# REPORT ON OPERATIONS

FOR THE YEAR 2020

rekeep

minds that work

# GENERAL INFORMATION

## REGISTERED OFFICE

Via U. Poli, 4
Zola Predosa (Bo)

## BOARD OF DIRECTORS

Appointed by the Shareholders' Meeting
of 24 April 2020

**CHAIRMAN**
**AND CHIEF EXECUTIVE OFFICER**
Giuliano Di Bernardo

**VICE CHAIRMAN**
Giuseppe Pinna

**DIRECTORS**
Laura Duò
Rossella Fornasari
Paolo Leonardelli
Gabriele Stanzani
Matteo Tamburini

## BOARD OF STATUTORY AUDITORS

Appointed by the Shareholders' Meeting
of 24 April 2020

**CHAIRMAN**
Germano Camellini

**STANDING AUDITORS**
Marco Benni
Giacomo Ramenghi

**ALTERNATE AUDITORS**
Michele Colliva
Antonella Musiani

## INDEPENDENT AUDITORS

EY S.p.A.

# INTRODUCTION

The Report on Operations for Rekeep S.p.A. ("Rekeep") was drafted in accordance with art. 2428 of the Italian Civil Code and, as provided for under art. 40 of Legislative Decree 127/1991, is presented in a single document. Where appropriate, priority is given to issues considered important to the companies included in the scope of consolidation as a whole.

The Rekeep Group is active in the management and provision of integrated services to public and private customers, targeted at properties, the area and to support so-called "Integrated Facility Management" health care activities. At present the Rekeep brand is controlled by a single operating holding company which combines so-called "traditional" facility management production resources with those related to supporting the whole Group's business. As early as from the previous financial years a strategy has been pursued by the central holding functions to diversify operations, also through a series of corporate acquisitions, with some "specialist" facility management services beside the historical core business (hygiene services, green spaces and technical and maintenance services), in addition to linen rental and industrial laundering services and surgical instrument sterilization at healthcare facilities and high technology B2B services.

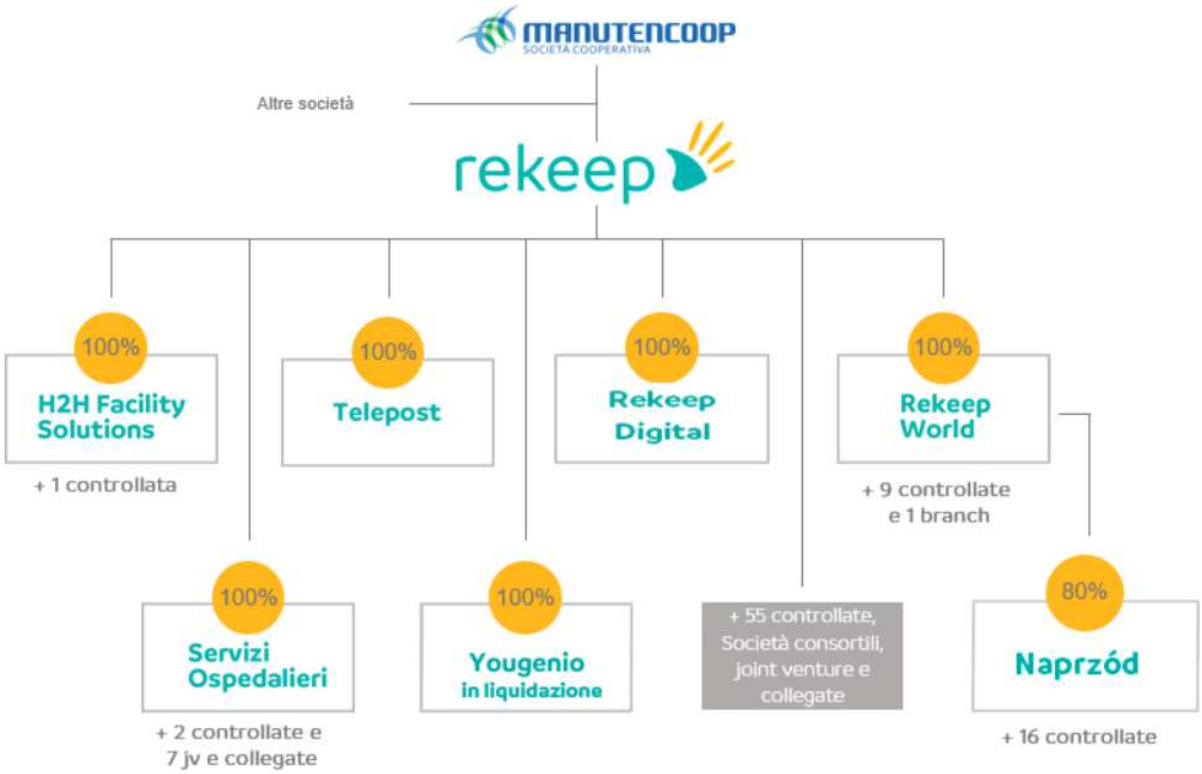
Furthermore, the Group started a major process of business development in international markets from the 2015 financial year, by establishing the sub-holding company Rekeep World S.r.l. and the start-up of facility operations in France (through the sub-group controlled by Rekeep France S.a.S.), Turkey (through EOS and Rekeep United Yönetim Hizmetleri A.Ş..) and Saudi Arabia (through Rekeep Saudi Arabia Ltd and Rekeep Arabia for Operations and Maintenance Ltd). Finally, the acquisition of the Polish company Naprzód S.A. (now Rekeep Polska S.A.), the parent company controlling the group with the same name and leading market in Poland, strengthened the Group's market position in the field of facility management in the healthcare sector, as well as expanded the Group's range of services, including first of all catering operations.

During 2016 diversification was further boosted by establishing Yougenio S.r.l., a wholly-owned subsidiary of Rekeep S.p.A. that is active in the provision of services to private consumers through an e-commerce platform. This event led the Group to enter the B2C services market within the scope of a plan that saw a period of start-up of operations until the 2019 financial year, at the end of which the management assessed the investment as non-strategic in this market segment, which did not show the expected synergies with the more traditional facility management activities carried out by the Group. Therefore, on 22 September 2020 the company was put into liquidation with the aim of completing this process in the shortest possible time.

## Shareholding structure

Ordinary shares issued by Rekeep S.p.A and fully paid up at 31 December 2020 amounted to 109,149,600 with a par value of Euro 1 each. They are wholly held by Manutencoop Società Cooperativa, which also carries out Management and Coordination activities.

There are no other share classes. The Parent Company does not hold own shares.


MANUTENCOOP
SOCIETÀ COOPERATIVA
Altre società
rekeep
100%
H2H Facility Solutions
+ 1 controllata
100%
Telepost
100%
Rekeep Digital
100%
Rekeep World
+ 9 controllate e 1 branch
100%
Servizi Ospedalieri
+ 2 controllate e 7 jv e collegate
100%
Yougenio in liquidazione
+ 55 controllate, Società consortili, joint venture e collegate
80%
Naprzód
+ 16 controllate

# MACROECONOMIC AND MARKET SCENARIO

The year 2020 was inevitably marked by the global recession due to the pandemic emergency, as well as to the containment measures adopted to counter it. After a positive debut in the second half of the year, a new rise in the curve of infections since last autumn led to a slowdown in international operations at the end of 2020, especially in advanced countries. The start of vaccination campaigns as from the end of the year, albeit with different procedures and timing, has a positive impact on the outlook for the medium term, but the speed and intensity of the recovery remain still uncertain.

The economic recovery has been robust with a significant rebound since the beginning of the second half of 2020. However, GDP In the United States, the United Kingdom and Japan came to 3.5%, 4.2% and 9.7% below pre-pandemic levels, while in China the levels recorded before the health emergency were exceeded and growth strengthened. In the latter part of 2020, the acceleration of infections led once again to a slowdown in economic activities all over the world, and the outlook remains negative as a whole, especially in the global tourism and recreational services sectors, which were most affected by the containment measures put in place to counter the pandemic. These trends are reflected in world trade, the fall in which should be at around 9% in 2020.

In the Eurozone too, the trend was similar: in the third quarter, GDP grew in all the main European economies and in all sectors, but in none of them it went back to the levels recorded before the outbreak of the epidemic. The resurgence of the pandemic and the consequent tightening of restrictive measures in the latter part of the year led to a further deterioration of economy. The projections prepared by the Eurosystem in December indicated that the decline in GDP should be 7.3% in the Eurozone in 2020.

Monetary policy remains accommodative on a global scale and the main central banks are continuing their work on expansionary policy actions in order to support economy. In response to the resurgence of the pandemic, the effects of which are expected to be more prolonged and intense than estimated, the Governing Council of the European Central Bank has extended and prolonged monetary stimulus in order to ensure favorable lending conditions for all sectors for as long as it is required to ensure full support to economy and inflation, which is nevertheless expected to remain below 2% over the next three years, and has declared that it is ready to gauge its tools once again, if necessary.

In Italy, higher-than-expected growth highlighted the strong resilience of the economy during the third quarter. However, the second wave of pandemic led, as in other countries in the area, to a new fall in GDP in the fourth quarter: annual contraction can currently be estimated at around 9% on the basis of available indicators. All macroeconomic values have been adversely affected by the crisis linked to the pandemic in progress. As in the rest of the world, the decline in business volumes was pronounced in services and more marginal in manufacturing, but operations resumed for trade in goods and capital inflows in the third quarter of 2020, although this trend continued with less vigor in the last months of the year. The recovery in exports of goods and services was very significant in Italy, well above that recorded by world trade, but the 2020 figure recorded a 14.9% reduction compared to 2019. The performance of the labor market showed a sharp decline in employment, both in terms of hours worked (-11%) and in terms of the number of employed (-1.9%), thus bringing unemployment rate to 9.3%. Likewise, the health emergency combined with the resulting economic crisis led to a 10.4% fall in household consumption. The estimated change in consumer prices remained negative at around -0.1% during 2020, reflecting price trends in the sector of those services that have been most affected by the crisis, the performance of which continue to be affected by weak demand. Inflation forecasts prepared by analysts and companies

still expect very low values for the next twelve months. In response to the health emergency, the Government put in place various expansionary measures in 2020 in order to support households and businesses, leading to a substantial deterioration in public accounts. As a result of this and of a the worsening of the local and international macroeconomic scene, it can be estimated that in 2020 the debt/GDP ratio increased by more than 20 percentage points up to around 156% according to the preliminary data in December.

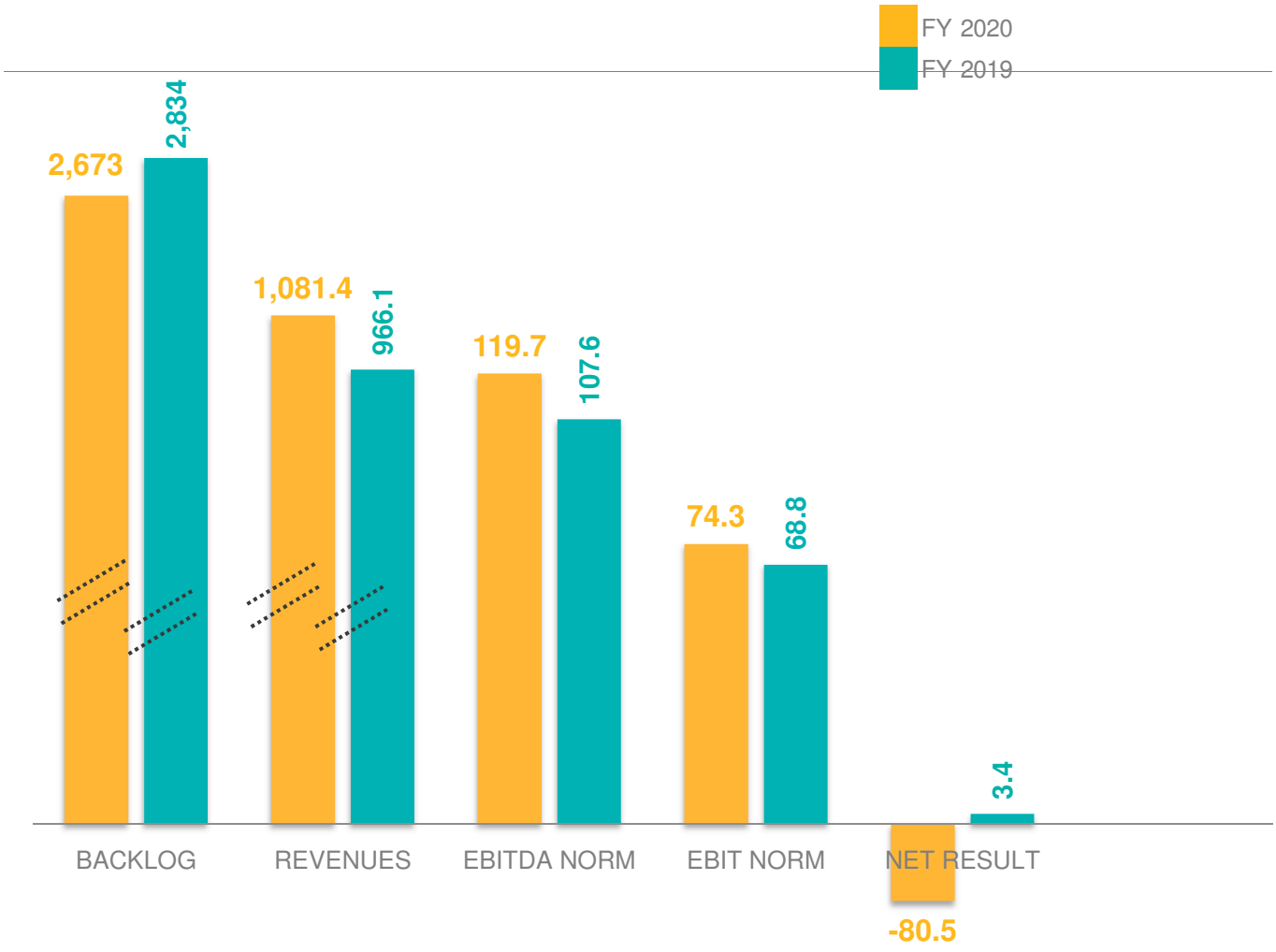
According to OECD's December forecasts, global GDP would return to expand by 4.2% in 2021, thus exceeding pre-pandemic levels by the end of the year. The outlook remains closely dependent on both the evolution of the pandemic and the measures put in place to counter an increase in infections on the one hand, and, on the other, to mitigate their impact on economic activities. The projections are affected by several factors in relation to such a desirable change in climate: the entry into full operation and the very fast pace of the vaccination campaigns that commenced at global level at the end of 2020, the expansive effects of the measures (actually, some of them are still being defined) laid down in budgetary policies planned by the various countries – mainly Next Generation EU and the stimulus to US economy -, a very expansive monetary policy, at least in the medium term, aimed at preventing the increased indebtedness of companies from having adverse effects on their financial stability, the growth in world trade, in line with the trend that began as early as in the summer of 2020 and that only partially slowed down in the last months of 2020.

# NON-GAAP FINANCIAL MEASURES

The Rekeep Group's management monitors and assesses the business performance, as well as the consolidated results of operations and cash flows by using a number of financial ratios that are not defined under the international accounting standards IAS/IFRS ("Non-GAAP measures") and that are specified below. The Group's management considers that these financial ratios, which are not explicitly expressed in the accounting standards adopted to prepare the Consolidated Financial Statements, provide information which helps to understand and assess its overall financial and equity performance. These are widely used in the sector in which the Group operates but might not be directly comparable with those utilized by other companies, nor are they intended to replace the economic and financial performance ratios prepared in the application of the international accounting standards IAS/IFRS.

| | **Definition** |
|---|---|
| **Backlog** | The Backlog is the amount of contract fees not yet accrued and connected with the residual term of orders, which are held by the Group in the backlog. |
| **Financial Capex** | Financial capex is the net expenditure on the acquisition of equity investments on business combinations and on grants of long-term loans. |
| **Industrial Capex** | Industrial CAPEX are defined as the purchase of (i) Property, plant and equipment, (ii) Property, plant and equipment under lease and (iii) other intangible assets. |
| **NWC** | Consolidated Net Working Capital (NWC) is defined as the consolidated NWOC which is added the amount of other operating assets and liabilities (other current assets, other current liabilities, current tax receivables and payables, current provisions for risks and charges). |
| **NWOC** | Consolidated Net Working Operating Capital (NWOC) is composed of "trade receivables and advance to supplier" and "inventories", net of "trade payables and contract liabilities". |
| **DPO** | DPO (Days Payables Outstanding) is a weighted average of days for payment of consolidated trade payables calculated as the ratio of trade payables, net of VAT on the amounts already received from the supplier, and costs over the last 12 months related to external production factors (included the capex) multiplied by the days of the reference period. |
| **DSO** | DSO (Days Sales Outstanding) is a weighted average of days for collection of consolidated trade receivables calculated as the ratio of trade receivables, net of VAT on the amounts already billed to customers, and revenues over the last 12 months multiplied by the days of the reference period. |
| **EBIT** | EBIT represents the Profit (Loss) before taxes gross of: i) Financial charges; ii) Financial income; iii) Dividend and income (loss) from sale of investments; iv) Share of net profit of associates; v) Profit (loss) on exchange rate. The Statement of Profit or Loss shows EBIT as "Operating Income". |

| | Definition |
|---|---|
| EBITDA | EBITDA represents the Operating Income before allocations to the accrual of provisions for risks and amortization/depreciation, write-downs and write-backs of assets. EBITDA is a measure used by the Company's management to monitor and assess its operating performance and it is not identified as an accounting measure under IFRS. Therefore, it must not be considered an alternative measurement for evaluating the trend in the Group's profit/loss. Given that the breakdown of EBITDA is not regulated by the accounting standards, the calculation criteria applied by the Group may not be comparable. |
| Adjusted EBIT or EBITDA | Adjusted EBITDA and Adjusted EBIT do not include non-recurring elements recorded in the consolidated Statement of Profit/Loss for the year, as described in paragraph "Non-recurring events and transactions". |
| Revenues, Normalized EBITDA or EBIT | Normalized values represent Adjusted measures that also exclude the contribution to the consolidated profit/loss of the start-up activities relating to the subsidiary Yougenio S.r.l. and, until the 2019 financial year, sub-group controlled by Rekeep World S.r.l.. |
| Gross Debt | Gross Debt is defined as the sum of debts for principal referring to: i) Senior Secured Notes; ii) Bank debts; iii) Current bank overdraft, advance payments and hot money; iv) Obligations arising from assignments of trade receivables with recourse; v) Financial lease obligations. |
| LTM (Last Twelve Months) | LTM values relate to the economic values or financial flows identified in the last 12 months, or in the last 4 financial reporting years. |
| Net Cash | Net Cash is defined as the balance of "Cash and cash equivalents" net of: i) Bank overdrafts, advance payments and hot money; ii) Obligations arising from assignments of trade receivables with recourse. |
| Net Debt | Net Debt is defined as Gross Debt net of the balance of Cash and cash equivalents and Current financial assets. |
| NFP | Consolidated Net Financial Position represents the balance of Long-term debt, Derivatives, Bank borrowings (including current portion of long-term debt) and other financial liabilities, net of the amount of receivables and other current financial assets and Cash and Cash equivalents. When it is negative, it is equivalent to the "Net Financial Indebtedness". |
| Adjusted NFP and NWOC | Adjusted NWOC and Adjusted NFP include the balance of the trade receivables assigned in the framework of the previous years' assignment without recourse programs and not yet collected by the factoring companies. |
| Restated | On 13 February 2020 a binding agreement was signed for the sale of the total share capital of subsidiary Sicura S.p.A.. According to IFRS5, at the reporting date of the Consolidated Financial Statements at 31 December 2019, the value of assets relating to the sub-group controlled by Sicura SS.p.A. and the associated liabilities was reclassified under "Assets held for sale" and "Liabilities associated with assets held for sale". Again in accordance with the same accounting standard, the transaction was reported as "Discontinued operation" in the Consolidated Financial Statements at 31 December 2020 and results of operations for the period until the date of sale were stated among "Profit (loss) from discontinued operations". Likewise, the respective comparative results of operations were restated and reclassified to the same item of the income statement. |



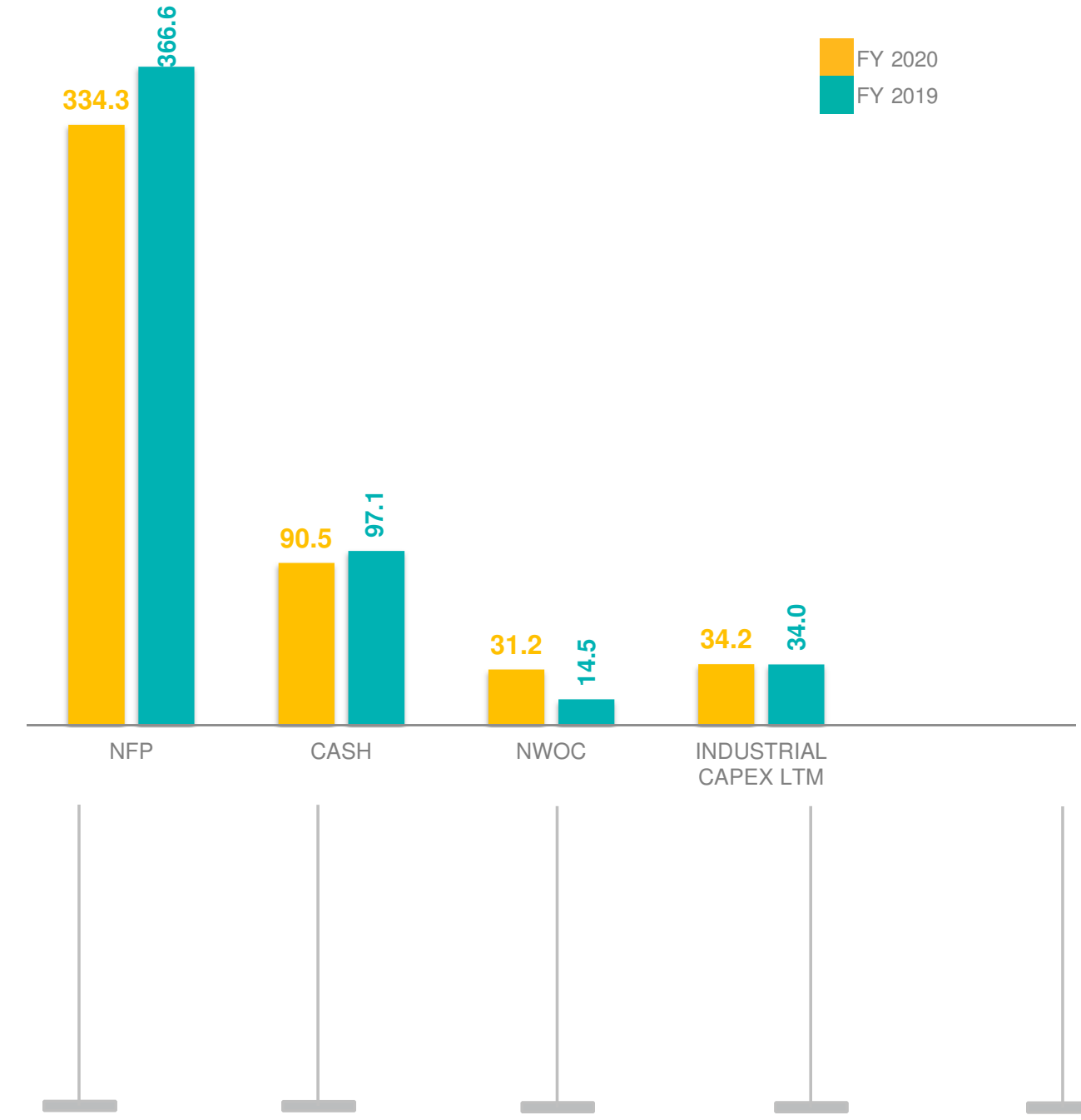

**BACKLOG/ REVENUES LTM**
**2.5x**
vs 2.9x at 31/12/2019

**REVENUES**
**+ 11.9 %**
vs 1.7% at 31/12/2019 Restated

**EBITDA/ REVENUES**
**2.7%**
vs 9.9% at 31/12/2019 Restated

**EBITDA NORM/ REVENUES**
**11.1%**
vs 11.5% at 31/12/2019 Restated

**EBIT NORM/ REVENUES**
**6.9%**
vs 7.4% at 31/12/2019 Restated




**NFP / EBITDA NORM**
**2.8x**

**CASH**
**90.5 mln**
vs 97.1 mln at 31/12/2019

**NET CASH**
**68.8 mln**
vs 66.5 mln at 31/12/2019

**NWOC / REVENUES LTM**
**2.9%**
vs 1.5% at 31/12/2019

# REPORT ON OPERATIONS

## INTRODUCTION TO THE REPORTING OF CONSOLIDATED RESULTS

As early as from 2016, the Rekeep Group embarked on a significant path to internationalization through the sub-holding company Rekeep World S.r.l. as a vehicle dedicated to business development in international markets. These new projects were regarded as still being in the start-up phase and gave a negative contribution to the consolidated results for the year until the 2019 financial year. However, the acquisition of the Polish group Naprzód on 30 October 2019 was a turning point in international development, with an increase in both consolidated revenue volumes and profit margins in terms of EBITDA and EBIT. As from 2020, therefore, the International Markets are regarded as forming an integral part of the scope of core business operations and the respective results of operations are no longer normalized for the purposes of management's analysis of consolidated results.

