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Oggetto : The Board of Directors of Servizi Italia
approves the Half-year Financial Report as
at 30 June 2022

Testo del comunicato

Vedi allegato.



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The Board of Directors of Servizi Italia approves the Half-year Financial Report as at 30 June 2022

Organic growth in wash-hire (+7.4%) and double-digit growth in Steril C (+10.1%) segment in the half year

Excellent performance of sterilization lines with Steril B Ebit margin at 8.5% and Steril C at 13.9%

Gas and Electricity (+2.8% incidence on revenues) significantly impact the wash-hire segment

- Consolidated **Revenues** equal to **Euro 134.0 million** (Euro 125.1 million in 1H2021)
- Consolidated **EBITDA** equal to **Euro 29.5 million** (Euro 33.5 million in 1H2021)
- Consolidated **EBIT** equal to **Euro 1.2 million** (Euro 6.3 million in 1H2021)
- Consolidated **Net Income** equal to **Euro 1.9 million** (Euro 4.4 million in 1H2021)
- **Net financial position** equal to **Euro 120.4 million** (Euro 125.7 million as at 31 December 2021)

Castellina di Soragna (PR), Italy, 10 August 2022

The Board of Directors of Servizi Italia, a company listed on the Euronext STAR Milan segment of Borsa Italiana and leading operator in the outsourcing of hospital services in Italy, Brazil, Turkey, India, Albania and Morocco, today approved the Half-year Financial Report as at 30 June 2022.

*"The first half of 2022 – said **Roberto Olivi**, Chairman of the Executive Committee of Servizi Italia – closes with very encouraging signs in a context in which uncertainty and volatile fundamentals make it more complex to interpret the temporariness of the current macroeconomic and geopolitical crisis. The Group presented positive growth in all operating segments, with double-digit growth in the surgical instrument sterilization line, incidentally the segment with the highest margins. We operated for containing the effects of energy price increases as much as possible through revenue recoveries, contractual adjustments in line with inflationary growth, and efficiencies at operations level. We have also further decreased the Group's net financial position through careful management of working capital and investments for the period. The results achieved in these first six months of 2022 are the result of our efforts to preserve the value generated by the Group with the primary objective of ensuring protection and stability for all stakeholders."*

CONSOLIDATED RESULTS AS AT 30 JUNE 2022

During the first semester 2022, the Servizi Italia Group recorded a **consolidated turnover** equal to **Euro 134.0 million**, up by 7.1% (7.4% at constant exchange rates) compared to the first semester 2021, with the following sectorial trends:

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- Revenues from **wash-hire services**, which in absolute terms represent 75.9% of the Group's revenues and include all activities relating to the washing, hire, collection and reconditioning of textile and mattress products, pass from Euro 95.1 million in the first six months of 2021 to Euro 101.8 million in the first half of 2022, supported by an important growth in the Italian wash-hire segment, which registers a 6.5% increase in revenues; the increase is related both to the tenders of north-eastern Italy and to the full recovery of the hotel business, which was essentially irrelevant in the first part of the first half of 2021.
- Revenues from **textile sterilization** (Steril B), which in absolute terms represent 6.9% of the Group's revenues and include all activities relating to sterilization of sterile sets and the supply of disposable items used in surgical procedures for setting up the operating field and dressing the medical team, pass from Euro 9.1 million in the first six months of 2021 to Euro 9.3 million in the first semester of 2022, up by 1.7% as result of a higher supply of disposable items in central Italy.
- Revenues from **surgical instruments sterilization services** (Steril C), which in absolute terms represent 17.2% of the Group's revenues and includes all activities related to the rental, sterilization, collection and reconditioning of surgical instruments, pass from Euro 20.9 million in the first six months of 2021 to Euro 23.0 million in the first semester of 2022, up by 10.1% coming from some new orders in north-eastern Italy, as well as from the growth recorded in the period by Steritek S.p.A. for validation services (7.1% in absolute terms on revenues recorded by the segment), which weighs 0.7% of the line growth. It should also be noted that the growth is driven by the recovery of surgical activities recorded in the first half of 2022 compared to the same period in 2021.

For what concerns geographical distribution, **revenues generated from foreign markets** amount to Euro 17.8 million (of which Euro 14.4 million relating to Brazil and Euro 3.4 million relating to Turkey), covering the 13.4% of first semester 2022 consolidated turnover (13.0% in the same period of 2021). Revenues in Brazil show a positive change for the period of 13.9% mainly driven by the strengthening of the Brazilian Real against the Euro (exchange rate var. effect +16.4%) although characterized by a slight decrease in local currency (-2.5%). The Turkey area records a growth in local currency of 59.7% offset by a negative exchange rate effect of 66.1% (depreciation of the Turkish Lira against the Euro) leading to a negative change in sales in Euro of 6.5%.

