Report on operation

at 31 december 2022

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
Riccardo Bombardini *
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.

* *appointed as director on 30 June 2021 and as Vice Chairman on 16 December 2021*

** *ceased to hold office on 16 December 2021*

*** *ceased to hold office on 30 June 2021*

PREAMBLE

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 Saudi Arabia (through Rekeep Saudi Arabia Ltd). Finally, the acquisition of the Polish company 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.

Shareholding structure

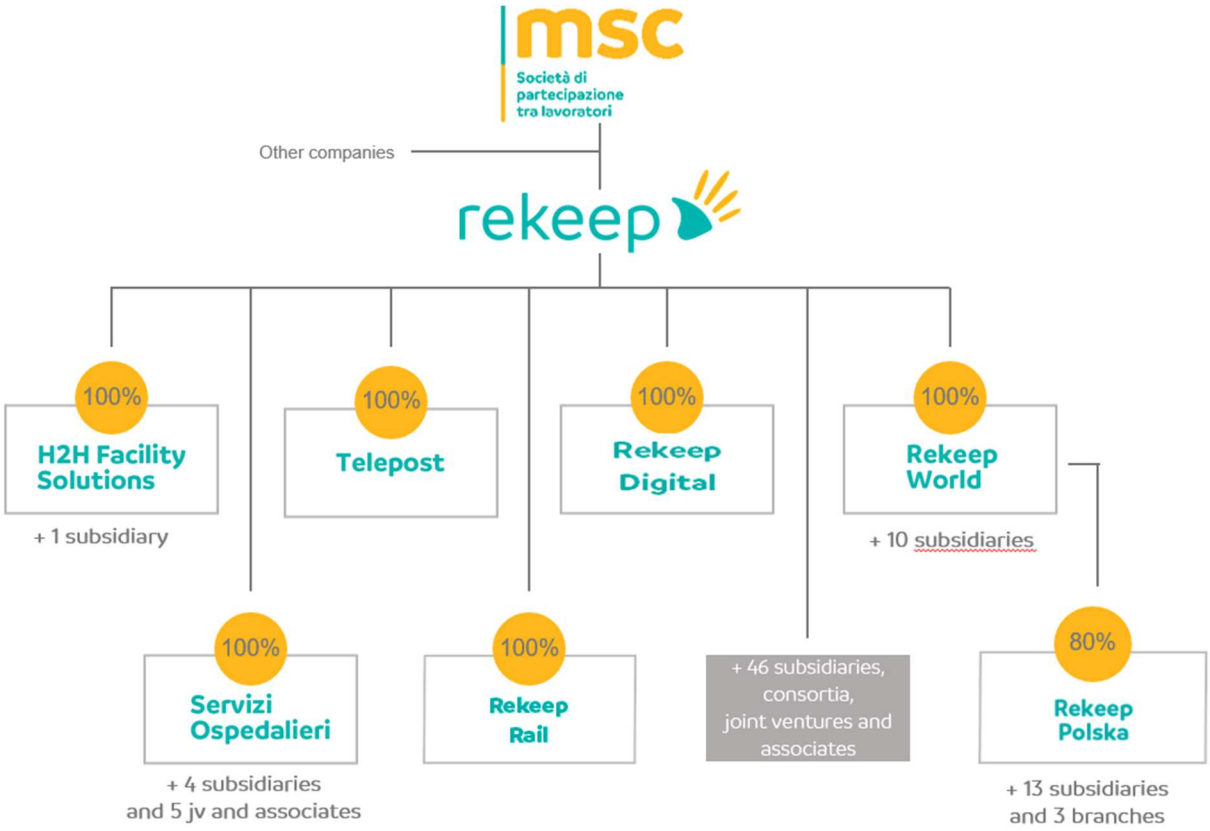
Ordinary shares issued by Rekeep S.p.A and fully paid up at 31 December 2022 amounted to 109,149,600 with a par value of Euro 1 each.

They are wholly held by MSC Società di Partecipazione tra Lavoratori S.p.A., which also carries out Management and Coordination activities.

It is recalled that Manutencoop Società Cooperativa transformed its legal form from a cooperative company to a joint-stock company, and, in this context, changed its company name to MSC Società di Partecipazione tra Lavoratori S.p.A. ("MSC S.p.A."), with effect from 1 February 2022. The parent company retains full continuity of its own legal relationships. Moreover, the shares representing the entire share capital of the cooperative company, which were already held by its shareholders, were proportionally converted into shares of the transformed company with equal par value.

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

The structure of the Group controlled by MSC Società di Partecipazione tra Lavoratori S.p.A. at 31 December 2022 was the following:


msc
Società di partecipazione tra lavoratori
Other companies
rekeep
100%
H2H Facility Solutions
+ 1 subsidiary
100%
Telepost
100%
Rekeep Digital
100%
Rekeep World
+ 10 subsidiaries
100%
Servizi Ospedalieri
+ 4 subsidiaries and 5 jv and associates
100%
Rekeep Rail
+ 46 subsidiaries, consortia, joint ventures and associates
80%
Rekeep Polska
+ 13 subsidiaries and 3 branches

MACROECONOMIC AND MARKET SCENARIO

After a 2021 marked by strong dynamism, global economy's momentum showed a widespread deceleration during 2022. The global economic cycle was in fact affected by exceptionally high inflation, very unfavorable financial conditions, the uncertainty surrounding the conflict in Ukraine, and difficulties in procurement along value chains.

In particular, a major focus of attention on the global macroeconomic scenario has been rising inflation, which has never been so high in advanced countries for decades. It suffices to consider that the average inflation in OECD countries estimated for 2022 is 9.4%, almost six times the average of 1.6% in the period from 2013 to 2019.

While inflationary pressures have not been limited solely to rising energy prices, the main challenge for the global economy has been found in the tensions in the energy market, mainly due to the countermeasures put in place by Russia as a response to the Western countries' economic sanctions following the invasion of Ukraine: from the beginning of the year to the end of December 2022, oil and gas prices increased by 54% and 392%, respectively. However, particularly in Europe, there was a downturn in the subsequent months, which was linked on the one hand to lower demand and mild weather in the winter months that allowed each state to replenish their energy reserves, and on the other hand to interventions in the energy market through the implementation of a price cap on Russian gas and oil.

In addition to the rise in energy carrier prices, the increase in the general price level has been driven by the problems experienced along supply chains in various sectors, which have characterized the global economy since the acute phase of the pandemic in 2020. In fact, the Russian-Ukrainian crisis has added to an already very complex situation, in which a globally uneven economic recovery in the aftermath of the pandemic crisis has created bottlenecks in the supply of components and inputs that are critical to economic activity.

Finally, it should be pointed out that inflation - which has inevitably impacted on both Italian and international economic growth prospects - has led to higher production costs for businesses and a reduction in real household income. In this context, Central Banks have adopted restrictive monetary policies in order to pursue price stability (i.e., an inflation rate of around 2% over the medium term), changing pace from the more accommodative plans adopted in previous years. On the contrary, during 2022 the main countries adopted expansionary budget policies, which were mainly aimed at containing the impact of rising energy costs on households and businesses. With specific regard to the European countries, the main measures adopted included subsidies to the most vulnerable groups, a reduction in energy taxes and the capping of final selling prices, as well as the provision for one-off grants in the form of tax credits for energy-intensive companies. The largest contribution to annual GDP was given by France and Italy (0.8%). Spain, while the Netherlands and the United Kingdom stopped at 0.4% of GDP, while Germany is at slightly lower levels (0.3%).

According to the latest observations from the International Monetary Fund, economic growth has been surprisingly resilient, with strong labor markets, robust data on household consumption and business investment, and a better-than-expected adjustment to the energy crisis in Europe. Inflation has also shown improvements, with data that are currently falling in most countries.

In Italy, GDP grew by 3.9% in 2022 compared to the previous year according to ISTAT (Italian Statistics Institute) data: growth was strengthened, thanks to the fact that all the main aggregates of domestic demand were expanding, with growth rates of 1.8% in final household consumption expenditure and 0.8% in investment, while net foreign demand contributed negatively to GDP growth. From a sectoral point of view, there was growth in the value added of services for the sixth quarter in a row, mainly due to the contribution from trade, transport, accommodation and catering sectors, while there was a decline in agriculture, industry in the narrow sense and the construction sector.

On the labor front, employment and hours worked stabilized at the high levels of the previous year. Growth in permanent jobs also continued, which was supported by the numerous cases of transformation of temporary employment contracts activated during 2021, while the trend in pay increases remained moderate, partly due to continuing negotiations in some service industries, where the share of employees waiting for the renewal of their collective agreement is still substantial.

Inflation trends continued to accelerate sharply during 2022 compared to the previous year, recording - again in December 2022 - increases of 0.3% on a monthly basis and 11.6% on an annual basis (from 11.8% in the previous month). On average, consumer prices rose by 8.1% in 2022 (+1.9% in 2021). Net of energy goods and fresh food ("core inflation"), consumer prices increased by 3.8% (+0.8% in the previous year) and net of energy only by 4.1% (+0.8% in 2021). The trend-based slowdown in inflation - albeit slight – recorded in the last months of 2022, was mainly attributable to the prices of unregulated energy goods, which, while maintaining sustained growth, rose from +69.9% to +63.3%, unprocessed food (from +11.4% to +9.5%) and transport-related services (from +6.8% to +6.0%).

According to the Bank of Italy's macroeconomic estimates, which assume that tensions associated with the war would still remain high in the first half of 2023 and gradually decline along the forecast horizon - GDP would slow to 0.6% in 2023 after rising by nearly 4 percentage points in 2022. Growth would return to be strengthened in the following two years, thanks to the acceleration of both exports and domestic demand. Inflation, which rose above 8% in 2022, would fall to 6.5% in 2023 and more sharply thereafter, down to 2% in 2025.

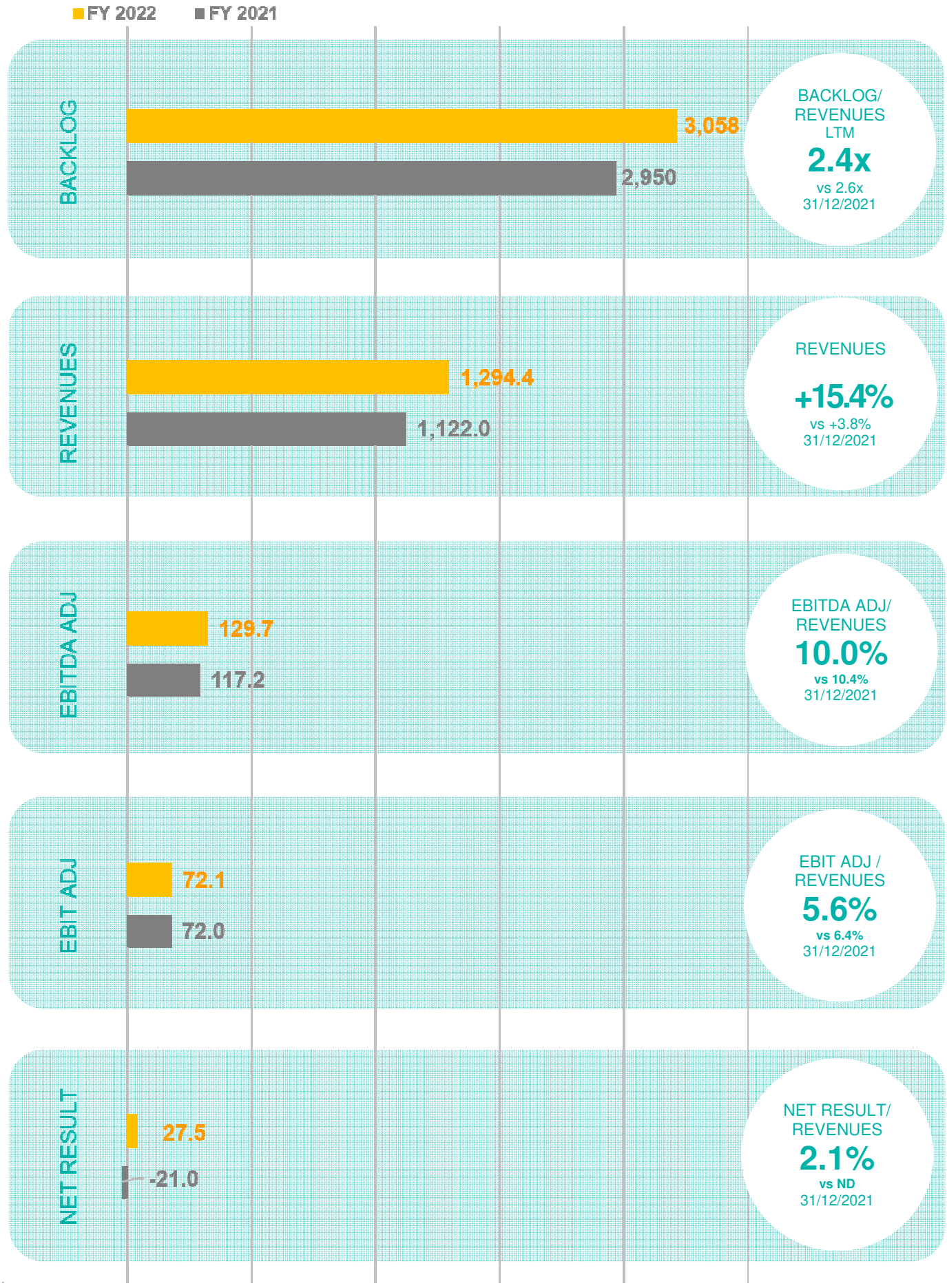
According to the latest data from the International Monetary Fund on the next few years, growth is therefore expected to be weak in 2023 based on historical standards, due to the battle against inflation and the Russian war in Ukraine, before rebounding during the following year.

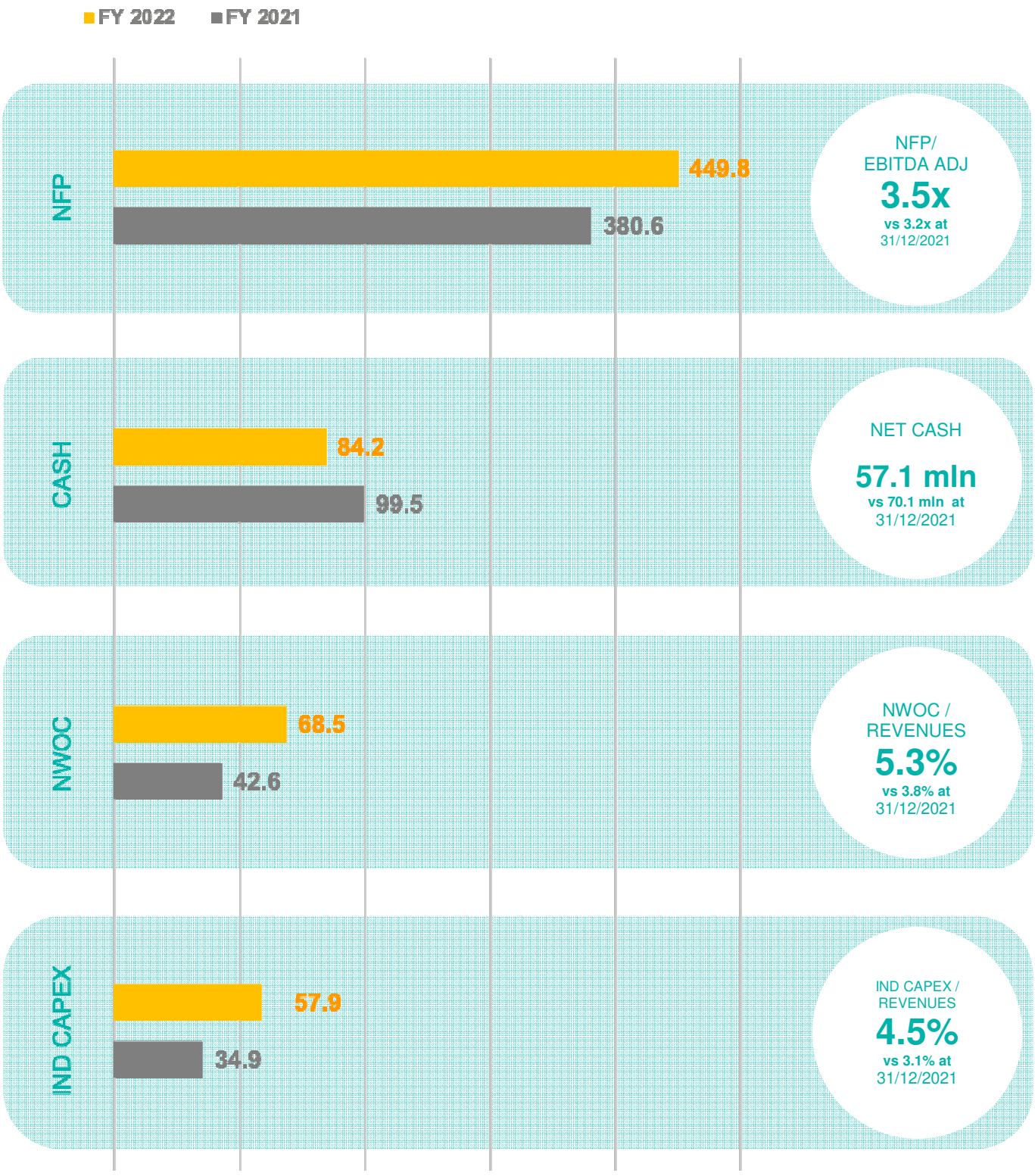
ALTERNATIVE PERFORMANCE MEASURES (NON-GAAP FINANCIAL MEASURES)

The Rekeep Group's management monitors and assesses the consolidated business performance, results of operations and cash flows by using various alternative performance indicators that are not defined under the international accounting standards IAS/IFRS (*"APMs"* or *"Non-GAAP measures*"), as stated below. The Group's management considers that these financial ratios, which are not explicitly described in the accounting standards adopted to prepare the Financial Statements, provide information which helps to understand and assess its overall performance in terms of financial position, results of operations and cash flows. These are widely used in the sector in which the Group operates and are determined in accordance with the provisions of the Guidelines issued by ESMA (European Securities and Markets Authority) on alternative performance indicators (ESMA/2015/1415), adopted by CONSOB by Communication no. 92543 of 3 December 2015. However, they 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 (excluding lease and long-term hire agreements) 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".
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 Group's management to monitor and assess its operating performance.
Adjusted EBITDA and EBIT	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".
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.
Gross Debt	Gross Debt is defined as the sum of debts for principal referring to: i) Senior Secured Notes (face value); ii) Bank debts (face value); iii) Current bank overdraft, advance payments and hot money; iv) Obligations arising from assignments of trade receivables with recourse; v) Financial lease obligations; vi) Reverse factoring debt.
Net Debt	Net Debt is defined as the Gross Debt, net of the balance of "Cash and cash equivalents" and "Receivables and other current financial assets".
Financial indebtedness	Financial indebtedness consists of the balance of Long-term debt, Derivatives, Bank borrowings (including current portion of long-term debt) and other financial liabilities, in addition to the financial component of trade payables and other non-current payables, net of the amount of "Receivables and other current financial assets" and of "Cash and Cash equivalents". It complies with the provisions of CONSOB Communication no. DEM/6064293 of 28 July 2006, amended as contained in Warning Notice no. 5/21 of 29 April 2021.
Financial indebtedness and Adjusted NWOC	Adjusted NWOC and Adjusted financial Indebtedness 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.


