

# 2019 **AB** Holding Spa



## HEADQUARTERS

|                      |  |
|----------------------|--|
| Company name         | <b>AB HOLDING SPA</b>                    |
| Address              | ORZINUOVI (BS), VIA CADUTI DEL LAVORO 13 |
| Share capital        | € 6.000.000,00 interamente versato       |
| Fiscal code & Tax n. | 02243290984                              |
| Business Register of | BRESCIA nr. 02243290984                  |
| R.E.A. n.            | 433585                                   |

## CURRENT SOCIAL BODIES OF THE PARENT COMPANY

### AB HOLDING SPA BOARD OF DIRECTORS

|                      |                                      |
|----------------------|--------------------------------------|
| CALZAVACCA GRAZIELLA | Chairman and Chief Executive Officer |
| BARONCHELLI ANGELO   | Managing Director                    |

### BOARD OF STATUTORY AUDITORS

|                    |                   |
|--------------------|-------------------|
| DI MARZO FRANCESCO | President         |
| POLI DANILO        | Mayor in charge   |
| ORAZI MARCO        | Mayor in charge   |
| GUALTIERO TOSONI   | Alternate auditor |
| DI MARZO DOMENICO  | Alternate auditor |

### Auditing firm

|                      |                    |
|----------------------|--------------------|
| BRIXIA REVISIONE SRL | Statutory auditors |
|----------------------|--------------------|

*Dear Shareholders,*

*on behalf of the Board of Directors, the Board of Statutory Auditors and all our collaborators, we extend the most cordial greetings and thanks for your participation in the Annual Shareholders' Meeting for the approval of the individual and consolidated financial statements 2019 of AB Holding SpA.*

*The Assembly takes place within one hundred and eighty days of the end of the financial year, pursuant to the last paragraph of art. 2364 and by Art. 17 of the Articles of Association, as AB Holding SpA is required to draw up the consolidated financial statements, pursuant to Legislative Decree no. 127.*

*The financial statements submitted for your approval represent the faithful economic, patrimonial and financial situation in which your company is located. Based on the results contained therein, we can express a positive assessment on the Group's performance and on the results achieved during the last financial year, ended 31/12/2019, which show a consolidated net profit of Euro 32,864,890, of which:*

- Group: Euro 30,625,470,*
- from third parties: Euro 2,239,420.*

*In 2019, revenues, equal to Euro 252 million, mark a significant increase (+ 22%) compared to the previous year as well as for the value of production which reaches a value of Euro 260 million (+ 13.5%). These values are a prerequisite for the continuation of the activity and the expected results for the future.*

*The results achieved represent the commitment made at a commercial level in Italy and in the world as well as at a production level in the field of cogeneration and the constant growth of the "Service" activity, in order to preside over the market in the increasingly complex competitive arena at local and international.*

*The positioning achieved is also the result of the constant commitment to the evolution of business processes both in the production and organizational fields.*

*2019 saw the achievement of a significant level of Group Equity, which went from Euro 278 million to Euro 310 million. The positive evolution of this patrimonial magnitude highlights the strategic and continuous capitalization aimed at supporting the company's core business.*

*The Group's activity continues mainly concentrated in the NGS and Biogas sectors in which it operates and has already been present for several years. However, a new line of products was introduced for the biomethane market and a second for the treatment and reduction of emissions into the atmosphere.*

*In this way, the AB Group places itself on the market as an interlocutor attentive to the needs of the environment.*

*All products are designed and industrialized in Italy where the AB Group maintains its strong roots in Italy; these roots are the basis for looking at international markets that the AB Group has wanted to maintain for about a decade.*

*AB Holding SpA, as well as in Italy, also in n. 20 different countries.*

*The participation of the Group in the dynamics of the market as a whole and in the competitive factors that characterize it is based precisely on the enhancement of the competitiveness factors in which the "AB product" and the company structure are able to excel.*

*Without underestimating what is happening in the world today, aware that all this will affect the markets in which the AB Group is present, we look forward to the future that awaits us with confidence. We know we can count more than ever on our values and our strengths, especially on the people who commit themselves every day with passion and professionalism.*

*Once again, at the base of the good results achieved, the widespread presence on the market and the positive future prospects, there is the certainty of being able to base the future evolution on the strong commitment of all the "people of the AB world", because we believe more and more that in addition to our product of sure quality, they represent a point of excellence, young, on which to focus.*

*Good day everyone,*

*President*

*Graziella Calzavacca*

.....



## Summary

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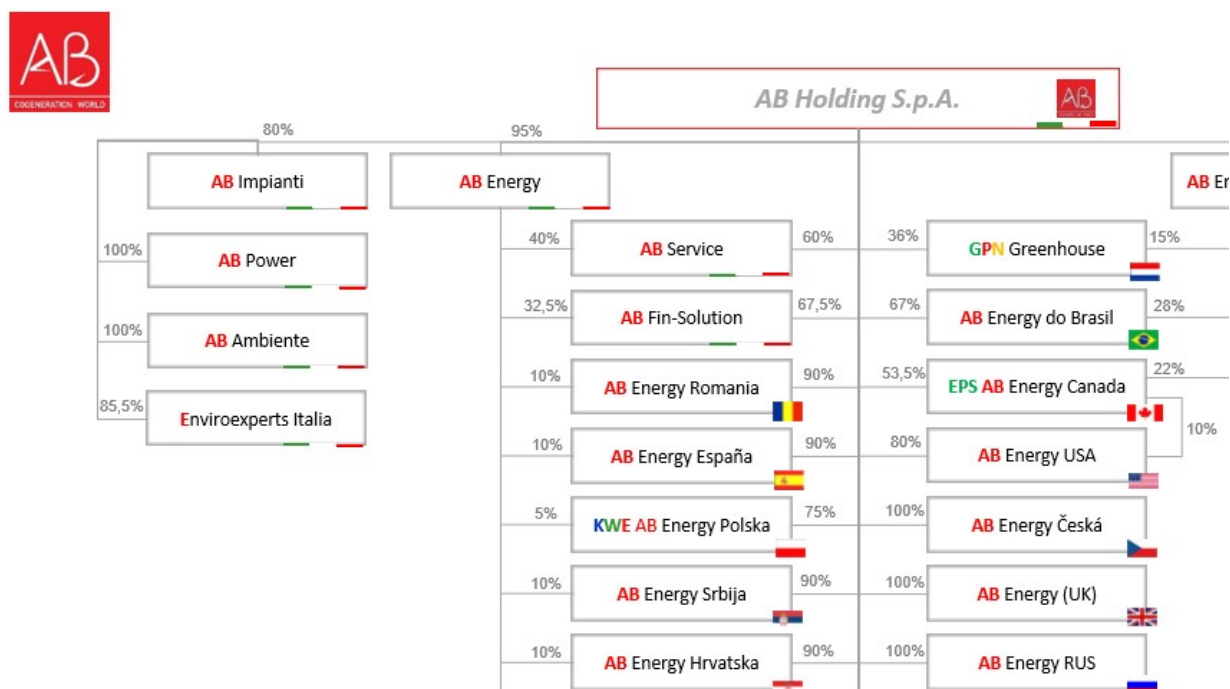
## PREMISE

This report has been prepared pursuant to the combined provisions of articles 2428 of the Civil Code and 40 d. Lgs 127/1991, as allowed by art. 40, paragraph 2, lett. 2-bis of the same Legislative Decree 127/1991. In the spirit of this "unitary" Management Report, considering that the Parent Company does not carry out an autonomous activity but, in addition to holding the equity investments, it limits itself to providing services to subsidiaries, it was considered appropriate, in compliance with the principles contained in art. 2428, paragraph 2, of the Civil Code, carry out an analysis consistent with the entity and complexity of the Parent Company's business and provide a broader and more comprehensive discussion of the contents of the Report pursuant to art. 40 Legislative Decree 127/1991.

The Report concerns the analysis of management having regard to the dictates of art. 2428 of the civil code as amended by art. 1 of Legislative Decree 2 February 2007, n. 32, and has the function of offering an overview of the situation of the company and of the AB GROUP and of the operating performance of the year, all with particular regard to costs, revenues and investments.

The amounts indicated in this report, where not expressly indicated, are shown in units of Euro, and for a more immediate reading, it should be noted that the comparative data shown in this document reproduce what is reported in the Reports of previous years.

Below is the corporate scheme and the list of consolidated companies at 31/12/2019:





| SOCIETÀ  | SEDE LEGALE                   | CODICE FISCALE          | CAPITALE SOCIALE  | % ABH      |
|--|-------------------------------|-------------------------|-------------------|------------|
| AB HOLDING SPA                                 | Orzinuovi (BS)                | 02243290984             | € 6.000.000       | Capogruppo |
| AB IMPIANTI SRL                                | Orzinuovi (BS)                | 01895490983             | € 1.000.000       | 80%        |
| AB ENERGY SPA                                  | Orzinuovi (BS)                | 02106060987             | € 1.000.000       | 95%        |
| AB SERVICE SRL                                 | Orzinuovi (BS)                | 02279020982             | € 1.000.000       | 60%        |
| AB POWER SRL                                   | Cologne (BS)                  | 02293190985             | € 99.000          | 100%       |
| AB FIN-SOLUTION SPA                            | Orzinuovi (BS)                | 02662610985             | € 2.000.000       | 67,50%     |
| AB AMBIENTE SOC. AGRICOLA SRL                  | Orzinuovi (BS)                | 02632060980             | € 2.000.000       | 100%       |
| ENVIROEXPERTS ITALIA SRL                       | Calolziocorte (LC)            | 03624880138             | € 66.000          | 85,46%     |
| AB ENERGY ESPAÑA SL                            | Barcelona (Spagna)            | B85683381               | € 30.000          | 90%        |
| AB ENERGY ROMÂNIA SRL                          | Bucarest (Romania)            | 25216345                | Lei 731.000       | 90%        |
| KWE AB ENERGY POLSKA SP ZOO                    | Bielsko-Biala (Polonia)       | 9372337858              | Zloty 50.000      | 75%        |
| AB ENERGY SRBIJA DOO                           | Beograd-Novi Beograd (Serbia) | 107377008               | Dinari 10.266.480 | 90%        |
| AB ENERGY HRVATSKA DOO                         | Rijeka (Croazia)              | 4103332347              | Kn. 750.000       | 90%        |
| AB ENERGY CIESKA SRO                           | Praha (Rep. Ceca)             | 24319058                | CZK 2.000.000     | 100%       |
| AB ENERGY INTERNATIONAL GMBH                   | Innsbruck (Austria)           | ATU 67894816            | € 1.000.000       | 71,25%     |
| AB GREENHOUSE POWER NETHERLANDS BV             | Maasdijk (Paesi Bassi)        | NL8527.46.878.B01       | € 50.000          | 36%        |
| AB ENERGY DO BRASIL LTDA.                      | Barueri (Brasile)             | CNPJ 08.542.297/0001-29 | R\$ 1.001.480     | 67%        |
| AB Energy Canada Ltd.                          | Guelph - ON (Canada)          | GST/HST 832149462       | CAD 200.000       | 53,50%     |
| AB ENERGY (UK) LTD                             | London (Gran Bretagna)        | GB 185213904            | £ 50.000          | 100%       |
| AB ENERGY DEUTSCHLAND GMBH                     | Spelle (Germania)             | 294268654               | € 500.000         | 75%        |
| AB ENERGY USA LLC                              | Pine Brook - NJ (USA)         | 320454893               | \$1.000.000       | 80%        |
| A.B. (Cogeneration) ENERGY ISRAEL LTD          | Tirat Carmel (Israele)        | 515154482               | NIS 1.400.000     | 60%        |
| AB ENERGY RUS LLC                              | Moscow (Russia)               | 7743091265              | RUB 5.000.000     | 100%       |
| AB ENERGY FRANCE SARL                          | Vern-sur-Seiche (Francia)     | 54813789856             | € 200.000         | 100%       |
| AB ENERGY MEXICO Cogeneracion S. DE R.L. DE CV | Mexico City (Messico)         | RFC AEM1511232IA        | MEX 6.000.000     | 80%        |
| AB ENERGY BULGARIA OOD                         | Sofia (Bulgaria)              | 205871511               | BGN 200.000       | 90%        |
| AB ENERGY ARGENTINA S.A.U.                     | Buenos Aires (Argentina)      | 30716491958             | ARS 100.000       | 100%       |
| COGENERATION AB ENERGY HELLAS E.P.E.           | Halandri (Grecia)             | 801238374               | € 100.000         | 90%        |

\*\*Nota - Revisione legale dei conti specificatamente riconducibile ai requisiti espressi dalla normativa britannica: la controllata AB Energy (UK) Ltd è esente dai requisiti di legge in materia di revisione contabile ai sensi della sezione 479 A della legge sulle società dell'anno 2006.

## REPORT PURSUANT TO ART. 2428 CIVIL CODE

As mentioned, the Parent Company, in addition to the holding of controlling shareholdings, exclusively carries out support and service activities, as well as real estate leasing, generating revenues and dividends exclusively from subsidiaries. For these reasons, the contents of the Report pursuant to art. 2428 C.C. they will be consistent with this assumption.

The result of the Parent Company can also be considered satisfactory this year, being the result of the efforts and investment policies that have occurred since its foundation. In particular, the results resulting from the policies of strengthening, planning, directing and organizing the activities of the subsidiaries show that the direction taken is the correct one. In confirmation of this, attention is drawn to the income from subsidiaries.

Also this year the Parent Company has profitably coordinated the development activities of both national and foreign companies, helping to develop the industrial plan that sees the Group maintaining and overseeing international markets.

The financial statements closed with a profit of € 24,121,948 and made it possible to achieve a first-rate balance sheet and financial situation.

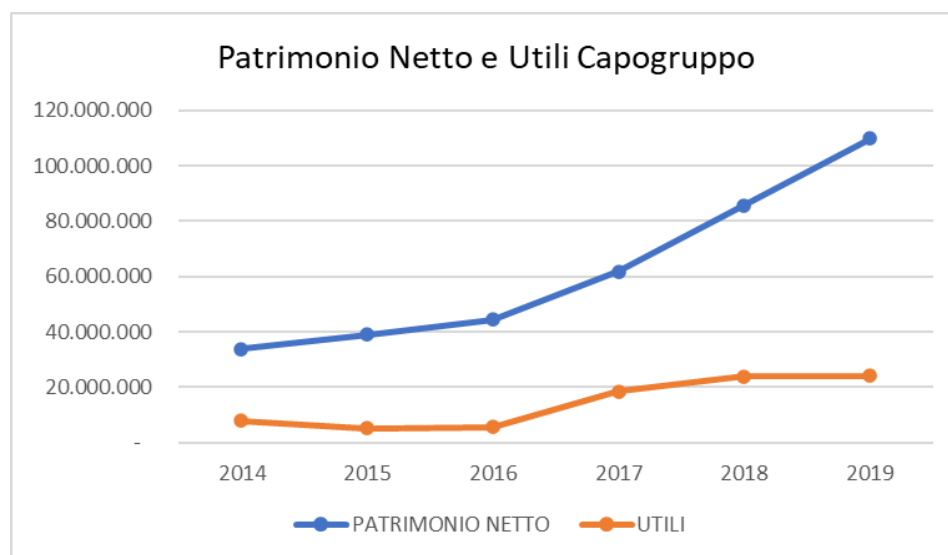
The economic situation of the last three years summarized in the following table:

|                          | 2019       | 2018       | 2017       |
|--------------------------|------------|------------|------------|
| <b>Difference A-B CE</b> | 428.249    | (7.730)    | 77.682     |
| <b>Dividends</b>         | 24.500.000 | 25.450.000 | 19.100.000 |
| <b>Net Profit</b>        | 24.121.948 | 23.896.451 | 18.383.231 |

Pursuant to art. 2428, paragraph 2, of the Civil Code, the economic-financial result ratios are reported (for the description of the ratios, see the following paragraphs) which show a confirmed solidity of the Parent Company, also for the benefit of its subsidiaries.

|                                     | 2019       | 2018       | 2017       |
|-------------------------------------|------------|------------|------------|
| <b>Financial income and charges</b> | 24.688.642 | 25.634.532 | 19.262.522 |

## EVOLUTION PN – PROFITS



| FINANCIAL BALANCE SHEET   |                    |                                 |                    |
|---------------------------|--------------------|---------------------------------|--------------------|
| immaterial properties     | 355.497            | Capital share                   | 6.000.000          |
| tangible properties       | 26.457.064         | Reserve                         | 79.731.854         |
| Financial real state      | 32.663.809         | Profit                          | 24.121.948         |
| <b>Fixed assets</b>       | <b>59.476.370</b>  | <b>Own funds</b>                | <b>109.853.802</b> |
| Warehouse                 | -                  |                                 |                    |
| Deferred liquidity        | 20.213.804         | Funds                           | 8.224.949          |
| Immediate liquidity       | 44.282.489         | Debts beyond 12m                | 1.575.670          |
| <b>Current active</b>     | <b>64.496.293</b>  | <b>Consolidated liabilities</b> | <b>9.800.619</b>   |
|                           |                    | Debts within 12m                | 4.318.002          |
|                           |                    | Accruals and deferrals          | 240                |
|                           |                    | <b>Current liabilities</b>      | <b>4.318.242</b>   |
| <b>Capitale investito</b> | <b>123.972.663</b> | <b>Financing capital</b>        | <b>123.972.663</b> |

| Index description | 2019 | 2018 | 2017 |
|-------------------|------|------|------|
|-------------------|------|------|------|

|                              |            |            |            |
|------------------------------|------------|------------|------------|
| Primary structure margin     | 50.377.432 | 29.305.076 | 10.698.244 |
| Primary structure quotient   | 1,85       | 1,52       | 1,21       |
| Secondary structure margin   | 60.178.051 | 39.822.300 | 16.596.828 |
| Secondary structure quotient | 2,01       | 1,71       | 1,32       |

| Index description    | 2019 | 2018 | 2017 |
|----------------------|------|------|------|
| Total debt ratio     | 0,13 | 0,17 | 0,16 |
| Financial debt ratio | 0,03 | 0,05 | 0,04 |

| Index description     | 2019       | 2018       | 2017       |
|-----------------------|------------|------------|------------|
| Availability margin   | 60.178.051 | 39.822.300 | 16.596.828 |
| Availability quotient | 14,94      | 10,19      | 5,27       |
| Treasury margin       | 60.178.051 | 39.822.300 | 16.596.828 |
| Treasury quotient     | 14,94      | 10,19      | 5,27       |

The overexposed indicators confirm the solid financial structure of the company, which is capitalized and liquid.

