2017

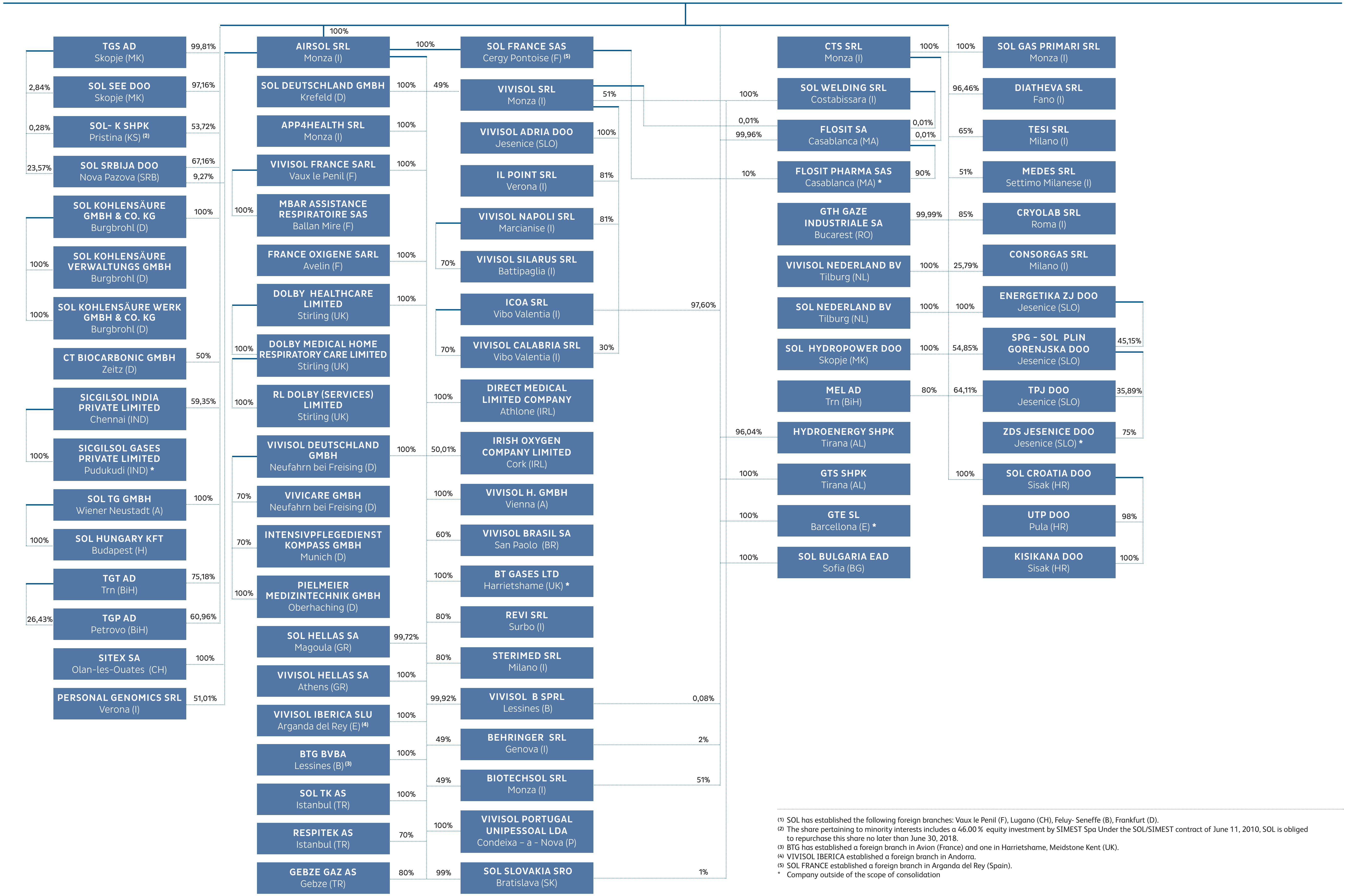
SOL GROUP ANNUAL REPORT

SOLGROUP
a breath of life

90
1927-2017

STRUCTURE OF THE SOL GROUP AS AT DECEMBER 31, 2017

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) The share pertaining to minority interests includes a 46.00 % equity investment by SIMEST Spa Under the SOL/SIMEST contract of June 11, 2010, SOL is obliged to repurchase this share no later than June 30, 2018.
(3) BTG has established a foreign branch in Avion (France) and one in Harrietshame, Meidstone Kent (UK).
(4) VIVISOL IBERICA established a foreign branch in Andorra.
(5) SOL FRANCE established a foreign branch in Arganda del Rey (Spain).
* Company outside of the scope of consolidation

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SOL Spa

Registered office
Via Borgazzi, 27
20900 Monza - Italy

Share Capital
Euro 47.164.000,00 fully paid up.

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

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, 2017 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 23 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 2017 experienced moderate growth during the first half of the year, which strengthened slightly in the second half of the year.
However, this growth has not developed steadily over time and in all countries.
Europe, in particular, showed a more solid and widespread positive trend compared to the last few years.
Oil prices rose reaching higher levels at the end of the year than in the recent past.
Interest rates on loans in Euro remained at the low levels that characterised the last few years, while the spreads applied by the banking system were unsteady, with an upward trend.
Italy registered positive GDP growth, albeit modest, a slight increase compared with 2016.
Industrial production in Italy also increased compared to the previous year.
As regards 2018, macroeconomic forecasts show that the moderate but widespread economic expansion will continue, even if there is a risk of an increase in interest rates by the banking system.
There was a slight increase in production in the technical, special and medical gases sector in 2017 compared to 2016.
Gas consumption increased in the chemical, mechanical, food, environmental and pharmaceutical sectors.
However, for medical gases, the downward trend in sales prices continued due to the drop in starting prices and strong competition between companies in the sector.
A further increase in the quantities produced and sold of industrial gases is expected in 2018.
In the home care sector, growth was recorded in 2017, mostly in European countries, while in Italy growth was more moderate.
Besides, this sector also continues to be negatively affected by the continuous policies to reduce healthcare spending in all European countries.
The home care sector is also expected to grow moderately in 2018.

SUMMARY RESULTS

Within the aforementioned context, we believe that the results achieved by the SOL Group during 2017 were positive.
The net sales achieved by the SOL Group in 2017 were equal to Euro 756.8 million (+7.6% compared to those of 2016).
The gross operating margin amounted to Euro 167.2 million, equal to 22.1% of the sales, substantially the same as that of 2016 (167.6 million equal to 23.8% of the sales).
The operating result amounted to Euro 76.2 million, equal to 10.1% of the sales, down by Euro 4.7 million compared to that of 2016 (80.9 million equal to 11.5% of the sales), due to higher depreciations and provisions of Euro 4.4 million.
The net profit amounted to Euro 40.2 million (Euro 44.1 million at the end of 2016).
The cash flow amounted to Euro 127.3 million (16.8% of sales), at the same level as that of 2016 (equal to Euro 127.5 million).
The technical investments carried out in 2017 amounted to Euro 93.7 million (Euro 98.4 million in 2016).
The average number of staff employed as at December 31, 2017 amounted to 3,355 (3,053 as at 31 December 2016).
The net current borrowing of the Group was equal to Euro 254.6 million (231.4 million as at December 31, 2016).

MANAGEMENT TREND

During 2017, the technical gas sector showed a growth in sales of 7.3% over the previous year for a turnover to customers of Euro 369.2 million, with volumes slightly increasing in some of the target markets.
Sales growth was more marked in European countries than it was in Italy and was greater especially in the metalworking, food and chemical sectors.
On the other hand, the hospital sector remained stable with decreasing margins due to reduced expenditure policies and strong competition.
Home-care activities experienced positive growth (+7.9% for a turnover to customers equal to Euro 387.6 million) above all in foreign countries, thanks to an on-going commitment to the development of new products and services, which support oxygen therapy activities by integrating them.
In terms of costs, the gross operating margin was at the same absolute level as in 2016, despite a reduction in the production and sale of hydroelectric energy caused by very low rainfall throughout 2016 and higher plant maintenance costs due to unforeseen events.
The operating result decreased by Euro 4.7 million compared to 2016, also due to higher amortisation/depreciations and provisions for an amount of Euro 4.4 million.
The Group's net indebtedness increased only by Euro 23.2 million due to technical investments and acquisitions made in 2017.
However, the debt ratios remain very solid, with a debt/equity ratio of 0.50 and a cash flow cover of 1.52.
During 2017, technical gas reserves remained within the safety levels while some sites worked at less than their capacity.
During 2017, the SOL Group recorded an increase and continued the training and qualification of personnel in order to improve the professional quality to achieve the development goals of the Group.

PERFORMANCE ON THE STOCK EXCHANGE

SOL stock opened 2017 with a price of Euro 8.03 and closed on December 29, 2017 at Euro 10.63.
During the year, the stock achieved a maximum price of Euro 12.04, while the minimum came to Euro 7.45.

QUALITY, SAFETY, HEALTH AND ENVIRONMENT

The focus on issues of quality management, health, safety and environment was constantly active throughout 2017 with an intense internal auditing activity and with verifications by third parties, being Notified Bodies for Certification and Auditing Bodies of the Public Administration. All of these verifications 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 other operational sites of the Group.
In addition, the transition from ISO 9001 certification to the new ISO 9001:2015 standard, based on risk-based thinking techniques, 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 2017 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 activities, third party certifications obtained in previous years were confirmed. To date, certification status (ISO 9001) of the individual sites has been achieved at 39 sites in Italy and 37 abroad.
ISO 14001 certification was also confirmed for 7 sites in Italy and 4 sites abroad. Certification of the safety management system according to the OHSAS 18001 standard has been achieved for all sites in Italy and 9 sites abroad.
Furthermore, concerning 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. Work also continued on the implementation of the Responsible Care Programme and in accordance with the principles of corporate Social Responsibility. Timely implementation of the Responsible Care program was also verified by our internal audits, as the third party audit certificate remained valid throughout the year.
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 reached 23 sites in Italy and 22 sites abroad.
The ISO 14001 certification of Vivisol Srl Registered office and of 8 sites outside Italy was also confirmed, as was the certification of the safety management system according to the OHSAS 18001 standard, applied at 20 sites in Italy and 7 sites outside Italy.
All of the Integrated Environmental Certifications achieved have been confirmed over the previous years for the first sites of first transformation, with transparency criteria towards the public and local media.
Also during 2017, systematic monitoring of the indirect environmental impacts that our activities may influence was continued. The number of self-producing technical gas plants, known as on-site plants, in place at customers' locations increased by 5%. This solution, which is an alternative to the traditional supply of cylinders or liquefied cryogenic gas by means of road transport, involves a benefit from the kilometres not travelled by road vehicles, as well as a different production cycle with lower energy consumption compared to the centralised pro-

duction facility, resulting in reduced CO_2 emissions. By applying the Life Cycle Assessment technique, the final 2017 figure shows an equivalent amount of unreleased CO_2 totalling 22,154 tonnes.
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 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.
Moreover, during the year, communication actions were implemented, such as the publication of the new institutional video to celebrate the 90th anniversary of the SOL Group and the redesign of the company house organ SOL NEWS.
Lastly, the new version of the Code of Ethics was approved in September 2017. In this revision of the Code, the aim was to make the principles and behaviour that must characterise relations with all stakeholders even more evident.

CONSOLIDATED NON-FINANCIAL STATEMENT

The consolidated non-financial statement of SOL Spa for the year 2017, prepared in accordance with Italian Legislative Decree 254/16, constitutes a separate report ("Sustainability Report") with respect to this management report, as provided for by Article 5 paragraph 3, letter b) of Italian Legislative Decree 254/16, and is available on the company's website http://www.solgroup.com/, in the "Sustainability" section.

PHARMACEUTICAL- REGULATORY ACTIVITIES

The group's regulatory activities, both in Italy and abroad, continued in 2017 as well.
The registered Marketing Authorisations (no. 134) were confirmed and a request for extension to other Community countries was also made.
The GMP pharmaceutical plants were also confirmed, with a total of 59 employees, 24 of which in Italy and 35 abroad.
The validation of processes and software had a significant impact both on new projects and on the requests of the Authorities.
During 2017, the drug supervision activity was implemented further, developing a plan agreed with the supervisory authorities.

SOL GROUP INVESTMENTS

During the financial year 2017 investments were made for Euro 52.4 million in the "technical gases" sector, of which Euro 19.3 million by the parent company SOL Spa, and Euro 41.3 million in the "home care" sector as detailed below:

- In Italy, works continued on the construction of a new highly automated plant for testing and maintaining compressed gas cylinders, which is expected to be completed in early 2018;
- Work continued on the modernisation and expansion of the Monza plant for the production of pure, medicinal and special gases. The works are expected to be completed within June 2018;
- In Cartoceto, Diatheva completed the works for the realisation of the new cell factory for the production of monoclonal antibodies and for the production of diagnostic kits;
- in Slovenia, the company SPG continued work to modernise the current facility for the primary production of gas through air separation and to expand production capacity, which is expected to be completed in the first half of 2018;
- In Bulgaria, the affiliate SOL Bulgaria has started work on a new carbon dioxide production plant, which is expected to be completed no later than the first half of 2018;
- In France, works began on expanding dry ice production at the SOL France secondary production plant in Cergy Pontoise;
- In Bosnia, the company Megaelektrik completed the works to construct a new hydroelectric power plant;
- In India, the company SICGILSOL completed the construction of a new plant for the production of nitrous oxide at Ranipet in the State of Tamil Nadu;
- The programme for the improvement, modernisation and rationalisation of SOL's primary production plants of technical gases in Europe continued. This activity has particularly affected the units of Mantua in Italy, Sisak in Croatia and Skopie in Macedonia;
- The programme for the improvement, modernisation and rationalisation of SOL's secondary production plants of technical gases in Europe continued. This activity concerned the units of Ancona, Bari, Catania, Cremona and Pisa in Italy, in particular; Vitrolles in France; Wiener Neustadt in Austria; Cork in Ireland; Lessines in Belgium and Skopie in Macedonia;
- a number of on-site industrial and medical systems were built and launched in Italy as well as abroad, and means of transport, distribution and product sales have been enhanced with the purchase of cryogenic tanks, cryogenic liquid distribution reservoirs, cylinders, dewars and electrical medical devices, all to sustain the group's development in all sectors of activity and geographic areas.

