below presents a comparison of the main consolidated income statement figures as at 30 June 2018 with the results as at 30 June 2017 (in thousands of Euros).

(thousands of Euros)	30 June 2018	30 June 2017	Change	Change %
Revenues	126,476	125,333	1,143	0.9%
EBITDA (a)	33,899	34,565	(666)	-1.9%
EBITDA %	*26.8%*	*27.6%*		
Operating profit (EBIT)	8,876	7,991	885	11.1%
Operating profit (EBIT)%	*7.0%*	*6.4%*		
Net profit	7,452	7,082	370	5.2%
Net profit %	*5.9%*	*5.7%*		

(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 2018 with the figures as at 31 December 2017 (in thousands of Euros):

(thousands of Euros)	30 June 2018	31 December 2017	Change	Change %
Net operating working capital (a)	8,823	10,934	(2,111)	-19.3%
Other current assets/liabilities (b)	(9,792)	(12,000)	2,208	-18.4%
Net working capital	**(969)**	**(1,066)**	**97**	-9.2%
Non-current assets - medium/long-term provisions	218,026	218,353	(327)	-0.1%
Invested capital	**217,057**	**217,287**	**(230)**	-0.1%
Shareholders' equity (B)	136,247	141,639	(5,392)	-3.8%
Net financial debt (d) (A)	80,810	75,648	5,162	6.8%
Invested capital (c)	**217,057**	**217,287**	**(230)**	-0.1%
Gearing [A/(A+B)]	**37.2%**	**34.8%**		
Debt/Equity (A/B)	**59.3%**	**53.4%**		

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

Main consolidated cash flow figures

The table below presents a comparison between the main consolidated cash flow figures as at 30 June 2018 and as at 30 June 2017 (in thousands of Euros).

(thousands of Euros)	30 June 2018	30 June 2017	Change
Cash flow generated (absorbed) by operations	31,225	29,150	2,075
Net cash flow generated (absorbed) by investment activities	(30,250)	(24,270)	(5,980)
Net cash flow generated (absorbed) by financing activities	(1,539)	(5,931)	4,392
Increase/(decrease) in cash and cash equivalents	(564)	(1,051)	487
Opening cash and cash equivalents	7,999	5,463	2,536
Effect of exchange rate fluctuations	817	214	603
Closing cash and cash equivalents	6,618	4,198	2,420

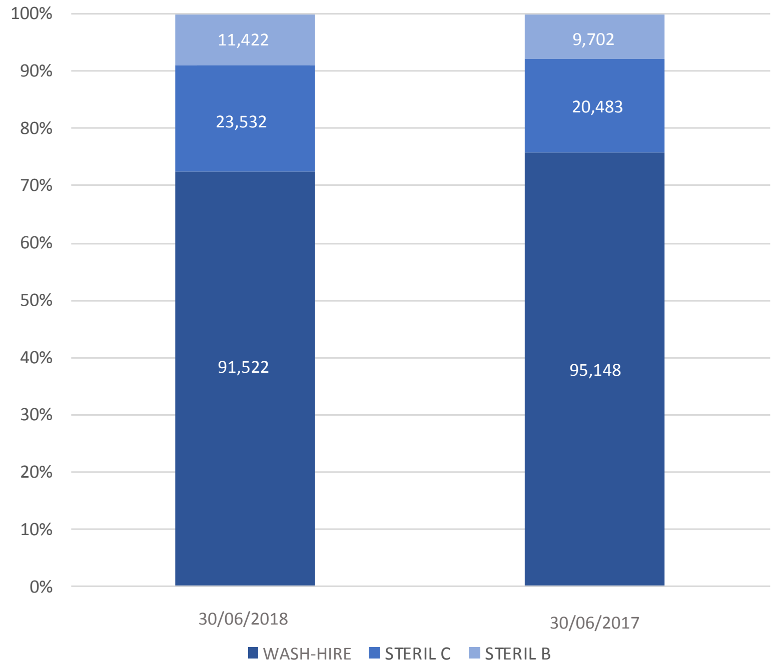
Company information and business performance

As regards the business performance, in the first half of 2018, the Servizi Italia Group recorded an increase in consolidated turnover, with revenues from sales and services amounting to a total of Euro 126,476 thousand, up by +0.9% (+3.3% based on constant exchange rates) compared to the half-year financial statements as at 30 June 2017. The increase in Group turnover was sustained, in particular, by the surgical instrument sterilisation and linen sterilisation lines.

Please note the following as regards revenue from sales and services by sector in the first half of 2018 and 2017:

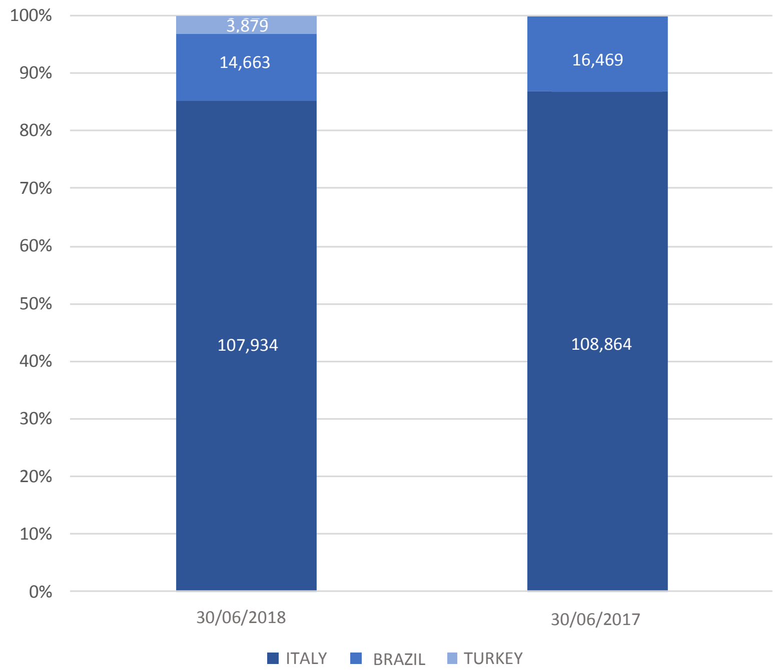
- revenue from wash-hire services increased from Euro 95,148 thousand in the first half of 2017 to Euro 91,522 thousand in the first half of 2018, marking a decrease of 3.8% mainly due to the slowdown in turnover from wash-hire services in Italy (which, in any case, recorded a recovery in the second quarter of 2018 compared to the first quarter) and the unfavourable exchange rate effect on revenues realised in Brazil (an area which, however, recorded natural positive currency growth).
- revenue from linen sterilisation services (steril B) (which account for 9.0% of group revenues in absolute terms) increased by +17.7% from Euro 9,702 thousand in the first half of 2017 to Euro 11,422 thousand in the first half of 2018.
- revenue from surgical instrument sterilisation services (steril C) (18.6% of group revenues) increased by +14.9% from Euro 20,483 thousand in the first half of 2017 to Euro 23,532 thousand in the first half of 2018. The consolidated turnover of this line was impacted by the acquisition of Steritek S.p.A., completed in September 2017 (on a like-for-like basis, the increase in turnover of the line would have been +9.2%).

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



The table below shows revenue from sales and services of the Servizi Italia Group by region, broken down by geographical area, for the periods ending on 30 June 2018 and 2017:

(thousands of Euros)	**30 June 2018**	**%**	**30 June 2017**	**%**	**Changes**
Revenues - Italy	107,934	85.3%	108,864	86.9%	-0.9%
Revenues - Turkey	3,879	3.1%	-	-	-
Revenues - Brazil	14,663	11.6%	16,469	13.1%	-11.0%
Sales revenues	**126,476**	**100.0%**	**125,333**	**100.0%**	**0.9%**



It is important to point out that the revenues of the Brazil area were characterised by positive growth in the local currency, equal to +7.1%, which, however, was negatively impacted by a devaluation of the Brazilian Real against the Euro by 18.1% which, on the whole, led to a negative net change in turnover of said area of 11%.

The consolidated **EBITDA** went from Euro 34,565 thousand in the first half of 2017 to Euro 33,899 thousand in the first half of 2018, with an incidence on revenues down to 26.8%, compared to 27.6% in the previous period. Despite a considerable reduction in the operating costs connected with logistics and consortium costs on the Italian area, it is worth noticing increases in the cost of personnel owing to retirement incentives of Euro 325 thousand and the hiring of new personnel, in particular at the surgical instrument sterilisation centres which started production in the second half of 2017.

The consolidated operating profit (**EBIT**) increased by +11.1% (+12.7% based on a constant exchange rate) between the first half of 2017 and the first half of 2018, up from Euro 7,991 thousand to Euro 8,876 thousand. In relation to turnover, the EBIT margin was 7.0%, marking an improvement of 0.6% compared to the EBIT margin of 6.4% in the first half of 2017. This progress is attributable to a decrease in amortisation/depreciation and impairment (by 1.4% in relative terms and 5.8% in absolute terms compared to the same period of the previous year) determined in particular (i) by the reduction in amortisation relating to customer portfolios, (ii) by the closure in 2017 of the non-competition agreement of the previous Chief Executive Officer and (iii) the placement of Se.Sa.Tre. S.c.r.l. in liquidation and simultaneous transfer of ownership of the systems, machinery and surgical equipment to the ULSS n. 2 Marca Trevigiana Company, following the allocation and start from the month of January of the new contract.

The financial management has witnessed a drop in financial income related, in particular, to the fact that, in the period of comparison, exchange gains of Euro 339 thousand had been recorded, related to the calculation of the final price for the purchase of the Ankateks group. Financial expenses increased compared to the same period of the previous year mainly owing to the consolidation of the Turkish companies (whose line-by-line consolidation started in the second half of 2017).

Taxes for the period totalled Euro 1,156 thousand, with an incidence on the pre-tax result of 13.4%, down compared to 19.9% in the period of comparison (2017) due mainly to the tax benefits deriving, in the Italian area, from the deduction of the so-called “super-amortisation and hyper-amortisation” from company income, as required by the 2017 Budget Law (Law no. 232/2016).

Therefore, the consolidated intermediate financial statements as at 30 June 2018 closed with a **net profit** of Euro 7,452 thousand, up by 5.2% (5.5% based on constant exchange rates) compared to the same period of the previous year (net profit as a % of turnover therefore recorded an improvement of 0.2 percentage points).

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. The balance sheet and income statement values deriving from these transactions are described in detail in the explanatory notes to the consolidated half-year financial statements as at 30 June 2018 paragraph 8.

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

Information on treasury shares and/or shareholdings in parent companies

The Shareholders' Meeting of 20 April 2018, authorised the Board of Directors to purchase and sell treasury shares, subject to revocation of the resolution of 20 April 2017. The treasury share purchase and placement plan, among other things, meets the need to gain access to opportunities for the efficient investment of company liquidity and to have the possibility of using the purchased treasury shares for strategic transactions and/or to complete subsequent share purchase and sale transactions, to the extent allowed by permitted market practices. The plan will have a maximum duration of 18 months as from 20 April 2018, date of issue of the authorisation by the Shareholders' Meeting and the purchases can be made at any time, in one or two instalments.