The main economic indices for the 2017-2019 three-year period are shown below:

| Index description               | 2019              | 2018              | 2017              |
|---------------------------------|-------------------|-------------------|-------------------|
| Gross operating margin          | 1.852.830         | 1.248.161         | 1.041.516         |
| <b>EBITDA (net provisions )</b> | <b>1.852.830</b>  | <b>1.248.161</b>  | <b>1.041.516</b>  |
| Operating income                | 715.146           | 242.613           | 290.696           |
| <b>EBIT normalized</b>          | <b>25.139.028</b> | <b>25.644.186</b> | <b>19.351.474</b> |
| <b>EBIT integral</b>            | <b>24.466.273</b> | <b>24.065.228</b> | <b>18.429.164</b> |
| Risultato gross                 | 24.444.136        | 24.047.844        | 18.417.894        |
| Risultato net                   | 24.121.948        | 23.896.451        | 18.383.231        |

NOTE: Operating result considered net of the ancillary area

It is considered useful to provide information on the following non-financial indices relevant to the specific activity of the company:

#### Average number of employees

| 2019 | 2018 | 2017 | 2016 | 2015 |
|------|------|------|------|------|
| 135  | 123  | 91   | 84   | 75   |

In compliance with the provisions of articles 2435-bis co. 7 and 2428 co. 3 nos. 3, 4 of the Italian Civil Code, making express reference to the points indicated therein, the following is

noted:

1) the company did not carry out research and development activities;  
2) with regard to the relationships with subsidiaries, affiliates, and companies subject to the control of the latter, express reference is made to the contents of this Report relating to the consolidated financial statements;

3) It is specified that:

- the company does not own own shares, not even indirectly;
- the company does not own, directly or indirectly, shares or stakes in parent companies;
- during the year, the company did not carry out purchases or disposals of own shares and shares or quotas of parent companies, even through a trust company or an intermediary.

At the end of this discussion, it should be noted that the risks and uncertainties to which the company is exposed are mainly attributable to the results coming from the subsidiaries, especially those under foreign law.

In this regard, the company has made provision for adequate provisions for risks on equity investments in cases in which the subsidiaries show negative net equity. Please refer to what is stated in the notes to the individual financial statements.

## **1. ANALYSIS OF THE GROUP'S SITUATION**

### **1.1. Introduction**

As usual, before proceeding to illustrate the economic and financial data, we consider it appropriate to illustrate the general macroeconomic situation and the markets in which the Company and the Group operate.

### 1.1.1 Macroeconomic framework<sup>1</sup>

The world economy in 2019 continued its growth, albeit at lower rates than the October estimates. The IMF (International Monetary Fund) estimated GDP (Gross Domestic Product) for 2019 at + 2.9%, slightly down when compared to the forecast in October, and revised GDP slightly downwards, both for 2020 and 2021.

The policies of the United States and China continue to significantly influence the evolution parameters of the economy as a whole.

The slowdown in world trade began and was exacerbated by trade tensions between the US and China which continue to generate uncertainty even among Italian companies, leading to a reduction in exports and investments.

The global outlook is affected by the risks related to the exit from this moment of emergency and from the outcome of trade relations between the United States and China, the possible exacerbation of financial tensions in emerging countries and the unclear effects of "Brexit".

Although the growth of the world economy has continued in recent months, the prospects for global trade continue to worsen, also in consideration of the current crisis following the expansion of the Covid-19 pandemic from China.

In the early months of 2020, the effects of the Covid-19 pandemic affected production activity and the aggregate demand of all economies.

In the year, the reduction in international trade will be very strong, the worsening of growth prospects has translated into a sharp fall in stock market indices and a sharp rise in volatility and risk aversion.

In all major countries, monetary and fiscal authorities have implemented strong expansionary measures to support household and business incomes, credit to the economy and liquidity on the markets.

Having said this and in the face of a worsening of the prospects for world trade, the Governing Council of the ECB has kept monetary stimulus high, but we will have to wait for the evolution of the management of European economies which are in uneven economic and financial conditions exacerbated by the new heavy crisis.

In the Euro area, economic activity is held back by the weakness of manufacturing, particularly accentuated in Germany despite a higher-than-expected performance in November.



<sup>1</sup> Principali fonti: Bollettino Economico Banca d'Italia; valutazioni del Fondo Monetario Internazionale (FMI) diffuse in gennaio 2019; Bollettino trimestrale ENEA.



The trend of the economy affects inflation, which in the Eurosystem's projections is supported by monetary stimulus but is still expected to be below 2% in the next three years.

In the third quarter of 2019, the GDP of the euro area increased to a limited extent (+ 0.2% as in the second quarter), while industrial production continued to decline, continuing the phase of weakness that began at the beginning of 2018.

The slowdown in the Chinese economy and the weakness of the European automotive sector have weighed mainly on producers of capital goods and intermediate goods, significantly affecting the German economy. Industrial production showed economic declines in the last quarter of 2019

According to the details of the IMF estimates, Italy's growth was + 0.2% in 2019.

The latest available information suggests that in Italy economic activity, which grew slightly in the third quarter of last year, would have remained almost stationary in the fourth, continuing to suffer

especially the weakness of the manufacturing sector.

This is what emerges from the official notes, but understandably for the year 2020, given the information available at the date of this report, the estimates in the emergency will see a contraction in GDP estimated in a range of 8% -10%.

In our country the spread of the epidemic since the end of February and the measures taken to deal with it have

had significant repercussions on economic activity in the first quarter.

Based on the information available, industrial production would have fallen by 15% in March and by around 6% on average in the first quarter.

In the first three months of 2020, the GDP would have recorded a fall today estimated at around five percentage points.

Certain service sectors would have contributed significantly to this decline.

The continuation of the containment measures of the epidemic will likely lead to a contraction of the product also in the second quarter, which should be followed by a recovery phase whose real extent is not yet foreseeable.

As regards the energy market and in particular the Italian one, primary energy consumption has remained substantially unchanged compared to the same quarter of the previous year.

The latter is in fact down by about half a percentage point in the whole of 2019, because the marginally positive push coming from GDP (+ 0.2% the most recent forecast) was more than offset by the negative one provided by industrial production (- 1.2%) and climate (degrees of warming day estimated in slight decline), while gas and electricity prices remained practically unchanged.

In terms of energy sources, the third quarter recorded a new sharp decrease in coal

(almost 1 Mtoe less), which brings the overall decline in the first nine months to around 1.5 Mtoe.

A reduction of more than 20% is estimated, largely due to the "phase out" of coal in electricity generation: in the first nine months of 2019, the solid electricity production of the Enel group in Italy fell by 40% compared to the same period of a year ago.

After the strong growth in the second quarter, natural gas consumption grew again in the third (+ 7%), driven by thermoelectric power, where gas was favored by the sharp drop in electricity imports.

Electricity production from renewable energy sources (RES), on the other hand, returned in the third quarter to a trend growth (+ 5%), thanks to the recovery of hydroelectric production, but in the first nine months as a whole it remained slightly down compared to the same period of last year (-0.6%), because hydroelectric production overall decreased by almost 4 TWh (-10%), while photovoltaic and wind power increased by just over 3 TWh (+ 9% and + 13% respectively).



There was also a drop in emissions greater than that of final consumption. This is explained by the already underlined change in the mix of fossil fuels towards less carbon intensive.

In fact, the reduction in emissions derives predominantly from the electricity generation sector, where the AB Group has been present for years and where the replacement of coal with gas led to a reduction in emissions of 3.5 in the first nine months of the year. % even in the presence of production from fossil sources unchanged.

With regard to the financial and currency markets, the US dollar opened 2019 with depreciation against the euro, reaching the high of the year at 1.1535 on 10 January. In the following months, the market saw a phase of volatility, with an appreciation trend of the US currency, until the end of May.

Subsequently, the currency had a depreciation, which brought it to 1.14 area, and then reversed the trend and had a strong appreciation until September 30, 2019 low at 1.0889.

Subsequently the currency had a trend reversal, returning to 1.12 where, after a phase of volatility in November, it closed at 1.1234, close to the annual average of 1.1196.

At the date of this report, the financial markets are showing strong turbulence, which have

pushed down share prices and caused large swings in the yields of government bonds, in a context of reduced liquidity, increased risk aversion and high volatility.

As for the future prospects, the projections for the economy saw a gradual global recovery and accommodative monetary conditions before the emergence of the Covid-19 emergency.

The speed of recovery will depend on the effectiveness of economic policies.

All the current scenarios on the trend of Italian GDP predict a strongly negative evolution in the first half of the year, followed by a recovery in the second half and a marked recovery in activity in 2021.

However, the range of analysts' assessments is very wide, the speed of the economic recovery depends not only on the evolution of the pandemic in Italy and abroad, but also on the development of international trade and financial markets, on the effects on some service sectors, with consequences on consumer confidence and incomes.

The timeliness and effectiveness of the economic policy measures being introduced in Italy and Europe will be crucial.

#### ▪ **1.1.2 Dati consuntivi**



#### ▪ Passando

alla trattazione dei dati di bilancio, si premette che si darà un maggiore spazio alla visione del Gruppo, al fine di consentire un quadro più corretto ed allargato possibile della reale situazione generale. Ove non indicato, i dati si intendono al totale di bilancio: "Gruppo+Terzi".

▪

▪ Se si analizzano i dati consolidati dell'esercizio chiuso al 31/12/2019 si può evincere sia:

▪ un incremento rispetto all'esercizio precedente nei ricavi, attestatisi a circa 252 ML € (+22,9% sul 2018, +19,6% sul 2017);

▪ un incremento del valore della produzione, attestatosi a circa 260 ML € (+13,5% sul 2018, +17,5% sul 2019), uno dei risultati migliori della storia del Gruppo AB.

|                         | <b>2019</b> | <b>2018</b> | <b>2017</b> |
|-------------------------|-------------|-------------|-------------|
| Profits (A1)            | 252.741.597 | 205.632.553 | 211.586.170 |
| Value of production (A) | 260.797.684 | 229.167.568 | 221.739.703 |

The value of the orders in progress and finished products at 31 December 2019, as well as of the semi-finished products amounted to approximately € 48.1 million, a slight decrease compared to the previous year in which the value of the same aggregate reached € 54.8 million.

At the date of this report, a significant value of the orders for new works is confirmed which, together with the orders in progress as of 31 December 2019, constitute a good basis for the continuity of production.

The main economic indicators are quantified below, the high values of which in recent years are underlined.

| <b>Index description</b>       | <b>2019</b>       | <b>2018</b>       | <b>2017</b>       |
|--------------------------------|-------------------|-------------------|-------------------|
| Gross operating margin         | 60.585.678        | 52.682.575        | 60.374.406        |
| <b>EBITDA (net provisions)</b> | <b>53.357.452</b> | <b>50.966.294</b> | <b>57.708.574</b> |
| Operating income               | 39.731.286        | 40.479.703        | 48.529.487        |
| <b>EBIT normalized</b>         | <b>44.514.287</b> | <b>44.527.627</b> | <b>48.450.798</b> |
| <b>EBIT integral</b>           | <b>44.514.287</b> | <b>44.527.627</b> | <b>48.450.798</b> |
| Result gross                   | 45.054.193        | 42.994.857        | 47.568.682        |
| Result net                     | 32.864.890        | 30.856.592        | 34.624.426        |

The dynamics of EBITDA and EBIT are mainly due to the increase in the volume of revenues and a very high production value:

| <b>PATRIMONY</b>                 | <b>2019</b>        | <b>2018</b>        | <b>2017</b>        |
|----------------------------------|--------------------|--------------------|--------------------|
| PATRIMONY TOT. (GROUP+THIRD P.)  | 310.654.544        | 278.229.368        | 247.922.775        |
| <b>Of which: PATRIMONY GROUP</b> | <b>294.087.027</b> | <b>263.468.513</b> | <b>233.271.401</b> |
| PROFIT TOTAL (GROUP+THIRD P)     | 32.864.890         | 30.856.592         | 34.624.426         |
| <b>Of which: GROUP PROFIT</b>    | <b>30.625.470</b>  | <b>30.197.111</b>  | <b>33.093.746</b>  |

### 1.1.3 Market in which the Group operates

From a commercial point of view, the 2019 financial year is to be considered positive. During the year, the negotiation and signing of contracts with Italian and international customers for the construction of new plants with sometimes significant dimensional

and strategic value continued in line with the previous year.

In addition to sales, which are always consistent on the Italian market, the contracts signed with the other companies of the AB Group in Europe and around the world have maintained significant levels.

For a better quantification, see:

- to the Explanatory Notes for the breakdown of revenues by Geographic Area and the graph shown in the following paragraph;
- in the paragraph "Non-financial performance indicators" of this report as regards the number of contracts managed during the year 2019.

### **The Italian Market**

The AB Group is today the Italian leader in the production / sale of "cogeneration plants", with an important market share in the range of products and services offered.

Although revenues decreased compared to the previous year, the development of plant maintenance services continues, through the signing of new maintenance contracts, which are added to those signed in previous years, as well as the contracts that will come into operation in the new year. Please refer to the graphs below for a clearer representation of what is indicated.

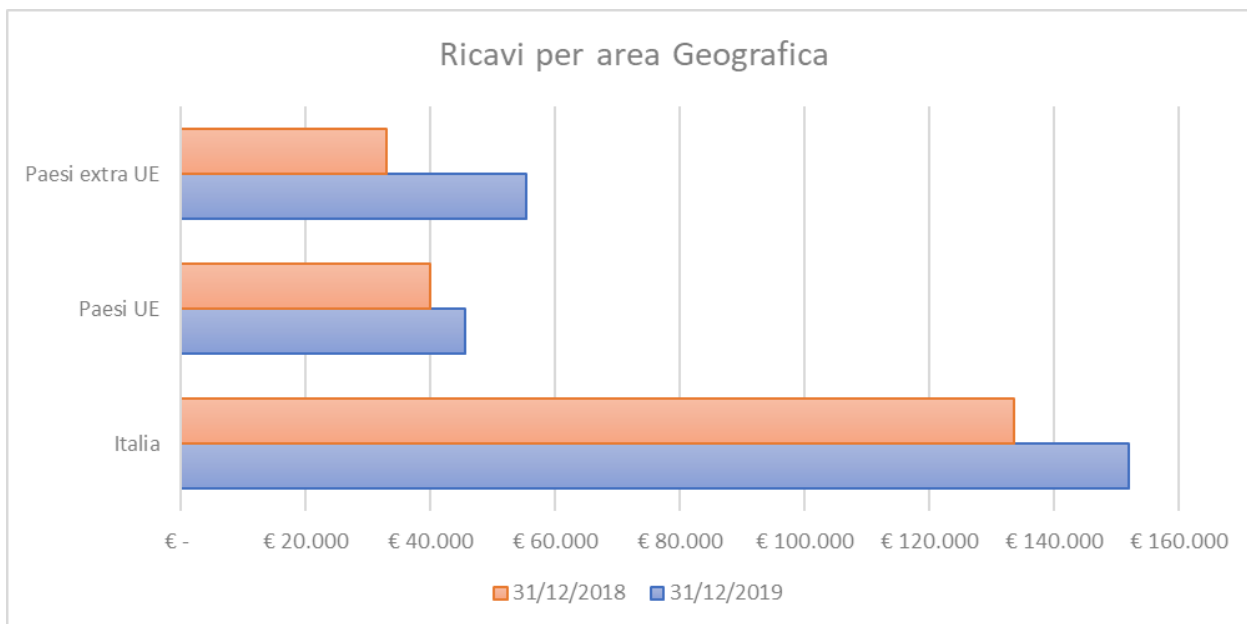
The value of investments for contracts relating to plants intended for the Rent sector, that is the non-financial leasing of plants, which will predictably give positive results in the next few years, also increased in 2019.

