

2019 **AB** Impianti Srl



Relazione sulla gestione

al bilancio di esercizio chiuso al 31/12/2019
ai sensi dell'art. 2428 del Codice Civile

esercizio dal 01/01/2019 al 31/12/2019



COMPANY DATA

| | |
|----------------------|--|
| Company name | AB IMPIANTI SRL |
| Address | ORZINUOVI (BS), VIA CADUTI DEL LAVORO 13 |
| Share capital | € 1.000.000,00 fully paid |
| Fiscal code & TAX n. | 01895490983 |
| Company register of | BRESCIA nr. 01895490983 |
| R.E.A. n. | 366498 |

CORPORATE BODIES IN FORCE

BOARD OF DIRECTORS

| | |
|----------------------|---------------------------------|
| BARONCHELLI ANGELO | President and Managing Director |
| CALZAVACCA GRAZIELLA | Managing Director |

SUPERVISORY BOARD

| | |
|--------------------|-------------------|
| POLI DANILO | President |
| DI MARZO DOMENICO | Statutory auditor |
| DI MARZO FRANCESCO | Statutory auditor |
| GUALTIERO TOSONI | Alternate auditor |
| ORAZI MARCO | Alternate auditor |

BUSINESS POINTS

| | |
|--|-----------------------------------|
| ORZINUOVI (BS), Via Caduti del Lavoro 13 | Headquarters |
| ORZINUOVI (BS), Via G. Agnelli 9 | Production, warehouse and offices |
| ORZINUOVI (BS), Via Artigianato 11, 21,24,27 | Engineering, offices |
| ORZINUOVI (BS), Via D'Annunzio 16-18 e 20-22 | Deposit and offices |
| VILLACHIARA (BS), Via Roma 60 | Production, warehouse and offices |
| ORZINUOVI (BS), Via Caduti del Lavoro 17 | Production, warehouse and offices |
| NAPOLI (NA), Via G. Porzio 4 | Offices |

Dear Shareholders,

on behalf of the Board of Directors, the Supervisory Board and all our collaborators, we extend our cordial greetings and thanks for Your presence at the yearly Assembly to approve the balance.

The financial balance submitted to your approval faithfully represents the situation in which your company is. Based on the contained findings, we can express a positive opinion for the results obtained in the last financial year, ended on 31/12/2019, which has brought a **profit** of about **2.7 million Euro**.

In **2019** the company reached an increasing level of **Net Assets** compared to the previous financial year, going from **64.3 million Euro** to **67.0 million Euro** and has reached total revenues of **117.4 million Euro** against **85.8 million** in the previous financial year. The company's operations remain principally concentrated in the NGS sector primarily and Biogas in which the company operates and has already been present for many years.

The production value has gone from **105.3 million Euro** to **114.2 million Euro** at the end of the year, which sets the basis for a promising 2020.

Nevertheless, the big uncertainties that characterize the world economy and the Italian economy, which have already made an impact on business investments and on the sector in which AB operates, the results of 2019 management show the capacity of the company and of AB Group in its desire to go after its goals. This, thanks to targeted plans of investment in technology, processes, products and specially people's growth, this last, has always been the towing engine of the entreprenouring initiatives of AB Impianti. The full willingness to respond to the continuous challenges in the market and changes in our business has muted with new ideas and continuous leading of the market through an evolved product and team.

Once again, the company works towards a future of higher integration with the dynamics of the Group, as well as a dynamic approach, receptive and collaborative towards clients.

AB Impianti has known how to maintain a position of leadership on the national market and also represents a point of reference in the Group, which, even in the presence of a process of continuous internationalization, maintains its own roots in Italy.

The developed product and the continuous research made in these years by the staff of the company in Italy, constitutes an added value also for the development of the activities of the Group, today, through the participating companies of the parent company AB Holding SpA, other than in Italy, in 20 different countries.





AB Impianti

The company's participation in the dynamics of the market in its complexity and the competitive factors which characterize it, is based indeed on giving value to the factors of competitiveness in which the "AB Product" and the company structure are able to succeed.

Without underestimating what is now happening in the world today, understanding that it will impact the markets in which AB Impianti is present, we look towards the future with faith. We know that we can more than ever, count on our values and our strength points, in particular on the people who are dedicated daily with passion and professionalism.

*Once again, the results obtained by AB in the last years, are based on the certainty of being able to establish the development of the future on the high dedication of all the **"people in the AB world"** because we believe that, other than our product of assured quality, they represent a point of excellence on which to aim. The daily challenge we face brings us to always look at more challenging objectives, in the full respect of mankind and the environment.*

Have a nice day,

Angelo Baronchelli
President

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INTRODUCTION

The present report shows the management analysis according to what established in art. 2428 of the civil code and has the function to offer a panoramic view of the progress of the financial year management, with particular attention to costs, profits and investments.

We highlight that the report closed on 31/12/2019 has been drawn up according to the regulations of the civil code, as well as the fiscal regulations.

The amounts indicated in the present reports, where not specified, are shown in Euro.

1. ANALYSIS OF THE COMPANY SITUATION, PROGRESS AND MANAGEMENT RESULT

1.1. Introduction

Before proceeding with the illustration of the points required by art. 2428 of the civil code, we consider appropriate to illustrate the macroeconomic situation and that of the Italian market in which the company mainly operates.

1.1.1 Macroeconomic framework¹

The world economy in 2019, has continued its growth with inferior taxes to what estimated in October. The IMF (International Monetary Fund) has estimated that the GDP (Gross Domestic Product) for 2019 at +2,9%, slightly lower than what estimated in October, and has slightly shown a fall the DPG as well, both for 2020 and for 2021.

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

The slowdown of commerce worldwide has begun and sharpened the commercial tensions between the USA and China which continue to generate uncertainty also among Italian companies, bringing a reduction of export and investments.

On global perspectives burden the relative risks arising when this moment of emergency ends and the outcome of the commercial relations between the USA and China, to the possible increase of financial tensions in emerging countries and the yet not clear effects of Brexit.

Although the growth of global economy has continued in the last months, commercial global perspectives continue to worsen, also considering the current situation of crisis as a consequence of the Covid-19 pandemic expansion coming from China.

Nei primi mesi del 2020 gli effetti della pandemia di Covid-19 si sono riflessi sull'attività produttiva e sulla domanda aggregata di tutte le economie.



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

During the year, the reduction of international commerce will be very high, the decrease in the growth perspectives has been translated into a clear fall of the parameters in the stock exchange and an abrupt rise of the volatility and risk aversion.

In all main countries, the monetary and fiscal authorities have put in place strong measures to support families and companies, economy credit and market liquidity.

Given the above, and moreover a decrease in the perspectives in the world commerce, the board of directors of the ECB has maintained a high monetary stimulation, but we shall wait for the evolution of the management of the European economies which provide economic and financial conditions which are uneven and sharpened by the new heavy crisis.

In the Euro zone the economic activity is restrained by the weakness of the manufacturing, particularly in Germany nonetheless superior than what expected in November.

The progress of the economy has an impact on inflation, which in the planning of the Euro system, is sustained by the monetary stimulus but is foreseen even more inferior to 2% in the next 3 years.

In the third trimester of 2019, the GDP in the euro zone increased in a limited measure (+0,2% is in the second trimester), while industrial production has continued to decrease, proceeding with the weakening phase started at the beginning of 2018.

The slowdown of the Chinese economy and the weakening of the European automotive sector have had an impact moreover on capital goods and intermediate goods, having an impact on the German economy. Industrial production has shown drops in the last trimester of 2019.

Focusing on what estimated by the IMF, the growth of Italy was of +0,2% in 2019. The last information available suggest that economic activities in Italy, have slightly grown in the third trimester of last year and it has remained the same in the fourth, continuing to suffer, especially in the manufacturing sector. This is what comes out from the official notes, but is understandable for 2020, according to information available at the moment of writing this report, it is considered that during the emergency the evaluable GOP will be reduced in a differential of 8%-10%.

The spread of the epidemic at the end of February in our country and the measures to face it, have had significant repercussions on the economic activity at the beginning of the trimester.

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 GOP should have registered a drop around five percent points. Some relevant sectors of services would have contributed to this.

The continuation of the measures to contain the epidemic will strongly make an impact in the contraction of the product also in the second trimester, which should be followed by a phase of recovery which its entity is not yet foreseeable.

As for the energy market and in particular the Italian one, the consumption of primary energy has remained invariable in relation to the same trimester in the previous year.

This last, in fact, shows a reduction of about half point percent during the entire 2019, because the positive thrust coming from the GOP (+0,2% the most recent forecast) it has been more than compensated compared to the negative one provided by the industrial production (-1,2%) and the climate (day heating

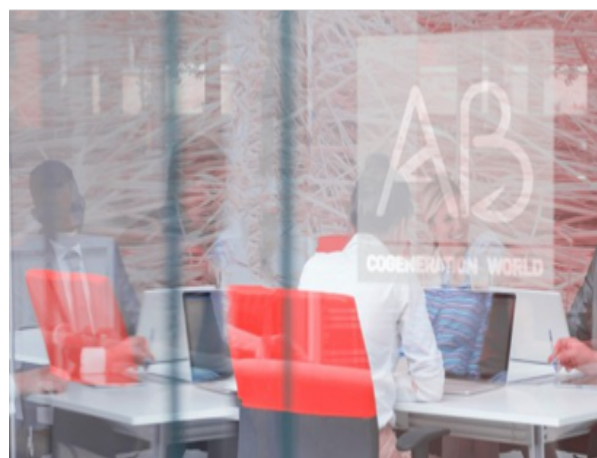
degrees estimated in a slight decrease), while gas and electricity prices have remained the same.

