

**PRESS RELEASE**

13 May 2021

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## **The Board of Directors of Servizi Italia approves the Interim Management Report as at 31 March 2021**

- Consolidated **Revenues** equal to **Euro 60.5 million** (Euro 62.9 million in 1Q2020)
- Consolidated **EBITDA** equal to **Euro 15.2 million** (Euro 15.4 million in 1Q2020)
- Consolidated **EBIT** equal to **Euro 1.9 million** (Euro 1.9 million in 1Q2020)
- Consolidated **Net Profit** equal to **Euro 1.4 million** (Euro 0.2 million in 1Q2020)
- **Net financial position** equal to **Euro 133.4 million** (Euro 129.6 million as at 31 December 2020)

Castellina di Soragna (PR), Italy, 13 May 2021

The Board of Directors of Servizi Italia, a company listed on the STAR segment of the Italian Stock Exchange and leading operator in the outsourcing of hospital services in Italy, Brazil, Turkey, India, Albania and Morocco, today approved the Interim Management Report as at 31 March 2021.

*“The quarter just ended – states **Roberto Olivi, Chairman and member of the Executive Committee of Servizi Italia S.p.A.** – has been particularly challenging, characterized by constant attention to the containment of the effects of the current pandemic crisis without forgetting the objectives set out in the business plan which, to date, have not been disregarded. The sale of the workwear business unit, which was completed on time and with the desired fundamentals, launched a renewed strategy to consolidate the healthcare business in the domestic market. The results of the first quarter underline the importance of diversification in core healthcare services, as well as the continuation of the internationalization process undertaken by the Group, which, once again, recorded organic growth in revenues and margins that were undoubtedly positive, despite an unprecedented depreciation of currencies in the countries in question. Management's desire remains the same: to confirm its position as market leader and preserve the Group's financial solidity, while continuing to support and protect all stakeholders.”*

### **CONSOLIDATED RESULTS AS AT 31 MARCH 2021**

The Servizi Italia Group recorded a **consolidated turnover** equal to **Euro 60.5 million**, down by 3.8% (up by 0.5% at constant exchange rates) compared to the first quarter 2020, with the following sectorial trends:

- The **wash-hire services** business line - which represents 75.8% of the Group's revenues and includes all activities relating to the washing, hiring, collection and reconditioning of textile and mattress products – recorded **revenues equal to Euro 45.8 million**, sustained by the excellent organic growth registered in Brazil and Turkey, but offset by a negative exchange rate variation. In Italy, there is a significant drop in revenues, mainly attributable to the downturn in hotel and restaurant sector throughout the first quarter of 2021 compared to the first quarter of 2020,

**PRESS RELEASE**

13 May 2021

---

when the contraction only took place from March 2020 on. This decline is attributable to the current epidemic emergency situation and there is no substantial change in customer retention rates. It should be noted that revenues from wash-hire segment in Italy, net of the hotel sector, rose by 2.4% in the first quarter of 2021, primarily due to new tenders in the north-eastern area.

- The **linen sterilization services** business line – which represents 7.6% of the Group’s revenues and includes all activities relating to sterilization of sterile sets and the supply of disposable items used in surgical procedures for setting up the operating field and dressing the medical team – passes from Euro 4.4 million in the first quarter 2020 to **Euro 4.6 million** in the first quarter 2021, up by 3.2%, owing to the supply of specific linen in use in some hospitals in Italy for the prevention of Covid-19 infection.
- The **surgical instruments sterilization services** business line – which represents 16.7% of Group’s revenues and includes all activities related to the rental, sterilization, collection and reconditioning of surgical instruments – passes from Euro 10.8 million in the first quarter of 2020 to **Euro 10.1 million** in 2021, registering a decrease equal to 6.5%, which is mainly attributable to the decrease in surgery activities related to Coronavirus emergency. In fact, it should be noted that the 2020 period of comparison saw the first downturns linked to the impact of the pandemic crisis only starting from March 2020. The revenues connected to this business segment are still affected by the uncertainty in planning interventions and the availability of spaces dedicated to them connected to the epidemiological crisis still in progress.

