

# Interim Management Report

*as at 30 September 2020*



**Servizi  
Italia**

SERVIZI ITALIA S.P.A.  
via San Pietro, 59/B - 43019 Castellina di Soragna (PR) - ITALY  
Share Capital: Euro 31,809,451 fully paid-up  
Tax Code and Register of Companies No.: 08531760158  
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## 1 CORPORATE BODIES AND COMPANY INFORMATION

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

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

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

(\*) Members of the Executive Committee

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

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

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

### Supervisory Body (in office until 2 February 2022)

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

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

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

### Registered office and company information

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

Tel. +390524598511, Fax +390524598232, website: [www.servizitaliagroup.com](http://www.servizitaliagroup.com);

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

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

Founded: 1986

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

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

LEI Code: 815600C8F6D5ACBA9F86

### Investor Relations

Giovanni Manti (IR) - Pietro Giliotti

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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, linen sterilisation centres, surgical instrument sterilisation centres and numerous wardrobes, the Company and its Italian and overseas subsidiaries forming the Servizi Italia Group, mainly provide a broad and diversified range of services for public and private healthcare facilities in central and northern Italy, in the state of São Paulo in Brazil, in Turkey, India, Albania and Morocco.

As at 30 September 2020, the Servizi Italia Group included the following Companies:

| Company Name<br>Parent Company and Subsidiaries                        | Registered Office                              | Share Capital   | Interest of equity investments |
|--|--|-----------------|--------------------------------|
| Servizi Italia S.p.A.  | Castellina di Soragna (Parma) - Italy          | EUR 31,809,451  | Parent Company                 |
| Ekolav S.r.l.  | Lastra a Signa (FI) - Italy                    | EUR 100,000     | 100%                           |
| Wash Service S.r.l.  | Castellina di Soragna (Parma) - Italy          | EUR 10,000      | 90%                            |
| Steritek S.p.A.  | Malagnino (CR) - Italy                         | EUR 134,500     | 70%                            |
| San Martino 2000 S.c.r.l.  | Genoa - Italy                                  | EUR 10,000      | 60%                            |
| SRI Empreendimentos e Participações L.t.d.a.                           | City of São Paulo, State of São Paulo - Brazil | BRL 204,597,982 | 100%                           |
| Lavsim Higienização Têxtil S.A.  | São Roque, São Paulo - Brazil                  | BRL 14,930,000  | 100% <sup>(*)</sup>            |
| Maxlav Lavanderia Especializada S.A.                                   | Jaguariúna, São Paulo - Brazil                 | BRL 2,825,060   | 100% <sup>(*)</sup>            |
| Vida Lavanderias Especializada S.A.                                    | Santana de Parnaíba, São Paulo - Brazil        | BRL 3,600,000   | 100% <sup>(*)</sup>            |
| Aqualav Serviços De Higienização Ltda                                  | Vila Idalina, Poá, State of São Paulo - Brazil | BRL 15,400,000  | 100% <sup>(*)</sup>            |
| Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi | Ankara - Turkey                                | TRY 20,000,000  | 55%                            |
| Ergülteks Temizlik Tekstil Ltd. Sti.                                   | Smirne - Turkey                                | TRY 1,700,000   | 57.5% <sup>(**)</sup>          |

<sup>(\*)</sup> Held through SRI Empreendimentos e Participações Ltda

<sup>(\*\*)</sup> Held through Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi

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

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

<sup>(\*)</sup> to which is added the indirect shareholding through Iniziativa Produttive Piemontesi S.r.l. of 15.05%.

### 3 INTERIM REPORT

This Interim Management Report as at 30 September 2020 includes income statement, balance sheet and financial data extracted from the condensed consolidated financial statements as at 30 September 2020 drafted in accordance with the International Accounting Standard applicable to interim financial reporting, IAS 34, as allowed by Consob communication No. DEM/5073567 of 4 November 2005, and should be read together with the information provided in the consolidated financial statements as at 31 December 2019. Moreover, in order to allow a better evaluation of the economic and financial performance, the following summary tables show some "Alternative performance indicators" which are not required by IFRS accounting principles. The footnotes of said tables indicate the calculation method used and composition of these ratios, in line with the guidelines of the *European Securities and Market Authority* (ESMA).

#### Main consolidated income statement figures

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

| (thousands of Euros)     | 30 September 2020 | 30 September 2019 | Change   | Change % |
|--------------------------|-------------------|-------------------|----------|----------|
| Revenues                 | 178,040           | 196,407           | (18,367) | -9.4%    |
| Ebitda <sup>(a)</sup>    | 41,703            | 52,206            | (10,503) |          |
| Ebitda %                 | 23.4%             | 26.6%             |          | -3.2%    |
| Operating profit (Ebit)  | 916               | 9,835             | (8,919)  |          |
| Operating profit (Ebit)% | 0.5%              | 5.0%              |          | -4.5%    |
| Net Income               | (303)             | 7,684             | (7,987)  |          |
| Net Income %             | -0.2%             | 3.9%              |          | -4.1%    |

<sup>(a)</sup> 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 September 2020 with the figures as at 31 December 2019 (in thousands of Euro):

| (thousands of Euros)                             | 30 September 2020 | 31 December 2019 | Change          | Change %     |
|--|-------------------|------------------|-----------------|--------------|
| Net operating working capital <sup>(a)</sup>     | 3,996             | 6,644            | (2,648)         | -39.9%       |
| Other current assets/liabilities <sup>(b)</sup>  | (16,147)          | (18,852)         | 2,705           | -14.3%       |
| <b>Net working capital</b>                       | <b>(12,151)</b>   | <b>(12,208)</b>  | <b>57</b>       | <b>-0.5%</b> |
| Non-current assets – Medium/Long term provisions | 263,348           | 277,873          | (14,525)        | -5.2%        |
| of which right of use for IFRS 16                | 32,504            | 35,783           | (3,279)         | -9.2%        |
| <b>Net Invested capital</b>                      | <b>251,197</b>    | <b>265,665</b>   | <b>(14,468)</b> | <b>-5.4%</b> |
| Shareholders' equity (B)                         | 114,648           | 138,257          | (23,609)        | -17.1%       |
| Net financial debt <sup>(d)</sup> (A)            | 136,549           | 127,408          | 9,141           | 7.2%         |
| of which financial liabilities for IFRS 16       | 32,812            | 36,258           | (3,446)         | -9.5%        |
| <b>Net Invested capital <sup>(c)</sup></b>       | <b>251,197</b>    | <b>265,665</b>   | <b>(14,468)</b> | <b>-5.4%</b> |
| <b>Gearing [A/(A+B)]</b>                         | <b>54.4%</b>      | <b>48.0%</b>     |                 |              |
| <b>Debt/Equity (A/B)</b>                         | <b>119.1%</b>     | <b>92.2%</b>     |                 |              |

<sup>(a)</sup> 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.

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

<sup>(c)</sup> The Company management has defined net invested capital as the sum of Shareholders' equity and net financial debt.

<sup>(d)</sup> 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.

## Company situation and overall business performance

As at 30 September 2020, the Servizi Italia Group's operating performance recorded a consolidated turnover equal to Euro 178,040 thousand, down by 9.4% (-5.7% at the same exchange rates) compared to 30 September 2019.

For what concerns revenues from sales and services as at 30 September 2020 and 2019, please note the following:

- Revenues from **wash-hire services**, which in absolute terms represent 75.8% of the Group's revenues, pass from Euro 146,012 thousand in the first nine months of 2019 to Euro 134,948 thousand in 2020 (-7.6%), partly sustained by the excellent organic growth registered in Brazil and Turkey, but offset by a negative exchange rate variation of 4.9% as well as by the acquisitions made in 2019 which are influencing the whole period (+2.2%). In Italy, there is a drop in revenues due to lower volumes recorded by the Parent Company in Lazio region, the start of new contracts in Lombardia and Emilia-Romagna with average prices lower than in the past, as well as a decrease in revenues recorded by hotel and restaurants sector from March 2020, due to the epidemiological emergency situation currently underway, making a recovery to pre-Covid regimes from July 2020, but without substantial changes to customers' retention rate. Revenues in Brazil are characterised by an organic growth in local currency of 6.6%, offset by a negative exchange rate translation effect of 25.1% (depreciation of Brazilian Real against Euro), which led to a negative change for the period (-18.5%). Revenues in Turkey recorded an excellent organic growth as well, equal to 14.4%, offset by a negative exchange rate effect of 19.0% (depreciation of Turkish Lira against Euro) which led to a negative variation in turnover of 4.6%.
- Revenues from **textile sterilization (steril B)**, which in absolute terms represent 7.5% of the Group's revenues, decreased from Euro 15,032 thousand in the first nine months of 2019 to Euro 13,348 thousand in the same period of 2020, down by 11.2%, marking the best quarterly result of 2020 and giving signs of recovery to regimes prior to the pandemic crisis. This division, however, has been impacted by the effects of the current epidemiological situation, in addition to the contraction of some foreign supplies and the termination of some contracts in Friuli Venezia Giulia and Lombardia.
- Revenues from **surgical instruments sterilization services (steril C)**, which in absolute terms represent 16.7% of the Group's revenues, pass from Euro 35,363 thousand in the first nine months of 2019 to Euro 29,744 thousand in the same period of 2020, down by 15.9%. In particular, it should be noted that this segment recorded a decline by March 2020 mainly due to the decrease in surgery activities related to Coronavirus emergency, then positively offset by a gradual recovery in the third quarter of 2020 (up by 18.1%), compared to the loss recorded in the second quarter of 2020 (down by 19.2%).