Again in 2016 diversification was further boosted by establishing Yougenio S.r.l., which is wholly owned by Rekeep S.p.A. and provides services to private consumers through an e-commerce platform. This event led the Group to enter the B2C services market within the scope of a plan that saw a period of start-up of operations until the 2019 financial year, at the end of which the management assessed the investment as non-strategic in this market segment, which did not show the expected synergies with the more traditional facility management activities carried out by the Group. Despite the interesting potential of the target market, particularly in the fast-growing sector of small accommodation facilities, the rise in volumes needed to reach breakeven would have required a further step to increase fixed costs and investments in order to maintain a high level of service delivery as volumes grew. In addition, the Covid-19 health emergency and the consequent lockdown have substantially reduced the tourism market to zero and consequently have minimized the demand from the segment of small accommodation facilities, as well as any orders from B2C, leading to a concurrent dramatic reduction in Yougenio's business volumes. Therefore, during May 2020, the company's online services were suspended, appropriate considerations were made about the time required in order for the target markets to recover and any possible option was assessed for the Group's exit from the B2C and small accommodation facilities market. On 22 September 2020 the company was put into liquidation with the aim of completing this process in the shortest possible time. As a result, the company was consolidated in the 2020 Consolidated Financial Statements according to the equity method and therefore the Group’s operating results do not include the results of Yougenio S.r.l. for the year.

Finally, the 2020 financial year started with the sale of Sicura S.p.A. and its subsidiaries, which gave rise to a capital gain of € 3.1 million (net of additional transaction costs) in the Consolidated Financial Statements that was stated as “Profit (loss) from discontinued operations” according to IFRS5. Furthermore, the results of these operations were excluded from the scope of “Continuing operations” and classified under the same item of the Statement of Profit or Loss in the Consolidated Financial Statements at 31 December 2020, as well as for the comparative year ended 31 December 2019.

## 2020 SIGNIFICANT EVENTS

### *COVID-19 health emergency*

As from the second half of February, the international scenario was strongly characterized by the health emergency deriving from the spread of the Coronavirus (COVID-19) epidemic, which had first appeared in China in January and subsequently spread to Europe and Italy, the country of the Company's head office and one of those most affected by COVID-19 impact. This health emergency, and the consequent need to contain the spread of the virus as much as possible, led the Italian Government, as well as many other governments around the world, to adopt urgent legislative measures that entailed a substantial lockdown of the entire economy of the country from the second period of ten days of March and until the end of April, except for essential activities and services, which include the operations carried out by the Group. In addition, the second half of the year saw a new critical phase of the pandemic, known as the "second wave", which once again required restrictive measures on the part of governments, thus resulting in a slowdown in economic and social activities that, however, almost never reached a level of total lockdown.

Rekeep S.p.A. and the companies it controls, in compliance with the aforementioned legislative measures taken by the Italian Government and the instructions given by the Italian Ministry of Health and the Regional Governments involved, have taken preventive measures (such as, for example, the massive adoption of remote working practices for substantially all of the clerical staff members) and issued operating instructions to contain the spreading of the virus and safeguard the users of its services, its workers, its customers and its potential visitors. The Company and Group Management staff members continue to monitor the situation on an ongoing basis so that they can take all the decisions in real time that are necessary to protect the health of the persons they are involved with on any basis.

About 60% of the Group's activities consist of the provision of essential healthcare services, to which are added other customers belonging to sectors that are regarded as being essential, such as large-scale retail trade and telecommunications, and this has led to continuing work even in the context of the emergency.

Both the parent company Rekeep S.p.A., and its subsidiaries Servizi Ospedalieri S.p.A. and Medical Device S.p.A., have received requests for extra services and supplies such as extraordinary sanitization and cleaning, fitting out hospital wards, other non-routine maintenance work, additional bed linen and clothing and other devices and personal protective equipment (PPE) for healthcare personnel. Therefore, the Group companies involved have continued to deliver their services at full working capacity where requested, adopting all the preventive measures necessary to safeguard employees, healthcare personnel and users.

These measures have entailed the additional cost of purchasing medical devices and specialist products against higher business volumes relating to customers in the Healthcare sector.

On the other hand there is a partial reduction in activity in the private domestic market and in the sector of Public non-health Entities owing to the partial or total closure of offices, schools, museums, transport and commercial businesses, in consideration of which the management has adopted all the possible solutions to limit the related costs, including through use of the incentives and social shock absorber measures provided by the Government.

When seen as a whole the results of operations for 2020, compared to 2019, do not therefore show significant losses linked to the effects of the repeated lockdown and, on the contrary, all the main financial KPIs are on the rise.

### *Disposal of subsidiaries for the year*

On 13 February 2020 the binding agreement was signed for the sale of the total share capital of Sicura S.p.A. to Argos Wityu, a pan-European Private Equity fund. The transfer of the investment was executed on 28 February 2020 for a consideration equal to € 55,041 thousand paid to AED S.r.l.. On the same date, Rekeep S.p.A. acquired 5.96% of STARFIRE S.A., a newco with registered office in Luxembourg, which directly controls AED S.r.l., with the aim to maintain an industrial partnership with the group controlled by Sicura S.p.A..

This sale is part of the Rekeep Group's strategy of focusing on its core business, which also includes the sale of non-strategic assets so that financial resources are released for the implementation of the Business Plan, one of whose priority activities is business development in foreign markets.

According to IFRS5, as at the reporting date of the Consolidated Financial Statements at 31 December 2019, the value of the assets of the sub-group controlled by Sicura S.p.A. (€ 70.5 million) and the associated liabilities (€ 26.9 million) was reclassified to "Assets held for sale" and "Liabilities directly associated to assets held for sale". The sale gave rise to a capital gain of € 3.1 million (net of additional transaction costs and price adjustments upon closing required as per contract) in the Consolidated Financial Statements at 31 December 2020, which was stated as "Profit (loss) from discontinued operations" according to IFRS5.

### *Company acquisitions for the year*

On 11 August 2020 there was the completion of the acquisition of ISS HS Sp. Zoo from the Danish international ISS Global A/S group through the Polish subsidiary Naprzód for a consideration of PLN 705 thousand. This transaction is part of a medium-term strategy designed for a general consolidation of the group's catering activities in the hospital segment in Poland. It will enable substantial cost synergies to be obtained through structural rationalization and will also help the Group to gain market shares in areas where currently it is not present, with the possibility of further expansion. ISS HS operates in the hospital catering services sector, has about 160 staff and recorded revenues of € 4.2 million in 2019. Subsequently the company changed its name to Naprzód Catering.

### *Buy-back transactions of the Notes issued in 2017*

In April and May 2020 Rekeep S.p.A. Rekeep S.p.A. formalized the purchase of portions of its bond issue on the open market for a nominal total of € 15.8 million. The book value of the remaining debt for principal of the Senior Secured Notes was then equal to € 333.9 million at the date of approval of the Report on Operations. The Notes that have been repurchased have not been cancelled and are still held in the portfolio at present: for accounting purposes, they have been stated as a direct reduction in the remaining nominal debt of the related financial liability.

### *Business development*

In 2020 the Group brought orders for an overall multi-year amount of € 668 million, of which € 415 million relating to extensions and renewals of contracts already included in its sales portfolio and € 253 million relating to the development of a new portfolio.

The value of contracts acquired in International Markets was equal to about 31% of total orders gained during the period (€ 156 million in Poland, € 43 million in France and € 8 million in Turkey).

New contracts in the Healthcare sector, amounted to € 386 million in 2020 (about 58% of total orders gained), against orders gained for the Public sector for € 104 million (15% of the total) and in the Private sector for € 179 million (27% of the total). In terms of Strategic Business Unit ("SBU"), Facility Management (which also include International Markets) obtained contracts of € 439 million while Laundering&Sterilization obtained contracts of € 75 million.

In the Healthcare market the Group gained, under an Intercenter agreement, orders for the management of energy and maintenance services at Health Care Units (ASL) in Emilia Romagna. Furthermore, the 20-year contract was signed for the award of service concessions concerning the integrated management of services with interventions of redevelopment and energy efficiency improvement of properties available to Fondazione Istituto G. Giglio in Cefalù (PA). The newly-acquired Rekeep Polska (formerly Naprzód) group gained significant orders for hygiene, catering and medical transportation services in the hospital sector, the main target market of the group (totaling € 135 million).

Furthermore, the subsidiary Servizi Ospedalieri S.p.A. gained laundering service contracts at hospital facilities for € 47 million, in addition to contracts for sterilization services and supply of surgical kits for € 53 million.

In the Public market note new orders gained for hygiene services on board trains of SNCF (the main customer of subsidiary Rekeep Transport S.a.S.) in France, in the Normandy – Paris St Lazare area, for a term of six years. On the domestic market, contracts were signed within the scope of two regional agreements, in Tuscany and Veneto, for hygiene services and maintenance of public buildings, respectively. Finally, hygiene service contracts were extended with Trenitalia S.p.A..

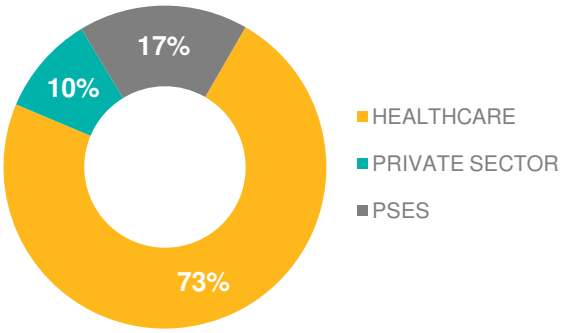
Finally, note renewal of maintenance contracts at Amazon hubs in Italy, as well as the renewal of Global service contracts at Telecom and Wind-Tre properties in the Private sector. The group also finalized an important contract for logistics (replacement) services at Carrefour sales outlets in Italy.

The **Backlog** i.e. the amount of contractual revenues related to the residual duration of the job orders in the portfolio at that date, is expressed below in millions of Euro :

| | 2020 | 2019 | 2018 |
|---|---|---|---|
| **Backlog** | 2,673 | 2,834 | 2,599 |

At 31 December 2020, **Backlog** came to € 2,673 million. Backlog/Revenues ratio showed a decrease (2.5x at 31 December 2020 against 2.9x at 31 December 2019).

**BACKLOG BY MARKET**



# 1. SUMMARY OF RESULTS OF THE FOURTH QUARTER OF 2020

| | For the quarter ended 31 December | | | For the financial year ended 31 December | | |
|---|---|---|---|---|---|---|
| | 2020 | 2019 restated | % | 2020 | 2019 restated | % |
| **Revenues** | 308,526 | 274,518 | +12.4% | 1,081,390 | 966,083 | +11.9% |
| **Revenues - International Markets** | 33,612 | 23,458 | | 133,039 | 30,062 | |
| **Adjusted EBITDA (*)** | 33,574 | 28,031 | +19.8% | 119,732 | 102,451 | +16.9% |
| **Adjusted EBITDA % of Revenues** | 10.9% | 10.2% | | 11.1% | 10.6% | |
| **Normalized EBITDA (*)** | 33,574 | 28,122 | +19.4% | 119,732 | 107,556 | +11.3% |
| **Normalized EBITDA % of Normalized Revenues** | 10.9% | 10.2% | | 11.1% | 11.5% | |
| **Adjusted EBIT (*)** | 20,549 | 15,766 | +30.3% | 74,307 | 61,628 | +20.6% |
| **Adjusted EBIT % of Revenues** | 6.7% | 5.7% | | 6.9% | 6.4% | |
| **Consolidated Net Profit (Loss)** | 2,277 | (2,513) | | (80,451) | 3,350 | |

In the fourth quarter of 2020 the Group recorded ***Revenues*** of € 308.5 million compared to € 274.5 million in the same period of the previous year, with a net positive change of € 34.0 million (+12.4%). The International Markets, led by the Polish Rekeep Polska sub-group, which was acquired during the fourth quarter of 2019, contributed revenues of € 33.6 million (of which an amount of € 30.5 million contributed by Rekeep Polska) to the quarter against € 23.5 million in the fourth quarter of 2019 (of which an amount of € 19.2 million contributed by Rekeep Polska). Even after excluding revenues contributed by the Polish group consolidated volumes showed an increase of € 3.4 million during the quarter, which was due, first of all, to a recovery in domestic Facility Management volumes (+ € 8.7 million in the quarter), as a result of the combination of several effects of opposite sign : (i) the adverse effects of the second wave of the pandemic that affected Italy as from the autumn, with a new reduction in business volumes of some operations in private and public markets due to a new lock-down; (ii) additional effects linked to the completion, as early as from the first quarter, involving some major contracts (mainly in the public sector) in terms of volumes; (iii) the positive impact arising from the continuation of non-routine work which was in turn connected to customer needs in relation to the pandemic and the start of operations on new contracts during the period. On the other hand, the positive trend in the Laundering-Sterilization sector continued in the fourth quarter (+ € 18.9 million compared to the same period of the previous year), with specific regard to the supply of PPE to customers in the Healthcare and Private sectors.

(*) Adjusted and Normalized economic figures are described in the following paragraph “Non-recurring events and transactions”. No normalised values have been applied for the year ended 31 December 2020.

In terms of market, growth continued in the Healthcare sector (+€ 35.8 million, which was also due to the significant contribution of € 7.2 million given by the Rekeep Polska group) precisely because of the non-routine work referred to above, which more than offset the reduction in volumes of some routine operations, mainly linked to the sterilization of surgical instruments on the routine surgery and a reduction in days of regular hospitalization for linen rental and industrial laundering operations. The Private market also showed an increase in volumes in the quarter (+ € 11.2 million), which was, in particular, driven by Medical Device S.p.A., which operates in the PPE segment. On the other hand, a decline in the Public sector (- € 13.0 million) was recorded in the fourth quarter, which was mainly due to the loss of revenues on some significant facility management contracts, as mentioned above, which were only partially offset by the start of operations on new orders in the same market. Furthermore, significant closures also occurred once again in the last months of 2020 as the containment measures for the second pandemic were developed.

**Adjusted EBITDA** for the fourth quarter of 2020 came to € 33.6 million, showing an increase of € 5.5 million compared to the same quarter of the previous year when it was equal to € 28.0 million. The increase was attributable for € 2.9 million to the EBITDA contribution given by the Rekeep Polska group and for € 4.5 million to the Laundering&Sterilization SBU. Finally, there was an improvement in terms of average profit margins (**Adjusted EBITDA/Revenues**), which came to 10.9% for the quarter ended 31 December 2020 against 10.2% for the same period of the previous year.

The positive trend in terms of Adjusted EBITDA was confirmed at **Adjusted EBIT** level for the quarter, which came to € 20.5 million at 31 December 2020 (6.7% of related Revenues), against € 15.8 million for the same period of the previous year (5.7% of related Revenues), up by € 4.8 million (+ 30.3%). The contribution given by the Polish group, equal to € 1.7 million, was significant for EBIT too.

Finally, the **Consolidated net result** for the quarter posted a profit of € 2.3 million against a loss of € 2.5 million for the quarter ended 31 December 2019, in particular as a result of higher dividends and income from equity investments for € 5.1 million, which were also achieved as a result of the sale of Linea Sterile S.r.l. on the part of Servizi Ospedalieri S.p.A. on 29 December 2020, against a capital gain of € 3.5 million. The buy-back transactions of the bond issue carried out for a total nominal value of € 15.8 million in the first half of 2020 also ensured savings in terms of financial charges on the coupons for € 1.4 million.

| | 31 December 2020 | 30 September 2020 | 31 December 2019 |
|---|---|---|---|
| **Net Working Operating Capital (NWOC)** | 31,193 | 63,502 | 14,532 |
| **Net Financial Position (NFP)** | (334,327) | (362,398) | (366,627) |

From an equity and financial point of view, the figure relating to Net Working Operating Capital (**NWOC**) at 31 December 2020 recorded a normal decrease compared to the value posted during the previous quarter (- € 32.3 million), as well as an increase compared to the value posted at the end of the previous year (+ Euro 16.7 million). Specifically, the end of the fourth quarter of 2020 saw the recognition of lower trade receivables for € 4.2 million and higher trade payables for € 30.8 million, against a Net

Financial Position (**NFP**) that reported a positive change equal to € 28.1 million compared to the end of the previous quarter. During the fourth quarter of 2020 trade receivables were assigned to factoring companies without recourse for a total of € 73.9 million and VAT receivables were assigned without recourse for € 10.8 million. At 31 December 2020 DSO was 159 days (- 4 days compared to 30 September 2020 and – 2 days compared to 31 December 2019). The performance of the DPO, which came to 220 days at 31 December 2020, showed stability that is now in line with the other quarters of the year (and specifically compared to the figure at 30 September 2020, unchanged), on the one hand, and on the other, showed a significant reduction (-15 days) compared to 31 December 2019, when recorded 235 days. The performance of amounts collected from customers and payments to suppliers gave rise to total cash flows for € 32.5 million during the quarter.

The Net Financial Position (**NFP**) showed a decrease of € 28.1 million during the quarter. To the cash flows generated from operating activities during the quarter (€ 14.3 million) must be added the already described cash flow generated by the change in NWOC (+€ 32.5 million), while uses of resources must be deducted for net industrial investments (€ 12.0 million), in addition to uses of provisions for future risks and charges and the provision for Employee Termination Indemnity (TFR) for the quarter (€ 0.5 million). Moreover, cash outflows were reported as a result of changes in other operating assets and liabilities that were recorded during the quarter (- € 6.1 million), due to the net effect of changes in VAT receivables (which generated a cash inflow of € 4.1 million in the quarter) against the flows absorbed by the normal seasonal trend in receivables from and payables to employees that saw the payment of additional monthly salaries in the last quarter (- € 8.7 million).

# 2. THE REKEEP GROUP'S CONSOLIDATED PERFORMANCE OF OPERATIONS AND FINANCIAL POSITION AT 31 DECEMBER 2020

## 2.1 Consolidated results of operations for FY 2020

Below are reported the main income figures for 2020 compared to the figures of 2019.

As already noted in the introduction, the investment in Sicura S.p.A. was sold on 28 February 2020. According to IFRS5, both the capital gain that arose from the transaction and the results of operations of the company and its subsidiaries until the date of disposal have been stated as "Profit (loss) from discontinued operations". The results of operations for 2019 have been restated as well.

| *(in thousands of Euro)* | For the year ended 31 December | | For the quarter ended 31 December | |
|---|---|---|---|---|
| | 2020 | 2019 restated | 2020 | 2019 restated |
| Revenues | 1,081,390 | 966,083 | 308,526 | 274,518 |
| Costs of production | (1,052,118) | (869,985) | (363,218) | (249,635) |
| **EBITDA** | **29,272** | **96,098** | **(54,692)** | **24,883** |
| **EBITDA %** | **2.7%** | **9.9%** | **N.A.** | **9.1%** |
| Amortization, depreciation, write-downs and write-backs of assets | (40,472) | (36,647) | (10,560) | (9,525) |
| Accrual of provisions for risks and charges | (8,228) | (4,176) | 79,204 | (2,740) |
| **Operating Income (EBIT)** | **(19,428)** | **55,275** | **13,952** | **12,618** |
| **EBIT %** | **N.A.** | **5.7%** | **4.5%** | **4.6%** |
| Share of net profit of associates | (7,441) | (92) | (752) | (430) |
| Net financial charges | (41,527) | (40,961) | (6,692) | (10,763) |
| **Profit before taxes (EBT)** | **(68,396)** | **14,222** | **6,508** | **1,425** |
| **EBT %** | **N.A.** | **1.5%** | **2.1%** | **0.5%** |
| Income taxes | (14,624) | (13,296) | (4,630) | (5,015) |
| **Profit (loss) from continuing operations** | **(83,020)** | **926** | **1,878** | **(3,590)** |
| Profit (loss) from discontinued operations | 2,569 | 2,424 | 399 | 1,077 |
| **CONSOLIDATED NET PROFIT (LOSS)** | **(80,451)** | **3,350** | **2,277** | **(2,513)** |
| **CONSOLIDATED NET PROFIT (LOSS) %** | **N.A.** | **0.3%** | **0.7%** | **N.A.** |
| Minority interests | (2,703) | (65) | (1,289) | 86 |
| **NET RESULT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT** | **(83,154)** | **3,285** | **988** | **(2,427)** |

| *(in thousands of Euro)* | For the year ended 31 December | | For the quarter ended 31 December | |
|---|---|---|---|---|
| | 2020 | 2019 restated | 2020 | 2019 restated |
| **NET RESULT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT %** | **ND** | **0.3%** | **0.3%** | **N.A.** |

## NON-RECURRING EVENTS AND TRANSACTIONS

In 2020 the Rekeep Group recognized, in the consolidated Statement of Profit or Loss, some "non-recurring" financial items which impacted on the normal performance of consolidated results. Pursuant to CONSOB Communication DEM/6064293 of 28 July 2006, "*significant non-recurring events and transactions*" mean events or transactions whose occurrence is non-recurring, i.e. those transactions or events that are not repeated frequently as part of normal operations and have a significant impact on the Group companies' financial position, results of operations and cash flows.

The following non-recurring elements are recognized in the Consolidated Statement of Profit/Loss for the year:

| *(in thousands of Euro)* | For the year ended 31 December | |
|---|---|---|
| | 2020 | 2019 restated |
| Legal advice fees concerning pending administrative disputes | 428 | 615 |
| Competition Authority's fine for the FM4 Tender | 82,200 | 0 |
| Costs from reorganization of company units | 6,220 | 1,966 |
| M&A and non-recurring transactions of Group companies | 516 | 3,199 |
| Costs associated with Covid-19 emergency | 1,096 | 0 |
| Transactions with members of the Temporary Business Grouping | 0 | 574 |
| **NON-RECURRING EXPENSES (INCOME) IMPACTING ON EBITDA** | **90,460** | **6,353** |
| Non-recurring provisions for risks on energy contracts | 3,275 | 0 |
| **NON-RECURRING CHARGES (INCOME) IMPACTING ON EBITDA AND EBIT** | **93,735** | **6,353** |

During 2020 disputes continued which were pending with the Competition Authority (AGCM) and Consip S.p.A. (for which reference should be made to the paragraph on the "Update on Legal Proceedings" below") against which a cost of € 82.2 million relating to the fine imposed by the Competition Authority on the FM4 Tender was recognized at 31 December 2020.

An amount of non-recurring costs for the year also related to costs for the actions taken by the Group companies in favor of their employees, mostly employed at healthcare facilities strongly impacted by the Covid-19 virus health emergency, which occurred above all during the first half of the year. Costs were also incurred in 2020 for advice on significant projects for the reorganization of company units in Group companies. Finally, additional costs were recognized, which were linked to the acquisition of the Polish

group controlled by Naprzód S.A. (now Rekeep Polska S.A.), which took place on 30 October 2019, as were other costs for scouting actions on potential M&A transactions.

Finally, costs relating to the management of business relationships with members of Temporary Business Groupings were recognized during 2019, which involved sums on account of reimbursement on disputes in previous years. Furthermore, some Group companies had started some scouting and due diligence projects aimed at acquiring companies in Italy and abroad, which led, among other things, to the acquisition of the Polish group controlled by Naprzód S.A..