In terms of energy sources, the third trimester has registered a significant decrease in carbon (almost 1 Mtep less), which brings a decrease in the first nine months of about 1.5 Mtep.

It is estimated a reduction higher than 20%, due mainly to a “phase out” of carbon in the generation of electricity: in the first 9 months of 2019 the electricity production of Enel group in Italy has reduced by 40% compared to the same period one year ago.

After the significant growth in the second trimester, the consumptions of natural gas have instead grown even more to (+7%), thrust by thermoelectricity where gas has been favored by the big huge decrease in electricity imports.

The electric production from renewable energy sources has instead returned in the third trimester to a growth of (+5%), thanks to the recovery of the hydroelectric production, but altogether in the first nine months we find a slight decrease compared to the same period last year (-0,6%), because hydroelectric production has overall decreased by almost 4 TWh (-10%), while fotovoltaic and aeolic have increased by a bit more than 3 TWh (+9% e +13% respectively).



We have also seen a decrease of the emissions superior to that of the final consumption. That is explained by the already highlighted change in the mix of fossil sources in the direction of less intensive carbon.

The reduction in the emissions derives in fact from the preponderant measure in the electricity generation sector, where AB Group has been present for years and where the substitution of carbon with gas has brought in the first nine months of the year a reduction of emissions of 3.5% even in presence of production sources of unvaried fossil sources.

Relatively to financial and currency markets, the American dollar has been depreciated before the Euro at the beginning of the year 2019, reaching its highest peak on January 10 at 1.1535. In the following months, we have seen a phase of volatility, with a tendency of appreciation of the US currency, until the end of May. Later, the currency has suffered a depreciation that has brought it to 1.14 and after the tendency has been flipped towards a decisive appreciation until 30 September, the lowest in 2019, at 1.0889. Following, the currency had a tendency change, returning to 1.12, after a phase of volatility in November, it has 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 Covid-19 emergency.

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

All the current scenarios on the trend of the 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 recovery of the economy depends not only on the evolution of the pandemic in Italy and abroad, but also on developments in international trade and financial markets, on the effects on business 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 Final data AB Impianti

If we analyze the data for the year ended 31/12/2019, we can see an increase in the value of production, which reached approximately 114.2 million Euro (+ 8.9% on 2018) and an increase in revenues, which reached approximately 117.4 million Euro (+ 36.2% on 2018). These changes are positively assessed in the dynamics of complex projects managed by the company which, among other things, holds an order book as at 31/12/2019 which already represents a good basis for the year 2020.

Consequence of what was mentioned above, is the figure for the value of inventories recorded in the assets which have gone from 81 million € to 77.2 million €. In absolute value, the value of inventories for contracts in progress and semi-finished products at the end of 2019 was equal to € 47.1 million (SP CI2-3), against € 52.3 million at the end of 2018 and against the € 34.1 million at the end of 2017.

The absolute value of the contracts in progress and semi-finished products (SP CI2-3), as well as the orders for new job orders, also in this year constitute a good basis for maintaining adequate levels of production for the new year.

The trends in the production value components are summarized below:

| Valore della produzione | 31/12/2019 | 31/12/2018 | 31/12/2017 | variazione |
|--|--------------------|--------------------|-------------------|-------------|
| Ricavi (A1) | 117.483.260 | 85.803.494 | 95.209.653 | 36,9% |
| Variazioni Rimanenze pr. (A2) | -5.283.914 | 18.001.188 | -1.038.719 | -129,4% |
| Incrementi di immobilizzazioni per lavori interni (A4) | 433.790 | 536.499 | 1.030.471 | -19,1% |
| Altri ricavi (A5) | 1.526.797 | 926.243 | 85.194 | 64,8% |
| Valore della produzione | 114.159.933 | 105.267.424 | 95.286.599 | 8,4% |

The main economic indicators are shown below, showing an improvement in absolute value of margins. This, as the main consequence of the dynamics of management and completion of orders closed in the year and still in production.

| Descrizione indice | 31/12/2019 | 31/12/2018 | 31/12/2017 |
|-------------------------------|------------------|------------------|------------------|
| Margine operativo lordo (MOL) | 5.033.951 | 3.930.423 | 9.510.183 |
| EBITDA | 4.585.159 | 2.974.416 | 9.510.183 |
| Risultato operativo | 1.756.706 | 1.148.267 | 7.936.924 |
| EBIT normalizzato | 3.333.667 | 1.898.091 | 7.921.716 |
| Risultato lordo | 3.316.146 | 1.889.289 | 7.889.278 |
| Risultato netto | 2.733.667 | 1.360.775 | 5.648.775 |

The high level of shareholders' equity already in place at the end of the previous year is maintained: also considering the profits produced in the past year, the total assets as at 31/12/2019 amount to € 67,064,548, an increase due to the allocation of profits to optional reserve.

The composition of shareholders' equity is shown below:

| PATRIMONIO | 31/12/2019 |
|---------------------|------------|
| CAPITALE | 1.000.000 |
| RISERVA LEGALE | 200.000 |
| RISERVA FACOLTATIVA | 63.107.903 |
| ALTRE RISERVE | 22.978 |
| UTILE DI ESERCIZIO | 2.733.667 |
| TOTALE | 67.064.548 |

1.1.3 Commercial activities data

From a commercial and production point of view, the year 2019 is to be considered positive also due to the high value of production of € 114,159,933, one of the greatest results of recent years.

The activity aimed at both the Italian and international markets continues. In this regard, important contracts were signed with Italian and international customers during the year for the construction of new plants, including large ones.

The contracts signed with the other companies of the AB Group in Europe and in the world assume increasing numerical importance.

For a better quantification, see:

- to the Explanatory Notes for the breakdown of revenues by Geographic Area;
- in paragraph 1.3.2 "Non-financial result indicators" of this report as regards the number of contracts managed during the year 2019.


1.1.4 Market trend in the first quarter of the following financial year

The commercial result of the first quarter of 2020 is to be considered positive despite the crisis in progress at the date of this document, in particular with reference to the negotiation of contracts with Italian and international customers in order to increase the substantial order portfolio already in place.

1.1.5 Range of products and services offered

The company's main activity is the production of "cogeneration plants", i.e. the production of plants for the combined production 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 conceived and developed by AB, with specific characteristics based on the application sector:

| | | | | | |
|---|---------------------|----------|--|---|-------|
|  | GAS NATURALE | SETTORI: | Manifatturiero - Alimentare - Beverage - Cartario - Ceramica e Laterizi - Chimico - Farmaceutico - Lattiero - Caseario - Metallurgico - Plastico - Tessile | Commerciale - Centri Elaborazione Dati - Centri Commerciali - Ospedali/Hotels - Teleriscaldamento - Teleraffrescamento | Serre |
|  | BIOGAS | SETTORI: | Agricoltura Discariche/Forsu Rifiuti di origine animale WWT (trattamento acque reflue) | | |
|  | GAS SPECIALI | SETTORI: | Estrazione e produzione petrolio (APG) Miniere di carbone | | |

Noteworthy is the introduction of a new line of products intended for the treatment of Biogas for the production of Biomethane that make AB a reality that is careful to offer increasingly advanced solutions aimed at the Italian energy landscape.

A second branch of activity includes the design and construction of **civil and industrial electrical systems**.

The company is however active and constantly engaged, not only in the search for product and process improvement, but also in possible alternative applications to be offered to the market.

In addition to this, the company is able to deal / deal with the following services:

- Assistance, maintenance and management services for industrial plants;
- Creation of building systems (electrical, plumbing, building works complementary to the above);
- *software* production for automatization;
- Technical consulting in the energy field.

Below is a brief breakdown by "macro-sectors" of activity (data x1,000), which highlights how cogeneration remains by far the reference sector and that the distribution percentages of revenues substantially follow those of the 2018 financial year.