**Consolidated EBITDA** went from Euro 52,206 thousand in the first nine months of 2019 to Euro 41,703 thousand in the same period of 2020. Despite the strong reduction in revenues in the period (-9.4%), the reduction in EBITDA margin has been contained (-3.2%), passing from 26.6% to 23.4% (23.8% at the same consolidation scope and exchange rate). This figure reflects the positive performance of Brazil and Turkey as well as the measures taken to contain operating and structural costs. Raw materials costs increased as a percentage of revenues (up by 1.1%), mainly due to the

purchase of disposable equipment and PPE related to Covid-19 emergency and an increase in the percentage of costs for services (+1.8%), although down by 4.0% in absolute terms, especially due to a wider outsourcing of core services, i.e. external laundries and wardrobe services, in support of Covid-19 emergency. Personnel expenses are substantially in line as a percentage with revenues (up by 0.2%), but down by 8.9% in absolute terms compared to the same period of the previous year, thanks to a reduction of temporary work and a larger use of holidays, permits and redundancy fund (Italian CIG) in response to Covid-19 emergency. Despite the emergency, the excellent results of operating margins at international level has been confirmed in the first nine months of 2020, both in Brazil (EBITDA margin 34.4%), which recorded a significant increase compared to the first nine months of 2019, and in Turkey (EBITDA margin 31.4%).

The operating result (**EBIT**) passed from Euro 9,835 thousand in the first nine months of 2019 (5.0% compared to turnover of the period) to Euro 916 thousand in the same period of 2020 (0.5% compared to the turnover of the period, or 0.9% at constant exchange rates and on a like-for-like basis), as a result of the trends already described in the comments on the change in EBITDA. The consolidated operating result also includes provisions for Euro 345 thousand related to costs to be incurred for dismantling, restoring and scrapping the assets of Podenzano plant, against the planned cessation of activities at the production site.

The financial management benefited from the capital gain of Euro 930 thousand realised against the partial sale of the shares related to Asolo Hospital Service. Exchange rate losses (Euro 715 thousand) mainly related to the depreciation of Brazilian Real and Turkish Lira against Euro. It should also be noted that the results of the first nine months of 2020 have been negatively affected by the valuation at equity of some jointly-controlled companies, whose results have been affected by the crisis related to the Covid-19 emergency, and by high exchange losses due to the depreciation of the reference currencies (in particular Albanian Lek and Indian Rupee) against Euro.

Taxes for the period were positive and amounted to Euro 1,731 thousand, mainly deriving from the recognition in the income statement of deferred tax assets on the tax loss for the period generated by Servizi Italia S.p.A., due to the cumulation of tax benefits deriving, in the Italian area, from the deduction of the so-called "super and hyper-depreciation", as provided for by the 2017 Budget Law (Law 232/2016).

The consolidated financial statements as at 30 September 2020 therefore close with a net loss of Euro 303 thousand, compared to a net profit of Euro 7,684 thousand in the same period of the previous year.

### Significant events and transactions

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

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

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

On 28 April 2020, the Ordinary Shareholders' Meeting:

- approved the Parent Company's financial statements as at 31 December 2019 and the distribution of a gross unit dividend of Euro 0.14 per share, treasury shares in portfolio excluded; (ii) renewed the authorization to purchase and dispose treasury shares, according to what proposed by the Board of Directors, subject to revocation of the previous authorization (dated 20 April 2018) for anything not used;
- renewed the authorization to purchase and dispose treasury shares, as proposed by the Board of Directors. The resolution authorizes to purchase a maximum of 6,361,890 ordinary shares with a par value of Euro 1.00 each, corresponding to the fifth part of Company's share capital (taking into account the shares already held by the Company from time to time) for a period of 18 months from today's date, while the duration of the authorization relating to the disposal of treasury shares has no time limit;
- approved the remuneration policy of Servizi Italia S.p.A.;
- appointed the members of the Board of Statutory Auditors, who will remain in office until the Shareholders' Meeting called to approve the financial statements as at 31 December 2022, also determining their remuneration;
- resolved to integrate the Board of Directors by appointing the candidate proposed by the majority Shareholder Aurum S.p.A., Giovanni Manti, manager with strategic responsibilities. He will remain in office until the expiry of the current Board of Directors and, therefore, until the Shareholders' Meeting called to approve the financial statements as at 31 December 2020.

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

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



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

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

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

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

| Customer   | Description of service provided  | Duration years | Contract value per year (Euro thousands) |
|--|--|----------------|--|
| Azienda ULSS 8 Berica*   | Integrated management of anti-RX personal protective equipment   | 15 months      | 53                                       |
| Rete Ferroviaria Italiana (Gruppo Ferrovie dello Stato)**  | PPE washing services   | 2              | 111                                      |
| A4 Autostrada S.p.A.**   | Wash-hire and maintenance of high-visibility PPE   | 3              | 68                                       |
| ARPAE Emilia Romagna*  | Wash-hire services for staff clothes   | 3              | 130                                      |
| ASST Spedali Civili di Brescia* (awarded as part of a temporary consortium)                        | Extension of sterilization service: construction of a sub-CSSD in Gardone Val Trompia and outsourcing of new specialties | 4              | 654                                      |
| Regione Sardegna - Lotto 1: ATS Sardegna** (awarded as part of a temporary consortium)             | Wash-hire services   | 5              | 278                                      |
| Regione Sardegna - Lotto 2: AO Brotzu e AOU Cagliari** (awarded as part of a temporary consortium) | Wash-hire services   | 5              | 91                                       |
| Regione Sardegna - Lotto 3: AOU Sassari** (awarded as part of a temporary consortium)              | Wash-hire services   | 5              | 80                                       |
| ASST Milano Nord**   | Wash-hire services   | 2,5            | 609                                      |

|   |  |     |     |
|---|--|-----|-----|
| ASM Impianti e servizi ambientali S.p.A.**  | Rental, washing, maintenance, logistics and management of uniforms and high visibility PPE | 3   | 58  |
| IRCCS "Burlo Garofalo"  | Surgical instruments sterilization services  | 1   | 210 |
| INAIL per il Centro Protesi di Vigorso di Budrio (BO) e Centro Protesi di Roma*             | Wash-hire services   | 4   | 120 |
| Fondazione IRCCS Istituto Nazionale dei Tumori* (awarded as part of a temporary consortium) | Wash-hire services   | 5   | 451 |
| Azienda Ospedaliera "Pugliese - Ciaccio" di Catanzaro**                                     | Surgical instruments sterilization services  | 9.5 | 663 |

\* re-awarded

\*\*new customer

Here are the contracts ending during the reference period:

| Customer                                    | Description of service provided | Contract value per year<br>(Euro thousands) |
|---|---------------------------------|---|
| ASST SS. Paolo e Carlo                      | Wash-hire services              | 2,321                                       |
| Fondazione Maugeri                          | Wash-hire services              | 720   |
| Ospedale di Suzzara (KOS)                   | Wash-hire services              | 58  |
| ASST Sette Laghi - Varese                   | Wash-hire services              | 2,361                                       |
| AO San Filippo Neri - Roma                  | Sterilization services          | 540   |
| ASL AL Alessandria (Tortona, Casale, Ovada) | Sterilization services          | 1,990                                       |

