2016

SOL Group Annual Report

SOLGROUP
a breath of life

1927-2017

Index

SOL Spa

Registered office
Via Borgazzi, 27
20900 Monza - Italy

Share Capital
Euro 47.164.000,00 fully paid up.

C.F and company register of 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) Stefano Bruscagli 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.

SOL Spa (1)

12.31.16

SOL TG GmbH 100%
Wiener Neustadt (A)

100% SOL Hungary KFT
Budapest (H)

SOL Kohlensäure GmbH & Co. KG 100%
Burgbrohl (D)

100% SOL Kohlensäure Verwaltungs GmbH
Burgbrohl (D)

100% SOL Kohlensäure Werk GmbH & Co. KG
Burgbrohl (D)

CT Biocarbonic GmbH 50%
Zeitz (D)

SICGILSOL India Private Limited 60,99%
Chennai (IND)

100% SICGILSOL GASES PRIVATE LIMITED
Pudukudi (IND) *

TESI Srl 65%
Milano (I)

MEDES Srl 51%
Settimo Milanese (I)

Hydroenergy ShpK 75%
Tirana (AL)

GTS ShpK 100%
Tirana (AL)

TGT AD 75,18%
Trn (BiH)

26,43% TGP AD 60,96%
Petrovo (BiH)

CONSORGAS Srl 25,79%
Milano (I)

CRYOLAB Srl 85%
Roma (I)

100% AIRSOL Srl
Monza (I)

SOL Deutschland GmbH 100%
Krefeld (D)

App4Health Srl 100%
Monza (I)

Vivisol France Sarl 100%
Vaux le Penil (F)

100% MBAR Assistance Respiratoire Sas
Ballan Mire (F)

France Oxigene Sarl 100%
Avelin (F)

Vivisol Deutschland GmbH 100%
Neufahrn bei Freising (D)

70% Vivicare GmbH
Neufahrn bei Freising (D)

100% Pielmeir Medizintechnik GmbH
Oberhaching (D)

70% Intensivpflegedienst Kompass GmbH
Munich (D)

Vivisol Hellas SA 100%
Athens (GR)

SOL Hellas SA 99,72%
Magoula (GR)

Dolby Healthcare Limited 100%
Stirling (UK)

100% Dolby Medical Home Respiratory Care Limited
Stirling (UK)

100% RL Dolby (Services) Limited
Stirling (UK)

Vivisol Iberica SLU 100%
Arganda del Rey (E) (4)

BTG BVBA 100%
Lessines (B) (3)

SOL TK AS 100%
Istanbul (TR)

VIVISOL BRASIL SA 60%
San Paolo (BR)

GTH GAZE INDUSTRIALE SA 99,99%
Bucarest (RO)

80% Vivisol TK AS
Istanbul (TR)

TGS AD 99,81%
Skopje (MK)

2,84% SOL SEE doo 97,16%
Skopje (MK)

0,28% SOL-K ShpK 53,72%
Pristina (KS) (2)

23,53% 9,27% SOL Srbija doo 67,16%
Nova Pazova (SRB)

100% BT Gases Ltd
Harrietshame (UK) *

49% BiotechSol Srl 51%
Monza (I)

99,92% Vivisol B Sprl 0,08%
Lessines (B)

49% BEHRINGER Srl 2%
Genova (I)

100% Vivisol H. GmbH
Vienna (A)

49% VIVISOL Srl 51%
Monza (I)

Vivisol Adria doo 100%
Jesenice (SLO)

Il Point Srl 81%
Verona (I)

Vivisol Napoli Srl 81%
Marcianise (I)

70% Vivisol Silarus Srl
Battipaglia (I)

Vivisol Calabria Srl 30% 70%
Vibo Valentia (I)

100% SONOCARE Unipessoal Lda
Condeixa - a - Nova (P)

MEL AD 80%
Trn (BiH)

50,01% IRISH OXYGEN COMPANY Limited
Cork (IRL)

100% SOL France Sas
Cergy Pontoise (F) (5)

100% SOL Gas Primari Srl
Monza (I)

100% CTS Srl
Monza (I)

100% SOL Welding Srl
Costabissara (I)

100% GTE SL
Barcellona (E) *

100% SOL Nederland BV
Tilburg (NL)

100% Vivisol Nederland BV
Tilburg (NL)

100% SOL Bulgaria EAD
Sofia (BG)

100% SOL Hydropower doo
Skopje (MK)

100% Energetika ZJ doo
Jesenice (SLO)

54,85% SPG - SOL Plin Gorenjska doo 45,15%
Jesenice (SLO)

64,11% TPJ doo 35,89%
Jesenice (SLO)

ZDS JESENICE doo 75%
Jesenice (SLO) *

51% DIATHEVA Srl
Fano (I)

62,79% SOL-INA doo
Sisak (HR)

UTP doo 98%
Pula (HR)

KISIKANA doo 100%
Sisak (HR)

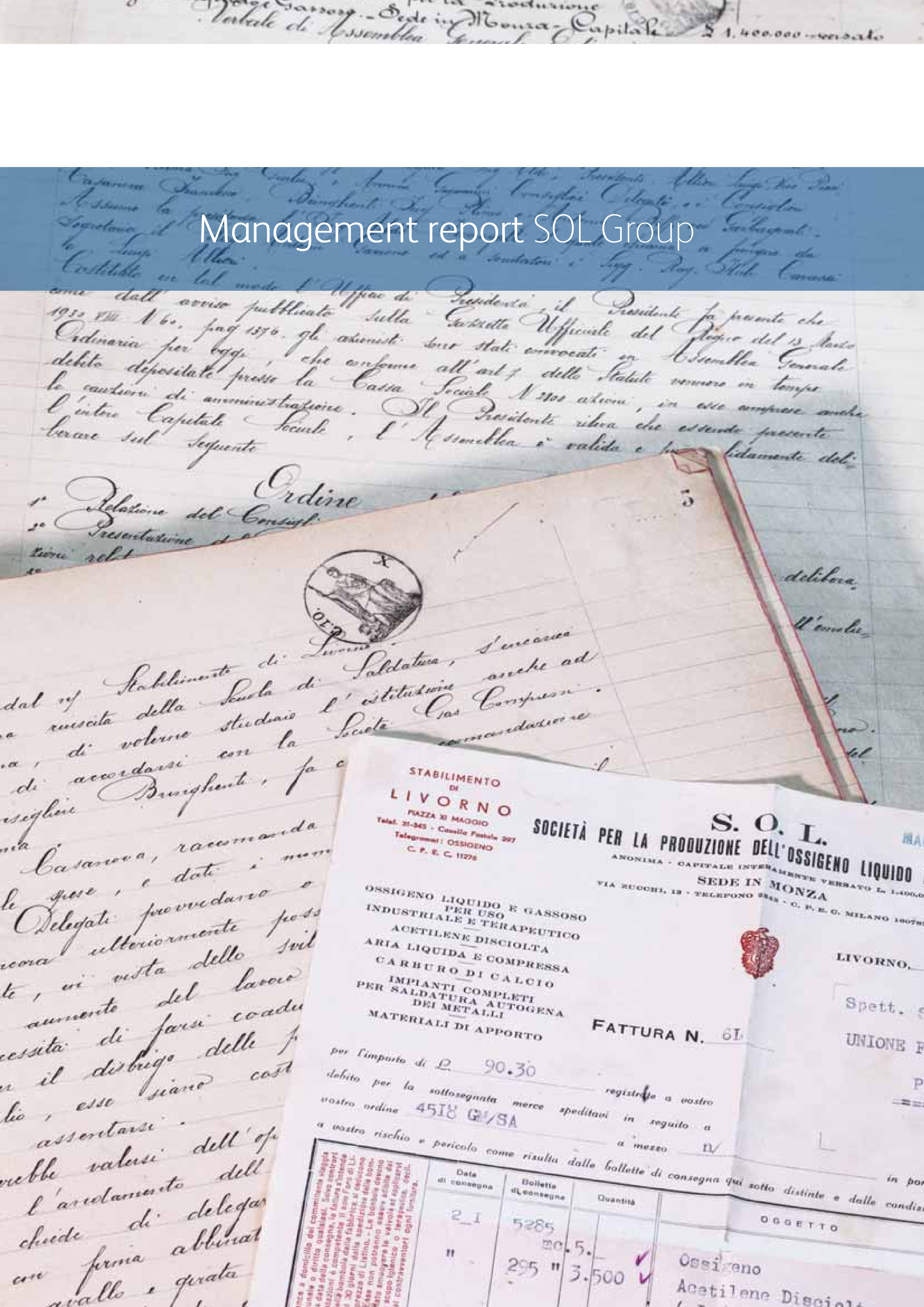
97,60% ICOA Srl
Vibo Valentia (I)

99,96% 0,01% FLOSIT SA 0,01% 0,01%
Casablanca (MA)

10% FLOSIT PHARMA SA* 90%
Casablanca (MA)

(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 On the basis of the contract SOL/SIMEST of 06.11.2010, SOL has the reacquisition obligation of such shareholding in SIMEST within 06.30.2018.
(3) B.T.G.has established a foreign branch in Avion (France) and one in Harrietshame, Meidstone Kent (UK).
(4) VIVISOL IBERIA set up a foreign branch in Lisbon (Portugal).
(5) SOL FRANCE established a foreign branch in Arganda del Rey (Spain).
* Company outside of the consolidation area

Management report SOL Group



Foreword

The present annual Financial Report as at December 31, 2016 is drawn up pursuant to art. 154 ter of Italian Legislative Decree 58/1998 and prepared in compliance with the International Accounting Standards ("IFRS") issued by the International Accounting Standard Board (IASB), recognised in 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 the provisions issued in implementation of art. 9 of Italian Legislative Decree no. 38/2005.

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.
2016's economic picture was characterised by substantial recovery on a global level, even if GDP growth rates differed amongst the various economies.
Several countries, such as the United States and Germany, continued to experience recovery which began in 2015, maintaining significant growth rates; other European countries, such as France and Italy, recorded modest growth rates after years of stagnation.
Moreover, in these countries growth was not constant throughout the year, with oscillations in consumption, investment and exports.
In the Eurozone, the availability of cash at relatively low interest rates continued, which according to the ECB should stimulate investment and favour recovery.
The price of oil stabilised around US$50–55 per barrel, even following production cuts announced by the oil producing countries.
Great Britain's historic decision to leave the European Union, in addition to having caused a temporary stock-market crash, may have some negative effects in the future on the growth rates of European countries.
With regard to the Asian economies, China continued to grow in line with rates seen in recent years, whilst India's and Japan's development rates increased as well.
Forecasts for 2017 are moderately positive: there are expectations for a year in which world economies will continue to grow, albeit at different rates of development.
In relation to the technical, special and medical gases sector, moderate recovery was seen in supply to the metalworking and food sector, whilst the other growing sectors for industrial gases showed substantial stability compared to the previous year.
Medical gases were subject to the effects of generalised cuts in healthcare spending, both in terms of development as well as profits.
For 2017, expectations are for a slight recovery in production and sales volumes.
As regards the home-care field, there has been an increase both in Italy and in Europe, due both to the offer of new home-care services and to the increased demand for more traditional services.
Even this sector, however, is affected by health expenditure reduction policies, as seen in all countries.

Summary results

Within the aforementioned context, we believe that the results achieved by the SOL Group in 2016 were positive.
The net sales achieved by the SOL Group in 2016 were equal to 703.4 million Euro (+4.3 % compared to those of 2015).
The gross operating margin amounts to €167.6 million, equal to 23.8 % of sales, an increase of 12.9 % over 2015 (148.4 million, equal to 22 % of sales).
The operating result amounts to €80.9 million, equal to 11.5 % of sales, a 23.3 % increase over 2015 (65.6 million, equal to 9.7 % of sales), due to higher depreciation and provisions for €3.9 million.
Net profit was €44.1 million, compared to €32.4 million in 2015, a 36 % increase.
The cash flow amounted to Euro 127.5 million (18.1 % of sales), up by Euro 14.6 million compared to 2015 (equal to Euro 112.9 million).
The investments recorded equal 98.4 million Euro (84.7 million in 2015).
The average number of staff employed as at December 31, 2016 totalled 3,053 (2,941 as at December 31, 2015).
The net current borrowing of the Group is equal to 231.4 million Euro (230.1 million as at December 31, 2015).

Management trend

During 2016, the technical gas sector showed a growth in sales of 2.7 % over the previous year for a turnover of Euro 344.2 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 and food sectors.
The hospital sector, in contrast, remained stable due to prices affected by reduced expenditure policies.
Home-care activities experienced positive growth (+5.9 % for a turnover equal to €359.1 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, a 12.9 % growth was seen in gross operating margin.
The net operating result also increased over 2015, by 23.3 %, notwithstanding depreciation and provisions, for a total of €3.9 million.
The group's net borrowing remained at the same levels of 2015, despite having additional on-going technical investments compared to the previous year.
The debt/equity ratios remain very sound and in a downward trend, with a debt/equity ratio of 0.47 and cash flow cover of 1.38.
During 2016, technical gas reserves remained within the safety levels while some sites worked at less than their capacity.
During 2016 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 2016 with a list price of €8.20 and closed on 12.30.2016 at €7.97.
During the year, the stock achieved a maximum listed price of Euro 9.80, while the minimum came to Euro 6.89.