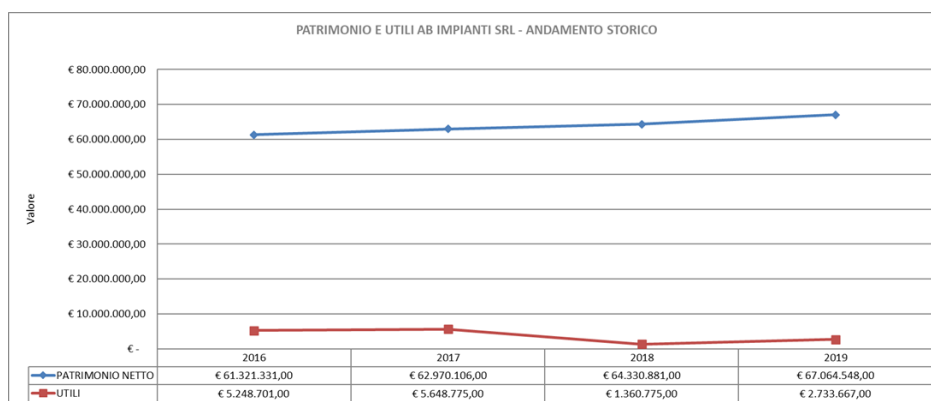
| | 31/12/2019 | % | 31/12/2018 | % |
|-------------------------------------|--------------------|-------------|-------------------|-------------|
| COGENERAZIONE | 110.327.564 | 94% | 78.304.286 | 91% |
| IMP. ELET., IDRAULICI E OPERE EDILI | 1.486.940 | 1% | 1.302.846 | 2% |
| ALTRO | 5.668.756 | 5% | 6.196.362 | 7% |
| TOTALE RICAVI (A1 C.E.) | 117.483.260 | 100% | 85.803.494 | 100% |

1.2 General characteristics of the company

1.2.1 Context description and results

AB Impianti has achieved and maintained in recent years a leadership position in the production of cogeneration plants in the range from 100kWe to 3,000kWe. On the market, the AB brand remains synonymous with quality and efficiency.

The company is very solid and liquid from a financial point of view. The good general economic and financial results of recent years have allowed the company to strengthen its capital, within the general policies of the Group. The assets at the end of the year amounted to € 67,064,548, in continuous increase compared to past years, also considering the profits of the past year. Below is the graph of the historical trend of profits and assets:



1.2.2 Company general situation

The volume of revenues in 2019 showed strong growth against a significant increase in the value of production which confirms the company's ability to maintain its market positioning as well as the ability to recover a higher level of income in the future compared to the previous year. Furthermore, the results of the past year show financial equilibrium, a good level of liquidity (see also the following diagram relating to the Net Financial Position at 31/12/2019) and a robust capital consistency resulting from the prudent policies adopted by management in the present and in the past years.

In line with what is stated in paragraph 1.1.1 relating to the current macroeconomic situation within which the company operates, the thrust of commercial and technical activity in particular towards the industrial sector (NGS and HE plants) is confirmed.

On the subject of internal management, the Management worked in the past year, in line with Group policies, adopting the following guidelines:

1- MANAGEMENT SOFTWARE DEVELOPMENT

The evolution of the SAP system for keeping company accounts continued in line with the previous year. An important role in the investments of the past years has also been played by the development of management software, as well as software necessary for product design and configuration.

The migration to the new SAP-S4H management platform is expected at the end of the 2020 financial year.

2- SEARCH FOR 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.

Projects aimed at both process and product innovation continued throughout the year.

The evolutionary approach also in terms of investment of human resources for the management of these projects is aimed at meeting the challenges of the future and in particular:

- improvement of Engineering and production processes, as well as integration between different functions;
- Product diversification dedicated to collect client needs;
- The expansion and evolution of competitive scenarios and dynamics related to geographic areas other than Italian and European;
- Managing the organizational complexities



induced by global markets;

- The continuous improvement of parameters such as "speed of response" (speed) and the efficiency in the processes related to the budgeting and design phases;
- The development of information sharing processes aimed at improving the use of information.
- Staff training, investing huge time and economic resources to create a strategic asset in AB People.

The company, in line with previous years, used outsourcing mechanisms, intended as recourse to external processing, as shown by the constant value of the item Services (B7 CE).

As reported in paragraph 1.3.2 "Non-financial performance indicators" of this report, with particular reference to the composition of personnel at the end of the year, AB Impianti is oriented to investing in qualified resources capable of maintaining quality levels and development of high product.

3- COLLABORATION WITH OTHER COMPANIES OF GRUPPO AB

The strategies of our company have always been evaluated within a broader process of improvement and growth at the Group level.

First of all, the relationship with AB Holding remains constant as regards the services offered (please refer to the following paragraphs). The outsourcing of these administrative-management services allows the company to focus on its core business, while maintaining a high quality of the same.

The *Management* considers strategic the commercial development action carried out by AB Energy SpA, in internal contact with our

engineering office, as well as the investments made by the same in Marketing and advertising, AB products have been able to be present in various fairs and events, in national publications, in sporting events.

It is also necessary to mention the continuous updating and expansion of the offer by AB Energy, of the two digital channels **Biogas Channel and Cogeneration Channel**.

Commercial development in the world has seen important results from the commercial structure of the AB Group in various countries.

Consequently, the support deriving from:

- Techno-



commercial consulting for projects that have started/will start in different countries;

- A study of technical solutions adapted to new possible markets;
- Training, coaching, in the offices of staff that will work on the mentioned projects.

It is our opinion that investments in these fields will have an important return in terms of production for our company, which remains mainly oriented to the design and construction of cogeneration plants.

Among the other companies of the Group, AB Service Srl, which supports the after-sales activity and provides customers with the maintenance and management of the plants, should certainly be mentioned for the fruitful mutual collaboration. The feed-back in terms of data provided by the company AB Service allows a good basis for

production improvement processes.

1.2.3 Fiscal situation

The tax impact on the final result is decreasing, equal to 17.6%. In 2018 the figure was 28.0% and in 2017 the figure was 28.4%. In general, the company's tax situation can be considered regular: the taxes payable for the year are paid.

The accounting results also demonstrate the regular payment of VAT, withholdings and other taxes and duties, as well as all the social security contributions.

There are no disputes or disputes in progress and neither has the opportunity to proceed with provisions to the tax fund for any future taxes have been recognized. The company has also drawn up the national document on transfer pricing as also reported in the Single 2019 model.

1.3. The result indicators

The result indicators allow you to understand the situation, performance and management result of the company in the epigraph.

The result indicators considered

- Financial result indicators;
- Non-financial result indicators

| Description | 31/12/2019 | 31/12/2018 |
|-------------------------------------|------------|------------|
| ROE - (Return on Equity) | 4,08% | 2,12% |
| ROI - (Return on Investment) | 1,22% | 0,84% |
| ROS - (Return on Sales) | 1,50% | 1,34% |

These are quantitative measures that reflect the company's critical success factors and measure progress related to one or more goals.

1.3.1 Financial result indicators

The term financial result indicators define 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 indicators (or liquidity).

The 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 statement documents have at the basis of their calculation.

Finally, it is necessary to clarify 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 – Economic and income indicators

The table below summarizes some of the main economic indicators used to measure economic performance:

The margin indicators are recovering compared to the 2018 financial year.

In any case, a confirmation of the levels of margins is expected due to the significant orders in progress which are manifested in the significant value of the assets at 31/12/2019.

The values compared to previous years have also changed as a function of the constant capitalization of the company in previous years.

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 of financial year |
| Net assets |

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

ROE (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 financial year |
| Average net assets of the period |

It represents the percentage remuneration of the shareholders' equity (equity) as a function of the average assets for the period (for the average simplicity between final and initial equity).

ROI - (Return on Investment)

Il ROI (Return on Investment), is defined from the relation between:

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

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

ROS - (Return on Sales)

Il ROS (Return on Sales), is defined from the

relation between:

| |
|-------------------------------|
| Operative result |
| Sales and performance revenue |

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.

1.3.1.2 - 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 advisable to re-read the statutory balance sheet according to a "financial" logic - reallocating specific items.

The following is the company's financial balance sheet as at 31/12/2019:

| STATO PATRIMONIALE FINANZIARIO | | |
|--------------------------------|--------------------|--------------------------|
| Imm. immateriali | 1.368.098 | Capitale sociale |
| Imm. materiali | 4.555.698 | Riserve |
| Imm. finanziarie | 2.248.573 | Utile |
| Attivo fisso | 8.172.369 | Mezzi propri |
| Magazzino | 77.240.938 | |
| Liquidità differite | 50.097.300 | Fondi |
| Liquidità immediate | 8.203.147 | Debiti oltre 12m |
| Attivo corrente | 135.541.385 | Passività consoli |
| | | Debiti entro 12m |
| | | Rati e risconti |
| | | Passività corrent |
| Capitale investito | 143.713.754 | Cap. di finanziam |

1.3.1.3 - Solidity indicators

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

This capacity depends on:

- Methods of financing medium/long term goals;
- 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:

| Descrizione indice | 31/12/2019 | 31/12/2018 | 31/12/2017 |
|-----------------------------------|------------|------------|------------|
| Margine primario di struttura | 58.892.179 | 57.104.312 | 55.385.566 |
| Quoziente primario di struttura | 8,21 | 8,90 | 8,30 |
| Margine secondario di struttura | 60.842.399 | 60.121.784 | 56.869.950 |
| Quoziente secondario di struttura | 8,44 | 8,33 | 8,50 |

The results indicated above highlight the continuing excellent capital solidity.

With reference to the second aspect, that is to say the composition of the sources of financing, the useful indicators, already positive and in trend improvement, are the following:

| Descrizione indice | 31/12/2019 | 31/12/2018 | 31/12/2017 |
|--|------------|------------|------------|
| Quoziente di indebitamento complessivo | 1,14 | 1,13 | 0,81 |
| Quoziente di indebitamento finanziario | | | |

The indices show an overall solid situation of the company situation.