Consolidated EBITDA decreased from Euro 33.5 million in the first six months of 2021 to Euro 29.5 million in the same period of 2022, passing from 26.7% to 22.0% of revenue, down by 4.8% in absolute terms. It should be noted that the first half of 2021 was positively impacted by the capital gain related to the sale of the workwear business in the amount of Euro 1.5 million as well as by premiums (Euro 1.2 million) on certain strategic supplies underlying the start-up of orders in north-eastern Italy. In the first half of 2022 there is the negative impact relevant to the ISTAT effective date towards Prog.Este S.p.A.



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for Euro 1.1 million, more than offset by the excellent performance of the sterilization lines and the important recovery of sales recorded by the wash-hire segment. EBITDA margin is mainly weighed down by the growth in service costs (+2.9%), which is mainly related to the increases recorded by utilities such as gas (+2.4% on EBITDA margin) and electricity (+0.4% on EBITDA margin). On the other hand, it should be noted that energy price increases have a different specific weight on the operating segments; in fact, wash-hire alone absorbs about 89% of the energy price increases recorded in the period. During the period, there were a slight decrease in operating margin results in Brazil (EBITDA margin going from 31.1% to 27.9%), and a significant decrease in Turkey (EBITDA margin going from 28.6% to 2.4%) mainly due to the price increases recorded in the period, in different proportions in the respective countries. In fact, it should be noted that the sharp decline in margins in the Turkey area is mainly attributable to the sudden rise in inflation recorded during 2022, which directly impacted operating costs.

The **operating result (EBIT)** passed from Euro 6.3 million in the first half of 2021 (5.0% compared to turnover of the period) to Euro 1.2 million in the same period of 2022 (+0.9% compared to the turnover of the period), mainly as a result of the dynamics already described in commenting on the change in sales and EBITDA, albeit with a lower incidence of depreciation for the period.

Financial operations shew an increase in financial income compared to the same period of the previous year due to, among others, the effect related to high inflation on monetary items in Turkish area for a total of Euro 0.6 million following the application of accounting standard IAS 29- Financial Reporting in Hyperinflationary Economies. The results for the period were positively affected by the revaluations of certain companies valued according to the equity method totalling Euro 1.6 million.

Therefore, the consolidated financial statements as at 30 June 2022 close with a **net profit of Euro 1.9 million** compared to Euro 4.4 million in the same period of the year.

Net financial debt as at 30 June 2022 is equal to **Euro 120.4 million**, down compared to Euro 125.7 million as at 31 December 2021.

SIGNIFICANT EVENTS DURING THE HALF

On 15 April 2022 the Parent Company received from the project company Prog.Este. S.p.A. a communication in which the loss of the same is announced at the Court of Appeal of Bologna, and the waiver of further appeal regarding the lawsuit brought by the Hospital of Ferrara and qualified as "*ISTAT effective date*". The sentence established the correct starting date for the application of ISTAT for the period on the enhancement of the services offered, which accrues not from the date of stipulation of the project financing (2006), but from the following year, that is to say from 31 December 2007. The period subject to recalculation pertaining to Servizi Italia concerns the years from 2014 to 2021 for a total amount of Euro 1,103 thousand. The Parent Company has made provision for the aforementioned amount during the period, which is exceptional in terms of both the amount and its occurrence.



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On 20 April 2022, the ordinary session of the Shareholders' Meeting:

- approved the financial statements of the Parent Company closed on 31 December 2021 and the allocation of the result for the year;
- expressed its favourable opinion on the second section of the Report on the remuneration policy of Servizi Italia SpA and on the remuneration paid;
- appointed the supplementary members of the Board of Statutory Auditors, also determining their relative remuneration.

Information about Covid-19

The Covid-19 viral epidemic has imposed the need to contain epidemiological development as much as possible, leading to changes in hospital procedures and activities with regard to hygiene guarantees for medical and nursing staff, for wards and in-patients designated for the treatment of infections caused by the Coronavirus. All the activities of the Group, which operates in strict compliance with the relevant regulations, were only in part influenced by the evolution of the contingent epidemiological situation during the period and no significant impact has been recorded. We are confident that the effects associated with the pandemic risk will gradually diminish and that the Group will be able to adapt, as it has done in the past, to the consequent regulatory and market changes.