Quality, Safety, Health and Environment

The focus on issues of quality management, health, safety and environment was constantly active throughout 2016 with an intense internal auditing activity and with verifications by third parties, being Notified Bodies for Certification and Auditing Bodies of the Public Administration. 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.
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.
Our UNI EN ISO 17025:2005 certification was confirmed in 2016 for the medical gas analysis methods used in our laboratory of the Monza plant; this has allowed it to maintain the status of ACCREDIA-approved and -certified testing laboratory.
Within 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 33 sites in Italy and 37 abroad.
ISO 14001 certification was also confirmed for 7 sites in Italy and 3 sites abroad. Certification of the safety management system according to the OHSAS 18001 standard has been achieved for all sites in Italy and 5 sites abroad.
Still with reference to technical gas activities, 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 Programme was also verified through internal audits, as the third party audit certificate remained valid throughout the year.
All CE marking certifications have been duly renewed; they pertain to medical devices, medical gas distribution systems, vacuum systems, anaesthetic gas and gas and mixture exhaust systems, pressure reducers and other electrical medical products.
Within the sphere of home-care activities, third party certification obtained in previous years was confirmed. To date, the certification status (ISO 9001) of the Vivisol sites has been achieved for 23 sites in Italy and was expanded to 21 sites outside of Italy.
The ISO 14001 certification of Vivisol Srl headquarters and of other 8 sites abroad was also confirmed. Certification of the safety management system according to the OHSAS 18001 standard, applied in 20 sites in Italy and 7 sites abroad, was also confirmed.
All of the Integrated Environmental Certifications achieved over the previous years have been confirmed for our initial processing sites, in respect of transparency before the public and local media.
Also during 2016, 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 remained stable compared to the previous year. 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 production facility, resulting in reduced CO_2 emissions. By applying the Life Cycle Assessment technique, the final 2016 figure shows an equivalent amount of unreleased CO_2 totalling 21,064 tonnes.
The Sustainability Report will accompany the Financial Statements this year as well, and will be drafted in accordance with the Global Reporting Initiative standard, version GRI-G4.
The Report will also take into account the provisions set out by Italian Legislative decree 254/2016, which implements the "Barnier" Directive 2014/95/EU. The goal of this is to achieve full compliance in drafting the Report for the 2017 financial year.

Pharmaceutical - Regulatory Activities

The group's pharmaceutical activities, both in Italy and abroad, continued intensely in 2016 as well, especially with regard to regulations.
The most significant elements of 2016 were:
- the confirmation of 134 Marketing Authorisations (6 for the Italian market and 128 for European markets), which have been subject to many variations.
- GMP compliance in 60 Pharmaceutical Plants, 25 of which are in Italy and 36 abroad.

Software and process validation activities also continued, an exceedingly important activity in the production of the drugs. The number of Qualified Persons dedicated to the regulatory pharmaceutical activities within the group surpassed 80 in 2016.
Lastly, a structured pharmacovigilance system was activated in 2016, which was inspected by UK and Belgian authorities.

SOL Group investments

During the 2016 financial year investments were made in the amount of €57.2 million in the technical gases sector, of which €27.4 million were made by the parent company SOL Spa, and €41.2 million in the home-care sector as detailed below:

- in southern Italy, work on a new facility for the primary production of gas through air separation was completed, and work began to build a new highly automated plant to inspect and maintain compressed gas cylinders;
- in Novara, a new air separation system was installed to produce nitrogen for local chemical companies;
- in the primary production plants of Mantua and Verona, a number of investments were made to further increase the reliability and continuity of the systems;
- in Monza, work began to modernise and expand the plant which produces pure, medical and special gases;
- in Pavia, a piece of land was purchased adjacent to the existing technical gas cylinder filling plant; here, an addition will be built to expand its production capacity;
- in Cartoceto, Diatheva began work to build the new cell factory for the production of biomedicines. The company's molecular biology laboratories were moved to the new Cartoceto production site in October 2016;
- in Slovenia, SPG began work to modernise the current facility for the primary production of gas through air separation and to expand production capacity;
- In Bulgaria, SOL Bulgaria finished work on a new modern secondary technical gas cylinder filling plant at its Devnja plant on the Black Sea;
- in Austria, work began to modernise and expand SOL TG's secondary production plant in Wiener Neustadt;
- in Macedonia, the installation of a new hydrogen production facility was completed;
- In India, SICGILSOL completed the construction of a new secondary compressed gas production plant in Ranipet;
- in Bosnia, Mega Elektrik began work to construct a new hydroelectric power plant;
- the programme for the improvement, modernisation and rationalisation of the secondary SOL plants in Europe continues. This activity pertains, in particular, to the units in Cremona, Catania, Pisa, Padua and Bologna in Italy, Saint-Étienne in France, Tilburg ed Emmen in the Netherlands and Bucarest in Romania;
- a number of on-site industrial and medical systems were built and launched in Italy as well as abroad, and means of transport, distribution and product sales have been enhanced with the purchase of cryogenic tanks, cryogenic liquid distribution reservoirs, cylinders, dewars and electrical medical devices, all to sustain the group's development in all sectors of activity and geographic areas. Investments in IT systems improvement continued, for both the technical gas and home-care sectors.

Major corporate transactions

The following transactions were carried out in 2016:

- in April 2016, SOL Spa acquired 80% of Mega Elektrik a.d., based in Laktasi (Bosnia and Herzegovina), operating in the production and sale of electricity;
- in July, the Vivisol Deutschland GmbH subsidiary acquired 70% of Intensivpflegedienst Kompass GmbH, based in Munich (Germany) and active in the home-care field;
- in September, the Airsol Srl subsidiary acquired 50.01% of Irish Oxygen Company Ltd, based in Cork (Ireland) and active in the production and sale of technical gases.

Research and development activities

Research activities, which have traditionally characterised, justified and supported the Group's development, continued during the year; these activities mainly comprise applied research, currently 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 12.31.2016, the Parent Company SOL Spa does not own treasury shares.
The other Companies of the Group did not hold shares of the parent company SOL Spa
During the 2016 reporting year, no SOL shares were purchased or sold either by the Parent Company itself or by other Group Companies.

Intragroup transactions and transactions with related parties

For what concerns transactions carried out with related parties, including intragroup transactions, they cannot be considered as atypical or unusual, being part of the normal activities of the Group companies. The said operations are regulated at market conditions, allowing for 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, are presented in our Consolidated Financial Statements as at December 31, 2016.

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 2016 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 works partially in sectors considerably regulated by economic cycles related to the trend of the industrial production, such as iron, metallurgical, engineering industry and glass manufacture. 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 recent 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's 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, setting the hearing to be held in 2017.
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, are involved in the proceedings.
In January 2017, group subsidiaries SOL Vivisol Srl and Vivisol Napoli Srl received fines in the amount of €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 Vivisol Srl and Vivisol Napoli Srl consider themselves to be completely exempt from the Authority's provisions, the decision was made to wait for the outcome of the appeal before setting up risk provision funds in the respective 2016 financial statements, considering that the risk is only theoretical.

• 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.
Operations are expected to continue to generate adequate financial resources while the use of new loans, despite the group's excellent financial position, will encounter increasing spreads and probably greater difficulties in obtaining long-term loans compared to 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 at international level in different currency areas and uses financial instruments that generate interest.

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 (if individually significant) 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 continuing difficult economic situation of Greece, a country where the Group has been operating for years, could lead to uncertainties, currently not quantifiable, regarding the possibility of collecting receivables from public hospitals in the country and the repayment of Greek Government bonds in our portfolio.

Liquidity risk

The liquidity risk may manifest with regards to the inability to raise the financial resources necessary for the anticipated investments and for the financing of the working capital under good economic conditions.
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 deriving from activities for investments, working capital management and debt repayments on their natural maturity dates.

Exchange rate risk

In relation to the 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 that do not belong to the European Monetary Union, in particular Switzerland, Bosnia, Croatia, Serbia, Albania, Macedonia, Bulgaria, Romania, United Kingdom, 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 performance of the exchange rates. As envisaged by the accounting standards adopted, the effects of these changes are booked directly to shareholders' equity, under the item "Other reserves".
Some Group companies purchase electric energy that is used for the primary production of technical gasses. The price of electricity is affected by the Euro/dollar rate of exchange and by the price trend of energy raw ma-

terials. The risk related to their fluctuations is mitigated by stipulating, as much as possible, fixed price purchase contracts or with a fluctuation measured on a not very short 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 debentures loans in force for a total of 79.5 million USD. To hedge the exchange rate risk, two Cross Currency Swaps were made in Euros of the total loan amount and duration (12 years). The fair value of the CCSs as at December 31, 2016 is positive and amounts to Euro 8,543 thousand.

Interest rate risk

The interest rate risk is handled by the Parent Company by means of the centralisation of the majority of the medium/long-term debt and an adequate division of the loans between fixed rate and floating rate favouring, when possible and convenient, medium/long-term debt with fixed rates, also by operating through specific Interest Rate Swap agreements.
Some Group companies stipulated some Interest Rate Swap agreements linked to two floating rate medium-term loans with the aim of ensuring itself a fixed rate on said loans. The notional value as at December 31, 2016 is equal to Euro 125,968 thousand and the negative fair value is equal to Euro 2,422 thousand.

Risks relevant to the personnel

In the different 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 employees - 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 and normally having a long experience in the sectors in which the Group operates. The replacement of any person in the management may require a long period of time.

Risks relevant to the environment

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

Management and coordination activities (ex Article 37, sub-paragraph 2, Market Regulation issued by Consob)

In the shareholding structure of SOL Spa a controlling shareholder is present, Gas and Technologies World BV (in turn controlled by Stichting Airvision, a foundation under Dutch law), that 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 2016 financial year and business outlook.

No significant events have occurred after the end of the year.
Concerning 2017, 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 2017

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

Consolidated financial statements and explanatory notes to the consolidated financial statements SOL Group

Consolidated income statement SOL Group

(in thousands of Euro)	Notes	12.31.2016	%	12.31.2015	%
Net sales	1	**703,369**	**100.0%**	674,216	100.0%
Other revenues and proceeds	2	6,189	0.9%	4,942	0.7%
Internal works and collections	3	11,339	1.6%	14,397	2.1%
Revenues		**720,897**	**102.5%**	693,555	102.9%
Purchase of materials		162,417	23.1%	167,211	24.8%
Services rendered		214,959	30.6%	208,540	30.9%
Change in inventories		(1,994)	-0.3%	(3,559)	-0.5%
Other costs		28,569	4.1%	30,824	4.6%
Total costs	4	**403,951**	**57.4%**	403,016	59.8%
Added value		**316,946**	**45.1%**	290,539	43.1%
Payroll and related costs	5	149,354	21.2%	142,130	21.1%
Gross operating margin		**167,592**	**23.8%**	148,409	22.0%
Depreciation/amortisation	6	81,758	11.6%	78,470	11.6%
Other provisions	6	4,920	0.7%	4,345	0.6%
Non-recurring (income) / expenses	6	44	0.0%	-	0.0%
Operating result		**80,871**	**11.5%**	65,594	9.7%
Financial income		2,789	0.4%	4,308	0.6%
Financial expense		(13,691)	-1.9%	(13,234)	-2.0%
Results from equity investments		(169)	0.0%	(610)	-0.1%
Total financial income / (expense)	7	**(11,072)**	**-1.6%**	(9,536)	-1.4%
Profit (Loss) before income taxes		**69,799**	**9.9%**	56,057	8.3%
Income taxes	8	24,075	3.4%	21,648	3.2%
Net result from business activities		**45,724**	**6.5%**	34,409	5.1%
Net result from intermittent activities		-	0.0%	-	0.0%
(Profit) / Loss pertaining to minority interests		(1,599)	-0.2%	(1,968)	-0.3%
Net Profit / (Loss)		**44,125**	**6.3%**	32,441	4.8%
Earnings per share		**0.486**		0.358	

Consolidated statement of comprehensive income SOL Group

(In thousands of Euro)	12.31.2016	12.31.2015
Profit/(Loss) for the year (A)	**45,724**	34,409
Components that will never be reclassified to the Income Statement		
Actuarial gains/(losses)	(1,119)	1,029
Tax effect	307	(282)
Total components that will never be reclassified to the Income Statement (B1)	**(812)**	747
Components that may be reclassified to the Income Statement		
Profits / (losses) on cash flow hedging instruments	745	10,172
Profits / (losses) deriving from conversion of financial statements of foreign companies	(2,538)	858
Tax effect related to other profits (losses)	(205)	(2,798)
Total components that may be reclassified to the Income Statement (B2)	**(1,998)**	8,232
Total other profits / (losses) net of the tax effect (B1) + (B2) = (B)	**(2,810)**	8,979
Overall result for the period (A+B)	**42,914**	43,389
Attributable to:		
- shareholders of the parent company	41,121	41,597
- minority interest	1,793	1,792

Consolidated statement of financial position SOL Group

(In thousands of Euro)	Notes	12.31.2016	12.31.2015*
Tangible fixed assets	9	451,214	433,651
Goodwill and consolidation differences	10	60,233	56,342
Other intangible fixed assets	11	13,347	11,635
Equity investments	12	10,808	10,552
Other financial assets	13	19,558	19,436
Prepaid taxes	14	7,714	6,107
Non-current assets		**562,874**	537,722
Non-current assets held for sale		**-**	-
Inventories	15	40,924	39,024
Trade receivables	16	247,934	242,822
Other current assets	17	36,477	33,530
Current financial assets	18	7,847	5,402
Cash and cash at bank	19	119,674	101,989
Current assets		**452,855**	422,766
TOTAL ASSETS		**1,015,730**	960,488
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		304,988	287,106
Retained earnings (accumulated loss)		1,974	2,473
Net Profit		44,125	32,441
Shareholders' equity-Group		**472,045**	442,979
Shareholders' equity - Minority interests		15,791	13,186
Profit pertaining to minority interests		1,599	1,968
Shareholders' equity - Minority interests		**17,390**	15,154
SHAREHOLDERS' EQUITY	20	**489,435**	458,132
Employee severance indemnities and other benefits	21	15,417	14,250
Deferred taxation	22	5,387	2,709
Provisions for risks and charges	23	828	956
Payables and other financial liabilities	24	334,354	301,691
Non-current liabilities		**355,986**	319,606
Non-current liabilities held for sale		**-**	-
Amounts due to banks		1,985	2,975
Trade accounts		91,428	88,960
Other financial liabilities		37,600	48,573
Tax payables		10,001	11,523
Other current liabilities		29,294	30,720
Current liabilities		**170,308**	182,750
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	25	**1,015,730**	**960,488**

* comparative figures as at December 31, 2015 were reclassified in order to improve presentation.