Investments continued to improve IT systems for both the technical gas and home-care sectors.

MAJOR CORPORATE TRANSACTIONS

During 2017, the Group acquired majority stakes in the following companies:

- SITEX SA, based in Plan-les-Ouates (Switzerland) and active in the home-care sector;
- Personal Genomics Srl, based in Verona and active in the biotechnology sector;
- GEBZE GAS SANAYI ve Ticaret Anonim Serketi, based in Gebze (Turkey) and active in the technical gases sector;
- Direct Medical LTD, based in Athlone (Ireland) and active in the home-care sector;
- REVI Srl, based in Surbo (Italy) and active in the hospital services sector;
- STERIMED Srl, based in Milan (Italy) and active in the hospital services sector;
- RESPİTEK A.Ş, based in Istanbul (Turkey) 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, 2017, 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 2017 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 2017

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.
The first half of 2017 was characterised by a slight economic recovery in some European Countries in which the SOL 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 of the Group companies and the Italian Medicines Agency (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.
As things stand, the regional administrative court upheld the request for suspension, and the hearing initially set for October 3, 2017 was postponed to a date to be determined.
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 provision
In 2015, the Italian Antitrust Authority (Autorità garante della concorrenza e del mercato, AGCM) started a proceeding for alleged agreements prohibited between competitors during a number of public tenders concerning home-care oxygen therapy and ventilotherapy services. 15 sector companies, including two of the SOL Group - Vivisol Srl and Vivisol Napoli Srl - are involved in the proceedings.
In January 2017, group subsidiaries SOL Vivisol Srl and Vivisol Napoli S.r.l. received fines in the amount of Euro 11.3 million.
Both Vivisol Srl and Vivisol Napoli Srl appealed the measure before the Regional Administrative Court of Lazio, contesting all of the Italian Antitrust Authority's conclusions.
Given that both Vivisol Srl and Vivisol Napoli Srl consider themselves to be completely unrelated to the allegations made by the Antitrust Authority, it was decided not to allocate a possible risk provision to the financial statements of the individual companies, considering as things stand, also following the in-depth analysis carried out with the support of external lawyers, the risk as only possible, pending the outcome of the appeal to the regional administrative court.
Note also that, since the regional administrative court has set the hearing to discuss the appeal in 2018, in July 2017, Vivisol Srl submitted a request to suspend payment of the fine, request that was accepted by the regional administrative court.
Again in July 2017, Vivisol Napoli Srl paid the fine of Euro 1.2 million, pending the discussion of the appeal before the regional administrative court.
For the reasons outlined above, since the risk is considered as only possible, a receivable of the same amount with regard to AGCM was recognised in the financial statements of Vivisol Napoli Srl
The hearing for discussion was held on March 14, 2018 and the case was finally held up for decision, pending the relevant entering of the judgement.

– 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, 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 70 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 CCS as at December 31, 2017 was negative for Euro 577 thousand.

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, 2017 is equal to Euro 113,964 thousand and the negative fair value is equal to Euro 1,042 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.

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 2017 FINANCIAL YEAR AND BUSINESS OUTLOOK.

No significant events have occurred after the end of the year.
Concerning 2018, we expect a period characterised by an economic situation that will continue to be marked by moderate recovery.
In this context, we aim to achieve further growth in sales and profitability.
The SOL Group shall continue to pursue, therefore, 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 2018

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	12.31.2017	%	12.31.2016	%
Net sales	1	**756,807**	**100.0%**	703,369	100.0%
Other revenues and income	2	8,190	1.1%	6,189	0.9%
Internal works and collections	3	11,427	1.5%	11,339	1.6%
Revenues		**776,424**	**102.6%**	720,897	102.5%
Purchase of materials		186,945	24.7%	162,417	23.1%
Services rendered		230,043	30.4%	214,959	30.6%
Change in inventories		(4,920)	-0.7%	(1,994)	-0.3%
Other costs		30,892	4.1%	28,569	4.1%
Total costs	4	**442,961**	**58.5%**	403,951	57.4%
Added value		**333,463**	**44.1%**	316,946	45.1%
Payroll and related costs	5	166,230	22.0%	149,354	21.2%
Gross operating margin		**167,232**	**22.1%**	167,592	23.8%
Depreciation/amortisation	6	85,107	11.2%	81,758	11.6%
Other provisions	6	5,971	0.8%	4,920	0.7%
Non-recurring (income) / expenses	6	-	0.0%	44	0.0%
Operating result		**76,154**	**10.1%**	80,871	11.5%
Financial income		2,887	0.4%	2,789	0.4%
Financial expense		(11,548)	-1.5%	(13,691)	-1.9%
Results from equity investments		(632)	-0.1%	(169)	0.0%
Total financial income / (expense)	7	**(9,292)**	**-1.2%**	(11,072)	-1.6%
Profit (Loss) before income taxes		**66,862**	**8.8%**	69,799	9.9%
Income taxes	8	24,641	3.3%	24,075	3.4%
Net result from business activities		**42,221**	**5.6%**	45,724	6.5%
Net result from discontinued operations		-	0.0%	-	0.0%
(Profit) / Loss pertaining to minority interests		(1,982)	-0.3%	(1,599)	-0.2%
Net Profit / (Loss)		**40,239**	**5.3%**	44,125	6.3%
Earnings per share		**0.444**		0.486	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME SOL GROUP

(in thousands of Euro)

	12.31.2017	12.31.2016
Profit/(Loss) for the year (A)	**42,221**	45,724
Components that will never be reclassified to the Income Statement		
Actuarial gains/(losses)	(1,162)	(1,119)
Tax effect	282	307
Total components that will never be reclassified to the Income Statement (B1)	**(880)**	(812)
Components that may be reclassified to the Income Statement		
Profits / (losses) on cash flow hedging instruments	(8,065)	745
Profits / (losses) deriving from conversion of financial statements of foreign companies	(956)	(2,538)
Tax effect related to other profits (losses)	1,963	(205)
Total components that may be reclassified to the Income Statement (B2)	**(7,058)**	(1,998)
Total other profits / (losses) net of the tax effect (B1) + (B2) = (B)	**(7,938)**	(2,810)
Overall result for the period (A+B)	**34,283**	42,914
Attributable to:		
- shareholders of the parent company	32,368	41,121
- minority interest	1,915	1,793

CONSOLIDATED STATEMENT OF FINANCIAL POSITION SOL GROUP

(in thousands of Euro)

	Notes	12.31.2017	12.31.2016
Tangible fixed assets	9	462,903	451,214
Goodwill and consolidation differences	10	84,377	60,233
Other intangible fixed assets	11	15,892	13,347
Equity investments	12	13,102	10,808
Other financial assets	13	12,653	19,558
Prepaid taxes	14	8,333	7,714
Non-current assets		**597,261**	**562,874**
Non-current assets held for sale		**-**	**-**
Inventories	15	46,450	40,924
Trade receivables	16	260,108	247,934
Other current assets	17	34,864	36,477
Current financial assets	18	4,126	7,847
Cash and cash at bank	19	117,175	119,674
Current assets		**462,723**	**452,855**
TOTAL ASSETS		**1,059,985**	**1,015,730**
Share capital		47,164	47,164
Share premium reserve		63,335	63,335
Legal reserve		10,459	10,459
Reserve for treasury shares in portfolio		-	-
Other reserves		327,221	304,988
Retained earnings (accumulated loss)		1,895	1,974
Net Profit		40,239	44,125
Shareholders' equity - Group		**490,314**	**472,045**
Shareholders' equity - Minority interests		13,588	15,791
Profit pertaining to minority interests		1,982	1,599
Shareholders' equity - Minority interests		**15,570**	**17,390**
SHAREHOLDERS' EQUITY	20	**505,884**	**489,435**
Employee severance indemnities and other benefits	21	15,351	15,417
Deferred taxation	22	3,314	5,387
Provisions for risks and charges	23	861	828
Payables and other financial liabilities	24	334,137	334,354
Non-current liabilities		**353,664**	**355,986**
Non-current liabilities held for sale		**-**	**-**
Amounts due to banks		2,035	1,985
Trade accounts payable		105,494	91,428
Other financial liabilities		43,647	37,600
Tax payables		10,963	10,001
Other current liabilities		38,298	29,294
Current liabilities		**200,437**	**170,308**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	25	**1,059,985**	**1,015,730**

CONSOLIDATED CASH FLOW STATEMENT SOL GROUP

(in thousands of Euro)

	Notes	12.31.2017	12.31.2016
CASH FLOWS GENERATED BY OPERATING ACTIVITIES			
Profit for the year		**40,239**	44,125
Minority interests in profit/loss		**1,982**	1,599
Adjustments to items not affecting liquidity			
Depreciation/amortisation		85,107	81,758
Financial expense		8,700	9,318
Accrued employee severance indemnities and other benefits		743	1,604
Provisions/Use of provisions for risks and charges		(2,041)	2,459
Total		**134,730**	140,863
Changes in current assets and liabilities			
Inventories		(4,130)	(1,900)
Receivables		2,160	(9,006)
Prepayments and accrued income		86	149
Suppliers		6,019	2,235
Other payables		5,902	(4,063)
Interests paid		(8,696)	(9,324)
Accrued expenses and deferred income		(326)	530
Tax payables		962	(1,522)
Total		**1,977**	(22,901)
Cash flow generated by operating activities		**136,707**	117,962
CASH FLOWS GENERATED BY INVESTMENT ACTIVITIES			
Acquisition of tangible fixed assets		(93,722)	(98,381)
Revaluations and other changes in tangible fixed assets		446	3,441
Net book value of assets sold		2,966	1,747
Increases in intangible assets		(4,225)	(5,138)
(Increase) decrease in long-term investments		7,320	(98)
(Increase) decrease of shareholdings and business units		(32,202)	(3,230)
(Increase) decrease in current financial assets		3,721	(2,445)
Total		**(115,696)**	(104,104)
CASH FLOWS GENERATED BY FINANCING ACTIVITIES			
Repayment of loans		(29,110)	(52,537)
Raising of new loans		41,374	81,666
Redemption of bonds		(7,501)	(7,501)
Undertaking bonds		-	-
Raising (repayment) of shareholders' loans		71	-
Dividends paid		(15,116)	(12,394)
Employee severance indemnities and benefits paid		(1,888)	(437)
Other changes in shareholders' equity			
- translation differences and other changes		(8,365)	(4,174)
- changes in shareholders' equity – minority interests		(3,024)	194
Total		**(23,559)**	4,817
INCREASE (DECREASE) IN CASH IN HAND AND AT BANK		**(2,548)**	18,675
CASH IN HAND AND AT BANK AT BEGINNING OF YEAR		**117,688**	99,014
CASH IN HAND AND AT BANK AT END OF YEAR		**115,140**	117,689

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 01.01.2016	47,164	63,335	10,459	289,579	32,442	442,979	15,154	458,132
Allocation of 2015 profit	-	-	-	21,558	(21,558)	-	-	-
Dividend distribution	-	-	-	-	(10,884)	(10,884)	(1,510)	(12,394)
Other consolidation changes	-	-	-	(1,170)	-	(1,170)	1,953	783
Profit (loss) for the financial year	-	-	-	(3,004)	44,125	41,121	1,793	42,914
Balance as at 12.31.2016	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**

EXPLANATORY NOTES

The 2017 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, 2017 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 18 August 2015 "Implementation of directive 2013/34/EU related to the financial statements, consolidated financial statements and related reports of certain types of companies, amending directive 2006/43/EC and repealing directives 78/660/EEC and 83/349/EEC, for the part related to the regulations of the financial statements and consolidated financial statements".

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

				Ownership percentage		
Company name and registered office	Notes		Share capital	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%
DIATHEVA Srl - Fano		EUR	220,962	96.46%		96.46%
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 Oxygene Sarl - Avelin		EUR	1,300,000		100.00%	100.00%
GTS ShPK - Tirana		ALL	292,164,000	100.00%		100.00%
GEBZE GAZ AS - Gebze		TRY	120,000		80.00%	80.00%
GTH GAZE INDUSTRIALE SA - Bucharest		RON	10,558,211	99.99%		99.99%
HYDROENERGY Shpk - Tirana		ALL	1,444,108.95	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%
MEL ad - Trn		BAM	2,005,830	80.00%		80.00%
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	14,407,690	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 Hellas SA - Magoula		EUR	9,710,697		99.72%	99.72%
SOL Hungary KFT - Budapest		HUF	50,000,000		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	726,728	100.00%		100.00%
SOL TK AS - Istanbul		TRY	5,874,000		100.00%	100.00%
SOL Welding Srl - Costabissara		EUR	100,000	100.00%		100.00%
SOL-K ShpK - Pristina	1	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%	19.87%	80.83%
TGT AD - Trn		BAM	970,081	75.18%		75.18%
TPJ doo - Jesenice		EUR	2,643,487	64.11%	35.89%	100.00%
Tesi Tecnologia & Sicurezza Srl - Milan		EUR	14,489	65.00%		65.00%
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	9,663,150		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%

1) The Group's share as at December 31, 2017 includes a 46% equity investment of Simest Spa; under an agreement entered into between SOL Spa and Simest on June 11, 2010, SOL SpA is under obligation to repurchase the entire Simest share by June 30, 2018.

