



Consolidated Business (Management) Report on the activities of the B+N Group for the first half of 2024

Introducing the B+N group of companies

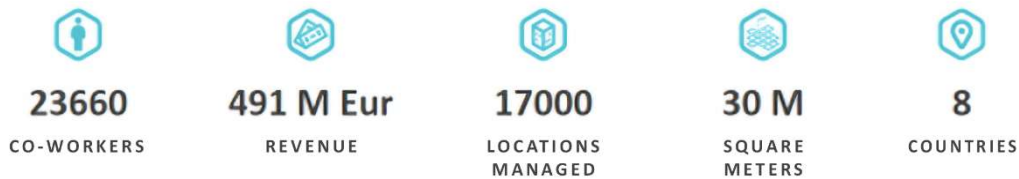
B+N Referencia Zrt. (hereinafter referred to as the “Company”), as the parent company, together with its subsidiaries, forms the B+N group of companies (hereinafter referred to as the “Group”), which provides property management, cleaning, gardening and laundry services in the following Central and Eastern European countries:

- Hungary
- Romania
- Slovakia
- Czech Republic
- Slovenia
- Poland
- Bulgaria
- Italy

The Company acquired its current form as a private limited company on August 22, 2011. Its activity from the beginning was office and industrial cleaning, which over the years has expanded to include various elements of facility operation.

At the end of 2023, the Company had four shareholders, three private equity funds (Singulium I., II., and III.) and LSHF Kft. The ultimate owner of the company is Ferenc Kis-Szölgyémi, a private individual.

The Group in numbers:



The Group's purpose and strategy

The Group's strategy: customer-centricity above all, i.e. providing full-scale facility operation services with customized solutions, transparent processes, and sustainability in mind. Along this strategy, the Company has become the market leader in Hungary in the cleaning business, a significant market player in the operation, rental textile and gardening businesses. In recent years, it has developed its fit-out business, and is an increasingly significant player at the group level in the laundry services, document storage and security businesses.

The Group's most important goals are to maintain its stability and profitability in a changing market and economic environment, to increase its market share, and to make the most effective use of synergies within the Group.

Another important goal of the Group is to further develop its services and improve the level of customer service by applying more modern technologies. To this end, it carries out research and development activities: the development of the ROBIN cleaning robot is ongoing, and the fourth generation robots have currently started work. The development of the UV robot was also completed in 2024. The Company began the implementation of the world's most advanced CAFM software, the IBM Tririga system, at several customers. In 2024, the new, ultra-modern, automated laundry plant of RWi Zrt. (formerly Referencia Mosodák Zrt.) in Velence was handed over.

In January 2024, the Company and PFM Zrt. implemented the SAP S4/HANA Public Cloud enterprise management system, thus taking a significant step towards a more transparent, process-oriented operating model. The smaller, foreign companies of the group uniformly use the Microsoft Business Central system. The transition to SAP S/4 HANA PC of RWI Zrt. and the Polish Inwemer group is expected on January 1, 2025.

The Group's main resources and risks

Main resources:

- National and CEE regional coverage with nearly 24,000 own employees
- Central warehouse base in Hungary, established a national and regional logistics system

- Long-term contract portfolio (typically 2-4 years) from both the market and public sectors
- Decades of experience in the complex cleaning and operation of numerous office buildings, industrial plants, healthcare institutions and other facilities
- Financially sound, 30 years of experience in the Company
- Integrating professional innovations and digital solutions into services
- Stable workforce thanks to competitive salary and benefits
- Close cooperation with vocational training centers
- Legally compliant employment and transparent operations
- Experienced managers, central support
- Advanced monitoring and reporting system

Main risks:

