2020

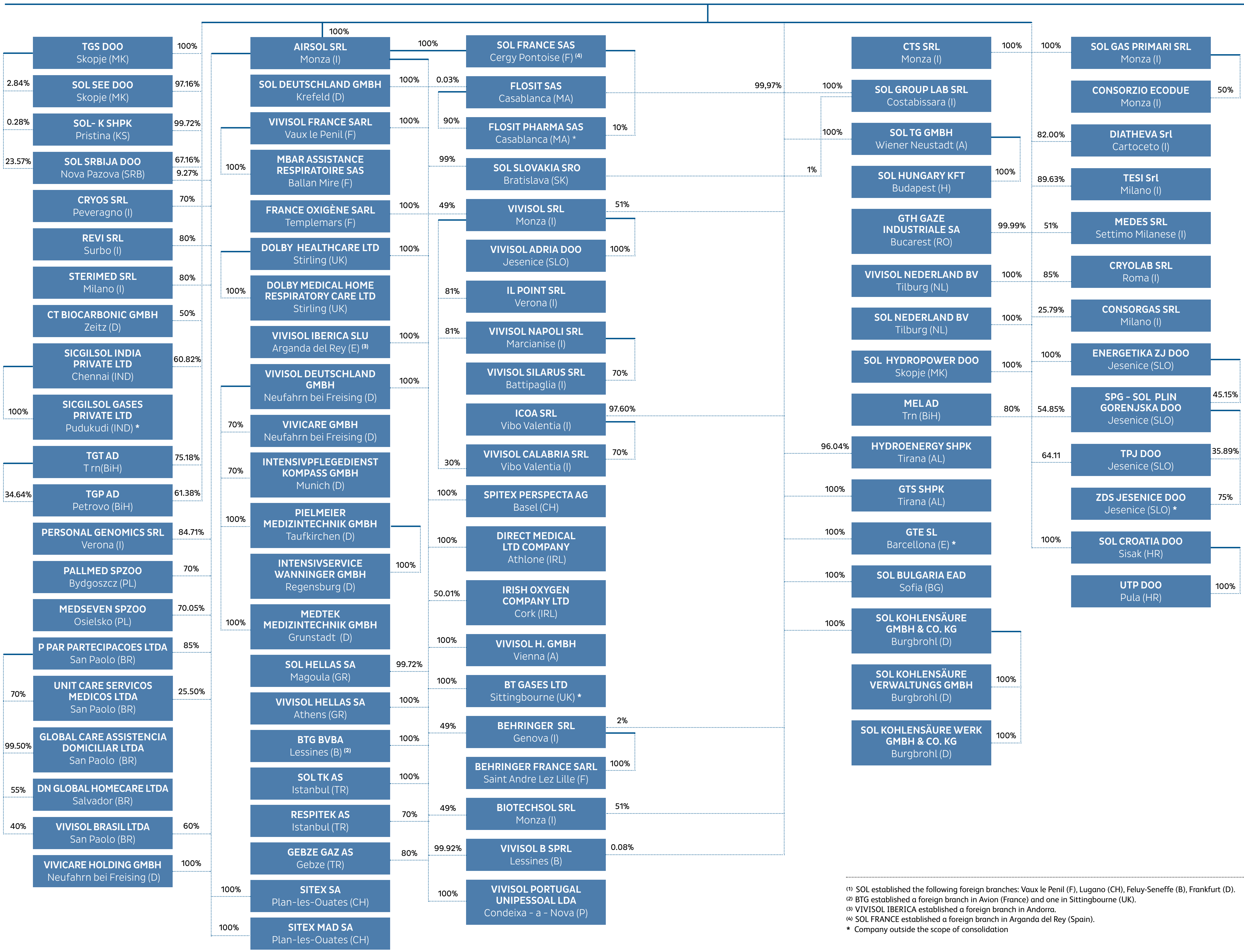
SOL GROUP ANNUAL REPORT

SOLGROUP
a breath of life

1927-2017

STRUCTURE OF THE SOL GROUP AS AT DECEMBER 31, 2020

SOL S.P.A. (1)



(1) SOL established the following foreign branches: Vaux le Penil (F), Lugano (CH), Feluy-Seneffe (B), Frankfurt (D).
(2) BTG established a foreign branch in Avion (France) and one in Sittingbourne (UK).
(3) VIVISOL IBERICA established a foreign branch in Andorra.
(4) SOL FRANCE established a foreign branch in Arganda del Rey (Spain).
* Company outside the scope of consolidation

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SOL Spa

Registered office
Via Borgazzi, 27
20900 Monza - Italy

Share Capital
Euro 47,164,000.00 i.v.

C.F. and company register of Milano, Monza Brianza, Lodi
n° 04127270157
R.E.A. n° 991655
C.C.I.A.A. Milano, Monza Brianza, Lodi

Responsible Care®
OUR COMMITMENT TO SUSTAINABILITY

BOARD OF DIRECTORS

Chairman and Managing Director
Aldo Fumagalli Romario

Deputy Chairman and Managing Director
Marco Annoni

Director with special powers
Giovanni Annoni

Director with special powers
Giulio Fumagalli Romario

Directors
Maria Cristina Annoni
Maria Antonella Boccardo (Independent)
Susanna Dorigoni (Independent)
Anna Gervasoni (Independent)
Prisca Fumagalli Romario
Antonella Mansi (Independent)
Erwin Paul Walter Rauhe (Independent)

GENERAL MANAGERS

Giulio Mario Bottes
Andrea Monti

BOARD OF STATUTORY AUDITORS

Chairman
Giovanni Maria Alessandro Angelo Garegnani

Regular auditors
Alessandro Danovi
Livia Martinelli

Alternate Auditors
Maria Gabriella Drovandi
Alessandro Manias

AUDITING COMPANY

DELOITTE & TOUCHE Spa
Via Tortona n. 25
20144 Milan

POWERS GRANTED TO THE DIRECTORS

(CONSOB Communication No. 97001574 dated February 20, 1997)

To the Chairman and Deputy Chairman: the legal representation of the Company in dealings with third parties and before the legal authorities; powers of ordinary management acting severally; powers of extraordinary management, acting jointly, it being understood that for the execution of the related acts the signature of one of the two with the written authorisation of the other is sufficient; exception is made for certain specific acts of particular importance reserved for the competence of the Board.

To Directors with special appointments: powers of ordinary administration relevant to Legal and Corporate Business (Giulio Fumagalli Romario) and the Organisation of Information Systems (Giovanni Annoni) with single signature.

MANAGEMENT REPORT SOL GROUP

INTRODUCTION

This Annual Financial Report as at December 31, 2020 is drawn up pursuant to Article 154 ter of Italian Legislative Decree 58/1998 and prepared in accordance with the *International Accounting Standards* (*IFRS*) issued by the *International Accounting Standard Board* (*IASB*) recognised by the European Union pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of July 19, 2002, as well as with the implementation regulations set out in Article 9 of Italian Legislative Decree no. 38/2005. These *IFRS* principles also include all revised international accounting standards (*IAS*) and all of the interpretations of the *International Financial Reporting Interpretation Committee* (*IFRIC*), previously called *Standing Interpretations Committee* (*SIC*).

GENERAL CONTEXT

The SOL Group is primarily engaged in production, applied research and distribution activities pertaining to industrial, pure and medicinal gases, in door-to-door medical care, as well as in the supply of related medical equipment in Italy, presently active in 24 other European countries, in Turkey, in Morocco, in India and in Brazil.
The products and services of companies belonging to the Group are used in the chemical, electronics, iron and steel, engineering and foodstuff industries, as well as in sectors such as environmental protection, research and health.
The year 2020 was marked by the spread of the coronavirus epidemic (Covid-19) worldwide.
Originating in China, in the first months of the year the epidemic spread to Europe, America and Asia and then hit practically all continents.
All this has caused huge public health problems and, following the closure and reduction of many productive and commercial activities, the pandemic has had a heavy negative impact on the GDP of all countries with an estimated decrease of 4% worldwide and more than 7% in the Eurozone.
The greatest negative impact occurred in the second quarter of the year when the most restrictive measures to contain the epidemic were adopted in several countries, including Italy in particular.
The economy recovered during the second half of the year.
Considering the whole year 2020, there was a huge reduction in household consumption due to loss of income and increased savings as a result of the confinement implemented in many countries.
Fixed investment, exports and sales of services also contracted significantly everywhere.
The SOL Group companies have taken all necessary measures and steps to ensure the safe continuity of production, distribution and service activities and to safeguard the health of their employees.
As a result of the pandemic, the SOL Group underwent a major organisational and logistical effort for several months to meet the increased demand for medical oxygen supply to hospitals and the provision of oxygen and home services to patients.
With regard to the area of technical, special and medical gases, sales had contrasting trends in the various periods of the year, recording increases and decreases related to the trend of the coronavirus pandemic and the restrictive measures to contain the spread of infections.
Sales of industrial technical gases declined significantly, especially during the second quarter of the year, before recovering in the second half of the year.
On the other hand, in the health sector, where the SOL Group generates around 68% of its turnover, there has been a significant increase in sales, both of medical gases and of equipment and home services to patients.
In the home-care service sector, in which the Group operates with the VIVISOL companies, the effects of the pandemic led on the one hand to a greater demand for services in the respiratory area (oxygen therapy and activities related to Covid-19), while, on the other, due to the reduction in the usual activities in hospitals and laboratories, there was a slowdown in the growth of new requirements in all other areas of activity.
As for 2021, the year opened with a difficult pandemic situation due to the second and third waves of infection, but also with the start of vaccine administration, which should lead to a marked reduction in the spread

of the disease during the year. Thanks in part to the measures taken to control and contain the pandemic, now applied by all countries, production activities continue with good regularity, while the crisis in the service, trade and tourism sectors, in which the SOL Group does not operate, persists.
Considering the constantly changing situation, it is difficult to make forecasts about the SOL Group's performance in 2021. We believe that if the administration of the vaccine leads to a gradual normalisation of activities, the steady growth that has characterised the SOL Group over the years can certainly continue in a satisfactory manner.

SUMMARY RESULTS

In this context, we believe that the results achieved by the SOL Group in 2020 were extremely positive.
The net sales achieved by the SOL Group in 2020 were equal to Euro 973.9 million (+7.7% compared to those of 2019).
The gross operating margin was Euro 255.4 million, equating to 26.2% of sales, up by 20.9% when compared to 2019 (Euro 211.3 million, or 23.4% of sales).
The operating result came to Euro 140.0 million, equating to 14.4% of sales, up by 57.9 million compared to the figure for the same period of 2019 (Euro 88.7 million, or 9.8% of sales).
The net profit amounted to Euro 103.0 million, compared to Euro 49.3 million in 2019, an increase of 53.7 million. The result was positively affected by the recognition of deferred tax assets of Euro 11.7 million, recognised following monetary revaluations carried out by some Italian companies of the Group.
The cash flow amounted to Euro 219.2 million (22.5% of sales), up compared to that of 2019 (equal to Euro 157.9 million).
The technical investments carried out in 2020 amounted to Euro 106.3 million (Euro 97.7 million in 2019).
The average number of staff employed as at December 31, 2020 amounted to 4,504 (4,183 as at December 31, 2019).
The net financial indebtedness was equal to Euro 250.3 million (291.9 million as at December 31, 2019).

MANAGEMENT TREND

During 2020, the technical gas sector showed an increase in sales of 6.2% when compared with the previous year achieving a turnover from third-party customers equating to Euro 438.2 million.
Sales in the technical gas sector were affected both negatively and positively by the effect of the Covid-19 pandemic.
The negative effect was particularly felt, in the second quarter of the year, in most industrial sectors with particularly significant consequences in the transport, petrochemical, metallurgical and automotive sectors.
On the other hand, with regard to gases and medical services, and in particular the supply of oxygen and of plants, medical equipment and services to hospitals and nursing homes, there were significant peaks in demand, especially during the most critical periods of the pandemic.
The home-care business reported a growth by 8.9%, both in Italy and abroad, with sales to third-party customers of Euro 535.6 million.
The growth in the sector is partly due to the demand for more services and equipment to cope with the spread of Covid-19. However, it is also worth noting the slowdown in growth of some activities due to the slowdown in new patient requirements as a result of the effects of lockdowns in the various countries in which the Group operates.
Overall, in the healthcare sector, the Group's sales amounted to Euro 664 million, or 68.2% of total turnover.
In terms of costs, the gross operating margin increased by Euro 44.1 million or 20.9% compared to 2019.
The operating result increased by Euro 51.3 million compared to 2019, up 57.9%.

The increase in profit margins is due to the efficient management of activities and containment of operating expenses, due to less travel and transfers and the postponement of promotional activities following the limitations to movement imposed by the health emergency.
The Group's net indebtedness decreased by Euro 41.6 million, compared to December 31, 2019, despite technical investments made in 2020.
The debt ratios remain very solid, with a debt/equity ratio of 0.378 and a cash flow cover of 0.98.
During 2020, technical gas reserves remained within the safety levels.
In 2020, the SOL Group's work force increased by 293 people, from 4,320 to 4,613. The staff training and qualifying activities continued in order to improve the professional quality so as to achieve the Group's growth objectives.

SHARE PERFORMANCE ON THE STOCK EXCHANGE

SOL stock opened 2020 with a price of Euro 10.540 and closed on December 31, 2020 at Euro 14.000.
During the year, the stock achieved a maximum price of Euro 14.100, while the minimum came to Euro 8.000.

QUALITY, SAFETY, HEALTH AND ENVIRONMENT

The focus on issues of quality, health, safety and environment was constantly high throughout 2020 with an intense internal auditing activity and with checks by third parties, both by Notified Bodies for Certification and by the Auditing Bodies of the Public Administration.
All of these checks have always had a positive outcome.
Overall, the certifications obtained over the years pursuant to international standards ISO 9001, ISO 14001, ISO 13485, OHSAS 18001/ISO 45001, ISO 22000 - FSSC 22000, ISO 50001, ISO 27001, ISO 22301, ISO 17025 were not only renewed, but extended to new activities (ISO 9001) as well as other operational sites of the Group.
The certification status was confirmed for the enforcement of the PED directive in the internal production of vaporisers and of the 93/42 Directive for the production of medical devices.
During 2020, the accreditation according to ISO 17025 was confirmed for the analytical methods applied in the laboratory of the Monza plant, GTS (Albania) and SOL Serbia, which therefore maintained the status of a Testing Laboratory approved and accredited by the accreditation body. In 2020, the laboratory of STERIMED (Italy), a company specialised in services and solutions for health and the environment, received accreditation.
In the field of technical gases and biotechnology, ISO 9001 certification status of the individual sites stood at 42 sites in Italy and 44 abroad.
In the area of food safety, the number of sites outside of Italy certified to ISO 22000 is 24, while in Italy, where the market requires this certification to a lesser extent in the area of food additive gases, the sites are 2.
The FSSC 22000 certified sites among those certified to ISO 22000 are 21 sites outside of Italy and 2 in Italy.
As part of the activities related to technical gas, ISO 14001 certification was confirmed for 9 sites in Italy and 6 sites outside of Italy.
The certification of the safety management system according to the ISO 45001/OHSAS 18001 standard is applied in 40 sites in Italy and 9 sites outside of Italy.
The excellence certification status (ISO 9001, ISO 14001, ISO 45001/OHSAS 18001) was confirmed, maintaining European EMAS Registration for the Verona, Mantua and SPG plants.
Work also continued on the implementation of the Responsible Care Programme and in accordance with the principles of corporate Social Responsibility.

The timely implementation of the Responsible Care programme was verified through internal audits and a third-party audit (Certiquality) in December.
All medical product approvals (CE medical device marking) previously obtained by several Group companies were renewed or maintained: medical gas distribution systems, vacuum and anaesthetic gas exhaust systems (5 manufacturers), cryobanks (1 manufacturer), air compressor stations (1 manufacturer), gases and mixtures (1 manufacturer, 5 product lines), pressure reducers and other products related to the administration of medical gases (3 manufacturers, 21 product lines). Two new markings were also added, paving the way for new developments in the field of electro-medical devices, hitherto not included in research and development activities, and of strategic interest for the Group's development: the first concerns the device for administering and monitoring nitric oxide-based inhalation therapies (Penelope); the second concerns basic units for the delivery of liquid oxygen therapy at home (Smartlox).
In addition to the above, DIATHEVA's in vitro diagnostic device markings are also available: 6 related to Covid-19 diagnostics were added to the previous 3.
As part of home care activities, the certification status (ISO 9001) of the VIVISOL sites was 21 sites in Italy and was expanded to 36 sites outside of Italy.
The ISO 14001 certification of VIVISOL Srl Site of other 8 sites outside of Italy was also confirmed. Certification of the safety management system according to the ISO 45001/OHSAS 18001 standard, applied in 20 sites in Italy and 8 sites outside of Italy, was also confirmed.
The Integrated Environmental Authorisation for Caserta has been renewed and the renewal procedure for Ancona is nearing completion.
The *Sustainability Repor*t, which was prepared in accordance with the requirements of Articles 3 and 4 of Italian Legislative Decree no. 254 of December 30, 2016 and the "Global Reporting Initiative Sustainability Reporting Standards" defined in 2016 by the GRI - Global Reporting Initiative (GRI Standards) will accompany the *Financial Statements* this year as well.

CONSOLIDATED NON-FINANCIAL STATEMENT

The consolidated non-financial statement of SOL Spa for the year 2020, prepared in accordance with Italian Legislative Decree 254/16, constitutes a separate report (*Sustainability Report*) with respect to this management report, as provided for by Article 5 paragraph 3, letter b) of Italian Legislative Decree 254/16, and is available on the company's website http://www.solgroup.com/, in the "Sustainability" section.

PHARMACEUTICAL-REGULATORY ACTIVITIES

The Group's regulatory activities, both in Italy and abroad, continued in 2020 as well.
Despite the difficulties caused by the pandemic, the SOL Group consolidated its pharmaceutical presence in three countries by obtaining authorisations to produce medical gases in Ireland, Morocco and Turkey.
A new production line for the active pharmaceutical ingredient nitric oxide and the nitric oxide-based medical gas "Neophyr" was also authorised by AIFA.

At the end of 2020, the Group has:
- a total of 59 pharmaceutical workshops (57 of gas production) of which 23 in Italy and 36 abroad (17 countries). The gas workshops are divided into 10 home-care units abroad and 5 in Italy, and 17 technical gas units in Italy and 25 abroad;
- 42 technical files for medical devices (of which 5 gases, involving 19 production sites);
- 9 technical files for DIATHEVA's in vitro diagnostic devices.

In 2020, 7 GMP inspections of gas production workshops were carried out by the relevant national agencies.

SOL GROUP INVESTMENTS

During the financial year 2020, investments were made for Euro 52.5 million in the "Technical gases" sector, of which Euro 17.7 million by the parent company SOL Spa, and Euro 60.4 million in the "Home care" sector as detailed below:

- in Verona, at the SOL GAS PRIMARI plant in San Martino Buon Albergo, work continued on the construction of the new liquid nitrogen production unit, the new liquid nitrogen storage section and the strengthening of the overall production of oxygen and argon from the existing plant;
- at the SOL GAS PRIMARI plant in Salerno, the new liquefied methane storage facility for the southern Italian market was completed;
- in Verona, at IL POINT, work began on modernising the entire site with the creation of the new area dedicated to orthopaedics and the creation of the new centre for orthopaedic prostheses;
- in Belgium, SOL started work on a new plant to produce carbon dioxide of biogenic origin at the BIOWANZE company's plant in the municipality of Wanze;
- in Hungary, work on the construction of the new secondary production plant in Budapest of SOL HUNGARY was completed;
- in Germany, work began on the construction of the new VIVISOL DEUTSCHLAND hub in Arnstadt, the main storage and distribution point for home care products;
- in Poland, PALLMED completed the extension of the palliative care facility in Bydgoszcz and started the modernisation of the nursing care facility in Znin;
- in Slovenia, work is underway on the modernisation and structural consolidation of ENERGETIKA's HE Gorje hydroelectric power station;
- the programme for the improvement, modernisation and rationalisation of primary production plants of technical gases in Europe continued. This activity concerned the units of Frankfurt and Salerno, in particular;
- the programme for the improvement, modernisation and rationalisation of secondary production plants of technical and medical gases also continued. This activity has particularly affected the units of Pisa and Marcianise in Italy, Wiener Neustadt in Austria and Stirling in the UK;
- a number of on-site industrial and medical systems were built and launched in Italy as well as abroad, and means of transport, distribution and product sales have been enhanced with the purchase of cryogenic tanks, cryogenic liquid distribution reservoirs, cylinders, dewars and electrical medical devices, all to sustain the group's development in all sectors of activity and geographic areas;
- investments continued to improve IT systems for both the technical gas and home-care sectors.

MAJOR CORPORATE TRANSACTIONS

The following transactions were carried out during 2020:

- in September, SOL Spa converted into capital the fourth tranche of convertible bonds held with the investee SICGILSOL INDIA PRIVATE Ltd, reaching an absolute majority of the share capital;
- in October, the Brazilian subsidiary PPAR Participações Ltda acquired a further 5% of the share capital of the Brazilian company DN GLOBAL HOME CARE Ltda, thus becoming the absolute majority shareholder of the company.

RESEARCH AND DEVELOPMENT ACTIVITIES

Research activities, which characterise and support the Group's development, continued in any case during the year; these activities mainly comprise research associated with the development of new production and distribution technologies in Europe, with the promotion of new applications for technical gases and with the development of new services in health and home care.

SHARES OF THE PARENT COMPANY HELD BY GROUP COMPANIES

As at December 31, 2020, the Parent Company SOL Spa did not own treasury shares.
The other companies of the Group did not own shares of the parent company SOL Spa.
During the 2020 reporting year, no SOL shares were purchased or sold either by the Parent Company itself or by other Group Companies.

INTRA-GROUP TRANSACTIONS AND TRANSACTIONS WITH RELATED PARTIES

Transactions carried out with related parties, including intra-group transactions, cannot be considered as atypical or unusual, as they are part of the normal activities of Group companies. These transactions are settled at arm's length, taking into account the characteristics of the supplied goods and services.
Information concerning relations with related parties, including those requested by the Consob communication dated July 28, 2006, is presented in the consolidated financial statements as at December 31, 2020.

MAIN RISKS AND UNCERTAINTIES TO WHICH THE SOL GROUP IS EXPOSED

RISKS RELATED TO THE GENERAL ECONOMIC TREND

The Group performance is affected by the increase or decrease of the gross national product and industrial production, cost of energy products and health expense policies adopted in the different European countries in which the Group works.
The year 2020 was characterised by the economic showdown in all countries where the SOL Group works, due to the Covid-19 pandemic.

RISKS RELATING TO THE GROUP'S RESULTS

The SOL Group partially operates in sectors considerably regulated by economic cycles related to the trend in industrial production, such as the steel, metal working, engineering and glass manufacturing industries. In the case of an extended decline in business, the growth and profitability of the Group could be partially affected.
Moreover, government policies for reducing healthcare expenses could reduce margins in the home-care and medical gas sectors.
The decision of Great Britain to leave the European Union could have a moderately negative impact on the GDP of the countries where the SOL Group operates, although at the moment it is not possible to quantify either the amount or the direct effect on the group's activities.

RISKS RELATED TO FUND REQUIREMENTS

The SOL Group carries on an activity that entails considerable investments both in production and in commercial equipment and expects to face up to requirements through the flows deriving from the operational management and from new loans.
Operational management should continue to generate sufficient financial resources, while the use of new loans, notwithstanding the Group's excellent capital and financial structure, may show higher spreads than in the past.

OTHER FINANCIAL RISKS

The Group is exposed to financial risks associated with its business operations:

- credit risk in relation to normal trade transactions with customers;
- liquidity risk, with particular reference to the raising of financial resources associated with investments and with the financing of working capital;
- market risks (mainly relating to exchange and interest rates and to commodity costs), in that the Group operates internationally in different currency areas and uses interest-bearing financial instruments.