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	481,366,700	59.35 %

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 d.o.o. was not consolidated since it is administered by a minority shareholder.

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

Company name and registered office		Share capital	Ownership percentage
CONSORGAS Srl - Milan	EUR	500,000.00	25.79 %

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

The scope of consolidation between December 31, 2017 and December 31, 2016 underwent the following changes:
- with the inclusion of the Company SITEX SA acquired in January 2017.
- with the inclusion of the Company Personal Genomics Srl acquired in May 2017,
- with the inclusion of the Company Respitek AS acquired in December 2017,
- with the exclusion of the Company VIVISOL TK AS merged into Respitek AS on December 29, 2017
- with the inclusion of the Company GEBZE GAZ AS acquired in June 2017,
- with the inclusion of the Company Direct Medical Limited acquired in September 2017
- with the inclusion of the Company REVI Srl acquired in August 2017
- with the inclusion of the Company STERIMED Srl acquired in August 2017
- with the inclusion of the Company SOL TK AS established in December 2017
- with the increase of the shareholdings in the Company Hydroenergy ShpK from 75 % to 96.04 %
- with the increase in the shareholdings in the Company Diatheva Srl from 51 % to 96.46 %
- with the increase in the shareholdings in the Company SOL Croatia doo from 62.79 % to 100 %
- with the increase in the shareholdings in the Company KISIKANA doo from 62.79 % to 100 %
- with the increase in the shareholdings in the Company UTP doo from 61.53 % to 98 %.

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.

Affiliated companies

These are companies in which the Group does not exercise control or joint control, over the financial and operating policies. The consolidated financial statements include the portion pertaining to the Group of the results of the associated companies, recorded using the equity method, as from the date on which the significant influence started and until it ceases to exist.

Equity investments in other companies

Equity investments in other companies (normally involving a percentage ownership of less than 20 %) are carried at cost and possibly written down to reflect any permanent losses in value. Dividends received from these companies are classified under the item Profit (loss) from equity investments.

Transactions eliminated during the consolidation process

All the balances and the significant transactions between Group companies, as well as unrealised gains and losses on 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 12.31.2017		Exchange rate on 2017		Exchange rate on 12.31.2016		Exchange rate on 2016
Macedonian dinar	Euro	0.01621	Euro	0.01624	Euro	0.01619	Euro	0.01624
Serbian dinar	Euro	0.00843	Euro	0.00824	Euro	0.00810	Euro	0.00812
Moroccan dirham	Euro	0.08900	Euro	0.09133	Euro	0.09384	Euro	0.09217
Hungarian forint	Euro	0.00322	Euro	0.00323	Euro	0.00323	Euro	0.00321
Swiss franc	Euro	0.85455	Euro	0.89969	Euro	0.93119	Euro	0.91730
Croatian kuna	Euro	0.13441	Euro	0.13397	Euro	0.13228	Euro	0.13274
Albanian lek	Euro	0.00749	Euro	0.00746	Euro	0.00737	Euro	0.00728
Bulgarian lev	Euro	0.51130	Euro	0.51130	Euro	0.51130	Euro	0.51130
Turkish lira	Euro	0.21995	Euro	0.24264	Euro	0.26975	Euro	0.29911
Convertible mark	Euro	0.51129	Euro	0.51130	Euro	0.51130	Euro	0.51130
New Romanian leu	Euro	0.21466	Euro	0.21888	Euro	0.22031	Euro	0.22270
Brazilian real	Euro	0.25171	Euro	0.27746	Euro	0.29150	Euro	0.25933
Indian rupee	Euro	0.01305	Euro	0.01361	Euro	0.01397	Euro	0.01345
British pound	Euro	1.12710	Euro	1.14136	Euro	1.16798	Euro	1.22028

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 1 January 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, employee severance indemnities, prepaid taxes as well as impairment test.
These estimates and assumptions are periodically revised and the effects of each change are immediately reflected in the income statement.
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 of the building that exists on said land is separated and just the building is depreciated.

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 obtained for investments in plant are recorded in the income statement over the period necessary for correlating them with the related costs, and are treated as deferred income.

INTANGIBLE ASSETS

Goodwill and consolidation differences

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

Other intangible fixed assets

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

IMPAIRMENT OF ASSETS

IAS 36 requires the company to test tangible and intangible and fixed assets for impairment where indicators that such problem may persist are present. In the case of other intangible assets with an indefinite useful life or assets not available for use (in progress), this assessment is made at least annually.
The Group periodically assesses the recoverability of the book value of the Intangible assets and the Real estate property, plant and machinery, so as to determine if there is any indication that said assets have suffered an impairment loss. If such indication occurs, it is necessary to estimate the recoverable amount of the assets in order to establish the entity of the possible impairment loss. An intangible asset with an indefinite useful life is tested for impairment annually or more frequently, whenever there is an indication that the asset may be impaired.
When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the unit generating the financial flows to which the asset belongs.
The recoverability of the recognised amounts is tested by comparing them with the net sale price, if an active market exists, or the value in use of the asset, whichever is greater.

FINANCIAL INSTRUMENTS

The Equity investments and other non-current financial assets item includes the equity investments in non-consolidated companies and other non-current financial assets (securities held with the intention of maintaining them in the portfolio until maturity, non-current receivables and loans and other non-current financial assets available for sale).
Current financial instruments include trade receivables, current securities, other current financial assets and liquid funds and equivalents.
Financial liabilities include financial payables and trade payables.
Equity investments in non-consolidated companies are stated in accordance with the matters established by IAS 28 - Investments in associated and Joint Ventures, as described in the previous section entitled "Consolidation principles"; equity investments in other companies are stated at cost net of any write-downs. Other non-current financial assets, as well as current financial assets and financial liabilities, are stated in accordance with the approach established by IAS 39 - Financial instruments: recognition and measurement.
Current financial assets and securities held with the intention of maintaining them in the portfolio until maturity are recorded in the accounts with reference to the date of trading and, at the time of initial recognition in the financial statements, are measured at acquisition cost, including any costs related to the transaction.
Subsequent to initial recognition, the financial instruments available for sale and those available for trading are stated at current value. If the market price is not available, the current value of the financial instruments available for sale is measured by means of the most appropriate measurement techniques, such as, for example, the analysis of the discounted back cash flows, made with the market information available at the end of the reporting period.
Gains and losses on financial assets available for sale are recorded directly under shareholders' equity until the financial asset is sold or is written down; then, the accumulated gains or losses, including those previously recorded under shareholders' equity, are recorded in the income statement for the period.
Loans and receivables that the Group does not hold for trading purposes (loans and receivables originated during core business activities), securities held with the intention of being maintained in the portfolio until maturity and all the financial assets for which listings on an active market are not available and whose fair value cannot be determined reliably, are calculated at amortised cost, if they have a pre-established maturity, using the effective interest method. When the financial assets do not have a pre-established maturity, they are measured at purchase cost.
Measurements are regularly carried out so as to check if objective evidence exists whether a financial asset or a group of assets have suffered an impairment loss. If objective evidence exists, the impairment loss will have to be recorded as a cost in the income statement for the period.
The financial liabilities hedged by derivative instruments are valued in accordance with the formalities established by IAS 39 for hedge accounting applying the following accounting treatments:

- fair value hedge: the profits or losses deriving from fair value measurements of the hedged instrument are recorded in the income statement
- cash flow hedge: the effective portion of the profits or losses deriving from fair value measurements of the hedged instrument is recorded in the income statement.

INVENTORIES

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

TRADE RECEIVABLES

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

CASH AND CASH EQUIVALENTS

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

EMPLOYEE BENEFITS

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

PROVISIONS FOR RISKS AND CHARGES

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

TRADE PAYABLES

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

TREASURY SHARES

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

ACCRUALS AND DEFERRALS

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

REVENUE RECOGNITION

Revenues from sales and services are recorded at the time the effective transfer of the risks and the significant benefits deriving from the ownership or the performance of the service takes place. Revenues are stated net of discounts, allowances and returns.
Revenues relating to contract work in progress are stated with reference to the stage of completion (stage of completion method).

TAX

Income taxes include all the taxation calculated on the Group's taxable income. Income taxes are recorded in the income statement, with the exception of those relating to items directly debited against or credited to shareholders' equity, in which case the tax effect is booked directly to shareholders' equity. Provisions for taxation that might be generated by the transfer of the non-distributable profit of subsidiary companies are made solely when there is the real intention to transfer said profit.
Other taxes not linked to income, such as taxes on property and on capital, are included under Operating expense.
Deferred taxes are provided for according to the method of the overall provision of the liability. They are calculated on all the timing differences that emerge between the taxable base of an asset or liability and the book value in the consolidated financial statements, with the exception of goodwill not deductible for tax purposes.
Deferred tax assets on tax losses and unused tax credits carried forward, are recognised to the extent that future taxable income may be available against which they can be recovered.
Current and deferred tax assets and liabilities are offset when the income taxes are applied by the same tax authority and when there is a legal right to offset. Deferred tax assets and liabilities are determined using the tax rates that are expected to be applicable, within the respective legal systems of the countries where the Group operates, during the accounting period when the timing differences will be realised or cancelled.
Pursuant to Italian Implementation Law no. 80 of April 7, 2003, as amended, from 2016, some Group companies adopted the tax consolidation system for the national tax consolidation scheme within which the Parent Company SOL Spa is the consolidating company; in addition to SOL Spa, the scope of consolidation also includes AIRSOL Srl and BiotechSol 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, as well as impairment test.
All the amounts represented in the diagrams and tables are expressed in thousands of Euro.

ACCOUNTING STANDARDS, AMENDMENTS AND IFRS INTERPRETATIONS APPLIED AS OF JANUARY 1, 2017

The Group applied the following accounting standards, amendments and IFRS interpretations for the first time from January 1, 2017:

- Amendment to IAS 7 - *Disclosure Initiative* (published on January 29, 2016). The aim of the document is to provide some clarification to improve disclosure on financial liabilities. In particular, the amendments require providing disclosures that enable the users of financial statements to understand changes in liabilities arising from financing activities.
- Amendment to IAS 12 - *Recognition of Deferred Tax Assets for Unrealised Losses* (published on January 19, 2016). The aim of the document is to provide some clarification on the recognition of deferred tax assets on unrealised losses upon the occurrence of certain circumstances and on the estimate of taxable income for future years. The adoption of these amendments 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, 2017

- Standard IFRS 15 - Revenue from Contracts with Customers (published on May 28, 2014 and supplemented with further clarifications published on April 12, 2016) that is intended to replace IAS 18 - Revenue and IAS 11 - Construction Contracts, as well as 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 applies beginning on January 1, 2018 but early application is permitted. The amendments to IFRS 15, Clarifications to IFRS 15 - Revenue from Contracts with Customers, were approved by the European Union on November 6, 2017. On the basis of the analyses carried out, which are still ongoing today, the directors do not expect a significant effect on the Group's financial statements from the adoption of these amendments.

- Final version of IFRS 9 - Financial Instruments (published on July 24, 2014). The document welcomes the results of the IASB's project to replace IAS 39.

  - It introduces new methods for the classification and measurement of financial assets and liabilities;

  - With reference to the impairment model, 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, current and future figures;

  - It introduces a new hedge accounting model (increase in the types of transactions eligible for hedge accounting, changes in the method of recognition of forward contracts and options when included in a hedge accounting report).

  The new standard must be applied as from the financial statements beginning on January 1, 2018 or later. With reference to the new method envisaged by IFRS 9, 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), the Group expects a non-significant impact.

- IFRS 16 - Leases (published on January 13, 2016) set to replace IAS 17 - Leases, as well as 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 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 which requires the recognition of the asset to be leased (operating lease or otherwise) in assets offset by a financial debt, while also providing the opportunity not to recognise as leases the agreements whose subject matter are "low-value assets" and leases with a contract duration equal to or less than 12 months. By contrast, the Standard does not include significant changes for the lessors.

  The standard applies from January 1, 2019, but early application is permitted only for Companies that opted for early application of IFRS 15 - Revenue from Contracts with Customers.

  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.

- 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. Amendments apply beginning on January 1, 2018 but early application is permitted.