Consolidated cash flow statement SOL Group

(in thousands of Euro)	12.31.2016	12.31.2015
CASH FLOWS GENERATED BY OPERATING ACTIVITIES		
Profit for the year	**44,125**	32,441
Minority interests in profit/loss	**1,599**	1,968
Adjustments not affecting liquidity		
Depreciation/amortisation	81,758	78,470
Financial expense	9,318	10,357
Accrued employee severance indemnities and other benefits	1,604	1,515
Provisions/Use of provisions for risks and charges	2,459	(387)
Total	**140,863**	124,364
Changes in current assets and liabilities		
Inventories	(1,900)	(3,530)
Debtors	(9,006)	(17,191)
Prepayments and accrued income	149	(13)
Suppliers	2,235	3,851
Other payables	(4,063)	(4,417)
Interests paid	(9,324)	(10,258)
Accrued expenses and deferred income	530	1,154
Tax payables	(1,522)	(1,264)
Total	**(22,901)**	(31,668)
Cash flow generated by operating activities	**117,962**	92,696
CASH FLOWS GENERATED BY INVESTMENT ACTIVITIES		
Acquisition of tangible fixed assets	(98,381)	(84,724)
Revaluations and other changes in tangible fixed assets	3,441	(1,808)
Net book value of assets sold	1,747	998
Increases in intangible assets	(5,138)	(4,693)
(Increase) decrease in long-term investments	(98)	(10,827)
(Increase) decrease of shareholdings in non-consolidated subsidiary companies		
(Increase) decrease of shareholdings and business units	(3,230)	(22,240)
(Increase) decrease in current financial assets	(2,445)	(2,495)
Total	**(104,104)**	(125,789)
CASH FLOWS GENERATED BY FINANCING ACTIVITIES		
Repayment of loans	(52,537)	(59,809)
Raising of new loans	81,666	65,050
Repayment of bonds	(7,501)	(4,794)
Undertaking bonds	-	40,000
Raising (repayment) of shareholders' loans	-	-
Dividends paid	(12,394)	(10,903)
Employee severance indemnities and benefits paid	(437)	(2,462)
Other changes in shareholders' equity		
- translation differences and other changes	(4,174)	11,962
- changes in shareholders' equity - minority interests	194	(71)
Total	**4,817**	38,973
INCREASE (DECREASE) IN CASH IN HAND AND AT BANK	**18,675**	5,880
CASH IN HAND AND AT BANK AT BEGINNING OF YEAR	**99,014**	93,134
CASH IN HAND AND AT BANK AT END OF YEAR	**117,689**	99,014

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 shareholders' equity	Total shareholders' equity
Balance as at 01.01.2015	47,164	63,335	10,459	258,415	29,181	408,554	13,315	**421,869**
Allocation of 2014 profit	-	-	-	19,204	(19,204)	-	-	-
Dividend distribution	-	-	-	-	(9,977)	(9,977)	(926)	(10,903)
Other consolidation changes	-	-	-	2,805	-	2,805	973	3,778
Profit (loss) for the financial year	-	-	-	9,156	32,441	41,597	1,792	43,389
Balance as at 12.31.2015	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)	1,993	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**

Explanatory notes

The 2016 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.

Comparability

For the purposes of improved presentation, compared to the consolidated financial statements as at December 31, 2015, the consolidated statement of financial position no longer shows the “Prepayments and accrued income” and “Accrued expenses and deferred income” rows, which were merged into the “Other current assets” and “Other current liabilities” rows, respectively.
The figures for the comparative period were restated in line with the figures as at December 31, 2016 in accordance with IAS 1.

Group composition and scope of consolidation

The consolidated financial statements comprise the financial statements as at December 31, 2016 of the Parent Company SOL Spa and of the following companies, which are, pursuant to Article 38.2 of Italian Legislative Decree No. 127/91, as amended by the provisions of Italian legislative decree no. 139 of August 18, 2015, “Implementation of directive 2013/34/EU concerning 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 section concerning regulations of financial statements and consolidated financial statements”.

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

Company Name and Registered Office	Notes		Share Capital	Ownership percentage Direct	Indirect	Total
AIRSOL Srl - Monza		EUR	7,750,000	100.00%		100.00%
App4Health Srl - Monza		EUR	500,000		100.00%	100.00%
BTG Bvba - Lessines		EUR	5,508,625		100.00%	100.00%
BEHRINGER Srl - Genoa		EUR	102,000	2.00%	49.00%	51.00%
BiotechSol Srl - Monza		EUR	110,000	51.00%	49.00%	100.00%
CTS Srl - Monza		EUR	156,000	100.00%		100.00%
Cryolab Srl - Rome		EUR	509,021	85.00%		85.00%
DIATHEVA Srl - Fano		EUR	31,566	51.00%		51.00%
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%
GTH GAZE INDUSTRIALE SA - Bucarest		RON	10,558,211	99.99%		99.99%
HYDROENERGY Shpk - Tirana		ALL	228,928,950	75.00%		75.00%
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 - Cork		EUR	697,802		50.01%	50.01%
KISIKANA doo - Sisak		HRK	30,771,300		62.79%	62.79%
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	2,005,834	80.00%		80.00%
Pielmeier Medizintechnik GmbH - Oberhaching		EUR	25,000		100.00%	100.00%
R.L. Dolby (Services) Limited - Stirling		GBP	3		100.00%	100.00%
SOL Bulgaria EAD - Sofia		BGN	10,850,690	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 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	4,141,000		100.00%	100.00%
SOL Welding Srl - Costabissara		EUR	100,000	100.00%		100.00%
SOL-INA doo - Sisak		HRK	58,766,000	62.79%		62.79%
SOL-K ShpK - Pristina	1	EUR	3,510,000	99.72%	0.28%	100.00%
SONOCARE Lda - Condeixa-a-Nova		EUR	100,000		100.00%	100.00%
SPG - SOL Plin Gorenjska doo - Jesenice		EUR	8,220,664	54.85%	45.15%	100.00%
TGP AD securities - Petrovo		BAM	1,177,999	60.96%	19.87%	80.83%
TGT AD securities - Trn		BAM	970,081	75.18%		75.18%
TPJ doo - Jesenice		EUR	2,643,487	64.11%	35.89%	100.00%
Tesi Srl Tecnologia & Sicurezza - Milan		EUR	14,489	65.00%		65.00%
TGS AD - Skopje		MKD	413,001,942	99.81%		99.81%
UTP doo - Pula		HRK	15,843,800		61.53%	61.53%
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	1,350,000		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 Silarus Srl - Battipaglia		EUR	18,200		56.70%	56.70%
VIVISOL Srl - Monza		EUR	2,600,000	51.00%	49.00%	100.00%
VIVISOL TK AS - Istanbul		TRY	2,000,000		80.00%	80.00%

1) The Group's share as at December 31, 2016 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	409,366,700	60.99%

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 SI - Barcellona	EUR	12,020.24	100.00%
ZDS JESENICE doo - Jesenice	EUR	10,000	75.00%

BT GASES Ltd, FLOSIT PHARMA SA and GTE SI were not consolidated in that inactive and not relevant for the purposes of giving a true and fair view of the financial position, the results of the operations and of the cash flows of the Group.

The company ZDS Jesenice doo was not consolidates since it is administrated 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, 2016 and December 31, 2015 underwent the following changes:

- by means of the inclusion of App4Health Srl, acquired in January 2016,
- by means of the inclusion of MEL ad, acquired in April 2016,
- by means of the inclusion of Pielmeier Medizintechnik GmbH, acquired in July 2016,
- by means of the inclusion of the Irish Oxygen Company Limited, acquired in September 2016,
- increase in shareholdings in IL POINT Srl (from 65% to 81%),
- decrease in shareholdings in Vivicare GmbH (from 100% to 70%).

Accounting and consolidation standards

General standards

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 profit & loss account, respectively. Dormant subsidiaries are not included in the consolidated financial statements.

Jointly controlled companies

These are companies in which the Group exercises or joint control as defined by IFRS 11 - Joint Agreement. 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 inter company transactions, are eliminated during the preparation of the consolidated financial statements. Any unrealised gains or losses generated on transactions with associated companies are eliminated in relation to the value of the Group's shareholding in said companies.

Foreign currency transactions

Transactions in foreign currencies are recorded at the exchange rate in force as of the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the exchange rate in force as of the balance sheet 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 as of the balance sheet 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 rates of exchange used for converting the financial statements not expressed in Euro are indicated in the table below:

Currency		Rate of exchange on 12.31.2016		Rate of exchange for 2016		Rate of exchange on 12.31.2015		Rate of exchange for 2015
Macedonian Dinar	Euro	0.01619	Euro	0.01624	Euro	0.01627	Euro	0.01625
Serbian Dinar	Euro	0.00810	Euro	0.00812	Euro	0.00823	Euro	0.00829
Moroccan dirham	Euro	0.09384	Euro	0.09217	Euro	0.09269	Euro	0.09247
Hungarian Forint	Euro	0.00323	Euro	0.00321	Euro	0.00316	Euro	0.00323
Croatian Kuna	Euro	0.13228	Euro	0.13274	Euro	0.13092	Euro	0.13134
Albanian Lek	Euro	0.00737	Euro	0.00728	Euro	0.00730	Euro	0.00716
Bulgarian Lev	Euro	0.51130	Euro	0.51130	Euro	0.51130	Euro	0.51130
Turkish lira	Euro	0.26975	Euro	0.29911	Euro	0.31481	Euro	0.33053
Convertible Mark	Euro	0.51130	Euro	0.51130	Euro	0.51130	Euro	0.51130
New Romanian Leu	Euro	0.22031	Euro	0.22270	Euro	0.22104	Euro	0.22495
Brazilian Real	Euro	0.29150	Euro	0.25933	Euro	0.23193	Euro	0.27024
Indian Rupee	Euro	0.01397	Euro	0.01345	Euro	0.01388	Euro	0.01405
British pound	Euro	1.16798	Euro	1.22028	Euro	1.36249	Euro	1.37770

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 revalued at fair value at the date of acquisition of control and any ensuing gain or loss is recognised in the income statement. Any value arising from the equity investment previously held and recorded in Other profits (losses) are reclassified in the income statement as if the equity investment had been transferred.
The business combinations that occurred before January 1, 2010 were recognised according to the previous version of IFRS 3.

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 as of the balance sheet date.
In general, the use of estimates is particularly important for depreciation/amortisation, measurement of derivative instruments, calculation of risk provisions and write-down provisions, as well as impairment test.
The SOL Group does not carry on activities characterised by significant seasonal or cyclical changes in total sales for the year.

Accounting principles

Tangible fixed assets

Cost

Real estate property, plant and machinery are stated at purchase or production cost, inclusive of any related charges. For assets that justify capitalisation, the cost also includes the financial expenses which are directly attributable to the acquisition, construction or production of said assets.
The costs incurred subsequent to purchase are capitalised only if they increase the future economic benefits inherent to the assets to which they refer.
All the other costs are recorded in the income statement when incurred.
Assets held under financial leasing agreements, via which all the risks and benefits associated with the ownership are essentially transferred to the Group, are recorded as Group assets at their current value or, if lower, at the net current value of minimum lease payments due. The corresponding liability owed to the lessor is recorded in the financial statements under financial payables. The assets are depreciated by applying the following method and rates.
The recoverability of their value is ascertained in accordance with the approach envisaged by IAS 36 illustrated in the following paragraph “Losses in value on 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 which exists on said land are separated and just the building is depreciated.

Depreciation

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

Lands	-	
Buildings	2%	- 10 %
Plants and machinery	7.5%	- 20 %
Manufacturing 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 profit & loss account at the time of acquisition.
Goodwill is not amortized, but is subject annually (or more frequently if specific events or changed circumstances indicate the possibility of having suffered a loss in value) 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 - Reduction of the value of the assets. After initial recognition, goodwill is valued at cost, net of any accumulated losses in value.
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 - Aggregations of companies, 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 losses in value as of that date.

Other intangible fixed assets

The other intangible assets acquired 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 amortized on a straight-line basis over their estimated useful lives, if the same have a definite useful life. Intangible fixed assets with an undefined useful life are not amortised, but are subject annually (or more frequently if there is indication that the asset may have suffered a loss in value) 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.

Loss in value of assets

IAS 36 requires the valuation of losses in value ("impairment test") to tangible and intangible and fixed assets where indicators that such problem may persist are present. In the case of other intangible assets having an undefined useful life or assets which cannot be used (semi-finished), such valuation shall be performed at least one per year.
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 a loss in value. If such indication occurs, it is necessary to estimate the recoverable value of the assets in order to establish the entity of the possible loss in value. An intangible fixed asset with an undefined useful life is subject to assessment of any reduction in value each year, or more frequently, if there is indication that the asset may have suffered a loss in value.
When it is not possible to estimate the recoverable value of an individual asset, the Group estimates the recoverable value of the unit generating the financial flows to which the asset belongs.
The recorded recoverable value is checked by comparing the book value in the financial statement against the greater amount between the net sales prices, should an active market exist, and the asset's value in use.

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 - Equity investments in associated companies, 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 valuation.
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 registration in the financial statements, are measured at acquisition cost, including any costs related to the transaction.
Subsequent to initial registration, 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 gauged 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 as of the balance sheet date.
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 depreciated 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 a reduction in value. If objective evidence exists, the loss in value 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 valuations at fair value of the hedged instrument are recorded in the income statement
- cash flow hedge: the effective portion of the profits or losses deriving from valuations at fair value of the hedged instrument are recorded in the income statement.

