2018

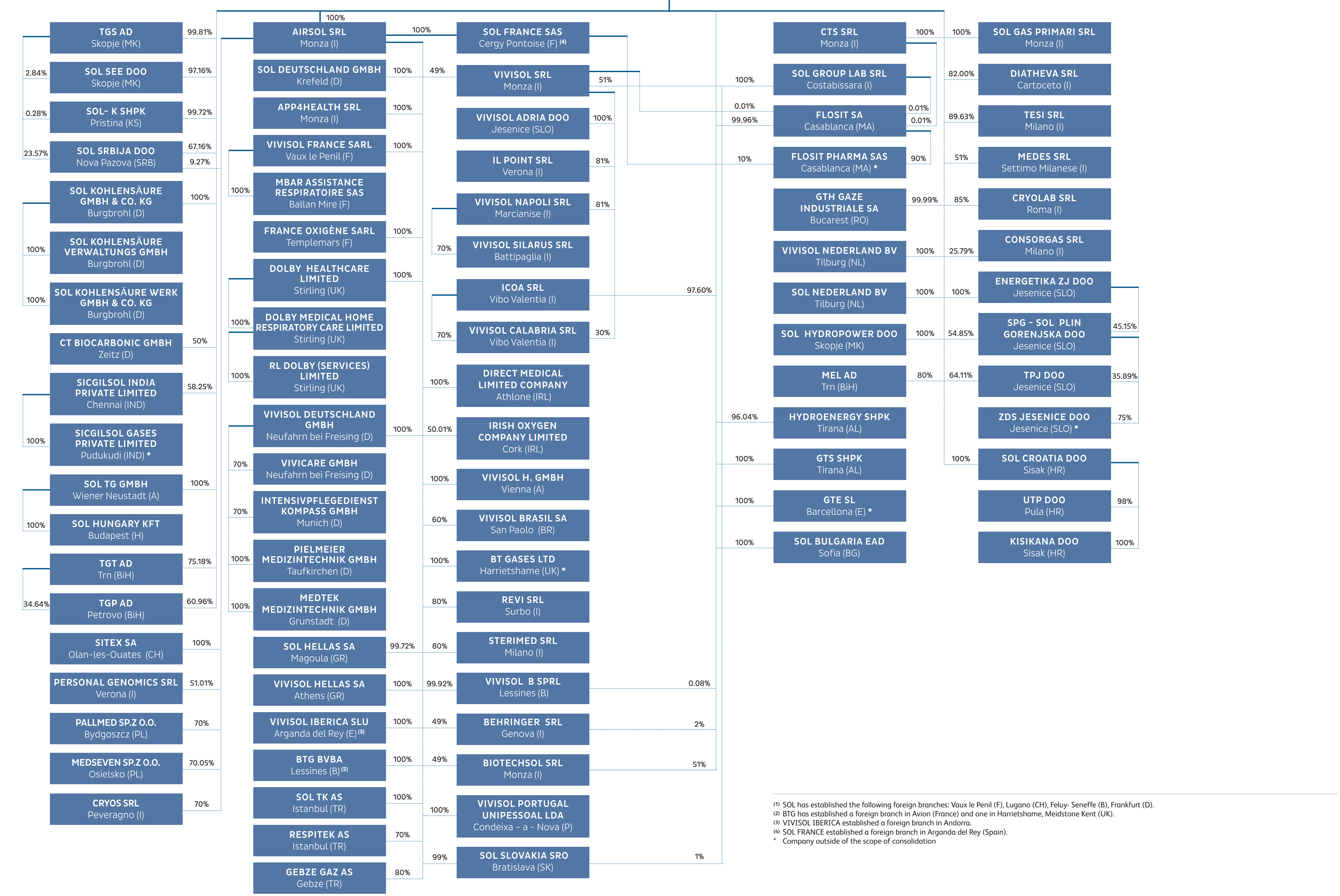
SOL GROUP ANNUAL REPORT

SOLGROUP
a breath of life

1927-2017

STRUCTURE OF THE SOL GROUP AS AT DECEMBER 31, 2018

SOL S.P.A. [1]



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

INDEX

SOL Spa

Registered office
Via Borgazzi, 27
20900 Monza - Italy

Share Capital
Euro 47.164.000,00 fully paid up.

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 CEO
Aldo Fumagalli Romario

Vice Chairman and CEO
Marco Annoni

Director with special powers
Giovanni Annoni

Director with special powers
Giulio Fumagalli Romario

Members
Maria Antonella Boccardo (Independent)
Filippo Annoni
Susanna Dorigoni (Independent)
Anna Gervasoni (Independent)
Antonella Mansi (Independent)
Luisa Savini

GENERAL MANAGERS

Giulio Mario Bottes
Andrea Monti

BOARD OF STATUTORY AUDITORS

Chairman
Alessandro Danovi

Statutory Auditors
Livia Martinelli
Giuseppe Marino

Alternate Auditors
Maria Gabriella Drovandi
Vincenzo Maria Marzuillo

AUDITING COMPANY

DELOITTE & TOUCHE Spa
Via Tortona n. 25
20144 Milan

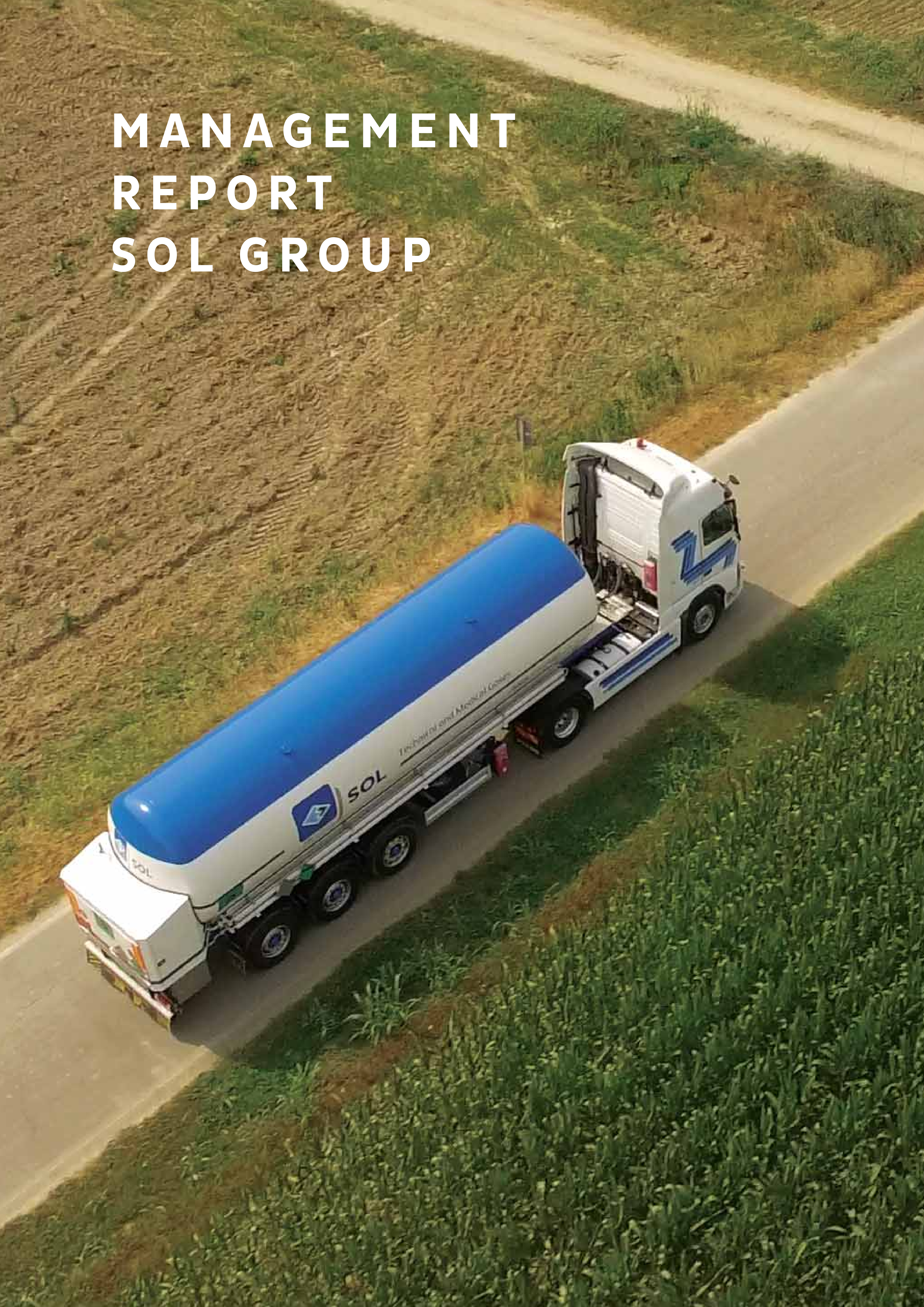
POWERS GRANTED TO THE DIRECTORS

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

To the Chairman and Vice Chairman: legal representation before third parties and the court; joint and several powers of ordinary administration; joint powers of extraordinary administration, without prejudice that for the execution of the relevant acts the signature of one of the two is sufficient with written authorisation from the other; without prejudice to various specific acts of particular importance that are reserved to the competence of the Board of Directors.

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

MANAGEMENT REPORT SOL GROUP



INTRODUCTION

This Annual Financial Report as at December, 31 2018 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.
The economic scenario that characterised 2018 experienced moderate growth in the first half of the year, followed by a gradual slowdown in the second half of the year.
The lower growth was most pronounced in China, following the trade war with the United States and, above all, in the Eurozone as the latter is more dependent on foreign demand.
In the Eurozone, Italy is the country that has been most affected by the downward trend in growth.
The price of oil increased further compared to 2017 and then settled during the year at values higher than those of the previous year. Throughout Europe, electricity prices have risen considerably over the year.
Interest rates on loans in Euro increased slightly as a result of the growth in spreads applied by the banking system.
Italy recorded a growth in GDP and industrial production that weakened in the second half of the year, especially in recent months.
For the year 2019, macroeconomic forecasts show a further slowdown, especially in the Eurozone, which will be affected by the reduction in world trade and uncertainty about the consequences of Brexit.
There was an increase in production in the technical, special and medical gases sector in 2018 compared to 2017.
Gas consumption increased in all sectors of use, with a special emphasis on the engineering industry.
In particular, growth in widespread use declined only in the last part of the year.
Prices remained fairly stable, except for medical gases, which showed a further downward trend.
In the home care sector, there was good growth in 2018 both in Italy and in the other countries in which the SOL Group operates.
As for 2019, more moderate growth is expected in both the technical gas and home-care sectors.

SUMMARY RESULTS

In this context, we believe that the results achieved by the SOL Group in 2018 were certainly positive.
The net sales achieved by the SOL Group in 2018 were equal to Euro 833.5 million (+10.1 % compared to those of 2017).
The gross operating margin was Euro 186.9 million, equating to 22.4 % of sales, up by 11.8 % when compared to 2017 (Euro 167.2 million, or 22.1 % of sales).
The operating result came to Euro 89.7 million, equating to 10.8 % of sales, up by 17.7 % compared to the figure for 2017 (Euro 76.2 million, or 10.1 % of sales), due to higher depreciations and provisions of Euro 5.3 million.
The net profit amounted to Euro 51.9 million (Euro 40.2 million at the end of 2017).
The cash flow amounted to Euro 142.6 million (17.1 % of sales), up compared to that of 2017 (equal to Euro 127.3 million).
The technical investments carried out in 2018 amounted to Euro 94.5 million (Euro 93.7 million in 2017).
The average number of employees as at December 31, 2018 amounted to 3,802 (3,355 as at December 31, 2017).
The net financial indebtedness was equal to Euro 248.5 million (254.6 million as at December 31, 2017).

MANAGEMENT TREND

During 2018, the technical gas sector showed an increase in sales of 9.2 % when compared with the previous year achieving a turnover from third-party customers equating to Euro 403.2 million, with volumes on the increase 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 sector.
On the other hand, the hospital sector remained stable with decreasing prices due to reduced expenditure policies and strong competition.
The home-care business reported positive growth (+11.0 % for a turnover to third-party customers equating to Euro 430.3 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 535.4 million, or 64.2 % of total turnover.
In terms of costs, the gross operating margin reported a growth of Euro 19.7 million compared to 2017, or 11.8 %.
The operating result increased by Euro 13.5 million compared to 2017, also due to higher amortisation/depreciations and provisions for an amount of Euro 5.3 million.
The Group's net indebtedness decreased only by Euro 6.1 million despite technical investments and acquisitions made in 2018.
The debt ratios remain very sound, with the debt/equity ratio of 0.45 and the cash flow cover reduced to 1.33.
During 2018, technical gas reserves remained within the safety levels.
In 2018, 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 2018 with a price of Euro 10.48 and closed on December 28, 2018 at Euro 10.88.
During the year, the stock achieved a maximum price of Euro 12.14, while the minimum came to Euro 9.90.

QUALITY, SAFETY, HEALTH AND ENVIRONMENT

The focus on issues of quality management, health, safety and environment was constantly active throughout 2018 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 were not only renewed but extended to new activities as well as other operational sites of the Group.
In addition, the transition from ISO 9001 and ISO 14001 certifications to the new 2015 standard, based on Risk-Based Thinking, was completed.
The certification status was also 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 2018 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 41 sites in Italy and 38 sites outside of Italy (of which 3 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 23 (of which one belongs to the German company CT Biocarbonic), 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 20 sites outside of Italy (of which 1 belonging to the German company CT Biocarbonic) and 2 in Italy. In particular, the latest revision of FSSC 22000 4.1, which came into force in January 2018, introduced important additional requirements, such as the prevention of intentional contamination for ideological reasons (Food Defense) or for economic reasons (Food Fraud Prevention), as well as audits without notice by certification bodies (at least one in the three-year period). These additional requirements represent a new challenge for FSSC certification holders, as well as a major incentive to maintain a robust and effective food safety management system at all times.
Note that in 2018 SOL Nederland obtained ISO 22000 and FSSC 22000 certification for the production of dry ice at the Emmen site.
The growing need for training and comparison between the Quality Managers of companies holding food safety certifications also motivated an effective training initiative carried out in 2018 with an external supplier at the SOL registered office in Monza.
ISO 14001 certification was also confirmed for 9 sites in Italy and 5 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.
As part of the activities related to technical gas, the excellence certification status (ISO 9001, ISO 14001, OHSAS 18001) was confirmed, maintaining European EMAS Registration for the Verona and Mantua plants and for the Slovenian company SPG, which obtained the EMAS Registration in 2017.

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; EC markings 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 23 sites in Italy and was expanded to 23 sites outside of Italy.
During 2018, Vivisol undertook a process of centralisation of planning and customer service activities that will lead to an increase in quality and efficiency of services, thanks to staff specialisation. This initiative could therefore lead to a strategic reduction of Vivisol's ISO 9001 certified sites, especially in the case of sites dedicated only to the production or distribution of medicines, and therefore already subject to periodic inspections by the competent authority.
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 confirmed.
All of the Integrated Environmental Certifications achieved over the previous years have been confirmed for our initial processing sites, in respect of transparency before the public and local media.
The Sustainability Report will accompany the Financial Statements this year as well, which was prepared in accordance with the provisions of the international Global Reporting Initiative standard in its most up-to-date version (GRI Standards).
The Sustainability Report has been prepared in accordance with the provisions of Italian Legislative Decree 254/2016, which implements the "Barnier Directive" 2014/95/EU on non-financial reporting.