FY 2022
FY 2021
BACKLOG
3,058
2,950
BACKLOG/ REVENUES LTM
2.4x
vs 2.6x 31/12/2021
REVENUES
1,294.4
1,122.0
REVENUES
+15.4%
vs +3.8% 31/12/2021
EBITDA ADJ
129.7
117.2
EBITDA ADJ/ REVENUES
10.0%
vs 10.4% 31/12/2021
EBIT ADJ
72.1
72.0
EBIT ADJ / REVENUES
5.6%
vs 6.4% 31/12/2021
NET RESULT
27.5
-21.0
NET RESULT/ REVENUES
2.1%
vs ND 31/12/2021


FY 2022
FY 2021
NFP
449.8
380.6
NFP/ EBITDA ADJ
3.5x
vs 3.2x at 31/12/2021
CASH
84.2
99.5
NET CASH
57.1 mln
vs 70.1 mln at 31/12/2021
NWOC
68.5
42.6
NWOC / REVENUES
5.3%
vs 3.8% at 31/12/2021
IND CAPEX
57.9
34.9
IND CAPEX / REVENUES
4.5%
vs 3.1% at 31/12/2021

REPORT ON OPERATIONS

2022 SIGNIFICANT EVENTS

The 2022 financial year was affected by the consequences of exogenous factors linked to the international geopolitical and social scene that emerged following the start of the conflict between Russia and Ukraine in Eastern Europe, which is still ongoing at present.

The conflict, which broke out on 24 February 2022 following Russia's invasion of Ukraine, has brought direct consequences, as well as a climate of uncertainty, in the economic and market environment, including a generalized rise in inflation. The Russian invasion of Ukraine has put further upward pressure on energy, raw materials and food commodity prices, thus fueling global inflationary pressures. At present, estimates of the future evolution of the economic and other scenarios are still unstable, although in the early months of 2023 positive signs came from the slowdown in inflation.

The Management is monitoring the situation on an ongoing basis and analyzes the relevant impact on the Group in order to promptly take the most appropriate measures to limit and counteract the resulting adverse effects on the Group companies. However, it should be noted that neither the Parent Company Rekeep S.p.A., nor any other company in the Group, maintains business relationships or has any direct or indirect interest in any companies or has any branch office in the countries involved in the conflict.

In terms of results of operations, the fourth quarter of 2022 confirmed the growth trend in revenues. In 2022 revenues amounted in fact to € 1,294.4 million, up by € 172.4 million compared to the same period of the previous year (+ 15.4%). The positive change compared to 2021 was achieved in any and all markets, i.e. Public, Healthcare and Private sectors, and confirmed a resumption of work, after the restrictions imposed as a result of the Covid-19 pandemic; revenues were also affected by an increase in turnover under energy contracts and a good performance in International Markets.

In terms of profit margins, Adjusted EBITDA came to € 129.7 million at 31 December 2022 (€ 117.2 million at 31 December 2021) and relative profit margins equal to 10.0%: the indicator thus showed an increase of € 12.5 million, although being affected by a general increase in the prices of energy raw materials and transport.

In terms of financial performance, the last quarter confirmed an increase in Net debt compared to the previous year, from € 380.6 million at 31 December 2021 to €449.8 million at 31 December 2022, as was in Net working operating capital from € 42.6 million at 31 December 2021 to € 68.5 million at 31 December 2022, due to higher volumes recorded in the period as result of a rise in energy prices. However, both values at the end of the financial year just ended showed a decline compared to the performance in previous quarters, thanks to the results achieved by actions implemented by Management and the slowdown in inflation in the latter part of the year.

New agreement for the assignment without recourse of trade receivables

On 17 January 2022, the Parent Company Rekeep S.p.A. and other subsidiaries signed a new agreement for the assignment without recourse of trade receivables with BFF Bank S.p.A. for an amount of up to € 300 million. The agreement has a term of three years and provides for the possibility of assigning, without recourse and on a revolving basis, the amounts claimed from Entities in the National Health System and Public Authorities. The new agreement replaces the previous one, which was also signed with BFF Bank S.p.A. in 2018 and which provided for an annual ceiling of up to € 200 million for the assignment of receivables of the same type.

Council of State's decision on ANAC's disqualification order proceedings – Santobono Pausilipon

The proceedings brought under the order (the "ANAC Order") whereby ANAC (Italian Anti-corruption Authority) imposed a fine 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 tender that took place in 2013, have been concluded with a favorable outcome for the Parent Company Rekeep S.p.A..

By judgment no. 491/2022, filed on 25 January 2022, the Council of State granted the appeal submitted by the Company against the Lazio Regional Administrative Court's judgment no. 3754/2021, thus annulling any effect of the order adopted by ANAC, which had already been previously suspended on a precautionary basis.

Heterogeneous transformation and change of name of the parent company MSC S.p.A.

Manutencoop Società Cooperativa transformed its legal form from a cooperative company to a joint-stock company, and, in this context, changed its company name to MSC Società di Partecipazione tra Lavoratori S.p.A., with effect from 1 February 2022. The transaction was carried out following a resolution passed by the extraordinary shareholders' meeting held on 27 November 2021 and upon completion of the formalities required by the applicable provisions of law. The Rekeep Group's parent company retains full continuity of its own legal relationships. Moreover, the shares representing the entire share capital of the cooperative company, which were already held by its shareholders, were proportionally converted into shares of the transformed company with equal par value.

The adoption of the new legal form of joint-stock company originated and was motivated by the need to better support the national and international development of the Rekeep Group. The cooperative company form, due to its rules of governance and remuneration of invested capital, has in fact proved unsuitable over time to cope with this program, which requires both the contribution of capital from shareholders and the financial market and access to advanced financial instruments.

There were no significant impacts on the operations of the Rekeep Group following the transformation.

Acquisition of the "Personnel Activities" business unit

On 30 June 2022 the Parent Company Rekeep S.p.A. signed the deed of acquisition from its parent company MSC Società di Partecipazione tra Lavoratori S.p.A. of a "Personnel Activities" business unit concerning a unitarily organized set of legal relationships, assets, persons and activities for the provision of specialist consulting services on personnel management,

administration, recruitment and selection, personnel placement consulting and intermediation in payroll processing, in addition to the organized group of people including Rekeep's top management and heads of functions.

The transfer of the business unit became effective from 1 July 2022 and took place at the price of € 13.8 million agreed between the parties, in line with the business unit's economic value that emerges from the expert's report prepared on the relevant accounting position as at 31 March 2022, in addition to an adjustment calculated on the final book value of the business unit at the date of transfer (for any information on the value of the business unit as at the date of transfer and for more details reference should be made to the note 3 of the Explanatory Notes to the Consolidated and Separate Financial Statements). Within this transaction, Rekeep will proceed with the insourcing of the know-how and skills belonging to its executives, as well as the activities and competencies pertaining to the area of Human Resources (HR), which until now MSC had put at the service of Rekeep, thus also achieving savings linked to the amount paid to MSC for the work it has performed.

Sale of Rekeep United Yönetim Hizmetleri A.Ş.

On 9 November 2022 the agreement to sell the investment (corresponding to 50.98% of the share capital) in Rekeep United Yönetim Hizmetleri A.Ş. became effective. The sale follows the agreement signed on 13 September 2022 between the subsidiary Rekeep World S.r.l. and UFS Kurumsal Hizmetleri A.Ş., a company under the control of the minority shareholder.

The transaction is in line with the strategic repositioning in international markets decided by the Group, which includes stopping the development of new projects in Turkey, since the country is no longer considered to be strategic for the Group.

Business development

In 2022 the Group brought orders for an overall multi-year amount of € 762.3 million, of which € 447.2 million relating to extensions and renewals of contracts already included in its sales portfolio and € 315.0 million relating to the development of a new portfolio. The value of contracts acquired in International Markets was equal to about 18.7% of total orders gained during the period.

New contracts in the Healthcare sector amounted to € 536.7 million at 31 December 2022 (about 70.4% of total orders gained), against orders gained for the Public sector for € 125.5 million (16.5% of the total) and in the Private sector for € 100.1 million (13.1% of the total). In terms of Strategic Business Unit ("SBU"), Facility Management (which also includes International Markets) obtained contracts of € 634.4 million while Laundering&Sterilization obtained contracts of € 127.9 million.

In particular, the Group was awarded a tender in the Healthcare market, among other things, within a centralized bidding process launched by the Veneto Regional Government for the management of maintenance and energy services relating to properties used by healthcare facilities, and signed an integrated services contract at a Local Health Unit (ASL) in Brindisi and at Mater-Domini Hospital Trust in Catanzaro. On the International Markets front, for the Rekeep Polska Group we must note major orders that were gained for the renewal of portfolio contracts due to expire and new contracts for hygiene, catering and medical transportation in the hospital sector, which is the key target market of the sub-group. Furthermore, the Group also continued its growth in the healthcare sector in France following the award of a contract for cleaning and bio-cleaning services

and associated services at the new facilities of the Versailles Hospital Centre and a contract for cleaning services at Institut Imagine, part of the Necker-Enfants Malades Hospital.

Moreover, the subsidiary Servizi Ospedalieri S.p.A. gained a new sterilization contract at a Local Health Unit (ASL) in the Tuscany Region and at some Local and Social Health Units (ULSS) in the Veneto Region and contracts were renewed mainly for linen rental and industrial laundering services, which were already included in the portfolio at various local hospital trusts.

As regards the Public Market, additional contracts for hygiene services were signed under the Intercenter 5 Emilia Romagna agreement, as were contracts for energy services at some municipality facilities in Sicily.

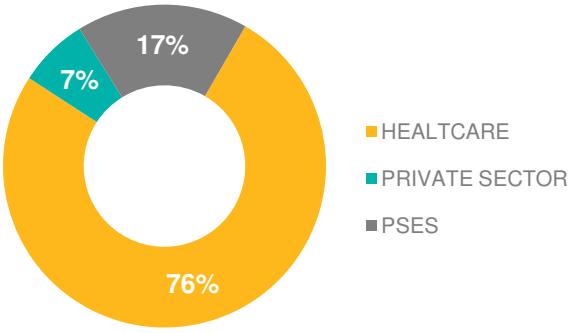
Finally, an agreement was signed for the extension of the offer for integrated services at a major network customer, in addition to noting renewals of portfolio contracts due to expire, mainly for hygiene services at shopping centers and retail customers and for hygiene and catering services in Poland in the Private sector. Among others, the subsidiary H2H Facility Solutions S.p.A. signed an integrated and cleaning services agreement at the offices of Yoox Net-A-Porter.

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:

	31 December 2022	30 September 2022	31 December 2021
Backlog	3,058	3,223	2,950

At 31 December 2022, **Backlog** came to € 3,058 million, remaining stable compared to the value posted at the end of the previous year (€ 2,950 million), while showing a slight decline compared to 30 September 2022 (€ 3,223 million). However, the Backlog/Revenues ratio was equal to 2.4x (2.6x at 31 December 2021).

BACKLOG BY MARKET



1. SUMMARY OF RESULTS OF THE FOURTH QUARTER OF 2022

	For the Quarter ended 31 December		
	2022	2021	%
Revenues	347,953	309,562	+12.4%
of which Revenues - International Markets	*48,219*	*44,582*	
Adjusted EBITDA (*)	46,920	32,265	+45.4%
Adjusted EBITDA % on Revenues	13.5%	10.4%	
Adjusted EBIT (*)	20,905	19,907	+5.0%
Adjusted EBIT % on Revenues	6.0%	6.4%	
Consolidated net result	7,776	(6,701)	
Consolidated net result % on Revenues	2.2%	NA	

In the fourth quarter of 2022 the Group recorded ***Revenues*** of € 348.0 million compared to € 309.6 million in the same period of the previous year, with a positive change of € 38.4 million. The International Markets contributed revenues of € 48.2 million to the quarter (an amount of € 37.6 million of which was contributed by the Polish sub-group controlled by Rekeep Polska), showing an increase of € 3.6 million compared to the same quarter of the previous year.

Revenues for the quarter continued to be affected by the increase in the turnover from energy contracts. On the International Markets front, the Polish group benefited from the renewal and adjustments of contracts during the fourth quarter too, as well as from the development of a new portfolio, while cleaning services became fully operational in the healthcare sector in France. On the other hand, there were a slowdown due to delays in the start-up of some contracts, especially in the Healthcare sector, and delays in business development for some companies in the area of specialist services.

The breakdown by market showed an increase of € 36.7 million in volumes of Healthcare sector compared to the fourth quarter of 2021 (€ 213.6 million in the fourth quarter of 2022 and € 177.0 million in the same period of the previous year, respectively), thus accounting for 61.4% of total consolidated Revenues in the quarter. The increase in revenues by market was driven by the Facility Management business segment, which also includes the contribution given by International Markets and in particular by the sub-group controlled by Rekeep Polska, which mainly operates in the Healthcare sector. The performance of the Laundering&Sterilization sector was on the upswing, although continuing to be affected by the deferred start of operations under some contracts of subsidiary Servizi Ospedalieri and a delay in the business development of the other companies of the sector.

On the other hand, the Private market showed a volume drop in absolute value (- € 0.8 million, € 64.7 million in the fourth quarter of 2022 against € 65.5 million in the fourth quarter of 2021), which was mainly reported in the Facility Management sector, following the exit from some contracts and the simultaneous delay in the business development of some subsidiaries.

(*) Adjusted income statement figures are detailed in the paragraph on "Non-recurring events and transactions" below.

On the other hand, the Laundering&Sterilization sector brought a profit in revenues from the market (+€ 0.2 thousand), despite the comparative quarter was still affected by the non-recurring revenues posted during the pandemic.

Finally, the Public market posted Revenues of € 69.6 million in the quarter, showing an increase of € 2.6 million (+3.9% compared to the same quarter of 2021). The Public market too was affected by an increase in the prices charged to customers under energy contracts as a result of an increase in the costs of raw materials.

While analyzing the overall performance by sector, it is noted that the turnover achieved by the Facility Management SBU during the quarter showed an increase compared to the fourth quarter of 2021 (€ 313.6 million in the quarter ended 31 December 2022 against € 274.5 million in the quarter ended 31 December 2021: +€ 39.1 million), with a positive contribution especially in the Healthcare sector, thus confirming the positive trend observed in the financial year. The Laundering&Sterilization SBU too recorded an increase of € 1.9 million compared to the fourth quarter of 2021, thus confirming a recovery in volumes compared to the previous quarters.

Adjusted EBITDA for the fourth quarter of 2022 came to € 46.9 million, showing an increase of € 14.7 million compared to the same quarter of the previous year (when it was equal to € 32.3 million). While analyzing the performance by sector, the Facility Management SBU recorded an increase of € 16.5 million, which was also contributed to by the positive performance achieved on revenues and was supported, among others, by the recognition of the tax credit granted under Decree Law no. 21 of 2022 (Conversion Law no. 51 of 20 May 2022) as supplemented, as partial compensation for higher costs incurred for the purchase of electricity and natural gas during the quarter, which allows the mitigation of the impact of the increase in prices on these raw materials (€ 22.7 million). On the other hand, the Laundering&Sterilization SBU recorded a decline in terms of Adjusted EBITDA, equal to € 1.8 million compared to the fourth quarter of 2021, in line with the trend in revenues; this sector too benefited from the recognition of the aforesaid tax credit for € 0.3 million during the quarter in question. Finally, the overall average profit margins (**Adjusted EBITDA/Revenues**) came to 13.5% for the quarter ended 31 December 2022 against 10.4% for the same period of the previous year.

Adjusted EBIT for the quarter ended 31 December 2022 amounted to € 20.9 million (6.0% of related Revenues) against € 19.9 million for the same period of the previous year (6.4% of related Revenues). The trend was affected, in absolute terms, by the performance already reported for Adjusted EBITDA (+€ 14.7 million), from which higher amortization and depreciation for € 0.7 million, higher write-downs of receivables (net of releases) for € 1.2 million, higher impairment losses on other assets for € 0.1 million and, finally, higher accruals and net releases to provisions for future risks and charges (excluding the non-recurring portion) for € 11.7 million must be deducted.

