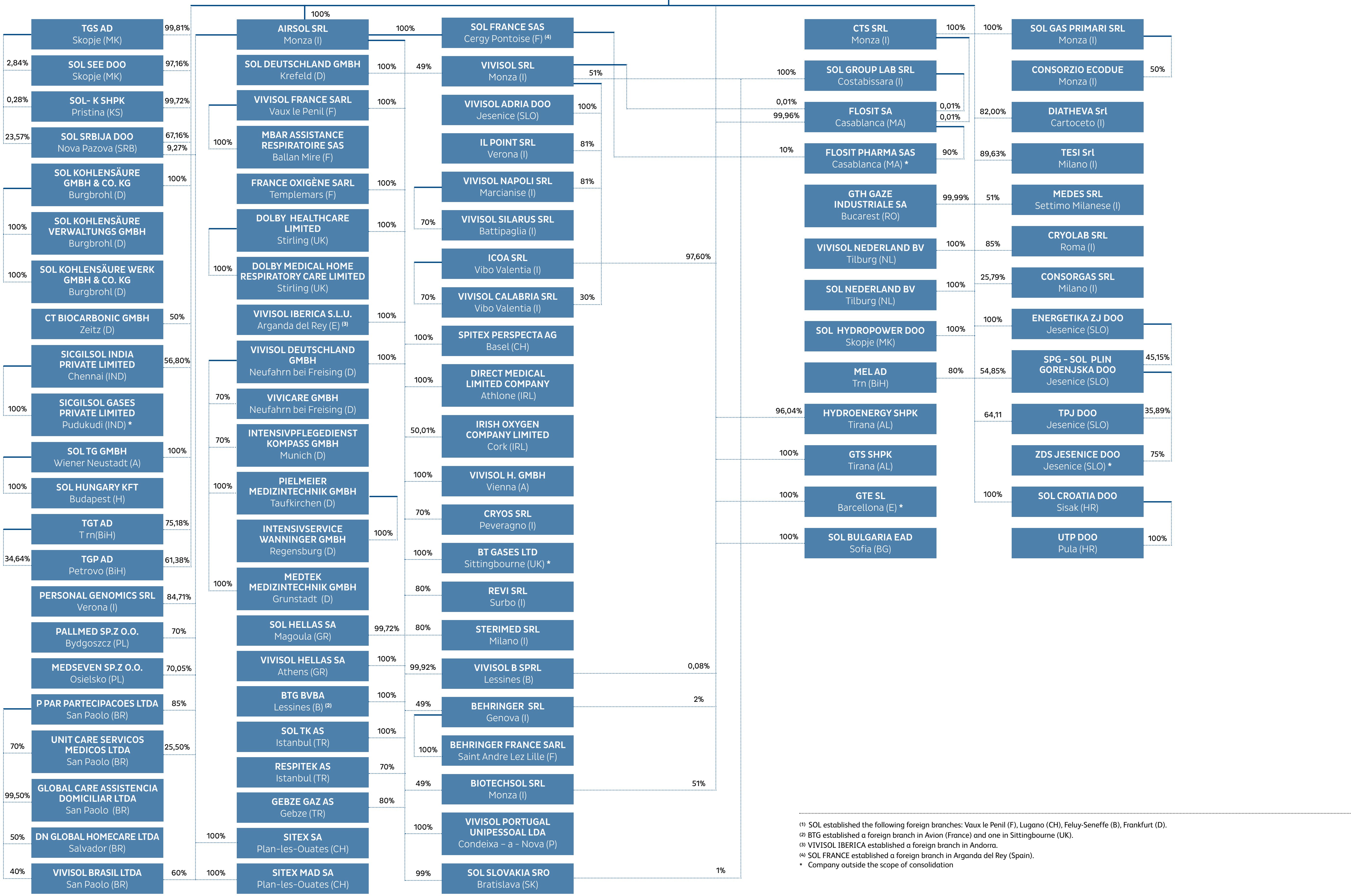
# 2019

# SOL GROUP ANNUAL REPORT

SOLGROUP
a breath of life
1927-2017

# STRUCTURE OF THE SOL GROUP AS AT DECEMBER 31, 2019

## 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

# INDEX




**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
Alessandro Danovi

Regular auditors
Livia Martinelli
Giuseppe Marino

Alternate Auditors
Maria Gabriella Drovandi
Vincenzo Maria Marzuillo

## AUDITING COMPANY

DELOITTE & TOUCHE Spa
Via Tortona n. 25
20144 Milan

## POWERS GRANTED TO THE DIRECTORS

(CONSOB Communication No. 97001574 dated 20 February 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, 2019 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 Community 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 sector for 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.
2019 was characterised by an economic scenario of low growth with a further slowdown in the second half of the year.
The trade tariff war between the United States and other economies, especially China, with the increase in customs duties to protect domestic production, characterised the entire year and it was only at the beginning of 2020 that an agreement was signed between the United States and China. However, there remains uncertainty about its future impact, especially on the European economy.
The price of oil has been quite stable, albeit with periods of increase due to the various situations of conflict in different Arab countries.
Interest rates on loans in Euro remained at the low levels of the last few years, albeit the spreads applied by the banking system had a variable trend.
Italy registered a GDP growth rate close to zero.
For the year 2020, macroeconomic forecasts show a very slight recovery, although political uncertainties and ongoing conflicts in various continental areas make the forecasts not too stable.
To this must be added the negative effects resulting from the spread of the Coronavirus (COVID-19); it is currently difficult to assess its impact on the world economy as this will depend mainly on the extent and duration of the contagion.
The risk is that the recovery of global trade and industry could be delayed for months.
A final factor of uncertainty, especially for Europe, is the consequences of Brexit, which, after years of postponement, will have to be put into practice.
With regard to the technical, special and medical gases sector, there was a slight increase in volumes and prices in 2019, partly as a result of higher transport and electricity costs.
The increase in the consumption of technical gases was reported especially in the sectors that use liquid nitrogen, such as food, mechanics and pharmaceuticals.
The sectors that use liquid nitrogen reported a consumption trend in line with that of 2018.
There was a sharp drop in sales of refrigerant gases.
The situation of low availability of helium from sources worldwide continued in 2019, which caused SOL to increase its purchase cost considerably.
The hospital sector grew due to the introduction of new services; the reduction in the price of medical gases continued.
In the home care sector, good growth was recorded in 2019, especially in foreign countries.

As for 2020, a moderate growth is expected in both the technical gas and home care sectors. However, this scenario may also undergo drastic changes in relation to the developments and effects of the Coronavirus pandemic (COVID-19). These circumstances, which are extraordinary in nature and extent and have direct and indirect repercussions on future economic and financial activities, created a general uncertainty, the development and effects of which are not foreseeable to date. The potential effects of this phenomenon on the financial statements, including the effects related to Group companies, cannot be determined at present and will be constantly monitored throughout the year.

## SUMMARY RESULTS

In this context, we believe that the results achieved by the SOL Group in 2019 were certainly positive.
The net sales achieved by the SOL Group in 2019 were equal to Euro 904.3 million (+8.5% compared to those of 2018).
The gross operating margin was Euro 211.3 million, equating to 23.4% of sales, up by 13% when compared to 2018 (Euro 186.9 million, or 22.4% of sales).
The gross operating margin without non-recurring expenses was Euro 98.8 million, equating to 10.9% of sales, up by 9.0% when compared with 2018 (Euro 89.7 million, or 10.8% of sales).
The net operating result amounted to Euro 88.7 million and was affected by non-recurring expenses of Euro 10.1 million relating to the definition of a procedure started in 2015 by the Antitrust Authority (Autorità garante della concorrenza e del mercato, AGCM), which also involved two Italian companies of the Group. In the first instance, Regional Administrative Court of Lazio voided in full the fine imposed on VIVISOL Srl and reduced the fine imposed on one of the two companies and reduced that of the other.
Subsequently, the Council of State, to which both the Antitrust Authority (Autorità garante della concorrenza e del mercato, AGCM) and the companies involved lodged their respective appeals in opposition to the judgements of the Regional Administrative Court of Lazio, voided the judgements, confirming almost completely what the Antitrust Authority (Autorità garante della concorrenza e del mercato, AGCM) also claimed with regard to the extent of the fine. Both companies are preparing the relevant appeals at the appropriate venues.
The net profit amounted to Euro 49.3 million (Euro 51.9 million at the end of 2018).
The cash flow amounted to Euro 157.9 million (17.5% of sales), up compared to that of 2018 (equal to Euro 142.6 million).
The technical investments carried out in 2019 amounted to Euro 97.7 million (Euro 94.5 million in 2018).
The average number of staff employed as at December 31, 2019 amounted to 4,183 (3,802 as at December 31, 2018).
The net financial indebtedness was equal to Euro 291.9 million (248.5 million as at December 31, 2018).
The adoption of the new accounting standard IFRS 16 as from 2019 led to the following major changes:
- an increase in Gross Operating Margin of Euro 14.5 million;
- an increase in depreciation/amortisation of Euro 13.9 million;
- an increase in net financial expenses of Euro 0.9 million;
- increase in non-current assets of Euro 49.0 million;
- an increase in net indebtedness of Euro 49.0 million.

## MANAGEMENT TREND

During 2019, the technical gas sector showed an increase in sales of 2.3% when compared with the previous year achieving a turnover from third-party customers equating to Euro 412.6 million, with slightly increasing volumes in all the sectors of use.
Sales growth was more marked in European countries than it was in Italy and was greater especially in the metalworking, food and chemical and pharmaceutical sectors.

On the other hand, the hospital sector remained stable with decreasing prices mainly due to reduced expenditure policies.
The home-care business reported a considerable growth (+14.3% for a turnover to third-party customers equating to Euro 491.7 million) above all in foreign countries, thanks to a continuous commitment to the development of new products and services, which support oxygen therapy activities by integrating them.
Overall, in the healthcare sector, the Group's sales amounted to Euro 592 million, or 65.5% of total turnover.
The adoption of the new accounting standard IFRS 16 led to the recognition of lower rental costs of Euro 14.5 million, higher depreciations of Euro 13.9 million, as well as higher net financial expense of Euro 0.9 million.
In terms of costs, the gross operating margin reported a growth of Euro 24.4 million compared to 2018, or 13%.
Compared with 2018, the production of energy by hydroelectric plants was lower due to the low level of rainfall, the end of the income from white certificates from previous investments in energy efficiency, an increase in transport and electricity costs.
The operating result without non-recurring expenses increased by Euro 8.2 million compared to 2018, or 9%.
The Group's net indebtedness, net of rental payables, not considered in 2018, decreased by Euro 5.7 million despite technical investments and acquisitions made in 2019.
The debt ratios remain very solid, with a debt/equity ratio of 0.50 and a cash flow cover of 1.38.
During 2019, technical gas reserves remained within the safety levels.
In 2019, the SOL Group's work force increased and the staff training and qualifying activities continued in order to improve the professional quality so as to achieve the Group's growth objectives.

## PERFORMANCE ON THE STOCK EXCHANGE

SOL stock opened 2019 with a price of Euro 10.98 and closed on December 30, 2019 at Euro 10.50.
During the year, the stock achieved a maximum price of Euro 12.24, while the minimum came to Euro 10.12.

## QUALITY, SAFETY, HEALTH AND ENVIRONMENT

The focus on issues of quality management, health, safety and environment was constantly active throughout 2019 with an intense internal auditing activity and with verifications 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 22000 - FSSC 22000, ISO 50001, ISO 27001, ISO 22301, ISO 17025 were renewed and extended to new activities as well as other operational sites of the Group.
Since November 2019, VIVISOL Italia is being certified in accordance with the ISO 45001 standard, replacing the OHSAS 18001 standard.
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.

The UNI EN ISO 17025:2005 certification was also confirmed in 2019 for the medical gas analysis methods used in the laboratory of the Monza plant, that has maintained the status of Testing laboratory approved and certified by ACCREDIA.
Within the technical gas and biotechnology activities, third party certifications obtained in previous years were confirmed.
To date, the ISO 9001 status of the individual sites has been certified at 42 sites in Italy and 44 sites outside of Italy (of which 4 belong to the Indian company SICGILSOL and 1 to the German company CT Biocarbonic, joint control companies consolidated using the equity method).

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 (of which 1 belonging to the German company CT Biocarbonic, jointly controlled company consolidated by adopting the equity method) and 2 in Italy.
During 2019, SOL Bulgaria obtained ISO 22000 and FSSC 22000 certification for the new CO2 recovery site in Ihtiman.
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 OHSAS 18001 standard is applied in 39 sites in Italy and 9 sites outside of Italy.
The excellence certification status (ISO 9001, ISO 14001, 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.
Moreover, the timely implementation of the Responsible Care programme was verified through internal audits.
All EC marking certifications have been duly renewed; they pertain to medical devices, medical gas distribution systems, vacuum systems, anaesthetic gas and gas and mixture exhaust systems, pressure reducers and other electrical medical products.
Within the sphere of home-care activities, third party certification obtained in previous years was confirmed. To date, the certification status (ISO 9001) of the Vivisol sites has been achieved for 22 sites in Italy and was expanded to 19 sites outside of Italy.
The ISO 14001 certification of Vivisol Srl Site and of other 8 sites outside of Italy was also confirmed. Certification of the safety management system according to the OHSAS 18001 standard, applied in 20 sites in Italy and 7 sites outside of Italy, was also confirmed.
The Integrated Environmental Authorisation of the Ravenna site was renewed and the files of the Caserta and Ancona sites are being renewed.
The Sustainability Report will accompany the Financial Statements this year as well, 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).

## CONSOLIDATED NON-FINANCIAL STATEMENT

The consolidated non-financial statement of SOL Spa for the year 2019, 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 2019 as well.
At the end of 2019, the Group has:

- 146 Marketing Authorisations filed (4 of which are in the process of being issued and 142 issued) in 22 countries (19 EU and 4 non-EU) through 40 files;
- a total of 56 Pharmaceutical Workshops (54 of gas production, plus the Diatheva biotechnology production workshop API and the SITEX workshop for galenic preparations) of which 23 in Italy and 33 abroad (14 countries). The gas workshops are divided into 10 home-care units abroad and 5 in Italy, and 17 technical gas units in Italy and 22 abroad;
- 23 Technical Files for Medical Devices (of which 6 gases, involving 18 production sites). These are supported by 3 Technical Files of Diatheva and 16 Technical Files of Behringer.

In 2019, 6 GMP inspections of gas production workshops were carried out by the relevant national agencies.
The group's ADR Monitoring and scientific service was inspected by the Belgium authorities in 2019.

# SOL GROUP INVESTMENTS

During the financial year 2019 investments were made for Euro 49.8 million in the "technical gases" sector, of which 15.7 million Euro by the parent company SOL Spa, and Euro 47.9 million in the "home care" sector as detailed below:

- in Verona, at the SOL Gas Primari plant in San Martino Buon Albergo, work has begun on the construction of the new liquid nitrogen production unit and the strengthening of the overall production of oxygen and argon from the existing plant;
- at the Sol Gas Primari plant in Salerno, work is underway on the construction of the new liquefied methane storage facility for the southern Italian market;
- In Hungary, work is nearing completion on the construction of the new secondary production plant in Budapest of the subsidiary SOL Hungary;
- in Albania, work on the construction of a new sulphur dioxide production plant in Tirana was completed;
- In Spain, construction work on the new secondary production unit in Barcelona of the SOL France Branch Iberica was completed;
- In Poland, work is underway to expand the palliative care facility of the subsidiary PALLMED in Bydgoszcz;
- In India, the nitrous oxide production plant was successfully started at the Ranipet secondary production plant;
- the programme for the improvement, modernisation and rationalisation of primary production plants of technical gases in Europe continued. This activity has particularly affected the units of Novara in Italy, with the installation of a new on-site, and Kavadarci in Macedonia;
- the programme for the improvement, modernisation and rationalisation of secondary production plants of technical gases in Europe continued. This activity has particularly affected the units of Ancona and Padua in Italy, Tilburg in Holland, Wiener Neustadt in Austria and Bucharest in Romania;
- 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

During 2019, the Group acquired majority stakes in the following companies:

- the subsidiary Airsol Srl acquired 85 % of the Brazilian company P Par Partipacoes Ltda, based in Sao Paulo, a holding company that owns three Brazilian companies operating in the home-care sector, which are the Global Care Assistencia Domiciliar Ltda, the Unit Care Servicos Medicos Ltda and DN Global Homecare Ltda;
- The subsidiary Pielmeier Medizintechnk GmbH acquired 100 % of the company Intensivservice Wanninger GmbH based in Regensburg (Germany) and active in the home-care sector;
- the subsidiary Airsol S.r.l. acquired 100 % of the Swiss company SPITEX PERSPECTA AG, based in Basel and active in the home-care sector.