CREDIT RISK

The granting of credit to end customers is subject to specific assessments by means of structured credit facility systems.
Positions amongst trade receivables for which objective partial or total non-recoverability is ascertained, are subject to individual write-down. Provisions are made on a collective basis for receivables that are not subject to individual write-down, taking into account the historic experience, the statistical data and, as a result of the introduction of the new accounting standard *IFRS 9*, on the basis of a predictive approach, based on the counterparty's probability of default, the ability to recover in case of loss given default and also of expected future losses.

LIQUIDITY RISK

The liquidity risk may arise with the inability to raise, under good financial conditions, the financial resources necessary for the anticipated investments and the financing of working capital.
The Group has adopted a series of policies and processes aimed at optimising the management of the financial resources, reducing the liquidity risk, such as the maintenance of an adequate level of available liquidity, the obtaining of adequate credit facilities and the systematic monitoring of the forecast liquidity conditions, in relation to the corporate planning process.
Management believes that the funds and the credit facilities currently available, in addition to those that will be generated by operating and financing activities, will permit the Group to satisfy its requirements resulting from investment activities, working capital management and debt repayments on their natural maturity dates.

EXCHANGE RATE RISK

In relation to sales activities, the Group companies may find themselves with trade receivables or payables denominated in currencies other than the reporting currency of the company that holds them.
A number of Group subsidiary companies are located in countries outside the Eurozone, in particular Switzerland, Bosnia, Croatia, Serbia, Albania, North Macedonia, Bulgaria, Hungary, Romania, the UK, Poland, India, Turkey and Brazil. Since the reference currency for the Group is the Euro, the income statements of these companies are translated into Euro using the average exchange rate for the period and, revenues and margins in local currency being equal, changes in interest rates may have an effect on the equivalent value in Euro of revenues, costs and economic results.

Assets and liabilities of the consolidated companies whose reporting currency is not the Euro can adopt equivalent values in Euro that differ depending on the exchange rate trend. As envisaged by the accounting standards adopted, the effects of these changes are booked directly to shareholders' equity, under the item "Other reserves".
Some Group companies purchase electricity that is used for the primary production of technical gasses. The price of electricity is affected by the Euro/dollar exchange rate and by the price trend of energy commodities. The risk related to their fluctuations is mitigated by signing, as much as possible, fixed price purchase contracts or with a variation measured over a longer time period. Moreover, long-term supply contracts to customers are index-linked in such a way as to cover the fluctuation risks shown above.
The Parent Company has two bond loans outstanding for a total of USD 41.5 million. To hedge the exchange rate risk, two cross currency swaps were made in Euros on the total loan amount and for the entire duration (12 years). The fair value of the CCSs as at December 31, 2020 was positive in the amount of Euro 906.4 thousand.
With regard to the currency weakness involving the Turkish lira, note that Group companies resident in Turkey operate only within the country, but there could be a negative effect on their profitability as a result of the higher cost of products purchased from third countries.
Since these are small companies, the effect on the Group's consolidated financial statements is not significant.

INTEREST RATE RISK

The interest rate risk is managed by the parent company by centralising most of the medium/long-term debt and by appropriately dividing the loans between fixed rate and floating rate, favouring, when possible and convenient, medium/long-term debt with fixed rates, also through specific Interest Rate Swap agreements.
Some Group companies have entered into a number of Interest Rate Swap agreements linked to two floating rate medium-term loans with the aim of guaranteeing a fixed rate on said loans. The nominal value as at December 31, 2020 is equal to Euro 189,636 thousand and the negative fair value is equal to Euro 4,839 thousand.

RISKS RELATING TO PERSONNEL

In various countries in which the Group operates, employees are protected by different laws and/or collective labour contracts that guarantee them the right to be consulted on specific issues - including the downsizing and closing of departments and the reduction of staff numbers - through representations. This could affect the Group's flexibility in strategically redefining its own organisations and activities.
The management of the Group consists of persons of proven expertise who normally have long-standing experience in the sectors in which the Group operates. The replacement of any person in management may require a long period of time.

RISKS RELATING TO THE ENVIRONMENT

The products and the activities of the SOL Group are subject to increasingly complex and strict authorisation and environmental rules and regulations. This concerns manufacturing plants subject to regulations on atmospheric emissions, waste disposal and waste water disposal and the ban on land contamination.
High charges should be shouldered in order to observe such regulations.

RISKS RELATING TO IT MANAGEMENT AND DATA SECURITY

The increasing use of IT tools in the management of company activities and the interconnection of company systems with external IT infrastructures expose these systems to potential risks with regard to the availability, integrity and confidentiality of data, as well as the efficiency of the IT tools themselves.
To ensure effective business continuity, the Group adopted a disaster recovery and business continuity system to ensure immediate replication of the main legacy system workstations.
Moreover, multiple levels of physical and logical protection, at the level of servers and at the level of clients, ensure the active security of data and business applications.
Vulnerability analyses and audits on the security of information systems are periodically carried out by independent technicians to check the adequacy of the company's IT systems.
Finally, with regard to the problem of fraud through the use of IT resources by external parties, all employees are periodically informed and trained on the correct use of the resources and IT applications available to them.

TAX RISKS

The SOL Group is subject to taxation in Italy and in several other foreign jurisdictions.
The various companies of the Group are subject to the assessment of the income tax returns by the competent tax authorities of the countries in which they operate.
As already occurred in the past, any findings reported in the tax audits are carefully assessed and, when necessary, challenged in the appropriate venues.
At present, a dispute is in progress in Italy for findings - considered groundless - on Transfer pricing.
However, given the considerable uncertainty surrounding this issue, there can be no assurance that the conclusion of this dispute will not have a negative outcome and, therefore, have an impact on the Group's profitability. It should be noted that, also on the basis of the studies carried out with the Group's tax consultants, no provision has been made in the financial statements, as the risk is considered only possible.

MANAGEMENT AND CO-ORDINATION ACTIVITIES (PURSUANT TO ARTICLE 37, PARAGRAPH 2, MARKET REGULATION ISSUED BY CONSOB)

The body of shareholders of SOL Spa consists of a controlling shareholder, GAS AND TECHNOLOGIES WORLD Bv, (in turn controlled by STICHTING AIRVISION, a Dutch foundation), which holds 59.978 % of the share capital.
Neither GAS AND TECHNOLOGIES WORLD Bv nor STICHTING AIRVISION exercise the activity of direction and coordination of SOL Spa pursuant to art. 2497 of the Italian Civil Code, as the majority shareholder, a holding company, is limited to exercising the rights and prerogatives of each shareholder and does not get involved, with the management of the Company (fully entrusted to the autonomous decisions of the Board of Directors of SOL Spa).

IMPORTANT FACTS OCCURRING AFTER THE 2020 REPORTING PERIOD AND BUSINESS OUTLOOK

Significant events to be reported are as follows:

- in January 2021, the parent company SOL Spa increased its shareholding in the company SICGIL SOL to 86.85 %, thereby strengthening the Group's presence in the Indian market;
- in February 2021, AIRSOL Srl acquired a 99.78 % stake in AIR LIQUIDE HELLAS, owned by the AIR LIQUIDE Group. The acquired company is one of the leaders in the Greek market for technical and medical gases and, in turn, also controls 100 % of the share capital of the company VITALAIRE HEALTHCARE HELLAS, an operator in the Greek home care market.

  With this acquisition, the SOL Group is consolidating its presence in South-Eastern Europe.

With regard to the SOL Group's performance in 2021, we believe that if mass vaccinations lead to the end of the Covid-19 pandemic, economies will resume growth and the Group's normal operations will also be able to implement the steady development that has characterised them over the years.

Monza, March 30, 2021

The Chairman of the Board of Directors
(Aldo Fumagalli Romario)

CONSOLIDATED FINANCIAL STATEMENTS AND EXPLANATORY NOTES SOL GROUP

SOL GROUP CONSOLIDATED INCOME STATEMENT

(amounts in thousands of Euro)

	Notes	12.31.2020	%	12.31.2019	%
Net sales	1	**973,833**	**100.0%**	**904,313**	**100.0%**
Other revenues and income	2	9,875	1.0%	8,883	1.0%
Internal works and collections	3	12,488	1.3%	13,662	1.5%
Revenues		**996,196**	**102.3%**	**926,858**	**102.5%**
Purchase of materials		240,540	24.7%	212,870	23.5%
Services rendered		277,282	28.5%	272,233	30.1%
Change in inventories		(14,459)	-1.5%	1,752	0.2%
Other costs		24,432	2.5%	23,580	2.6%
Total costs	4	**527,794**	**54.2%**	**510,436**	**56.4%**
Added value		**468,401**	**48.1%**	**416,422**	**46.0%**
Payroll and related costs	5	213,009	21.9%	205,115	22.7%
Gross operating margin		**255,392**	**26.2%**	**211,307**	**23.4%**
Depreciation/amortisation	6	110,986	11.4%	105,472	11.7%
Provisions and write-downs	6	4,419	0.5%	7,066	0.8%
Non-recurring (income)/expenses	6		0.0%	10,109	1.1%
Operating result		**139,987**	**14.4%**	**88,660**	**9.8%**
Financial income		2,168	0.2%	2,610	0.3%
Financial expense		(11,998)	-1.2%	(11,331)	-1.3%
Results from equity investments		20	0.0%	262	0.0%
Total financial income/(expense)	7	**(9,810)**	**-1.0%**	**(8,459)**	**-0.9%**
Profit (Loss) before income taxes		**130,177**	**13.4%**	**80,201**	**8.9%**
Income taxes	8	21,943	2.3%	27,784	3.1%
Net result from business activities		**108,234**	**11.1%**	**52,417**	**5.8%**
Net result from discontinued operations			0.0%		0.0%
(Profit)/Loss pertaining to minority interests		(5,187)	-0.5%	(3,079)	-0.3%
Net Profit/(Loss)		**103,047**	**10.6%**	**49,338**	**5.5%**
Earnings per share		**1.136**		**0.544**	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME SOL GROUP

(amounts in thousands of Euro)

	12.31.2020	12.31.2019
Profit/(Loss) for the year (A)	**108,234**	**52,417**
Components that will never be reclassified to the Income Statement		
Actuarial gains/(losses)	(979)	(1,587)
Tax effect	244	396
Total components that will never be reclassified to the Income Statement (B1)	**(735)**	**(1,191)**
Components that may be reclassified to the Income Statement		
Profits/(losses) on *cash flow hedging instruments*	(4,667)	600
Profits/(losses) deriving from conversion of financial statements of foreign companies	(6,997)	50
Tax effect related to other profits (losses)	1,133	(130)
Total components that may be reclassified to the Income Statement (B2)	**(10,531)**	**520**
Total other profits/(losses) net of the tax effect (B1) + (B2) = (B)	**(11,266)**	**(671)**
Overall result for the period (A+B)	**96,969**	**51,746**
Attributable to:		
- shareholders of the parent company	92,578	48,765
- minority interest	4,390	2,981

CONSOLIDATED STATEMENT OF FINANCIAL POSITION SOL GROUP

(amounts in thousands of Euro)

	Notes	12.31.2020	12.31.2019
Tangible fixed assets	9	554,573	534,124
Goodwill and consolidation differences	10	139,868	134,838
Other intangible fixed assets	11	18,606	17,072
Equity investments	12	9,433	17,535
Other financial assets	13	6,736	8,321
Deferred tax assets	14	21,695	6,909
Non-current assets		**750,912**	**718,800**
Non-current assets held for sale			
Inventories	15	63,301	49,476
Trade receivables	16	297,949	280,145
Other current assets	17	25,485	28,664
Current financial assets	18	7,449	8,009
Cash and cash at bank	19	269,181	169,326
Current assets		**663,365**	**535,620**
TOTAL ASSETS		**1,414,277**	**1,254,419**
Share capital		47,164	47,164
Share premium reserve		63,335	63,335
Legal reserve		10,459	10,459
Reserve for treasury shares in portfolio		0	0
Other reserves		408,351	388,072
Retained earnings (accumulated loss)		3,317	2,195
Net Profit		103,047	49,338
Shareholders' equity - Group		**635,674**	**560,563**
Shareholders' equity - Minority interests		21,987	16,277
Profit pertaining to minority interests		5,187	3,079
Shareholders' equity - Minority interests		**27,174**	**19,356**
Shareholders' equity	20	**662,848**	**579,919**
Employee severance indemnities and benefits	21	18,536	17,308
Provision for deferred taxes	22	4,261	3,477
Provisions for risks and charges	23	1,076	1,118
Payables and other financial liabilities	24	446,551	400,805
Non-current liabilities		**470,425**	**422,709**
Non-current liabilities held for sale			
Amounts due to banks		2,216	1,345
Trade accounts payable		122,222	108,494
Other financial liabilities		78,368	69,458
Tax payables		22,124	15,737
Other current liabilities		56,075	56,757
Current liabilities	25	**281,004**	**251,791**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**1,414,277**	**1,254,419**

CONSOLIDATED CASH FLOW STATEMENT SOL GROUP

(amounts in thousands of Euro)

	Notes	12.31.2020	12.31.2019
CASH FLOW GENERATED BY OPERATING ACTIVITIES			
Profit for the year		**103,047**	**49,338**
Minority interests in profit/loss		**5,187**	**3,079**
Adjustments to items not affecting liquidity			
Depreciation/amortisation		110,986	105,471
Financial expense		7,926	8,207
Employee severance indemnities and benefits accrued		2,399	2,325
Provisions/Use of provisions for risks and charges		741	(368)
Total		**230,286**	**168,052**
Changes in current assets and liabilities			
Inventories		(13,825)	1,942
Receivables		(28,665)	9,028
Prepayments and accrued income		(746)	(2,039)
Suppliers		13,727	683
Other payables		(3,459)	10,526
Interests paid		(7,885)	(8,380)
Accrued expenses and deferred income		3,531	3,302
Tax payables		6,387	3,271
Total		**(30,935)**	**18,333**
Cash flow generated by operating activities		**199,351**	**186,385**
CASH FLOWS GENERATED BY INVESTMENT ACTIVITIES			
Acquisition of tangible fixed assets		(106,289)	(97,705)
Revaluations and other changes in tangible fixed assets		(22,261)	(62,799)
Net book value of assets sold		2,237	2,779
Increases in intangible assets		(11,686)	(5,830)
(Increase) decrease in long-term investments		1,585	(108)
(Increase) decrease of equity investments in non-consolidated subsidiary companies			
(Increase) decrease of equity investments and business units		8,102	(46,425)
(Increase) decrease in current financial assets		560	(2,253)
Total		**(127,752)**	**(212,341)**
CASH FLOWS GENERATED BY FINANCING ACTIVITIES			
Repayment of loans		(37,161)	(38,704)
Raising of new loans		30,200	89,827
Redemption of bonds		57,901	(11,946)
Undertaking bonds		-	-
Raising (repayment) *of leases*		2,783	48,155
Raising (repayment) of shareholders' loans		137	(40)
Dividends paid		(18,269)	(17,420)
Employee severance indemnities and benefits paid		(1,171)	(657)
Other changes in shareholders' equity			
- translation differences and other changes		(12,063)	(844)
- changes in shareholders' equity - minority interests		5,027	(1,647)
Total		**27,384**	**66,724**
INCREASE (DECREASE) IN CASH IN HAND AND AT BANK		**98,983**	**40,768**
CASH IN HAND AND AT BANK AT BEGINNING OF YEAR		**167,981**	**127,213**
CASH IN HAND AND AT BANK AT END OF YEAR		**266,964**	**167,981**

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY SOL GROUP

(amounts in thousands of Euro)

	Share capital	Share premium reserve	Legal reserve	Other reserves	Net profit	Total Group shareholders' equity	Total shareholders' equity pertaining to minority interests	**Total shareholders' equity**
Balance as at 01.01.2019	47,164	63,335	10,459	355,104	51,880	527,942	18,061	546,003
Allocation of 2018 profit	-	-	-	36,008	(36,008)	-	-	-
Dividend distribution	-	-	-	-	(15,873)	(15,873)	(1,547)	(17,420)
Other consolidation changes	-	-	-	(272)	-	(272)	(139)	(411)
Profit (loss) for the financial year	-	-	-	(573)	49,338	48,766	2,981	51,747
Balance as at 12.31.2019	**47,164**	**63,335**	**10,459**	**390,268**	**49,338**	**560,564**	**19,356**	**579,919**
Allocation of 2019 profit	-	-	-	33,466	(33,466)	-	-	-
Dividend distribution	-	-	-	-	(15,873)	(15,873)	(2,396)	(18,268)
Other consolidation changes	-	-	-	(1,596)	-	(1,596)	5,824	4,229
Profit (loss) for the financial year	-	-	-	(10,469)	103,047	92,578	4,390	96,969
Balance as at 12.31.2020	**47,164**	**63,335**	**10,459**	**411,669**	**103,047**	**635,674**	**27,174**	**662,848**

EXPLANATORY NOTES

The 2020 consolidated financial statements have been drawn up in accordance with the International Accounting Standards (*IFRS*) established by the International Accounting Standards Board and approved by the European Union. The *IFRS* are understood to also be all the international accounting standards reviewed (*IAS*), all the interpretations of the International Financial Reporting Interpretations Committee (*IFRIC*), previously known as the Standing Interpretations Committee (*SIC*), approved by the European Union and contained in the relevant EU Regulations.
The financial statements are prepared on the basis of the historical cost principle, amended as requested for the valuation of various financial instruments, as well as on a going concern basis. The SOL Group, in fact, evaluated that no significant uncertainties exist (as defined by paragraph 25 of accounting standard *IAS 1*) on the principle of going concern
The income statement has been drawn up with the allocation of the costs by nature; the Balance Sheet has been prepared in accordance with the format that highlights the separation of the "current/non-current" assets and liabilities, while the indirect method was adopted for the statement of cash flows, adjusting the profit for the period of non-monetary components. Statement of changes in shareholders' equity shows comprehensive income (expenses) for the year and other changes in Shareholders' Equity.
In the Income statement, income and costs deriving from non-recurring operations have been shown separately.
The analysis of the income statement and the consolidated statement of financial position and cash flow statement has also been carried out in accordance with the provisions of *IFRS 8*, highlighting the contribution of the "Technical gases" and "Home-care service" activity sectors taken as primary sectors and providing the most important data relating to the activities by geographic area, Italy and other countries, identified as secondary sectors.
Further to the enforcement of Legislative Decree no. 38 of February 28, 2005, implementing in the Italian regulations the European Regulation No. 1606/2002, companies with securities admitted for trading on Member European Union States' regulated markets must from 2006 draw up their financial statements in accordance with the international accounting standards (*IAS/IFRS*) issued by the International Accounting Standard Board (*IASB*), as approved by the EU Commission.
The financial statements and the notes to the financial statements have been prepared supplying also the additional information on diagrams and budget disclosure provided by Consob resolution no. 15519 and by Consob notification no. 6064293 issued on July 28, 2006.

GROUP COMPOSITION AND SCOPE OF CONSOLIDATION

The consolidated financial statements comprise the financial statements as at December 31, 2020 of the SOL Spa Parent Company and of the following companies, which are, pursuant to Article 38, paragraph 2 of Italian Legislative Decree No. 127/91 as amended by the provisions of Italian legislative decree no. 139 of August 18, 2015 "Implementation of directive 2013/34/EU related to the financial statements, consolidated financial statements and related reports of certain types of companies, amending directive 2006/43/EC and repealing directives 78/660/EEC and 83/349/EEC, for the part related to the regulations of the financial statements and consolidated financial statements".

a) directly or indirectly controlled subsidiaries, consolidated on a line-by-line basis;

Company name and registered office		Share capital	Ownership percentage Direct	Indirect	Total
AIRSOL Srl - Monza	EUR	7,750,000	100.00%		100.00%
BTG BVBA - Lessines	EUR	5,508,625		100.00%	100.00%
BEHRINGER FRANCE Sarl - Saint Andre Lez Lille	EUR	10,000		100.00%	100.00%
BEHRINGER Srl - Genoa	EUR	102,000	2.00%	49.00%	51.00%
BIOTECHSOL Srl - Monza	EUR	110,000	51.00%	49.00%	100.00%
CTS Srl - Monza	EUR	156,000	100.00%		100.00%
CRYOLAB Srl - Rome	EUR	509,021	85.00%		85.00%
CRYOS Srl - Peveragno	EUR	40,000		70.00%	70.00%
DIATHEVA Srl - Cartoceto	EUR	260,000	82.00%		82.00%
DIRECT MEDICAL Ltd Company - Athlone	EUR	100		100.00%	100.00%
DN GLOBAL HOME CARE Ltda. - Salvador	BRL	1,968,130		60.82%	60.82%
DOLBY HEALTCARE Ltd - Stirling	GBP	300,100		100.00%	100.00%
DOLBY MEDICAL HOME RESPIRATORY CARE Ltd - Stirling	GBP	15,100		100.00%	100.00%
ENERGETIKA ZJ doo - Jesenice	EUR	999,602	100.00%		100.00%
FLOSIT Sas - Casablanca	MAD	12,000,000	99.97%	0.03%	100.00%
FRANCE OXYGENE Sarl - Templemars	EUR	1,300,000		100.00%	100.00%
GEBZE GAZ As - Gebze	TRY	3,585,000		80.00%	80.00%
GLOBAL CARE ASSISTENCIA DOMICILIAR Ltd - San Paolo	BRL	10,736,528		84.58%	84.58%
GTH GAZE INDUSTRIALE Sa - Bucharest	RON	14,228,583	99.99%		99.99%
GTS Shpk - Tirana	ALL	292,164,000	100.00%		100.00%
HYDROENERGY Shpk - Tirana	ALL	1,444,108,950	96.04%		96.04%
ICOA Srl - Vibo Valentia	EUR	45,760	97.60%		97.60%
IL POINT Srl - Verona	EUR	98,800		81.00%	81.00%
INTENSIVPFLEGEDIENST KOMPASS GmbH - Munich	EUR	25,000		70.00%	70.00%
INTENSIVSERVICE WANNINGER GmbH - Regensburg	EUR	40,000		100.00%	100.00%
IRISH OXYGEN COMPANY Ltd - Cork	EUR	697,802		50.01%	50.00%
MBAR ASSISTANCE RESPIRATOIRE Sas - Ballan Mire	EUR	7,622		100.00%	100.00%
MEDES Srl - Settimo Milanese	EUR	10,400	51.00%		51.00%
MEDSEVEN spzoo - Osielsko	PLN	646,000		70.05%	70.05%
MEDTEK MEDIZINTECHNIK GmbH - Grunstadt	EUR	75,000		100.00%	100.00%
MEL Ad - Trn	BAM	2,005,830	80.00%		80.00%
P PAR PARTICIPACOES Ltda - San Paolo	BRL	17,273,174		85.00%	85.00%
PALLMED spzoo - Bydgoszcz	PLN	800,802		70.00%	70.00%
PERSONAL GENOMICS Srl - Verona	EUR	500,000		84.71%	84.71%
PIELMEIER MEDIZINTECHNIK GmbH - Taufkirchen	EUR	25,000		100.00%	100.00%
REVI Srl - Surbo	EUR	52,000		80.00%	80.00%
RESPITEK As - Istanbul	TRY	4,390,000		70.00%	70.00%
SICGILSOL GASES PRIVATE Ltd - Pudukudi	INR	140,000,000		60.82%	60.82%
SICGILSOL INDIA PRIVATE Ltd - Chennai	INR	729,705,940	60.82%		60.82%
SITEX MAD Sa - Plan-les-Ouates	CHF	110,000		100.00%	100.00%
SITEX Sa - Plan-les-Ouates	CHF	400,000		100.00%	100.00%
SOL BULGARIA Ead - Sofia	BGN	19,305,720	100.00%		100.00%
SOL CROATIA doo - Sisak	HRK	30,771,300		100.00%	100.00%
SOL DEUTSCHLAND GmbH - Krefeld	EUR	7,000,000		100.00%	100.00%
SOL FRANCE Sas - Cergy Pontoise	EUR	13,000,000		100.00%	100.00%
SOL GAS PRIMARI Srl - Monza	EUR	500,000	100.00%		100.00%
SOL GROUP LAB Srl - Costabissara	EUR	100,000	100.00%		100.00%
SOL HELLAS Sa - Magoula	EUR	4,947,429		99.72%	99.72%
SOL HUNGARY Kft - Budapest	HUF	50,010,000		100.00%	100.00%
SOL HYDROPOWER doo - Skopje	MKD	2,460,200	100.00%		100.00%
SOL KOHLENSÄURE GmbH & Co. KG - Burgbrohl	EUR	20,000	100.00%		100.00%
SOL KOHLENSÄURE VERWALTUNGS GmbH - Burgbrohl	EUR	25,000		100.00%	100.00%
SOL KOHLENSÄURE WERK GmbH & Co. KG - Burgbrohl	EUR	10,000		100.00%	100.00%
SOL NEDERLAND Bv - Tilburg	EUR	2,295,000	100.00%		100.00%
SOL SEE doo - Skopje	MKD	497,554,300	97.16%	2.83%	99.99%
SOL SLOVAKIA sro - Bratislava	EUR	75,000		100.00%	100.00%
SOL SRBIJA doo - Nova Pazova	RSD	317,193,834	67.16%	32.80%	99.96%
SOL TG GmbH - Wiener Neustadt	EUR	5,726,728	100.00%		100.00%
SOL TK As - Istanbul	TRY	22,874,000		100.00%	100.00%
SOL-K Shpk - Pristina	EUR	2,010,000	99.72%	0.28%	100.00%
SPG - SOL PLIN GORENJSKA doo - Jesenice	EUR	8,220,664	54.85%	45.15%	100.00%
SPITEX PERSPECTA Ag - Basel	CHF	100,000		100.00%	100.00%
STERIMED Srl - Milan	EUR	100,000		80.00%	80.00%
TPJ doo - Jesenice	EUR	2,643,487	64.11%	35.89%	100.00%
TESI Srl Tecnologia & Sicurezza - Milan	EUR	14,489	89.63%		89.63%
TGP Ad - Petrovo	BAM	1,177,999	61.38%	26.04%	87.42%
TGS doo - Skopje	MKD	419,220,422	100.00%		100.00%
TGT Ad - Trn	BAM	970,081	75.18%		75.18%
UTP doo - Pula	HRK	17,543,800		100.00%	100.00%
UNIT CARE SERVICOS MEDICOS Ltda - San Paolo	BRL	2,084,000		85.00%	85.00%
VIVICARE GmbH - Neufahrn bei Freising	EUR	25,000		70.00%	70.00%
VIVICARE HOLDING GmbH - Neufahrn bei Freising	EUR	25,000		100.00%	100.00%
VIVISOL ADRIA doo - Jesenice	EUR	7,500		100.00%	100.00%
VIVISOL B Sprl - Lessines	EUR	162,500	0.08%	99.92%	100.00%
VIVISOL BRASIL Ltda - San Paolo	BRL	10,662,772		94.00%	94.00%
VIVISOL CALABRIA Srl - Vibo Valentia	EUR	10,400		98.32%	98.32%
VIVISOL DEUTSCHLAND GmbH - Neufahrn bei Freising	EUR	2,500,000		100.00%	100.00%
VIVISOL FRANCE Sarl - Vaux le Penil	EUR	3,503,600		100.00%	100.00%
VIVISOL HEIMBEHANDLUNGSGERÄTE GmbH - Vienna	EUR	726,728		100.00%	100.00%
VIVISOL HELLAS Sa - Athens	EUR	540,000		100.00%	100.00%
VIVISOL IBERICA Slu - Arganda del Rey	EUR	5,500,000		100.00%	100.00%
VIVISOL NAPOLI Srl - Marcianise	EUR	98,800		81.00%	81.00%
VIVISOL NEDERLAND Bv - Tilburg	EUR	500,000	100.00%		100.00%
VIVISOL PORTUGAL UNIPESSOAL Lda - Condeixa-a-Nova	EUR	100,000		100.00%	100.00%
VIVISOL SILARUS Srl - Battipaglia	EUR	18,200		56.70%	56.70%
VIVISOL Srl - Monza	EUR	2,600,000	51.00%	49.00%	100.00%