CONSOLIDATED NON-FINANCIAL STATEMENT

The consolidated non-financial statement of SOL Spa for the year 2018, 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 SOL Group's regulatory activities, both in Italy and abroad, continued in 2018 as well.
At the end of 2018, the Group has:

- 148 Marketing Authorisations registered in 23 countries (20 EU and 3 non-EU) through 40 files.
- A total of 57 Pharmaceutical Workshops (55 of gas production) of which 24 in Italy and 33 abroad (13 countries). The gas workshops are divided into 10 home-care units abroad and 6 in Italy, and 17 technical gas units in Italy and 22 abroad.
- 22 Technical Files for Medical Devices (of which 6 gases, involving 16 production sites).

In 2018, 11 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 UK authorities in 2018.

SOL GROUP INVESTMENTS

During 2018, technical investments were made for 51.8 million Euro in the "technical gases" sector, of which 18.1 million Euro by the parent company SOL Spa, and 42.7 million Euro in the "home care" sector as detailed below:

- works were completed on the construction in Campania of a new highly automated plant for testing and maintaining compressed gas;
- in Monza, work to modernise and expand the plant that produces pure, medical and special gases was completed;
- In Slovenia, the company SPG doo expanded its production capacity for the supply of technical gases to customers in pipelines;
- in Bulgaria, the plant for the production of carbon dioxide at the subsidiary SOL Bulgaria doo was successfully started up;
- in Albania, work is underway on the construction of a new sulphur dioxide production plant for GTS Shpk;
- in France, work to expand dry ice production at the SOL France secondary production plant in Cergy Pontoise was successfully completed;
- in Ireland, the new industrial gas filling plant was completed and put into operation at IOC Ltd;
- the programme for the improvement, modernisation and rationalisation of primary production plants of technical gases continued. This activity has particularly affected the units of Augusta in Italy, Frankfurt in Germany and Trichy in India;
- the programme for the improvement, modernisation and rationalisation of secondary production plants of technical gases continued. This activity has particularly affected the units of Ancona, Bologna and Pisa in Italy; Gersthofen and Krefeld in Germany, Wiener Neustadt in Austria;
- 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 in IT systems improvement continued, for both the technical gas and home-care sectors.

MAJOR CORPORATE TRANSACTIONS

During 2018, the Group acquired majority stakes in the following companies:

- FISIO MED Service Srl, based in Gallarate (Varese) and operating in the home-care sector (merged the same year in Vivisol Srl);
- Pallmed sp.zo.o, based in Bydgoszcz (Poland) and active in the home-care sector;
- Medseven sp.zo.o, based in Osielsko (Poland) and active in the home-care sector;
- Cryos Srl, based in Peveragno (Cuneo) and active in the technical gases sector;
- Medtek Medizintechnik GmbH, based in Grünstadt (Germany) 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.

SHARES OF THE PARENT COMPANY HELD BY GROUP COMPANIES

As at December 31, 2018, 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 2018 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, 2018.

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, industrial production, cost of energy products and health expense policies adopted in the different European countries in which the Group works.
2018 was characterised by a slight economic recovery in European Countries in which the Group works.

- RISKS RELEVANT TO THE RESULTS OF THE GROUP

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, state policies for reducing health expenses could cause a reduction in margins of the home-care and medical gas sectors.

The decision of Great Britain to leave the European Union will probably have a 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.
Moreover, a dispute between two companies of the Group and Agenzia Italiana del Farmaco (AIFA) is pending before the court of Lazio with regard to the request for the settlement of the hospital and pharmaceutical expenditure overrun for the years 2013 - 14 - 15 - 16.
As things stand, the regional administrative court upheld the company's request for suspension and the hearings are pending.
Following the in-depth analysis carried out with the support of external lawyers, the Company, in addition to contesting the procedures, does not consider the amounts requested to be due; therefore, on the basis of the risk identified as only possible, it has not made any specific provision.
With regard to the proceeding started in 2015 by the Antitrust Authority (Autorità garante della concorrenza e del mercato, AGCM) for alleged agreements prohibited between competitors during some public tenders involving two Group companies, the Regional Administrative Court of Lazio voided in full the fine of Euro 10.1 million imposed on VIVISOL Srl and reduced the fine imposed on VIVISOL Napoli Srl from Euro 1.2 million to Euro 0.9 million.
Both AGCM and VIVISOL Napoli Srl lodged their respective appeals with the Council of State in opposition to the judgment of the Regional Administrative Court.

- 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, could generate high spreads and possible greater difficulties in obtaining longer maturities for loans compared to what occurred 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 and the statistical data.

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.

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 60.5 million. To hedge the exchange rate risk, two cross currency swaps were made in Euros on the total loan amount and for the entire duration (12 years). The fair value of the CCSs as at December 31, 2018 was positive in the amount of Euro 1,917 thousand.
With regard to the current currency situation 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 imported products.
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, 2018 is equal to Euro 162,114 thousand and the negative fair value is equal to Euro 2,013 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 2018 FINANCIAL YEAR AND BUSINESS OUTLOOK.

Note the acquisitions of a company in Germany and three in Brazil operating in the home-care business during the first quarter of 2019.
With regard to 2019, we expect a period characterised by a slowdown in the economy compared to 2018.
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.

Monza, March 29 2019

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

CONSOLIDATED FINANCIAL STATEMENTS AND EXPLANATORY NOTES

CONSOLIDATED INCOME STATEMENT SOL GROUP

(in thousands of Euro)

	Notes	12.31.2018	%	12.31.2017	%
Net sales	1	**833,513**	**100.0%**	756,807	100.0%
Other revenues and income	2	7,729	0.9%	8,190	1.1%
Internal works and collections	3	11,630	1.4%	11,427	1.5%
Revenues		**852,873**	**102.3%**	776,424	102.6%
Purchase of materials		206,202	24.7%	186,945	24.7%
Services rendered		247,851	29.7%	230,043	30.4%
Change in inventories		(5,240)	-0.6%	(4,920)	-0.7%
Other costs		34,258	4.1%	30,892	4.1%
Total costs	4	**483,070**	**58.0%**	442,961	58.5%
Added value		**369,802**	**44.4%**	333,463	44.1%
Payroll and related costs	5	182,870	21.9%	166,230	22.0%
Gross operating margin		**186,933**	**22.4%**	167,232	22.1%
Depreciation/amortisation	6	88,606	10.6%	85,107	11.2%
Provisions and write-downs	6	7,733	0.9%	5,971	0.8%
Non-recurring (income) / expenses	6	940	0.1%	-	0.0%
Operating result		**89,654**	**10.8%**	76,154	10.1%
Financial income		2,974	0.4%	2,887	0.4%
Financial expense		(11,240)	-1.3%	(11,548)	-1.5%
Results from equity investments		(219)	0.0%	(632)	-0.1%
Total financial income / (expense)	7	**(8,485)**	**-1.0%**	(9,292)	-1.2%
Profit (Loss) before income taxes		**81,169**	**9.7%**	66,862	8.8%
Income taxes	8	27,203	3.3%	24,641	3.3%
Net result from business activities		**53,966**	**6.5%**	42,221	5.6%
Net result from discontinued operations		-	0.0%	-	0.0%
(Profit) / Loss pertaining to minority interests		(2,086)	-0.3%	(1,982)	-0.3%
Net Profit / (Loss)		**51,880**	**6.2%**	40,239	5.3%
Earnings per share		**0.572**		0.444	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME SOL GROUP

(in thousands of Euro)

	12.31.2018	12.31.2017
Profit/(Loss) for the year (A)	**53,966**	42,221
Components that will never be reclassified to the Income Statement		
Actuarial gains/(losses)	176	(1,162)
Tax effect	(45)	282
Total components that will never be reclassified to the Income Statement (B1)	**131**	(880)
Components that may be reclassified to the Income Statement		
Profits / (losses) on cash flow hedging instruments	1,345	(8,065)
Profits / (losses) deriving from conversion of financial statements of foreign companies	**(319)**	(956)
Tax effect related to other profits (losses)	(307)	1,963
Total components that may be reclassified to the Income Statement (B2)	**719**	(7,058)
Total other profits / (losses) net of the tax effect (B1) + (B2) = (B)	**850**	(7,938)
Overall result for the period (A+B)	**54,816**	34,283
Attributable to:		
- shareholders of the parent company	53,042	32,368
- minority interest	1,774	1,915

CONSOLIDATED STATEMENT OF FINANCIAL POSITION SOL GROUP

(in thousands of Euro)

	Notes	12.31.2018	12.31.2017
Tangible fixed assets	9	475,382	462,903
Goodwill and consolidation differences	10	97,695	84,377
Other intangible fixed assets	11	16,229	15,892
Equity investments	12	14,314	13,102
Other financial assets	13	7,623	12,653
Deferred tax assets	14	7,084	8,333
Non-current assets		**618,327**	**597,261**
Non-current assets held for sale		**-**	**-**
Inventories	15	50,699	46,450
Trade receivables	16	280,014	260,108
Other current assets	17	28,005	34,864
Current financial assets	18	5,756	4,126
Cash and cash at bank	19	129,350	117,175
Current assets		**493,824**	**462,723**
TOTAL ASSETS		**1,112,151**	**1,059,985**
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		353,197	327,221
Retained earnings (accumulated loss)		1,907	1,895
Net Profit		51,880	40,239
Shareholders' equity - Group		**527,943**	**490,314**
Shareholders' equity - Minority interests		15,976	13,588
Profit pertaining to minority interests		2,086	1,982
Shareholders' equity - Minority interests		**18,061**	**15,570**
SHAREHOLDERS' EQUITY	20	**546,004**	**505,884**
Employee severance indemnities and other benefits	21	15,640	15,351
Provision for deferred taxes	22	3,498	3,314
Provisions for risks and charges	23	1,466	861
Payables and other financial liabilities	24	331,345	334,137
Non-current liabilities		**351,950**	**353,664**
Non-current liabilities held for sale		**-**	**-**
Amounts due to banks		2,137	2,035
Trade accounts payable		107,342	105,494
Other financial liabilities		52,364	43,647
Tax payables		12,466	10,963
Other current liabilities		39,889	38,298
Current liabilities		**214,198**	**200,437**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	25	**1,112,151**	**1,059,985**

CONSOLIDATED CASH FLOW STATEMENT SOL GROUP

(in thousands of Euro)

	Notes	12.31.2018	12.31.2017
CASH FLOWS GENERATED BY OPERATING ACTIVITIES			
Profit for the year		**51,880**	40,239
Minority interests in profit/loss		**2,086**	1,982
Adjustments to items not affecting liquidity			
Depreciation/amortisation		88,606	85,107
Financial expense		8,410	8,700
Accrued employee severance indemnities and other benefits		1,651	743
Provisions/Use of provisions for risks and charges		756	(2,041)
Total		**153,389**	134,730
Changes in current assets and liabilities			
Inventories		(3,810)	(4,130)
Receivables		(7,994)	2,160
Prepayments and accrued income		1,900	86
Suppliers		184	6,019
Other payables		(5,355)	5,902
Interests paid		(8,412)	(8,696)
Accrued expenses and deferred income		1,204	(326)
Tax payables		1,503	962
Total		**(20,780)**	1,977
Cash flow generated by operating activities		**132,609**	136,707
CASH FLOWS GENERATED BY INVESTMENT ACTIVITIES			
Acquisition of tangible fixed assets		(94,696)	(93,722)
Revaluations and other changes in tangible fixed assets		415	446
Net book value of assets sold		2,593	2,966
Increases in intangible assets		(4,577)	(4,225)
(Increase) decrease in long-term investments		5,148	7,320
(Increase) decrease of equity investments and business units		(16,664)	(32,202)
(Increase) decrease in current financial assets		(1,630)	3,721
Total		**(109,411)**	(115,696)
CASH FLOWS GENERATED BY FINANCING ACTIVITIES			
Repayment of loans		(34,437)	(29,110)
Raising of new loans		48,171	41,374
Redemption of bonds		(7,501)	(7,501)
Raising (repayment) of shareholders' loans		-	71
Dividends paid		(14,970)	(15,116)
Employee severance indemnities and benefits paid		(1,696)	(1,888)
Other changes in shareholders' equity			
- translation differences and other changes		(646)	(8,365)
- changes in shareholders' equity minority interests		(46)	(3,024)
Total		**(11,125)**	(23,559)
INCREASE (DECREASE) IN CASH IN HAND AND AT BANK		**12,073**	(2,548)
CASH IN HAND AND AT BANK AT BEGINNING OF YEAR		**115,140**	117,688
CASH IN HAND AND AT BANK AT END OF YEAR		**127,213**	115,140

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY SOL GROUP

(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 01.01.2017	47,164	63,335	10,459	306,962	44,125	472,045	17,390	489,435
Allocation of 2016 profit	-	-	-	30,520	(30,520)	-	-	-
Dividend distribution	-	-	-	-	(13,605)	(13,605)	(1,511)	(15,116)
Other consolidation changes	-	-	-	(494)	-	(494)	(2,224)	(2,718)
Profit (loss) for the financial year	-	-	-	(7,871)	40,239	32,368	1,915	34,283
Balance as at 12.31.2017	47,164	63,335	10,459	329,117	40,239	490,314	15,570	505,884
Effect of application of IFRS9	-	-	-	(310)	-	(310)	-	(310)
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	-	-	-	(1,498)	-	(1,498)	2,082	584
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**	**355,105**	**51,880**	**527,943**	**18,061**	**546,004**

EXPLANATORY NOTES

The 2018 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, 2018 of the SOL Spa Parent Company and of the following companies, which are, pursuant to Article 38, paragraph 2 of Italian Legislative Decree No. 127/91 as amended by the provisions of Italian legislative decree no. 139 of August 18, 2015 "Implementation of directive 2013/34/EU related to the financial statements, consolidated financial statements and related reports of certain types of companies, amending directive 2006/43/EC and repealing directives 78/660/EEC and 83/349/EEC, for the part related to the regulations of the financial statements and consolidated financial statements".