- Document *"Annual Improvements to IFRSs: 2014-2016 Cycle"*, published on December 8, 2016 (including IFRS 1 First-Time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters, 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, IFRS 12 Disclosure of Interests in Other Entities - Clarification of the scope of the Standard) which partially integrate the existing standards.
- IFRIC interpretation 22 - *Foreign Currency Transactions and Advance Consideration* (published on December 8, 2016). The interpretation's objective is to provide guidelines for transactions carried out in foreign currency where non-monetary advances are recorded, before the relative activity, cost or revenue is recorded. 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. IFRIC 22 is applicable from January 1, 2018 but early application is permitted.
- Amendment to IAS 40 - *Transfers of Investment Property* (published on December 8, 2016). These changes provide clarification on the transfers of 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 occurred and must not be limited to a change in the intentions of an entity's management. Such amendments are applicable from January 1, 2018 but early application is permitted.
- On June 7, 2017, the IASB published its interpretation IFRIC 23 - *Uncertainty over Income Tax Treatments*. The document deals with the issue of uncertainties in the tax treatment of income.
  It provides that uncertainties in determining tax assets and liabilities are reflected in the financial statements only when it likely that the entity will pay or recover the amount in question. Moreover, the document does not contain any new disclosure obligation, but highlights that the entity must establish if it will be necessary to provide information on the considerations made by the management and relating to the uncertainty inherent in tax accounting, in accordance with the provisions of IAS 1.
  This new interpretation is applicable from January 1, 2019 but early application is permitted.
- Amendment to IFRS 10 and IAS 28 - *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (published on September 11, 2014). The document was published in order to resolve the current conflict between IAS 28 and IFRS 10 on the measurement of the profit or loss resulting from the sale or contribution of a non-monetary asset to a joint venture or associate in return a share in the capital of the latter. At the moment, IASB has suspended the application of this amendment.

NOTES

INCOME STATEMENT

1. Net sales

Balance as at 12.31.2017	756,807
Balance as at 12.31.2016	703,369
Change	**53,438**

Revenues by type of business break down as follows:

Description	12.31.2017	12.31.2016	Change
Technical gases	369,244	344,232	25,012
Home-care	387,563	359,138	28,426
Total	**756,807**	703,369	53,438

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, 2017 amounted to Euro 756.8 million (up by 7.6 % compared to the previous year, at Euro 703.4 million).
In particular, during 2017, the home-care business showed a 7.9 % growth (up by Euro 28.4 million) compared to the same period last year.
The technical gases sector experienced a 7.3 % increase in revenues (up by Euro 25.0 million) over December 31, 2016.

2. Other revenues and income

Balance as at 12.31.2017	8,190
Balance as at 12.31.2016	6,189
Change	**2,001**

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

Description	12.31.2017	12.31.2016	Change
Capital gains on disposal	761	990	(229)
Extraordinary income	6,578	4,627	1,951
Grants received	402	298	104
Real estate rentals	241	134	108
Royalties income	64	92	(28)
Other	144	48	96
Total	**8,190**	6,189	2,001

3. Internal works and collections

Balance as at 12.31.2017	11,427
Balance as at 12.31.2016	11,339
Change	**88**

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

Description	12.31.2017	12.31.2016	Change
Transfers to assets	10,644	10,655	(11)
Time work	783	684	99
Total	**11,427**	11,339	88

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 12.31.2017	442,961
Balance as at 12.31.2016	403,951
Change	**39,010**

This item breaks down as follows:

Description	12.31.2017	12.31.2016	Change
Purchase of materials	186,945	162,417	24,528
Services rendered	230,044	214,959	15,085
Change in inventories	(4,920)	(1,994)	(2,926)
Other costs	30,892	28,569	2,323
Total	**442,961**	403,951	39,010

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 12.31.2017	166,230
Balance as at 12.31.2016	149,354
Change	**16,877**

This item breaks down as follows:

Description	12.31.2017	12.31.2016	Change
Wages and salaries	127,867	114,528	13,339
Social security charges	36,542	33,222	3,320
Employee severance indemnities	1,822	1,604	218
Pension costs	-	-	-
Total	**166,230**	149,354	16,877

The composition of the workforce is analysed below by category:

Description	12.31.2017	12.31.2016	Change
Managers	54	48	6
Clerks	2,370	2,110	260
Factory workers	1,132	969	163
Total	**3,556**	3,127	429

6. Depreciations/amortisation, provisions and non-recurring expenses

Balance as at 12.31.2017	91,078
Balance as at 12.31.2016	86,722
Change	**4,356**

La voce è così composta:

Description	12.31.2017	12.31.2016	Change
Depreciation/amortisation	85,107	81,758	3,349
Provisions	5,971	4,920	1,052
Non-recurring (income) / expenses	-	44	(44)
Total	**91,078**	86,722	4,356

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	12.31.2017	12.31.2016	Change
Land	-	-	-
Buildings	3,825	3,145	680
Plant and machinery	15,223	14,702	521
Industrial and commercial equipment	58,440	57,216	1,224
Other assets	3,454	3,293	161
Assets under construction and advances	-	-	-
Total	**80,942**	78,355	2,587

The increase in depreciation is linked to investments made during the period, amounting to Euro 93.7 million.

Amortisation of intangible fixed assets

Description	12.31.2017	12.31.2016	Change
Costs of research, development and advertising	100	116	(16)
Patents and rights to use patents of others	725	686	39
Concessions, licences and trademarks	3,197	2,565	632
Other	143	35	108
Total	**4,165**	3,402	763

The breakdown of the item "Provisions" is as follows:

Description	12.31.2017	12.31.2016	Change
Provisions for bad debts	5,528	4,338	1,190
Provisions for risks	442	338	104
Other provisions	1	244	(243)
Total	**5,971**	4,920	1,051

Non-recurring (income) / expenses

Description	12.31.2017	12.31.2016	Change
Non-recurring income	-	-	-
Non-recurring expenses	-	44	(44)
Total	**-**	44	(44)

7. Financial income / (expenses)

Balance as at 12.31.2017	(9,292)
Balance as at 12.31.2016	(11,072)
Change	**1,779**

This item breaks down as follows:

Description	12.31.2017	12.31.2016	Change
Financial income	2,887	2,789	98
Financial expense	(11,548)	(13,691)	2,144
Results from equity investments	(632)	(169)	(462)
Total	**(9,292)**	(11,072)	1,779

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

Description	12.31.2017	12.31.2016	Change
Income from equity investments in other companies	-	55	(55)
Income from long-term receivables	417	435	(18)
Interest on investment securities	22	25	(3)
Interests on securities not held as fixed assets	78	123	(45)
Interest on bank and post offices deposits	150	176	(26)
Interest from customers	696	351	345
Exchange rate gains	858	960	(102)
Other financial income	666	664	2
Total	**2,887**	2,789	98

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

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

Description	12.31.2017	12.31.2016	Change
Interest payable to banks	(56)	(58)	3
Supplier interest	(0)	(2)	2
Interest payable on loans	(5,534)	(5,779)	244
Interest on bonds	(3,166)	(3,478)	312
Exchange rate losses	(1,945)	(3,057)	1,112
Total financial expense	(846)	(1,317)	470
Total	**(11,548)**	(13,691)	2,144

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

Description	12.31.2017	12.31.2016	Change
Revaluations of equity investments	-	176	(176)
Write-downs of equity investments	(632)	(345)	(287)
Total	**(632)**	(169)	(462)

The “Write-downs of investments” item refers to the measurement at equity of the jointly controlled companies CT Biocarbonic GmbH (Euro 100 thousand) and SICGILSOL India Private Limited (Euro 179 thousand) and the associate CONSORGAS Srl (Euro 353 thousand).

8. Income taxes

Balance as at 12.31.2017	24,641
Balance as at 12.31.2016	24,075
Change	**566**

This item breaks down as follows:

Description	12.31.2017	12.31.2016	Change
Income taxes	24,786	23,883	902
Deferred taxes	(215)	741	(956)
Prepaid taxes	71	(550)	620
Total	**24,641**	24,075	566

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	12.31.2017	12.31.2016
Theoretical taxation	**16,047**	**19,195**
Tax effect permanent differences	13,188	12,467
Tax effect deriving from foreign tax rates other than Italian theoretical tax rates	(6,974)	(10,038)
Other differences	-	-
Taxes on income recorded in the financial statements, excluding IRAP (current and deferred)	**22,261**	**21,624**
Regional Production Tax (IRAP)	**2,380**	**2,451**
Taxes recorded on income recorded in the financial statements (current and deferred)	**24,641**	**24,075**

To provide a clearer understanding of the reconciliation, the IRAP (Regional Production 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 12.31.2017	462,903
Balance as at 12.31.2016	451,214
Change	**11,690**

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 01.01.2016	19,041	95,326	270,770	739,661	46,418	21,164	1,192,379
Increases	2,461	5,952	20,030	65,823	4,940	18,719	117,925
Revaluations	86	(226)	-	-	-	-	(140)
Write-downs	-	-	-	(234)	-	-	(234)
Other changes	243	291	2,286	2,098	(132)	(19,545)	(14,760)
Exchange differences	6	21	(284)	(4,784)	(485)	(235)	(5,760)
(Disposals)	-	(331)	(956)	(21,529)	(462)	-	(23,277)
Balance as at 12.31.2016	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**

Accumulated depreciation	Land	Buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under construction and advance payments	Total
Balance as at 01.01.2016	2,604	50,517	154,355	513,834	37,419	-	758,728
Depreciation	-	3,145	14,702	57,216	3,293	-	78,355
Revaluations	-	-	-	-	-	-	-
Write-downs	-	-	-	-	-	-	-
Other changes	-	(270)	842	1,809	(534)	-	1,846
Exchange differences	-	13	(100)	(2,001)	(391)	-	(2,479)
(Disposals)	-	(280)	(474)	(20,377)	(399)	-	(21,530)
Balance as at 12.31.2016	2,604	53,124	169,325	550,481	39,387	-	**814,921**
Depreciation	-	3,825	15,223	58,440	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	182,235	600,831	43,772	-	**886,402**

Net value	Land	Buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under construction and advance payments	Total
Balance as at 01.01.2016	16,437	44,809	116,415	225,827	8,999	21,164	433,651
Increases	2,461	5,952	20,030	65,823	4,940	18,719	117,925
(Depreciation and write-downs)	-	(3,145)	(14,702)	(57,216)	(3,293)	-	(78,355)
Other changes	329	335	1,444	55	402	(19,545)	(16,979)
Exchange differences	6	8	(184)	(2,783)	(94)	(235)	(3,281)
(Disposals)	-	(51)	(482)	(1,152)	(62)	-	(1,748)
Balance as at 12.31.2016	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
(Depreciation and write-downs)	-	(3,825)	(15,223)	(58,440)	(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	48,834	117,008	236,984	12,843	28,002	**462,903**

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

- The investments made during the period with regard to “Land” are mainly investments made by the parent company (Euro 5 thousand) and the subsidiaries MEL a.d. (Euro 11 thousand) and Hydroenergy ShpK (Euro 9 thousand).
- The investments made during the period with regard to the item “Buildings” are mainly investments made by the Parent Company (Euro 1,565 thousand) and the subsidiary companies DIATHEVA Srl (Euro 866 thousand), Il Point Srl (Euro 264 thousand), MEL a.d. (Euro 285 thousand), TPJ doo (Euro 262 thousand) and SPG - SOL Plin Gorenjska d.o.o. (Euro 274 thousand).
- Acquisitions made during the period under the item “Plants and machinery” are mainly due to the purchase of plants for the Parent Company (Euro 3,524 thousand) and of the subsidiaries SOL Gas Primari Srl (Euro 1,771 thousand), DIATHEVA Srl (Euro 1,401 thousand), KISIKANA doo (Euro 1,273 thousand), SOL Bulgaria EAD (Euro 1,247 thousand) and to a lesser extent to other capital expenditure carried out by all other Group companies.
- The item “Industrial and commercial equipment” comprises commercial equipment (supplying devices, cylinders, base units, concentrators and medical appliances) as well as other small and sundry equipment. The increase recorded for the financial year was due to investments in commercial equipment in the form of cylinders, dispensing devices and tanks, made by companies in the technical gases sector in the amount of Euro 25,448 thousand (including Euro 8,613 by the parent company) and to investments made by companies operating in the home-care sector in the amount of Euro 37,607 thousand (including Euro 12,794 thousand by VIVISOL Srl) for base units and other medical appliances.
- The item “Other assets” includes motor vehicles and motor cars, electric office equipment, furniture and fixtures, EDP systems. The increase recorded for the period relates to investments made for motor vehicles, laboratory equipment, hardware, furniture and fixtures, including Euro 1,549 thousand by the Parent Company, the subsidiary SOL Hellas SA (Euro 384 thousand), Personal Genomics Srl (Euro 357 thousand), VIVISOL Nederland BV (Euro 538 thousand), and to a lesser extent to other investments carried out by all other group companies.
- The “Assets under construction” item mainly refers to amounts relating to investments in progress made by the Parent Company (Euro 11,453 thousand) and by the subsidiaries SPG - SOL Plin Gorenjska doo (Euro 6,659 thousand), GTH GAZE INDUSTRIALE SA (Euro 3,172 thousand), SOL Bulgaria EAD (Euro 1,805 thousand), SOL France Sas (Euro 844 thousand) and VIVISOL Iberica SLU (Euro 1,055 thousand).

