

31 March 2018

Interim Management 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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1 COMPANY OFFICERS AND CORPORATE INFORMATION

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

Name and Surname	Position
Gianfranco Milanese	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 codes: IT0003814537, BLOOMBERG: SRI IM, REUTERS: SRI.MI
LEI Code: 815600C8F6D5ACBA9F86

Investor Relations

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2 GROUP STRUCTURE

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

As at 31 March 2018, the Servizi Italia Group included the following Companies:

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

(*) Held through SRI Empreendimentos e Participações Ltda

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

Company name Associates and Jointly-controlled Companies	Registered office	Share capital	% holding
Arezzo Servizi S.c.r.l.	Arezzo - Italy	EUR 10,000	50%
PSIS S.r.l.	Padua - Italy	EUR 10,000,000	50%
Ekolav S.r.l.	Lastra a Signa (FI) - Italy	EUR 100,000	50%
Steril Piemonte S.c.r.l.	Turin - Italy	EUR 4,000,000	50%
AMG S.r.l.	Busca (CN) - Italy	EUR 100,000	50%

Iniziative Produttive Piemontesi S.r.l.	Turin - Italy	EUR	2,500,000	37.625%
Piemonte Servizi Sanitari S.c.r.l.	Turin - Italy	EUR	10,000	30% (^)
SE.STE.RO. S.r.l. in liquidation	Castellina di Soragna (PR) - Italy	EUR	400,000	25%
CO.SE.S S.c.r.l.	Perugia - Italy	EUR	10,000	25%
SAS Sterilizasyon Servisleri A.Ş.	Istanbul - Turkey	TRY	3,502,000	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	LEK	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	R\$	5,000,000	51% (*)

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

(*) Held through SRI Empreendimentos e Participações Ltda

3 DIRECTORS' REPORT

This Interim Report as at 31 March 2018 includes the condensed consolidated financial statements as at 31 March 2018. The Group's main financial highlights as at 31 March 2018 are shown below along with the comparative information. The figures were prepared in compliance with IAS/IFRS.

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

Main consolidated income statement figures

The table below presents a comparison of the main consolidated income statement figures as at 31 March 2018 with the results as at 31 March 2017 (in thousands of Euros):

<i>(thousands of Euros)</i>	31 March 2018	31 March 2017	Change	Chg. %
Revenues	62,973	62,912	61	0.1%
EBITDA (a)	17,033	17,720	(687)	-3.9%
EBITDA %	27.0%	28.2%		
Operating profit (EBIT)	4,599	4,343	256	5.9%
Operating profit (EBIT)%	7.3%	6.9%		
Net profit	3,542	4,136	(594)	-14.4%

- (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 31 March 2018 with the figures as at 31 December 2017 and 31 March 2017 (in thousands of Euro):

<i>(thousands of Euros)</i>	31 March 2018	31 December 2017	31 March 2017
Net operating working capital (a)	10,626	10,934	15,151
Other current assets/liabilities (b)	(8,366)	(12,000)	(10,691)
Net working capital	2,260	(1,066)	4,460
Non-current assets - medium/long-term provisions	219,451	218,353	218,320
Invested capital	221,711	217,287	222,780
Shareholders' equity (B)	142,598	141,639	142,536
Net financial debt (d) (A)	79,113	75,648	80,244
Invested capital (c)	221,711	217,287	222,780

- (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.

Group revenues and business performance

The consolidated revenues for the first quarter of 2018 amount to the overall sum of 62,973 thousand Euro, up by 2.2% at constant exchange rates and essentially unchanged at current exchange rates compared to the first quarter of the previous year. The composition of the revenue is influenced by the organic growth in the Brazilian sector (+0.9%), while the acquisitions in Turkey and Italy have contributed by 4.0%. The heavy depreciation in the average Real/Euro exchange rate has produced a negative effect of 2.1% on the turnover for the period.

The consolidated **EBITDA** has gone from Euro 17,720 thousand in the first quarter of 2017 to Euro 17,033 thousand in the first quarter of 2018, diminishing revenue by 27.0% compared to 28.2% of the previous period and 27.2% with a constant perimeter. In spite of a considerable reduction in the consumption of raw materials and finished products (-0.5%), it is worth noting that the Italian area has witnessed increases in the cost of personnel owing to retirement incentives of Euro 404 thousand and the hiring of new personnel, in particular at the surgical equipment sterilisation centres which started production in the second half of 2017. The Brazilian area experienced instead a drop in personnel cost, equal to Euro 530 thousand, mainly due to the effects of the Real/Euro devaluation compared to the same period of the previous year.