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

Company name and registered office	Notes		Share capital	Ownership percentage Direct	Indirect	Total
AIRSOL Srl - Monza		EUR	7,750,000	100.00%		100.00%
App4Health Srl - Monza		EUR	500,000		100.00%	100.00%
BTG Bvba - Lessines		EUR	5,508,625		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	1,980,000		80.00%	80.00%
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	97.60%		97.60%
Il Point Srl - Verona		EUR	98,800		81.00%	81.00%
Irish Oxygen Company Limited - Cork		EUR	697,802		50.01%	50.01%
KISIKANA doo - Sisak		HRK	30,771,300		100.00%	100.00%
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 sp.zo.o. - 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%
PALLMED sp.zo.o. - Bydgoszcz		PLN	800,802		70.00%	70.00%
Personal Genomics Srl - Verona		EUR	88,900		51.01%	51.01%
Pielmeier Medizintechnik GmbH - Oberhaching		EUR	25,000		100.00%	100.00%
RL Dolby (Services) Limited - Stirling		GBP	3		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%
SITEX SA - Olan-les-Ouates		CHF	400,000		100.00%	100.00%
SOL Bulgaria EAD - Sofia		BGN	20,120,720	100.00%		100.00%
SOL Croatia doo - Sisak		HRK	58,766,000	100.00%		100.00%
SOL Deutschland GmbH - Krefeld		EUR	7,000,000		100.00%	100.00%
SOL France Sas - Cergy Pontoise		EUR	13,000,000		100.00%	100.00%
SOL Gas Primari Srl - Monza		EUR	500,000	100.00%		100.00%
SOL GROUP LAB Srl - Costabissara		EUR	100,000	100.00%		100.00%
SOL Hellas SA - Magoula		EUR	9,710,697		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	12,874,000		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%
Sterimed Srl - Milan		EUR	100,000		80.00%	80.00%
TGP AD - Petrovo		BAM	1,177,999	60.96%	26.04%	87.00%
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%
UTP doo - Pula		HRK	17,543,800		98.00%	98.00%
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 SA - San Paolo		BRL	11,663,150		60.00%	60.00%
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	1,620,000		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 %
SICGILSOL India Private Limited - Chennai	INR	545,652,400	58.25 %

c) non-consolidated subsidiary companies:

Company name and registered office		Share capital	Ownership percentage
BT GASES Ltd - Harrietshame	GBP	1.00	100.00 %
FLOSIT PHARMA SA - Casablanca	MAD	5,000,000	100.00 %
GTE Sl - Barcelona	EUR	12,020	100.00 %
ZDS JESENICE doo - Jesenice	EUR	10,000	75.00 %

BT GASES Ltd, FLOSIT PHARMA SA and GTE Sl 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.
These companies are measured at fair value.

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, 2018 and December 31, 2017 underwent the following changes:

- with inclusion of the Cryos Srl company acquired in June 2018.
- with the inclusion of Medseven sp.z.o.o. acquired in June 2018,
- with the inclusion of the Company Pallmed sp.zo.o. acquired in June 2018,
- with the inclusion of the Società Medtek Medizintechnik GmbH company acquired in December 2018.
- with the increase in shareholdings in TESI Srl (from 65 % to 89.63 %),
- with the decrease in shareholdings in the Company Diatheva Srl from 96.46 % to 82.00 %
- with the increase of the shareholdings in the Company Hydroenergy ShpK from 80.83 % to 87.00 %

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 fair 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 intercompany 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 12.31.2018		Exchange rate on 2018		Exchange rate on 12.31.2017		Exchange rate on 2017
Macedonian dinar	Euro	0.01625	Euro	0.01624	Euro	0.01621	Euro	0.01624
Serbian dinar	Euro	0.00845	Euro	0.00846	Euro	0.00843	Euro	0.00824
Moroccan dirham	Euro	0.09142	Euro	0.09024	Euro	0.08900	Euro	0.09133
Hungarian forint	Euro	0.00312	Euro	0.00314	Euro	0.00322	Euro	0.00323
Swiss franc	Euro	0.88739	Euro	0.86580	Euro	0.85455	Euro	0.89969
Croatian kuna	Euro	0.13491	Euro	0.13480	Euro	0.13441	Euro	0.13397
Albanian lek	Euro	0.00810	Euro	0.00784	Euro	0.00749	Euro	0.00746
Bulgarian lev	Euro	0.51130	Euro	0.51130	Euro	0.51130	Euro	0.51130
Turkish lira	Euro	0.16505	Euro	0.17520	Euro	0.21995	Euro	0.24264
Convertible mark	Euro	0.51129	Euro	0.51129	Euro	0.51129	Euro	0.51130
New Romanian leu	Euro	0.21443	Euro	0.21487	Euro	0.21466	Euro	0.21888
Brazilian real	Euro	0.22502	Euro	0.23210	Euro	0.25171	Euro	0.27746
Indian rupee	Euro	0.01254	Euro	0.01239	Euro	0.01305	Euro	0.01361
British pound	Euro	1.11791	Euro	1.13031	Euro	1.12710	Euro	1.14136
Polish Zloty	Euro	0.23248	Euro	0.23466				

Business combinations

The business combinations are accounted for in accordance with the acquisition method. 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 re-measured 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.

Use of estimated values

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 revenues, costs, assets and liabilities and on the disclosures relating to the potential assets and liabilities at the end of the reporting period.
In general, the use of estimates is particularly important for depreciation/amortisation, measurement of derivative instruments, calculation of risk provisions and write-down provisions or other assets, calculation of revenue as well as impairment test.
The SOL Group does not carry on activities characterised by significant seasonal or cyclical changes in total sales for the year.

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 that are directly attributable to the acquisition, construction or production of said assets.
The costs incurred subsequent to purchase are capitalised only if they increase the future economic benefits inherent to the assets to which they refer.
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.

INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

Subsidiaries are enterprises over which SOL has the power to determine autonomously the strategic choices of the enterprise in order to obtain the related benefits. In general, the existence of control is presumed when more than half of the voting rights in the ordinary Shareholders' Meeting are directly or indirectly held also considering the so-called potential votes i.e. voting rights deriving from convertible instruments.
Other investments include joint ventures that do not qualify as joint operations and associated companies over which SOL exercises significant influence in determining their strategic decisions, albeit without having control over them, also considering the so-called potential votes i.e. voting rights deriving from convertible instruments; significant influence is presumed when SOL holds, directly or indirectly, more than 20 % of the voting rights in the ordinary Shareholders' Meeting.
Investments in subsidiaries, joint ventures and associates are measured at purchase cost, reduced permanently if necessary in the event of a distribution of share capital or capital reserves or, in the event of impairment losses determined by applying the impairment test;
should the reason for the write-downs no longer apply, the cost is reinstated in the coming years.

FINANCIAL INSTRUMENTS

These include equity investments (excluding investments in subsidiaries, joint ventures and associates) and securities held for trading (investments measured at fair value through profit or loss), non-current loans and receivables, trade receivables and other receivables originating from the company and other current financial assets, such as cash and cash equivalents. Cash and cash equivalents include bank and postal deposits, readily tradable securities that represent temporary investments of liquidity and financial receivables due within three months. Cash and cash equivalents also include financial payables, trade payables and other payables and financial liabilities as well as derivative instruments.
Depending on the characteristics of the instrument and the business model adopted for the management of financial assets other than derivatives, they are classified in the following categories: (i) financial assets at amortised cost; (ii) financial assets measured at fair value with the effects recognised in other comprehensive income (hereinafter also referred to as OCI); (iii) financial assets measured at fair value with the effects recognised in the income statement.
Initial recognition is at fair value; for trade receivables without a significant financial component, the initial recognition value is represented by the transaction price.
Subsequent to initial recognition, financial assets that generate contractual cash flows that exclusively represent payments of principal and interest are measured at amortised cost if they are held for the purpose of collecting the contractual cash flows (known as business model hold to collect). The application of the amortised cost me-

thod involves the recognition in the income statement of interest income determined on the basis of the effective interest rate of the exchange differences and any write-downs (see the following point "Impairment of financial assets").
Minority interests and other securities are measured at fair value with the change in fair value through profit or loss.
Financial assets are derecognised when the right to receive cash flows no longer exists and substantially all the risks and benefits of ownership of the asset are transferred (known as derecognition), or when the item is considered definitively unrecoverable after all the necessary recovery procedures have been completed.
Financial liabilities, other than derivative instruments, are initially recognised at the fair value of the consideration received, net of directly attributable transaction costs, and are subsequently measured at amortised cost. If there is a change in expected cash flows and it is possible to estimate them reliably, the value of financial liabilities is recalculated to reflect this change on the basis of the present value of the new expected cash flows and the internal rate of return initially determined. Financial liabilities are classified as current liabilities, unless the Company has an unconditional right to defer their payment for at least 12 months after the end of the reporting period. Financial liabilities are removed from the financial statements when they are extinguished and the Company has transferred all risks and charges related to the instrument.
Financial assets and liabilities are offset in the balance sheet when there is a legal right to offset, currently exercisable, and the intention is to settle the relationship on a net basis (i.e. to realise the asset and simultaneously extinguish the liability).

IMPAIRMENT OF FINANCIAL ASSETS

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

DERIVATIVE INSTRUMENTS

The financial liabilities hedged by derivative instruments are valued in accordance with the formalities established by IAS 39 for hedge accounting applying the following accounting treatments:

- fair value hedge: 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.

The Group decided to continue to use the hedge accounting rules set out in IAS 39 for all hedges already designated in hedge accounting at December 31, 2017 and for new hedges designated in 2018.

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.

EMPLOYEE BENEFITS

Post-employment benefits are defined on the basis of plans, even if not yet formalised, which, based on their nature, are classified as "defined contribution" and "defined benefit". In defined contribution plans, the company's obligation is limited to the payment of contributions to the State or to a legally separate entity (so called Fund), and is determined on the basis of contributions due, reduced by amounts already paid over, if any.
The liability for defined benefit plans, net of any assets serving the plan, is determined on the basis of actuarial calculations and is recognised on an accrual basis on a consistent basis with the period of employment necessary to obtain the benefit.
The severance indemnity is classified as a defined benefit plan-type post-employment benefit, whose accrued sum must be projected so as to estimate the amount to be paid out on termination of the employment relationship and subsequently discounted back, using the projected unit credit method, which is based on demographic and financial type hypothesis in order to make a reasonable estimate of the sum total of the benefits that each employee has already accrued against their employment services.
By means of the actuarial measurement, the current service cost that defines the sum total of the rights accrued during the year by the employees is charged to the income statement item "payroll and related costs" and the interest cost which represents the figurative liability that the company would incur by requesting the market for a loan for the same amount as the severance indemnity is booked under "financial income/expense".
The re-measurement components of the net liabilities, which include the actuarial profits and losses, are immediately recorded in the Statement of Comprehensive Income. Such components need not be reclassified in the Income Statement.

PROVISIONS FOR RISKS AND CHARGES

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

TREASURY SHARES

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

RECOGNITION OF REVENUES AND COSTS

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 stand-alone 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 provisions and funds. The estimates and assumptions are periodically reviewed and the effects of each change are immediately reflected in the income statement.
In general, the use of estimates is particularly important for depreciation/amortisation, measurement of derivative instruments, calculation of risk provisions and write-down provisions or other assets, calculation of revenue as well as impairment test.
All the amounts represented in the diagrams and tables are expressed in thousands of Euro.

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS OF THE IFRS APPLIED AS FROM JANUARY 1, 2018

The Group applied the following accounting standards, amendments and interpretations of the IFRS for the first time as from January 1, 2018:

- Standard IFRS 15 - *Revenue from Contracts with Customers* (published on May 28, 2014 and supplemented with further clarifications published on April 12, 2016), which, supplemented with further clarifications published on April 12, 2016, is scheduled to replace IAS 18 - Revenue and IAS 11 - Construction Contracts, as well as interpretations
  IFRIC 13 - Customer Loyalty Programmes, IFRIC 15 - Agreements for the Construction of Real Estate , IFRIC 18 - Transfers of Assets from Customers and SIC 31 - Revenues-Barter Transactions Involving Advertising Services. The standard establishes a new revenue recognition model, which will apply to all contracts with customers except those that fall within the scope of other IAS/IFRS standards such as leasing, insurance contracts and financial instruments.
  The main requirements for recognising revenues pursuant to the new model are set below:
  - identifying the contract with a customer;
  - identifying the performance obligations of the contract;
  - determining the price;
  - allocating the price to the performance obligations of the contract;
  - revenue recognition methods when the entity satisfies each performance obligation.
  The standard was applied as from January 1, 2018 and did not have a material impact on the Group's consolidated financial statements.
- On July 24, 2014, the IASB issued the final version of IFRS 9 - *Financial Instruments: recognition and measurement*. The document welcomes the results of the IASB's project to replace IAS 39. The new standard must be applied as from the financial statements beginning on January 1, 2018 or later.
  It introduces new methods for the classification and measurement of financial assets and liabilities. More specifically, with regard to financial assets, the new standard adopts a single approach based on the means of management of financial instruments and on the characteristics of the contractual cash flows of the financial assets, with a view to establishing the measurement criteria, replacing the various rules envisaged by IAS 39. Instead, as regards financial liabilities, the main amendment regards the accounting treatment of changes in the fair value of a financial liability designated as a financial liability measured at fair value through the income statement, in the event in which these changes are due to change in the creditworthiness of the issuer of this liability. According to the new standard, these changes must be recognised under "Other comprehensive income" and will no longer be recognised in the income statement. Moreover, changes to financial liabilities defined as non-substantial are no longer allowed to spread the economic effects of the renegotiation on the residual maturity of the debt by changing the effective interest rate at that date, but it will be necessary to recognise the related effect in the income statement.
  With reference to the impairment, the new standard requires that the estimate of credit losses be made on the basis of the expected losses model (and not on the basis of the incurred losses model used by IAS 39) using supportable information available without unreasonable effort or expense that include historical, cur-

rent and future figures. The standard requires that this impairment model be applied to all financial instruments, i.e. financial assets measured at amortised cost, those measured at fair value through other comprehensive income, rental contract receivables and trade receivables.
Finally, the standard introduces a new model of hedge accounting in order to adapt the requirements of the current IAS 39, which have sometimes been considered too stringent and not suitable to reflect the risk management policies of companies. The main changes in the document concern: Amendment to IFRS 2 “Classification and measurement of share-based payment transactions” (published on June 20, 2016), which contains some clarification on the recording of the effects of vesting conditions in the presence of cash-settled share-based payments, on the classification of share-based payments with net settlement characteristics and on the recording of amendments under the terms and conditions of a share-based payment that change their classification from cash-settled to equity-settled.

- the increase in the types of transactions eligible for hedge accounting, also including the risks of non-financial assets/liabilities eligible for hedge accounting;
- the change in the method of accounting for forward contracts and options when included in a hedge accounting relationship in order to reduce the volatility of the income statement;
- changes to the performance test by replacing the current methods based on the 80-125% parameter with the principle of the “economic relationship” between the hedged item and the hedging instrument; moreover, an assessment of the retrospective effectiveness of the hedging relationship will no longer be required.

The greater flexibility of the new accounting rules is offset by additional requests for information on the company’s risk management activities.
The effect of the adoption of IFRS 9 on the items of the financial statements as at January 1, 2018 compared to the same items as at December 31, 2017, by indicating the effect of losses carried forward, amounted to Euro 408 thousand, gross of the tax effect (Euro 310 thousand net of the tax effect).
With regard to derivatives, the Group decided to continue to use the hedge accounting rules set out in IAS 39 for all hedges already designated in hedge accounting at December 31, 2017 and for new hedges designated in 2018.