Please note that the Mantua, Verona and Jesenice factories have mortgages and liens governed by medium-term mortgage agreements between financial institutions and several group companies.
As at December 31, 2017, mortgages amounted to Euro 67,450 thousand.
As at December 31, 2017, 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 01.01.2016	-	2,645	11,001	19,047	18	-	32,711
Increases	-	-	-	-	-	-	-
Revaluations	-	-	-	-	-	-	-
Write-downs	-	-	-	-	-	-	-
Other changes	-	-	-	-	-	-	-
Exchange differences	-	-	-	-	-	-	-
(Disposals)	-	-	-	-	-	-	-
Balance as at 12.31.2016	-	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**

Accumulated depreciation	Land	Buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under construction and advance payments	Total
Balance as at 01.01.2016	-	2,059	10,418	17,986	18	-	30,481
Depreciation	-	42	141	236	-	-	419
Revaluations	-	-	-	-	-	-	-
Write-downs	-	-	-	-	-	-	-
Other changes	-	-	-	91	-	-	91
Exchange differences	-	-	-	-	-	-	-
(Disposals)	-	-	-	-	-	-	-
Balance as at 12.31.2016	-	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**

Net value	Land	Buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under construction and advance payments	Total
Balance as at 01.01.2016	-	586	583	1,061	-	-	2,230
Increases	-	-	-	-	-	-	-
(Depreciation and write-downs)	-	(42)	(141)	(236)	-	-	(419)
Other changes	-	-	-	(91)	-	-	(91)
Exchange differences	-	-	-	-	-	-	-
(Disposals)	-	-	-	-	-	-	-
Balance as at 12.31.2016	-	544	442	734	-	-	**1,720**
Increases	-	-	255	-	-	-	255
(Depreciation 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**

10. Goodwill and consolidation differences

Balance as at 12.31.2017	84,377
Balance as at 12.31.2016	60,233
Change	**24,144**

This item breaks down as follows:

Net value	Goodwill	Consolidation difference	Total
Balance as at 01/01/2016	10,201	46,141	56,342
Increases	-	4,370	4,370
Revaluations (Write-downs)	-	-	-
Other changes	-	-	-
Exchange differences	(479)	-	(479)
(Amortisation)	-	-	-
Balance as at 12.31.2016	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**

The increase for the year at the item "Consolidation differences" relates to the acquisition of the Companies SITEX SA, Personal Genomics Srl, Gebze Gaz AS, REVI Srl, STERIMED Srl, Direct Medical Limited Company and Respitek AS

In January 2017, subsidiary AIRSOL Srl acquired 100 % of SITEX SA, a company governed by Swiss law active in the home-care sector. If the acquisition had occurred on January 1, 2017, the group's revenues and the profit would have been Euro 404 thousand more and Euro 12 thousand more, respectively, for the 12-month period ending December 31, 2017.

In May 2017, subsidiary AIRSOL Srl acquired 51.01 % of Personal Genomics Srl, an Italian company active in the biotechnology sector. If the acquisition had occurred on January 1, 2017, the estimated revenues and profit of the Group would have been Euro 67 thousand more and Euro 25 thousand more, respectively, for the 12-month period ended December 31, 2017.

In June 2017, subsidiary AIRSOL Srl purchased 80% of the GEBZE GAZ AS, a company incorporated under Turkish law that produces and sells technical gases. If the acquisition had occurred on January 1, 2017, the estimated revenues and profit of the Group would have been Euro 451 thousand more and Euro 170 thousand more, respectively, for the 12-month period ended December 31, 2017.
In August 2017, the subsidiary AIRSOL Srl acquired 80% of the shares of REVI Srl, an Italian company operating in the clinical engineering sector and in the installation and maintenance of electromedical equipment. If the acquisition had occurred on January 1, 2017, the estimated revenues and profit of the Group would have been Euro 3,012 thousand more and Euro 295 thousand more, respectively, for the 12-month period ended December 31, 2017.
In August 2017, the subsidiary AIRSOL Srl acquired 80% of the shares of STERIMED Srl, an Italian company that designs, implements and manages sterilisation plants, water treatment plants and aeraulic pipeline reclamation plants in hospitals and private customers. If the acquisition had occurred on January 1, 2017, the estimated revenues and profit of the Group would have been Euro 3,905 thousand more and Euro 160 thousand more, respectively, for the 12-month period ended December 31, 2017.
In September 2017, the subsidiary AIRSOL Srl purchased 100% of the shares of Direct Medical Limited Company, a company governed by Irish law operating in respiratory home care and sleep apnoea treatment If the acquisition had occurred on January 1, 2017, the estimated revenues and profit of the Group would have been Euro 2,679 thousand more and Euro 949 thousand more, respectively, for the 12-month period ended December 31, 2017.
In January 2017, the subsidiary AIRSOL Srl purchased 70% of the shares of RESPITEK AS, a company governed by Turkish law active in the home-care sector. If the acquisition had occurred on January 1, 2017, the group's revenues and the profit would have been Euro 2,641 thousand more and Euro 90 thousand more, respectively, for the 12-month period ending December 31, 2017.

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	2,322		2,322
Intangible fixed assets	1,073		1,073
Long-term investments	415		415
Inventories	1,396		1,396
Trade and other receivables	13,092		13,092
Prepayments and accrued income	335		335
Cash and cash at bank	4,995		4,995
Minority interests	(734)		(734)
Suppliers	(8,048)		(8,048)
Other payables	(2,988)		(2,988)
Risk provisions	-		-
Employee severance indemnities	(1,080)		(1,080)
Accrued expenses and deferred income	(1,435)		(1,435)
Identifiable net assets and liabilities	**9,343**	**-**	**9,343**
Goodwill deriving from acquisition	25,557		
Amount paid	(33,624)		
Available funds acquired	4,995		
Net outlays of available funds	**(28,629)**		

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, 2017 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, 2017, goodwill and consolidation differences amounted to Euro 84.4 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 identified individual CGUs, 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, 2017, 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, 2017, the carrying value of the assets was deemed to be lower than their recoverable amount and no impairment loss was recognised.

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 measurement obtained.

11. Other intangible fixed assets

Balance as at 12.31.2017	15,892
Balance as at 12.31.2016	13,347
Change	**2,545**

This item breaks down 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 01/01/2016	912	1,839	6,472	80	2,333	11,635
Increases	236	450	5,481	185	1,070	7,422
Revaluations/(Write-downs)	-	-	-	-	-	-
Other changes	(9)	-	(4)	(9)	(2,124)	(2,145)
Exchange differences	-	0	2	-	(165)	(163)
(Amortisation)	(116)	(686)	(2,565)	(35)	-	(3,403)
Balance as at 12.31.2016	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 12.31.2017	1,348	1,318	9,893	1,196	2,137	**15,892**

12. Equity investments

Balance as at 12.31.2017	13,102
Balance as at 12.31.2016	10,808
Change	**2,294**

This item breaks down as follows:

Description	12.31.2017	12.31.2016
GTE SI	19	19
Flosit Pharma	446	469
ZDS JESENICE doo	8	8
Non-consolidated subsidiary companies	**473**	496
CT Biocarbonic GmbH	4,400	4,500
SICGILSOL INDIA PRIVATE LIMITED	6,382	5,675
Jointly controlled companies	**10,782**	10,175
Consorgas Srl	157	58
Affiliated companies	**157**	58
Other minority equity investments	1,690	80
Other companies	**1,690**	80
Total	**13,102**	10,808

Except for Euro 454 recognised as non-consolidated subsidiary companies (in the portfolio of the subsidiary SPG - SOL Plin Gorenjska d.o.o. for Euro 8 thousand, SOL France Sas for Euro 46 thousand and FLOSIT SA for Euro 401 thousand), and except for Euro 1,671 thousand recognised as other minority equity investments (concerning investments in local companies made by the subsidiary TGS AD for Euro 1 thousand, by the subsidiary TPJ doo for Euro 2 thousand, by the subsidiary ICOA Srl for Euro 8 thousand, by the subsidiary SOL Gas Primari Srl for Euro 1,659 thousand and by the subsidiary VIVISOL Silarus Srl for Euro 1 thousand), all of the shareholdings referenced above are held by the Parent Company.

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	8,615	17,569
Total liabilities	4,923	7,212
Revenues	2,779	3,965
Operating result	(200)	(311)

13. Other financial assets

Balance as at 12.31.2017	12,653
Balance as at 12.31.2016	19,558
Change	**(6,904)**

This item breaks down as follows:

Description	**12.31.2017**	12.31.2016	Change
Amounts receivable from third parties	11,867	18,950	(7,083)
Securities	786	607	178
Treasury shares	-	-	-
Total	**12,653**	19,558	(6,904))

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

Description	**12.31.2017**	12.31.2016	Change
Guarantee deposits	3,021	2,544	478
Tax credit on Employee Severance Indemnity	-	2	(2)
Derivatives	731	6,982	(6,251)
Amounts due from the tax authorities	1,598	1,843	(245)
Other receivables	6,517	7,580	(1,063)
Total	**11,867**	18,950	(7,083)

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

The breakdown for the item “Securities” is as follows:

Description	**12.31.2017**	12.31.2016	Change
SOL TG GmbH	6	6	-
SOL Hellas SA	780	602	178
Total	**786**	607	178

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. Prepaid taxes

Balance as at 12.31.2017	8,333
Balance as at 12.31.2016	7,714
Change	**618**

The breakdown of the above item is as follows:

	Risks on receivables	Risk provisions	Internal profits	Prior losses	Other minor	Total
Balance as at 01.01.2016	1,266	165	867	2,838	971	6,107
Provisions / Uses	(108)	(44)	40	(203)	865	550
Uses	-	-	-	-	-	-
Other changes	62	-	-	-	1,032	1,094
Exchange differences	-	-	-	(38)	2	(36)
Balance as at 12.31.2016	**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**

Prepaid taxes 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 2,986 thousand is recognised against prior losses, in that there exists the probability of obtaining, in future financial years, taxable income sufficient to absorb the tax losses carried forward.

15. Inventories

Balance as at 12.31.2017	46,450
Balance as at 12.31.2016	40,924
Change	**5,526**

This item breaks down as follows:

Description	**12.31.2017**	12.31.2016	Change
Raw, subsidiary and consumable materials	2,377	2,445	(68)
Work in progress and semi-finished goods	1,064	818	246
Finished products and goods for resale	43,009	37,661	5,348
Total	**46,450**	40,924	5,526

16. Trade receivables

Balance as at 12.31.2017	260,108
Balance as at 12.31.2016	247,934
Change	**12,174**

This item breaks down as follows:

Description	Within 12 months	After more than 12 months	Allowance for doubtful accounts	**12.31.2017**	12.31.2016
Trade receivables	278,961	12	(18,865)	260,108	247,934
Total	278,961	12	(18,865)	**260,108**	247,934

The allowance for doubtful accounts changed as follows:

Description	12.31.2016	Provisions	Uses	Other changes	12.31.2017
Allowance for doubtful accounts	18,577	5,528	(4,522)	(719)	18,865
Total	18,577	5,528	(4,522)	(719)	**18,865**

17. Other current assets

Balance as at 12.31.2017	34,864
Balance as at 12.31.2016	36,477
Change	**(1,613)**

This item breaks down as follows:

Description	12.31.2017	12.31.2016	Change
Amounts receivable from employees	749	708	41
Amounts receivable in respect of income tax	5,312	3,636	1,676
VAT receivables	12,216	11,400	816
Other amounts receivable from the tax authorities	440	428	12
Other receivables	10,681	15,087	(4,406)
Prepayments and accrued income	5,466	5,218	248
Total	**34,864**	36,477	(1,613)

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

This item breaks down as follows:

Description	12.31.2017	12.31.2016	Change
Accrued income			
Interest	8	8	(1)
Other accrued income	1,524	1,555	(31)
Total accrued income	**1,532**	1,563	(32)
Prepayments			
Insurance premiums	442	533	(91)
Rents	241	170	70
Other prepayments	3,251	2,950	301
Total prepayments	**3,934**	3,654	280
Total prepayments and accrued income	**5,466**	5,218	248

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

18. Current financial assets

Balance as at 12.31.2017	4,126
Balance as at 12.31.2016	7,847
Change	**(3,721)**

This item breaks down as follows:

Description	12.31.2017	12.31.2016	Change
Derivatives	205	1,998	(1,793)
Short-term time deposits	3,918	5,840	(1,922)
Other financial receivables	3	9	(6)
Total	**4,126**	7,847	(3,721)

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

Company	12.31.2017	12.31.2016	Change
FLOSIT SA	1,241	897	344
HYDROENERGY Shpk	-	155	(155)
KISIKANA KISIKANA	-	265	(265)
SOL Croatia doo	411	1,784	(1,373)
TGT AD	869	665	205
UTP doo	941	926	15
VIVISOL Brasil SA	304	1,147	(843)
VIVISOL Portugal Lda	2	2	0
VIVISOL Silarus Srl	150	-	150
Total	**3,918**	5,840	(1,922)

19. Cash and cash at bank

Balance as at 12.31.2017	117,175
Balance as at 12.31.2016	119,674
Change	**(2,499)**

This item breaks down as follows:

Description	12.31.2017	12.31.2016	Change
Bank and post office deposits	116,774	119,327	(2,553)
Cash and cash equivalents on hand	401	346	55
Total accrued income	**117,175**	119,674	(2,499)

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

20. Shareholders' equity

Balance as at 12.31.2017	505,884
Balance as at 12.31.2016	489,435
Change	**16,449**

The share capital of SOL Spa as at December 31, 2017 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	12.31.2016	Transfer of result	Dividends paid	Translation differences	Other changes	Result	12.31.2017
Pertaining to the Group:							
Share capital	47,164	-	-	-	-	-	47,164
Share premium reserve	63,335	-	-	-	-	-	63,335
Revaluation reserves	-	-	-	-	-	-	-
Legal reserve	10,459	-	-	-	-	-	10,459
Statutory reserves	-	-	-	-	-	-	-
Treasury share reserve	-	-	-	-	-	-	-
Other reserves	304,988	30,520	-	(1,475)	(6,812)	-	327,221
Retained earnings (accumulated loss)	1,974	13,605	(13,605)	-	(78)	-	1,895
Net Profit	44,125	(44,125)	-	-	-	40,239	40,239
Shareholders' equity - Group	472,045	-	(13,605)	(1,475)	(6,890)	40,239	**490,314**
Minority interests:							
Shareholders' equity Minority interests	15,791	1,599	(1,511)	(67)	(2,224)	-	13,588
Profit pertaining to minority interests	1,599	(1,599)	-	-	-	1,982	1,982
Shareholders' equity Minority interests	17,390	-	(1,511)	(67)	(2,224)	1,982	**15,570**
Shareholders' equity	489,435	-	(15,116)	(1,542)	(9,114)	42,220	**505,884**