The consolidated **operating profit (EBIT)** has increased from Euro 4,343 thousand to Euro 4,599 thousand after recognising depreciation, amortisation, and write-downs for Euro 12,434 thousand, with an impact on

revenues of 7.3%, with an increase of 5.9% over the corresponding period of 2017. This progress is ascribable to a drop in depreciation, amortisation, write-downs and impairment in relative terms of 1.5% compared to the same period of the previous year. The decrease in absolute value by 7.0% has been caused in particular by the reduction of the depreciation of client portfolios, the closure in 2017 of the non-competition agreement with the previous Managing Director, the liquidation of the limited consortium company Se.Sa.Tre. S.c.r.l and the concomitant 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 since in the compared statement there was an entry related to exchange profits amounting to Euro 415 thousand related to the calculation of the final price for the purchase of the Turkish group, while the financial expenses have increased compared to the same period of the previous year mainly owing to the consolidation of the Turkish companies. The outcome was also negatively affected by the result of the affiliated companies assessed based on their Shareholders' equity.

Therefore, the consolidated intermediate financial statements as at 31 March 2018 closed with a **net profit** of Euro 3,542 thousand, down compared to the same period of the previous year.

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, Servizi Italia 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 holds 51.0% of SIA Lavanderia S.A. 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.

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

Significant events after the end of the quarter

On 20 April, 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 is to be paid as from 3 May 2018, with ex-dividend date on 30 April 2018 (record date 2 May 2018) and will be paid to the shares, which were in circulation as of the ex-dividend date.

The Shareholders' Meeting also appointed the members of the Board of Directors for the years 2018-2019-2020, and established the related remuneration.

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

The Board of Directors meeting, held on 20 April 2018, has 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 14 May 2018, the Company announced that until 11 May 2018 it had acquired 15,550 treasury shares on the market regulated and managed by Borsa Italiana, equal to 0.0489% of the share capital.

Business outlook

The results achieved in the first quarter of 2018 confirm the estimates of both the income statement and the 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 through thanks to investments designed to increase production capacity and to promote organic growth, pursuing the constant focus on management and organisational execution.

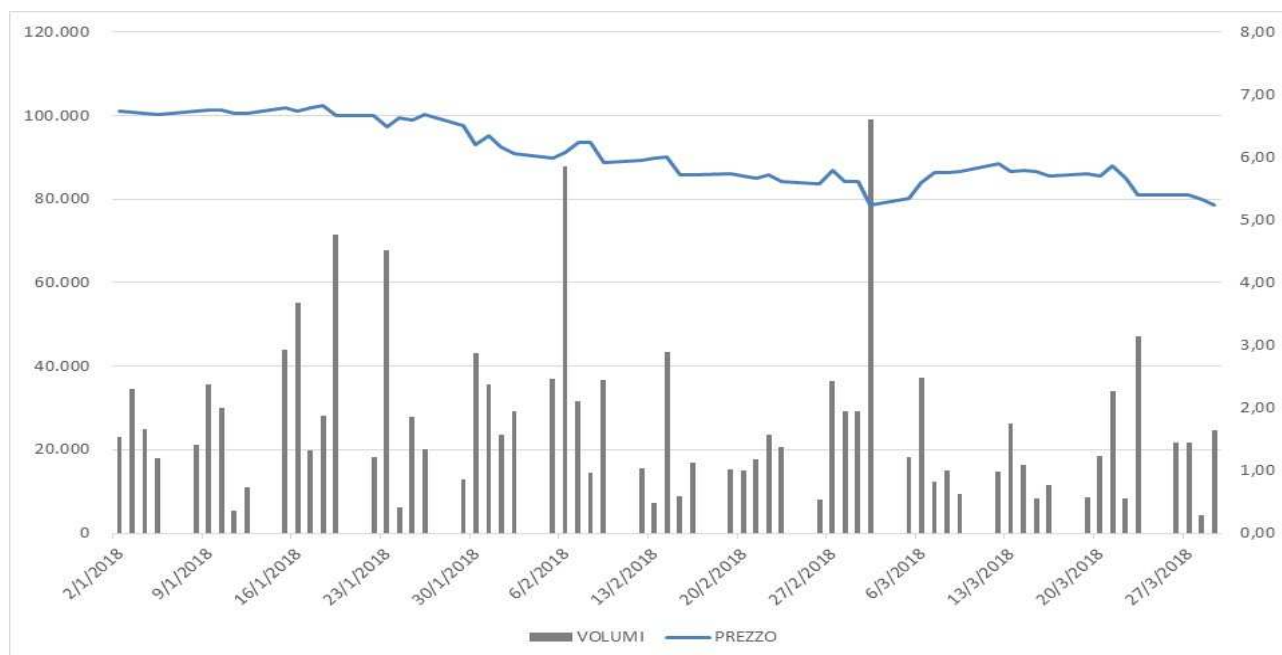
Servizi Italia and the financial markets

The Company shares have been traded in the STAR segment of the Borsa Italiana S.p.A. screen-based stock market (MTA) since 22 June 2009.

The main share and stock exchange data as at 31 March 2018 is disclosed below along with share volume and price trends:

Share and stock exchange data	31-Mar-2018
No. of shares making up the share capital	31,809,451
Price at IPO: 04 April 2007	8.50
Price as at 31 March 2018	5.24
Maximum price during the period	6.82
Minimum price during the period	5.24
Average price during the period	6.06
Volumes traded during the period	26,318
Average volumes during the period	1,658,050

Share volume and price, 1 January - 31 March 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.