Finally, the **Consolidated net result** for the quarter was equal to € 7.8 million against a loss of € 6.7 million for the quarter ended 31 December 2021. In addition to the performance in terms of consolidated adjusted EBIT described above, higher net financial charges were recognized for €2.2 million and an improvement in the profit (loss) for investments valued at equity for €

1.2 million in the fourth quarter of 2022. Furthermore, lower charges for taxes were recognized for € 12.1 million during the quarter compared to the same quarter of 2021, due to the substantial invariance of some tax components with respect to the changes in the Profit (loss) before tax, as well as to the recognition of proceeds of € 2.0 million in the quarter following the submission by some Group companies of supplementary tax returns of Income and IRAP (Regional Production Activity Tax) 2017 – 2022 forms.

	31 December 2022	30 September 2022	31 December 2021
Net Working Operating Capital (NWOC)	68,507	107,206	42,617
Financial indebtedness	(449,776)	(475,139)	(380,649)

From an equity and financial point of view, the figure relating to Net Working Operating Capital (**NWOC**) at 31 December 2022 recorded a decrease compared to the value posted during the past quarter (- € 38.7 million), while showing an increase compared to the value posted at the end of the previous year (+ € 25.9 million). Specifically, the fourth quarter of 2022 saw the recognition of lower trade receivables for € 17.6 million and higher trade payables for € 20.5 million, against a Financial indebtedness that reported a positive change equal to € 25.4 million compared to the end of the previous quarter. During the 2022 financial year trade receivables were assigned to factoring companies without recourse for a total of € 397.9 million (of which € 128.8 million during the fourth quarter) and VAT receivables were assigned without recourse for € 35.5 million (of which € 20.5 million during the fourth quarter).

At 31 December 2022 DSO was 167 days, recording an increase compared to 31 December 2021 (when it was equal to 154 days), but showing a decrease compared to the value posted during the last quarter (when it was equal to 168 days). The performance of the DPO came to 213 days at 31 December 2022, compared to 220 days at 31 December 2021 and 203 days recorded during the previous quarter. Finally, the performance of amounts collected from customers and payments to suppliers as a whole generated cash flows during the quarter (+ € 37.5 million). The trend recorded both in DSO and DPO was also linked to the events that involve the energy sector and the consequent measures put in place by the management.

Financial indebtedness too showed a decrease of € 25.4 million during the quarter. To the cash flows generated from operating activities during the quarter (€ 30.6 million) must be added the cash flow generated by the change in NWOC (€ 37.5 million) and uses of resources for net industrial investments (€ 24.9 million) and financial investments (€ 16.6 million), in addition to uses of provisions for future risks and charges and the provision for Employee Termination Indemnity (TFR) for the quarter (€ 1.5 million), a positive contribution from changes in other operating assets and liabilities that were recorded during the quarter (€ 0.2 thousand); in particular, in addition to the normal seasonal trend in receivables from and payables to employees (showing a decrease of € 2.2 million in the quarter) and payables for receipts to be passed on to the members of the Temporary Business Grouping (the debt balances of which showed an increase of € 3.6 million), there was the recognition of cash inflows against the performance of net VAT credit balances of the Group companies (+ € 12.2 million), which already take

account of assignments carried out without recourse for a total amount of €20.5 million during the quarter, as well as against other residual changes, including the balance of tax credits accrued in the period but not yet used as offsetting at the end of the year, which had an impact of a total amount of € 17.5 million on the quarter.

2. THE REKEEP GROUP'S CONSOLIDATED PERFORMANCE OF OPERATIONS AND FINANCIAL POSITION AT 31 DECEMBER 2022

2.1. Consolidated results of operations for FY 2022

Below are reported the main income figures for 2022 compared to the figures of 2021.

(in thousands of Euro)	For the year ended 31 December		For the quarter ended 31 December	
	2022	2021	2022	2021
Revenues	1,294,376	1,122,025	347,953	309,562
Costs of production	(1,168,016)	(1,012,898)	(302,265)	(280,181)
EBITDA	**126,360**	**109,127**	**45,688**	**29,381**
EBITDA %	**9.8%**	**9.7%**	**13.1%**	**9.5%**
Amortization, depreciation, write-downs and write-backs of assets	(41,912)	(41,477)	(12,319)	(10,347)
Accrual of provisions for risks and charges	(13,505)	(5,471)	(14,790)	(3,826)
Operating Income (EBIT)	**70,943**	**62,179**	**18,579**	**15,208**
EBIT %	**5.5%**	**5.5%**	**5.3%**	**4.9%**
Share of net profit of associates	703	1,267	13	(1,230)
Net financial charges	(40,397)	(66,704)	(13,789)	(11,597)
Profit before taxes (EBT)	**31,249**	**(3,258)**	**4,803**	**2,381**
EBT %	**2.4%**	**N.A.**	**1.4%**	**0.8%**
Income taxes	(3,750)	(17,743)	2,973	(9,082)
Profit (loss) from continuing operations	**27,499**	**(21,001)**	**7,776**	**(6,701)**
Profit (loss) from discontinued operations	0	16	0	0
CONSOLIDATED NET PROFIT (LOSS)	**27,499**	**(20,985)**	**7,776**	**(6,701)**
CONSOLIDATED NET PROFIT (LOSS) %	**2.1%**	**N.A.**	**2.2%**	**N.A.**
Minority interests	(368)	(1,603)	(59)	19
NET RESULT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	**27,131**	**(22,588)**	**7,717**	**(6,682)**

(in thousands of Euro)	For the year ended 31 December		For the quarter ended 31 December	
	2022	2021	2022	2021
NET RESULT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT %	**2.1%**	**N.A.**	**2.2%**	**N.A.**

NON-RECURRING EVENTS AND TRANSACTIONS

In 2022 the Rekeep Group recognized, in the Statement of Profit or Loss for the period, 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 period:

(in thousands of Euro)	For the year ended 31 December	
	2022	2021
Legal advice fees concerning pending administrative disputes	517	580
Costs from reorganization of company units	2,559	2,946
M&A and non-recurring transactions of Group companies	109	1,534
Non-recurring tax charges	132	0
Group refinancing costs	0	857
Legal advice on foreign operations	0	594
Transactions with minority shareholders of subsidiaries	0	859
Competition Authority's fine for the FM4 Tender	0	255
Costs associated with Covid-19 emergency	0	399
NON-RECURRING EXPENSES (INCOME) IMPACTING ON EBITDA	**3,316**	**8,024**
Net non-recurring provisions for risks on contracts	(3,157)	1,464
Provisions for retroactive application of rules	940	0
Other provisions for non-recurring charges	54	0
Provision for the Competition Authority's fine for the FM4 Tender	0	351
NON-RECURRING CHARGES (INCOME) IMPACTING ON EBITDA AND EBIT	**1,153**	**9,839**
Financial fees on Group refinancing	0	2,567

(in thousands of Euro)	For the year ended 31 December	
	2022	2021
Costs for early redemption of Senior Secured Notes 2017	0	15,026
Reversal of amortized cost of Senior Secured Notes 2017	0	6,082
Interest discount on spot assignment of NPLs	0	1,566
TOTAL NON-RECURRING EXPENSES (INCOME)	**1,153**	**35,079**

During 2022 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). Furthermore, total non-recurring costs of € 2.6 million were incurred for the reorganization of company functions, which were affected by, among others, costs for the reorganization of the Group structure and the structures of certain subsidiaries with a view to improving the Group's efficiency and strategic effectiveness.

As regards non-recurring costs impacting on EBIT, we must note the partial release during 2022 of the provision for risks and charges set aside in previous years for non-recurring additional costs that are expected to be incurred on some energy contracts, as restated following the issue of a clarification in terms of regulations.

To this must be added the provision recorded by subsidiary Servizi Ospedalieri, amounting to €0.9 million, in consideration of the sums that are considered likely to have to be paid to certain Regional Governments in application of the provisions laid down in Article 17 of Law no. 111 of 2011 and Article 9 of Decree Law no. 78 of 2015, as converted by Law no. 125 of 2015, which became applicable in 2022 under the Ministry of Health's Decree of 6 July 2022 (published on 15 September 2022) and the Aid-*bis* Decree (as converted by Law no. 142 of 21 September 2022), the so-called "Medical device payback" (for more details, reference should be made to note 15 of the Explanatory Notes of the Consolidated Financial Statements).

On the other hand, the results for the 2021 financial year were instead affected by non-recurring costs that were incurred for the refinancing transaction of the Group, which took place in January and February 2021, and that were associated with both the new issue of Senior Secured Notes and the redemption of the previous ones. Furthermore, it should be noted that non-recurring costs were incurred for the reorganization of company functions, especially in relation to the departments of International Markets, as were costs relating to the termination of business relationships with shareholders. At the same time, the Group incurred non-recurring costs for the acquisition of U.Jet S.r.l. on the part of subsidiary Servizi Ospedalieri S.p.A., as well as further additional costs due to the acquisition of the Polish group led by Rekeep Polska.

Finally, net financial costs for the 2021 financial year were affected by the already mentioned impact of the refinancing transaction, as well as by the cost incurred for a spot assignment without recourse of non-performing loans to a vehicle specializing in the management of this kind of receivables (€ 1.6 million).

Consolidated Adjusted EBITDA and EBIT are thus represented as follows:

(in thousands of Euro)	For the year ended 31 December	
	2022	2021
EBITDA	**126,360**	**109,127**
Non-recurring expenses (income) impacting on EBITDA	3,316	8,024
Adjusted EBITDA	**129,676**	**117,151**
Adjusted EBITDA % on Revenues	**10.0%**	**10.4%**
EBIT	**70,943**	**62,179**
Non-recurring expenses (income) impacting on EBITDA and EBIT	1,153	9,839
Adjusted EBIT	**72,096**	**72,018**
Adjusted EBIT % on Revenues	**5.6%**	**6.4%**

REVENUES

During the period ended 31 December 2022 the Group recorded ***Revenues*** of € 1,294.4 million against € 1,122.0 million for the same period of the previous year, with a positive change of € 172.4 million (+15.4%).

The performance of revenues for the period was affected by an increase in the turnover from energy contracts. The International Markets also gave a positive contribution (+ € 32.0 million), thanks to the positive performance of the Group controlled by Rekeep Polska and the French subsidiaries in the healthcare sector.

The table below shows the breakdown of consolidated Revenues by target Market in 2022 compared with the figure posted in the previous year.

REVENUES BY MARKET

(in thousands of Euro)	For the year ended 31 December				For the quarter ended 31 December	
	2022	% on total Revenues	2021	% on total Revenues	2022	2021
Public Authorities	253,046	19.6%	223,280	19.9%	69,644	67,062
Healthcare	790,189	61.0%	654,553	58.3%	213,611	176,961
Private Customers	251,141	19.4%	244,191	21.8%	64,698	65,539
CONSOLIDATED REVENUES	**1,294,376**		**1,122,025**		**347,952**	**309,562**

Revenues in the Healthcare sector showed an increase of € 135.6 million in the period compared to the same period of 2021, from € 654.6 million to € 790.2 million, thus achieving a weight of 61.0% of total consolidated Revenues. The increase in revenues by market was driven by the Facility Management business segment, which also includes the contribution given by International Markets and in particular by the sub-group controlled by Rekeep Polska, which mainly operates in the Healthcare sector. On the other hand, the Laundering&Sterilization sector bucked the trend, due to the postponement of operations on some contracts for linen rental and industrial laundering, as well as the sterilization of surgical instruments, on the part of subsidiary Servizi Ospedalieri and a slowdown in the business development of other companies in the sector.

The Private market too showed a volume growth in absolute value (+€ 7.0 million, from € 244.2 million at 31 December 2021 to € 251.1 million at 31 December 2022), which was mainly reported in the Facility Management sector, thanks to the expansion of the offer to customers that had already been acquired in previous years and the acquisition of new orders, in particular by subsidiary H2H Facility Solutions, which offset the loss in turnover on outgoing contracts during the year.

Finally, the Public market recorded revenues of € 253.0 million, which also contributed to an increase in consolidated revenues during the period (+ € 29.8 million compared to € 223.3 million in the same period of 2021, +13.3%). The 2022 financial year marked a full resumption of routine work, mainly compared to the first months of 2021; furthermore, it was the Public market, together with the Healthcare sector, which were mostly affected by an increase in the prices charged to customers under energy contracts as a result of an increase in the cost of raw materials.

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	
	2022	**% on total Revenues**	**2021**	**% on total Revenues**	**2022**	**2021**
Facility Management	1,158,704	89.5%	975,196	86.9%	313,646	274,539
of which International markets	*188,476*	*14.6%*	*156,467*	*14.0%*	*48,219*	*44,582*
Laundering & Sterilization	144,503	11.2%	150,470	13.4%	37,808	35,898
Eliminations	(8,832)		(3,642)		(3,501)	(876)
CONSOLIDATED REVENUES	**1,294,376**	**100%**	**1,122,025**		**347,952**	**309,562**

Revenues from the Facility Management SBU recorded an increase of € 183.5 million (+ 18.8%) in 2022 compared to the same period of the previous year, from € 975.2 million at 31 December 2021 to € 1,158.7 million at 31 December 2022, which were contributed to by any and all business segments and particularly the Healthcare sector.

Energy services are mainly provided in the Facility Management sector, which then showed revenues in line with the trend observed in prices during the year. Furthermore, we must note the positive contribution given by the International Markets sector (+ € 32.0 million).

On the other hand, revenues from the Laundering&Sterilization SBU decreased from €150.5 million for the period ended 31 December 2021 to €144.5 million for the year ended 31 December 2022, with a decrease equal to €6.0 million. The negative trend recorded during the two comparative periods was linked to the postponement of operations on some contracts of subsidiary Servizi Ospedalieri, as well as to the poor business development in the sector as a result of the loss of extraordinary sales of PPE carried out by subsidiaries Medical Device and U.Jet until throughout 2021, which returned to pre-Covid performance levels.

The performance shown above allows the Facility Management SBU to increase the relative weight on total consolidated Revenues (89.5% in 2022 against 86.9% in 2021).

EBITDA

The Group's EBITDA came to € 126.4 million for the period ended 31 December 2022, up by € 17.2 million compared to € 109.1 million in 2021. However, it should be noted that EBITDA for the two comparative periods expensed non-recurring costs of € 3.3 million and € 8.0 million at 31 December 2022 and 31 December 2021, respectively. Therefore, Adjusted EBITDA, excluding these non-recurring elements, amounted to € 129.7 million at 31 December 2022, against Adjusted EBITDA of € 117.2 million at 31 December 2021 (+ € 12.5 million).

Below is the comparison of EBITDA by business segment for the period ended 31 December 2022 compared to the same period of 2021:

EBITDA BY SEGMENT

(in thousands of Euro)	For the year ended 31 December				For the quarter ended 31 December	
	2022	% on Revenues by segment	2021	% on Revenues by segment	2022	2021
Facility Management	100,145	8.6%	74,729	7.7%	40,208	22,456
of which International markets	*8,786*		*(763)*		*1,379*	*(542)*
Laundering&Sterilization	26,215	18.1%	34,398	22.9%	5,480	6,925
CONSOLIDATED EBITDA	**126,360**	**9.8%**	**109,127**	**9.7%**	**45,688**	**29,381**

The Facility Management sector showed EBITDA of € 100.1 million at 31 December 2022, showing an increase of € 25.4 million against € 74.7 million in the previous year. Even excluding the non-recurring items that affected the consolidated results

during the two comparative periods, which had an impact on the sector equal to € 2.9 million and € 7.4 million, respectively, Adjusted EBITDA by segment came to € 103.1 million compared to € 82.2 million at 31 December 2021 (+€ 20.9 million). The change recorded during 2022 in terms of EBITDA was closely linked to exogenous variables due to the ongoing conflict in Eastern Europe and the consequent increase in prices, particularly those of energy, which partially worsened the positive performance recorded on revenues; on the other hand, EBITDA for the period benefited from the recognition of the tax credit granted under Decree Law no. 21 of 2022 (Conversion Law no. 51 of 20 May 2022), as supplemented, as partial compensation for higher costs of € 27.1 million in the sector incurred for electricity and natural gas as from the second quarter of the year.

EBITDA in the Laundering&Sterilization business segment came to € 26.2 million in 2022, showing a decrease compared to the same period of 2021 (- € 8.2 million). After excluding non-recurring elements which affected the consolidated results in the two comparative periods and impacted on this segment for € 0.4 million and € 0.6 million, respectively, Adjusted EBITDA by segment came to € 26.6 million against € 35.0 million at 31 December 2021. The result in terms of EBITDA in the Laundering&Sterilization business segment was affected by the same factors as those already described above for revenues, to which must be added the adverse impact of higher costs for energy for the operation of sterilization facilities and transport costs for the supplies of linen; this segment too benefited from the recognition of the tax credit for electricity and natural gas, equal to € 0.6 million, to cover a percentage of the costs incurred as from the second quarter of 2022.

Costs of production

Costs of production, which amounted to € 1,168.0 million at 31 December 2022, showed an increase of € 155.4 million in absolute terms compared to € 1,012.6 million posted at 31 December 2021 (+ 15.3%), in line with the trend recorded on revenues.

(in thousands of Euro)	For the year ended 31 December				For the quarter ended 31 December	
	2022	% of total	2021	% of total	2022	2021
Costs of raw materials and consumables	352,579	30.2%	214,966	21.2%	80,818	72,182
Change in inventories of finished and semi-finished products	(217)	N.A.	918	0.1%	(354)	267
Costs for services and use of third-party assets	335,877	28.8%	323,352	31.9%	93,661	81,559
Personnel costs	469,406	40.2%	460,196	45.4%	123,287	119,967
Other operating costs	10,923	0.9%	13,351	1.3%	4,638	6,014
Capitalization of lower internal construction costs	(552)	N.A.	(140)	0.0%	215	(63)
TOTAL COSTS OF PRODUCTION	**1,168,016**	**100.0%**	**1,012,643**	**100.0%**	**302,265**	**279,926**

Costs of raw materials and consumables in 2022 amounted to € 352.6 million, up by € 137.6 million (+64.0%), compared to the value posted in 2021, which led to a higher impact on total Costs of Production (30.2% at 31 December 2022 against 21.2% at 31 December 2021). The increase in the item, which continued the trend commenced at the end of 2021, was mainly due to an increase in the cost for fuel consumption and other energy resources following an increase in the price of raw materials. However, the impact of higher costs in 2022 was partially offset by the recognition of the tax credit granted under Decree Law no. 21 of 2022 (Conversion Law no. 51 of 20 May 2022), as supplemented, as partial compensation, with incremental percentages over time, for the higher costs incurred for the purchase of electricity and natural gas as from the second quarter of the year, which amounted to € 27.7 million for the Group.