Inventories

Inventories of raw materials, semi-finished and finished products are valued at the lower 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 which 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 remeasurement 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 variations are reflected in the income statement in the period when the variation 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 au-

thority and when there is a legal right to offset. Deferred tax assets and liabilities are determined using the tax rates which are expected to be applicable, within the respective legal systems of the countries where the Group operates, during the accounting period when the timing differences will be realized or cancelled.
Pursuant to Italian Delegated Act no. 80 of April 7, 2003, as amended, from the current financial year, Parent Company SOL Spa shall fulfil the role of consolidating company; in addition to SOL Spa, the scope of consolidation shall also include 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 as of the balance sheet date. 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, 2016

The Group applied the following accounting standards, amendments and IFRS interpretations for the first time from January 1, 2016:

- Amendments to IAS 19 *"Defined Benefit Plans: Employee Contributions"* (published on November 21, 2013) concern the recognition in financial statements of contributions made by employees or third parties to defined benefit plans.
- Amendments to IFRS 11 *"Accounting for acquisitions of interests in joint operations"* (published on May 6, 2014) concern the accounting for acquisitions of interests in a joint operation whose activity constitutes a business.
- Amendments to IAS 16 and IAS 38 *"Clarification of acceptable methods of depreciation and amortisation"* (published on May 12, 2014), according to which a method of depreciation based on revenues is considered generally inappropriate, in that revenues generated by an asset that includes the use of the asset to be depreciated generally reflect factors other than just consumption of the economic benefits of the asset, a requirement which is instead required for depreciation.

- Amendment to IAS 1 *"Disclosure Initiative"* (published on December 18, 2014): the objective of the amendments is to provide clarification on disclosure elements that may be perceived as impediments to a clear and intelligible preparation of the financial statements.
- Amendment to IAS 27 *Equity Method in Separate Financial Statements* (published on August 12, 2014): introduces the option to use the equity method for separate financial statements to valuate shares held in subsidiary companies, jointly controlled companies and associated companies.
- Amendments to IFRS 10, 12 and 28 *"Investment Entities: Applying the Consolidation Exception"* (published on December 18, 2014), containing amendments concerning the issues having arisen following the application of the consolidation exception conceded to investment entities.

Finally, as part of the annual process of improvement of the standards, on December 12, 2013 the IASB published the document *"Annual Improvements to IFRSs: 2010-2012 Cycle"* (including IFRS 2 Share Based Payments - Definition of vesting condition, IFRS 3 Business Combination - Accounting for contingent consideration, IFRS 8 Operating segments - Aggregation of operating segments and Reconciliation of total of the reportable segments' assets to the entity's assets, IFRS 13 Fair Value Measurement - Short-term receivables and payables) and on September 25, 2014 the document *"Annual Improvements to IFRSs: 2012-2014 Cycle"* (including: IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations, IFRS 7 - Financial Instruments: Disclosure and IAS 19 - Employee Benefits) which partially integrate the existing standards.

Accounting principles, amendments and IFRS and IFRIC interpretations approved by the European Union that are not yet obligatory and that the company has not applied in advance as of December 31, 2016

- 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. In contrast, Amendments to IFRS 15, Clarifications to IFRS 15 - Revenue from Contracts with Customers, published by the IASB on April 12, 2016, have not yet been approved by the European Union.

- 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.
  - 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;

- 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.

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.

- IFRS 14 - *Regulatory Deferral Accounts* (published on January 30, 2014), which only allows those adopting IFRS principles for the first time to continue to report amounts concerning Rate Regulation Activities according to the previously adopted accounting standards. As the Company/Group is not a first-time adopter, this standard is not applicable.
- 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 discriminants: 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.
- 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 amendments apply beginning on January 1, 2017 but early application is permitted.
- Amendment to IAS 7 *"Disclosure Initiative"* (published 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. Amendments apply beginning on January 1, 2017 but early application is permitted. Presenting comparative information relating to prior years is not required.
- 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.
- The *"Annual Improvements to IFRSs: 2014-2016 Cycle"*, document, 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 In-

terests in Other Entities - Clarification of the scope of the Standard), which partially incorporate the pre-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.
- 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 12.31.2016	703,369
Balance as at 12.31.2015	674,216
Change	**29,153**

The breakdown of revenues by type of business is detailed below:

Description	12.31.2016	12.31.2015	Change
Technical gases	344,232	335,121	9,111
Home-care	359,138	339,095	20,043
Total	**703,369**	674,216	29,153

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, 2016 amounted to €703.4 million (up by 4.3 % compared to the previous year, at €674.2 million).
In particular, during the first half of 2016, the home-care business showed a 5.9 % growth compared to the same period of the previous year.

The technical gases sector experienced a 2.7 % increase in revenues over December 31, 2015.

2. Other revenues and proceeds

Balance as at 12.31.2016	6,189
Balance as at 12.31.2015	4,942
Change	**1,247**

The breakdown for the item “Other revenues and income” is as follows:

Description	12.31.2016	12.31.2015	Change
Capital gains on disposal	990	519	471
Extraordinary income	4,627	3,537	1,090
Grants received	298	114	184
Real estate rentals	134	51	83
Royalties income	92	3	89
Other	49	719	(670)
Total	**6,189**	4,942	1,247

3. Internal works and collections

Balance as at 12.31.2016	11,339
Balance as at 12.31.2015	14,397
Change	**(3,058)**

The breakdown for the item "Internal works and collections" is as follows:

Description	12.31.2016	12.31.2015	Change
Transfers to assets	10,655	13,893	(3,238)
Time work	684	504	180
Total	**11,339**	14,397	(3,058)

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 12.31.2016	403,951
Balance as at 12.31.2015	403,016
Change	**935**

The breakdown of the above item is as follows:

Description	12.31.2016	12.31.2015	Change
Purchase of materials	162,417	167,211	(4,794)
Services rendered	214,959	208,540	6,419
Change in inventories	(1,994)	(3,559)	1,565
Other costs	28,569	30,824	(2,255)
Total	**403,951**	403,016	935

The item "Purchase of materials" includes purchases of gas and materials, electric energy, water, diesel oil and methane for production.
The item "Services rendered" includes costs of transports, maintenance, third-party services, consultancies 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 12.31.2016	149,354
Balance as at 12.31.2015	142,130
Change	**7,224**

The breakdown of the above item is as follows:

Description	12.31.2015	12.31.2014	Change
Wages and salaries	114,528	108,710	5,818
Social security contributions	33,222	31,904	1,317
Employee severance indemnities	1,604	1,515	89
Pension liabilities	-	-	-
Total	**149,354**	142,130	7,224

The composition of the workforce is analysed below by category:

Description	12.31.2016	12.31.2015	Change
Managers	48	45	3
Clerks	2,110	2,010	100
Factory workers	969	946	23
Total	**3,127**	3,001	126

6. Depreciations, provisions and non recurring expenses

Balance as at 12.31.2016	86,722
Balance as at 12.31.2015	82,815
Change	**3,907**

The breakdown of the above item is as follows:

Description	12.31.2016	12.31.2015	Change
Depreciation/amortisation	81,758	78,470	3,288
Provisions	4,920	4,345	575
Non-recurring (income) / expenses	44	-	44
Total	**86,722**	82,815	3,907

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	12.31.2016	12.31.2015	Change
Land	-	-	-
Buildings	3,145	2,936	209
Plant and machinery	14,702	14,081	621
Industrial and commercial equipment	57,216	54,460	2,756
Other Assets	3,293	3,369	(76)
Assets under construction and advances	-	-	-
Total	**78,356**	74,846	3,510

The increase in depreciation is linked to investments made during the period, amounting to Euro 98.4 million.

Amortisation of intangible fixed assets

Description	12.31.2016	12.31.2015	Change
Costs of research, development and advertising	116	132	(16)
Patents and rights to use patents of others	686	1,666	(980)
Concessions, licences and trademarks	2,565	1,792	773
Other	35	34	1
Total	**3,402**	3,624	(222)

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

Description	12.31.2016	12.31.2015	Change
Provisions for bad debts	4,338	3,895	443
Provisions for risks	338	96	241
Other provisions	244	354	(109)
Total	**4,920**	4,345	575

Non-recurring (income) / expenses

Description	12.31.2016	12.31.2015	Change
Non-recurring income	-	-	-
Non-recurring expenses	44	-	44
Total	**44**	-	44

The non-recurrent charges refer to start-up costs concerning VIVISOL Srl's acquisition of a further 16 % controlling interest in the IL POINT Srl subsidiary.

7. Financial income / (expenses)

Balance as at 12.31.2016	(11,072)
Balance as at 12.31.2015	(9,536)
Change	**(1,535)**

The breakdown of the above item is as follows:

Description	12.31.2016	12.31.2015	Change
Financial income	2,789	4,308	(1,519)
Financial expense	(13,691)	(13,234)	(457)
Results from equity investments	(169)	(610)	441
Total	**(11,072)**	(9,536)	(1,535)

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

Description	12.31.2016	12.31.2015	Change
Income from equity investments in other companies	55	-	55
Income from long-term receivables	435	196	239
Interest on investment securities	25	27	(2)
Interests on securities not held as fixed assets	123	5	118
Interest on banks and post offices deposits	176	425	(249)
Interest receivable from trade	351	638	(287)
Exchange rate gains	960	2,164	(1,204)
Other financial income	664	853	(189)
Total	**2,789**	4,308	(1,519)

The "Other financial income" item includes the positive change in mark to market derivatives to hedge the fair value of the hedged item (Fair Value Hedge - FVH), equal to €416,000.
For further information on derivatives, see paragraph "Payables and other financial liabilities".

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

Description	12.31.2016	12.31.2015	Change
Interest payable to banks	(58)	(85)	27
Supplier interest	(2)	(0)	(2)
Interest payable on loans	(5,779)	(6,764)	986
Interest on debenture loans	(3,478)	(3,593)	114
Exchange losses	(3,057)	(1,740)	(1,317)
Total financial expense	(1,317)	(1,052)	(265)
Total	**(13,691)**	(13,234)	(457)

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

Description	12.31.2016	12.31.2015	Change
Revaluations of equity investments	176	-	176
Write-downs of equity investments	(345)	(610)	266
Total	**(169)**	(610)	441

The item “Revaluations of investments” refers to the valuation at equity of the jointly controlled company CT Biocarbonic GmbH.
The “Write-downs of investments” item refers to the valuation at equity of the jointly controlled company SICGILSOL India Private Limited (€246,000) and the associate CONSORGAS Srl (€99,000).

8. Income taxes

Balance as at 12.31.2016	24,075
Balance as at 12.31.2015	21,648
Change	**2,427**

The breakdown of the above item is as follows:

Description	12.31.2016	12.31.2015	Change
Income taxes	23,883	21,889	1,995
Deferred taxes	741	(99)	841
Prepaid taxes	(550)	(141)	(409)
Total	**24,075**	21,648	2,427

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	12.31.2016	12.31.2015
Theoretical taxation	**19,195**	15,416
Tax effect permanent differences	12,467	11,490
Tax effect deriving from foreign tax rates other than Italian theoretical tax rates	(10,038)	(7,236)
Other differences	-	-
Taxes on income recorded in the financial statements, excluding IRAP (current and deferred)	**21,624**	19,670
Regional Production Tax (IRAP)	**2,451**	1,978
Taxes recorded on income recorded in the financial statements (current and deferred)	**24,075**	21,648

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 (company earnings’ tax) tax rate.

Balance sheet

9. Tangible fixed assets

Balance as at 12.31.2016	451,214
Balance as at 12.31.2015	433,651
Change	**17,563**

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 trade equipment	Other assets	Assets under construction and advance payments	Total
Balance as at 01.01.2015	17,300	102,214	371,006	691,711	47,497	30,474	1,260,202
Increases	1,283	3,942	28,129	57,759	2,904	18,789	112,806
Revaluations	-	-	-	-	-	-	-
Write-downs	-	-	-	(347)	-	-	(347)
Other changes	458	(10,808)	(128,328)	5,009	(2,614)	(28,117)	(164,401)
Exchange differences	0	28	356	1,608	181	18	2,191
(Disposals)	-	(50)	(394)	(16,079)	(1,550)	-	(18,073)
Balance as at 12.31.2015	**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**

Accumulated depreciation	Land	Buildings	Plant and machinery	Industrial and trade equipment	Other goods	Assets under construction and advance payments	Total
Balance as at 01.01.2015	2,604	58,885	269,464	473,269	38,254	-	842,476
Depreciation	-	2,936	14,081	54,460	3,369	-	74,846
Revaluations	-	-	-	-	-	-	-
Write-downs	-	-	-	-	-	-	-
Other changes	-	(11,303)	(128,939)	920	(2,816)	-	(142,138)
Exchange differences	-	11	35	479	94	-	618
(Disposals)	-	(12)	(287)	(15,295)	(1,482)	-	(17,075)
Balance as at 12.31.2015	**2,604**	**50,517**	**154,355**	**513,834**	**37,419**	**-**	**758,728**
Depreciation	-	3,145	14,702	57,216	3,293	-	78,356
Revaluations	-	-	-	-	-	-	-
Write-downs	-	-	-	-	-	-	-
Other changes	-	(270)	842	1,809	(535)	-	1,845
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**

Net value	Land	Buildings	Plant and machinery	Industrial and trade equipment	Other goods	Assets under construction and advance payments	Total
Balance as at 01.01.2015	14,696	43,329	101,543	218,441	9,243	30,474	417,726
Increases	1,283	3,942	28,129	57,759	2,904	18,789	112,806
(Depreciation and write-downs)	-	(2,936)	(14,081)	(54,460)	(3,369)	-	(74,846)
Other changes	458	495	611	3,742	202	(28,117)	(22,610)
Exchange differences	0	17	321	1,129	87	18	1,573
(Disposals)	-	(38)	(107)	(784)	(68)	-	(998)
Balance as at 12.31.2015	**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)	-	(78,356)
Other changes	329	335	1,444	55	403	(19,545)	(16,978)
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**