We also point out an amount of financial debt that is contained with respect to assets and decreasing compared to the 2018 financial year: the amounts of financial liabilities are equal to approximately € 1.4 million. This aspect is mainly a consequence of the stipulation and regular

repayment of debts towards credit institutions.

Composition of the above indices:

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

Own means – Fixed active

The Primary structure quotient is calculated with the correlation ratio between:

Own means

Fixed active

II Secondary structure margin is a correlation indicator that is calculated with the difference between:

(Own means + Consolidated liability) – Fixed active

II Primary structure quotient is calculated with the correlation ratio between:

Own means + consolidated liabilities

Fixed active

II Total debt ratio is calculated with the correlation ratio between:

Consolidated liabilities + Current liabilities

Own means

II Financial debt ratio is calculated with the correlation ratio between:

Financing liabilities

Own means

1.3.1.4 - Solvency indicators (or liquidity)

The purpose of the liquidity analysis is to study the ability of the company to maintain financial equilibrium in the short term, that is to face the expected short-term outflows (current liabilities) with existing liquidity (immediate liquidity) and the expected revenues 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:

| Descrizione indice | 31/12/2019 | 31/12/2018 | 31/12/2017 |
|----------------------------|-------------|-------------|------------|
| Margine di disponibilità | | | |
| Quoziente di disponibilità | | 1,01 | 1,00 |
| Margine di tesoreria | -16.398.539 | -21.085.005 | 471.807 |
| Quoziente di tesoreria | | 0,78 | 0,70 |

The availability margin shows a persistent high value.

The treasury margin is negative, albeit improving, considering that deferred and immediate liquidity is less than current liabilities. This is a consequence of the liabilities that are high due to advances received from customers for contracts in progress at the end of the year, as well as due to a decrease in the value of liquidity resulting from the normal cycle of collections and payments.

In this regard, the Margin should also be analyzed in the light of the relevant value of inventories which total approximately € 77 million, of which € 6.8 million of semi-finished products and € 40 million of contracts in progress (compared to € 46 million in 2018) , € 28 million of raw materials and € 2.1 million of advances to suppliers for goods.

Composition of the above indices:

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

Current active – Current liability

The Availability quotient is calculated with the correlation ratio between:

Current active

Current liability

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

(Differed liquidity + Immediate liquidity) – Current liabilities

The Treasury quotient is calculated with the correlation ratio between:

(Differed liquidity + Immediate liquidity)

Current liability

1.3.1.5 - Net financial position

The Net Financial Position (NFP) is intended as a variable that allows you to know the actual debt exposure of a company at a given moment; what is relevant is the related financial structure of the company.

The company intended to highlight this calculation, in the various possible variables, to demonstrate the situation of this margin. The overall NFP at the end of the year is positive for € 6,845,486.

(segue tabella)

AB IMPIANTI SRL

COMPUTO DELLA POSIZIONE FINANZIARIA NETTA

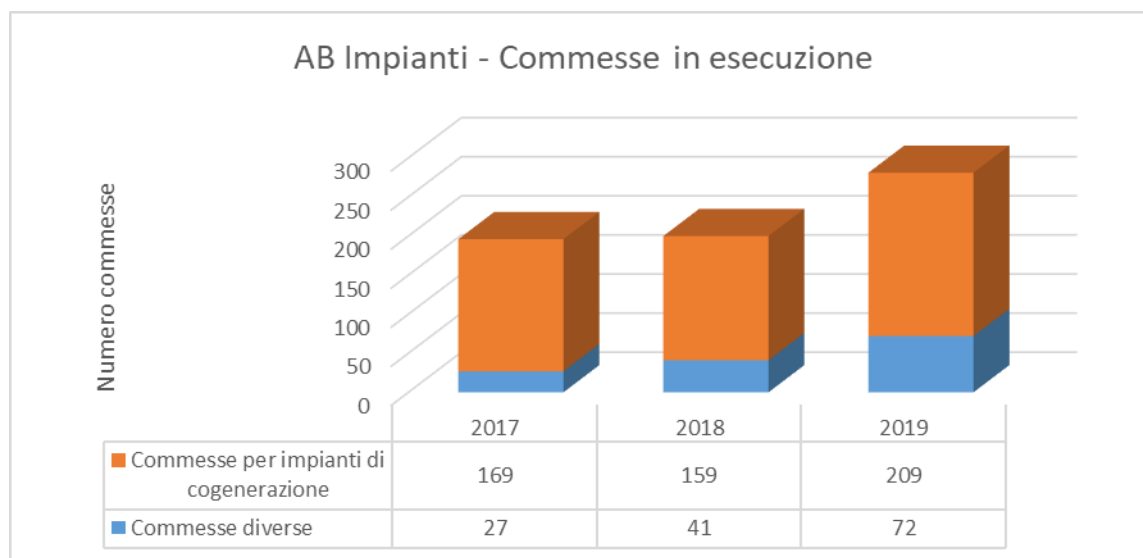
| | 2019 | 2018 | |
|--|------------------|-------------------|--|
| A) Disponibilità liquide e prontamente liquidabili (<3 mesi) | 8.203.147 | 13.087.380 | |
| B) Attività finanziarie a breve (< 12 mesi) | 23.371 | 22.761 | |
| Crediti finanziari a breve termine | 1.100 | 490 | |
| Titoli a breve | 0 | 0 | |
| Crediti finanziari a breve termine vs. controllate/collegate a breve | 0 | 0 | |
| Altre attività finanziarie a breve | 0 | 0 | |
| Ratei e risconti (finanziari) a breve | 22.271 | 22.271 | |
| C) Attività finanziarie a medio lungo termine (> 12 mesi) | 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 | |
| TOTALE ATTIVITA' FINANZIARIE (A+B+C) | 8.226.518 | 13.110.141 | |
| D) Passività finanziarie a breve (< 12 mesi) | 750.758 | 2.000.678 | |
| Scoperti di c/c | 0 | 1.625 | |
| Debiti finanziari a breve | 750.758 | 1.999.527 | |
| Debiti vs/società factoring | 0 | 0 | |
| Debiti vs/società leasing | 0 | 0 | |
| Debiti vs/altri finanziatori a breve | 0 | 0 | |
| Debiti finanziari v/controllate-collegate a breve | 0 | 0 | |
| Ratei e risconti passivi a breve (finanziari) | 6 | 123 | |
| E) Passività finanziarie a medio lungo termine (> 12 mesi) | 630.268 | 1.381.026 | |
| Debiti vs. banche | 630.268 | 1.381.026 | |
| Prestiti obbligazionari | 0 | 0 | |
| Debiti vs. soci a m/l | 0 | 0 | |
| Debiti finanziari v/controllate-collegate a m/l | 0 | 0 | |
| Debiti vs/altri finanziatori | 0 | 0 | |
| Debiti vs/soc leasing | 0 | 0 | |
| Ratei e risconti passivi pluriennali (finanziari) | 0 | 0 | |
| TOTALE PASSIVITA' FINANZIARIE (D+E) | 1.381.026 | 3.381.704 | |
| PFN COMPLESSIVA | 6.845.486 | 9.728.439 | |
| POSIZIONE FINANZIARIA NETTA (PFN) DI BREVE PERIODO | | | |
| PFN I LIVELLO | € 7.452.885,00 | € 11.087.204,09 | |
| PFN II LIVELLO | € 7.475.754,00 | € 11.109.465,00 | |
| POSIZIONE FINANZIARIA NETTA (PFN) DI LUNGO PERIODO | | | |
| PFN I LIVELLO | € 6.822.115,00 | € 9.705.678,00 | |
| PFN II LIVELLO | € 6.845.486,00 | € 9.728.439,00 | |
| PFN COMPLESSIVA | € 6.845.486,00 | € 9.728.439,00 | |

1.3.2 Non financial performance indicators

These non financial result indicators refer to quantitative, but non-monetary measures, which aim to analyze in greater depth 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, therefore, were chosen with reference to the characteristics of the company and the type of business.

Information is provided below regarding the evolution of the number of orders in "execution" at

31/12:



The graph shows the historical trend of the number of contracts

Instead, reference should be made to the chapter on “information relating to relations with personnel” for more details on the composition of personnel, turnover, training, safety.

The data provided is only indicative of the development-trend of the numbers, unofficial and not even exhaustive (s.e.o.).

1.4. Information on the main risks and uncertainties

In this part of this report, in compliance with the provisions of art. 2428 of the Italian Civil Code, the undersigned carry out an assessment of the main risks, meaning by these those events capable of producing negative effects in relation to the pursuit of corporate objectives, or which 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 internal company management processes or derive from external circumstances with respect 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.



In the field of data management, there are "theoretical" risks, but unlikely, linked 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 management 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 considered that there are concentration

risks on the customer side, which is diversified in terms of subjects and sectors to which they belong.

With regard to the supply side of plants, it should be noted that the current relationship is essentially of an Intercompany nature.

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

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, in 2019 the DVRs of:

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

- Chemical risk assessment updated for both plants
- Updated work-related stress risk assessment
- Definition and implementation of specific protocols for COVID-19 emergency management

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 the 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 according to the job and the activities they perform.