As regards non-recurring costs impacting on EBIT, which were allocated in the 2020 financial year probable future additional costs were recognized for the cogeneration business conducted at two private industrial sites, mainly relating to previous years.

Consolidated Adjusted EBITDA and EBIT are thus represented as follows:

| *(in thousands of Euro)* | For the year ended 31 December | |
|---|---|---|
| | **2020** | **2019 restated** |
| **EBITDA** | **29,272** | **96,098** |
| Non-recurring expenses (income) impacting on EBITDA | 90,460 | 6,353 |
| **Adjusted EBITDA** | **119,732** | **102,451** |
| **Adjusted EBITDA % on Revenues** | **11.1%** | **10.6%** |
| | | |
| **EBIT** | **(19,428)** | **55,275** |
| Non-recurring expenses (income) impacting on EBITDA and EBIT | 93,735 | 6,353 |
| **Adjusted EBIT** | **74,307** | **61,628** |
| **Adjusted EBIT % on Revenues** | **6.9%** | **6.4%** |

As mentioned in the introduction, until 2019 business initiatives in International Markets were still considered to be in the start-up phase and the related negative financial contribution was normalized by the management staff when measuring consolidated results. As from the 2020 financial year, with the acquisition of the Polish Naprzód Group on 30 October 2019 and the resulting significant increase in both revenues and profit margins in terms of EBITDA and EBIT, the International Markets are now regarded as forming an integral part of the scope of core business operations.

Diversification was further boosted in past years by establishing Yougenio S.r.l., which provides services to private consumers through an e-commerce platform. This company, which was also considered in a start-up phase until 2019, has not, however, guaranteed an increase in volumes and profit margins sufficient to reach breakeven and, furthermore, its business volumes substantially reduced to zero during the lockdown period as a result of the Covid-19 emergency in Spring 2020. In mainly targeting

the offer to the small accommodation facilities in the main Italian cities, the management found itself unable to predict the time required in order for the reference market to recover. For this reason, as from 1 May 2020, the company's online services were suspended and some activities were started which were aimed at protecting the corporate assets and considering alternative opportunities, until formally putting the company into liquidation on 22 September 2020. It is believed that the company winding-up process may be completed in a relatively short period of time: therefore, the company was consolidated in the Consolidated Financial Statements at 31 December 2020 according to the equity method and, for this reason, the Group's operating results do not include the results of Yougenio S.r.l..

Therefore, consolidated Normalized EBITDA and EBIT, which exclude the contribution given by start-ups and Yougenio in 2019, are shown below:

| *(in thousands of Euro)* | For the year ended 31 December | |
|---|---|---|
| | 2020 | 2019 restated |
| **ADJUSTED EBITDA** | **119,732** | **102,451** |
| EBITDA related to start-up activities | 0 | 5,104 |
| **NORMALIZED EBITDA** | **119,732** | **107,556** |
| **NORMALIZED EBITDA % on Normalized Revenues** | **11.1%** | **11.5%** |
| | | |
| **ADJUSTED EBIT** | **74,307** | **61,628** |
| EBIT related to start-up activities | 0 | 7,191 |
| **NORMALIZED EBIT** | **74,307** | **68,819** |
| **NORMALIZED EBIT % on Normalized Revenues** | **6.9%** | **7.1%** |

## REVENUES

The Group recorded ***Revenues*** of € 1,081.4 million in the financial year ended 31 December 2020 compared to € 966.1 million in the previous year, with a positive change of € 115.3 million (+11.9%).

First of all, this growth was contributed to by the volumes achieved in international markets, specifically for consolidating the Polish Naprzód sub-group (now Rekeep Polska) that was acquired during the fourth quarter of 2019, which recorded revenues of € 113.2 million in 2020 (€ 19.2 million for the two months of the previous year included in the 2019 consolidated financial statements ). Therefore, net of revenues attributable to the acquisition of Naprzód, sales volumes showed a significant increase (+ € 21.3 million compared to the previous year) due to the combined effects of a shutdown of some operations as from March as a result of the lockdown due to the Covid-19 emergency, specifically in the Public market (as a result of the shutdown of operations at schools and Public Administrations); this was followed, especially in the summer period, by a phase of resumption and normalization of routine work that led to an increase in volumes which was significantly higher than the average recorded in the previous quarters.

Moreover, government measures put in place in the last months of the year in relation to the "second wave" included containment measures and targeted lock-downs that did not entail a total closure of offices and public facilities, as well as of large private companies and retail operations; likewise, there was no drastic reduction in public and railway transport as it had occurred during the outbreak of the pandemic in the first months of the year.

On the other hand, the health emergency entailed a positive change in the volumes in the Healthcare sector, in which the Group committed significant resources to meeting a higher demand for sanitation, disinfection and maintenance of the Italian healthcare facilities, as well as an extraordinary supply of PPE.

Finally, the effects of the lockdown and the shutdown of Yougenio S.r.l.'s operations (which was followed by the deconsolidation of the company) entailed a further reduction of € 4.2 million in volumes.

The breakdown of consolidated Revenues in 2020 compared to the figure of the same period in the previous year, as broken down by reference market and restated according to IFRS5.

## REVENUES BY MARKET

| *(in thousands of Euro)* | For the year ended 31 December | | | | For the quarter ended 31 December | |
|---|---|---|---|---|---|---|
| | 2020 | % on total Revenues | 2019 restated | % on total Revenues | 2020 | 2019 restated |
| Public Authorities | 211,481 | 19.6% | 254,456 | 26.3% | 60,246 | 73,270 |
| Healthcare | 646,384 | 59.8% | 507,845 | 52.6% | 183,928 | 148,098 |
| Private Customers | 223,525 | 20.6% | 203,782 | 21.1% | 64,353 | 53,150 |
| **CONSOLIDATED REVENUES** | **1,081,390** | | **966,083** | | **308,526** | **274,518** |

Revenues in the Healthcare sector showed an overall increase of € 138.5 million compared to 2019, from € 507.8 million to € 646.4 million, accounting for 59.8% of total consolidated Revenues for the year (52.6% in 2019). The acquisition of the Polish sub-group led by Rekeep Polska, which took place in the fourth quarter of 2019, further strengthened the central role of the Healthcare market in the development strategies for the services provided by the Group and entailed, in the 2020 financial year, an incremental contribution of Revenues by market equal to € 83.2 million compared to 2019. Even net of the contribution linked to the above-mentioned acquisition, the market's Revenues therefore increased significantly (+ € 55.4 million) mainly due to the operations linked to the Italian health emergency.

During the period significant non-routine operations were in fact reported, which were requested by hospital trusts as a result of the Covid-19 health emergency, specifically for cleaning, sanitization, fitting out triage areas and new Covid wards on the part of the Parent Company Rekeep, as well as the supplies of linen and bulk materials (gowns) for Covid wards and the sale of PPE on

the part of Servizi Ospedalieri and Medical Device. These additional activities more than offset the postponement of scheduled non-routine maintenance work and a sharp reduction in the sterilization operations of surgical instruments, as well as a sharp reduction in routine hospitalization and outpatient operations that the health service system, engaged in dealing with the emergency, has substantially suspended for several months.

In 2020, the Public sector posted Revenues of € 211.5 million, down by € 43.0 million compared to 2019. This sector is the most affected by the Covid-19 emergency in terms of reduction in revenue volumes. In this sector, in fact, a portion of the revenues from cleaning and heat management services at schools, university centers, public offices and museums was no longer recorded as early as from the second 10-day period of March, accompanied by a general postponement of scheduled non-routine maintenance operations. At the same time as the lockdown, the orders for the provision of cleaning services at schools under the Consip Scuole agreement ceased as well, following the re-insourcing of operations on the part of the Ministry of Education, Universities and Research. Furthermore, there was a reduction in volumes in the rail transport sector following the completion of the contract involving "Cleaning services on board night trains" with Trenitalia S.p.A. in January 2020, although with a substantial increase in the demand for sanitation of rolling stock on the other orders that, following the forced shutdown as a result of the lockdown, showed positive signs following the resumption of travel above all at a regional level starting from the summer season. In the last months of the year, as already mentioned above, no restrictive measures were taken to contain the second wave which were as drastic as those concerning the first wave and, therefore, routine operations and operations relating to the energy management of buildings for public use were resumed despite substantial reductions.

Finally, the Private sector showed an increase in volumes (+ € 19.7 million compared to 2019). The effects of lower volumes of routine and non-routine work for the year (above all in the first half of the year) and the postponement of engineering works for private retail customers (local stores and branches that constitute the target market for H2H Facility Solutions) following the lockdown were in fact offset by higher non-routine work with the customer Telecom before the health emergency, as well as by an increase in revenues from picking operations in the large-scale retail trade channel, in particular as a result of a gradual expansion of the scope of operation assigned by the customer Carrefour. Furthermore, again in the retail and large-scale trade sector, non-routine maintenance and cleaning work operations were carried out during the summer period at the same time as reopening stores to the general public.

### *Analysis of revenues by Segment*

A comparison of Group Revenues by business segment is provided below.

The business segments were identified on the basis of IFRS 8 and correspond to the following business areas: “Facility Management” and “Laundering & Sterilization”.

## REVENUES BY SEGMENT

| *(in thousands of Euro)* | For the year ended 31 December | | | | For the quarter ended 31 December | |
|---|---|---|---|---|---|---|
| | 2020 | % on total Revenues | 2019 restated | % on total Revenues | 2020 | 2019 restated |
| Facility Management | 919,044 | 85.0% | 832,716 | 86.2% | 258,805 | 239,944 |
| *of which International markets* | *133,039* | *12.3%* | *30,062* | *3.1%* | *33,612* | *23,458* |
| Laundering & Sterilization | 166,297 | 15.4% | 135,886 | 14.1% | 50,803 | 35,201 |
| Eliminations | (3,951) | | (2,519) | | (1,083) | (626) |
| **CONSOLIDATED REVENUES** | **1,081,390** | | **966,083** | | **308,526** | **274,518** |

The most often mentioned acquisition of the Naprzód Group showed its effects significantly (+ € 94.0 million), even with reference to consolidated data by SBU, against an overall increase of € 86.3 million in revenues for the Facility Management SBU. Therefore, the SBU showed a decrease of € 7.7 million in the volumes from company operations through internal growth, again due to the effects of lower volumes of work following the lockdown as a result of the Covid-19 emergency referred to above in greater details. In the Facility Management SBU we must also note both the re-insourcing of operations by the competent Ministry involving cleaning services at schools (the effects of which on the period must be added to those of the lockdown) and the completion of the contract concerning "Cleaning services on board night trains" with Trenitalia S.p.A.. The shutdown of Yougenio S.r.l.'s operations also entailed a reduction in volumes in the SBU in question (- € 4.2 million). The significant relative weight of the Facility Management SBU showed a slight decline in total Consolidated Revenues (85.0% in 2020 against 86.2% in 2019).

On the other hand, revenues of the *Laundering&Sterilization* SBU increased from € 135.9 million for the year ended 31 December 2019 to € 166.3 million for the year ended 31 December 2020, with a significant increase up to € 30.4 million (+ 22.4%), which was mainly attributable to higher sales of PPE and the supply of bulk materials (gowns), linen and mattresses by Servizi Ospedalieri and Medical Device, as requested by the hospital trusts as a result of the health emergency.

## EBITDA

The Group's EBITDA amounted to € 29.3 million for the year ended 31 December 2020, down by € 66.8 million compared to € 96.1 million in 2019. The contribution to consolidated EBITDA given by the Polish sub-group controlled by Rekeep Polska was equal to € 6.9 million for the year ended 31 December 2020 and, on the other hand, there was the deconsolidation of subsidiary Yougenio in liquidation, which had showed a negative value of EBITDA equal to € 3.8 million for the year ended 30 December 2019.

The EBITDA's performance in 2020 was adversely and strongly affected by the cost of € 82.2 million that was recognized by the Parent Company Rekeep S.p.A. in relation to the fine imposed by the Competition Authority for alleged agreements restricting competition for the Consip FM4 Tender, after the Lazio Regional Administrative Court's judgment published on 27 July 2020, which only partially granted the appeal submitted by the Company against the Competition Authority's Order served on 9 May 2019. Furthermore, EBITDA for the year expensed other non-recurring costs of € 8.2 million, against € 6.4 million at 31 December 2019. Therefore, Adjusted EBITDA, excluding all non-recurring elements, amounted to € 119.7 million for the year ended 31 December 2020, against Adjusted EBITDA of € 102.5 million for the year ended 31 December 2019 (€ 111.3 million assuming the same consolidation perimeter that excludes Yougenio). The relative profit margin (Adjusted EBITDA/Revenues) was equal to 11.1% and 10.6%, respectively.

Below is provided a comparison of EBITDA by business segment for the 2020 financial year compared to 2019, as restated for the effects of IFRS5:

## EBITDA BY SEGMENT

| *(in thousands of Euro)* | For the year ended 31 December | | | | For the quarter ended 31 December | |
|---|---|---|---|---|---|---|
| | 2020 | % on Revenues by segment | 2019 restated | % on Revenues by segment | 2020 | 2019 restated |
| Facility Management | (10,161) | N.A. | 63,747 | 7.7% | (67,605) | 16,285 |
| *of which International markets* | *(14)* | | *(3,417)* | | *(3,151)* | *(830)* |
| Laundering&Sterilization | 39,431 | 23.7% | 32,351 | 23.8% | 12,912 | 8,059 |
| **CONSOLIDATED EBITDA** | **29,270** | **2.7%** | **96,098** | **10.3%** | **(54,694)** | **24,883** |

The Facility Management sector showed a negative EBITDA of € 10.1 million for the year ended 31 December 2020 against a positive EBITDA of € 63.7 million in 2019. The non-recurring items which affected the consolidated results recorded during the two comparative periods had an impact of € 90.3 million and € 5.7 million for the year ended 31 December 2020 and 31 December 2019, respectively, on this segment; therefore, Adjusted EBITDA by segment showed an increase of € 10.7 million compared to the previous year. Of these an amount of € 6.9 million was contributed by the consolidation of the Polish subsidiary, while an amount of € 3.8 million consisted of the positive differential for the deconsolidation of the losses posted by Yougenio. The SBU's performance remains then positive (+ € 7.6 million), even if we consider the net effects of the lockdown on revenues (and consequently on profit margins) from some sectors (mainly linked to public customers) as mentioned above, and that additional costs were incurred during the healthcare emergency period for the purchase of personal protective equipment (PPE) for employees working at hospitals and other customers at which premises work continued.

EBITDA in the *Laundering&Sterilization* business segment came to € 39.4 million in 2020, up by € 7.1 million compared to 2019. The adverse impact of the health emergency was also substantially offset by additional operations to meet customers' demand in the healthcare sector as regards EBITDA in the segment, as well as revenues. Non-recurring items which affected EBITDA during the two comparative periods had an impact of € 0.2 million on this sector for the year ended 31 December 2020 and € 0.7 million for the year ended 31 December 2019; therefore, Adjusted EBITDA by segment showed an increase of € 6.6 million compared to the previous year.

### *Costs of production*

Costs of production, which amounted to € 1,052.1 million for the year ended 31 December 2020, showed an increase of € 182.1 million in absolute terms compared to € 870.0 million posted for the year ended 31 December 2019. The consolidation of the Polish group contributed an amount of € 87.2 million to the consolidated *Costs of production* for the year. "Other operating costs" also include the cost of the above-mentioned fine for to the FM4 tender (€ 82.2 million), and therefore, net of this effect, Costs of production showed an increase in absolute value equal to € 12.7 million, against a growth trend in revenues in the same perimeter (+ € 21.3 million), thus proving the increase achieved in terms of operating margins in the period.

| *(in thousands of Euro)* | For the year ended 31 December | | | | For the quarter ended 31 December | |
|---|---|---|---|---|---|---|
| | 2020 | % of total | 2019 restated | % of total | 2020 | 2019 restated |
| Costs of raw materials and consumables | 191,751 | 19.8% | 154,324 | 17.7% | 59,628 | 44,726 |
| Change in inventories of finished and semi-finished products | (5,087) | -0.5% | (1,050) | -0.2% | (3,796) | 13 |
| Costs for services and use of third-party assets | 342,205 | 35.3% | 304,720 | 35.0% | 106,320 | 85,960 |
| Personnel costs | 433,140 | 44.7% | 406,098 | 46.7% | 119,873 | 116,102 |
| Other operating costs | 9,533 | 1.0% | 8,720 | 1.0% | (442) | 3,473 |
| Capitalization of lower internal construction costs | (1,624) | -0.2% | (2,827) | -0.3% | (565) | (639) |
| **Costs of production** | **969,918** | **100%** | **869,985** | **100%** | **281,018** | **249,635** |
| Competition Authority's fine for the FM4 Tender | 82,200 | | 0 | | 82,200 | 0 |
| **TOTAL COSTS OF PRODUCTION** | **1,052,118** | | **869,985** | | **363,218** | **249,635** |

*Costs of raw materials and consumables* in 2020 amounted to € 191.8 million, up by € 37.4 million (+24.3%) compared to the value posted in 2019, which entailed an increased incidence on total Costs of production (19.8% for the year ended 31 December 2020 against 17.7% for the year ended 31 December 2019). The increase was mainly related to the consumption of raw materials of the

Polish sub-group (+€ 13.8 million). Net of the change in the perimeter the increase in absolute value mainly concerned the cost for consumption of materials against a decrease in fuel consumption (€ 8.4 million equal to -16.2%), mainly due to a reduction in the average price of methane compared to 2019, in addition to lower consumption linked to lower volumes of heat management operations, including for the effects of the restrictive measures put in place to counter the pandemic in relation to the opening of public offices, large retail chains and other places opened to the general public.

A positive change of € 5.1 million in *Inventories of finished and semi-finished products* was recognized in 2020 (€ 1.1 million in 2019), against the higher inventory of products of Medical Device S.p.A., a group company engaged in the production and sale of medical devices and PPE.

*Costs for services and use of third-party assets* came to € 342.2 million for the year ended 31 December 2020, up by € 37.5 million compared to the value posted for the year ended 31 December 2019 (when they were equal to € 304.7 million), with a substantial lack of changes in terms of impact on total Costs of Production (35.3% against 35.0% in 2019). In this item the incidence for the consolidation of the Polish group was equal to + € 16.1 million (equal to 1.7% of total Costs for services) and, therefore, there was a slight decline in the relative incidence on total Costs of production, the perimeter remaining unchanged (which came to 33.5% in 2020). These impacts are normally linked to the mix of services in progress, as well as to the consequent make or buy choices.

*Personnel costs* increased in absolute terms by € 27.0 million (+ 6.7%) from € 406.1 million for the year ended 31 December 2019 to € 433.1 million for the year ended 31 December 2020, with a decline in terms of impact on total Costs of Production (44.7% for the year ended 31 December 2020 against 46.7% for the year ended 31 December 2019). The contribution given by the Polish group to the consolidated accounts was significant (€ 67.7 million in 2020, equal to 15.6% of Personnel costs) in this case too, entailing a further lower relative incidence on total Costs of production of the rest of the perimeter, thus coming to 37.7% in 2020).

The average number of employees in service during 2020 was equal to 28,047, while it was 18,198 in the previous year (recognized considering the contribution of 9,805 units of the acquired company Naprzód for the two months of contribution to consolidated accounts). Furthermore, the average number of manual workers was equal to 26,265 in 2020 against 16,821 in 2019. Such a significant increase was due to the fact that the Group's perimeter was extended to include subsidiary Rekeep Polska and its subsidiaries, which provide services in the most labor-intensive facility management segment (cleaning and catering) and contributed an average number of 10,321 employees in 2020 (including 9,892 manual workers). Perfectly symmetrical to what was said for costs for services, the trend in the number of Group employees, and in particular manual workers, was closely related to the mix of services in progress, as is the impact of related costs on total operating costs.

*Other operating costs* for the year ended 31 December 2020 amounted to € 9.5 million (€ 8.7 million for the year ended 31 December 2019), excluding the cost of the Competition Authority's fine. The increase of € 1.2 million was mostly attributable to higher credit discount costs on assignments of trade receivables without recourse (+ € 0.1 million) and higher duties, penalties and sundry operating charges (+ € 0.6 million). The Polish group's contribution to this item amounted to € 1.6 million, as in the previous year

and, therefore, was low in 2020, due to significant government grants obtained by the Polish subsidiary, even in relation to the pandemic in progress in Poland.

Finally, *Lower costs for internal work capitalized* of € 1.6 million were recognized in 2020 (€ 2.8 million in 2019), relating to some service concession agreements managed by Rekeep S.p.A., which provide for the initial construction of long-term works, and in particular due to the service concession agreement with the Municipality of Casalecchio di Reno (Bologna), which started in 2018, for the integrated management of thermal energy and public lighting in the municipal district (through subsidiary Elene Project S.r.l. which was sold in December 2019), as well as to the service concessionagreement with the Municipality of Valsamoggia (Bologna) for the integrated operation of thermal energy and public lighting supply and management services, which was started at the beginning of 2019 through Energy Saving Valsamoggia S.r.l. (which was sold in December 2020).

## Operating Income (EBIT)

In 2020, consolidated Operating Income (**EBIT**) posted a loss of € 19.4 million against EBIT that posted profits of € 55.3 million in 2019.

The EBIT's performance in 2020 was adversely and strongly affected by the above-mentioned non-recurring costs impacting on EBITDA (€ 90.5 million) and, specifically, by the cost of € 82.2 million due to the Competition Authority's fine for the FM4 Tender that was recognized by the Parent Company Rekeep S.p.A.. To these costs must be added an additional non-recurring accrual of € 3.3 million that the parent company Rekeep S.p.A. had accounted for against the risk associated with the probable incurrence of additional costs for co-generation operations carried out at two private industrial sites, mainly relating to previous years. Net of these non-recurring charges **Adjusted EBIT** posted a profit of € 74.3 million against € 61.6 million for the year ended 31 December 2019 (which included the loss posted in terms of EBIT by Yougenio S.r.l., equal to € 5.0 million). The relative profit margin (Adjusted EBIT/Revenues) was equal to 6.9% and 6.4%, respectively.

EBIT for the year was affected by the above-mentioned consolidated performance in terms of EBITDA, from which must be also deducted *amortization and depreciation* of € 36.6 million (€ 35.0 million for the year ended 31 December 2019), of which € 6.8 million relating to the amortization of Rights of Use (€ 8.0 million for the year ended 31 December 2019), as well as *write-downs of receivables and reversals* of € 3.3 million (€ 1.6 million for the year ended 31 December 2019) and *other impairment losses* for € 0.5 million relating to the write-down of other non-trade operating receivables (non-significant for the year ended 31 December 2019). Furthermore, *accruals to provisions for risks and charges (net of reversals)* of € 8.2 million were recorded during 2020 (€ 4.2 million for the year ended 31 December 2019), which include the already mentioned non-recurring provisions totaling € 3.3 million.

Below is a comparison of Operating Income (EBIT) by business segment for the year ended 31 December 2020 and that posted in 2019, as restated for the effects of IFRS5:

## EBIT BY SEGMENT

| *(in thousands of Euro)* | For the year ended 31 December | | | | For the quarter ended 31 December | |
|---|---|---|---|---|---|---|
| | 2020 | % on Revenues by segment | 2019 restated | % on Revenues by segment | 2020 | 2019 restated |
| Facility Management | (40,649) | -4.4% | 39,755 | 4.8% | 5,870 | 8,670 |
| *of which International Markets* | *(4,038)* | | *(4,302)* | | *(4,373)* | *(1,444)* |
| Laundering&Sterilization | 21,039 | 12.7% | 15,520 | 11.4% | 8,082 | 3,949 |
| **CONSOLIDATED EBIT** | **(19,430)** | **-4.4%** | **55,275** | **5.7%** | **13,951** | **12,619** |

EBIT in the *Facility Management* sector posted a loss of € 40.6 million for the year ended 31 December 2020. The segment result, therefore, expensed the already mentioned non-recurring charges and, specifically, the cost due to the Competition Authority's fine for the FM4 Tender, which was recognized by the Parent Company for € 82.2 million. EBIT by segment would have been equal to € 41.7 million excluding the impact of this fine, against EBIT by segment of € 39.8 million at 31 December 2019, and therefore with an increase in absolute value compared to the previous year (+ € 2.0 million). At EBIT level, the positive contribution given by the Polish group acquired during the last quarter of 2019 was equal to € 4.1 million.