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

- Investments made during the financial year under the “Lands” item are mainly investments made by the parent company (€2,351).
- Investments made during the financial year under the “Buildings” item are mainly investments made by the parent company (€3,234 thousand) and by DIATHEVA Srl (€258,000), VIVISOL Deutschland GmbH (€895,000 thousand), SOL TG (€405,000), and Energetika ZJ doo subsidiaries. (Euro 311 thousand).
- Acquisitions made during the financial year concerning the “Plant and machinery” item are mainly due to the purchase of plants at the Parent Company’s factories (€15,026 thousand), and by SOL Gas Primari Srl (€498,000), TGS AD (Euro 1,037 thousand), SPG - SOL Plin Gorenjska doo (€496,000), BTG Bvba (€446,000) subsidiaries, and, to a lesser extent, to other investments carried out by all other group companies.
- The “Industrial and commercial equipment” item comprises the values of commercial equipment (supplying devices, cylinders, base units, concentrators and medical appliances) as well as other small and sundry equipment. The increase recorded for the financial year was due to investments in commercial equipment in the form of cylinders, dispensing devices and tanks, made by companies in the technical gases sector in the amount of €26,379 thousand (including €9,054 by the parent company) and to investments made by companies operating in the home-care sector in the amount of €39,444 thousand (including €14,056 thousand by VIVISOL Srl) for base units and other medical appliances.
- The “Other assets” item includes motor vehicles and motor cars, electric office equipment, furniture and fixtures, as well as EDP systems. The increase recorded for the financial year relates to investments made in motor vehicles, laboratory equipment, hardware, furniture and fixtures, including €1,491 thousand made by the parent company and the VIVISOL Iberica SLU subsidiary (€553,000), VIVISOL Nederland B.V. (€437,000), and, to a lesser extent, to other investments made by all other group companies.
- The “Assets under construction” item mainly refers to amounts relating to on-going investments made by the parent company (€7,419 thousand) and by GTH Gaze Industriale SA (€3,444 thousand), DHIATEVA Srl (€2,236 thousand), SOL Bulgaria EAD (€1,184 thousand), SOL Gas Primari Srl (€1,791 thousand), SOL TG GmbH (€865,000), MEL ad (€751,000) and KISIKANA doo subsidiaries. (Euro 511 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, 2016, mortgages amounted to Euro 60,200 thousand.
As at December 31, 2016, liens amounted to Euro 55,000 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 trade equipment	Other goods	Fixed assets in the process of being created and down-payments	Total
Balance as at 01.01.2015	-	2,645	10,371	19,047	18	-	32,081
Increases	-	-	155	-	-	-	155
Revaluations	-	-	-	-	-	-	-
Write-downs	-	-	-	-	-	-	-
Other changes	-	-	475	-	-	-	475
Exchange differences	-	-	-	-	-	-	-
(Disposals)	-	-	-	-	-	-	-
Balance as at 12.31.2015	**-**	**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**

Provisions for depreciation	Land	Buildings	Plant and machinery	Industrial and trade equipment	Other goods	Fixed assets in the process of being created and down-payments	Total
Balance as at 01.01.2015	-	2,016	9,761	17,829	18	-	29,624
Depreciation	-	43	495	157	-	-	695
Revaluations	-	-	-	-	-	-	-
Write-downs	-	-	-	-	-	-	-
Other changes	-	-	162	-	-	-	162
Exchange differences	-	-	-	-	-	-	-
(Disposals)	-	-	-	-	-	-	-
Balance as at 12.31.2015	**-**	**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 12.31.016	**-**	**2,101**	**10,559**	**18,313**	**18**	**-**	**30,991**

Net value	Land	Buildings	Plant and machinery	Industrial and trade equipment	Other goods	Fixed assets in the process of being created and down-payments	Total
Balance as at 01.01.2015	-	629	610	1,218	-	-	2,457
Increases	-	-	155	-	-	-	155
(Depreciation and write-downs)	-	(43)	(495)	(157)	-	-	(695)
Other changes	-	-	313	-	-	-	313
Exchange differences	-	-	-	-	-	-	-
(Disposals)	-	-	-	-	-	-	-
Balance as at 12.31.2015	**-**	**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**

10. Goodwill and consolidation differences

Balance as at 12.31.2016	60,233
Balance as at 12.31.2015	56,342
Change	**3,891**

The breakdown of the above item is as follows:

	Goodwill	Consolidation difference	Total
Balance as at 01.01.2015	10,008	29,344	39,351
Increases	-	16,797	16,797
Revaluations (Write-downs)	-	-	-
Other changes	-	-	-
Exchange differences	194	-	194
(Amortisation)	-	-	-
Balance as at 12.31.2015	**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**

The increase for the financial year under the “Consolidation differences” item is due to the acquisition of MEL ad, DIATHEVA Srl, Pielmeier Medizintechnik GmbH, Kompass GmbH and Irish Oxygen Company Limited.

The increase during the financial year under the “Consolidation differences” item concerns the purchase of MEL ad Kompass GmbH and Irish Oxygen Company Limited, and the increase in the value of equity investments in DIATHEVA Srl and Pielmeier Medizintechnik GmbH as a result of price adjustments required by the purchase contract and not quantifiable previously.

In April 2016, the Parent Company SOL Spa purchased 80% of the shares of MEL ad, Bosnian company producing and marketing electricity. If the acquisition had occurred on January 1, 2016, the group's revenues and the profit would have been €130,000 more and €46,000 more, respectively, for the 12-month period ending December 31, 2016.

In July 2016, the VIVISOL Deutschland GmbH subsidiary acquired a 70% stake in Kompass GmbH, a company governed by German law active in the home-care sector. If the acquisition had occurred on January 1, 2016, the group's revenues and the profit would have been €1,725 thousand more and €240,000 more, respectively, for the 12-month period ending December 31, 2016.

In September 2016, the AIRSOL Srl subsidiary purchased 50.01% of the shares of the Irish Oxygen Company Limited, a company governed by Irish law operating in the production and sale of technical and industrial gas sector. If the acquisition had occurred on January 1, 2016, the group's revenues and the profit would have been €1,192 thousand more and €725,000 more, respectively, for the 12-month period ending December 31, 2016.

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	2,725		2,725
Intangible fixed assets	0		0
Financial investments	25		25
Inventories	-		-
Trade and other receivables	741		741
Prepayments and accrued income	68		68
Cash and cash at bank	3,105		3,105
Minority interests	(1,953)		(1,953)
Suppliers	(234)		(234)
Other payables	(2,061)		(2,061)
Risk provisions	(92)		(92)
Employee severance indemnities	-		-
Accrued expenses and deferred income	(115)		(115)
Identifiable net assets and liabilities	**2,210**	**-**	**2,210**
Goodwill deriving from acquisition	3,869		
Amount paid	(6,079)		
Acquired available funds	3,105		
Net outlay of cash and cash equivalents	**(2,974)**		

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 a loss in value, at Cash Generating Unit level to which the Company's management charges said goodwill, in accordance with the matters anticipated by IAS 36 - Reduction of the value of the assets".

Impairment test

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

The "Other" item includes non-significant goodwill and consolidation differences singularly.

IAS 36 states that, at the end of every financial year, a company should assess for indications of losses in value concerning any other activity.

The recorded recoverable value is checked by comparing the book value in the financial statement against the greater amount between the fair value (e.g. using market multiples, as inferred from comparable transactions) and the asset's value in use.
The methodology used to identify the recoverable value (value in use) consists of discounting future cash flows generated by activities directly attributed to the entity to which the goodwill (CGU) is allocated, as well as the value expected from its divestment or transfer upon the end of its useful life. Value in use is calculated as the sum of the current value of expected future cash flows based on the forecasts issued for every CGU and approved by the general members.
The business plans cover a timeframe of five years, or, in some cases, given the type of business which anticipates investments with returns in the medium term, seven or ten years, and were created on the basis of the 2017 budget. The growth rates considered in the plan's timeframe were calculated based on experience in the relative sectors.
The rate used to discount cash flows was calculated using the Weighted Average Cost Of Capital (WACC). For the financial year ending on December 31, 2016, 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.
To ensure that changes to the main hypotheses would not significantly influence the results of the impairment tests, several sensitivity analyses were performed. The outcomes of these simulations reasonably supported the valuation obtained.
None of the impairment tests performed as of December 31, 2016 identified any loss in value. However, as value in use is determined based on estimates, the group cannot guarantee that the value of goodwill or other intangible fixed assets will not be subject to losses in value.

11. Other intangible fixed assets

Balance as at 12.31.2016	13,347
Balance as at 12.31.2015	11,635
Change	**1,712**

The breakdown of the above item is as follows:

	Costs for research, development and advertising	Industrial patent rights and use of intellectual property	Concessions, licenses, trademarks and similar rights	Other	Assets in progress and advance payments	Total
Balance as at 01.01.2015	1,105	3,356	5,305	186	766	10,719
Increases	301	114	2,960	143	2,268	5,786
Revaluations / (Write-downs)	-	-	-	-	-	-
Other changes	(363)	35	(2)	(215)	(701)	(1,246)
Exchange differences	-	(0)	(0)	-	(0)	(0)
(Amortisation)	(132)	(1,666)	(1,792)	(34)	-	(3,624)
Balance as at 12.31.2015	**912**	**1,839**	**6,472**	**80**	**2,333**	**11,634**
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)	-	(3,402)
Balance as at 12.31.2016	**1,023**	**1,603**	**9,386**	**221**	**1,114**	**13,347**

12. Equity investments

Balance as at 12.31.2016	10,808
Balance as at 12.31.2015	10,552
Change	**256**

The breakdown of the above item is as follows:

Description	12.31.2016	12.31.2015
GTE Sl	19	17
FLOSIT PHARMA SA	469	-
ZDS JESENICE doo	8	8
Non-consolidated subsidiary companies	**496**	25
CT Biocarbonic GmbH	4,500	4,325
SICGILSOL INDIA PRIVATE LIMITED	5,675	5,913
Jointly controlled companies	**10,175**	10,238
Consorgas Srl	58	157
Associated companies	**58**	157
Other equity investments	80	133
Other companies	**80**	133
Total	**10,808**	10,552

Except for the €476,000 recorded under the non-consolidated subsidiary companies (in the portfolio of SPG - SOL Plin Gorenjska doo for €8,000, SOL France Sas for €46,000 and FLOSIT SA for €422,000), and for €61,000 recorded under other minority equity investments (concerning investments in local companies made by TGS AD for €45,000, by TPJ doo for €2,000, by ICOA Srl for €8,000, by SOL Gas Primari Srl for €5,000, and by VIVISOL Silarus Srl for €1,000), 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	SICGILSOL India Private Limited
Total assets	8,940	17,302
Total liabilities	5,049	8,413
Revenues	3,210	3,422
Operating result	351	(385)

13. Other financial assets

Balance as at 12.31.2016	19,558
Balance as at 12.31.2015	19,436
Change	**122**

The breakdown of the above item is as follows:

Description	12.31.2016	12.31.2015	Change
Amounts receivable from third parties	18,950	18,885	65
Securities	607	551	57
Total	**19,558**	19,436	122

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

Description	12.31.2016	12.31.2015	Change
Guarantee deposits	2,544	2,717	(173)
Tax credit on Employee Severance Indemnity	2	8	(7)
Derivatives	6,982	6,576	406
Amounts due from the tax authorities	1,843	1,803	40
Other receivables	7,580	7,780	(200)
Total	**18,950**	18,885	65

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

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

Description	12.31.2016	12.31.2015	Change
SOL TG GmbH	6	6	0
SOL Hellas SA	602	545	57
Total	**607**	551	57

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 12.31.2016	7,714
Balance as at 12.31.2015	6,107
Change	**1,608**

The breakdown for the above item is as follows:

	Risks on receivables	Risk provisions	Internal profits	Prior losses	Other minor	Total
Balance as at 01.01.2015	1,494	-	884	3,071	509	5,957
Provisions/Utilisations	(227)	165	(17)	(257)	478	141
Other changes	-	-	-	-	(19)	(19)
Exchange differences	-	-	-	24	3	28
Balance as at 12.31.2015	**1,266**	**165**	**867**	**2,838**	**971**	**6,107**
Provisions/Utilisations	(108)	(44)	40	(203)	865	550
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**

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 2,598 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 12.31.2016	40,924
Balance as at 12.31.2015	39,024
Change	**1,900**

The breakdown of the above item is as follows:

Description	**12.31.2016**	12.31.2015	Change
Raw, subsidiary and consumable materials	2,445	2,465	(20)
Work in progress and semi-finished goods	818	773	45
Finished products and goods for resale	37,661	35,786	1,875
Total	**40,924**	39,024	1,900

16. Trade receivables

Balance as at 12.31.2016	247,934
Balance as at 12.31.2015	242,822
Change	**5,112**

The breakdown of the above item is as follows:

Description	Within 12 months	After 12 months	Allowance for doubtful accounts	**12.31.2016**	12.31.2015
Trade receivables	266,511	-	(18,577)	247,934	242,822
Total	266,511	-	(18,577)	**247,934**	242,822

The allowance for doubtful accounts saw the following changes:

Description	12.31.2015	Provisions	Uses	Other changes	**12.31.2016**
Allowance for doubtful accounts	17,012	4,338	(2,474)	(299)	18,577
Total	17,012	4,338	(2,474)	(299)	**18,577**

17. Other current assets

Balance as at 12.31.2016	36,477
Balance as at 12.31.2015	33,530
Change	**2,947**

The breakdown of the above item is as follows:

Description	**12.31.2016**	12.31.2015	Change
Amounts receivable from employees	708	730	(22)
Amounts receivable in respect of income tax	3,636	4,752	(1,116)
VAT receivables	11,400	10,615	785
Other amounts receivable from the tax authorities	428	426	2
Other receivables	15,087	11,708	3,379
Prepayments and accrued income	5,218	5,299	(81)
Total	**36,477**	33,530	2,947