1.4.2 Financial risks

Pursuant to art. 2428 of the Italian Civil Code, point 6-bis, we certify that in the choice of financing and investment transactions the company has adopted criteria of prudence and limited risk and that no speculative transactions have been carried out.

With regard to financial instruments, the company did not possess at the beginning of 2019:

- mass titles, as defined by art. 1 paragraph 2 of the TUF and has not made use of it
- contracts in derivative financial instruments.

The company'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 are not listed on 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 the prices of electricity, heat and the cost of gas, as well as the trends in exchange rates for non-EU countries;

CREDIT RISKS:

In consideration of the number of contracts signed, the receivables in the financial statements are fragmented over no. 148 customers and non-concentrated: no position per individual customer outside the AB Group exceeds 5% of total receivables before write-downs. The main intra-group credit positions are towards: AB ENERGY CANADA LTD equal to 26% of total receivables and towards AB ENERGY SPA equal to 19.74%.

There was a decrease in the ability of external

customers to meet deadlines, also due to the difficulty in collecting receivables from entities and other customers. The directors assessed the receivables from customers, adjusting the write-down of receivables (theoretical overall provision as of 31/12/2019: € 1.662.626) and representing in the financial statements the net value of the write-down.

LIQUIDITY RISKS:

Liquidity risk is considered to be limited at the moment. Please refer to the liquidity ratios in the report for an overall assessment of the general financial situation and liquidity in particular. Uses of ordinary credit lines are flexible and mainly

linked to operations for the issue of commercial guarantees and loans. At the end of last year, the company had current account relationships with five different credit institutions, with total credit lines, including loans (used + unused) for approximately € 22.4 million (approximately 21 million of bank credit lines + 1.4 Approximately MI of outstanding loans). Furthermore, there was no leasing contract in place.



The current COVID19 situation with the restrictions adopted by the government has not had any impact on the financial situation of the company, however policies have been undertaken to monitor cash-flows both by reviewing the raw material purchase strategies and by redefining the standard conditions of contracts. sales of the plants so that there is a better balance of responsibilities with respect to the deadlines between the parties.

CURRENCY RISKS:

Currency risk is believed to be "low" at the moment. The company operated, also for exports, mainly in the Euro currency, however in 2019 there were sales and purchases in USD, CAD and PLN. The company has three currency accounts in USD, CAD and PLN to trade directly in the indicated currencies.

RATE RISKS:

The rate risk is linked to changes in the conditions on current account transactions (active rate / payable rate / invoice advance rate / SBF rate), mainly indexed to the EURIBOR and the ECB.

There is no risk associated with interest rate changes on loans as the installment of fixed-rate mortgages for a total of approximately € 1.4 million as of 31/12 is detailed as follows:

| Istitution | Starting date | Ending date |
|-----------------------|---------------|-------------|
| Banca Intesa Sanpaolo | 15/06/2018 | 31/03/2022 |
| BNL | 23/03/2018 | 23/03/2020 |

Having said all this, it is globally assessed that any shock in terms of rate (significant increase in rates in the short term, however unlikely) cannot produce significant effects on the company's income statement.

Finally, it should be noted that in 2019, the financial management result was positive overall, for € 447,377.

1.4.3 Response and risk reduction policies

The company is attentive to reducing the above risks.

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

This section highlights the insurance coverage that the company has put in place jointly with the entire Group, in order to protect itself and its assets.

In particular, an international insurance program has been active since 2014 featuring Master policies with the Parent Company as contracting party and the companies belonging to the Group insured.

Below are the main Master coverages already active in 2014 in which the company subject to the report is included as an insured company:

- LIABILITY INSURANCE: Together with other companies of the AB Group, the company is covered against the risks of third party liability, workers' liability and product liability under the Allianz Global Corporate Specialty SE (AGCS Allianz Group) policy;
- INSURANCE OF GOODS TRANSPORTED ON TURNOVER BY LAND, SEA AND AIR: Together with other companies of the AB Group, the company is covered for the transport of goods all over the world and by any means of transport used;
- PROPERTY INSURANCE: Together with other companies of the AB Group, the company is covered for material and direct damage to buildings, machinery and goods;
- D&O INSURANCE: Together with other companies of the AB Group, the company is covered for Civil Liability for Directors and other corporate bodies.

1.5. Information relating to relations with the environment

The civil code requires that the analysis of the situation and management performance, in addition to being consistent with the size and complexity of the company's business, also contains "to the extent necessary for an understanding of the company's situation and performance and of the operating result, the financial result indicators and, if applicable, the non-financial indicators relevant to the specific activity of the company, including information relating to the environment and personnel".

As can be seen from the above provision, the civil code requires directors to assess whether or not additional information on the environment can contribute to understanding the situation of the company.

We then proceed briefly to an analysis, 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 the company (or for the group).



It is noted that for the year 2019 the following have NOT been registered:

- damage caused to the environment;
- pending penalties for environmental crimes.

The company uses, at the Villachiara (BS) factory, the following plant-machinery that involve emissions into the atmosphere and are subject to authorization:

- n. 2 pantographs and a laser
- n. 2 painting plant with filter emissions abatement,
- n. 1 robotic welding system,
- n. 1 automated grinding plant;
- n. 2 welding suction systems.

To improve environmental standards, a new powder coating system was installed to replace the solvent based one.

On the other hand, the company uses, at the new factory in Orzinuovi (BS), the following plant-machinery that involve emissions into the atmosphere and are subject to authorization:

- n. 3 painting and drying booths,
- n. 1 washing and drying cabin,
- n. 8 extraction systems for fumes deriving from welding,
- n. 1 suction system for dust deriving from cutting rock wool panels.

To improve environmental standards, the extraction system in the mezzanine area has been expanded with external piping and internal piping.

For the Villachiara site, the emissions of the individual plants are analyzed every two years; for the new site of Orzinuovi they are carried out, according to the determination of the Province, annually for the painting and paneling machine and every two years for the welding.

Furthermore, according to new regulations, the Single Environmental Authorization, called AUA for the Orzinuovi plant, was obtained, which combines in a single authorization that for emissions into the atmosphere and discharge into the sewer.

The company produces some special waste, which it regularly disposes of with an authorized company, which delivers it to an authorized landfill.

The company adopts an environmental policy within its buildings that provides for separate waste collection within all production buildings and offices.

Since 2016 the company has started the implementation of an integrated Quality, Safety and Environment management system; therefore, the preparation of specific Safety and Environmental procedures is in progress as well as integrating these aspects with those existing in the quality area.

This activity is a fundamental aspect for the correct management of environmental and safety crimes also according to the Organizational Model 231 in place since 2016.

The company's Core Business involves the construction of industrial plants that have a positive impact on the environment.

In fact, cogeneration (production of electricity and thermal energy) presupposes, 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.

The AB group also supports the customer in obtaining these authorizations.

A necessary condition for the order to be completed is to check that the Customers have obtained all the necessary authorizations.

1.6. Information relating to relations with personnel

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 the subjects who in various forms lend their work to the company, the following quantitative and qualitative information is provided relating, in particular, to the following aspects:

- staff composition;
- turnover;
- training;
- health and safety in the workplace.

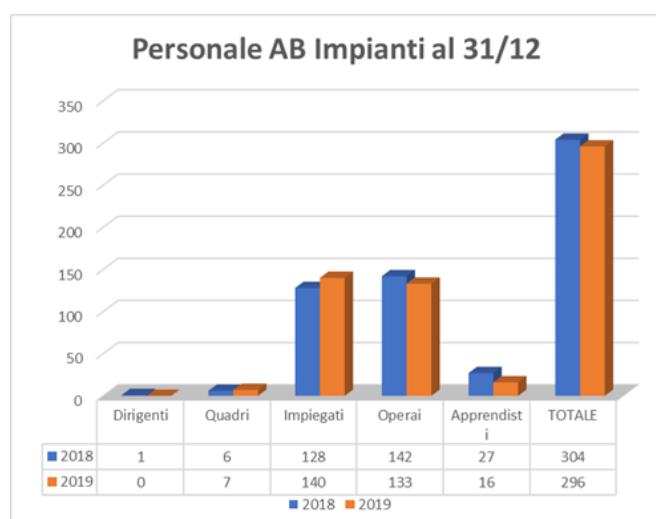
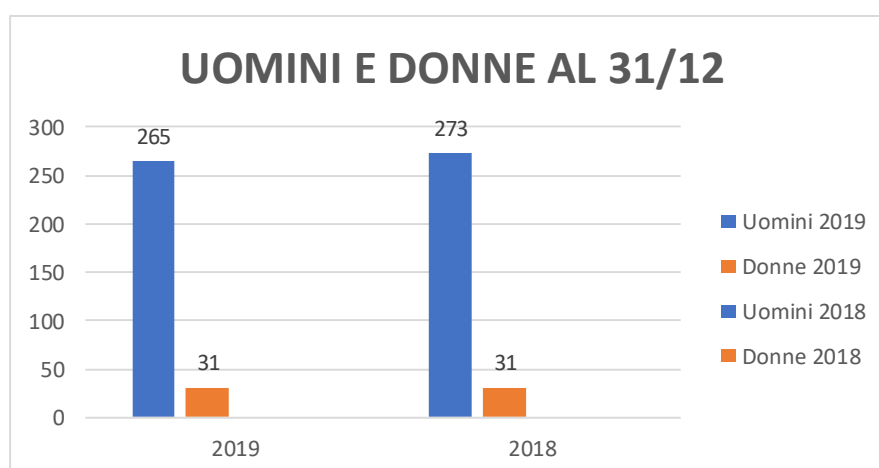
Staff Composition

| | 2019 | 2018 | 2017 |
|------------------------------|------|------|------|
| N. OF EMPLOYEES 31/12 | 296 | 304 | 274 |