The treasury shares will be purchased at a minimum purchase price of no less than 20% of the weighted average of official share prices recorded by Borsa Italiana in the 3 days preceding each individual transaction and at a maximum purchase price of no higher than 20% of the weighted average of official share prices recorded by Borsa Italiana in the 3 days preceding each individual transaction. The definition of the volumes and the unit purchases prices shall be made according to the conditions pursuant to art. 3 of the Delegated (EU) Regulation 2016/1052. The purchases and sales of treasury shares will be carried out on the organised market, in compliance with the applicable legislative and regulatory provisions, according to the operating formalities established by Article 132 of the CFL, Article 144 bis of the Issuers' Regulations, in compliance with the EC Regulation 2273/2003 dated 22 December 2003 and in observance of the shareholders' meeting resolution dated 20 April 2018. Treasury shares will be purchased for a maximum equivalent value that can be covered by distributable profits and available reserves as set forth in the latest duly approved financial statements.

The share purchase programme shall be coordinated by an approved broker who shall make the negotiation decisions in relation to the timing of the purchase of Servizi Italia S.p.A. shares, with full independence from the Company but within the limitations decided by the Shareholder's Meeting. The intermediary appointed to carry out the purchase of own shares is Intermonte Sim S.p.A.

As at 30 June 2018, the company held 72,576 treasury shares, equal to 0.23% of share capital, as a result of the purchases and sales made on the market regulated and managed by Borsa Italiana. On 6 August 2018, the Company announced that up until 3 August 2018 it had acquired 86,321 treasury shares on the market regulated and managed by Borsa Italiana, equal to 0.27% of the share capital.

Significant events and transactions

On 19 January 2018 and 31 January 2018 respectively, the Company provided information on the resignation presented by a Director and a Manager with strategic responsibilities. For further information, reference should be made to the documentation available on the Company's website.

On 29 March 2018, Servizi Italia S.p.A. communicated that it had set up a company under Brazilian law Sia Lavanderias S.A. to provide wash-hire services to public and private health facilities in the State of Amazonas, with the strategic goal of further consolidating the Group's presence in new geographic areas in Brazil. The company was set up as a joint venture with the Bringel Group, a local industrial partner operating diversified services on the Brazilian health market. Servizi Italia S.p.A. holds 51.0% of Sia Lavanderias S.A., despite not holding control of it, via its subsidiary SRI Empreendimentos e Participações L.t.d.a. For further information, reference should be made to the documentation available on the Company's website.

On 20 April 2018, the Shareholders' Meeting:

- approved the financial statements as at 31 December 2017 and the distribution of a gross single dividend of Euro 0.17 per share outstanding on the coupon date, excluding treasury shares. The dividend was paid as from 3 May 2018, with ex-dividend date on 30 April 2018 (record date 2 May 2018) and was paid to the shares, which were in circulation as of the ex-dividend date;
- appointed the members of the Board of Directors for the years 2018-2019-2020, and established the related remuneration;
- authorised the Board of Directors to purchase and sell treasury shares, subject to revocation of the resolution dated 20 April 2017.

The Board of Directors' meeting, held on 20 April 2018, appointed the Vice President and CEO of the Company, as well as the members of the Control and Risk Committee and the Nomination and Remuneration Committee, the Lead Independent Director and the Director responsible for Internal control and risk management. The Board of Directors has further reached a resolution on the start, on 23 April 2018, of a programme of treasury share purchases that aim to set up a "security warehouse", in order to implement the decision reached by the Ordinary Shareholder's Meeting.

On 19 June 2018, Servizi Italia S.p.A. reached an agreement with the Asian group IDS Medical Systems Group Ltd. for the establishment of a corporate vehicle with registered office in Singapore called IdsMED Servizi Pte Ltd, which will have the objective of identifying and developing new business opportunities in sterilisation and wash-hire services for Healthcare in the Asia-Pacific area. Additional information on the event is available on the Company's website.

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)
Kos Care Srl	Linen and professional garment rental wash-hire services	3.5	2,800
ASL ROMA 4 and 5	Supply of TTR sterile sets	1	812
Terme di Comano (TN) (awarded as part of a temporary joint consortium)	Laundry service	1	117
ULSS 7 Bassano del Grappa (awarded as part of a temporary joint consortium)	Rental of surgical instruments and sterilisation accessories, management and maintenance of medical devices and accessories	9	199

Significant events after the end of the half

On 16 July 2018, the company announced that it purchased a 40.0% stake in Sanitary Cleaning Sh.p.k., an Albanian company that provides laundry and cleaning services for the public and private sector, hospitals and hotels in Albania. Additional information on the event is available on the Company's website.

Business outlook

The results achieved in the first half of 2018 confirm the estimates and income statement and cash flow projections set forth in the plan. The Group, for the year 2018, expects to strengthen its positioning in Brazil and in other areas of the countries where it operates; as well as recording a favourable evolution of revenues and of the main profitability indicators. These objectives shall be achieved thanks to investments designed to increase production capacity, diversify business and to promote organic growth, continuing to focus on management and organisational execution.

Derivatives

As at 30 June 2018, the Group held no derivatives.

Risk management information

The Company's model is based on integrated and adequate risk management and internal control systems. This model is meant to ensure the Company's continuity and the adequacy of its processes, activities and services in terms of:

1. Business objectives:
    - achievement of objectives set within company strategies;
    - effective and efficient use of organisational resources.
2. Governance objectives:
    - ensuring the reliability, accuracy, trustworthiness and timeliness of financial reporting;
    - preservation of the company assets;
    - compliance with laws, regulations, contracts and ethical and company standards;
    - ethical and social responsibility.

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

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

The Enterprise Risk Management (ERM) tool manages risks in an integrated manner. The primary objectives of ERM are:

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

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

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

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

Information on proceedings in progress

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

Servizi Italia S.p.A. is involved in proceedings for an alleged offence pursuant to Italian Legislative Decree no. 231 of 2001 relating to the AUSL (Local Health Authority) of Viterbo, for which a former director was charged with a predicate offence in relation to the awarding of a tender for the assignment of the supply of wash-hire services, sterilisation and hire of surgical instruments for the aforementioned AUSL of Viterbo. Through its lawyers, Servizi Italia S.p.A. prepared defence pleadings aimed at demonstrating, in the course of the proceedings still in progress, the groundlessness of the accusation and, as a result, the absolute lack of involvement of the company as well as its former director in the alleged events.

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

On 13 October 2015, the Italian Revenue Agency, Provincial Office of Brescia, sent a Tax Audit Report Notice concerning direct taxes, VAT and IRAP relating to 2010, against Padana Everest S.r.l., merged into Servizi Italia S.p.A. in 2012, where higher taxable amounts were disputed on the presumed benefit of tax exemption of investments set forth in Law-Decree no. 78 of 1 July 2009 (so-called Tremonti-ter). On 23 December 2015, the Office sent Servizi Italia S.p.A. a Notice of Assessment, with which - by fully acknowledging the findings of the tax audit report - it did not recognize a portion of eligible investments for the Tremonti-ter purposes. In 2016, Servizi Italia S.p.A. filed an appeal against the notice, asking it to be cancelled; the Provincial Tax Commission of Brescia rejected the appeal presented and, on 22 March 2017, Servizi Italia S.p.A. filed an appeal to the Regional Tax Commission, believing the tax claim to be illegitimate and objectively unfounded. On 16 April 2018, the Regional Tax Commission rejected the company's appeal, actually endorsing the position of the first instance judges without, however, dealing with the arguments established by the company in support of the legitimacy of its work.

In consideration of the unfavourable outcome for the company in the second instance proceedings, said company prudentially saw fit to add to the provision for risks of the work performed with reference to this dispute, to cover the amounts it will be required to pay in the event it is the losing party. Taking account of its legal arguments, which it formalised in its written defensive briefs, the Company believes there are valid grounds for considering its work performed in fulfilling all tax obligations to be correct and is subsequently preparing to file a quick appeal to the Court of Cassation.

Risk Factors

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

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

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

Other information

The Directors acknowledge that the company took the necessary measures to ensuring the company's compliance with the provisions of Regulation EU 2016/679 ("GDPR") and the applicable national legislation governing personal data protection. In particular, given the company does not fall under the cases of mandatory appointment of a DPO indicated by GDPR, in order to guarantee proof of its accountability, Servizi Italia S.p.A. appointed a Chief Privacy Officer who, with the appropriate organisational model, will have the task of monitoring and providing support and consultancy to all company functions regarding the application and observance of the GDPR and the applicable legislation governing personal data protection.

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

With reference to the changes made in 2016 to the regulatory framework, Servizi Italia S.p.A. will publish the additional periodical information notwithstanding the obligations set forth for the issuers listed in the STAR segment, as specified in article 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.

Quality, Health, Safety and Environment

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

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

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

During the reference period:

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

Occupational Health and Safety

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

In the first half of 2018, the safety team's activities included:

- a review and update of the Risk Assessment Documents;
- implementation of the activities for the preparation and drafting of the D.U.V.R.I. (consolidated document on the assessment of risk from interference) pursuant to Art. 26 of Italian Legislative Decree 81/08 and pertaining to tender agreements, subcontracts or service agreements with third parties;
- safety coordination at temporary work sites for existing facility renovation work;
- continuous monitoring of indicators.

Environmental Regulations and energy saving activities

To conduct its business, Servizi Italia S.p.A. is required to observe the provisions of binding environmental regulations (Italian Legislative Decree No. 152 of 3 April 2006, which entered into force on 29 April 2006). The main environmental elements for which the Company has obtained due authorisation from the competent bodies for all production sites are emissions into the atmosphere, discharge of waste water, acoustic authorisation (three construction permits included in the Single Environmental Authorisation, pursuant to Presidential Decree DPR 59/2013), public water offtake.

At the production sites in which special waste is produced, the company regularly updates the waste register with information on the qualitative and quantitative characteristics of the waste produced, archives the FIRs (waste identification forms) and presents the MUD (Single environmental declaration form) annually. Servizi Italia S.p.A. has also, in accordance with the methods and timescales set forth, in compliance with the binding legislation, registered its operating sites for the application of the electronic waste tracking control system (SISTRI), annually renewing said registration and extending it to the new sites acquired.

During the period, the Company continued with additional energy efficiency actions aimed at primary energy savings, through the reduction of natural gas consumption by production site plants. Therefore, an application was made to the GSE (Energy Services Operator) for the certification of these energy savings and the issuing of the relevant Energy Efficiency Certificates, also referred to as white certificates, established by the Decrees of the Ministry of Productive Activities jointly with the Ministry for the Environment and Land Protection of 20 July 2004 (electricity Italian Ministerial Decree 20/07/04, gas Italian Ministerial Decree 20/07/04), as subsequently amended and supplemented by the Italian Ministerial Decrees 21/12/07 and 28 December 2012.

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 2018:

Company	Executives	Middle managers	White-collar staff	Blue-collar staff	Total
Servizi Italia S.p.A.	7	24	175	1,721	1,927
Steritek S.p.A.	-	-	19	-	19
Lavsim Higienização Têxtil S.A.	1	9	30	362	402
Maxlav Lavanderia Especializada S.A.	4	-	11	435	450
Vida Lavanderias Especializada S.A.	-	-	3	177	180

Aqualav Serviços De Higienização Ltda	-	1	7	226	234
Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi	2	1	6	182	191
Ergülteks Temizlik Tekstil Ltd. Sti.	-	-	6	120	126
TOTAL	**14**	**35**	**257**	**3,223**	**3,529**

Industrial Relations

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

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

In the first half of 2018, talks continued with the Trade Union Organisations and the company workers' representatives with the aim of defining shared solutions in light of the market situation, particularly to identify flexible operating and logistics solutions and to continue streamlining the staff, in order to pursue greater efficiency and integration.