In addition to changes in the perimeter, EBIT by segment reflects the abovementioned performance in terms of EBITDA (+ € 8.3 million excluding the impact of the Competition Authority's fine) and Adjusted EBITDA (+ € 10.7 million) to which must be added higher amortization and depreciation for € 0.5 million (against € 2.4 million of higher amortization and depreciation posted by the Naprzód group compared to 2019, and lower amortization and depreciation for € 0.9 million attributable to Yougenio). Furthermore, there was the recognition of higher write-downs of trade receivables for € 1.6 million and higher impairment losses on non-trade receivables for € 0.5 million, in addition to higher net accruals on provisions for future risks and charges for € 0.5 million, excluding the non-recurring provisions for risks mentioned above, which impacted entirely on this segment.

To EBITDA in the *Laundering&Sterilization* segment during 2020 (€ 39.4 million, + € Euro 7.1 million compared to the previous year) must be added, at segment EBIT level, amortization and depreciation for € 18.1 million (€ 17.0 million in 2019, and mainly relating to the linen used in the linen rental and industrial laundering segment), in addition to write-downs of trade receivables for € 0.1 million (reversals lower than € 0.1 million in 2019) and accruals to provisions for future risks and charges for € 0.2 million (against a net reversal of € 0.1 million in 2019). The profit margins by segment came to 12.7% in terms of EBIT of related Revenues (11.4% in 2019). No non-recurring items impacting on EBIT by segment (in addition to those described for EBITDA) were reported in the two comparative years.

## Profit (loss) before tax from continuing operations

To consolidated EBIT must be added the losses recorded by the companies valued at equity, equal to € 7.4 million (against a loss of € 0.1 million in 2019). This item includes in particular the charges for the year relating to Roma Multiservizi S.p.A. (€ 1.2 million) and to subsidiary Yougenio (€ 6.3 million), which was consolidated according to the equity method as from the 2020 financial year, given the start of the winding-up process.

Net financial charges for the year were also recognized for € 41.5 million (€ 41.0 million in 2019), thus obtaining a Loss before tax from continuing operations equal to € 68.3 million (against a profit of € 14.2 million in 2019).

Below is provided the breakdown by nature of net financial charges for the year ended 31 December 2020 and for the previous year:

| *(in thousands of Euro)* | For the year ended 31 December | | For the quarter ended 31 December | |
|---|---|---|---|---|
| | 2020 | 2019 restated | 2020 | 2019 restated |
| Dividends and income (loss) from sale of investments | 5,227 | 340 | 5,080 | (442) |
| Financial income | 2,575 | 3,779 | 636 | 1,206 |
| Financial charges | (50,081) | (44,895) | (12,966) | (11,337) |
| Profit (loss) on exchange rate | 752 | (185) | 558 | (190) |
| **NET FINANCIAL CHARGES** | **(41,527)** | **(40,961)** | **(6,692)** | **(10,763)** |

During 2020 dividends were collected from non-consolidated companies for € 0.4 million (€ 0.2 million for the year ended 31 December 2019). During 2020, the Parent Company also collected € 0.9 million as premium for yield paid for the sale of MFM Capital S.r.l. to 3i EOPF, which took place in December 2018. This income was not recognized at the same time as the disposal because it was linked to uncertain and unforeseeable future events that occurred during 2020. Furthermore, on December 29, 2020 Servizi Ospedalieri S.p.A. completed the sale of an investment held in Linea Sterile S.p.A. (equal to 15% of the share capital), for a total consideration of € 3.6 million (of which € 1.5 million collected upon closing) and a capital gain from disposal of € 3.5 million.

Finally, during 2019, the Parent Company recorded capital gains on equity investments of € 0.6 million in relation to the collection of the earn-out on the disposal of one of the project finance companies within the scope of the above-mentioned transaction carried out with 3i EOPF in December 2018. Capital losses from sale of investments were also recognized for € 0.5 million, mainly linked to the sale of Elene Project S.r.l..

Financial income amounted to € 2.6 million in 2020, against € 3.8 million in 2019. During 2020 the Parent Company Rekeep S.p.A. recognized a capital gain of € 1.2 million on the purchase of portions of its bond issue on the market for a nominal total of € 15.8

million (€ 1.6 million in the previous year against repurchases of € 10.3 million). Lower default interest from customers was also recognized for € 1.3 million compared to the previous year, which concerned the settlement of some past items in 2019.

The impact of *financial charges* on the consolidated results of operations for the year ended 31 December 2020 was equal to € 50.1 million compared to € 44.9 million in 2019.

The financial charges accrued on the coupons of the Senior Secured Notes came to € 30.5 million in 2020 (€ 31.6 million in 2019). The upfront fees relating to the issue of Senior Secured Notes were accounted for according to the amortized cost method, which entailed financial amortization charges of € 4.0 million, of which € 0.4 million relating to the write-off of the portion relating to the repurchased Notes (€ 3.7 million at 31 December 2019, with a write-off of equal amount).

At the same time as the bond issue of 2017, the issuer CMF S.p.A. also entered, as the Parent Company, into a Super Senior Revolving loan agreement (known as "RCF") for € 50 million, to which Rekeep S.p.A is a party as Borrower. During 2017 CMF S.p.A. charged all financing costs (initially equal to € 1.0 million) back to Rekeep S.p.A., which will be also amortized on a straight-line basis throughout the entire term of the credit facility. The cost relating to this line of credit amounted to € 0.3 million for the year ended 31 December 2020, including the commitment fees charged by banks (€ 0.7 million for the year ended 31 December 2019), to which must be added the financial cost of the line following the use as from 23 March 2020 until 31 December 2020 (€ 1.7 million).

Interest discount costs were also recognized for € 4.5 million during 2020, against € 3.9 million in 2019, in relation to the assignments of trade receivables and VAT credits without recourse.

Finally, foreign exchange gains of € 0.8 million were recorded in 2020, mainly linked to the fluctuations in Euro/ Turkish Lira and Polish Zloty exchange rates during the year (negative changes for € 0.2 million in 2019).

## Consolidated net result

From the Profit (loss) before tax from continuing operations (showing a loss of € 68.4 million) must be deducted taxes of € 14.6 million, thus obtaining a net Loss from continuing operations of € 83.0 million (against a profit of € 1.0 million for the year ended 31 December 2019).

Consolidated net profit (loss) also included a Profit from discontinued operations of € 2.6 million (€ 2.4 million for the year ended 31 December 2019). On 28 February 2020 there was the completion of the sale of the total share capital of Sicura S.p.A. to Argos Wityu, a pan-European Private Equity fund. The transfer of the investment was made for a consideration of € 55.0 million. The sale gave rise to a capital gain of € 3.1 million in the consolidated financial statements, against a net capital gain of € 11.2 million in the separate financial statements of the Parent Company Rekeep S.p.A., including additional costs of € 1.6 million and negative adjustments to the price collected upon closing, equal to € 2.1 million. According to IFRS5, this capital gain is stated as "Profit (loss) from discontinued operations", net of any related tax effect (€ 0.1 million). Furthermore, the results of operations achieved by the sub-group controlled by Sicura S.p.A. have been excluded from the scope of "Continuing operations" and classified under the same

item of the Statement of Profit or loss for the year in the Consolidated Financial Statements at 31 December 2020, as well as at 31 December 2019.

Below is the breakdown of consolidated tax rate:

| *(in thousands of Euro)* | For the year ended 31 December | |
|---|---|---|
| | 2020 | 2019 restated |
| Profit (loss) before tax from continuing operations | (68,396) | 14,222 |
| Competition Authority's fine for the FM4 Tender | 82,200 | 0 |
| Profit (loss) before tax from discontinued operations | 2,694 | 4,084 |
| **Consolidated profit (loss) before tax excluding AGCM** | **16,498** | **18,306** |
| Current, prepaid and deferred IRES tax | (9,328) | (8,533) |
| Current, prepaid and deferred IRAP tax | (4,562) | (4,663) |
| Tax adjustments for previous years | (733) | (100) |
| Tax on profit (loss) from discontinued operations | (125) | (1,660) |
| **Total taxes** | **(14,749)** | **(14,956)** |
| **Consolidated tax rate excluding AGCM** | **89.4%** | **81.7%** |

As already mentioned, the Profit (loss) before tax includes a significant charge (€ 82.2 million) relating to the Competition Authority's fine for the FM4 Tender, following the developments in administrative proceedings pending during 2020, which gives rise to a Loss before tax from continuing operations of € 68.4 million.

Furthermore, during 2020, the Group recognized a Profit before tax from discontinued operations equal to € 2.7 million, including the aforementioned capital gain from sale of consolidated investments, which gave rise to a tax effect of € 0.1 million.

Compared to the previous year the Group recognized higher current, prepaid and deferred taxes for € 1.3 million against a lower Consolidated Profit (loss) before tax (excluding the cost for the Competition Authority's fine) for € 1.8 million, mainly due to the substantial lack of changes in IRAP (Regional Production Activity) tax, the impact of which increased against a reduction in Profit (loss) before tax, and higher non-deductible items for IRES tax purposes.

Finally, the Group reported a consolidated Net loss equal to € 80.5 million against a Net consolidated profit of € 3.4 million for the year ended 31 December 2019.

## 2.2 Analysis of the statement of financial position at 31 December 2020

The statement of Sources and Uses is reported below:

| *(in thousands of Euro)* | 31 December 2020 | 31 December 2019 |
|---|---|---|
| **USES** | | |
| Trade receivables and advances to suppliers | 431,121 | 412,572 |
| Inventories | 12,921 | 7,910 |
| Trade payables and contract liabilities | (412,849) | (405,950) |
| **Net working operating capital** | **31,193** | **14,532** |
| Other working capital elements | (161,427) | (115,344) |
| **Net working capital** | **(130,234)** | **(100,812)** |
| Property, plant and equipment and assets under finance leases | 88,127 | 87,811 |
| Rights of use for operating leases | 34,415 | 38,680 |
| Goodwill and other intangible assets | 424,215 | 414,601 |
| Investments accounted for under the equity method | 9,140 | 10,376 |
| Other items of non-current assets | 34,012 | 123,603 |
| **Fixed assets** | **589,909** | **675,071** |
| Non-current liabilities | (52,812) | (54,826) |
| **NET INVESTED CAPITAL** | **406,863** | **519,433** |
| **SOURCES** | | |
| Equity attributable to non-controlling interests | 3,199 | 836 |
| Equity attributable to equity holders of the Parent | 69,337 | 151,970 |
| **Shareholders' equity** | **72,536** | **152,806** |
| Net financial indebtedness | 334,327 | 366,627 |
| *of which fair value of call options on subsidiaries' non-controlling interests* | *13,077* | *231* |
| **FINANCING SOURCES** | **406,863** | **519,433** |

A financial liability related to measurement at fair value of the options on subsidiary Rekeep Polska (formerly Naprzód S.A.)'s minority shareholdings was recognized at 31 December 2020, in accordance with the Investment Agreement that was signed after the acquisition of 80% of its quota capital, which was completed on 30 October 2019 through the subsidiary Rekeep World S.r.l. against a closing price of € 18.3 million, of which an amount of € 11.2 million was paid on the closing date. The purchase contract also provides for a price adjustment mechanism based on the consolidated balance sheet of the acquiree at the closing date, while the portion of deferred price expired within one year from the acquisition and generated interest until the date of payment. Therefore,

a net financial debt relating to said contract provisions, equal to € 5.0 million, was recorded at 31 December 2019, which consisted of a net payment to the assignor for € 6.1 million on 25 November 2020. Furthermore, the Investment Agreement provides for a call option for the purchaser and a put option for the assignor (which may be exercised between 30 October 2024 and 30 October 2025) for the transfer of an additional 20% of the quotas of the company. The strike price of these options will be calculated with reference to the 20% of the equity value updated at the exercise date, for an amount equal to the product between consolidated EBITDA on a 12-month basis for the quarter immediately preceding that exercise date by a multiple equal to 7.5x, as reduced by the consolidated net financial position and adjustments to Net Working Capital set out in the acquisition contract. In applying IFRS, the present value of the exercise price of these options, where they can be determined reliably, should have been recorded as a financial liability as early as from the date of the consolidated financial statements at 31 December 2019. In this report, however, the Parent Company's management did not have sufficient information to reliably determine the amount of the exercise price of the options, although considering it probable that these options would be exercised, and therefore did not recognize the related financial liability and the resulting goodwill. In the consolidated financial statements at 31 December 2020 this valuation was adjusted by using updated company plans and discount rates consistent with those used within the Rekeep Group. Therefore, goodwill of € 12.1 million was accounted for in relation to the business combination, while potential liability totaled € 12.1 million (net of discounting and impact on foreign exchange rates) at 31 December 2019.

The net book value of "Rights of use for operating leases" was stated among the balance sheet assets for € 34.4 million at 31 December 2020 (€ 38.7 million at 31 December 2019), specifically referred to the agreements concerning property leases, the long-term hire for the motor vehicles of the corporate fleet and specific equipment on the part of the Group companies. In 2020 increases for new hire agreements and rental adjustments were recorded for € 5.0 million, of which an amount of € 0.8 million for property leases, in addition to decreases for early withdrawal for € 1.6 million and amortization allowances for € 6.8 million.

At 31 December 2019 *Other non-current assets* included € 94.6 million relating to the deposit to be paid to the Competition Authority in relation to the FM4 dispute. At 31 December 2019, the Company in fact took steps to recognize the liability arising from the notice of payment issued by the Revenue Agency – Collection department whose subject matter concerned the Competition Authority's fine for the FM4 Tender among "Other current liabilities" for the corresponding amount. Following the developments of this dispute, which only partially granted the Company's appeal and provided for new methods of calculating the fine imposed by the Competition Authority, a liability of € 82.2 thousand was recorded in the Financial Statements at 31 December 2020, at the same time as the write-off of the guarantee itself and of the residual debt for installment payments. While continuing to have confidence in the reasonableness of the defence arguments, the Directors, given the enforceability of the fine, recognized the debt relating to expected financial outlay in the financial statements at 31 December 2020 for an amount equal to what is stated in the Competition Authority's order, even in consideration of the uncertainty surrounding the actual outcome of the appeal against the Regional Administrative Court's judgment and the appeal on the merits concerning the Competition Authority's new order of 29 October 2020. The payment of the sums entered in the taxpayers' list may take place, as already occurred for the sums owed as a deposit in the first stage of the litigation, in accordance with Article 19 of Presidential Decree 602/1973 and Ministerial Decree of 6 November 2013, as supplemented by the Directives issued by the Revenue Agency – Collection department. On 22 December 2020, in fact, the Revenue Agency sent the related updated installment plan, deducting the installments already paid as deposit for

€ 3.0 million. The amount of the debt stated in the accounts also includes surcharges and estimated collection costs (equal to € 2.6 million). Finally, it should be noted that the Company resumed operations concerning the due payment of monthly installments on 24 January 2021.

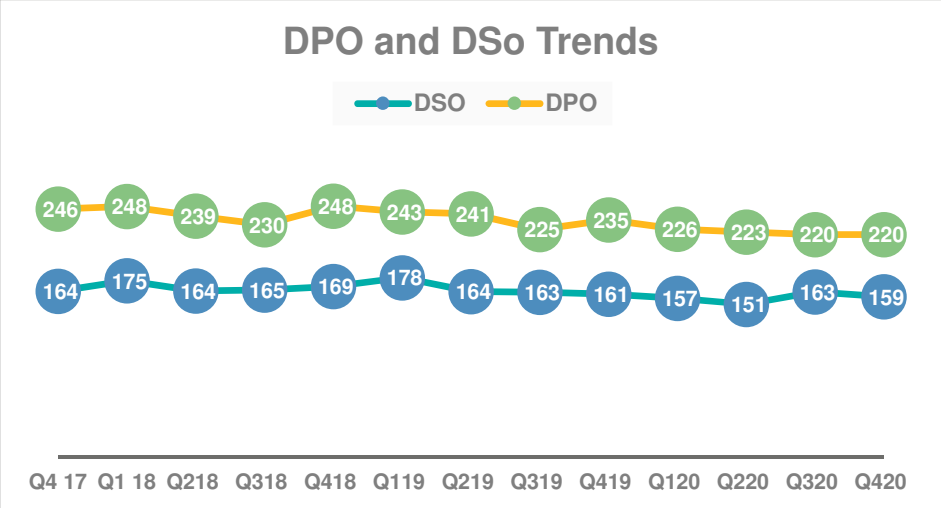
## Net working capital

At 31 December 2020, Consolidated Net Working Capital (**NWC**) was negative and equal to € 130.1 million against a negative NWC of € 100.8 million at 31 December 2019.

At 31 December 2020 consolidated Net Working Operating Capital (**NWOC**), composed of trade receivables and advances to suppliers and inventories, net of trade payables and contract liabilities, was equal to € 31.2 million against € 14.5 million at 31 December 2019. Considering the balance of receivables assigned by the Group without recourse and not yet collected by the factoring agencies (equal to € 76.8 million at 31 December 2020 and € 75.1 million at 31 December 2019) the **Adjusted NWOC** came to € 108.0 million and € 89.7 million, respectively.

The change in this latter indicator (+ € 18.3 million) was linked to the change in balance of trade payables (+ € 6.9 million) against a more significant increase in trade receivables (+ € 20.2 million, considering the balance of receivables assigned by the Group without recourse and not yet collected by the factoring companies).

Furthermore, average DPO came to 220 days (- 15 days compared to 31 December 2019) with a more marked reduction compared to DSO (- 2 days compared to 31 December 2019), with a lower use of leverage on payments to suppliers with respect to the benefits of financial flows obtained from receipts and a lower level compared to the data reported on average at the end of the year.



The balance of the other elements in working capital at 31 December 2020 was a net liability of € 161.4 million, up by € 46.1 million compared to a net liability of € 115.3 million at 31 December 2019:

| *(in thousands of Euro)* | 31 December 2020 | 31 December 2019 | Change |
|---|---|---|---|
| Current tax receivables | 10,010 | 10,090 | (80) |
| Other current assets | 25,636 | 31,054 | (5,418) |
| Assets held for sale | 0 | 70,500 | (70,500) |
| Provisions for risks and charges, current | (10,550) | (6,392) | (4,158) |
| Current tax payables | (2,274) | (1,280) | (994) |
| Other current liabilities | (184,249) | (192,465) | 8,216 |
| Liabilities associated with assets held for sale | 0 | (26,851) | 26,851 |
| **OTHER WORKING CAPITAL ELEMENTS** | **(161,427)** | **(115,344)** | **(46,083)** |

The change in the net liability of other working capital elements, compared to 31 December 2019, was due to a combination of factors, mainly including:

- a decrease in the net VAT credit balances of the Group companies that are predominantly subject to a VAT invoicing system based on “Split payment” and “Reverse charge” (- € 6.5 million). These credit balances allowed, during 2020, the performance of assignments without recourse of the balances on account of refund required from the Tax Authorities, for a total amount of € 39.6 million;
- a decrease in the already mentioned payable related to the fine imposed by the Competition Authority in relation to the Consip FM4 Tender (€ 94.6 million at 31 December 2019 on account of debt for the installment payment of the guarantee requested, included among “Other current operating liabilities”), given the outcome of the proceedings in first instance that only partially granted the Parent Company's appeal and provided for new methods of calculating the amount of the fine imposed, which was stated for € 79.4 million in the consolidated financial statements at 31 December 2020;
- the reduction in the balance of net current tax receivables, equal to € 7.7 million at 31 December 2020, against a net receivable of € 8.8 million at 31 December 2019;
- an increase in the short-term portion of provisions for future risks and charges for € 4.2 million, in particular following non-recurring provisions set aside on the Parent Company’s energy contracts for € 3.3 million.

Finally, on 28 February 2020 the sale of the total share capital of Sicura S.p.A. to Argos Wityu, a pan-European Private Equity fund was completed through the Italian company AED S.r.l.. According to IFRS5, at the reporting date of the Consolidated Financial Statements at 31 December 2019, the value of balance sheet assets and liabilities relating to the sub-group controlled by Sicura S.p.A. (equal to € 70.5 million and € 26.9 million, respectively) was reclassified under “Assets held for sale” and

"Liabilities directly associated with non-current assets held for sale", included among "Other elements of working capital" since they are intended for sale in the short term through their disposal.

## Other non-current liabilities

"Other non-current liabilities" include liabilities relating to:

- defined-contribution plans for employee benefits, mainly including the Employee Termination Indemnity (TFR), equal to € 11.3 million and € 12.4 million at 31 December 2020 and 31 December 2019, respectively;
- long-term portion of Provisions for risks and charges for € 24.8 million at 31 December 2020 against € 25.4 million at 31 December 2019;
- deferred tax liabilities of € 16.7 million (€ 16.4 million at 31 December 2019).

## Consolidated net financial indebtedness

Details of net financial indebtedness at 31 December 2020 are shown below, compared to the figures at 31 December 2019, as determined on the basis of the instructions laid down in CONSOB Communication no. DEM/6064293 of 28 July 2006.

| *(in thousands of Euro)* | 31 December 2020 | 31 December 2019 |
|---|---|---|
| A. Cash | 144 | 197 |
| B. C/a, bank deposits and consortia, non-proprietary accounts | 90,320 | 96,946 |
| C. Securities held for trading | | |
| **D. Liquidity (A) + (B) + (C)** | **90,464** | **97,143** |
| **E. Current financial assets** | **5,994** | **4,819** |
| F. Current bank overdraft | 5,950 | 2,446 |
| G. Current portion of non-current debt | 3,308 | 4,395 |
| H. Other current financial liabilities | 40,790 | 64,989 |
| **I. Current financial indebtedness (F)+(G)+(H)** | **50,048** | **71,830** |
| **J. Current net financial indebtedness (I) - (D) - (E)** | **(46,410)** | **(30,132)** |
| K. Long-term bank debts and Senior Secured Notes | 329,205 | 353,335 |
| L. Other non-current financial liabilities | 51,532 | 43,424 |
| M. Derivatives | | |
| **N. Non-current financial indebtedness (K) + (L) + (M)** | **380,738** | **396,759** |
| **O. NET FINANCIAL INDEBTEDNESS (J) + (N)** | **334,327** | **366,627** |

The 2020 financial year saw a significant decline in the Consolidated Net financial indebtedness from € 366.6 million at 31 December 2019 to € 334.3 million at 31 December 2020.

As already described above, a financial liability of € 12.1 million as measurement at fair value of the options on subsidiary Rekeep Polska (formerly Naprzód S.A.)' s minority shareholdings was recognized at 31 December 2020, which the Management had not accounted for at the same time as the acquisition on a provisional basis. Contingent liabilities on options to purchase Rekeep France S.a.S.'s minority shareholdings for € 1.0 million were also recognized at 31 December 2020. Net financial debt would therefore come to € 321.3 million at 31 December 2020, net of these accounting items.

The assignments of trade receivables without recourse continued in 2020. The Parent Company Rekeep S.p.A. and Servizi Ospedalieri S.p.A. signed a 3-year maturity factoring agreement with Bancafarmafactoring S.p.A. concerning the assignment, without recourse and on a revolving basis, of receivables claimed by the same companies from Entities in the National Health System and Public Authorities, for an amount of up to € 200 million. During 2020 assignments without recourse were made under this contract for € 144.0 million.

The Parent Company also signed an additional uncommitted factoring agreement with Banca IFIS, concerning the assignment without recourse of trade receivables specifically accepted for the individual transactions carried out. Receivables from private entities and Public Authorities were assigned for € 47.5 million in 2020, in consideration of this contract. Furthermore, an additional line for assignments without recourse up to € 20 million on a revolving basis is in place with Unicredit Factoring S.p.A, which is also aimed at converting credit positions into cash specifically agreed with the factor, and which was used in the period for the assignment of receivables from private individuals for a total amount € 17.3 million. Finally, there were spot assignments of trade receivables from public customers with Banca Sistema for € 19.1 million and from private companies and companies in the large-scale retail trade for € 43.9 million, as were assignments of VAT credits requested for refund for a total of € 39.6 million. All assignments without recourse carried out were subject to derecognition according to IFRS9.

The consolidated net adjusted financial debt for the amount of trade receivables assigned without recourse to factoring companies, which had not been collected by the latter at the reporting date (totaling € 76.8 million at 31 December 2020 against € 75.1 million at 31 December 2019) amounted to € 411.2 million against € 441.8 million at 31 December 2019.