On the other hand, *Inventories of finished and semi-finished products* recorded a decrease of € 1.1 million at 31 December 2022 against lower inventories of products of Medical Device and U.Jet, which are the Group companies dedicated to the production and sale of medical devices and PPE, for which a normal decline in demand was recorded during 2022.

Costs for services and use of third-party assets came to € 335.9 million at 31 December 2022, up by € 12.5 million compared to the value posted at 31 December 2021 (€ 323.4 million) and with an impact of 28.8% (31.9% in the comparative period) on total Costs of Production. The trend in the relative incidence of *Costs for services and use of third party assets* on the total was directly linked to production activities (third-party and professional services, as well as consortia costs), which are typically linked to the mix of services being delivered and to any possible resulting make-or-buy choices.

Personnel costs increased in absolute terms by € 9.2 million (+2.0%) from € 460.2 million at 31 December 2021 to € 469.4 million at 31 December 2022, with an impact on total Costs of Production equal to 40.2% at 31 December 2022 (against 45.4% at 31 December 2021).

The average number of employees in service during 2022 was equal to 26,748 while it was 27,528 in the same period of the previous year (of which 24,939 against 25,786 manual workers) and takes into account, in both comparative periods, the staff members hired following the transfer from the parent company MSC of the “Personnel Activities” Business unit on 1 July 2022, which were already employed within the Group under staffing agreements. 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.

Finally, *Other operating costs* at 31 December 2022 amounted to € 10.9 million (€ 13.4 million at 31 December 2021), showing a decrease of € 2.4 million compared to the same period of the previous year. The item mainly includes duties, penalties and sundry operating charges.

Operating Income (EBIT)

In 2022, Consolidated Operating Income (**EBIT**) came to € 70.9 million (equal to 5.5% of Revenues) against € 62.2 million (equal to 5.5% of Revenues) during the same period of 2021.

EBIT for the period was affected by the above-mentioned consolidated performance in terms of EBITDA (+ € 17.2 million compared to the previous year), from which must be deducted higher *amortization and depreciation* of € 1.8 million (€ 39.6 million at 31 December 2022, against € 37.8 million in the previous year) and *accruals to provisions for risks and charges* (net of reversals) for € 8.0 million, including a net non-recurring release for € 3.2 million relating to the provision set aside to cover the probable risk of the parent company incurring additional costs on some energy contracts and other non-recurring accruals of € 1.0 million, while lower *write-downs* of trade receivables (net of releases), and other assets must be deducted for € 1.4 million.

Adjusted EBIT (recognizing the same non-recurring items impacting on Adjusted EBITDA, in addition to the aforesaid non-recurring accruals in the period) came to € 72.1 million and € 72.0 million at 31 December 2022 and at 31 December 2021, respectively, with relative profit margins (Adjusted EBIT/Revenues) equal to 5.6% and 6.4%.

Below is a comparison of Operating Income (EBIT) by business segment for the period ended 31 December 2022 and the 2021 financial year:

EBIT BY SEGMENT

(in thousands of Euro)	For the year ended 31 December				For the quarter ended 31 December	
	2022	% on Revenues by segment	2021	% on Revenues by segment	2022	2021
Facility Management	67,331	5.8%	47,981	4.9%	19,736	13,596
of which International Markets	*(718)*		*(4,546)*		*(5,406)*	*(1,595)*
Laundering&Sterilization	3,612	2.5%	14,199	9.4%	(1,157)	1,611
CONSOLIDATED EBIT	**70,943**	**5.5%**	**62,179**	**5.5%**	**18,579**	**15,208**

EBIT in the Facility Management business segment was equal to € 67.3 million at 31 December 2022, showing an increase of € 19.4 million compared to 31 December 2021, with operating profit margins coming to 5.8% of Revenues by segment (4.9% at 31 December 2021). Adjusted EBIT by segment increased from € 57.2 million at 31 December 2021 to € 67.2 million at 31 December 2022.

Adjusted EBIT by segment reflected the abovementioned performance in terms of Adjusted EBITDA (+ € 20.9 million) from which must be deducted higher amortization and depreciation for € 0.6 million, and higher accruals, net of releases on provisions for future risks and charges and non-recurring items for € 11.9 million, and to which must be added lower write-downs of trade receivables (net of releases) for € 1.5 million.

In the Laundering&Sterilization segment, EBIT by segment showed a decrease of € 10.6 million and profit margins by segment equal to 2.5% in terms of EBIT on related Revenues by segment (9.4% at 31 December 2021).

Adjusted EBIT by segment decreased from € 14.8 million at 31 December 2021 to € 4.9 million at 31 December 2022, reflecting the negative performance in terms of Adjusted EBITDA in 2022 compared to the same period of the previous year (-€ 8.4 million), as well as higher amortization and depreciation for € 1.2 million, higher write-downs of other assets for € 0.1 million and accruals to provisions for risks and charges, net of releases for € 0.1 million (net of non-recurring accruals).

Profit (loss) before tax from continuing operations

To consolidated EBIT must be added net income for the companies valued at equity, equal to € 0.7 million (€ 1.3 million at 31 December 2021).

Net financial charges of € 40.4 million were also recognized (€ 66.7 million at 31 December 2021, including non-recurring charges), thus obtaining a Profit before tax from continuing operations equal to € 31.2 million (against a loss of € 3.3 million at 31 December 2021).

Below is the breakdown by nature of net financial charges in 2022 compared with the previous year:

(in thousands of Euro)	For the year ended 31 December		For the quarter ended 31 December	
	2022	2021	2022	2021
Dividends and income (loss) from sale of investments	(478)	1,498	(607)	746
Financial income	2,773	1,055	335	470
Financial charges	(43,568)	(69,681)	(11,643)	(12,878)
Profit (loss) on exchange rate	876	424	(1,874)	65
NET FINANCIAL CHARGES	**(40,397)**	**(66,704)**	**(13,789)**	**(11,597)**

In 2022 dividends were accounted for from non-consolidated companies for € 0.5 million (€ 0.3 million at 31 December 2021). Furthermore, the capital loss generated by the deconsolidation of Rekeep United Yönetim Hizmetleri A.Ş., which had been sold during the last quarter, was recognized at 31 December 2022, while the Group had recorded net capital gains of € 1.1 million from the sale of non-consolidated investments at 31 December 2021.

Financial income amounted to € 2.8 million in 2022, showing an increase of € 1.7 million compared to 2021 (when it was equal to € 1.1 million), mainly due to the recognition of default interest to a customer in court for € 1.5 million.

The impact of *financial charges* on the consolidated results of operations for the period was equal to € 43.6 million compared to € 69.7 million for the same period of 2021, recording a decrease of € 26.1 million.

The change was mainly due to the impact of the refinancing transaction that the Group carried out in the first months of 2021 and that entailed an early redemption of the Senior Secured Notes issued in 2017, due 2022 and a coupon at an annual fixed rate of 9%, as well as the issue of new Senior Secured Notes due 2026 and a coupon at an annual fixed rate of 7.25% for a total amount of € 370.0 million. This transaction entailed the payment of non-recurring financial charges for a total of € 23.7 million in 2021, consisting of: (i) costs related to the early redemption for € 15.0 million, on the basis of the redemption premium set in the rules of the Senior Secured Noted that have been paid off; (ii) the reversal through profit or loss for the period of the residual additional costs to the issue in 2017, accounted for according to the amortized cost method, equal to € 5.8 million; (iii) the reversal through profit or loss of the residual portion of the costs concerning the Revolving Credit Facility line that was repaid on the same date, which are also amortized on a straight-line basis throughout the term of the credit facility (€ 0.3 million).

In 2022, the financial charges accrued on the coupons of the Senior Secured Notes amounted to € 26.8 million (€ 27.5 million in the same period of the previous year, of which an amount of € 2.3 million related to the Notes of 2017 before redemption). The upfront fees relating to the issue of the Senior Secured Notes in 2021 were accounted for according to the amortized cost method, which entailed financial amortization charges of € 1.5 million in the period (€ 1.4 million at 31 December 2021).

At the same time as the bond issue, the Parent Company entered into a new Super Senior Revolving loan agreement for € 75.0 million, costs of which (initially equal to € 1.3 million) are also amortized on a straight-line basis throughout the term of the credit facility and entailed the payment of financial charges of € 0.8 million in the period (including commitment fees charged by banks), compared to € 0.9 million in the same period of the previous year. Furthermore, the use of the facility during the period entailed the charging of financial costs equal to € 1.0 million (€ 0.2 million at 31 December 2021, when the facility had only been drawn in the second half of the year).

Interest discount costs were also recognized for € 3.4 million during 2022, in relation to the assignments of trade receivables and VAT credits without recourse (€ 5.3 million in the previous year, when there had also been a spot assignment of non-performing loans, which had generated non-recurring charges for € 1.6 million). Assignments with recourse and reverse factoring lines generated financial costs of € 1.6 million at 31 December 2022, against financial costs of € 0.8 million at 31 December 2021.

Finally, foreign exchange gains of € 0.9 million were recorded at 31 December 2022, mainly linked to the fluctuations in Euro/ Turkish Lira and Saudi Riyal exchange rates during the period

Consolidated net Result

From the Profit (loss) before tax from continuing operations (€ 31.2 million) must be deducted taxes of € 3.8 million, thus obtaining a Net result from continuing operations of € 27.5 million (against a loss of € 21.0 million at 31 December 2021).

Below is the breakdown of consolidated tax rate:

(in thousands of Euro)	For the year ended 31 December	
	2022	2021
Profit (loss) before tax from continuing operations	**31,249**	**(3,258)**
Current, prepaid and deferred IRES tax	1,308	(12,352)
Current, prepaid and deferred IRAP tax	(5,059)	(5,391)
Net profit (loss) from continuing operations	**27,499**	**(21,001)**
Tax rate from continuing operations	**12.0%**	**N.A.**
Profit (loss) before tax from discontinued operations	0	16
Consolidated net result	**27,499**	**(20,985)**
Overall tax rate	**12.0%**	**N.A.**

The consolidated tax rate stood at 12.0% at 31 December 2022: lower taxes were recognized for € 14.0 million against a Profit (loss) before tax which showed an increase compared to the same period of the previous year, amounting to € 34.5 million. The effect was mainly due to the exemption from taxation of the aforementioned electricity and gas tax credit recognized in the period, as well as to the recognition of income totaling € 6.2 million following the submission by the parent company Rekeep S.p.A. and its subsidiaries H2H Facility Solutions S.p.A. and Servizi Ospedalieri S.p.A. concerning the supplementary tax returns of Income 2017-2022 and IRAP (Regional Production Activity Tax) 2017–2022 forms. The consolidated tax rate would come to 32.6%, net of this income.

The Group then showed a consolidated net profit of € 27.5 million at 31 December 2022 against a consolidated net loss of € 21.0 million at 31 December 2021, impacted by non-recurring financial charges of € 23.7 million correlated to the refinancing transaction carried out in the first months of 2021.

2.2. Analysis of the statement of financial position at 31 December 2022

The statement of Sources and Uses is reported below:

(in thousands of Euro)	31 December 2022	31 December 2021
USES		
Trade receivables and advances to suppliers	537,227	443,248
Inventories	12,088	12,743
Trade payables and contract liabilities	(480,808)	(413,374)
Net working operating capital	**68,507**	**42,617**
Other working capital elements	(120,289)	(150,501)
Net working capital	**(51,782)**	**(107,884)**
Property, plant and equipment	93,249	86,375
Right-of-use assets	54,625	43,590
Goodwill and other intangible assets	423,223	424,185
Investments accounted for under the equity method	10,121	9,153
Other items of non-current assets	51,270	30,857
Fixed assets	**632,488**	**594,160**
Non-current liabilities	(57,972)	(54,293)
NET INVESTED CAPITAL	**522,734**	**431,983**
SOURCES		
Equity attributable to non-controlling interests	6,096	4,588
Equity attributable to equity holders of the Parent	66,862	46,746
Shareholders' equity	**72,958**	**51,334**
Financial indebtedness	449,776	380,649
of which fair value of call options on subsidiaries' non-controlling interests	*16,046*	*15,336*
FINANCING SOURCES	**522,734**	**431,983**

Net working capital

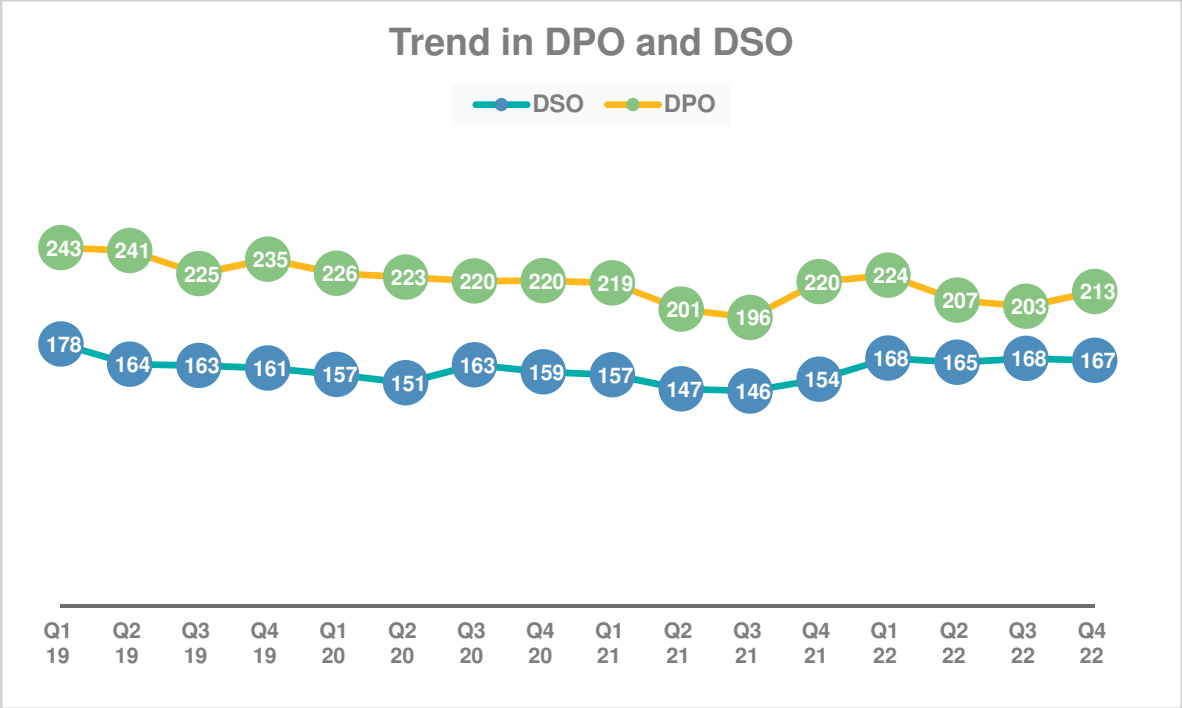
At 31 December 2022, Consolidated Net Working Capital (**NWC**) was negative and equal to € 51.8 million against a negative NWC of € 107.9 million at 31 December 2021.

At 31 December 2022 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 € 68.5 million against € 42.6 million at 31 December 2021. Considering the balance of receivables assigned by the Group without recourse and not yet collected by the

factoring agencies (equal to € 101.5 million at 31 December 2022 and € 68.0 million at 31 December 2021) the **Adjusted NWOC** came to € 170.0 million and € 110.6 million, respectively.

The change in this latter indicator (+ € 59.4 million) was linked to a change in the balance of trade payables (+ € 67.4 million) against an increase in trade receivables (+ € 127.5 million, considering the balance of receivables assigned by the Group without recourse and not yet collected by the factoring companies), as well as a change in the balance in inventories for (- € 0.1 million). At 31 December 2022, Adjusted NWOC was affected by higher volumes recorded on both trade payables and receivables caused by the well-known rise in energy prices.

As at 31 December 2022, average DSO was 167 days against 154 days at 31 December 2021 and 168 days at 30 September 2022. Furthermore, average DPO stood at 213 days, showing a decrease compared to the value posted at 31 December 2021 (220 days), against an increase compared to 30 September 2022 (203 days). The increase recorded both in DSO and DPO was also linked to events that involve the energy sector (first of all higher volumes and greater pressure from energy suppliers) and the consequent actions implemented by the management, such as the reduction of the invoicing period and the use of available lines of credit.



The balance of the other elements in working capital at 31 December 2022 was a net liability of € 120.3 million, down by € 30.2 million compared to a net liability of € 150.5 million at 31 December 2021:

(in thousands of Euro)	31 December 2022	31 December 2021	Change
Current tax receivables	8,671	5,278	3,393
Other current assets	59,211	24,133	35,078
Provisions for risks and charges, current	(18,483)	(12,455)	(6,028)
Current tax payables	(21)	0	(21)
Other current liabilities	(169,667)	(167,457)	(2,210)
OTHER WORKING CAPITAL ELEMENTS	**(120,289)**	**(150,501)**	**30,212**

The change in the net liability of other working capital elements, compared to 31 December 2021 was due to a combination of factors, mainly including:

- an increase 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" (+ € 3.3 million). These credit balances allowed, during 2022, the performance of assignments without recourse of the balances on account of refund required from the Tax Authorities, for a total amount of € 35.5 million;
- an increase in the balance of tax credits claimed from the Tax Authorities, which includes, among others, the tax credit granted under Decree Law no. 21 of 2022 (Conversion Law no. 51 of 20 May 2022), as supplemented, as partial compensation for higher costs incurred for the purchase of electricity and natural gas, which amounted to € 22.2 million for the Group, and which had not yet been used at the end of the period;
- the payment of higher guarantee deposits on new annual electricity and gas utility contracts for € 7.4 million;
- an increase in the balance of net current tax receivables, equal to € 8.7 million at 31 December 2022 against a net receivable of € 5.3 million at 31 December 2021.