Training and development

In line with the annual training Plan, the training activities carried out in the first half of 2018 focused on updating the knowledge of all personnel, supporting professional growth for operating as well as technical positions and strengthening the skills of those with roles of responsibility, with the awareness that training represents a strategic leverage for development and company growth. During the half, training activities concerned the implementation of personal development training plans as required by the succession planning process, the integrated quality/environment/safety system, the use of IT systems, as well as regulatory updates (e.g. privacy) applicable to the various company departments.

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 30 June 2018 are reported below along with share volume and price trends (in Euros):

Share and stock exchange data	30 June 2018
No. of shares making up the share capital	31,809,451
Price at IPO: 4 April 2007	8.50
Price as at 30 June 2018	4.60
Maximum price during the period	6.82
Minimum price during the period	4.07
Average price during the period	5.49
Volumes traded during the period	3,323,431
Average volumes during the period	26,587

Share volumes and prices as at 30 June 2018

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

The Chairman of the Board of Directors

(Roberto Olivi)

HALF-YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF THE SERVIZI ITALIA GROUP AS AT 30 JUNE 2018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(thousands of Euros)	Note	30 June 2018	*of which with related parties (Note 8)*	31 December 2017	*of which with related parties (Note 8)*
ASSETS					
Non-current assets					
Property, plant and equipment	**6.1**	126,583	-	124,172	-
Intangible assets	**6.2**	4,373	-	4,638	-
Goodwill	**6.3**	67,361	-	70,784	-
Equity-accounted investments	**6.4**	23,217	-	22,257	-
Equity investments in other companies		3,612	-	3,612	-
Financial receivables		6,987	*4,000*	6,987	*4,660*
Deferred tax assets	**6.5**	1,977	-	2,112	-
Other assets		4,836	-	5,281	-
Total non-current assets		**238,946**		**239,843**	
Assets held for sale		**-**	**-**	**334**	**-**
Current assets					
Inventories		5,883	-	5,915	-
Trade receivables	**6.6**	77,327	*10,366*	74,539	*3,872*
Current tax receivables		1,571	-	1,972	-
Financial receivables		7,803	*5,450*	7,946	*5,599*
Other assets	**6.7**	12,774	-	10,703	-
Cash and cash equivalents		6,618	-	7,999	-
Total current assets		**111,976**		**109,074**	
TOTAL ASSETS		**350,922**		**349,251**	
SHAREHOLDERS' EQUITY AND LIABILITIES					
Group shareholders' equity					
Share capital		31,737	-	31,799	-
Other reserves and Retained earnings		95,069	-	93,506	-
Profit (loss) for the period		7,060	-	13,770	-
Total shareholders' equity attributable to shareholders of the parent		**133,866**		**139,075**	
Total shareholders' equity attributable to non-controlling interests		**2,381**		**2,564**	
TOTAL SHAREHOLDERS' EQUITY	**6.8**	**136,247**		**141,639**	
LIABILITIES					
Non-current liabilities					
Due to banks and other lenders	**6.9**	39,202	-	40,210	-
Deferred taxes liabilities	**6.10**	2,292	-	2,645	-
Employee benefits	**6.11**	10,356	-	10,322	-
Provisions for risks and charges	**6.12**	2,676	-	2,447	-
Other financial liabilities	**6.14**	5,596	-	6,076	-
Total non-current liabilities		**60,122**		**61,700**	
Current liabilities					
Due to banks and other lenders	**6.9**	56,029	-	51,383	-
Trade payables	**6.13**	74,387	*9,154*	69,854	*9,106*
Current tax payables		358	-	157	-
Employee benefits	**6.11**	-	-	877	-
Other financial liabilities	**6.14**	4,355	*2,670*	5,176	*2,460*
Other payables	**6.15**	19,424	-	18,465	-
Total current liabilities		**154,553**	**-**	**145,912**	**-**
TOTAL LIABILITIES		**214,675**		**207,612**	
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**350,922**		**349,251**	

CONSOLIDATED INCOME STATEMENT

(thousands of Euros)	Note	30 June 2018	*of which with related parties (Note 8)*	30 June 2017	*of which with related parties (Note 8)*
Sales revenues	**7.1**	**126,476**	*8,299*	**125,333**	*2,274*
Other income		2,654	*334*	2,075	*319*
Raw materials and consumables	**7.2**	(13,427)	*(66)*	(13,050)	*(11)*
Costs for services	**7.3**	(38,287)	*(10,269)*	(37,795)	*(10,081)*
Personnel expense	**7.4**	(42,772)	*(2,625)*	(41,117)	*(2,306)*
- of which non-recurring		-		*(564)*	
Other costs		(745)	*(10)*	(881)	*(10)*
Depreciation, amortisation, write-downs, impairment and provisions	**7.5**	(25,023)	-	(26,574)	-
Operating profit		**8,876**		**7,991**	
Financial income	**7.6**	1,024	*293*	1,314	*297*
Financial expenses	**7.6**	(1,605)	-	(913)	-
Income/(expense) from equity investments in other companies		142	-	252	-
Revaluation/impairment of equity-accounted investments	**6.4**	171	-	196	-
Profit before tax		**8,608**		**8,840**	
Current and deferred taxes	**7.7**	(1,156)		(1,758)	
- of which non-recurring		-		*(135)*	
Profit (loss) for the period		**7,452**		**7,082**	
of which: Attributable to shareholders of the parent		7,060		7,021	
Attributable to non-controlling interests		392		61	
Basic earnings per share (in Euros)	**7.8**	**0.22**		**0.22**	
Diluted earnings per share (in Euros)	**7.8**	**0.22**		**0.22**	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(thousands of Euros)	30 June 2018	30 June 2017
Profit (loss) for the period	**7,452**	**7,082**
Other comprehensive income that will not be reclassified to the Income Statement		
Actuarial gains (losses) on defined benefit plans	-	-
Income taxes on other comprehensive income	-	-
Other comprehensive income that may be reclassified to the Income Statement		
Gains (losses) from translation of foreign financial statements	(6,461)	(3,084)
Portion of comprehensive income of the investments measured using the equity method	(307)	-
Income taxes on other comprehensive income	-	-
Total other comprehensive income after taxes	**(6,768)**	**(3,084)**
Total comprehensive income for the period	**684**	**3,998**
of which: Attributable to shareholders of the parent	592	3,989
Attributable to non-controlling interests	92	9

CONSOLIDATED CASH FLOW STATEMENT

(thousands of Euros)	Note	as at 30 June 2018	*of which with related parties (Note 8)*	as at 30 June 2017	*of which with related parties (Note 8)*
Cash flow generated (absorbed) by operations					
Profit (loss) before tax		8,608	-	8,840	-
Payment of current taxes		(267)	-	(58)	-
Depreciation	**7.5**	24,761	-	26,061	-
Impairment and provisions	**7.5**	262	-	513	-
(Revaluation)/impairment of equity investments	**6.4**	(313)	-	(448)	-
Gains/losses on disposal		(154)	-	(313)	-
Interest income and expense accrued	**7.6**	581	-	(401)	-
Interest income collected		399	-	673	-
Interest expense paid		(1,189)	-	(617)	-
Provisions for employee benefits	**6.11**	275	-	380	-
		32,963		**34,630**	
(Increase)/decrease in inventories		256	-	(234)	-
(Increase)/decrease in trade receivables	**6.6**	(5,894)	*(6,493)*	(2,693)	*(1,791)*
Increase/(decrease) in trade payables	**6.13**	7,332	*452*	4,063	*1,149*
Increase/(decrease) in other assets and liabilities		(2,293)	*210*	(6,271)	-
Settlement of employee benefits	**6.11**	(1,139)	-	(345)	-
Cash flow generated (absorbed) by operations		**31,225**		**29,150**	
Net cash flow generated (absorbed) from investment activities in:					
Intangible assets	**6.2**	(321)	-	(120)	-
Property, plant and equipment	**6.1**	(29,317)	-	(22,954)	-
Dividends received		142	-	252	-
Acquisitions		-	-	-	-
Equity investments	**6.4**	(754)	-	(1,448)	-
Net cash flow generated (absorbed) by investment activities		**(30,250)**		**(24,270)**	
Cash flow generated (absorbed) from financing activities in:					
Financial receivables		(207)	*309*	665	*120*
Dividends paid	**6.8**	(5,681)	-	(4,707)	-
Net (purchase)/sales of treasury shares	**6.8**	(280)	-	1,627	-
Share Capital increase		-	-	-	-
Shareholders' equity		-	-	246	-
Current liabilities to banks and other lenders	**6.9**	5,374	-	(1,164)	-
Non-current liabilities to banks and other lenders	**6.9**	(745)	-	(2,598)	-
Cash flow generated (absorbed) from financing activities		**(1,539)**		**(5,931)**	
(Increase)/decrease in cash and cash equivalents		**(564)**		**(1,051)**	
Opening cash and cash equivalents		**7,999**		**5,463**	
Effect of exchange rate fluctuations		**817**		**214**	
Closing cash and cash equivalents		**6,618**		**4,198**	
Increase/(decrease) in cash and cash equivalents		**(564)**	**-**	**(1,051)**	**-**

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

(thousands of Euros)	Share capital	Share premium reserve	Legal reserve	Retained earnings	Translation reserve	Profit (loss) for the period	Reserves and profit (loss) of non-controlling interests	Total Shareholders' Equity
Balance as at 1 January 2017	**31,461**	**51,967**	**4,772**	**39,427**	**(867)**	**10,451**	**545**	**137,756**
Allocation of profit from the previous year	-	-	594	5,144	-	(5,738)	-	-
Distribution of dividends	-	-	-	-	-	(4,713)	-	(4,713)
Change in the scope of consolidation	-	-	-	-	-	-	226	226
Share Capital increase	-	-	-	-	-	-	-	-
Treasury share transactions	339	1,288	-	-	-	-	-	1,627
Comprehensive profit (loss) for the period	-	-	-	-	(3,032)	7,021	9	3,998
Balance as at 30 June 2017	**31,800**	**53,255**	**5,366**	**44,571**	**(3,899)**	**7,021**	**780**	**138,894**

(thousands of Euros)	Share capital	Share premium reserve	Legal reserve	Retained earnings	Translation reserve	Profit (loss) for the period	Reserves and profit (loss) of non-controlling interests	Total Shareholders' Equity
Balance as at 31 December 2017	**31,799**	**53,249**	**5,366**	**42,598**	**(7,707)**	**13,770**	**2,564**	**141,639**
Effects of adoption of IFRS 9	-	-	-	(115)	-	-	-	(115)
Balance as at 1 January 2018	**31,799**	**53,249**	**5,366**	**42,483**	**(7,707)**	**13,770**	**2,564**	**141,524**
Allocation of profit from the previous year	-	-	691	7,673	-	(8,364)	-	-
Distribution of dividends	-	-	-	-	-	(5,406)	(275)	(5,681)
Change in the scope of consolidation	-	-	-	-	-	-	-	-
Share Capital increase	-	-	-	-	-	-	-	-
Treasury share transactions	(62)	(218)	-	-	-	-	-	(280)
Comprehensive profit (loss) for the period	-	-	-	(307)	(6,161)	7,060	92	684
Balance as at 30 June 2018	**31,737**	**53,031**	**6,057**	**49,849**	**(13,868)**	**7,060**	**2,381**	**136,247**

EXPLANATORY NOTES

1 Introduction

These half-year condensed consolidated financial statements as at 30 June 2018 of the Servizi Italia Group, subject to limited audit, have been prepared in compliance with Art. 154 ter of Italian Legislative Decree 58/1999 as amended as well as the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), on the basis of the text published in the Official Journal of the European Communities (OJEC). These half-year financial statements have been prepared in "condensed" form as established by IAS 34, and therefore do not include all the information normally included in the annual financial statements and must therefore be read together with the Group's consolidated financial statements as at 31 December 2017.