# RESEARCH AND DEVELOPMENT ACTIVITIES

Research activities, which characterise and support the Group's development, continued 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, 2019, 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 2019 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 our Consolidated Financial Statements as at December 31, 2019.

# 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.
2019 was characterised by the economic showdown in several Countries where the SOL Group works.

### RISKS RELATING TO THE GROUP'S RESULTS

The SOL Group partially operates in sectors affected by significant cyclicality 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 will probably 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.
It should be noted that the ongoing economic problems of Greece, a country in which the SOL Group has been operating for years, could lead to uncertainty, currently not quantifiable, regarding the possibility of collecting receivables from public hospitals in the country and the redemption of Greek government bonds in our portfolio. However, these amounts are not significant with reference to the Group consolidated financial statements.

## 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 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, 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 provided for 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 51 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, 2019 was positive in the amount of Euro 3,743 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, 2019 is equal to Euro 142,015 thousand and the negative fair value is equal to Euro 3,111 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.
The Group expects to continue to incur high charges in order to comply with 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.

## MANAGEMENT AND CO-ORDINATION ACTIVITIES (PURSUANT TO ARTICLE 37, SUB-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 END OF THE 2019 FINANCIAL YEAR AND BUSINESS OUTLOOK

An important fact to note is the spread of the Coronavirus epidemic (COVID-19) in various countries where the SOL Group operates.
The Group companies operating in the countries concerned have taken all necessary measures and steps to ensure the continuity of production, distribution and service activities and to safeguard the health of their employees.
With regard to the impact of the pandemic on sales and profitability of the SOL Group, note that about 65% of its sales are addressed to the healthcare sector, which is characterised by a relative anti-cyclicality. The impact of the foreseeable decline in industrial production will therefore affect the Group's activities in the industrial sector.
With regard to profitability, note that the SOL Group produces and distributes the drug Oxygen and must always and in any case meet requests for the provision of essential, life-saving and non-interruptible services, such as those to hospitals or home patients. Due to the COVID-19 pandemic, the SOL Group is undergoing a considerable effort in organisational and logistical terms to which all its employees are contributing with a great spirit of self-denial. This situation, managed in an emergency context, could affect cost trends and the Group's profitability.
However, it is not possible at present to make credible quantitative estimates of the impact of COVID-19 on the Group in that it is not possible to foresee how long the emergency will last and how widespread it will be in the various countries of Europe and the world.
In this context, we will still try to achieve turnover growth and maintain profitability at a good level.
Therefore, the SOL Group will continue to pursue the objective of the development, especially in foreign markets, constantly paying attention to the rationalisation of the activities, and continuing to invest in plants, sales, diversification and innovation tools.
This will depend very much on the duration of the current pandemic and its impact on the economies of the various countries in which the Group operates, which are currently not realistically predictable in quantitative terms.

Monza, March 27 2020

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

# CONSOLIDATED FINANCIAL STATEMENTS AND EXPLANATORY NOTES SOL GROUP

# CONSOLIDATED INCOME STATEMENT SOL GROUP

(amounts in thousands of Euro)

| | Notes | 12.31.2019 | % | 12.31.2018 | % |
|---|---|---|---|---|---|
| **Net sales** | 1 | **904,313** | **100.0%** | 833,513 | 100.0% |
| Other revenues and income | 2 | 8,883 | 1.0% | 7,729 | 0.9% |
| Internal works and collections | 3 | 13,662 | 1.5% | 11,630 | 1.4% |
| **Revenues** | | **926,858** | **102.5%** | 852,873 | 102.3% |
| Purchase of materials | | 212,870 | 23.5% | 206,202 | 24.7% |
| Services rendered | | 272,233 | 30.1% | 247,851 | 29.7% |
| Change in inventories | | 1,752 | 0.2% | (5,240) | -0.6% |
| Other costs | | 23,580 | 2.6% | 34,258 | 4.1% |
| **Total costs** | 4 | **510,436** | **56.4%** | 483,070 | 58.0% |
| **Added value** | | **416,422** | **46.0%** | 369,802 | 44.4% |
| Payroll and related costs | 5 | 205,115 | 22.7% | 182,870 | 21.9% |
| **Gross operating margin** | | **211,307** | **23.4%** | 186,933 | 22.4% |
| Depreciation/amortisation | 6 | 105,472 | 11.7% | 88,606 | 10.6% |
| Provisions and write-downs | 6 | 7,066 | 0.8% | 7,733 | 0.9% |
| Non-recurring (income) / expenses | 6 | 10,109 | 1.1% | 940 | 0.1% |
| **Operating result** | | **88,660** | **9.8%** | 89,654 | 10.8% |
| Financial income | | 2,610 | 0.3% | 2,974 | 0.4% |
| Financial expense | | (11,331) | -1.3% | (11,240) | -1.3% |
| Results from equity investments | | 262 | 0.0% | (219) | 0.0% |
| **Total financial income / (expense)** | 7 | **(8,459)** | **-0.9%** | (8,485) | -1.0% |
| **Profit (Loss) before income taxes** | | **80,201** | **8.9%** | 81,169 | 9.7% |
| Income taxes | 8 | 27,784 | 3.1% | 27,203 | 3.3% |
| **Net result from business activities** | | **52,417** | **5.8%** | 53,966 | 6.5% |
| Net result from discontinued operations | | - | 0.0% | - | 0.0% |
| (Profit) / Loss pertaining to minority interests | | (3,079) | -0.3% | (2,086) | -0.3% |
| **Net Profit / (Loss)** | | **49,338** | **5.5%** | 51,880 | 6.2% |
| **Earnings per share** | | **0,544** | | 0,572 | |

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME SOL GROUP

(amounts in thousands of Euro)

| | 12.31.2019 | 12.31.2018 |
|---|---|---|
| **Profit/(Loss) for the year (A)** | **52,417** | 53,966 |
| **Components that will never be reclassified to the Income Statement** | | |
| Actuarial gains/(losses) | (1,587) | 176 |
| Tax effect | 396 | (45) |
| **Total components that will never be reclassified to the Income Statement (B1)** | **(1,191)** | 131 |
| **Components that may be reclassified to the Income Statement** | | |
| Profits / (losses) on cash flow hedging instruments | 600 | 1,345 |
| Profits / (losses) deriving from conversion of financial statements of foreign companies | 50 | (319) |
| Tax effect related to other profits (losses) | (130) | (307) |
| **Total components that may be reclassified to the Income Statement (B2)** | **520** | 720 |
| **Total other profits / (losses) net of the tax effect (B1) + (B2) = (B)** | **(671)** | 851 |
| **Overall result for the period (A+B)** | **51,746** | 54,816 |
| Attributable to: | | |
| - shareholders of the parent company | 48,765 | 53,042 |
| - minority interest | 2,981 | 1,774 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION SOL GROUP

(amounts in thousands of Euro)

| | Notes | 12.31.019 | 12.31.2018 |
|---|---|---|---|
| Tangible fixed assets | 9 | 534,124 | 475,382 |
| Goodwill and consolidation differences | 10 | 134,838 | 97,695 |
| Other intangible fixed assets | 11 | 17,072 | 16,229 |
| Equity investments | 12 | 17,535 | 14,314 |
| Other financial assets | 13 | 8,321 | 7,623 |
| Deferred tax assets | 14 | 6,909 | 7,084 |
| **NON-CURRENT ASSETS** | | **718,800** | 618,327 |
| **Non-current assets held for sale** | | **-** | - |
| Inventories | 15 | 49,476 | 50,699 |
| Trade receivables | 16 | 280,145 | 280,014 |
| Other current assets | 17 | 28,664 | 28,005 |
| Current financial assets | 18 | 8,009 | 5,756 |
| Cash and cash at bank | 19 | 169,326 | 129,350 |
| **Current assets** | | **535,620** | 493,824 |
| **TOTAL ASSETS** | | **1,254,419** | 1,112,151 |
| Share capital | | 47,164 | 47,164 |
| Share premium reserve | | 63,335 | 63,335 |
| Legal reserves | | 10,459 | 10,459 |
| Reserve for treasury shares in portfolio | | - | - |
| Other reserves | | 388,072 | 353,197 |
| Retained earnings (accumulated loss) | | 2,195 | 1,907 |
| Net Profit | | 49,338 | 51,880 |
| **Shareholders' equity - Group** | | **560,563** | 527,942 |
| Shareholders' equity - Minority interests | | 16,277 | 15,976 |
| Profit pertaining to minority interests | | 3,079 | 2,086 |
| **Shareholders' equity - Minority interests** | | **19,356** | 18,061 |
| **Shareholders' equity** | 20 | **579,919** | 546,004 |
| Employee severance indemnities and other benefits | 21 | 17,308 | 15,640 |
| Provision for deferred taxes | 22 | 3,477 | 3,498 |
| Provisions for risks and charges | 23 | 1,118 | 1,466 |
| Payables and other financial liabilities | 24 | 400,805 | 331,345 |
| **Non-current liabilities** | | **422,709** | 351,950 |
| **Non-current liabilities held for sale** | | **-** | - |
| Amounts due to banks | | 1,345 | 2,137 |
| Trade accounts payable | | 108,494 | 107,342 |
| Other financial liabilities | | 69,458 | 52,364 |
| Tax payables | | 15,737 | 12,466 |
| Other current liabilities | | 56,757 | 39,889 |
| **Current liabilities** | | **251,791** | 214,198 |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | 25 | **1,254,419** | 1,112,151 |

# CONSOLIDATED CASH FLOW STATEMENT SOL GROUP

(amounts in thousands of Euro)

| | Notes | 12.31.2019 | 12.31.2018 |
|---|---|---|---|
| **CASH FLOWS GENERATED BY OPERATING ACTIVITIES** | | | |
| **Profit for the year** | | **49,338** | 51,880 |
| **Minority interests in profit/loss** | | **3,079** | 2,086 |
| **Adjustments to items not affecting liquidity** | | | |
| Depreciation/amortisation | | 105,471 | 88,606 |
| Financial expense | | 8,207 | 8,410 |
| Accrued employee severance indemnities and other benefits | | 2,325 | 1,651 |
| Provisions/Use of provisions for risks and charges | | (368) | 756 |
| **Total** | | **168,052** | 153,389 |
| **Changes in current assets and liabilities** | | | |
| Inventories | | 1,942 | (3,810) |
| Receivables | | 9,028 | (7,994) |
| Prepayments and accrued income | | (2,039) | 1,900 |
| Suppliers | | 683 | 184 |
| Other payables | | 10,526 | (5,355) |
| Interests paid | | (8,380) | (8,412) |
| Accrued expenses and deferred income | | 3,302 | 1,204 |
| Tax payables | | 3,271 | 1,503 |
| **Total** | | **18,333** | (20,780) |
| **Cash flow generated by operating activities** | | **186.385** | 132.609 |
| **CASH FLOWS GENERATED BY INVESTMENT ACTIVITIES** | | | |
| Acquisition of tangible fixed assets | | (97,705) | (94,696) |
| Revaluations and other changes in tangible fixed assets | | (62,799) | 415 |
| Net book value of assets sold | | 2,779 | 2,593 |
| Increases in intangible assets | | (5,830) | (4,577) |
| (Increase) decrease in long-term investments | | (108) | 5,148 |
| (Increase) decrease of equity investments and business units | | (46,425) | (16,664) |
| (Increase) decrease in current financial assets | | (2,253) | (1,630) |
| **Total** | | **(212,341)** | (109,411) |
| **CASH FLOWS GENERATED BY FINANCING ACTIVITIES** | | | |
| Repayment of loans | | (38,704) | (34,437) |
| Raising of new loans | | 89,827 | 48,171 |
| Redemption of bonds | | (11,946) | (7,501) |
| Raising (repayment) of leases | | 48,155 | - |
| Raising (repayment) of shareholders' loans | | (40) | - |
| Dividends paid | | (17,420) | (14,970) |
| Employee severance indemnities and benefits paid | | (657) | (1,696) |
| Other changes in shareholders' equity | | | |
| - translation differences and other changes | | (844) | (646) |
| - changes in shareholders' equity - minority interests | | (1,647) | (46) |
| **Total** | | **66,724** | (11,125) |
| **INCREASE (DECREASE) IN CASH IN HAND AND AT BANK** | | **40,768** | 12,073 |
| **CASH IN HAND AND AT BANK AT BEGINNING OF YEAR** | | **127,213** | 115,140 |
| **CASH IN HAND AND AT BANK AT END OF YEAR** | | **167,981** | 127,213 |

# STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY SOL GROUP

(amounts in thousands of Euro)

| | Share capital | Share premium reserve | Legal reserves | Other reserves | Net Profit | Total Group shareholders' equity | Total minority interests | **Total shareholders' equity** |
|---|---|---|---|---|---|---|---|---|
| **Balance as at 01.01.2018** | 47,164 | 63,335 | 10,459 | 328,807 | 40,239 | 490,004 | 15,570 | 505,574 |
| Allocation of 2017 profit | - | - | - | 26,634 | (26,634) | - | - | - |
| Dividend distribution | - | - | - | - | (13,605) | (13,605) | (1,365) | (14,970) |
| Other consolidation changes | - | - | - | (1,499) | - | (1,499) | 2,082 | 583 |
| Profit (loss) for the financial year | - | - | - | 1,162 | 51,880 | 53,042 | 1,774 | 54,816 |
| **Balance as at 12.31.2018** | 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) | (410) |
| Profit (loss) for the financial year | - | - | - | (573) | 49,338 | 48,765 | 2,981 | 51,746 |
| **Balance as at 12.31.2019** | 47,164 | 63,335 | 10,459 | 390,267 | 49,338 | 560,563 | 19,356 | **579,919** |

# EXPLANATORY NOTES

The 2019 consolidated financial statements have been drawn up in accordance with the International Accounting Principles (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").
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, 2019 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:

| | | | Ownership percentage | | |
|---|---|---|---|---|---|
| Company name and registered office | | Share capital | 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 Limited - Athlone | EUR | 100 | | 100.00% | 100.00% |
| Dolby Healthcare Limited - Stirling | GBP | 300,100 | | 100.00% | 100.00% |
| Dolby Medical Home Respiratory Care Limited - Stirling | GBP | 15,100 | | 100.00% | 100.00% |
| Energetika ZJ doo - Jesenice | EUR | 999,602 | 100.00% | | 100.00% |
| FLOSIT SA - Casablanca | MAD | 12,000,000 | 99.96% | 0.03% | 99.99% |
| France Oxygène Sarl - Templemars | EUR | 1,300,000 | | 100.00% | 100.00% |
| GTS ShpK - Tirana | ALL | 292,164,000 | 100.00% | | 100.00% |
| GEBZE GAZ AS - Gebze | TRY | 3,585,000 | | 80.00% | 80.00% |
| GLOBAL CARE LTDA - San Paolo | BRL | 10,736,528 | | 84.58% | 84.58% |
| GTH GAZE INDUSTRIALE SA - Bucarest | RON | 14,228,583 | 99.99% | | 99.99% |
| HYDROENERGY ShpK - Tirana | ALL | 1,444,108,950 | 96.04% | | 96.04% |
| ICOA Srl - Vibo Valentia | EUR | 45,760 | 0.976 | | 97.60% |
| Il Point Srl - Verona | EUR | 98,800 | | 81.00% | 81.00% |
| Intensivservice Wanninger GmbH - Regensburg | EUR | 40,000 | | 100.00% | 100.00% |
| Irish Oxygen Company - Cork | EUR | 697,802 | | 50.01% | 50.01% |
| Kompass GmbH - Munich | EUR | 25,000 | | 70.00% | 70.00% |
| 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 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 | 250,000 | | 84.71% | 84.71% |
| Pielmeier Medizintechnik GmbH - Oberhaching | EUR | 25,000 | | 100.00% | 100.00% |
| RESPITEK AS - Istanbul | TRY | 4,390,000 | | 70.00% | 70.00% |
| REVI Srl - Surbo | EUR | 52,000 | | 80.00% | 80.00% |
| SG - LAB Srl - Costabissara | EUR | 100,000 | 100.00% | | 100.00% |
| SITEX SA - Olan-les-Ouates | CHF | 400,000 | | 100.00% | 100.00% |
| SOL Bulgaria EAD - Sofia | BGN | 15,905,720 | 100.00% | | 100.00% |
| SOL Croatia doo (ex KISIKANA) - 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 Hellas S.A. - 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 | 18,874,000 | | 100.00% | 100.00% |
| SOL-K ShpK - Pristina | EUR | 3,510,000 | 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 | EUR | 100,000 | | 100.00% | 100.00% |
| Sterimed Srl - Milan | EUR | 100,000 | | 80.00% | 80.00% |
| TGP AD - Petrovo | BAM | 1,177,999 | 61.38% | 26.04% | 87.42% |
| TGT AD - Trn | BAM | 970,081 | 75.18% | | 75.18% |
| TPJ doo - Jesenice | EUR | 2,643,487 | 64.11% | 35.89% | 100.00% |
| Tesi Srl Tecnologia & Sicurezza Srl - Milan | EUR | 14,489 | 89.63% | | 89.63% |
| TGS AD - Skopje | MKD | 419,220,422 | 99.81% | | 99.81% |
| UNIT CARE LTDA - San Paolo | BRL | 2,084,000 | | 85.00% | 85.00% |
| UTP doo - Pula | HRK | 17,543,800 | | 100.00% | 100.00% |
| Vivicare GmbH - Neufahrn bei Freising | EUR | 25,000 | | 70.00% | 70.00% |
| 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 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 |
|---|---|---|---|
| CT Biocarbonic GmbH - Zeitz | EUR | 50,000 | 50.00% |
| DN GLOBAL HOMECARE LTDA - Salvador Bahia | BRL | 100,000 | 50.00% |
| SICGILSOL India Private Limited - Chennai | INR | 661,781,420 | 56.80% |
| Consorzio EcoDue - Monza | EUR | 800,000 | 50.00% |