### **The foreign market**

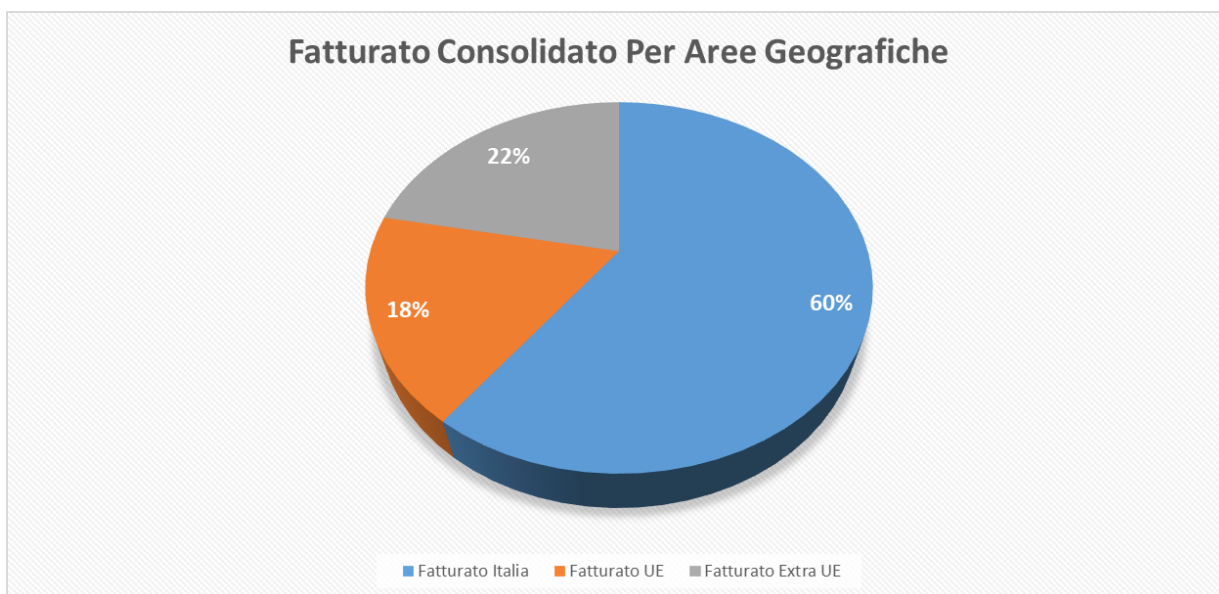
The Foreign Market in terms of revenues is growing (about 50%) compared to 2018, with an incidence of 40% on the Group's global turnover. In particular, Europe represents the first market by size. Important commercial activities, evidenced by the collection of orders in 2019, will contribute to consolidating the stable presence of the AB Group in international markets.



Below is a graph showing the trend of the current trend relating to revenues by geographic area:



Below is the graphic summary of the composition of consolidated turnover by geographical area in 2019:



In the next year, the European and Italian area will continue to play an important role. In 2019 there are a total of 20 foreign markets alongside the Italian one (see the corporate scheme previously reported). On the national and international market, the AB brand is synonymous with high quality, efficiency as well as the ability to relate to customer needs.

In continuity with previous years, the AB Group has maintained the important development and updating of the two digital channels: "Biogas Channel" and "Cogeneration Channel", which have been active for four years. These activities are accompanied by a presence on the main "social" channels, which facilitate the interface and communication with the external market.



Events dedicated to the world of cogeneration were also organized during the year, in order to raise the awareness of end users on the technical characteristics of AB products and on the cogeneration market as a whole.

## **1.2 Characteristics of the AB Group in general**

### **1.2.1 Range of products and services offered**

#### **a) INDUSTRIAL PLANTS**


The main activity of the Group is the construction to order of "industrial plants in general", and in particular those of "cogeneration", ie plants for the combined generation of electricity and thermal energy (heat and / or cold).

The ECOMAX® range includes distributed generation solutions in modular packaging structured in six product lines that make the AB offer the most complete and distinctive on the global cogeneration market. All the product lines that make up the ECOMAX® range confirm the basic principles of the product designed and developed by AB, with specific characteristics based on the application sector:



|   |                     |   |          |  |  |       |
|---|---------------------|---|----------|--|--|-------|
|  | <b>GAS NATURALE</b> | — | SETTORI: | Manifatturiero   | Commerciale  | Serre |
|   |                     |   |          | <ul style="list-style-type: none"> <li>- Alimentare</li> <li>- Beverage</li> <li>- Cartario</li> <li>- Ceramica e Laterizi</li> <li>- Chimico</li> <li>- Farmaceutico</li> <li>- Lattiero - Caseario</li> <li>- Metallurgico</li> <li>- Plastico</li> <li>- Tessile</li> </ul> | <ul style="list-style-type: none"> <li>- Centri Elaborazione Dati</li> <li>- Centri Commerciali</li> <li>- Ospedali/Hotels</li> <li>- Teleriscaldamento</li> <li>- Teleraffrescamento</li> </ul> |       |

|   |               |   |          |   |
|---|---------------|---|----------|---|
|  | <b>BIOGAS</b> | — | SETTORI: | Agricoltura<br>Discariche/Forsu<br>Rifiuti di origine animale<br>WWT (trattamento acque reflue) |
|---|---------------|---|----------|---|

|  |                     |   |          |  |
|--|---------------------|---|----------|--|
|  | <b>GAS SPECIALI</b> | — | SETTORI: | Estrazione e produzione petrolio (APG)<br>Miniere di carbone |
|--|---------------------|---|----------|--|

Noteworthy is the introduction of a new line of products (BIOCH4NGE®) intended for the treatment of Biogas for the production of Biomethane, which make AB a reality that is careful to offer increasingly advanced solutions aimed at the Italian and international energy scene.

A historical activity carried out in the Group also concerns the design and construction of industrial and civil electrical systems directly to end customers, including:

- maintenance and repair services for industrial and civil electrical systems;
- construction of building systems (electrical, plumbing, building works complementary to the above);
- production of automation software.

#### **a) SERVICE**

Another fundamental activity, connected to the previous one, is that of service, i.e. the management and maintenance of industrial plants in the energy sector. The service is provided mainly with reference to the plants sold and with multi-year contracts (typically for the useful life of the endothermic engines included in the plants).



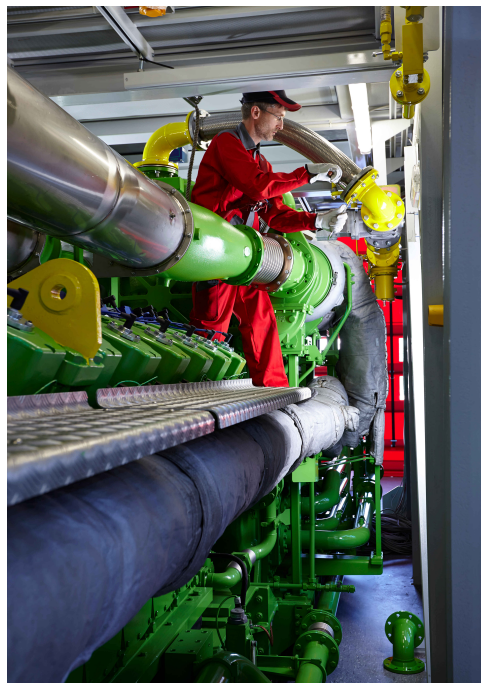
The main services performed, according to the description of the "UNI EN 13306: 2003" standards, can be identified as follows:

- **ORDINARY PREVENTIVE and SCHEDULED MAINTENANCE:** this is maintenance performed at predetermined intervals (in this case approximately every 2000 hours) or on the basis of prescribed criteria and aimed at reducing the probability of failure or degradation of engine operation, all in compliance with the manufacturer's manual;

- **FORESEEABLE CYCLIC MAINTENANCE:** also referred to as predictable, this is maintenance carried out on the basis of time intervals (in this case, upon reaching the "number of hours" 10,000 - 20,000 - 30,000 - 40,000 - 50,000) or predetermined cycles of use, but without a previous investigation of the conditions of the entity, all in compliance with the manufacturer's manual;

- **UNEXPECTED INTERVENTIONS OR EXTRAORDINARY MAINTENANCE NOT FORESEEABLE,** ie possible interventions to restore the machines following accidental stops and / or breakdowns;

- **REMOTE ASSISTANCE,** i.e. control via remote connection to the system for verification of operation and first intervention.



#### **a) OTHER ACTIVITIES**

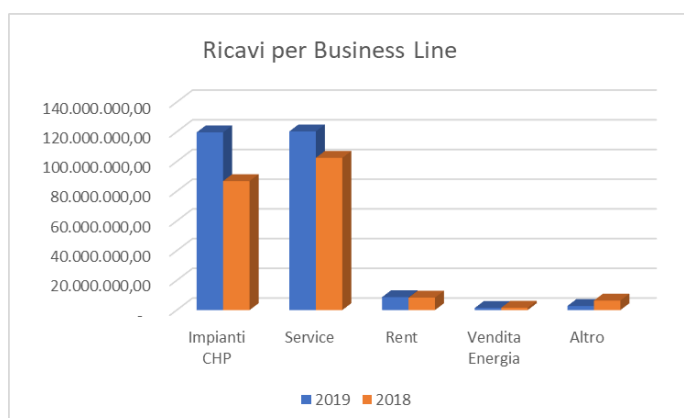
The Group, through three dedicated companies, also carries out activities in the following sectors:

- Rent activities: operating leasing of plants;
- Agricultural activity and related activity of energy production from biomass: production of agricultural products and valorisation through the production of energy from biogas deriving from their anaerobic fermentation;
- Production of electrical power panels.

In order to assess the overall impact, a summary breakdown of revenues in the consolidated financial statements by "macro sectors" of activity is shown:

| Profits by business lines (X 000) | 31/12/2019     |
|-----------------------------------|----------------|
| Plant production                  | 119.615        |
| Service to plants                 | 120.262        |
| Leased cogeneration plants        | 8.687          |
| Electricity sale                  | 1.403          |
| Switchboards                      | 6              |
| Other                             | 2.769          |
| <b>TOTAL (a1 CE)</b>              | <b>252.742</b> |
| TEE Transfer                      | 0              |

In terms of performance, a comparison between the values of revenues by business lines between 2018 and 2019:



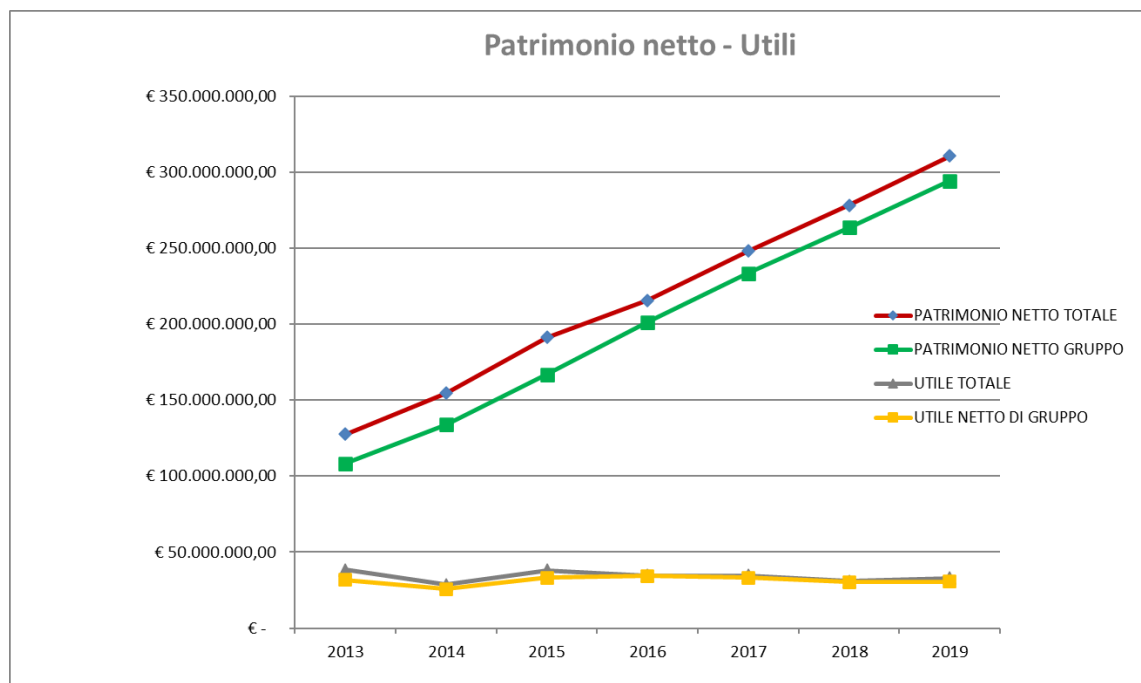
### 1.2.2 Context description and overall results

The AB Group has conquered and maintained in recent years a leadership position in the production of cogeneration plants in the range from 100kWe to 4,000 kWe. On the market, the AB brand remains synonymous with quality and efficiency: this element has allowed the group to achieve very positive results even in the presence of macroeconomic conditions that are not always easy to manage, such as those described above.

The Group is sound from a financial point of view. The good general economic and financial results of recent years have made it possible to pursue once again the path of capital strengthening of the Group as a whole.

The assets at the end of the year amounted to € 294,087,027, also considering the results produced in the past year.

The chart below shows the trend in net profit and equity in the last seven years:



Since the beginning of its activity, the AB Group has been able to grow with shrewd policies that have led to a progressive capitalization and organizational evolution aimed at effectively addressing the unstable situation that characterizes the last years of the world economy, and in particular the fragile evolutionary situation of the Eurozone and even more of the Italian economy.

### 1.2.3 General situation & management of the past year

The AB Group, during its evolutionary process, is acquiring the financial and capital resources necessary to face the future scenarios of the cogeneration market, both nationally and in the more complex international scenario.

Several product innovation activities were completed. These activities have given rise to new product lines as well as improvements to "Ecomax ®".

The group is now also present in the biomethane market and in the treatment and abatement of emissions into the atmosphere

As regards exports, in line with the previous year, during the past year, various experiences were successfully completed in terms of new jobs and order books, acquiring more and more experience also on an international scale.

Finally, the reasons for the good result are once again to be found, in addition to the management and strategic planning of recent years, in the excellent professionalism of the staff.

#### **1.2.3.1 Management at company level**

During 2019, the international presence was strengthened with the creation of 3 new companies in Argentina, Greece and Bulgaria. A new Italian company has instead become part of the consolidation perimeter as a result of an acquisition operation concluded in the middle of 2019.

#### **1.2.3.2 Activity-level management**

Below we briefly comment on the general situation in the macro areas of internal management, highlighting the main development strategies adopted in 2019.

### **PRODUCTION-DESIGN ACTIVITIES**

On the subject of internal management, Management has worked in the past year, in continuity with the policies of previous years and of the Group, adopting the following guidelines:

#### **1. MANAGEMENT SOFTWARE DEVELOPMENT**

We note the continuous evolution of the SAP system in many companies, both for the keeping of company accounts and for the management-operational part. A defined "roll-out" plan was continued to extend the use of this system to all companies included in the scope of consolidation.

#### **2. RESEARCH OF EFFICIENCY and EFFECTIVENESS**

The plants have reached a level of absolute efficiency in terms of reliability, but the aim remains that of continuous improvement, also in terms of cost.

The Group continuously pursues the objectives of:

- product diversification;
- expansion and evolution of competitive scenarios and dynamics;
- management of organizational complexities induced by global markets and risk management;
- continuous improvement of parameters such as "speed of response" (speed) and efficiency;



- development of information sharing processes.

These objectives were pursued through the assignment of human and economic resources to projects concerning new products, to projects for the re-engineering of Ecomax product components, to the development of new product lines, to projects aimed at the reorganization of processes related to engineering, to production and administration; last but not least, the constant commitment to improve the management tools of the commercial activity.

### **COMMERCIAL ACTIVITIES**

The commercial activity is aimed at maintaining the levels of excellence that have been recognized by the Group for years. The strategic activities undertaken or continued in 2019 with this in mind were mainly:

- Continuous improvement of IT systems to support work team activities (eg CRM system);
- Continuous development of corporate web channels in order to improve communication and dissemination of the culture of the sector;
- Continuation of training activities to support staff growth;
- Technical-commercial support across all commercial realities of the AB Group in Italy and abroad, in terms of approach and experience gained over the years in the Italian market.



The Group is present in 21 countries around the world (including Italy) and in recent years consolidation activities through direct supervision of the markets have been increasingly lively.