- On June 20, 2016, the IASB issued its amendment to IFRS 2 “Classification and measurement of share-based payment transactions” (published on June 20, 2016), which contains some clarification on the recording of the effects of vesting conditions in the presence of cash-settled share-based payments, on the classification of share-based payments with net settlement characteristics and on the recording of amendments under the terms and conditions of a share-based payment that change their classification from cash-settled to equity-settled.
  The standard was applied as from January 1, 2018 and did not have a material impact on the Group's consolidated financial statements.
- On December 8, 2016, the IASB issued the document "Annual Improvements to IFRSs 2016-2014 Cycle", which partially integrates the existing standards as part of their annual process of improvement. The main amendments refer to:
  - IFRS 1 First-Time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters. The amendment was applied beginning on or after January 1, 2018 and concerns the deletion of some short-term exemptions envisaged in paragraphs E3-E7 of Appendix E of IFRS 1 because they have now served their intended purpose.
  - IAS 28 Investments in Associates and Joint Ventures - Measuring investees at fair value through profit or loss: an investment-by-investment choice or a consistent policy choice. The amendment clarifies that the option for a venture capital organisation or other entity so qualified (such as a mutual fund or similar entity) to measure investments in associates and joint ventures at fair value through profit or loss (rather than by applying the equity method) is exercised for each individual investment on initial recognition. The amendment was applied beginning on or after January 1, 2018.
  - IFRS 12 Disclosure of Interests in Other Entities - Clarification of the scope of the Standard. The amendment

clarifies the scope of application of IFRS 12, specifying that the disclosure required by the standard, with the exception of those required by paragraphs B10-B16, apply to all equity interests that are classified as held for sale, held for distribution to owners or as discontinued operations in accordance with IFRS 5. This amendment was applied beginning on or after January 1, 2018.

The adoption of these amendments had no impact on the consolidated financial statements of the Group.

- On December 8, 2016, the IASB issued the amendment to IAS 40 "Transfers of Investment Property". These changes provide clarification on the preconditions for transferring property to or from investment property. In particular, an entity must reclassify property from investment properties only when there is evidence that there has been a change in the property's use. This change must derive from a specific event that has already occurred and must not be limited to a change in the intentions of an entity's management. These amendments were applied beginning on or after January 1, 2018. The adoption of these amendments had no impact on the consolidated financial statements of the Group.
- On December 8, 2016, the IASB issued the interpretation "Foreign Currency Transactions and Advance Consideration (IFRIC Interpretation 22)". The interpretation aims to provide guidelines for foreign currency transactions when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognises the related asset, expense or income. This document provides indications on how an entity should determine the date of a transaction and, consequently, the spot rate to be used when foreign currency transactions take place in which the payment is executed or received in advance.

  The interpretation clarifies that the transaction date is the earlier of the:

  a) date of initial recognition of the non-monetary prepayment asset or deferred income liability; and

  b) date on which the asset, cost or revenue (or part of it) is recognised in the financial statements (resulting in the reversal of the prepayment or down payment received).

  If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt. IFRIC 22 was applied beginning on or after January 1, 2018. The adoption of this interpretation 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, 2018

- 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 new standard provides a new definition of lease and introduces a criterion based on the control (right of use) of an asset to distinguish lease contracts from service contracts, identifying the following as discriminating: the identification of the asset, the right to replace the same, 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 standard is effective beginning on January 1, 2019 but earlier application is permitted.

  The Company completed its preliminary assessment of the potential impacts of applying the new standard at the transition date (January 1, 2019). This process was divided into several phases, including the complete mapping of contracts potentially suitable for containing a lease and their analysis in order to understand their main clauses relevant for the purposes of IFRS 16.

Transition with modified retrospective method

The Group has chosen to apply the standard retrospectively but has recognised the cumulative effect of applying the standard in shareholders' equity as at January 1, 2019, in accordance with paragraphs IFRS 16:C7-C13. In particular, the Company will record, with regard to the lease contracts 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 impacts of the application of the new standard are currently being assessed: on the basis of the information currently available, the Group expects to recognise further liabilities at the date of first-time application for a value ranging from Euro 38 to Euro 43 million.

- 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 amendment is effective beginning on January 1, 2019, but earlier application is permitted. The directors do not expect a significant effect on the Group's consolidated financial statements through the adoption of these changes.
- On June 7, 2017, the IASB issued the interpretation "Uncertainty over Income Tax Treatments (IFRIC Interpretation 23)" (published on June 7, 2017). 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.

  This new interpretation is effective beginning on January 1, 2019 but earlier application is permitted. The directors do not expect a significant effect on the Group's consolidated financial statements.

  The impacts of the application of the new standard are currently being assessed.

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

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

- On May 18, 2017, the IASB issued the standard IFRS 17 - *Insurance Contracts* that will replace standard IFRS 4 - Insurance Contracts.

  The aim of the new standard is to ensure that an entity provides relevant information that faithfully represents the rights and obligations arising from issued insurance contracts. The IASB developed the standard to eliminate inconsistencies and weaknesses in existing accounting policies by providing a single principle-based framework to take account of all types of insurance contracts, including reinsurance contracts that an insurer holds.

  The new standard also includes presentation and disclosure requirements to improve comparability between entities in this sector.

  The new standard measures an insurance contract on the basis of a General Model or its simplified version, called the Premium Allocation Approach ("PAA").

The main features of the General Model are:
- estimates and assumptions of future cash flows are always current;
- the measurement reflects the time value of money;
- the estimates envisage an extensive use of observable information on the market;
- there is a current and explicit measurement of the risk;
- the expected profit is deferred and aggregated in groups of insurance contracts at the time of initial recognition; and,
- the expected profit is recognised during the contractual hedging period, taking into account the adjustments resulting from changes in the assumptions relating to the cash flows for each group of contracts.

The PAA approach involves measuring the liability for the residual coverage of a group of insurance contracts provided that, at the time of initial recognition, the entity expects the liability to reasonably represent an approximation of the General Model. Contracts with a coverage period of one year or less are automatically eligible for the EAP approach. The simplifications resulting from the application of the PAA method do not apply to the measurement of liabilities for outstanding claims, which are measured using the General Model. However, it is not necessary to discount those cash flows if it is expected that the balance to be paid or received will occur within one year of the date on which the claim occurred.

The entity must apply the new standard to insurance contracts issued, including reinsurance contracts issued, reinsurance contracts held and also investment contracts with a discretionary participation feature (DPF).

The standard is effective beginning on January 1, 2021 but earlier application is permitted only for entities applying IFRS 9 - *Financial Instruments* and IFRS 15 - *Revenue from Contracts with Customers.*

- 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 amendment is effective beginning on January 1, 2019, but earlier application is permitted.

  The directors do not expect a significant effect on the Group's consolidated financial statements through the adoption of these changes.
- 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 amendments are effective beginning on January 1, 2019, but earlier application is permitted. The directors do not expect a significant effect on the Group's consolidated financial statements.

- 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 directors do not expect a significant effect on the Group's consolidated financial statements.
- 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 outputs. 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 permits a simplified assessment of whether an acquired set of activities and assets is a business or not. If the test is successful, the acquired set of activities/processes and assets is not a business and the standard does not require further testing. If the test fails, the entity must carry out further analysis of the acquired activities/processes and assets to identify the presence of a business. To this end, the amendment added a number of illustrative examples to IFRS 3 in order to help entities understand the practical application of the new definition of business in specific cases. The amendments are effective for business combinations and acquisitions of assets beginning on or after January 1, 2020, but earlier application is permitted.

Considering that this amendment will be applied to new acquisitions that will be concluded as from January 1, 2020, any effects will be recognised in the financial statements ended after that date.

- 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 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 consolidated financial statements.

NOTES

INCOME STATEMENT

1. Net sales

Balance as at 12.31.2018	833,513
Balance as at 12.31.2017	756,807
Change	**76,706**

Revenues by type of business break down as follows:

Description	12.31.2018	12.31.2017	Change
Technical gases	403,232	369,244	33,988
Home-care	430,281	387,563	42,718
Total	**833,513**	756,807	76,706

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, 2018 amounted to Euro 833.5 million (up by 10.1 % compared to the previous year, at Euro 756.8 million).
In particular, during 2018, the home-care business showed a 11 % growth (up by Euro 42.7 million) compared to the same period last year.
The technical gases sector experienced a 9.2 % increase in revenues (up by Euro 34.0 million) over December 31, 2017.

2. Other revenues and income

Balance as at 12.31.2018	7,729
Balance as at 12.31.2017	8,190
Change	**(461)**

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

Description	12.31.2018	12.31.2017	Change
Capital gains on disposal	888	761	127
Extraordinary income	5,532	6,578	(1,046)
Grants received	787	402	385
Real estate rentals	256	241	15
Royalties income	38	64	(26)
Other	228	143	85
Total	**7,729**	8,190	(461)

3. Internal works and collections

Balance as at 12.31.2018	11,630
Balance as at 12.31.2017	11,427
Change	**203**

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

Description	12.31.2018	12.31.2017	Change
Transfers to assets	10,675	10,644	31
Time work	955	783	172
Total	**11,630**	11,427	203

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 12.31.2018	483,070
Balance as at 12.31.2017	442,961
Change	**40,109**

The breakdown of the item is as follows:

Description	12.31.2018	12.31.2017	Change
Purchase of materials	206,202	186,945	19,256
Services rendered	247,851	230,044	17,807
Change in inventories	(5,240)	(4,920)	(320)
Other costs	34,258	30,892	3,366
Total	**483,070**	442,961	40,109

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 12.31.2018	182,870
Balance as at 12.31.2017	166,230
Change	**16,640**

The breakdown of the item is as follows:

Description	12.31.2018	12.31.2017	Change
Wages and salaries	140,772	127,867	12,906
Social security contributions	40,113	36,542	3,571
Employee severance indemnities	1,985	1,822	163
Total	**182,870**	166,230	16,640

The composition of the workforce is analysed below by category:

Description	12.31.2018	12.31.2017	Change
Managers	56	54	2
Clerks	2,707	2,342	365
Factory workers	1,195	1,160	35
Total	**3,958**	3,556	402

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

Balance as at 12.31.2018	97,279
Balance as at 12.31.2017	91,078
Change	**6,201**

The breakdown of the item is as follows:

Description	12.31.2018	12.31.2017	Change
Depreciation/amortisation	88,606	85,107	3,499
Provisions and write-downs	7,733	5,971	1,762
Non-recurring (income) / expenses	940	-	940
Total	**97,279**	91,078	6,201

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

Description	12.31.2018	12.31.2017	Change
Land -	-	-	
Buildings	3,793	3,825	(32)
Plant and machinery	15,338	15,223	115
Industrial and commercial equipment	60,720	58,441	2,279
Other assets	3,879	3,454	425
Assets under construction and advances	-	-	-
Total	**83,730**	80,942	2,788

The increase in depreciation is linked to investments made during the period, amounting to Euro 94.5 million.

Amortisation of intangible fixed assets

Description	12.31.2018	12.31.2017	Change
Costs of research, development and advertising	115	100	15
Patents and rights to use patents of others	741	725	16
Concessions, licences and trademarks	3,755	3,197	558
Other	265	144	121
Total	**4,876**	4,165	711

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

Description	12.31.2018	12.31.2017	Change
Provisions for bad debts	5,512	5,528	(16)
Provisions for risks	761	442	319
Write-downs of intangible fixed assets	36		36
Write-downs of tangible fixed assets	1,423	1	1,422
Total	**7,733**	5,971	1,761

Non-recurring (income) / expenses

Description	12.31.2018	12.31.2017	Change
Non-recurring income	-	-	-
Non-recurring expenses	940	-	940
Total	**940**	-	940

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

7. Financial income / (expenses)

Balance as at 12.31.2018	(8,485)
Balance as at 12.31.2017	(9,292)
Change	**807**

The breakdown of the item is as follows:

Description	12.31.2018	12.31.2017	Change
Financial income	2,974	2,887	87
Financial expense	(11,240)	(11,548)	308
Results from equity investments	(219)	(632)	413
Total	**(8,485)**	(9,292)	807

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

Description	12.31.2018	12.31.2017	Change
From long-term receivables	299	417	(118)
Interest on investment securities	27	22	5
Interests on securities not held as fixed assets	3	78	(75)
Interest on bank and post offices deposits	117	150	(33)
Interest from customers	100	696	(596)
Exchange rate gains	1,932	858	1,074
Other financial income	496	666	(170)
Total	**2,974**	2,887	87

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

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

Description	12.31.2018	12.31.2017	Change
Interest payable to banks	(69)	(56)	(13)
Supplier interest	(1)	(0)	(1)
Interest payable on loans	(5,551)	(5,534)	(16)
Interest on bonds	(2,859)	(3,166)	307
Exchange rate losses	(2,017)	(1,945)	(71)
Other financial expense	(744)	(846)	102
Total	**(11,240)**	(11,548)	308

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

Description	12.31.2018	12.31.2017	Change
Revaluations of equity investments	181	-	181
Write-downs of equity investments	(400)	(632)	232
Total	**(219)**	(632)	413

The item "Revaluations of equity investments" refers to the measurement at equity of the jointly controlled company CT Biocarbonic GmbH (Euro 181 thousand).
The item "Write-downs of equity investments" refers to the measurement at equity of the jointly controlled company SICGILSOL India Private Limited (Euro 155 thousand) and the associate CONSORGAS Srl (Euro 245 thousand).

8. Income taxes

Balance as at 12.31.2018	27,203
Balance as at 12.31.2017	24,641
Change	**2,562**

The breakdown of the item is as follows:

Description	12.31.2018	12.31.2017	Change
Income taxes	26,303	24,786	1,517
Deferred tax liabilities	(479)	(215)	(264)
Deferred tax assets	1,380	71	1,309
Total	**27,203**	24,641	2,562

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	12.31.2018	12.31.2017
Theoretical taxation	**19,481**	**16,047**
Tax effect permanent differences	1,395	13,188
Tax effect deriving from foreign tax rates other than Italian theoretical tax rates	3,859	(6,974)
Other differences	-	-
Income taxes recognised in the financial statements, excluding IRAP (current and deferred)	**24,735**	**22,261**
IRAP (Regional Business Tax)	**2,468**	**2,380**
Income taxes recognised in the financial statements (current and deferred)	**27,203**	**24,641**

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 12.31.2018	475,382
Balance as at 12.31.2017	462,903
Change	**12,479**

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 01.01.2017	21,838	101,033	291,847	781,035	50,279	20,103	1,266,135
Increases	25	4,747	12,628	63,055	5,292	27,510	113,257
Revaluations	-	-	-	316	-	-	316
Write-downs	-	-	-	-	-	-	-
Other changes	-	12	(3,342)	8,673	1,724	(19,535)	(12,467)
Exchange differences	15	32	249	(1,452)	(140)	(76)	(1,372)
(Disposals)	(42)	(31)	(2,139)	(13,812)	(540)	-	(16,564)
Balance as at 12.31.2017	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)	(18,116)
Exchange differences	44	135	1,650	(774)	(40)	2	1,017
(Disposals)	-	(119)	(1,802)	(13,257)	(1,927)	-	(17,105)
Balance as at 12.31.2018	21,062	111,908	316,629	902,212	59,394	24,317	**1,435,521**

Accumulated depreciation	Land	Buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under construction and advance payments	Total
Balance as at 01.01.2017	2,604	53,124	169,325	550,481	39,387	-	814,921
Depreciation	-	3,825	15,223	58,441	3,454	-	80,942
Revaluations	-	-	-	-	-	-	-
Write-downs	-	-	-	-	-	-	-
Other changes	-	6	(1,479)	4,891	1,445	-	4,862
Exchange differences	-	18	59	(685)	(118)	-	(726)
(Disposals)	-	(13)	(893)	(12,296)	(396)	-	(13,598)
Balance as at 12.31.2017	2,604	56,959	182,236	600,832	43,771	-	**886,402**
Depreciation	-	3,793	15,337	60,721	3,879	-	83,730
Revaluations	-	-	-	-	-	-	-
Write-downs	-	-	-	-	-	-	-
Other changes	-	(158)	264	4,203	81	-	4,390
Exchange differences	-	59	390	(299)	(24)	-	126
(Disposals)	-	(118)	(1,777)	(10,983)	(1,631)	-	(14,509)
Balance as at 12.31.2018	2,604	60,535	196,450	654,474	46,076	-	**960,139**