b) jointly controlled companies, consolidated by adopting the equity method:

Company name and registered office		Share capital	Ownership percentage
CONSORZIO ECODUE - Monza	EUR	800,000	50.00 %
CT BIOCARBONIC GmbH - Zeitz	EUR	50,000	50.00 %

c) non-consolidated subsidiary companies:

Company name and registered office		Share capital	Ownership percentage
BT GASES Ltd - Harrietshame	GBP	1	100.00 %
FLOSIT PHARMA Sa - Casablanca	MAD	5,000,000	100.00 %
GTE Sl - Barcelona	EUR	12,020	100.00 %
ZDS JESENICE doo - Jesenice	EUR	10,000	75.00 %

The companies BT GASES Ltd, FLOSIT PHARMA Sa and GTE Sl were not consolidated in that inactive and not relevant for the purposes of giving a true and fair view of the financial position, the results of the operations and of the cash flows of the Group.
ZDS JESENICE doo was not consolidated since it is administered by a minority shareholder.

d) associated companies, consolidated by adopting the equity method:

Company name and registered office		Share capital	Ownership percentage
CONSORGAS Srl - Milan	EUR	500,000	25.79 %

Finally, equity investments in other companies were carried at fair value through profit and loss, as they cannot be included among subsidiary and associated companies.

The scope of consolidation between December 31, 2020 and December 31, 2019 underwent the following changes:
- with the inclusion of the company VIVICARE HOLDING GmbH set up in October 2020,
- with the inclusion of SICGILSOL INDIA PRIVATE Ltd, previously recognised as a jointly controlled company and its investee SICGILSOL GASES PRIVATE Ltd,
- with the inclusion of DN GLOBAL HOME CARE Ltda, which was previously recognised as a jointly controlled company,
- with the inclusion of SITEX MAD Sa, which was previously recognised as non-consolidated subsidiary companies,
- with the increase in the shareholdings in the company FLOSIT Sas from 99.99 % to 100 %,
- with the increase in the shareholdings in the company TGP Ad from 99.81 % to 100 %.

According to paragraph 264 Section 3 of the German Commercial Code, German subsidiaries:
- INTENSIVPFLEGEDIENST KOMPASS GmbH - Munich
- INTENSIVSERVICE WANNINGER GmbH - Regensburg
- MEDTEK MEDIZINTECHNIK GmbH - Grunstadt
- PIELMEIER MEDIZINTECHNIK GmbH - Taufkirchen
- SOL DEUTSCHLAND GmbH - Krefeld
- SOL KOHLENSÄURE GmbH & Co. KG - Burgbrohl
- SOL KOHLENSÄURE VERWALTUNGS GmbH - Burgbrohl
- SOL KOHLENSÄURE WERK GmbH & Co. KG - Burgbrohl
- VIVICARE GmbH - Neufahrn bei Freising
- VIVICARE HOLDING GmbH - Neufahrn bei Freising
- VIVISOL DEUTSCHLAND GmbH - Neufahrn bei Freising

are exempted from the obligation to prepare and publish in Germany both the financial statements in accordance with generally accepted German accounting standards and the report on management and to allow the audit of those financial statements.

ACCOUNTING AND CONSOLIDATION PRINCIPLES

GENERAL PRINCIPLES

The consolidated financial statements of the SOL Group have been drawn up in Euro since this is the legal tender of the economies in the countries where the Group operates. The balances of the consolidated financial statement items, taking into account their importance, are expressed in thousands of Euro. Foreign subsidiaries are included in accordance with the principles described in the section "Consolidation principles - Consolidation of foreign companies".

CONSOLIDATION STANDARDS

Subsidiary companies

These are companies over which the Group exercises control. Such control exists when the Group has the power, directly or indirectly, to determine the financial and operating policies of a company, for the purpose of obtaining the benefits from its activities. The financial statements of the subsidiary companies are included in the consolidated financial statements as from the date when control over the company was taken up until the moment said control ceases to exist. The portions of shareholders' equity and the result attributable to minority shareholders are indicated separately in the consolidated balance sheet and income statement, respectively.
Subsidiaries are enterprises over which SOL has the power to determine autonomously the strategic choices of the enterprise in order to obtain the related benefits. In general, the existence of control is presumed when more than half of the voting rights in the ordinary Shareholders' Meeting are directly or indirectly held also considering the potential votes i.e. voting rights deriving from convertible instruments.
Dormant subsidiaries are not included in the consolidated financial statements.

Jointly controlled companies

These are companies over whose activities the Group has joint control, as defined by *IFRS 11* - Joint Arrangements. The consolidated financial statements include the portion pertaining to the Group of the results of the jointly controlled companies, recorded using the equity method, as from the date on which the significant influence started and until it ceases to exist.

Associated companies

These are companies in which the Group does not exercise control or joint control over the financial and operating policies (joint ventures that do not qualify as joint operations and associated companies) over which SOL exercises significant influence in determining their strategic decisions, albeit without having control over them, also considering the potential votes i.e. voting rights deriving from convertible instruments; significant influence is presumed when SOL holds, directly or indirectly, more than 20% of the voting rights in the ordinary Shareholders' Meeting.
The consolidated financial statements include the portion pertaining to the Group of the results of the associated companies, recorded using the equity method, as from the date on which the significant influence started and until it ceases to exist.

Equity investments in other companies

Equity investments in other companies (normally involving a percentage ownership of less than 20%) are carried at fair value and possibly written down to reflect any permanent losses in value. Subsequently, gains and losses deriving from changes in fair value are recognised directly in profit or loss for the period as permitted by *IFRS 9*.

Transactions eliminated during the consolidation process

All the balances and the significant transactions between Group companies, as well as unrealised gains and losses on inter company transactions, are eliminated during the preparation of the consolidated financial statements. Any unrealised gains or losses generated on transactions with associated companies are eliminated in relation to the value of the Group's shareholding in said companies.

Foreign currency transactions

Transactions in foreign currencies are recorded at the exchange rate in force as of the date of the transaction. Monetary assets and liabilities in foreign currencies at the reporting date are translated at the exchange rate in force at that date. Exchange differences arising from the settlement of monetary items or from their translation at exchange rates different from those used at the time of initial recording during the year or in previous financial statements, are booked to the income statement.

Consolidation of foreign companies

All the assets and liabilities of foreign companies denominated in currency other than the Euro that are included within the scope of consolidation are converted using the exchange rates in force at the reporting date (current exchange rate method). Income and costs are translated using the average rate for the year. The exchange differences emerging from the application of this method are classified as an equity account until the equity investment is disposed of.
Goodwill and adjustments to the fair value generated by the acquisition of a foreign company are stated in the relevant currency and translated using the period-end exchange rate.

The exchange rates used for converting the financial statements not expressed in Euro are indicated in the table below:

Currency	Exchange rate on 12.31.2020		Average exchange rate 2020		Exchange rate on 12.31.2019		Average exchange rate 2019	
Macedonian dinar	Euro	0.01625	Euro	0.01622	Euro	0.01620	Euro	0.01626
Serbian dinar	Euro	0.00852	Euro	0.00850	Euro	0.00849	Euro	0.00849
Moroccan dirham	Euro	0.09158	Euro	0.09239	Euro	0.09276	Euro	0.09289
Hungarian forint	Euro	0.00275	Euro	0.00285	Euro	0.00303	Euro	0.00307
Swiss franc	Euro	0.92575	Euro	0.93414	Euro	0.92132	Euro	0.89896
Croatian Kuna	Euro	0.13242	Euro	0.13265	Euro	0.13442	Euro	0.13481
Albanian lek	Euro	0.00808	Euro	0.00808	Euro	0.00819	Euro	0.00813
Bulgarian lev	Euro	0.51130	Euro	0.51130	Euro	0.51130	Euro	0.51130
Turkish Lira	Euro	0.10973	Euro	0.12415	Euro	0.14960	Euro	0.15729
Convertible mark	Euro	0.51129	Euro	0.51129	Euro	0.51129	Euro	0.51129
New Romanian leu	Euro	0.20541	Euro	0.20668	Euro	0.20907	Euro	0.21073
Brazilian real	Euro	0.15690	Euro	0.16966	Euro	0.22145	Euro	0.22658
Indian rupee	Euro	0.01115	Euro	0.01181	Euro	0.01247	Euro	0.01268
British pound	Euro	1.11231	Euro	1.12397	Euro	1.17536	Euro	1.13925
Polish Zloty	Euro	0.21931	Euro	0.22507	Euro	0.23492	Euro	0.23269

Business combinations

The business combinations are accounted for in accordance with the acquisition method in accordance with *IFRS 3*. According to this method, the consideration transferred in a business combination is measured at fair value, calculated as the sum of the fair value of the assets transferred and liabilities undertaken by the Group at the date of acquisition and of the equity instruments issued in exchange for the control of the acquired company. The expenses related to the transaction are generally recognised in the income statement when they are incurred.

The goodwill is determined as the surplus between the sum of the amounts transferred in the business combination, the value of shareholders' equity attributable to minority interests and the fair value of any equity investment previously held in the acquired company compared to the fair value of net assets acquired and liabilities undertaken at the date of acquisition. If the value of the net assets acquired and liabilities undertaken at the date of acquisition exceeds the sum of the amounts transferred, the value of shareholders' equity attributable to minority interests and the fair value of any equity investment previously held in the acquired company, this surplus is immediately recognised in the income statement as income arising from the concluded transaction.
The portions of shareholders' equity attributable to minority interests, at the date of acquisition, can be measured at fair value or at the pro-rata value of net assets recognised for the acquired company. The choice of the measurement method is carried out for each transaction.
Any amount subject to conditions stipulated by the contract of business combination are measured at fair value at the date of acquisition and included in the value of the amounts transferred in the business combination for the purposes of determining the goodwill.
In the case of business combinations that occurred in stages, the equity investment previously held by the Group in the acquired company is revalued at fair value at the date of acquisition of control and any ensuing gain or loss is recognised in the income statement. Any value arising from the equity investment previously held and recorded in "Other profits (losses)" are reclassified in the income statement as if the equity investment had been transferred.
The business combinations that occurred before January 1, 2010 were recognised according to the previous version of *IFRS 3*.

Minority shareholders

The portion of capital and reserves pertaining to minority shareholders in subsidiaries and the portion pertaining to minority shareholders of profit or loss for the year of consolidated subsidiaries are separately identified in the consolidated income statement and balance sheet. Changes in ownership shares of subsidiaries that do not involve acquisition/loss of control are accounted for under changes in shareholders' equity.

Acquisition of minority shares

After obtaining the control of a company, transactions in which the parent company acquires or transfers more minority interests without modifying the control over the subsidiary are to be considered transactions with shareholders and therefore must be recognised under shareholders' equity. It follows that the book value of the controlling interest and minority interests must be adjusted to reflect the change in interest in the subsidiary and any difference between the amount of the adjustment made to minority interests and the fair value of the price paid or received in respect of that transaction is recognised directly in the shareholders' equity and is attributed to the shareholders of the parent company. There will be no adjustment to the value of goodwill and profits or losses will be recognised in the income statement. The expenses arising from such transactions must also be recognised in equity in accordance with the requirements of *IAS 32* in paragraph 35.

Under common control *transactions*

A business combination involving enterprises or groups under common control (transaction under common control) is a combination in which all of the enterprises or businesses are ultimately controlled by the same person or persons both before and after the business combination and the control is not temporary.
If a significant influence on future cash flows after the transfer is demonstrated for all parties involved, these transactions are treated as described under "Business combinations and goodwill".
If, however, this cannot be demonstrated, such transactions are recognised according to the principle of continuity of values.
In particular, the accounting recognition criteria, in application of the principle of continuity of values, falling within the scope of what is indicated in *IAS 8.10*, in line with international practice and the orientations of the

Italian accounting profession on the subject of business combinations under common control, envisage that the purchaser recognises the assets acquired on the basis of their historical book values determined on a cost basis. If the transfer values are higher than the historic values, the excess is reversed, reducing the shareholders' equity of the acquiring Group, with the recording of a special reserve in its financial statements.
Similarly, the accounting standard adopted in preparing the financial statements of the transferring Group provides that any difference between the transaction price and the pre-existing book value of the transferred assets is not recognised in the income statement, but is instead recognised as a credit to shareholders' equity.

ACCOUNTING STANDARDS

TANGIBLE FIXED ASSETS

Cost

Real estate property, plant and machinery are stated at purchase or production cost, inclusive of any related charges. For assets that justify capitalisation, the cost also includes the financial expenses that are directly attributable to the acquisition, construction or production of said assets.
The costs incurred subsequent to purchase are capitalised only if they increase the future economic benefits inherent to the assets to which they refer.
Gains and losses from sale or disposal of assets are calculated as the difference between the sales revenue and the net book value of the asset and are recognised in profit or loss of the financial year.
All the other costs are recorded in the income statement when incurred.
Assets held under financial lease agreements, via which all the risks and benefits associated with the ownership are essentially transferred to the Group, are recorded as Group assets at their current value or, if lower, at the net current value of minimum lease payments due. The corresponding liability owed to the lessor is recorded in the financial statements under financial payables. The assets are depreciated by applying the following method and rates.
The recoverability of their value is ascertained in accordance with the approach envisaged by *IAS 36* illustrated in the following paragraph "Impairment of assets". Write-downs made may be reversed in the context of the original cost incurred.
The costs capitalised for leasehold improvements are attributable to the classes of assets to which they refer and depreciated over the residual duration of the rental contract or the residual useful life of the improvement, whichever period is shorter.
If the individual components of the compound fixed asset are characterised by different useful lives, they are recorded separately so as to be depreciated on a consistent basis with their duration ("component approach). Specifically, according to this approach, the value of land and the value of the buildings on it are separated and just the building is depreciated.

Depreciation

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets, as follows:

Land	-	
Buildings	2%	- 10%
Plant and machinery	7.5%	- 20%
Industrial and commercial equipment	5.5%	- 25%
Other assets	10%	- 30%

Lease *agreements*

The Group must assess whether the agreement is, or contains, a lease at the date it is entered into. The Group recognises the Right of Use and the related lease liability for all lease arrangements as lessee, except for short-term leases (i.e. leases of 12 months or less) and leases of low-value assets (by Group policy, such assets are those with a value of less than Euro 5,000 when new). For the latter, the Group recognises the related payments as operating expenses on a straight-line basis over the term of the contract unless another method is more representative. The agreements for which this last exemption was applied fell mainly within the following categories:

- computers, phones and tablets;
- printers;
- equipment;
- other electronic devices;
- other assets.

With reference to these exemptions, the Group recognises the related payments as operating expenses recognised on a straight-line basis over the term of the agreement. The lease payments included in the value of the lease liability include:

- the fixed component of the lease payments, net of any incentives received;
- variable lease payments based on an index or rate, initially measured using the index or rate at the effective date of the agreement;
- the amount of guarantees for the residual value that the lessee expects to pay;
- the exercise price of the purchase option, which must be included only if the exercise of that option is considered reasonably certain;
- penalties for early termination of the lease if the lease term provides for an option to terminate the lease and the exercise of that option is reasonably certain.

Subsequent to initial recognition, the book value of the lease liability increases due to accrued interest (using the effective interest method) and decreases due to payments made under the lease agreement.
The Group recalculates the lease liability (and adjusts the corresponding right-of-use value) if:

- the duration of the lease changes or there is a change in the valuation of the exercise of the option right; in which case the lease liability is restated by discounting the new lease payments at the revised discount rate.
- changes in the value of the lease payments as a result of changes in indices or rates, in such cases the lease liability is restated by discounting the new lease payments at the original discount rate (unless the lease payments change as a result of fluctuations in interest rates, in which case a revised discount rate shall be used);
- a lease agreement has been amended and the amendment does not qualify for separate recognition of the lease agreement. In such cases, the lease liability is restated by discounting the new lease payments at the revised discount rate.

The right-of-use asset comprises the initial measurement of the lease liability, lease payments made before or on the effective date of the lease and any other initial direct costs. The right of use is recognised in the financial statements net of depreciation and any impairment losses.
Lease-related incentives (e.g. rent-free periods) are recognised as part of the initial value of the right-of-use and lease liability over the contractual period.
The right of use is depreciated on a systematic basis at the lower of the lease term and the residual useful life of the underlying asset. If the lease agreement transfers ownership of the related asset or the cost of the right of use reflects the Group's intention to exercise the purchase option, the related right of use is amortised over the useful life of the asset in question. Depreciation starts from the commencement of the lease term.
The Group applies *IAS 36* Impairment of Assets in order to identify the presence of any impairment losses.

Public grants

Public grants are recognised in the financial statements when there exists a reasonable certainty that the company will meet all the conditions for receiving the contributions and that the contributions will be received. When the contributions are related to cost components, they are recognised as revenues, but are allocated systematically across the financial periods in order to be proportionate to the costs that they intend to compensate. If a contribution is related to an asset, the asset and the contribution are recognised for their nominal values and they are gradually discharged to the income statement, on a straight-line basis, along the expected useful life of the asset of reference.
If the Group receives a non-monetary contribution, the asset and contribution are recognised at their nominal value and discharged to the income statement, on a straight-line basis, along the expected useful life of the asset of reference. In case of loans or similar forms of assistance supplied by government entities or similar institutions that have an interest rate lower than the current market rate, the effect related to the favourable interest rate is considered as an additional public grant.

INTANGIBLE ASSETS

Goodwill and consolidation differences

In the event of the acquisition of businesses, the assets, liabilities and potential liabilities acquired and identifiable are stated at their current value (fair value) as of the date of acquisition. The positive difference between the purchase cost and the portion of the current value of these assets and liabilities pertaining to the Group is classified as goodwill and recorded in the financial statements as an intangible asset. Any negative difference (negative goodwill) is by contrast stated in the income statement at the time of acquisition.
Goodwill is not amortised, but is subject annually (or more frequently if specific events or changed circumstances indicate the possibility of having suffered an impairment) to checks in order to identify any reduction in value, carried out at Cash Generating Unit level to which the Company's management charges said goodwill, in accordance with the matters anticipated by *IAS 36* - Impairment of assets. After initial recognition, goodwill is valued at cost, net of any accumulated impairment losses.
Any write-downs made are not subject to subsequent reinstatement.
At the time of the disposal of a portion or of the whole of a company previously acquired, whose acquisition gave rise to goodwill, account is taken of the corresponding residual value of the goodwill when determining the capital gain or loss on the disposal.
At the time of initial adoption of the *IFRS*, the Group chose not to retroactively apply *IFRS 3* - Business Combinations, to the acquisitions of businesses that took place prior to January 1, 2004; consequently, the goodwill generated on the acquisitions prior to the date of transition to the *IFRS* is maintained at the previous value, as are the Consolidation reserves recorded under the shareholders' equity, determined in accordance with Italian accounting standards, subject to assessment and recognition of any impairment losses at that date.

Other intangible fixed assets

The other intangible fixed assets purchased or produced internally are identifiable assets lacking physical consistence and are recorded under assets, in accordance with the matters laid down by *IAS 38* - Intangible assets, when the company has control over said assets and it is probable that the use of the same will generate future economic benefit and when the cost of the assets can be reliably determined.
These assets are measured at purchase or production cost and amortised on a straight-line basis over their estimated useful lives, if the same have a definite useful life. Intangible fixed assets with an indefinite useful life are not amortised, but are subject annually (or more frequently if there is indication that the asset may have suffered an impairment) to assessment in order to identify any reductions in value.
Other intangible fixed assets recorded following the acquisition of a company are recorded separately from the goodwill, if their current value can be determined reliably.