### Information about Covid-19

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

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

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

- since the beginning of Coronavirus emergency, the wash-hire sector in healthcare has seen an increase in the reconditioning activities of certain categories of hospital textiles, with particular regard to uniforms/clothing of healthcare workers, as well as a greater demand for equipment. These higher volumes compensated the lower demand for bed linen, since hospitals, in their strategy to contain the virus, reduced hospital accesses and interrupted outpatient services, thus causing a reduction in bed linen consumption. At the date of this document, there has been a gradual recovery in ordinary healthcare and hospital services, but this positive growth trend may be affected by elements of uncertainty, similar to those recorded in the first months of pandemic, primarily connected to the healthcare measures adopted and under adoption by the Governments of countries in which the Group operates. However, it should be noted that, in order to guarantee as much as possible the continuity of ordinary hospitalisation, Italian Regions have provided for a reorganisation of the hospital network in which Covid-19 spaces and hospitals have been identified;

- surgical instrument sterilization services have recorded an activity contraction, which is considered temporary. In fact, in this emergency, hospitals have generally adopted a strategy to reduce the number of scheduled surgical operations in operating theatres, confirming only emergency services. At the date of this document, there has been a gradual recovery in ordinary healthcare services and therefore hospitalisation, whose positive growth trend may be affected by elements of uncertainty, similar to those recorded in the first months of pandemic, primarily connected to the healthcare measures adopted and under adoption by the Governments of countries in which the Group operates.
- wash-hire services for homecare and nursing homes have recorded a reduction in production volumes, connected to the number of deaths of elderly guests of residential facilities and a temporary slowdown in access to the residential facilities. It is believed that the effect on business is temporary, since the service is considered defensive, essential and of public utility. It is therefore estimated that over the next few months there will be a gradual recovery in health and social services to fragile adults, who are partially or totally non-autonomous, in favour of day and night hospitality, personal care, surveillance, but also medical care, rehabilitation services and socialising activities, according to health measures adopted and under adoption by Government;
- the wash-hire services for hotel and catering sector recorded a contraction in sales volumes between March and May 2020, marking a decisive recovery in summer; however, to date, also in consideration of the health measures adopted and under adoption by the Government, a recovery of activities in short term is not foreseeable, especially in the coming winter season. In this regard, it should be remembered that wash-hire services for hotel and catering represent a minority share of Servizi Italia's business;
- Government's provisions for the lockdown of production activities of industrial companies have led to a temporary contraction in the volume of laundry services for community and industry (Workwear brand). The effect on business has been temporary since, at the present time, a gradual resumption of activities has been promoted, in compliance with the provisions of law. The positive growth trend may be affected by elements of uncertainty, similar to those recorded in the first months of pandemic, primarily connected to the healthcare measures adopted and under adoption by the Governments of countries in which the Group operates. In this regard, it should be noted that workwear laundry services represent a minority share of Servizi Italia's business.

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

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

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

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

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

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

## Significant events after the end of the period

During October 2020, the Company started a process of reorganisation of the production sites in north-western Italy. The actions undertaken are aimed at mitigating the negative structural effects deriving from a market context influenced by the awarding of contracts with downward economic offers, to which critical issues related to healthcare and industrial laundry sectors and connected to Covid-19 pandemic are added. These actions concern the stop of laundry activities at the plant located in Podenzano (Piacenza, Italy), with relevant redistribution of volumes in order to achieve greater saturation of the production capacity in the sites of this area. To this end, the HR Department has already begun a dialogue with national and territorial Trade Unions, company trade union representatives and workers, with the aim of getting to shared organisational solutions that will allow the use of the regulatory tools currently in force and mitigate the social impact of the operation described above.

Following tender activities related to the procedure for the assignment of wash-hire service for linen, mattresses and clothing for the healthcare facilities in Friuli-Venezia-Giulia Region, Servizi Italia S.p.A., as parent company, resulted the first in the ranking relative to the 3 lots pertaining to the public health facilities located in the Region itself. The re-awarded contract has a duration of 5 years and a total value of about Euro 25 million for the whole period, possibly renewable for 36 months for a value of about Euro 15 million and including the revision of the service prices according to the ISTAT index.

As at 9 November 2020, the Company purchased a total of 1,483,460 treasury shares on the market regulated and managed by Borsa Italiana, equal to 4.66% of the share capital.

## Business outlook

The Group's activities are influenced by the general economic conditions and the epidemiological situation of the countries in which it operates. In relation to the impact of the crisis caused by the Covid-19 virus, the first economic effects appeared in March 2020 and, in response to these events, the Group re-adapted its strategy on the basis of the new medium/long-term guidelines, integrating it with the new post-Covid-19 corporate strategy, aligning objectives and targets to the new context. Despite the positive growth trend recorded in the third quarter, a climate of uncertainty remains regarding the possible effects of the worsening of the pandemic crisis, primarily related to the health measures adopted and under adoption by Governments of the countries in which the Group operates, which could have operational, business and currency effects on Group's short-term outlook.

In addition to what has been described above regarding the effects of the Covid-19 viral epidemic, it should be noted that the Italian market for industrial laundries is experiencing a structural contraction related to certain critical issues specific to the healthcare services sector, such as the awarding of contracts with downward economic offers, the effects of which have affected the Parent Company, with the failure to reconfirm contracts in portfolio and the awarding of contracts already in portfolio at lower prices than in the past. While maintaining forecasts of an overall positive operating margin in the foreseeable future, management will be affected in the medium term by a reduction in turnover in the domestic wash-hire sector and a reduction in operating margins which, in part, can be offset by the further development of the sectors with higher margins and by the following targets:

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

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

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

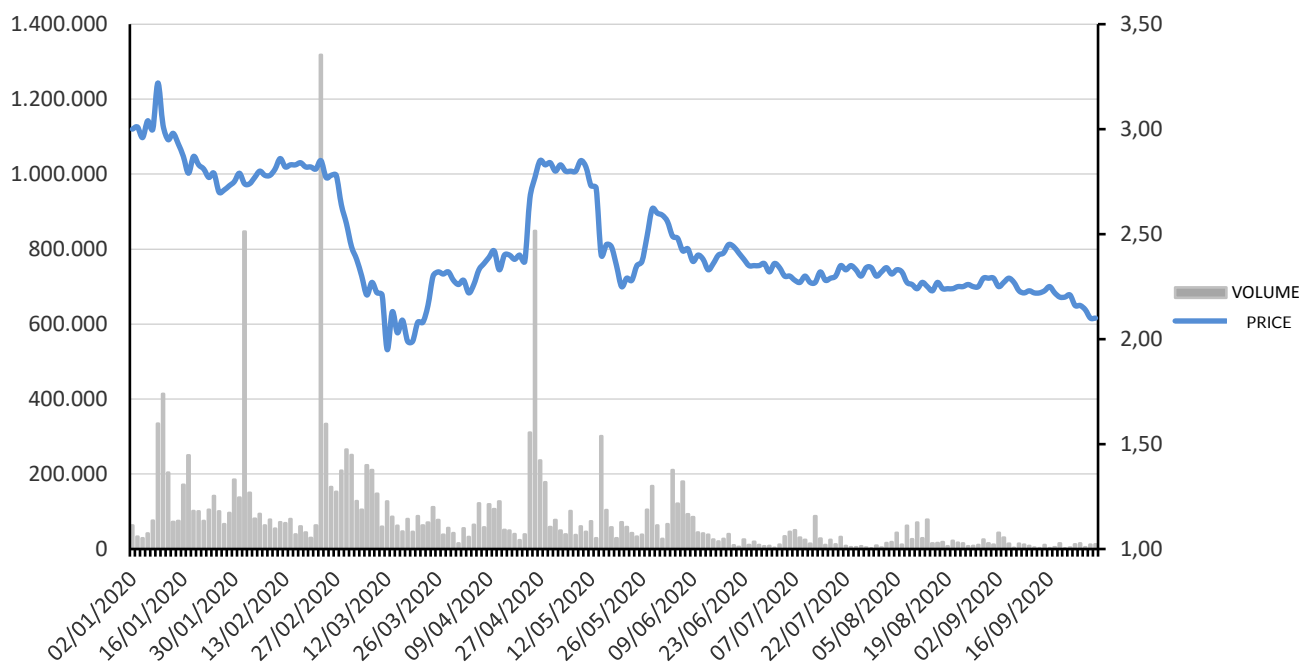
Following the above considerations, the Group remains confident to be able to effectively manage both the effects of the current epidemiological crisis together and its future objectives.