Finally, the accounting adjustment related to the remaining discounted value of future operating lease payments (according to IFRS16) was equal to € 38.8 million and € 42.9 million at 31 December 2020 and 31 December 2019, respectively.

At 31 December 2020 the balance of Cash and cash equivalents, net of short-term lines of credit ("Net Cash") amounted to € 68.8 million (€ 66.5 million at 31 December 2019):

| *(in thousands of Euro)* | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Cash and cash equivalents | 90,464 | 97,143 |
| Current bank overdraft, advance payments and hot money | (5,950) | (2,446) |
| Obligations arising from assignments of trade receivables with recourse | (15,732) | (28,174) |
| **NET CASH** | **68,782** | **66,523** |

Below is the breakdown of the net financial exposure for bank credit lines and finance lease obligations ("*Net Debt*"), compared to 31 December 2019:

| *(in thousands of Euro)* | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Senior Secured Notes 2022 (nominal value) | 333,900 | 349,700 |
| Bank debts (nominal value) | 1,407 | 14,843 |
| Finance lease obligations | 6,426 | 5,853 |
| Current bank overdraft, advance payments and hot money | 5,950 | 2,446 |
| Obligations arising assignments of receivables with recourse | 15,732 | 28,174 |
| Payables for reverse factoring | 4,629 | 0 |
| **GROSS DEBT** | **368,044** | **401,016** |
| Receivables and other current financial assets | (5,994) | (4,819) |
| Cash and cash equivalents | (90,464) | (97,143) |
| **NET DEBT** | **271,586** | **299,054** |

In April and May 2020 Rekeep S.p.A. formalized the purchase of portions of its bond issue on the open market for a nominal total of € 15.8 million. The book value of the remaining debt for principal of the Senior Secured Notes was then equal to € 333.9 million (against an amount of € 349.7 million at 31 December 2019). The Notes that had been repurchased were cancelled on 7 January 2021.

Furthermore, the C.C.F.S. loan raised by the Parent Company Rekeep S.p.A. for an initial amount of € 10 million and a remaining debt of € 8.9 million at 31 December 2019 (€ 8.3 million at the date of repayment), was early repaid on 29 June 2020.

Finally, there was the recognition of lower uses of credit lines for the assignment of trade receivables with recourse (€ 15.7 million at 31 December 2020 against € 28.2 million at 31 December 2019), uses of reverse factoring lines for € 4.6 million (which were not reported at 31 December 2019) and higher uses in current bank overdraft, advance payments and hot money (€ 5.9 million at 31 December 2020 and € 2.4 million at 31 December 2019).

The change in consolidated "Cash and cash equivalents" is analyzed in the table below, which shows the cash flows for 2020, compared with the figures in the previous year. Reference should be made to Annexes, which contain a reconciliation between the items in the table and those in the statutory schedule of the Consolidated Financial Statements at 31 December 2020 presented in the Explanatory Notes according to IAS 7.

| *(in thousands of Euro)* | 2020 | 2019 |
|---|---|---|
| **At 1 January** | **97,143** | **94,733** |
| Cash flow from current operations | 50,748 | 55,194 |
| Uses of provisions for risks and charges and payments of the Employee Termination Indemnity (TFR) | (6,380) | (6,258) |
| Change in NWOC | (16,892) | 4,634 |
| Industrial capex, net of disposals | (33,556) | (32,638) |
| Financial capex, net of disposals | 49,843 | (16,297) |
| Change in net financial liabilities | (38,980) | 21,647 |
| Other changes | (11,643) | (23,872) |
| **AT 31 DECEMBER** | **90,464** | **97,143** |

The overall cash flows mainly reflect:

- cash inflows from current operations for € 50.7 million (€ 55.2 million at 31 December 2019);
- outflows from the use of provisions for future risks and charges and for employee termination benefits for € 6.4 million (€ 6.3 million at 31 December 2019);
- a cash flow used for changes in NWOC for € 16.9 million (against inflows of € 4.6 million at 31 December 2019), mainly resulting from an outflow correlated to an increase in trade receivables for € 24.5 million (against an inflow of € 6.0 million in 2019) against inflows of €13.3 million for the change in the balance of trade receivables for € 13.3 million (non-significant for the 2019 financial year);
- a cash flow of € 34.2 million used in industrial investments (€ 32.7 million at 31 December 2019), net of disposals of € 0.6 million (€ 0.1 million at 31 December 2019);
- cash inflows from financial investments and disinvestments, equal to € 49.8 million in 2020, mainly arising from the sale of Sicura S.p.A., against a net use of resources for financial investments and disinvestments, equal to € 16.3 million at 31 December 2019;
- a decrease in net financial liabilities for € 39.0 million, which was mainly due to (i) the buy-back of Senior Secured Notes for € 15.8 million through the purchase on the open market in May 2020; (ii) a higher liability against factoring firms for the drawdown of reverse factoring lines (+ € 4.6 million); (iii) the early repayment of the residual debt of € 8.3 million of the CCFS committed credit line originally due in 2023; (iv) the payment, during the year, concerning the dividend that the Parent Company resolved to distribute in December 2019 (- € 13 million); (v) other changes in the liability related to the

use of short-term credit lines for hot money and advances on invoices and for assignments of trade receivables with recourse (- € 8.9 million); (vi) a higher liability against factoring firms for amounts received on receivables previously assigned without recourse and repaid to them in the subsequent quarter (+ € 2.4 million) against higher receivables from the same firms for the bank accounts subject to pledge, on which services for receipt are operated (+ € 1.7 million); (vii) a reduction in the financial liability recognized on operating and finance leases (- € 3.6 million); (viii) a reduction in the net financial liability linked to the remaining price to be paid for the acquisition of the Polish company Naprzód, recognized for € 5.0 million at 31 December 2019 and paid for € 6.1 million at 25 November 2020. A decrease in net financial liabilities for € 21.6 million was recognized in 2019, which was mainly due to (i) a reduction in the Senior Secured Notes debt for the repurchase of € 10.3 million of Notes on the open market; (ii) an increase linked to the financial debt acquired the business combinations for the year, in particular for the Polish company Naprzód and Emmetek (+ € 13.5 million), to which was to be added the remaining debt for these acquisitions (+ € 8.5 million); (iii) other changes in the liability related to the use of short-term credit lines for hot money and advances on invoices (- € 4.0 million) and for assignments of trade receivables with recourse (+ € 9.8 million); (iv) a lower liability recognized against factoring firms for amounts received on receivables that had been previously assigned without recourse and returned to them in the subsequent quarter (- € 2.4 million); (v) a reduction in the financial liability recognized ion operating leases (- € 5.8 million); (vi) the reclassification, according to IFRS 5, concerning the net financial liabilities of the sub-group controlled by Sicura S.p.A. (- € 8.4 million);

- cash outflows arising from other changes recorded in the year for € 11.5 million, mainly due to the net effect of: (i) the cash inflow generated by the changes in the net VAT credit balance of the Group companies (which decreased by € 6.7 million during the year, even against assignments without recourse amounting to € 39.9 million); (ii) the payment of installments for € 3,0 million on the debt for the deposit relating to the AGCM FM4 litigation during the year (they were subsequently deducted in full under the updated installment plan that the Revenue Agency sent in order for the Company to proceed with the payment of the fine); (iii) the accounting effects of the recognition of contingent liabilities due to the options of purchase subsidiaries' minority shareholdings (put options), equal to € 12.3 million in the year; (iv) the trend in debt balances for payments due to the members of the Temporary Business Grouping for (- € 1.6 million). Other changes in 2019 showed cash outflows of € 23.9 million from other changes, mainly due to the net effect of: (i) the trend in net VAT credit balances for the Group companies, which increased by € 5.0 million, despite assignments without recourse totaling € 31.3 million; (ii) an increase in the debit balances for payments due to the members of the Temporary Business Grouping for € 1.3 million; (iii) the decrease, among "Other operating current liabilities", in the payable related to the fine imposed by the Competition Authority during 2016 (- € 4.4 million and its consequent payment in full); (iv) the recognition of the accounting debt for the dividend resolved by the Parent Company on 17 December 2019 (- € 13.0 million).

## Industrial and financial Capex

In 2020 the Group made gross capital expenditures which totaled € 34.2 million (€ 34.0 million at 31 December 2019), from which must be deducted disinvestments of € 0.6 million (€ 0.1 million at 31 December 2019):

| *(in thousands of Euro)* | For the year ended 31 December | |
|---|---|---|
| | 2020 | 2019 |
| Acquisitions of fixed assets under finance leases | 1,452 | 566 |
| Increases in owned properties | 2,253 | 842 |
| Purchase of plant and equipment | 25,216 | 24,372 |
| Other investments in intangible assets | 5,264 | 9,017 |
| *of which relating to Discontinued operations* | *0* | *473* |
| **INDUSTRIAL CAPEX** | **34,184** | **34,037** |

Acquisitions of plant and equipment include the purchase of linen by Servizi Ospedalieri S.p.A. for the linen rental and industrial laundering business, equal to € 17.1 million at 31 December 2020 against € 15.3 million at 31 December 2019. Furthermore, in the 2020 financial year, there was the recognition of increases of € 1.6 million relating to plants operated under service concession agreements for the Municipal government of Valsamoggia (Bologna) (through subsidiary Energy Saving Valsamoggia S.r.l., the majority quota of which was sold in December 2020). These increases amounted to € 2.8 million in 2019 and also included plants at the Municipal government of Casalecchio di Reno (Bologna) (through subsidiary Elene Project S.r.l, sold in December 2019).

Investments in intangible assets for the 2020 financial year amounted to € 5.3 million (€ 9.0 million at 31 December 2019) and mainly related to ICT investments on the part of the Parent Company for the upgrading and enhancement of its SAP infrastructure. Of these, an amount of € 1.1 million related to investments in 2019 in the technological platform of subsidiary Yougenio S.r.l. (which was put into liquidation in 2020) and an amount of € 0.7 million related to investments for the automation of some processes relating to specialist services.

Finally, investments in new finance leases for the year related to the facility management activities of the Parent Company Rekeep S.p.A. for € 0.5 million, as well as to the linen rental and industrial laundering operations of the Laundering& Sterilization SBU (€ 1.0 million at 31 December 2020 and € 0.6 million at 31 December 2019).

Below is the breakdown of capital expenditures in terms of SBU:

| *(in thousands of Euro)* | For the year ended 31 December | |
|---|---|---|
| | 2020 | 2019 |
| Facility Management | 13,665 | 15,368 |
| *of which relating to International markets* | *4,313* | *2,409* |
| *of which relating to Discontinued operations* | *0* | *473* |
| Laundering & Sterilization | 20,519 | 18,669 |
| **INDUSTRIAL CAPEX** | **34,184** | **34,037** |

Finally, cash inflows from financial investments amounted to € 49.8 million at 31 December 2020, mainly due to the net financial effects arising from the sale of di Sicura S.p.A. on 28 February 2020, which entailed the collection of an amount of € 55.0 million on the closing date, net of additional costs and price adjustments paid to the assignee for € 3.7 million. On the same date, Rekeep S.p.A. paid a consideration of € 2.0 million for the acquisition of 5.96% of EULIQ VII S.A., a newco with registered office in Luxembourg, which directly controls AED S.r.l., with the aim to maintain an industrial partnership with the group controlled by Sicura S.p.A..

Finally, cash outflows from financial investments amounted to € 16.3 million at 31 December 2019. On 6 June 2019, the subsidiary H2H Facility Solutions S.p.A. transferred to UBI Banca S.p.A. the minority interests held in Palazzo della Fonte S.c.p.a., for a consideration equal to its asset value (€ 8 million), which was collected in full as at the date of transfer. Furthermore, the investment in Emmetek S.r.l. was acquired on 3 July 2019, the business combination of which entailed net financial uses of € 5.4 million, while Naprzód S.A., the parent company of the Polish group with the same name, was acquired on 30 October 2019, the business combination of which entailed net financial effects for € 25 million. Furthermore, a reclassification of € 8.4 million was made according to IFRS5, given the disposal of the sub-group controlled by Sicura S.p.A. on 28 February 2020. Finally, a portion of the deferred consideration for the disposals of companies in December 2018 in favour of 3i EOPF (€ 1.0 million) was collected during the year, in accordance with the investment agreement signed upon closing.

## Change in Net financial liabilities

The table below shows the changes that were recorded in the year in the items making up consolidated financial liabilities:

| *(in thousands of Euro)* | 31 December 2019 | Business Combination | New loans | Refunds/ Repayments | Buy-back/ Early termination | Other changes | 31 December 2020 |
|---|---|---|---|---|---|---|---|
| Senior Secured Notes | 339,905 | | | | (15,800) | 3,977 | 328,082 |
| Revolving Credit Facility | 0 | | 50,000 | (50,000) | | | 0 |
| Bank loans | 14,755 | | 2,547 | (7,562) | (8,333) | | 1,407 |
| Current bank overdraft, advance payments and hot money | 2,446 | 789 | 5,950 | (3,235) | | | 5,950 |
| Accrued expenses and deferred income on loans | 699 | | | (31,721) | | 31,805 | 783 |
| **BANK DEBTS** | **357,806** | **789** | **58,497** | **(92,519)** | **(24,133)** | **35,782** | **336,222** |
| Finance lease obligations | 5,853 | | 1,452 | (879) | | | 6,426 |
| Operating lease liabilities | 42,920 | | 4,953 | (6,562) | (1,562) | (960) | 38,788 |

| *(in thousands of Euro)* | 31 December 2019 | Business Combination | New loans | Refunds/ Repayments | Buy-back/ Early termination | Other changes | 31 December 2020 |
|---|---|---|---|---|---|---|---|
| Payables for assignments of trade receivables with recourse | 28,174 | | 35,615 | (48,057) | | | 15,732 |
| Payables for reverse factoring | 0 | | 4,629 | | | | 4,629 |
| Receipts on behalf of assignees of trade receivables without recourse | 7,558 | | 9,935 | (7,558) | | | 9,935 |
| Fair value of put options | 231 | | 12,131 | | | 715 | 13,077 |
| Other liabilities | 26,048 | | 1,894 | (21,878) | | (88) | 5,976 |
| **FINANCIAL LIABILITIES** | **468,589** | **789** | **129,106** | **(177,453)** | **(25,695)** | **35,449** | **430,785** |
| Current financial assets | (4,819) | | 1,448 | (2,150) | | (474) | (5,994) |
| **NET FINANCIAL LIABILITIES** | **463,770** | **789** | **130,554** | **(179,603)** | **(25,695)** | **34,976** | **424,790** |

The residual debt for principal of the Senior Secured Notes was equal to € 333.9 million at 31 December 2020, to which must be added the accounting adjustment on the issue discount and additional costs for issue, accounted for according to the amortized cost method (€ 5.8 million). The financial amortization of this adjustment generated financial costs of € 4.0 million in the 2020 financial year, including a write-off of € 0.4 million related to the buy-back of € 15.8 million which took place in April and May 2020 through the purchase on the open market.

On 18 March 2020 the Parent Company Rekeep S.p.A. formalized the request for use of the Super Senior Revolving loan ("RCF"), subscribed upon the bond issue by the issuer CMF S.p.A., to which Rekeep S.p.A. is a party as Borrower. The 5-year credit facility (expiring on 15 December 2021) provides for a credit line at sight, in a maximum nominal amount of € 50 million, for the entire term. The facility was drawn down for a half-year on 23 March 2020 and subsequently renewed on 23 September 2020 for an additional half-year in order to meet temporary cash requirements (if any), including in relation to the difficult economic situation that is accompanying the Covid-19 emergency in Italy. Finally, the repayment was made on 31 December 2020.

The Super Senior Revolving loan agreement provides for compliance with a financial covenant, which is preliminary to the possible use of the line granted. This financial covenant is in line with the market practice for similar financing transactions and is observed on a quarterly basis on the basis of the consolidated data relating to the last 12 months, as resulting from the financial position, results of operations and cash flows approved during the quarter prior to the date of the application for use of the credit facility.

Furthermore, at 31 December 2020 there was the recognition of accrued expenses on loans in a total amount of € 1.3 million (related to the amount accrued on the bond coupon due 15 June 2021) and prepaid financial expenses of € 0.6 million, of which

an amount of € 0.2 million relating to the remaining amount of costs to be amortized for obtaining the Revolving Credit Facility. Financing costs (equal to € 1.0 million upon issue) are indeed amortized on a straight-line basis throughout the entire term of the credit facility and this amortization had an impact of € 0.2 million on the 2020 financial year.

As at the closing date of the year short-term uncommitted credit lines had been used for hot money and advance payments on invoices (in order to meet peaks in temporary cash requirements linked to the physiological performance of operations) of € 5.9 million, against a balance of € 2.4 million at 31 December 2019. Furthermore, Rekeep S.p.A. used credit facilities for the assignment of trade receivables with recourse in place with Unicredit Factoring S.p.A. and Banca Sistema concerning receivables from customers in the Public sector market. During 2020 assignments were made in an overall nominal amount of € 35.6 million and the facilities had been used for € 15.7 million at 31 December 2020 (€ 23.7 million at 31 December 2019). As at 31 December 2020 a liability was also stated for € 4.6 million relating to reverse factoring lines used to ensure a greater amount of overdraft facilities on some major suppliers.

The Group companies collected amounts of € 9.9 million at 31 December 2020 concerning receivables included in assignments without recourse for which the respective debtors have not made any payment to the bank accounts specified by the factor. These amounts constitute a financial liability for the Group, which gave rise to the payment of said amounts at the beginning of the subsequent quarter.

Furthermore, contingent liabilities were recognized for the acquisition of investments for a total amount of € 13.1 million, mainly relating to the put option granted to the vendor on the 20% minority interest under the Investment Agreement which led to the acquisition of Rekeep Polska (formerly Naprzód S.A.). Payables for the acquisition of investments for € 7.2 million were also recognized at 31 December 2019, relating to the deferred price envisaged within the same transaction (which was completed on 31 October 2019). This debt was repaid on 25 November 2020 with a net payment to the transferor for € 6.1 million, net of the amount to be paid as adjustments to the price agreed as per contract (stated among current financial assets for € 2.2 million at 31 December 2019).

The financial liability relating to the discounted value of future lease payments to be made on property and operating leases amounted to € 38.8 million at 31 December 2020 against € 42.9 million at 31 December 2019. Payments were made as a reduction in the liability for € 7.5 million during 2020, while new agreements were entered into and rentals were revalued for a present value of € 5.0 million upon recognition. Finally, differences arose for early termination for € 1.6 million. On the other hand, a residual debt was recognized against finance leases at the reporting date, equal to € 6.4 million (€ 5.9 million at 31 December 2019), of which an amount of € 3.8 million for properties and equipment of the Laundering&Sterilization SBU and an amount of € 2.6 million relating to the Facility Management SBU.

Finally, as at 31 December 2019 “Other financial liabilities” included the debt for the dividend resolved by the Parent Company in favor of its controlling company Manutencoop Società Cooperativa on 17 December 2019, equal to € 13 million, which was paid in full during 2020.

Finally, the balance of short-term financial assets showed an increase by € 1.2 million during 2020, mainly due to a change in the balances of pledged current accounts used within the scope of the aforementioned agreements for the assignment of trade

receivables without recourse, for which the parent company Rekeep S.p.A. manages the collection service (+ € 1.7 million). Receivables of € 1.4 million were also recognized in 2020 in relation to the sale by Servizi Ospedalieri S.p.A of Linea Sterile S.r.l., a non-strategic investment sold on 29 December 2020 for a total consideration of € 3.6 million (of which € 1.5 million collected upon closing and € 1.4 million to be collected by the end of 2021).

## 2.3 Financial ratios

The main financial ratios for 2020, calculated at consolidated level, compared with the same ratios recorded for 2019, are reported below as restated for the application of IFRS5.

The financial data used to calculate these ratios are "normalized", i.e. net of the operating cost for the Competition Authority's fine on the FM4 tender, which is non-recurring and the significant amount of which is considered distorting for the assessment of the Company's ongoing results.

| | 2020 | 2019 Restated |
|---|---|---|
| **ROE** | -0.6% | 2.2% |
| **ROI** | 12.6% | 10.6% |
| **ROS** | 5.8% | 5.7% |

ROE (Return on Equity) provides a summary measurement of the return on capital invested by shareholders. The ratio reflects a normalized consolidated Net loss in 2020 compared to that posted in the previous year (which was affected by the significant impact of the abovementioned Competition Authority's fine, as well as by significant non-recurring costs). On the other hand, there was a value of the Equity reserves which remained substantially unchanged (+ € 3.8 million) due to the allocation to reserves of the Consolidated profit (loss) for the previous year (€ 3.3 million).

ROI (*Return on Investments*) provides a summary measurement of the operating return on capital invested in a business. The performance reflects a decrease in the Group's gross Invested Capital (- € 22.1 million) against an increase in normalized EBIT for the yearused for the calculation of the ratio (€ 62.8 million and € 55.3 million in 2020 and 2019, respectively).

ROS (*Return on sales*) provides a summary measurement of the Group's ability to convert turnover to EBIT and stood at 5.8% in 2020 compared to 5.7% in 2019, against a positive change in turnover (+ 11.9% compared to 2019, when the newly-acquired Polish Group contributed to the consolidated results for only 2 months), which was more than proportionalcompared to the increase in EBIT (+ 0.8%).

| | 2020 | 2019 Restated |
|---|---|---|
| **Current ratio**<br>**(Current liabilities / Current Assets)** | 0.89 | 0.84 |
| **Ratio of financial charges to turnover**<br>(Financial charges / Revenues) | 4.6% | 4.7% |
| **Capital adequacy ratio**<br>(Equity / Total Payables) | 7.0% | 14.1% |
| **Liquid return ratio of assets**<br>(Cash flow / Total Assets) | 4.7% | 3.4% |
| **Social security and tax debt ratio**<br>(Social security debt / Revenues) | 15.1% | 14.0% |

The general liquidity ratio (current ratio) represents the ratio of current assets to current liabilities and expresses the company's ability to cover current outflows (i.e. current liabilities) with current income (i.e. current assets). The ratio mainly reflects a decrease in current liabilities, in particular for the recognition of a lower debt for the notice of payment for the fine for the FM4 tender (- € 15.2 million compared to 2019).

The recognition of the significant cost relating to the FM4 fine (€ 82.2 million) in 2020 also entailed a significant operating loss, which reduced the Consolidated Equity, thus affecting the Capital Adequacy ratio, which however remains in line with industry average. It should be noted that, as at 31 December 2019 the consolidated current liabilities included the debt for the deposit requested in the same dispute (€ 94.6 million), the contra-entry of which constituted a non-current asset for an amount equal to the amount stated in the notice of payment issued following the request for installment payments, pending the developments of the judicial proceedings for 2020 and the subsequent request for the recovery of excess amounts already paid.

| | 2020 | 2019 |
|---|---|---|
| **Indebtedness ratio** | 0.83 | 0.71 |
| **Medium/Long-term indebtedness ratio** | 0.94 | 0.77 |

The indebtedness ratio, which is the ratio of net debt to the sum of net debt and own equity, stood at 0.83, showing an increase compared to the previous year, against a more than proportional increase in the Net financial indebtedness compared to the decrease in Equity following the consolidated Net Loss posted in 2020.

The medium/long-term indebtedness ratio, expressed as the ratio of consolidated financial liabilities to total sources of funding, increased from 0.77 in 2019 to 0.94 in 2020, thus reflecting a decrease of € 16.0 million in the balance of medium/long-term loans (mainly following the buy-back of € 10.8 million on the Senior Secured Notes during the first half of the year), which was less than proportional compared to the total decrease in sources of funding, and in particular in Equity.

*Productivity ratios*

The growing diversification of services provided by the Group companies entails a mix of work carried out by employees ("internal" workers) and work carried out by third parties ("external" workers). It can also vary significantly depending on the organization/economic choices made in order to maximize overall productivity.

| | 2020 | 2019 Restated | 2018 |
|---|---|---|---|
| **Turnover/internal and external personnel costs** | 1.53 | 1.46 | 1.44 |
| **Make ratio** | 61.4% | 61.4% | 59.6% |

The ratio between *Revenues from sales and services* and the total amount of costs for internal and external personnel used in production (cost of employed workers, cost of external workers, services provided by consortia and professional services) came to 1.53 in 2020 (1.46 in 2019). The ratio shows a clear growth in sales volumes (mainly due to the full contribution given by the Rekeep Polska Group, which was only acquired in the last quarter of 2019) against a different mix of composition of operating costs (and in particular in the weight of costs for "internal" personnel", which vary in a way that is not entirely proportional compared to changes in turnover).