IMPAIRMENT OF ASSETS

IAS 36 requires the company to test tangible and intangible and fixed assets for impairment where indicators that such problem may persist are present. In the case of other intangible assets with an indefinite useful life or assets not available for use (in progress), this assessment is made at least annually.
The Group periodically assesses the recoverability of the book value of the Intangible assets and the Real estate property, plant and machinery, so as to determine if there is any indication that said assets have suffered an impairment loss. If such indication occurs, it is necessary to estimate the recoverable amount of the assets in order to establish the entity of the possible impairment loss. An intangible asset with an indefinite useful life is tested for impairment annually or more frequently, whenever there is an indication that the asset may be impaired.
When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the unit generating the financial flows to which the asset belongs.
The recoverability of the recognised amounts is tested by comparing the book value recognised in the financial statements with the fair value net sale price, if an active market exists, or the value in use of the asset, whichever is greater.
In calculating the usage value, the estimated future cash flows are discounted to their current value using a rate that reflects the current market valuations of the current value of cash and the asset's specific risks. The main assumptions used for calculating the value of use concern the discount rate, growth rate, expected changes in selling prices and cost trends during the period used for the calculation. The growth rates adopted are based on future market expectations in the relevant sector. Changes in the sales prices are based on past experience and on the expected future changes in the market. The Group prepares operating cash flow forecasts resulting from the business plan prepared by the Directors and approved by the Board of Directors of the parent company and determines the terminal value (current value of perpetual income), based on a medium- and long-term growth rate in line with that of the specific sector to which it belongs.
If the recoverable amount of an asset (or CGU) is estimated to be lower than its book value, the latter is reduced to the lower recoverable amount, immediately recognising impairment in the income statement.
When there is no longer any reason for a write-down to be maintained, the book value of the asset (or of the cash-generating unit) - with the exception of goodwill - is increased to the new value resulting from the estimate of its recoverable amount, but not beyond the net book value that the asset would have had if it had not been written down for impairment. Reversal of impairment loss is recognised immediately in the income statement.

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions governing the instrument.
The "Equity investments" and other non-current financial assets item includes the equity investments in non-consolidated companies and other non-current financial assets (securities held with the intention of maintaining them in the portfolio until maturity, non-current receivables and loans and other non-current financial assets available for sale).
Current financial instruments include trade receivables, current securities, other current financial assets and liquid funds and equivalents.
Financial liabilities include financial payables and trade payables.
Equity investments in non-consolidated companies are stated in accordance with the matters established by *IAS 28* - Investments in associated and Joint Ventures, as described in the previous section entitled "Consolidation principles"; equity investments in other companies are stated at cost net of any write-downs. Other non-current financial assets, as well as current financial assets and financial liabilities, are stated in accordance with the approach established by *IAS 39* - Financial instruments: recognition and measurement.
Current financial assets and securities held with the intention of maintaining them in the portfolio until maturity are recorded in the accounts with reference to the date of trading and, at the time of initial recognition in the financial statements, are measured at acquisition cost, including any costs related to the transaction.

Subsequent to initial recognition, the financial instruments at FVTOCI and those available for trading are measured at fair value. If the market price is not available, the fair value of the financial instruments at FVTOCI available for sale is measured by means of the most appropriate measurement techniques, such as, for example, the analysis of the discounted back cash flows, made with the market information available at the end of the reporting period.
When an investment in a debt instrument measured as FVTOCI is derecognised, the cumulative gain (loss) previously recognised in other comprehensive income is reclassified from equity to profit or loss through a reclassification adjustment.
Conversely, when an investment in an equity instrument designated as measured at FVTOCI is derecognised, the cumulative gain (loss) previously recognised in other comprehensive income is subsequently transferred to retained earnings without passing through profit or loss.
Current assets denominated in foreign currencies for which hedging transactions through derivative instruments are undertaken are measured in accordance with hedge accounting, where applicable.
Gains and losses on financial assets available for sale are recorded directly under shareholders' equity until the financial asset is sold or is written down; then, the accumulated gains or losses, including those previously recorded under shareholders' equity, are recorded in the income statement for the period.
Loans and receivables that the Group does not hold for trading purposes (loans and receivables originated during core business activities), securities held with the intention of being maintained in the portfolio until maturity and all the financial assets for which listings on an active market are not available and whose fair value cannot be determined reliably, are calculated at amortised cost, if they have a pre-established maturity, using the effective interest method. When the financial assets do not have a pre-established maturity, they are measured at purchase cost.
Measurements are regularly carried out so as to check if objective evidence exists whether a financial asset or a group of assets have suffered an impairment loss. If objective evidence exists, the impairment loss will have to be recorded as a cost in the income statement for the period.
The financial liabilities hedged by derivative instruments are valued in accordance with the formalities established by *IAS 39* for hedge accounting applying the following accounting treatments:
- fair value hedge: the profits or losses deriving from fair value measurements of the hedged instrument are recorded in the income statement;
- cash flow hedge: the effective portion of the profits or losses deriving from fair value measurements of the hedged instrument are recorded in the income statement.

IMPAIRMENT OF FINANCIAL ASSETS

The recoverability of financial assets not measured at fair value through profit or loss is measured on the basis of the Expected Credit Loss (ECL) model introduced by *IFRS 9*.
Expected losses are generally determined by multiplying: (i) the exposure to the counterparty by (ii) the probability of default (PD) of the counterparty; (iii) the estimate, in percentage terms, of the amount of credit that will not be recovered in the event of a defined loss given default (LGD), as well as past experience and possible recovery actions available.

DERIVATIVE INSTRUMENTS

The financial liabilities hedged by derivative instruments are valued in accordance with the formalities established by *IAS 39* for hedge accounting applying the following accounting treatments:
- fair value hedge: profits or losses deriving from fair value measurements of the hedged instrument are recorded in the income statement;
- cash flow hedge: the effective portion of profits or losses deriving from fair value measurements of the hedged instrument are recorded in the income statement.

The Group decided to continue to use the hedge accounting rules set out in *IAS 39* for all hedges already designated in hedge accounting in previous years and for new hedges designated in 2020.

DISCLOSURE

IFRS 7 requests additional information aimed at appreciating the importance of the financial instruments in relation to economic performances and to the financial position of a company. The accounting principle requires a description of the targets, policies and procedures carried out by the Management for the different types of financial risk (liquidity market and credit risk) to which the subject is exposed, including sensitivity analysis for each type of market risk (exchange rate, interest rate, equity, commodity) and report on the concentration and average, minimum and maximum exposure to the different types of risk during the period of reference, if the existing exposure at the end of the period is not sufficiently representative.
IAS 1 regulates among other things report obligations to be supplied on the targets, policies and management processes of the share capital, specifying, in case of capital requirements imposed by third-parties, the management nature and method and any consequence of lack of compliance. For qualitative and quantitative analysis, refer to Note 25 “Financial Instruments”.

INVENTORIES

Inventories of raw materials, semi-finished and finished products are valued at the lower of cost and market value, cost being determined using the weighted average cost method. The measurement of the inventories includes the direct costs of the materials and the labour and the indirect costs (variable and fixed). Write-down allowances are calculated for materials, finished products and other supplies considered obsolete or slow-moving, taking into account their future expected usefulness or their realisable value.
Contract work in progress is measured on the basis of the stage of completion, net of any advance payments invoiced to customers.
Any losses on these contracts are booked to the income statement in full at the time they become known.

LOANS

Loans are initially measured at cost, corresponding to the fair value of the amount received, net of additional charges incurred to obtain the loan.
After initial recognition, loans are recognised at amortised cost calculated by applying the effective interest rate.
The effective interest method is the method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts future payments (including all fees, transaction costs and other premiums or discounts) over the term of the financial liability or, if more appropriate, over a shorter period. Loans are classified among current liabilities unless the Group has the unconditional right to defer discharge of a liability by at least 12 months after the reporting period.

EMPLOYEE BENEFITS

Post-employment benefits are defined on the basis of plans, even if not yet formalised, which, based on their nature, are classified as “defined contribution” and “defined benefit”. In defined contribution plans, the company’s obligation is limited to the payment of contributions to the State or to a legally separate entity (so called Fund), and is determined on the basis of contributions due, reduced by amounts already paid over, if any.
The liability for defined benefit plans, net of any assets serving the plan, is determined on the basis of actuarial calculations and is recognised on an accrual basis on a consistent basis with the period of employment necessary to obtain the benefit.
The severance indemnity is classified as a defined benefit plan-type post-employment benefit, whose accrued sum must be projected so as to estimate the amount to be paid out on termination of the employment relationship and subsequently discounted back, using the projected unit credit method, which is based on demographic and financial type hypothesis in order to make a reasonable estimate of the sum total of the benefits that each employee has already accrued against their employment services.

By means of the actuarial measurement, the current service cost that defines the sum total of the rights accrued during the year by the employees is charged to the income statement item “payroll and related costs” and the interest cost which represents the figurative liability that the company would incur by requesting the market for a loan for the same amount as the severance indemnity is booked under “financial income/expense”. The re-measurement components of the net liabilities, which include the actuarial profits and losses, are immediately recorded in the Statement of Comprehensive Income. Such components need not be reclassified in the Income Statement.

PROVISIONS FOR RISKS AND CHARGES

The Group records provisions for risks and charges when it has a legal or implied obligation vis-à-vis third parties, and it is probable that it will become necessary to use Group resources in order to fulfil the obligation and when a reliable estimate of the sum total of said obligation can be made.
The estimate changes are reflected in the income statement in the period when the change took place.

TREASURY SHARES

Treasury shares, if present, are stated as a decrease to the shareholders’ equity. The original cost of the treasury shares and the revenues deriving from any subsequent sales are recorded as changes in shareholders’ equity.

FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currencies are recorded at the exchange rate in force as of the date of the transaction. Monetary assets and liabilities in foreign currency are translated at the exchange rate in force at the reporting date. Exchange differences arising from the settlement of monetary items or from their translation at exchange rates different from those used at the time of initial recording during the year or in previous financial statements, are booked to the income statement.

REVENUE RECOGNITION

Revenues are recognised to the extent that control is transferred so that it is probable that the Group will receive the economic benefits and their amount can be reliably measured.
Revenues are stated net of any adjusting entries.
Revenue from contracts with customers are recognised on the basis of the following five steps:
(i) identifying the contract with a customer;
(ii) identifying the performance obligations, represented by promises in a contract to transfer to a customer goods or services;
(iii) determining the transaction price;
(iv) allocating the transaction price to each performance obligation on the basis of the relative selling prices of each distinct good or service;
(v) recognising revenue when a performance obligation is satisfied by transferring a promised good or service to a customer. The transfer is considered completed when the customer obtains control of the good or service, which can take place continuously (over time) or at a specific time (at a point in time).
Revenue is recognised at the fair value of the amount of consideration to which the company believes it is entitled in exchange for the goods and/or services promised to the customer, excluding amounts collected on behalf of third parties. In the presence of variable consideration, the company estimates the amount of the consideration to which it will be entitled in exchange for the transfer of the goods and/or services promised to the customer; in particular, the amount of the consideration may vary where there are discounts, rebates or bonuses or where the price itself depends on the occurrence or non-occurrence of certain future events.
Exchanges between goods or services of a similar nature and value, since they do not represent sales transactions, do not result in the recognition of revenues.

Revenue from sales is recognised upon the transfer of ownership, which generally coincides with the shipment or delivery of the goods. Grants related to income are fully recognised in the income statement when the recognition requirements are met. Financial income and expense are recognised on an accrual basis.

COST RECOGNITION

Costs and expenses are recognised in the financial statements on an accrual basis.

FINANCIAL INCOME AND EXPENSE

Financial income and expense are recognised in the income statement on an accrual basis.
In particular, interest income and expense are recognised on an accrual basis, according to the amount of the loan and the effective interest rate, which represents the rate used to discount estimated future cash receipts/payments over the expected life of the financial asset/liability to the book value.

TAX

Income taxes include all the taxation calculated on the Group's taxable income. Income taxes are recorded in the income statement, with the exception of those relating to items directly debited against or credited to shareholders' equity, in which case the tax effect is booked directly to shareholders' equity. Provisions for taxation that might be generated by the transfer of the non-distributable profit of subsidiary companies, are made solely when there is the real intention to transfer said profit.
Other taxes not linked to income, such as taxes on property and on capital, are included under Operating expense.
Deferred taxes are provided for according to the method of the overall provision of the liability. They are calculated on all the timing differences that emerge between the taxable base of an asset or liability and the book value in the consolidated financial statements, with the exception of goodwill not deductible for tax purposes.
Deferred tax assets on tax losses and unused tax credits carried forward, are recognised to the extent that future taxable income may be available against which they can be recovered.
Current and deferred tax assets and liabilities are offset when the income taxes are applied by the same tax authority and when there is a legal right to offset. Deferred tax assets and liabilities are determined using the tax rates that are expected to be applicable, within the respective legal systems of the countries where the Group operates, during the accounting period when the timing differences will be realised or cancelled.
Pursuant to Italian Enabling Act no. 80 of April 7, 2003, as amended, from the current financial year, the parent company SOL Spa is the consolidating company; in addition to SOL Spa, the scope of consolidation also includes AIRSOL Srl, BIOTECHSOL Srl and DIATHEVA Srl.

DIVIDENDS

Dividends payable are represented as changes in shareholders' equity during the accounting period when they are approved by the shareholders' meeting.

EARNINGS PER SHARE

The basic earnings per share are calculated by dividing the Group's economic result by the weighted average of the shares in circulation during the year, excluding treasury shares.

CASH FLOW STATEMENT

The cash flow statement is drawn up by applying the indirect method via which the pre-tax result is adjusted by the effects of the non-monetary transactions, by any deferral or provision of previous or future operative collections or payments.

USE OF ESTIMATES

The preparation of the financial statements and the related notes in accordance with the *IFRS* requires management to make estimates and assumptions that have an effect on the values of the financial statement assets and liabilities and on the disclosures relating to the potential assets and liabilities at the end of the reporting period. The results that will make up the final balances may differ from said estimates. The estimates are used to obtain provisions for risks and charges, asset write-downs, employee benefits, taxation, other provisions, determining the lease term and funds. The estimates and assumptions are periodically reviewed and the effects of each change are immediately reflected in the income statement.
In general, the use of estimates is particularly important for depreciation/amortisation, measurement of derivative instruments, calculation of risk provisions and write-down provisions or other assets, calculation of revenue as well as impairment test.

RIGHTS OF USE

The new standard *IFRS 16* provides a new definition of lease and introduces a criterion based on the control (right of use) of an asset to distinguish lease agreements from service contracts, identifying the following as discriminating: the identification of the asset, the right to replace it, the right to substantially obtain all of the economic benefits resulting from the use of the asset and, most recently, the right to direct the use of the asset underlying the contract.
As a result of the introduction of the new standard in the income statement as from January 1, 2019, the depreciation charges of rights of use determined on the basis of the defined lease terms, based on the assessments made regarding the probability of renewal, and the accrued portion of financial expense related to the liabilities are recognised. This process implies a high degree of judgement by the management.

ALLOWANCE FOR DOUBTFUL ACCOUNTS

The allowance for doubtful accounts reflects the Group's estimate of losses on receivables from customers.
The estimate of the allowance for doubtful accounts is based on expected losses, calculated on the basis of past experience for similar receivables, current and historical past dues, losses and payments received, the careful monitoring of credit quality, and projections of economic and market conditions.

RECOVERABLE AMOUNT OF NON-CURRENT ASSETS

Non-current assets include property, plant and equipment, intangible assets, equity investments and other financial assets. The Management periodically reviews the book value of non-current assets held and used and of the assets that must be disposed of, when events and circumstances require such a review. This activity is carried out using estimates of cash flows expected from the use or sale of the asset and appropriate discount rates to calculate the current value. When the book value of a non-current asset is impaired, the company recognises an impairment loss for the amount by which the book value of the asset exceeds its recoverable amount through use or sale, calculated by reference to the most recent plans.

DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

The company recognises current taxes, deferred tax assets/liabilities in accordance with the regulations in force. The recognition of taxes requires the use of estimates and assumptions as to how to read the applicable rules and their effect on the company's taxation in relation to transactions during the year. Moreover, the recognition of deferred tax assets/liabilities requires the use of estimates of future taxable income and its changes as well as the actual applicable tax rates. These activities are carried out by analysing transactions and their tax profiles, also with the support, where necessary, of external consultants for the various issues addressed and through simulations of future income and their sensitivity analyses.

PENSION PLANS

Some Group companies can participate in pension plans; in Italy, the Employee Severance Indemnity fund is configured as a defined benefit plan (with the exception of the portions of Employee Severance Indemnities accrued from January 1, 2007, which are configured as defined contribution plans). The Group uses various statistical assumptions and assessment factors in order to anticipate future events for the calculation of expenses, liabilities and assets related to these plans. The assumptions concern the discount rate, the expected return on plan assets and the rates of future salary increases. Moreover, the Group's consulting actuaries also use subjective factors, such as mortality and resignation rates or assumptions about the expected return on plan assets.

POTENTIAL LIABILITIES

The Group is subject to legal and tax disputes regarding a wide range of issues that are within the jurisdiction of various countries. Given the uncertainties surrounding these issues, it is difficult to predict whether and to what extent they will give rise to a payout.
Cases and disputes against the Group can derive from complex and difficult legal issues, which may be subject to varying degrees of uncertainty, including the facts and circumstances surrounding each case, jurisdiction and different applicable laws. In the ordinary course of business, the Group consults as necessary with its legal advisors and experts in tax or regulatory matters. The Group recognises a liability for disputes when it considers it probable that a financial outlay will be made and when the amount of resulting losses can be reasonably estimated. If a financial outlay becomes possible but the amount cannot be determined, that fact is reported in the explanatory notes.
All the amounts represented in the diagrams and tables are expressed in thousands of Euro.

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS OF THE *IFRS* APPLIED AS FROM JANUARY 1, 2020

The Group applied the following accounting standards, amendments and *IFRS* interpretations for the first time as from January 1, 2020.

- On October 31, 2018, *IASB* issued the document "Definition of Material (Amendments to *IAS 1* and *IAS 8*). The document introduced a change in the definition of "material" contained in *IAS 1* - Presentation of Financial Statements and *IAS 8* - Accounting Policies, Changes in Accounting Estimates and Errors. This amendment aims at making the definition of "material" more specific and introduced the concept of "obscured information" alongside the concepts of omitted or incorrect information already present in the two standards being amended. The amendment clarifies that information is "obscured" if it has been described in such a way that it has an effect on primary readers of financial statements similar to that which would have resulted had the information been omitted or misstated.
  The adoption of this amendment had no impact on the consolidated financial statements of the Group.
- On March 29, 2018, the *IASB* published an amendment to the References to the Conceptual Framework in *IFRS* standards. The amendment is effective for periods beginning on or after January 1, 2020, but early application is permitted. The Conceptual Framework defines the fundamental concepts for financial reporting and guides the Board in the development of *IFRS* standards. The document helps to ensure that the Standards are conceptually consistent and that similar transactions are treated in the same way to provide useful information to investors, lenders and other creditors. The Conceptual Framework supports companies in developing accounting standards when no *IFRS* standard is applicable to a particular transaction and, more generally, helps stakeholders to understand and interpret the standards.
- On September 26, 2019, the *IASB* published the amendment called Amendments to *IFRS 9*, *IAS 39* and *IFRS 7*: Interest Rate Benchmark Reform. It amends *IFRS 9* - Financial Instruments and *IAS 39* - Financial Instruments: Recognition and Measurement in addition to *IFRS 7* - Financial Instruments: Disclosures. In particular, the amendment changes some of the requirements for the application of hedge accounting by envisaging

temporary derogations from them in order to mitigate the impact of the uncertainty of the *IBOR* reform (still in progress) on future cash flows in the period prior to its completion. The amendment also requires companies to provide additional information in their financial statements on their hedging relationships that are directly affected by the uncertainties generated by the reform and to which the above derogations apply.
The adoption of this amendment had no impact on the consolidated financial statements of the Group.

- On October 22, 2018, the *IASB* issued the document Definition of a Business (Amendments to *IFRS 3*). The document provides some clarifications regarding the definition of business for the purposes of the correct application of *IFRS 3*. In particular, the amendment clarifies that while a business usually produces an output, the presence of an output is not strictly necessary to identify a business in the presence of an acquired set of activities/processes and assets. However, it clarifies that to be considered a business, an acquired set of activities/processes and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create an output. To this end, the *IASB* replaced the term "ability to create outputs" with "contribute to the ability to create outputs" in order to clarify that a business can exist even without the presence of all the inputs and processes necessary to create an output.
The amendment also added an optional concentration test that makes it possible to exclude the presence of a business if the price paid is substantially attributable to a single asset or group of assets. The amendments are effective for business combinations and acquisitions of assets beginning on or after January 1, 2020, but earlier application is permitted.
The adoption of this amendment had no impact on the consolidated financial statements of the Group.
- On May 28, 2020, the *IASB* published an amendment called Covid-19 Related Rent Concessions (Amendment to *IFRS 16*). The document envisages the option for lessees to recognise the reductions in Covid-19 Related Rents without having to assess, through the analysis of the contracts, whether the definition of lease modification of *IFRS 16* is observed. Therefore, lessees applying this option will be able to recognise the effects of rent reductions directly in the income statement on the effective date of the reduction.
The adoption of this amendment had no impact on the consolidated financial statements of the SOL Group.

ACCOUNTING PRINCIPLES, AMENDMENTS AND *IFRS* AND *IFRIC* INTERPRETATIONS APPROVED BY THE EUROPEAN UNION THAT ARE NOT YET OBLIGATORY AND THAT THE COMPANY HAS NOT APPLIED IN ADVANCE AS AT DECEMBER 31, 2020

- On May 28, 2020, the *IASB* published an amendment called Extension of the Temporary Exemption from Applying *IFRS 9* (Amendments to *IFRS 4*). The amendments allow the temporary exemption from applying *IFRS 9* to be extended until January 1, 2023 for insurance companies. These amendments will enter into force on January 1, 2021.
The Directors do not expect a significant effect on the separate financial statements through the adoption of this amendment.
- On August 27, 2020, the *IASB* published, in the light of the interbank interest rate reform such as *IBOR*, the Interest Rate Benchmark Reform-Phase 2 document that contains amendments to the following standards:
  - *IFRS 9* Financial Instruments;
  - *IAS 39* Financial Instruments: Recognition and Measurement;
  - *IFRS 7* Financial Instruments: Disclosures;
  - *IFRS 4* Insurance Contracts; and
  - *IFRS 16* Leases.

  All amendments will be effective beginning on January 1, 2021. The Directors do not expect a significant effect on the consolidated financial statements through the adoption of this amendment.

ACCOUNTING STANDARDS, AMENDMENTS AND *IFRS* AND *IFRIC* INTERPRETATIONS NOT YET APPROVED BY THE EUROPEAN UNION

As of the date of this document, the competent bodies of the European Union have not yet completed the approval process required to adopt the amendments and standards described below.

- In May 2017, the *IASB* issued the standard *IFRS 17* - *I*nsurance Contracts that will replace standard *IFRS 4* - Insurance Contracts. The standard is effective beginning on January 1, 2023 but earlier application is permitted only for entities applying *IFRS 9* - Financial Instruments and *IFRS 15* - Revenue from Contracts with Customers.
- On January 23, 2020, the *IASB* published an amendment called Amendments to *IAS 1* Presentation of Financial Statements: Classification of Liabilities as Current or Non-current. The purpose of the document is to clarify how to classify debts and other short or long term liabilities. The amendments will enter into force on January 1, 2022 but the *IASB* has issued an exposure draft to postpone their entry into force until January 1, 2023; earlier application is permitted. The directors do not expect a significant effect on the Group's consolidated financial statements through the adoption of this amendment.
- On May 14, 2020, the *IASB* published the following amendments called:
  - Amendments to *IFRS 3* Business Combinations: the purpose of the amendments is to update the reference in *IFRS 3* to the Conceptual Framework in the revised version, without changing the requirements of *IFRS 3*.
  - Amendments to *IAS 16* Property, Plant and Equipment: the purpose of the amendments is not to allow the amount received from the sale of goods produced during the testing phase of the asset to be deducted from the cost of tangible assets. These sales revenues and related costs will therefore be recognised in the income statement.
  - Amendments to *IAS 37* Provisions, Contingent Liabilities and Contingent Assets: the amendment clarifies that all costs directly attributable to the contract must be taken into account when estimating the possible onerousness of a contract. Accordingly, the assessment of whether a contract is onerous includes not only incremental costs (such as the cost of direct material used in processing), but also all costs that the enterprise cannot avoid because it has entered into the contract (such as, for example, the share of personnel costs and depreciation of machinery used for the performance of the contract).
  - Annual Improvements 2018-2020: amendments were made to *IFRS 1* First-time Adoption of International Financial Reporting Standards, *IFRS 9* Financial Instruments, *IAS 41* Agriculture and to Illustrative Examples of *IFRS 16* Leases.