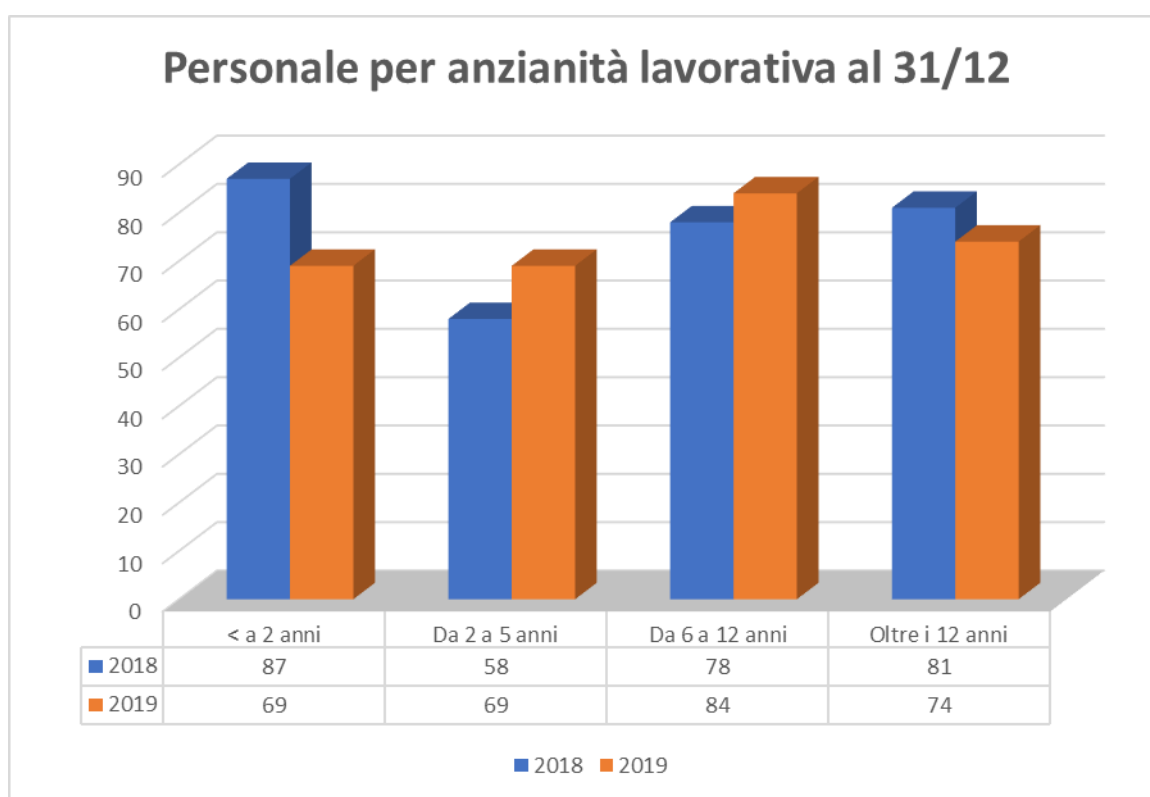
The total staff at the end of the year was made up of 296 units (265 men and 31 women), compared to 304 in the previous year.

The following is the composition of the staff:

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

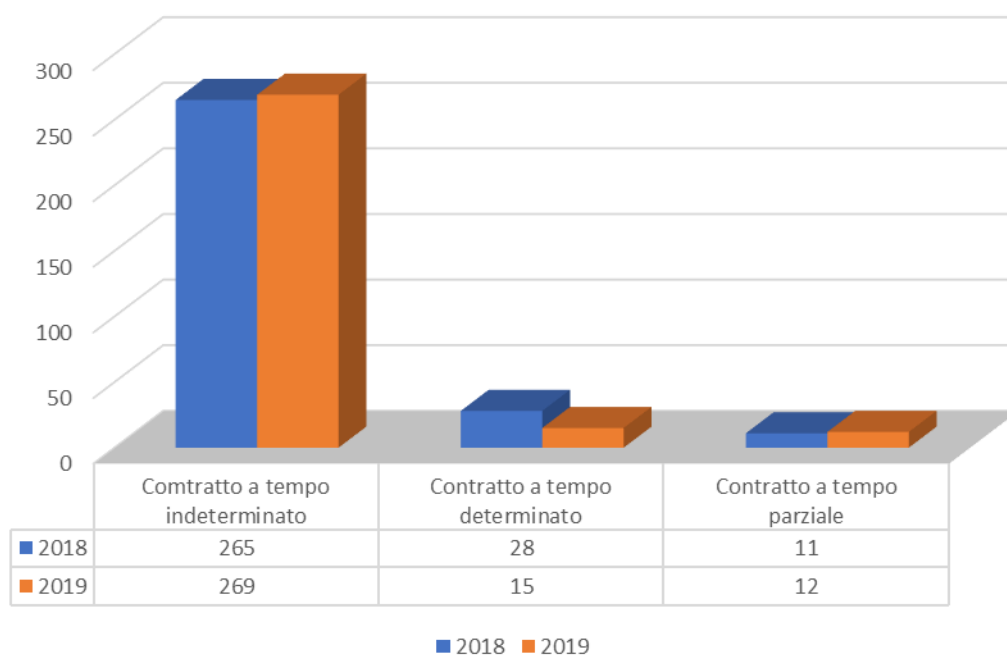


| | Managers | | Quadri | | Employees | | Workers | | Other types | | Apprentices | |
|----------------|----------|------|--------|------|-----------|------|---------|------|-------------|------|-------------|------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Men (number) | 0 | 1 | 7 | 6 | 113 | 106 | 131 | 140 | | | 14 | 20 |
| Women (number) | | | | | 27 | 22 | 2 | 2 | | | 2 | 7 |
| TOTAL (number) | 0 | 1 | 7 | 6 | 140 | 128 | 133 | 142 | | | 16 | 27 |



| Seniority | Managers | | Quadri | | Employees | | Workers | | Other types | | Apprentices | |
|--------------------|----------|------|--------|------|-----------|------|---------|------|-------------|------|-------------|------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| < 2 years | | | 0 | 2 | 32 | 29 | 27 | 33 | | | 10 | 23 |
| From 2 to 5 years | 0 | 1 | 2 | | 37 | 32 | 24 | 21 | | | 6 | 4 |
| From 6 to 12 years | | | 3 | 2 | 37 | 38 | 44 | 38 | | | | |
| More than 12 years | | | 2 | 2 | 34 | 29 | 38 | 50 | | | | |
| TOTAL (numbers) | 0 | 1 | 7 | 6 | 140 | 128 | 133 | 142 | | | 16 | 27 |

Personale per tipologia contratto al 31/12



| | Managers | | Quadri | | Employees | | Workers | | Other types | | Apprentices | |
|------------------|----------|------|--------|------|-----------|------|---------|------|-------------|------|-------------|------|
| Type of contract | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| undetermined | 0 | 1 | 6 | 5 | 123 | 107 | 124 | 125 | | | 16 | 27 |
| determined | | | | | 12 | 16 | 3 | 12 | | | | |
| partial | | | 1 | 1 | 5 | 5 | 6 | 5 | | | | |
| other | | | | | | | | | | | | |

| | Managers | | Quadri | | Employees | | Workers | | Other types | | Apprentices | |
|--------------|----------|------|--------|------|-----------|------|---------|------|-------------|------|-------------|------|
| Other class. | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| INTERINALI | | | | | | | 53 | 46 | | | | |

Turnover

Turnover is measured by the number of hires and increases and the number of resignations:

| Staff under an undetermined contract | | | | | |
|--------------------------------------|-------------------------------|-----------------------------|---|-----------------------|-------------------------|
| Type of contract | Situation until 01/01/2019 | Hirings and increments + | Resignations pension and terminations | Categoria + change | Situation 31/12/2019 |
| Managers | 1 | | -1 | | 0 |
| Quadri | 5 | | | +1 | 6 |
| Employees | 107 | +4 | -5 | + 7 +11 -1 | 123 |
| Workers | 125 | | -12 | -1 +9 +3 | 124 |
| Apprentices | 27 | +1 | -2 | -7 -3 | 16 |

| Staff under a determined contract | | | | | |
|-----------------------------------|-------------------------|----------------------------|---|-------------------------|-------------------------|
| Type of contract | Situation 01/01/2019 | Hirings and increases + | Resignations retiring and termination - | Change of category - | Situation 31/12/2019 |
| Managers | | | | | |
| Quadri | | | | | |
| Employees | 16 | +14 | -7 | -11 | 12 |
| Workers | 12 | +6 | -6 | -9 | 3 |
| | | | | | |

| Staff under a partial contract | | | | | |
|--------------------------------|-------------------------|----------------------------|---|-------------------------|-------------------------|
| Type of contract | Situation 01/01/2019 | Hirings and increases + | Resignations retiring and termination - | Change of category + | Situation 31/12/2019 |
| Managers | | | | | |
| Quadri | 1 | | | | 1 |
| Employees | 5 | | | | 5 |
| Workers | 5 | | | +1 | 6 |

| Internal | | | | | |
|------------------|-------------------------|--------------------------|--|-----------------------|-------------------------|
| Type of contract | Situation 01/01/2019 | Hirings and increases | Resignations pensions and terminations | Change of category | Situation 31/12/2019 |
| Managers | | | | | |
| Quadri | | | | | |
| Employees | | | | | |
| Workers | 46 | +34 | -27 | | 53 |
| Other | | | | | |

Training / courses

Within the AB Group there is the "AB Academy" project, which aims at the professional growth of staff.