### c) non-consolidated subsidiary companies:

| Company name and registered office | | Capitale sociale | Quota di partecipazione |
|---|---|---|---|
| BT GASES Ltd - Harrietshame | GBP | 1.00 | 100.00% |
| FLOSIT PHARMA SA - Casablanca | MAD | 5,000,000 | 100.00% |
| GTE SI - Barcellona | EUR | 12,020 | 100.00% |
| SITEX MAD SA - Plan les Ouates | CHF | 100,000 | 100.00% |
| ZDS JESENICE doo - Jesenice | EUR | 10,000 | 75.00% |

BT GASES Ltd, FLOSIT PHARMA SA, GTE SI and SITEX MAD SA were not consolidated in that they were inactive and not relevant for the purposes of giving a true and fair view of the financial position, the results of the operations and 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 | 500,000.00 | 25.79% |

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

The scope of consolidation between December 31, 2019 and December 31, 2018 underwent the following changes:
- with the inclusion of Intensivservice Wanninger GmbH acquired in February 2019,
- with the inclusion of Behringer France Sarl acquired in March 2019,
- with the inclusion of Spitex Perspecta AG. acquired in July 2019,
- with the inclusion of PPAR Partecipacoes Ltda acquired in March 2019,
- with the inclusion of the Global Care Assistencia Domiciliar Ltda acquired in March 2019,
- with the inclusion of Unit Care Servicos Medicos Ltda acquired in March 2019,
- with the increase in shareholdings in Personal Genomics Srl (from 51.01% to 84.71%,
- with the increase in shareholdings in TGP AD from 87.00% to 87.42%,
- with the exclusion of App4Health Srl merged into VIVISOL Srl on June 17, 2019,
- with the exclusion of SOL Croatia doo merged into KISIKANA doo (which then changed its name to SOL Croatia doo) on March 21, 2019.

According to paragraph 264 Section 3 of the German Commercial Code, German subsidiaries:
- Intensivservice Wanninger GmbH - Regensburg
- Kompass GmbH - Munich
- Medtek Medizintechnik GmbH - Grunstadt
- Pielmeier Medizintechnik GmbH - Oberhaching
- SOL Deutschland GmbH - Krefeld
- SOL Kohlensäure Werk GmbH & Co. KG - Burgbrohl
- SOL Kohlensäure Verwaltungs GmbH - Burgbrohl

- SOL Kohlensäure Werk GmbH & Co. KG - Burgbrohl
- VIVICARE GmbH - Neufahrn bei Freising
- VIVISOL Deutschland GmbH - Neufahrn bei Freising

are exempted from the obligation to prepare and publish financial statements in accordance with German generally accepted accounting principles and a management report in Germany as well as to let these financial statements be audited in Germany.

# 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

### Subsidiaries

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.
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. 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 cost and possibly written down to reflect any permanent losses in value. Dividends received from these companies are classified under the item Profit (loss) from equity investments.

### 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 12.31.2019 | | Exchange rate in 2019 | | Exchange rate on 12.31.2018 | | Exchange rate in 2018 | |
|---|---|---|---|---|---|---|---|---|
| Macedonian dinar | Euro | 0,01620 | Euro | 0,01626 | Euro | 0,01625 | Euro | 0,01624 |
| Serbian dinar | Euro | 0,00849 | Euro | 0,00849 | Euro | 0,00845 | Euro | 0,00846 |
| Moroccan dirham | Euro | 0,09276 | Euro | 0,09289 | Euro | 0,09142 | Euro | 0,09024 |
| Hungarian forint | Euro | 0,00303 | Euro | 0,00307 | Euro | 0,00312 | Euro | 0,00314 |
| Swiss franc | Euro | 0,92132 | Euro | 0,89896 | Euro | 0,88739 | Euro | 0,86580 |
| Croatian kuna | Euro | 0,13442 | Euro | 0,13481 | Euro | 0,13491 | Euro | 0,13480 |
| Albanian lek | Euro | 0,00819 | Euro | 0,00813 | Euro | 0,00810 | Euro | 0,00784 |
| Bulgarian lev | Euro | 0,51130 | Euro | 0,51130 | Euro | 0,51130 | Euro | 0,51130 |
| Turkish lira | Euro | 0,14960 | Euro | 0,15729 | Euro | 0,16505 | Euro | 0,17520 |
| Convertible mark | Euro | 0,51129 | Euro | 0,51129 | Euro | 0,51129 | Euro | 0,51129 |
| New Romanian leu | Euro | 0,20907 | Euro | 0,21073 | Euro | 0,21443 | Euro | 0,21487 |
| Brazilian real | Euro | 0,22145 | Euro | 0,22658 | Euro | 0,22502 | Euro | 0,23210 |
| Indian rupee | Euro | 0,01247 | Euro | 0,01268 | Euro | 0,01254 | Euro | 0,01239 |
| British pound | Euro | 0,17536 | Euro | 0,13925 | Euro | 1,11791 | Euro | 1,13031 |
| Polish Zloty | Euro | 0,23492 | Euro | 0,23269 | Euro | 0,23248 | Euro | 0,23466 |

## 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.

# ACCOUNTING PRINCIPLES

## 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 which 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.
All the other costs are recorded in the income statement when incurred.
Assets held under financial leasing 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".

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 % |

### 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 valued 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 them with the net sale price, if an active market exists, or the value in use of the asset, whichever is greater.

## FINANCIAL INSTRUMENTS

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 available for sale and those available for trading are stated at current value. If the market price is not available, the current value of the financial instruments avail-

able 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.
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.

## 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.

## TRADE RECEIVABLES

Receivables are stated at their fair value that corresponds to their estimated realisable value net of the allowance for doubtful accounts, which directly decreases the asset item to which it refers; those expressed in currencies other than the Euro have been measured using the period end exchange rate communicated by the European Central Bank.

## CASH AND CASH EQUIVALENTS

This item includes the cash and bank current and deposit accounts repayable on demand and other short-term financial investments with elevated liquidity that are readily convertible into cash and involving a non-significant risk of changes in value.

## 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.

## TRADE PAYABLES

Trade payables are recorded at their face value; those expressed in currencies other than the Euro have been stated at the period-end exchange rate communicated by the European Central Bank.

## 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.

## ACCRUALS AND DEFERRALS

These items include the reporting year's share of assets and liabilities affecting two or more financial years, whose amount is dependent upon time.

## REVENUE RECOGNITION

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 a 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.
Costs are recognised when they relate to goods and services that have been consumed during the year; operating lease payments are recognised in the income statement over the duration of the contract.
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.

## 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 realized or cancelled.
Pursuant to Italian Enabling Act no. 80 of April 7, 2003, as amended, from the current financial year, Parent Company SOL Spa is the consolidating company; in addition to SOL Spa, the scope of consolidation also includes AIRSOL Srl, BiotechSol Srl, DIATHEVA Srl and App4Health 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 provi-

sions 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, as well as impairment test. The SOL Group does not carry on activities characterised by significant seasonal or cyclical changes in total sales for the year.
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 1 JANUARY 2019

The Group applied the following accounting standards, amendments and interpretations of the IFRS for the first time as from January 1, 2019:

- On January 13, 2016, the IASB issued the new standard IFRS 16 Leases, which will replace standard IAS 17 - Leases, as well as interpretations IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases–Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.
  The standard provides a new definition of lease and introduces a criterion based on the notion of control (right of use) of an asset to distinguish lease contracts from service contracts, identifying the following as discriminating the lease: 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.
  The standard establishes a single model of recognition and measurement of the lease agreements for the lessee that requires the recognition of the asset to be leased (operating lease or otherwise) in assets offset by a financial debt. By contrast, the standard does not include significant changes for the lessors.
  The Group has chosen not to apply the standard retrospectively (by not amending the comparative figures for the financial year 2018), in accordance with paragraphs IFRS 16:C7-C13. In particular, the Group recorded, with regard to the lease agreements previously classified as operating:
  a) a financial liability, equal to the present value of the remaining future payments at the transition date, discounted using for each contract the incremental borrowing rate applicable at the transition date;
  b) a right of use equal to the value of the financial liability at the transition date, net of any accruals and deferrals relating to the lease and recognised in the balance sheet at the end of the reporting period of these financial statements.

The following table shows the impacts of the adoption of IFRS 16 at the transition date:

(amounts in thousands of Euro)

| | Impacts at the transition date (01/01/2019) |
|---|---|
| **Activities** | |
| **Non-current assets** | |
| Right of use | 2,508 |
| Right of use - Buildings | 32.364 |
| Right of use - Buildings | 32,364 |
| Right of use - plants | 61 |
| Right of use - equipment | 8 |
| Right of use - other assets | 10,596 |
| **Total** | **45,537** |
| **Sshareholders' equity & liabilities** | |
| **Non-current liabilities** | |
| Financial liabilities for non-current leases | 33,476 |
| Current liabilities | |
| Financial liabilities for current leases | 12,061 |
| **Total** | **45,537** |

The average incremental borrowing rate applied to financial liabilities recognised as at January 1, 2019 was 3.48%.
In adopting IFRS 16, the Group made use of the exemption granted by paragraph IFRS 16:5(a) in relation to short-term leases.
Similarly, the Group made use of the exemption granted by IFRS 16:5(b) concerning lease agreements for which the underlying asset is a low-value asset (i.e. the assets underlying the lease agreement do not exceed Euro five thousand, when new). The agreements for which the exemption was applied fell mainly within the following categories:

- Computers, phones and tablets;
- Printers;
- Other electronic devices;
- Furniture and fixtures.

For these agreements, the introduction of IFRS 16 did not result in the recognition of the financial liability of the lease and the related right of use, but the lease payments were recorded in the income statement on a straight-line basis for the duration of the respective agreements.
Moreover, with reference to the transition rules, the Group made use of the following practical expedients available in the event of the choice of the modified retrospective transition approach:

- Classification of agreements that expire within 12 months of the transition date as short term leases. For these agreements, lease payments were recognised in the income statement on a straight-line basis;
- Use of the information present at the transition date to determine the lease term, with a special reference to the exercise of extension and early closure options.

- On October 12, 2017, the IASB issued an amendment to IFRS 9 *"Prepayment Features with Negative Compensation*. This document specifies that the instruments that envisage early repayment could comply with the Solely Payments of Principal and Interest ("SPPI") test even if the "reasonable additional compensation" to be paid in the event of early repayment is a "negative compensation" for the lender. The adoption of this amendment had no impact on the consolidated financial statements of the Group.
- On June 7, 2017, the IASB issued the interpretation "Uncertainty over Income Tax Treatments (IFRIC Interpretation 23)". The interpretation deals with the issue of uncertainties on the tax treatment of income taxes. In particular, interpretation requires an entity to analyse uncertain tax treatments (individually or as a whole, depending on their characteristics) on the assumption that the tax authority will examine the tax position in question, with full knowledge of all relevant information. If the entity believes that it is not probable for the tax authority to accept the followed tax treatment, the entity will reflect the effect of the uncertainty in measuring its current and deferred income taxes. Moreover, the document does not contain any new disclosure requirement but emphasises that an entity will have to determine whether it will be necessary to disclose information on management considerations and on the uncertainty relating to tax accounting in accordance with IAS 1.
  The new standard was applied beginning on or after January 1, 2019. The adoption of this amendment had no impact on the consolidated financial statements of the Group
- On December 12, 2017, the IASB issued the document "Annual Improvements to IFRSs 2017-2015 Cycle", which implements the amendments to the standards as part of their annual process of improvement. The main amendments refer to:
  - IFRS 3 *Business Combinations* and IFRS 11 *Joint Arrangements*: the amendment clarifies that when an entity obtains control of a business that represents a joint operation, it must re-measure the previously held interest in that business. On the other hand, this process is not envisaged in the event of joint control being obtained.
  - IAS 12 Income Taxes: the amendment clarifies that all tax effects related to dividends (including payments on financial instruments classified as equity) should be accounted for in a manner consistent with the transaction that generated those profits (income statement, OCI or equity).

- IAS 23 *Borrowing costs*: the amendment clarifies that in the case of loans that remain in place even after the qualifying asset in question is ready for use or sale, they become part of the set of loans used to calculate financing costs.

The adoption of this amendment had no impact on the consolidated financial statements of the Group.

- On February 7, 2018, the IASB issued the document *"Plant Amendment, Curtailment or Settlement (Amendments to IAS 19)*. The document clarifies how an entity should recognise an amendment (i.e. a curtailment or settlement) in a defined benefit plan. The amendments require the entity to update its assumptions and re-measure the net liability or asset arising from the plan. The amendments clarify that after the occurrence of such an event, an entity uses updated assumptions to measure the current service cost and interest for the rest of the reporting period following the event. The adoption of this amendment had no impact on the consolidated financial statements of the Group.
- On October 12, 2017, the IASB issued the document *"Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)"*. This document clarifies the need to apply IFRS 9, including the requirements of impairment, to other long-term interests in associate companies and joint ventures that are not accounted for under the equity method. The adoption of this amendment had no impact on the consolidated financial statements of the 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 ON DECEMBER 31, 2019

At the date of this half-yearly financial report, the competent bodies of the European Union have not yet completed the approval process required for the adoption of the amendments and principles described below.

- 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 amendments introduced were approved on November 29, 2019 and apply to all transactions after January 1, 2020.

  The directors do not expect a significant effect on the Group's consolidated financial statements.
- 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 1 January 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 amendments are effective beginning on January 1, 2020, but companies may opt for earlier application. The directors do not expect effects on the Group's consolidated financial statements.

## ACCOUNTING STANDARDS, AMENDMENTS AND IFRS 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.

- 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 directors do not expect a significant effect on the Group's consolidated financial statements.
- On September 11, 2014, the IASB issued an *amendment to IFRS 10 and to IAS 28 Sale or Contribution of Assets* between an Investor and its Associate or Joint Venture. The document was issued in order to resolve the current conflict between IAS 28 and IFRS 10.
  In accordance with IAS 28, the gain or loss on the disposal or contribution of a non-monetary asset to a joint venture or associate in exchange for an interest in its capital is limited to the interest held in the joint venture or associate by other investors unrelated to the transaction. Conversely, IFRS 10 requires recognition of the entire gain or loss associated with a loss of control of a subsidiary, even if the entity continues to hold a non-controlling interest in the subsidiary, including in that case the sale or contribution of a subsidiary to a joint venture or associate. The amendments require that in a disposal/transfer of an asset or a subsidiary to a joint venture or associate, the extent of the gain or loss to be recognised in the transferor's financial statements depends on whether the assets or the subsidiary transferred constitute a business within the meaning of IFRS 3. If the transferred assets or subsidiary represent a business, the entity must recognise the gain or loss on the entire interest previously held; otherwise, the portion of gain or loss relating to the interest still held by the entity will be eliminated. At the moment, IASB has suspended the application of this amendment. The directors do not expect a significant effect on the Group's financial statements.
  On January 30, 2014, the IASB published IFRS 14 - Regulatory Deferral Accounts, which allows only those who adopt IFRS for the first time to continue to recognise amounts relating to Rate Regulation Activities in accordance with the previously adopted accounting standards. Since the Group is not a first-time adopter, this principle is not applicable.

# NOTES

## INCOME STATEMENT

### 1. Net sales

| | |
|---|---|
| Balance as at 12.31.2019 | 904,313 |
| Balance as at 12.31.2018 | 833,513 |
| **Change** | **70,800** |

Revenues by type of business break down as follows:

| Description | 12.31.019 | 12.31.2018 | Change |
|---|---|---|---|
| Technical gases | 412,595 | 403,232 | 9,362 |
| Home-care | 491,718 | 430,280 | 61,438 |
| **Total** | **904,313** | 833,513 | 70,800 |

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, 2019 amounted to Euro 904.3 million (up by 8.5 % compared to the previous year, at Euro 833.5 million).
In particular, during 2019, the home-care business showed a 14.3 % growth (up by Euro 61.4 million) compared to the same period last year.
The technical gases sector experienced a 2.3 % increase in revenues (up by Euro 9.4 million) over December 31, 2018.