Other information

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

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

With reference to the changes made in 2016 to the regulatory framework, Servizi Italia S.p.A. will publish the additional periodical information 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.

4 ACCOUNTING SCHEDULES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>(thousands of Euros)</i>	31 March 2018	31 December 2017
ASSETS		
Non-current assets		
Property, plant and equipment	126,397	124,172
Intangible assets	4,502	4,638
Goodwill	69,398	70,784
Equity-accounted investments	22,168	22,257
Equity investments in other companies	3,612	3,612
Financial receivables	6,987	6,987
Deferred tax assets	2,047	2,112
Other assets	5,114	5,281
Total non-current assets	240,225	239,843
Assets held for sale	-	334
Current assets		
Inventories	5,926	5,915
Trade receivables	75,379	74,539
Current tax receivables	1,717	1,972
Financial receivables	7,562	7,946
Other assets	12,998	10,703
Cash and liquidity	8,674	7,999
Total current assets	112,256	109,074
TOTAL ASSETS	352,481	349,251
SHAREHOLDERS' EQUITY AND LIABILITIES		
Group shareholders' equity		
Share capital	31,799	31,799
Other reserves and Retained earnings	104,873	93,506
Profit (loss) for the period	3,321	13,770
Total shareholders' equity attributable to shareholders of the parent	139,993	139,075
Total shareholders' equity attributable to non-controlling interests	2,605	2,564
TOTAL SHAREHOLDERS' EQUITY	142,598	141,639
LIABILITIES		
Non-current liabilities		
Due to banks and other lenders	33,883	40,210
Deferred taxes liabilities	2,631	2,645
Employee benefits	10,209	10,322
Provisions for risks and charges	2,374	2,447
Other financial liabilities	5,560	6,076
Total non-current liabilities	54,657	61,700
Current liabilities		
Due to banks and other lenders	61,466	51,383
Trade payables	70,679	69,854
Current tax payables	156	157
Employee benefits	-	877
Other financial liabilities	4,363	5,176
Other payables	18,562	18,465
Total current liabilities	155,226	145,912
TOTAL LIABILITIES	209,883	207,612
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	352,481	349,251

CONSOLIDATED INCOME STATEMENT

<i>(thousands of Euros)</i>	31 March 2018	31 March 2017
Sales revenues	62,973	62,912
Other income	1,257	875
Raw materials and consumables	(6,224)	(6,550)
Costs for services	(19,215)	(18,934)
Personnel expense	(21,380)	(20,337)
Other costs	(378)	(246)
Depreciation, amortisation, write-downs, impairment and provisions	(12,434)	(13,377)
Operating profit	4,599	4,343
Financial income	488	912
Financial expenses	(703)	(462)
Income/(expense) from equity investments in other companies	-	-
Revaluation/impairment of equity-accounted investments	(166)	330
Profit before tax	4,218	5,123
Income taxes	(676)	(987)
Profit (loss) for the period	3,542	4,136
of which: Attributable to shareholders of the parent	3,321	4,118
Attributable to non-controlling interests	221	18

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>(thousands of Euros)</i>	31 March 2018	31 March 2017
Profit (loss) for the period	3,542	4,136
<i>Other comprehensive income that will not be reclassified to the Income Statement</i>		
Actuarial gains (losses) on defined benefit plans	-	-
Income taxes on other comprehensive income	-	-
<i>Other comprehensive income that may be reclassified to the Income Statement</i>		
Gains (losses) from translation of foreign financial statements	(2,262)	522
Portion of comprehensive income of the investments measured using the equity method	(150)	-
Income taxes on other comprehensive income	-	-
Total other comprehensive income after taxes	(2,412)	522
Total comprehensive income for the period	1,130	4,658
of which: Attributable to shareholders of the parent	1,034	4,633
Attributable to non-controlling interests	96	25

CONSOLIDATED NET FINANCIAL POSITION

<i>(thousands of Euros)</i>	31 March 2018	31 December 2017	31 March 2017
Cash and cash equivalents in hand	41	49	31
Cash at bank	8,633	7,950	4,777
Cash and liquidity	8,674	7,999	4,808
Current financial receivables	7,562	7,946	8,126
Current liabilities to banks and other lenders	(61,466)	(51,383)	(52,636)
Current net financial debt	(53,904)	(43,437)	(44,510)
Non-current liabilities to banks and other lenders	(33,883)	(40,210)	(40,542)
Non-current net financial debt	(33,883)	(40,210)	(40,542)
Net financial debt	(79,113)	(75,648)	(80,244)

5 NOTES

5.1 Introduction

The Interim Report as at 31 March 2018 has been prepared in compliance with Art. 154-ter of the Consolidated Law on Finance.

The accounting principles and criteria adopted to prepare this Interim Report as at 31 March 2018, which has not been audited, are the same as those used to prepare the annual financial statements. As required by Consob Communication No. DEM/5073567 dated 4 November 2005, the Company has exercised the option to provide less detail than is required under IAS 34 (Interim Financial Reporting).