Net value	Land	Buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under construction and advance payments	Total
Balance as at 01.01.2017	19,234	47,909	122,522	230,554	10,892	20,103	451,214
Increases	25	4,747	12,628	63,055	5,292	27,510	113,257
(Depreciations and write-downs)	-	(3,825)	(15,223)	(58,441)	(3,454)	-	(80,942)
Other changes	-	7	(1,863)	4,099	279	(19,535)	(17,013)
Exchange differences	15	14	189	(767)	(22)	(76)	(646)
(Disposals)	(42)	(18)	(1,246)	(1,516)	(144)	-	(2,966)
Balance as at 12.31.2017	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)	-	(83,730)
Other changes	(892)	483	982	3,792	(1,149)	(26,957)	(23,741)
Exchange differences	44	76	1,260	(475)	(16)	2	891
(Disposals)	-	(1)	(25)	(2,274)	(296)	-	(2,596)
Balance as at 12.31.2018	18,458	51,373	120,180	247,738	13,317	24,317	**475,382**

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

- The investments made during the period in the item “Land” mainly refer to investments by the subsidiaries SOL Kohlensäure Werk GmbH & Co. KG. (Euro 38 thousand) and TGS AD (Euro 35 thousand).
- The investments made during the period in the item “Buildings” mainly refer to investments by the Parent Company (Euro 2,659 thousand) and the subsidiary SPG-SOL Plin Gorenjska doo (Euro 1,823 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 4,096 thousand) and by the subsidiaries SOL Gas Primari Srl (Euro 1,244 thousand), SPG-SOL Plin Gorenjska doo (Euro 6,855 thousand), SOL Bulgaria EAD (Euro 557 thousand), GTS ShpK (Euro 600 thousand), TGS AD (Euro 594 thousand), Hydroenergy ShpK (Euro 566 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 31,761 thousand (including Euro 11,038 by the parent company) and to investments made by companies operating in the home-care sector in the amount of Euro 38,671 thousand (including Euro 10,310 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 relates to investments made for motor vehicles, laboratory equipment, hardware, furniture and fixtures, including Euro 1,101 thousand by the Parent Company, the subsidiary VIVISOL Nederland BV (Euro 993 thousand), the subsidiary France Oxygène Sarl (Euro 874 thousand) and to a lesser extent to other investments carried out by all other group companies.
- The item “Assets under construction” mainly refers to amounts relating to investments in progress made by the Parent Company (Euro 10,425 thousand) and by the subsidiaries GTH Gaze Industriale SA (Euro 3,223 thousand), SOL Bulgaria EAD (Euro 2,993 thousand), Irish Oxygen Company Limited (Euro 1,394 thousand) and VIVISOL Iberica SLU (Euro 1,058 thousand).

The item "other changes" includes reclassifications, transfers to assets of work in progress and the fixed assets of the companies acquired during the year.

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, 2018, mortgages amounted to Euro 67,450 thousand.
As at December 31, 2018, liens amounted to Euro 68,788 thousand.

Analysis of leased tangible assets

Changes in leased tangible assets, recorded among the tangible assets previously broken down, 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 01.01.2017	-	2,645	11,001	19,047	18	-	32,711
Increases	-	-	255	-	-	-	255
Revaluations	-	-	-	-	-	-	-
Write-downs	-	-	-	-	-	-	-
Other changes	-	-	45	-	-	-	45
Exchange differences	-	-	-	-	-	-	-
(Disposals)	-	-	-	-	-	-	-
Balance as at 12.31.2017	-	2,645	11,301	19,047	18	-	**33,011**
Increases	-	-	-	-	-	-	-
Revaluations	-	-	-	-	-	-	-
Write-downs	-	-	-	-	-	-	-
Other changes	-	-	-	-	-	-	-
Exchange differences	-	-	-	-	-	-	-
(Disposals)	-	-	-	-	-	-	-
Balance as at 12.31.2018	-	2,645	11,301	19,047	18	-	**33,011**

Accumulated depreciation	Land	Buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under construction and advance payments	Total
Balance as at 01.01.2017	-	2,101	10,559	18,313	18	-	30,991
Depreciation	-	42	155	224	-	-	421
Revaluations	-	-	-	-	-	-	-
Write-downs	-	-	-	-	-	-	-
Other changes	-	-	11	-	-	-	11
Exchange differences	-	-	-	-	-	-	-
(Disposals)	-	-	-	-	-	-	-
Balance as at 12.31.2017	-	2,143	10,725	18,537	18	-	**31,423**
Depreciation	-	43	178	203	-	-	424
Revaluations	-	-	-	-	-	-	-
Write-downs	-	-	-	-	-	-	-
Other changes	-	-	-	-	-	-	-
Exchange differences	-	-	-	-	-	-	-
(Disposals)	-	-	-	-	-	-	-
Balance as at 12.31.2018	-	2,186	10,903	18,740	18	-	**31,847**

Net value	Land	Buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under construction and advance payments	Total
Balance as at 01.01.2017	-	544	442	734	-	-	1,720
Increases	-	-	255	-	-	-	255
(Depreciations and write-downs)	-	(42)	(155)	(224)	-	-	(421)
Other changes	-	-	34	-	-	-	34
Exchange differences	-	-	-	-	-	-	-
(Disposals)	-	-	-	-	-	-	-
Balance as at 12.31.2017	-	502	576	510	-	-	**1,588**
Increases	-	-	-	-	-	-	-
(Depreciations and write-downs)	-	(43)	(178)	(203)	-	-	(424)
Other changes	-	-	-	-	-	-	-
Exchange differences	-	-	-	-	-	-	-
(Disposals)	-	-	-	-	-	-	-
Balance as at 12.31.2018	-	459	398	307	-	-	**1,164**

10. Goodwill and consolidation differences

Balance as at 12.31.2018	97,695
Balance as at 12.31.2017	84,377
Change	**13,318**

The breakdown of the item is as follows:

Net value	Goodwill	Consolidation difference	Total
Balance as at 01.01.2017	9,722	50,511	60,233
Increases	-	24,245	24,245
Revaluations (Write-downs)	-	-	-
Other changes	-	-	-
Exchange differences	(101)	-	(101)
(Amortisation)	-	-	-
Balance as at 12.31.2017	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**

The increase for the year in the item “Consolidation differences” concerns the purchase of the Companies Cryos Srl, Medseven sp.zo.o., Pallmed sp.zo.o. and Medtek Medizintechnik GmbH.

In June 2018, the subsidiary AIRSOL Srl purchased 70% of the shares of Cryos, an Italian company operating in the technical gases sector. If the acquisition had occurred on January 1, 2018, the estimated revenues and profit of the Group would have been higher by Euro 1,190 thousand and by Euro 181 thousand, respectively, for the 12-month period ended December 31, 2018.

In June 2018, the subsidiary AIRSOL Srl purchased 70.05% of the shares of Medeseven sp.zo.o., a Polish company operating in the home-care sector. If the acquisition had occurred on January 1, 2018, the group’s revenues and the profit would have been higher by Euro 1,530 thousand and by Euro 86 thousand, respectively, for the 12-month period ending December 31, 2018.

In June 2018, the subsidiary AIRSOL Srl purchased 70% of the shares of Pallmed sp.zo.o., a Polish company operating in the home-care sector. If the acquisition had occurred on January 1, 2018, the estimated revenues and profit of the Group would have been higher by Euro 6,730 thousand and lower by Euro 41 thousand, respectively, for the 12-month period ended December 31, 2018.

In December 2018, the subsidiary VIVISOL Deutschland GmbH acquired 100% of the shares of Medtek Medizintechnik GmbH, a German company operating in the home-care sector. If the acquisition had occurred on January 1, 2018, the group's revenues and the profit would have been higher by Euro 2,765 thousand and by Euro 166 thousand, respectively, for the 12-month period ending December 31, 2018.

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	4,521		4,521
Intangible fixed assets	85		85
Long-term investments	119		119
Inventories	440		440
Trade and other receivables	5,629		5,629
Prepayments and accrued income	75		75
Cash and cash at bank	2,934		2,934
Minority interests	(1,817)		(1,817)
Suppliers	(1,664)		(1,664)
Other payables	(4,881)		(4,881)
Risk provisions	(34)		(34)
Employee severance indemnities	(334)		(334)
Accrued expenses and deferred income	(556)		(556)
Identifiable net assets and liabilities	**4,517**	**-**	**4,517**
Goodwill deriving from acquisition	13,870		
Amount paid	(18,387)		
Available funds acquired	2,934		
Net outlays of available funds	**(15,453)**		

The item "Goodwill deriving from the acquisition" includes the goodwill of the company FISIOMED Srl acquired during the year and merged into VIVISOL Srl.

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

In compliance with IAS 36, an impairment test was carried out, the methodological approach and results of which were approved by the Company's Board of Directors, to determine that intangible assets with an indefinite useful life and related other assets are recognised in the financial statements as at December 31, 2018 at a value not exceeding their recoverable amount through use.
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.
As at December 31, 2018, goodwill and consolidation differences amounted to Euro 97.7 million.
IAS 36 also requires a company to assess at each reporting date the existence of indications of impairment in relation to any other asset. At the end of each reporting period, the Group verifies if there are indications that an asset may have suffered an impairment loss. If any indication of this exists, the entity must estimate the recoverable amount of the asset.
With reference to the above, in assessing the existence of an indication that an asset may have suffered an impairment loss, indications deriving from information sources both inside and outside the Group were considered. With reference to the individual CGUs identified, potential impairment indicators were identified in the negative changes in some economic variables and in the market context.
The recoverable amount of these assets was estimated by determining their economic value, based on the cash flows that the assets are able to generate. These cash flows must be measured at the level of the individual asset, or if this is not possible at the level of the cash-generating unit to which the asset belongs (Cash Generating Unit, hereinafter referred to as CGU).
Based on the strategic and organisational choices adopted by the Group, these activities were tested with reference to the individual subsidiaries. These companies are the smallest identifiable cash generating units.
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 amount (value in use) consists of discounting future cash flows generated by activities directly attributed to the entity to which the goodwill (CGU) is allocated, as well as the value expected from its divestment or transfer upon the end of its useful life.

The value in use, determined as Enterprise Value, is measured considering the following elements:

- discounted cash flows for an explicit projection period ranging from 5 to 20 years in consideration of the time required to make the underlying businesses operative. The growth rates considered in the plan's timeframe were calculated based on experience in the relative sectors.
  The cash flows considered by the Company for the impairment test are based on the 2018 Budget prepared for each Legal Entity and approved at group level by the Board of Directors of SOL Spa and on the projections prepared by management for subsequent years, approved by the General Managers;
- terminal value calculated after the last year of explicit forecast and determined as the present value of net cash flows that will be generated beyond the explicit horizon through the application of a perpetuity.

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, 2018, 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.
Following the Impairment Test carried out on December 31, 2018, the carrying value of the assets was deemed to be lower than their recoverable amount and no impairment loss was recognised, except for the CGU relating to SOL Kohlensäure Werk GmbH & Co. KG, for which a partial write-down of tangible fixed assets was carried out for a total amount of Euro 1,423 thousand.

Sensitivity analysis

The result of the impairment test was derived from information currently available and reasonable estimates, among other things, of the development of selling prices, production costs and interest rates. In this context, to ensure that changes to the main hypotheses would not significantly influence the results of the impairment tests, several sensitivity analyses were carried out in the event of a change in WACC and growth rates of +/- 0.5. The outcomes of these simulations reasonably supported the obtained measurement.

11. Other intangible fixed assets

Balance as at 12.31.2018	16,229
Balance as at 12.31.2017	15,892
Change	**337**

The breakdown of the item is as follows:

Net value	Costs of research, development and advertising	Patents and rights to use patents of others	Concessions, licences, trademarks and similar rights	Other	Assets under construction and advances	Total
Balance as at 01.01.2017	1,022	1,603	9,386	221	1,114	13,347
Increases	408	440	3,526	182	1,968	6,525
Revaluations / (Write-downs)	-	-	-	-	-	-
Other changes	17	-	222	936	(946)	230
Exchange differences	-	(0)	(45)	1	-	(45)
(Amortisation)	(100)	(725)	(3,197)	(144)	-	(4,165)
Balance as at 12.31.017	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	1,994	1,018	9,658	977	2,582	**16,229**

12. Equity investments

Balance as at 12.31.2018	14,314
Balance as at 12.31.2017	13,102
Change	**1,211**

The breakdown of the item is as follows:

Description	12.31.2018	12.31.2017
GTE SI	21	19
Flosit Pharma	458	446
ZDS JESENICE doo	8	8
Non-consolidated subsidiary companies	**487**	473
CT Biocarbonic GmbH	4,581	4,400
SICGILSOL INDIA PRIVATE LIMITED	7,176	6,382
Jointly controlled companies	**11,757**	10,782
Consorgas Srl	346	157
Associated companies	**346**	157
Other minority interests	1,724	1,690
Other companies	**1,724**	1,690
Total	**14,314**	13,102

Except for Euro 465 thousand recognised as non-consolidated subsidiaries (in the portfolio of the subsidiary SPG - SOL Plin Gorenjska doo for Euro 8 thousand, SOL France Sas for Euro 46 thousand and FLOSIT SA for Euro 411 thousand) and Euro 1,705 thousand recognised as other minority interests (relating to investments in local companies by the subsidiaries TGS AD of Euro 1 thousand, TPJ doo of Euro 2 thousand, ICOA Srl of Euro 8 thousand, SOL Gas Primari Srl of Euro 1,659 thousand, Cryos Srl of Euro 1 thousand, Medtek Medizintechmil GmbH of Euro 33 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 the two jointly controlled companies consolidated with the net equity method:

Jointly controlled companies	CT Biocarbonic GmbH	SICGIL SOL India Private Limited
Total assets	8,182	16,829
Total liabilities	4,128	4,898
Revenues	3,472	4,121
Operating result	362	(276)

13. Other financial assets

Balance as at 12.31.2018	7,623
Balance as at 12.31.2017	12,653
Change	**(5,030)**

The breakdown of the item is as follows:

Description	12.31.2018	12.31.2017	Change
Amounts receivable from third parties	6,850	11,867	(5,018)
Securities	773	786	(12)
Total	**7,623**	12,653	(5,030)

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

Description	12.31.2018	12.31.2017	Change
Guarantee deposits	3,089	3,021	67
Derivatives	1,521	731	790
Tax receivables	2	1,598	(1,596)
Other receivables	2,238	6,517	(4,279)
Total	**6,850**	11,867	(5,018)

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:

Company	12.31.2018	12.31.2017	Change
SOL TG GmbH	5	6	(0)
SOL Hellas SA	726	780	(54)
Cryos Srl	43	-	43
Total	**773**	786	(12)

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 12.31.2018	7,084
Balance as at 12.31.2017	8,333
Change	**(1,249)**

The breakdown of the above item is as follows:

	Risks on receivables	Risk provisions	Internal profits	Prior losses	Other minor	Total
Balance as at 01.01.2017	1,219	120	907	2,598	2,870	7,714
Provisions / Uses	(106)	(10)	77	(283)	251	(71)
Uses	-	-	-	-	3	3
Other changes	(3)	6	0	679	14	696
Exchange differences	-	(1)	-	(8)	(2)	(10)
Balance as at 12.31.2017	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**

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 1,413 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.
The item "Provisions/uses of prior losses" includes the prudent reversal of deferred tax assets of Euro 1,050 thousand recorded in previous years by the subsidiary VIVISOL Iberica SLU

15. Inventories

Balance as at 12.31.2018	50,699
Balance as at 12.31.2017	46,450
Change	**4,249**

The breakdown of the item is as follows:

Description	**12.31.2018**	12.31.2017	Change
Raw, subsidiary and consumable materials	2,835	2,377	458
Work in progress and semi-finished goods	1,069	1,064	4
Finished products and goods for resale	46,795	43,009	3,786
Total	**50,699**	46,450	4,249

16. Trade receivables

Balance as at 12.31.2018	280,014
Balance as at 12.31.2017	260,108
Change	**19,906**

The breakdown of the item is as follows:

Description	Within 12 months	Beyond 12 months	Allowance for doubtful accounts	**12.31.2018**	12.31.2017
Trade receivables	300,695	-	(20,681)	280,014	260,108
Total	300,695	-	(20,681)	**280,014**	260,108

The allowance for doubtful accounts changed as follows:

Description	12.31.2017	Provisions	Uses	Other changes	**12.31.2018**
Allowance for doubtful accounts	18,865	5,512	(3,299)	(396)	20,681
Total	18,865	5,512	(3,299)	(396)	**20,681**

17. Other current assets

Balance as at 12.31.2018	28,005
Balance as at 12.31.2017	34,864
Change	**(6,859)**

The breakdown of the item is as follows:

Description	**12.31.2018**	12.31.2017	Change
Amounts receivable from employees	814	749	65
Amounts receivable in respect of income tax	5,252	5,312	(60)
VAT receivables	12,125	12,216	(91)
Other amounts receivable from the tax authorities	501	440	61
Other receivables	5,670	10,681	(5,011)
Prepayments and accrued income	3,643	5,466	(1,823)
Total	**28,005**	34,864	(6,859)

The item "Other receivables" decreased as grants previously allocated were received.
"Prepayments and accrued income" represent the harmonising items for the period calculated on an accrual basis.