  All amendments will be effective beginning on January 1, 2022. The directors do not expect a significant effect on the Group's consolidated financial statements through the adoption of these amendments.
- On May 28, 2020, the *IASB* published an amendment called Covid-19 Related Rent Concessions (Amendment to IFRS 16). The document envisages the option for lessees to recognise the reductions in Covid-19 Related Rents without having to assess, through the analysis of the contracts, whether the definition of lease modification of *IFRS 16* is observed. Therefore, lessees applying this option will be able to recognise the effects of rent reductions directly in the income statement on the effective date of the reduction. Although this amendment is applicable to financial statements beginning on June 1, 2020, except for the possibility of early application by a company to financial statements beginning on January 1, 2020, it has not yet been approved by the European Union, and therefore has not been applied by the Group as at June 30, 2020. The directors do not expect a significant effect on the Group's consolidated financial statements through the adoption of this amendment.
- On May 28, 2020, the *IASB* published an amendment called *E*xtension of the Temporary Exemption from Applying *IFRS 9* (Amendments to *IFRS 4*). The amendments allow the temporary exemption from applying *IFRS 9* to be extended until January 1, 2023. These amendments will enter into force on January 1, 2021. The directors do not expect a significant effect on the Group's consolidated financial statements through the adoption of this amendment.

NOTES

INCOME STATEMENT

1. Net sales

Balance as at 12.31.2020	973,833
Balance as at 12.31.2019	904,313
Change	**69,520**

Revenues by type of business break down as follows:

Description	12.31.2020	12.31.2019	Change
Technical gases	438,199	412,595	25,604
Home-care	535,634	491,718	43,916
Total	**973,833**	904,313	69,520

Reference should be made to the Directors' Report and the analysis of the results by type of business for comments regarding the trend in revenues.
Net sales achieved by the SOL Group as at December 31, 2020 amounted to Euro 973.8 million (up by 7.7% compared to the previous year, at Euro 904.3 million).
In particular, during 2020, the home-care business showed an 8.9% growth in sales (up by Euro 43.9 million) compared to the same period last year.
The technical gases sector experienced a 6.2% increase in revenues (up by Euro 25.6 million) over December 31, 2019.

2. Other revenues and income

Balance as at 12.31.2020	9,875
Balance as at 12.31.2019	8,883
Change	**991**

The item "Other revenues and income" breaks down as follows:

Description	12.31.2020	12.31.2019	Change
Capital gains on disposal	812	709	103
Extraordinary income	6,869	6,268	600
Grants received	1,015	1,034	(19)
Real estate rentals	361	347	14
Royalties income	0	0	0
Other	818	525	293
Total	**9,875**	8,883	991

3. Internal works and collections

Balance as at 12.31.2020	12,488
Balance as at 12.31.2019	13,662
Change	**(1,174)**

The item "Internal works and collections" breaks down as follows:

Description	12.31.2020	12.31.2019	Change
Transfers to assets	11,118	12,316	(1,198)
Time work	1,370	1,346	24
Total	**12,488**	13,662	(1,174)

The item "Transfers to assets" includes the collection from the warehouse, mainly for equipment not intended for sale, but to rent, transferred to assets.

The item "Time work" is related to costs incurred for the internal construction of fixed assets.

4. Total costs

Balance as at 12.31.2020	527,794
Balance as at 12.31.2019	510,436
Change	**17,358**

The breakdown of the item is as follows:

Description	12.31.2020	12.31.2019	Change
Purchase of materials	240,540	212,870	27,669
Services rendered	277,282	272,233	5,048
Change in inventories	(14,459)	1,752	(16,211)
Other costs	24,432	23,580	851
Total	**527,794**	510,436	17,358

The item "Purchase of materials" includes purchases of gas and materials, electricity, water, diesel and methane for production.

The item "Services rendered" includes costs of transports, maintenance, third-party services, consultancy and insurances.

The item "Other costs" includes rentals, taxes other than income tax, contingent liabilities and capital losses.

5. Payroll and related costs

Balance as at 12.31.2020	213,009
Balance as at 12.31.2019	205,115
Change	**7,894**

The breakdown of the item is as follows:

Description	12.31.2020	12.31.2019	Change
Wages and salaries	164,757	157,874	6,882
Social security charges	45,853	44,915	938
Employee severance indemnities	2,399	2,325	74
Pension costs			0
Total	**213,009**	205,115	7,894

The composition of the workforce is analysed below by category:

Description	12.31.2020	12.31.2019	Change
Managers	106	55	51
Clerks	3,225	2,980	245
Factory workers	1,282	1,285	(3)
Total	**4,613**	4,320	293

6. Amortisation/depreciations, provisions and write-downs, non-recurring expenses

Balance as at 12.31.2020	115,405
Balance as at 12.31.2019	122,647
Change	**(7,242)**

The breakdown of the item is as follows:

Description	12.31.2020	12.31.2019	Change
Depreciation/amortisation	110,986	105,472	5,515
Provisions and write-downs	4,419	7,066	(2,648)
Non-recurring (income)/expenses		10,109	(10,109)
Total	**115,405**	122,647	(7,242)

The breakdown of the item "Depreciation/amortisation" of intangible and tangible fixed assets by asset category is presented below:

Depreciation of tangible fixed assets and rights of use

Description	12.31.2020	12.31.2019	Change
Land	303	266	37
Buildings	12,902	11,422	1,480
Plant and machinery	16,603	15,707	896
Industrial and commercial equipment	63,416	62,858	559
Other assets	12,641	10,357	2,283
Assets under construction and advances	-	-	-
Total	**105,865**	100,609	5,255

The increase in depreciation is linked to investments made during the period, amounting to Euro 106.7 million.

Amortisation of other intangible fixed assets

Description	12.31.2020	12.31.2019	Change
Costs of research, development and advertising	189	134	55
Patents and rights to use patents of others	300	597	(296)
Concessions, licences and trademarks	4,356	3,884	472
Other	276	247	29
Total	**5,122**	4,862	259

The breakdown of the item "Provisions and write-downs" is as follows:

Description	12.31.2020	12.31.2019	Change
Provisions for bad debts	4,045	6,642	(2,597)
Provisions for risks	183	424	(241)
Write-downs of intangible fixed assets	-	-	-
Write-downs of tangible fixed assets and ROU	190	-	190
Total	**4,419**	7,066	(2,648)

Non-recurring (income)/expenses

Description	12.31.2020	12.31.2019	Change
Non-recurring income	-	-	-
Non-recurring expenses	-	(10,109)	10,109
Total	**-**	(10,109)	10,109

7. Financial income / (expenses)

Balance as at 12.31.2020	(9,810)
Balance as at 12.31.2019	(8,459)
Change	**(1,351)**

The breakdown of the item is as follows:

Description	12.31.2020	12.31.2019	Change
Financial income	2,168	2,610	(442)
Financial expense	(11,998)	(11,331)	(667)
Results from equity investments	20	262	(241)
Total	**(9,810)**	(8,459)	(1,351)

The breakdown of the item “Financial income” is as follows:

Description	12.31.2020	12.31.2019	Change
From long-term receivables	114	231	(117)
Interest on investment securities	30	22	7
Interests on securities not held as fixed assets	12	33	(21)
Interest on banks and postal accounts	81	123	(42)
Interest from customers	504	625	(121)
Exchange rate gains	1,000	934	66
Other financial income	427	641	(214)
Total	**2,168**	2,610	(442)

The item “Other financial income” includes the positive change in mark to market derivatives to hedge the fair value of the hedged item (Fair Value Hedge - FVH), equal to Euro 103 thousand.
For further information on derivatives, see paragraph “Payables and other financial liabilities”.

The breakdown of the item “Financial expense” is as follows:

Description	12.31.2020	12.31.2019	Change
Interest payable to banks	(76)	(121)	44
Interest payable on loans	(5,728)	(5,726)	(2)
Interest on bonds	(2,199)	(2,482)	283
Exchange rate losses	(2,323)	(1,246)	(1,077)
Other financial expense	(1,672)	(1,757)	85
Total	**(11,998)**	(11,331)	(667)

The item “Other financial expense” includes Euro 0.8 million relating to rental contracts.

The breakdown of the item “Results from equity investments” is as follows:

Description	12.31.2020	12.31.2019	Change
Revaluations of equity investments	349	262	87
Write-downs of equity investments	(328)	-	(328)
Total	**20**	262	(241)

The item “Revaluations of equity investments” refers to the measurement at equity of the jointly controlled companies CT BIOCARBONIC GmbH (Euro 348 thousand) and CONSORZIO ECODUE (Euro 1 thousand).
The item “Write-downs of equity investments” refers to the measurement at equity of the associate CONSORGAS Srl (Euro 99 thousand) and of the subsidiary SICGILSOL INDIA PRIVATE Ltd (Euro 229 thousand).

8. Income taxes

Balance as at 12.31.2020	21,943
Balance as at 12.31.2019	27,784
Change	**(5,841)**

The breakdown of the item is as follows:

Description	12.31.2020	12.31.2019	Change
Income taxes	33,769	27,489	6,280
Deferred tax liabilities	(115)	(89)	(27)
Deferred tax assets	(11,710)	384	(12,094)
Total	**21,943**	27,784	(5,841)

Deferred tax assets include Euro 11,672 thousand recognised following monetary revaluations, reversed in the consolidated financial statements, carried out by some Italian companies of the Group.

The reconciliation between the tax liability recorded in the financial statements and the theoretical tax liability, calculated on the basis of the theoretical tax rates in force in Italy, is as follows:

Description	12.31.2020	12.31.2019
Theoretical taxation	**31,243**	19,248
Tax effect permanent differences	(10,789)	5,063
Tax effect deriving from foreign tax rates other than Italian theoretical tax rates	(657)	1,699
Other differences	-	-
Income taxes recognised in the financial statements, excluding IRAP (current and deferred)	**19,797**	26,010
IRAP (Regional Business Tax)	**2,146**	1,774
Income taxes recognised in the financial statements (current and deferred)	**21,943**	27,784

BALANCE SHEET

9. Tangible fixed assets

Balance as at 12.31.2020	554,573
Balance as at 12.31.2019	534,124
Change	**20,449**

Breakdown of tangible fixed assets and rights of use

Changes in tangible fixed assets and rights of use, with reference to their historical cost, depreciation and net value are as follows:

Historical cost	Land	Buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under construction and advances	Total
Balance as at 01.01.2019	21,061	111,907	316,629	902,211	59,394	24,318	1,435,520
Increases	2,492	43,046	9,444	75,882	24,732	22,497	178,093
Revaluations	44	2,586	17	151	43		2,840
Write-downs	-	-	-	-	-	-	-
Other changes	(35)	(599)	(848)	(2,833)	6,320	(20,394)	(18,389)
Exchange differences	9	(10)	53	1,446	125	(86)	1,538
(Disposals)	-	(1,121)	(636)	(14,262)	(2,540)	-	(18,560)
Balance as at 12.31.2019	**23,572**	**155,809**	**324,658**	**962,594**	**88,074**	**26,335**	**1,581,042**
Increases	684	11,207	6,989	79,899	14,838	27,505	141,122
Revaluations	185	4,637	17	(163)	100	-	4,776
Write-downs	-	-	-	(188)	-	-	(188)
Other changes	408	10,191	19,201	(18,571)	621	(20,889)	(9,039)
Exchange differences	(131)	(593)	(594)	(4,230)	(813)	(509)	(6,869)
(Disposals)	-	(872)	(949)	(19,182)	(3,475)	-	(24,478)
Balance as at 12.31.2020	24,718	180,379	349,322	1,000,161	99,344	32,442	**1,686,366**

Accumulated depreciation	Land	Buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under construction and advances	Total
Balance as at 01.01.2019	2,604	60,536	196,451	654,471	46,077	-	960,138
Depreciation charges	266	11,422	15,707	62,858	10,357	-	100,609
Revaluations	-	-	-	-	-	-	-
Write-downs	-	-	-	-	-	-	-
Other changes	-	(330)	(583)	(2,581)	4,315	-	821
Exchange differences	(1)	6	(56)	1,037	146	-	1,132
(Disposals)		(910)	(515)	(12,291)	(2,065)	-	(15,781)
Balance as at 12.31.2019	**2,869**	**70,723**	**211,003**	**703,493**	**58,830**	**-**	**1,046,918**
Depreciation charges	303	12,902	16,603	63,416	12,641	-	105,865
Revaluations	-	-	-	-	-	-	-
Write-downs	-	-	-	-	-	-	-
Other changes	205	7,013	13,102	(16,495)	830	-	4,655
Exchange differences	(14)	(211)	(216)	(2,502)	(486)	-	(3,429)
(Disposals)	-	(819)	(797)	(17,349)	(3,252)	-	(22,217)
Balance as at 12.31.2020	**3,362**	**89,609**	**239,697**	**730,562**	**68,562**	**-**	**1,131,793**

Net value	Land	Buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under construction and advances	**Total**
Balance as at 01.01.2019	18,457	51,372	120,179	247,740	13,317	24,318	475,382
Increases	2,492	43,046	9,444	75,882	24,732	22,497	178,093
(Depreciations and write-downs)	(266)	(11,422)	(15,707)	(62,858)	(10,357)	-	(100,609)
Other changes	9	2,317	(248)	(102)	2,048	(20,394)	(16,369)
Exchange differences	10	(16)	109	409	(20)	(86)	406
(Disposals)	-	(211)	(121)	(1,971)	(475)	-	(2,779)
Balance as at 12.31.2019	**20,703**	**85,086**	**113,655**	**259,101**	**29,244**	**26,335**	**534,124**
Increases	684	11,207	6,989	79,899	14,838	27,505	141,122
(Depreciations and write-downs)	(303)	(12,902)	(16,603)	(63,416)	(12,641)	-	(105,865)
Other changes	388	7,815	6,116	(2,426)	(110)	(20,889)	(9,106)
Exchange differences	(117)	(382)	(378)	(1,727)	(327)	(509)	(3,441)
(Disposals)	-	(53)	(153)	(1,832)	(223)	-	(2,261)
Balance as at 12.31.2020	**21,356**	**90,770**	**109,625**	**269,598**	**30,782**	**32,442**	**554,573**

Analysis of tangible fixed assets

Changes in tangible fixed assets, with reference to their historical cost, depreciation and net value are as follows:

Cost	Land	Buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under construction and advances	**Total**
Balance as at 01.01.2019	21,061	111,907	316,629	902,211	59,394	24,318	1,435,520
Increases	2	4,350	9,383	75,631	6,236	22,497	118,099
Revaluations	-	-	-	151	-	-	151
Write-downs	-	-	-	-	-	-	-
Other changes	(35)	(599)	(848)	(2,833)	6,320	(20,394)	(18,389)
Exchange differences	9	(10)	53	1,446	125	(86)	1,538
(Disposals)	-	(783)	(636)	(14,262)	(2,451)	-	(18,133)
Balance as at 12.31.2019	**21,038**	**114,866**	**324,581**	**962,344**	**69,623**	**26,335**	**1,518,787**
Increases	665	6,300	6,989	79,714	6,004	27,505	127,178
Revaluations	-	-	-	-	-	-	-
Write-downs	-	-	-	(188)	-	-	(188)
Other changes	408	10,108	19,201	(18,571)	621	(20,889)	(9,122)
Exchange differences	(45)	(188)	(594)	(4,230)	(664)	(509)	(6,229)
(Disposals)	-	(69)	(949)	(19,110)	(882)	-	(21,011)
Balance as at 12.31.2020	**22,066**	**131,017**	**349,228**	**999,959**	**74,703**	**32,442**	**1,609,414**

Accumulated depreciation	Land	Buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under construction and advances	Total
Balance as at 01.01.2019	2,604	60,536	196,451	654,471	46,077	-	960,138
Depreciation charges	-	3,869	15,678	62,770	4,528	-	86,845
Revaluations	-	-	-	-	-	-	-
Write-downs	-	-	-	-	-	-	-
Other changes	-	(356)	(583)	(2,581)	4,315	-	795
Exchange differences	-	(7)	(56)	1,037	133	-	1,107
(Disposals)	-	(572)	(515)	(12,291)	(1,976)	-	(15,354)
Balance as at 12.31.2019	**2,604**	**63,470**	**210,975**	**703,405**	**53,076**	**-**	**1,033,530**
Depreciation charges	-	4,780	16,578	63,321	5,434	-	90,113
Revaluations	-	-	-	-	-	-	-
Write-downs	-	-	-	-	-	-	-
Other changes	205	6,954	13,102	(16,495)	830	-	4,596
Exchange differences	-	(71)	(216)	(2,502)	(424)	-	(3,213)
(Disposals)	-	(16)	(797)	(17,277)	(684)	-	(18,774)
Balance as at 12.31.2020	**2,809**	**75,117**	**239,643**	**730,451**	**58,233**	**-**	**1,106,253**

Net value	Land	Buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under construction and advances	Total
Balance as at 01.01.2019	18,457	51,372	120,179	247,740	13,317	24,318	475,382
Increases	2	4,350	9,383	75,631	6,236	22,497	118,099
(Depreciations and write-downs)	-	(3,869)	(15,678)	(62,770)	(4,528)	-	(86,845)
Other changes	(35)	(243)	(265)	(102)	2,005	(20,394)	(19,032)
Exchange differences	9	(3)	109	409	(7)	(86)	431
(Disposals)	-	(211)	(121)	(1,971)	(475)		(2,779)
Balance as at 12.31.2019	**18,434**	**51,395**	**113,606**	**258,939**	**16,548**	**26,335**	**485,257**
Increases	665	6,300	6,989	79,714	6,004	27,505	127,178
(Depreciations and write-downs)	-	(4,780)	(16,578)	(63,321)	(5,434)	-	(90,113)
Other changes	204	3,153	6,099	(2,264)	(209)	(20,889)	(13,907)
Exchange differences	(45)	(117)	(378)	(1,727)	(240)	(509)	(3,016)
(Disposals)	-	(53)	(153)	(1,832)	(199)	-	(2,237)
Balance as at 12.31.2020	**19,257**	**55,900**	**109,585**	**269,508**	**16,470**	**32,442**	**503,161**

The breakdown of major changes for the period relating to tangible fixed assets is shown below.

- Investments made during the period with regard to "Land" are mainly investments made by the parent company (Euro 205 thousand) and the subsidiaries SOL HUNGARY Kft (Euro 293 thousand), PALLMED spzoo (Euro 140 thousand) and TGS doo (Euro 27 thousand).
- Investments made during the period with regard to the item "Buildings" were mainly investments made by the parent company (Euro 1,060 thousand) and by the subsidiary companies PALLMED spzoo (Euro 1,487 thousand), SOL TG GmbH (Euro 1,191 thousand) and SOL HUNGARY Kft (Euro 606 thousand).
- Acquisitions made during the period under the item "Plant and machinery" were mainly due to the purchase of equipment at the factories of the parent company (Euro 1,501 thousand) and by the subsidiaries SOL GAS PRIMARI Srl (Euro 2,078 thousand), GTS Shpk (Euro 679 thousand), SOL TG GmbH (Euro 666 thousand) and to a lesser extent to other investments at all other Group companies.
- The item "Industrial and commercial equipment" comprises commercial equipment (supplying devices, cylinders, base units, concentrators and medical appliances) as well as other small and sundry equipment. The increase recorded for the financial year was due to investments in commercial equipment in the form of cylinders, dispensing devices and tanks, made by companies in the technical gas sector in the amount of Euro 27,488 thousand (including Euro 9,549 by the parent company) and to investments made by companies operating in the home-care sector in the amount of Euro 52,266 thousand (including Euro 10,212 thousand by VIVISOL Srl) for base units and other medical appliances.

- The item “Other assets” includes motor vehicles and motor cars, electric office equipment, furniture and fixtures, EDP systems. The increase recorded for the period refers to investments made for motor vehicles, laboratory equipment, hardware, furniture and fixtures, including Euro 1,476 thousand by the parent company, the subsidiary DOLBY MEDICAL HOME RESPIRATORY CARE Ltd (Euro 694 thousand), TGS doo (Euro 257 thousand) and to a lesser extent to other investments carried out by all other Group companies.
- The “Assets under construction” item mainly refers to amounts relating to investments in progress made by the parent company (Euro 9,563 thousand) and by the subsidiaries GTH GAZE INDUSTRIALE Sa (Euro 3,110 thousand), SOL DEUTSCHLAND GmbH (Euro 909 thousand), PALLMED spzoo (Euro 1,010 thousand), SOL Hungary KFT (Euro 2,952 thousand), SOL GAS PRIMARI Srl (Euro 8,994 thousand) and CTS Srl (Euro 1,981 thousand).

Please note that the Mantua, Verona, Jesenice and Varna plants have mortgages and liens governed by medium-term mortgage agreements between financial institutions and several group companies.
As at December 31, 2020, mortgages amounted to Euro 67,450 thousand.
As at December 31, 2020, liens amounted to Euro 68,788 thousand.

Breakdown of rights of use

Changes in tangible fixed assets, with reference to their historical cost, depreciation and net value are as follows:

Cost	Land	Buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under construction and advances	**Total**
Balance as at 01.01.2019	-	-	-	-	-	-	-
Increases	2,490	38,697	61	250	18,496	-	59,994
Revaluations	44	2,586	17	-	43	-	2,689
Write-downs	-	-	-	-	-	-	-
Other changes	-	-	-	-	-	-	-
Exchange differences	-	-	-	-	-	-	-
(Disposals)	-	(339)	-	-	(89)	-	(427)
Balance as at 12.31.2019	**2,534**	**40,944**	**77**	**250**	**18,450**	**-**	**62,256**
Increases	19	4,906	-	186	8,833	-	13,944
Revaluations	185	4,637	17	(163)	100	-	4,776
Write-downs	-	-	-	-	-	-	-
Other changes	-	83	-	-	-	-	83
Exchange differences	(86)	(405)	-	-	(149)	-	(640)
(Disposals)	-	(802)	-	(72)	(2,593)	-	(3,467)
Balance as at 12.31.2020	**2,652**	**49,362**	**94**	**202**	**24,641**	**-**	**76,952**

Accumulated depreciation	Land	Buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under construction and advances	**Total**
Balance as at 01.01.2019	-	-	-	-	-	-	-
Depreciation charges	266	7,553	29	88	5,829	-	13,765
Revaluations	-	-	-	-	-	-	-
Write-downs	-	-	-	-	-	-	-
Other changes	-	26	-	-	-	-	26
Exchange differences	(1)	13	-	-	13	-	25
(Disposals)		(339)	-	-	(89)	-	(427)
Balance as at 12.31.2019	**264**	**7,253**	**29**	**88**	**5,754**	**-**	**13,388**
Depreciation charges	303	8,122	25	95	7,206	-	15,751
Revaluations	-	-	-	-	-	-	-
Write-downs	-	-	-	-	-	-	-
Other changes	-	58	-	-	-	-	58
Exchange differences	(14)	(139)	-	-	(62)	-	(215)
(Disposals)	-	(802)	-	(72)	(2,569)	-	(3,443)
Balance as at 12.31.2020	**553**	**14,492**	**54**	**111**	**10,329**	**-**	**25,540**

Net value	Land	Buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under construction and advances	**Total**
Balance as at 01.01.2019	-	-	-	-	-	-	-
Increases	2,490	38,697	61	250	18,496	-	59,994
(Depreciations and write-downs)	(266)	(7,553)	(29)	(88)	(5,829)	-	(13,765)
Other changes	44	2,560	17	-	43	-	2,663
Exchange differences	1	(13)	-	-	(13)	-	(25)
(Disposals)	-	-	-	-	-	-	
Balance as at 12.31.2019	**2,270**	**33,691**	**48**	**162**	**12,696**	**-**	**48,867**
Increases	19	4,906	-	186	8,833	-	13,944
(Depreciations and write-downs)	(303)	(8,122)	(25)	(95)	(7,206)	-	(15,751)
Other changes	185	4,661	17	(163)	100	-	4,800
Exchange differences	(72)	(266)	-	-	(87)	-	(424)
(Disposals)	-	-	-	-	(24)	-	(24)
Balance as at 12.31.2020	**2,099**	**34,870**	**40**	**91**	**14,312**	**-**	**51,412**

10. Goodwill and consolidation differences

Balance as at 12.31.2020	139,868
Balance as at 12.31.2019	134,838
Change	**5,030**

The breakdown of the item is as follows:

Net value	Goodwill	Consolidation difference	Total
Balance as at 01.01.2019	9,749	87,946	97,695
Increases	6	36,931	36,937
Revaluations (Write-downs)	-	-	-
Other changes	65	-	65
Exchange differences	141	-	141
(Amortisation)	-	-	-
Balance as at 12.31.2019	**9,962**	**124,877**	**134,838**
Increases	200	-	200
Revaluations (Write-downs)	-	-	-
Other changes	-	4,985	4,985
Exchange differences	(155)	-	(155)
(Amortisation)	-	-	-
Balance as at 12.31.2020	**10,006**	**129,862**	**139,868**

The amount of Euro 4,985 thousand shown under Other changes in "Consolidation differences" refers to the consolidation of the company SICGILSOL GASES PRIVATE Ltd.