The "make ratio", i.e. the ratio between the cost of internal labor ("make") and the cost of services provided by third parties, services provided by consortia and professional services, shows, on the other hand, a clear stability in the recourse to internal production factors than to purchasing services from external sources, linked to the mix of contracts in the backlog.

# 3. ANALYSIS OF THE PERFORMANCE OF OPERATIONS AND OF THE FINANCIAL POSITION OF THE PARENT COMPANY REKEEP S.P.A.

The Group's head office functions are developed around its Parent Company, in which the main facility management activities were centralized in the past, which are now coupled with more specialist and industry-based activities carried out by investee companies.

## 3.1 Economic results in 2020

The main income data of the Parent Company Rekeep S.p.A. for the year ended 31 December 2020, as well as a comparison with the figures from the previous year.

| *(in thousands of Euro)* | For the year ended 31 December | | Change |
|---|---|---|---|
| | 2020 | 2019 | |
| Revenues | 677,063 | 690,177 | (13,115) |
| Costs of production | (693,338) | (623,594) | (69,744) |
| **EBITDA** | **(16,276)** | **66,583** | **(82,859)** |
| Amortization, depreciation, write-downs and write-backs of assets | (27,966) | (21,747) | (6,219) |
| Accrual of provisions for risks and charges | (6,164) | (2,911) | (3,252) |
| **Operating Income (EBIT)** | **(50,406)** | **41,925** | **(92,331)** |
| Income (charges) from investments | 20,943 | 11,015 | 9,928 |
| Net financial charges | (38,556) | (36,034) | (2,522) |
| **Profit before taxes** | **(68,019)** | **16,905** | **(84,924)** |
| Income taxes | (9,035) | (11,164) | 2,129 |
| **Profit (loss) from continuing operations** | **(77,054)** | **5,741** | **(82,795)** |
| **Profit (loss) from discontinued operations** | **10,655** | **0** | **10,655** |
| **NET RESULT** | **(66,399)** | **5,741** | **(72,140)** |

In 2020 Revenues recorded a slight decrease compared to the value posted in 2019 (- € 13.1 million).

The controlling company Rekeep S.p.A. guarantees the Group a substantial portion of consolidated results (about 60% of consolidated Revenues), internally developing operational structures for the traditional business of facility management, as well as administrative and technical functions for most of other Group companies as well as the Parent Company itself.

More than 50% of the Company's activities consist of the provision of essential healthcare services, to which must be added customers as Public Entities (Schools, public offices, ministries etc.), as well as large-scale retail trade and telecommunications customers.

It should be noted that, as from the second half of February 2020, the domestic scenario was heavily marked by the health emergency deriving from the spread of the Coronavirus (COVID-19) epidemic. This health emergency, and the consequent need to contain the spread of the virus as much as possible, led the Italian Government to adopt urgent legislative measures that entailed a substantial lockdown of the entire economy of the country from the second period of ten days of March and until the end of April, except for essential activities and services. On the other hand, Rekeep S.p.A. received requests for extra services and supplies such as extraordinary sanitization and cleaning, fitting out hospital wards, other non-routine maintenance work, mainly in the healthcare sector. On the other hand there is a partial reduction in operations in the private market and in the sector of Public non-health Entities owing to the partial or total closure of offices, schools, museums, transport and commercial businesses.

The Company's EBITDA for 2020 was negative for € 16.3 million, against € 66.6 million in 2019. The Profits/(Losses) for the 2020 financial year were significantly impacted by the recognition of the cost relating to the Competition Authority's fine for the FM4

tender (€ 82.2 million), as well as by other non-recurring costs of € 4.9 million, while non-recurring costs amounted to € 3.3 million in the previous year. Adjusted EBITDA, which excludes these non-recurring elements, was then equal to € 70.9 million for the year ended 31 December 2020, against Adjusted EBITDA of € 69.9 million for the year ended 31 December 2019, with an improvement in terms of operating profit margins.

The remarks concerning the Group's income performance, in fact, are fully borne out in Rekeep S.p.A., since the profit margin performance described more generally for the facility management segment was even more evident in the Parent Company. The Parent Company contributed to consolidated EBITDA for about 60% in 2020.

As regards operating costs, there were higher Costs of raw materials and consumables for € 3.0 million, higher *Costs of services* for € 7.9 million against lower Personnel costs for € 23.3 million. The decreasing volume trend also reflects a change in production costs, although with a different performance in the various cost items (due to a different mix of services rendered) and in a non-proportional manner, partly because of a well-established cost efficiency policy which was applied in support of profit margins as early as in previous years.

The average number of employees that worked for Rekeep S.p.A. during 2020 was equal to 12,290, of which 305 were provided by Manutencoop Società Cooperativa (13,076 in the previous year, of which 351 were provided by Manutencoop Società Cooperativa). As stated for costs for services and consumption of materials, the number of employees, and specifically of manual workers, is closely linked to the mix of services being performed.

In 2020 **EBIT** posted a negative value of € 50.4 million against a positive EBIT of € 41.9 million in 2019. *Amortization and depreciation* amounted to € 12.8 million in 2020 against € 13.8 million in 2019. This item includes amortization of intangible assets of € 6.4 million (€ 6.3 million for the year ended 31 December 2019) and depreciation of property, plant and equipment of € 1.4 million (€ 1.7 million for the year ended 31 December 2019). Amortization of financial and operating leases was also recognized for € 4.9 million in 2020 (€ 5.9 million for the year ended 31 December 2019).

*Net write-downs of trade receivables* amounted to € 2.6 million (€ 1.4 million for the year ended 31 December 2019) and included some specific write-downs concerning pending disputes. Write-downs for € 0.5 million were also recognized on other current assets.

Furthermore, during 2020 note *write-downs of equity investments* of € 12.0 million (€ 6.5 million for the year ended 31 December 2019), which were mainly related to subsidiaries Yougenio S.r.l., which was put into liquidation in 2020, and Rekeep World S.r.l. for losses reported on some projects started in Middle East markets.

Finally, provisions for risks and charges (net of reversals) of € 6.2 million were recognized in 2020 (€ 2.9 million in 2019), which included the above-mentioned non-recurring provision for future additional costs for the cogeneration business conducted at two private industrial sites, mainly relating to previous years (€ 3.3 million).

For the year ended 31 December 2020 Adjusted EBIT then came to € 40.0 million (equal to 5.9% in terms of profit margins relating to the Revenues for the year) against € 45.2 million for the year ended 31 December 2019 (equal to 6.6% of related Revenues).

To EBIT must be added Dividends and net income from equity investments amounting to € 20.9 million, compared to an amount of € 11.0 million in the previous year. This item includes dividends collected from investee companies, as detailed below:

| *(in thousands of Euro)* | Year ended 31 December | |
|---|---|---|
| | **2020** | **2019** |
| **Servizi Ospedalieri S.p.A.** | 18,000 | 8,480 |
| H2H Facility Solutions S.p.A. | 2,000 | 597 |
| Telepost S.r.l. | 0 | 1,204 |
| MFM Capital S.r.l. | 225 | 0 |
| Other minor dividends | 264 | 138 |
| **DIVIDENDS** | **20,489** | **10,418** |

Net capital losses from sale of equity investments for € 0.4 million were also accounted in 2020, due to the sale of Energy Saving Valsamoggia S.r.l. to MFM Capital S.r.l.. The Company also recorded an income of € 0.9 million in the year, in relation to the collection of the premium-for-yield amount to be paid on the disposal of MFM Capital S.r.l. to the 3i EOPF fund. This income was not recognized at the same time as the sale since it was linked to uncertain and unforeseeable future events that occurred during the 2020 financial year.

Finally, an income of € 0.6 million was recognized in 2019, in relation to the collection of the earn-out amount on the disposal of Synchron Nuovo San Gerardo di Monza S.p.A., within the scope of the same transaction with 3i EOPF.

*Financial income* decreased by € 1.1 million compared to the previous year, mainly against lower interest income from customers (- € 1.3 million), which showed significant amounts in the previous year relating to default interest obtained in consideration of the in-court settlement, on favorable terms, of some disputes arisen in previous years. Furthermore, note the recognition of capital gains equal to € 1.2 million during the year on the purchase of portions of bond issue on the open market for a total nominal amount of € 15.8 million (€ 1.6 million in 2019, on the purchase of portions for a total nominal amount of € 10.3 million).

The impact of *financial charges* on the Company's results of operations was equal to € 44.0 million, with an increase equal to € 1.4 million compared to € 42.7 million in 2019. In 2020 the financial charges accrued on the Senior Secured Notes came to € 30.5 million against € 31.6 million in 2019. The above-mentioned buy-back transactions that were carried out during the first half of 2020 (for a nominal amount of € 15.8 million) ensured savings of € 1.0 million on thefinancial charges accrued on the repurchased portions for the time being.

The *upfront fees* relating to the issue of Senior Secured Notes were accounted for according to the amortized cost method, which entailed financial amortization charges of € 4.0 million in 2020, of which an amount of € 0.4 million relating to the write-offof the portion relating to the repurchased Notes (€ 3.7 million in 2019, with a write-off of equal amount on the buy-back of the previous year).

The initial costs for the subscription of the Super Senior Revolving loan (known as "RCF") for € 50 million, equal to € 1 million upon issue, are also amortized on a straight-line basis throughout the entire term of the credit facility. The cost relating to this amortization amounted to € 0.2 million in both periods under comparison, to which must be added the commitment fees charged by banks (€ 0.1 million in 2020 against € 0.5 million in 2019). The facility was drawn down for a half-year on 23 March 2020 and subsequently renewed on 23 September 2020 for an additional half-year in order to meet temporary cash requirements (if any), including in relation to the difficult economic situation that is accompanying the Covid-19 emergency in Italy. Therefore, it was terminated on 31 December 2020, with an impact in terms of financial costs equal to € 1.7 million. No drawdown was requested on the RCF in 2019.

Finally, interest discount costs were recognized in relation to the assignments of trade and VAT receivables without recourse for € 3.1 million in 2020 (€ 2.7 million for the year ended 31 December 2019).

From the profit before taxes must be deducted taxes of € 9.0 million (€ 11.2 million for the year ended 31 December 2019), thus obtaining a *Net loss* of € 77.1 million (against a *Net profit* of € 5.7 million for the year ended 31 December 2019). Below is the breakdown of the tax rate for the year:

| *(in thousands of Euro)* | For the year ended 31 December | |
|---|---|---|
| | **2020** | **2019** |
| **Profit before taxes** | **(68,019)** | **16,905** |
| Competition Authority's fine for the FM4 Tender | 82,200 | |
| **Profit before taxes excluding the Competition Authority's fine** | **14,181** | **16,905** |
| Current, prepaid and deferred IRES tax, including income andexpenses from Tax consolidation | (4,903) | (7,803) |
| Current, prepaid and deferred IRAP tax | (3,313) | (3,453) |
| Tax adjustments for previous years | (819) | 92 |
| **Income taxes** | **(9,035)** | **(11,164)** |
| **Tax rate from continuing operations** | **63.7%** | **66.0%** |
| Profit (loss) before tax from discontinued operations | 10,789 | 0 |
| Tax on profit/(loss) from discontinued operations | (134) | 0 |
| **Total Tax rate** | **36.7%** | **66.0%** |
| **Consolidated net profit (loss)** | **(66,399)** | **5,741** |

As already mentioned, the Profit (loss) before tax was negative and equal to € 68.0 million for the year ended 31 December 2020 as a result of the significant cost for the fine imposed by the Competition Authority (€ 82.2 million) relating to the administrative proceedings in progress. Furthermore, during 2020, the Company recognized a Profit before tax from discontinued operations

equal to € 10.8 million, including the aforementioned capital gain from the sale of the investment in Sicura S.p.A., which gave rise to a tax effect of € 0.1 million.

Compared to the previous year the Company recognized lower current, prepaid and deferred taxes for € 2.1 million against a lower Profit (loss) before tax (excluding the Competition Authority's fine) for € 2.7 million.

Finally, the Company reported a Net loss equal to € 66.4 million against a Net profit of € 5.7 million at 31 December 2019.

## 3.2 Statement of financial position

The table below reports the Sources and Uses:

| *(in thousands of Euro)* | 31 December 2020 | 31 December 2019 |
|---|---|---|
| **USES** | | |
| Trade receivables and advances to suppliers | 286,271 | 289,183 |
| Inventories | 517 | 818 |
| Trade payables and contract liabilities | (274,681) | (281,404) |
| **Net working operating capital** | **12,106** | **8,606** |
| Other working capital elements | (130,929) | (105,055) |
| **Net working capital** | **(118,823)** | **(96,449)** |
| Property, plant and equipment and assets under finance leases | 7,978 | 7,440 |
| Rights of use for operating leases | 26,711 | 29,723 |
| Intangible assets | 344,479 | 346,994 |
| Investments | 114,153 | 120,063 |
| Other non-current assets | 50,084 | 143,483 |
| **Fixed assets** | **543,405** | **647,703** |
| Non-current liabilities | (39,891) | (42,631) |
| **NET INVESTED CAPITAL** | **384,691** | **508,623** |
| **SOURCES** | | |
| Shareholders' equity | 99,920 | 165,584 |
| Net financial indebtedness | 285,471 | 343,039 |
| **TOTAL FINANCING SOURCES** | **384,691** | **508,623** |

### Net working capital

Net working capital (**NWC**) posted a loss of € 118.8 million at 31 December 2020, with an increase in absolute value equal to € 68.2 million compared to the net liability posted at 31 December 2019 (€ 96.4 million).

Net working operating capital (**NWOC**), composed of Trade receivables and advances to suppliers and inventories, net of trade payables and contract liabilities, stood at € 12.1 million at 31 December 2020, while it was equal to € 8.6 million at 31 December 2019. The balance of Trade Receivables and advances to suppliers decreased by € 2.9 million, against a decrease in the balance of Trade payables and contract liabilities of € 6.7 million. The Company made assignments of trade receivables without recourse to Factors for € 188.5 million in the year, while the balance of receivables assigned and not yet collected by the latter at the reporting date amounted to € 52.0 million (unchanged compared to 31 December 2019). The **Adjusted NWOC** came to € 64.1 million and € 60.7 million, respectively, during the two years under comparison.

The balance of Other elements in working capital at 31 December 2020 consisted of a net liability of € 130.9 million (€ 105.1 million at 31 December 2019):

| *(in thousands of Euro)* | 31 December 2020 | 31 December 2019 | Change |
|---|---|---|---|
| Current tax receivables | 7,753 | 6,474 | 1,279 |
| Other current assets | 12,385 | 16,798 | (4,412) |
| Provisions for risks and charges, current | (8,701) | (5,450) | (3,251) |
| Current tax payables | (259) | 0 | (259) |
| Other current liabilities | (142,108) | (163,019) | 20,911 |
| Non-current assets classified as held for sale | 0 | 40,142 | (40,142) |
| **OTHER ELEMENTS IN WORKING CAPITAL** | **(130,929)** | **(105,055)** | **14,268** |

At 31 December 2019 the item included the payable relating to the deposit concerning the fine imposed by the CompetitionAuthority in relation to the Consip FM4 Tender (€ 94.6 million), which was stated for an equal amount among non-current assets in the balance sheet. Following the developments in the litigation during 2020, the fine was redetermined at € 79.8 million (in addition to collection costs for € 2.6 million) and the installments already paid as deposit (€ 3.0 million), which were deducted in full under the updated installment payment plan sent by the Revenue Agency - Collection department. Therefore, the debt for the fine was equal to € 79.4 million at 31 December 2020.

Furthermore, at 31 December 2019 the investment in Sicura S.p.A. was classified as “Non-current assetheld for sale” given the binding agreement signed on 13 February 2020 for the sale of the total share capital of the subsidiary to Argos Wityu, a pan-European Private Equity fund. The sale took place on 28 February 2020.

Net of these items, the change in the net liability was attributable to a combination of various factors, mainly including:

- the recognition of higher net income tax receivables of € 1.3 million compared to the previous year;
- an increase in the short-term portion of provisions for risks and charges of € 3.3 million;

- the recognition of lower net VAT receivables for € 4.3 million (€ 0.1 million at 31 December 2020 against a receivable of € 4.4 million at 31 December 2019).

## Fixed assets

Fixed assets include the following main items:

| *(in thousands of Euro)* | 31 December 2020 | 31 December 2019 | Change |
|---|---|---|---|
| Property, plant and equipment and assets under leases | 7,978 | 7,440 | 537 |
| Rights of use on operating leases | 26,711 | 29,723 | (3,012) |
| Intangible assets | 18,058 | 20,573 | (2,515) |
| Goodwill | 326,421 | 326,421 | 0 |
| Equity investments in subsidiaries, associates and joint-ventures | 114,153 | 120,063 | (5,910) |
| Other investments | 7,010 | 4,695 | 2,315 |
| Non-current financial assets | 29,207 | 30,188 | (982) |
| Other non-current assets | 2,708 | 97,315 | (94,608) |
| Deferred tax assets | 11,160 | 11,284 | (124) |
| **FIXED ASSETS** | **543,405** | **647,703** | **(104,299)** |

The most substantial changes concerned:

- a reduction of € 5.9 million in the balance of "Equity investments in subsidiaries, associates and joint-ventures", against write-downs of investments of € 8.8 million in 2020, of which € 2.6 million related to subsidiary Yougenio S.r.l, put into liquidation, € 4.7 million to Rekeep World S.r.l. and € 1.5 million to associate Roma Multiservizi S.p.A.. Increases for payment on account of capital of € 3.0 million were also accounted for, € 2.0 million of which related to subsidiary Yougenio S.r.l. and € 1.0 million to Rekeep RAIL S.r.l.;
- increases of € 2.3 million in "Other Investments", of which € 2.0 million for the acquisition of 5.96% of EULIQ VII S.A. (subsequently Starfire S.A.);
- the derecognition of the receivable, equal to € 94.6 million at 31 December 2019, among "Other non-current assets", which the Company had reported as deposit on the fine imposed by the Competition Authority in relation to the Consip FM4 Tender. Following the developments of this dispute, there was the recognition of the debt for the abovementioned fine and the recognition of the related cost among other operating costs;
- a reduction in the net book value of the "Rights of use on operating leases", recognized against the agreements concerning property leases and the long-term hire for the motor vehicles of the corporate fleet. During the year increases of 3.0 million were recorded for new agreements and ISTAT index adjustments, of which an amount of € 2.8 million for the corporate fleet, in addition to decreases for early withdrawal for € 1.1 million and amortization allowances for € 4.9 million.

## Other non-current liabilities

"Other non-current liabilities" include liabilities relating to:

- TFR (employee benefits), equal to € 5.6 million and € 6.7 million at 31 December 2020 and 31 December 2019, respectively;
- long-term portion of provisions for future risks and charges equal to € 22.0 million at 31 December 2020 and € 22.7 million at 31 December 2019;
- deferred tax liabilities of € 12.3 million (€ 13.2 million at 31 December 2019).

## Net financial indebtedness

The Parent Company's net financial indebtedness at 31 December 2020 and at 31 December 2019 is reported below:

| *(in thousands of Euro)* | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Long-term financial liabilities | 354,928 | 377,265 |
| Bank borrowings and current portion of long-term debt | 30,497 | 55,693 |
| **GROSS FINANCIAL INDEBTEDNESS** | **385,425** | **432,958** |
| Cash and cash equivalents | (53,823) | (64,654) |
| Other current financial assets | (46,131) | (25,265) |
| **NET FINANCIAL INDEBTEDNESS** | **285,471** | **343,039** |

Net financial indebtedness amounted to € 285 million at 31 December 2020, against € 343 million at 31 December 2019. The figure relating to the adjusted netfinancial debt, which includes the balance of trade receivables assigned to the factor without recourse and not yet collected on the reporting date (€ 52.0 million at 31 December 2020 and € 52.1 million at 31 December 2019) confirmed the positive value, from € 395.1 million at 31 December 2019 to € 337.5 million at 31 December 2020.

The 2020 financial year saw the payment of the six-monthly coupons on the Senior Secured Notes totaling € 30.1 million with settlement dates on 15 June and 15 December. The above-mentioned buy-back transactions that were carried out during 2020 on the other hand ensured savings of € 1.0 million, compared to the previous year, on the financial charges accrued on the repurchased portions for the time being.

Furthermore, at 31 December 2019 there was the recognition of the payable for the dividend resolved to the benefit of the sole shareholder Manutencoop Società Cooperativa on 17 December 2019, equal to € 13 million, which was paid on 31 January 2020.

Finally "Other current financial Assets" increased by € 20.9 million, mainly as a result of a rise in the credit balances of current financial accounts registered in the name of subsidiaries (+ € 19.4 million).

## Industrial Capex

In 2020 industrial capex incurred by the Company totaled € 5.6 million against disinvestments of € 0.1 million (unchanged compared to 2019):

| *(in thousands of Euro)* | For the year ended 31 December | |
|---|---|---|
| | 2020 | 2019 |
| Acquisition of plant and machinery | 1,631 | 2,097 |
| Other investments in intangible assets | 3,938 | 5,294 |
| **INDUSTRIAL CAPEX** | **5,569** | **7,390** |

## 3.3 Reconciliation of shareholders' equity and profit (loss) for the year of the Parent Company with corresponding consolidated figures

| *(in thousands of Euro)* | 31 December 2020 | | 31 December 2019 | |
|---|---|---|---|---|
| | Profit (loss) for the year | Shareholders' equity | Profit (loss) for the year | Shareholders' equity |
| **SHAREHOLDERS' EQUITY AND PROFIT (LOSS) FOR THE YEAR AS SHOWN IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY** | **(66,399)** | **99,920** | **5,741** | **165,584** |
| - Elimination of consolidated equity investment values | (5,161) | (147,574) | (1,826) | (149,686) |
| - Accounting of Shareholders' Equity toreplace the values eliminated | | 51,279 | | 35,016 |
| - Allocation to consolidation difference | | 55,538 | | 88,514 |
| - Allocation of tangible assets | | | (4) | 57 |
| - Recognition of financial costs on options | (507) | (507) | (17) | (17) |
| - Dividends distributed to Group companies | (20,000) | | (10,280) | |
| - Profit generated by consolidated companies | (376) | (376) | 1,887 | 1,887 |
| - Associates and Joint ventures valued at equity | (71) | 1,935 | (290) | 1,699 |
| - Tax effects on consolidation adjustments | (3) | (163) | (24) | (196) |
| - Reversal of statutory write-downs | 9,304 | 9,992 | 8,100 | 8,923 |
| - Other consolidation adjustments | 59 | (6) | (1) | 190 |

| *(in thousands of Euro)* | 31 December 2020 | | 31 December 2019 | |
|---|---|---|---|---|
| | Profit (loss) for the year | Shareholders' equity | Profit (loss) for the year | Shareholders' equity |
| **Total consolidation adjustments** | **(16,755)** | **(29,883)** | **(2,456)** | **(13,614)** |
| **Shareholders' equity and profit (loss) for the year pertaining to the ParentCompany** | **(83,154)** | **69,336** | **3,285** | **151,970** |
| Shareholders' equity and profit (loss) for the year pertaining to Minority Interests | 2,703 | 3,199 | 65 | 836 |
| **SHAREHOLDERS' EQUITY AND PROFIT (LOSS) FOR THE YEAR AS SHOWN IN THE CONSOLIDATED FINANCIAL STATEMENTS** | **(80,451)** | **72,356** | **3,350** | **152,806** |

## 4. INTERNAL CONTROL AND RISK FACTORS

The existence and operations of the internal control system at the level of the whole organization and of the individual processes/activities must be satisfactorily supported and documented, both as regards drawing up the controls themselves and testing, conducted to ensure that they are operative and effective).

Rekeep S.p.A. has adopted additional rules for the Control System in order to ensure that the system of internal control is effective at the level of the whole organization and of the individual processes/activities, the efforts are combined of the large number of persons that run the system, in order to improve the efficiency and efficacy of governance in terms of mitigating and/or hedging risk.

The additional rules govern the relations between the persons working in the Group that need to exercise control functions.

After the changes in law and in the self-regulation code, the persons who exercise these functions are:

- Internal Audit & Antitrust Compliance Office;
- The "Organismo di Vigilanza (ODV)", pursuant to Legislative Decree 231/01.