### 2. Other revenues and income

| | |
|---|---|
| Balance as at 12.31.2019 | 8,883 |
| Balance as at 12.31.2018 | 7,729 |
| **Change** | **1,154** |

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

| Description | 12.31.2019 | 12.31.2018 | Change |
|---|---|---|---|
| Capital gains on disposal | 709 | 888 | (179) |
| Extraordinary income | 6,268 | 5,532 | 736 |
| Grants received | 1,034 | 787 | 247 |
| Real estate rentals | 347 | 256 | 91 |
| Royalties income | - | 38 | (38) |
| Other | 525 | 228 | 297 |
| **Total** | **8,883** | 7,729 | 1,154 |

### 3. Internal works and collections

| | |
|---|---|
| Balance as at 12.31.2019 | 13,662 |
| Balance as at 12.31.2018 | 11,630 |
| **Change** | **2,032** |

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

| Description | 12.31.2019 | 12.31.2018 | Change |
|---|---|---|---|
| Transfers to assets | 12,316 | 10,675 | 1,641 |
| Time work | 1,346 | 955 | 391 |
| **Total** | **13,662** | 11,630 | 2,032 |

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” relates to costs incurred for the internal construction of fixed assets.

## 4. Total costs

| | |
|---|---|
| Balance as at 12.31.2019 | 510,436 |
| Balance as at 12.31.2018 | 483,070 |
| **Change** | **27,366** |

The breakdown of the item is as follows:

| Description | 12.31.2019 | 12.31.2018 | Change |
|---|---|---|---|
| Purchase of materials | 212,870 | 206,202 | 6,669 |
| Services rendered | 272,233 | 247,851 | 24,382 |
| Change in inventories | 1,752 | (5,240) | 6,992 |
| Other costs | 23,580 | 34,258 | (10,678) |
| **Total** | **510,436** | 483,070 | 27,366 |

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 12.31.2019 | 205,115 |
| Balance as at 12.31.2018 | 182,870 |
| **Change** | **22,245** |

The breakdown of the item is as follows:

| Description | 12.31.2019 | 12.31.2018 | Change |
|---|---|---|---|
| Wages and salaries | 157,875 | 140,772 | 17,103 |
| Social security contributions | 44,915 | 40,113 | 4,802 |
| Employee severance indemnities | 2,325 | 1,985 | 340 |
| Pension costs | - | - | - |
| **Total** | **205,115** | 182,870 | 22,245 |

The composition of the workforce is analysed below by category:

| Description | 12.31.2019 | 12.31.2018 | Change |
|---|---|---|---|
| Managers | 55 | 56 | (1) |
| Clerks | 2,980 | 2,707 | 273 |
| Factory workers | 1,285 | 1,195 | 90 |
| **Total** | **4,320** | 3,958 | 362 |

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

| | |
|---|---|
| Balance as at 12.31.2019 | 122,647 |
| Balance as at 12.31.2018 | 97,279 |
| **Change** | **25,368** |

The breakdown of the item is as follows:

| Description | 12.31.2019 | 12.31.2018 | Change |
|---|---|---|---|
| Depreciation/amortisation | 105,472 | 88,606 | 16,866 |
| Provisions and write-downs | 7,066 | 7,733 | (667) |
| Non-recurring (income) / expenses | 10,109 | 940 | 9,169 |
| **Total** | **122,647** | 97,279 | 25,368 |

The breakdown of the item “Amortisation and depreciation” of intangible and tangible fixed assets by asset category is presented below:

### Depreciation of tangible fixed assets and Rights of use

| Description | 12.31.2019 | 12.31.2018 | Change |
|---|---|---|---|
| Land | 266 | - | 266 |
| Buildings | 11,422 | 3,793 | 7,629 |
| Plant and machinery | 15,707 | 15,338 | 370 |
| Industrial and commercial equipment | 62,858 | 60,720 | 2,139 |
| Other assets | 10,357 | 3,879 | 6,478 |
| Assets under construction and advances | - | - | - |
| **Total** | **100,610** | 83,730 | 16,880 |

The increase in depreciation is linked to investments made during the period, amounting to Euro 97.7 million.

### Amortisation of other intangible fixed assets

| Description | 12.31.2019 | 12.31.2018 | Change |
|---|---|---|---|
| Start-up and expansion costs | - | - | - |
| Costs of research, development and advertising | 134 | 115 | 20 |
| Patents and rights to use patents of others | 597 | 741 | (144) |
| Concessions, licences and trademarks | 3,884 | 3,755 | 129 |
| Other | 247 | 265 | (18) |
| **Total** | **4,862** | 4,876 | (14) |

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

| Description | 12.31.2019 | 12.31.2018 | Change |
|---|---|---|---|
| Provisions for bad debts | 6,642 | 5,512 | 1,130 |
| Provisions for risks | 424 | 761 | (337) |
| Write-downs of intangible fixed assets | - | 36 | (36) |
| Write-downs of tangible fixed assets | - | 1,423 | (1,423) |
| **Total** | **7,066** | 7,733 | (666) |

### Non-recurring (income) / expenses

| Description | 12.31.2019 | 12.31.2018 | Change |
|---|---|---|---|
| Non-recurring income | - | - | - |
| Non-recurring expenses | 10,109 | 940 | 9,170 |
| **Total** | **10,109** | 940 | 9,170 |

Non-recurring expenses refer to the fine imposed on VIVISOL Srl by the Antitrust Authority (Autorità garante della concorrenza e del mercato, AGCM).

## 7. Financial income / (expenses)

| | |
|---|---|
| Balance as at 12.31.2019 | (8,459) |
| Balance as at 12.31.2018 | (8,485) |
| **Change** | **26** |

The breakdown of the item is as follows:

| Description | 12.31.2019 | 12.31.2018 | Change |
|---|---|---|---|
| Financial income | 2,610 | 2,974 | (364) |
| Financial expense | (11,331) | (11,240) | (91) |
| Results from equity investments | 262 | (219) | 481 |
| **Total** | **(8,459)** | (8,485) | 26 |

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

| Description | 12.31.2019 | 12.31.2018 | Change |
|---|---|---|---|
| From long-term receivables | 231 | 299 | (68) |
| Interest on investment securities | 22 | 27 | (5) |
| Interests on securities not held as fixed assets | 33 | 3 | 30 |
| Interest on bank and post office deposits | 123 | 117 | 6 |
| Interest from customers | 625 | 100 | 525 |
| Exchange rate gains | 935 | 1,932 | (997) |
| Other financial income | 641 | 496 | 145 |
| **Total** | **2,610** | 2,974 | (364) |

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 127 thousand.
For further information on derivatives, see section “Payables and other financial liabilities”.

The breakdown of the item "Financial expense" is as follows:

| Description | 12.31.2019 | 12.31.2018 | Change |
|---|---|---|---|
| Interest payable to banks | (121) | (69) | (52) |
| Supplier interest | (0) | (1) | 1 |
| Interest payable on loans | (5,726) | (5,551) | (175) |
| Interest on bonds | (2,482) | (2,859) | 377 |
| Exchange rate losses | (1,246) | (2,017) | 771 |
| Other financial expense | (1,757) | (744) | (1,013) |
| **Total** | **(11,331)** | (11,240) | (91) |

The item “Other financial expense” includes Euro 0.9 million relating to rental contracts.

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

| Description | 12.31.2019 | 12.31.2018 | Change |
|---|---|---|---|
| Revaluations of equity investments | 262 | 181 | 81 |
| Write-downs of equity investments | - | (400) | 400 |
| **Total** | **262** | (219) | 481 |

The “Revaluations of equity investments” item refers to the measurement at equity of the jointly controlled companies CT Biocarbonic GmbH (Euro 206 thousand) and SICGILSOL India Private Limited (Euro 55 thousand) and Consorzio Ecodue (Euro 1 thousand).

## 8. Income taxes

| | |
|---|---|
| Balance as at 12.31.2019 | 27,784 |
| Balance as at 12.31.2018 | 27,203 |
| **Change** | **580** |

The breakdown of the item is as follows:

| Description | 12.31.2019 | 12.31.2018 | Change |
|---|---|---|---|
| Income taxes | 27,489 | 26,303 | 1,186 |
| Deferred tax liabilities | (89) | (479) | 390 |
| Deferred tax assets | 384 | 1,380 | (996) |
| **Total** | **27,784** | 27,203 | 580 |

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 | 12.31.2019 | 12.31.2018 |
|---|---|---|
| **Theoretical taxation** | **19,248** | 19,481 |
| Tax effect permanent differences | 5,063 | 1,395 |
| Tax effect deriving from foreign tax rates other than Italian theoretical tax rates | 1,699 | 3,859 |
| Other differences | - | - |
| **Income taxes recognised in the financial statements, excluding IRAP ( current and deferred)** | **26,010** | 24,735 |
| **IRAP (Regional Business Tax)** | **1,774** | 2,468 |
| **Income taxes recognised in the financial statements (current and deferred)** | **27,784** | 27,203 |

To provide a clearer understanding of the reconciliation, the IRAP (Regional Business Tax) was considered separately, as its taxable base differs from pre-tax profit. Therefore, the theoretical taxes have been calculated by applying just the IRES (Corporate Income Tax) tax rate.

# BALANCE SHEET

## 9. Tangible fixed assets

| | |
|---|---|
| Balance as at 12.31.2019 | 534,124 |
| Balance as at 12.31.2018 | 475,382 |
| **Change** | **58,742** |

### 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:

| Cost | Land | Buildings | Plant and machinery | Industrial and commercial equipment | Other assets | Assets under construction and advance payments | Total |
|---|---|---|---|---|---|---|---|
| Balance as at 01.01.2018 | 21,836 | 105,794 | 299,243 | 837,816 | 56,615 | 28,002 | 1,349,305 |
| Increases | 74 | 5,773 | 16,292 | 70,432 | 5,814 | 23,270 | 121,655 |
| Revaluations | - | - | - | 188 | - | - | 188 |
| Write-downs | (1,423) | - | - | - | - | - | (1,423) |
| Other changes | 531 | 325 | 1,246 | 7,807 | (1,068) | (26,957) | (18,117) |
| Exchange differences | 44 | 135 | 1,650 | (774) | (40) | 2 | 1,017 |
| (Disposals) | - | (119) | (1,802) | (13,257) | (1,927) | - | (17,104) |
| **Balance as at 12.31.2018** | 21,061 | 111,907 | 316,629 | 902,211 | 59,394 | 24,318 | **1,435,520** |
| Effect of application of IFRS 16 | 2,508 | 32,364 | 61 | 8 | 10,596 | - | 45,537 |
| **Balance as at 01.01.2019** | 23,569 | 144,271 | 316,690 | 902,219 | 69,990 | 24,318 | **1,481,057** |
| Increases | 2 | 10682 | 9,383 | 75,874 | 14,136 | 22,497 | 132,572 |
| Revaluations | 44 | 2,586 | 17 | 151 | 43 | - | 2,841 |
| Write-downs | - | - | - | - | - | - | - |
| Other changes | (53) | (599) | (848) | (2,833) | 6,320 | (20,394) | (18,407) |
| Exchange differences | 9 | (10) | 53 | 1,446 | 125 | (86) | 1,537 |
| (Disposals) | - | (1,121) | (636) | (14,262) | (2,540) | - | (18,559) |
| **Balance as at 12.31.2019** | 23,571 | 155,809 | 324,659 | 962,595 | 88,074 | 26,335 | **1,581,043** |

| Accumulated depreciation | Land | Buildings | Plant and machinery | Industrial and commercial equipment | Other assets | Assets under construction and advance payments | Total |
|---|---|---|---|---|---|---|---|
| Balance as at 01.01.2018 | 2,604 | 56,959 | 182,236 | 600,832 | 43,771 | - | 886,402 |
| Depreciation | - | 3,793 | 15,337 | 60,721 | 3,879 | - | 83,731 |
| Revaluations | - | - | - | - | - | - | - |
| Write-downs | - | - | - | - | - | - | - |
| Other changes | - | (158) | 264 | 4,203 | 81 | - | 4,390 |
| Exchange differences | - | 59 | 390 | (299) | (24) | - | 126 |
| (Disposals) | - | (118) | (1,777) | (10,986) | (1,631) | - | (14,511) |
| **Balance as at 12.31.2018** | 2,604 | 60,536 | 196,450 | 654,471 | 46,077 | - | **960,138** |
| Depreciation | 266 | 11,422 | 15,707 | 62,858 | 10,357 | - | 100,610 |
| Revaluations | - | - | - | - | - | - | - |
| Write-downs | - | - | - | - | - | - | - |
| Other changes | - | (330) | (583) | (2,581) | 4,315 | - | 821 |
| Exchange differences | (1) | 6 | (56) | 1,037 | 145 | - | 1,131 |
| (Disposals) | - | (910) | (515) | (12,291) | (2,065) | - | (15,781) |
| **Balance as at 12.31.2019** | 2,869 | 70,724 | 211,003 | 703,494 | 58,829 | - | **1,046,919** |

| Net value | Land | Buildings | Plant and machinery | Industrial and commercial equipment | Other assets | Assets under construction and advance payments | Total |
|---|---|---|---|---|---|---|---|
| Balance as at 01.01.2018 | 19,232 | 48,835 | 117,008 | 236,984 | 12,843 | 28,002 | 462,903 |
| Increases | 74 | 5,773 | 16,292 | 70,432 | 5,814 | 23,270 | 121,655 |
| (Depreciations and write-downs) | - | (3,793) | (15,337) | (60,721) | (3,879) | - | (83,731) |
| Other changes | (892) | 482 | 982 | 3,792 | (1,149) | (26,957) | (23,742) |
| Exchange differences | 44 | 76 | 1,259 | (475) | (16) | 2 | 891 |
| (Disposals) | - | (1) | (25) | (2,271) | (296) | - | (2,593) |
| **Balance as at 12.31.2018** | 18,457 | 51,372 | 120,179 | 247,740 | 13,317 | 24,318 | **475,382** |
| Effect of application of IFRS 16 | 2,508 | 32,364 | 61 | 8 | 10,596 | - | 45,537 |
| **Balance as at 01.01.2019** | 20,965 | 83,836 | 120,240 | 247,748 | 23,913 | 24,318 | **520,919** |
| Increases | 2 | 10,682 | 9,383 | 75,874 | 14,136 | 22,497 | 132,574 |
| (Depreciations and write-downs) | (266) | (11,422) | (15,707) | (62,858) | (10,357) | - | (100,610) |
| Other changes | (9) | 2,317 | (248) | (101) | 2,048 | (20,394) | (16,387) |
| Exchange differences | 10 | (16) | 109 | 409 | (20) | (86) | 406 |
| (Disposals) | - | (211) | (121) | (1,971) | (475) | - | (2,778) |
| **Balance as at 12.31.2019** | 20,702 | 85,086 | 113,656 | 259,101 | 29,245 | 26,335 | **534,124** |

## 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 advance payments | Total |
|---|---|---|---|---|---|---|---|
| Balance as at 01.01.2018 | 21,836 | 105,794 | 299,243 | 837,816 | 56,615 | 28,002 | 1,349,305 |
| Increases | 74 | 5,773 | 16,292 | 70,432 | 5,814 | 23,270 | 121,655 |
| Revaluations | - | - | - | 188 | - | - | 188 |
| Write-downs | (1,423) | - | - | - | - | - | (1,423) |
| Other changes | 531 | 325 | 1,246 | 7,807 | (1,068) | (26,957) | (18,117) |
| Exchange differences | 44 | 135 | 1,650 | (774) | (40) | 2 | 1,017 |
| (Disposals) | - | (119) | (1,802) | (13,257) | (1,927) | - | (17,104) |
| **Balance as at 12.31.2018** | 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** |

| Accumulated depreciation | Land | Buildings | Plant and machinery | Industrial and commercial equipment | Other assets | Assets under construction and advance payments | Total |
|---|---|---|---|---|---|---|---|
| Balance as at 01.01.2018 | 2,604 | 56,959 | 182,236 | 600,832 | 43,771 | - | 886,402 |
| Depreciation | - | 3,793 | 15,337 | 60,721 | 3,879 | - | 83,731 |
| Revaluations | - | - | - | - | - | - | - |
| Write-downs | - | - | - | - | - | - | - |
| Other changes | - | (158) | 264 | 4,203 | 81 | - | 4,390 |
| Exchange differences | - | 59 | 390 | (299) | (24) | - | 126 |
| (Disposals) | - | (118) | (1,777) | (10,986) | (1,631) | - | (14,511) |
| **Balance as at 12.31.2018** | 2,604 | 60,536 | 196,450 | 654,471 | 46,077 | - | **960,138** |
| Depreciation | - | 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 | 210,974 | 703,405 | 53,075 | - | **1,033,530** |

| Net value | Land | Buildings | Plant and machinery | Industrial and commercial equipment | Other assets | Assets under construction and advance payments | Total |
|---|---|---|---|---|---|---|---|
| Balance as at 01.01.2018 | 19,232 | 48,835 | 117,008 | 236,984 | 12,843 | 28,002 | 462,903 |
| Increases | 74 | 5,773 | 16,292 | 70,432 | 5,814 | 23,270 | 121,655 |
| (Depreciations and write-downs) | - | (3,793) | (15,337) | (60,721) | (3,879) | - | (83,731) |
| Other changes | (892) | 482 | 982 | 3,792 | (1,149) | (26,957) | (23,742) |
| Exchange differences | 44 | 76 | 1,259 | (475) | (16) | 2 | 891 |
| (Disposals) | - | (1) | (25) | (2,271) | (296) | - | (2,593) |
| **Balance as at 31.12.2018** | 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** |

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

- Investments made during the financial year with regard to the item "Lands" are mainly investments made by the subsidiary Energetika ZJ doo.
- Investments made during the financial year with regard to the item "Buildings" are mainly investments made by the Parent Company (Euro 2,794 thousand) and the subsidiary companies SOL Nederland BV (Euro 268 thousand) and SOL Kohlensäure GmbH & Co. KG (Euro 268 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 2,411 thousand) and by the subsidiaries SOL Bulgaria EAD (Euro 2,882 thousand), SPG-SOL Plin Gorenjska doo (Euro 585 thousand), TGS AD (Euro 581 thousand), GTS ShpK (Euro 458 thousand), SOL TK AS (Euro 458 thousand), SOL-K ShpK (Euro 405 thousand) and to a lesser extent to other investments at all other Group companies.
- The "Industrial and commercial equipment" item comprises the values of 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 gases sector in the amount of Euro 31,088 thousand (including Euro 12,465 by the parent company) and to investments made

by companies operating in the home-care sector in the amount of Euro 44,543 thousand (including Euro 12,185 thousand by VIVISOL Srl) for base units and other medical appliances.