This item breaks down as follows:

Description	**12.31.2018**	12.31.2017	Change
Accrued income			
Interest	7	8	(1)
Other accrued income	470	1,524	(1,054)
Total accrued income	**477**	1,532	(1,055)
Prepayments			
Insurance premiums	490	442	47
Rents	216	241	(25)
Other prepayments	2,461	3,251	(791)
Total prepayments	**3,166**	3,934	(768)
Total prepayments and accrued income	**3,643**	5,466	(1,823)

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

18. Current financial assets

Balance as at 12.31.2018	5,756
Balance as at 12.31.2017	4,126
Change	**1,630**

The breakdown of the item is as follows:

Description	12.31.2018	12.31.2017	Change
Subscribed capital unpaid	90	-	90
Financial receivables from jointly controlled companies	2,579	-	2,579
Derivatives	583	205	378
Short-term time deposits	2,404	3,918	(1,515)
Other financial receivables	101	3	98
Total	**5,756**	4,126	(949)

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

Company	12.31.2018	12.31.2017	Change
FLOSIT SA	1,297	1,241	56
SOL Croatia doo	-	411	(411)
TGT AD	1,093	869	224
UTP doo	-	941	(941)
VIVISOL Brasil SA	13	304	(291)
VIVISOL Portugal Lda	1	2	(1)
VIVISOL Silarus Srl	-	150	(150)
Total	**2,404**	3,918	(1,514)

19. Cash and cash at bank

Balance as at 12.31.2018	129,350
Balance as at 12.31.2017	117,175
Change	**12,175**

The composition of the item is shown below:

Description	12.31.2018	12.31.2017	Change
Bank and post office deposits	128,834	116,774	12,060
Cash and cash equivalents on hand	516	401	115
Total accrued income	**129,350**	117,175	12,175

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 12.31.2018	546,004
Balance as at 12.31.2017	505,884
Change	**40,120**

The share capital of SOL Spa as at December 31, 2018 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	12.31.2017	Transfer of result	Dividends paid	Translation differences	Other changes	Result	12.31.2018
Pertaining to the Group:							
Share capital	47,164	-	-	-	-	-	47,164
Share premium reserve	63,335	-	-	-	-	-	63,335
Revaluation reserves	0	-	-	-	-	-	0
Legal reserves	10,459	-	-	-	-	-	10,459
Statutory reserves	-	-	-	-	-	-	-
Treasury share reserves	-	-	-	-	-	-	-
Other reserves	327,221	25,212	-	(7)	771	-	353,197
Profits / (Losses) carried forward	1,895	15,027	(13,605)	-	(1,411)	-	1,907
Net Profit	40,239	(40,239)	-	-	-	51,880	51,880
Shareholders' equity - Group	490,314	-	(13,605)	(7)	(639)	51,880	**527,943**
Minority interests:							
Shareholders' equity - Minority interests	13,588	1,982	(1,365)	(311)	2,082	-	15,976
Profit pertaining to minority interests	1,982	(1,982)	-	-	-	2,086	2,086
Shareholders' equity - Minority interests	15,570	-	(1,365)	(311)	2,082	2,086	**18,061**
Shareholders' equity	505,884	-	(14,970)	(319)	1,443	53,966	**546,004**

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

As at December 31, 2018, the CFH reserve, gross of the tax effect, was positive and amounted to Euro 274 thousand (negative for Euro 1,071 thousand as at December 31, 2017). 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

	12.31.2018		12.31.2017	
Description	Shareholders' equity	Net income	Shareholders' equity	Net income
Financial Statement of SOL Spa	**261,308**	**17,392**	**257,269**	**17,609**
Elimination of consolidated inter-company transactions, net of tax effects:				
- Internal profit on tangible fixed assets	(3,171)	(104)	(3,066)	(209)
- Reversal of adjustments to investments in subsidiary companies	-	8,260	-	539
- Dividends paid by consolidated companies	-	(37,211)	-	(30,231)
Adjustment of accounting policies to achieve consistent Group accounting policies, net of tax effects:				
- Adjustment to achieve a consistent accounting policy regarding intangible assets	3,069	(311)	3,403	(311)
- Use of finance lease method for leased assets	9	(325)	387	(25)
- Valuation at equity of companies reported at cost	(1,062)	479	(1,245)	(632)
Carrying value of consolidated equity investments	(532,839)	-	(494,091)	-
Net assets and financial year's results of consolidated companies	712,682	63,700	652,901	53,499
Allocation of the difference to the assets of the companies and relative depreciation, amortisation and write-downs:	-	-	-	-
- Goodwill from consolidation	87,946	-	74,756	-
Consolidated Group financial statements	**527,942**	**51,880**	**490,314**	**40,239**

21. Employee severance indemnities and other benefits

Balance as at 12.31.2018	15,640
Balance as at 12.31.2017	15,351
Change	**289**

The provisions underwent the following changes:

Employee severance indemnities and other benefits	12.31.2018	12.31.2017
Balance as at 1 January	15,351	15,417
Provisions	1,985	1,822
(Uses)	(831)	(1,320)
Financial expense	9	5
Other changes	(873)	(571)
Exchange differences	(2)	(3)
Balance as at 31 December	**15,640**	15,351

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

	Interest
Annual discount rate	1.25%
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, 2018	Amount
Inflation rate + 0.5%	290
Inflation rate - 0.5%	(279)
Discount rate + 0.5%	(534)
Discount rate - 0.5%	466
Turnover rate +0.5%	109

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 12.31.2018	3,498
Balance as at 12.31.2017	3,314
Change	**184**

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, 2018 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 01.01.2017	78	1,216	226	3,867	5,387
Provisions / (Uses)	22	(564)	(16)	343	(215)
Other changes	-	-	4	(1,862)	(1,858)
Exchange differences	-	-	-	1	1
Balance as at 12.31.2017	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**

23. Provisions for risks and charges

Balance as at 12.31.2018	1,466
Balance as at 12.31.2017	861
Change	**605**

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

Description	12.31.2018	12.31.2017	Change
Other minor provisions	1,466	861	605
Total	**1,466**	861	605

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	12.31.2017	Provisions	Uses	Other changes	12.31.2018
Other minor provisions	861	761	(213)	57	1,466
Total	861	761	(213)	57	**1,466**

24. Payables and other financial liabilities

Balance as at 12.31.2018	331,345
Balance as at 12.31.2017	334,137
Change	**(2,792)**

The breakdown of the item is as follows:

Description	12.31.2018	12.31.2017	Change
Bonds	75,768	87,714	(11,946)
Amounts due to other lenders	251,804	242,732	9,072
Other payables	3,773	3,691	82
Total	**331,345**	334,137	(2,792)

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 amounts owed to leasing companies amounting to Euro 869 thousand, deriving from the application of international accounting standard IAS 17 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	
Unicredit	10	-	10	Floating	0.20%	31/01/2019	Euro	100,000
Barclays bank *	500	-	500	Fixed	3.04%	01/06/2019	Euro	10,000,000
Reiffeisen Bank	143	-	143	Floating	3.00%	30/09/2019	PLN	2,125,000
Mediobanca *	3,750	1,250	2,500	Fixed	4.44%	01/04/2020	Euro	20,000,000
Banca CRS	14	4	10	Floating	2.84%	30/04/2020	Euro	50,000
Banco di Napoli	142	42	100	Floating	0.88%	31/05/2020	Euro	200,000
Fund for Environmental Protection and Water Management in Toruń	61	26	35	Fixed	3.00%	31/08/2020	PLN	595,152
Komercijalna B.	2,665	1,332	1,333	Fixed	4.00%	15/10/2020	Euro	7,000,000
Mediocredito Italiano	283	154	129	Floating	2.53%	28/02/2021	Euro	500,000
Banca CRS	19	11	8	Floating	2.39%	31/03/2021	Euro	40,000
Intesa San Paolo*	8,342	5,010	3,332	Fixed	2.23%	16/06/2021	Euro	30,000,000
Banca di Caraglio	22	15	7	Floating	1.80%	06/11/2021	Euro	50,000
Intesa San Paolo	97	69	28	Fixed	2.00%	30/05/2022	Euro	140,000
Unicredit	1,556	1,167	389	Floating	0.86%	31/12/2022	Euro	5,200,000
Mediobanca *	4,821	3,750	1,071	Fixed	2.90%	20/06/2023	Euro	15,000,000
Unicredit Bulbank	5,000	4,000	1,000	Fixed	4.50%	11/10/2023	Euro	8,000,000
Intesa San Paolo*	20,625	16,875	3,750	Floating	2.18%	31/03/2024	Euro	30,000,000
Mediocredito Italiano	8,148	6,667	1,481	Floating	1.50%	31/03/2024	Euro	20,000,000
Unicredit *	6,875	5,625	1,250	Floating	1.20%	31/05/2024	Euro	10,000,000
Monte Paschi Siena	5,417	4,584	833	Fixed	4.21%	15/06/2025	Euro	10,000,000
Intesa San Paolo*	24,375	20,625	3,750	Fixed	1.44%	30/06/2025	Euro	30,000,000
Credito Valtellinese	8,778	7,548	1,230	Floating	0.60%	05/07/2025	Euro	10,000,000
Credito Valtellinese	4,389	3,774	615	Floating	0.60%	05/07/2025	Euro	5,000,000
UBI Banca	17,575	15,108	2,467	Fixed	1.00%	14/09/2025	Euro	20,000,000
Banca IMI *	4,746	4,210	536	Fixed	6.50%	26/01/2026	Euro	7,000,000
BCC Carate	9,398	8,185	1,213	Floating	1.00%	13/06/2026	Euro	10,000,000
Intesa San Paolo*	37,500	32,500	5,000	Fixed	1.10%	30/06/2026	Euro	40,000,000
UBI Banca	978	887	91	Floating	2.20%	24/09/2026	Euro	1,000,000
BNL - BNP Paribas *	24,000	21,000	3,000	Fixed	1.69%	25/11/2026	Euro	30,000,000
Unicredit Bosnia	1,708	1,528	180	Floating	3.80%	31/12/2026	Euro	2,000,000
UBI Banca *	40,000	37,647	2,353	Fixed	1.60%	26/06/2027	Euro	40,000,000
Mediobanca	40,000	40,000	-	Fixed	1.66%	28/01/2028	Euro	40,000,000
Invitalia	6,871	6,187	684	Fixed	0.11%	31/12/2028	Euro	12,643,000
Banca di Caraglio	219	204	15	Floating	1.80%	30/11/2031	Euro	250,000
Derivatives	2,200	1,500	700					
Amounts due to leasing companies	869	320	549					
Total amounts due to other lenders	**292,096**	**251,804**	**40,292**					
Bonds	87,714	75,768	11,946					
Total	**379,810**	**327,572**	**52,238**					

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, 2018.

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 4,821 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, 2018, calculated by the same bank, was negative in the amount of Euro 361 thousand (negative in the amount of Euro 497 thousand as at December 31, 2017).
2. The loan agreement outstanding with Barclays Bank, the residual debt of which amounts to Euro 500 thousand, was hedged by an IRS agreement entered into on March 24, 2011, which anticipates the payment of a fixed rate of 3.04% against a floating 6-month Euribor rate.
   The fair value as at December 31, 2018, calculated by the same bank, was negative in the amount of Euro 8 thousand (negative in the amount of Euro 50 thousand as at December 31, 2017).
3. The loan agreement outstanding with Intesa San Paolo whose residual debt amounts to Euro 8,342 thousand, was hedged by a fixed rate of 2.23% against a floating 6-month Euribor rate.
   The fair value as at December 31, 2018, calculated by the same bank, was negative in the amount of Euro 306 thousand (negative in the amount of Euro 546 thousand as at December 31, 2017).
4. The bond whose residual debt amounts to Euro 28,765 thousand was hedged by a CCS contract entered into with Intesa San Paolo on June 15, 2012.
   The fair value as at December 31, 2018, calculated by the same bank, was positive in the amount of Euro 726 thousand (negative in the amount of Euro 862 thousand as at December 31,2017).
5. The bond whose residual debt amounts to Euro 18,948 thousand was hedged by a CCS contract entered into with Intesa San Paolo on May 29, 2013.
   The fair value as at December 31, 2018, calculated by the same bank, was positive in the amount of Euro 1,191 thousand (at December 31, 2017 positive in the amount of Euro 286 thousand).
6. The loan outstanding with Unicredit Bulbank whose residual debt amounts to Euro 5,000 thousand, was hedged by a fixed rate of 2.40% against a floating 3-month Euribor rate.
   The fair value as at December 31, 2018, calculated by the same bank, was negative in the amount of Euro 339 thousand (negative in the amount of Euro 452 thousand as at December 31, 2017).
7. The loan agreement outstanding with Intesa San Paolo whose residual debt amounts to Euro 24,375 thousand, was hedged by a fixed rate of 0.44% against a floating 6-month Euribor rate.
   The fair value as December 31, 2018, calculated by the same bank, was negative in the amount of Euro 259 thousand (negative in the amount of Euro 139 thousand as at December 31, 2016).
8. The loan agreement outstanding with Banca Popolare di Bergamo, the residual debt of which amounts to Euro 17,576 thousand, was hedged by a fixed rate of 0.10% against a floating 3-month Euribor rate.
   The fair value as at December 31, 2018, calculated by the same bank, was negative in the amount of Euro 44 thousand (positive in the amount of Euro 74 thousand as at December 31, 2017).
9. The loan agreement outstanding with Intesa San Paolo whose residual debt amounts to Euro 37,500 thousand, was hedged by a fixed rate of 0.10% against a floating 6-month Euribor rate.
   The fair value as at December 31, 2018, calculated by the same bank, was positive in the amount of Euro 187 thousand (at December 31, 2017 positive in the amount of Euro 576 thousand).
10. The loan agreement outstanding with BNL - BNP Paribas, the residual debt of which amounts to Euro 24,000 thousand, was hedged by a fixed rate of 0.535% against a floating 6-month Euribor rate.
    The fair value as at December 31, 2018, calculated by the same bank, was negative in the amount of Euro 299 thousand.
11. 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 at December 31, 2018, calculated by the same bank, was negative in the amount of Euro 584 thousand.