Furthermore, "Other current liabilities" include the residual balance of € 66.6 million of the liability recorded by the parent Company Rekeep S.p.A. following the service of the Competition Authority's updated order concerning the Consip FM4 tender and the subsequent entry of the requested amount in the taxpayers' list on the part of the Revenue Agency, subject to a payment plan of no. 72 monthly installments sent on 22 December 2020 (initially equal to € 82.2 million).

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 € 10.0 million and € 10.5 million at 31 December 2022 and 31 December 2021, respectively;
- the long-term portion of Provisions for risks and charges (€ 30.2 million at 31 December 2022 against € 26.0 million at 31 December 2021);
- deferred tax liabilities of € 15.8 million (€ 16.4 million at 31 December 2021);
- other non-current liabilities of € 2.0 million at 31 December 2022 (€ 1.4 million at 31 December 2021).

Consolidated financial indebtedness

The breakdown of financial indebtedness at 31 December 2022 is reported below, as determined on the basis of the instructions laid down in CONSOB Communication no. DEM/6064293 of 28 July 2006, as amended by the Guidelines issued by ESMA ("European Securities and Markets Authority") on disclosure requirements (ESMA32-382-1138 of 4 March 2021) and implemented by CONSOB itself in Warning Notice no. 5/21 of 29 April 2021 - "*Compliance with ESMA Guidelines on disclosure requirements under the Prospectus Regulation.*"

The breakdown at 31 December 2022 is compared with the figures at 31 December 2021.

(in thousands of Euro)	31 December 2022	31 December 2021
A. Cash	162	160
B. Cash equivalents (c/a, bank deposits and consortia, non-proprietary accounts)	84,081	99,352
C. Other current financial assets	7,017	14,799
D. Liquidity (A) + (B) + (C)	**91,260**	**114,311**
E. Current financial liabilities	106,275	67,980
F. Current portion of non-current debt	26,153	14,097
G. Current financial indebtedness (E)+(F)	**132,428**	**82,077**
H. Current net financial indebtedness (G) - (D)	**41,168**	**(32,234)**
I. Non-current financial liabilities	44,067	49,858
J. Debt instruments	364,541	363,025
K. Trade payables and other non-current payables	0	0
L. Non-current financial indebtedness (I) + (J) + (K)	**408,608**	**412,883**
M. NET FINANCIAL INDEBTEDNESS (H) + (L)	**449,776**	**380,649**

Consolidated financial indebtedness increased from € 380.6 million at 31 December 2021 to € 449.7 million at 31 December 2022.

Work continued in 2022 on the assignments of trade receivables without recourse to factoring companies, including BFF Bank S.p.A., with which the Parent Company Rekeep S.p.A. and other subsidiaries have in place a 3-year maturity factoring agreement 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 € 300 million, and which was renewed for the last time on 14 January 2022. Furthermore, additional relationships are maintained with factoring companies for converting specifically-agreed credit positions into cash, which are claimed from both Entities in the National Health System and Public Authorities and private individuals. Assignments of trade receivables without recourse that were carried out by the Group during 2022 amounted to €397,857 thousand, in addition to assignments of VAT credits requested for refund for a total of €35.5 million. The entire loan portfolio sold under non-recourse contracts was derecognized in accordance with the provisions of IFRS9.

The consolidated 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 € 101.5 million at 31 December 2022 against € 68.0 million at 31 December 2021) amounted to € 551.3 million against € 448.6 million at 31 December 2021.

Financial indebtedness also included the financial liability related to the fair value measurement of options on the minority interest of the subsidiaries Rekeep Polska S.A. and Rekeep France S.a.S., which totaled € 16.0 million at 31 December 2022 (€ 15.3 million at 31 December 2021).

At 31 December 2022 the balance of Cash and cash equivalents, net of short-term lines of credit (“Net Cash”) amounted to € 57.1 million (€ 70.1 million at 31 December 2021):

(in thousands of Euro)	31 December 2022	31 December 2021
Cash and cash equivalents	84,243	99,512
Current bank overdraft, advance payments and hot money	(15,293)	(6,140)
Obligations arising from assignments of trade receivables with recourse	(11,806)	(23,270)
NET CASH	**57,144**	**70,101**

Below is the breakdown of the net financial exposure for bank credit lines and lease agreements (“Net Debt”) at 31 December 2022, compared to 31 December 2021:

(in thousands of Euro)	31 December 2022	31 December 2021
Senior Secured Notes (nominal value)	370,000	370,000
Bank debts (nominal value)	838	1,104
Financial lease liabilities	48,956	44,107

Current bank overdraft, advance payments and hot money	15,293	6,140
Obligations arising assignments of receivables with recourse	11,806	23,270
Payables for reverse factoring	33,813	9,963
GROSS DEBT	**480,706**	**545,585**
Receivables and other current financial assets	(7,017)	(14,799)
Cash and cash equivalents	(84,243)	(99,512)
NET DEBT	**389,446**	**340,274**

In 2022 the balance of lease liabilities mainly increased following the execution of a new property lease agreement on the part of subsidiary Medical Service S.r.l. in relation to a building and the acquisition by Rekeep S.p.A. of the lease agreement for the company's head office building, in which it took over from its parent company MSC S.p.A., for a residual value of € 10.5 million as at the transaction date, as well as the simultaneous withdrawal from the lease agreement for the same property for a residual debt of €7.8 million as at the transaction date (the net effect of the transaction on financial lease liabilities is equal to a higher debt of € 2.7 million).

Furthermore, there was the recognition of lower uses of credit lines for the assignment with recourse of trade receivables (€ 11.8 million at 31 December 2022 against € 23.3 million at 31 December 2021), as well as of higher uses of reverse factoring lines for € 23.8 million (€ 33.8 million at 31 December 2022 against € 10.0 million at 31 December 2021) and Bank overdraft, advance payments and hot money (€ 15.3 million at 31 December 2022 and € 6.1 million at 31 December 2021).

The change in consolidated “Cash and cash equivalents” is analyzed in the table below, which shows the cash flows relating to the 2022 financial year, compared with the figures for the same period of 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 presented in the condensed Explanatory Notes according to IAS 7.

(in thousands of Euro)	**2022**	**2021**
At 1 JANUARY	**99,512**	**90,464**
Cash flow from current operations	80,841	29,301
Uses of provisions for risks and charges and payments of the Employee Termination Indemnity (TFR)	(4,976)	(4,539)
Change in NWOC	(21,588)	(11,595)
Industrial capex, net of disposals	(49,822)	(33,843)
Financial capex, net of disposals	(33,495)	(2,603)
Change in net financial liabilities	53,858	55,370
Other changes	(40,088)	(23,043)
AT 31 DECEMBER	**84,243**	**99,512**

The overall cash flows mainly reflect:

- a flow generated from current operations for € 80.8 million (a cash inflow of € 29.3 million at 31 December 2021);
- outflows from the use of provisions for future risks and charges and of the provision for Employee Termination Indemnity (TFR) for € 5.0 million (€ 4.5 million at 31 December 2021);
- a cash flow used for changes in NWOC for € 21.6 million (€ 11.6 million at 31 December 2021) resulting from an outflow correlated to an increase in trade receivables for € 96.7 million (- € 15.0 million in 2021) against inflows relating to a change in inventories for € 0.6 million (+ € 3.0 million at 31 December 2021) and trade payables for € 74.4 million (+ € 0.3 million at 31 December 2021);
- a cash absorption of € 49.8 million used in industrial investments (€ 33.8 million at 31 December 2021), net of disposals for € 1.2 million (€ 1.1 million in the same period of the previous year);
- a cash outflow for the net effect of financial investments and disinvestments of € 33.5 million at 31 December 2022, mainly absorbed by the acquisition of the "Personnel Activities" business unit, which took place on 1 July 2022 for € 13.8 million and the acquisition of the residual minority interest in a subsidiary for € 1.0 million, as well as by the amounts pledged as collateral for gas supply contracts (cash collateral) for € 16.9 million; there was a cash absorption of € 2.6 million at 31 December 2021 too, mainly relating to the acquisition of U.Jet S.r.l. on the part of subsidiary Servizi Ospedalieri for a total consideration of € 5.0 million on 1 June 2021, which was partly offset by the sale of non-consolidated investments for € 3.0 million, net of a loan granted to an associated company;
- an increase in net financial liabilities of € 53.9 million, mainly due to (i) changes relating to the use of short-term credit lines for hot money and advances on invoices (+ € 9.2 million) and for reverse factoring (+ € 23.9 million), partially offset by a decrease in payables for assignments with recourse of trade receivables (- € 11.5 million); (ii) a higher 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 (+ € 13.9 million); (iii) an increase in financial liabilities recognized on lease agreements (+ € 4.8 million); (iv) the full repayment of the loan granted to the parent company MSC (+ € 10.0 million); (v) the collection of the final tranche of the receivable claimed by Servizi Ospedalieri related to the sale of a minority interest that took place in previous years (+ € 1.1 million); (vi) the effects of the fair value adjustment of the contingent liability, at the end of the period, for put options on minority interests (+ € 0.7 million). In the same period of the previous year there was an increase in net financial liabilities of € 55.4 million, which was mainly due to (i) the refinancing transaction, which entailed the recognition of a higher capital debt of € 36.1 million; (ii) other changes in the liability relating to the use of short-term credit lines for hot money and advances on invoices (+ € 0.2 million) and for assignments of trade receivables with recourse (+ € 7.5 million), as well as for reverse factoring transactions (+ € 5.3 million); (iii) a higher 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 (+ € 4.6 million); (iv) an increase in financial liabilities recognized on lease agreements (- € 1.1 million); (v) the effects of the fair value adjustment of the contingent liability, at

the end of the period, for put options on minority interests (+ Euro 2.3 million); (vi) the change in the balance of accrued interest (+ € 9.7 million);

- a cash absorption arising from other changes recorded in the period for € 40.1 million, mainly due to the net effect of: (i) the cash flow absorbed by the trend in net VAT credit balance for the Group companies, which increased by € 3.3 million during 2022, albeit against non-recourse assignments totaling € 35.5 million; (ii) the changes in debt balances for payments due to the members of the Temporary Business Grouping for (+ € 5.1 million); (iii) an increase in payables for personnel for € 1.4 million; (iv) a decrease, among "Other operating current liabilities", in the payable related to the fine imposed by the Competition Authority in relation to the Consip FM4 Tender (- € 5.6 million); (v) an increase in tax credits following the recognition of the tax credit on electricity and gas consumption (- € 22.2 million) and receivables for guarantee deposits paid on new annual electricity and gas utility contracts (- € 7.4 million). Other changes in 2021 absorbed total flows of € 23.0 million, mainly due to the net effect of: (i) the trend in net VAT credit balances for the Group companies, which decreased by € 1.6 million during the period, even against assignments without recourse totaling € 28.6 million; (ii) a decrease, among "Other operating current liabilities", in the payable related to the fine imposed by the Competition Authority in relation to the Consip FM4 Tender (- € 7.2 million); (iii) the changes in debt balances for payments due to the members of the Temporary Business Grouping for (+ € 4.5 million); (iv) the increase in the balance of payables to/receivables from employees and related payables to/receivables from social security institutions and Tax Authorities for withholding taxes (- € 8.7 million).

Industrial and financial Capex

In 2022 the Group made gross capital expenditures which totaled € 57.9 million (€ 34.9 million in 2021), from which must be deducted disinvestments of € 1.2 million (€ 1.1 million in the same period of the previous year):

(in thousands of Euro)	For the year ended 31 December	
	2022	2021
Acquisition of owned properties	1,917	227
Acquisition of owned plant and equipment	32,791	28,370
Acquisition of rights of use of properties [2]	16,038	0
Acquisition of rights of use of plant and equipment [2]	2,586	2,215
Other investments in intangible assets	4,586	4,110
INDUSTRIAL CAPEX	**57,918**	**34,923**

Investments in company-owned properties almost fully related to subsidiary Servizi Ospedalieri for the acquisition of an industrial building in 2022.

[2] excluding the increase in rights of use for lease and long-term hire agreements

Acquisitions of company-owned plant and equipment include investments of € 5.4 million in the "centralized kitchens" project to support the catering services provided by the Polish sub-group in Poland, in addition to the purchases of linen on the part of Servizi Ospedalieri S.p.A. for the linen rental and industrial laundering business, which requires periodic and frequent repairs, equal to € 12.4 million at 31 December 2022 against € 16.4 million at 31 December 2021.

In addition to the direct investment, Servizi Ospedalieri S.p.A. equipped itself with linen under lease agreements for € 1.5 million (€ 1.6 million in the previous year); it also leased replacement surgical instruments for € 0.8 million. Additional right-of-use investments for the period related to a property lease agreement of € 1.1 million signed by subsidiary Medical Device S.r.l., relating to a building previously held under lease, and to Rekeep S.p.A. taking over the property lease agreement involving the registered office previously held under lease, through the acquisition of the contract from the parent company MSC S.p.A., with a fair value of € 14.9 million, as per the expert's report prepared by CBRE.

Investments in intangible assets amounted to € 4.6 million in the period (€ 4.1 million at 31 December 2021) and mainly related to ICT investments on the part of the Parent Company for the upgrading and enhancement of its SAP infrastructure and other similar investments.

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

(in thousands of Euro)	For the year ended 31 December	
	2022	2021
Facility Management	35,178	12,632
of which relating to International markets	*11,203*	*6,472*
Laundering & Sterilization	22,740	22,291
INDUSTRIAL CAPEX	**57,918**	**34,923**

In 2022, financial investments absorbed financial resources for € 33.5 million, net of disinvestments, against net investments of € 2.6 million in 2021. During the period ended 31 December 2022 Rekeep S.p.A. used € 13.8 million for the acquisition of the "Personnel Activities" business unit from its parent company MSC S.p.A. with effect from 1 July 2022, thanks to which Rekeep was able to insource the know-how and skills belonging to its executives, as well as the activities and competencies pertaining to the area of Human Resources (HR), in addition to achieving savings, compared to the outsourcing of these functions.

In July 2022, Rekeep S.p.A. also acquired the residual minority stake of SA.N.GE. Soc. Cons. a r. l. for € 1.0 million (11% of the quota capital). Finally, there was a capital increase payment of € 0.1 million carried out in non-strategic investees during the year.

Financial investments in the previous year related to the acquisition of the majority stake (60%) in the quota capital of U.Jet S.r.l., for a consideration of € 5.0 million, on the part of subsidiary Servizi Ospedalieri. In addition, an amount of € 3.0 million had been collected from the sale of investments in non-strategic Group companies.

Change in net financial liabilities

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

(in thousands of Euro)	31 December 2021	New loans	Repayments / Payments	Buy-back/ Early termination	Other changes	31 December 2022
Senior Secured Notes	363,025				1,516	364,541
Revolving Credit Facility (RCF)	0	140,000	(140,000)			0
Bank loans	1,104		(266)			838
Current bank overdraft, advance payments and hot money	6,140	15,293	(6,140)			15,293
Accrued expenses and deferred income on loans	10,473		(26,850)		27,008	10,631
BANK DEBTS	**380,742**	**155,293**	**(173,256)**	**0**	**28,524**	**391,303**
Lease obligations	44,107	22,432	(8,711)	(8,872)	0	48,956
Payables for assignments of trade receivables with recourse	23,270	34,218	(45,682)		0	11,806
Payables for reverse factoring	9,963	33,813	(9,963)		0	33,813
Receipts on behalf of assignees of trade receivables without recourse	14,556	28,480	(14,556)		0	28,480
Fair value put option	15,336				710	16,046
Other liabilities	6,986	7,505	(3,858)		(0)	10,632
FINANCIAL LIABILITIES	**494,960**	**281,471**	**(256,027)**	**(8,872)**	**29,234**	**541,036**
Current financial assets	(14,799)	(3,489)	11,271		0	(7,017)
NET FINANCIAL LIABILITIES	**480,161**	**278,252**	**(244,756)**	**(8,872)**	**29,234**	**534,019**

The residual debt on account of principal on the Senior Secured Notes was equal to € 370.0 million at 31 December 2022, to which must be added the accounting adjustment on the premium and additional issue costs, accounted for according to the amortized cost method (€ 5.5 million). The financial amortization of this adjustment generated financial costs of € 1.5 million in 2022. The facility also entailed the payment of six-monthly periodic interest, which amounted to € 26.8 million in 2022.

At the same time as the issue of Notes the Company also signed a new revolving loan agreement for a maximum amount of € 75 million. The facility was partially used during the period to meet temporary cash requirements, and was promptly repaid (at 31 December 2021 the RCF facility had not been drawn down); the uses for the period entailed the charging of financial interest costs of € 1.0 million during 2022 (€ 0.2 million at 31 December 2021, when the facility had only been drawn down during the second half-year).

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. On the reporting date of these financial statements the financial covenants had been complied with.

Furthermore, at 31 December 2022 there was the recognition of accrued expenses on loans in a total amount of € 11.7 million (almost entirely relating to the amount accrued on the bond coupon due 1 February 2023) and prepaid financial expenses of € 1.1 million, of which an amount of € 0.7 million relating to the remaining amount of costs to be amortized for obtaining the Revolving Credit Facility, for an initial amount of € 1.3 million and amortized on a straight-line basis throughout the entire term of the credit facility (financial charges of € 0.3 million recognized during the period).