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

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

The following IFRS accounting principles, amendments and interpretations were applied for the first time by the Group starting on 1 January 2018:

- Standard **IFRS 15 – Revenue from Contracts with Customers** (issued on 28 May 2014 and supplemented with additional clarifications published on 12 April 2016), which replaced IAS 18 – Revenue and IAS 11 – Construction Contracts, as well as the interpretations IFRIC 13 – Customer Loyalty Programmes, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers and SIC 31 – Revenues-Barter Transactions Involving Advertising Services. The standard provides for a new revenue recognition model, which is applicable to all agreements made with customers, with the exception of those falling under the scope of application of other IAS/IFRSs, such as leases, insurance contracts and financial instruments. The main steps for revenue recognition according to the new model are:
    - identifying the agreement in place with the customer;
    - identifying the performance obligations in the agreement;
    - defining the transaction price;
    - allocation of the price to the performance obligations in the agreement;
    - revenue recognition criteria when the entity satisfies each performance obligation.

  This standard was applied as from 1 January 2018. The adoption of the standard did not impact the Group's consolidated financial statements.

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

  The new standard was applied from 1 January 2018, without the re-statement of the comparative data as at 31 December 2017; in particular, the effects of the new loan impairment model were booked to opening shareholders' equity as at 1 January 2018 and involved a negative change of Euro 115 thousand compared to the closing shareholders' equity as at 31 December 2017.

- Amendment to **IFRS 2 "Classification and measurement of share-based payment transactions"** (issued on 20 June 2016). This document provides clarifications on how to account for the effects of vesting conditions in cash-settled share-based payments, how to classify share-based payments that include net settlement features and how to account for changes to the terms and conditions of a share-based payment that turn cash-settled share-based payment to equity-settled share-based payment. The amendments were applied as from 1 January 2018. The adoption of the amendment did not impact the Group's consolidated financial statements.

- Document **"Annual Improvements to IFRSs: 2014-2016 Cycle"**, issued on 8 December 2016 (including IFRS 1 First-Time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters, IAS 28 Investments in Associates and Joint Ventures – Measuring investees at Fair value through profit or loss: an investment-by-investment choice or a consistent policy choice, IFRS 12 Disclosure of Interests in Other Entities – Clarification of the scope of the Standard) which partially supplement the pre-existing standards. Most of the amendments were applied as from 1 January 2018. The adoption of these amendments did not impact the consolidated financial statements of the Company.

- Amendment to **IAS 40 "Transfers of Investment Property"** (issued on 8 December 2016). These amendments provide clarifications on the transfer of properties to, or from, investment properties. Specifically, an entity should only reclassify a property asset to or from investment property when there is evidence of a change in use of that asset. Such change in use must be supported by a specific event occurred in the past. A change in intention by the entity's management alone is not sufficient. These amendments were applied as from 1 January 2018. The adoption of these amendments did not impact the consolidated financial statements of the Company.

- Interpretation of **IFRIC 22 "Foreign Currency Transactions and Advance Consideration"** (issued on 8 December 2016). This interpretation provides guidelines on foreign currency transactions when non-monetary advance consideration paid or received is recognised before recognition of the relating asset, expense or income. This document clarifies how an entity has to determine the date of the transaction and consequently the spot exchange rate to be used for foreign currency transactions whose consideration is paid or received in advance. IFRIC 22 was applied as from 1 January 2018. The adoption of this interpretation did not impact the Group's consolidated financial statements.

The following IFRS and IFRIC accounting standards, amendments and interpretations were approved by the European Union, but not yet mandatorily applicable and not adopted early by the Group as at 30 June 2018.

- Standard **IFRS 16 – Leases** (issued on 13 January 2016), intended to replace IAS 17 – Leases, as well as the IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases—Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

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

  The standard introduces a single lessee accounting model for the recognition and measurement of lease agreements, which provides for the recording of the leased asset, under assets with a counter entry under financial liabilities, with the possibility of not recognising as leasing the contracts that have "low-value assets" (i.e. leases regarding assets with a value of under Euro 5,000) and leases with a contract duration of up to 12 months. On the other hand, the Standard does not include significant changes for the lessor.

  The standard applies as from 1 January 2019, though early application is permitted.

  With reference to IFRS 16 described above, the Directors expect its application to have a significant impact on the amounts and relative disclosures in the Group's consolidated financial statements; however, it is not possible to estimate the effects until the Group has completed a detailed analysis, which is still in progress at the date of approval of these financial statements. The application of the new standard will mainly concern lease agreements on properties and operating lease agreements on vehicles.

- Amendment to **IFRS 9 "Prepayment Features with Negative Compensation"** (published on 12 October 2017). This document specifies that the instruments that required an early repayment could respect the "SPPI" test also if the "reasonable additional compensation" to be paid in case of early repayment is a "negative compensation" for the lender. The amendment applies as from 1 January 2019, though early adoption is allowed. Directors do not expect any significant effect on the consolidated financial statements of the Group when these amendments are adopted.

At the reference date of these condensed half-year 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 respect of which the Directors do not expect significant effects on the Group consolidated financial statements.

- On 7 June 2017, the IASB published the interpretative document **IFRIC 23 – Uncertainty over Income Tax Treatments**. The document addresses the uncertainties over income tax treatments.

  The document requires the uncertainties over the determination of liabilities or assets for income taxes to be recognised in the financial statements only when it is probable that the entity will pay or receive the amount in question. Therefore, the interpretation does not provide any new mandatory disclosure; however, the entity should assess whether is necessary to provide disclosures on the management consideration done in relation to the uncertainty inherent to the recognition of the income taxes, in accordance with IAS 1.

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

- Amendment to **IAS 28 "Long-term Interests in Associates and Joint Ventures"** (published on 12 October 2017)". This document clarifies the need to apply IFRS 9, including the requirements linked to the impairment, to the other long-term interests in associates and joint ventures to which the equity method does not apply. The amendment applies as from 1 January 2019, though early adoption is allowed.

- Document **"Annual Improvements to IFRSs 2015-2017 Cycle"**, issued on 12 December 2017 (including IFRS 3 Business Combinations and IFRS 11 Joint Arrangements – Remeasurement of previously held interest in a joint operation, IAS 12 Income Taxes – Income tax consequences of payments on financial instruments classified as equity, IAS 23 Borrowing costs Disclosure of Interests in Other Entities – Borrowing costs eligible for capitalisation), which acknowledges the amendments to some standards as part of the annual improvement process. The amendments apply as from 1 January 2019, though early adoption is allowed.

- Amendment to IAS 19 **"Plant Amendment, Curtailment or Settlement"** (published on 7 February 2018). The document clarifies that an entity must recognise a modification (i.e. a curtailment or settlement) of a defined benefit plan. The amendments require an entity to update its assumptions and remeasure the net liability or asset deriving from the plan. The amendments clarify that, after the verification of said event, an entity uses updated assumptions to measure the current service cost and interest for the rest of the reference period after the event. The amendments apply as from 1 January 2019, though early adoption is allowed. Amendment to **IFRS 10 and IAS 28 "Sales or Contribution of Assets between an Investor and its Associate or Joint Venture"** (published on 11 September 2014). The purpose of these amendments was to resolve the conflict between IAS 28 and IFRS 10 concerning the measurement of profit or loss arising from transfers or assignments of a non-monetary asset to a joint venture or associate in return for its shares. The IASB has suspended the application of these amendments for the time being. The half-year financial report was approved by the Board of Directors of Servizi Italia S.p.A. on 8 August 2018.

1.1 Core Business

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

2 The Company as part of a group

Servizi Italia S.p.A. is a subsidiary of the Coopservice S.c.p.a. group, with registered offices in Reggio Emilia, which holds a controlling shareholding via the company Aurum S.p.A.; therefore, said entity indirectly controls the Servizi Italia Group.

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 2018 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 2018 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 2017.

3.2 Scope of Consolidation

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

(thousands)	Registered office	Currency	Share capital as at 30 June 2018	Percentage shareholding as at 30 June 2018	Percentage shareholding as at 31 December 2017
San Martino 2000 S.c.r.l.	Genoa - Italy	EUR	10	60%	60%
Se.Sa.Tre. S.c.r.l. in liquidation	Genoa - Italy	EUR	20	60%	60%
Steritek S.p.A.	Malagnino (CR) - Italy	EUR	134	70%	70%
Ankateks Turizm İnsaat Tekstil Temizleme Sanayi Ve	Ankara - Turkey	TRY	5,000	55%	55%
Ergülteks Temizlik Tekstil Ltd. Sti.**	Smirne - Turkey	TRY	1,700	57.5%	57.5%
SRI Empreendimentos e Participacoes LTDA	São Paulo - Brazil	BRL	154,769	100%	100%
Lavsim Higienização Têxtil S.A.*	São Roque, State of São Paulo - Brazil	BRL	550	100%	100%
Maxlav Lavanderia Especializada S.A.*	Jaguariúna, State of São Paulo - Brazil	BRL	2,825	50.1%	50.1%
Vida Lavanderias Especializada S.A.*	ıntana de Parnaiba, State of São Paulo - Brazil	BRL	3,600	50.1%	50.1%
Aqualav Serviços De Higienização Ltda*	Vila Idalina, Poá, State of São Paulo - Brazil	BRL	15,400	100%	100%

*Held through SRI Empreendimentos e Participações Ltda
**Held through Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi

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

(thousands)	Registered office	Currency	Share capital as at 30 June 2018	Percentage of shareholding as at 30 June 2018	Percentage shareholding as at 31 December 2017
CO.SE.S S.c.r.l. in liquidation	Perugia - Italy	EUR	10	25%	25%
PSIS S.r.l.	Padua – Italy	EUR	10,000	50%	50%
Ekolav S.r.l.	Lastra a Signa (FI) – Italy	EUR	100	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%
Iniziative 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%	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	ALL	2,746	30%	30%
Shubhram Hospital Solutions Private Limited	New Delhi - India	INR	305,172	51%	51%
SAS Sterilizasyon Servisleri A.Ş.	Istanbul -Turkey	TRY	6,742	51%	51%
Servizi Sanitari Integrati Marocco S.a.r.l.	Casablanca - Morocco	MAD	122	51%	51%
Sia Lavanderias S.A.	Manaus, State of Amazonas - Brazil	BRL	5,000	51%	-
Steriliza Serviços de Esterilizaçao S.A.	São Roque, State of São Paulo - Brazil	BRL	2,000	51%	-
IDSMED Servizi Pte. Limited	Singapore – Singapore	SGD	0	30%	-

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

Currency	Average exchange rate as at 30 June 2018	Final exchange rate as at 30 June 2018	Average exchange rate as at 30 June 2017	Final exchange rate as at 30 June 2017
Brazilian Real (R$)	4.1415	4.4876	3.4431	3.76
Turkish Lira (TL)	4.9566	5.3385	3.9391	4.0134
Albanese Lek	129.992	126.59	135.0102	132.521
Indian Rupee (INR)	79.4903	79.813	71.1760	73.7445
Moroccan Dhiram (MAD)	11.247	11.108	10.816	11.010

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 2017, 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 2018 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 2018 were drafted on the basis of the going concern assumption.