### Servizi Italia and the financial markets

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

| Share and stock exchange data             | 30 September 2020 |
|---|-------------------|
| No. of shares making up the share capital | 31,809,451        |
| Price at IPO: 04 April 2007               | 8.50              |
| Price as at 30 September 2020             | 2.10              |
| Maximum price during the period           | 3.22              |
| Minimum price during the period           | 1.95              |
| Average price during the period           | 2.46              |
| Volumes traded during the period          | 15,686,348        |
| Average volumes during the period         | 82,560            |

## Share volumes and prices as at 30 September 2020



During 2020, the Investor Relations Team attended the Virtual STAR Conference in Milan (26 May 2020), the MidCap Event in Paris (9 September 2020) and the Virtual STAR Conference – Fall Edition (6 October 2020). During the meetings, which were held remotely, the Group's top management met many analysts and investors; in addition to that, throughout the period, the Investor Relations Team was available for individual and Group calls with anyone interested in having information and go deeper into activities and business.

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

### Other information

The Group, in compliance with the actions set out in the 2020-2022 Sustainability Plan and consistently with its value system and commitments disclosed in the Consolidated Non-Financial Statement, Sustainability Report, has obtained respectively:

- on 18 May 2020, the EPD (Environmental Product Declaration) certification for *Washing and Sterilization Service of Drapes and Gowns in R.T.T.* and;
- on 29 May 2020, the UNI CEI EN ISO 50001:2018 certification for the energy management system.

In addition, the Board of Directors approved:

- the contents of the Integrated Corporate Policy for Quality, Health and Safety, Social Responsibility, Environment and Energy, Prevention of Corruption, Prevention of Antitrust offences and Tax Strategy;

- the adoption of the Anti-Corruption Guidelines, stating its preventive and repressive commitment against corruption (active, passive, public and private), identifying the person in charge of the anti-corruption prevention function;
- the adoption of an Antitrust Code of Conduct, in order to prevent and minimize the risk of possible violations of Italian and European legislation on the protection of competition, identifying the person in charge of the antitrust function.

Company Policy, Anti-Corruption Guidelines, Antitrust Code of Conduct, together with the contacts of the identified persons, are available on Company's website ([www.servizitaliagroup.com](http://www.servizitaliagroup.com)) in Transparent Company section.

In January 2019, the Company has been awarded (as parent company of a temporary consortium made of Coopservice Soc. Coop p.a., Servizi Italia S.p.A. and others) of the tender issued by the University Hospital of Bologna and relevant to the management of integrated personal support services for a period of 6 years and having an annual value of about Euro 4 million (limited to Servizi Italia's share). On 20 August 2020, the Council of State unexpectedly overturned previous rulings issued by the Regional Administrative Court and by the Council of State itself which, by annulling the suspension requested by the complaining part, had allowed the temporary consortium of which Servizi Italia is part to take over the provision of the service in February 2020, following the award. In response to the latter ruling, the mandated parent company, in the name and on behalf of the Temporary Consortium of Companies mentioned above, filed an appeal for revocation before the Council of State pursuant to Article 395 of the Italian Civil Procedure Code and Article 106 of the Italian Administrative Procedure Code.

Servizi Italia S.p.A., pursuant to Article 3 of Consob Resolution no. 18079 dated 20 January 2012, decided to adhere to the out-put regime provided for by Articles 70, paragraph 8, and 71, paragraph 1-bis, of Consob Regulation no. 11971/99 (as amended and supplemented), thus availing itself of the right to derogate from the obligation to publish information documents provided for in Annex 3B of the aforesaid Consob Regulation on the occasion of significant mergers, demergers, capital increases through contributions in kind, acquisitions and disposals.

With reference to the changes in the regulatory framework occurred during 2016, Servizi Italia S.p.A. publishes the additional periodic information, given the obligations provided for issuers listed in the STAR segment, as specified in art. 2.2.3, c.3, of Regulation of Markets organized and managed by Borsa Italiana S.p.A. and in the notice of Borsa Italiana No. 7578 dated 21 April 2016.

The Chairman of the Board of Directors

(Roberto Olivi)



## 4 ACCOUNTING SCHEDULES

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| <i>(thousands of Euros)</i>  | 30 September<br>2020 | 31 December<br>2019 |
|--|----------------------|---------------------|
| <b>ASSETS</b>  |                      |                     |
| <b>Non-current assets</b>  |                      |                     |
| Property, plant and equipment  | 165,747              | 175,575             |
| Intangible assets  | 5,522                | 5,901               |
| Goodwill   | 65,400               | 71,025              |
| Equity-accounted investments   | 24,638               | 25,372              |
| Equity investments in other companies  | 3,322                | 3,677               |
| Financial receivables  | 6,663                | 6,577               |
| Deferred tax assets  | 7,460                | 4,960               |
| Other assets   | 4,295                | 5,821               |
| <b>Total non-current assets</b>  | <b>283,047</b>       | <b>298,908</b>      |
| <b>Current assets</b>  |                      |                     |
| Inventories  | 7,193                | 6,882               |
| Trade receivables  | 72,005               | 72,126              |
| Current tax assets   | 2,041                | 2,085               |
| Financial receivables  | 6,549                | 8,310               |
| Other assets   | 7,853                | 9,604               |
| Cash and cash equivalents  | 4,437                | 7,141               |
| <b>Total current assets</b>  | <b>100,078</b>       | <b>106,148</b>      |
| <b>TOTAL ASSETS</b>  | <b>383,125</b>       | <b>405,056</b>      |
| <b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>                                  |                      |                     |
| <b>Group shareholders' equity</b>  |                      |                     |
| Share capital  | 30,352               | 30,935              |
| Other reserves and retained earnings   | 82,563               | 94,728              |
| Net profit of the period   | (437)                | 8,990               |
| <b>Total shareholders' equity attributable to shareholders of the parent</b> | <b>112,478</b>       | <b>134,653</b>      |
| <b>Total shareholders' equity attributable to non-controlling interests</b>  | <b>2,170</b>         | <b>3,604</b>        |
| <b>TOTAL SHAREHOLDERS' EQUITY</b>  | <b>114,648</b>       | <b>138,257</b>      |
| <b>LIABILITIES</b>   |                      |                     |
| <b>Non-current liabilities</b>   |                      |                     |
| Due to banks and other lenders   | 51,739               | 68,558              |
| Deferred tax liabilities   | 2,396                | 2,408               |
| Employee benefits  | 9,750                | 10,321              |
| Provisions for risks and charges   | 4,148                | 4,429               |
| Other financial liabilities  | 3,405                | 3,877               |
| <b>Total non-current liabilities</b>   | <b>71,438</b>        | <b>89,593</b>       |
| <b>Current liabilities</b>   |                      |                     |
| Due to banks and other lenders   | 95,796               | 74,301              |
| Trade payables   | 75,202               | 72,364              |
| Current tax liabilities  | 200                  | 191                 |
| Other financial liabilities  | 3,139                | 9,269               |
| Provisions for risks and charges   | 1,708                | 1,453               |
| Other liabilities  | 20,994               | 19,628              |
| <b>Total current liabilities</b>   | <b>197,039</b>       | <b>177,206</b>      |
| <b>TOTAL LIABILITIES</b>   | <b>268,477</b>       | <b>266,799</b>      |
| <b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>                            | <b>383,125</b>       | <b>405,056</b>      |

## CONSOLIDATED INCOME STATEMENT

| (thousands of Euros)   | 30 September<br>2020 | 30 September<br>2019 |
|--|----------------------|----------------------|
| <b>Revenues from sales</b>   | <b>178,040</b>       | <b>196,407</b>       |
| Other income   | 3,319                | 3,291                |
| Raw materials and consumables  | (20,216)             | (20,054)             |
| Costs for services   | (56,434)             | (58,943)             |
| Personnel expenses   | (61,586)             | (67,420)             |
| Other costs  | (1,420)              | (1,075)              |
| Depreciation/amortization and provisions                             | (40,787)             | (42,371)             |
| <b>Operating profit (loss)</b>                                       | <b>916</b>           | <b>9,835</b>         |
| Financial income   | 1,145                | 1,568                |
| Financial expenses   | (4,174)              | (4,727)              |
| Income/(Expense) from equity investments                             | 1,052                | 629                  |
| Revaluation/impairment of equity-accounted investments               | (973)                | 1,091                |
| <b>Profit (Loss) before taxes</b>                                    | <b>(2,034)</b>       | <b>8,396</b>         |
| Income taxes   | 1,731                | (712)                |
| <b>Profit (Loss) of the period</b>                                   | <b>(303)</b>         | <b>7,684</b>         |
| of which: Share pertaining to the Shareholders of the Parent Company | (437)                | 7,313                |
| Share pertaining to the minority shareholders                        | 134                  | 371                  |