For what concerns geographical distribution, **revenues generated from foreign markets** amounted to **Euro 8.0 million** (of which Euro 6.0 million relating to Brazil and Euro 2.0 million relating to Turkey), covering the 13.2% of first quarter 2021 consolidated turnover (15.0% in the same period of 2020). Revenues in Brazil are characterized by double-digit organic growth in local currency (up by 14.6%), offset by a negative exchange rate translation effect of 29.2% (depreciation of the Brazilian Real against the Euro), resulting in a negative change for the period of 14.6%. Revenues in Turkey also registered an excellent organic growth of 9.4% for the period, offset by a negative exchange rate effect of 26.7% (depreciation of the Turkish lira against the Euro), resulting in a negative change in revenues of 17.3%.

**Consolidated EBITDA** goes from Euro 15.5 million in the first three months of 2020 to **Euro 15,2 million** in the same period of 2021. Despite the reduction in revenues compared to the previous year (-3.8%), EBITDA margin passes from 24.6% to 25.2% (25.5% at the same exchange rate). It should be noted that during the period a capital gain was recorded in relation to the sale of the workwear division amounting to Euro 1.5 million, although this was offset by the sharp drop in margins recorded by the hotel division which operated in the quarter with a substantial lack of turnover compared to the same quarter of the previous year. Brazil and Turkey particularly positive performances, as well as measures to contain operating and structural costs should also be noted. There was a higher proportion of raw material costs to turnover (up by 0.3%), primarily linked to the purchase and consumption of disposable equipment and personal protective equipment (PPE) linked to the Covid-19 emergency, and an increase in the proportion of service costs (up by 1.9%), deriving in particular from a change in the logistical and

## PRESS RELEASE

13 May 2021

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production structure aimed at managing laundry and wardrobe services linked to the contingent situation of the Covid-19 emergency and the new tenders launched in north-eastern Italy. Payroll costs are slightly up as a percentage of revenues (0.3%), but down, in absolute terms, by 3% compared with the previous period, as a result of reduced use of temporary work and larger use of holidays, permits and redundancy fund (Italian CIG) in response to Covid-19 emergency. The excellent operating margins achieved at international level in both Brazil (EBITDA margin 32.2%) and Turkey (EBITDA margin 27.7%) are confirmed in 2021.

The operating result (**EBIT**) passes from Euro 1.91 million in the first three months of 2020 (EBIT margin 3.0%) to **Euro 1.93 million** in the same period of 2021 (EBIT margin 3.2% or 3.5% at the same exchange rates), mainly as a result of the trends already described in the comments on the change in EBITDA.

Therefore, the interim consolidated financial statements as at 31 March 2021 closed with a **net profit** of **Euro 1.4 million** compared to Euro 158 thousand in the same period of the year.

**Net financial debt** as at 31 March 2021 is equal to **Euro 133.4 million**, up compared to Euro 129.6 million as at 31 December 2020.

### SIGNIFICANT EVENTS DURING THE QUARTER

On 3 February 2021, in line with the redistribution of volumes in order to achieve greater saturation of the production capacity of the sites in the north-west area, production activities at the plant located in Podenzano (PC, Italy) ceased.

On 26 February 2021, the Company announced that it had signed the closing relating to the sale to AlSCO Italia S.r.l. of the workwear business unit (the "Business Unit"), a preliminary disclosure to the market at the time of signing on 28 January. 2021. The agreement took effect on 1 March 2021 and provides for:

- the sale by Servizi Italia to AlSCO Italia S.r.l. of the Business Unit that includes in particular the workwear sector customer portfolio, the Barbariga (BS) plant and related property, the contractual relationships with the workwear sector employees and related payables, plant, machinery, equipment and other operating assets relating to the workwear, workwear linen and textiles sector and the Business Unit's commercial goodwill;
- the start of a four-year non-compete agreement between the parties;
- the closure of Barbariga (BS) plant.