- The “Other assets” item includes motor vehicles and motor cars, electric office equipment, furniture and fixtures, as well as EDP systems. The increase recorded for the period is related to investments made for motor vehicles, laboratory equipment, hardware, furniture and fixtures, including Euro 1,268 thousand by the Parent Company, the subsidiary Direct Medical Limtied (Euro 388 thousand), the subsidiary Personal Genomics Srl (Euro 368 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 7,192 thousand) and by the subsidiaries GTH GAZE INDUSTRIALE SA (Euro 3,200 thousand), SOL TG GmbH (Euro 1,555 thousand), TGP AD (Euro 1,010 thousand), PALLMED sp.zo.o. (Euro 1,720 thousand), SOL Hungary KFT (Euro 2,995 thousand), SOL Gas Primari Srl (Euro 3,736 thousand) and CTS Srl (Euro 1,654 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, 2019, mortgages amounted to Euro 67,450 thousand.
As at December 31, 2019, 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 advance payments | Total |
|---|---|---|---|---|---|---|---|
| Balance as at 01.01.2018 | - | - | - | - | - | - | - |
| Increases | - | - | - | - | - | - | - |
| Revaluations | - | - | - | - | - | - | - |
| Write-downs | - | - | - | - | - | - | - |
| Other changes | - | - | - | - | - | - | - |
| Exchange differences | - | - | - | - | - | - | - |
| (Disposals) | - | - | - | - | - | - | - |
| **Balance as at 12.31.2018** | - | - | - | - | - | - | **-** |
| 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** |

| **Accumulated depreciation** | Land | Buildings | Plant and machinery | Industrial and commercial equipment | Other assets | Assets under construction and advance payments | **Total** |
|---|---|---|---|---|---|---|---|
| Balance as at 01.01.2018 | - | - | - | - | - | - | - |
| Depreciation | - | - | - | - | - | - | - |
| Revaluations | - | - | - | - | - | - | - |
| Write-downs | - | - | - | - | - | - | - |
| Other changes | - | - | - | - | - | - | - |
| Exchange differences | - | - | - | - | - | - | - |
| (Disposals) | - | - | - | - | - | - | - |
| **Balance as at 12.31.2018** | - | - | - | - | - | - | **-** |
| Depreciation | 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** |

| **Net value** | Land | Buildings | Plant and machinery | Industrial and commercial equipment | Other assets | Assets under construction and advance payments | **Total** |
|---|---|---|---|---|---|---|---|
| Balance as at 01.01.2018 | - | - | - | - | - | - | - |
| Increases | - | - | - | - | - | - | - |
| (Depreciations and write-downs) | - | - | - | - | - | - | - |
| Other changes | - | - | - | - | - | - | - |
| Exchange differences | - | - | - | - | - | - | - |
| (Disposals) | - | - | - | - | - | - | - |
| **Balance as at 12.31.2018** | - | - | - | - | - | - | **-** |
| 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** |

## 10. Goodwill and consolidation differences

| | |
|---|---|
| Balance as at 12.31.2019 | 134,838 |
| Balance as at 12.31.2018 | 97,695 |
| **Change** | **37,143** |

The breakdown of the item is as follows

| Net value | Goodwill | Consolidation difference | Total |
|---|---|---|---|
| Balance as at 01.01.2018 | 9,622 | 74,756 | 84,377 |
| Increases | 150 | 13,190 | 13,340 |
| Revaluations (Write-downs) | - | - | - |
| Other changes | - | - | - |
| Exchange differences | (23) | - | (23) |
| (Amortisation) | - | - | - |
| **Balance as at 12.31.2018** | 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** |

The increase in the period under the item “Consolidation differences” is related to the acquisition of the Company P Par Partecipacoes Ltda, Unit Care Servicos Medicos Ltda, Intensivservice Wanninger GmbH, SPITEX PERSPECTA AG and the adjustment of the purchase price of the company Medtek Medizintechnik Gmbh acquired in December 2018.

In March 2019, the subsidiary AIRSOL Srl acquired 85% of P Par Partecipacoes Ltda, a company governed by Brazilian law active in the home-care sector. If the acquisition had occurred on January 1, 2019, Group profit would have increased by Euro 1,354 thousand for the 12-month period ended December 31, 2019.

In January 2019, the subsidiary AIRSOL Srl acquired 25.50% of Unit Care Servicos Medicos Ltda, a company governed by Brazilian law active in the home-care sector. If the acquisition had occurred on 1 January 2019, the group’s revenues and the profit would have increased by Euro 1,806 thousand and by Euro 690 thousand, respectively, for the 12-month period ending December 31, 2019.

In February 2019, the subsidiary Pielmeier Medizintechnik GmbH acquired 100% of the shares of Intensivservice Wanninger GmbH, a German company operating in the home-care sector. If the acquisition had taken place on January 1, 2019, no difference would have been recognised since the acquisition took effect from January 1, 2019.

In July 2019, subsidiary AIRSOL Srl acquired 100% of SPITEX PERSPECTA AG, a company governed by German law active in the home-care sector. If the acquisition had taken place on January 1, 2019, no difference would have been recognised since the acquisition took effect from January 1, 2019.

The result of the acquisitions on the assets and liabilities of the Group is set below:

| | Values recorded during acquisition | Adjustments to fair value | Book values before acquisition |
|---|---|---|---|
| Tangible fixed assets | 1,626 | | 1,626 |
| Intangible fixed assets | 88 | | 88 |
| Long-term investments | 591 | | 591 |
| Inventories | 720 | | 720 |
| Trade and other receivables | 7,547 | | 7,547 |
| Prepayments and accrued income | 58 | | 58 |
| Cash and cash at bank | 582 | | 582 |
| Minority interests | - | | - |
| Suppliers | (470) | | (470) |
| Other payables | (1,683) | | (1,683) |
| Risk provisions | - | | - |
| Employee severance indemnities | - | | - |
| Accrued expenses and deferred income | (791) | | (791) |
| **Identifiable net assets and liabilities** | **8,267** | **-** | **8,267** |
| Goodwill deriving from acquisition | 36,931 | | |
| Amount paid | (43,788) | | |
| Available funds acquired | 582 | | |
| **Net outlays of available funds** | **(43,206)** | | |

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.

The "Other" item includes goodwill and consolidation differences that are not individually significant.

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 carrying amounts is tested by comparing the carrying amount 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 value (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 2020 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, 2019, 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, 2019 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 12.31.2019 | 17,072 |
| Balance as at 12.31.2018 | 16,229 |
| **Change** | **843** |

La voce è così composta:

| **Net value** | Costs of research, development and advertising | Patents and rights to use patents of others | Concessions, licenses, trademarks and similar rights | Other | Assets under construction and advances | **Total** |
|---|---|---|---|---|---|---|
| Balance as at 01.01.2018 | 1,348 | 1,318 | 9,893 | 1,196 | 2,137 | 15,892 |
| Increases | 797 | 441 | 3,544 | 47 | 2,231 | 7,060 |
| Revaluations / (Write-downs) | (36) | - | - | - | - | (36) |
| Other changes | - | - | (29) | (1) | (1,786) | (1,816) |
| Exchange differences | - | 0 | 6 | - | - | 6 |
| (Amortisation) | (115) | (741) | (3,755) | (265) | - | (4,876) |
| **Balance as at 12.31.2018** | 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 | - | 0 | 39 | - | 0 | 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** |

## 12. Equity investments

| | |
|---|---|
| Balance as at 12.31.2019 | 17,535 |
| Balance as at 12.31.2018 | 14,314 |
| **Change** | **3,222** |

The breakdown of the item is as follows:

| Description | 12.31.2019 | 12.31.2018 |
|---|---|---|
| GTE SI | 21 | 21 |
| Flosit Pharma | 464 | 458 |
| ZDS Jesenice | 8 | 8 |
| SITEX MAD | 90 | - |
| **Non-consolidated subsidiary companies** | **583** | 487 |
| CT Biocarbonic GmbH | 4,787 | 4,581 |
| SICGILSOL INDIA PRIVATE LIMITED | 8,285 | 7,176 |
| Consorzio ECODUE | 401 | - |
| **Jointly controlled companies** | **13,473** | 11,757 |
| Consorgas S.r.l. | 346 | 346 |
| **Associated companies** | **346** | 346 |
| Other minority interests | 3,133 | 1,724 |
| **Other companies** | **3,133** | 1,724 |
| **Total** | **17,535** | 14,314 |

Except for Euro 467 thousand recognised as non-consolidated subsidiaries (in the portfolio of the subsidiary AIRSOL Srl for Euro 90 thousand, SPG - SOL Plin Gorenjska doo for Euro 8 thousand, SOL France Sas for Euro 46 thousand and FLOSIT S.A. for Euro 418 thousand), Euro 401 thousand recognised as jointly controlled companies (in the portfolio of the subsidiary SOL Gas Primari Srl) and Euro 1,705 recognised as other minority interests (relating to investments in local companies by the subsidiaries TGS AD of Euro 2 thousand, TPJ doo of Euro 2 thousand, ICOA Srl of Euro 8 thousand, SOL Gas Primari Srl of Euro 3,100 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 | SICGILSOL India Private Limited | Consorzio ECODUE |
|---|---|---|---|
| Total assets | 7,851 | 17,608 | 1,007 |
| Total liabilities | 3,385 | 3,434 | 203 |
| Revenues | 3,377 | 4,675 | 170 |
| Operating result | 412 | 68 | 4 |

## 13. Other financial assets

| | |
|---|---|
| Balance as at 12.31.2019 | 8,321 |
| Balance as at 12.31.2018 | 7,623 |
| **Change** | **698** |

The breakdown of the item is as follows:

| Description | 12.31.2019 | 12.31.2018 | Change |
|---|---|---|---|
| Amounts receivable from third parties | 7,266 | 6,850 | 416 |
| Securities | 1,055 | 773 | 282 |
| **Total** | **8,321** | 7,623 | 698 |

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

| Description | 12.31.2019 | 12.31.2018 | Change |
|---|---|---|---|
| Guarantee deposits | 3,553 | 3,089 | 464 |
| Derivatives | 2,495 | 1,521 | 974 |
| Tax receivables | 2 | 2 | 0 |
| Other receivables | 1,215 | 2,238 | (1,023) |
| **Total** | **7,266** | 6,850 | 416 |

For further information on derivatives, see section "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:

| Description | 12.31.2019 | 12.31.2018 | Change |
|---|---|---|---|
| SOL TG GmbH | 5 | 5 | - |
| SOL Hellas SA | 1,002 | 726 | 276 |
| Cryos Srl | 49 | 43 | 6 |
| **Total** | **1,055** | 773 | 282 |

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 12.31.2019 | 6,909 |
| Balance as at 12.31.2018 | 7,084 |
| **Change** | **(175)** |

| | Risks on receivables | Risk provisions | Internal profits | Prior losses | Other minor | Total |
|---|---|---|---|---|---|---|
| Balance as at 01.01.2018 | 1,111 | 116 | 984 | 2,986 | 3,136 | 8,333 |
| Provisions / Uses | 67 | 125 | 17 | (1,573) | (15) | (1,380) |
| Other changes | 27 | 16 | - | - | 76 | 118 |
| Exchange differences | - | 0 | - | (1) | 13 | 12 |
| **Balance as at 12.31.2018** | 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 | - | 0 | - | 5 | 2 | 7 |
| **Balance as at 12.31.2019** | 1,244 | 147 | 916 | 1,100 | 3,502 | **6,909** |

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 1,100 thousand is 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.

## 15. Inventories

| | |
|---|---|
| Balance as at 12.31.2019 | 49,476 |
| Balance as at 12.31.2018 | 50,699 |
| **Change** | **(1,223)** |

The breakdown of the item is as follows:

| Description | **12.31.2019** | 12.31.2018 | Change |
|---|---|---|---|
| Raw, subsidiary and consumable materials | 2,820 | 2,835 | (14) |
| Work in progress and semi-finished goods | 1,135 | 1,069 | 67 |
| Finished products and goods for resale | 45,520 | 46,795 | (1,275) |
| Advances received | - | - | - |
| **Total** | **49,476** | 50,699 | (1,223) |

## 16. Trade receivables

| | |
|---|---|
| Balance as at 12.31.2019 | 280,145 |
| Balance as at 12.31.2018 | 280,014 |
| **Change** | **130** |

The breakdown of the item is as follows:

| Description | Within 12 months | Beyond 12 months | Allowance for doubtful accounts | **12.31.2019** | 12.31.2018 |
|---|---|---|---|---|---|
| Trade receivables | 302,090 | - | (21,945) | 280,145 | 280,014 |
| **Total** | 302,090 | - | (21,945) | **280,145** | 280,014 |

The allowance for doubtful accounts changed as follows

| Description | 12.31.2018 | Provisions | Uses | Other changes | 12.31.2019 |
|---|---|---|---|---|---|
| Allowance for doubtful accounts | 20,681 | 6,642 | (4,209) | (1,169) | 21,945 |
| **Total** | 20,681 | 6,642 | (4,209) | (1,169) | **21,945** |

## 17. Other current assets

| | |
|---|---|
| Balance as at 12.31.2019 | 28,664 |
| Balance as at 12.31.2018 | 28,005 |
| **Change** | **659** |

The breakdown of the item is as follows:

| Description | 12.31.2019 | 12.31.2018 | Change |
|---|---|---|---|
| Amounts receivable from employees | 822 | 814 | 8 |
| Amounts receivable in respect of income tax | 5,954 | 5,252 | 702 |
| VAT receivables | 11,837 | 12,125 | (288) |
| Other amounts receivable from the tax authorities | 312 | 501 | (189) |
| Other receivables | 4,000 | 5,670 | (1,670) |
| Prepayments and accrued income | 5,739 | 3,643 | 2,096 |
| **Total** | **28,664** | 28,005 | 659 |

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

This item breaks down as follows:

| Description | 12.31.2019 | 12.31.2018 | Change |
|---|---|---|---|
| Accrued income | | | |
| Interest | 57 | 7 | 50 |
| Other accrued income | 288 | 470 | (182) |
| **Total accrued income** | **345** | 477 | (132) |
| Prepayments | | | |
| Insurance premiums | 515 | 490 | 25 |
| Rents | 197 | 216 | (19) |
| Other prepayments | 4,682 | 2,461 | 2,221 |
| **Total prepayments** | **5,394** | 3,166 | 2,228 |
| **Total prepayments and accrued income** | **5,739** | 3,643 | 2,096 |

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

## 18. Current financial assets

| | |
|---|---|
| Balance as at 12.31.2019 | 8,009 |
| Balance as at 12.31.2018 | 5,756 |
| **Change** | **2,253** |

The breakdown of the item is as follows:

| Description | 12.31.2019 | 12.31.2018 | Change |
|---|---|---|---|
| Subscribed capital unpaid | - | 90 | (90) |
| Financial receivables from jointly controlled companies | 2,572 | 2,579 | (6) |
| Derivatives | 1,247 | 583 | 665 |
| Short-term time deposits | 4,147 | 2,404 | 1,743 |
| Other financial receivables | 43 | 101 | (57) |
| **Total** | **8,009** | 5,756 | 2,253 |

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

| Ciompany | 12.31.2019 | 12.31.2018 | Change |
|---|---|---|---|
| VIVISOL Portugal Lda | 1 | 1 | - |
| FLOSIT SA | 1,763 | 1,297 | 466 |
| GLOBAL CARE LTDA | 199 | - | 199 |
| P PAR LTDA | 2 | - | 2 |
| TGT AD | 1,854 | 1,093 | 761 |
| UNIT CARE LTDA | 312 | - | 312 |
| VIVISOL Brasil SA | 16 | 13 | 3 |
| **Totale** | **4.147** | 2.404 | 1.743 |

## 19. Cash and cash at bank

| | |
|---|---|
| Balance as at 12.31.2019 | 169,326 |
| Balance as at 12.31.2018 | 129,350 |
| **Change** | **39,976** |

The composition of the item is shown below:

| Description | 12.31.2019 | 12.31.2018 | Change |
|---|---|---|---|
| Bank and postal deposits | 168,858 | 128,834 | 40,024 |
| Cash on hand | 467 | 516 | (49) |
| **Total accrued income** | **169,326** | 129,350 | 39,976 |

The balance represents the liquid assets and cash and cash equivalents existing at the end of the reporting period.