### *Internal Audit & Antitrust Compliance Office control activities*

The Internal Audit & Antitrust Compliance Office function reports hierarchically and functionally to the Chairman of the Board of Directors and contributes to spreading the culture of internal control and corporate risk management. In addition, the function carries out ongoing monitoring of control systems existing in processes and procedures in order to mitigate non-compliance and reputational risks.

### *Supervisory Board's activities under Legislative Decree 231/2001*

The Supervisory Board of Rekeep S.p.A. ("OdV") avails itself of operating staff made up of external resources belonging to a consulting company specialized in Risk & Advisory Services.

The work plan is approved annually by the Supervisory Board and supplemented on the basis of the experience gained in control activities carried out in previous years. The work plan for the 2020 financial year was approved by the Supervisory Board at the meeting held on 28 April 2020.

Given the Supervisory Board's independence in carrying out such specific audits as may be required from time to time, the basic checks approved by the Board are divided with reference to:

- economic and financial flow management area: audits on the various items of the Financial Statements (Balance Sheet and Income Statement) with powers going beyond the decisions that are more closely related to the Financial Statements, conducting in-depth analysis of the entire financial cycle and the protection of the Corporate Assets (analysis of bank reconciliations, clearing bank accounts, other receivables and payables, contingent items, other accounts, etc.);
- sensitive business areas for the purposes of Legislative Decree 231/2001: audits concerning the correct application of procedures relating to sensitive activities under Legislative Decree 231/2001 identified upon Mapping (Annex 1 attached to the Organizational, Management and Control Model). The sensitive activities subject to control are only those regarded as at “high risk” (in the above Mapping), even at the level of individual sub-activities”.

For each audit, the Work Plan indicate:

1) **the check to be carried out**: describing the type of audit to be conducted;
2) **the frequency of checks**: from a quarterly to an annual basis;
3) **the contact person at the company**: for a better planning of the activity;
4) **the selection of samples**: sampling is the reference methodology for the work of the Supervisory Board and of its staff;
5) **information**: the action that is taken following the checks carried out.

The **selection of samples** to be audited is carried out by the audit team on the basis of the instructions provided in the Work Plan designed and approved by the Supervisory Board.

The audit team has direct access to the Company's ERP system for the extraction of financial statements, ledger accounts, accounting movements, etc.

The sampling criterion is specified within each area subject to audits and may vary from random sampling to sampling based on the materiality of items or professional judgment.

The control activity is carried out through the 231 Workstation® platform which allows an appropriate archiving and traceability of any and all audit activities carried out.

Upon the completion of the audit work on the part of the operating staff, a meeting is set for sharing the results of the audits, and the related report with the Internal Audit function of the Company.

The report reviewed in this manner is sent to the Supervisory Board and shared among its members at scheduled meetings.

## Other risk factors

In addition to the risks identified in the current Group's internal control framework, the main risks linked to the market in which the Group operates (market risks), to the unique activities performed by Group companies (operating risks) and financial risks, are shown below.

### *Risks related to competition*

The market in which the Group operates is characterized by increasing competitiveness due to the business combination processes underway between operators already equipped with significant organizations in the market of reference and able to develop models for the provision of the service mainly geared towards minimizing prices for the customer. Over recent years, this has led to an increasingly tight competitive context which will probably continue in the future too.

### *Financial risks*

Concerning financial risks (liquidity, credit, interest rate, exchange rate and price risks) the Group deals with in its operations and how they are managed, the subject is discussed in detail under note 37 in the explanatory Notes to the Consolidated Financial Statements, to which reference should be made.

## 5. ORGANISATIONAL MODEL PURSUANT TO LEGISLATIVE DECREE 231/2001

In 2020 some changes were made in the legislation, concerning the provisions of law falling within the scope of application of Legislative Decree 231/2001.

Following the changes that have occurred, Rekeep S.p.A. has updated its Organizational, Management and Control Model under Legislative Decree 231/2001. The Model was updated, considering both case law opinions and in-depth analyses of the new regulatory framework, on the basis of changes in procedures, the introduction of new activities and remarks and suggestions that emerged from the checks carried out and on changes in the company's organization. On 31 July 2020 the Supervisory Board gave its favorable opinion on the draft Model, appointing the Chairman of the Supervisory Board to submit it for approval to the Board of Directors of Rekeep S.p.A., which then took place on 27 August 2020.

The Supervisory Board ("OdV"), appointed on 24 April 2020, is composed of:

- two external professionals, in the persons of Marco Strafurini and Giuseppe Carnesecchi;
- an internal member, in the person of Pietro Testoni, who also took on the position of Chairman.

## 6. ANTITRUST CODE OF CONDUCT

On 23 February 2017 the Board of Directors of the Parent Company Rekeep S.p.A. resolved to adopt the "Antitrust Compliance Program" and subsequently approved an "Antitrust Code of Conduct of the Rekeep Group", aimed at all of its management, staff

and auxiliary members, including those working for the Group Companies, in order to clarify the principles and rules applied to protect competition and provide guidance on the conduct to adopt in situations that might give rise to potential antitrust violations.

The Board of Directors also appointed the Manager responsible for the implementation of the Program ("Antitrust Compliance Officer"), with the task of implementing and monitoring the program itself.

The Antitrust Compliance Program is composed of (1) an antitrust risk assessment summary that names the areas in which competition issues appear to be more important considering the Company's structure and fields of operations; (2) the Rekeep Group Antitrust Code of Conduct which sets out in detail how to behave when bidding in public tenders; (3) sets of internal procedures and operating instructions aiming at increasing prevention capacity and the correct management of situations with possible antitrust implications; and (4) ad hoc training sessions devoted to close examination of the competition issues of greatest interest to Rekeep with the purpose of enhancing the ability of the management and other operational resources to detect antitrust risk and take any appropriate action.

## 7. UPDATE ON LEGAL PROCEEDINGS

The main updates are summarized below for the 2020 financial year on the disputes described in the explanatory notes to the Parent Company's Consolidated and Separate Financial Statements to which reference should be made for more details.

### *Antitrust Authority's order for sanctions on the Consip Tender of 2012 and "FM4 Tender" of 2014*

On 20 January 2016 the Competition Authority ("AGCM") imposed on the Parent Company Rekeep S.p.A. (formerly Manutencoop Facility Management S.p.A.) a fine of € 48.5 million due to the breach of competition rules on the part of some companies which had taken part in a European Union tender for cleaning services in school buildings called by CONSIP in 2012 ("Consip Scuole"). The fine was subsequently reduced to € 14.7 million and was paid in full by the Company as early as in 2019.

Subsequently, on 16 June 2017 Consip officially informed Rekeep S.p.A. of its own decision concerning the exclusion of the Company from the tenders for new agreements relating to cleaning services of barracks ("Consip Caserme") and to cleaning services with health service providers ("Consip Sanità"), with the intention to also confiscate, in this last case, the surety given by the Company during the tender for an amount of approximately € 10.4 million (bid bond). At present, the order providing for its exclusion was confirmed by both the Regional Administrative Court and the Council of State and an appeal is pending before the Supreme Court. Following the judgment handed down by the Council of State, Consip S.p.A. asked the guarantors to enforce the guarantees (bid bonds) provided in the interest of Rekeep for the Consip Sanità tender (equal to € 10.4 million) and Consip Caserme (equal to € 3.4 million). Rekeep S.p.A., with independent appeals and additional grounds, challenged these measures before the Lazio Regional Administrative Court which rejected the appeals. By an order dated 22 March 2021 the Council of State granted the preliminary request submitted by the Company and suspended the enforcement of the judgment that had been appealed against, postponing the discussion on the merits of the case to the hearing scheduled on 7 October 2021. However, a single-member board's Presidential decree suspending the challenged judgments was obtained in the meantime. Finally, on 28 July 2020 one of the guarantors (Atradius) served on Rekeep an appeal before the Civil Court of Rome under Article 702-*bis* in order to obtain the payment of the sums relating to the sureties issued for the Consip Sanità tender, pending the enforcement on the part of Consip.

At the first appearance hearing scheduled on 24 March 2021, the Court ordered for the summary proceedings to be converted into ordinary proceedings and the parties to appear at the hearing scheduled on 16 December 2021.

Finally, on 6 March 2020 Consip S.p.A. informed the Company of the exclusion from the tender for the cleaning of museum premises ("Consip Musei"), with the intention of sending the document to ANAC (Italian Anti-Corruption Authority), which may proceed with the entry in the electronic criminal records of "Useful information". On 13 March 2020 a request was also sent for the enforcement of the bid bond relating to this tender (equal to € 2.8 million). The Company challenged these measures before the Lazio Regional Administrative Court which rejected the appeal. However, by an order dated 11 March 2021 the Council of State granted the preliminary request filed by the Company and suspended the enforceability of the challenged judgment.

The Consip Sanità, Consip Caserme and Consip Musei tenders did not generate consolidated Revenues until 31 December 2020 and were not included in the Group's backlog at 31 December 2020.

The dispute concerning the fine imposed in relation to the FM4 Tender still continued in 2020, which was served on the Company by the Competition Authority with an order of 9 May 2019 for an amount of € 91.6 million.

The Lazio Regional Administrative Court's judgment of 27 July 2020 partially granted the appeal submitted by the Company, albeit confirming the Competition Authority's Order as regards the merits, in relation to reasons related to the calculation of the fine and set the parameters for its redetermination. The Competition Authority therefore again set the new fine at € 79.8 million. The Company challenged both the Regional Administrative Court's judgment before the Council of State (hearing on the merits scheduled on 30 March 2021) and orders for the new calculation of the fine before the Lazio Regional Administrative Court. Finally, on 22 December 2020 the Competition Authority served on the Company its appeal against the abovementioned Lazio Regional Administrative Court's order, while requesting the confirmation of the order on the FM4 tender, including the initial fine equal to € 91.6 million.

Rekeep S.p.A., also on the basis of what has been agreed with its lawyers and maintaining the position it has always taken on the matter, believes that the sanctioning order is completely groundless. The Company therefore considers that the measure is unjustified and declares that it is sure of the absolute correctness of its conduct and of having always acted in compliance with the market rules applicable to the Consip FM4 Tender. While continuing to have confidence in the reasonableness of the defence arguments, the Directors given the enforceability of the fine, recognized the debt relating to expected financial outlay in the Consolidated Financial Statements at 31 December 2020 for an amount equal to what is stated in the Competition Authority's order (€ 79.8 million), even in consideration of the uncertainty surrounding the actual outcome of the appeal against the Regional Administrative Court's judgment and the appeal on the merits concerning the Competition Authority's new order of 29 October 2020. the payment of the sums entered in the taxpayers' list may take place, as already occurred for the sums owed as a deposit in the first stage of the litigation, pursuant to Article 19 of Presidential Decree 602/1973 and Ministerial Decree of 6 November 2013, as supplemented by the Directives issued by the Revenue Agency – Collection department. On 22 December 2020, in fact, the Revenue Agency sent the related updated installment payment plan, deducting the installments already paid as deposit for € 3.3

million. The amount of the debt stated in the accounts also includes the collection costs envisaged (equal to € 2.4 million). Finally, it should be noted that the Company resumed operations for the regular payment of monthly installments on 24 January 2021.

On 28 June 2019, Consip S.p.A. served on Rekeep S.p.A. the order providing for its exclusion from the FM4 Tender due to the breach of Article 38, paragraph 1.f, of Legislative Decree 163/2006, as well as of Article 68 of Royal Decree 827/1924 and of Article 38, paragraph 2, of Legislative Decree 163/2006, while notifying the enforcement of the provisional guarantees provided by Rekeep S.p.A. in tendering (equal to € 3.9 million). With regard to this exclusion, ANAC initiated a procedure under Article 38, paragraph 1-*ter*, of Legislative Decree no. 163/2006. On 3 July 2019 Rekeep S.p.A. filed an appeal with the Lazio Regional Administrative Court in order to seek the annulment of the acts of Consip S.p.A.; on 10 July 2019 the administrative court ordered for for them to be suspended pending its own ruling on the appeal against the Competition Authority's order, while also scheduling the hearing in chambers for the decision on the preliminary request on 11 September 2019. On that occasion the Lazio Regional Administrative Court partially granted this application against the order issued by Consip S.p.A., providing on 10 July 2019 for the suspension of only the enforcement of the temporary guarantees until the hearing on the merits set on 15 July 2020, which was then postponed to 2 December 2020, 17 March 2021 and, finally, to 23 June 2021.

On 4 November 2019 the Company submitted an appeal to the Lazio Regional Administrative Court against the proceedings initiated by ANAC, which, at present, have been removed from the docket in consideration of the fact that on 24 January 2020 ANAC ordered to suspend the proceedings while waiting for the settlement of the disputes brought in first instance before the Regional Administrative Court for the Competition Authority's Consip FM4 orders and the exclusion from the Consip FM4 tender. To date, since the tender has not yet been awarded on a final basis, potential revenues relating to the FM4 Tender have never been included in the Group's backlog.

### *ANAC's disqualification order - Santobono Pausilipon*

On 10 November 2017 ANAC, after the completion of proceedings initiated in November 2016 following a report made by A.O.R.N. Santobono Pausilipon in Naples, imposed a sanction (the "ANAC Order") on Rekeep S.p.A. (Manutencoop Facility Management S.p.A. at that time), raising objections concerning the failure to provide a declaration relating to the absence of criminal proceedings against one of the Company's proxy holders in the documentation submitted for the same tender, which took place in 2013. On the other hand, this proxy holder met the legal requirements in full. The ANAC order provided, in addition to a fine of € 10 thousand, for the Company to be disqualified from all public tenders for a period of 6 months as from the date of entry in the computerized records of economic operators in public contracts. The Company successfully challenged the order before the Regional Administrative Court, but, within appellate proceedings brought by ANAC, the disqualification order was confirmed by the Council of State; at the end of the procedure for application of extraordinary means of appeal (appeal for review and judicial appeal to the Supreme Court), it became final on 4 December 2020 with the filing of the Supreme Court's judgment no. 27770/2020. As a result of this judgment, any suspension effect of ANAC Resolution no. 1106/2017 was therefore removed, which entails, in addition to a fine of € 10,000, the exclusion of Rekeep S.p.A. from public tender procedures and subcontracting of public contracts for a period of 6 months in accordance with Legislative Decree 50 of 2016 (the "Public Contracts Code"). The entry, which had been previously blacked out by ANAC, was therefore re-inserted in the computerized records of economic operators in public contracts relating to

works, services and supplies as from 25 December 2020 and until 17 June 2021. Rekeep S.p.A. had formally asked ANAC to postpone the immediate new reinstatement of the entry in the records until the conclusion of the proceedings initiated by ANAC on the Application for Reexamination submitted on 20 October 2020 and, subordinately, to specify that the disqualifying effects of these records, as provided for by Article 38, paragraph 4, of the "Rules for the management of the Computerized Records of public contracts for works, services and supplies, in accordance with Article 213, paragraph 10, of Legislative Decree no. 50 of 18 April 2016", are only limited to exclusion "from tender procedures or from access to qualification if the expiry of the time limit set for submitting bids or the application for qualification falls within the effective period of the entry". ANAC replied to this notice with an additional memo sent on 5 January 2021, whereby it also notified that it rejected the Company's request and intended to reinstate the entry in question, as any other wording would not be in line with the principle according to which tendering requirements must necessarily be met on an ongoing basis". The Company lodged an appeal against this order before the Lazio Regional Administrative Court, which declared the appeal as inadmissible by a judgment dated 29 March 2021.

A detailed report on the administrative procedures in progress and further assessments made by the Directors at the end of the reporting period of the Consolidated financial statements at 31 December 2020 are included in the explanatory notes, to which reference is made.

## 8. HUMAN RESOURCES AND ORGANIZATION

As at the closing date of the 2020 financial year, the Rekeep Group employed 28,112 people (at 31 December 2019: 27,981 people), including personnel on lease from the Parent Company Manutencoop Società Cooperativa to Group companies, equal to 339 people (at 31 December 2019: 371 people). The Group's employees working outside Italy are equal to 11,993 people (at 31 December 2019: 10,281 people).

Below is the Group's staff broken down by different employee categories:

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Executives | 66 | 79 |
| White collars | 1,647 | 1,772 |
| Blue collars | 26,399 | 26,130 |
| **EMPLOYEES** | **28,112** | **27,981** |

### Prevention and protection

During 2020 the Prevention and Protection Service department of Rekeep S.p.A. underwent substantial changes following the Employer's appointment of a new Prevention and Protection Service Officer.

The system of delegated powers concerning safety at work was kept updated and consistent with the changes that took place at organizational level in the Areas during 2020. The main changes concerned the status of 1st and 2nd level delegated powers in

the matter of occupational health and safety, environmental protection and compliance with regulations on food hygiene, in relation to the various areas of competence within the scope of the operation of Rekeep S.p.A.. The 1st level mandates remained confirmed for the Purchasing Department Manager and the HR Manager.

In 2020, a formal review of the Risk Assessment Document (last review no. 9 of 30 September 2020) was carried out following the changes made to the organizational structure of the Prevention and Protection Service department. During the year various survey campaigns were conducted in preparation for updating, concerning: chemical risk, biomechanical overload and biological risk. It should be noted that the biological risk assessment for all duties was updated on 27 February 2020 and specifically for the risk from Sars Covid-19 infection, whereby prevention actions taken have been highlighted. During periodic annual meetings (Article 35 of Legislative Decree 81/2008) these issues were discussed and shared with Occupational Physicians and Workers' Safety Representatives.

In order to arrange for the correct application and to check for compliance with the rules of the shared protocol for the regulation of measures to counter and contain the spread of the COVID-19 virus in the workplace, on 24 March 2020 Rekeep S.p.A. established the COVID-19 Protocol Control Committee. During 2020, the Committee met 24 times (on average every two weeks) and was attended by the company's Prevention and Protection Service department, the HR department dedicated to industrial relations, the Workers' Safety Representatives and the Coordinator Company Doctor.

During 2020 the procedure was started for the transition of the safety management system from BS OHSAS 18001 to ISO 45001 on the part of RINA and some sample orders were assessed by the certifying body. The findings of the audits carried out reported some minor instances of non-compliance and observations (not affecting the validity of the certificate) with respect to which the Area Managers concerned and the various Corporate staff Functions (Prevention and Protection Service, Procurement Department, HR Department) have taken any related action. These instances are mainly formal and not material. The audit carried out by RINA has been concluded positively, thus allowing the group to maintain the certification.

In 2020 the Prevention and Protection Service department conducted 41 audits, distributed throughout all the areas. These audits were carried out to check for compliance with the regulations governing occupational safety and the correct application of the rules and provisions on restrictive measures to avoid COVID-19 infection, and generated an improvement plan, shared with Area Operations Managers, in the event of any non-conformities. In any case it has been seen that Safety is managed satisfactorily overall.

Since the beginning of the health emergency linked to COVID-19, Rekeep S.p.A. has maintained ongoing coordination between the Company's Management, the company Prevention and Protection Service department, the Coordinator Company Doctor and the Workers' Safety Representatives, in order to ensure effective management of the emergency in progress, by taking the following measures:

- continuing with operations, giving priority to preventive examinations, examinations on request and examinations on return from illness, in compliance with the hygiene measures and measures of prevention and protection from infection risks communicated by the Coordinator Company Doctor in accordance with the provisions of the government and company policy;

- encouraging a careful management of employees with specific frailties, insofar as they are hypersusceptible to the COVID-19 virus, in line with the guidelines and requirements imposed by the competent authorities and with respect for privacy. To this end, information was provided to staff members responsible for their management as a result of interpreting government regulations and exchanges of correspondence with some competent doctors;
- collaborating with the coordinator company doctor, medical centers, Workers' Safety Representatives and Company Union Representatives in evaluating and proposing regulatory measures in the matter of COVID-19.

Despite the strong criticality lined to the period of emergency, especially in the first part of the year, it was possible to complete the supervision work through the support of the Coordinator Company Doctor and all medical centers. As per the 2020 schedule, healthcare supervision was carried out on the staff members employed based on their duties in compliance with the health protocol attached to the Company's Risk Assessment Document. About 5,300 medical examinations were conducted, including periodic, long-term work absence, pre-employment and on-demand checks. In 2020, 36 negative outcomes were submitted (against 57 in 2019), most of them relating to tendinitis and skeletal muscle system diseases (attributable to carpal tunnel syndromes and herniated discs).

The trend in the Company's rate of accidents, as well as of the state of health of the staff under healthcare supervision, is updated and available for operations through the company intranet, together with the data relating to other causes of absenteeism.

Accidents are monitored on an ongoing basis and details of their causes, dynamics and material agents are available. 34 accidents in workplaces occurred and were audited in 2020. After analysis, some improvement actions were taken in order to enhance risk prevention, including the adoption of new PPE or specific meetings were held with managers and operators aimed at a detailed analysis of the events. The supervisors' work of reporting and monitoring must be still strengthened in relation to accidents and near misses.

Below are the rates calculated (data updated at 31 January 2021, net of events not recognized by INAL to date):

| | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|
| **Impact (no. of accidents x 1,000/average number. of workers)** | 55.93 | 64.08 | 69.05 | 69.16 |
| **Frequency (no. of accidents x 1,000,000/total worked hours)** | 50.90 | 52.26 | 56.29 | 57.68 |
| **Severity (days of accident +relapses x 1,000/ total worked hours)** | 1.24 | 1.30 | 1.51 | 1.51 |

There were no fatal accidents at work during 2020.

There are currently 10 Workers' Safety Representatives at Rekeep S.p.A. distributed throughout the areas of Operations. In 2019 they were involved in a training/education plan on occupational safety.

24 Health and Safety at Work inspections were also conducted at Rekeep S.p.A. during the year by control bodies (Local Health Authorities (ASL) and Provincial Labor Head Offices) on various operating units throughout the country. The number of inspection visits compared to the previous year remained substantially unchanged. No-administrative sanction were imposed in 2020.

Rekeep S.p.A. is enrolled in the Italian Register of Waste Management Companies under the following categories:

- Category 1 (street cleaning) since 2018
- Category 8 (intermediation) since 2016
- Category 2bis (own-account transport) since 2017

During 2020 the COVID-19 emergency made it necessary to comply with regional governments' orders issued on an ongoing basis, in order to design waste management at local level both for the limits of temporary storage (which have been temporarily extended) and for the classification and subsequent management of potentially infected waste (PPE, filters, etc..). In this regard, a specific FAQ area has been implemented on the company portal, structured by macro-topics, in order to provide support at an operational level.

The year was also dedicated to set out parameters for the Prometeo operational software, which, as from 1 January 2021, allows legal obligations to be registered via web interface. This tool has enabled a more effective rationalization of registers and authorized parties and will allow the transition to the traceability system which is being issued in a simpler and more systematic manner. 5 online training sessions were organized for the use of the software dedicated to users and heads of function in the various areas.

In September Legislative Decree no. 116 was published in the Official Gazette, which substantially amends part IV of Legislative Decree no. 152 del 2006 regarding waste management. In addition to laying down basic guidelines concerning regulations for the long-awaited traceability system, the decree has also made a provision for the exemptions granted to maintenance operations. Legislative Decree no. 116 has also changed the parameters for treating some waste as urban waste, removing responsibility from municipalities and outlining the types of waste and the activities that may give rise to waste treated as urban waste in two annexes. In this regard, in-depth analyses were carried out with the support of a specific Law Firm.

No audits were carried out by the supervisory bodies during the year. Four instances of non-compliance and related fines totaling about € 600 were reported in the delivery of urban waste to the appropriate bins and a fine was imposed for having reported a wrong EWC code in delivering special waste through authorized carriers with a related fine of € 3,200.

## Training

In 2020 the entire Group was engaged in dealing with the Covid-19 emergency. In the Training area too, all courses, which had been previously held only in person, were switched to "distance learning" for both staff and operations. For more than six months, training obligations relating to refresher courses in the field of safety were suspended and practical courses that could be delivered in person only resumed towards the end of the year. Despite the difficulties, due to the use of digital tools and the strong front-line commitment in operations, training sessions involved 5,763 participants during 2020, for a total of 50,213 training hours.