The payment of the price, defined on the basis of the valuation of the Business Unit's components, was equal to Euro 9.5 million.

In compliance with the actions provided in the sustainability plan contained in the Group's consolidated non-financial statement, on 22 March 2021 the Company obtained ISO 37001 certification, whose management system is aimed at facing and preventing possible cases of corruption and promoting an ethical corporate culture.

**PRESS RELEASE**

13 May 2021

---

***Covid-19 disclosure***

The Covid-19 viral epidemic has imposed the need to contain epidemiological development as much as possible, leading to changes in hospital procedures and activities with regard to hygiene guarantees for medical and nursing staff, for wards and in-patients designated for the treatment of infections caused by the Coronavirus. All the activities of the Group, despite of operating in strict compliance with the relevant regulations, have been impacted by the evolution of the contingent epidemiological situation.

In consideration of the fact that the services provided by the Group are to be considered essential, of primary necessity and of public utility and therefore defensive with respect to the ongoing epidemiological situation, the Group has carried out risk & project management and project control activities in order to: (i) avoid the spread of contagion and protect the health and safety of personnel and the environment, (ii) guarantee business continuity, (iii) mitigate the possible negative impact on economic results deriving from a decline in demand for certain types of services; (iv) have an up-to-date mapping of risks, related impacts and mitigation actions in the various areas of the company organization; (v) promptly launched the monitoring of the effects of the epidemic on its results and the related analyses, current and forecast, which are still in progress.

**SIGNIFICANT EVENTS AFTER THE END OF THE QUARTER**

On 20 April 2021, the Ordinary Shareholders' Meeting:

- approved the Parent Company's financial statements as at 31 December 2020 and the allocation of the result of the year;
- renewed the authorization to purchase and dispose treasury shares, according to what proposed by the Board of Directors, subject to revocation of the previous authorization (dated 20 April 2018) for anything not used as proposed by the Board of Directors. The resolution authorizes to purchase a maximum of 6,361,890 ordinary shares with a par value of Euro 1.00 each, corresponding to the fifth part of Company's share capital (taking into account the shares already held by the Company from time to time) for a period of 18 months from today's date, while the duration of the authorization relating to the disposal of treasury shares has no time limit;
- approved the remuneration policy of Servizi Italia S.p.A.;
- appointed the members of the Board of Directors, who will remain in office until the Shareholders' Meeting called to approve the financial statements as at 31 December 2023, also determining their remuneration.

As at 10 May 2021, the Company acquired a total of 1,731,760 treasury shares on the market regulated and managed by Borsa Italiana, equal to 5.44% of the share capital.

**PRESS RELEASE**

13 May 2021

---

**BUSINESS OUTLOOK**

The activities of the Group are affected by the general conditions of the economy and by the epidemiologic situation in the countries in which it operates. The Group has readjusted its governance strategy on the basis of the new medium-long term guidelines, integrating it with the new post-Covid-19 business strategy, aligning objectives and targets to the new reference context. For the year 2021, a climate of uncertainty remains regarding the possible effects of both the worsening of the pandemic crisis and the government measures to contain the contagion and those to support the economy that in the meantime will be implemented in the countries where the Group is present.

In addition to what already described with regard to the effects of the Covid-19 viral epidemic, it is noted that the Italian market of industrial laundry facilities is undergoing a structural decline linked to a number of specific critical factors in the health services sector, such as the awarding of contracts with increasingly low bids, the effects of which have impacted the Parent Company, with the non-renewal of contracts in the portfolio and the awarding of contracts already in the portfolio at lower prices.