The Group checks the recoverability of goodwill at least annually or more frequently if specific events or changed circumstances indicate the possibility of having suffered an impairment loss, at Cash Generating Unit level to which the Company's management charges said goodwill, in accordance with the matters anticipated by *IAS 36* Impairment of assets.

Impairment test

As provided by *IAS 36* Impairment of assets, the value of intangible assets with an indefinite useful life is not amortised, but instead subject to an impairment test at least once per year. The Group does not record intangible assets with an indefinite useful life other than goodwill.

IAS 36 also requires a company to assess at each reporting date the existence of indications of impairment in relation to any other asset.

The recoverability of the book values is tested by comparing the book value of the asset with its fair value (for example, using market multiples obtained from comparable transactions) or its value in use, whichever is greater.

The methodology used to identify the recoverable amount (value in use) consists of discounting future cash flows generated by activities directly attributed to the entity to which the goodwill (CGU) is allocated, as well as the value expected from its divestment or transfer upon the end of its useful life. Value in use is calculated as the sum of the current value of expected future cash flows based on the forecasts issued for every CGU and approved by the Board of Directors of the Company.

The business plans cover a time span of five years or, in some cases, given the type of business involving investments with medium-term returns, of 7 or 10 years and were implemented based on the 2021 budget drawn up by the Management. The growth rates considered in the plan's timeframe were calculated based on experience in the relative sectors.

The rate used to discount cash flows was calculated using the Weighted Average Cost of Capital (WACC). For the financial year ending on December 31, 2020, the WACC used for discounts is between 5.5% and 14%. The WACC was calculated on an ad-hoc basis for each CGU subject to impairment, taking into consideration the specific parameters of the geographical area: market risk premium and sovereign debt yields.

In order to ensure that changes to the main assumptions would not significantly influence the results of the impairment tests, some sensitivity analyses were carried out. The outcomes of these simulations reasonably supported the measurement obtained.
None of the impairment tests carried out as at December 31, 2020 identified any impairment losses. However, since the value in use is determined on the basis of estimates, the Group cannot guarantee that the value of goodwill or other intangible assets will not be subject to impairment in the future.

11. Other intangible fixed assets

Balance as at 12.31.2020	18,606
Balance as at 12.31.2019	17,072
Change	**1,534**

The breakdown of the item is as follows:

Net value	Costs of research, development and advertising	Patents and rights to use patents of others	Concessions, licences, trademarks and similar rights	Other	Assets under construction and advances	**Total**
Balance as at 01.01.2019	1,995	1,018	9,658	977	2,582	16,229
Increases	644	69	3,665	37	3,816	8,230
Revaluations (Write-downs)	-	-	-	-	-	-
Other changes	2	(6)	79	(64)	(2,575)	(2,564)
Exchange differences	-	-	39	-	-	39
(Amortisation)	(134)	(597)	(3,884)	(247)		(4,862)
Balance as at 12.31.2019	**2,507**	**484**	**9,556**	**703**	**3,823**	**17,072**
Increases	293	574	5,074	126	2,632	8,700
Revaluations (Write-downs)	-	-	-	-	-	-
Other changes	-	(23)	129	(19)	(2,070)	(1,983)
Exchange differences	-	-	(54)	-	(8)	(62)
(Amortisation)	(189)	(300)	(4,356)	(276)	-	(5,122)
Balance as at 12.31.2020	**2,611**	**735**	**10,349**	**533**	**4,378**	**18,606**

12. Equity investments

Balance as at 12.31.2020	9,433
Balance as at 12.31.2019	17,535
Change	**(8,102)**

The breakdown of the item is as follows:

Description	12.31.2020	12.31.2019	Delta
GTE SI	23	21	2
FLOSIT PHARMA Sa	458	464	(6)
ZDS JESENICE doo	8	8	
SITEX MAD Sa		90	(90)
Non-consolidated subsidiary companies	**489**	583	(94)
CT BIOCARBONIC GmbH	5,134	4,787	347
SICGILSOL INDIA PRIVATE Ltd		8,285	(8,285)
CONSORZIO ECODUE	403	401	2
Jointly controlled companies	**5,537**	13,473	(7,936)
CONSORGAS Srl	246	346	(100)
Associated companies	**246**	346	(100)
Other minority interests	3,160	3,133	27
Other companies	**3,160**	3,133	27
Total	**9,433**	17,535	(8,102)

Except for Euro 466 thousand recognised as non-consolidated subsidiaries (in the portfolio of the subsidiary SPG - SOL PLIN GORENJSKA doo for Euro 8 thousand, SOL FRANCE Sas for Euro 46 thousand and FLOSIT Sas for Euro 412 thousand), Euro 403 thousand recognised as jointly controlled companies (in the portfolio of the subsidiary SOL GAS PRIMARI Srl) and Euro 3,141 recognised as other minority interests (relating to investments in local companies by the subsidiaries TGS doo of Euro 2 thousand, TPJ doo of Euro 2 thousand, ICOA Srl of Euro 8 thousand, SOL GAS PRIMARI Srl of Euro 2,968 thousand, SICGILSOL GASES PRIVATE Ltd of Euro 159 thousand, CRYOS Srl of Euro 1 thousand and VIVISOL SILARUS Srl of Euro 1 thousand), all of the above investments are held by the parent company.

Non-consolidated subsidiaries and other minority interests are measured at fair value.

The following table shows the main economic and financial data of jointly controlled companies consolidated with the net equity method:

Jointly controlled companies	CT Biocarbonic GmbH	Consorzio ECODUE
Total assets	7,260	964
Total liabilities	2,100	157
Revenues	3,678	365
Operating result	694	2

13. Other financial assets

Balance as at 12.31.2020	6,736
Balance as at 12.31.2019	8,321
Change	**(1,585)**

The breakdown of the item is as follows:

Description	12.31.2020	12.31.2019	Change
Amounts receivable from third parties	5,580	7,266	(1,686)
Securities	1,156	1,055	101
Total	**6,736**	8,321	(1,585)

The breakdown of the item "Amounts receivable from third parties" is as follows:

Description	12.31.2020	12.31.2019	Change
Guarantee deposits	4,367	3,553	815
Derivatives	563	2,495	(1,932)
Tax receivables	345	2	343
Other receivables	304	1,215	(911)
Total	**5,580**	7,266	(1,686)

For further information on derivatives, see paragraph "Payables and other financial liabilities".
The item "Other receivables" mainly refers to long-term financial receivables to group companies not consolidated on a full line-by-line basis.

The breakdown for the item "Securities" is as follows:

Company	12.31.2020	12.31.2019	Change
SOL TG GmbH	6	5	1
SOL HELLAS Sa	1,096	1,002	94
CRYOS Srl	55	49	6
Total	**1,156**	1,055	101

The item "Securities" relating to SOL HELLAS refers to government securities of Greece, with maturity exceeding 12 months issued in payment of receivables claimed by the subsidiary SOL HELLAS from public bodies.

14. Deferred tax assets

Balance as at 12.31.2020	21,695
Balance as at 12.31.2019	6,909
Change	**14,786**

The breakdown of the above item is as follows:

	Bad debts	Risk provisions	Internal profits	Prior losses	Other	Total
Balance as at 01.01.2019	1,204	256	1,001	1,413	3,210	7,084
Provisions/Uses	40	(110)	(84)	(318)	87	(384)
Other changes	-	-	(1)		202	201
Exchange differences	-	-	-	5	2	7
Balance as at 12.31.2019	1,244	147	916	1,100	3,502	**6,909**
Provisions/Uses	87	(59)	(64)	(95)	11,841	11,710
Other changes	(69)	69	-	391	2,730	3,121
Exchange differences	-	-	-	(24)	(19)	(43)
Balance as at 12.31.2020	1,263	156	853	1,371	18,053	**21,695**

Deferred tax assets were measured in the case of probable realisation and tax recoverability considering the limited time horizon based on the business plans of the companies.
Deferred tax assets of Euro 1,371 thousand were recognised against prior losses in that there exists the probability of obtaining, in future financial years, taxable income sufficient to absorb the tax losses carried forward.
The item "Other" includes the tax effect related to the reversal of asset revaluations made by some Italian companies of the Group for a value of Euro 11,672 thousand.

15. Inventories

Balance as at 12.31.2020	63,301
Balance as at 12.31.2019	49,476
Change	**13,826**

The breakdown of the item is as follows:

Description	**12.31.2020**	12.31.2019	Change
Raw, subsidiary and consumable materials	4,105	2,820	1,285
Work in progress and semi-finished goods	1,497	1,135	361
Contract work in progress	-	-	-
Finished products and goods for resale	57,700	45,520	12,180
Advances received	-	-	-
Total	**63,301**	49,476	13,826

16. Trade receivables

Balance as at 12.31.2020	297,949
Balance as at 12.31.2019	280,145
Change	**17,804**

The breakdown of the item is as follows:

Description	Within 12 months	Beyond 12 months	Allowance for doubtful accounts	**12.31.2020**	12.31.2019
Trade receivables	319,489	-	(21,540)	297,949	280,145
Total	319,489	-	(21,540)	**297,949**	280,145

The allowance for doubtful accounts changed as follows:

Description	12.31.2019	Provisions	Uses	Other changes	**12.31.2020**
Allowance for doubtful accounts	21,945	4,045	(2,709)	(1,741)	21,540
Total	21,945	4,045	(2,709)	(1,741)	**21,540**

The item "Other changes" refers to exchange rate differences of Euro 263 thousand and to reversals of the fund of Euro 1,478 thousand.

17. Other current assets

Balance as at 12.31.2020	25,485
Balance as at 12.31.2019	28,664
Change	**(3,179)**

The breakdown of the item is as follows:

Description	12.31.2020	12.31.2019	Change
Amounts receivable from employees	867	822	45
Amounts receivable in respect of income tax	2,762	5,954	(3,192)
VAT receivables	14,074	11,837	2,237
Other amounts receivable from the tax authorities	320	312	8
Other receivables	977	4,000	(3,023)
Prepayments and accrued income	6,485	5,739	747
Total	**25,485**	28,664	(3,179)

"Prepayments and accrued income" represent the harmonising items for the period calculated on an accrual basis.

This item breaks down as follows:

Description	12.31.2020	12.31.2019	Change
Accrued income			
Interest	16	57	(40)
Other accrued income	191	288	(97)
Total accrued income	**207**	345	(138)
Prepayments			
Insurance premiums	716	515	201
Rents	358	197	161
Other prepayments	5,204	4,682	523
Total prepayments	**6,278**	5,394	884
Total prepayments and accrued income	**6,485**	5,739	747

The item "Other prepayments" mainly comprises purchase invoices referring to maintenance agreements or other expenses.

18. Current financial assets

Balance as at 12.31.2020	7,449
Balance as at 12.31.2019	8,009
Change	**(560)**

The breakdown of the item is as follows:

Description	12.31.2020	12.31.2019	Change
Financial receivables from jointly controlled companies	800	2,572	(1,772)
Derivatives	343	1,247	(904)
Short-term time deposits	6,300	4,147	2,153
Other financial receivables	6	43	(37)
Total	**7,449**	8,009	(560)

The breakdown for the item “Short-term time deposits” is as follows:

Company	12.31.2020	12.31.2019	Change
DN GLOBAL HOME CARE Ltda	158	-	158
FLOSIT Sa	2,563	1,763	800
GLOBAL CARE Ltda	447	199	248
P PAR Ltda	-	2	(2)
SICGILSOL GASES PRIVATE Ltd	61	-	61
SICGILSOL INDIA PRIVATE Ltd	644	-	644
TGT Ad	1,854	1,854	-
UNIT CARE Ltda	570	312	258
VIVISOL BRASIL Sa	2	16	(14)
VIVISOL PORTUGAL Lda	1	1	-
Total	**6,300**	4,147	2,153

19. Cash and cash at bank

Balance as at 12.31.2020	269,181
Balance as at 12.31.2019	169,326
Change	**99,855**

The breakdown for this item is as follows:

Description	12.31.2020	12.31.2019	Change
Bank and postal deposits	268,710	168,858	99,851
Cash and cash equivalents on hand	471	467	4
Total	**269,181**	169,326	99,855

20. Shareholders’ equity

Balance as at 12.31.2020	662,848
Balance as at 12.31.2019	579,919
Change	**82,929**

The share capital of SOL Spa as at December 31, 2020 comprised 90,700,000 ordinary shares with a par value of Euro 0.52 each, fully subscribed and paid up.

The breakdown of and changes in shareholders’ equity at year-end are detailed below:

Shareholders' equity	12.31.2019	Transfer of result	Dividends paid	Translation differences	Other changes	Profit (loss)	12.31.2020
Pertaining to the Group:							
Share capital	47,164	-	-	-	-	-	47,164
Share premium reserve	63,335	-	-	-	-	-	63,335
Revaluation reserves	-	-	-	-	-	-	-
Legal reserve	10,459	-	-	-	-	-	10,459
Statutory reserves	-	-	-	-	-	-	-
Treasury share reserves	-	-	-	-	-	-	-
Other reserves	388,072	33,396	-	(6,200)	(6,918)	-	408,351
Profits/(Losses) carried forward	2,195	15,941	(15,873)	-	1,053	-	3,317
Net Profit	49,338	(49,338)	-	-	-	103,047	103,047
Shareholders’ equity - Group	560,563		(15,873)	(6,200)	(5,865)	103,047	**635,674**
Minority interests:							
Shareholders’ equity - Minority interests	16,277	3,079	(2,396)	(797)	5,824	-	21,987
Profit pertaining to minority interests	3,079	(3,079)	-	-	-	5,187	5,187
Shareholders’ equity - Minority interests	19,356	-	(2,396)	(797)	5,824	5,187	**27,174**
Shareholders’ equity	579,919	-	(18,268)	(6,997)	(41)	108,235	**662,848**

The item “Other reserves” mainly includes extraordinary reserves, the Cash Flow Hedge (CFH) reserve and unallocated profits.

As at December 31, 2020, the *CFH* reserve, gross of the tax effect, was negative and amounted to Euro 3,793 thousand (positive for Euro 874 thousand as at December 31, 2019). The change in the period is reported in the Consolidated Statement of Comprehensive Income.
For further information on derivatives, see paragraph “Payables and other financial liabilities”.

Reconciliation of Parent Company’s Financial Statements with the Consolidated Financial statements

Description	12.31.2020		12.31.2019	
	Shareholders' equity	Net income	Shareholders' equity	Net income
Financial Statements of SOL Spa	**269,725**	**25,422**	264,035	18,564
Elimination of consolidated inter-company transactions, net of tax effects:				
- Internal profit on tangible fixed assets	(2,909)	118	(3,027)	140
- Internal profit on intangible fixed assets	-	-	-	-
- Internal profit on long-term investments	-	3	-	-
- Reversal of adjustments to investments in subsidiary companies	-	1,925	-	2,200
- Dividends paid by consolidated companies	-	(49,806)	-	(43,764)
Adjustment of accounting policies to achieve consistent Group accounting policies, net of tax effects:				
- Adjustment to achieve a consistent accounting policy regarding intangible assets	2,612	(222)	(224)	(222)
- Application of *IFRS 16* and *IAS 17*	(85)	(121)	18	(147)
- Valuation at equity of companies reported at cost	944	249	(987)	262
Book value of consolidated equity investments	(669,309)	-	(649,044)	-
Shareholders' Equity and profit for the year of consolidated companies	904,834	125,479	821,703	72,305
Allocation of the difference to the assets of the consolidated companies and relative depreciation, amortisation and write-downs:				
- Goodwill from consolidation	129,862	-	128,089	-
Group consolidated financial statements	**635,674**	**103,047**	560,563	49,338

21. Employee severance indemnities and benefits

Balance as at 12.31.2020	18,536
Balance as at 12.31.2019	17,308
Change	**1,228**

The provisions underwent the following changes:

Employee severance indemnities and benefits	12.31.2020	12.31.2019
Balance as at January 1	17,308	15,640
Provisions	2,399	2,325
(Uses)	(1,016)	(1,134)
Financial expense	(2)	20
Other changes	(124)	455
Exchange differences	(30)	1
Balance at the end of the period	**18,536**	17,308

Employee benefits are calculated on the basis of the following actuarial assumptions:

	Interest rate
Annual discount rate	0.13%
Inflation rate	1.50%
Annual severance indemnity increase rate	2.18%
Annual wage increase rate	2.00%

Sensitivity analysis

The effects of the variation of the assumptions used are presented here below:

Balance as at December 31, 2020	Amount
Inflation rate + 0.5%	336
Inflation rate - 0.5%	(323)
Discount rate + 0.5%	(650)
Discount rate - 0.5%	211
Turnover rate +0.5%	373

Employee severance indemnity

The item “Employee severance indemnities” reflects the indemnity provided to employees during their working relationship that is paid at the time the employee leaves the company. In the presence of specific conditions, the employee may obtain a partial advance on said indemnity during their working relationship.

Other

The item “Other” comprises benefits such as the loyalty bonus, which accrues on attainment of a specific length of service within the company.

22. Provision for deferred taxes

Balance as at 12.31.2020	4,261
Balance as at 12.31.2019	3,477
Change	**784**

The item “Provision for deferred taxes” represents the net balance of deferred tax liabilities provided for in the consolidated financial statements as at December 31, 2020 with regard to tax items present in the financial statements of the Group companies (accelerated depreciation), and the deferred tax liabilities referring to the other consolidation entries; the item comprises.

Description	Capital gains	Accelerated depreciations	*Leasing*	Other minor	**Total**
Balance as at 01.01.2019	92	759	179	2,467	3,498
Provisions/Uses	(35)	(47)	(52)	44	(89)
Other changes	-	-	(62)	115	53
Exchange differences	-	15	1	-	16
Balance as at 12.31.2019	57	727	66	2,627	**3,477**
Provisions/Uses	(35)	254	(40)	(295)	(115)
Other changes	-	-	-	958	958
Exchange differences	-	(21)	5	(42)	(58)
Balance as at 12.31.2020	22	960	31	3,248	**4,261**

23. Provisions for risks and charges

Balance as at 12.31.2020	1,076
Balance as at 12.31.2019	1,118
Change	**(42)**

The breakdown of the item is as follows:

Description	12.31.2020	12.31.2019	Change
Other minor provisions	1,076	1,118	(42)
Total other provisions	**1,076**	1,118	(42)
Total	**1,076**	1,118	(42)

Provisions for risks and charges are allocated exclusively in the presence of a current obligation assessable in a reliable way, as a result of past events, which may be legal, contractual or derive from declarations or behaviour of the company such as to create in third parties a reasonable expectation that the company is responsible or assumes the responsibility of fulfilling an obligation. If the financial effect of time is significant, the liability is discounted, the discounting effect is recorded under financial expense.

The provisions underwent the following changes:

Description	12.31.2019	Provisions	Uses	Other changes	12.31.2020
Other minor provisions	1,118	183	(26)	(200)	1,076
Total	1,118	183	(26)	(200)	**1,076**

24. Payables and other financial liabilities

Balance as at 12.31.2020	446,551
Balance as at 12.31.2019	400,805
Change	**45,746**

The breakdown of the item is as follows:

Description	12.31.2020	12.31.2019	Change
Bonds	121,732	63,823	57,910
Mortgages	283,730	298,114	(14,384)
Leasing	36,488	34,686	1,802
Derivatives	3,509	2,161	1,348
Other	1,091	2,021	(930)
Total	**446,551**	400,805	45,746

The item “Bonds” refers:

- to the issue of two bond loans taken out by two American institutional investors.
  The original amount of these issues totals US$95 million converted to Euro 75,011 thousand by means of two cross currency swap (*CCS*) contracts for a duration equal to the original bond loans (12 years);
- to the issue of a bond subscribed by three American institutional investors;
  The original amount of this issue was Euro 40 million;
- to the issue of a bond subscribed by two American institutional investors.
  The original amount of this issue was Euro 70 million.

The item "Amounts due to other lenders" for the most part comprises medium- and long-term loans granted by credit institutions. Some of these loans are backed by liens on movable assets and mortgages on real property, as already mentioned in the notes regarding tangible fixed assets. Furthermore, the same item also includes the lease liability amounting to Euro 51,807 thousand, deriving from the application of accounting standard *IFRS 16* to assets that are the subject matter of a finance lease.

It also includes financial liabilities for derivatives.