The Group, where possible, applies hedge accounting, verifying compliance with the requirements of IAS 39. Derivative instruments that qualify as hedges under 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 contracts numbered from 1. to 2. were assessed at fair value hedge, while contracts numbered from 3. to 11. were assessed at cash flow hedge.

Hierarchical levels of fair value measurement

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

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

The following table shows the assets and liabilities at fair value as at December 31, 2018, by hierarchical level of fair value measurement:

Payables and other financial liabilities	Notes	Level 1	Level 2	Level 3	Total
Negative measurementt					
BNL - BNP Paribas		-	(299)	-	(299)
Banca Popolare di Bergamo		-	(44)	-	(44)
Intesa San Paolo		-	(259)	-	(259)
Intesa San Paolo		-	(306)	-	(306)
Intesa San Paolo		-	(8)	-	(8)
Mediobanca		-	(584)	-	(584)
Mediobanca		-	(361)	-	(361)
Unicredit		-	(339)	-	(338)
Total negative measurement		**-**	**(2,200)**	**-**	**(2,200)**
Positive measurement					
Intesa San Paolo		-	726	-	726
Intesa San Paolo		-	1,191	-	1,191
Unicredit		-	187	-	187
Total positive measurement		**-**	**2,104**	**-**	**2,104**
Overall total		**-**	**(96)**	**-**	**(96)**

25. Current liabilities

Balance as at 12.31.2018	214,198
Balance as at 12.31.2017	200,437
Change	**13,760**

This item breaks down as follows:

Description	12.31.2018	12.31.2017	Change
Amounts due to banks	2,137	2,035	102
Trade accounts payable	107,342	105,494	1,848
Other financial liabilities	52,364	43,647	8,717
Tax payables	12,466	10,963	1,503
Other current liabilities	39,889	38,298	1,591
Total	**214,198**	200,437	13,761

The item “Other financial liabilities” includes 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	12.31.2018	12.31.2017	Change
Income tax payables	3,910	2,935	975
VAT payables	4,072	3,807	265
Other current tax liabilities	4,484	4,221	263
Total	**12,466**	10,963	1,503

“Other current liabilities” comprise:

Description	12.31.2018	12.31.2017	Change
Amounts due to social security institutions	7,914	6,654	1,260
Amounts due to employees	11,471	10,677	794
Amounts due to shareholders for dividends	174	515	(342)
Amounts due for the purchase of equity investments	2,000	3,776	(1,776)
Guarantee deposits payable	370	461	(91)
Other payables	1,829	1,840	(11)
Accrued expenses and deferred income	16,131	14,374	1,757
Total	**39,889**	38,298	1,591

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

Description	12.31.2018	12.31.2017	Change
Accrued expenses			
Interest payable on loans	1,067	1,070	(3)
Other	3,036	2,691	345
Total accrued expenses	**4,103**	**3,761**	**342**
Deferred income			
Sink funds granted	422	184	238
Rentals receivable	97	106	(9)
Other	11,509	10,323	1,186
Total deferred income	**12,028**	**10,613**	**1,415**
Total accrued expenses and deferred income	**16,131**	**14,374**	**1,757**

“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

(In thousands of Euro

	12.31.2018						
	Technical gas sector	%	Home-care service sector	%	Write downs	Consolidated figures	%
Technical gas sector	431,865	100.0%			(28,633)	403,232	48.4%
Home-care service sector			431,326	100.0%	(1,045)	430,281	51.6%
Net sales	**431,865**	**100.0%**	**431,326**	**100.0%**	**(29,678)**	**833,513**	**100.0%**
Other revenues and income	5,354	1.2%	2,954	0.7%	(578)	7,729	0.9%
Internal works and collections	2,848	0.7%	7,560	1.8%	1,223	11,630	1.4%
Revenues	**440,067**	**101.9%**	**441,839**	**102.4%**	**(29,033)**	**852,873**	**102.3%**
Purchase of materials	123,764	28.7%	100,238	23.2%	(17,801)	206,202	24.7%
Services rendered	140,014	32.4%	118,002	27.4%	(10,166)	247,851	29.7%
Change in inventories	(3,383)	-0.8%	(1,857)	-0.4%	-	(5,240)	-0.6%
Other costs	13,982	3.2%	21,325	4.9%	(1,048)	34,258	4.1%
Total costs	**274,377**	**63.5%**	**237,708**	**55.1%**	**(29,015)**	**483,070**	**58.0%**
Added value	**165,690**	**38.4%**	**204,131**	**47.3%**	**(19)**	**369,802**	**44.4%**
Payroll and related costs	87,747	20.3%	95,123	22.1%	-	182,870	21.9%
Gross operating margin	77,943	18.0%	109,008	25.3%	(19)	186,933	22.4%
Depreciation/amortisation	47,322	11.0%	41,370	9.6%	(85)	88,606	10.6%
Provisions and write-downs	5,364	1.2%	2,368	0.5%	-	7,733	0.9%
Non-recurring (income) / expenses	-		940	0.2%	-	940	0.1%
Operating result	**25,257**	**5.8%**	**64,331**	**14.9%**	**67**	**89,655**	**10.8%**
Financial income	14,688	3.4%	1,834	0.4%	(13,548)	2,974	0.4%
Financial expense	(10,530)	-2.4%	(2,734)	-0.6%	2,023	(11,240)	-1.3%
Results from equity investments	(219)	-0.1%	(1,495)	-0.3%	1,495	(219)	0.0%
Total financial income / (expense)	**3,940**	**0.9%**	**(2,395)**	**-0.6%**	**(10,030)**	**(8,485)**	**-1.0%**
Profit (Loss) before income taxes	**29,197**	**6.8%**	**61,936**	**14.4%**	**(9,963)**	**81,169**	**9.7%**
Income taxes	7,787	1.8%	19,401	4.5%	16	27,203	3.3%
Net result from business activities	21,410	5.0%	42,535	9.9%	(9,979)	53,966	6.5%
Net result from discontinued operations	**-**		**-**		**-**	**-**	
(Profit) / Loss pertaining to minority interests	122	0.0%	(2,218)	-0.5%	10	(2,086)	-0.3%
Net Profit / (Loss)	**21,532**	**5.0%**	**40,317**	**9.3%**	**(9,969)**	**51,880**	**6.2%**

OTHER INFORMATION SOL GROUP

(In thousands of Euro)

	12.31.2018						
	Technical gas sector	%	Home-care service sector	%	Write downs	Consolidated figures	%
Total assets	886,268		531,370		(305,487)	1,112,151	
Total liabilities	506,906		183,196		(123,954)	566,147	
Investments	51,820		42,676		-	94,496	

	12.31.2017						
	Technical gas sector	%	Home-care service sector	%	Write downs	Consolidated figures	%
	398,411	100.0%			(29,167)	369,244	48.8%
			388,489	100.0%	(925)	387,563	51.2%
	398,411	100.0%	388,489	100.0%	(30,092)	756,807	100.0%
	5,867	1.5%	2,927	0.8%	(604)	8,190	1.1%
	2,353	0.6%	7,155	1.8%	1,918	11,427	1.5%
	406,631	102.1%	398,571	102.6%	(28,778)	776,424	102.6%
	110,320	27.7%	94,188	24.2%	(17,562)	186,945	24.7%
	131,341	33.0%	108,830	28.0%	(10,128)	230,043	30.4%
	(2,697)	-0.7%	(2,222)	-0.6%	-	(4,920)	-0.7%
	13,361	3.4%	18,601	4.8%	(1,069)	30,892	4.1%
	252,324	63.3%	219,397	56.5%	(28,759)	442,961	58.5%
	154,307	38.7%	179,174	46.1%	(19)	333,463	44.1%
	81,180	20.4%	85,050	21.9%	-	166,230	22.0%
	73,127	18.4%	94,124	24.2%	(19)	167,232	22.1%
	45,089	11.3%	40,101	10.3%	(84)	85,107	11.2%
	4,704	1.2%	1,267	0.3%	-	5,971	0.8%
	-		-		-	-	
	23,334	5.9%	52,755	13.6%	65	76,154	10.1%
	11,939	3.0%	1,854	0.5%	(10,906)	2,887	0.4%
	(10,486)	-2.6%	(2,701)	-0.7%	1,639	(11,548)	-1.5%
	(632)	-0.2%	(166)	0.0%	166	(632)	-0.1%
	821	0.2%	(1,014)	-0.3%	(9,100)	(9,292)	-1.2%
	24,155	6.1%	51,742	13.3%	(9,035)	66,862	8.8%
	8,946	2.2%	15,662	4.0%	34	24,641	3.3%
	15,209	3.8%	36,080	9.3%	(9,069)	42,221	5.6%
	-		-		-	-	
	22	0.0%	(2,009)	-0.5%	5	(1,982)	-0.3%
	15,232	3.8%	34,071	8.8%	(9,064)	40,239	5.3%

	12.31.2017						
	Technical gas sector	%	Home-care service sector	%	Write downs	Consolidated figures	%
	882,235		488,479		(310,729)	1,059,985	
	512,989		171,040		(129,928)	554,101	
	52,451		41,271		-	93,722	

BREAKDOWN OF REVENUES BY TYPE OF BUSINESS: TECHNICAL GAS SECTOR

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

(In thousands of Euro)

	12.31.2018	%	12.31.2017	%
Net sales	**431,865**	**100.0%**	**398,411**	**100.0%**
Other revenues and income	5,354	1.2%	5,867	1.5%
Internal works and collections	2,848	0.7%	2,353	0.6%
Revenues	**440,067**	**101.9%**	**406,631**	**102.1%**
Purchase of materials	123,764	28.7%	110,320	27.7%
Services rendered	140,014	32.4%	131,341	33.0%
Change in inventories	(3,383)	-0.8%	(2,697)	-0.7%
Other costs	13,982	3.2%	13,361	3.4%
Total costs	**274,377**	**63.5%**	**252,324**	**63.3%**
Added value	**165,690**	**38.4%**	**154,307**	**38.7%**
Payroll and related costs	87,747	20.3%	81,180	20.4%
Gross operating margin	**77,943**	**18.0%**	**73,127**	**18.4%**
Depreciation/amortisation	47,322	11.0%	45,089	11.3%
Provisions and write-downs	5,364	1.2%	4,704	1.2%
Non-recurring (income) / expenses	0	0.0%	0	0.0%
Operating result	**25,257**	**5.8%**	**23,334**	**5.9%**
Financial income	14,688	3.4%	11,939	3.0%
Financial expense	(10,530)	-2.4%	(10,486)	-2.6%
Results from equity investments	(219)	-0.1%	(632)	-0.2%
Total financial income / (expense)	**3,940**	**0.9%**	**821**	**0.2%**
Profit (Loss) before income taxes	**29,197**	**6.8%**	**24,155**	**6.1%**
Income taxes	7,787	1.8%	8,946	2.2%
Net result from business activities	**21,410**	**5.0%**	**15,209**	**3.8%**
Net result from discontinued operations	0	0.0%	0	0.0%
(Profit) / Loss pertaining to minority interests	122	0.0%	22	0.0%
Net Profit / (Loss)	**21,532**	**5.0%**	**15,232**	**3.8%**

Sales in the Technical Gas Sector reported an 8.4% increase.

Gross operating margin increased by 6.6 % compared to the previous year.

Operating result increased by 8.2% compared to the previous year.

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

(In thousands of Euro)

	12.31.2018	12.31.2017
Tangible fixed assets	354,251	346,775
Goodwill and consolidation differences	23,952	23,952
Other intangible fixed assets	11,775	11,558
Equity investments	133,367	132,188
Other financial assets	7,134	12,640
Deferred tax assets	5,106	5,269
Non-current assets	**535,585**	532,382
Non-current assets held for sale	**0**	0
Inventories	23,569	20,354
Trade receivables	155,962	159,132
Other current assets	21,128	27,228
Current financial assets	85,161	76,241
Cash and cash at bank	64,864	66,897
Current assets	**350,683**	349,852
TOTAL ASSETS	**886,268**	882,235
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	227,865	224,056
Retained earnings (accumulated loss)	2,659	2,659
Net profit	21,532	15,231
Shareholders' equity - group	**373,014**	362,905
Shareholders' equity - minority interests	6,471	6,363
Profit pertaining to minority interests	(122)	(22)
Shareholders' equity - minority interests	**6,349**	6,341
Shareholders' equity	**379,362**	369,246
Employee severance indemnities and other benefits	11,935	12,124
Provision for deferred taxes	2,491	2,574
Provisions for risks and charges	598	292
Payables and other financial liabilities	327,067	328,108
Non-current liabilities	**342,091**	343,099
Non-current liabilities held for sale		
Amounts due to banks	2,115	1,984
Trade accounts payable	68,261	69,272
Other financial liabilities	72,179	75,132
Tax payables	5,297	4,678
Other current liabilities	16,963	18,826
Current liabilities	**164,815**	169,890
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**886,268**	882,235

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

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

(In thousands of Euro)

	12.31.2018	%	12.31.2017	%
Net sales	**431,326**	100.0%	388,489	100.0%
Other revenues and income	2,954	0.7%	2,927	0.8%
Internal works and collections	7,560	1.8%	7,155	1.8%
Revenues	**441,839**	102.4%	398,571	102.6%
Purchase of materials	100,238	23.2%	94,188	24.2%
Services rendered	118,002	27.4%	108,830	28.0%
Change in inventories	(1,857)	-0.4%	(2,222)	-0.6%
Other costs	21,325	4.9%	18,601	4.8%
Total costs	**237,708**	55.1%	219,397	56.5%
Added value	**204,131**	47.3%	179,174	46.1%
Payroll and related costs	95,123	22.1%	85,050	21.9%
Gross operating margin	**109,008**	25.3%	94,124	24.2%
Depreciation/amortisation	41,370	9.6%	40,101	10.3%
Provisions and write-downs	2,368	0.5%	1,267	0.3%
Non-recurring (income) / expenses	940	0.2%	0	0.0%
Operating result	**64,331**	14.9%	52,755	13.6%
Financial income	1,834	0.4%	1,854	0.5%
Financial expense	(2,734)	-0.6%	(2,701)	-0.7%
Results from equity investments	(1,495)	-0.3%	(166)	0.0%
Total financial income / (expense)	**(2,395)**	-0.6%	(1,014)	-0.3%
Profit (Loss) before income taxes	**61,936**	14.4%	51,742	13.3%
Income taxes	19,401	4.5%	15,662	4.0%
Net result from business activities	**42,535**	9.9%	36,080	9.3%
Net result from discontinued operations	0	0.0%	0	0.0%
(Profit) / Loss pertaining to minority interests	(2,218)	-0.5%	(2,009)	-0.5%
Net Profit / (Loss)	**40,317**	9.3%	34,071	8.8%

Sales in the Home-care Service sector increased by 11.0%.