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

The CFH reserve, gross of the tax effect, as at June 31, 2017 is negative and amounts to Euro 1,071 thousand (Euro 6,994 thousand as at December 31, 2016). 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 Financial Statements with the Consolidated Financial statements

Description	12.31.2017		12.31.2016	
Description	Shareholders' equity	Net income	Shareholders' equity	Net income
Financial Statement of SOL Spa	**257,269**	**17,609**	**261,353**	**20,208**
limination of consolidated inter-company transactions, net of tax effects:				
- Internal profit on tangible fixed assets	(3,066)	(209)	(2,857)	(99)
- Reversal of adjustments to investments in subsidiary companies	-	539	-	333
- Dividends paid by consolidated companies	-	(30,231)	-	(25,709)
Adjustment of accounting policies to achieve consistent Group accounting policies, net of tax effects:				
- Adjustment to achieve a consistent accounting policy regarding intangible assets	3,403	(311)	3,814	(311)
- Use of finance lease method for leased assets	387	(25)	404	(7)
- Valuation at equity of companies reported at cost	(1,245)	(632)	(422)	(169)
Carrying value of consolidated equity investments	(494,091)	-	(443,467)	-
Net assets and financial year's results of consolidated companies	652,901	53,499	602,708	49,923
Allocation of the difference to the assets of the companies and relative depreciation, amortisation and write-downs:				
- Goodwill on consolidation	74,756	-	50,511	(44)
Group consolidated financial statements	**490,314**	**40,239**	**472,045**	**44,125**

21. Employee severance indemnities and other benefits

Balance as at 12.31.2017	15,351
Balance as at 12.31.2016	15,417
Change	**(66)**

The provisions underwent the following changes:

Employee severance indemnities and other benefits	12.31.2017	12.31.2016
Balance as at 1 January	15,418	14,250
Provisions	1,822	1,604
(Uses)	(1,320)	(885)
Financial expense	5	202
Other changes	(571)	247
Exchange differences	(3)	0
Balance as at 31 December	**15,351**	15,418

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

	Interest
Annual discount rate	1.02%
Inflation rate	1.50%
Annual severance indemnity increase rate	2.18%
Annual wage increase rate	2.50%

Sensitivity analysis

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

DBO as at 31 December 2017	Amount
Inflation rate + 0.5%	318
Inflation rate - 0.5%	(306)
Discount rate + 0.5%	(588)
Discount rate - 0.5%	463
Turnover rate +0.5%	146

Employee severance indemnities

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

Other

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

22. Deferred taxation

Balance as at 12.31.2017	3,314
Balance as at 12.31.2016	5,387
Change	**(2,073)**

The item “Deferred taxation” represents the net balance of deferred tax liabilities provided for in the consolidated financial statements as at December 31, 2017 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 01.01.2016	16	848	223	1,622	2,709
Provisions	61	277	3	400	741
Uses	-	-	-	-	-
Other changes	-	92	-	1,845	1,936
Exchange differences	-	-	-	1	1
Balance as at 12.31.2016	78	1,216	226	3,867	**5,387**
Provisions	22	(564)	(16)	343	(215)
Uses	-	-	-	-	-
Other changes	-	-	4	(1,862)	(1,858)
Exchange differences	-	-	-	1	1
Balance as at 12.31.2017	99	652	214	2,349	**3,314**

23. Provisions for risks and charges

Balance as at 12.31.2017	861
Balance as at 12.31.2016	828
Change	**33**

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

Description	12.31.2017	12.31.2016	Change
Pensions and similar obligations	-	-	-
Consolidation provision for future risks and charges	-	-	-
Other:			
Exchange fluctuation provision	-	-	-
Other minor provisions	861	828	33
Total other provisions	**861**	828	33
Total	**861**	828	33

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	12.31.2016	Provisions	Uses	Other changes	12.31.2017
Other minor provisions	828	442	(408)	(1)	861
Total	828	442	(408)	(1)	**861**

24. Payables and other financial liabilities

Balance as at 12.31.2017	334,137
Balance as at 12.31.2016	334,354
Change	**(217)**

This item breaks down as follows:

Description	12.31.2017	12.31.2016	Change
Bonds	87,714	95,215	(7,501)
Amounts due to other lenders	242,732	236,445	6,287
Other payables	3,691	2,694	998
Total	334,137	334,354	**(217)**

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 Euro 75,011 thousand by means of two cross currency swap (CCS) contracts for a duration equal to the original bond loans (12 years).
- to the issue of a bond subscribed by three American institutional investors.
  The original amount of this issue was Euro 40 million.

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 959 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	
BNL - BNP Paribas *	500	-	500	Variab.	2.48%	14/02/2018	Euro	5,000,000
Intesa San Paolo*	771	-	771	Fixed	1.91%	15/06/2018	Euro	10,000,000
Banco di Napoli	400	-	400	Variab.	0.83%	22/11/2018	Euro	400,000
UBI Banca	217	-	217	Fixed	4.28%	30/11/2018	Euro	1,000,000
Barclays bank *	1,500	500	1,000	Fixed	3.04%	01/06/2019	Euro	10,000,000
Mediobanca *	6,250	3,750	2,500	Fixed	4.44%	01/04/2020	Euro	20,000,000
Komercijalna B.	3,990	2,660	1,330	Fixed	5.50%	15/10/2020	Euro	7,000,000
Mediocredito Italiano	408	282	126	Variab.	2.53%	28/02/2021	Euro	500,000
Intesa San Paolo*	11,674	8,341	3,333	Fixed	2.23%	16/06/2021	Euro	30,000,000
Intesa San Paolo	127	98	29	Fixed	2.00%	30/05/2022	Euro	140,000
Factor Banka	1,946	1,556	390	Variab.	0.83%	31/12/2022	Euro	5,200,000
Mediobanca *	5,893	4,822	1,071	Fixed	2.90%	20/06/2023	Euro	15,000,000
Unicredit Bulbank	6,000	5,000	1,000	Fixed	4.50%	11/10/2023	Euro	8,000,000
Intesa San Paolo*	9,630	8,149	1,481	Variab.	2.17%	31/03/2024	Euro	30,000,000
Mediocredito Italiano	24,375	20,625	3,750	Variab.	1.50%	31/03/2024	Euro	20,000,000
Unicredit *	8,125	6,875	1,250	Variab.	2.12%	31/05/2024	Euro	10,000,000
Monte Paschi Siena	6,250	5,417	833	Fixed	4.21%	15/06/2025	Euro	10,000,000
Intesa San Paolo *	28,125	24,375	3,750	Fixed	1.44%	30/06/2025	Euro	30,000,000
Credito Valtellinese	10,000	8,778	1,222	Variab.	0.60%	05/07/2025	Euro	10,000,000
Credito Valtellinese	5,000	4,389	611	Variab.	0.60%	05/07/2025	Euro	5,000,000
UBI Banca	20,000	17,575	2,425	Fixed	1.00%	14/09/2025	Euro	20,000,000
Banca IMI *	5,231	4,729	502	Fixed	6.50%	26/01/2026	Euro	7,000,000
BCC Carate	10,000	9,398	602	Variab.	1.00%	13/06/2026	Euro	10,000,000
Intesa San Paolo*	40,000	37,500	2,500	Fixed	1.10%	30/06/2026	Euro	40,000,000
BNL - BNP Paribas *	27,000	24,000	3,000	Variab.	0.87%	25/11/2026	Euro	30,000,000
Unicredit Bosnia	1,882	1,709	173	Variab.	3.80%	31/12/2026	Euro	2,000,000
UBI Banca *	40,000	40,000	-	Fixed	1.60%	26/06/2027	Euro	40,000,000
Derivatives	2,555	1,696	859					
Amounts due to leasing companies	959	508	451					
Total amounts due to other lenders	**278,808**	**242,732**	**36,076**					
Bonds	95,215	87,714	7,501					
Total	**374,023**	**330,446**	**43,577**					

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, 2017.

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 5,893 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, 2017, calculated by the same bank, was negative for a total of Euro 497 thousand (negative for Euro 707 thousand as at December 31, 2016).
2. The loan agreement outstanding with Barclays Bank, the residual debt of which amounts to Euro 1,500

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, 2017, calculated by the same bank, was negative for a total of Euro 50 thousand (negative for Euro 122 thousand as at December 31, 2016).

3. The loan agreement outstanding with Intesa San Paolo, whose residual debt amounts to Euro 11,674 thousand, was hedged by a fixed rate of 2.23% against a floating 6-month Euribor rate.
The fair value as at December 31, 2017, calculated by the same bank, was negative for a total of Euro 546 thousand (negative for Euro 883 thousand as at December 31, 2016).
4. The loan agreement outstanding with Intesa San Paolo, whose residual debt amounts to Euro 772 thousand, was hedged by a fixed rate of 1.91% against a floating 6-month Euribor rate.
The fair value as at December 31, 2017, calculated by the same bank, was negative for a total of Euro 9 thousand (negative for Euro 49 thousand as at December 31, 2016).
5. The bond whose residual debt amounts to Euro 33,560 thousand was hedged by a CCS contract entered into with Intesa San Paolo on June 15, 2012.
The fair value as at December 31,2017, calculated by the same bank, was negative in the amount of Euro 862 thousand (positive in the amount of Euro 4,591 thousand at December 31, 2016).
6. The bond whose residual debt amounts to Euro 21,655 thousand was hedged by a CCS contract entered into with Intesa San Paolo on May 29, 2013.
The fair value as at December 31, 2017, calculated by the same bank, was positive for a total of Euro 285 thousand (at December 31, 2016 positive for Euro 3,952 thousand).
7. The loan outstanding with Unicredit Bulbank, whose residual debt amounts to Euro 6,000 thousand, was hedged by a fixed rate of 2.40% against a floating 3-month Euribor rate.
The fair value as at December 31, 2017, calculated by the same bank, was negative for a total of Euro 452 thousand (negative for Euro 647 thousand as at December 31, 2016).
8. The loan agreement outstanding with Intesa San Paolo, whose residual debt amounts to Euro 28,125 thousand, was hedged by a fixed rate of 0.44% against a floating 6-month Euribor rate.
The fair value as at June 31, 2017, calculated by the same bank, was negative in the amount of Euro 139 thousand (positive in the amount of Euro 342 thousand as at December 31, 2016).
9. The loan agreement outstanding with Banca Popolare di Bergamo, the residual debt of which amounts to Euro 20,000 thousand, was hedged by a fixed rate of 0.10% against a floating 3-month Euribor rate.
The fair value as at December 31, 2017, calculated by the same bank, was positive in the amount of Euro 74 thousand (negative in the amount of Euro 65 thousand at December 31, 2016).
10. The loan agreement outstanding with Intesa San Paolo, whose residual debt amounts to Euro 40,000 thousand, was hedged by a fixed rate of 0.10% against a floating 6-month Euribor rate.
The fair value as at December 31, 2017, calculated by the same bank, was positive for a total of Euro 575 thousand (at December 31, 2016 positive for Euro 437 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 10. were assessed at cash flow hedge.

Hierarchical levels of fair value measurement

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

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

The following table shows the assets and liabilities at fair value as at December 31, 2017, by hierarchical level of fair value measurement:

Payables and other financial liabilities	Notes	Level 1	Level 2	Level 3	Total
Negative value measurement					
Intesa San Paolo	0	-	(862)	-	(862)
Intesa San Paolo	0	-	(9)	-	(9)
Intesa San Paolo	0	-	(139)	-	(139)
Intesa San Paolo	0	-	(546)	-	(546)
Intesa San Paolo	0	-	(50)	-	(50)
Mediobanca	0	-	(497)	-	(497)
Unicredit	0	-	(452)	-	(452)
Total negative measurement		**-**	**(2,555)**	**-**	**(2,555)**
Positive measurement					
Banca Popolare di Bergamo	0	-	74	-	74
Intesa San Paolo	0	-	576	-	576
Intesa San Paolo	0	-	286	-	286
Total positive measurement		**-**	**936**	**-**	**936**
Overall total		**-**	**(1,619)**	**-**	**(1,619)**

25. Current liabilities

Balance as at 12.31.2017	200,437
Balance as at 12.31.2016	170,308
Change	**30,129**

This item breaks down as follows:

Description	12.31.2017	12.31.2016	Change
Amounts due to banks	2,035	1,985	50
Trade accounts payable	105,494	91,428	14,066
Other financial liabilities	43,647	37,600	6,047
Tax payables	10,963	10,001	962
Other current liabilities	38,298	29,294	9,004
Total	**200,437**	170,308	30,129

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

The breakdown of the item "Current tax liabilities" comprises:

Description	12.31.2017	12.31.2016	Change
Amounts due in respect of income tax	2,935	3,692	(756)
VAT payables	3,807	2,904	903
Other current tax liabilities	4,221	3,406	815
Total	**10,963**	10,001	962

"Other current liabilities" comprise:

Description	12.31.2017	12.31.2016	Change
Amounts due to social security institutions	6,654	6,108	546
Amounts due to employees	10,677	8,413	2,264
Amounts due to shareholders for dividends	515	139	376
Amounts due for the purchase of equity investments	3,776	-	3,776
Guarantee deposits payable	461	136	325
Other payables	1,840	1,236	604
Accrued expenses and deferred income	14,374	13,262	1,112
Total	**38,298**	29,294	9,004