## COMPREHENSIVE CONSOLIDATED INCOME STATEMENT

| (thousands of Euros)  | 30 September<br>2020 | 30<br>September<br>2019 |
|---|----------------------|-------------------------|
| <b>Profit (Loss) of the period</b>  | <b>(303)</b>         | <b>7,684</b>            |
| <i>Other comprehensive income that will not be reclassified to the Income Statement</i> |                      |                         |
| Actuarial gains (losses) on defined benefit plans                                       | -                    | -                       |
| Income taxes on other comprehensive income  | -                    | -                       |
| <i>Other comprehensive income that may be reclassified to the Income Statement</i>      |                      |                         |
| Gains (losses) from translation of foreign financial statements                         | (16,750)             | (969)                   |
| Portion of comprehensive income of the investments measured using the equity method     | (244)                | (1,394)                 |
| Income taxes on other comprehensive income  | -                    | -                       |
| <b>Total other comprehensive income after taxes</b>                                     | <b>(16,994)</b>      | <b>(2,363)</b>          |
| <b>Total comprehensive income for the period</b>  | <b>(17,297)</b>      | <b>5,321</b>            |
| of which: Attributable to shareholders of the parent                                    | (17,151)             | 4,990                   |
| Attributable to non-controlling interests   | (146)                | 331                     |

## CONSOLIDATED NET FINANCIAL POSITION

| (thousands of Euros)                               | 30 September<br>2020 | 31 December<br>2019 | 30 September<br>2019 |
|--|----------------------|---------------------|----------------------|
| Cash and cash equivalents in hand                  | 89                   | 44                  | 331                  |
| Cash at bank                                       | 4,348                | 7,097               | 5,781                |
| <b>Cash and cash equivalents</b>                   | <b>4,437</b>         | <b>7,141</b>        | <b>6,112</b>         |
| Current financial receivables                      | 6,549                | 8,310               | 9,401                |
| Current liabilities to banks and other lenders     | (95,796)             | (74,301)            | (77,876)             |
| of which financial liabilities for IFRS 16         | (3,354)              | (3,707)             | (3,726)              |
| <b>Current net financial debt</b>                  | <b>(89,247)</b>      | <b>(65,991)</b>     | <b>(68,475)</b>      |
| Non-current liabilities to banks and other lenders | (51,739)             | (68,558)            | (71,930)             |
| of which financial liabilities for IFRS 16         | (29,458)             | (32,552)            | (32,125)             |
| <b>Non-current net financial debt</b>              | <b>(51,739)</b>      | <b>(68,558)</b>     | <b>(71,930)</b>      |
| <b>Net financial debt</b>                          | <b>(136,549)</b>     | <b>(127,408)</b>    | <b>(134,293)</b>     |

## 5 EXPLANATORY NOTES

### 5.1 Introduction

This Interim Report as at 30 September 2020 has been drafted 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 30 September 2020, which has not been audited, are the same used to draft the annual financial statements as at 31 December 2019. It is underlined that, as required by Consob Communication No. DEM/5073567 of 4 November 2005, the Group has exercised the option to provide less details than required under IAS 34 (Interim Financial Reporting).

The subsidiaries San Martino 2000 S.c.r.l, Steritek S.p.A, Wash Service S.r.l., Ekolav S.r.l., SRI Empreendimentos e Participações Ltda (parent company of Lavsim Higienização Têxtil S.A., Maxlav Lavanderia Especializada S.A., Vida Lavanderias Especializada S.A., Aqualav Serviços De Higienização Ltda) are all consolidated line-by-line, as well as Ankateks Turizm inşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi (parent company of Ergülteks Temizlik Tekstil Ltd. Sti).

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

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 13 November 2020.

### 5.2 Performance by business segment and geographical area

Revenues from sales and services of Servizi Italia Group are shown below divided by business line for periods ending on 30 September 2020 and 30 September 2019.

| (thousands of Euros)                         | 30 September<br>2020 | %             | 30 September<br>2019 | %             | Change<br>%  | Organic<br>change % | Transl.<br>change<br>% |
|--|----------------------|---------------|----------------------|---------------|--------------|---------------------|------------------------|
| Wash-hire                                    | 134,948              | 75.8%         | 146,012              | 74.3%         | -7.6%        | -4.9%               | -4.9%                  |
| Linen Sterilization (STERIL B)               | 13,348               | 7.5%          | 15,032               | 7.7%          | -11.2%       | -11.2%              | -                      |
| Surgical instrument sterilization (STERIL C) | 29,744               | 16.7%         | 35,363               | 18.0%         | -15.9%       | -15.9%              | -                      |
| <b>Sales revenue</b>                         | <b>178,040</b>       | <b>100.0%</b> | <b>196,407</b>       | <b>100.0%</b> | <b>-9.4%</b> | <b>-7.3%</b>        | <b>-3.6%</b>           |

- Revenues from wash-hire services (which in absolute terms represent 75.8% of Group's revenues) pass from Euro 146,012 thousand in the first nine months of 2019 to Euro 134,948 thousand in 2020, supported, in addition to the acquisitions made in 2019, by the excellent growth in Brazil and Turkey, however offset by a negative exchange rate variation equal to 4.9% and by a drop in volumes and prices in the Italian area, which leads to an overall decrease of 7.6%;

- Revenues from linen sterilization services (steril B) (which in absolute terms represent 7.5% of Group's revenues) pass from Euro 15,032 thousand in the first nine months of 2019 to Euro 13,348 thousand, down by 11.2% due to the termination of some contracts relating to Friuli Venezia Giulia and Lombardia areas together with the contraction in supplies to foreign countries;
- Revenues from surgical instruments sterilization services (steril C) (which in absolute terms represent 16.7% of Group's revenues) pass from Euro 35,363 thousand in the first nine months of 2019 to Euro 29,744 thousand in 2020, down by 15.9% mainly due a decrease of surgical operations connected to Coronavirus emergency, positively offset by a progressive recovery in the third quarter of 2020 (+18.1%) compared to the loss recorded in the second quarter of 2020 (-19.2%).

The following graph shows the details of revenue by business line:



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

| (thousands of Euros)       | 30 September 2020 | %             | 30 September 2019 | %             | Change %     | Organic change % | Translation change % |
|----------------------------|-------------------|---------------|-------------------|---------------|--------------|------------------|----------------------|
| Italy                      | 152,995           | 85.9%         | 166,648           | 84.8%         | -8.2%        | -10.1%           | -                    |
| Brazil                     | 19,586            | 11.0%         | 24,040            | 12.2%         | -18.5%       | 6.6%             | -25.1%               |
| Turkey                     | 5,459             | 3.1%          | 5,719             | 2.9%          | -4.6%        | 14.4%            | -19.0%               |
| <b>Revenues from sales</b> | <b>178,040</b>    | <b>100.0%</b> | <b>196,407</b>    | <b>100.0%</b> | <b>-9.4%</b> | <b>-7.3%</b>     | <b>-3.6%</b>         |



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

#### Property, plant and equipment

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

| (thousands of Euros)                   | Land and buildings | Plant and machinery | Returnable assets | Equipment     | Other assets  | Assets under construction | Total          |
|--|--------------------|---------------------|-------------------|---------------|---------------|---------------------------|----------------|
| Historical cost                        | 43,234             | 154,548             | 34,648            | 66,743        | 152,812       | 5,713                     | 457,698        |
| Accumulated depreciation               | (5,773)            | (99,713)            | (24,270)          | (52,262)      | (100,105)     | -                         | (282,123)      |
| <b>Balance as at 31 December 2019</b>  | <b>37,461</b>      | <b>54,835</b>       | <b>10,378</b>     | <b>14,481</b> | <b>52,707</b> | <b>5,713</b>              | <b>175,575</b> |
| Translation differences                | (872)              | (5,188)             | (534)             | (238)         | (2,840)       | (426)                     | (10,098)       |
| Increases                              | 1,170              | 3,277               | 219               | 2,997         | 29,503        | 2,450                     | 39,616         |
| Decreases                              | (110)              | (22)                | -                 | (31)          | (392)         | (261)                     | (816)          |
| Amortization                           | (2,553)            | (6,412)             | (1,372)           | (3,844)       | (24,349)      | -                         | (38,530)       |
| Write-downs (reinstatements)           | -                  | -                   | -                 | -             | -             | -                         | -              |
| Reclassifications                      | -                  | 2,240               | 794               | 432           | 231           | (3,697)                   | -              |
| <b>Balance as at 30 September 2020</b> | <b>35,096</b>      | <b>48,730</b>       | <b>9,485</b>      | <b>13,797</b> | <b>54,860</b> | <b>3,779</b>              | <b>165,747</b> |
| Historical cost                        | 43,081             | 151,907             | 34,718            | 69,618        | 174,132       | 3,779                     | 477,235        |
| Accumulated depreciation               | (7,985)            | (103,177)           | (25,233)          | (55,821)      | (119,272)     | -                         | (311,488)      |
| <b>Balance as at 30 September 2020</b> | <b>35,096</b>      | <b>48,730</b>       | <b>9,485</b>      | <b>13,797</b> | <b>54,860</b> | <b>3,779</b>              | <b>165,747</b> |

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

Investments in tangible fixed assets as at 30 September 2020 are equal to Euro 39,616 thousand and mainly refer to the purchase of linen in Italy (Euro 24,881 thousand) and Brazil (Euro 3,381 thousand) recorded as “Other assets”.