Gross operating margin increased by 15.8 % compared to the previous year.

Operating result increased by 23.7 % compared to the previous year.

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

(In thousands of Euro)

	12.31.2018	12.31.2017
Tangible fixed assets	121,569	116,639
Goodwill and consolidation differences	64,621	52,117
Other intangible fixed assets	4,454	4,334
Equity investments	71,269	69,633
Other financial assets	3,099	3,524
Deferred tax assets	1,846	2,916
Non-current assets	**266,858**	249,163
Non-current assets held for sale	**0**	0
Inventories	27,130	26,096
Trade receivables	136,208	114,756
Other current assets	8,660	9,942
Current financial assets	28,028	38,248
Cash and cash at bank	64,486	50,274
Current assets	**264,512**	239,316
TOTAL ASSETS	**531,370**	488,479
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	241,329	219,317
Retained earnings (accumulated loss)	24,577	24,584
Net Profit	40,317	34,071
Shareholders' equity - Group	**336,457**	308,206
Shareholders' equity - Minority interests	9,499	7,224
Profit pertaining to minority interests	2,218	2,009
Shareholders' equity - Minority interests	**11,717**	9,233
Shareholders' equity	**348,174**	317,439
Employee severance indemnities and other benefits	3,705	3,227
Provision for deferred taxes	980	713
Provisions for risks and charges	869	569
Payables and other financial liabilities	91,641	84,829
Non-current liabilities	**97,195**	89,338
Non-current liabilities held for sale	**0**	0
Amounts due to banks	22	52
Trade accounts payable	50,621	49,414
Other financial liabilities	2,858	3,466
Tax payables	7,169	6,285
Other current liabilities	25,331	22,485
Current liabilities	**86,001**	81,702
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**531,370**	488,479

INFORMATION BY GEOGRAPHIC AREA

The breakdown of revenues by geographic area is presented below:

Description	12.31.2018	12.31.2017	Change
Italy	380,758	348,163	32,595
Other countries	452,755	408,645	44,110
Total	**833,513**	756,807	76,705

The breakdown of investments by geographic area is presented below:

Description	12.31.2018	12.31.2017	Change
Italy	33,277	37,552	(4,275)
Other countries	61,219	56,170	5,049
Total	**94,496**	93,722	774

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 2018 amounted to Euro 167.8 million.

As at December 31, 2018, receivable and payable transactions between Group companies came to Euro 280.7 million, of which Euro 193.9 million of a financial nature and Euro 86.8 million of a trade nature.

The breakdown of intercompany financial receivables is as follows:

• Financial receivables granted by SOL Spa	Euro	138.5 million
• Financial receivables granted by AIRSOL BV	Euro	25.3 million
• Financial receivables granted by other companies	Euro	30.1 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	200 thousand
• Purchases from CT Biocarbonic GmbH	Euro	3,397 thousand
• Financial receivables from CT Biocarbonic GmbH	Euro	1,450 thousand
• Trade receivables from CT Biocarbonic GmbH	Euro	50 thousand
• Amounts due to CT Biocarbonic GmbH	Euro	283 thousand
• Sales and services to SICGILSOL India Private Limited	Euro	264 thousand
• Trade receivables from SICGILSOL India Private Limited	Euro	113 thousand
• Financial receivables from SICGILSOL India Private Limited	Euro	4,502 thousand
• Sales and services to ZDS JESENICE doo	Euro	1,594 thousand
• Purchases from ZDS JESENICE doo	Euro	2,456 thousand
• Trade receivables from ZDS JESENICE doo	Euro	158 thousand
• Amounts due to ZDS JESENICE doo	Euro	241 thousand
• Sales and services to Consorgas Srl	Euro	5 thousand
• Trade receivables from Consorgas Srl	Euro	5 thousand
• Financial receivables from Consorgas Srl	Euro	37 thousand
• Amounts due to Consorgas Srl	Euro	6 thousand

COMMITMENTS, GUARANTEES AND POTENTIAL LIABILITIES

The Sol Group obtained sureties totalling Euro 60,664 thousand.

NET FINANCIAL POSITION

(In thousands of Euro)

		12.31.2018	12.31.2017
a	Cash	516	401
b	Bank loans and overdrafts	128,834	116,774
c	Securities held for trading	-	-
d	**Liquidity (a) + (b) + (c)**	**129,350**	**117,175**
e	Short-term time deposits	2,404	3,918
e	Other short-term financial assets *	690	216
e	Current financial receivables due from Group companies	2,579	-
e	**Current financial receivables**	**5,673**	**4,134**
f	Short-term amounts due to banks	(2,137)	(2,035)
g	Loans - long-term portion	(39,043)	(34,766)
g	Leases - short term portion	(549)	(451)
g	Bonds - short term portion	(11,946)	(7,501)
h	Amounts due to shareholders for loans	(126)	(71)
h	Amounts due to Shareholders for the purchase of equity investments	(2,000)	(3,776)
h	Other short-term financial liabilities *	(1,767)	(1,928)
i	**Current borrowing (f) + (g) + (h)**	**(57,568)**	**(50,528)**
j	**Net current borrowing (d) + (e) + (i)**	**77,454**	**70,781**
k	Long-term amounts due to banks	-	-
l	Bonds issued	(75,768)	(87,714)
m	Securities	773	786
m	Other long-term financial assets *	3,697	7,223
m	Loans - long-term portion	(249,985)	(240,528)
m	Leasing - long-term portion	(320)	(508)
m	Amounts due to Shareholders for the purchase of equity investments	(2,900)	(2,900)
m	Other long-term financial liabilities *	(1,500)	(1,738)
n	**Non-current borrowing (k) + (l) + (m)**	**(326,002)**	**(325,378)**
o	**Net borrowing (j) + (n)**	**(248,548)**	**(254,598)**

* 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, industrial production, cost of energy products and health expense policies adopted in the different European countries in which the Group works.
2018 was characterised by a slight economic recovery in European Countries in which the 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, state policies for reducing health expenses could cause a reduction in margins of the home-care and medical gas sectors.
The decision of Great Britain to leave the European Union will probably have a 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.

Moreover, a dispute between two companies of the Group and Agenzia Italiana del Farmaco (AIFA) is pending before the court of Lazio with regard to the request for the settlement of the hospital and pharmaceutical expenditure overrun for the years 2013 - 14 - 15 - 16.
As things stand, the regional administrative court upheld the company's request for suspension and the hearings are pending.
As there is currently considerable uncertainty about AIFA's requests, the companies have decided not to make any specific provision.
With regard to the proceeding started in 2015 by the Antitrust Authority (Autorità garante della concorrenza e del mercato, AGCM) for alleged agreements prohibited between competitors during some public tenders involving two Group companies, the Regional Administrative Court of Lazio voided in full the fine of Euro 10.1 million imposed on VIVISOL Srl and reduced the fine imposed on VIVISOL Napoli Srl from Euro 1.2 million to Euro 0.9 million. Both AGCM and VIVISOL Napoli Srl lodged their respective appeals with the Council of State in opposition to the judgment of the Regional Administrative Court.

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, could generate high spreads and possible greater difficulties in obtaining longer maturities for loans compared to what occurred 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 and the statistical data.
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.

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 60.5 million. To hedge the exchange rate risk, two cross currency swaps were made in Euros on the total loan amount and for the entire duration (12 years). The fair value of the CCSs as at December 31, 2018 was positive in the amount of Euro 1,917 thousand.
With regard to the current currency situation 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 imported products.
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, 2018 is equal to Euro 162,114 thousand and the negative fair value is equal to Euro 2,013 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.

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 4 AUGUST 2017

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

- "Agenzia nazionale per l'attrazione degli investimenti e lo sviluppo d'impresa Spa" decree of December 9, 2014 of the Ministry of Economic Development in agreement with the Ministry of Economy and Finance and the Ministry of Agricultural, Food and Forestry Policies - prot. CDS000354 - credited to the company SOL Spa the 1* IPC of the industrial investment - CUP C94B15000370008 on 30/01/2018 an amount equal to Euro 2,647 thousand;
- "Ministero dell'istruzione dell'università e della ricerca" (Ministry of Education, University and Research) for the construction and bench demonstration of an integrated fuel hybrid cell-battery electric powertrain with hydrogen powered storage system for zero emission city buses - Executive Decree no. 1128 of 10/30/2008 - paid SOL Spa an amount equal to Euro 45 thousand on 06/25/2018;
- State aid measure no. SA 38635 falling within the measure "Urgent measures for the growth of the Country" as shown in the Section "Transparency of the National Register of State Aid (RNA)" Euro 4,118 thousand granted to the company SOL Gas Primari Srl;
- From Lazio Innova, valid for the resources available under POR FESR LAZIO 2014-2020, "Kets - tecnologie abilitanti" (Kets - enabling technologies) call for tenders Euro 91 thousand granted to the company Cryolab Srl;
- Contribution from the Marche Region for the Printage project Euro 231 thousand (of which Euro 149 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 ten companies based in six 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 2018 financial year for the auditing services and for those other than auditing supplied by the auditing company and by bodies belonging to its network.

(In thousands of Euro)

	Subject who supplied the service	Receiver	Considerations pertaining to the 2018 financial year
Auditing	Deloitte	SOL Spa Parent Company	124
	Deloitte	Subsidiary companies	93
	Deloitte network	Subsidiary companies	234
Quarterly audit	Deloitte	SOL Spa Parent Company	6
	Deloitte	Subsidiary companies	10
Other services	Deloitte	SOL Spa Parent Company (1)	61
	Deloitte	Subsidiary companies (1)	20
Total			**548**

(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 2018.

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 2018, 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 29 2019

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 2018 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.

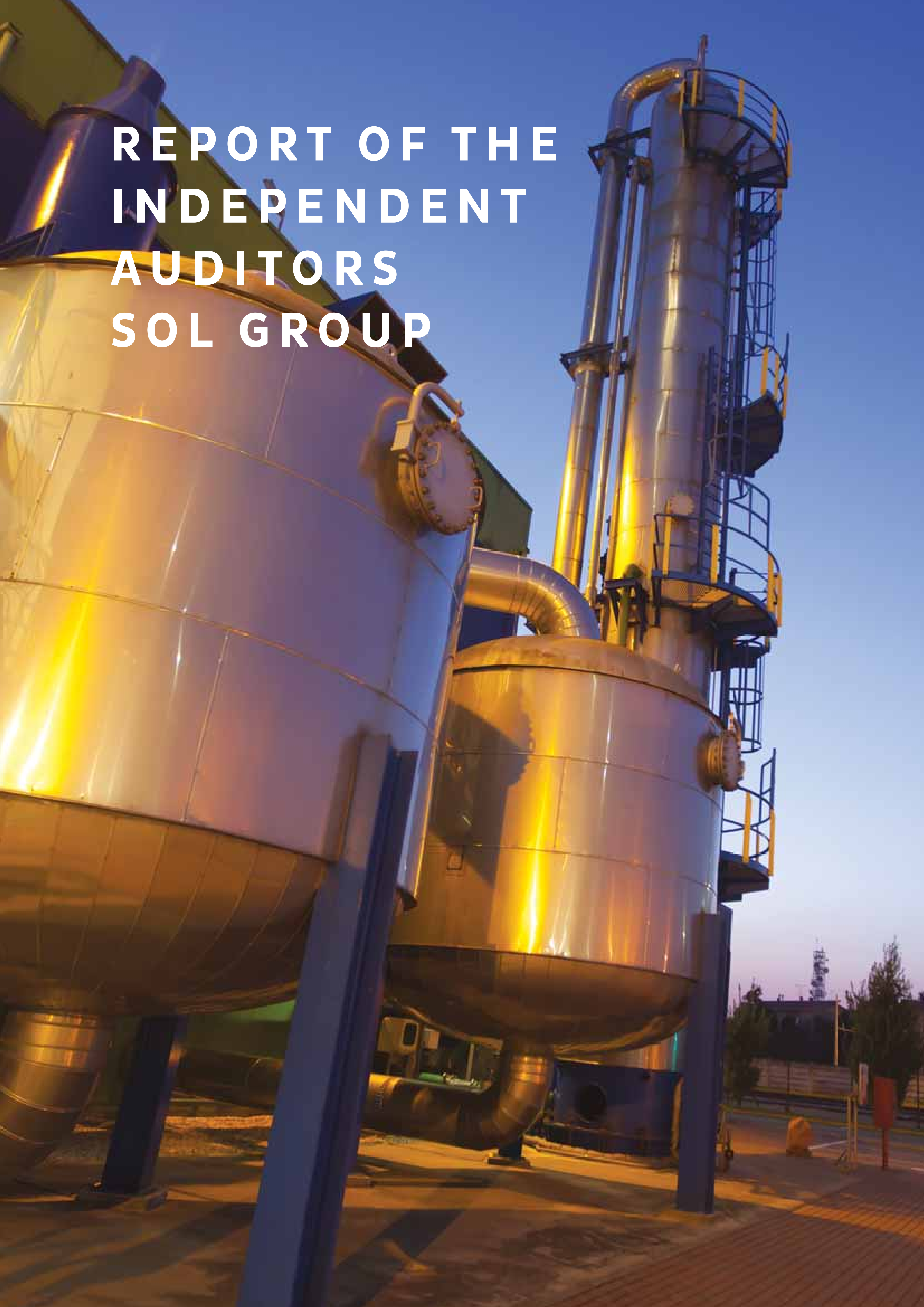
2. the directors' report includes a reliable analysis of the business trend and operating result as well as of the situation of issuing company and of the consolidated companies, together with a description of the main risks and uncertainties they incur.

Monza, March 29 2019

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

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

REPORT OF THE INDEPENDENT AUDITORS SOL GROUP



Deloitte.

Deloitte & Touche S.p.A.
Via Tortona, 25
20144 Milano
Italia

Tel: +39 02 83322111
Fax: +39 02 83322112
www.deloitte.it

**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, 2018, 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, 2018, 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.

Deloitte.

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 97,695 thousand, which, in accordance with the applicable accounting standards, and as described in the notes to the financial statements, are not amortized, rather they are subjected to an impairment test at least annually.

As required by the "IAS 36 Impairment of Assets," the Company's Directors have carried out the impairment test in order to determine that intangible assets with indefinite useful lives are accounted for in the consolidated financial statements at December 31, 2018 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 13,190 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 29, 2018, 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.

Deloitte.

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

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.

Deloitte.

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

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

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

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

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

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

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

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

- 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.

Deloitte.

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

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

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

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

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

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

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

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, 2018, 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, 2018 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, 2018 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.

Deloitte.

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 17, 2019

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

Design
M Studio, Milan

SOL Spa
Via Borgazzi, 27
20900 Monza • Italy
Tel. +39 039 23961
Fax +39 039 2396375
diaf@sol.it
www.solgroup.com