In this general context, despite continuing to forecast of an overall positive operating margin in the foreseeable future, management will be interested in the medium-term by a reduction in turnover in the domestic wash-hire sector and a reduction in operating margins which may, in part, be offset by the further growth of higher-margin sectors and objectives relating to the modification of the commercial and operating strategy, based on the market context of the countries in which the Group operates; the re-engineering and reorganization of the organizational model, thanks to the support of technologies and digitalisation of processes that allow the efficiency of operating and business support activities. The use of legal provisions and instruments for personnel management, in dialogue with the trade unions and workers' representatives at company level, will go on with the aim of seeking shared solutions to respond to the epidemiological and market situation.

Furthermore, the Group as a whole may benefit from the effects of the internationalisation strategy, consolidating the positive results obtainable in the countries where it operates, particularly Brazil and Turkey.

The Group has a solid financial position, which will enable it to overcome the current crisis and the near future with a good financial balance and maintaining a good credit rating with banks.

In light of the above considerations, the Group remains confident of being able to effectively manage the effects of the ongoing epidemiological crisis together with future objectives.

**PRESS RELEASE**

13 May 2021

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**PUBLICATION OF THE DOCUMENTATION**

The Interim Management Report as at 31 March 2021 will be made available to the public today at Company's registered office, published on Company website [www.servizitaliagroup.com](http://www.servizitaliagroup.com), as well as on the authorized storage mechanism eMarket Storage at [www.emarketstorage.com](http://www.emarketstorage.com).

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

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

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**Alternative performance indicators**

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

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

**Servizi Italia S.p.A.**, a company based in Castellina di Soragna (PR) and listed on the STAR segment of the MTA of Borsa Italiana S.p.A., has been a leader in Italy in the field of integrated rental, washing and sterilization services for textile materials and medical devices in the healthcare sector for over thirty years. The company, which together with its Italian and foreign subsidiaries forms the Servizi Italia Group, has also expanded its services to the industrial, community and hotel sectors. The Group has a highly technological production platform, articulated in over 50 production plants in 7 countries and counts about 3,700 employees and collaborators: these are the numbers with which Servizi Italia contributes daily to the health and safety of professionals, patients and workers, respecting ethics and the environment in which it operates.

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**In attachment:**

- Consolidated statement of financial position as at 31 March 2021
- Consolidated income statement as at 31 March 2021
- Consolidated statement of comprehensive income as at 31 March 2021
- Consolidated net financial position as at 31 March 2021

**PRESS RELEASE**

13 May 2021

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

<i>(thousands of Euros)</i>	31 March 2021	31 December 2020
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	162,065	168,821
Intangible assets	4,977	5,238
Goodwill	64,814	65,639
Equity-accounted investments	25,439	24,582
Equity investments in other companies	3,018	3,018
Financial receivables	5,674	5,663
Deferred tax assets	8,097	8,091
Other assets	3,539	4,342
<b>Total non-current assets</b>	<b>277,623</b>	<b>285,394</b>
<b>Current assets</b>		
Inventories	8,875	7,996
Trade receivables	65,726	62,974
Current tax assets	2,015	2,019
Financial receivables	6,078	6,521
Other assets	14,085	9,752
Cash and cash equivalents	4,750	4,441
<b>Total current assets</b>	<b>101,529</b>	<b>93,703</b>
<b>TOTAL ASSETS</b>	<b>379,152</b>	<b>379,097</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>		
<b>Group shareholders' equity</b>		
Share capital	30,100	30,259
Other reserves and retained earnings	83,804	83,331
Net profit of the period	1,371	2,761
<b>Total shareholders' equity attributable to shareholders of the parent</b>	<b>115,275</b>	<b>116,351</b>
<b>Total shareholders' equity attributable to non-controlling interests</b>	<b>2,143</b>	<b>2,235</b>
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>117,418</b>	<b>118,586</b>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Due to banks and other lenders	61,730	56,262
Deferred tax liabilities	2,233	2,500
Employee benefits	9,561	9,582
Provisions for risks and charges	4,491	4,804
Other financial liabilities	2,214	2,905
<b>Total non-current liabilities</b>	<b>80,229</b>	<b>76,053</b>
<b>Current liabilities</b>		
Due to banks and other lenders	82,495	84,307
Trade payables	80,644	76,934
Current tax liabilities	142	124
Employee benefits	-	67
Other financial liabilities	774	3,353
Provisions for risks and charges	1,081	1,523
Other liabilities	16,369	18,150
<b>Total current liabilities</b>	<b>181,505</b>	<b>184,458</b>
<b>TOTAL LIABILITIES</b>	<b>261,734</b>	<b>260,511</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>379,152</b>	<b>379,097</b>