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

COURSES FOR EXTERNAL BODIES

- Eucer - Ped Directive 2014/68 / EU
- Ped Directive 2014/68 / EU
- Brazing_Tai Ghirardelli
- Customs Export Logistics
- Tuttoambiente-A.U.A And Atmosphere Emission
- Bureau Veritas - Asme Ix
- Nuovamacut-Solidworks
- Hilti Seismic Module
- Hilti Chemical Anchors
- Soundplan

- Dm 329
- Cig-Gas Distribution Through Networks
- Cei En 60204
- F-Gas New Database
- Mc43-The New Guide of the European Commission
- Spanish Course
- Italian Course
- Battery Storage - Flex Gen
- 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 Update**
- **Eac Certification of Components And Plants For Russian Market**
- **Bridge-Think On Your Feet (Effective Communication)**
- **Bridge-Negopro (Effective Negotiation Techniques)**
- **Ms Project - Pipeline**

- **Power Quality And Island Operation – Pillar**
- **The P&I Technical Scheme**
- **Industrial Plants**
- **The P&I Technical Scheme**
- **The Siat Boilers**
- **The absorber**
- **The Baltimore Evaporative Towers**
- **Battery Storage - Flex Gen**
- **Bioch4ange**
- **The Synchronous And Asynchronous Generator**
- **The Bt**
- **The Mt.**
- **The Diane Panel**
- **The Nèd Panel**
- **The Thermoreactor**
- **Scr Hug Combikat**
- **Ab Service Organization Commissioning Activities Control Room Activities Ordinary Maintenance Activities Extraordinary Maintenance Activities (Overhaul) Idm Activities**
- **Language Training (English)**
- **Process/Product**

INTERNAL COURSES (AB Academy)

- Financial Training
- The principles of co-generation
- The Jenbacher Engine
- Mann engine
- The Engine Module
- Auxiliary Motors
- The Biogas Module

Health and safety in the workplace

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

| Type of contract | Days absent due to accidents at the workplace | | | | |
|-----------------------|---|--------|-----------|---------|-------------|
| | Managers | Quadri | Employees | Workers | Apprentices |
| Undetermined contract | | | | 133 | 12 |
| Determined contract | | | | 14 | |
| Partial contract | | | | | |
| Other | | | | | |

| Tipo contratto | Giorni assenza per malattia |
|----------------|-----------------------------|
|----------------|-----------------------------|

| | Managers | Quadri | Employees | Workers | Apprentices |
|-----------------------|----------|--------|-----------|---------|-------------|
| Undetermined contract | | 6 | 483 | 1.098 | 50 |
| Determined contract | | | 47 | 9 | |
| Partial contract | | | 16 | 61 | |
| Other Maternity | | | 337 | | |

More details on the "security risk assessment" have been set out in point 1.4.1.

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 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.

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 exist and following careful evaluation and certification by an auditor, will be able to take advantage 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 incurred: € 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 continued, without interruption, also in the year ended 31/12/2019.

3. RELATIONS WITH GROUP COMPANIES

3.1. *Management and coordination activities*

Pursuant to Article 2497 of the Civil Code, we inform you that the company is subject to the management and coordination of the company:

AB HOLDING SPA, based in Orzinuovi in via Caduti del Lavoro n. 13, registered with the Brescia Business Register under no. 02243290984, VAT number and C.F. 02243290984, Share capital € 6.000.000 i.v.

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, and with the other companies subject to it, are those highlighted in paragraph 3.3. "Relations with group companies" and that they 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, containing management and procurement costs but, above all, at providing an administrative-management service that allows our company to focus on its core business.

3.2. *The AB group*

The company appears to be controlled by the company AB Holding which holds 80% of the shares.

The corporate structure of the AB HOLDING group is currently as follows (equity investments referring to the parent company):

| SOCIETA' | 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 | € 50.000 | 100% |
| 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 | Bielko-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 | Fiume (Croazia) | 4103332347 | Kn. 750.000 | 90% |
| AB ENERGY CESKA SRO | Praha (Rep. Ceca) | 243 19 058 | 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- SP (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) | 37/007/01671 | € 500.000 | 75% |
| AB ENERGY USA LLC | Pine Brook - NJ (USA) | 320454893 | \$1.000.000 | 80% |
| A.B. ENERGY (Cogeneration) ISRAEL LTD | Tirat Carmel (Israele) | 515154482 | Nis 1.400.00 | 60% |
| AB ENERGY RUS LLC | Moscow (Russia) | 7743091265 | RUB 5.000.000 | 100% |
| AB ENERGY FRANCE SARL | Vern-sur-Seiche (Francia) | FR54813789856 | € 200.000 | 100% |
| AB ENERGY MEXICO Cogeneracion S. DE R.L. DE CV | Mexico City (Messico) | RFC AEM1511232IA | MXN 3.000 | 80% |
| AB ENERGY BULGARIA OOD | Sofia (Bulgaria) | 205871511 | BGN 200.000 | 90% |
| COGENERATION AB ENERGY HELLAS E.Π.Ε. | Halandri (Grecia) | 801238374 | € 100.000 | 90% |
| AB ENERGY ARGENTINA S.A.U. | Buenos Aires (Argentina) | 30716491958 | ARS 100.000 | 100% |

3.3. Relations with Group companies

The parent company AB HOLDING SPA is the lessor of the properties in which the business is carried out in Orzinuovi - Via Caduti del Lavoro 9-17, Via G. Agnelli n. 9, Via Artigianato 27 and Via G. D'Annunzio 22.

Furthermore, it provides the following services:

- keeping general accounts, registers, company books and related obligations, asset analysis and financial statements, budget and drafting of internal financial statements, estimates and final balances with frequency to be defined, cost analysis;

- preparation of schedules, making payments also via Telebanking, according to shared payment procedure;
- 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 national and international commercial contracts, coordination activities with external lawyers, pre-litigation activities, due diligence activities and other various activities in the legal field;
- cleaning services at corporate offices.

Pursuant to Art. 2497-bis paragraph 5, we inform you that, at the closing date of the financial statements, relations with the parent company (AB HOLDING SPA) take the form of:

| Company | Relation | Credits | Debts | Revenues (A1 CE) | Costs Cont. | Sales strum. properties | Purchas strum. goods |
|----------------|----------|---------|------------|---------------------|----------------|-------------------------------|----------------------------|
| AB HOLDING SPA | Parent | 218.282 | 10.944.612 | 265.401 | 5.274.217 | 0 | 0 |



Always pursuant to Art. 2497-bis paragraph 5, the information on the economic relations with the other companies of the AB group is also provided below, even if, in relation to them, no shareholdings are held directly.

In particular:

| Company | Relation | Credits | Debts | Revenue (A1 CE) | Costs | Sales Strum. G. | Purc. Strum. G |
|---------------------------------------|----------|-----------|------------|--------------------|-----------|--------------------|-------------------|
| AB ENERGY spa | Gruppo | 9.774.677 | 12.280.251 | 36.327.310 | 1.780.937 | 0 | 0 |
| AB SERVICE srl | Gruppo | 899.851 | 4.398.678 | 3.048.284 | 1.620.284 | 0 | 0 |
| ENVIROEXPERTS ITALIA srl | Gruppo | 0 | 256.114 | 0 | 698.200 | 0 | 0 |
| AB AMBIENTE soc.agr. | Gruppo | 891.001 | 94.500 | 714.000 | 153.000 | 0 | 0 |
| AB ENERGY ESPANA sl | Gruppo | 227 | 0 | 6.295 | 0 | 0 | 0 |
| AB ENERGY ROMANIA srl | Gruppo | 26.093 | 240.589 | 79 | 354.028 | 0 | 0 |
| AB ENERGY SERBJIA doo | Gruppo | 9.785 | 41.453 | 8.165 | 41.452 | 0 | 0 |
| AB ENERGY UK ltd | Gruppo | 5.745 | 296.944 | 6.845 | 364.204 | 0 | 0 |
| AB ENERGY DO BRASIL | Gruppo | 321.491 | 29.868 | 683.299 | 0 | 0 | 0 |
| AB ENERGY DEUTSCHLAND gmbh | Gruppo | 3.387.367 | 991.974 | 14.056.034 | 3.192 | 0 | 0 |
| KWE AB ENERGY POLSKA zoo | Gruppo | 947.783 | 538.069 | 474.739 | 338.143 | 0 | 0 |