4 Risk management policy

Within the Servizi Italia Group, specific organisational directives centrally govern risk management and control over all transactions relevant to the composition of financial and/or trade assets and liabilities.

The Servizi Italia Group's activities are exposed to various risk types, including interest rate fluctuations and credit, liquidity, cash flow risks and currency-type risks.

To minimise such risks, the Servizi Italia Group has adopted timescales and control methods, which allow the company management to monitor 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 2017. 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 and Morocco 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 exchange rates.

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

Credit risk

There are significant concentrations of credit by customer and geographical area, and extended collection timescales. Around 21.1% of turnover comes from customers in the Lombardy Region, roughly 12.8% from customers in the Emilia Romagna Region, around 10.9% from customers in the Tuscany Region, roughly 9.7% from customers in the Liguria Region and approximately 8.8% from customers in the Veneto Region.

In light of the fact that customers are predominantly public companies, default risk is deemed low. However, these customers have extended payment times which depend on loans received by the local health units and hospitals from the Regions. Currently, the average days sales outstanding are 110.

Liquidity risk

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

Interest rate risk

The Group's net financial debt primarily comprises short-term payables which, as at 30 June 2018, represent approximately 59% of its debt, at an average annual rate of around 0.48%. In relation to the global financial crisis, the Company is monitoring the market and assessing the appropriateness of taking out hedging transactions on the rates in order to limit the negative impacts of possible future changes in interest rates on the company's income statement. The table below demonstrates the effect that would be generated by a 0.5% increase or decrease in rates (in thousands of Euros).

(thousands of Euros)	0.5% rate increase		0.5% rate decrease	
	30 June 2018	**31 December 2017**	**30 June 2018**	**31 December 2017**
Financial receivables	+36	+72	(36)	(72)
Financial payables	+265	+520	(265)	(520)
Factoring of receivables	+238	+458	(238)	(458)

4.2 Fair value information

The Group does not hold financial instruments measured at fair value. Therefore, no classification based on input quality is provided. Financial assets and financial liabilities are recognised at amortised cost. Shareholdings in other companies relate to investments of a strategic and production nature, all of which are in fact held in relation to the management of contracts or licenses. These shareholdings have been valued at purchase or founding cost, adjusted if necessary for impairment or capital repayments, since there is no active market for these securities which, for the most part, cannot even be freely transferred to third parties given that they are subject to rules and agreements which in fact prevent free circulation.

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 wardrobes;

- *Linen sterilisation (Steril B):* this includes the planning and rental of sterile medical devices for operating theatres (linens for operating theatres and scrubs) packed in kits for the operating theatre, in cotton or in re-usable technical fabric, as well as personal protection equipment (gloves, masks);

- *Sterilization of surgical instruments (Steril C):* this includes (i) the design and supply of washing, packaging and sterilization services for surgical instruments (owned or rented) as well as accessories for operating rooms, (ii) the design, installation and renovation of sterilization centres and, (iii) system validation and control services for sterilization processes and surgical instrument washing systems.

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

- the company operates in Italian territory, with the exception of the Brazilian companies Lavsim Higienização Têxtil S.A., Maxlav Lavanderia Especializada S.A., Vida Lavanderias Especializada S.A. and Aqualav Serviços De Higienização Ltda held through the subsidiary SRI Empreendimentos e Participações Ltda, as well as the Turkish companies Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi and Ergülteks Temizlik Tekstil Ltd. Sti.
- offers the same types of services in each geographical area in Italy and abroad.

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

The 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 2018**			
	Wash -hire	**Steril B**	**Steril C**	**Total**
Revenues from sales and services	91,522	11,422	23,532	126,476
Other income	1,541	170	943	2,654
Raw materials and materials	(7,473)	(3,989)	(1,965)	(13,427)
Costs for services	(29,564)	(2,545)	(6,178)	(38,287)
Personnel expense	(31,445)	(2,746)	(8,580)	(42,772)
Other costs	(601)	(25)	(119)	(745)
EBITDA (a)	**23,979**	**2,286**	**7,633**	**33,899**
Depreciation, amortisation and impairment	(20,266)	(988)	(3,769)	(25,023)
Operating profit (EBIT)	**3,713**	**1,298**	**3,864**	**8,876**
Financial income and expense and income and expense from equity investments in other companies				(268)
Profit before tax				**8,608**
Taxes				(1,156)
Profit (loss) for the year				**7,452**
Of which portion attributable to non-controlling interests				392
Of which portion attributable to shareholders of the parent				7,060

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

(thousands of Euros)	Half-year ended as at 30 June 2017			
	Wash-hire	**Steril B**	**Steril C**	**Total**
Revenues from sales and services	95,148	9,702	20,483	125,333
Other income	837	112	1,126	2,075
Raw materials and materials	(8,836)	(2,980)	(1,234)	(13,050)
Costs for services	(28,618)	(2,482)	(6,695)	(37,795)
Personnel expense	(32,628)	(2,244)	(6,245)	(41,117)
Other costs	(707)	(48)	(126)	(881)
EBITDA (a)	**25,196**	**2,060**	**7,309**	**34,565**
Depreciation, amortisation and impairment	(21,885)	(994)	(3,695)	(26,574)
Operating profit (EBIT)	**3,311**	**1,066**	**3,614**	**7,991**
Financial income and expense and income and expense from equity investments in other companies				849
Profit before tax				**8,840**
Taxes				(1,758)
Profit (loss) for the year				**7,082**
Of which portion attributable to non-controlling interests				61
Of which portion attributable to shareholders of the parent				7,021

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

The wash-hire services line which, in absolute terms, represents 72.4% of the revenue of the Group, recorded a decrease of -3.8% compared with the same period in the previous year. The consolidated revenues of this line were supported by the acquisition of control of the Turkish Group Ankateks (which contributed +4.1% to the revenues in the first half of 2018 compared to the same period in the previous year), which took place in July 2017, while they were impacted by a decrease (-7.2%) in the domestic wash-hire market (which occurred primarily in the first quarter of 2018). The turnover of the Brazilian area recorded a growth of +7.1% (in local currency), offset by the effect of the devaluation of the Real/Euro exchange rate (-18.1%), which involved an overall reduction of the revenues of the Brazil area of 11.0%.

At margins level, in the first half of 2018, the wash-hire services business recorded an EBITDA margin of 26.2%, compared to 26.5% in the same period of the previous year, and an improvement in the EBIT margin, up from 3.5% to 4.1%, thanks in particular to the reduction in amortisation relating to customer portfolios, the closure in 2017 of the non-competition agreement with the previous CEO and the placement into liquidation of the consortium company Se.Sa.Tre. S.c.r.l. in liquidation and simultaneous transfer of ownership of the systems, machinery and surgical equipment to the ULSS n. 2 Marca Trevigiana Company, following the allocation and start from the month of January of the new contract.

Revenue from linen sterilisation services increased by +17.7% to Euro 11,422 thousand, accounting for 9.0% of total sales. In terms of margins, the EBITDA margin of the linen sterilisation business stood at 20.0%, compared to 21.2% in the previous year, and the EBIT margin increased from 11.0% to 11.4%, due to the relative weight of the amortisation not proportional to the growth in turnover obtained in particular by supplies of single-use products and consumables.

Turnover in the surgical instrument sterilisation segment grew by 14.9% compared to 30 June 2017. The revenues of this line were supported in particular by the turnover generated in the half by the company Steritek S.p.A. acquired in September 2017. On a like-for-like basis, the line registered growth of +9.2%, attributable primarily to the gradual increase in turnover from customers already in the portfolio and the signing of new contracts. Surgical instrument sterilisation is the segment with the highest profitability, having obtained an EBITDA margin of 32.4% in the period, and an EBIT margin of 16.4%.

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

(thousands of Euros)	30 June 2018			
	Wash-hire	Steril B	Steril C	Total
Total revenues from sales and services	**91,522**	**11,422**	**23,532**	**126,476**
Investments in property, plant and equipment and intangible assets	27,348	773	2,729	30,850
Depreciation of property, plant and equipment and amortisation of intangible assets	20,000	991	3,770	25,023
Net book value of property, plant and equipment and intangible assets	102,211	3,137	25,608	130,956

(thousands of Euros)	30 June 2017			
	Wash-hire	Steril B	Steril C	Total
Total revenues from sales and services	**95,148**	**9,702**	**20,483**	**125,333**
Investments in property, plant and equipment and intangible assets	20,879	1,064	1,359	23,302
Depreciation of property, plant and equipment and amortisation of intangible assets	21,372	994	3,695	26,061
Net book value of property, plant and equipment and intangible assets	95,903	4,333	27,016	127,252

5.1 Seasonality

The Group's economic and financial performance is not affected by particular 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.

(thousands of Euros)	Land and buildings	Plant and machinery	Returnable assets	Equipment	Other assets	Assets under construction	Total
Historical cost	7,088	131,312	32,137	62,106	136,051	2,298	370,992
Accumulated depreciation	(2,148)	(85,906)	(20,111)	(46,009)	(92,646)	-	(246,820)
Balance as at 31 December 2017	**4,940**	**45,406**	**12,026**	**16,097**	**43,405**	**2,298**	**124,172**
Translation differences	(99)	(1,300)	(174)	(51)	(726)	(26)	(2,376)
Increases	24	2,172	297	1,632	21,420	4,983	30,528
Decreases	(1)	(99)	-	(99)	(1,119)	(211)	(1,529)
Depreciation	(100)	(3,799)	(1,179)	(2,743)	(16,391)	-	(24,212)
Write-downs (reinstatements)	-	-	-	-	-	-	-
Reclassifications	4	587	11	15	87	(704)	-
Balance as at 30 June 2018	**4,768**	**42,967**	**10,981**	**14,851**	**46,676**	**6,340**	**126,583**
Historical cost	6,998	131,500	32,166	62,607	151,598	6,340	391,209
Accumulated depreciation	(2,230)	(88,533)	(21,185)	(47,756)	(104,922)	-	(264,626)
Balance as at 30 June 2018	**4,768**	**42,967**	**10,981**	**14,851**	**46,676**	**6,340**	**126,583**

Increases in the first half of 2018 refer primarily to investments in linens (Euro 20,461 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 year in question. The increases in the item Plant and machinery mainly concern investments made by Servizi Italia S.p.A. in the following facilities: Castellina di Soragna, Treviso, Florence, Ariccia and Bolzaneto and by Maxlav Lavanderia

Especializada S.A., while the increases in the item Equipment refer mainly to the purchase of surgical instruments.