Investments in equipment mainly refer to the purchase of surgical instruments for Euro 1,521 thousand.

The item “Plant and machinery” recorded an increase equal to Euro 3,277 thousand related to the supply and upgrading of equipment for washing lines, of which Euro 3,097 in Italy.

The increases in item “Assets under construction” relate to third party assets still under construction as at 30 September 2020 for Euro 2,450 thousand, mainly related to the installation of new washing lines in Italy (Euro 1,500 thousand) and in Brazil (Euro 814 thousand), mainly related to investments for the construction of the sterilisation plant located in Sao Paulo.

The reclassifications of “Assets under construction” show a decrease of Euro 3,697 thousand and are mainly related to:

- Euro 1,061 thousand for the start-up of the CSSD of Busto Arsizio by the Parent Company;
- Euro 484 thousand for the commissioning of a new washing plant by the Turkish company Ankateks Turizm İnşaat Tekstil Temizleme Sanayi ve Ticaret Ltd Şirketi;
- Euro 185 thousand for investments made by the Brazilian company Maxlav Lavanderia Especializada S.A. and mainly related to plant and machineries.

## Intangible assets

This item changed as follows:

| (thousands of Euros)                   | Trademarks, Software, Patents and Intellectual Property Rights | Customer contracts portfolio | Other intangible assets | Assets under construction and payments on account | Total        |
|--|--|------------------------------|-------------------------|---|--------------|
| Historical cost                        | 6,817  | 8,368                        | 624                     | 266   | 16,075       |
| Accumulated depreciation               | (5,261)  | (4,788)                      | (125)                   | -   | (10,174)     |
| <b>Balance as at 31 December 2020</b>  | <b>1,556</b>   | <b>3,580</b>                 | <b>499</b>              | <b>266</b>  | <b>5,901</b> |
| Translation differences                | (67)   | -                            | (149)                   | (4)   | (220)        |
| Increases                              | 466  | -                            | 547                     | 25  | 1,038        |
| Decreases                              | -  | -                            | -                       | -   | -            |
| Amortization                           | (550)  | (368)                        | (279)                   | -   | (1,197)      |
| Write-downs (reinstatements)           | -  | -                            | -                       | -   | -            |
| Reclassifications                      | 114  | -                            | -                       | (114)   | -            |
| <b>Balance as at 30 September 2020</b> | <b>1,519</b>   | <b>3,212</b>                 | <b>618</b>              | <b>173</b>  | <b>5,522</b> |
| Historical cost                        | 7,220  | 8,368                        | 972                     | 173   | 16,733       |
| Accumulated depreciation               | (5,701)  | (5,156)                      | (354)                   | -   | (11,211)     |
| <b>Balance as at 30 September 2020</b> | <b>1,519</b>   | <b>3,212</b>                 | <b>618</b>              | <b>173</b>  | <b>5,522</b> |

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

## Goodwill

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

Goodwill is allocated by geographical area as follows:

| <i>(thousands of Euros)</i> | as at 31 December<br>2019 | Increases/<br>(Decreases) | Translation<br>differences | as at 30 September<br>2020 |
|-----------------------------|---------------------------|---------------------------|----------------------------|----------------------------|
| CGU Italy                   | 51,668                    | -                         | -                          | 51,668                     |
| CGU Turkey                  | 10,248                    | -                         | (2,719)                    | 7,529                      |
| CGU Brazil                  | 9,109                     | -                         | (2,906)                    | 6,203                      |
| <b>Total</b>                | <b>71,025</b>             | <b>-</b>                  | <b>(5,625)</b>             | <b>65,400</b>              |

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

At the date of approval of this interim management report, taking into consideration the analyses carried out and reported in the half-year financial report as at 30 June 2020, there were no facts or events that could be indicative of a loss in value of goodwill recognised and tested for impairment at the end of 2019.

### Equity-accounted investments

The value of equity-accounted investments changed as follows:

| <i>(Euro thousand)</i>                                  | al 30 September 2020 | al 31 December 2019 |
|---|----------------------|---------------------|
| <b>Initial balance</b>                                  | <b>24,171</b>        | <b>23,923</b>       |
| Increases/(decreases)                                   | 188                  | 727                 |
| OCI changes   | (244)                | (882)               |
| Share of profit/(loss)                                  | (973)                | 480                 |
| Translation differences                                 | (265)                | (77)                |
| <b>Final balance</b>                                    | <b>22,877</b>        | <b>24,171</b>       |
| of which recognized in provisions for risks and charges | (1,761)              | (1,201)             |
| of which recorded in equity-accounted investments       | 24,638               | 25,372              |

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

The negative item in OCI change (Euro 244 thousand) corresponds to the portion attributable to the Servizi Italia Group, within the scope of application of the equity method, of the change in the fair value of the hedging derivatives subscribed by the company Ospedal Grando S.p.A. (controlled by the jointly controlled company Finanza e Progetti S.p.A.).

It should be noted that the negative results recorded in the period by Saniservice Sh.p.k. for Euro 459 thousand and Shubhram Hospital Solutions Private Limited for Euro 811 thousand, are largely attributable to the depreciation of Albanese Lek and Indian Rupee against the Euro during the period, as well as the lower turnover recorded between the first and second half of the year in relation to the emergency situation deriving from Covid-19.

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

## Other non-current assets

The item is broken down as follows:

| <i>(thousands of Euros)</i>   | as at<br>30 September<br>2020 | as at<br>31 December<br>2019 |
|---|-------------------------------|------------------------------|
| Substitute Italian tax D.L. 185/2008 subsequent years   | 2,642                         | 3,354                        |
| Receivables for IRES reimbursement request pursuant to Art. 2 par. 1-quater Italian D.L. n. 201 | 175                           | 175                          |
| Aqualav receivable, in escrow account   | 1,210                         | 1,776                        |
| Other non-current assets  | 268                           | 516                          |
| <b>Total</b>  | <b>4,295</b>                  | <b>5,821</b>                 |

The change in this item is mainly due to the release to the income statement of the substitute taxes pursuant to Article 15, paragraph 10-12 of Legislative Decree 185/08, paid in order to obtain tax recognition of the goodwill values that emerged during the business combination. These substitute taxes were recorded as advance payments of current taxes and released to the income statement over the period in which the company will benefit from the tax deductions related to the respective goodwill. The change in the "Aqualav receivable, in escrow account" is attributable to the depreciation of the Real against the Euro.

## Trade receivables

Trade receivables amount to Euro 72,005 as at 30 September 2020, down by Euro 121 thousand compared to 31 December 2019.

From the beginning of the year until 30 September 2020, the Servizi Italia Group carried out several transactions involving the sale of receivables, as described below:

- transfer without recourse to Credemfactor S.p.A of Euro 34,627 thousand in trade receivables for consideration of Euro 34,551 thousand;
- transfer without recourse to Unicredit Factoring S.p.A of Euro 34,669 in trade receivables for consideration of Euro 34,605 thousand.