## 20. Shareholders' equity

| | |
|---|---|
| Balance as at 12.31.2019 | 579,919 |
| Balance as at 12.31.2018 | 546,004 |
| **Change** | **33,915** |

The share capital of SOL Spa as at December 31, 2019 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 | 12.31.2018 | Transfer of result | Dividends paid | Translation differences | Other hanges | Profit (loss) | 12.31.2019 |
|---|---|---|---|---|---|---|---|
| **Pertaining to the Group:** | | | | | | | |
| Share capital | 47,164 | - | - | - | - | - | 47,164 |
| Share premium reserve | 63,335 | - | - | - | - | - | 63,335 |
| Revaluation reserves | - | - | - | - | - | - | - |
| Legal reserves | 10,459 | - | - | - | - | - | 10,459 |
| Statutory reserves | - | - | - | - | - | - | - |
| Treasury share reserves | - | - | - | - | - | - | - |
| Other reserves | 353,197 | 36,008 | - | 464 | (1,597) | - | 388,072 |
| Profits / (Losses) carried forward | 1,907 | 15,873 | (15,873) | - | 288 | - | 2,195 |
| Net Profit | 51,880 | (51,880) | - | - | - | 49,338 | 49,338 |
| **Shareholders' equity - Group** | 527,942 | - | (15,873) | 464 | (1,308) | 49,338 | **560,563** |
| Minority interests: | | | | | | | |
| Shareholders' equity - Minority interests | 15,976 | 2,086 | (1,547) | (98) | (140) | - | 16,277 |
| Profit pertaining to minority interests | 2,086 | (2,086) | - | - | - | 3,079 | 3,079 |
| **Shareholders' equity - Minority interests** | 18,061 | - | (1,547) | (98) | (140) | 3,079 | **19,356** |
| **Shareholders' equity** | 546,004 | - | (17,420) | 366 | (1,448) | 52,417 | **579,919** |

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

As at December 31, 2019, the CFH reserve, gross of the tax effect, was positive and amounted to Euro 874 thousand (positive for Euro 219 thousand as at December 31, 2018). The change in the period is reported in the Consolidated Statement of Comprehensive Income.
For further information on derivatives, see section "Payables and other financial liabilities".

## Reconciliation of Parent Company's Balance Sheet with the Consolidated Balance Sheet

| Description | 12.31.2019 Shareholders' equity | 12.31.2019 Net income | 12.31.2018 Shareholders' equity | 12.31.2018 Net income |
|---|---|---|---|---|
| **Financial Statement of SOL Spa** | **264,035** | **18,564** | 261,308 | 17,392 |
| **Elimination of consolidated inter-company transactions, net of tax effects:** | | | | |
| - Internal profit on tangible fixed assets | (3,027) | 140 | (3,171) | (104) |
| - Reversal of adjustments to investments in subsidiary companies | - | 2,200 | - | 8,260 |
| - Dividends paid by consolidated companies | - | (43,764) | - | (37,211) |
| **Adjustment of accounting policies to achieve consistent Group accounting policies, net of tax effects:** | | | | |
| - Adjustment to achieve a consistent accounting policy regarding intangible assets- Omogeneizzazione trattamento contabile beni immateriali | (224) | (222) | 3,069 | (311) |
| - Application of IFRS 16 & IAS 17 | 18 | (147) | 9 | (325) |
| - Valuation at equity of companies reported at cost | (987) | 262 | (1,062) | 479 |
| **Carrying value of consolidated equity investments** | (649,044) | - | (532,839) | - |
| **Net assets and financial year's results of consolidated companies** | 821,703 | 72.305 | 712,682 | 63,700 |
| **Allocation of the difference to the assets of the companies and relative depreciation, amortisation and write-downs:** | | | | |
| - Goodwill from consolidation | 128,089 | - | 87,946 | - |
| **Consolidated Group financial statements** | **560,563** | **49,338** | 527,942 | 51,880 |

## 21. Employee severance indemnities and other benefits

| | |
|---|---|
| Balance as at 12.31.2019 | 17,308 |
| Balance as at 12.31.2018 | 15,640 |
| **Change** | **1,668** |

The provisions underwent the following changes:

| Employee severance indemnities | 12.31.2019 | 12.31.2018 |
|---|---|---|
| Balance as at 1 January | 15,640 | 15,351 |
| Provisions | 2,325 | 1,985 |
| (Uses) | (1,134) | (831) |
| Financial expense | 20 | 9 |
| Other changes | 455 | (873) |
| Exchange differences | 1 | (2) |
| **Balance as at 31 December** | **17,308** | 15,640 |

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

| | Interest rate |
|---|---|
| Annual discount rate | 0.51% |
| 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:

| DBO as at December 31, 2019 | Amount |
|---|---|
| Inflation rate + 0.5% | 317 |
| Inflation rate - 0.5% | (305) |
| Discount rate + 0.5% | (601) |
| Discount rate - 0.5% | 416 |
| Turnover rate +0.5% | 254 |

### Employee severance indemnities

The item "Employee severance indemnities" reflects the indemnity provided to employees during their working relationship which 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 12.31.2019 | 3,477 |
| Balance as at 12.31.2018 | 3,498 |
| **Change** | **(21)** |

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, 2019 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.

| | Capital gains | Accelerated depreciation | Leasing | Other minor | **Total** |
|---|---|---|---|---|---|
| Balance as at 01.01.2018 | 99 | 652 | 214 | 2,349 | 3,314 |
| Provisions | (8) | (262) | (9) | (200) | (479) |
| Other changes | - | 368 | (26) | 316 | 658 |
| Exchange differences | - | 1 | - | 3 | 4 |
| **Balance as at 12.31.2018** | 92 | 759 | 179 | 2,467 | **3,498** |
| Provisions | (35) | (47) | (52) | 44 | (89) |
| Other changes | - | - | (62) | 115 | 53 |
| Exchange differences | - | 15 | 1 | 0 | 16 |
| **Balance as at 12.31.2019** | 57 | 727 | 66 | 2,627 | **3,477** |

## 23. Provisions for risks and charges

| | |
|---|---|
| Balance as at 12.31.2019 | 1,118 |
| Balance as at 12.31.2018 | 1,466 |
| **Change** | **(348)** |

The breakdown of the item "Provisions for risks and charges" is as follows:

| Description | **12.31.2019** | 12.31.2018 | Change |
|---|---|---|---|
| Pensions and similar obligations | - | - | - |
| Consolidation provision for future risks and charges | - | - | - |
| **Other:** | | | |
| Exchange fluctuation provision | - | - | - |
| Other minor provisions | 1,118 | 1,466 | (348) |
| **Total other provisions** | **1,118** | 1,466 | (348) |
| **Total** | **1,118** | 1,466 | (348) |

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 | 12.31.2018 | Provisions | Uses | Other changes | 12.31.2019 |
|---|---|---|---|---|---|
| Other minor provisions | 1,466 | 424 | (800) | 27 | 1,118 |
| **Total** | 1,466 | 424 | (800) | 27 | **1,118** |

## 24. Payables and other financial liabilities

| | |
|---|---|
| Balance as at 12.31.2019 | 400,805 |
| Balance as at 12.31.2018 | 331,345 |
| **Change** | **69,460** |

The breakdown of the item is as follows:

| Description | 12.31.2019 | 12.31.2018 | Change |
|---|---|---|---|
| Bonds | 63,823 | 75,768 | (11,945) |
| Amounts due to other lenders | 334,961 | 251,805 | 83,156 |
| Other payables | 2,021 | 3,773 | (1,752) |
| **Total** | **400,805** | 331,345 | 69,460 |

The item “Bonds” refers:

- to the issue of two bonds subscribed by two American institutional investors.
  The original amount of these issues totals US$95 million converted to €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.

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 49,024 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 | |
|---|---|---|---|---|---|---|---|---|
| Mediobanca * | 1,250 | - | 1,250 | Fixed | 4.44% | 01/04/2020 | Euro | 20,000,000 |
| Banca CRS | 5 | - | 5 | Floating | 2.84% | 30/04/2020 | Euro | 50,000 |
| Banco di Napoli | 43 | - | 43 | Floating | 0.80% | 31/05/2020 | Euro | 200,000 |
| Fund for Environmental Protection and Water Management in Toruń | 26 | - | 26 | Fixed | 3.00% | 31/08/2020 | PLN | 595,152 |
| Komercijalna B. | 1,328 | - | 1,328 | Fixed | 4.00% | 15/10/2020 | Euro | 7,000,000 |
| Mediocredito Italiano | 154 | 22 | 132 | Floating | 2.45% | 28/02/2021 | Euro | 500,000 |
| Banca CRS | 10 | 2 | 8 | Floating | 2.39% | 31/03/2021 | Euro | 40,000 |
| Intesa San Paolo* | 5,010 | 1,678 | 3,332 | Fixed | 2.23% | 16/06/2021 | Euro | 30,000,000 |
| Banca di Caraglio | 15 | 7 | 8 | Floating | 1.80% | 06/11/2021 | Euro | 50,000 |
| Intesa San Paolo | 69 | 41 | 28 | Fixed | 2.00% | 30/05/2022 | Euro | 140,000 |
| Mise | - | - | - | Fixed | 0.17% | 31/12/2022 | Euro | 289,820 |
| Unicredit | 1,167 | 778 | 389 | Floating | 0.77% | 31/12/2022 | Euro | 5,200,000 |
| Mediobanca * | 3,750 | 2,679 | 1,071 | Fixed | 2.90% | 20/06/2023 | Euro | 15,000,000 |
| Unicredit Bulbank | 4,000 | 3,000 | 1,000 | Fixed | 4.50% | 11/10/2023 | Euro | 8,000,000 |
| Intesa San Paolo* | 16,875 | 13,125 | 3,750 | Floating | 2.07% | 31/03/2024 | Euro | 30,000,000 |
| Mediocredito Italiano | 6,667 | 5,186 | 1,481 | Floating | 1.40% | 31/03/2024 | Euro | 20,000,000 |
| Unicredit * | 5,625 | 4,375 | 1,250 | Floating | 1.20% | 31/05/2024 | Euro | 10,000,000 |
| Monte Paschi Siena | 4,583 | 3,750 | 833 | Fixed | 4.21% | 15/06/2025 | Euro | 10,000,000 |
| Intesa San Paolo* | 20,625 | 16,875 | 3,750 | Fixed | 1.44% | 30/06/2025 | Euro | 30,000,000 |
| Credito Valtellinese | 7,548 | 6,310 | 1,238 | Floating | 0.60% | 05/07/2025 | Euro | 10,000,000 |
| Credito Valtellinese | 3,774 | 3,155 | 619 | Floating | 0.60% | 05/07/2025 | Euro | 5,000,000 |
| UBI Banca | 15,130 | 12,638 | 2,492 | Fixed | 1.00% | 14/09/2025 | Euro | 20,000,000 |
| Banca IMI * | 4,203 | 3,634 | 569 | Fixed | 6.50% | 26/01/2026 | Euro | 7,000,000 |
| BCC Carate | 8,185 | 6,960 | 1,225 | Floating | 1.00% | 13/06/2026 | Euro | 10,000,000 |
| Intesa San Paolo * | 32,500 | 27,500 | 5,000 | Fixed | 1.10% | 30/06/2026 | Euro | 40,000,000 |
| UBI Banca | 887 | 795 | 92 | Floating | 2.20% | 24/09/2026 | Euro | 1,000,000 |
| BNL - BNP Paribas * | 21,000 | 18,000 | 3,000 | Fixed | 1.69% | 25/11/2026 | Euro | 30,000,000 |
| Unicredit Bosnia | 1,529 | 1,342 | 187 | Floating | 3.80% | 31/12/2026 | 0 | 2,000,000 |
| UBI Banca * | 37,647 | 32,884 | 4,763 | Fixed | 1.60% | 26/06/2027 | 0 | 40,000,000 |
| Mediobanca | 40,000 | 37,500 | 2,500 | Fixed | 1.66% | 28/01/2028 | 0 | 40,000,000 |
| Invitalia | 6,529 | 5,845 | 684 | Fixed | 0.11% | 31/12/2028 | 0 | 12,643,000 |
| Banco BPM | 49,888 | 49,908 | (20) | Fixed | 1.90% | 30/06/2029 | 0 | 49,875,000 |
| BNL - BNP Paribas * | 39,924 | 39,936 | (12) | Floating | 1.16% | 31/12/2029 | 0 | 39,920,000 |
| Banca di Caraglio | 204 | 189 | 15 | Floating | 1.80% | 30/11/2031 | 0 | 250,000 |
| Derivatives | 3,111 | 2,161 | 950 | | | | | |
| Lease liabilities | 49,024 | 34,686 | 14,338 | | | | | |
| **Total amounts due to other lenders** | **392,285** | **334,961** | **57,324** | | | | | |
| Bonds | 75,769 | 63,823 | 11,946 | | | | | |
| **Total** | **468,054** | **398,784** | **69,270** | | | | | |

## Covenants

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

To date, these parameters were complied with and are complied with as at December 31, 2019.

### 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 3,750 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, 2019, calculated by the same bank, was negative in the amount of Euro 242 thousand (negative in the amount of Euro 361 thousand as at December 31, 2018 ).
2. The loan agreement outstanding with Intesa San Paolo whose residual debt amounts to Euro 5,010 thousand was hedged by a fixed rate of 2.23% against a floating 6-month Euribor rate.
   The fair value as at December 31, 2019, calculated by the same bank, was negative in the amount of Euro 130 thousand (negative in the amount of Euro 306 thousand as at December 31, 2018 ).
3. The bond whose residual debt amounts to Euro 23,971 thousand was hedged by a CCS contract entered into with Intesa San Paolo on June 15, 2012.
   The fair value as at December 31, 2019, calculated by the same bank, was positive in the amount of Euro 1,854 thousand (at December 31, 2018 positive in the amount of Euro 726 thousand).
4. The bond whose residual debt amounts to Euro 16,241 thousand was hedged by a CCS contract entered into with Intesa San Paolo on May 29, 2013.
   The fair value as at December 31, 2019, calculated by the same bank, was positive in the amount of Euro 1,889 thousand (at December 31, 2018 positive in the amount of Euro 1,191 thousand).
5. The loan outstanding with Unicredit Bulbank whose residual debt amounts to Euro 4,000 thousand was hedged by a fixed rate of 2.40% against a floating 3-month Euribor rate.
   The fair value as at December 31, 2019, calculated by the same bank, was negative in the amount of Euro 240 thousand (negative in the amount of Euro 339 thousand as at December 31, 2018 ).
6. The loan agreement outstanding with Intesa San Paolo whose residual debt amounts to Euro 20,625 thousand was hedged by a fixed rate of 0.44% against a floating 6-month Euribor rate.
   The fair value as December 31, 2019, calculated by the same bank, was negative in the amount of Euro 388 thousand (negative in the amount of Euro 259 thousand as at December 31, 2018).
7. The loan agreement outstanding with Banca Popolare di Bergamo, the residual debt of which amounts to Euro 15,130 thousand, was hedged by a fixed rate of 0.10% against a floating 3-month Euribor rate.
   The fair value as December 31, 2019, calculated by the same bank, was negative in the amount of Euro 192 thousand (negative in the amount of Euro 44 thousand as at December 31, 2018).
8. The loan agreement outstanding with Intesa San Paolo whose residual debt amounts to Euro 32,500 thousand was hedged by a fixed rate of 0.10% against a floating 6-month Euribor rate.
   The fair value as at December 31, 2019, calculated by the same bank, was negative in the amount of Euro 276 thousand (at December 31, 2018 positive in the amount of Euro 187 thousand).
9. The loan agreement outstanding with BNL – BNP Paribas, the residual debt of which amounts to Euro 21,000 thousand, was hedged by a fixed rate of 0.535% against a floating 6-month Euribor rate.
   The fair value as December 31, 2019, calculated by the same bank, was negative in the amount of Euro 522 thousand (negative in the amount of Euro 299 thousand as at December 31, 2018).
10. The loan agreement outstanding with Mediobanca, the residual debt of which amounts to Euro 40,000 thousand, was hedged by a fixed rate of 0.759% against a floating 6-month Euribor rate.
    The fair value as December 31, 2019, calculated by the same bank, was negative in the amount of Euro 1,121 thousand (negative in the amount of Euro 584 thousand as at December 31, 2018).