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

(thousands of Euros)	as at 30 June 2018	as at 31 December 2017
Sterilisation centre investments	2,216	749
Laundering facility investments	1,196	503
Investments on contracts	516	807
Investments in the production sites in Brazil	1,378	231
Other investments	1,034	8
Total	**6,340**	**2,298**

The investments in sterilisation centres mainly concern those for the construction or renovation of surgical instrument sterilisation centres, in particular, the construction of the new surgical instrument sterilisation centre at ASST of Valle Olona for the hospital of Busto Arsizio (Euro 2,194 thousand).

6.2 Intangible assets

This item changed as follows:

(thousands of Euros)	Trademarks, Software and Patent and intellectual property rights	Customer contracts portfolio	Other intangible assets	Assets under construction and payments on account	Total
Historical cost	4,662	7,435	1,016	48	13,161
Accumulated depreciation	(3,986)	(3,521)	(1,016)	-	(8,523)
Balance as at 31 December 2017	**676**	**3,914**	**-**	**48**	**4,638**
Translation differences	(34)	-	-	-	(34)
Increases	245	-	-	77	322
Decreases	(1)	-	-	(3)	(4)
Depreciation	(207)	(342)	-	-	(549)
Write-downs (reinstatements)	-	-	-	-	-
Reclassifications	2	-	-	(2)	-
Balance as at 30 June 2018	**681**	**3,572**	**-**	**120**	**4,373**
Historical cost	4,803	7,466	-	120	12,389
Accumulated depreciation	(4,122)	(3,894)	-	-	(8,016)
Balance as at 30 June 2018	**681**	**3,572**	**-**	**120**	**4,373**

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

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 2017	Increases/ (Decreases)	Translation differences	as at 30 June 2018
CGU Italy	45,364	-	-	45,364
CGU Turkey	15,066	-	(2,235)	12,831
CGU Brazil	10,354	-	(1,188)	9,166
Total	**70,784**	-	**(3,423)**	**67,361**

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

At the date of approval of these half-year consolidated financial statements, no facts or events have taken place that may indicate an impairment loss in the goodwill recognised and tested for impairment at the end of 2017.

6.4 Equity-accounted investments

The value of equity-accounted investments changed as follows:

(thousands of Euros)	Changes as at 30 June 2018					
	1 January 2018	Increases	Decreases	Revaluations	Impairment	30 June 2018
Associates and jointly controlled companies						
Saniservice Sh.p.k.	(45)	-	-	718	-	673
Finanza & Progetti S.p.A.	9,250	-	-	-	(356)	8,894
Brixia S.r.l.	2,990	-	-	-	(75)	2,915
Arezzo Servizi S.c.r.l.	5	-	-	-	-	5
Consorzio Se.Sa.Tre. S.c.r.l. in liquidation	3	-	-	-	-	3
PSIS S.r.l.	3,898	-	-	40	-	3,938
Ekolav S.r.l.	115	-	-	42	-	157
Steril Piemonte S.c.r.l.	1,973	-	-	-	-	1,973
AMG S.r.l.	2,395	-	-	74	-	2,469
Iniziative Produttive Piemontesi S.r.l.	1,154	-	-	-	(5)	1,149
SE.STE.RO. S.r.l. in liquidation	114	-	(100)	-	(14)	0
Piemonte Servizi Sanitari S.c.r.l.	3	-	-	-	-	3
Servizi Sanitari Integrati Marocco S.a.r.l.	84	-	-	-	0	84
SAS Sterilizasyon Servisleri A.Ş.	466	306	-	-	(91)	681
Shubhram Hospital Solutions Private Limited	(148)	228	-	-	(445)	(365)
Sia Lavanderias S.A.	-	228	-	-	(19)	209
Steriliza Serviços de Esterilizaçao S.A.	-	69	-	-	(5)	64
Total	**22,257**	**831**	**(100)**	**874**	**(1,010)**	**22,852**
of which provisions for risk and charges						(365)
of which equity investments in associates and jointly controlled companies						23,217

The increase in investments derives mainly from the conversion of the shareholders' loan to share capital in the company SAS Sterilizasyon Servisleri A.Ş. for Euro 306 thousand, the share capital increase of Shubhram Hospital Solutions Private Limited and the share capital payment for the establishment of the two new Brazilian companies Sia Lavanderias S.A. and Steriliza Serviços de Esterilizaçao S.A. The revaluations and write-downs include the portions of profits and losses recorded by the investees in the half.

With reference to the equity investment in Shubhram Hospital Solutions Private Limited, in consideration of the commitments assumed with the local Indian partner, the portion of the losses exceeding the value of the equity investment was booked to the item Provisions for risks and charges.

6.5 Deferred tax assets

This item changed as follows:

(thousands of Euros)	Share Capital increase costs	Property, plant and equipment	Employee benefits	Previous tax losses	Other costs with deferred deductibility	Total
Deferred taxation as at 31 December 2017	**3**	**790**	**182**	**802**	**335**	**2,112**
Adoption of new loan impairment model (IFRS 9)					36	36
Deferred taxation as at 1 January 2018	**3**	**790**	**182**	**802**	**371**	**2,148**
Changes recognised in the income statement	(3)	59	(83)	25	(69)	(71)
Changes recognised under shareholders' equity	-	(6)	-	(94)	-	(100)
Changes recognised in other comprehensive income	-	-	-	-	-	-
Deferred taxes as at 30 June 2018	**-**	**843**	**99**	**733**	**302**	**1,977**

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

6.6 Trade receivables

The item is broken down as follows:

(thousands of Euros)	as at 30 June 2018	as at 31 December 2017
Due from third parties	72,400	71,000
Due from associates	4,772	3,353
Due from parent companies	153	184
Receivables from companies under the control of the parent companies	2	2
Total	**77,327**	**74,539**

Trade receivables

The item is broken down as follows:

(thousands of Euros)	as at 30 June 2018	as at 31 December 2017
Trade receivables	83,633	76,893
Bad debt provision	(6,306)	(5,893)
Total	**77,327**	**71,000**

During the half, the Servizi Italia Group carried out some transactions involving the disposal of the receivables described below:

- transfer without recourse to Credemfactor S.p.A. of Euro 27,470 thousand in trade receivables for consideration of Euro 27,409 thousand;
- trade receivables were factored without recourse to Unicredit Factoring S.p.A. for Euro 20,111 thousand, for a consideration of Euro 20,076 thousand.

The bad debt provision changed as follows:

(thousands of Euros)	
Balance as at 31 December 2017	**5,893**
Adjustment due to adoption of new loan impairment model (IFRS 9)	151
Balance as at 1 January 2018	**6,044**
Uses	-
Adjustments	(61)
Provisions	323
Balance as at 30 June 2018	**6,306**

6.7 Other current assets

The item is broken down as follows:

(thousands of Euros)	as at 30 June 2018	as at 31 December 2017
Due from others	10,279	9,623
Prepayments	2,277	956
Guarantee deposits receivable	174	120
Accrued income	44	4
Total	**12,774**	**10,703**

The item Receivables from others is composed of the receivables of the subsidiaries Se.Sa.Tre. S.c.r.l. in liquidation and San Martino 2000 S.c.r.l. from the consortium company Servizi Ospedalieri S.p.A. in the amount of Euro 1,028 thousand, the VAT receivable for Euro 7,552 thousand (Euro 4,509 as at 31 December 2017) and, for the remaining part, mainly by advances and receivables from social security and welfare institutions, all collectable within the year. Prepayments increased primarily as a result of rentals and insurance premiums that were recognised at the beginning of the year. The item guarantee deposits refers to energy utilities and rentals.

6.8 Shareholders' equity

As at 30 June 2018, the fully subscribed and paid-up share capital of Servizi Italia S.p.A. was broken down into 31,809,451 ordinary shares with a nominal amount of Euro 1 each. In the first half of 2018, the Company purchased 62,026 treasury shares with a value of Euro 280 thousand, equivalent to 0.19% of the share capital, at the average purchase price of Euro 4.52 per share. Following these transactions, the Company held 72,576 treasury shares amounting to 0.23% of the share capital as at 30 June 2018. The value of the treasury shares held at 30 June 2018 of Euro 329 thousand was classified as a reduction in shareholders' equity. The legal reserve and retained earnings/(losses) increased due to the allocation of the profit from 2017, after the payment of dividends for Euro 5,406 thousand. In addition, note should be taken of the negative impact, for Euro 6,161 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 2018			as at 31 December 2017		
	Current	Non-current	Total	Current	Non-current	Total
Bank borrowing	55,734	38,441	**94,175**	51,255	40,172	**91,427**
Payables due to other lenders	295	761	**1,056**	128	38	**166**
Total	**56,029**	**39,202**	**95,231**	**51,383**	**40,210**	**91,593**

Bank borrowing

The portion of the payable falling due beyond 12 months relating to the item Due to banks changed as at 30 June 2018 when compared to 31 December 2017, due to the reimbursement of the amounts due in the year and the early extinguishment of the mortgage signed on 2 November 2015 with Banca Popolare di Milano S.Coop.a r.l. (residual debt of Euro 9,094 thousand), with a natural duration of 31 March 2021 and the signing of a new unsecured mortgage with Banco BPM S.p.A. for Euro 20,000 thousand (residual debt due beyond 12 months of Euro 15,556 thousand), with a duration of 54 months, targeted at maintaining a balanced ratio of short to medium-term borrowing. The loan stipulated with Banco BPM S.p.A. requires the maintenance of a net financial position of less than 2 times the value of shareholders' equity and less than 2 times the EBITDA (covenant), conditions which had been met as at 30 June 2018. The covenants set out in the loan agreements stipulated prior to 1 January 2018 were also respected.

Amounts due to banks are shown below by maturity:

(thousands of Euros)	as at 30 June 2018	as at 31 December 2017
Less than or equal to 6 months	40,082	36,809
6 to 12 months	15,652	14,446
1 to 5 years	38,441	40,172
More than 5 years	-	-
Total	**94,175**	**91,427**

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

(thousands of Euros)	as at 30 June 2018	as at 31 December 2017
1 to 2 years	19,221	21,927
2 to 5 years	19,220	18,245
More than 5 years	-	-
Total	**38,441**	**40,172**

Payables due to other lenders

Amounts due to other lenders as at 30 June 2018, for the current portion, are represented mainly by the amount due to Unicredit Factoring S.p.A. amounting to Euro 223 thousand.

The non-current portion of the balance as at 30 June 2018 is attributable to the debt incurred by the Turkish subsidiary Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi.

Payables to other lenders are broken down by maturity below:

(thousands of Euros)	as at 30 June 2018	as at 31 December 2017
Less than or equal to 6 months	250	109

6 to 12 months	45	19
1 to 5 years	761	38
More than 5 years	-	-
Total	**1,056**	**166**

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

(thousands of Euros)	as at 30 June 2018	as at 31 December 2017
1 to 2 years	175	28
2 to 5 years	586	10
More than 5 years	-	-
Total	**761**	**38**

6.10 Deferred taxes liabilities

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

(thousands of Euros)	Leasing	Property, plant and equipment and intangible assets	Goodwill	Other	Total
Deferred tax liabilities as at 31 December 2017	**25**	**1,233**	**1,378**	**9**	**2,645**
Changes recognised in the income statement	(15)	(367)	51	2	(324)
Changes recognised under shareholders' equity	-	(24)	-	-	(24)
Changes recognised in other comprehensive income	-	-	-	-	-
Deferred tax liabilities as at 30 June 2018	**10**	**842**	**1,429**	**11**	**2,292**

There are no deferred taxes which have not been recognised, since the related payment is deemed unlikely.