| | | | | | | | |
|--------------------------------------|--------|------------|-----------|------------|-----------|---|---|
| AB ENERGY CANADA | Gruppo | 13.147.298 | 632.335 | 15.459.002 | 0 | 0 | 0 |
| AB ENERGY RUSSIA | Gruppo | 29.037 | 2.970 | 0 | 1.983 | 0 | 0 |
| AB ENERGY FRANCE sarl | Gruppo | 375 | 28.736 | 1.106 | 211.418 | 0 | 0 |
| AB ENERGY ISRAEL | Gruppo | 1.063.427 | 1.018.913 | 44.514 | 0 | 0 | 0 |
| AB ENERGY USA llc | Gruppo | 6.315.346 | 731.901 | 3.488.257 | 22.642 | 0 | 0 |
| AB ENERGY MEXICO COGENERATION | Gruppo | 995.770 | 18.424 | 2.013.862 | 0 | 0 | 0 |
| AB ENERGY HRVATSKA doo | Gruppo | 0 | 411 | 0 | 411 | 0 | 0 |
| AB POWER srl | Gruppo | 145.457 | 1.324.453 | 274.129 | 1.473.622 | 0 | 0 |

Note that as at 31/12/2019 no financing positions were open between AB Impianti and other group companies

4. TREASURY AND GROUP SHARES

The company, being set up under the form of an SRL (limited liability company), cannot own, buy or sell own shares in its portfolio, not even through a trust company or a third party.

| Company | Shares | Nominal | Value |
|---|------------|---------|---------|
| Cassa Rurale ed Artigiana di Borgo San Giacomo (BS) Credito Cooperativo SCRL | 317 Azioni | € 3.275 | € 3.373 |

5. TRANSACTIONS IN TREASURY AND GROUP SHARES - FINANCIAL INSTRUMENTS

During 2019, no transactions were carried out on treasury or Group shares.

IN RELATION TO THE PROVISIONS OF ART. 2428, PARAGRAPH 2 NO. 6-BIS OF THE ITALIAN CIVIL CODE, IT IS SPECIFIED THAT THE COMPANY HAS MADE USE OF DERIVATIVE FINANCIAL INSTRUMENTS ONLY FOR THE PURPOSES OF HEDGING RISKS.

NO DERIVATIVE TRADING CONTRACTS WERE SIGNED; FOR A SCHEMATIC ASSESSMENT OF THESE CONTRACTS, PLEASE REFER TO THE EXPLANATORY NOTE WHICH CONTAINS THE INFORMATION PURSUANT TO ART. 2427 BIS C.1 N.1 C.C.

FOR MORE DETAIL, PLEASE REFER TO WHAT HAS ALREADY BEEN EXPLAINED IN PARAGRAPHS 1.4.2

6. FORESEEABLE EVOLUTION OF OPERATIONS

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 business continuity principle, as subsequent "non-adjusting" events as they are indicative of situations arising after the end of the financial year (see provisions deriving from OIC 29 and art. 2428 of the Civil Code and also IAS 10).

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

- Business continuity;
- Impairment of fixed and current assets (receivables and inventories);
- Evaluation of provisions for risks;

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:

- Goodwill 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.

As for the future of our company, we consider it appropriate to inform you of the following aspects that form the main lines of our intervention in the coming months in continuity with the previous year.

In this regard, the commitment to make the production process and product competitiveness more efficient will continue; this, through investments in the field:

- digitization;
- the development of management systems;
- the study of product innovations. In this regard, once again the task of AB Impianti for the next few years will be to ensure the production capacity of the Group, as well as the evolution of the product. The company holds significant technical, instrumental and organizational resources which constitute a solid basis for the achievement of the aforementioned task;
- the strategic study of solutions oriented to process improvement. With regard to this, work from a "Lean" perspective continued this year as well.

International development continues to be the key element of the next evolution, as the commercial center of gravity of the Group also moves at the level of the Budget as well as in Italy, even in other foreign countries.

From a production point of view, the production core remains solidly 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 company also produced plants for international markets in 2019, evolving its presence on foreign markets.

The know-how at a technical level, at the management and financial level of the orders that also show significant dimensions, are also the basis of the transversal stimulus for all sectors of development of increasingly evolved operational and risk management tools.

The development of the AB Group, as mentioned above, is constantly evolving, as are the new companies set up by the parent company AB Holding.



2- SEARCH FOR EFFICIENCY

In an increasingly competitive market, it becomes very important to pursue the greatest possible efficiency. With this in mind, the development path was undertaken through the previously mentioned projects.

3- MISSION AND GROUP POLICIES

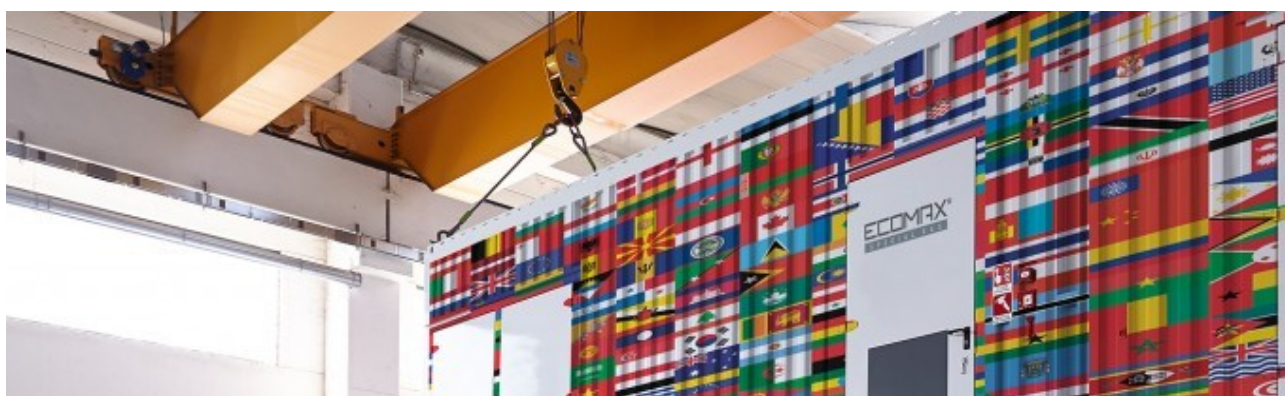
Overall, the company will keep the focus on manufacturing and design.

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);
- organizational, aimed at developing the human resources of the group and at the efficient creation of structures suitable for the strategies of the company and of the Group.

4- AB WAY

Last but not least, the Management is always committed to continuously maintaining the values that inspire the Group's work. "AB Way" not only represents 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 AB Service and of the other AB Group companies.



7. SECONDARY OFFICES

The company's business is carried out as well as at the main office:

- ORZINUOVI (BS), Via Caduti del Lavoro 13 Registered office,
- ORZINUOVI (BS), Via G. Agnelli 9 Production, warehouse and offices
- ORZINUOVI (BS), Via Artigianato 11, 21,24,27 Design (Engineering), offices
- ORZINUOVI (BS), Via D'Annunzio 16-18 and 20-22 Warehouse and Offices
- VILLACHIARA (BS), Via Roma 60 Production, warehouse and offices
- ORZINUOVI (BS), Via Caduti del Lavoro 17 Production, warehouse and offices
- NAPLES (NA), Via G. Porzio 4 Offices

9. RESERVES AND REVALUATIONS

The reserves recognized in the financial statements consist exclusively of profit reserves.

The total shareholders' equity of € 67,064,548 is made up of the following items:

| PATRIMONIO | 31/12/2019 | 31/12/2018 | 31/12/2017 |
|-------------------|------------|------------|------------|
| PATRIMONIO TOTALE | 67.064.548 | 64.330.881 | 62.970.106 |
| CAPITALE | 1.000.000 | 1.000.000 | 1.000.000 |
| RISERVE | 63.330.881 | 61.970.106 | 56.321.331 |
| UTILE ESERCIZIO | 2.733.667 | 1.360.775 | 5.648.775 |

As indicated in the explanatory notes, no monetary revaluation was made for the tangible assets in the financial statements.

10. RESULT OF THE FINANCIAL YEAR

As regards the allocation of the profit for the year 2019, amounting to € 2,733,667, the directors believe they are making a proposal aimed at allocating the entire amount to the Optional Reserve

CONCLUSIONS AND ACKNOWLEDGMENTS

Before concluding, on behalf of the entire Board of Directors I want to express my sincere thanks to the **People - employees, directors, statutory auditors and all collaborators** - who with their precious contribution, passion, work and their principles have made it possible these excellent results.

Based on the information that has been provided, we invite you to approve the financial statements as of 31/12/2019 and the proposed allocation of the profit indicated above.

Place and date

ORZINUOVI, 31 March 2020

For the Board of Directors

BARONCHELLI ANGELO President