The subsidiaries San Martino 2000 S.c.r.l., Se.Sa.Tre. S.c.r.l. in liquidation, Steritek S.p.A., SRI Empreendimentos e Participações Ltda, Lavsim Higienização Têxtil S.A., Maxlav Lavanderia Especializada S.A., Vida Lavanderias Especializada S.A., Aqualav Serviços De Higienização Ltda, Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi and Ergülteks Temizlik Tekstil Ltd. Sti are all consolidated line-by-line.

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

This Interim Report is approved by the Board of Directors on 14 May 2018.

5.2 Performance by business segment and geographical area

The revenue from sales and services of Servizi Italia Group is shown below divided by business line for the periods ending 31 March 2018 and 2017.

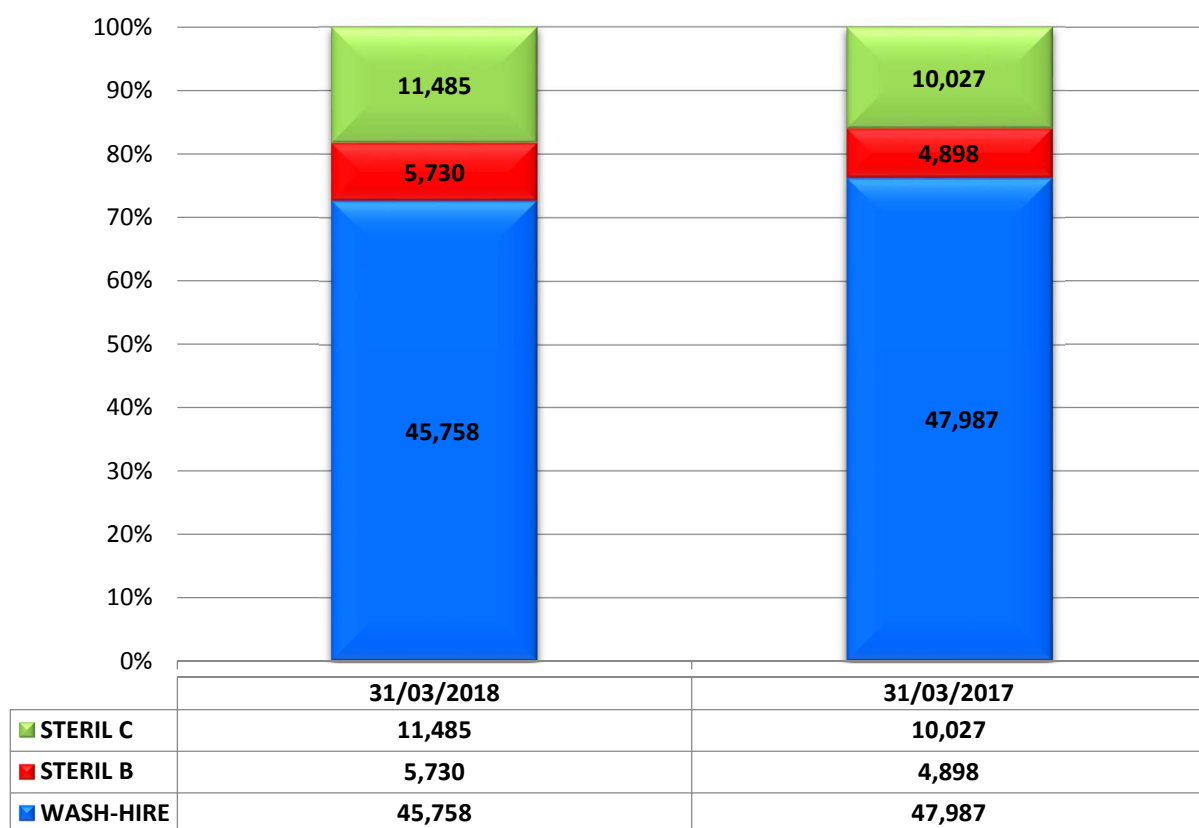
<i>(thousands of Euros)</i>	31 March 2018	%	31 March 2017	%	Changes
Wash-hire	45,758	72.7%	47,987	76.3%	-4.6%
Linen sterilisation (STERIL B)	5,730	9.1%	4,898	7.8%	17.0%
Surgical instrument sterilisation (STERIL C)	11,485	18.2%	10,027	15.9%	14.5%
Sales revenues	62,973	100.0%	62,912	100.0%	0.1%

Revenues from wash-hire services have gone from Euro 47,987 thousand in the first quarter of 2017 to Euro 45,758 thousand in the first quarter of 2018. In relative terms, comparing the figure to the total of revenues from sales and services, the wash-hire segment at 31 March 2018 amounts to 72.7%, down by 4.6% compared to the same period of the previous year. The wash-hire line was negatively affected, in the Brazilian area, by the devaluation of the average Real/Euro exchange rate compared to the same period of the previous year, while the Italian area was affected by the redefinition of the technical-economic conditions of portfolio contracts and the end of a few contracts. One should however note the growth in turnover brought about by the consolidation of Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi worth Euro 2,132 thousand.