Furthermore, as at the closing date of the financial 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 € 15.3 million, against a balance of € 6.1 million at 31 December 2021. Furthermore, Rekeep S.p.A. and Servizi Ospedalieri S.p.A. used credit facilities for the assignment of trade receivables with recourse in place with Banca Sistema concerning receivables from customers in the Public sector market. During 2022 assignments were made in an overall nominal amount of € 34.2 million and the facilities had been used for € 11.8 million at the end of the financial year (€ 23.3 million at 31 December 2021). The Parent Company also entered into reverse factoring lines in order to ensure a greater amount of overdraft facilities on some major suppliers, against which a liability was stated for € 33.8 million at 31 December 2022 (€ 10.0 million at 31 December 2021).

The Group recorded receipts of € 28.5 million at 31 December 2022 concerning receivables included in assignments without recourse for which the respective debtors had not made any payment to the bank accounts specified by the factor. These amounts constitute a financial liability for the Group since the Group acts as an agent to manage receipts on behalf of the factor, and therefore proceeded with the payment of said amounts at the beginning of the subsequent quarter.

The financial liabilities relating to the present value of future lease payments to be made on leasing, property and operating leases amounted to € 49.0 million at 31 December 2022 against € 44.1 million at 31 December 2021. During the period in question, new agreements were entered into and rentals were revalued for a present value of € 22.4 million upon recognition, while contracts were early terminated for a remaining value of € 8.9 million. In particular, on 12 December 2022 the Parent Company Rekeep S.p.A. signed with its parent company MSC S.p.A. the deed of acquisition of two property lease contracts relating to the registered office, in place with MPS Leasing & Factoring S.p.A., for a residual value of € 10.5 million at the execution date, including the redemption price; this entailed the simultaneous early repayment of the liability previously recognized against the right of use on lease on the part of the parent company on the same property for € 7.8 million (net effect on the transaction on financial lease liabilities amounting to € 2.7 million). Finally, contingent liabilities were recognized under financial liabilities for the acquisition of investments for a total amount of € 16.0 million (€ 15.3 million at 31 December 2021), relating to the put option granted to the seller on the 20% minority interest under the Investment Agreement which led to the acquisition of Rekeep Polska, in addition to the put option granted in favor of the minority shareholder of Rekeep France on the remaining 30% of the share capital, both of which had been already recognized at 31 December 2021.

Finally, “Other financial liabilities” included loans taken out by the Group companies with non-banking counterparties.

The balance of short-term financial assets showed a decrease by € 7.8 million during 2022, mainly following the repayment in full (€ 10.0 million) of the short-term interest-bearing upstream loan that the Parent Company Rekeep S.p.A. has granted to the subsidiary MSC Società di Partecipazione tra Lavoratori S.p.A on the basis of the agreement signed on 5 November 2021; this

loan, which has a term of one year and accrues interest at 3-month EURIBOR plus spread, was a profitable alternative for the Parent Company to use available cash.

At the end of the period, financial assets also included the balance of the current accounts subject to pledge used within the scope of the aforementioned agreements for the assignment of trade receivables without recourse (€ 5.6 million). Finally, to these must be added residual receivables on the disposals of investments for € 0.2 million, relating to the sale of the associate Fratelli Bernard S.r.l. on the part of subsidiary Servizi Ospedalieri, which took place on 28 December 2021, while the last tranche (€ 1.1 million) was collected by Servizi Ospedalieri in the period in relation to the sale of Linea Sterile S.r.l., a non-strategic investment sold on 29 December 2020.

2.3. Financial ratios

The main financial ratios for 2022, calculated at consolidated level, compared with the same ratios recorded for 2021, are reported below.

The financial data used to calculate these ratios for the 2021 financial year are "normalized", i.e. net of the financial charges incurred for the refinancing transaction, which are non-recurring and the significant amount of which is considered distorting for the assessment of the Company's ongoing results.

	2022	2021
ROE	68.3%	1.9%
ROI	13.6%	14.5%
ROS	5.5%	5.6%

ROE (Return on Equity) provides a summary measurement of the return on capital invested by shareholders. The ratio reflects a Consolidated net profit in 2022, compared to an Equity eroded by the carry-forward of Consolidated net losses for the last two financial years.

ROI *(*Return on Investments*)* provides a summary measurement of the operating return on capital invested in a business. The performance reflects an increase in the Group's gross Invested Capital (+ € 90.8 million), which is more than proportional compared to an increase in EBIT for the year (€ 70.9 million and € 62.4 million in 2022 and 2021, respectively).

ROS (Return on sales) provides a summary measurement of the Group's ability to convert turnover to EBIT and stood at 5.5% in 2022 compared to 5.6% in 2021: against a positive change in turnover, equal to 15.4% compared to 2021, EBIT rose less than proportionally in the year, given the pressure on costs, especially energy prices, generated by higher inflation.

	2022	2021

	2022	2021
Current ratio (Current liabilities / Current Assets)	0.90	0.90
Capital adequacy ratio (Equity / Total Payables)	6.1%	4.7%
Ratio of financial charges to turnover (Financial charges / Revenues)	3.4%	6.2%
Liquid return ratio of assets (Cash flow / Total Assets)	6.0%	1.9%
Social security and tax debt ratio (Social security debt / Revenues)	12.0%	13.6%

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 was unchanged compared to 2021, and was affected by the recognition of the residual debt relating to the Competition Authority's fine for the FM4 tender (€ 66.6 million at 31 December 2022) among current liabilities.

The Capital adequacy ratio improved as a result of the Consolidated net profit in 2022, included in the Consolidated Equity taken as a reference by the ratio. It should be noted that, during the previous year, the Group had achieved a Consolidated net loss of € 22.6 million since the result had been affected by non-recurring financial costs linked to the refinancing transaction (€ 23.7 million). For the same reason, in 2022 the ratio of cash flow to assets improved from 1.9% at 31 December 2021 to 6.0% at 31 December 2022, and the ratio of financial charges to turnover decreased from 6.2% at 31 December 2021 at 3.4% at 31 December 2022.

	2022	2021
Indebtedness ratio	0.87	0.89
Medium/Long-term indebtedness ratio	0.79	0.97

The indebtedness ratio, which is the ratio of net debt to the sum of net debt and own equity, stood at 0.87 at 31 December 2022, recording a decrease compared to the previous year, despite an increase in financial indebtedness recorded during the year.

The medium/long-term indebtedness ratio, expressed as the ratio of consolidated financial liabilities to total sources of funding, decreased from 0.97 in 2021 to 0.79 in 2022, recording a decrease due to a reduction in the balance of medium/long-term loans and a total increase in sources of funding.

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.

	2022	2021	2020
Turnover/internal and external personnel costs	1.77	1.56	1.53
Make ratio	64.2%	63.9%	61.4%

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 1.77 in 2022 (1.56 in 2021). The ratio reflects the growth in sales volumes (+15.4% compared to 2021) against a mix of composition of operating costs, which remained substantially unchanged (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, showed a slight increase in 2022 which indicates the greater 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 2022

The main income data of the Parent Company Rekeep S.p.A. for the year ended 31 December 2022, as well as a comparison with the figures from the previous year.

(in thousands of Euro)	For the year ended 31 December		Change
	2022	2021	
Revenues	790,414	685,443	104,970
Costs of production	(706,679)	(622,722)	(83,958)
EBITDA	**83,735**	**62,722**	**21,013**
Amortization, depreciation, write-downs and write-backs of assets	(12,842)	(15,550)	2,708
Accrual of provisions for risks and charges	(5,957)	(3,707)	(2,250)
Operating Income (EBIT)	**64,935**	**43,465**	**21,471**
Income (charges) from investments	10,730	11,988	(1,258)
Net financial charges	(31,404)	(59,508)	28,104
Profit before taxes	**44,261**	**(4,056)**	**48,317**
Income taxes	(3,478)	(8,749)	5,271
Profit (loss) from continuing operations	**40,783**	**(12,805)**	**53,588**
Profit (loss) from discontinued operations	0	16	(16)
NET RESULT	**40,783**	**(12,789)**	**53,572**

In 2022 Revenues recorded an increase compared to the value posted in 2021 (+ € 105.0 million).

The Parent Company Rekeep S.p.A. contributed a substantial portion of consolidated results to the Group (about 61% 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 of the Parent Company itself.

More than 60% 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.), and large-scale retail trade and telecommunications customers.

The performance in terms of revenues recorded by the Parent Company in 2022 was supported by an increase in the turnover from energy contracts. The increase involves all markets in which the company operates, and in particular the Healthcare market.

The Company's EBITDA for 2022 amounted to € 83.7 million against € 62.7 million in 2021 and included non-recurring items for € 2.7 million and € 4.5 million, respectively. After excluding these non-recurring elements from the relevant values, Adjusted EBITDA came to € 86.5 million at 31 December 2022, against Adjusted EBITDA of € 67.2 million at 31 December 2021, showing an increase in terms of operating profit margins arising from the price management policy adopted during the year, which was supported by the recognition of the tax credit granted under Decree Law no. 21 of 2022 (Conversion Law no. 51 of 20 May 2022), as supplemented, as partial compensation for higher costs incurred for electricity and natural gas as from the second quarter of the year, equal to € 24.2 million.

The Parent Company contributed to consolidated EBITDA for about 66% in 2022.

As regards operating costs, there were higher *Costs of raw materials and consumables* for € 94.2 million following an increase in fuel costs, higher *Costs of services* for € 7.6 million against lower *Personnel costs* for € 17.7 million. The trend recorded on revenues also reflects 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 2022 was equal to 10,505 units and there were no temporary workers, as they were all insourced with the acquisition of the "Personnel Activities" business unit from its parent company MSC S.p.A. (11,923 employees in the previous year, of which 278 were provided by MSC Società di Partecipazione tra Lavoratori S.p.A.). 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 that are in the process of being performed.

In 2022 **EBIT** came to € 64.9 million, against € 43.5 million at 31 December 2021, including non-recurring elements for an income of € 0.4 million and charges of € 6.2 million, respectively. After excluding these non-recurring elements from the relevant values, Adjusted EBIT amounted to € 64.5 million at 31 December 2022, against Adjusted EBIT of € 49.8 million at 31 December 2021 (equal to 8.2% of related Revenues). EBIT at 31 December 2022 was determined by: (i) *amortization and depreciation* equal to € 11.3 million against € 11.8 million at 31 December 2021, of which an amount of € 4.7 million relating to amortization of intangible assets (€ 5.3 million at 31 December 2021) and € 6.6 million relating to depreciation of property, plant and equipment (€ 6.5 million at 31 December 2021); (ii) *net write-downs of trade receivables* amounted to € 1.7 million (€ 3.3 million at 31 December 2021) and included some specific write-downs concerning pending disputes; (iii) *write-downs of equity investments*, which constituted a release of € 0.2 million in 2022, mainly related to the adjustment to the write-down of previous years linked to the investment in subsidiary Yougenio S.r.l. in liquidation (a write-down of € 0.5 million in the previous year); (iv) provisions for future risks and charges (net of reversals) of € 6.0 million (€ 3.7 million at 31 December 2021), which included a net release of the provision for risks and charges set aside in previous years for non-recurring additional costs that are expected to be incurred on some energy contracts, as restated following the issue of a clarification in terms of regulations (an income of € 3.2 million), while it has an impact as a non-recurring provision of € 1.5 million in the comparative year.

To EBIT must be added Dividends and net income from equity investments amounting to € 10.7 million, compared to a balance of € 12.0 million in the previous year. This item mainly includes dividends collected from investee companies, as detailed below:

(in thousands of Euro)	Year ended 31 December	
	2022	2021
Servizi Ospedalieri S.p.A.	8,000	8,840
H2H Facility Solutions S.p.A.	1,330	0
Telepost S.r.l.	818	2,000
MFM Capital S.r.l.	276	69
Other minor dividends	211	223
DIVIDENDS	**10,635**	**11,132**

Net capital gains from sale of non-strategic equity investments for € 0.1 million were also accounted for in 2022 (€ 0.9 million at 31 December 2021).

Financial income increased by € 2.5 million compared to the previous year, in particular thanks to the recognition of default interest income to a customer in court for € 1.5 million.

The impact of *financial charges* on the Company's results of operations was equal to € 38.2 million, recording a decrease of € 25.6 million in 2022 compared to 2021 (€ 63.8 million), when the refinancing transaction, which entailed an early redemption of the Senior Secured Notes issued in 2017, due 2022 and a coupon at an annual fixed rate of 9%, as well as the issue of new Senior Secured Notes due 2026 and a coupon at an annual fixed rate of 7.25%, entailed the payment of non-recurring financial charges for € 23.7 million.

Financial costs for the period included charges accrued on the coupons of the Senior Secured Notes, which amounted to € 26.8 million in 2022 (€ 27.5 million in the same period of the previous year, of which an amount of € 2.3 million related to the Notes of 2017 before redemption), as well as the upfront fees relating to the issue of the Senior Secured Notes in 2021, accounted for according to the amortized cost method, which entailed financial amortization charges of € 1.5 million in the period (€ 1.4 million at 31 December 2021).

At the same time as the bond issue, the Company entered into a new Super Senior Revolving loan agreement for € 75.0 million, costs of which (initially equal to € 1.3 million) are also amortized on a straight-line basis throughout the term of the credit facility and entailed the payment of financial charges of € 0.8 million in the period (including commitment fees charged by banks), compared to € 0.9 million in the same period of the previous year. Furthermore, the use of the facility during the period entailed the charging of financial costs equal to € 1.0 million (€ 0.2 million at 31 December 2021, when the facility had only been drawn down in the second half of the year).

Finally, interest discount costs were recognized in relation to the assignments of trade and VAT receivables without recourse for € 2.5 million in 2022 (€ 3.9 million at 31 December 2021, including non-recurring charge related to a spot assignment of non-performing loans carried out in the last quarter of the year for € 1.3 million). Finally, assignments with recourse and reverse

factoring lines generated financial costs of € 1.5 million at 31 December 2022, against financial costs of € 0.8 million at 31 December 2021.

From the profit before taxes must be deducted taxes of € 3.5 million (€ 8.7 million at 31 December 2021), thus obtaining a *Net profit* of € 40.8 million (against a *Net loss* of € 12.8 million at 31 December 2021). Below is the breakdown of the tax rate for the year:

(in thousands of Euro)	For the year ended 31 December	
	2022	**2021**
Profit before taxes	**44,261**	**(4,056)**
Current, prepaid and deferred IRES tax, including income and expenses from Tax consolidation	(5,576)	(4,969)
Current, prepaid and deferred IRAP tax	(3,862)	(3,558)
Tax adjustments for previous years	5,959	(222)
Income taxes	(3,478)	**(8,749)**
Tax rate from continuing operations	**7.9%**	**N.A.**
Profit (loss) before tax from discontinued operations	0	(16)
Tax on profit/(loss) from discontinued operations	0	0
Total Tax rate	**7.9%**	**N.A.**
Net profit (loss)	**40,783**	**(12,789)**

As already mentioned, the Profit (loss) before tax was negative and equal to € 4.1 million at 31 December 2021 in consideration of the non-recurring costs incurred for the refinancing transaction.

Compared to the previous year the Company recognized lower current, prepaid and deferred taxes for € 5.3 million, due to the recognition of some items exempt from taxation, such as the aforementioned electricity and gas tax credit, as well as to the recognition of income totaling € 5.3 million following the submission by Rekeep S.p.A. of the supplementary tax returns of Income 2017-2022 and IRAP (Regional Production Activity Tax) 2017–2022 forms. The consolidated tax rate would come to 19.9%, net of this income.

3.2 Statement of financial position

The table below reports the Sources and Uses:

(in thousands of Euro)	31 December 2022	31 December 2021
USES		
Trade receivables and advances to suppliers	340,789	286,311
Inventories	345	351
Trade payables and contract liabilities	(327,247)	(274,744)
Net working operating capital	**13,887**	**11,917**
Other working capital elements	(92,121)	(124,339)
Net working capital	**(78,233)**	**(112,422)**
Property, plant and equipment and assets under finance leases	23,008	8,531
Rights of use for operating leases	15,148	23,878
Intangible assets	342,133	342,683
Investments	140,995	139,925
Other non-current assets	76,427	54,677
Fixed assets	**597,711**	**569,695**
Non-current liabilities	(40,586)	(38,476)
NET INVESTED CAPITAL	**478,893**	**418,797**
SOURCES		
Shareholders' equity	120,744	86,537
Net financial indebtedness	358,149	332,260
TOTAL FINANCING SOURCES	**478,893**	**418,797**

Net working capital

Net working capital (**NWC**) posted a loss of € 78.3 million at 31 December 2022, with a decrease in absolute value equal to € 34.2 million compared to the net liability posted at 31 December 2021 (€ 112.4 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 € 13.9 million at 31 December 2022, while it was equal to € 11.9 million at 31 December 2021. The balance of Trade Receivables and advances to suppliers increased by € 54.5 million, while Trade payables and contract liabilities showed an increase of € 52.5 million. The Company made assignments of trade receivables without recourse to Factors for € 317.3 million in the year, while the balance of receivables assigned and not yet collected by the latter at the reporting date amounted to € 77.0 million (€ 50.3 million at 31 December 2021). The **Adjusted NWOC** came to € 90.9 million and € 62.2 million, respectively, during the two years under comparison.