## Other current assets

The item is broken down as follows:

| <i>(thousands of Euros)</i>    | as at 30 September<br>2020 | as at 31 December<br>2019 |
|--------------------------------|----------------------------|---------------------------|
| Due from others                | 5,691                      | 7,921                     |
| Prepayments                    | 1,914                      | 1,398                     |
| Guarantee deposits receivables | 219                        | 227                       |
| Accrued income                 | 29                         | 58                        |
| <b>Total</b>                   | <b>7,853</b>               | <b>9,604</b>              |

The item "Receivables from others" is mainly composed of VAT receivables for Euro 2,813 thousand (Euro 4,275 as at 31 December 2019) and, for the remaining part, mainly by advances and receivables toward welfare institutions, all collectable within the year. The item "Prepayments" increased primarily as a result of rentals and insurance premiums that were recognized at the beginning of the year. The item "Guarantee deposits" refers to energy utilities and rentals.



## Shareholders' Equity

As at 30 September 2020, the fully subscribed and paid-up share capital of Servizi Italia S.p.A. is broken down into 31,809,451 ordinary shares with a nominal amount of Euro 1 each. The Parent Company, throughout the first nine months of 2020, has purchased 583,349 treasury shares, equal to 1.83% of the share capital, with an average book value of Euro 2.48 per share, for a countervalue of Euro 1,447 thousand. Following these transactions, the Company held 1,457,560 treasury shares, equal to 4.58% of the share capital as at 30 September 2020. The value of the treasury shares held on 30 September 2020, equal to Euro 4,411 thousand has been classified as a reduction in shareholders' equity.

In addition, note should be taken of the negative impact, for Euro 16,750 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.

## Non-current liabilities to banks and other lenders

Payables to banks and other non-current lenders decreased from Euro 68,558 thousand as at 31 December 2019 to Euro 51,739 thousand as at 30 September 2020. This variation, equal to Euro 16,819 thousand, is connected to the reclassification in short term of the loan instalments falling due within the following 12 months.

## Other non-current payables

The item is broken down as follows:

| <i>(thousands of Euros)</i>                  | as at 30 September<br>2020 | as at 31 December<br>2019 |
|--|----------------------------|---------------------------|
| Payables to Area S.r.l.                      | 200                        | 200                       |
| Payables to Wash Service S.r.l. shareholders | 495                        | 989                       |
| Put option payables of Steritek S.p.A.       | 1,825                      | 1,814                     |
| Put option payables of Wash Service S.r.l.   | 885                        | 874                       |
| Other payables                               | -                          | -                         |
| <b>Total</b>                                 | <b>3,405</b>               | <b>3,877</b>              |

The change in the period relates to the classification under other current financial liabilities of the portion of debt payable within 12 months to minority shareholders of Wash Service S.r.l. for the price instalments of 90% of the shares purchased during 2019.

## Current liabilities to banks and other lenders

Current liabilities to banks and other lenders increased by Euro 21,495 thousand, passing from Euro 74,301 thousand as at 31 December 2019 to Euro 95,796 thousand as at 30 September 2020. The increase in the balance mainly comes from a greater use of self-liquidating credit lines.

## Trade payables

The item is broken down as follows:

| <i>(thousands of Euros)</i>                                     | as at 30 September<br>2020 | as at 31 December<br>2019 |
|---|----------------------------|---------------------------|
| Deposits  | -                          | 15                        |
| Due to suppliers  | 66,618                     | 65,375                    |
| Due to associates   | 2,820                      | 2,212                     |
| Due to parent company   | 5,107                      | 4,625                     |
| Payables to companies under the control of the parent companies | 657                        | 137                       |
| <b>Total</b>  | <b>75,202</b>              | <b>72,364</b>             |

## Other current payables

The item is broken down as follows:

| <i>(thousands of Euros)</i>  | as at 30<br>September<br>2020 | as at 31<br>December<br>2019 |
|--|-------------------------------|------------------------------|
| Payables to Area S.r.l.  | -                             | 300                          |
| Payables to Finanza e Progetti S.p.A.  | 1,560                         | 2,460                        |
| Deferred price Aqualav Serviços De Higienização L.t.d.a.   | 78                            | 191                          |
| Put option payables for Maxlav Lavanderia Especializada S.A. and Vida Lavanderias Especializada S.A. | -                             | 4,409                        |
| Payables to Lavanderia Bolognini M&S S.r.l.  | 1,000                         | 1,000                        |
| Payables to Wash Service S.r.l. shareholders   | 501                           | 909                          |
| <b>Total</b>   | <b>3,139</b>                  | <b>9,269</b>                 |

The change in this item is related to the payment of one of the three price tranches (equal to Euro 909 thousand), for the 90% of Wash Service S.r.l., purchased during 2019, to the payable to the minority shareholders of Maxlav Lavanderia Especializada S.A. and Vida Lavanderias Especializada S.A., as well as to the payment towards Finanza & Progetti S.p.A., equal to Euro 900 thousand.

## Other current financial liabilities

The item is broken down as follows:

| <i>(thousands of Euro)</i>                                | as at 30<br>September 2020 | as at 31<br>December<br>2019 |
|---|----------------------------|------------------------------|
| Accrued liabilities                                       | 193                        | 190                          |
| Social security and welfare contributions                 | 4,651                      | 5,647                        |
| Due to employees  | 11,982                     | 10,247                       |
| Employee/professional IRPEF (personal income tax) payable | 1,433                      | 2,546                        |
| Other payables  | 2,735                      | 998                          |
| <b>Total</b>  | <b>20,994</b>              | <b>19,628</b>                |

The change in the item is mainly related to advances obtained by the Parent Company in relation to services to be provided within the next 12 months.

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

### Raw materials and consumables

As at 30 September 2020, the consumption of raw materials (equal to Euro 20,216 thousand, up by Euro 162 thousand compared to the same period of the previous year) mainly refers to washing products, chemical products, packaging, consumables and spare parts coming from the consolidation of Ekolav S.r.l. and Wash Service S.r.l., only partly present in the previous period, as well as disposables and PPE for new customers and Covid-19 emergency.

### Costs for services

The item is broken down as follows:

| <i>(thousands of Euros)</i>                       | From 1 January to 30 September |               |
|---|--------------------------------|---------------|
|   | 2020                           | 2019          |
| External laundering and other industrial services | 18,246                         | 17,944        |
| Travel and transport                              | 10,359                         | 11,054        |
| Utilities   | 9,238                          | 10,023        |
| Administrative costs                              | 2,489                          | 1,874         |
| Consortium and sales costs                        | 5,789                          | 5,717         |
| Personnel expense                                 | 1,619                          | 2,402         |
| Maintenance                                       | 5,738                          | 6,022         |
| Use of third-party assets                         | 1,829                          | 2,377         |
| Other services                                    | 1,127                          | 1,530         |
| <b>Total</b>                                      | <b>56,434</b>                  | <b>58,943</b> |

The item “Costs for services” registers a decrease compared to the same period of the previous year (Euro 2,509 thousand), passing from Euro 58,943 thousand in the first nine months of 2019 to Euro 56,434 thousand as at 30 September 2020. Costs for external services show an increase of Euro 302 thousand, the item is affected by higher costs linked to new customers in Emilia Romagna, as well as external laundry services related to the Covid-19 emergency. Costs for utilities show a decrease of Euro 785 thousand compared to 30 September 2019 due to the decrease of electricity costs. Personnel costs decreased mainly due to the reduction in travel expenses caused by Covid-19 emergency. The increase recorded in the item “Administrative costs” (Euro 615 thousand) is mainly due to higher legal costs incurred by the Parent Company. Moreover, maintenance costs showed a decrease of Euro 284 thousand, mainly due to the reduction in maintenance costs of surgical instruments.

### Personnel expense

The item is broken down as follows:

| <i>(thousands of Euros)</i>  | From 1 January to 30 September |               |
|------------------------------|--------------------------------|---------------|
|                              | 2020                           | 2019          |
| Costs for directors' fees    | 890                            | 1,495         |
| Salaries and wages           | 42,499                         | 46,506        |
| Temporary work               | 1,050                          | 1,835         |
| Social security charges      | 14,245                         | 14,726        |
| Employee severance indemnity | 2,718                          | 2,628         |
| Other costs                  | 184                            | 230           |
| <b>Total</b>                 | <b>61,586</b>                  | <b>67,420</b> |

The item “Personnel expense” pass from Euro 67,420 thousand as at 30 September 2019 to Euro 61,586 thousand as at 30 September 2020, down by Euro 5,834 thousand. The period was affected by:

- a management of personnel costs aimed at dealing with the effects of the contingent epidemic emergency situation, mainly through incentives for using holidays, permits and social shock absorbers granted for the emergency (Italian CIG);
- the release, following the resignation on 7 January 2020, of the severance indemnity fund set aside in favor of the previous CEO, for Euro 500 thousand;
- lower allocations related to the variable remuneration policy for the period.