Revenue from linen sterilisation services increased by 17.0% to Euro 5,730 thousand, accounting for 9.1% of total sales.

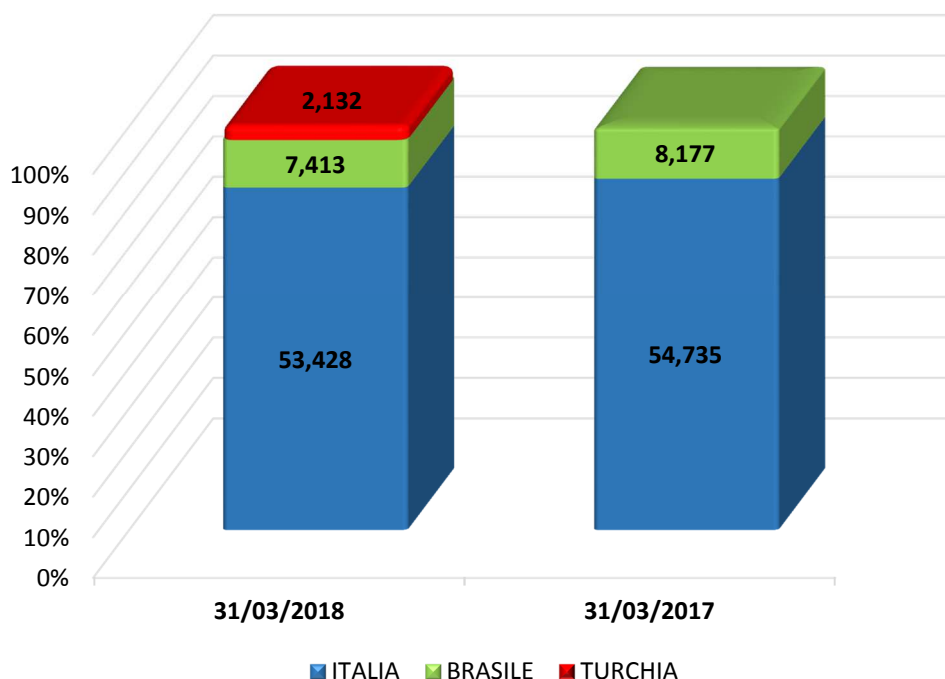
There was a 14.5% growth in turnover from surgical instrument sterilisation line compared to the same quarter of last year, on a like-for-like basis, the increase was equal to 11.0%. This growth is ascribable to

the consolidation of Steritek S.p.A., the revenue from new clients, in particular Siram S.p.A. for the services provided to the ASST Papa Giovanni XXIII in Bergamo, and the increase in customer portfolio invoicing such as the Careggi Hospital Centre in Florence, the ULSS 2 Marca Trevigiana Hospital Centre and the ASST Sette Laghi.



The table below shows revenue from sales and services of the Servizi Italia Group, broken down by geographical area, for the periods ending on 31 March 2018 and 31 March 2017:

<i>(thousands of Euros)</i>	31 March 2018	%	31 March 2017	%	Changes
Revenues - Italy	53,428	84.8%	54,735	87.0%	-2.4%
Revenues - Turkey	2,132	3.4%	-	-	-
Revenues - Brazil	7,413	11.8%	8,177	13.0%	-9.3%
Sales revenues	62,973	100.0%	62,912	100.0%	0.1%



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

Property, plant and equipment

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

<i>(thousands of Euros)</i>	Land and buildings	Plant and machinery	Returnable assets	Equipment	Other assets	Assets under construction	Total
Historical cost	6,356	129,852	39,110	62,383	129,449	3,124	370,274
Accumulated depreciation	(1,887)	(84,223)	(25,842)	(44,377)	(88,150)	-	(244,479)
Balance as at 01 January 2017	4,469	45,629	13,268	18,006	41,299	3,124	125,795
Translation differences	(91)	(1,525)	(201)	(37)	(589)	(156)	(2,599)
Change in the scope of consolidation	728	1,669	1	88	386	720	3,592
Increases	35	5,696	1,755	3,803	36,088	1,813	49,190
Decreases	-	(212)	(1)	(112)	(706)	(51)	(1,082)
Depreciation	(201)	(8,237)	(3,616)	(5,737)	(33,097)	-	(50,888)
Write-downs (reinstatements)	-	164	(2)	-	-	2	164
Reclassifications	-	2,222	822	86	24	(3,154)	-
Balance as at 31 December 2017	4,940	45,406	12,026	16,097	43,405	2,298	124,172
Historical cost	7,088	131,312	32,137	62,106	136,051	2,298	370,992
Accumulated 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	(47)	(405)	(46)	(14)	(215)	(7)	(734)
Increases	9	839	131	916	11,528	3,075	16,498
Decreases	(1)	(60)	-	(99)	(1,116)	(195)	(1,471)
Depreciation	(50)	(1,910)	(622)	(1,342)	(8,144)	-	(12,068)
Reclassifications	-	250	10	5	53	(318)	-
Balance as at 31 March 2018	4,851	44,120	11,499	15,563	45,511	4,853	126,397
Historical cost	7,041	131,566	32,206	61,961	143,605	4,853	381,232
Accumulated depreciation	(2,190)	(87,446)	(20,707)	(46,398)	(98,094)	-	(254,835)
Balance as at 31 March 2018	4,851	44,120	11,499	15,563	45,511	4,853	126,397