The detailed breakdown of the item "Bonds" and "Amounts due to other lenders" is as follows (with values expressed in thousands of Euro):

Lending institution	Amount	Long-term portion	Short-term portion	Interest rate		Maturity	Original amount	
Mediocredito Italiano	22	-	22	Floating	2.35 %	28/02/2021	Euro	500,000
Banca CRS	2	-	2	Floating	2.39 %	31/03/2021	Euro	40,000
Intesa San Paolo*	1,678	-	1,678	Fixed	2.23 %	16/06/2021	Euro	30,000,000
Banca di Caraglio	7	-	7	Floating	1.80 %	06/11/2021	PLN	50,000
Intesa San Paolo	41	12	29	Fixed	2.00 %	30/05/2022	Euro	140,000
MISE	31	-	31	Fixed	17.00 %	31/12/2022	Euro	289,820
Unicredit	778	389	389	Floating	0.58 %	31/12/2022	Euro	5,200,000
Mediobanca *	2,679	1,607	1,072	Fixed	2.90 %	20/06/2023	Euro	15,000,000
Unicredit Bulbank	3,000	2,000	1,000	Fixed	4.50 %	11/10/2023	Euro	8,000,000
Unicredit	27	21	6	Floating	1.00 %	30/11/2023	Euro	27,000
Intesa San Paolo*	13,125	9,375	3,750	Floating	1.97 %	31/03/2024	Euro	30,000,000
Mediocredito Italiano	5,185	3,704	1,481	Floating	1.30 %	31/03/2024	Euro	20,000,000
Unicredit *	4,375	3,125	1,250	Floating	1.20 %	31/05/2024	Euro	10,000,000
Monte Paschi Siena	3,750	2,917	833	Fixed	4.21 %	15/06/2025	Euro	10,000,000
Intesa San Paolo*	16,875	13,125	3,750	Fixed	1.44 %	30/06/2025	Euro	30,000,000
Credito Valtellinese	6,311	5,064	1,247	Floating	0.60 %	05/07/2025	Euro	10,000,000
Credito Valtellinese	3,155	2,532	623	Floating	0.60 %	05/07/2025	Euro	5,000,000
Intesa San Paolo	184	145	39	Fixed	1.00 %	13/07/2025	Euro	200,000
UBI Banca	12,663	10,152	2,511	Fixed	1.00 %	14/09/2025	Euro	20,000,000
Banca IMI *	3,642	3,036	606	Fixed	6.50 %	26/01/2026	Euro	7,000,000
BCC Carate	6,961	5,724	1,237	Floating	1.00 %	13/06/2026	Euro	10,000,000
Intesa San Paolo*	27,500	22,500	5,000	Fixed	1.10 %	30/06/2026	Euro	40,000,000
UBI Banca	794	699	95	Floating	2.20 %	24/09/2026	Euro	1,000,000
BNL - BNP Paribas *	19,500	16,500	3,000	Fixed	1.69 %	25/11/2026	Euro	30,000,000
Unicredit Bosnia	1,343	1,149	194	Floating	3.80 %	31/12/2026	Euro	2,000,000
UBI Banca *	32,884	28,044	4,840	Fixed	1.60 %	26/06/2027	Euro	40,000,000
Mediobanca	37,500	32,500	5,000	Fixed	1.66 %	28/01/2028	Euro	40,000,000
Invitalia	5,845	5,160	685	Fixed	0.11 %	30/06/2029	Euro	12,643,000
Banco BPM	49,908	44,045	5,863	Fixed	1.90 %	30/06/2029	Euro	49,875,000
BNL - BNP Paribas *	39,936	39,948	(12)	Floating	1.73 %	31/12/2029	Euro	40,000,000
BNL - BNP Paribas *	28,306	25,091	3,215	Fixed	1.32 %	06/05/2030	Euro	30,000,000
BCC Carate	4,995	4,995	-	Fixed	0.85 %	17/12/2030	Euro	5,000,000
Banca di Caraglio	188	172	16	Floating	1.80 %	30/11/2031	Euro	250,000
Derivatives	4,839	3,509	1,330					
Lease *liabilities*	51,807	36,488	15,319					
Total amounts due to other lenders	**389,836**	**323,728**	**66,108**					
Bonds	133,669	121,732	11,937					
Total	**523,505**	**445,460**	**78,045**					

Covenants

The loan agreements marked by an asterisk (*) contain financial restrictions (covenants) that envisage the maintenance of certain ratios between net financial indebtedness and shareholders' equity, between net financial indebtedness and cash-flow, and between net financial indebtedness and EBITDA referable to the consolidated financial statements.

To date, these parameters were complied with and are complied with as at December 31, 2020.

Derivatives

Some loan agreements were covered by derivative contracts, as defined below:

1. The loan agreement outstanding with Mediobanca whose residual debt amounts to Euro 2,679 thousand was hedged by an IRS agreement entered into on May 19, 2010, which anticipates the payment of a fixed rate of 2.9% against a floating 6-month Euribor rate.
   The fair value as at December 31, 2020, calculated by the same bank, was negative in the amount of Euro 139 thousand (negative in the amount of Euro 242 thousand as at December 31, 2019).
2. The loan agreement outstanding with Intesa San Paolo whose residual debt amounts to Euro 1,678 thousand was hedged by a fixed rate of 2.23% against a floating 6-month Euribor rate.
   The fair value as at December 31, 2020, calculated by the same bank, was negative in the amount of Euro 23 thousand (negative in the amount of Euro 130 thousand as at December 31, 2019).
3. The bond whose residual debt amounts to Euro 19,177 thousand was hedged by a CCS contract entered into with Intesa San Paolo on June 15, 2012.
   The fair value as at December 31, 2020, calculated by the same bank, was positive in the amount of Euro 218 thousand (at December 31, 2019 positive in the amount of Euro 1,854 thousand).
4. The bond whose residual debt amounts to Euro 13,534 thousand was hedged by a CCS contract entered into with Intesa San Paolo on May 29, 2013.
   The fair value as at December 31, 2020, calculated by the same bank, was positive in the amount of Euro 688 thousand (at December 31, 2019 positive in the amount of Euro 1,889 thousand).
5. The loan outstanding with Unicredit Bulbank whose residual debt amounts to Euro 3,000 thousand was hedged by a fixed rate of 2.4% against a floating 3-month Euribor rate.
   The fair value as at December 31, 2020, calculated by the same bank, was negative in the amount of Euro 148 thousand (negative in the amount of Euro 240 thousand as at December 31, 2019).
6. The loan agreement outstanding with Intesa San Paolo whose residual debt amounts to Euro 16,875 thousand was hedged by a fixed rate of 0.44% against a floating 6-month Euribor rate.
   The fair value as at December 31, 2020, calculated by the same bank, was negative in the amount of Euro 401 thousand (negative in the amount of Euro 388 thousand as at December 31, 2019).
7. The loan agreement outstanding with Banca Popolare di Bergamo, the residual debt of which amounts to Euro 12,663 thousand, was hedged by a fixed rate of 0.10% against a floating 3-month Euribor rate.
   The fair value as at December 31, 2020, calculated by the same bank, was negative in the amount of Euro 221 thousand (negative in the amount of Euro 192 thousand as at December 31, 2019).
8. The loan agreement outstanding with Intesa San Paolo whose residual debt amounts to Euro 27,500 thousand was hedged by a fixed rate of 0.10% against a floating 6-month Euribor rate.
   The fair value as at December 31, 2020, calculated by the same bank, was negative in the amount of Euro 488 thousand (negative in the amount of Euro 276 thousand as at December 31, 2019).
9. The loan agreement outstanding with BNL - BNP Paribas, the residual debt of which amounts to Euro 19,500 thousand, was hedged by a fixed rate of 0.535% against a floating 6-month Euribor rate.
   The fair value as at December 31, 2020, calculated by the same bank, was negative in the amount of Euro 595 thousand (negative in the amount of Euro 522 thousand as at December 31, 2019).

10. The loan agreement outstanding with Mediobanca, the residual debt of which amounts to Euro 37,500 thousand, was hedged by a fixed rate of 0.759% against a floating 6-month Euribor rate.
    The fair value as at December 31, 2020, calculated by the same bank, was negative in the amount of Euro 1,066 thousand (negative in the amount of Euro 1,121 thousand as at December 31, 2019).
11. The loan agreement outstanding with BNL - BNP Paribas, the residual debt of which amounts to Euro 28,306 thousand, was hedged by a fixed rate of -0.13% against a floating 6-month Euribor rate.
    The fair value as at December 31, 2020, calculated by the same bank, was negative in the amount of Euro 392 thousand.

The Group, where possible, applies hedge accounting, verifying compliance with the requirements of *IAS 39*. From January 1, 2018, the Group decided to continue to use the hedge accounting rules set out in *IAS 39* and not *IFRS 9* for all hedges already designated in hedge accounting at December 31, 2017 and for new hedges designated in subsequent periods.
Derivative instruments that qualify as hedges pursuant to *IFRS 9* and *IAS 39* comprise transactions put in place to hedge the fluctuations in cash flows (Cash Flow Hedge - CFH) and to hedge the fair value of the hedged element (Fair Value Hedge - FVH).

The contract numbered 1. was assessed at fair value hedge, while contracts numbered from 2. to 11. were assessed at cash flow hedge.

Hierarchical levels of fair value measurement

As regards the financial instruments recorded in the statement of financial position at fair value, the *IFRS 7* requires that such values be classified on the basis of a hierarchical level that reflects the importance of the inputs used when determining the fair value.
The levels are broken down as follows:

- Level 1 - prices recorded on an active market for measured assets or liabilities;
- Level 2 - inputs other than the prices set forth above, which are directly (prices) or indirectly (derived from the prices) observable on the market;
- Level 3 - inputs that are based on observable market figures.

The following table shows the assets and liabilities at fair value as at December 31, 2020, by hierarchical level of fair value measurement:

Payables and other financial liabilities	Notes	Level 1	Level 2	Level 3	Total
Negative measurement					
Mediobanca			(139)		(139)
Intesa San Paolo			(23)		(23)
Intesa San Paolo			(401)		(401)
Banca Popolare di Bergamo			(221)		(221)
Intesa San Paolo			(488)		(488)
BNL - BNP Paribas			(595)		(595)
Mediobanca			(1,066)		(1,066)
Unicredit			(148)		(148)
BNL - BNP Paribas			(392)		(392)
BNL - BNP Paribas			(1,366)		(1,366)
Total negative measurement		-	(4,839)	-	**(4,839)**
Positive measurement					
Intesa San Paolo		-	218	-	218
Intesa San Paolo		-	688	-	688
Total positive measurement		-	906	-	**906**
Overall total		-	(3,933)	-	**(3,933)**

25. Current liabilities

Balance as at 12.31.2020	281,004
Balance as at 12.31.2019	251,791
Change	**29,213**

This item breaks down as follows:

Description	12.31.2020	12.31.2019	Change
Amounts due to banks	2,216	1,345	872
Trade accounts payable	122,222	108,494	13,727
Other financial liabilities	78,368	69,458	8,909
Tax payables	22,124	15,737	6,387
Other current liabilities	56,075	56,757	(682)
Total	**281,004**	251,791	29,213

The item "Other financial liabilities" represents the short-term portions of the amounts due to other lenders, for which reference is made to the breakdown reported previously in the section "Payables and other financial liabilities".

The breakdown of the item "Tax payables" comprises:

Description	12.31.2020	12.31.2019	Change
Income tax payables	10,628	5,897	4,731
VAT payables	5,358	4,827	531
Other tax payables	6,138	5,013	1,125
Total	**22,124**	15,737	6,387

"Other current liabilities" comprise:

Description	12.31.2020	12.31.2019	Change
Amounts due to social security institutions	7,804	7,741	63
Amounts due to employees	13,803	13,211	592
Amounts due to shareholders for dividends	22	353	(330)
Amounts due for the purchase of equity investments	1,857	2,415	(557)
Guarantee deposits payable	207	209	(2)
Other payables	8,754	12,774	(4,020)
Accrued expenses and deferred income	23,626	20,054	3,573
Total	**56,075**	56,757	(682)

The breakdown of the item "Accrued expenses and deferred income" is as follows:

Description	12.31.2020	12.31.2019	Change
Accrued expenses			
Interest payable on loans	936	895	41
Other	5,186	3,334	1,852
Total accrued expenses	**6,122**	4,229	1,893
Deferred income			
Sink funds granted	532	296	235
Rentals receivable	37	42	(5)
Other	16,936	15,487	1,449
Total deferred income	**17,505**	15,825	1,680
Total accrued expenses and deferred income	**23,626**	20,054	3,573

REVENUES BY TYPE OF BUSINESS SOL GROUP

(amounts in thousands of Euro)

	12.31.2020						
	Technical gas sector	%	Home-care service sector	%	Write downs	Consolidated figures	%
Technical gas sector	470,482	100.0%			(32,284)	438,199	45.0%
Home-care service sector			536,956	100.0%	(1,322)	535,634	55.0%
Net sales	**470,482**	**100.0%**	**536,956**	**100.0%**	**(33,605)**	**973,833**	**100.0%**
Other revenues and income	5,732	1.2%	4,954	0.9%	(811)	9,875	1.0%
Internal works and collections	2,646	0.6%	7,157	1.3%	2,685	12,488	1.3%
Revenues	**478,860**	**101.8%**	**549,067**	**102.3%**	**(31,732)**	**996,196**	**102.3%**
Purchase of materials	131,528	28.0%	126,974	23.6%	(17,962)	240,540	24.7%
Services rendered	152,219	32.4%	137,376	25.6%	(12,313)	277,282	28.5%
Change in inventories	(5,286)	-1.1%	(9,173)	-1.7%		(14,459)	-1.5%
Other costs	11,961	2.5%	13,657	2.5%	(1,186)	24,432	2.5%
Total costs	**290,421**	**61.7%**	**268,833**	**50.1%**	**(31,461)**	**527,794**	**54.2%**
Added value	**188,439**	**40.1%**	**280,234**	**52.2%**	**(271)**	**468,401**	**48.1%**
Payroll and related costs	93,483	19.9%	119,526	22.3%		213,009	21.9%
Gross operating margin	**94,956**	**20.2%**	**160,707**	**29.9%**	**(271)**	**255,392**	**26.2%**
Depreciation/amortisation	54,369	11.6%	56,748	10.6%	(130)	110,986	11.4%
Provisions and write-downs	2,936	0.6%	1,483	0.3%		4,419	0.5%
Non-recurring (income)/expenses		0.0%		0.0%			0.0%
Operating result	**37,651**	**8.0%**	**102,477**	**19.1%**	**(141)**	**139,987**	**14.4%**
Financial income	17,671	3.8%	2,079	0.4%	(17,582)	2,168	0.2%
Financial expense	(10,720)	-2.3%	(2,248)	-0.4%	971	(11,998)	-1.2%
Results from equity investments	20	0.0%	(76)	0.0%	76	20	0.0%
Total financial income/(expense)	**6,971**	**1.5%**	**(245)**	**0.0%**	**(16,536)**	**(9,810)**	**-1.0%**
Profit (Loss) before income taxes	**44,622**	**9.5%**	**102,232**	**19.0%**	**(16,676)**	**130,177**	**13.4%**
Income taxes	571	0.1%	21,393	4.0%	(21)	21,943	2.3%
Net result from business activities	**44,051**	**9.4%**	**80,839**	**15.1%**	**(16,655)**	**108,234**	**11.1%**
Net result from discontinued operations		0.0%		0.0%			0.0%
(Profit)/Loss pertaining to minority interests	(1,158)	-0.2%	(4,055)	-0.8%	25	(5,187)	-0.5%
Net Profit/(Loss)	**42,893**	**9.1%**	**76,784**	**14.3%**	**(16,630)**	**103,047**	**10.6%**

OTHER INFORMATION SOL GROUP

(amounts in thousands of Euro)

	12.31.2020						
	Technical gas sector	%	Home-care service sector	%	Write downs	Consolidated figures	%
Total assets	1,093,701		710,004		(389,429)	1,414,277	
Total liabilities	682,355		202,125		(133,051)	751,429	
Investments	49,545		56,733			106,278	

	12.31.2019						
	Technical gas sector	%	Home-care ervice sector	%	Write downs	Consolidated figures	%
	442,761	100.0%			(30,166)	412,595	45.6%
			492,887	100.0%	(1,169)	491,718	54.4%
	442,761	100.0%	492,887	100.0%	(31,335)	904,313	100.0%
	5,742	1.3%	3,705	0.8%	(565)	8,883	1.0%
	3,196	0.7%	8,857	1.8%	1,608	13,662	1.5%
	451,700	102.0%	505,449	102.5%	(30,291)	926,858	102.5%
	123,021	27.8%	107,552	21.8%	(17,703)	212,870	23.5%
	147,498	33.3%	136,205	27.6%	(11,470)	272,233	30.1%
	1,121	0.3%	631	0.1%		1,752	0.2%
	11,354	2.6%	13,342	2.7%	(1,116)	23,580	2.6%
	282,994	63.9%	257,731	52.3%	(30,289)	510,436	56.4%
	168,706	38.1%	247,718	50.3%	(2)	416,422	46.0%
	91,996	20.8%	113,119	23.0%		205,115	22.7%
	76,710	17.3%	134,599	27.3%	(2)	211,307	23.4%
	52,974	12.0%	52,603	10.7%	(105)	105,472	11.7%
	4,306	1.0%	2,760	0.6%		7,066	0.8%
	-	0.0%	10,109	2.1%		10,109	1.1%
	19,430	4.4%	69,127	14.0%	103	88,660	9.8%
	15,693	3.5%	1,862	0.4%	(14,945)	2,610	0.3%
	(10,076)	-2.3%	(2,725)	-0.6%	1,470	(11,331)	-1.3%
	262	0.0%	(343)	-0.1%	343	262	0.0%
	5,879	1.13%	(1,206)	-0.2%	(13,132)	(8,459)	-0.9%
	25,309	5.7%	67,920	13.8%	(13,029)	80,201	8.9%
	6,063	1.4%	21,695	4.4%	26	27,784	3.1%
	19,245	4.3%	46,225	9.4%	(13,054)	52,417	5.8%
		0.0%		0.0%			0.0%
	(103)	0.0%	(2,986)	-0.6%	10	(3,079)	-0.3%
	19,143	4.3%	43,239	8.8%	(13,044)	49,338	5.5%

	12.31.2019						
	Technical gas sector	%	Home-care service sector	%	Write downs	Consolidated figures	%
	964,202		631,481		(341,264)	1,254,419	
	580,464		181,842		(87,805)	674,501	
	49,794		47,877			97,671	

BREAKDOWN OF REVENUES BY TYPE OF BUSINESS: TECHNICAL GAS SECTOR

The income statement of the Technical Gas Sector is shown below:

(amounts in thousands of Euro)

	12.31.2020	%	12.31.2019	%
Net sales	**470,482**	100.0%	442,761	100.0%
Other revenues and income	5,732	1.2%	5,742	1.3%
Internal works and collections	2,646	0.6%	3,196	0.7%
Revenues	**478,860**	101.8%	451,700	102.0%
Purchase of materials	131,528	28.0%	123,021	27.8%
Services rendered	152,219	32.4%	147,498	33.3%
Change in inventories	(5,286)	-1.1%	1,121	0.3%
Other costs	11,961	2.5%	11,354	2.6%
Total costs	**290,421**	61.7%	282,994	63.9%
Added value	**188,439**	40.1%	168,706	38.1%
Payroll and related costs	93,483	19.9%	91,996	20.8%
Gross operating margin	**94,956**	20.2%	76,710	17.3%
Depreciation/amortisation	54,369	11.6%	52,974	12.0%
Provisions and write-downs	2,936	0.6%	4,306	1.0%
Non-recurring (income)/expenses	0	0.0%	0	0.0%
Operating result	**37,651**	8.0%	19,430	4.4%
Financial income	17,671	3.8%	15,693	3.5%
Financial expense	(10,720)	-2.3%	(10,076)	-2.3%
Results from equity investments	20	0.0%	262	0.0%
Total financial income/(expense)	**6,971**	1.5%	5,879	1.13%
Profit (Loss) before income taxes	**44,622**	9.5%	25,309	5.7%
Income taxes	571	0.1%	6,063	1.4%
Net result from business activities	**44,051**	9.4%	19,245	4.3%
Net result from discontinued operations	0	0.0%	0	0.0%
(Profit)/Loss pertaining to minority interests	(1,158)	-0.2%	(103)	0.0%
Net Profit/(Loss)	**42,893**	9.1%	19,143	4.3%

Sales in the Technical Gas Sector registered a 6.3% increase.
Gross operating margin increased by 23.8% compared to the previous year.
Operating result increased by 93.8% compared to the previous year.

The statement of financial position of the Technical Gas sector is presented below:

(amounts in thousands of Euro)

	12.31.2020	12.31.2019
Tangible fixed assets	384,039	376,813
Goodwill and consolidation differences	28,809	23,959
Other intangible fixed assets	11,670	11,716
Equity investments	198,518	206,531
Other financial assets	4,639	7,538
Deferred tax assets	14,531	5,204
Non-current assets	**642,207**	631,761
Non-current assets held for sale	**0**	0
Inventories	27,626	22,372
Trade receivables	179,502	157,050
Other current assets	19,427	22,026
Current financial assets	38,992	39,803
Cash and cash at bank	185,946	91,191
Current assets	**451,494**	332,442
TOTAL ASSETS	**1,093,701**	964,202
Share capital	47,164	47,164
Share premium reserve	63,335	63,335
Legal reserve	10,459	10,459
Reserve for treasury shares in portfolio	0	0
Other reserves	232,312	234,610
Retained earnings (accumulated loss)	2,727	2,659
Net Profit	42,893	19,143
Shareholders' equity - Group	**398,891**	377,370
Shareholders' equity - Minority interests	11,297	6,266
Profit pertaining to minority interests	1,158	103
Shareholders' equity - Minority interests	**12,455**	6,368
Shareholders' equity	**411,346**	383,738
Employee severance indemnities and benefits	13,340	12,826
Provision for deferred taxes	2,880	2,449
Provisions for risks and charges	223	224
Payables and other financial liabilities	419,951	380,168
Non-current liabilities	**436,394**	395,667
Non-current liabilities held for sale	**0**	0
Amounts due to banks	2,126	1,319
Trade accounts payable	78,126	67,701
Other financial liabilities	139,496	92,748
Tax payables	6,788	5,078
Other current liabilities	19,425	17,952
Current liabilities	**245,961**	184,797
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**1,093,701**	964,202

BREAKDOWN OF REVENUES BY TYPE OF BUSINESS: HOME-CARE SERVICE SECTOR

The income statement of the Home-care Service sector is shown below:

(amounts in thousands of Euro)

	12.31.2020	%	12.31.2019	%
Net sales	**536,956**	100.0%	492,887	100.0%
Other revenues and income	4,954	0.9%	3,705	0.8%
Internal works and collections	7,157	1.3%	8,857	1.8%
Revenues	**549,067**	102.3%	505,449	102.5%
Purchase of materials	126,974	23.6%	107,552	21.8%
Services rendered	137,376	25.6%	136,205	27.6%
Change in inventories	(9,173)	-1.7%	631	0.1%
Other costs	13,657	2.5%	13,342	2.7%
Total costs	**268,833**	50.1%	257,731	52.3%
Added value	**280,234**	52.2%	247,718	50.3%
Payroll and related costs	119,526	22.3%	113,119	23.0%
Gross operating margin	**160,707**	29.9%	134,599	27.3%
Depreciation/amortisation	56,748	10.6%	52,603	10.7%
Provisions and write-downs	1,483	0.3%	2,760	0.6%
Non-recurring (income)/expenses	0	0.0%	10,109	2.1%
Operating result	**102,477**	19.1%	69,127	14.0%
Financial income	2,079	0.4%	1,862	0.4%
Financial expense	(2,248)	-0.4%	(2,725)	-0.6%
Results from equity investments	(76)	0.0%	(343)	-0.1%
Total financial income/(expense)	**(245)**	0.0%	(1,206)	-0.2%
Profit (Loss) before income taxes	**102,232**	19.0%	67,920	13.8%
Income taxes	21,393	4.0%	21,695	4.4%
Net result from business activities	**80,839**	15.1%	46,225	9.4%
Net result from discontinued operations	0	0.0%	0	0.0%
(Profit)/Loss pertaining to minority interests	(4,055)	-0.8%	(2,986)	-0.6%
Net Profit/(Loss)	**76,784**	14.3%	43,239	8.8%

Sales in the Home-care Service sector increased by 8.9%.
Gross operating margin increased by 19.4% compared to the previous year.
Operating result increased by 48.2% compared to the previous year.