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

The breakdown for this item is as follows:

Description	12.31.2016	12.31.2015	Change
Accrued income			
Interest	8	16	(8)
Other accrued income	1,555	1,772	(217)
Total accrued income	**1,563**	1,788	(225)
Prepayments			
Insurance premiums	533	365	168
Rents	170	211	(40)
Other prepayments	2,950	2,935	16
Total prepayments	**3,654**	3,511	143
Total prepayments and accrued income	**5,218**	5,299	(82)

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

18. Current financial assets

Balance as at 12.31.2016	7,847
Balance as at 12.31.2015	5,402
Change	**2,445**

The breakdown of the above item is as follows:

Description	12.31.2016	12.31.2015	Change
Derivatives	1,998	1,656	342
Short-term time deposits	5,840	3,746	2,094
Other financial receivables	9	-	9
Total	**7,847**	5,402	2,445

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

Description	12.31.2016	12.31.2015	Change
Energetika ZJ doo	-	6	(6)
FLOSIT SA	897	509	388
HYDROENERGY ShpK	155	153	2
Inspirar SA	-	1,080	(1,080)
KISIKANA KISIKANA	265	-	265
SOL-INA doo	1,784	1,382	402
SONOCARE Lda	2	2	0
TGT AD securities	665	614	51
UTP	926	-	926
VIVISOL Brasil	1,147	-	1,147
Total	**5,840**	3,746	2,094

19. Cash and cash at bank

Balance as at 12.31.2016	119,674
Balance as at 12.31.2015	101,989
Change	**17,685**

The breakdown for this item is as follows:

Description	**12.31.2016**	12.31.2015	Change
Bank and post office deposits	119,327	101,642	17,685
Cash and cash equivalents on hand	346	346	0
Total accrued income	**119,674**	101,989	17,685

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

20. Shareholders' equity

Balance as at 12.31.2016	489,435
Balance as at 12.31.2015	458,132
Change	**31,303**

The share capital of SOL Spa as at December 31, 2016 comprised 90,700,000 ordinary shares with a par value of Euro 0.52 each, fully subscribed and fully paid up.

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

Shareholders' equity	12.31.2015	Transfer of result	Dividends paid	Translation differences	Other changes	Result	**12.31.2016**
Pertaining to the Group:							
Share capital	47,164	-	-	-	-	-	47,164
Share premium reserve	63,335	-	-	-	-	-	63,335
Legal reserves	10,459	-	-	-	-	-	10,459
Other reserves	287,106	21,557	-	(2,732)	(943)	-	304,988
Profits / (Losses) carried forward	2,473	10,884	(10,884)	-	(499)	-	1,974
Net profit	32,441	(32,441)	-	-	-	44,125	44,125
Shareholders' equity - Group	442,979	-	(10,884)	(2,732)	(1,442)	44,125	**472,045**
Minority interests:							
Shareholders' equity minority interests	13,186	1,968	(1,510)	194	1,953	-	15,791
Profits pertaining to minority interests	1,968	(1,968)	-	-	-	1,599	1,599
Shareholders' equity minority interests	15,154	-	(1,510)	194	1,953	1,599	**17,390**
Shareholders' equity	458,132	-	(12,394)	(2,538)	511	45,724	**489,435**

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 December 31, 2016 amounts to Euro 6,994 thousand (Euro 6,250 thousand as at December 31, 2015). The change in the period is reported in the Consolidated statement of comprehensive income.

For further information on derivatives, see paragraph "Payables and other financial liabilities".

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

Description	12.31.2016 Shareholders' equity	12.31.2016 Net income	12.31.2015 Shareholders' equity	12.31.2015 Net income
SOL Spa Financial Statements	**261,353**	**20,208**	**253,045**	**15,239**
Elimination of consolidated inter-company transactions, net of tax effects:				
- Internal profit on tangible fixed assets	(2,857)	(99)	(2,758)	(64)
- Reversal of adjustments to investments in subsidiary companies	-	333	-	353
- Dividends paid by consolidated companies	-	(25,709)	-	(23,493)
Adjustment of accounting policies to achieve consistent Group accounting policies, net of tax effects:				
- Adjustment to achieve a consistent accounting policy regarding intangible assets	3,814	(311)	1,249	(2,817)
- Use of finance lease method for leased assets	404	(7)	411	65
- Valuation at equity of companies reported at cost	(422)	(169)	(162)	(517)
Carrying value of consolidated equity investments	(443,467)	-	(423,295)	-
Net assets and financial year's results of consolidated companies	**602,708**	**49,923**	**568,348**	**43,675**
Allocation of the difference to the assets of the companies and relative depreciation, amortisation and write-downs:				
- Goodwill from consolidation	50,511	(44)	46,141	-
Consolidated Group financial statements	**472,045**	**44,125**	**442,979**	**32,441**

21. Employee severance indemnities and other benefits

Balance as at 12.31.2016	15,417
Balance as at 12.31.2015	14,250
Change	**1,168**

The provisions underwent the following changes:

Employee severance	**12.31.2016**	12.31.2015
Balance as at 1 January	14,250	15,197
Provisions	1,604	1,515
(Uses)	(885)	(514)
Financial expense	202	40
Other changes	246	(1,988)
Exchange differences	0	(0)
Balance as at 31 December	**15,417**	14,250

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

	Interest rate
Annual discount rate	0.70 %
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 December 31 2016	Amount
Inflation rate + 0.5 %	39
Inflation rate - 0.5 %	(38)
Discount rate + 0.5 %	(60)
Discount rate - 0.5 %	43
Turnover rate + +0.5 %	8

Employee severance indemnities

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

Other

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

22. Deferred taxation

Balance as at 12.31.2016	5,387
Balance as at 12.31.2015	2,709
Change	**2,678**

The item “Deferred taxation” represents the net balance of deferred tax liabilities provided for in the consolidated financial statements as at December 31, 2016 with regard to tax items present in the statutory financial statements of the Group companies (accelerated depreciation), and the deferred tax liabilities referring to the other consolidation entries; the item comprises.

	Capital gain	Accelerated depreciation	Leasing	Other minor	Total
Balance as at 01.01.2015	39	1,210	225	1,258	2,732
Provisions	(23)	(606)	1	572	(56)
Uses	-	(43)	-	-	(43)
Other changes	-	287	(3)	(208)	76
Exchange differences	-	-	-	(0)	(0)
Balance as at 12.31.2015	**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**

23. Provisions for risks and charges

Balance as at 12.31.2016	828
Balance as at 12.31.2015	956
Change	**(128)**

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

Description	**12.31.2016**	12.31.2015	Change
Pensions and similar obligations	-	-	-
Consolidation provision for future risks and charges	-	-	-
Others:			
Exchange fluctuation provision	-	-	-
Other minor provisions	828	956	(128)
Total other provisions	**828**	956	(128)
Total	**828**	956	(128)

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	12.31.2015	Provisions	Uses	Other changes	**12.31.2016**
Other minor provisions	956	338	(466)	-	828
Total	956	338	(466)	-	**828**

24. Payables and other financial liabilities

Balance as at 12.31.2016	334,354
Balance as at 12.31.2015	301,691
Change	**32,663**

The breakdown of the above item is as follows:

Description	**12.31.2016**	12.31.2015	Change
Bonds	95,215	102,716	(7,501)
Amounts due to other lenders	236,445	196,343	40,102
Other payables	2,694	2,631	62
Total	**334,354**	301,691	32,663

The item "Bonds" refers:

- to the issue of two bond loans taken out by two American institutional investors.
  The original amount of these issues totals US$95 million converted to €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 loan taken out 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 loans granted by medium and long-term 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 1,067 thousand, deriving from the application of international accounting standard IAS 17 to assets that are the object of a finance lease.
It also includes financial liabilities for derivatives.

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

Lending institute	Amount	Long-term portion	Short-term portion	Interest rate		Maturity	Original amount	
Credito Emiliano	241	-	241	Fixed	3.70 %	26/05/2017	Euro	3,000,000
Mediobanca *	1,250	-	1,250	Fixed	4.39 %	20/06/2017	Euro	20,000,000
Mediobanca *	938	-	938	Fixed	2.82 %	20/06/2017	Euro	15,000,000
BNL - BNP Paribas *	1,500	500	1,000	Variab.	2.56 %	14/02/2018	Euro	5,000,000
Intesa San Paolo*	2,310	772	1,538	Fixed	1.91 %	15/06/2018	Euro	10,000,000
MIUR	26	8	18	Fixed	0.25 %	01/07/2018	Euro	121,106
Banca Popolare di Bergamo	426	218	208	Fixed	4.28 %	30/11/2018	Euro	1,000,000
Barclays bank *	2,500	1,500	1,000	Fixed	3.04 %	01/06/2019	Euro	10,000,000
Mediobanca *	8,750	6,250	2,500	Fixed	4.44 %	01/04/2020	Euro	20,000,000
Komercijalna B.	5,317	3,988	1,329	Fixed	5.50 %	15/10/2020	Euro	7,000,000
Intesa San Paolo*	15,006	11,674	3,332	Fixed	2.23 %	16/06/2021	Euro	30,000,000
Factor Banka	2,335	1,946	389	Variab.	0.88 %	31/12/2022	Euro	5,200,000
Mediobanca *	6,964	5,893	1,071	Fixed	2.90 %	20/06/2023	Euro	15,000,000
Unicredit Bulbank	7,000	6,000	1,000	Fixed	4.50 %	11/10/2023	Euro	8,000,000
Mediocredito Italiano	11,111	9,630	1,481	Variab.	1.55 %	31/03/2024	Euro	20,000,000
Intesa San Paolo*	28,125	24,375	3,750	Variab.	2.25 %	31/03/2024	Euro	30,000,000
Unicredit *	9,375	8,125	1,250	Variab.	2.18 %	31/05/2024	Euro	10,000,000
Monte Paschi Siena	7,083	6,250	833	Fixed	4.21 %	15/06/2025	Euro	10,000,000
Intesa San Paolo*	30,000	28,125	1,875	Fixed	1.44 %	30/06/2025	Euro	30,000,000
Credito Valtellinese	10,000	10,000	-	Variab.	0.60 %	05/07/2025	Euro	10,000,000
Credito Valtellinese	5,000	5,000	-	Variab.	0.60 %	05/07/2025	Euro	5,000,000
Banca Popolare di Bergamo	20,000	20,000	-	Fixed	1.00 %	14/09/2025	Euro	20,000,000
Banca IMI *	5,714	5,241	473	Fixed	6.50 %	26/01/2026	Euro	7,000,000
BCC Carate	10,000	10,000	-	Variab.	1.00 %	13/06/2026	Euro	10,000,000
Intesa San Paolo *	40,000	40,000	-	Fixed	1.10 %	30/06/2026	Euro	40,000,000
BNL - BNP Paribas *	30,000	27,000	3,000	Variab.	0.93 %	25/11/2026	Euro	30,000,000
Unicredit Bosnia	1,646	1,480	166	Variab.	3.80 %	31/12/2026	Euro	2,000,000
Derivatives	2,860	1,832	1,028					
Amounts due to leasing companies	1,067	638	429					
Total Amounts due to other lenders	**266,544**	**236,445**	**30,099**					**-**
Bonds	102,716	95,215	7,501					
Total	**369,260**	**331,660**	**37,600**					

Covenants

The loan agreements marked by an asterisk (*) contain financial restrictions (covenants) that envisage the maintenance of determinate ratios between net financial indebtedness and shareholders’ equity, between net financial indebtedness and cash-flow, and between net financial indebtedness and EBITDA referable to the consolidated financial statements.
To date, these parameters were complied with and are complied with as at December 31, 2016.

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 1,250 thousand has been hedged by an IRS agreement entered into on October 24, 2007 that anticipates the payment of a fixed rate of 4.39% against a floating 6-month Euribor rate.
   The fair value as at December 31, 2016, calculated by the same bank, was negative for a total of Euro 29 thousand (at December 31, 2016 negative for Euro 169 thousand).
2. The loan agreement outstanding with Mediobanca whose residual debt amounts to Euro 938 thousand has been hedged by an IRS agreement entered into on May 14, 2009 that anticipates the payment of a fixed rate of 2.82% against a floating 6-month Euribor rate.
   The fair value as at December 31, 2016, calculated by the same bank, was negative for a total of Euro 14 thousand (at December 31, 2015 negative for Euro 82 thousand).
3. The loan agreement outstanding with Mediobanca whose residual debt amounts to Euro 6,964 thousand has been hedged by an IRS agreement entered into on May 19, 2010 that anticipates the payment of a fixed rate of 2.9% against a floating 6-month Euribor rate.
   The fair value as at December 31, 2016, calculated by the same bank, was negative for a total of Euro 707 thousand (at December 31, 2015 negative for Euro 824 thousand).
4. The loan agreement outstanding with Barclays Bank, the residual debt of which amounts to Euro 2,500 thousand, has been hedged by an IRS agreement entered into on March 24, 2011 that anticipates the payment of a fixed rate of 3.04% against a floating 6-month Euribor rate.
   The fair value as at December 31, 2016, calculated by the same bank, was negative for a total of Euro 122 thousand (at December 31, 2015 negative for Euro 215 thousand).
5. The loan agreement outstanding with Intesa San Paolo whose residual debt amounts to Euro 15,006 thousand, has been hedged by a fixed rate of 2.23% against a floating 6-month Euribor rate.
   The fair value as at December 31, 2016, calculated by the same bank, was negative for a total of Euro 883 thousand (at December 31, 2015 negative for Euro 1,141 thousand).
6. The loan agreement outstanding with Intesa San Paolo whose residual debt amounts to Euro 2,310 thousand, has been hedged by a fixed rate of 1.91% against a floating 6-month Euribor rate.
   The fair value as at December 31, 2016, calculated by the same bank, was negative for a total of Euro 49 thousand (at December 31, 2015 negative for Euro 114 thousand).
7. The existing bond loan whose residual debt amounts to Euro 38,354 thousand has been hedged by a CCS contract entered into with Intesa San Paolo on June 15, 2012.
   The fair value as at December 31, 2016 was positive for a total of Euro 4,591 thousand (at December 31, 2015 positive for Euro 4,177 thousand).
8. The existing bond loan whose residual debt amounts to Euro 24,362 thousand has been hedged by a CCS contract entered into with Intesa San Paolo on May 29, 2013.
   The fair value as at December 31, 2016 was positive for a total of Euro 3,952 thousand (at December 31, 2015 positive for Euro 3,851 thousand).
9. The loan agreement outstanding with Unicredit Bulbank whose residual debt amounts to Euro 7,000 thousand, has been hedged by a fixed rate of 2.40% against a floating 3-month Euribor rate.
   The fair value as at December 31, 2016 was negative for a total of Euro 647 thousand (as at December 31, 2015 negative for Euro 727 thousand).
10. The loan agreement outstanding with Intesa San Paolo whose residual debt amounts to Euro 30,000 thousand, has been hedged by a fixed rate of 0.44% against a floating 6-month Euribor rate.
    The fair value as at December 31, 2016 was negative for a total of Euro 342 thousand (as at December 31, 2015 positive for Euro 204 thousand).