The translation difference refers to the variations in exchange rates for Brazilian companies Lavsim Higienização Têxtil S.A., Maxlav Lavanderia Especializada S.A., Vida Lavanderias Especializada S.A. and SRI Empreendimentos e Participações Ltda. and Aqualav Serviços De Higienização Ltda) and Turkish ones (Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi e Ergülteks Temizlik Tekstil Ltd. Sti.).

The investments in property, plant and equipment during the first quarter of 2018, equal to Euro 16,498 thousand, were mainly related to assignable works and plants still under construction at the end of the quarter (Euro 3,075 thousand), the purchase of linen (Euro 10,884 thousand), surgical equipment (Euro 426 thousand) and plants and machinery (Euro 839 thousand).

In particular, current investments have been undertaken for the construction of the new surgical instrument sterilization centre within the ASST of the Olona Valley for the Hospital Agency of Busto Arsizio (equal to Euro 1,041 thousand), the requalification of the Castellina di Soragna plant (Euro 542 thousand), the installation of new washing lines for the Brazilian companies Lavsim Higienização Têxtil S.A. (for Euro 146 thousand) and Aqualav Serviços De Higienização Ltda (Euro 860 thousand).

Furthermore, one has to note that investments for plant and machinery undertaken in Italy (for Euro 410 thousand) and in Brazil (for Euro 422 thousand) are designed to increase production capacity and improve plant safety.

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. The change in value of goodwill in the area is attributable to differences from the translation into Euros brought about following the acquisitions in Brazil and Turkey.

At the date of approval of this interim report, 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.

Shareholdings valued at equity

This item shows the following movements:

<i>(thousands of Euros)</i>	Movements as at 31 March 2018					31 March 2018
	1 January 2018	Increases	Decreases	Revaluations	Write-downs	
Associates and jointly-controlled companies						
Saniservice Sh.p.k.	(45)	-	-	346	-	301
Finanza & Progetti S.p.A.	9,250	-	(150)	-	(232)	8,868
Brixia S.r.l.	2,990	-	-	-	(41)	2,949
Arezzo Servizi S.c.r.l.	5	-	-	-	-	5
CO.SE.S S.c.r.l.	3	-	-	-	-	3
PSIS S.r.l.	3,898	-	-	-	(12)	3,886
Ekolav S.r.l.	115	-	-	17	-	132
Steril Piemonte S.c.r.l.	1,973	-	-	-	-	1,973
AMG S.r.l.	2,395	-	-	32	-	2,427

Iniziativa Produttive Piemontesi S.r.l.	1,154	-	-	-	(1)	1,153
SE.STE.RO. S.r.l. in liquidazione	114	-	-	-	-	114
Piemonte Servizi Sanitari S.c.r.l.	3	-	-	-	-	3
Servizi Sanitari Integrati Marocco S.a.r.l.	84	-	-	-	(1)	83
SAS Sterilizasyon Servisleri A.Ş.	466	-	-	25	-	491
Shubhram Hospital Solutions Private Limited	(148)	228	-	-	(300)	(220)
Total	22,257	228	(150)	420	(587)	22,168

Trade receivables

Trade receivables amount to Euro 75,379 thousand as at 31 March 2018 up by Euro 840 thousand compared to 31 December 2017. During the course of the quarter, trade receivables due from public customers have been transferred to Credem Factor S.p.A. for Euro 14,736 thousand for a sum of Euro 14,700 thousand and to Unicredit Factoring S.p.A. trade receivables due from public clients worth Euro 11,125 thousand for a fee of Euro 11,106 thousand.

Other current assets

The item is broken down as follows:

<i>(thousands of Euros)</i>	as at 31 March 2018	as at 31 December 2017
Due from others	11,090	9,623
Prepayments	1,715	956
Guarantee deposits receivable	177	120
Accrued income	16	4
Total	12,998	10,703

Other non-current assets rose from Euro 10,703 thousand as at 31 December 2017 to Euro 12,998 thousand as at 31 March 2018. The item Due from third others is made up of the receivables of the subsidiary companies Se.Sa.Tre. S.c.r.l. and San Martino 2000 from the consortium Servizi Ospedalieri S.p.A. in the amount of Euro 2,281 thousand, the VAT receivable for Euro 7,557 thousand and, for the remaining part, mainly by advances and receivables toward 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.