The balance of Other elements in working capital at 31 December 2022 consisted of a net liability of € 92.1 million (€ 124.3 million at 31 December 2021):

(in thousands of Euro)	31 December 2022	31 December 2021	Change
Current tax receivables	3,242	4,310	(1,068)
Other current assets	43,394	10,762	32,632
Provisions for risks and charges, current	(11,807)	(10,374)	(1,432)
Current tax payables	(23)	(35)	11
Other current liabilities	(126,926)	(129,002)	2,076
OTHER ELEMENTS IN WORKING CAPITAL	**(92,121)**	**(124,339)**	**32,219**

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

- a reduction in the debt for the Competition Authority's fine, equal to € 66.6 million at 31 December 2022 (€ 72.2 million at 31 December 2021);
- the recognition of lower net income tax receivables of € 1.1 million compared to the previous year;
- an increase in the short-term portion of provisions for risks and charges of € 1.4 million;
- an increase in the balance of tax credits claimed from the Tax Authorities, which includes, among others, the tax credit granted under Decree Law no. 21 of 2022 (Conversion Law no. 51 of 20 May 2022), as supplemented, as partial compensation for higher costs incurred for the purchase of electricity and natural gas, amounting to € 20.4 million, and not yet used at the end of the period;
- the payment of higher guarantee deposits on new annual electricity and gas utility contracts for € 6.0 million.

Fixed assets

Fixed assets include the following main items:

(in thousands of Euro)	31 December 2022	31 December 2021	Change
Property, plant and equipment	8,123	8,199	(75)
Right-of-use assets	30,033	24,210	5,822
Goodwill	326,421	326,421	0
Other intangible assets	15,712	16,262	(550)
Equity investments in subsidiaries, associates and joint-ventures	140,995	139,925	1,070
Other investments	5,980	7,109	(1,129)
Non-current financial assets	55,904	35,324	20,580

(in thousands of Euro)	31 December 2022	31 December 2021	Change
Other non-current assets	2,134	2,377	(243)
Deferred tax assets	12,408	9,867	2,542
FIXED ASSETS	**597,711**	**569,695**	**28,017**

The most substantial changes concerned:

- an increase in non-current financial assets of € 20.6 million, mainly for the amounts pledged as collateral for gas supply contracts (cash collateral) for € 16.9 million;
- an increase in the net book value of the right-of-use assets recognized against leases, property leases and long-term hire for the motor vehicles of the corporate fleet. During 2022 new agreements were signed for € 18.3 million, of which an amount of € 14.9 million relating to the fair value of the company's head office building, as per the expert's report prepared by CBRE, recognized in accounts following the takeover of the property lease agreement in place with MPS Leasing & Factoring S.p.A. from the parent company MSC S.p.A.; this entailed the simultaneous early repayment of the liability previously recognized against the right of use on lease by the parent company on the same property for € 6.9 million;
- an increase in deferred tax assets, following the recognition in 2022 of prepaid taxes on the difference emerging between the book value as at the date of transfer and the price paid to the transferor on the basis of the appraisal value of the "Personnel activities" business unit within the acquisition from the parent company MSC S.p.A., equal to € 2.7 million.

Other non-current liabilities

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

- TFR (employee benefits), equal to € 3.6 million and € 4.3 million at 31 December 2022 and 31 December 2021, respectively;
- long-term portion of provisions for future risks and charges equal to € 25.1 million at 31 December 2022 and € 22.7 million at 31 December 2021;
- deferred tax liabilities of € 11.3 million (€ 11.4 million at 31 December 2021).

Financial indebtedness

The Parent Company's financial indebtedness at 31 December 2022 and at 31 December 2021 is reported below:

(in thousands of Euro)	31 December 2022	31 December 2021
Long-term financial liabilities	378,326	385,788
Bank borrowings and current portion of long-term debt	101,063	52,912
GROSS FINANCIAL INDEBTEDNESS	**479,389**	**438,700**
Cash and cash equivalents	(55,291)	(47,897)
Other current financial assets	(65,949)	(58,543)
FINANCIAL INDEBTEDNESS	**358,149**	**332,260**

Financial indebtedness amounted to € 358.1 million at 31 December 2022, against € 332.3 million at 31 December 2021. The figure relating to the adjusted financial debt, which includes the balance of trade receivables assigned to the factor without recourse and not yet collected on the reporting date (€ 77.0 million at 31 December 2022 and € 50.3 million at 31 December 2021) increased from € 382.6 million at 31 December 2021 to € 435.2 million at 31 December 2022.

In particular, on 12 December 2022 the Parent Company Rekeep S.p.A. signed with its parent company MSC S.p.A. the deed of acquisition of the property lease contract relating to the company's head office building in place with MPS Leasing & Factoring S.p.A., for a residual value of € 10.5 million as at the execution date, including the redemption price; this entailed the simultaneous early repayment of the liability previously recognized against the right of use on lease by the parent company on the same property for € 7.8 million (the net effect of the transaction on financial debt amounts to € 2.7 million).

In 2022 there also was an increase in short-term debt relating to the higher use of credit lines for bank overdraft, advance payments and hot money, assignment of trade receivables with recourse and reverse factoring, as well as to the higher 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, totaling € 77.3 million (€ 74 million at 31 December 2021).

Furthermore, at 31 December 2021 there was the recognition of accrued expenses on loans in a total amount of € 11.7 million, mainly relating to the amount accrued on the bond coupon due 1 February 2023 (€ 11.7 million at 31 December 2021).

Finally, during 2022 there was an increase in short-term financial assets for € 7.4 million, mainly due to an increase in the balance of the current accounts pledged and used within the scope of the aforementioned agreements for the non-recourse assignment of trade receivables (€ 3.5 million). Furthermore, during the year the parent company MSC S.p.A. repaid in full the interest-bearing upstream loan that had been taken out with the Company in the previous year in order to meet temporary cash requirements and that enabled Rekeep to make profitable use of available cash.

Industrial Capex

In 2022 industrial capex incurred by the Company totaled € 20.6 million (€ 5.6 million at 31 December 2021), against disinvestments of less than € 0.1 million (unchanged compared to the previous year):

(in thousands of Euro)	For the year ended 31 December	
	2022	2021
Acquisition of plant and machinery	1,553	2,084
Acquisition of rights of use of properties [2]	14,900	0
Other investments in intangible assets	4,189	3,503
INDUSTRIAL CAPEX	**20,642**	**5,586**

With regard to industrial investments, the acquisition of the lease agreement from the parent company MSC S.p.A. became substantial in 2022, as already detailed above.

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 2022		31 December 2021	
	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	**40,783**	**120,744**	**(12,789)**	**99,920**
- Elimination of consolidated equity investment values	(971)	(179,655)	(161)	(147,574)
- Accounting of Shareholders' Equity to replace the values eliminated		48,846		51,279
- Allocation to consolidation difference		55,986		55,538
- Recognition of financial costs on options	(699)	(699)	(2,154)	(507)
- Dividends distributed to Group companies	(10,298)		(14,369)	
- Profit generated by consolidated companies	(9,552)	(9,552)	(5,561)	(376)
- Associates and Joint ventures valued at equity	306	3,414	226	1,935
- Tax effects on consolidation adjustments	119	(15)	28	(163)
- Reversal of statutory write-downs	7,438	27,793	12,190	9,992
- Other consolidation adjustments	5	1	3	(6)
Total consolidation adjustments	**(13,653)**	**(53,883)**	**(9,798)**	**(29,883)**
Shareholders' equity and profit (loss) for the year pertaining to the Parent Company	**27,131**	**66,861**	**(22,588)**	**69,336**

[2] excluding the increase in rights of use for lease and long-term hire agreements

(in thousands of Euro)	31 December 2022		31 December 2021	
	Profit (loss) for the year	Shareholders' equity	Profit (loss) for the year	Shareholders' equity
Shareholders' equity and profit (loss) for the year pertaining to Minority Interests	368	6,097	1,603	3,199
SHAREHOLDERS' EQUITY AND PROFIT (LOSS) FOR THE YEAR AS SHOWN IN THE CONSOLIDATED FINANCIAL STATEMENTS	**27,499**	**72,958**	**(20,985)**	**72,356**

4. INTERNAL CONTROL SYSTEM AND RISK FACTORS

The Internal Control System is the set of rules, procedures and organizational units for the identification, measurement, management and monitoring of risks.

The Parent Company Rekeep S.p.A. has adopted a compliant and integrated Internal Control System in order to safeguard the company's assets, achieve the company's objectives with appropriate strategies and create value for all the stakeholders of the Company and the Group as a whole.

The Internal Control System, which is set out according to national and international best practices, is structured into the following three levels of control:

- 1st level: the operating functions (process owners) identify and assess the risks within the processes under their competence and define specific corrective actions to manage them;
- 2nd level: the functions in charge of risk control (e.g. Compliance, Supervisory Board, etc.) set out methodologies and tools for risk management, carry out monitoring activities and provide support to the 1st level functions;
- 3rd level: the Internal Audit function provides independent assessments of the functioning of the entire system.

In particular, the bodies which perform control functions limited to compliance with national and international laws and company rules include:

- Internal Audit & Antitrust Compliance Office;
- the "Organismo di Vigilanza (ODV)" – Supervisory Board, pursuant to Legislative Decree 231/2001.

Internal Audit & Antitrust Compliance Office control activities

The Internal Audit & Antitrust Compliance function plays a key role in the review and evaluation of the Internal Control System and contributes to spreading the culture of internal control and corporate risk management. The latter is not responsible for any operational area, thus complying with the independence requirement, and reports hierarchically and functionally to the Chairman of the Board of Directors. More specifically, the function:

- verifies whether the Internal Control System is operational and adequate;
- has access to any and all information necessary to perform its duties;
- interfaces with the other players in the Internal Control System (e.g. Board of Directors, Management, Supervisory Board, Ethics Committee, Independent Auditors, Board of Statutory Auditors, etc.).

Supervisory Board's activities under Legislative Decree 231/2001

The Supervisory Board of Rekeep S.p.A. ("OdV"), which is composed of professionals who possess specific skills and experience in the subject matter of the assignment, evaluates the actual application of the Organizational, Management and Control Model under Legislative Decree 231/2001 and compliance with the principles laid down therein, with the support of third-party professionals who are expert in Risk & Compliance Services.

The Supervisory Board at 31 December 2022 was composed of:

- two third-party 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 of the Board itself.

The Board meets at least quarterly and operates according to two reporting lines:

- the first one, on an ongoing basis, directly with the Chairman of the Board of Directors and Chief Executive officer;
- the second one, on a six-monthly basis, through a written report on its work addressed to the Board of Directors and the Board of Statutory Auditors.

Moreover, the Supervisory Board: i) meets periodically with the other Control Bodies, including, but not limited to, the Board of Statutory Auditors, the Independent Auditors, the Head of Internal Audit & Antitrust Compliance, for the purposes of a mutual exchange of information, thus ensuring an integrated and synergic relationship between the players of the Internal Control System; ii) holds hearings with specific Functions involved from time to time.

The control activities carried out by the Supervisory Board are summarized in a "Work Plan", which is formally prepared and approved by the Board itself. This document is updated annually on the basis of the findings of previous control activities and any variations in the internal and external environment.

The Team of third-party consultants who carry out periodic audits, on behalf of the Supervisory Board, has access to all company documents and their control activities are supported by an IT platform, which allows an appropriate archiving and traceability of any work performed.

Other risk factors

As regards business risks, 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 in addition to the risks identified in the current Group's internal control framework (mapping of sensitive activities under Legislative Decree 231/2001, assessment of the Antitrust risk, etc.).

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 35 in the explanatory Notes to the Consolidated Financial Statements, to which reference should be made.

5. ORGANISATIONAL MODEL PURSUANT TO LEGISLATIVE DECREE 231/2001

On 15 December 2022, the Organizational, Management and Control Model under Legislative Decree 231/2001 of Rekeep S.p.A. was updated following the latest regulatory guidelines in the matter of the administrative liability of Entities and changes in corporate governance.

Following the extension of the list of offences included in the Decree, the sensitive areas affected by the legislative developments have been identified, the corporate functions to be involved have been appointed and, through specific interviews, the mapping of sensitive activities has been updated, where the following have been associated: potential opportunities for the commission of offences, corporate functions involved, related offences and specifically weighted drivers.

Rekeep S.p.A. encourages and promotes the adoption of Organizational, Management and Control Models on the part of the Group Companies, since they provide for policies and measures that are aimed at: i) ensuring that activities are carried out in compliance with the law; ii) identifying and removing risk situations; iii) imposing sanctions for any instance of non-compliance with the provisions laid down in the document.

6. ANTITRUST CODE OF CONDUCT

On 23 February 2017 the Board of Directors of 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 spreading the antitrust culture, as well as identifying any possible instance of non-compliance with competition regulations, in order to raise awareness among employees and collaborators about non-compliant conduct that might give rise to potential antitrust violations.

An Antitrust Compliance officer has been appointed by the Board of Directors as security for the Antitrust Compliance Program and the Antitrust Code of Conduct.

In particular, the Antitrust Compliance Program provides for the following structure:

- 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;
- the Rekeep Group Antitrust Code of Conduct which sets out in detail how to behave when bidding in public tenders;
- sets of company procedures and operating instructions aimed at increasing prevention capacity and ensuring proper management of situations with possible antitrust implications;
- ad hoc training sessions focused on competition issues of greatest interest to Rekeep with the purpose of enhancing the ability of the Management and operational Functions to detect antitrust risk and prevent it in an adequate manner.

7. UPDATE ON LEGAL PROCEEDINGS

The updates are reported below for the 2022 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.

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 tender for cleaning services at Santobono Pausilipon itself, 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 excluded 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 thousand, 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, by a judgment dated 29 March 2021, declared the appeal inadmissible. The Company filed an appeal against this judgment together with an application for preliminary request, which was accepted by the Council of State by an order dated 23 April 2021. In light of this, any effect of the ANAC order must be regarded as suspended at present. It was also ordered to proceed with blacking out the entry in the computerized records. Moreover, following the summary examination of the precautionary proceedings phase, the Council of State held that "the principle of strictly legal typicality of the sanctions (....) has been breached, given that (...) the failure to make a statement with which the Company has been charged under the order does not coincide with a false statement". The hearing for discussing the substance of the matter was scheduled on 25 November 2021, at the end of which the Council of State, by judgment no. 491/2022, filed on 25 January 2022, granted the appeal submitted by the Company against the Lazio Regional Administrative Court's judgment no. 3754/2021, annulling any effect of the order adopted by ANAC, which had already been previously suspended on a precautionary basis. Against the Council of State's ruling the Company was served with a notice of appeal before the Supreme Court and is waiting for the hearing to be scheduled.

Antitrust Authority's order for sanctions on the "FM4 Tender" of 2019

The dispute concerning the fine imposed in relation to the FM4 Tender still continued in 2022.

On 23 March 2017, the Competition Authority notified Rekeep S.p.A. (at that time Manutencoop Facility Management S.p.A.) of the start of an investigation procedure against the Company itself, as well as against CNS – Consorzio Nazionale Servizi Società Cooperativa, Dussmann Service, S.r.l., Engie Servizi S.p.A. (formerly Cofely Italia S.p.A.), ManitalIdea S.p.A., Romeo Gestioni S.p.A. and STI S.p.A. and subsequently extended to Exitone S.p.A., Manital Società Consortile per i Servizi Integrati per Azioni Consorzio Stabile, Manital S.c.p.a, Gestione Integrata S.r.l., Kuadra S.r.l. in Liquidation, Esperia S.p.A., Engie Energy Services International SA, Veolia Energie International SA, Romeo Partecipazioni S.p.A., Finanziaria Bigotti S.p.A., Consorzio Stabile Energie Locali Scarl to ascertain whether those companies put in place a possible anti-competitive agreement whose subject matter consisted of the coordination of the procedures for taking part in the tender called by Consip in 2014 for awarding the Facility Management services intended for properties mainly for office use of the Public Administration (known as "FM4 Tender"). On 9 May 2019, after the completion of the abovementioned proceedings, the Authority served the final order, considering the existence of the agreement restricting competition between some of the abovementioned companies and imposing a sanction of € 91.6 million on the Company.

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: the Court granted the request for the redetermination

of the fine setting the relevant parameters, according to which 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 and the orders for the new calculation of the fine before the Regional Administrative Court. Finally, on 22 December 2020 the Competition Authority served on the Company its appeal against the 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. On 20 January 2022 discussion on the merits was held before the Council of State, which rejected the Company's appeal by judgment filed on 9 May 2022. Against the ruling, on 10 June 2022 the Company filed an appeal for review before the Council of State, which scheduled the hearing for discussion on 4 May 2023; the Company also filed an appeal before the Supreme Court on 8 July 2022 and is waiting for the Court to hand down its ruling following the hearing held on 4 April 2023.

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.

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 2022 is included in the explanatory notes (notes 15 and 18), to which reference is made.

8. HUMAN RESOURCES AND ORGANIZATION

As at the closing date of the 2022 financial year, the Rekeep Group employed 26,551 people (at 31 December 2021: 26,944 people). The Group's employees working outside Italy are equal to 11,964 people (at 31 December 2022: 12,488 people). Following the transfer of the "Personnel Activities" business unit to Rekeep S.p.A. as already commented on above, the controlling company MSC S.p.A. ceased its staffing operations: therefore, there were no leased employees in the Group as at 31 December 2022 (at 31 December 2021: 286 people).

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

	31 December 2022	31 December 2021
Executives	63	73
White collars	1,784	1,698
Blue collars	24,704	25,173
EMPLOYEES	**26,551**	**26,944**

Prevention and protection

During 2022 the Prevention and Protection Service department of Rekeep did not undergo changes compared to the previous year.

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 Company and in the Group during 2022.

In 2022 various survey campaigns were conducted in preparation for updating specific risk assessment documents concerning the ergonomic risk from biomechanical overload for hygiene activities carried out in the civil and healthcare sectors and in the green area maintenance segment for which documents were also updated in relation to noise and vibration risk. During periodic annual meetings (Article 35 of Legislative Decree 81/2008) these issues were discussed and shared with Occupational Physicians and Workers' Safety Representatives.

With regard to the management of the COVID-19 emergency, the work of the National Corporate Rekeep Committee continued on a regular basis in 2022 too, which met 8 times during the year, for a total of about 16 hours of constructive discussion on various topics. Similar committees also operate at some other Group companies.