The table below shows the comprehensive results in 2020, divided into subjects and compared to the 2019 data:

| | FY 2020 | | FY 2019 | |
|---|---|---|---|---|
| ***Subject*** | **Participants** | **Hours** | **Participants** | **Hours** |
| Safety, Quality and Environment | 4,194 | 30,554 | 7,435 | 51,939 |
| Technical-professional | 608 | 6,802 | 997 | 6,683 |
| IT | 368 | 916 | 43 | 401 |
| English language | 246 | 7,794 | 293 | 12,596 |
| Management | 320 | 4,147 | 462 | 9,364 |
| **TOTAL** | **5,736** | **50,213** | **9,230** | **80,913** |

Courses for training in safety issues has been completely revised. In January, a new E-learning safety course with easy-to-use videos had been already selected, especially with regard to employees in operations with low digitization and knowledge of the Italian language. During 2020, 3,257 e-learning courses on basic safety and refresher courses were delivered to workers hired under temporary, fixed-term and permanent employment contracts, training more than 1,000 employees between March and December 2020, while more than 1,500 staff members were completing the course at the end of the year. 30 tablets were distributed in the Areas and a dedicated Help Desk was established in order to provide support to participants.

All other safety courses on equipment were converted into synchronous videoconferences, delivering more than 87 courses (training of safety managers, supervisors, electrical risks, fire prevention and first aid, work at height, confined environments and spaces, pest control and rodent control, patient handling and transportation, etc.) and 32 practical training courses in person (e.g. refreshing on first aid, AWPs and fire prevention) for a total of 2,380 colleagues and an average of 20 participants per classroom. This restructuring of training courses also reduced safety training costs by 50% and made it possible to plan and communicate the schedule of courses to the Areas in advance, offering greater organizational flexibility at work sites, as a result of the mixed composition of the classrooms. Finally, 5 video tutorials were created and distributed in March in order to provide support to colleagues in the use of PPE and to assist them in the sensitive phases of dressing and undressing that are crucial in the emergency phase.

In the Technical/Professional area, qualifications were enhanced with 41 new F-gas certificates and 14 certificates for the operation of thermal systems, whilst 14 employees were involved in the Contract Management course with final international IACCM certification. Other professional courses were held on the subjects of Project Financing, ISSA GBAC sanitization, Procurement Management, Public-Private Partnerships, Internal Audit, Project Management (PMI), Supply Chain & Operation, Welfare, Climate Control Systems, etc..

Training sessions continued for employees enrolled with the Council of Engineers and Architects, which were necessary in order for them to retain their registration (CFP), concerning issues of Occupational Safety at the time of Covid-19 and Public Works management. Finally, a new online course on cleaning techniques was created, which will see the first experiments on the contract with the Polyclinic Hospital in Modena in 2021.

In the area of language training, English courses were kept in place (292 participants registered at the beginning of the year), which, during the lockdown period, also proved to be a tool for staying in touch with colleagues from other departments. The course, which is modular and can be attended remotely, also made it possible to include colleagues from Rekeep Polska (22) and Rekeep France (5). We also continued to provide specific courses, switched to distance learning, to strengthen group and individual public speaking. In addition, the mapping of the educational language educational level was completed, which involved 940 colleagues across the Group.

In 2020, IT expertise, i.e. the Digital Culture, took center stage as a result of the emergency. The Group experimented with new technologies and tools in support of new methods of working. Within the scope of the broader "RESMART" project aimed at introducing a new SMART way of working, e-learning courses were provided to more than 500 employees across the Group for training in Outlook Office 365, Sharepoint, Cyber Security and Teams. In addition, more specialist IT courses were held on the subjects of ITIL Foundation and Scrum Master Agile.

For the Managerial Area, the first GROUP Academy was created entirely in digital mode in 2020, reaching 738 colleagues involved in the RESMART project, with contents aimed at facilitating the cultural and organizational transition from Remote to Smart Working. The new methods of working make it even more necessary to train some key skills in order to increasingly become professionals who are accountable for their results and to work better, not only in Smart Working, but also at offices. Two training courses were created, which are based on some mandatory requirements for Smart-working: collaboration, empowerment and trust, goal orientation, organization and planning.

In 2020, the Group launched the second Rekeep Talent Academy program, involving other 42 colleagues in the first phase of individual Assessment and feedback with a view to development.

In the managerial area, projects continued with Change Agents and Brand Ambassadors, training and coaching for new Middle Managers, strengthening the workforce of our Top Management and the "Mater" maternity coaching project, in partnership with Faac and Montenegro, with the aim to harmonize the complexity of the role of mother with that of worker and professional. The process of "enhancing skills for the coordination of contracts" for our Operational Management Managers continued until February with a discussion among colleagues aimed at identifying best practices and an in-depth analysis of the National Collective Labor Agreement in the sector of Multi-services.

Finally, the Company went on with its project involving some employees attending the Executive MBA at the Alma Mater Studiorum Bologna Business School every year.

Despite the difficulties due to switching from in-person to distance learning training, work continued in 2020 on the commitment to finance training costs by using 100% of the Foncoop funds (71% of training costs), together with returning to use the Formatemp fund.

## 9. ENVIRONMENT AND QUALITY

During 2020 the Parent Company Rekeep S.p.A. maintained, following audits carried out by RINA Services (the accredited certification body), the following certifications

- UNI EN ISO 9001:2015 (Quality Management System)
- UNI EN ISO 14001:2015 (Environmental Management System)
- BS OHSAS 18001:2007 (Occupational Health and Safety Management System)
- SA8000:2014 (Social Accountability System)
- UNI CEI EN ISO 50001:2011 (Energy Management Systems)
- UNI CEI EN ISO 11352:2014 (Delivery of energy services)

Qualifying company certification with respect to the requirements of Regulation (EC) no. 303/2008 as amended andsupplemented.

During the period under consideration, SGS reissued the certificate relating to the Hospital Cleaning service following the completion of the revaluation process on the basis of PCR 2011:03, professional cleaning services for buildings version 2.11. The process that led to reassessing the study of the service's life cycle enabled the registration of the relative EPD (Environmental Product Declaration).

As required by Article 30 of Legislative Decree 81/08, as amended, the Company also obtained a certificate for its Safety organization and management plan for the “Planning and delivery of cleaning, hygiene, sanitization, disinfection and disinfestation services in public and private civil, industrial, commercial, healthcare, logistics and transport sectors. Delivery of auxiliary services in the public healthcare sector”.

Within the Group work continued to achieve certification or uphold requirements for the main following Italian companies:

| | |
|---|---|
| ***Servizi Ospedalieri S.p.A.*** | The certification was renewed according to standards UNI EN ISO 9001:2015 (Quality Management System), UNI EN ISO 13485:2016 (Quality Management System. Requirement for regulatory purposes”), UNI EN 14065:2016 (Laundry processed textiles. Bio-contamination control system), UNI EN ISO 20471:2017 (High-visibility clothing – testing methods and requirements), UNI EN ISO 45001: 2018 (Occupational Health and Safety Management System), UNI EN ISO 14001:2015 (Environmental Management System). Furthermore the Company maintained the EC certification in compliance with Directive 93/42/EEC for the production of sterile kits and obtained the EC certification in compliance with Directive 89/686/EEC for the some Personal Protective Equipment. Furthermore, the SA8000:2014 certification and finally the UNI CEI EN ISO 50001:2018 (Energy Management System – Requirements and guidelines for use") were also obtained. |
| ***Medical Device S.r.l.*** | The Quality System certification was renewed according to standards UNI EN ISO 9001:2015 (Quality Management System), UNI EN ISO 13485:2016 (Quality Management Systems. Requirements for regulatory purposes”). Furthermore the Company maintained the certification of the Environmental Management System according to standard UNI EN ISO 14001:2015 (Environmental Management System), and the EC certification in compliance with Directive 93/42/EEC for the production of:<br>• sterile disposable kits<br>• sterile disposable custom packs<br>• sterile disposable clothing<br>• sterile disposable drapes<br>• sterile disposable accessories and instruments |

| | |
|---|---|
| | The Company maintained the EC certification for disposable gowns as 3rd-category personal protective equipment in accordance with Regulation (EU) 2016/425. |
| ***Rekeep Digital S.r.l.*** | The Company maintained ISO 9001 (quality management system) and ISO 18925-1:2017 (Customer contact centers) certifications. During 2020 the Company obtained the certification according to the provisions of the second section of ISO 18295, which specifies requirements for organizations that make use of services from customer contact centers. |
| ***Rekeep Rail S.r.l.*** | Maintenance of UNI EN ISO 9001:2015 – Quality Management System, UNI EN ISO 14001:2015 – Environmental Management System, BS OHSAS 18001:2007 – Occupational Health and Safety Management System, SA8000:2014 – Social Accountability Management System. |
| ***Consorzio Stabile CMF*** | The Consortium has obtained the environmental certification according to UNI EN ISO 14001 standards for the implementation of an Environmental Management System integrated with UNI EN ISO 9001 quality standards. In compliance with this certification, the Consortium has put in place a planned and organized system for the management of the various environmental issues related to the type of services provided.<br>In 2020 the Consortium obtained the UNI EN 16636 certification – Pest management and control services, and extended the scopes of application of ISO 9001, ISO 14001 and ISO 45001 certificates to the Provision of road monitoring and maintenance services. It also obtained the EU Ecolabel Certification for indoor clearing services.<br>Finally, the first SOA certification was drawn up by SOA Group. |
| ***H2H Facility Solutions S.p.A.*** | Maintenance of the qualifying company certification under Regulation (EC) 842/2006, Presidential Decree43/2012 and Accredia Technical Regulation RT-29, for installation, leakage control, servicing and repair services for fixed refrigeration and air-conditioning equipment and heat pumps containing certain fluorinated greenhouse gases.<br>Maintenance of the certification according to the UNI EN ISO 9001:2015 (Quality Management System) standard.<br>Maintenance of the certification according to the UNI EN ISO 14001:201 (Environmental Management System) standard. |
| ***H2H Cleaning S.r.l.*** | Maintenance of the certification according to the UNI EN ISO 9001:2015 (Quality Management System) standard.<br>Maintenance of the certification according to the UNI EN ISO 14001:2015 (Environmental Management System) standard.<br>Maintenance of the certification according to the UNI ISO 45001:2018 (Occupational Safety Management System) standard.<br>Maintenance of the certification according to the SA800:2014 (Social Accountability Management System) standard. |
| ***Telepost S.r.l.*** | Maintenance of the certification according to the UNI EN ISO 9001:2015 (Quality Management System) standard.<br>Maintenance of the certification according to the UNI EN ISO 14001:2015 (Environmental Management System) standard. |

No final convictions against Group companies for environmental crimes were reported during 2020. On 30 October 2020, an accidental spillage of diesel oil occurred in the Municipal district of Siena, at a worksite for the cleanup of an underground tank of H2H Facility Solutions S.p.A.. The Company gave formal notice thereof to the Competent Bodies and to the 231 Supervisory Body.

During the year there was a spillage of diesel oil at the plant supporting the Hospital in Vergato (Bologna) which is operated by Rekeep S.p.A.. The leakage was caused by wear and tear of the piping connecting the tank to the boiler. The Company gave the required notices to the competent authorities and reclamation operations commenced with the advice of a geologist.

## 10. RELATED PARTIES TRANSACTIONS

Concerning disclosure requirements laid down in art. 2428 of the Italian Civil Code regarding transactions between Groupcompanies and related parties, it should be noted that all transactions carried out, including those between the Parent Company and its subsidiaries, as well as between the subsidiaries themselves, fall within the scope of ordinary Group operations and are regulated at arm's length.

Equity and economic transactions as at 31 December 2020 are detailed thoroughly in the explanatory Notes to the Consolidated Financial Statements and the Separate Financial Statements of the Parent Company Rekeep S.p.A. for 2020, to which reference should be made.

## 11. CORPORATE GOVERNANCE

The Articles of Association of Rekeep S.p.A provide for the adoption of the ordinary management and control system pursuant to Articles 2380 and ff. of the Italian Civil Code.

The "ordinary" model provides for a Board of Directors, which is responsible for management and the supervision of strategy, and a Board of Statutory Auditors with control functions. The Board of Directors and the Board of Statutory Auditors remain in office for three financial years and the currently serving Bodies will remain in office until the date of the Shareholders' Meeting called to approve the Financial Statements at 31 December 2022.

## 12. RESEARCH AND DEVELOPMENT

No R&D costs were incurred and no such costs were capitalized by Group companies in 2020.

## 13. ADDITIONAL INFORMATION REQUIRED BY ART. 2428 OF THE ITALIAN CIVIL CODE

The company does not hold own shares, or shares or interests in parent companies, neither through trusts nor intermediaries.

In 2020 the Company did not purchase or dispose of own shares, or shares or interests in parent companies, neither through trusts nor intermediaries.

## 14. ADDITIONAL INFORMATION REQUIRED BY ART. 2497 OF THE ITALIAN CIVIL CODE

Rekeep S.p.A. is subject to the management and coordination activities of Manutencoop Società Cooperativa.

For details on transactions with both the entity that exercises management and coordination activities and with other companies that are subject to these activities, please refer to the Explanatory Notes to the Consolidated Financial Statements and the Explanatory Notes to the Financial Statements of the Parent Company Rekeep S.p.A..

## 15. OTHER INFORMATION

In 2020, the Group companies received certain financial benefits from public authorities or entities treated as such, as referred to in Law no. 124 of 4 August 2017 governing the "Annual market and competition act".

In particular, proceeds were earned from tax credits of € 12 thousand in 2020, for the sanitization and purchase of protective equipment regulated by Article 125 of the Relaunch Decree (Decree Law no. 34 of 2020).

Finally, additional financial benefits were obtained for a lower amount, for which reference should be made to any possible information provided by the "Register of State Aids" that is published online.

## 16. SECONDARY OFFICES

Rekeep S.p.A. has no secondary offices in Italy.

## 17. TAX CONSOLIDATION AGREEMENT

The Manutencoop Group opted to apply the Group taxation system, pursuant to articles 117 et seq. of the T.U.I.R. ("*Testo Unico delle Imposte sui Redditi*", the Italian consolidated Law on Income Tax), which involves Manutencoop Società Cooperativa as consolidating company and the following consolidated companies:

- Rekeep S.p.A.
- Servizi Ospedalieri S.p.A.
- Medical Device S.p.A.
- H2H Facility Solutions S.p.A.

- H2H Cleaning S.r.l.
- Telepost S.p.A.
- Rekeep Digital S.r.l.
- Rekeep World S.r.l.
- Rekeep Rail S.r.l.
- Yougenio S.r.l.
- S.AN.GE. Soc. Cons. a r.l.
- S.AN.CO. Soc. Cons. a r.l.

Finally, the above-mentioned Companies participate in Tax Consolidation together with the following Manutencoop Società Cooperativa Subsidiaries but which are not part of the Rekeep Group:

- Segesta Servizi per l'ambiente S.r.l.
- Sacoa S.r.l.
- Nugareto S.r.l.

## 18. SUBSEQUENT EVENTS

On 18 January 2021, Rekeep S.p.A. announced the launch of an offering of Senior Secured Notes for a total nominal amount of € 350 million. The transaction was successfully formalized on 28 January 2021 with an issue at par due 2026, an annual fixed coupon of 7.25% (payable on a six-monthly basis on 1 February and 1 August, as from 1 August 2021) and non-callable repayment until 1 February 2023. The agreement ("Indenture") was signed between the issuer, Law Debenture Trust Corporation p.l.c. as trustee, Unicredit S.p.A. as Security Agent and Bank of New York Mellon as Paying and Transfer Agent. Within the scope of the transaction, JP Morgan Securities Plc and UniCredit Bank AG acted as Joint Global Coordinators and Joint Physical Bookrunners, while Goldman Sachs International and Credit Suisse acted as Joint Bookrunners. The stock was admitted for listing on the EURO MTF multilateral trading facility managed by the Luxembourg Stock Exchange and on the ExtraMOT multilateral trading facility, PRO segment, organized and managed by Borsa Italiana S.p.A.. The bonds were offered for subscription and were placed (i) in the United States of America, only reserved for qualified institutional buyers in accordance with Rule 144A of the Securities Act and (ii) outside of the United States of America in accordance with Regulation S of the Securities Act and in particular in Europe and in Italy, only subject to exemption from the EU and Italian regulations governing public offerings provided for in the Prospectus Directive, the Consolidated Act on Finance and the Issuers' Regulation.

On 9 February 2021, the Company also issued additional Senior Secured Notes with a par value of € 20 million at an issue price of 102.75% plus an amount equal to the interest that would have accrued on the Notes until (and excluding) 9 February 2021 in

the event of them being issued on 28 January 2021. These Notes are regulated by the same terms and conditions as those issued previously (annual rate of 7.25% and due 2026) and will be formally registered in the same series as the latter ones.

The proceeds from offering the new Senior Secured Notes (totaling € 370 million), together with Cash and Cash equivalents that were already stated in the Company's accounts, were used to pay off the Senior Secured Notes that had been issued in 2017 with an annual coupon of 9% and due 2022, as well as to pay the costs sustained for the redemption premium of these Notes and replenish the liquidity with which the previous RCF line of credit had been repaid.

At the same time as the issue of 28 January 2021, Rekeep S.p.A. finally signed a new revolving loan agreement that will guarantee a senior secured line of credit ("RCF") for an amount of up to € 75 million, to be used for general purposes and to manage the working capital of the Issuer and its subsidiaries. In particular, the RCF loan agreement was entered into between, among others, Rekeep S.p.A., on the one hand, and on the other, Credit Suisse AG Milan Branch, Goldman Sachs Bank Europe SE, JP Morgan AG and Unicredit S.p.A. (as Mandated Lead Arrangers), Unicredit S.p.A. as Agent and Security Agent, and the Original Lenders. The interest rate applicable to each use of the RCF loan for each interest period will be equal to the percentage rate resulting from the sum of the fixed margin (equal to 3.5) and the applicable EURIBOR parameter.

Law no. 178 of 30 December 2020 (Budget Law 2021 - see Article 1, paragraph 83) added paragraph 8-*bis* to Article 110 of Decree Law no. 104 of 14 August 2020, thus providing for the possibility of eliminating differences between tax and accounting values in relation to certain intangible assets such as goodwill and other assets (including assets that cannot be protected from a legal point of view) resulting from the financial statements for the financial period running at 31 December 2019.

In general, realignment operates only for tax purposes and does not in itself result in asset increases contrary to revaluation. According to the current version of the regulation that provides for this option, it is necessary to pay a substitute tax at a rate of 3% (to be paid in installments in 3 years without paying any interest) in order to obtain realignment. Furthermore, it is necessary to place a corresponding restriction on the Company's equity reserves. The restricted reserve is subject to tax relief and may be released by paying a substitute tax of 10%. The realignment option must necessarily be exercised for the entire difference between the book value and the value for tax purposes of each item and is completed upon filing the tax return for the 2020 tax period.

The Company has resolved to exercise the option in question in relation to some goodwill recorded over the years as a result of the various business combinations (subject to IFRS 3) it has carried out. As already mentioned, this option shall be exercised at the time of filing the tax return for the 2020 tax period.

## 19. OUTLOOK

The 2020 financial year was exceptionally complex and surrounded by uncertainty, both in domestic and international markets. The Sars Covid-19 health emergency with its disruptive impact required governments to adopt increasingly severe measures in order to protect public health, with heavy repercussions on the production and sales activities of businesses. The pandemic has

led to a global recession, which is unprecedented in history for its magnitude and spread, with respect to which the recovery scenarios are very uncertain in terms of both timing and intensity.

As from October 2020, the second wave of COVID-19 infections and deaths and the consequent return to restrictions in many countries dampened the optimism of the summer months when there had been an initial resumption of production, travel and tourism. In order to combat the recession and support recovery, the European Union's economic policy has developed the Next Generation EU plan for the three-year period from 2021 to 2023, which is a key tool by which the European Union intends to deploy substantial EU resources to offer significant opportunities to finance investments for the countries that have been most affected by the pandemic. The outlook for the current economic scene, which is constantly evolving and which is in any case still marked by a high level of uncertainty linked to the developments of the pandemic, still nevertheless remains strongly conditional on the evolution of the health emergency and the availability and timing of the vaccine administration, which commenced in early 2021.

In compliance with the instructions given by the Italian Ministry of Health and the Regional Governments involved, the Parent Company and the Rekeep group companies are taking preventive measures and issued operating instructions to contain the spreading of the virus and safeguard the users of its services, its workers, its customers and its potential visitors. The Rekeep group companies are continuing to deliver their services at full working capacity where requested, adopting all the preventive measures necessary to safeguard employees and users. The Management continues to monitor the situation on an ongoing basis in order to be able to take, in real time, any decision required to protect the health of people who are involved for any reason and to limit costs, including through use of the incentives and social shock absorber measures provided by the Government.

In this context the Company's economic and financial outlook for 2021 does not expect any impact of the emergency that would impair the Company's ability to continue as a going concern.

Despite the pandemic scenario described above, the 2020 financial year for the Rekeep Group was still marked by the growth trend in revenues and profit margins that had already emerged in previous years and that was also driven by the positive impact of non-routine operations connected with new customer needs due to the pandemic and despite significant closures and reductions in work at offices, public institutions and the transport network, as well as at large companies and customers in the retail network. On the other hand, the positive trend in the Laundering&Sterilization sector emerged in a significant manner, in particular with regard to the supply of PPE to customers in the Healthcare and Private sector. However, a less evident positive contribution of operations linked to the Covid-19 emergency is expected in 2021, as are profit margins more in line with historical trends, even in the presence of a long wave of the pandemic, which, according to expectations, will last until the summer and could reappear in the second half of the year, albeit to a lesser extent. Finally, in terms of market demand, both public and private, a resumption of tendering is expected, with a general tendency to return to pre-Covid levels, even in order to cover those services that have shown delays in new awards and renewals as a result of the pandemic.

As regards the development in international markets, the Group will continue to pursue its objectives in 2021 for focusing on and improving efficiency of projects being implemented in the European, Turkish and Persian Gulf area markets. Furthermore, work was resumed for the project to incorporate into our structure the sub-group headed by Rekeep Polska (formerly Naprzód), a

company that was acquired in October 2019 and that is experiencing significant growth in the Polish market. This process showed a slowdown in 2020, including as a result of the current pandemic, which limited interactions with the Italian parent company and other group companies. Expectations of further development of the Group's business in Central and Eastern Europe are therefore confirmed, including through cross-selling synergies that will allow the Rekeep Group's significant know-how and planning to be shared. However, a certain amount of uncertainty still remains with regard to short-term business prospects in our foreign markets too, due to the health emergency that is still in progress and its management by local authorities.

Moreover, during 2020 the Group definitively started, in Italy, to exit from the B2C services market that, through subsidiary Yougenio S.r.l., had seen a period of start-up at the end of which the management had considered the investment as non-strategic in this market segment, since it had not shown the expected synergies with the more traditional facility management activities carried out by the Group. Despite the interesting potential of the market, particularly in the fast-growing sector of small accommodation facilities, the project would have required additional investments in order to maintain an adequate level of service delivery as volumes grew. In addition, the Covid-19 health emergency and the consequent lockdown have substantially reduced the tourism market to zero, thus leading to a dramatic reduction in Yougenio's business volumes. Therefore, during May 2020, the company's online services were suspended and on 22 September 2020 the company was put into liquidation with the aim of completing this process in the shortest possible time.

Finally, in financial terms, deleveraging remains a priority for our Group, in close connection with the management of working capital. In 2020 the Group took, with respect to previous years, an important further step forward towards deleveraging, which had been started with the sale of subsidiary Sicura S.p.A. in February 2020: this process, through a financial year full of uncertainties and critical issues, led to the launch of a refinancing transaction in January 2021, which ensured a clear improvement in terms of financial cost (from a nominal percentage of 9% to a nominal percentage of 7.25%) and further stability in terms of debt repayment (now set at 2026). The bond issue launched in 2021 (for a total of € 370 million) is also linked to a new RCF line for a maximum amount of € 75 million, which ensures financial flexibility and the possibility of meeting peak needs for financial resources in the very short term.

## 20. ALLOCATION OF THE RESULT FOR THE YEAR OF REKEEP S.P.A.

In concluding the report on the 2020 financial year the Directors invite you to approve the Financial Statements of Rekeep S.p.A. at 31 December 2020 and to carry forward the loss for the year of € 66,398,855.82.

Zola Predosa, 15 April 2021

**The Chairman and CEO**

Giuliano Di Bernardo

2020 - depositphotos

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