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 10. 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, 2018, by hierarchical level of fair value measurement:

| Payables and other financial liabilities | Notes | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|---|
| **Negative measurement** | | | | | |
| Mediobanca | | - | (242) | - | (242) |
| Intesa San Paolo | | - | (130) | - | (130) |
| Intesa San Paolo | | - | (388) | - | (388) |
| Banca Popolare di Bergamo | | - | (192) | - | (192) |
| Intesa San Paolo | | - | (276) | - | (276) |
| BNL - BNP Paribas | | - | (522) | - | (522) |
| Mediobanca | | - | (1,121) | - | (1,121) |
| Unicredit | | - | (240) | - | (240) |
| **Total negative measurement** | | - | (3,111) | - | **(3,111)** |
| **Positive measurement** | | | | | |
| Intesa San Paolo | | - | 1,854 | - | 1,854 |
| Intesa San Paolo | | - | 1,889 | - | 1,889 |
| **Total positive measurement** | | - | 3,743 | - | **3,743** |
| **Overall total** | | - | 632 | - | **632** |

## 25. Current liabilities

| | |
|---|---|
| Balance as at 12.31.2019 | 251,791 |
| Balance as at 12.31.2018 | 214,198 |
| **Change** | **37,593** |

This item breaks down as follows:

| Description | 12.31.2019 | 12.31.2018 | Change |
|---|---|---|---|
| Amounts due to banks | 1,345 | 2,137 | (792) |
| Trade accounts payable | 108,494 | 107,342 | 1,152 |
| Other financial liabilities | 69,458 | 52,364 | 17,094 |
| Tax payables | 15,737 | 12,466 | 3,271 |
| Other current liabilities | 56,757 | 39,889 | 16,868 |
| **Total** | **251,791** | 214,198 | 37,593 |

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 "Current tax liabilities" comprises:

| Description | 12.31.2019 | 12.31.2018 | Change |
|---|---|---|---|
| Income tax payables | 5,897 | 3,910 | 1,988 |
| VAT payables | 4,827 | 4,072 | 755 |
| Other current tax liabilities | 5,013 | 4,484 | 529 |
| **Total** | **15,737** | 12,466 | 3,271 |

"Other current liabilities" comprise:e:

| Description | 12.31.2019 | 12.31.2018 | Change |
|---|---|---|---|
| Amounts due to social security institutions | 7,741 | 7,914 | (173) |
| Amounts due to employees | 13,211 | 11,471 | 1,740 |
| Amounts due to shareholders for dividends | 353 | 174 | 179 |
| Amounts due for the purchase of equity investments | 2,415 | 2,000 | 415 |
| Guarantee deposits payable | 209 | 370 | (160) |
| Other payables | 12,774 | 1,829 | 10,945 |
| Accrued expenses and deferred income | 20,054 | 16,131 | 3,923 |
| **Total** | **56,757** | 39,889 | 16,868 |

This item breaks down as follows:

| Description | 12.31.2019 | 12.31.2018 | Change |
|---|---|---|---|
| **Accrued expenses** | | | |
| Interest payable on loans | 895 | 1,067 | (172) |
| Other | 3,334 | 3,036 | 298 |
| **Total accrued expenses** | **4,229** | 4,103 | 126 |
| **Deferred income** | | | |
| Sink funds granted | 296 | 422 | (126) |
| Rentals receivable | 42 | 97 | (55) |
| Other | 15,487 | 11,509 | 3,978 |
| **Total deferred income** | **15,825** | 12,028 | 3,797 |
| **Total accrued expenses and deferred income** | **20,054** | 16,131 | 3,923 |

"Accrued expenses and deferred income" represent the harmonising items for the period calculated on an accrual basis.

# BREAKDOWN OF REVENUES BY TYPE OF BUSINESS SOL GROUP

(amounts in thousands of Euro)

| | 12.31.2019 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Technical gas sector | % | Home-care service sector | % | Write downs | Consolidated figures | % |
| Technical gas sector | 442,761 | 100.0% | | | (30,166) | 412,595 | 45.6% |
| Home-care service sector | | | 492,887 | 100.0% | (1,169) | 491,718 | 54.4% |
| **Net sales** | **442,761** | **100.0%** | **492,887** | **100.0%** | **(31,335)** | **904,313** | **100.0%** |
| Other revenues and income | 5,742 | 1.3% | 3,705 | 0.8% | (565) | 8,883 | 1.0% |
| Internal works and collections | 3,196 | 0.7% | 8,857 | 1.8% | 1,608 | 13,662 | 1.5% |
| **Revenues** | **451,700** | **102.0%** | **505,449** | **102.5%** | **(30,291)** | **926,858** | **102.5%** |
| Purchase of materials | 123,021 | 27.8% | 107,552 | 21.8% | (17,703) | 212,870 | 23.5% |
| Services rendered | 147,498 | 33.3% | 136,205 | 27.6% | (11,470) | 272,233 | 30.1% |
| Change in inventories | 1,121 | 0.3% | 631 | 0.1% | - | 1,752 | 0.2% |
| Other costs | 11,354 | 2.6% | 13,342 | 2.7% | (1,116) | 23,580 | 2.6% |
| **Total costs** | **282,994** | **63.9%** | **257,731** | **52.3%** | **(30,289)** | **510,436** | **56.4%** |
| **Added value** | **168,706** | **38.1%** | **247,718** | **50.3%** | **(2)** | **416,422** | **46.0%** |
| Payroll and related costs | 91,996 | 20.8% | 113,119 | 23.0% | - | 205,115 | 22.7% |
| **Gross operating margin** | **76,710** | **17.3%** | **134,599** | **27.3%** | **(2)** | **211,307** | **23.4%** |
| Depreciation/amortisation | 52,974 | 12.0% | 52,603 | 10.7% | (105) | 105,472 | 11.7% |
| Provisions and write-downs | 4,306 | 1.0% | 2,760 | 0.6% | - | 7,066 | 0.8% |
| Non-recurring (income) / expenses | - | | 10,109 | 2.1% | - | 10,109 | 1.1% |
| **Operating result** | **19,430** | **4.4%** | **69,127** | **14.0%** | **103** | **88,660** | **9.8%** |
| Financial income | 15,693 | 3.5% | 1,862 | 0.4% | (14,945) | 2,610 | 0.3% |
| Financial expense | (10,076) | -2.3% | (2,725) | -0.6% | 1,470 | (11,331) | -1.3% |
| Results from equity investments | 262 | 0.1% | (343) | -0.1% | 343 | 262 | 0.0% |
| **Total financial income / (expense)** | **5,879** | **1.3%** | **(1,206)** | **-0.2%** | **(13,132)** | **(8,459)** | **-0.9%** |
| **Profit (Loss) before income taxes** | **25,309** | **5.7%** | **67,920** | **13.8%** | **(13,029)** | **80,201** | **8.9%** |
| Income taxes | 6,063 | 1.4% | 21,695 | 4.4% | 26 | 27,784 | 3.1% |
| **Net result from business activities** | **19,245** | **4.3%** | **46,225** | **9.4%** | **(13,054)** | **52,417** | **5.8%** |
| Net result from discontinued operations | - | | - | | - | - | |
| (Profit) / Loss pertaining to minority interests | (103) | 0.0% | (2,986) | -0.6% | 10 | (3,079) | -0.3% |
| **Net Profit / (Loss)** | **19,143** | **4.3%** | **43,239** | **8.8%** | **(13,044)** | **49,338** | **5.5%** |

# OTHER INFORMATION SOL GROUP

(amounts in thousands of Euro)

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

| 12.31.2018 | | | | | | |
|---|---|---|---|---|---|---|
| Technical gas sector | % | Home-care service sector | % | Write downs | Consolidated figures | % |
| 431,865 | 100.0% | | | (28,633) | 403,232 | 48.4% |
| | | 431,326 | 100.0% | (1,045) | 430,280 | 51.6% |
| 431,865 | 100.0% | 431,326 | 100.0% | (29,678) | 833,513 | 100.0% |
| 5,354 | 1.2% | 2,954 | 0.7% | (578) | 7,729 | 0.9% |
| 2,848 | 0.7% | 7,560 | 1.8% | 1,223 | 11,630 | 1.4% |
| 440,067 | 101.9% | 441,839 | 102.4% | (29,034) | 852,873 | 102.3% |
| 123,764 | 28.7% | 100,238 | 23.2% | (17,801) | 206,202 | 24.7% |
| 140,014 | 32.4% | 118,002 | 27.4% | (10,166) | 247,851 | 29.7% |
| (3,383) | -0.8% | (1,857) | -0.4% | - | (5,240) | -0.6% |
| 13,982 | 3.2% | 21,325 | 4.9% | (1,048) | 34,258 | 4.1% |
| 274,377 | 63.5% | 237,708 | 55.1% | (29,015) | 483,070 | 58.0% |
| 165,690 | 38.4% | 204,131 | 47.3% | (19) | 369,802 | 44.4% |
| 87,747 | 20.3% | 95,123 | 22.1% | - | 182,870 | 21.9% |
| 77,943 | 18.0% | 109,008 | 25.3% | (19) | 186,933 | 22.4% |
| 47,322 | 11.0% | 41,370 | 9.6% | (85) | 88,606 | 10.6% |
| 5,364 | 1.2% | 2,368 | 0.5% | - | 7,733 | 0.9% |
| - | | 940 | 0.2% | - | 940 | 0.1% |
| 25,257 | 5.8% | 64,331 | 14.9% | 67 | 89,654 | 10.8% |
| 14,688 | 3.4% | 1,834 | 0.4% | (13,548) | 2,974 | 0.4% |
| (10,530) | -2.4% | (2,734) | -0.6% | 2,023 | (11,240) | -1.3% |
| (219) | -0.1% | (1,495) | -0.3% | 1,495 | (219) | 0.0% |
| 3,940 | 0.9% | (2,395) | -0.6% | (10,030) | (8,485) | -1.0% |
| 29,197 | 6.8% | 61,936 | 14.4% | (9,963) | 81,169 | 9.7% |
| 7,787 | 1.8% | 19,401 | 4.5% | 16 | 27,203 | 3.3% |
| 21,410 | 5.0% | 42,535 | 9.9% | (9,979) | 53,966 | 6.5% |
| - | | - | | - | - | |
| 122 | 0.0% | (2,218) | -0.5% | 10 | (2,086) | -0.3% |
| 21,532 | 5.0% | 40,317 | 9.3% | (9,969) | 51,880 | 6.2% |

| 12.31.2018 | | | | | | |
|---|---|---|---|---|---|---|
| Technical gas sector | % | Home-care service sector | % | Write downs | Consolidated figures | % |
| 886,268 | | 531,370 | | (305,487) | 1.112.151 | |
| 506,906 | | 183,196 | | (123,954) | 566.147 | |
| 51,820 | | 42,676 | | | 94.496 | |

# 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)

| | 12.31.2019 | % | 12.31.2018 | % |
|---|---|---|---|---|
| **Net sales** | **442,761** | 100.0% | 431,865 | 100.0% |
| Other revenues and income | 5,742 | 1.3% | 5,354 | 1.2% |
| Internal works and collections | 3,196 | 0.7% | 2,848 | 0.7% |
| **Revenues** | **451,700** | 102.0% | 440,067 | 101.9% |
| Purchase of materials | 123,021 | 27.8% | 123,764 | 28.7% |
| Services rendered | 147,498 | 33.3% | 140,014 | 32.4% |
| Change in inventories | 1,121 | 0.3% | (3,383) | -0.8% |
| Other costs | 11,354 | 2.6% | 13,982 | 3.2% |
| **Total costs** | **282,994** | 63.9% | 274,377 | 63.5% |
| **Added value** | **168,706** | 38.1% | 165,690 | 38.4% |
| Payroll and related costs | 91,996 | 20.8% | 87,747 | 20.3% |
| **Gross operating margin** | **76,710** | 17.3% | 77,943 | 18.0% |
| Depreciation/amortisation | 52,974 | 12.0% | 47,322 | 11.0% |
| Provisions and write-downs | 4,306 | 1.0% | 5,364 | 1.2% |
| Non-recurring (income) / expenses | 0 | 0.0% | 0 | 0.0% |
| **Operating result** | **19,430** | 4.4% | 25,257 | 5.8% |
| Financial income | 15,693 | 3.5% | 14,688 | 3.4% |
| Financial expense | (10,076) | -2.3% | (10,530) | -2.4% |
| Results from equity investments | 262 | 0.1% | (219) | -0.1% |
| **Total financial income / (expense)** | **5,879** | 1.3% | 3,940 | 0.9% |
| **Profit (Loss) before income taxes** | **25,309** | 5.7% | 29,197 | 6.8% |
| Income taxes | 6,063 | 1.4% | 7,787 | 1.8% |
| **Net result from business activities** | **19,245** | 4.3% | 21,410 | 5.0% |
| Net result from discontinued operations | 0 | 0.0% | 0 | 0.0% |
| (Profit) / Loss pertaining to minority interests | (103) | 0.0% | 122 | 0.0% |
| **Net Profit / (Loss)** | **19,143** | 4.3% | 21,532 | 5.0% |

Sales in the Technical Gas Sector registered a 2.5% increase.

Gross operating margin decreased by 1.6% compared to the previous year.

Operating result decreased by 23.1% compared to the previous year.

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

(amounts in thousands of Euro)

| | 12.31.2019 | 12.31.2018 |
|---|---|---|
| Tangible fixed assets | 376,813 | 354,251 |
| Goodwill and consolidation differences | 23,959 | 23,952 |
| Other intangible fixed assets | 11,716 | 11,775 |
| Equity investments | 206,531 | 133,367 |
| Other financial assets | 7,538 | 7,134 |
| Deferred tax assets | 5,204 | 5,106 |
| **Non-current assets** | **631,761** | 535,585 |
| **Non-current assets held for sale** | **0** | 0 |
| Inventories | 22,372 | 23,569 |
| Trade receivables | 157,050 | 155,962 |
| Other current assets | 22,026 | 21,128 |
| Current financial assets | 39,803 | 85,161 |
| Cash and cash at bank | 91,191 | 64,864 |
| **Current assets** | **332,442** | 350,683 |
| **TOTAL ASSETS** | **964,202** | 886,268 |
| Share capital | 47,164 | 47,164 |
| Share premium reserve | 63,335 | 63,335 |
| Legal reserves | 10,459 | 10,459 |
| Reserve for treasury shares in portfolio | 0 | 0 |
| Other reserves | 234,610 | 227,865 |
| Retained earnings (accumulated loss) | 2,659 | 2,659 |
| Net Profit | 19,143 | 21,532 |
| **Shareholders' equity - Group** | **377,370** | 373,014 |
| Shareholders' equity - Minority interests | 6,266 | 6,471 |
| Profit pertaining to minority interests | 103 | -122 |
| **Shareholders' equity - Minority interests** | **6,368** | 6,349 |
| **Shareholders' equity** | **383,738** | 379,362 |
| Employee severance indemnities and other benefits | 12,826 | 11,935 |
| Provision for deferred taxes | 2,449 | 2,491 |
| Provisions for risks and charges | 224 | 598 |
| Payables and other financial liabilities | 380,168 | 327,067 |
| **Non-current liabilities** | **395,667** | 342,091 |
| **Non-current liabilities held for sale** | | |
| Amounts due to banks | 1,319 | 2,115 |
| Trade accounts payable | 67,701 | 68,261 |
| Other financial liabilities | 92,748 | 72,179 |
| Tax payables | 5,078 | 5,297 |
| Other current liabilities | 17,952 | 16,963 |
| **Current liabilities** | **184,797** | 164,815 |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | **964,202** | 886,268 |

# 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)

| | 12.31.2019 | % | 12.31.2018 | % |
|---|---|---|---|---|
| **Net sales** | **492,887** | 100.0% | 431,326 | 100.0% |
| Other revenues and income | 3,705 | 0.8% | 2,954 | 0.7% |
| Internal works and collections | 8,857 | 1.8% | 7,560 | 1.8% |
| **Revenues** | **505,449** | 102.5% | 441,839 | 102.4% |
| Purchase of materials | 107,552 | 21.8% | 100,238 | 23.2% |
| Services rendered | 136,205 | 27.6% | 118,002 | 27.4% |
| Change in inventories | 631 | 0.1% | (1,857) | -0.4% |
| Other costs | 13,342 | 2.7% | 21,325 | 4.9% |
| **Total costs** | **257,731** | 52.3% | 237,708 | 55.1% |
| **Added value** | **247,718** | 50.3% | 204,131 | 47.3% |
| Payroll and related costs | 113,119 | 23.0% | 95,123 | 22.1% |
| **Gross operating margin** | **134,599** | 27.3% | 109,008 | 25.3% |
| Depreciation/amortisation | 52,603 | 10.7% | 41,370 | 9.6% |
| Provisions and write-downs | 2,760 | 0.6% | 2,368 | 0.5% |
| Non-recurring (income) / expenses | 10,109 | 2.1% | 940 | 0.2% |
| **Operating result** | **69,127** | 14.0% | 64,331 | 14.9% |
| Financial income | 1,862 | 0.4% | 1,834 | 0.4% |
| Financial expense | (2,725) | -0.6% | (2,734) | -0.6% |
| Results from equity investments | (343) | -0.1% | (1,495) | -0.3% |
| **Total financial income / (expense)** | **(1,206)** | -0.2% | (2,395) | -0.6% |
| **Profit (Loss) before income taxes** | **67,920** | 13.8% | 61,936 | 14.4% |
| Income taxes | 21,695 | 4.4% | 19,401 | 4.5% |
| **Net result from business activities** | **46,225** | 9.4% | 42,535 | 9.9% |
| Net result from discontinued operations | 0 | 0.0% | 0 | 0.0% |
| (Profit) / Loss pertaining to minority interests | (2,986) | -0.6% | (2,218) | -0.5% |
| **Net Profit / (Loss)** | **43,239** | 8.8% | 40,317 | 9.3% |

Sales in the Home-care service sector registered an increase of 14.3%.