6.11 Employee benefits

This item changed as follows:

(thousands of Euros)	Non-current portion	Current portion
Initial balance as at 1 January 2018	**10,322**	**877**
Change in the consolidation area	-	-
Provision	705	-
Financial expenses	40	-
Actuarial (gains)/losses	-	-
Transfers (to)/from other provisions	-	-
(Uses)	(711)	(877)
Final balance as at 30 June 2018	**10,356**	**-**

With the approval of the financial statements as at 31 December 2017, the vesting period of the LTI (Long Term Incentive) Cash Plan 2015-2016-2017 was completed. The Remuneration Committee, along with the Board of Statutory Auditors, on 13 March 2018, provided a very detailed report and support for the Board of Directors, highlighting the successful achievement of the performance targets foreseen for the net profit of the group cumulated during the vesting period. The Board of Directors has approved the payment to the beneficiaries, for Euro 877 thousand, according to the terms and conditions detailed in the regulations.

6.12 Provisions for risks and charges

The item is broken down as follows:

(thousands of Euros)	as at 30 June 2018	as at 31 December 2017

Opening balance	**2,447**	**2,798**
Provisions	250	25
Uses/resolutions	(386)	(376)
Provision to cover equity investment losses	365	
Closing balance	**2,676**	**2,447**

The provisions refer to the coverage of the risk of a tax dispute, taking account of the outcomes of the first and second instance proceedings, while allocations were released in relation to liabilities connected with the acquisition of the Brazilian company Aqualav Serviços De Higienização Ltda as a result of the elimination of the related risk.

The provision for the coverage of losses booked 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.

6.13 Trade payables

The item is broken down as follows:

(thousands of Euros)	as at 30 June 2018	as at 31 December 2017
Due to suppliers	66,022	62,051
Due to associates	2,555	2,877
Due to parent company	4,034	4,013
Payables to companies under the control of the parent companies	1,776	913
Total	**74,387**	**69,854**

6.14 Other financial liabilities

The variation of the item is specifically connected to the payment of the second instalment of the debt to Area S.r.l. equal to Euro 1,000 thousand and the reclassification to short-term of the third instalment of Euro 500 thousand in relation to the purchase of the equity investment in Brixia S.r.l. The item also reduced due to the payment of the part of the deferred price of Aqualav Serviços De Higienização Ltda.

6.15 Other current payables

The table below provides a breakdown of other current liabilities:

(thousands of Euros)	as at 30 June 2018	as at 31 December 2017
Accrued liabilities	100	202
Deferred income	576	435
Social security contributions	4,590	5,359
Other payables	14,158	12,469
Total	**19,424**	**18,465**

Payables due to social security and welfare institutions

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

Other payables

The item is broken down as follows:

(thousands of Euros)	as at 30 June 2018	as at 31 December 2017

Due to employees	11,512	9,457
Employee/professional IRPEF (personal income tax) payable	1,689	2,219
Other payables	957	793
Total	**14,158**	**12,469**

6.16 Net financial debt

The Group's net financial debt as at 30 June 2018 and as at 31 December 2017 is shown below:

(thousands of Euros)	as at 30 June 2018	as at 31 December 2017
Cash and cash equivalents in hand	53	49
Cash at bank	6,565	7,950
Cash and cash equivalents	**6,618**	**7,999**
Current financial receivables	7,803	7,946
Current liabilities to banks and other lenders	(56,029)	(51,383)
Current net financial debt	**(48,226)**	**(43,437)**
Non-current liabilities to banks and other lenders	(39,202)	(40,210)
Non-current net financial debt	**(39,202)**	**(40,210)**
Net financial debt	**(80,810)**	**(75,648)**

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

It should be noted that current liabilities to banks and other lenders increased by Euro 4,646 thousand compared to 31 December 2017, as a result of greater use of self-liquidating lines.

Non-current liabilities to banks and other lenders recorded a drop of Euro 1,008 thousand, as a result of the repayment of loan instalments in the period, the early repayment of the mortgage taken out with Banca Popolare di Milano S.Coop.a r.l. and the signing of the new unsecured mortgage with Banco BPM S.p.A., as specified in paragraph 6.9.

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".

(thousands of Euros)	as at 30 June 2018	*of which with related parties*	as at 31 December 2017	*of which with related parties*
A. Cash	53	-	49	-
B. Other cash equivalents	6,565	-	7,950	-
C. Securities held for trading	-	-	-	-
D. Cash and cash equivalents (A)+(B)+(C)	**6,618**		**7,999**	
E. Current financial receivables	7,803	*5,450*	7,946	*5,630*
F. Current bank borrowings	(26,809)	-	(18,856)	-
G. Current portion of non-current borrowings	(29,220)	-	(32,527)	-
H. Other current financial payables	(4,355)	-	(5,176)	-
I. Current financial debt (F)+(G)+(H)	**(60,384)**		**(56,559)**	
J. Current net financial debt (I)-(E)-(D)	**(45,963)**		**(40,614)**	
K. Non-current bank borrowings	(39,202)	-	(40,210)	-
L. Bonds issued	-	-	-	-
M. Other non-current payables	(5,596)	-	(6,076)	-
N. Non-current financial debt (K)+(L)+(M)	**(44,798)**		**(46,286)**	
O. Net financial debt (J)+(N)	**(90,761)**		**(86,900)**	

6.17 Financial guarantee contracts

The table below lists the guarantees given by the company, existing as at 30 June 2018 and as at 31 December 2017:

(thousands of Euros)	**as at 30 June 2018**	**as at 31 December 2017**
Guarantees issued by banks and insurance companies for tenders	64,770	59,454
Guarantees issued by banks and insurance companies for lease agreements and utilities	607	613
Guarantees issued by banks and insurance companies in favour of third parties	52,895	42,821
Owned assets held by third parties	82	82
Third party assets held at our facilities	14	14
Pledge on Asolo Hospital Service shares to back loans granted to the Project Companies	464	464
Pledge on Sesamo shares to back loans granted to the Project Companies	237	237
Pledge on Prog.Este shares to back loans granted to the Project Companies	1,212	1,212
Pledge on Progeni shares to back loans granted to the Project Companies	380	380
Total	**120,661**	**105,277**

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

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

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

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

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

7 Income statement

7.1 Revenues from sales

The item is broken down as follows by business:

(thousands of Euros)	**Half-year ended as at 30 June**	
	2018	**2017**
Wash-hire	91,522	95,148
Steril B	11,422	9,702
Steril C	23,532	20,483
Sales revenues	**126,476**	**125,333**

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

(thousands of Euros)	**Half-year ended as at 30 June**	
	2018	**2017**
Abruzzo	20	3
Basilicata	231	226
Campania	63	25
Emilia Romagna	16,240	16,109
Friuli Venezia Giulia	10,502	10,071
Lazio	5,670	5,788
Liguria	12,323	13,857
Lombardy	26,641	25,970
Marches	1,873	1,951
Piedmont	3,316	3,450
Apulia	18	0
Sardinia	1	0
Calabria	3	0
Molise	2	0
Sicily	2,042	1,846
Tuscany	13,797	13,439
Trentino Alto Adige	3,151	2,930
Umbria	60	133
Valle D'Aosta	252	250
Veneto	11,073	12,700
EU revenues	0	0
NON-EU revenues	656	116
NON-EU revenues (TURKEY)	3,879	0
NON-EU revenues (BRAZIL)	14,663	16,469
Total	**126,476**	**125,333**

7.2 Raw materials and consumables

As at 30 June 2018, consumption of raw materials amounted to Euro 13,427 thousand, up by Euro 377 thousand compared to the same period of the previous year, primarily associated with washing products, chemical products, packaging, consumables, spare parts, single-use materials and procedure kits.

7.3 Costs for services

The item is broken down as follows:

(thousands of Euros)	**Half-year ended as at 30 June**	
	2018	**2017**
External laundering and other industrial services	(11,372)	(10,872)
Travel and transport	(6,466)	(7,168)
Utilities	(5,610)	(5,674)

Administrative costs	(1,341)	(1,177)
Consortium and sales costs	(3,902)	(4,412)
Personnel expense	(1,443)	(1,231)
Maintenance	(3,727)	(2,814)
Use of third-party assets	(3,641)	(3,609)
Other services	(785)	(838)
Total	**(38,287)**	**(37,795)**

Item Costs for services increased by Euro 492 thousand compared with the same period of the previous year. This increase was impacted by the consolidation, during the second half of 2017, of Steritek S.p.A. and Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi.

Costs for external laundering and other industrial services increased from Euro 10,872 thousand as at 30 June 2017 to Euro 11,372 thousand as at 30 June 2018. The item was impacted by the increase in costs for various third-party services such as consultancy and technical services.

The costs for travel and transport showed a decrease of Euro 702 thousand compared to 30 June 2017. This reduction was particularly marked in the Italian area where the contractual agreements with a few clients has changed following the award of the new contracts with the Liguria Region.

Consortium and sales costs were down from Euro 4,412 thousand as at 30 June 2017 to Euro 3,902 thousand as at 30 June 2018. The reduction of the item is mainly to be ascribed to minor consortium costs referred to IRCCS University Hospital Centre of San Martino in Genoa and the San Giovanni Hospital Centre in Rome.

The maintenance item was mainly impacted by the increase in the maintenance of surgical instruments, amounting to Euro 566 thousand, in the Italian area, the maintenance of Turkish production sites for Euro 64 thousand and of Brazilian production sites for Euro 21 thousand.

7.4 Personnel expense

The item is broken down as follows:

(thousands of Euros)	**Half-year ended as at 30 June**	
	2018	**2017**
Costs for directors' fees	(573)	(780)
Salaries and wages	(29,903)	(28,366)
Temporary work	(1,141)	(1,131)
Social security charges	(9,335)	(9,139)
Employee severance indemnity	(1,700)	(1,578)
Other costs	(120)	(123)
Total	**(42,772)**	**(41,117)**

Personnel expense increased from Euro 41,117 thousand as at 30 June 2017 to Euro 42,772 thousand as at 30 June 2018. The period was impacted by the consolidation of Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi amounting to Euro 1,099 thousand and the consolidation of Steritek S.p.A. for Euro 532 thousand. On the Italian area, it is also worth noting the increased cost of personnel severance incentives for Euro 325 thousand with respect to the period of comparison, and the hiring of new personnel, especially at the surgical instrument sterilisation centres in Bergamo, Florence and Columbus in Milan, which started during the second half of 2017. In the Brazilian area there has instead been a drop in personnel cost, equal to Euro 886 thousand, mainly due to the effects of the Real/Euro devaluation compared to the same period of the previous year.

The table below shows the average breakdown of personnel:

	Personnel as at 30 June	
	2018	**2017**
Executives	16	15
Middle managers	34	24
White-collar staff	253	201
Blue-collar staff	3,232	2,905
Total	**3,535**	**3,145**

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

The item is broken down as follows:

(thousands of Euros)	Half-year ended as at 30 June	
	2018	**2017**
Amortisation of intangible assets	(549)	(901)
Depreciation of property, plant and equipment	(24,212)	(25,161)
Impairment and provisions	(262)	(512)
Total	**(25,023)**	**(26,574)**

The decrease in the amortisation of intangible fixed assets is due to less amortisation relating to the client portfolios and closing in 2017 of the non-competition clause with the previous CEO. The depreciation of property, plant and equipment decreased from Euro 25,161 thousand to Euro 24,212 thousand. The decrease was determined mainly by the placement into liquidation of the consortium company Se.Sa.Tre. S.c.r.l. in liquidation and simultaneous transfer of ownership of plants, machinery and surgical equipment to the ULSS Hospital Centre No. 2 Marca Trevigiana.