SIGNIFICANT EVENTS AFTER THE END OF THE HALF

On 15 July 2022, Servizi Italia S.p.A. informed to have acquired – by the exercise of the option due to Servizi Italia – an additional 25.0% of the share capital of Steritek S.p.A, thus arriving at holding 95.0% of the share capital of the Company. The 25.0% of the Company share capital is amounted to Euro 1.34 million. Pricing was based on the audited 2020 and 2021 results and the Company's net financial position as of the call option exercise date.

The transaction continues as communicated on 5 September 2017, and is carried out with the same purposes that will allow Servizi Italia to come to hold 100% of the Company, breaking down the exercise of the remaining 30.0% of the shares' capital into two stages:

- i. Acquisition on 15 July 2022 of 25.0% of the Company's capital through exercise of call option;
- ii. Assignment to Servizi Italia and the seller, holder of the remaining 5.0% of the Steritek share capital and CEO of the Company, of options to buy (call) and sell (put), respectively, aimed at enabling Servizi Italia to come to hold the entire capital of the Company within 4 years (2026) or within 7 years (2029).

The deferred purchase of the remaining 5.0% of the Company's shares (that presents a floor equal to Euro 268 thousand) is aimed at further consolidating the fruitful partnership relationship between



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Servizi Italia and the seller. For more information, please refer to the press release on the Parent Company's website.

BUSINESS OUTLOOK

Although the short and medium-term forecasts are complex due to the destabilizing geopolitical context and the significant price increases recorded, for the year 2022 the Group anticipates positive results in Italy and Brazil, while the relative evolving scenario is more complex in relation to Turkey, increasingly oppressed by a context of growing inflation and currency volatility which affects operating costs and financial charges more than proportionally. At the basis of the sound elements to counter this moment of uncertainty is the Group's customer portfolio, which is presumed not to be affected directly by the "Donbass crisis". Moreover, the Group does not operate directly with stakeholders involved in economic restrictions approved by the European Council through Decision (EU) 2022/266 and Regulation (EU) 2022/263. For the next few months, margin recovery actions are also planned aimed at the recognition to customers of a temporary refund aimed at partially mitigating the significant increase in energy costs. The Group, in the medium-term strategy, despite the uncertainty of a situation deriving from an increase in energy costs and raw materials which is presumed to persist beyond the current year, expects an organic consolidation of its leadership position in the Italian and foreign market and a continuous search for optimization and efficiencies. The Group will continue to operate to reach its objectives and comply with commitments undertaken and aims to maintain a solid capital situation through an adequate financial balance and good creditworthiness with banking institutions.

TREASURY SHARES

As at 30 June 2022, following the transactions on the market regulated and managed by Borsa Italiana, the Company held n. 2,260,039 treasury shares, equal to 7.10% of the share capital.

PUBLICATION OF THE DOCUMENTATION

The Half-year Financial Report as at 30 June 2022 will be made available to the public within the terms and according to the procedures provided for by the regulations in force, accompanied by the auditors' report.

Declaration of the Executive Responsible for the preparation of the accounting documents

The Executive Responsible for the preparation of the corporate accounting documents, Angelo Minotta, declares in accordance with Article 154 bis, paragraph 2, of the Consolidated Finance Act, that the accounting information contained in the present press release corresponds to the underlying accounting documents, records and accounting entries.

Alternative performance indicators



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The present document uses an “alternative performance indicator” not provided by the IFRS accounting standards. Here is the calculation method used and the composition of these ratios, in line with the guidelines of the European Securities and Market Authority (ESMA). The Group management has defined: (i) EBITDA as the difference between the value of sales and services and operating costs before depreciation, amortisation, write-downs, impairment and provisions; (ii) net financial debt as the sum of amounts Due to banks and other lenders net of Cash and cash equivalents and Current financial receivables.

This press release is disclosed using eMarket SDIR system and it is now available on Company's website (www.servizitaliagroup.com) as well as on eMarket STORAGE system (www.emarketstorage.com).

Servizi Italia S.p.A., a company based in Castellina di Soragna (PR) and listed on the Euronext STAR Milan of Borsa Italiana S.p.A., has been a leader in Italy in the field of integrated rental, washing and sterilization services for textile materials and medical devices in the healthcare sector for over thirty years. The company, which together with its Italian and foreign subsidiaries forms the Servizi Italia Group, has also expanded its services to the industrial, community and hotel sectors. The Group has a highly technological production platform, articulated in over 50 production plants in 6 countries and counts about 3,700 employees and collaborators: these are the numbers with which Servizi Italia contributes daily to the health and safety of professionals, patients and workers, respecting ethics and the environment in which it operates.