11. The loan agreement outstanding with Banca Popolare di Bergamo, the residual debt of which amounts to Euro 20,000 thousand, has been hedged by a fixed rate of 0.10% against a floating 3-month Euribor rate. The fair value as at December 31, 2016 was negative for a total of Euro 65 thousand.
12. The loan agreement outstanding with Intesa San Paolo whose residual debt amounts to Euro 40,000 thousand, has been hedged by a fixed rate of 0.10% against a floating 6-month Euribor rate. The fair value as at December 31, 2016 was positive for €437,000.

The Group, where possible, applies hedge accounting, verifying compliance with the requirements of IAS 39. Derivative instruments are defined as hedges under IAS 39: in this case, transactions executed to hedge the fluctuations of cash flows (Cash Flow Hedge - CFH) and to hedge the fair value of the hedged item (Fair Value Hedge - FVH) are included.

The contracts numbered from 1. to 4. were assessed at fair value hedge, while contracts numbered from 5. to 12. 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, 2016, by hierarchical level of fair value measurement:

Payables and other financial liabilities	Notes	Level 1	Level 2	Level 3	Total
Negative value measurement					
Banca Popolare di Bergamo		-	(65)	-	(65)
Intesa San Paolo		-	(122)	-	(122)
Intesa San Paolo		-	(883)	-	(883)
Intesa San Paolo		-	(342)	-	(342)
Intesa San Paolo		-	(49)	-	(49)
Intesa San Paolo		-	(648)	-	(648)
Mediobanca		-	(29)	-	(29)
Mediobanca		-	(14)	-	(14)
Mediobanca		-	(708)	-	(708)
Total negative value measurement		**-**	**(2,860)**	**-**	**(2,860)**
Positive value measurement					
Intesa San Paolo		-	4,591	-	4,591
Intesa San Paolo		-	3,952	-	3,952
Intesa San Paolo		-	437	-	437
Total positive value measurement		**-**	**8,980**	**-**	**8,980**
Overall total		**-**	**6,120**	**-**	**6,120**

The item “Other payables” includes the commitments of the company SOL Spa to repurchase the shares of SOL-K ShpK (Euro 1,776 thousand) currently owned by SIMEST Spa

25. Current liabilities

Balance as at 12.31.2016	170,308
Balance as at 12.31.2015	182,750
Change	**(12,442)**

The breakdown for this item is as follows:

Description	**12.31.2016**	12.31.2015	Change
Amounts due to banks	1,985	2,975	(990)
Trade accounts	91,428	88,960	2,468
Other financial liabilities	37,600	48,573	(10,973)
Tax payables	10,001	11,523	(1,522)
Other current liabilities	29,294	30,720	(1,426)
Total	**170,308**	182,750	(12,442)

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 paragraph “Payables and other financial liabilities”.

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

Description	**12.31.2016**	12.31.2015	Change
Amounts due in respect of income tax	3,692	4,967	(1,276)
VAT payables	2,904	3,282	(378)
Other current tax liabilities	3,406	3,274	132
Total	**10,001**	11,523	(1,522)

“Other current liabilities” comprise:

Description	**12.31.2016**	12.31.2015	Change
Amounts due to Social Security institutions	6,108	6,116	(7)
Amounts due to employees	8,413	7,420	993
Amounts due to shareholders for dividends	139	16	123
Guarantee deposits payable	136	136	0
Other payables	1,236	4,410	(3,174)
Accrued expenses and deferred income	13,262	12,624	638
Total	**29,294**	30,720	(1,427)

The breakdown for this item is as follows:

Description	12.31.2016	12.31.2015	Change
Accrued liabilities			
Interest payable on loans	1,066	1,072	(6)
Other	2,576	2,319	257
Total accrued expenses	**3,642**	3,391	251
Deferred income			
Sink funds granted	130	170	(40)
Rentals receivable	167	173	(6)
Other	9,323	8,890	433
Total deferred income	**9,620**	9,233	387
Total accrued expenses and deferred income	**13,262**	12,624	638

"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)	12.31.2016 Technical gas sector	%	Homecare service sector	%	Write-downs	Consolidated figures	%
Technical gas sector	373,066	100.0%			(28,834)	344,232	48.9%
Home-care service sector			359,965	100.0%	(828)	359,138	51.1%
Net sales	**373,066**	**100.0%**	**359,965**	**100.0%**	**(29,661)**	**703,369**	**100.0%**
Other revenues and proceeds	4,829	1.3%	1,966	0.5%	(606)	6,189	0.9%
Internal works and collections	2,052	0.6%	7,304	2.0%	1,982	11,339	1.6%
Revenues	**379,947**	**101.8%**	**369,236**	**102.6%**	**(28,285)**	**720,897**	**102.5%**
Purchase of materials	95,130	25.5%	85,068	23.6%	(17,781)	162,417	23.1%
Services rendered	121,833	32.7%	102,593	28.5%	(9,467)	214,959	30.6%
Change in inventories	(985)	-0.3%	(1,009)	-0.3%	-	(1,994)	-0.3%
Other costs	12,576	3.4%	17,018	4.7%	(1,025)	28,569	4.1%
Total costs	**228,554**	**61.3%**	**203,670**	**56.6%**	**(28,274)**	**403,951**	**57.4%**
Added value	**151,392**	**40.6%**	**165,565**	**46.0%**	**(12)**	**316,946**	**45.1%**
Payroll and related costs	75,494	20.2%	73,860	20.5%	-	149,354	21.2%
Gross operating margin	**75,899**	**20.3%**	**91,705**	**25.5%**	**(12)**	**167,592**	**23.8%**
Depreciation/amortisation	42,521	11.4%	39,319	10.9%	(82)	81,758	11.6%
Other provisions	3,757	1.0%	1,163	0.3%	-	4,920	0.7%
Non-recurring (income) / expenses	-		44	0.0%	-	44	0.0%
Operating result	**29,621**	**7.9%**	**51,179**	**14.2%**	**71**	**80,871**	**11.5%**
Financial income	13,741	3.7%	1,239	0.3%	(12,191)	2,789	0.4%
Financial expense	(10,753)	-2.9%	(4,553)	-1.3%	1,614	(13,691)	-1.9%
Results from equity investments	(169)	0.0%	(163)	0.0%	163	(169)	0.0%
Total financial income / (expense)	**2,819**	**0.8%**	**(3,477)**	**-1.0%**	**(10,414)**	**(11,072)**	**-1.6%**
Profit (Loss) before income taxes	**32,440**	**8.7%**	**47,702**	**13.3%**	**(10,344)**	**69,799**	**9.9%**
Income taxes	9,212	2.5%	14,841	4.1%	23	24,075	3.4%
Net result from business activities	**23,229**	**6.2%**	**32,862**	**9.1%**	**(10,366)**	**45,724**	**6.5%**
Net result from intermittent activities	-		-		-	-	
(Profit) / Loss pertaining to minority interests	240	0.1%	(1,839)	-0.5%	0	(1,599)	-0.2%
Net Profit / (Loss)	**23,469**	**6.3%**	**31,022**	**8.6%**	**(10,366)**	**44,125**	**6.3%**

Other information SOL Group

(In thousands of Euro)	12.31.2016 Technical gas sector	%	Homecare service sector	%	Write-downs	Consolidated figures	%
Total assets	855,575		432,309		(272,155)	1,015,730	
Total liabilities	479,795		141,034		(94,534)	526,294	
Investments	57,226		41,155		-	98,381	

12.31.2015						
Technical gas sector	%	Homecare service sector	%	Write-downs	Consolidated figures	%
363,616	100.0%			(28,495)	335,121	49.7%
		339,810	100.0%	(715)	339,095	50.3%
363,616	100.0%	339,810	100.0%	(29,210)	674,216	100.0%
4,142	1.1%	1,396	0.4%	(596)	4,942	0.7%
2,312	0.6%	10,437	3.1%	1,648	14,397	2.1%
370,070	101.8%	351,643	103.5%	(28,158)	693,555	102.9%
97,268	26.8%	88,169	25.9%	(18,225)	167,211	24.8%
119,869	33.0%	97,651	28.7%	(8,981)	208,540	30.9%
(1,044)	-0.3%	(2,515)	-0.7%	-	(3,559)	-0.5%
12,929	3.6%	18,939	5.6%	(1,044)	30,824	4.6%
229,022	63.0%	202,245	59.5%	(28,250)	403,016	59.8%
141,048	38.8%	149,399	44.0%	92	290,539	43.1%
73,405	20.2%	68,725	20.2%	-	142,130	21.1%
67,643	18.6%	80,673	23.7%	92	148,409	22.0%
41,221	11.3%	37,322	11.0%	(73)	78,470	11.6%
3,178	0.9%	1,166	0.3%	-	4,345	0.6%
-		-		-	-	
23,244	6.4%	42,185	12.4%	165	65,594	9.7%
12,627	3.5%	2,761	0.8%	(11,080)	4,308	0.6%
(11,611)	-3.2%	(3,793)	-1.1%	2,170	(13,234)	-2.0%
(610)	-0.2%	(170)	-0.1%	170	(610)	-0.1%
405	0.1%	(1,202)	-0.4%	(8,740)	(9,536)	-1.4%
23,649	6.5%	40,984	12.1%	(8,575)	56,057	8.3%
7,802	2.1%	13,786	4.1%	60	21,648	3.2%
15,847	4.4%	27,197	8.0%	(8,635)	34,409	5.1%
-		-		-	-	
(445)	-0.1%	(1,524)	-0.4%	-	(1,968)	-0.3%
15,402	4.2%	25,673	7.6%	(8,635)	32,441	4.8%

12.31.2015						
Technical gas sector	%	Homecare service sector	%	Write-downs	Consolidated figures	%
808,392		402,247		(250,151)	960,488	
448,279		129,246		(75,169)	502,356	
45,776		38,948		-	84,724	

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)	12.31.2016	%	12.31.2015	%
Net sales	**373,066**	100.0%	363,616	100.0%
Other revenues and proceeds	4,829	1.3%	4,142	1.1%
Internal works and collections	2,052	0.6%	2,312	0.6%
Revenues	**379,947**	101.8%	370,070	101.8%
Purchase of materials	95,130	25.5%	97,268	26.8%
Services rendered	121,833	32.7%	119,869	33.0%
Change in inventories	(985)	-0.3%	(1,044)	-0.3%
Other costs	12,576	3.4%	12,929	3.6%
Total costs	**228,554**	61.3%	229,022	63.0%
Added value	**151,392**	40.6%	141,048	38.8%
Payroll and related costs	75,494	20.2%	73,405	20.2%
Gross operating margin	**75,899**	20.3%	67,643	18.6%
Depreciation/amortisation	42,521	11.4%	41,221	11.3%
Other provisions	3,757	1.0%	3,178	0.9%
Non-recurring (income) / expenses	0	0.0%	0	0.0%
Operating result	**29,621**	7.9%	23,244	6.4%
Financial income	13,741	3.7%	12,627	3.5%
Financial expense	(10,753)	-2.9%	(11,611)	-3.2%
Results from equity investments	(169)	0.0%	(610)	-0.2%
Total financial income / (expense)	**2,819**	0.8%	405	0.1%
Profit (Loss) before income taxes	**32,440**	8.7%	23,649	6.5%
Income taxes	9,212	2.5%	7,802	2.1%
Net result from business activities	**23,229**	6.2%	15,847	4.4%
Net result from intermittent activities	0	0.0%	0	0.0%
(Profit) / Loss pertaining to minority interests	240	0.1%	(445)	-0.1%
Net Profit / (Loss)	**23,469**	6.3%	15,402	4.2%

Sales in the Technical Gas Sector reported a 2.6% increase.

Gross operating margin increased by 12.2% compared to the previous year.

Operating result increased by 27.4% compared to the previous year.