AB's response in order to address the picture outlined so far, also in line with the provisions of future business plans, is the attention to customer needs, evolving with the aim of improving organizational efficiency, commercial effectiveness, while optimizing the management and monitoring of business risks.

### **SERVICE ACTIVITIES**

At the Service level, both in Italy and abroad, the results of the past year show an increase, thanks to the continuous expansion of the base of the plants under maintenance. The plants have reached a level of absolute efficiency in terms of reliability, but the perspective remains that of continuous improvement for the benefit of customers.



The reasons for the good result are certainly to be found, as well as in the strategic planning of recent years, in the excellent professionalism of all the staff dedicated to this business segment.

The AB Service structure of the various group companies worked in the past year, in continuity with previous years, adopting the following policies in continuity with the previous year:

- 1) increase in the workforce;
- 2) investment in new structures;
- 3) collaboration between the various Group companies.

This activity has also been largely involved in major maintenance programs that have engaged the staff of the Service in an exceptional way.

#### **ACTIVITY OF RENT**

Following the new contracts signed in 2019, they are numerous AB FIN-SOLUTION plants leased to end customers, for a power of over 60MW. All rentals are currently made in Italy.

\*\*\*

The huge INVESTMENTS made in past years by both the manufacturing companies and the Parent Company in terms of the acquisition and construction of capital goods (production sites, machinery and equipment) made it possible to maintain a good level of potential production. The cash flow statement shows that the total investments in tangible and intangible "assets" in 2019 amounted to approximately Euro 20.7 million.

These investments were supported by the positive cash flow of ordinary activities, with absolutely limited use of financing transactions.

Lastly, in line with previous years, the effort to pursue ECONOMICS OF SCALE in corporate management is significant.

The concentration of some administrative functions in the parent company, with simultaneous outsourcing by the subsidiaries of services not part of the Core Business. For a more exhaustive view, see also paragraph 3.2.

As can be seen from the financial statements data, LABOR had a greater impact than in the past, with an increase of 12.68% compared to 2017.

It should be noted that the figure is the result of the constantly increasing Group establishment. For more details, see the following paragraphs (1.6).

Below is a detail of general costs relating to personnel:

|               | 2019         | 2018         | 2017         |
|---------------|--------------|--------------|--------------|
| COST OF STAFF | € 52.015.334 | € 45.568.099 | € 40.439.153 |

The main effort is towards an “organic” growth of all internal sectors.

In 2019, the Group continued to invest significant resources (economic resources and time) in the internal organization and training of personnel, also through the hiring of external consultants.

#### **1.2.4 Tax situation**

The tax impact on the final result is constant around about 1/3 of the gross result.

At a consolidated level, income taxes for 2019 are a percentage of 27.1% of the gross result, compared to 28.2% in 2018 and 27.2% in 2017. Positive is the impact of the effects of the so-called “Super-depreciation” on income produced in Italy.

The tax burden deriving from the Company AB Service in particular is affected by the fiscally insignificant provisions and the consequent recoveries in reduction of the taxable base for the use of funds allocated in previous years (maintenance funds) which at the time of the historical allocation were taken back in increase of the tax base, as well as non-deductibility for IRAP purposes of personnel costs.

The tax situation of all Group companies can be considered regular: the taxes payable for the year are paid.

The accounting results may also demonstrate the regular payment of Value Added Tax and foreign equivalents, withholdings and other taxes and duties.

#### **1.3. Result indicators**

The result indicators allow you to understand the situation, performance and management result of the Group.

The result indicators taken into consideration will be:

- financial result indicators;
- non-financial performance indicators.

NB: It is specified that for the calculation of the indices the overall component (Group +



Third parties) was always taken into account.

### 1.3.1 Financial performance indicators

The term financial result indicators defines performance indicators that are "constructed" from the information contained in the financial statements and can be divided into:

- income indicators;
- economic indicators;
- financial indicators;
- solidity indicators;
- solvency (or liquidity) indicators.

Financial indicators have the characteristic of being sufficiently standardized: the definition of quantities such as profit or operating result, in fact, is based on rules, precisely because of the external value that the financial statements have at the basis of their calculation.

Finally, it should be clarified that the doctrine usually divides the indicators into margins (absolute values) and quotients (relative values) but, often, both types of indicators are commonly defined as "indices"; for ease of understanding, therefore, also in this document we will refer to the terms used in the common language.

#### 1.3.1.1 - Income indicators

The following table summarizes the indicators that can be deduced from the general accounting that are able to enrich the information already contained in the financial statements.

The analysis of the development of these indicators highlights the maintenance at good levels of the main income production vehicles of the company and in particular of revenues from sales and services, while the trend in the value of production is increasing, registering

| Descrizione indice                       | 2019               | 2018               | 2017               |
|--|--------------------|--------------------|--------------------|
| Ricavi delle vendite e delle prestazioni | 252.741.597        | 205.632.553        | 211.586.170        |
| <b>Valore della produzione operativa</b> | <b>255.095.270</b> | <b>223.553.588</b> | <b>219.904.895</b> |
| Valore della produzione                  | 260.797.684        | 229.167.568        | 221.739.703        |
| <b>Risultato prima delle imposte</b>     | <b>45.054.193</b>  | <b>42.994.857</b>  | <b>47.568.682</b>  |
| Utile netto                              | 32.864.890         | 30.856.592         | 34.624.426         |

an increase of approximately 31.5 million euros compared to the 2018 financial year:

The most common intermediate income margins are shown below. EBITDA, net of the provisions shown in the financial statements, remains at significant levels:

| Descrizione indice                   | 2019              | 2018              | 2017              |
|--------------------------------------|-------------------|-------------------|-------------------|
| Margine operativo Lordo              | 60.585.678        | 52.682.575        | 60.374.406        |
| <b>EBITDA (netto accantonamenti)</b> | <b>53.357.452</b> | <b>50.966.294</b> | <b>57.708.574</b> |
| Risultato operativo                  | 39.731.286        | 40.479.703        | 48.529.487        |
| <b>EBIT normalizzato</b>             | <b>44.514.287</b> | <b>44.527.627</b> | <b>48.450.798</b> |
| <b>EBIT integrale</b>                | <b>44.514.287</b> | <b>44.527.627</b> | <b>48.450.798</b> |



### 1.3.1.2 - Economic indicators

The table below summarizes some of the main economic indicators used to measure economic performance. The data show the maintenance of the Group's income capacity, also in consideration of the significant increase in denominators, consequent to the capitalization of the Group.

| Index description            | 2019   | 2018   | 2017   |
|------------------------------|--------|--------|--------|
| ROE - (Return on Equity)     | 10,58% | 11,09% | 13,97% |
| ROE net average              | 11,16% | 11,73% | 14,94% |
| ROI - (Return on Investment) | 8,86%  | 9,25%  | 12,89% |
| ROS - (Return on Sales)      | 15,72% | 19,69% | 22,94% |

#### Composition of the above indices:

##### ROE (standard) - (Return on Equity)

The summary indicator of a company's profitability is the ROE and is defined by the ratio between:

|                         |
|-------------------------|
| Net result for the year |
| Net assets              |

It represents the percentage remuneration of the share capital (equity). It is an indicator of the overall profitability of the company, resulting from the set of operational, financial, extraordinary and tax management.

##### ROE net average - (Return on Equity)

The summary indicator of a company's profitability is the ROE and is defined by the ratio between:

|                                   |
|-----------------------------------|
| Net result of the year            |
| Average net patrimony of the year |

Represents the percentage remuneration of the capital attributable to the shareholders (own capital) as a function of the average capital of the period (for the average simplicity between final and initial net worth).

##### ROI - (Return on Investment)

Il *ROI (Return on Investment)*, is the combination of:

|   |
|---|
| Operative result                          |
| Total operative investments in the period |

Represents the profitability indicator of operational management: it measures the company's ability to generate profits in the activity of transforming inputs into outputs.

### **ROS - (Return on Sales)**

Il *ROS (Return on Sales)*, is the combination of:

|                              |
|------------------------------|
| Operative result             |
| Sales profit and performance |

It is the most used indicator to analyze the operational management of the entity or sector and represents the percentage incidence of the operating result on turnover (or possibly on the value of production). Basically it indicates the incidence of the main production factors (materials, personnel, depreciation, other costs) on turnover.

#### 1.3.1.3 - Financial indicators

To verify the ability of the company to meet its commitments, it is necessary to examine its financial strength. To this end, it is appropriate to re-read the statutory balance sheet according to a "financial" logic - reallocating specific items.

The financial balance sheet is shown below:

| <b>Stato Patrimoniale Finanziario</b> |                    |                                  |                    |
|---------------------------------------|--------------------|----------------------------------|--------------------|
| Imm. immateriali                      | 4.038.849          | Capitale sociale                 | 6.000.000          |
| Imm. materiali                        | 75.914.587         | Riserve                          | 271.789.654        |
| Imm. finanziarie                      | 11.445.971         | Utile                            | 32.864.890         |
| <b>Attivo fisso</b>                   | <b>91.399.407</b>  | <b>Mezzi propri</b>              | <b>310.654.544</b> |
| Magazzino                             | 122.630.919        |                                  |                    |
| Liquidità differite                   | 94.535.457         | Fondi                            | 17.704.141         |
| Liquidità immediate                   | 139.773.821        | Debiti oltre 12m                 | 9.803.340          |
| <b>Attivo corrente</b>                | <b>356.940.197</b> | <b>Passività consolidate</b>     | <b>27.507.481</b>  |
|                                       |                    | Debiti entro 12m                 | 108.851.815        |
|                                       |                    | Rati e risconti                  | 1.325.764          |
|                                       |                    | <b>Passività correnti</b>        | <b>110.177.579</b> |
| <b>Capitale investito</b>             | <b>448.339.604</b> | <b>Capitale di finanziamento</b> | <b>448.339.604</b> |

The diagram already highlights how the Group's own means abundantly cover the fixed assets in the balance sheet and that the current assets have an almost triple value

compared to current and consolidated liabilities.

#### 1.3.1.4 - Solidity indicators

The equity solidity analysis aims to study the Group's ability to maintain financial balance in the medium to long term.

This capacity depends on:

- methods of financing medium / long-term loans;
- composition of funding sources.

With reference to the first aspect, considering that the recovery time of the uses must be "logically" correlated to the recovery time of the sources, the indicators considered useful to highlight this correlation are the following:

| Description                  | 2019        | 2018        | 2017        |
|------------------------------|-------------|-------------|-------------|
| Primary structure margin     | 219.255.137 | 194.652.351 | 164.262.762 |
| Primary structure quotient   | 3,40        | 3,33        | 2,96        |
| Secondary structure margin   | 246.762.618 | 224.975.856 | 189.152.883 |
| Secondary structure quotient | 3,70        | 3,69        | 3,26        |

The results indicated above highlight a significant capital solidity.

With reference to the second aspect, namely the composition of the sources of funding, the useful indicators are the following:

| Description          | 2019 | 2018 | 2017 |
|----------------------|------|------|------|
| Total debt ratio     | 0,44 | 0,57 | 0,52 |
| Financial debt ratio | 0,04 | 0,07 | 0,06 |

Sources of external debt were regularly repaid in 2019.

Some loans have been taken out with credit institutions.

Despite this, as can also be seen from the NFP and the cash flow statement, the group at 31/12 recorded a low external debt compared to its own means. Therefore, ample room is confirmed for future growth and possible future investments.

Composition of the above indices:

**The primary structure margin** is a correlation indicator that is calculated with the difference between:

|                       |
|-----------------------|
| Equity - Fixed assets |
|-----------------------|

**The primary structure quotient** is calculated with the correlation ratio between:

|              |
|--------------|
| Equity       |
| Fixed assets |

**The secondary structure margin** is a correlation indicator that is calculated with the difference between:

|  |
|--|
| (Equity + Consolidated liabilities) - Fixed assets |
|--|

**The primary structure quotient** is calculated with the correlation ratio between:

|                                   |
|-----------------------------------|
| Equity + Consolidated liabilities |
| Fixed assets                      |

**The total debt ratio** is calculated with the correlation ratio between:

|  |
|--|
| Consolidated liabilities + Current liabilities |
| Equity   |

**The financial debt ratio** is calculated with the correlation ratio between:

|                       |
|-----------------------|
| Financing liabilities |
| Equity                |

#### 1.3.1.5 - Solvency (or liquidity) indicators

The purpose of the liquidity analysis is to study the Group's ability to maintain financial equilibrium in the short term, i.e. to face the expected short-term outflows (current liabilities) with existing liquidity (immediate liquidity) and the expected income for the short term (deferred liquidity).

Considering that the recovery time of the loans must be "logically" correlated to the recovery time of the sources, the indicators considered useful to highlight this correlation are the following:

| Description            | 2019        | 2018        | 2017        |
|------------------------|-------------|-------------|-------------|
| Availability margin    | 246.762.618 | 224.975.856 | 189.152.883 |
| Availability quotient  | 3,24        | 2,74        | 2,82        |
| Treasury margin        | 124.131.699 | 100.833.410 | 92.441.138  |
| Quoziente di tesoreria | 2,13        | 1,78        | 1,89        |

**The availability margin takes on decidedly significant values.**

The treasury margin is positive, in order to better interpret it and the relative quotient, it is specified that the inventories, excluded from its calculation, refer to:

- contracts in progress and semi-finished products (approximately € 54.8 million) - which will end for the most part in the following year - thus giving rise to trade receivables;
- inventories for materials, goods and finished products (approximately € 65.4 million), including the motors that will be used in the new year;
- advances to suppliers (approximately € 3.3 million).

In total, inventories amounted to almost 123.6 million; value to be considered for the pre-eminent "short-term" part.

**Composition of the above indices:**

**The Availability Margin** is a correlation indicator that is calculated with the difference between:

|                                      |
|--------------------------------------|
| Current assets - Current liabilities |
|--------------------------------------|

**The Availability Quotient** is calculated with the correlation ratio between:

|                |
|----------------|
| Current assets |
|----------------|

|                     |
|---------------------|
| Current liabilities |
|---------------------|

**The treasury margin** is a correlation indicator that is calculated with the difference between:

|  |
|--|
| (Deferred Cash + Immediate Cash) - Current liabilities |
|--|

**The treasury quotient** is calculated with the correlation ratio between:

|                                  |
|----------------------------------|
| (Deferred Cash + Immediate Cash) |
|----------------------------------|

|                     |
|---------------------|
| Current liabilities |
|---------------------|

#### **1.3.1.6 - Net financial position**

The Net Financial Position (NFP) is intended as a variable capable of presenting the actual debt exposure of a company. The overall NFP at the end of the year is largely positive and in line with the previous year.

| GRUPPO AB HOLDING  |                    |               |                    |               |
|--|--------------------|---------------|--------------------|---------------|
| COMPUTO DELLA POSIZIONE FINANZIARIA NETTA                              |                    |               |                    |               |
|  | 2019               |               | 2018               |               |
| A) <b>Disponibilità liquide e prontamente liquidabili (&lt;3 mesi)</b> | 139.773.821        |               | 150.722.167        |               |
| Disponibilità liquide (cassa, banca, assegni)                          |                    | 139.773.821   |                    | 150.722.167   |
| Attività finanziarie prontamente liquidabili                           |                    | -             |                    | -             |
| B) <b>Attività finanziarie a breve (&lt; 12 mesi)</b>                  | 2.000.000          |               | 2.000.000          |               |
| Crediti finanziari a breve termine                                     |                    | 0             |                    | 0             |
| Titoli a breve   |                    | 0             |                    | 0             |
| Crediti finanziari a breve termine vs. controllate/collegate a breve   |                    | 0             |                    | 0             |
| Altre attività finanziarie a breve                                     |                    | 2.000.000     |                    | 2.000.000     |
| Ratei e risconti (finanziari) a breve                                  |                    | 0             |                    | 0             |
| C) <b>Attività finanziarie a medio lungo termine (&gt; 12 mesi)</b>    | 0                  |               | 0                  |               |
| Crediti finanziari a m/l termine                                       |                    | 0             |                    | 0             |
| Titoli a medio-lungo   |                    | 0             |                    | 0             |
| Crediti finanziari a m/l termine vs. controllate/collegate a breve     |                    | 0             |                    | 0             |
| Altre attività finanziarie a m/l                                       |                    | 0             |                    | 0             |
| Ratei e risconti (finanziari) a m/l                                    |                    | 0             |                    | 0             |
| <b>TOTALE ATTIVITA' FINANZIARIE (A+B+C)</b>                            | <b>141.773.821</b> |               | <b>152.722.167</b> |               |
| D) <b>Passività finanziarie a breve (&lt; 12 mesi)</b>                 | 5.496.031          |               | 9.141.136          |               |
| Scoperti di c/c  |                    | 0             |                    | 0             |
| Debiti finanziari a breve  |                    | 5.193.703     |                    | 7.895.413     |
| Debiti vs/soci a breve   |                    | 0             |                    | 0             |
| Debiti vs/società leasing  |                    | 116.576       |                    | 1.158.466     |
| Debiti vs/altri finanziatori a breve                                   |                    | 185.752       |                    | 87.257        |
| Debiti finanziari v/controlate-collegate a breve                       |                    | 0             |                    | 0             |
| Ratei e risconti passivi a breve (finanziari)                          |                    | 0             |                    | 0             |
| E) <b>Passività finanziarie a medio lungo termine (&gt; 12 mesi)</b>   | 8.414.563          |               | 12.709.380         |               |
| Debiti vs. banche  |                    | 7.046.573     |                    | 11.324.124    |
| Prestiti obbligazionari  |                    | 0             |                    | 0             |
| Debiti vs. soci a m/l  |                    | 0             |                    | 0             |
| Debiti finanziari v/controlate-collegate a m/l                         |                    | 0             |                    | 0             |
| Debiti vs/altri finanziatori   |                    | 0             |                    | 0             |
| Debiti vs/soc leasing  |                    | 1.367.990     |                    | 1.385.256     |
| Ratei e risconti passivi pluriennali (finanziari)                      |                    | 0             |                    | 0             |
| <b>TOTALE PASSIVITA' FINANZIARIE (D+E)</b>                             | <b>13.910.594</b>  |               | <b>21.850.516</b>  |               |
| <b>PFN COMPLESSIVA</b>   | <b>127.863.227</b> |               | <b>130.871.651</b> |               |
| <b>POSIZIONE FINANZIARIA NETTA (PFN) DI BREVE PERIODO</b>              |                    |               |                    |               |
| PFN I LIVELLO  | A-D                | € 134.277.790 | A-D                | € 141.581.031 |
| PFN II LIVELLO   | A+B-D              | € 136.277.790 | A+B-D              | € 143.581.031 |
| <b>POSIZIONE FINANZIARIA NETTA (PFN) DI LUNGO PERIODO</b>              |                    |               |                    |               |
| PFN I LIVELLO  | A-D-E              | € 125.863.227 | A-D-E              | € 128.871.651 |
| PFN II LIVELLO   | A+B-D-E            | € 127.863.227 | A+B-D-E            | € 130.871.651 |
| PFN COMPLESSIVA  | A+B+C-D-E          | € 127.863.227 | A+B+C-D-E          | € 130.871.651 |