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In attachment:

- Consolidated statement of financial position as at 30 June 2022
- Consolidated income statement as at 30 June 2022
- Consolidated statement of comprehensive income as at 30 June 2022
- Consolidated statement of cashflow as at 30 June 2022
- Consolidated net financial position as at 30 June 2022

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| <i>(thousands of Euros)</i> | 30 June 2022 | 31 December 2021 |
|--|----------------|------------------|
| ASSETS | | |
| Non-current assets | | |
| Property, plant and equipment | 169,011 | 163,326 |
| Intangible assets | 4,100 | 4,477 |
| Goodwill | 63,208 | 62,684 |
| Equity-accounted investments | 30,737 | 27,486 |
| Equity investments in other companies | 3,193 | 3,305 |
| Financial receivables | 5,325 | 3,746 |
| Deferred tax assets | 9,282 | 8,349 |
| Other assets | 3,108 | 3,495 |
| Total non-current assets | 287,964 | 276,868 |
| Current assets | | |
| Inventories | 8,523 | 8,408 |
| Trade receivables | 68,006 | 65,139 |
| Current tax assets | 1,902 | 1,872 |
| Financial receivables | 9,390 | 6,087 |
| Other assets | 10,661 | 9,585 |
| Cash and cash equivalents | 3,858 | 3,217 |
| Total current assets | 102,340 | 94,308 |
| TOTAL ASSETS | 390,304 | 371,176 |
| SHAREHOLDERS' EQUITY AND LIABILITIES | | |
| Group shareholders' equity | | |
| Share capital | 29,549 | 29,809 |
| Other reserves and retained earnings | 97,219 | 82,375 |
| Net profit of the period | 2,207 | 7,500 |
| Total shareholders' equity attributable to shareholders of the parent | 128,975 | 119,684 |
| Total shareholders' equity attributable to non-controlling interests | 2,238 | 1,435 |
| TOTAL SHAREHOLDERS' EQUITY | 131,213 | 121,119 |
| LIABILITIES | | |
| Non-current liabilities | | |
| Due to banks and other lenders | 48,248 | 58,750 |
| Deferred tax liabilities | 2,784 | 2,107 |
| Employee benefits | 8,774 | 8,338 |
| Provisions for risks and charges | 5,100 | 4,834 |
| Other financial liabilities | 391 | 388 |
| Total non-current liabilities | 65,297 | 74,417 |
| Current liabilities | | |
| Due to banks and other lenders | 85,446 | 76,251 |
| Trade payables | 84,949 | 75,685 |
| Current tax liabilities | 393 | 276 |
| Employee benefits | 622 | 719 |
| Other financial liabilities | 1,623 | 2,454 |
| Provisions for risks and charges | 1,082 | 1,526 |
| Other liabilities | 19,679 | 18,729 |
| Total current liabilities | 193,794 | 175,640 |
| TOTAL LIABILITIES | 259,091 | 250,057 |
| TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES | 390,304 | 371,176 |

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CONSOLIDATED INCOME STATEMENT

| <i>(thousands of Euros)</i> | 30 June 2022 | 30 June 2021 |
|--|----------------|----------------|
| Revenues from sales | 134,042 | 125,109 |
| Other income | 2,868 | 5,035 |
| Raw materials and consumables | (14,731) | (13,573) |
| Costs for services | (46,777) | (40,045) |
| Personnel expenses | (45,257) | (42,417) |
| Other costs | (670) | (655) |
| Depreciation/amortization and provisions | (28,282) | (27,178) |
| Operating profit (loss) | 1,193 | 6,276 |
| Financial income | 1,457 | 398 |
| Financial expenses | (2,339) | (2,241) |
| Income/(Expense) from equity investments | 252 | 24 |
| Revaluation/impairment of equity-accounted investments | 1,619 | 666 |
| Profit (Loss) before taxes | 2,182 | 5,123 |
| Income taxes | (237) | (750) |
| Profit (Loss) of the period | 1,945 | 4,373 |
| of which: Share pertaining to the Shareholders of the Parent Company | 2,207 | 4,307 |
| Share pertaining to the minority shareholders | (262) | 66 |
| Base earnings/(losses) per share (Euro per share) | 0.07 | 0.14 |
| Diluted earnings/(losses) per share (Euro per share) | 0.07 | 0.14 |