It should be underlined a decrease of Euro 785 thousand relating to item “Temporary agency work”, which passes from Euro 1,835 thousand as at 30 September 2019 to Euro 1,050 as at 30 September 2020, mainly relating to Arco di Trento plant.

|                    | Personnel as at 30 September |              |
|--------------------|------------------------------|--------------|
|                    | 2020                         | 2019         |
| Executives         | 19                           | 18           |
| Middle managers    | 47                           | 43           |
| White-collar staff | 281                          | 289          |
| Blue-collar staff  | 3,310                        | 3,375        |
| <b>Total</b>       | <b>3,657</b>                 | <b>3,725</b> |

## Depreciation and amortization

The item is broken down as follows:

| (thousands of Euros)                          | From 1 January to 30 September |               |
|---|--------------------------------|---------------|
|   | 2020                           | 2019          |
| Amortization of intangible assets             | 1,197                          | 841           |
| Depreciation of property, plant and equipment | 38,530                         | 40,948        |
| Write-down and provisions                     | 1,060                          | 582           |
| <b>Total</b>                                  | <b>40,787</b>                  | <b>42,371</b> |

The item “Depreciation and amortization” recorded a decrease of Euro 1,584 thousand compared to the same period of the previous year, passing from Euro 42,371 thousand as at 30 September 2019 to Euro 40,787 thousand as at 30 September 2020. It should be noted that part of the effect of the change is mainly attributable to the revision of the estimated useful life of some kinds of linen of the Parent and San Martino 2000 S.c.r.l. (clothing, mattresses and hotel linens) applied from 2019 Financial Report, to which reference should be made for adequate information. The item Write-downs and provisions includes provisions for Euro 345 thousand related to costs to be incurred for dismantling, restoring and scrapping all the assets referring to Podenzano (Piacenza, Italy) plant, in view of the planned cessation of operations at the production site.

## Financial income

The item is broken down as follows:

| (thousands of Euros)                              | From 1 January to 30 September |              |
|---|--------------------------------|--------------|
|   | 2020                           | 2019         |
| Bank interest income                              | 79                             | 297          |
| Default interest                                  | 567                            | 578          |
| Interest income on loans to third party companies | 448                            | 509          |
| Other financial income                            | 51                             | 184          |
| <b>Total</b>                                      | <b>1,145</b>                   | <b>1,568</b> |

Financial expenses are composed as follows:

| (thousands of Euros)                   | From 1 January to 30 September |                |
|--|--------------------------------|----------------|
|  | 2020                           | 2019           |
| Interest expense and bank commission   | (1,370)                        | (1,878)        |
| Interest and expense to other lenders  | (158)                          | (219)          |
| Financial expense on employee benefits | (23)                           | (73)           |
| Exchange rate losses                   | (715)                          | (67)           |
| Other financial expenses               | (1,908)                        | (2,490)        |
| <b>Total</b>                           | <b>(4,174)</b>                 | <b>(4,727)</b> |

The item Interest expense and bank commission showed a reduction of Euro 508 thousand as a consequence of a greater recourse to self-liquidating lines compared to the same period of the previous year and a lower weight of foreign financial charges due to the depreciation of local currencies against the Euro. The item "Exchange rate losses" is substantially related to the depreciation of both Real and Turkish Lira against Euro, which weighted Euro 468 thousand in the Brazilian area, Euro 168 thousand in Italy and Euro 79 thousand in the Turkish area.

It should be noted that the item Other financial expenses includes interest expenses deriving from the application of IFRS 16.

## 5.5 Consolidated net financial position

| (thousands of Euros)                               | 30 September     | 31 December      | 30 September     |
|--|------------------|------------------|------------------|
|  | 2020             | 2019             | 2019             |
| Cash and cash equivalents in hand                  | 89               | 44               | 331              |
| Cash at bank                                       | 4,348            | 7,097            | 5,781            |
| <b>Cash and cash equivalents</b>                   | <b>4,437</b>     | <b>7,141</b>     | <b>6,112</b>     |
| Current financial receivables                      | 6,549            | 8,310            | 9,401            |
| Current liabilities to banks and other lenders     | (95,796)         | (74,301)         | (77,876)         |
| <i>of which financial liabilities for IFRS 16</i>  | <i>(3,354)</i>   | <i>(3,707)</i>   | <i>(3,726)</i>   |
| <b>Current net financial debt</b>                  | <b>(89,247)</b>  | <b>(65,991)</b>  | <b>(68,475)</b>  |
| Non-current liabilities to banks and other lenders | (51,739)         | (68,558)         | (71,930)         |
| <i>of which financial liabilities for IFRS 16</i>  | <i>(29,458)</i>  | <i>(32,552)</i>  | <i>(32,125)</i>  |
| <b>Non-current net financial debt</b>              | <b>(51,739)</b>  | <b>(68,558)</b>  | <b>(71,930)</b>  |
| <b>Net financial debt</b>                          | <b>(136,549)</b> | <b>(127,408)</b> | <b>(134,293)</b> |

The decrease in Cash and cash equivalents was equal to Euro 2,704 thousand compared to 31 December 2019, because they have been used for investments.

It should be noted that payables to banks and other current financial institutions increased by Euro 21,495 thousand compared to 31 December 2019 as a consequence of a wider use of self-liquidating lines.

Payables to banks and other non-current financial institutions showed a decrease, passing from Euro 68,558 thousand as at 31 December 2019 to Euro 51,739 thousand as at 30 September 2020. This variation, amounting to Euro 16,819 thousand, is connected to the reclassification of short-term loan instalments due within the next 12 months.

The change in net financial debt, which passed from Euro 127,408 thousand as at 31 December 2019 to Euro 136,549 thousand as at 30 September 2020, included, among others, the payment of dividends for Euro 4,280 thousand and the outlay related to the acquisition of minority interests in the Brazilian companies Maxlav Lavanderia Especializada S.A. and Vida Lavanderia Especializada S.A., for about Euro 3,501 thousand.

Here follows also the net financial position drafted according to CESR Recommendation of 10 February 2005, now ESMA, which also 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 30<br>September<br>2020 | 31 December<br>2019 | As at 30<br>September<br>2019 |
|---|-------------------------------|---------------------|-------------------------------|
| A. Cash   | 89                            | 44                  | 331                           |
| B. Other cash equivalents                         | 4,348                         | 7,097               | 5,781                         |
| C. Securities held for trading                    | -                             | -                   | -                             |
| <b>D. Cash and cash equivalents (A)+(B)+(C)</b>   | <b>4,437</b>                  | <b>7,141</b>        | <b>6,112</b>                  |
| E. Current financial receivables                  | 6,549                         | 8,310               | 9,401                         |
| F. Current bank borrowings                        | (73,254)                      | (41,291)            | (48,724)                      |
| G. Current portion of non-current borrowings      | (22,542)                      | (33,010)            | (29,152)                      |
| <i>of which financial liabilities for IFRS 16</i> | <i>(3,354)</i>                | <i>(3,707)</i>      | <i>(3,726)</i>                |
| H. Other current financial payables               | (3,139)                       | (9,269)             | (8,919)                       |
| <b>I. Current financial debt (F)+(G)+(H)</b>      | <b>(98,935)</b>               | <b>(83,570)</b>     | <b>(86,795)</b>               |
| <b>J. Current net financial debt (I)-(E)-(D)</b>  | <b>(87,949)</b>               | <b>(68,119)</b>     | <b>(71,282)</b>               |
| K. Non-current bank borrowings                    | (51,739)                      | (68,558)            | (71,930)                      |
| <i>of which financial liabilities for IFRS 16</i> | <i>(29,458)</i>               | <i>(32,552)</i>     | <i>(32,125)</i>               |
| L. Bonds issued                                   | -                             | -                   | -                             |
| M. Other non-current payables                     | (3,405)                       | (3,876)             | (3,980)                       |
| <b>N. Non-current financial debt (K)+(L)+(M)</b>  | <b>(55,144)</b>               | <b>(72,434)</b>     | <b>(75,910)</b>               |
| <b>O. Net financial debt (J)+(N)</b>              | <b>(143,093)</b>              | <b>(140,553)</b>    | <b>(147,192)</b>              |

The Chairman of the Board of Directors

(Roberto Olivi)

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

The Financial Reporting Manager

(Angelo Minotta)