- Human resources: the labor shortage affecting the region and the entire continent also poses a challenge for the Group. On the one hand, legal, legally compliant employment, the employment of employees with disabilities, and special employer benefits provide a competitive advantage for the Group among local employees. On the other hand, the Company launched several collaborations with foreign employment agencies in 2022, as a result of which more than 400 Indian citizens were employed by Q2 2024. Labor is also a problem for foreign subsidiaries. In the case of Poland and the Czech Republic, the appearance of Ukrainian workers helps to overcome the shortage. In Slovenia, Bosnian and Serbian workers represent a temporary solution.
- Customer risk: means the risk arising from non-payment by customers. This risk and its management are influenced by the individual characteristics of each customer, however, the Group also takes into account the geographical location of the customers, past experiences and the specificities of the sector. During receivables management, the Group monitors the payment ability of its customers and the factors influencing it. The payment discipline of our customers is above average, but special attention must be paid to players in certain segments. The underfinancing of Hungarian hospitals poses a particular difficulty. Since laundry services provided to hospitals represent a significant proportion of RWI Zrt.'s revenue, the payment arrears arising there seriously affect the Group's cash flow. It has now become necessary to use bank factoring, which, in turn, entails a significant cost burden for the Group in the current interest rate environment, which can be compensated by collecting late payment interest.
- Currency risk: prior to international expansion, the Company was essentially operating on forint revenues, and a significant part of its costs are forint-based. Following the acquisitions, in 2024, a quarter of the Group's sales revenue will be realized in foreign currency. This has

partially created a natural hedge in relation to certain rental fees, used hygiene and paper materials, equipment imported for investment, and the import of the products and raw materials of the Bértexil Business Unit. At the same time, the 10-year interest rate SWAP transaction concluded in 2021 in connection with the NKP bond may significantly move the exchange rate loss or profit during the term. The Group manages the resulting risks with hedging transactions.

- Inflation , interest rate increases: the risk lies in the fact that existing contracts allow for price adjustments in time and in what way, while price increases in expenses quickly appear. The main risk for the Group is not inflation, but changes in minimum wages. In a significant part of foreign customer contracts, the company has the option of automatic indexation linked to changes in minimum wages. At the same time, a significant part of Hungarian customers work with such low added value that even an increase in prices at the rate of inflation is unacceptable for them. The Group's financing was secured with a fixed, low-interest bond, the value of variable-interest instruments, and therefore the impact of possible interest rate changes, is not significant.
- Russian-Ukrainian conflict: the Group is not directly exposed to the effects of the conflict due to its service areas and procurement sources. The Group was able to fulfill its contractual obligations in terms of materials, personnel and technological conditions. It has not caused any damage to the business so far and the management still does not expect any disruption, but is continuously monitoring the potential risk.

Expected development (economic environment and expected effects of internal decisions)

In 2023, the Company bought out its two co-owners, Valton Zrt. and Civil Zrt., from Airport Services Zrt. (AS). Thus, it became the sole owner of AS. In 2024, the Company signed an agreement with the world's largest ground handling group, Menzies Aviation. Under the agreement, AS will acquire a 35% stake in Menzies' Hungarian company, in exchange for transferring its ground handling business to the joint venture. The Group does not intend to actively engage in this activity in the future, and intends to focus more on its core businesses.

The Group continues to search for foreign acquisition targets, continuing its acquisition strategy of recent years. The main acquisition direction in existing countries is companies that can contribute to the profitability of the given country and increase market share through synergies. At the same time, the Group's strategic goal is also to acquire an FM company operating in the German-speaking area.

Due to foreign expansion, the international team in the Company's management has been strengthened.

The integration of companies acquired through new acquisitions will receive special attention in 2024.

As a result, the sales team has been strengthened in several countries.

The Company intends to establish the legal and organizational structure by the end of 2024 that would provide a framework for performing group-level management and regulatory tasks.

Results and prospects achieved in the reporting period

The Company won the cleaning and technical operation tasks of Hungarian hospitals in a public procurement. From January 1, 2024, the Company will be responsible for the cleaning and operation of all Hungarian hospitals.

By winning an international tender, the Company has acquired its first customer in Serbia. If the trial run is successful, it is expected that a company will be established.

Quantitative and qualitative indicators and characteristics of performance measurement (yield)

- EBITDA: shows earnings before interest, taxes, depreciation and amortization. The EBITDA achieved by the Group was HUF 12,962 million as of 30.06.2024. This significantly exceeds the data for the same period in 2023.

Management continuously monitors the achieved returns, which include the results of operating activities and profit before tax, as well as the fulfillment of indicators related to financial commitments. Management also monitors the subscribed capital/equity ratio of the Group members to ensure that it complies with the levels specified in the laws of each country.

Event occurring after the balance sheet date

No events occurred after the balance sheet date.

Budapest, 2024.09.30

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Ferenc Kis-Szölgvényi

CEO