**PRESS RELEASE**

13 May 2021

**CONSOLIDATED INCOME STATEMENT**

<i>(thousands of Euros)</i>	31 March 2021	31 March 2020
<b>Revenues from sales</b>	<b>60,459</b>	<b>62,856</b>
Other income	2,687	926
Raw materials and consumables	(6,875)	(6,938)
Costs for services	(19,920)	(19,506)
Personnel expenses	(20,805)	(21,445)
Other costs	(309)	(446)
Depreciation/amortization and provisions	(13,308)	(13,533)
<b>Operating profit (loss)</b>	<b>1,929</b>	<b>1,914</b>
Financial income	178	404
Financial expenses	(1,153)	(1,647)
Income/(Expense) from equity investments	-	-
Revaluation/impairment of equity-accounted investments	477	(877)
<b>Profit (Loss) before taxes</b>	<b>1,431</b>	<b>(206)</b>
Income taxes	(20)	364
<b>Profit (Loss) of the period</b>	<b>1,411</b>	<b>158</b>
<i>of which: Share pertaining to the Shareholders of the Parent Company</i>	1,371	(39)
<i>Share pertaining to the minority shareholders</i>	40	197

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

<i>(thousands of Euros)</i>	31 March 2021	31 March 2020
<b>Profit (Loss) of the period</b>	<b>1,411</b>	<b>158</b>
<i>Other comprehensive income that will not be reclassified to the Income Statement</i>		
Actuarial gains (losses) on defined benefit plans	-	-
Income taxes on other comprehensive income	-	-
<i>Other comprehensive income that may be reclassified to the Income Statement</i>		
Gains (losses) from translation of foreign financial statements	(2,455)	(9,377)
Portion of comprehensive income of the investments measured using the equity method	287	(140)
Income taxes on other comprehensive income	-	-
<b>Total other comprehensive income after taxes</b>	<b>(2,168)</b>	<b>(9,517)</b>
<b>Total comprehensive income for the period</b>	<b>(757)</b>	<b>(9,359)</b>
<i>of which: Attributable to shareholders of the parent</i>	(712)	(9,308)
<i>Attributable to non-controlling interests</i>	(45)	(51)

**PRESS RELEASE**

13 May 2021

**CONSOLIDATED NET FINANCIAL POSITION**

<i>(thousands of Euros)</i>	31 March 2021	31 December 2020	31 March 2020
Cash and cash equivalents in hand	25	22	29
Cash at bank	4,725	4,419	9,005
<b>Cash and cash equivalents</b>	<b>4,750</b>	<b>4,441</b>	<b>9,034</b>
Current financial receivables	6,078	6,521	8,047
Current liabilities to banks and other lenders	(82,495)	(84,307)	(89,846)
<i>of which financial liabilities for IFRS 16</i>	(3,432)	(3,441)	(3,467)
<b>Current net financial debt</b>	<b>(76,417)</b>	<b>(77,786)</b>	<b>(81,799)</b>
Non-current liabilities to banks and other lenders	(61,730)	(56,262)	(62,344)
<i>of which financial liabilities for IFRS 16</i>	(28,391)	(29,502)	(31,031)
<b>Non-current net financial debt</b>	<b>(61,730)</b>	<b>(56,262)</b>	<b>(62,344)</b>
<b>Net financial debt</b>	<b>(133,397)</b>	<b>(129,607)</b>	<b>(135,109)</b>