This item breaks down as follows:

Description	12.31.2017	12.31.2016	Change
Accrued expenses			
Interest payable on loans	1,070	1,066	4
Other	2,691	2,576	115
Total accrued expenses	**3,761**	**3,642**	**119**
Deferred income			
Sink funds granted	184	130	54
Rentals receivable	106	167	(61)
Other	10,323	9,323	1,000
Total deferred income	**10,613**	**9,620**	**993**
Total accrued expenses and deferred income	**14,374**	**13,262**	**1,112**

“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)

12.31.2017	Technical gas sector	%	Home-care service sector	%	Write downs	Consolidated figures	%
Technical gas sector	398,411	100.0%			(29,167)	369,244	48.8%
Home-care service sector			388,489	100.0%	(925)	387,563	51.2%
Net sales	**398,411**	**100.0%**	**388,489**	**100.0%**	**(30,092)**	**756,807**	**100.0%**
Other revenues and income	5,867	1.5%	2,927	0.8%	(604)	8,190	1.1%
Internal works and collections	2,353	0.6%	7,155	1.8%	1,918	11,427	1.5%
Revenues	**406,631**	**102.1%**	**398,571**	**102.6%**	**(28,778)**	**776,424**	**102.6%**
Purchase of materials	110,320	27.7%	94,188	24.2%	(17,562)	186,945	24.7%
Services rendered	131,341	33.0%	108,830	28.0%	(10,128)	230,043	30.4%
Change in inventories	(2,697)	-0.7%	(2,222)	-0.6%	-	(4,920)	-0.7%
Other costs	13,361	3.4%	18,601	4.8%	(1,069)	30,892	4.1%
Total costs	**252,324**	**63.3%**	**219,397**	**56.5%**	**(28,759)**	**442,961**	**58.5%**
Added value	**154,307**	**38.7%**	**179,174**	**46.1%**	**(19)**	**333,463**	**44.1%**
Payroll and related costs	81,180	20.4%	85,050	21.9%	-	166,230	22.0%
Gross operating margin	**73,127**	**18.4%**	**94,124**	**24.2%**	**(19)**	**167,232**	**22.1%**
Depreciation/amortisation	45,089	11.3%	40,101	10.3%	(84)	85,107	11.2%
Other provisions	4,704	1.2%	1,267	0.3%	-	5,971	0.8%
Non-recurring (income) / expenses	-		-		-	-	
Operating result	**23,334**	**5.9%**	**52,755**	**13.6%**	**65**	**76,154**	**10.1%**
Financial income	11,939	3.0%	1,854	0.5%	(10,906)	2,887	0.4%
Financial expense	(10,486)	-2.6%	(2,701)	-0.7%	1,639	(11,548)	-1.5%
Results from equity investments	(632)	-0.2%	(166)	0.0%	166	(632)	-0.1%
Total financial income / (expense)	**821**	**0.2%**	**(1,014)**	**-0.3%**	**(9,100)**	**(9,292)**	**-1.2%**
Profit (Loss) before income taxes	**24,155**	**6.1%**	**51,742**	**13.3%**	**(9,035)**	**66,862**	**8.8%**
Imposte sul reddito	8.946	2,2%	15.662	4,0%	34	24.641	3,3%
Net result from business activities	**15,209**	**3.8%**	**36,080**	**9.3%**	**(9,069)**	**42,221**	**5.6%**
Net result from discontinued operations	**-**		**-**		**-**	**-**	
(Profit) / Loss pertaining to minority interests	22	0.0%	(2,009)	-0.5%	5	(1,982)	-0.3%
Net Profit / (Loss)	**15,232**	**3.8%**	**34,071**	**8.8%**	**(9,064)**	**40,239**	**5.3%**

OTHER INFORMATION SOL GROUP

(In thousands of Euro)

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

12.31.2016						
Technical gas sector	%	Home-care service sector	%	Write downs	Consolidated figures	%
373,066	100.0%			(28,834)	344,232	48.9%
		359,965	100.0%	(828)	359,138	51.1%
373,066	100.0%	359,965	100.0%	(29,661)	703,369	100.0%
4,829	1.3%	1,966	0.5%	(606)	6,189	0.9%
2,052	0.6%	7,304	2.0%	1,982	11,339	1.6%
379,947	101.8%	369,236	102.6%	(28,285)	720,897	102.5%
95,130	25.5%	85,068	23.6%	(17,781)	162,417	23.1%
121,833	32.7%	102,593	28.5%	(9,467)	214,959	30.6%
(985)	-0.3%	(1,009)	-0.3%	-	(1,994)	-0.3%
12,576	3.4%	17,018	4.7%	(1,025)	28,569	4.1%
228,554	61.3%	203,670	56.6%	(28,274)	403,951	57.4%
151,392	40.6%	165,565	46.0%	(12)	316,946	45.1%
75,494	20.2%	73,860	20.5%	-	149,354	21.2%
75,899	20.3%	91,705	25.5%	(12)	167,592	23.8%
42,521	11.4%	39,319	10.9%	(82)	81,758	11.6%
3,757	1.0%	1,163	0.3%	-	4,920	0.7%
-		44	0.0%	-	44	0.0%
29,621	7.9%	51,179	14.2%	71	80,871	11.5%
13,741	3.7%	1,239	0.3%	(12,191)	2,789	0.4%
(10,753)	-2.9%	(4,553)	-1.3%	1,614	(13,691)	-1.9%
(169)	0.0%	(163)	0.0%	163	(169)	0.0%
2,819	0.8%	(3,477)	-1.0%	(10,414)	(11,072)	-1.6%
32,440	8.7%	47,702	13.3%	(10,344)	69,799	9.9%
9.212	2,5%	14.841	4,1%	23	24.075	3,4%
23,229	6.2%	32,862	9.1%	(10,366)	45,724	6.5%
-		-		-	-	
240	0.1%	(1,839)	-0.5%	0	(1,599)	-0.2%
23,469	6.3%	31,022	8.6%	(10,366)	44,125	6.3%

12.31.2016						
Technical gas sector	%	Home-care service sector	%	Write downs	Consolidated figures	%
855,575		432,309		(272,155)	1,015,730	
479,795		141,034		(94,534)	526,294	
57,226		41,155		-	98,381	

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)

	12.31.2017	%	12.31.2016	%
Net sales	**398,411**	**100.0%**	**373,066**	**100.0%**
Other revenues and income	5,867	1.5%	4,829	1.3%
Internal works and collections	2,353	0.6%	2,052	0.6%
Revenues	**406,631**	**102.1%**	**379,947**	**101.8%**
Purchase of materials	110,320	27.7%	95,130	25.5%
Services rendered	131,341	33.0%	121,833	32.7%
Change in inventories	(2,697)	-0.7%	(985)	-0.3%
Other costs	13,361	3.4%	12,576	3.4%
Total costs	**252,324**	**63.3%**	**228,554**	**61.3%**
Added value	**154,307**	**38.7%**	**151,392**	**40.6%**
Payroll and related costs	81,180	20.4%	75,494	20.2%
Gross operating margin	**73,127**	**18.4%**	**75,899**	**20.3%**
Depreciation/amortisation	45,089	11.3%	42,521	11.4%
Other provisions	4,704	1.2%	3,757	1.0%
Non-recurring (income) / expenses	0	0.0%	0	0.0%
Operating result	**23,334**	**5.9%**	**29,621**	**7.9%**
Financial income	11,939	3.0%	13,741	3.7%
Financial expense	(10,486)	-2.6%	(10,753)	-2.9%
Results from equity investments	(632)	-0.2%	(169)	0.0%
Total financial income / (expense)	**821**	**0.2%**	**2,819**	**0.8%**
Profit (Loss) before income taxes	**24,155**	**6.1%**	**32,440**	**8.7%**
Income taxes	8,946	2.2%	9,212	2.5%
Net result from business activities	**15,209**	**3.8%**	**23,229**	**6.2%**
Net result from discontinued operations	0	0.0%	0	0.0%
(Profit) / Loss pertaining to minority interests	22	0.0%	240	0.1%
Net Profit / (Loss)	**15,232**	**3.8%**	**23,469**	**6.3%**

Sales in the Technical Gas Sector registered a 6.8 % increase.

Gross operating margin decreased by 3.7 % compared to the previous year.

Operating result decreased by 21.2 % compared to the previous year.

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

(In thousands of Euro)

	12.31.2017	12.31.2016
Tangible fixed assets	346,775	337,382
Goodwill and consolidation differences	23,952	23,952
Other intangible fixed assets	11,558	9,494
Equity investments	132,188	129,894
Other financial assets	12,640	19,509
Prepaid taxes	5,269	5,072
Non-current assets	**532,382**	525,303
Non-current assets held for sale	**-**	-
Inventories	20,354	17,201
Trade receivables	159,132	146,075
Other current assets	27,228	32,192
Current financial assets	76,241	57,126
Cash and cash at bank	66,897	77,678
Current assets	**349,852**	330,272
TOTAL ASSETS	**882,235**	855,575
Share capital	47,164	47,164
Share premium reserve	63,335	63,335
Legal reserve	10,459	10,459
Reserve for treasury shares in portfolio	0	0
Other reserves	224,056	219,110
Retained earnings (accumulated loss)	2,659	2,659
Net Profit	15,231	23,469
Shareholders' equity - Group	**362,905**	366,196
Shareholders' equity - Minority interests	6,363	9,825
Profit pertaining to minority interests	-22	-240
Shareholders' equity - Minority interests	**6,341**	9,585
Shareholders' equity	**369,246**	375,780
Employee severance indemnities and other benefits	12,124	12,283
Deferred taxation	2,574	4,637
Provisions for risks and charges	292	164
Payables and other financial liabilities	328,108	330,010
Non-current liabilities	**343,099**	347,095
Non-current liabilities held for sale		
Amounts due to banks	1,984	1,834
Trade accounts payable	69,272	56,657
Other financial liabilities	75,132	56,423
Tax payables	4,678	4,182
Other current liabilities	18,826	13,604
Current liabilities	**169,890**	*132,700*
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**882,235**	855,575

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)

	12.31.2017	%	12.31.2016	%
Net sales	**388,489**	100.0%	359,965	100.0%
Other revenues and income	2,927	0.8%	1,966	0.5%
Internal works and collections	7,155	1.8%	7,304	2.0%
Revenues	**398,571**	102.6%	369,236	102.6%
Purchase of materials	94,188	24.2%	85,068	23.6%
Services rendered	108,830	28.0%	102,593	28.5%
Change in inventories	(2,222)	-0.6%	(1,009)	-0.3%
Other costs	18,601	4.8%	17,018	4.7%
Total costs	**219,397**	56.5%	203,670	56.6%
Added value	**179,174**	46.1%	165,565	46.0%
Payroll and related costs	85,050	21.9%	73,860	20.5%
Gross operating margin	**94,124**	24.2%	91,705	25.5%
Depreciation/amortisation	40,101	10.3%	39,319	10.9%
Other provisions	1,267	0.3%	1,163	0.3%
Non-recurring (income) / expenses	0	0.0%	44	0.0%
Operating result	**52,755**	13.6%	51,179	14.2%
Financial income	1,854	0.5%	1,239	0.3%
Financial expense	(2,701)	-0.7%	(4,553)	-1.3%
Results from equity investments	(166)	0.0%	(163)	0.0%
Total financial income / (expense)	**(1,014)**	-0.3%	(3,477)	-1.0%
Profit (Loss) before income taxes	**51,742**	13.3%	47,702	13.3%
Income taxes	15,662	4.0%	14,841	4.1%
Net result from business activities	**36,080**	9.3%	32,862	9.1%
Net result from discontinued operations	0	0.0%	0	0.0%
(Profit) / Loss pertaining to minority interests	(2,009)	-0.5%	(1,839)	-0.5%
Net Profit / (Loss)	**34,071**	8.8%	31,022	8.6%

Sales in the Home-care service sector registered an increase of 7.9%.

Gross operating margin increased by 2.6 % compared to the previous year.

Operating result increased by 3.1 % compared to the previous year.

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

(In thousands of Euro)

	12.31.2017	12.31.2016
Tangible fixed assets	116,639	114,412
Goodwill and consolidation differences	52,117	35,955
Other intangible fixed assets	4,334	3,853
Equity investments	69,633	58,435
Other financial assets	3,524	2,609
Prepaid taxes	2,916	2,461
Non-current assets	**249,163**	217,726
Non-current assets held for sale	**-**	-
Inventories	26,096	23,722
Trade receivables	114,756	113,674
Other current assets	9,942	6,286
Current financial assets	38,248	28,906
Cash and cash at bank	50,274	41,996
Current assets	**239,316**	214,584
TOTAL ASSETS	**488,479**	432,309
Share capital	7,750	7,750
Share premium reserve	20,934	20,934
Legal reserve	1,550	1,550
Reserve for treasury shares in portfolio	0	0
Other reserves	219,317	197,626
Retained earnings (accumulated loss)	24,584	24,584
Net Profit	34,071	31,022
Shareholders' equity - Group	**308,206**	283,467
Shareholders' equity - Minority interests	7,224	5,970
Profit pertaining to minority interests	2,009	1,839
Shareholders' equity - Minority interests	**9,233**	7,809
Shareholders' equity	**317,439**	291,276
Employee severance indemnities and other benefits	3,227	3,134
Deferred taxation	713	723
Provisions for risks and charges	569	664
Payables and other financial liabilities	84,829	58,914
Non-current liabilities	**89,338**	63,435
Non-current liabilities held for sale	**-**	-
Amounts due to banks	52	152
Trade accounts payable	49,415	45,775
Other financial liabilities	3,466	7,352
Tax payables	6,285	5,819
Other current liabilities	22,485	18,502
Current liabilities	**81,702**	77,599
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**488,479**	432,310

INFORMATION BY GEOGRAPHIC AREA

The breakdown of revenues by geographic area is presented below:

Description	12.31.2017	12.31.2016	Change
Italy	348,163	331,242	16,921
Other countries	408,645	372,127	36,518
Total	**756,807**	703,369	53,438

The breakdown of investments by geographic area is presented below:

Description	12.31.2017	12.31.2016	Change
Italy	37,552	48,746	(11,194)
Other countries	56,170	49,635	6,535
Total	**93,722**	98,381	(4,659)

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 2017 amounted to Euro 156.7 million.