The statement of financial position of the Home-care Service sector is presented below:

(amounts in thousands of Euro)

	12.31.2020	12.31.2019
Tangible fixed assets	170,991	157,644
Goodwill and consolidation differences	101,937	101,758
Other intangible fixed assets	6,935	5,356
Equity investments	76,057	73,332
Other financial assets	2,847	2,133
Deferred tax assets	7,037	1,599
Non-current liabilities	**365,805**	341,822
Non-current assets held for sale	**0**	0
Inventories	35,675	27,104
Trade receivables	137,817	134,491
Other current assets	6,706	7,310
Current financial assets	80,890	42,622
Cash and cash at bank	83,111	78,134
Current assets	**344,199**	289,661
TOTAL ASSETS	**710,004**	631,483
Share capital	7,750	7,750
Share premium reserve	20,934	20,934
Legal reserve	1,550	1,550
Reserve for treasury shares in portfolio	0	0
Other reserves	361,561	338,598
Retained earnings (accumulated loss)	24,577	24,577
Net Profit	76,784	43,239
Shareholders’ equity - Group	**493,156**	436,648
Shareholders’ equity - Minority interests	10,669	10,004
Profit pertaining to minority interests	4,055	2,986
Shareholders’ equity - Minority interests	**14,723**	12,990
Shareholders’ equity	**507,880**	449,638
Employee severance indemnities and benefits	5,196	4,482
Provision for deferred taxes	1,354	1,002
Provisions for risks and charges	853	894
Payables and other financial liabilities	65,866	60,950
Non-current liabilities	**73,270**	67,328
Non-current liabilities held for sale	**0**	0
Amounts due to banks	90	26
Trade accounts payable	62,735	51,816
Other financial liabilities	12,778	12,157
Tax payables	15,334	10,660
Other current liabilities	37,917	39,856
Current liabilities	**128,854**	114,515
TOTAL LIABILITIES AND SHAREHOLDERS’ EQUITY	**710,004**	631,483

INFORMATION BY GEOGRAPHIC AREA

The breakdown of revenues by geographic area is presented below:

Description	12.31.2020	12.31.2019	Change
Italy	424,926	394,031	30,895
Abroad	548,907	510,282	38,625
Total	**973,833**	904,313	69,520

The breakdown of investments by geographic area is presented below:

Description	12.31.2020	12.31.2019	Change
Italy	37,189	37,278	(89)
Other countries	69,089	60,393	8,696
Total	**106,278**	97,671	8,607

INTRA-GROUP TRANSACTIONS AND TRANSACTIONS WITH RELATED PARTIES

The parent company SOL Spa is controlled by GAS AND TECHNOLOGIES WORLD Bv, in turn controlled by STICHTING AIRVISION; the Group has not entered into any transaction with the latter.

INTRA-GROUP TRANSACTIONS

All the intra-group transactions fall within the ordinary operations of the Group, they are conducted on an arms' length basis, and there were no atypical or unusual transactions or transactions causing potential conflicts of interest.
Intra-group sales and services carried out during 2020 amounted to Euro 190.6 million.

As at December 31, 2020, receivable and payable transactions between Group companies came to Euro 301.6 million, of which Euro 202.4 million of a financial nature and Euro 99.2 million of a trade nature.

The breakdown of intercompany financial receivables is as follows:

• Financial receivables granted by SOL Spa	Euro	96.5 million
• Financial receivables granted by AIRSOL Bv	Euro	23.5 million
• Financial receivables granted by other companies	Euro	82.4 million

The transactions of the SOL Group with non-consolidated subsidiary companies, jointly controlled companies and associated companies comprised:

• Sales and services to CT BIOCARBONIC GmbH	Euro	110 thousand
• Purchases from CT BIOCARBONIC GmbH	Euro	3,643 thousand
• Financial receivables from CT BIOCARBONIC GmbH	Euro	800 thousand
• Trade receivables from CT BIOCARBONIC GmbH	Euro	6 thousand
• Amounts due to CT BIOCARBONIC GmbH	Euro	298 thousand
• Sales and services to ZDS JESENICE doo	Euro	1,896 thousand
• Purchases from ZDS JESENICE doo	Euro	2,677 thousand
• Trade receivables from ZDS JESENICE doo	Euro	263 thousand
• Amounts due to ZDS JESENICE doo	Euro	322 thousand
• Sales and services to CONSORGAS Srl	Euro	2 thousand
• Trade receivables from CONSORGAS Srl	Euro	3 thousand
• Financial receivables from CONSORGAS Srl	Euro	35 thousand
• Amounts due to CONSORGAS Srl	Euro	75 thousand
• Sales and services to CONSORZIO ECODUE	Euro	124 thousand
• Purchases from CONSORZIO ECODUE	Euro	178 thousand
• Trade receivables from CONSORZIO ECODUE	Euro	38 thousand
• Amounts due to CONSORZIO ECODUE	Euro	123 thousand

COMMITMENTS, GUARANTEES AND POTENTIAL LIABILITIES

The Sol Group obtained sureties totalling Euro 75,136 thousand.

NET FINANCIAL POSITION

(amounts in thousands of Euro)

		12.31.2020	12.31.2019
a	Cash	471	467
b	Banks	268,710	168,858
c	Securities held for trading	0	0
d	**Liquidity (a) + (b) + (c)**	**269,181**	169,326
e	Securities	6,300	4,147
e	Other short-term financial assets *	366	1,347
e	Current financial receivables due from Group companies	800	2,572
e	**Current financial receivables**	**7,466**	8,066
f	Short-term amounts due to banks	(2,216)	(1,345)
g	Loans - long-term portion	(49,459)	(42,036)
g	Leases - short term portion	(15,319)	(14,338)
g	Bonds - short term portion	(11,937)	(11,946)
h	Amounts due to shareholders for loans	(224)	(87)
h	Amounts due to Group companies	0	0
h	Amounts due to Shareholders for the purchase of equity investments	(1,857)	(2,415)
h	Other short-term financial liabilities *	(2,365)	(1,947)
i	**Current borrowing (f) + (g) + (h)**	**(83,378)**	(74,113)
j	**Net current borrowing (d) + (e) + (i)**	**193,269**	103,279
k	Long-term amounts due to banks	0	0
l	Bonds issued	(121,732)	(63,823)
m	Investment securities	1,156	1,055
m	Other long-term financial assets	831	3,681
m	Loans - long-term portion	(283,730)	(298,114)
m	Leases - *long-term portion*	(36,488)	(34,686)
m	Amounts due to Shareholders for the purchase of equity investments	0	(1,107)
m	Other long-term financial liabilities	(3,562)	(2,190)
n	**Non-current borrowing (k) + (l) + (m)**	**(443,525)**	(395,184)
o	**Net borrowing (j) + (n)**	**(250,257)**	(291,905)

* Includes the fair value of derivative financial instruments

After deduction of lease portions, net indebtedness amounted to Euro 198,450 thousand (Euro 242,881 as at December 31, 2019).

INFORMATION ON RISKS

RISKS RELATED TO THE GENERAL ECONOMIC TREND

The Group performance is affected by the increase or decrease of the gross national product and industrial production, cost of energy products and health expense policies adopted in the different European countries in which the Group works.
The year 2020 was characterised by the economic showdown in all countries where the SOL Group works, due to the Covid-19 pandemic.

RISKS RELATING TO THE GROUP'S RESULTS

The SOL Group partially operates in sectors considerably regulated by economic cycles related to the trend in industrial production, such as the steel, metal working, engineering and glass manufacturing industries. In the case of an extended decline in business, the growth and profitability of the Group could be partially affected. Moreover, government policies for reducing healthcare expenses could reduce margins in the home-care and medical gas sectors.

The decision of Great Britain to leave the European Union could have a moderately negative impact on the GDP of the countries where the SOL Group operates, although at the moment it is not possible to quantify either the amount or the direct effect on the group's activities.

RISKS RELATED TO FUND REQUIREMENTS

The SOL Group carries on an activity that entails considerable investments both in production and in commercial equipment and expects to face up to requirements through the flows deriving from the operational management and from new loans.
Operational management should continue to generate sufficient financial resources, while the use of new loans, notwithstanding the Group's excellent capital and financial structure, may show higher spreads than in the past.

OTHER FINANCIAL RISKS

The Group is exposed to financial risks associated with its business operations:
- credit risk in relation to normal trade transactions with customers;
- liquidity risk, with particular reference to the raising of financial resources associated with investments and with the financing of working capital;
- market risks (mainly relating to exchange and interest rates and to commodity costs), in that the Group operates internationally in different currency areas and uses interest-bearing financial instruments.

CREDIT RISK

The granting of credit to end customers is subject to specific assessments by means of structured credit facility systems.
Positions amongst trade receivables for which objective partial or total non-recoverability is ascertained, are subject to individual write-down. Provisions are made on a collective basis for receivables that are not subject to individual write-down, taking into account the historic experience, the statistical data and, as a result of the introduction of the new accounting standard *IFRS 9*, on the basis of a predictive approach, based on the counterparty's probability of default, the ability to recover in case of loss given default and also of expected future losses.

LIQUIDITY RISK

The liquidity risk may arise with the inability to raise, under good financial conditions, the financial resources necessary for the anticipated investments and the financing of working capital.
The Group has adopted a series of policies and processes aimed at optimising the management of the financial resources, reducing the liquidity risk, such as the maintenance of an adequate level of available liquidity, the obtaining of adequate credit facilities and the systematic monitoring of the forecast liquidity conditions, in relation to the corporate planning process.
Management believes that the funds and the credit facilities currently available, in addition to those that will be generated by operating and financing activities, will permit the Group to satisfy its requirements resulting from investment activities, working capital management and debt repayments on their natural maturity dates.

EXCHANGE RATE RISK

In relation to sales activities, the Group companies may find themselves with trade receivables or payables denominated in currencies other than the reporting currency of the company that holds them.
A number of Group subsidiary companies are located in countries outside the Eurozone, in particular Switzerland, Bosnia, Croatia, Serbia, Albania, North Macedonia, Bulgaria, Hungary, Romania, the UK, Poland, India, Turkey and Brazil. Since the reference currency for the Group is the Euro, the income statements of these com-

panies are translated into Euro using the average exchange rate for the period and, revenues and margins in local currency being equal, changes in interest rates may have an effect on the equivalent value in Euro of revenues, costs and economic results.
Assets and liabilities of the consolidated companies whose reporting currency is not the Euro can adopt equivalent values in Euro that differ depending on the exchange rate trend. As envisaged by the accounting standards adopted, the effects of these changes are booked directly to shareholders' equity, under the item "Other reserves".
Some Group companies purchase electricity that is used for the primary production of technical gasses. The price of electricity is affected by the Euro/dollar exchange rate and by the price trend of energy commodities. The risk related to their fluctuations is mitigated by signing, as much as possible, fixed price purchase contracts or with a variation measured over a longer time period. Moreover, long-term supply contracts to customers are index-linked in such a way as to cover the fluctuation risks shown above.
The Parent Company has two bond loans outstanding for a total of USD 41.5 million. To hedge the exchange rate risk, two cross currency swaps were made in Euros on the total loan amount and for the entire duration (12 years). The *fair value* of the CCSs as at December 31, 2020 was positive in the amount of Euro 906.4 thousand.
With regard to the currency weakness involving the Turkish lira, note that Group companies resident in Turkey operate only within the country, but there could be a negative effect on their profitability as a result of the higher cost of products purchased from third countries.
Since these are small companies, the effect on the Group's consolidated financial statements is not significant.

INTEREST RATE RISK

The interest rate risk is managed by the parent company by centralising most of the medium/long-term debt and by appropriately dividing the loans between fixed rate and floating rate, favouring, when possible and convenient, medium/long-term debt with fixed rates, also through specific Interest Rate Swap agreements.
Some Group companies have entered into a number of Interest Rate Swap agreements linked to two floating rate medium-term loans with the aim of guaranteeing a fixed rate on said loans. The nominal value as at December 31, 2020 is equal to Euro 189,636 thousand and the negative fair value is equal to Euro 4,839 thousand.

RISKS RELATING TO PERSONNEL

In various countries in which the Group operates, employees are protected by different laws and/or collective labour contracts that guarantee them the right to be consulted on specific issues - including the downsizing and closing of departments and the reduction of staff numbers - through representations. This could affect the Group's flexibility in strategically redefining its own organisations and activities.
The management of the Group consists of persons of proven expertise who normally have long-standing experience in the sectors in which the Group operates. The replacement of any person in management may require a long period of time.

RISKS RELATING TO THE ENVIRONMENT

The products and the activities of the SOL Group are subject to increasingly complex and strict authorisation and environmental rules and regulations. This concerns manufacturing plants subject to regulations on atmospheric emissions, waste disposal and waste water disposal and the ban on land contamination.
High charges should be shouldered in order to observe such regulations.

RISKS RELATING TO IT MANAGEMENT AND DATA SECURITY

The increasing use of IT tools in the management of company activities and the interconnection of company systems with external IT infrastructures exposes these systems to potential risks with regard to the availability, integrity and confidentiality of data, as well as the efficiency of the IT tools themselves.
To ensure effective business continuity, the Group adopted a *disaster recovery* and business continuity system to ensure immediate replication of the main legacy system workstations.
Moreover, multiple levels of physical and logical protection, at the level of servers and at the level of clients, ensure the active security of data and business applications.
Vulnerability analyses and audits on the security of information systems are periodically carried out by independent technicians to check the adequacy of the company's IT systems.
Finally, with regard to the problem of fraud through the use of IT resources by external parties, all employees are periodically informed and trained on the correct use of the resources and IT applications available to them.

TAX RISKS

The SOL Group is subject to taxation in Italy and in several other foreign jurisdictions.
The various companies of the Group are subject to the assessment of the income tax returns by the competent tax authorities of the countries in which they operate.
As already occurred in the past, any findings reported in the tax audits are carefully assessed and, when necessary, challenged in the appropriate venues.
At present, a dispute is in progress in Italy for findings - considered groundless - on Transfer pricing.
However, given the considerable uncertainty surrounding this issue, there can be no assurance that the conclusion of this dispute will not have a negative outcome and, therefore, have an impact on the Group's profitability. It should be noted that, also on the basis of the studies carried out with the Group's tax consultants, no provision has been made in the financial statements, as the risk is considered only possible.

DISCLOSURE PURSUANT TO ARTICLE 1 PARAGRAPH 125 OF ITALIAN LAW NO. 124 OF AUGUST 4, 2017

With reference to Article 1 paragraph 125 of Italian Law 124/2017, the subsidies received by public administrations are summarised below:

- Contribution of Euro 208 thousand from the Ministry for Universities and Research (MIUR) for the *Smart Energy Boxes Project, 2007-2013 PON Research and Competitiveness funds* granted to the parent company
- Contribution of Euro 208 thousand from the Ministry of Economic Development for the *Hydrostore Project, 2015 Industry Funds* granted to the parent company
- Contribution of Euro 103 thousand from the Ministry for Universities and Research (MIUR) for the *Auto Thermal Reforming Project, 2007-2013 PON Research and Competitiveness funds* granted to the parent company
- Contribution of Euro 53 thousand for the *BIOSET Project - Project for the development of services and products for a more efficient and safer blood transfusion chain*
- Contribution of Euro 28 thousand for sanitisation and purchase of protection devices to VIVISOL Srl
- Contribution of Euro 36 thousand *POR Marche Project IOT* (*Intelligent Oncology Telemedicine*) granted to VIVISOL Srl
- Contribution of Euro 28 thousand for sanitisation and purchase of protection devices to VIVISOL NAPOLI Srl
- Contribution from the Marche Region for *Project Bando Piattaforme* Euro 1,783 thousand (of which Euro 1,453 thousand paid to the project partners) to the company DIATHEVA Srl.
- Non-repayable contribution pursuant to Article 25 of Italian Legislative Decree 34/2020 Euro 37 thousand to REVI Srl

- Capital grant Incentive to companies for the implementation of occupational health and safety in pursuance of Article 1, paragraph 5 of Italian Legislative Decree 81/2008 as amended Euro 32 thousand granted to the company STERIMED Srl

Note that, pursuant to Article 24 of Italian Legislative Decree no. 34/2020, the amount of the 2019 IRAP balance and the first instalment of the 2020 IRAP advance have not been paid as they are subject to the "discount" provided for by the regulation to paper over the cracks of the pandemic crisis; thanks to this legislative provision, the Group benefited from a tax discount of Euro 683 thousand.

ADJUSTMENTS PURSUANT TO ART.S 15 AND 18 OF THE MARKET REGULATIONS

Pursuant to Article 18 (former 39) of the Market Regulation issued by Consob with reference to "Conditions for the share prices of companies controlling companies set-up and governed by the law of non-EU countries" referred to in Article 15 (former 36) of the above Regulation (issued in order to implement Article 62 sub-paragraph 3 bis of Italian Legislative Decree 58/98 as amended on December 28, 2017 with resolution no. 20249), it is stated that in the SOL Group there are twelve companies based in four non-EU countries that are important pursuant to sub-paragraph 2 of the said article 15.
The current procedures of the SOL Group already allow to conform with what is required by the standard.

INFORMATION PURSUANT TO ARTICLE 149 DUODECIES OF THE CONSOB ISSUER REGULATION

The following table, drawn up pursuant to Article 149 duodecies of the Consob Issuer Regulation, shows the considerations pertaining to the 2020 financial year for the auditing services and for those other than auditing supplied by the auditing company and by bodies belonging to its network.

(amounts in thousands of Euro)

	Subject who supplied the service	Recipient	Considerations pertaining to the 2020 financial year
External auditing	Deloitte	Parent Company SOL Spa	128
	Deloitte	Subsidiary companies	96
	Deloitte network	Subsidiary companies	245
Quarterly audit	Deloitte	Parent Company SOL Spa	6
	Deloitte	Subsidiary companies	10
Other services	Deloitte	Parent Company SOL Spa (1)	28
	Deloitte	Subsidiary companies (1)	25
	Deloitte network	Subsidiary companies	8
Total			**546**

(1) Fiscal aid services and others

NON-RECURRING SIGNIFICANT EVENTS AND TRANSACTIONS

Pursuant to Consob (Italian Securities and Exchange Commission) communication no. DEM/6064296 of July 28, 2006, the SOL Group did not carry out non-recurring significant events and transactions during 2020.

TRANSACTIONS DERIVING FROM ATYPICAL AND/OR UNUSUAL OPERATIONS

Pursuant to Consob communication no. DEM/6064296 of July 28, 2006, the SOL Group did not carry out atypical and/or unusual operations in 2020, as defined by the Communication itself.

SIGNIFICANT EVENTS THAT TOOK PLACE AT THE REPORTING DATE AND FORESEEABLE BUSINESS DEVELOPMENTS

In this regard, please refer to the specific section in the management report.

Monza, March 30, 2021

The Chairman of the Board of Directors
(Aldo Fumagalli Romario)

CERTIFICATE OF THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ARTICLE 154-BIS OF ITALIAN LEGISLATIVE DECREE 58/98

The undersigned Aldo Fumagalli Romario and Marco Annoni, as Managing directors, and Marco Filippi, as Manager in charge of drawing up company accounting documents for SOL Spa, certify, also considering the provisions of Article 154-bis, paragraphs 3 and 4, of Italian Legislative Decree no. 58 of February 34, 1998:

- the adequacy in relation to the characteristics of the business and
- actual application

of the administrative and accounting procedures for the drawing up of the consolidated financial statements during the 2020 financial year.

We also certify that:

1. The consolidated financial statements:
   a) were prepared in accordance with the International Financial Reporting Standards recognised by the European Union pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of July 19, 2002;
   b) correspond to the results of the accounting books and records;
   c) give a true and fair view of the financial position, the results of the operations and of the cash flows of the issuer and of the consolidated companies.

2. The directors' report includes a reliable analysis of the business trend and operating result as well as of the situation of issuing company and of the consolidated companies, together with a description of the main risks and uncertainties they incur.

Monza, March 30, 2021

The Managing directors
(Aldo Fumagalli Romario)
(Marco Annoni)

Manager in charge of
drawing up company accounting documents
(Marco Filippi)

REPORT OF THE INDEPENDENT AUDITORS SOL GROUP

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INDEPENDENT AUDITOR'S REPORT
PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010 AND ARTICLE 10 OF THE EU REGULATION 537/2014

To the Shareholders of
SOL S.p.A.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of SOL S.p.A. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of SOL S.p.A. (the "Company") in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Impairment test on intangible assets with indefinite useful lives	
Description of the key audit matter	The Group recognizes intangible assets with indefinite useful lives ("goodwill and consolidation differences") for Euro 139,868 thousand, which, in accordance with the applicable accounting standards, and as described in the notes to the financial statements, are not amortized, rather they are subjected to an impairment test at least annually. As required by the "IAS 36 Impairment of Assets," the Company's Directors have carried out the impairment test in order to determine that intangible assets with indefinite useful lives are accounted for in the consolidated financial statements at December 31, 2020 at a value not higher than their recoverable values. The amounts subject to impairment test do not include intangible assets with indefinite useful lives relating to the companies acquired by the Group during the year, equal to Euro 4,850 thousand, the value of which was subject to verification upon initial registration. The recoverable amounts of these assets were estimated by determining their economic values, based on the cash flows that the assets are able to generate. Based on the strategic and organizational choices made, the Directors identified the Cash Generating Units ("CGU") in the individual legal entities, which represent the smallest units generating financial flows identifiable within the Group. The recoverability of the amounts recorded in the financial statements was verified by comparing the carrying amounts of the assets attributable to the CGUs with the values in use of the same. The value in use, defined as Enterprise Value, was determined considering the expected cash flows for an explicit projection period (in some cases even longer than 5 years in relation to the specificity of some businesses) for the individual CGUs, the terminal value, determined after the last year of the explicit projection period through the application of a perpetual annuity, and an appropriate discount rate (Weighted Average Cost of Capital - WACC). In particular, the WACC was calculated for each CGU subjected to the impairment test, taking into account the specific parameters of the geographical area: market risk premium and sovereign debt yields. Future expectations about market conditions influence these assumptions. Based on the impairment test approved by the Board of Directors on March 30, 2021, the Directors assessed that the carrying values of the intangible assets with indefinite useful lives are lower than the recoverable values and, therefore, no impairment losses were recognized in relation to the intangible assets with indefinite useful lives.

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	Considering the relevant values of the intangible assets with indefinite useful lives accounted for in the consolidated financial statements, the subjectivity of the estimates related to the determination of cash flows (DCF) and the key variables of the impairment tests, we considered the impairment test as a key audit matter of the Group consolidated financial statements. Note 10 "Goodwill and consolidation differences" of the consolidated financial statements states the disclosures on the impairment test, including a sensitivity analysis performed by the Directors, which shows the effects that may occur on the recoverable value of intangible assets resulting from changes in certain key assumptions used for the impairment test.
Audit procedures performed	As part of our audit, we have, among others, carried out the following procedures, also with the support of experts: • review of the methods adopted by the Directors for the determination of the value in use of the CGUs, analyzing the methods and assumptions used and considered for the development of the impairment test and its compliance with the applicable accounting standards; • understand and evaluate the SOL Group's relevant internal controls over the impairment test process related to intangible assets with indefinite useful lives; • analysis of the reasonableness of the key assumptions underlying the cash flow calculation; also, through the review of historical data available on the sector and on the Group (such as growth and average sector margins) as well as through the review of information obtained from the Directors; • analysis of the actual figures compared to the planned amounts in order to assess the nature of the deviations and the reliability of the planning process; • analysis of the reasonableness of the discount rate (WACC), of the calculation of the terminal value (TV) and of the long-term growth rate (g-rate); • review of the mathematical accuracy of the model used to estimate the value in use of the CGUs; • review of the correct calculation of the book value of the CGUs; • review of the sensitivity analysis aimed at understanding the effects on the impairment test when certain assumptions change; • analysis of the adequacy and compliance of the disclosure related to the impairment test.

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Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The Directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05, and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or the termination of the business or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

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- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of SOL S.p.A. has appointed us on May 12, 2016 as auditors of the Company for the years from December 31, 2016 to December 31, 2024.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

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REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14 paragraph 2 (e) of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of SOL S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and the ownership structure of SOL Group as at December 31, 2020, including their consistency with the related consolidated financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the report on corporate governance and the ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98, with the consolidated financial statements of SOL Group as at December 31, 2020 and on their compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations and some specific information contained in the report on corporate governance and the ownership structure are consistent with the consolidated financial statements of SOL Group as at December 31, 2020 and are prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the Group and of the related context acquired during the audit, we have nothing to report.

Statement pursuant to art. 4 of the Consob Regulation for the implementation of Legislative Decree 30 December 2016, no. 54

The Directors of SOL S.p.A. are responsible for the preparation of the non-financial statement pursuant to Legislative Decree 30 December 2016, no. 254.

We verified the approval by the Directors of the non-financial statement.

Pursuant to art. 3, paragraph 10 of Legislative Decree 30 December 2016, no. 254, this statement is subject of a separate attestation issued by us.

DELOITTE & TOUCHE S.p.A.

Signed by
Riccardo Raffo
Partner

Milan, Italy
April 20, 2021

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