Below is also the cash flow statement calculated according to the "OIC model":

| GRUPPO AB HOLDING<br>RENDICONTO FINANZIARIO  |                     |                     |
|--|---------------------|---------------------|
|  | 2019                | 2018                |
| <b>A. FLUSSI FINANZIARI DERIVANTI DALLA GESTIONE REDDITUALE (METODO INDIRETTO)</b>   |                     |                     |
| <b>Utile (perdita) dell'esercizio</b>  | 32.864.890          | 30.856.592          |
| Imposte sul reddito  | 12.189.303          | 12.138.265          |
| Interessi passivi/(interessi attivi)   | (1.013.685)         | (142.603)           |
| (Dividendi)  | 0                   | 0                   |
| (Plusvalenze)/minusvalenze derivanti dalla cessione di attività  | 1.589.899           | 88.965              |
| <b>1. Utile (perdita) dell'esercizio prima d'imposte sul reddito, interessi, dividendi e plus/minusvalenze da cessione</b> | <b>45.630.407</b>   | <b>42.941.219</b>   |
| <i>Rettifiche elementi non monetari che non hanno avuto contropartita nel capitale circolante netto</i>                    |                     |                     |
| Accantonamento ai fondi  | 9.012.202           | 36.336.455          |
| Ammortamento delle immobilizzazioni  | 10.870.248          | 9.946.969           |
| Svalutazioni per perdite durevoli di valore  | 0                   | 0                   |
| Altre rettifiche per elementi non monetari   | (8.551)             | 1.713               |
| <b>2. Flusso finanziario prima delle variazioni del ccn</b>  | <b>65.504.306</b>   | <b>89.226.356</b>   |
| <i>Variazioni del capitale circolante netto</i>  |                     |                     |
| Decremento/(incremento) delle rimanenze  | 2.051.908           | (27.282.924)        |
| Decremento/(incremento) dei crediti vs clienti   | (10.131.445)        | 5.516.469           |
| Incremento/(decremento) dei debiti vs fornitori  | 1.307.615           | 2.917.456           |
| Decremento/(incremento) ratei e risconti attivi  | (471.274)           | (37.418)            |
| Incremento/(decremento) ratei e risconti passivi   | 381.916             | 31.514              |
| Altre variazioni del capitale circolante netto   | (48.033.681)        | 2.058.919           |
| <b>3. Flusso finanziario dopo le variazioni del ccn</b>  | <b>10.609.345</b>   | <b>72.430.372</b>   |
| <i>Altre rettifiche</i>  |                     |                     |
| Interessi incassati (pagati)   | 902.657             | 44.393              |
| (Imposte sul reddito pagate)   | 11.948.065          | 10.699.843          |
| Dividendi incassati  | 0                   | 0                   |
| (Utilizzo dei fondi)   | (6.705.923)         | (37.065.876)        |
| <b>4. Flusso finanziario dopo le altre rettifiche</b>  | <b>16.754.144</b>   | <b>46.108.732</b>   |
| <b>FLUSSO FINANZIARIO DELLA GESTIONE REDDITUALE (A)</b>  | <b>16.754.144</b>   | <b>46.108.732</b>   |
| <b>B. FLUSSI FINANZIARI DERIVANTI DALL'ATTIVITA' D'INVESTIMENTO</b>  |                     |                     |
| <i>Immobilizzazioni materiali</i>  |                     |                     |
| (Investimenti)   | (18.084.908)        | (10.634.386)        |
| Prezzo di realizzo disinvestimenti   | 1.355.838           | 150.999             |
| <i>Immobilizzazioni immateriali</i>  |                     |                     |
| (Investimenti)   | (2.593.327)         | (1.038.360)         |
| Prezzo di realizzo disinvestimenti   | 0                   | 0                   |
| <i>Immobilizzazioni finanziarie</i>  |                     |                     |
| (Investimenti)   | (459)               | 0                   |
| Prezzo di realizzo disinvestimenti   | 0                   | 0                   |
| <i>Attività finanziarie non immobilizzate</i>  |                     |                     |
| (Investimenti)   | 0                   | (2.000.000)         |
| Prezzo di realizzo disinvestimenti   | 0                   | 0                   |
| <i>Acquisizione o cessione di società controllate o di rami d'azienda al netto delle disponibilità liquide</i>             |                     |                     |
| Acquisizione o cessione di società controllate o di rami d'azienda al netto delle disponibilità liquide                    | 0                   | 0                   |
| <b>FLUSSO FINANZIARIO DELL'ATTIVITA' DI INVESTIMENTO (B)</b>   | <b>(19.322.856)</b> | <b>(13.521.747)</b> |
| <b>C. FLUSSI FINANZIARI DERIVANTI DALL'ATTIVITA' DI FINANZIAMENTO</b>  |                     |                     |
| <i>Mezzi di terzi</i>  |                     |                     |
| Incremento (decremento) debiti a breve verso banche  | 0                   | 0                   |
| Accensione finanziamenti   | 1.000.000           | 17.000.000          |
| Rimborso finanziamenti   | (8.939.921)         | (12.700.378)        |
| <i>Mezzi propri *</i>  |                     |                     |
| Aumento di capitale a pagamento  | 0                   | 0                   |
| Cessione (acquisto) di azioni proprie  | 0                   | 0                   |
| Dividendi (e acconti su dividendi) pagati  | (439.713)           | (550.000)           |
| <i>* = inteso come Gruppo+Terzi nel consolidato</i>  |                     |                     |
| <b>FLUSSO FINANZIARIO DELL'ATTIVITA' DI FINANZIAMENTO (C)</b>  | <b>(8.379.634)</b>  | <b>3.749.622</b>    |
| <b>INCREMENTO (DECREMENTO) DELLE LIQUIDE (A+-B+-C)</b>   | <b>(10.948.346)</b> | <b>36.336.608</b>   |
| <b>DISPONIBILITA' LIQUIDE AL 1° GENNAIO 2019</b>   | <b>150.722.167</b>  | <b>114.385.559</b>  |
| <b>DISPONIBILITA' LIQUIDE AL 31 DICEMBRE 2019</b>  | <b>139.773.821</b>  | <b>150.722.167</b>  |



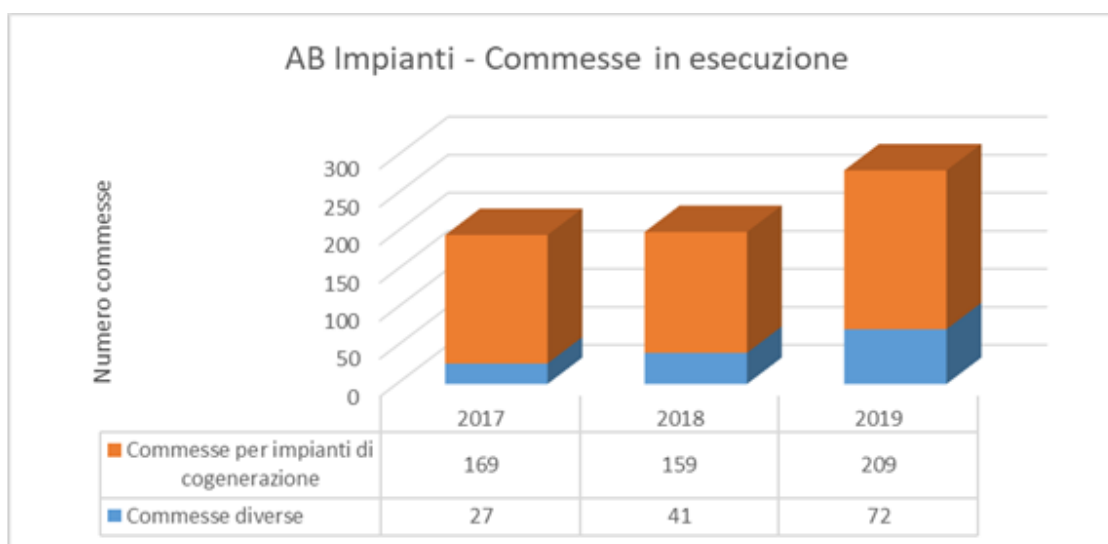
### 1.3.2 Non-financial performance indicators

These non-financial result indicators refer to quantitative but non-monetary measures, which aim to analyze in more detail the management trend by monitoring the factors that influence the economic and financial results. The main advantage of these indicators with respect to the financial ones is their ability to report trends in economic and financial results, also and above all in a long-term perspective.

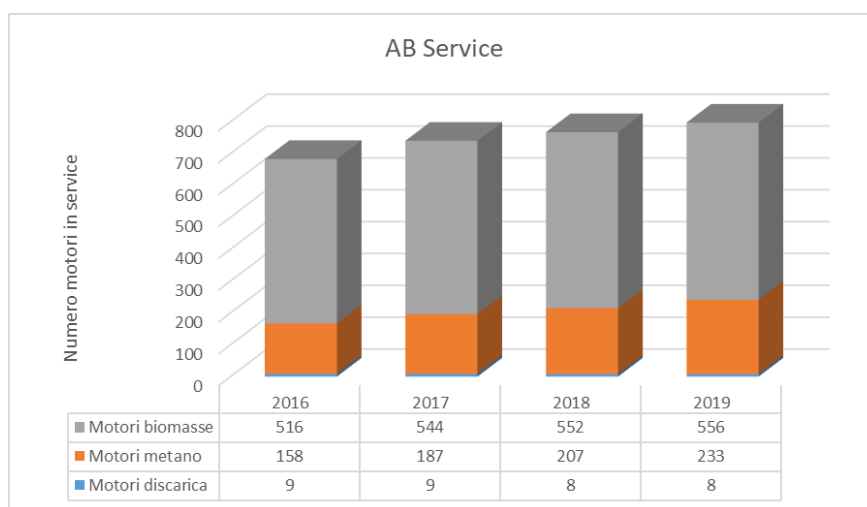
Contrary to what happens for financial indicators, for which there are certain parameters commonly accepted by the market, it should be noted that for non-financial indicators there are no applicable standards and no precise rules for their choice; they were therefore chosen with reference to the characteristics of the Group and the types of business.

Therefore, it was decided to represent the following NON-financial indicators:

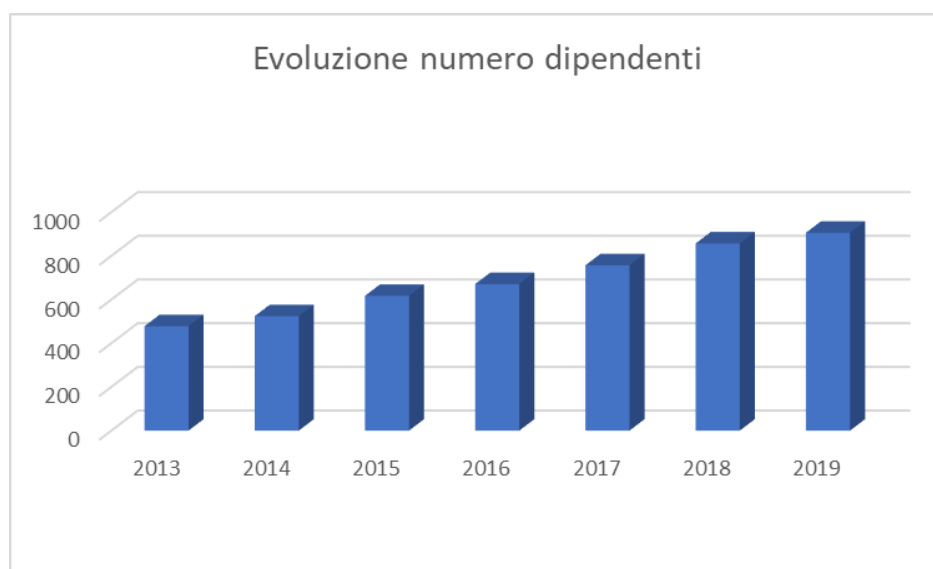
- 1) evolution of the number of AB Impianti orders for cogeneration plants in "execution" (data as of 31/12):



- 1) evolution of the number of engines in service in Italy (data as of 31/12):



2) organic trend of personnel: evolution of the number of employees (data as of 31/12):



Please refer to the chapter on “information relating to relations with personnel” for more details on the composition of personnel, turnover, training, safety.

The data provided are only indicative of the development-trend of the numbers (s.e.o.).

#### 1.4. Information on the main risks and uncertainties

In this part of this report, we intend to account for the risks, i.e. those events capable of producing negative effects in relation to the pursuit of the Group's objectives, which therefore hinder the creation of value.

The risks examined are analyzed by distinguishing the financial ones from the non-financial ones and what divides them according to the source of origin of the risk. The risks classified in this way will be divided into two macro-categories: risks from internal sources and risks from external sources, depending on whether they are inherent in the characteristics and articulation of the internal management processes of the AB Group or derive from circumstances external to the company reality. .

#### 1.4.1 Non-financial risks

Non-financial risks are assessed below:

#### **RISK ASSESSMENT OF INTERNAL ORGANIZATION:**

It is not believed that there are any organizational risks. In particular, it should be noted that:

- the organization is clear in the roles and responsibilities;
- the human resources employed in the management and control of processes possess the appropriate skills and experience;
- the organization, management and control model was adopted in compliance with Legislative Decree 231/2001. The Supervisory Body is carrying out control and updating of the Model;
- the "Organization & Continuous Improvement" function was created at the Corporate level in order to adapt company processes and procedures to the best Best Practices.

In the field of data management, there are "theoretical" risks, but unlikely, related:

- -to the involuntary loss of data and information related to the use of IT media. The company uses the IT networks and the security processes prepared and managed by the "AB IT team". At group level, daily data backup systems are set up and an IT systems manager, an IT security manager and a network manager are identified;



- to the disclosure, even involuntary, of data regarding the protection of privacy.

In relation to the regulations in force on the subject of privacy, based on the new provisions introduced by Regulation (EU) no. 2016/679 (general regulation on data protection also known as "GDPR") as promoted by the Italian legislative decree n. 101/2018 published in the Official Gazette on 4 September 2018, AB Impianti Srl

adhered to the Group procedure "PR\_038 PR\_038 - Organizational Model - Personal Data Processing" published by AB Holding SpA.

#### MARKET RISK ASSESSMENT:

It is not believed that there are risks of dependence on the customer side (which is diversified, albeit concentrated towards Group companies), nor on the supply side (despite the partnership relationship currently exists with privileged suppliers).

It is not believed that there are competition risks atypical with respect to those of the sector to which they belong, assuming that they can compete on the market also in the present and in the next years in terms of quality and, where possible, also of price.

On the other hand, there are "theoretical" risks, the probability of which cannot be assessed, relating to possible changes in national legislation in the energy sector.

#### RISKS IN TERMS OF SAFETY:

Safety risks are an important aspect for our company, which has the production and installation of cogeneration plants as its core business.