Gross operating margin increased by 23.5% compared to the previous year.

Operating result increased by 7.5% compared to the previous year.

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

(amounts in thousands of Euro)

| | 12.31.2019 | 12.31.2018 |
|---|---|---|
| Tangible fixed assets | 157,644 | 121,569 |
| Goodwill and consolidation differences | 101,758 | 64,621 |
| Other intangible fixed assets | 5,356 | 4,454 |
| Equity investments | 73,332 | 71,269 |
| Other financial assets | 2,133 | 3,099 |
| Deferred tax assets | 1,599 | 1,846 |
| **Non-current assets** | **341,822** | 266,858 |
| **Non-current assets held for sale** | **0** | 0 |
| Inventories | 27,104 | 27,130 |
| Trade receivables | 134,491 | 136,208 |
| Other current assets | 7,310 | 8,660 |
| Current financial assets | 42,622 | 28,028 |
| Cash and cash at bank | 78,134 | 64,486 |
| **Current assets** | **289,661** | 264,512 |
| **TOTAL ASSETS** | **631,483** | 531,370 |
| Share capital | 7,750 | 7,750 |
| Share premium reserve | 20,934 | 20,934 |
| Legal reserves | 1,550 | 1,550 |
| Reserve for treasury shares in portfolio | 0 | 0 |
| Other reserves | 338,598 | 241,329 |
| Retained earnings (accumulated loss) | 24,577 | 24,577 |
| Net Profit | 43,239 | 40,317 |
| **Shareholders' equity - Group** | **436,648** | 336,457 |
| Shareholders' equity - Minority interests | 10,004 | 9,499 |
| Profit pertaining to minority interests | 2,986 | 2,218 |
| **Shareholders' equity - Minority interests** | **12,990** | 11,717 |
| **Shareholders' equity** | **449,638** | 348,174 |
| Employee severance indemnities and other benefits | 4,482 | 3,705 |
| Provision for deferred taxes | 1,002 | 980 |
| Provisions for risks and charges | 894 | 869 |
| Payables and other financial liabilities | 60,950 | 91,641 |
| **Non-current liabilities** | **67,328** | 97,195 |
| **Non-current liabilities held for sale** | **0** | 0 |
| Amounts due to banks | 26 | 22 |
| Trade accounts payable | 51,816 | 50,621 |
| Other financial liabilities | 12,157 | 2,858 |
| Tax payables | 10,660 | 7,169 |
| Other current liabilities | 39,856 | 25,331 |
| **Current liabilities** | **114,515** | 86,001 |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | **631,483** | 531,370 |

# INFORMATION BY GEOGRAPHIC AREA

The breakdown of revenues by geographic area is presented below:

| Description | 12.31.2019 | 12.31.2018 | Change |
|---|---|---|---|
| Italy | 394,817 | 380,758 | 14,059 |
| Other countries | 509,496 | 452,755 | 56,741 |
| **Total** | **904,313** | 833,513 | 70,800 |

The breakdown of investments by geographic area is presented below:

| Description | 12.31.2019 | 12.31.2018 | Change |
|---|---|---|---|
| Italy | 37,278 | 33,277 | 4,001 |
| Other countries | 60,393 | 61,219 | (826) |
| **Total** | **97,671** | 94,496 | 3,175 |

# 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 2019 amounted to Euro 178.0 million.

As at December 31, 2019, receivable and payable transactions between Group companies came to Euro 244.2 million, of which Euro 159.8 million of a financial nature and Euro 84.4 million of a trade nature.

The breakdown of intercompany financial receivables is as follows:

| | | |
|---|---|---|
| • Financial receivables granted by SOL Spa | Euro | 97.3 million |
| • Financial receivables granted by AIRSOL BV | Euro | 20.7 million |
| • Financial receivables granted by other companies | Euro | 41.8 million |

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

| | | |
|---|---|---|
| • Sales and services to CT Biocarbonic GmbH | Euro | 203 thousand |
| • Purchases from CT Biocarbonic GmbH | Euro | 3,350 thousand |
| • Financial receivables from CT Biocarbonic GmbH | Euro | 1,450 thousand |
| • Trade receivables from CT Biocarbonic GmbH | Euro | 34 thousand |
| • Amounts due to CT Biocarbonic GmbH | Euro | 312 thousand |
| • Sales and services to SICGILSOL India Private Limited | Euro | 379 thousand |
| • Trade receivables from SICGILSOL India Private Limited | Euro | 255 thousand |
| • Financial receivables from SICGILSOL India Private Limited | Euro | 2,120 thousand |
| • Sales and services to ZDS JESENICE doo | Euro | 1,767 thousand |
| • Purchases from ZDS JESENICE doo | Euro | 2,845 thousand |
| • Trade receivables from ZDS JESENICE doo | Euro | 454 thousand |
| • Amounts due to ZDS JESENICE doo | Euro | 298 thousand |
| • Sales and services to Consorgas Srl | Euro | 1 thousand |
| • Trade receivables from Consorgas Srl | Euro | 4 thousand |
| • Financial receivables from Consorgas Srl | Euro | 35 thousand |
| • Amounts due to Consorgas Srl | Euro | 6 thousand |
| • Sales and services to Consorzio Ecodue | Euro | 52 thousand |
| • Purchases from Consorzio Ecodue | Euro | 90 thousand |
| • Trade receivables from Consorzio Ecodue | Euro | 63 thousand |
| • Amounts due to Consorzio Ecodue | Euro | 96 thousand |

## COMMITMENTS, GUARANTEES AND POTENTIAL LIABILITIES

The Sol Group obtained sureties totalling Euro 61,510 thousand.

# NET FINANCIAL POSITION

(amounts in thousands of Euro)

| | | 12.31.2019 | 12.31.2018 |
|---|---|---|---|
| a | Cash | 467 | 516 |
| b | Banks | 168,858 | 128,834 |
| c | Securities held for trading | - | - |
| **d** | **Liquidity (a) + (b) + (c )** | **169,326** | 129,350 |
| e | Short-term time deposits | 4,147 | 2,404 |
| e | Other short-term financial assets * | 1,347 | 690 |
| e | Current financial receivables due from Group companies | 2,572 | 2,579 |
| **e** | **Current financial receivables** | **8,066** | 5,673 |
| f | Short-term amounts due to banks | (1,345) | (2,137) |
| g | Loans – long-term portion | (42,036) | (39,043) |
| g | Leases – short term portion | (14,338) | (549) |
| g | Bonds – short term portion | (11,946) | (11,946) |
| h | Amounts due to shareholders for loans | (87) | (126) |
| h | Amounts due to Shareholders for the purchase of equity investments | (2,415) | (2,000) |
| h | Other short-term financial liabilities * | (1,947) | (1,767) |
| **i** | **Current borrowing (f) + (g) + (h)** | **(74,113)** | (57,568) |
| **j** | **Net current borrowing (d) + (e) + (i)** | **103,279** | 77,454 |
| k | Long-term amounts due to banks | - | - |
| l | Bonds issued | (63,823) | (75,768) |
| m | Securities | 1,055 | 773 |
| m | Other long-term financial assets * | 3,681 | 3,697 |
| m | Loans - long-term portion | (298,114) | (249,985) |
| m | Leasing - long-term portion | (34,686) | (320) |
| m | Amounts due to Shareholders for the purchase of equity investments | (1,107) | (2,900) |
| m | Other long-term financial liabilities * | (2,190) | (1,500) |
| **n** | **Non-current borrowing (k) + (l) + (m)** | **(395,184)** | (326,002) |
| **o** | **Net borrowing (j) + (n)** | **(291,905)** | (248,548) |

* Includes the fair value of derivative financial instruments

# 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.
2019 was characterised by the economic showdown in several Countries where the SOL Group works.

## RISKS RELATING TO THE GROUP'S RESULTS

The SOL Group partially operates in sectors affected by significant cyclicality 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 will probably 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.
It should be noted that the ongoing economic problems of Greece, a country in which the SOL Group has been operating for years, could lead to uncertainty, currently not quantifiable, regarding the possibility of collecting receivables from public hospitals in the country and the redemption of Greek government bonds in our portfolio. However, these amounts are not significant with reference to the Group consolidated financial statements.

## 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 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, 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 provided for 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 51 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, 2019 was positive in the amount of Euro 3,743 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, 2019 is equal to Euro 142,015 thousand and the negative fair value is equal to Euro 3,111 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.
The Group expects to continue to incur high charges in order to comply with 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:

- From Lazio Innova, valid for the resources available under POR FESR LAZIO 2014-2020, "Kets - tecnologie abilitanti" (Kets - enabling technologies) call for tenders Euro 101 thousand (of which Euro 34 thousand to be paid to the project partners) granted to the company Cryolab Srl;
- Contribution from the Marche Region for the Printage project Euro 254 thousand (of which Euro 197 thousand paid to the project partners) granted to the company Diatheva Srl.

## 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 2019 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 | Receiver | Considerations pertaining to the 2019 financial year |
|---|---|---|---|
| Auditing | Deloitte | SOL Spa Parent Company | 128 |
| | Deloitte | Subsidiary companies | 96 |
| | Deloitte network | Subsidiary companies | 241 |
| Quarterly audit | Deloitte | SOL Spa Parent Company | 6 |
| | Deloitte | Subsidiary companies | 9 |
| Other services | Deloitte | SOL Spa Parent [1] | 28 |
| | Deloitte | Subsidiary companies [1] | 16 |
| **Total** | | | **525** |

(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 2019.

## 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 2019, as defined by the Communication itself.

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

Please refer to the specific section in the report on operations.

Monza, March 27 2020

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 the drawing up the 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 24, 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 2019 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 Community 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.

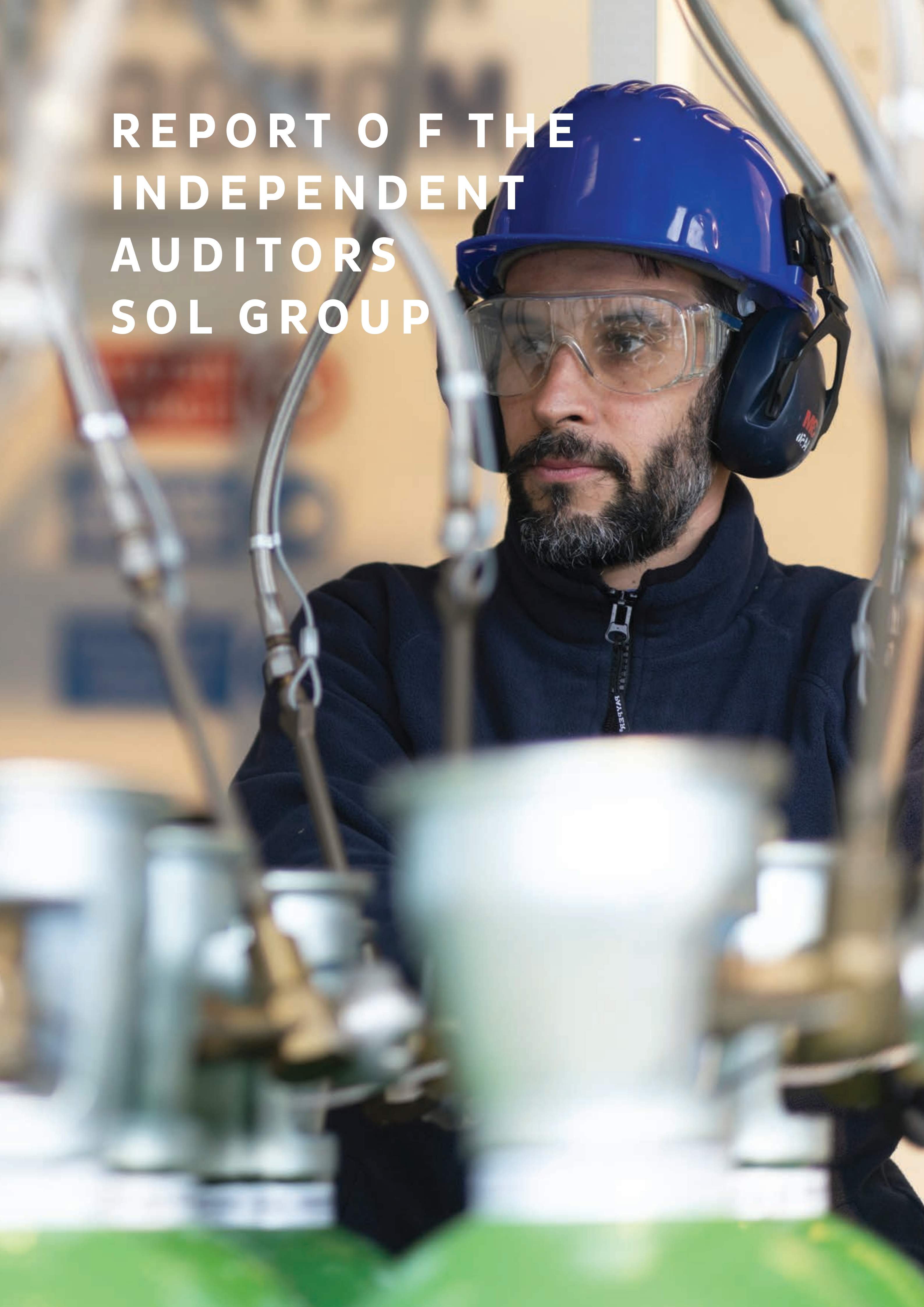
2. the directors' report includes a reliable analysis of the business trend and operating result as well as of the situation of issuing company and of the consolidated companies, together with a description of the main risks and uncertainties they incur.

Monza, March 27 2020

The Managing directors
(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, 2019, 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, 2019, 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.

| ***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 134,838 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. |

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Parma Roma Torino Treviso Udine Verona

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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, 2019 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 36,931 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 27, 2020, 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.

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.

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| | |
|---|---|
| **Audit procedures performed** | As part of our audit, we have, among others, carried out the following procedures, also with the support of experts:<br><br>• 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;<br><br>• understand and evaluate the SOL Group's relevant internal controls over the impairment test process related to intangible assets with indefinite useful lives;<br><br>• 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;<br><br>• 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;<br><br>• 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);<br><br>• review of the mathematical accuracy of the model used to estimate the value in use of the CGUs;<br><br>• review of the correct calculation of the book value of the CGUs;<br><br>• review of the sensitivity analysis aimed at understanding the effects on the impairment test when certain assumptions change;<br><br>• analysis of the adequacy and compliance of the disclosure related to the impairment test. |

**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.

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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.

- 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.

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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.

**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, 2019, 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, 2019 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, 2019 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 22, 2020

*This report has been translated into the English language solely for the convenience of international readers.*

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