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| <i>(thousands of Euros)</i> | 30 June 2022 | 30 June 2021 |
|---|--------------|--------------|
| Profit (Loss) of the period | 1,945 | 4,373 |
| <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 | 4,184 | 1,052 |
| Portion of comprehensive income of the investments measured using the equity method | 1,695 | 377 |
| Income taxes on other comprehensive income | - | - |
| Total other comprehensive income after taxes | 5,879 | 1,429 |
| Total comprehensive income for the period | 7,824 | 5,802 |
| of which: Attributable to shareholders of the parent | 8,253 | 5,895 |
| Attributable to non-controlling interests | (429) | (93) |

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CONSOLIDATED STATEMENT OF CASHFLOW

| <i>(thousands of Euros)</i> | as at 30 June 2022 | as at 30 June 2021 |
|--|--------------------|--------------------|
| <i>Generated (absorbed) cash flow from operating activities</i> | | |
| Profit (loss) before taxes | 2,182 | 5,122 |
| Current taxes payment | (202) | (185) |
| Depreciation | 28,324 | 26,964 |
| Impairment and provisions | (42) | 215 |
| (Gain)/losses on equity investments | (1,871) | (690) |
| Capital gains/(losses) from divestment | (692) | (1,679) |
| Interest and expense income | 882 | 1,843 |
| Received interest incomes | 369 | 54 |
| Paid interest expenses | (1,382) | (1,171) |
| Paid interest on lease liabilities | (933) | (1,009) |
| Provisions for employee benefits | 314 | 463 |
| | 26,949 | 29,927 |
| (Increase)/Decrease in inventories | 137 | (826) |
| (Increase)/Decrease in trade receivables | (5,582) | (11,528) |
| Increase/(Decrease) in trade payables | 9,676 | 4,838 |
| Increase/(Decrease) in other assets and liabilities | (1,279) | (5,872) |
| Settlement of employee benefits | 42 | (514) |
| Generated (Absorbed) cash flow from operating activities | 29,943 | 16,025 |
| <i>Generated (Absorbed) cashflow net of investing activities in:</i> | | |
| Intangible assets | (179) | (310) |
| Property, plant and equipment | (26,154) | (33,666) |
| Dividends received | 342 | 119 |
| (Acquisitions)/Disposals | - | 9,478 |
| Equity investments | - | (255) |
| Generated (Absorbed) cashflow net of investment activities | (25,991) | (24,634) |
| <i>Generated (Absorbed) cashflow from investment activities in:</i> | | |
| Financial receivables | (2,255) | 308 |
| Dividends paid | - | (67) |
| (Purchase)/Sale of treasury shares | (468) | (615) |
| Share capital increase (minority shareholders) | - | - |
| Short-term liabilities due to banks and other lenders | 11,676 | (558) |
| Long-term liabilities due to banks and other lenders | (10,734) | 9,961 |
| Reimbursement of leasing liabilities | (1,767) | (1,841) |
| Generated (Absorbed) cashflow from financing activities | (3,548) | 7,188 |
| Increase/(Decrease) in cash and cash equivalents | 404 | (1,421) |
| Cash and cash equivalents at the beginning of the period | 3,217 | 4,441 |
| Effect of exchange rates on cash and cash equivalents | (237) | (10) |
| Cash and cash equivalents at the end of the period | 3,858 | 3,030 |
| Increase/(Decrease) in cash and cash equivalents | 404 | (1,421) |

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CONSOLIDATED NET FINANCIAL POSITION

| <i>(thousands of Euros)</i> | as at 30 June 2022 | as at 31 December 2021 | as at 30 June 2021 |
|--|-----------------------|---------------------------|-----------------------|
| Cash and cash equivalent in hand | 25 | 21 | 22 |
| Cash at bank | 3,833 | 3,196 | 3,008 |
| Cash and cash equivalents | 3,858 | 3,217 | 3,030 |
| Current financial receivables | 9,390 | 6,087 | 8,508 |
| Current liabilities to banks and other lenders | (85,446) | (76,251) | (81,080) |
| <i>of which financial liabilities for IFRS 16</i> | <i>(3,346)</i> | <i>(3,285)</i> | <i>(3,800)</i> |
| Current net financial debt | (76,056) | (70,164) | (72,572) |
| Non-current liabilities to banks and other lenders | (48,248) | (58,750) | (66,237) |
| <i>of which financial liabilities for IFRS 16</i> | <i>(27,339)</i> | <i>(27,287)</i> | <i>(28,115)</i> |
| Non-current net financial debt | (48,248) | (58,750) | (66,237) |
| Net financial debt | (120,446) | (125,697) | (135,779) |

Fine Comunicato n.0868-84

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