Cash and cash equivalents

The item in question increased by Euro 675 thousand compared to 31 December 2017. This increase was mainly associated with the cash in the BNP Paribas account of the Brazilian subsidiary SRI Empreendimentos e Participações Ltda to be used to finance group growth in Brazil.

Shareholders' equity

As at 31 March 2018, shareholders' equity totalled Euro 142,598 thousand (including Euro 2,605 thousand attributable to non-controlling interests) compared to Euro 141,639 thousand (including Euro 2,564 thousand attributable to non-controlling interests) as at 31 December 2017.

The Company held 10,550 treasury shares, equivalent to approximately 0.03% of the share capital, as at 31 March 2018. The value of treasury shares was Euro 49 thousand. Their nominal amount, of Euro 11 thousand, was classified as a decrease to share capital, and the value exceeding the nominal amount, totalling Euro 38 thousand, was recognised as a reduction in the share premium reserve.

Non-current liabilities to banks and other lenders

Non-current payables to banks and other lenders decreased from Euro 40,210 thousand as at 31 December 2017 to Euro 33,883 thousand at the end of the first quarter of 2018. This difference of Euro 6,327 thousand, is the result of the reimbursement of the expired mortgage instalments over the period.

Current liabilities to banks and other lenders

Current payables to banks and other lenders increased by Euro 10,083 thousand from Euro 51,383 thousand as at 31 December 2017 to Euro 61,466 thousand at the end of the first quarter of 2018. This increase was brought about by the payment of the expired mortgage instalments for the period and a greater recourse to self-liquidating credit lines.

Trade payables

Trade payables increased from Euro 69,854 thousand as at 31 December 2017 to Euro 70,679 thousand as at 31 March 2018, due entirely to trade payables due after 12 months.

Employee benefits

With the approval of the financial statements as at 31 December 2017, the vesting period of the LTI Cash 2015-2016-2017 Plan 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.

Other current financial liabilities

The item is broken down as follows:

<i>(thousands of Euros)</i>	as at 31 March 2018	as at 31 December 2017
Payable to Area S.r.l.	500	1,000
Payable to Steritek S.p.A. shareholders	225	225
Payable to Finanza e Progetti S.p.A.	2,460	2,460
Deferred price Aqualav Serviços De Higienização Ltda	70	375
Payable for earn-out on Maxlav Lavanderia Especializada S.A. and Vida Lavanderias Especializada S.A.	1,108	1,116
Total	4,363	5,176

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 current reclassification of the third instalment of Euro 500 thousand. On this item one should also note the payment of the deferred price quote for Aqualav Serviços De Higienização Ltda.

5.4 Notes on the main changes in the income statement

Raw materials and consumables

Purchases of raw materials and consumables have dropped from Euro 6,550 thousand at 31 March 2017 to Euro 6,224 thousand at 31 March 2018. This reduction is mainly attributable to lower single dose and procedural kit purchases in supplying certain clients.

Costs for services

The item is broken down as follows:

<i>(thousands of Euros)</i>	as at 31 March 2018	as at 31 March 2017
External laundering and other industrial services	(5,662)	(5,386)
Travel and transport	(3,275)	(3,624)
Utilities	(2,871)	(3,047)
Administrative costs	(686)	(621)
Consortium and sales costs	(1,934)	(2,118)
Personnel expense	(682)	(593)
Maintenance	(1,848)	(1,316)
Use of third-party assets	(1,857)	(1,846)
Other services	(400)	(383)
Total	(19,215)	(18,934)

Item Costs for services increased by Euro 281 thousand compared with the same period of the previous year. This increase was impacted by the consolidation, during the second half of the year, of Steritek S.p.A. and Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi. On a like-for-like basis, the costs for services would have amounted to Euro 18,530 thousand, therefore showing a decrease compared with 2017. To be noted, for the period, the positive effect of the devaluation of the average Real/Euro exchange rate. With a stable exchange rate, the costs for services would have increased by approximately Euro 336 thousand.

Costs for external laundering and other industrial services increased from Euro 5,386 thousand as at 31 March 2017 to Euro 5,662 thousand as at 31 March 2018. The item is affected by the increase in third party service provisions and by the cost of third party personnel. These increases are offset by a contraction of costs for external laundry services and sterilization of surgical instruments by third parties.

The costs for travel and transport showed a decrease of Euro 349 thousand compared to 31 March 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.

Costs of utilities fell from Euro 3,047 thousand to Euro 2,871 thousand. This decrease is due to a reduction in gas tariffs following the renegotiation of contracts and a contraction in electrical energy consumption made possible by greater production efficiencies.

Consortium and sales costs were down from Euro 2,118 thousand as at 31 March 2017 to Euro 1,934 thousand as at 31 March 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 303 thousand, in the Italian area, the maintenance of Turkish production sites for Euro 35 thousand and on Brazilian production sites for Euro 30 thousand.