Rekeep S.p.A. also maintained the ISO 45001 certificate, which had been reissued by RINA Services (an accredited certification body) in 2021, following the completion of the recertification process, which involved an audit of the entire scope of company certification and will expire in 2024.

In 2022 the Company's Prevention and Protection Service department conducted 64 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. Audits are also carried out by other Group companies.

Rekeep S.p.A., as per the schedule, continued its work on health surveillance during 2022, which is 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 5,200 medical examinations were conducted, including periodic, long-term work absence, pre-employment and on-demand checks. The trend in the Company's rate of accidents, as well as of the state of health of the staff under health surveillance, is updated and available for the areas through the company intranet, together with the data relating to other causes of absenteeism. Health surveillance is also active at other Group companies.

Rekeep S.p.A. monitors accidents on an ongoing basis, which are detailed in terms of their causes, dynamics and material agents that determined the event. In 2022, there was a significant reduction in the number of accidents (-26%) and their duration (-30%) compared to 2021. The trend in accident rates was confirmed to be strongly down for the third year in a row. This was also due to the substantial investment made by the company in terms of prevention through increased surveillance and monitoring of compliance with safety requirements, in terms of behavior, use of means, infrastructure, etc., at work sites and operating locations in which Rekeep S.p.A. personnel operate in order to prevent situations which might result in harm to health and safety in the workplace. This action was made possible through the increase in the number of supervisors (+252 new supervisors trained during 2022) working at the company. The number of hours of specific training provided was also significant (more than 50,000) on HSE topics (safety officers, emergency management, specific risks, qualifications, etc.). On

the other hand, the supervisors' work of reporting and monitoring must be still strengthened in relation to accidents and near misses, despite there was an improvement compared to 2021.

Below are the rates calculated for Rekeep S.p.A. (data updated at 31 January 2023, net of events not recognized by INAIL (Italian Institute for Insurance against Accidents at Work) to date):

	2022	2021	2020	2019	2018
Impact (no. of accidents x 1,000/average number of workers)	44.65	53.67	55.93	64.08	69.05
Frequency (no. of accidents x 1,000,000/total worked hours)	33.45	43.42	50.90	52.26	56.29
Severity (days of accident +relapses x 1,000/ total worked hours)	0.87	1.00	1.24	1.30	1.51

There were no fatal accidents at work during 2022.

The surveillance work is also ensured on an ongoing basis at other Group companies.

There are currently 15 Workers' Safety Representatives at Rekeep S.p.A. distributed throughout the Areas. In 2022 they were involved in a training/education plan on occupational safety.

20 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.

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

- Category 1F (mechanical sweeping) until 2023
- Category 8 (intermediation) until 2026
- Category 2bis (own-account transport) until 2027

Finally, with regard to waste management, no instances of non-compliance and related fines were reported by the control bodies during 2022, nor were any sanctions applied to Group companies.

Training

The Group involved 10,479 participants during 2022, for a total of 88,890.5 training hours, of which 63,722 relating to the Parent Company Rekeep S.p.A.. The table below shows the comprehensive results for the Group in 2022, divided into subjects and compared to the 2021 data:

	FY 2022		FY 2021	
Subject	**Participants**	**Hours**	**Participants**	**Hours**
Safety, Quality and Environment	8,285	64,744	9,539	66,215
Technical-professional	1,833	15,688.5	1,210	7,740
IT	114	730	299	874
English language	169	4,548	147	4,448
Management	78	3,180	487	4,138
TOTAL	**10,479**	**88,891**	**11,682**	**83,415**

With regard to Safety, particular emphasis was placed on training for the role of supervisor: about 400 new supervisors were in fact trained. In addition, the Group delivered specific training in “high risk” to more than 1,000 employees among the staff members working in integrated services. In the areas of Safety, Quality and Environment, courses were also delivered for safety managers, electrical risks, fire prevention and first aid, work at height, confined environments and spaces, pest control and rodent control, work with equipment, etc..

In the Technical/Professional area the Company continued to invest in the qualification of its resources, doubling training hours compared to 2021. In fact, qualifications were enhanced (F-gas, Thermal, Welder, Steam, Drones) and courses were held on cleaning techniques and use of products for the Hygiene service. We also acquired new certifications for our staff and maintained those previously obtained on the topics of Building Information Modeling, Energy Management Expert (EGE), Contract Management, Sustainability Manager and Project Management. Furthermore, courses were held on the topics of Procurement Management, Cyber security, Privacy, SA8000, Internal Audit and Air Conditioning Systems.

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 cost of quality and energy performance contracts (EPCs), energy communities, sustainability in business dynamics and contract management, as well as refresher courses on regulations governing occupational safety and risk management.

In the area of information technology, the workers in the IT Department attended courses of training in the use of Office package, as well as training meetings on methodologies: Agile Scrum and Project Management, Itil Foundation. Blockchain and Lean it Foundation. In the managerial area, work continued on the courses of individual development for middle management and training was also delivered on soft skills in relation to Leadership, negotiation and conflict, management of collaborators and communication techniques for operational staff. The Company selected colleagues for part-time Executive MBA training at the Alma Mater Studiorum Bologna Business School in 2022 too.

Finally, work continued on online English language courses, which involved colleagues from various offices and companies of the Group.

9. ENVIRONMENT AND QUALITY

During 2022 the Parent Company Rekeep S.p.A. maintained, following the recertification audits carried out by RINA Services (the accredited certification body), the following certifications:

- ISO 9001:2015 (Quality Management System),
- ISO 14001:2015 (Environmental Management System),
- ISO 45001:2018 (Occupational Health and Safety Management System),
- UNI EN 14065:2016 (Laundry processed textiles - Bio-contamination control system)
- SA8000:2014 (Social Accountability System),
- ISO 50001:2018 (Energy Management Systems),
- UNI CEI 11352:2014 (Delivery of energy services).

Furthermore, during the reporting period, all certification schemes were maintained by providing for the extension of ISO 9001, ISO 14001 and ISO 45001 to the transport of biological material for laboratories and there was the renewal of the UNI EN 14065:2016 (Laundry processed textiles - Bio-contamination control system) certification.

The Company also maintained the Qualifying company certification with respect to the requirements of Regulation (EC) no. 842/2006 and Presidential Decree 43/2012.

During the period under consideration the EPD (Environmental Product Declaration) Validation certification was maintained, following audits carried out by SGS (the accredited certification body), in compliance with general program instructions v. 3.01 (international EPD system), PCR 2011:03, professional cleaning services for buildings (version 2.11, IES) for the Hospital cleaning service.

Finally, as required by Article 30 of Legislative Decree 81/08, as amended, the Company maintained 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 the EC certification in compliance with Regulation (EU) 2016/425 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 maintained 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 renewed the certification of the Environmental Management System according to standard UNI EN ISO 14001:2015 (Environmental Management System), and maintained the EC certification in compliance with Directive 93/42/EEC for the production of: › sterile disposable kits › sterile disposable custom packs › sterile disposable clothing › sterile disposable drapes › 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.
U.Jet S.r.l.	The Company maintained the Quality System certification according to standards UNI EN ISO 9001:2015 (Quality Management System), UNI EN ISO 13485:2016 (Quality Management Systems. Requirements for regulatory purposes"). New issue of EC certification according to the Directive 93/42/EEC Annex II for the production of: › sterile disposable kits › sterile disposable surgical procedure packs › sterile disposable equipment (Clothing, Covers, Drapes and Specialist surgical drapes) › Bags and systems for collecting and conveying Liquids and Fluids › sterile disposable Ophthalmology devices The Company maintained the EC certification for protective Clothing as 3rd-category personal protective equipment in accordance with Regulation (EU) 2016/425.
Rekeep Digital S.r.l	The following scheme was recertified: › ISO 9001:2015 (Quality Management System) and the following certifications were maintained: › ISO 18925-1:2017 (Customer contact centres – requirements for customer contact centres), › ISO 18295-2: 2017 (Customer contact centres – Requirements for clients using the services of customer contact centres).

Rekeep Rail S.r.l.	The Company maintained the following certifications, following the audits carried out by RINA Services, the accredited certification body: › ISO 9001:2015 - Quality Management System, › ISO 14001:2015 - Environmental Management System, › ISO 45001:2018 - Occupational Health and Safety Management System. and the following scheme was recertified: › SA8000:2014 – Social Accountability Management System.
H2H Facility Solutions S.p.A.	Maintenance of the qualifying company certification under Regulation (EC) 842/2006, Presidential Decree 43/2012 and Accredia Technical Regulation RT-29, for installation, leakage control, servicing or repair services for fixed refrigeration and air-conditioning equipment and heat pumps containing certain fluorinated greenhouse gases. Maintenance of the following certifications: › UNI EN ISO 9001:2015 (Quality Management System) › UNI EN ISO 14001:2015 (Environmental Management System).
H2H Cleaning S.r.l.	Maintenance of the following certifications: › UNI EN ISO 9001:2015 (Quality Management System) › UNI EN ISO 14001:2015 (Environmental Management System) › UNI ISO 45001:2018 (Occupational Safety Management System) › SA8000:2014 (Social Accountability Management System).
Telepost S.p.A.	Maintenance of the following certifications: › UNI EN ISO 9001:2015 (Quality Management System) › UNI EN ISO 14001:2015 (Environmental Management System).
Rekeep France sub-group	Maintenance of the following certification: › QUALIPROPRE (Quality of cleaning and related services)
Rekeep Polska sub-group	Maintenance of the following certifications, following the audits carried out by IQS CERT Sp. z o.o. › ISO 9001:2015 - Quality Management System; › ISO 14001:2015 - Environmental Management System; › ISO 45001:2018 - Occupational Health and Safety Management System; › ISO 22000:2018 – Food Safety Management Systems; › HACCP system – according to the Polish food code CAC/RCP 1-1969, rev. 4(2003) Maintenance of the following certification following the audits carried out by TUV Rheinland Polska Sp. z o.o.: › Gwarant Czystości i Higieny (cleaning and hygiene services).

	Recertification of the following certifications following the audits carried out by RINA Services (the accredited certification body): › ISO 9001:2015 (Quality Management System), › ISO 14001:2015 (Environmental Management System), › ISO 45001:2018 (Occupational Health and Safety Management System), › SA8000:2014 (Social Accountability System), › ISO 50001:2018 (Energy Management System), › UNI CEI 11352:2014 (Delivery of energy services)
Consorzio Stabile CMF	Maintenance of the following certifications: › UNI EN 16636:2015 (Pest management and control services) › Qualifying company certification with respect to the requirements of Regulation (EC) no. 842/2006 and Presidential Decree 43/2012 › ISO 37001:2016 (Anti-bribery Management System). As required by Article 30 of Legislative Decree 81/2008, as amended, a certificate was also obtained for the its Safety Organizational and Management Model for the "Planning and delivery of cleaning, hygiene, sanitization, disinfection and disinfestation services in public and private civil, industrial, commercial and healthcare sectors".

No final convictions against Group companies for environmental crimes were reported during 2022.

10. RELATED PARTIES TRANSACTIONS

With regard to disclosure requirements laid down in art. 2428 of the Italian Civil Code regarding transactions between Group companies 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 2022 are detailed thoroughly in the explanatory Notes to the Consolidated Financial Statements and the Financial Statements of the Parent Company Rekeep S.p.A. for 2022, 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 2022.

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 2022 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 by MSC Società di Partecipazione tra Lavoratori S.p.A., a company established through the transformation of Manutencoop Società Cooperativa, which became effective on 1 February 2022.

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 2022, 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 totaling € 27.7 million for the Group in 2022, as partial compensation for higher costs incurred for the purchase of electricity and natural gas, granted under Decree Law no. 21 of 2022 (Conversion Law no. 51 of 20 May 2022), as supplemented.

Furthermore, the Parent Company Rekeep S.p.A. and Medical Device S.r.l. entered into soft loan agreements, “Artigiancassa Loan” and “Sabatini Loan”. More details are given in note 17 of Explanatory notes to the Consolidated Financial Statements.

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 at the website www.rna.gov.it, section “TRANSPARENCY - PERSONAL AID".

16. SECONDARY OFFICES

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

17. TAX CONSOLIDATION AGREEMENT

The MSC 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 MSC Società di Partecipazione tra Lavoratori S.p.A. 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.r.l.
- 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.
- Bologna Strade Soc. Cons. a r.l.

Finally, the above-mentioned Companies participate in Tax Consolidation together with the following MSC Società di Partecipazione tra Lavoratori S.p.A. 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

Acquisition of the "Major Customers" business unit

On 22 December 2022 the Parent Company Rekeep S.p.A. signed the deed of acquisition from Sacoa S.r.l., part of the same group led by the parent company MSC Società di Partecipazione tra Lavoratori S.p.A., of a "Major Customers" business unit concerning a unitarily organized set of legal relationships, assets, persons and activities for the provision of payroll processing services delivered to Rekeep and its subsidiaries.

The transfer of the business unit will become effective from 1 January 2023 and took place at the price of € 0.8 million agreed between the parties, in line with the business unit's economic value that emerges from the expert's report prepared on the relevant prospective accounting position at 31 December 2022, in addition to an adjustment calculated on the final book value of the business unit as at the date of transfer. Within this transaction, Rekeep will proceed with the insourcing of Rekeep's payroll processing and calculation that are currently outsourced to Sacoa, thus also achieving savings.

In accounting terms, the transaction is carried out between parties subject to common control ("Transaction Under Common Control"), as both companies belong to the same Group controlled by MSC S.p.A.. Therefore, the transaction is excluded from the scope of application of IFRS 3, while the "Preliminary Guidelines on IFRS" issued by Assirevi (Italian Association of Auditors) are ultimately applicable, and, specifically, OPI Preliminary Guideline no. 1R - "*Accounting treatment of BCUCCs in separate and consolidated financial statements*" -: according to the guideline, the principle of continuity of values is considered to be applicable as regards "transactions that do not have a significant influence on the future cash flows of the net assets transferred" within the Group, i.e. for which the economic substance of the transaction understood as the generation of added value for all the parties involved, as in this case, is not evident. As a result of the accounting treatment adopted, the difference emerging between the book value of the business unit as at the date of transfer and the price paid to the transferor on the basis of the appraisal value of the business unit has been recorded in the separate financial statements of Rekeep S.p.A. in a negative equity reserve for a total value of € 167 thousand (€ 232 thousand, net of the tax effect for deferred tax assets generated by the different accounting and tax treatment of the transaction, amounting to € 65 thousand).

The table below summarizes the effects of the transaction on the Consolidated Financial Statements of the Group controlled by Rekeep S.p.A. as at the effective date of the transaction, i.e. 1 January 2023:

	Recognized value	Book value
ASSETS		
NON-CURRENT ASSETS		
Other non-current assets	1	1
TOTAL NON-CURRENT ASSETS	**1**	**1**
CURRENT ASSETS		
Trade receivables and advances to suppliers	687	687
TOTAL CURRENT ASSETS	**687**	**687**
TOTAL ASSETS	**688**	**688**
LIABILITIES		
NON-CURRENT LIABILITIES		
Employee termination indemnity	75	75
TOTAL NON-CURRENT LIABILITIES	**75**	**75**
CURRENT LIABILITIES		
Trade payables and contract liabilities	25	25
Other current liabilities	33	33
TOTAL CURRENT LIABILITIES	**57**	**57**
TOTAL LIABILITIES	**132**	**132**
FAIR VALUE OF NET ASSETS	**555**	**555**
BUYER'S EQUITY RESERVE ARISING FROM BUSINESS COMBINATION	**232**	
Total cost of business combination:		
Consideration paid to the transferor	787	
TOTAL COST OF BUSINESS COMBINATION	**787**	

The fair value of assets and liabilities acquired through the business combination was positive and set at € 232 thousand, while the overall cost of the business combination was equal to € 787 thousand (of which an amount of € 627 thousand was paid in January 2023).

19. OUTLOOK

In 2022, the Group had to deal with a highly uncertain national and international economic scenario after the political and military events in Eastern Europe, which have led to significant repercussions on global economies, especially in Europe, in terms of a generalized rise in inflation and in particular in energy prices.

Lower pressure on the Group's economic and financial ratios is expected in the coming months.

The forecasts for inflation in early 2023 are positive: there has been a slowdown in the upward trend in prices and especially the price of gas, and no further spikes are expected in the immediate future.

Furthermore, an additional tranche of electricity and gas tax credit is expected to be recognized as partial compensation for the costs incurred during the first quarter of 2023, benefiting not only the cost structure of energy sources but also the Group's cash flows.

Therefore, a positive trend in debt and working capital reduction is expected for 2023 thanks to the slowdown in inflation, supported by government measures and also thanks to the results of the actions taken by the Management. This result may be achieved while still ensuring that a good level of liquidity is maintained, which would also be supported by the release of cash and cash equivalents that are currently restricted as security for gas supply contracts.

From an economic point of view, the completion and consolidation of the results of the round-table discussions with customers are expected for the negotiation of adjustments to contractual fees for the aforesaid contracts (approximately 5%) for which no automatic indexation of the fees is envisaged and inasmuch as they are a "lump sum" or "fixed installment".

The Group Management also expects further growth in turnover and profit margins in the international area, due to the positive development of the acquired contract portfolio and further development of sales in France and Poland. Finally, the start of operations under the Metro Riyadh contract in Saudi Arabia is hoped for, which could take place in the course of 2023.

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

In concluding the report on the 2022 financial year the Directors invite you to approve the separate Financial Statements of Rekeep S.p.A. at 31 December 2022 and, in view of the fact that the limits provided for by Article 2430 of the Italian Civil Code for the Legal Reserve have been reached, to fully use the profit for the year of € 40,783,196.13:

- To partially cover the accumulated losses of previous years which, as a result of this use, will be reduced to € 34,595,923.44.

Zola Predosa, 23 March 2023

The Chairman and CEO

Giuliano Di Bernardo

2020 - depart.it

rekeep

minds that work

rekeep.com