The reduction in the item impairment and provisions is due to the lower write-down of loans posted as at 30 June 2018 compared to 30 June 2017.

7.6 Financial income and expense

Financial income is broken down as follows:

(thousands of Euros)	Half-year ended as at 30 June	
	2018	**2017**
Bank interest income	192	130
Default interest	351	298
Interest income on loans to third-party companies	339	345
Other financial income	142	331
Exchange rate gains	-	210
Total	**1,024**	**1,314**

Financial expenses are composed as follows:

(thousands of Euros)	Half-year ended as at 30 June	
	2018	**2017**
Interest expense and bank commission	(866)	(462)
Interest and expense to other lenders	(128)	(129)
Financial expense on employee benefits	(41)	(43)
Exchange rate losses	(273)	-
Other financial expenses	(297)	(279)
Total	**(1,605)**	**(913)**

This increase in interest expense and bank commission is primarily derived from the consolidation of the Turkish subsidiary Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi. Exchange rate losses are the result of the devaluation of the Euro/Real and the Euro/Turkish Lira exchange rates.

7.7 Income taxes

The item is broken down as follows:

(thousands of Euros)	**Half-year ended as at 30 June**	
	2018	**2017**
Current taxes	(1,413)	(1,887)
Deferred tax assets/(liabilities)	257	129
Total	**(1,156)**	**(1,758)**

7.8 Earnings per share

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

(thousands of Euros)	**Half-year ended as at 30 June**	
	2018	**2017**
Profit/loss attributable to shareholders of the parent company	7,060	7,021
Average number of shares	31,783	31,560
Basic earnings per share	**0.22**	**0.22**

(thousands of Euros)	**Half-year ended as at 30 June**	
	2018	**2017**
Profit/loss for the year attributable to the Group:	7,060	7,021
Average number of shares outstanding	31,783	31,560
Number of shares with dilutive effect	-	-
Average number of shares used to calculate diluted EPS	31,783	31,560
Diluted earnings per share	**0.22**	**0.22**

8 Transactions with group companies and related parties

The transactions of the Servizi Italia Group with subsidiaries, associates, jointly controlled companies or parent companies are conducted in compliance with the applicable Regulations governing transactions with related parties and concern primarily:

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

From an economic, equity and financial point of view, the group of main transactions constitute ordinary transactions conducted under conditions equivalent to market or standard conditions and are regulated by the appropriate contracts. With reference to the amount reported in the financial statements of the reference period, this was generated by the renewal of existing contracts or contracts stipulated in the period.

No new loans were stipulated with related parties in the half year ended as at 30 June 2018 with a significant impact on the financial disclosures of the Servizi Italia Group. The economic transactions with the related parties of the Servizi Italia Group are shown below as at 30 June 2018:

(thousands of Euros)	**30 June 2018**							
Economic transactions	**Sale of goods and services**	**Other income**	**Purchases of goods**	**Personnel expense**	**Purchases of property, plant and**	**Other costs**	**Financial income**	**Income from equity**

			and services		equipment and intangible assets			investments
Coopservice S.Coop.p.A. (parent company)	45	19	5,168	-	-	-	-	-
Aurum S.p.A. (parent company)	-	-	-	-	-	-	-	-
Arezzo Servizi S.c.r.l. (associate)	-	3	671	-	-	-	1	-
Consorzio Co.Se.S. (associate)	-	-	4	-	-	-	-	-
PSIS S.r.l. (associate)	104	58	6	-	17	-	22	-
Amg S.r.l. (associate)	182	8	524	-	-	-	-	-
Ekolav S.r.l. (associate)	31	2	855	-	5	-	1	-
Steril Piemonte S.c.r.l. (associate)	18	153	740	-	-	-	-	-
Piemonte Servizi Sanitari S.c.r.l. (associate)	-	-	152	-	-	-	-	-
Iniziative Produttive Piemontesi S.r.l. (associate)	8	2	10	-	-	-	-	-
SAS Sterilizasyon Servisleri A.Ş. (associate)	-	-	-	-	-	-	1	-
Shubhram Hospital Solutions Private Limited (associate)	-	-	-	-	-	-	-	-
Saniservice Sh.p.k. (associate)	639	60	-	-	-	-	238	-
Servizi Sanitari Integrati Marocco S.a.r.l. (associate)	-	-	-	-	-	-	-	-
Finanza & Progetti S.p.A. (associate)	-	25	-	-	-	-	-	-
Brixia S.r.l. (associate)	1,889	-	14	-	-	-	-	-
Elettrica Gover S.r.l. (affiliated)	-	-	5	-	3	-	-	-
Focus S.p.A. (affiliated)	-	-	1,375	-	-	10	-	-
Archimede S.p.A. (affiliated)	-	-	4	699	-	-	-	-
Gesta S.p.A. (affiliated)	-	4	-	-	-	-	-	-
New Fleur S.r.l. (affiliated)	12	-	505	-	-	-	-	-
Ad Personam S.r.l. (affiliated)	-	-	5	-	-	-	-	-
Padana Emmedue S.r.l. (related party)	-	-	49	-	-	-	-	-
Everest S.r.l. (related party)	-	-	144	-	-	-	-	-
Ospedal Grando S.p.A. (related party)	4,170	-	5	-	-	-	-	-
Akan & Ankateks JV (associate)	862	-	-	34	-	-	-	-
Akan (related party)	325	-	1	35	-	-	-	-
Nimetsu & Ankateks JV (associate)	-	-	-	-	-	-	-	-
Atala (related party)	14	-	-	-	-	-	-	-
Ankor (related party)	-	-	5	-	-	-	-	-
Ozdortler (related party)	-	-	-	-	-	-	-	-
Oguzalp Ergul (related party)	-	-	-	-	-	-	29	-
Feleknaz Demir (related party)	-	-	-	-	-	-	1	-
Volkan Akan (related party)	-	-	-	-	-	-	-	-
Fevzi Cenk Kiliç (related party)	-	-	-	-	-	-	-	-
Limpar Serviços Especializados e Comércio de Produtos Ltda (related party)	-	-	71	-	-	-	-	-
Lilian Promenzio Rodrigues Affonso (related party)	-	-	22	-	-	-	-	-
Steriliza Serviços de Esterilizaçao S.A. (associate)	-	-	-	-	-	-	-	-
Total	**8,299**	**334**	**10,335**	**768**	**25**	**10**	**293**	**-**

As regards income statement transactions with related parties, aside from the figures shown above, "Personnel expense" as at 30 June 2018 includes directors' fees of Euro 639 thousand (of which Euro 66 thousand for social security charges) and executive personnel expense of Euro 1,218 thousand.

Transactions with related parties of the Servizi Italia Group with an impact on the statement of financial position are shown below as at 30 June 2018:

(thousands of Euros)	30 June 2018				
Statement of financial position	Amount of trade receivables	Amount of trade payables	Amount of financial receivables	Amount of financial payables	Amount of other liabilities
Coopservice S.Coop.p.A. (parent company)	153	4,034	-	-	-
Aurum S.p.A. (parent company)	-	-	-	-	-
Arezzo Servizi S.c.r.l. (associate)	3	361	401	-	-

Consorzio Co.Se.S. (associate)	1	3	-	-	-
PSIS S.r.l. (associate)	229	74	3,866	-	-
Amg S.r.l. (associate)	304	731	-	-	-
Ekolav S.r.l. (associate)	90	682	380	-	-
Steril Piemonte S.c.r.l. (associate)	176	570	150	-	-
Piemonte Servizi Sanitari S.c.r.l. (associate)	-	120	-	-	-
Iniziative Produttive Piemontesi S.r.l. (associate)	12	12	91	-	-
SAS Sterilizasyon Servisleri A.Ş. (associate)	1	-	-	-	-
Shubhram Hospital Solutions Private Limited (associate)	11	-	-	-	-
Saniservice Sh.p.k. (associate)	1,876	-	4,562	-	-
Servizi Sanitari Integrati Marocco S.a.r.l. (associate)	5	-	-	-	-
Finanza & Progetti S.p.A. (associate)	152	-	-	-	2,460
Brixia S.r.l. (associate)	1,808	14	-	-	-
Elettrica Gover S.r.l. (affiliated)	-	9	-	-	-
Focus S.p.A. (affiliated)	-	1,527	-	-	-
Archimede S.p.A. (affiliated)	-	246	-	-	-
Gesta S.p.A. (affiliated)	1	0	-	-	-
New Fleur S.r.l. (affiliated)	127	497	-	-	-
Ad Personam S.r.l. (affiliated)	-	3	-	-	-
Padana Emmedue S.r.l. (related party)	-	39	-	-	-
Everest S.r.l. (related party)	-	171	-	-	-
Ospedal Grando S.p.A. (related party)	5,088	15	-	-	-
Akan & Ankateks JV (associate)	55	-	-	-	-
Akan (related party)	-	-	-	-	-
Nimetsu & Ankateks JV (associate)	-	-	-	-	-
Atala (related party)	9	-	-	-	-
Ankor (related party)	-	7	-	-	210
Ozdortler (related party)	-	-	-	-	-
Oguzalp Ergul (related party)	239	-	-	-	-
Feleknaz Demir (related party)	14	-	-	-	-
Volkan Akan (related party)	-	15	-	-	-
Fevzi Cenk Kiliç (related party)	-	5	-	-	-
Limpar Serviços Especializados e Comércio de Produtos Ltda (related party)	-	16	-	-	-
Lilian Promenzio Rodrigues Affonso (related party)	-	3	-	-	-
Steriliza Serviços de Esterilizaçao S.A. (associate)	12	-	-	-	-
Total	**10,366**	**9,154**	**9,450**	**-**	**2,670**

9 Company officers' fees

Economic transactions with the company officers as at 30 June 2018 are summarised below.

- Board of Directors: Euro 639 thousand (recognised as personnel expense);
- Board of Statutory Auditors: Euro 46 thousand (recognised as Costs for services).

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

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

During the half, no atypical and/or unusual transactions were entered into, as defined in Consob communication No. 6064293 of 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, 8 August 2018

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

    - the adequacy in relation to the characteristics of the business and
    - the effective application of the administrative and accounting procedures to prepare the half-year condensed consolidated financial statements from 1 January 2018 to 30 June 2018.

2. It is also certified that:

    2.1. the condensed half-year financial statements:

    a) have been prepared in compliance with the applicable international accounting standards recognised in the European Community pursuant to Regulations (EC) no. 1606/2002 of the European Parliament and of the Council, dated 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 interim directors' report includes a reliable analysis of the significant events that took place in the first six months of the year and their impact on the condensed half-year financial statements, along with a description of the principal risks and uncertainties for the remaining six months of the year. The interim directors' report also includes a reliable analysis of the information on related party transactions.

The CEO

Enea Righi

The Financial Reporting Manager

Ilaria Eugeniani

Deloitte.

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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, 2018 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 the Servizi Italia Group as at June 30, 2018 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 9, 2018

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