Risk assessments are modified whenever there are important changes in the workplace; in particular, the DVRs of:

- Via Gianni Agnelli, 9 - Orzinuovi;
- Via Roma, 60 - Villachiara;

the main production sites of the Group.

All the fulfillment of safety in the workplace and the safeguards for the containment of the risk of injury are constantly monitored and carefully manned also at the foreign offices of the Group through dedicated external staff and consultants under the monitoring of the "Health and Safety" function of the Parent company. Personnel safety is one of the fundamental reference values for the Group as a whole.

The installation of the systems involves the opening of construction sites. For each site, the site risk assessment is carried out, thus drawing up a specific Operational Safety Plan (POS) and collaborating with the Safety Coordinators appointed by the Customer or by the plant safety managers.

When requested, to further reduce the risks, the Single Document for Interference Risk Assessment (DUVRI) is shared with the Client.

These documents are disseminated to all AB Impianti staff or any interested and involved subcontractors.

An R.S.P.P. is appointed. - employee of the parent company AB Holding SpA. The same provides services to our company in terms of safety and organizes adequate training courses.

The security office is composed, in addition to the RSPP, also by 3 Prevention and Protection Service (ASPP) employees who support the manager in carrying out all regulatory and internally defined obligations in the area of safety and environment.

As regards the risks associated with the relationship with the environment, please refer to the relevant points below in the report.

Specific training courses are carried out for all personnel: specific training is planned for each employee depending on the job and the activities they perform.



#### 1.4.2 Financial risks

Pursuant to art. 40 of Legislative Decree 127/1991, point 1, we certify that in the choice of financing and investment transactions, the Group and its companies have adopted criteria of prudence and limited risk and that no purely speculative.

During 2019, AB Holding Spa invested part of its liquidity in financial instruments to diversify the risk and increase the remuneration of the liquidity itself.

Details below:

| CONTROPARTE   | TIPOLOGIA INVESTIMENTO   | IMPORTO               | DATA SOTTOSCRIZIONE | N. Quote | ISIN         | CEDOLE                                 |
|---------------|--------------------------|-----------------------|---------------------|----------|--------------|--|
| UBI BANCA     | PRESTITO OBBLIGAZIONARIO | € 1.000.000,00        | 26/09/2018          | 10.000   | IT0005342099 | SEMESTRALI 1,3% ANNUO                  |
| ICCREA BANCA  | PRESTITO OBBLIGAZIONARIO | € 1.000.000,00        | 25/09/2018          | 10.000   | IT0005344913 | SEMESTRALI 2,2% 3 ANNI 3% ANNUO 2 ANNI |
| ALLIANZ BANK  | POLIZZA VITA             | € 2.000.000,00        | 03/11/2018          |          |              | VITARIV (80%) - BEST AL (20%)          |
| <b>TOTALE</b> |                          | <b>€ 4.000.000,00</b> |                     |          |              |  |

The first two products are unsubordinated bonds with a fixed coupon.

The Allianz policy combines two products, the Vitariv - historic separate management of Allianz, which offers a stable return over time and a diversified portfolio of financial assets (mainly bonds and government securities), with the aim of minimizing risk and offering stability your long-term returns - and an equity fund with investments in top-rated companies.

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The Group's exposures to the main risks are analyzed below, also in relation to the use of financial instruments:

#### PRICE RISK:

It should be noted that the products being marketed are not listed on the markets, so their price varies according to normal competition dynamics. The convenience of customers to purchase a cogeneration plant is directly linked to the dynamics of electricity and thermal energy prices and the cost of gas.

#### CREDIT RISKS:

In consideration of the number of contracts signed, the receivables in the financial statements are fragmented over a large number of customers (over 700) and not concentrated: no position for single non-intercompany customer exceeds 10% of the total receivables.

A decrease in the ability of customers to meet deadlines persists, also due to the difficulty in collecting loans, especially in the agricultural sector. However, during 2019, numerous repayment plans were concluded that customers in general are honoring.

#### LIQUIDITY RISKS:

The liquidity risk is deemed to be absent at the moment. The Group is absolutely liquid, for an overall assessment of the general financial situation and liquidity in particular, please refer to the liquidity ratios present in the report. Uses of ordinary credit lines are limited to sureties for the issue of commercial guarantees and loans.

The credit institutions with which the companies of the Group collaborate as partners are the main ones both nationally and internationally, and relations with them are based on an effective collaboration towards mutual growth.

As at 31/12/2019 the debt to the banking system amounts to € 12.2 ML, down from the € 19.2 ML at the end of 2018. During the year, a new loan for € 1 ML was opened for the AB Ambiente Società Agricola, at a fixed rate with favorable rate conditions (1%).

Leasing operations are also open on plants (excluding cars) and various loans for a theoretical total of capital represented by the balance sheet item "Payables to other lenders" for € 1.7 million compared to € 2.6 million in the previous year.

#### CURRENCY RISKS:

There were fourteen currencies other than the EURO that characterized the Group's business in 2019. They are indicated below, together with the exchange rates at the end of 2018 and the end of 2019 to assess the extent of the fluctuation:

| Valuta                     | Stato/Rif.  | Cambio<br>31/12/2019 | Cambio<br>31/12/2018 |
|----------------------------|-------------|----------------------|----------------------|
| Lei (LEU)                  | Romania     | 4,783                | 4,6635               |
| Zloty (PLN)                | Polonia     | 4,2568               | 4,3014               |
| Dinaro (RSD)               | Serbia      | 117,8319             | 118,3109             |
| Kuna (HRK)                 | Croazia     | 7,4395               | 7,4125               |
| Corona (CZK)               | Rep. Ceca   | 25,408               | 25,724               |
| Dollaro Canadese (CAD)     | Canada      | 1,4598               | 1,5605               |
| Dollaro Statunitense (USD) | Stati Uniti | 1,1234               | 1,145                |
| Peso Messicano (MXP)       | Messico     | 21,2202              | 22,4921              |
| Real Brasiliano (BRL)      | Brasile     | 4,5157               | 4,444                |
| Rublo (RUB)                | Russia      | 69,9563              | 79,7153              |
| Sterlina inglese (GBP)     | Regno Unito | 0,8508               | 0,8831               |
| Shekel Israeliano (ILS)    | Israele     | 3,8845               | 4,2972               |
| Peso Argentino (ARS)       | Argentina   | 67,2749              | 43,1183              |
| Lev Bulgaro (BGN)          | Bulgaria    | 1,9558               | 1,9615               |

The change in the income statement in exchange gains / losses (including unrealized) in 2019 was positive for € 0.7 million.

As of 31/12/2019, no Group company held derivative products aimed at hedging the exchange rate risk.

The impact of interest rate risk in the commercial sphere will presumably have an ever greater impact in the future in consideration of the Group's international development. As of the date of this report, there are significant fluctuations in foreign currencies (in particular Brazilian Real) which do not, however, undermine the ability of the Group and in particular of the foreign affiliates to continue operating activities.

The activation of specific hedges with derivative instruments for the future is not excluded.

## **RATE RISKS:**

The rate risk is linked to the following changes, mainly related to the trend of the indexation parameters (EURIBOR, ECB, etc ...):

- changes in the conditions on current account transactions (active rate / payable rate / invoice advance rate / SBF rate),
- changes in the amount of the installments of existing variable rate leasing contracts: an increase in the parameters involves an increase in the installment and vice versa;
- changes in the amount of the installments of existing variable rate mortgage contracts: an increase in the parameters leads to an increase in the installment and vice versa.

In 2019, the financial management result, net of exchange rate results, was a total of - € 1.0 million.

Having said all this, also considering the hedges adopted, it is estimated that any shocks in terms of interest rates (significant increase in rates in the short term) cannot produce significant effects on the consolidated income statement.

### **1.4.3 Response and risk reduction policies**

The Group's Management is attentive to reducing the risks to which the Group companies are exposed.

Most of the policies in this sense have already been presented in the previous paragraphs.

This section, on the other hand, highlights the main coverage in terms of insurance that the Parent Company has put in place, with a Group vision, in order to protect its assets.

In particular, an international insurance program has been active since 2014 featuring Master policies with the Parent Company as contracting party and which cover all Group companies where possible; however, the companies belonging to the Group were insured locally.

The main active Master coverages are listed below:

- **LIABILITY INSURANCE:** the companies of the Group are generally covered against the risks of civil liability towards third parties, workers' liability and product liability with the Allianz Global Corporate Specialty SE (AGCS Allianz Group) policy;



- INSURANCE OF GOODS TRANSPORTED ON TURNOVER BY LAND, MARITIME AND AIR: the companies of the Group are generally covered for the transport of goods all over the world and with any means of transport used;

- PROPERTY INSURANCE: Group companies are generally covered for material and direct damage to buildings, machinery and goods;

- **D&O INSURANCE:** the major companies of the Group are covered for the Civil Liability of Directors and other corporate bodies.

### ***1.5. Information on relations with the environment***

To better understand the situation of the company, we briefly proceed with an analysis of the environmental aspects in which the Group operates, with particular regard to the trend, performance and consequent assessment of the environmental impact of the activities carried out.

On the other hand, more information will be made available whenever there are concrete, tangible and significant environmental impacts, such as to generate potential financial and income consequences for companies.

First of all, the main Core Business of the Group involves the construction of industrial plants that have a positive impact on the environment.

Cogeneration (production of electricity and thermal energy) in fact allows, compared to the separate generation of the two forms, a saving of the resources necessary for the production of energy.

It should be specified that the plants, especially the larger ones, require the customers to obtain a series of authorizations. Among these, those relating to atmospheric emissions must certainly be indicated.

It is noted that for the year 2019 there was no damage caused to the environment, nor pending penalties for environmental crimes.

The manufacturing companies use various plant-machinery that involve emissions into the atmosphere and are subject to authorization. For details, please refer to the management report of the individual subsidiaries.

### 1.6. Informationi on relations with staff

With regard to this point, it is specified that the information provided is intended to make people understand the ways in which the relationship between the company and the people with whom it collaborates is expressed.

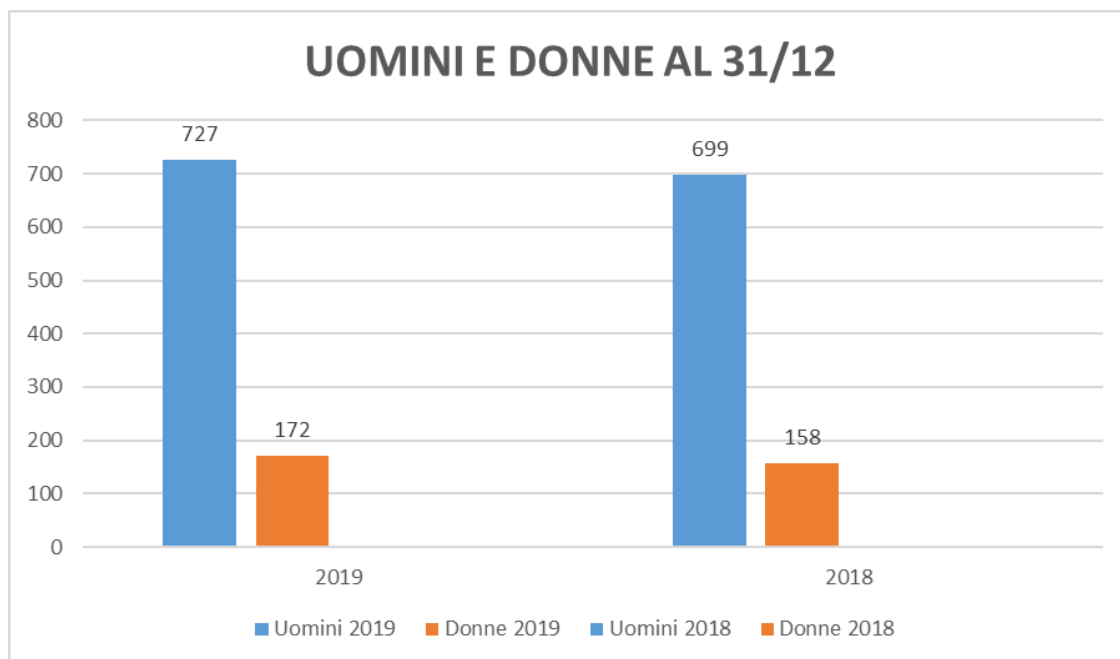
With reference to subjects who in various forms lend their work to the company, yes make the following quantitative and qualitative information relating, in particular, to the following aspects:

- 1) staff composition;
- 2) turnover;
- 3) training;
- 4) safety and health at the workplace.



#### **Staff Composition**

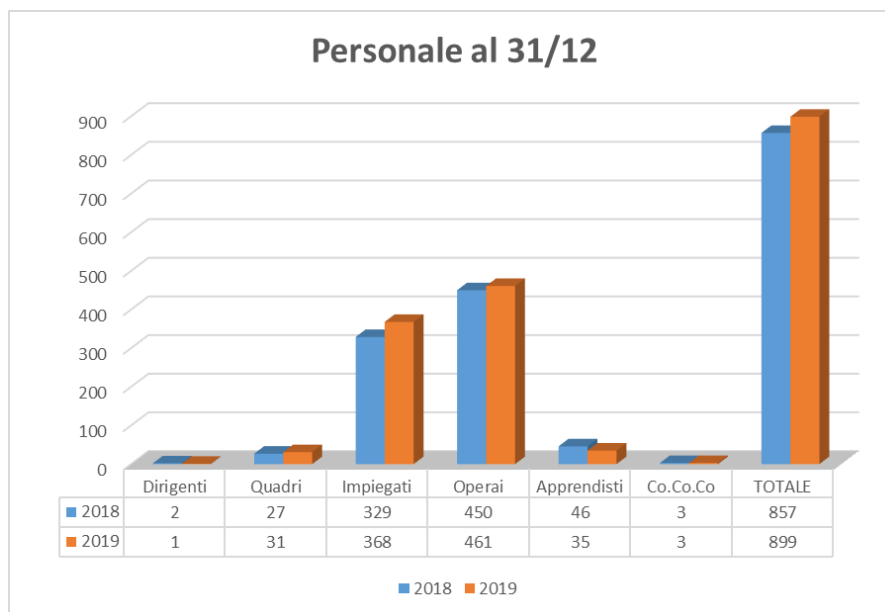
The total staff at the end of the year was made up of 899 members (727 men and 172 women), compared to 857 in the previous year.



Staff composition detailed below:

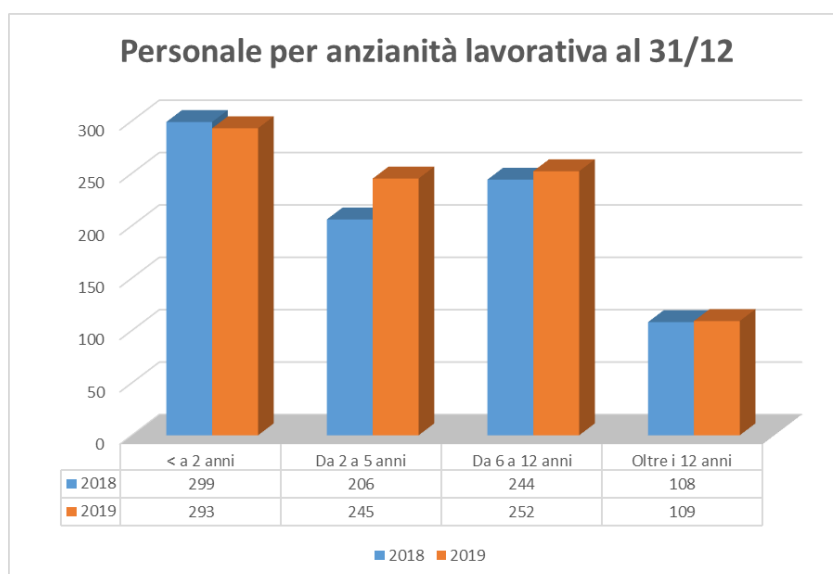
- 1) by classification,
- 2) by seniority,
- 3) by type of contract.