As at December 31, 2017, receivable and payable transactions between Group companies came to Euro 267.8 million, of which Euro 187.0 million of a financial nature and Euro 80.8 million of a trade nature.

The breakdown of intercompany financial receivables is as follows:

• Financial receivables granted by SOL Spa	Euro	112.0 million
• Financial receivables granted by AIRSOL Srl	Euro	33.6 million
• Financial receivables granted by other companies	Euro	41.4 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	215 thousand
• Purchases from CT Biocarbonic GmbH	Euro	2,783 thousand
• Financial receivables from CT Biocarbonic GmbH	Euro	1,450 thousand
• Trade receivables from CT Biocarbonic GmbH	Euro	46 thousand
• Amounts due to CT Biocarbonic GmbH	Euro	231 thousand
• Sales and services to SICGILSOL India Private Limited	Euro	380 thousand
• Sales and services to SICGILSOL India Private Limited	Euro	1 thousand
• Trade receivables from SICGILSOL India Private Limited	Euro	127 thousand
• Financial receivables from SICGILSOL India Private Limited	Euro	4,569 thousand
• Sales and services to ZDS JESENICE doo	Euro	1,182 thousand
• Purchases from ZDS Jesenice doo	Euro	1,987 thousand
• Trade receivables from ZDS JESENICE doo	Euro	277 thousand
• Amounts due to ZDS Jesenice doo	Euro	229 thousand
• Sales and services to Consorgas Srl	Euro	19 thousand
• Trade receivables from Consorgas Srl	Euro	35 thousand
• Financial receivables from Consorgas Srl	Euro	473 thousand
• Amounts due to Consorgas Srl	Euro	6 thousand

COMMITMENTS, GUARANTEES AND POTENTIAL LIABILITIES

The Sol Group obtained sureties totalling Euro 60,099 thousand.

NET FINANCIAL POSITION

(In thousands of Euro)

		12.31.2017	12.31.2016
a	Cash	401	346
b	Bank loans and overdrafts	116,774	119,327
c	Securities held for trading	-	-
d	**Liquidity (a) + (b) + (c)**	**117,175**	**119,674**
e	Short-term time deposits	3,918	5,840
e	Other short-term financial assets *	216	2,015
e	**Current financial receivables**	**4,134**	**7,855**
f	Short-term amounts due to banks	(2,035)	(1,985)
g	Loans - long-term portion	(34,766)	(28,642)
g	Leases - short term portion	(451)	(429)
g	Bonds - short term portion	(7,501)	(7,501)
h	Amounts due to shareholders for loans	(71)	-
h	Amounts due to Shareholders for the purchase of equity investments	(3,776)	-
h	Other short-term financial liabilities *	(1,928)	(2,094)
i	**Current borrowing (f) + (g) + (h)**	**(50,528)**	**(40,651)**
j	**Net current borrowing (d) + (e) + (i)**	**70,781**	**86,877**
k	Long-term amounts due to banks	-	-
l	Bonds issued	(87,714)	(95,215)
m	Securities	786	607
m	Other long-term financial assets *	7,223	14,534
m	Loans - long-term portion	(240,528)	(233,976)
m	Leasing - long-term portion	(508)	(638)
m	Amounts due to Shareholders for the purchase of equity investments	(2,900)	(1,776)
m	Other long-term financial liabilities *	(1,738)	(1,832)
n	**Non-current borrowing (k) + (l) + (m)**	**(325,378)**	**(318,294)**
o	**Net borrowing (j) + (n)**	**(254,598)**	**(231,417)**

* 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.
The first half of 2017 was characterised by a slight economic recovery in some European Countries in which the SOL Group works.

RISKS RELATING TO THE GROUP'S RESULTS

The SOL Group partially operates in sectors affected by significant cyclicality related to the trend in industrial production, such as the steel, metal working, engineering and glass manufacturing industries. In the case of an extended decline in business, the growth and profitability of the Group could be partially affected.
Moreover, 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 Group companies and the Italian Medicines Agency (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.
As things stand, the regional administrative court upheld the request for suspension, and the hearing initially set for October 3, 2017 was postponed to a date to be determined.
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 provision
In 2015, the Italian Antitrust Authority (Autorità garante della concorrenza e del mercato, AGCM) started a proceeding for alleged agreements prohibited between competitors during a number of public tenders concerning home-care oxygen therapy and ventilotherapy services. 15 sector companies, including two of the SOL Group - Vivisol Srl and Vivisol Napoli Srl - are involved in the proceedings.
In January 2017, group subsidiaries SOL Vivisol Srl and Vivisol Napoli Srl received fines in the amount of Euro 11.3 million.
Both Vivisol Srl and Vivisol Napoli Srl appealed the measure before the court of Lazio, contesting all of the Italian Antitrust Authority's conclusions.
Given that both Vivisol Srl and Vivisol Napoli Srl consider themselves to be completely unrelated to the allegations made by the Antitrust Authority, it was decided not to allocate a possible risk provision to the financial statements of the individual companies, considering as things stand, also following the in-depth analysis carried out with the support of external lawyers, the risk as only possible, pending the outcome of the appeal to the regional administrative court.
Note also that, since the regional administrative court has set the hearing to discuss the appeal in 2018, in July 2017, Vivisol Srl submitted a request to suspend payment of the fine, request that was accepted by the regional administrative court.
Again in July 2017, Vivisol Napoli Srl paid the fine of Euro 1.2 million, pending the discussion of the appeal before the regional administrative court.
For the reasons outlined above, since the risk is considered as only possible, a receivable of the same amount with regard to AGCM was recognised in the financial statements of Vivisol Napoli Srl.
The hearing for discussion was held on March 14, 2018 and the case was finally held up for decision, pending the relevant entering of the judgement.

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, 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 70 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 CCS as at December 31, 2017 was negative for Euro 577 thousand.

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 stipulated 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, 2017 is equal to Euro 113,964 thousand and the negative fair value is equal to Euro 1,042 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.

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 eight companies based in four non-EU Countries that are important pursuant to sub-paragraph 2 of the said article 15.
The current procedures of the SOL Group already allow compliance 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 2017 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 2017 financial year
Auditing	Deloitte	SOL Spa Parent Company	124
	Deloitte	Subsidiary companies	93
	Deloitte network	Subsidiary companies	314
Quarterly audit	Deloitte	SOL Spa Parent Company	6
	Deloitte	Subsidiary companies	10
Other services	Deloitte	SOL Spa Parent Company (1)	69
	Deloitte	Subsidiary companies (1)	30
	Deloitte network	Subsidiary companies (1)	53
Total			**699**

(1) Certification services of tax declarations, verification of non-financial statement and other minor certificates.

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 2017.

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 2017, 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 2018

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, in light of the provisions of Article 154-bis, sub-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 2017 financial year.

We also certify that:

1. The consolidated financial statements:
   a) have been 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 figures reported in the accounting 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.

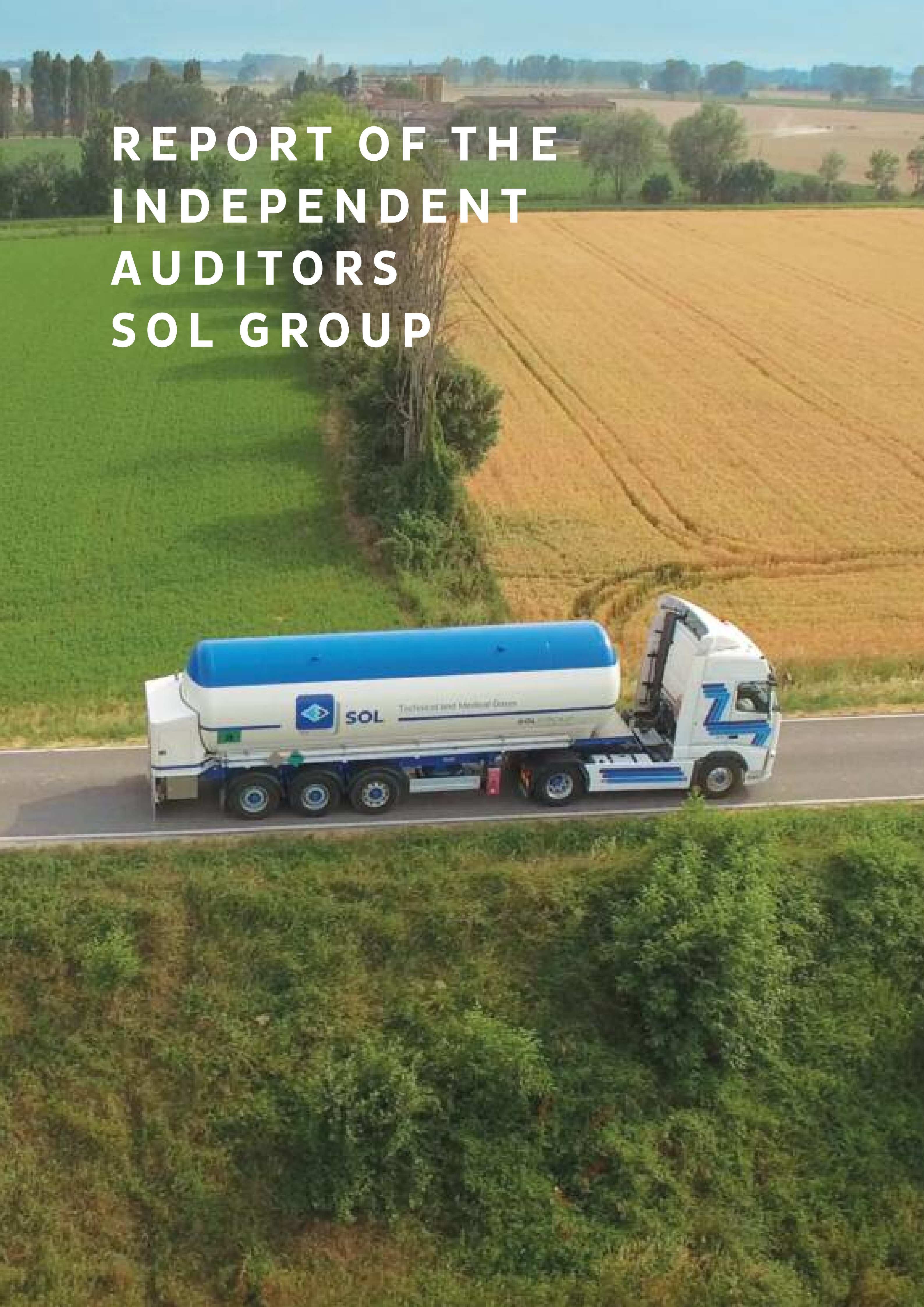
2. the directors' report includes a reliable analysis of the business trend and operating result as well as of the situation of issuing company and of the consolidated companies, together with a description of the main risks and uncertainties they incur.

Monza, March 29 2018

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



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

To the Shareholders of
SOL S.p.A.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of SOL S.p.A. and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December, 31 2017, 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, 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05.

Basis for Opinion

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

Key Audit Matters

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

Impairment test on tangible assets

Description of key audit matter

The Group recognizes intangible assets with indefinite useful lives ("goodwill and consolidation differences") for Euro 84,377 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.

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As required by the "IAS 36 Impairment of Assets," the Company's Directors have carried out the impairment test in order to determine that intangible assets with indefinite useful lives are accounted for in the consolidated financial statements at December 31, 2017 at a value not higher than their recoverable values.

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.

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.

Considering the relevant values of the intangible assets with indefinite useful lives accounted for in the consolidated financial statements, the subjectivity of the estimates related to the determination of cash flows (DCF) and the key variables of the impairment tests, we considered the impairment test as a key audit matter of the Group consolidated financial statements.

Note 10 "Goodwill and consolidation differences" of the consolidated financial statements states the disclosures on the impairment test, including a sensitivity analysis performed by the Directors, which shows the effects that may occur on the recoverable value of intangible assets resulting from changes in certain key assumptions used for the impairment test.

Audit procedure

We have examined how the Directors determine the value in use of the CGUs, analyzing the methods and assumptions used and considered for the development of the impairment test.

As part of our audit, we have, among others, carried out the following procedures, also with the support of experts:

- understand the methodology adopted by the Directors for carrying out the impairment test and examining 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;

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- 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.

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.

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

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

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

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

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

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

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

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

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

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

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

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

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REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

The Directors of SOL S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and the ownership structure of SOL Group as at December 31, 2017, 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, 2017 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, 2017 and are prepared in accordance with the law.

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

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

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

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

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

DELOITTE & TOUCHE S.p.A.

Signed by
Riccardo Raffo
Partner

Milan, Italy
April 17, 2018

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

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