Personnel expense

The item is broken down as follows:

<i>(thousands of Euros)</i>	as at 31 March 2018	as at 31 March 2017
Costs for directors' fees	(318)	(391)
Salaries and wages	(14,954)	(13,984)
Temporary work	(590)	(498)
Social security charges	(4,620)	(4,587)
Employee severance indemnity	(840)	(813)
Other costs	(58)	(64)
Total	(21,380)	(20,337)

Personnel expense increased from Euro 20,337 thousand as at 31 March 2017 to Euro 21,380 thousand as at 31 March 2018. The period was impacted by the consolidation of Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi amounting to Euro 562 thousand and the consolidation of Steritek S.p.A. for Euro 268 thousand. On the Italian area, it is also worth noting the increased cost of personnel severance incentives for Euro 404 thousand and the hiring of new personnel, especially at the surgical equipment sterilization 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 530 thousand, mainly due to the effects of the Real/Euro devaluation compared to the same period of the previous year. With a stable exchange rate, the increased personnel costs would have amounted to approximately 609 thousand.

The table below shows the average breakdown of personnel:

	31 March 2018	31 March 2017
Executives	17	14
Middle managers	22	26
White-collar staff	233	202
Blue-collar staff	3,235	2,943
Total	3,507	3,185

Depreciation, amortisation and impairment

The item is broken down as follows:

<i>(thousands of Euros)</i>	as at 31 March 2018	as at 31 March 2017
Amortisation of intangible assets	(268)	(496)
Depreciation of property, plant and equipment	(12,068)	(12,513)
Impairment and provisions	(98)	(368)
Total	(12,434)	(13,377)

The variation in the depreciation of intangible fixed assets is due to the reduction of the client portfolio and closing in 2017 of the non-competition clause with the previous Managing Director (Euro 125 thousand). The reduction of the depreciation of property, plant and equipment from Euro 12,513 thousand to Euro 12,069 thousand is mainly associated with the liquidation of the consortium company Se.Sa.Tre. S.c.r.l. and the concomitant transfer of ownership of plants, machinery and surgical equipment to the ULSS Hospital Centre No. 2 Marca Trevigiana.

The reduction of the impairment and provisions item is the result of the impact of the application from 2018 of the IFRS 9 accounting principle that has led to a rectification of Euro 81 thousand to the provisions for the write-down of receivables.

Financial Income

Financial income increased from Euro 912 thousand as at 31 March 2017 to Euro 488 thousand as at 31 March 2018. The financial management has witnessed a drop in financial income seeing as in the compared statement there was an entry related to exchange profits amounting to Euro 415 thousand related to the calculation of the final price for the purchase of the Turkish group.

Financial expenses

The item is broken down as follows:

<i>(thousands of Euros)</i>	as at 31 March 2018	As at 31 March 2017
Interest expense and bank commission	(417)	(234)
Interest and expense to other lenders	(55)	(57)
Financial expense on employee benefits	(21)	(22)
Exchange gains and losses	(94)	-
Other financial expenses	(116)	(149)
Total	(703)	(462)

Interest expense and bank commission increased compared to the same period of the previous year mainly because of the consolidation of the Turkish companies.

5.5 Net financial position

The increase in net financial debt as at 31 March 2018 compared to 31 December 2017, amounting to Euro 3,465 thousand, is to consider as a consequence of a reater VAT receivable.

In particular, examining the individual items, there was an increase of Euro 675 thousand in cash and cash equivalents in current accounts at banks compared to 31 December 2017 essentially as a result of the increase in liquidity in the BNP Paribas account of the Brazilian subsidiary SRI Empreendimentos e Participações Ltda, which is to be used to finance group growth in Brazil.

The financial receivables record a decrease compared to 31 December 2017 following the partial reimbursement of the loan granted by the Steril Piemonte S.c.r.l. company for Euro 384 thousand.

The non-current liabilities to banks and other lenders show a drop of Euro 6,327 thousand as a result of the reimbursement of expired mortgage instalments during the period, while current liabilities to banks and other lenders are on the increase by Euro 10,083 thousand following a greater recourse to self-liquidating credit lines.

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

<i>(thousands of Euros)</i>	as at 31 March 2018	as at 31 December 2017
A. Cash	41	49
B. Other cash equivalents	8,633	7,950
C. Securities held for trading	-	-
D. Cash and cash equivalents (A)+(B)+(C)	8,674	7,999
E. Current financial receivables	7,562	7,946
F. Current bank borrowings	(33,434)	(18,856)
G. Current portion of non-current borrowings	(28,032)	(32,527)
H. Other current financial payables	(4,363)	(5,176)
I. Current financial debt (F) + (G) + (H)	(65,829)	(56,559)
J. Current net financial debt (I) - (E) - (D)	(49,593)	(40,614)
K. Non-current bank borrowings	(33,883)	(40,210)
L. Bonds issued	-	-
M. Other non-current payables	(5,558)	(6,076)
N. Non-current financial debt (K) + (L) + (M)	(39,441)	(46,286)
O. Net financial debt (J)+(N)	(89,034)	(86,900)

The Chairman of the Board of Directors

(Roberto Olivi)

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

The Financial Reporting Manager.

(Ilaria Eugeniani)