1) By classification:



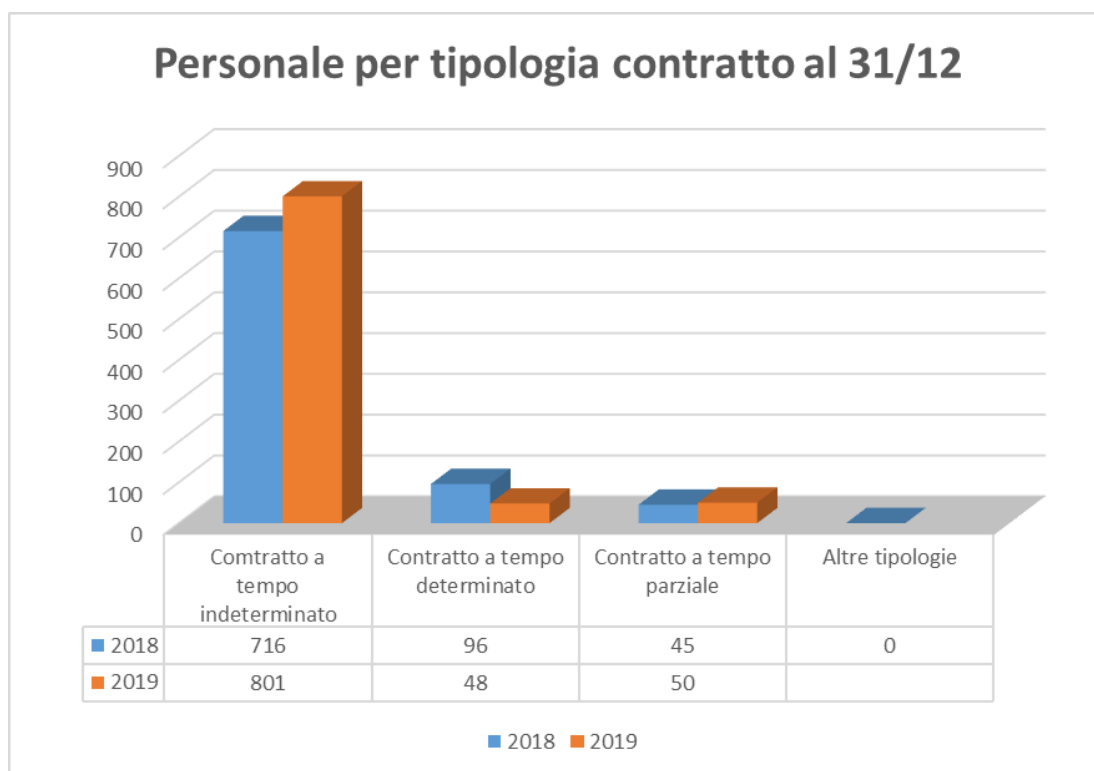
|             | Managers |      | Quadri |      | Employees |      | Workers |      | Other |      | Apprentices |      |
|-------------|----------|------|--------|------|-----------|------|---------|------|-------|------|-------------|------|
|             | 2019     | 2018 | 2019   | 2018 | 2019      | 2018 | 2019    | 2018 | 2019  | 2018 | 2019        | 2018 |
| Men (nr.)   | 1        | 2    | 23     | 21   | 238       | 213  | 439     | 430  | 3     | 3    | 23          | 30   |
| Women (nr.) |          |      | 8      | 6    | 130       | 116  | 22      | 20   |       |      | 12          | 16   |
| Total       | 1        | 2    | 31     | 27   | 368       | 329  | 461     | 450  | 3     | 3    | 35          | 46   |

2) By seniority:



| Seniority       | Managers |      | Quadri |      | Employees |      | Workers |      | Other |      | Apprentices |      |
|-----------------|----------|------|--------|------|-----------|------|---------|------|-------|------|-------------|------|
|                 | 2019     | 2018 | 2019   | 2018 | 2019      | 2018 | 2019    | 2018 | 2019  | 2018 | 2019        | 2018 |
| < 2 years       | 1        |      | 8      | 7    | 118       | 101  | 147     | 150  |       | 2    | 19          | 39   |
| 2 to 5 years    |          | 2    | 3      | 2    | 102       | 88   | 122     | 107  | 2     |      | 16          | 7    |
| 5 a 12 years    |          |      | 11     | 9    | 102       | 102  | 139     | 133  |       |      |             |      |
| Beyond 12 years |          |      | 9      | 9    | 46        | 38   | 53      | 60   | 1     | 1    |             |      |
| Total           | 1        | 2    | 31     | 27   | 368       | 329  | 461     | 450  | 3     | 3    | 35          | 46   |

3)type of contract:



|               | Managers |      | Quadri |      | Employees |      | Workers |      | Other |      | Apprentices |      |
|---------------|----------|------|--------|------|-----------|------|---------|------|-------|------|-------------|------|
| Contract type | 2019     | 2018 | 2019   | 2018 | 2019      | 2018 | 2019    | 2018 | 2019  | 2018 | 2019        | 2018 |
| Permanent     | 1        | 2    | 29     | 26   | 321       | 275  | 417     | 369  | 2     | 2    | 31          | 42   |
| Fixed         |          |      |        | 0    | 23        | 28   | 21      | 64   | 1     | 1    | 3           | 3    |
| Partial       |          |      | 2      | 1    | 24        | 26   | 23      | 17   |       |      | 1           | 1    |
| Other         |          |      |        |      |           |      |         |      |       |      |             |      |
| Total         | 1        | 2    | 31     | 27   | 368       | 329  | 461     | 450  | 3     | 3    | 35          | 46   |

|              | Managers |      | Quadri |      | Employees |      | Workers |      | Other |      | Apprentices |      |
|--------------|----------|------|--------|------|-----------|------|---------|------|-------|------|-------------|------|
| Other class. | 2019     | 2018 | 2019   | 2018 | 2019      | 2018 | 2019    | 2018 | 2019  | 2018 | 2019        | 2018 |
| INTERNAL     |          |      |        |      |           |      | 53      | 47   |       |      |             |      |

## **Turnover**

The *turnover* is measured by the number of hires and increases and the number of resignations

| <b>Staff under permanent contracts</b> |                     |                         |   |                       |                     |
|--|---------------------|-------------------------|---|-----------------------|---------------------|
| Type of contract                       | As of<br>01/01/2019 | Hiring and<br>increases | Resignations for<br>retirements and<br>terminations | Change of<br>category | As of<br>31/12/2019 |
| Managers                               | 2                   | +1                      | -2  |                       | 1                   |
| Quadri                                 | 26                  | +4                      | -2  | +1                    | 29                  |
| Employees                              | 275                 | +46                     | -30   | +30                   | 321                 |
| Workers                                | 369                 | 54                      | -51   | +45                   | 417                 |
| Apprentices                            | 42                  | 5                       | -3  | -13                   | 31                  |
| Other                                  | 2                   |                         |   |                       | 2                   |

| <b>Staff under fixed-term contracts</b> |                     |                              |   |                       |                     |
|---|---------------------|------------------------------|---|-----------------------|---------------------|
| Contract type                           | As of<br>01/01/2019 | Assumptions and<br>increases | Resignations for<br>retirements and<br>terminations | Change of<br>category | As of<br>31/12/2019 |
| Managers                                |                     |                              |   |                       |                     |
| Quadri                                  |                     |                              |   |                       |                     |
| Employees                               | 28                  | 24                           | -9  | -20                   | 23                  |
| Workers                                 | 64                  | 29                           | -25   | -47                   | 21                  |
| Apprentices                             | 3                   |                              |   |                       | 3                   |
| Other                                   | 1                   |                              |   |                       | 1                   |

| <b>Staff under a partial contract</b> |                     |                          |   |                       |                     |
|---------------------------------------|---------------------|--------------------------|---|-----------------------|---------------------|
| Contract type                         | As of<br>01/01/2019 | Hirings and<br>increases | Resignations for<br>retirements and<br>terminations | Change of<br>category | As of<br>31/12/2019 |
| Managers                              |                     |                          |   |                       |                     |
| Quadri                                | 1                   |                          |   | +1                    | 2                   |
| Employees                             | 26                  | 2                        | -1  | -3                    | 24                  |
| Workers                               | 17                  | 3                        | -1  | 4                     | 23                  |
| Apprentices                           | 1                   |                          |   |                       | 1                   |

| Other internal |                     |                          |   |                       |                     |
|----------------|---------------------|--------------------------|---|-----------------------|---------------------|
| Contract type  | As of<br>01/01/2019 | Hirings and<br>increases | Resignations for<br>retirements and<br>terminations | Change of<br>category | As of<br>31/12/2019 |
| Managers       |                     |                          |   |                       |                     |
| Quadri         |                     |                          |   |                       |                     |
| Employees      |                     |                          |   |                       |                     |
| Workers        | 46                  | +34                      | -27   |                       | 53                  |
| Other          |                     |                          |   |                       |                     |

### **Training / courses**

Within the AB Group there is the AB Academy project, whose purpose is the professional growth of staff.

The following courses were organized in collaboration with the parent company in 2019:

#### **INSOURCING TRAINING COURSES:**

- Company and product
- Principles of Cogeneration
- The Jenbacher engine
- The DiaNe panel
- The supervision PC
- The NeD panel
- The wiring diagrams
- The auxiliary module
- The engine module
- The biogas module
- The oil module
- The synchronous and asynchronous generator
- LV switches
- The mt
- The P&I technical scheme
- Industrial plants
- Use of equipment software
- ElMec Electrical course for mechanics
- Principles of physical and electrotechnical thermodynamics
- System operating logics

- The thermoreactor
- AB Service skills
- AB Service course for commercial
- Ecomax: electrical and hydraulic components
- Leanox and Jenbacher engine start parameters
- Moris system
- Commissionin training part 1
- Commissionin training part 2
- The Man
- Siat boilers
- The absorber
- SME Solware
- SCR Hug Combikat
- Shell lubricating oil
- Baltimore cooling towers
- The IT Concepts video endoscope
- SEA transformers
- Advanced Field Tech Training
- Basic Field Tech Training PW 15 access
- Soft skills empowerment: effective communication
- HR Pills: the selection interview
- Island Mode
- CHP applications - Landfill
- CHP -Biogas- appliances
- CHP applications -cultivation and greenhouse-
- CHP applications - natural gas -
- RED Update
- GE Jenbacher course
- LinkedIn
- Marketing course
- Sales Excellence
- Tender Office Specialist

#### OUTSOURCED TRAINING COURSES:

- Apprenticeship professionalizing transversal module
- Leadership coaching
- Change management coaching
- EUCER - PED Directive 2014/68 / EU



- PED Directive 2014/68 / EU
- Brazing
- Customs Export Logistics
- ALL ENVIRONMENT (emission into the atmosphere)
- BUREAU VERITAS - ASME IX
- NUOVAMACUT-SOLIDWORKS
- HILTI Seismic module
- HILTI Chemical anchors
- SOUNDPLAN
- Ministerial Decree 329
- CIG-DISTRIBUTION (Gas through networks)
- CEI EN 60204
- F-GAS New database
- MC43-LA New guide of the European Commission
- Spanish course
- Italian course
- Battery storage
- Power quality and island operation-pillar
- LINKEDIN: how to boost your

professional branding

- BIOMETHANE - UPDATE TRAINING
- Fire detection systems: design according to UNI 9795
- CEI EN 62061
- French course
- Fire prevention course
- EAC certification: components and systems for the Russian market
- BRIDGE-Think on your feet (effective communication)
- BRIDGE-NegoPro (effective negotiation techniques)
- MS Project - Pipeline

#### LANGUAGE COURSES:

- English
- Italian
- French
- Spanish

### **Safety and health at the workplace**

Statistics are provided below on the number of days of absence due to injury and illness:

| Contract type | Days of absence due to injury |        |           |         |       |
|---------------|-------------------------------|--------|-----------|---------|-------|
|               | Managers                      | Quadri | Employees | Workers | Other |
| Permanent     |                               |        | 25        | 244     | 12    |
| Fixed         |                               |        |           | 25      |       |
| Partial       |                               |        |           | 37,5    |       |
| Other         |                               |        |           |         |       |

| Contract type   | Days of absence due to illness |        |           |         |             |
|-----------------|--------------------------------|--------|-----------|---------|-------------|
|                 | Managers                       | Quadri | Employees | Workers | Apprentices |
| Permanent       | 16                             | 55     | 1208      | 2368,5  | 78          |
| Fixed           |                                |        | 120       | 165     |             |
| Partial         |                                | 3      | 91        | 166     | 25          |
| Other           |                                |        |           |         |             |
| Other/maternity |                                | 40     | 817       | 45      |             |

## 2. RESEARCH AND DEVELOPMENT

During the 2019 financial year, the company managed some Research and Development projects aimed mainly at:

- process innovation;
- improving the product, with the addition of new elements that improve its operational capacity;
- studying new products.

These activities were managed and supported mainly by internal resources of the company both in terms of the contribution of human capital and the means and resources necessary to support these innovation and research processes.

The R&D unit ("ABGrade") permanently employs several people with high technical skills and deals with various topics, some closely related to cogeneration, others related to product diversification and process evolution. Product development is based on the "engineering" structure for the development and engineering of new solutions.



Please also refer to what is described in paragraph 6 relating to the evolution of management.

For the development of these projects, the company where the conditions are met and following careful assessment and certification by an auditor, may avail itself of the tax credit provided for by art. 3 of Legislative Decree 23/12/2013 n. 145, as amended by the law of 21 February 2014, n. 9 and subsequently by art. 1, paragraph 35, of the law of 23

December 2014, n. 190 and regulated by the Decree of the Ministry of Economy and Finance of 27 May 2015.

With regard to the above, the company, with reference to the previous year ended 31/12/2018, managed some Research and Development projects aimed mainly at: process innovation, product improvement, with the addition of new elements that improve the operational capacity, to the study of new products.

While there is no obligation, evidence is provided of the salient data of the results of the research and development that took place during the financial year ended 31/12/2018 which were the subject of reporting and sworn certification in 2019 following the closure of the financial statements:

volume of expenditure on research, development and innovation sustained: € 1,447,424.

The aforementioned investments have also enabled the company to benefit from the tax credit, provided for by art. 3 Legislative Decree 23/12/2013, n. 145 and subsequent amendments and



/ or additions, entered in the balance sheet under item A5 of the income statement, for € 506,192.

These activities were mainly managed and supported by resources within the company both in terms of the contribution of human capital and the means and resources necessary to support these innovation and research processes.

Investments in research and development followed, without interruption, also in the year ended 31/12/2019.

### **3. RELATIONS OF THE PARENT COMPANY WITH GROUP COMPANIES**

#### **3.1 AB Group**

The parent company is the company: **AB HOLDING SPA**, with headquarters in Orzinuovi in via Caduti del Lavoro n. 13, registered with the Brescia Business Register under no. 02243290984. VAT and Tax Code 02243290984, which directly holds the majority of the

equity investments of all subsidiaries.

Please refer to the table in the introduction for the list of all controlling interests held at 31/12, which coincide with those at the current date.

### **3.2 Relations between companies part of the Group**

The parent company AB HOLDING SPA, in addition to holding the equity investments in the above companies, operates in these sectors:

- Leasing and sub-letting of real estate (first sector in terms of assets on the balance sheet);
- Provision of services.

The services were rendered in 2019 to the subsidiaries, at market values, and have a strategic coordination function; refer in detail to:

- keeping the general accounts, registers, company books and related obligations, asset analysis and financial statements, budget and drafting of internal financial statements, estimates and final accounts, cost analysis and management control;
- preparation of schedules, making payments also via Internet banking;
- processing of job order management data, active invoicing, preparation of documentation for participation in tenders and credit collection;
- internal organizational management consultancy and management control;
- marketing and development of commercial networks;
- personnel data management and employment obligations;
- implementation of a human resource development plan through research and recruitment, the drafting of training plans and the related organization of courses, planning of meetings and events aimed at staff growth and incentives;
- management of data relating to the environment and safety (Legislative Decree 81/2008 and subsequent amendments);
- data management in terms of privacy (GDPR);
- data management and IT network consultancy;
- drafting of national and international commercial contracts, coordination activities with external lawyers, pre-litigation activities, due diligence activities and other miscellaneous legal activities;
- cleaning services at corporate offices.



The commercial and financial transactions that took place between the companies of the Group were subject to consolidation.

### 3.3 Management and coordination activities

It should be noted that the Italian subsidiaries are subject to management and coordination by the Parent Company:

**AB HOLDING SPA**, based in Orzinuovi in via Caduti del Lavoro n. 13, registered with the Brescia Business Register under no. 02243290984. VAT and Tax Code 02243290984.

To the extent necessary, in compliance with the regulatory provisions of art. 2497 / bis, paragraph 5, of the Italian Civil Code, it should be noted that the relationships with those who exercise management and coordination activities have materialized at "market conditions"

With regard to the effects of the management and coordination activity, it can be said that the same is aimed at maximizing financial results, limiting management and procurement costs but, above all, at providing an administrative-management service of activities "transversal "(according to the Value Chain) which allows subsidiaries to focus on their" Core Business ".

### 3.4 Mutual Funding and Commitments

The "financing" positions at group level are in line with the previous year. It should be noted that in 2020, following the closure of the debtor company AB Greenhouse Power Netherlands (NL), the loan will be fully repaid.

The positions open at 31/12/2019 are summarized below:

| 2019             |                                   |                       |                   |
|------------------|-----------------------------------|-----------------------|-------------------|
| Creditor company | Debtor company                    | Amount                | Characteristics   |
| AB HOLDING SPA   | AB AMBIENTE SOCIETA' AGRICOLA SRL | € 3.500.000,00        | Fin. infruttifero |
| AB HOLDING SPA   | AB ENERGY DO BRASIL LTDA          | € 700.000,00          | Fin. fruttifero   |
| AB HOLDING SPA   | EPS AB ENERGY CANADA LTD          | € 355.000,00          | Fin. fruttifero   |
| AB HOLDING SPA   | AB GREENHOUSE POWER NETHERLANDS   | € 400.000,00          | Fin. fruttifero   |
| AB HOLDING SPA   | AB ENERGY USA                     | € 500.000,00          | Fin. fruttifero   |
| <b>TOTAL</b>     |                                   | <b>€ 5.455.000,00</b> |                   |

Transactions between Group companies were subject to elimination and consolidation. Reference is made to the reports and supplementary notes of the individual companies, including that of the Parent Company and the consolidated company, for the confirmation

of all intra-group relationships, including commitments / agreements with credit institutions.

### **3.5 Transactions with related parties**

Considering the consolidation, the types of related parties include:

- directors and senior management of the company "key management personnel";
- close family members of key management personnel and companies controlled by (or associated with) key management personnel or their close family members;

there are no significant transactions to report.

## **4. TREASURY AND GROUP SHARES**

The parent company AB HOLDING SPA does not own in its portfolio, nor has it purchased or sold its own shares or carried out other transactions during the year on them, not even through a trust company or a third party.

The subsidiaries do not own in their portfolios, nor have they purchased or sold during the year, shares of the Parent Company, not even through a trust company or an intermediary.

Once the consolidation has been carried out, the equity investments owned by the companies of the Group amount to a total of € 30,206. They are mainly represented by shares of Banca C.R.A. of Borgo San Giacomo (BS) SCRL.

## **5. SIGNIFICANT EVENTS OCCURRING AFTER THE END OF THE YEAR**

The impact of Covid-19 highlights the need to be taken into account in the impairment test.

Therefore, in the current emergency context, for the financial statements prepared at 31 December 2019, the impacts deriving from Coronavirus have been qualified, maintaining the principle of business continuity, as subsequent "non-adjusting" events as they are indicative of situations arising after the year end (see provisions deriving from OIC 29 and art. 2428 of the Italian Civil Code and also IAS10).

In this regard, with reference to the following key aspects:

- Business continuity;
- Impairment of fixed and current assets (receivables and inventories);
- Risk provision assessment;

there are no facts that lead to a significant reconsideration of the expected results for the year 2019 as well as the forecasts for the year 2020 and not even the revision of the already prudent credit risk assessment policy reflected in the credit risk fund analyzed and updated periodically throughout the financial year.

Furthermore, the company does not have significant assets related to:

- Startup and intangible assets,
- Prepaid taxes,

which, however, do not highlight impairment indicators.

The company also does not hold financial instruments exposed to the high volatility of share prices which, as a result of the current crisis, have shown high volatility.

It should also be noted that there are no contractual covenants with third parties.

The order book accumulated as at 31/12/2019, together with the new contracts signed at the date of this report, constitute a solid basis for being able to prudently look to the future, at least with a view to substantially continuity of results.

The revenue recognition policy remains in line with what is expressed in the explanatory notes.

For some time now, the company has been engaged in monthly monitoring of economic and financial indicators as well as in forecasts and analyzes of deviations which are also in line with the OCRI parameters introduced by the renewed Corporate Crisis Code and which will be mandatory from the year 2021.

The number of existing multi-year contracts, as well as the new contracts signed in the new year, guarantee a "continuity in business for a long period".

## 6. FORESEEABLE EVOLUTION OF OPERATIONS

As regards the future of the Group, we believe it is appropriate to inform you of the main aspects that will form the main lines of our intervention in the months to come:



The task of "AB" for the next few years will also be to ensure the Group's production capacity, as well as, in line with recent developments, the "upgrade" of the product. The Group has significant resources and elements that form a solid basis for the fulfillment of the aforementioned task, namely: production sites surveyed and fully functional, machinery, advanced construction technologies, as well as relevant technical and engineering skills of the personnel. Starting from these points, it is therefore possible to turn to the future with confidence with a view to international development.

The commercial activity has led to a satisfactory order book at the date of preparation of this report; this allows a guarantee for the continuity of the activity in the current year also in consideration of the new orders acquired and in the acquisition phase deriving from the activity carried out by the Company in the first quarter of 2019. The cogeneration market and the regulatory environment that affects it is and will be subject to evolution in the near future too.

It is believed that the group has already equipped itself with all the elements necessary to meet the new challenges posed by the market for the coming years:

- maintain the high quality levels of Service activity on the Italian and international market and on an increasing number of plants, while maintaining a high standard in terms of quality;





- develop the technical and organizational model for all Group companies abroad that will carry out Service activities;
- organize and evolve the corporate structure in synergy with the other companies of the AB Group, in order to face a global market, which is difficult to reach and manage while maintaining streamlined and efficient internal processes.

It is precisely international development that continues to be the key element of the next evolution, as the Group's commercial center of gravity also moves to the Budget level as well as to Italy, also to other European countries and the American continent.

From a production point of view, the production core remains based in Italy.



In continuity with what has been implemented in recent years, the development points on which we will work also in this year are the following:

#### 1- DEVELOPMENT KNOWLEDGE OF FOREIGN MARKETS

The AB Group also produced plants for international markets in 2019, effectively continuing its presence on foreign markets.



The commercial activity has led to a substantial order book for the production of new plants still open at the end of 2019; this allows a guarantee for the continuity of the activity in this year also in consideration of the new orders acquired and in the acquisition phase deriving from the activity carried out by the Group.

The persistence of conditions of uncertainty in the macroeconomic situation again places the emphasis on saving procurement costs. Therefore, market conditions make the purchase and use of cogeneration plants (NGS) interesting for industrial companies in some sectors, so-called "energy-hungry".

The know-how at the technical level, at the management and financial level of the orders, which also show significant dimensions, are also the basis of the transversal stimulus for all sectors in order to develop increasingly more operational and risk management tools evolved.

The development of the AB Group passes from the growth of the new corporate entities recently established abroad by the parent AB Holding, maintaining the "AB culture".

## 2- SEARCH FOR EFFICIENCY, ORGANIZATION, SOFTWARE

In an increasingly competitive market, it becomes very important to pursue the greatest possible efficiency.

With this in mind, a transversal path was undertaken with several functions aimed at improving the efficiency of business processes.

In continuity with previous years, constant attention will be maintained on the development and improvement of company information systems to respond with ever greater promptness and reliability to the need for data analysis and consequent planning of management decisions. In this context, SAP, the software (ERP) chosen to pursue the aforementioned objectives, has entered full capacity in all company sectors, from logistics management to administration for the integrated management of administrative and management processes of some Italian companies and foreign companies of the Group. The process of expanding this system to an ever increasing number of companies is currently underway.

It is also expected, by the end of 2020, the entry of the new SAP S4H system (latest release of the well-known international management system) in the AB Group.

## 3- MISSION AND GROUP POLICIES

In general, the AB Group will keep the focus on production, design and maintenance services.

Given the good results achieved, the AB brand will continue to be offered on the market, investing resources in marketing and advertising in the "target" sectors.

It is the intention of the Management to continue with the management policies:

- financial, aimed at supporting ordinary and investment activities through self-financing;
- equity, aimed at strengthening corporate solidity (see the evolution data of the assets and related indicators expressed above).

## 4- CORPORATE DEVELOPMENT

For the year 2019, the consolidation of the Group's organization and its management and control systems is expected.

## 5- AB WAY, CORPORATE CULTURE & 231

Last but not least, the Management is always committed to continuously maintaining the values that inspire the Group's work. "AB Way" does not represent only a series of formalized and shared ethical and organizational cornerstones, but rather the attention of management to the development of human resources which represent one of the key elements of the results and ability to respond to the market by all companies of the group.

The efforts in this area are also evidenced by the approval, first of all, by the parent company AB Holding SpA of the Organization, Management and Control Model pursuant to Legislative Decree 231/2001 and then at other companies of the group (such as for example AB Impianti Srl). It is the intention of the Management to proceed step by step, with the help of the Parent Company, towards an implementation of the Model also in other Italian companies and which are subject to national legislation.

## 7. BUSINESS OFFICES

The Group's business is currently carried out at the following offices / units:

- ORZINUOVI (BS), Via Caduti del Lavoro 13 (Head office, offices)
- VILLACHIARA (BS), Via Roma 60 (production, warehouse, warehouse, offices)
- ORZINUOVI (BS), Via Caduti del Lavoro 11-17 (production, warehouse, warehouse, offices)
- ORZINUOVI (BS), Via G. Agnelli 9 (production, warehouse, warehouse, offices)
- ORZINUOVI (BS), Via Artigianato 27 (commercial and engineering offices)
- ORZINUOVI (BS), Via Artigianato 24 (warehouse, offices)
- ORZINUOVI (BS), Via Artigianato 5 (warehouse)
- ORZINUOVI (BS), Via dell'Industria 6 (warehouse)
- ORZINUOVI (BS), Via D'Annunzio 20-22 (warehouse-warehouse)
- ORZINUOVI (BS), Via Del Commercio SNC (biomass plant management)
- COLOGNE (BS), Via Corsica 21 (production, warehouse, warehouse, offices)
- CALOLZIOCORTE (LC), Corso Europa 121 (production, warehouse, offices)
- NAPLES, Via Centro Direzionale di Napoli (offices)
- LAMEZIA TERME (CZ), Contrada Felicetta (Warehouse, warehouse)
- CAPANNORI (LU), Via dell'Ave Maria 18 (Warehouse, warehouse)
- CORREZZOLA (PD), Via Mira 12 (Warehouse, warehouse)
- CARMAGNOLA (TO), Via Poirino 67 (Warehouse, warehouse)
- BARCELONA (SPAIN), Calle Muntaner, 305 pral. 2, (offices)
- RUBI (SPAIN), Carrer Doctor Ferran 18-20, Local 2, (warehouse)
- BUCHAREST (ROMANIA), Str. Tudor Vianu, 3 etaj 3, sectoruli 1 (offices)
- MOINESTI (ROMANIA), Str. Atelierelor, 47 (warehouse)

- BIELSKO-BIALA (POLAND), ul. Miedziana 38 (offices, warehouse)
- WARSZAWA (POLAND), Ul. Dzieci warszawy 23 (warehouse)
- TORUŃ (POLAND), Ul. Mazowiecka 63/65 Magazyn 2 (warehouse)
- NOVI BEOGRAD (SERBIA), Surcinski put 1nj (offices, warehouse)
- RIJEKA (CROATIA), Strossmayerova 16 (offices)
- PRAGUE (Czech Rep.), Klimentaska '1216/46, Prague1 (offices)
- INNSBRUCK (Austria), Andreas-Hofer-Straße 43 (offices)
- MAASDIJK (Netherlands), Honderdland 305 (offices)
- SAN PAOLO (Brazil), Alameda Grajaù, 129, Room 1002. Alphaville (local unit)
- SALVADOR (Brazil), Estr. Cia Airport km 6,5, Predio II, Sala 01, São Critovão (local unit)
- RIO GRANDE DO SUL (Brazil), ROD BR 290, km 181, Minas do Leão (local unit)
- GUELPH (Canada), 30 Fair Road Unit 2, (offices, warehouse)
- LONDON (Great Britain), One George Yard (offices)
- SPELLE (Germany), Siemensstraße 1 (offices)
- DENVILLE - NJ (USA), Address: 10 Astro Place (offices, warehouse)
- TIRAT CARMEL (Israel), Yozma 3 st. (offices)
- MOSCOW (Russian Federation), 16A Leningradskoe shosse, Building 1 (offices)
- SAINT PETERSBURG (Russian Federation), Gakkelevskaya Str (offices)
- VERN-SUR-SEICHE (France), 14 Rue du Passavent (offices, warehouse)
- MEXICO CITY (Mexico), Rio Rhin 56, Piso 2, Int. 2 (offices)
- SOFIA (Bulgaria), 1000 Kuzman Shapkarev 1 (offices)
- BUENOS AIRES (Argentina), Maipù 1300, Piso 13 (offices)
- HALANDRI (Greece), via Kifissias 268 (offices)

Some of the Group's activities involve the opening of external construction sites and the Service activity is constantly carried out for customers.

Finally, agricultural activity is carried out on various land owned, in several municipalities.

## 8. RESERVES AND REVALUATIONS - COMPOSITION OF SHAREHOLDERS 'EQUITY

The consolidated shareholders' equity (GROUP + THIRD PARTIES) as at 31/12/2019 amounts to € 310,654,544 and is made up of the following items:

| NET ASSETS            | 2019      | 2018      |
|-----------------------|-----------|-----------|
| Share capital         | 6.000.000 | 6.000.000 |
| Share premium reserve | 0         | 0         |
| Revaluation reserves  | 0         | 0         |

|   |                    |                    |
|---|--------------------|--------------------|
| Legal reserve   | 1.200.000          | 1.200.000          |
| Statutory reserves                                    | 0                  | 0                  |
| Other reserves  | 78.531.854         | 54.635.403         |
| Reserve for hedging operations of expected cash flows | 0                  | 0                  |
| Conversion reserve                                    | 26.436             | -54.055            |
| Consolidation reserve                                 | 786.421            | 785.929            |
| Profits (losses) carried forward                      | 176.916.845        | 170.704.125        |
| Profits (losses) of the year                          | 30.625.470         | 30.197.111         |
| Negative reserve for own shares in portfolio          | 0                  | 0                  |
| <b>TOTAL GROUP SHAREHOLDERS' EQUITY</b>               | <b>294.087.026</b> | <b>263.468.513</b> |

|   |                   |                   |
|---|-------------------|-------------------|
| <i>Capital + THIRD PARTY reserves</i>           | <i>14.328.097</i> | <i>14.101.374</i> |
| <i>Profit (loss) for the year THIRD PARTIES</i> | <i>2.239.420</i>  | <i>659.481</i>    |
| <b>TOTAL SHAREHOLDERS THIRD PARTIES</b>         | <b>16.567.517</b> | <b>14.760.855</b> |

|                                   |                    |                    |
|-----------------------------------|--------------------|--------------------|
| <b>TOTAL SHAREHOLDERS' EQUITY</b> | <b>310.654.543</b> | <b>278.229.368</b> |
|-----------------------------------|--------------------|--------------------|

No monetary revaluation was made in the current and previous years for material assets present in the financial statements.



Below is the link between AB Holding SpA's assets and those of the Parent Company (see also Explanatory Notes):

|   | Patrimonio netto   | Risultato         |
|---|--------------------|-------------------|
| <b>Patrimonio netto e risultato dell'esercizio come riportati nel bilancio d'esercizio della società controllante</b> | <b>109.853.802</b> | <b>24.121.948</b> |
| Rettifiche operate in applicazione ai principi contabili (iscrizione <i>leasing</i> secondo principi IAS)             | 4.036.798          | - 371.898         |
| Eliminazione del valore di carico delle partecipazioni consolidate:   |                    |                   |
| a) differenza tra valore di carico e patrimonio netto   | 185.694.809        | 43.265.371        |
| b) plus/minusvalori attribuiti alla data di acquisizione delle partecipate  | -                  | -                 |
| c) differenza da consolidamento   | 1.467.631          | - 340.910         |
| Eliminazione degli effetti di operazioni compiute tra società consolidate   | - 6.966.013        | - 2.049.041       |
| Annullamento dividendi infragruppo  |                    | - 34.000.000      |
| <b>Patrimonio netto e risultato d'esercizio di pertinenza del gruppo</b>  | <b>294.087.027</b> | <b>30.625.470</b> |
| Patrimonio netto e risultato d'esercizio di pertinenza di terzi   | 16.567.517         | 2.239.420         |
| <b>Patrimonio sociale e risultato netto consolidati</b>   | <b>310.654.544</b> | <b>32.864.890</b> |

## 9. RESULT FOR THE YEAR

Finally, as regards the final result of the consolidated financial statements for the past year, it is composed as follows:

|                    | 2019       |
|--------------------|------------|
| GROUP PROFIT       | 30.625.470 |
| THIRD PARTY PROFIT | 2.239.420  |
| TOTAL PROFIT       | 32.864.890 |

Regarding the final result of the parent company AB HOLDING SPA:

|                         | 2019       |
|-------------------------|------------|
| AB HOLDING S.p.A PROFIT | 24.121.948 |

it is proposed to allocate the entire amount of the 2019 profit of € 24,121,948 to the optional reserve, given the achievement of the destination limits of the profit to the legal reserve.

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## CONCLUSIONS

Please note that these consolidated financial statements are subject to the statutory audit pursuant to and for the purposes of art. 14 of Legislative Decree 27 January 2010, n. 39.

The Board of Directors, in the person of the President, expresses sincere thanks to the **People - employees, directors, statutory auditors and all collaborators** - who with their precious contribution, passion, work and their principles have made these important results possible.

On the basis of the indications that have been provided, the Board invites you to approve the financial statements closed on 31/12/2019 and the proposed allocation of the profit indicated above.

Place and date

ORZINUOVI (BS), May 26, 2020

For the Board of Directors AB HOLDING SPA

**CALZAVACCA GRAZIELLA** President

**BARONCHELLI ANGELO** Councilor