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

(in thousands of Euro)	12.31.2016	12.31.2015
Tangible fixed assets	337,382	318,747
Goodwill and consolidation differences	23,952	22,655
Other intangible fixed assets	9,494	8,470
Equity investments	129,894	129,609
Other financial assets	19,509	18,145
Prepaid taxes	5,072	4,245
Non-current assets	**525,303**	501,869
Non-current assets held for sale	**-**	-
Inventories	17,201	16,211
Trade receivables	146,075	148,287
Other current assets	32,192	29,357
Current financial assets	57,126	43,755
Cash and cash at bank	77,678	68,912
Current assets	**330,272**	306,523
TOTAL ASSETS	**855,575**	808,392
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	219,110	213,251
Retained earnings (accumulated loss)	2,659	2,659
Net Profit	23,469	15,402
Shareholders’ equity-Group	**366,196**	352,270
Shareholders’ equity - Minority interests	9,825	7,398
Profit pertaining to minority interests	(240)	445
Shareholders’ equity - minority interests	**9,585**	7,842
Shareholders’ equity	**375,780**	360,112
Employee severance indemnities and other benefits	12,283	11,545
Deferred taxation	4,637	1,976
Provisions for risks and charges	164	158
Payables and other financial liabilities	330,010	298,042
Non-current liabilities	**347,095**	311,721
Non-current liabilities held for sale	**-**	-
Amounts due to banks	1,834	2,958
Trade accounts	56,657	57,128
Other financial liabilities	56,423	59,587
Tax payables	4,182	5,508
Other current liabilities	13,604	11,378
Current liabilities	**132,700**	136,559
TOTAL LIABILITIES AND SHAREHOLDERS’ EQUITY	**855,575**	808,392

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)	12.31.2016	%	12.31.2015	%
Net Sales	**359,965**	100.0%	339,810	100.0%
Other revenues and proceeds	1,966	0.5%	1,396	0.4%
Internal works and collections	7,304	2.0%	10,437	3.1%
Revenues	**369,236**	102.6%	351,643	103.5%
Purchase of materials	85,068	23.6%	88,169	25.9%
Services rendered	102,593	28.5%	97,651	28.7%
Change in inventories	(1,009)	-0.3%	(2,515)	-0.7%
Other costs	17,018	4.7%	18,939	5.6%
Total costs	**203,670**	56.6%	202,245	59.5%
Added value	**165,565**	46.0%	149,399	44.0%
Payroll and related costs	73,860	20.5%	68,725	20.2%
Gross operating margin	**91,705**	25.5%	80,673	23.7%
Depreciation/amortisation	39,319	10.9%	37,322	11.0%
Other provisions	1,163	0.3%	1,166	0.3%
Non-recurring (income) / expenses	44	0.0%	0	0.0%
Operating result	**51,179**	14.2%	42,185	12.4%
Financial income	1,239	0.3%	2,761	0.8%
Financial expense	(4,553)	-1.3%	(3,793)	-1.1%
Results from equity investments	(163)	0.0%	(170)	-0.1%
Total financial income / (expense)	**(3,477)**	-1.0%	(1,202)	-0.4%
Profit (Loss) before income taxes	**47,702**	13.3%	40,984	12.1%
Income taxes	14,841	4.1%	13,786	4.1%
Net result from business activities	**32,862**	9.1%	27,197	8.0%
Net result from intermittent activities	0	0.0%	0	0.0%
(Profit) / Loss pertaining to minority interests	(1,839)	-0.5%	(1,524)	-0.4%
Net Profit / (Loss)	**31,022**	8.6%	25,673	7.6%

Sales in the Homecare Service sector reported an increase of 5.9%.

Gross operating margin increased by 13.7% compared to the previous year.

Operating result increased by 21.3% compared to the previous year.

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

(in thousands of Euro)	12.31.2016	12.31.2015
Tangible fixed assets	114,412	115,558
Goodwill and consolidation differences	35,955	33,687
Other intangible fixed assets	3,853	3,165
Equity investments	58,435	55,447
Other financial assets	2,609	2,066
Prepaid taxes	2,461	1,659
Non-current assets	**217,726**	211,582
Non-current assets held for sale	**-**	-
Inventories	23,722	22,813
Trade receivables	113,674	106,655
Other current assets	6,286	5,059
Current financial assets	28,906	23,061
Cash and cash at bank	41,996	33,077
Current assets	**214,584**	190,665
TOTAL ASSETS	**432,309**	402,247
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	-	-
Other reserves	197,626	185,194
Retained earnings (accumulated loss)	24,584	24,584
Net Profit	31,022	25,673
Shareholders' equity-Group	**283.47**	265,686
Shareholders' equity - Minority interests	5,970	5,792
Profit pertaining to minority interests	1,839	1,524
Shareholders' equity - minority interests	**7,809**	7,315
Shareholders' equity	**291,276**	273,002
Employee severance indemnities and other benefits	3,134	2,705
Deferred taxation	723	706
Provisions for risks and charges	664	798
Payables and other financial liabilities	58,914	49,683
Non-current liabilities	**63,435**	53,892
Non-current liabilities held for sale	**-**	-
Amounts due to banks	152	17
Trade accounts	45,775	43,953
Other financial liabilities	7,352	5,142
Tax payables	5,819	6,015
Other current liabilities	18,502	20,227
Current liabilities	**77,599**	75,354
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**432,309**	402,247

Information by geographic area

The breakdown of revenues by geographic area is presented below:

Description	12.31.2016	12.31.2015	Change
Italy	331,242	324,901	6,341
Other countries	372,127	349,315	22,812
Total	**703,369**	674,216	29,153

The breakdown of investments by geographic area is presented below:

Description	12.31.2016	12.31.2015	Change
Italy	48,746	34,348	14,398
Other countries	49,635	50,376	(742)
Total	**98,381**	84,724	13,657

Intragroup 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.

Intragroup transactions

All the intragroup transactions fall within the ordinary operations of the Group, they are carried out on an arms'-length basis and there were no atypical or unusual transactions or transactions causing potential conflicts of interest.

Inter group sales and services carried out during 2016 amounted to Euro 153.0 million.

As at December 31, 2016, receivable and payable transactions between Group companies came to Euro 243.6 million, of which Euro 166.7 million of a financial nature and Euro 76.9 million of a trade nature.

The breakdown for the intercompany financial receivables is as follows:

• Financial receivables granted by SOL Spa	€	100.0 million
• Financial receivables granted by AIRSOL BV	€	37.7 million
• Financial receivables granted by other companies	€	29.0 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	€	212 thousand
• Purchases from CT Biocarbonic GmbH	€	3,210 thousand
• Financial receivables from CT Biocarbonic GmbH	€	1,200 thousand
• Trade receivables from CT Biocarbonic GmbH	€	16 thousand
• Amounts due to CT Biocarbonic GmbH	€	230 thousand
• Sales and services to SICGILSOL India Private Limited	€	388 thousand
• Sales and services to SICGILSOL India Private Limited	€	7 thousand
• Trade receivables from SICGILSOL India Private Limited	€	130 thousand
• Financial receivables from SICGILSOL India Private Limited	€	6,146 thousand
• Financial receivables from SICGILSOL India Private Limited	€	5 thousand
• Sales and services to ZDS JESENICE doo	€	1,144 thousand
• Purchases from ZDS Jesenice doo	€	1,423 thousand
• Trade receivables from ZDS JESENICE doo	€	269 thousand
• Amounts due to ZDS Jesenice doo	€	190 thousand
• Sales and services to Consorgas Srl	€	1 thousand
• Trade receivables from Consorgas Srl	€	1,301 thousand
• Financial receivables due from Consorgas Srl	€	206 thousand
• Payables due to Consorgas Srl	€	6 thousand

Commitments, guarantees and potential liabilities

The Sol Group obtained sureties totalling Euro 48,233 thousand.

Net financial position

	(in thousands of Euro)	12.31.2016	12.31.2015
a	Cash	346	346
b	Bank loans and overdrafts	119,327	101,642
c	Securities held for trading	-	-
d	**Liquidity (a) + (b) + (c)**	**119,674**	**101,989**
e	Short-term time deposits	5,840	3,744
e	Other short-term financial assets *	2,015	1,658
e	**Current financial receivables**	**7,855**	**5,402**
f	Short-term amounts due to banks	(1,985)	(2,975)
g	Loans - long-term portion	(28,642)	(39,464)
g	Leases - short term portion	(429)	(438)
g	Bonds - short term portion	(7,501)	(7,501)
h	Other short-term financial liabilities *	(2,094)	(1,169)
i	**Current borrowing (f) + (g) + (h)**	**(40,651)**	**(51,547)**
j	**Net current borrowing (d) + (e) + (i)**	**86,877**	**55,843**
k	Long-term amounts due to banks	-	-
l	Bonds issued	(95,215)	(102,716)
m	Securities	607	551
m	Other long-term financial assets *	14,534	14,317
m	Loans - long-term portion	(233,976)	(193,289)
m	Leasing - long-term portion	(638)	(951)
m	Amounts due to Shareholders for the purchase of equity investments	(1,776)	(1,776)
m	Other long-term financial liabilities *	(1,832)	(2,122)
n	**Non-current borrowing (k) + (l) + (m)**	**(318,294)**	**(285,986)**
o	**Net borrowing (j) + (n)**	**(231,417)**	**(230,144)**

* 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 2016 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 works partially in sectors considerably regulated by economic cycles related to the trend of the industrial production, such as iron, metallurgical, engineering industry and glass manufacture. 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 recent 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's 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, setting the hearing to be held in 2017.
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, are involved in the proceedings.
In January 2017, group subsidiaries SOL Vivisol Srl and Vivisol Napoli Srl received fines in the amount of €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 Vivisol Srl and Vivisol Napoli Srl consider themselves to be completely exempt from the Authority's provisions, the decision was made to wait for the outcome of the appeal before setting up risk provision funds in the respective 2016 financial statements, considering that the risk is only theoretical.

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.
Operations are expected to continue to generate adequate financial resources while the use of new loans, despite the group's excellent financial position, will encounter increasing spreads and probably greater difficulties in obtaining long-term loans compared to 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 at international level in different currency areas and uses financial instruments that generate interest.

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 (if individually significant) 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 continuing difficult economic situation of Greece, a country where the Group has been operating for years, could lead to uncertainties, currently not quantifiable, regarding the possibility of collecting receivables from public hospitals in the country and the repayment of Greek Government bonds in our portfolio.

Liquidity risk

The liquidity risk may manifest with regards to the inability to raise the financial resources necessary for the anticipated investments and for the financing of the working capital under good economic conditions.
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 deriving from activities for investments, working capital management and debt repayments on their natural maturity dates.

Exchange rate risk

In relation to the 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 that do not belong to the European Monetary Union, in particular Switzerland, Bosnia, Croatia, Serbia, Albania, Macedonia, Bulgaria, Romania, United Kingdom, 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 performance of the exchange rates. As envisaged by the accounting standards adopted, the effects of these changes are booked directly to shareholders' equity, under the item "Other reserves".
Some Group companies purchase electric energy that is used for the primary production of technical gasses. The price of electricity is affected by the Euro/dollar rate of exchange and by the price trend of energy raw materials. The risk related to their fluctuations is mitigated by stipulating, as much as possible, fixed price purchase contracts or with a fluctuation measured on a not very short 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 debentures loans in force for a total of 79.5 million USD. To hedge the exchange rate risk, two Cross Currency Swaps were made in Euros of the total loan amount and duration (12 years). The fair value of the CCSs as at December 31, 2016 is positive and amounts to Euro 8,543 thousand.

Interest rate risk

The interest rate risk is handled by the Parent Company by means of the centralisation of the majority of the medium/long-term debt and an adequate division of the loans between fixed rate and floating rate favouring, when possible and convenient, medium/long-term debt with fixed rates, also by operating through specific Interest Rate Swap agreements.
Some Group companies stipulated some Interest Rate Swap agreements linked to two floating rate medium-term loans with the aim of ensuring itself a fixed rate on said loans. The notional value as at December 31, 2016 is equal to Euro 125,968 thousand and the negative fair value is equal to Euro 2,422 thousand.

Risks relevant to the personnel

In the different 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 employees - 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 and normally having a long experience in the sectors in which the Group operates. The replacement of any person in the management may require a long period of time.

Risks relevant to the environment

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

Adjustments pursuant to art.s 26 and 39 of the Market Regulations

Pursuant to Article 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" (issued in order to implement Article 62 sub-paragraph 3 bis of Italian Legislative Decree 58/98 as amended on 25 June 2008 with resolution no. 16530), it is stated that in the SOL Group there are four companies based in two non-EU Countries that are important pursuant to sub-paragraph 2 of the said article 36.
The current procedures of the SOL Group already allow to conform with what is required by the standard.

Information pursuant to article 149 duodecies of the Consob Issuer Regulation

The following table, drawn up pursuant to Article 149 duodecies of the Consob Issuer Regulation, shows the considerations pertaining to the 2016 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 2016 financial year
Auditing	Deloitte	SOL Spa Parent Company	122
	Deloitte	Subsidiary companies	93
	Deloitte network	Subsidiary companies	293
Quarterly audit	Deloitte	SOL Spa Parent Company	5
	Deloitte	Subsidiary companies	7
Other services	Deloitte	SOL Spa Parent Company (1)	45
	Deloitte network	Subsidiary companies (1)	6
Total			**571**

(1) Fiscal aid services and others

Non-recurring significant events and transactions

Pursuant to Consob (Italian Securities and Exchange Commission) communication no. DEM/6064296 of July 28, 2006, the SOL Group did not carry out non-recurring significant events and transactions during 2016.

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 2016, as defined by the Communication itself.

Events following the close of the financial year

There are no events to report following the close of the financial year.

Monza, March 29 2017

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 2016 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 2017

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

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

Report of the independent auditors SOL Group

Deloitte.

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INDEPENDENT AUDITORS' REPORT PURSUANT TO ART. 14 AND 16 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010

To the Shareholders of
SOL S.p.A.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the SOL Group, which comprise the consolidated statement of financial position as at December 31, 2016, and the consolidated income statement, consolidated statement of comprehensive income, statement of changes in consolidated shareholders' equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

The Company's Directors are responsible for the preparation of these 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 n° 38/05.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) issued pursuant to art. 11 of Italian Legislative Decree 39/10. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation that give a true and fair view of consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Deloitte.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the SOL Group as at December 31, 2016, and of its financial performance and 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 n° 38/05.

Other Matter

The consolidated financial statements of the SOL Group for the year ended December 31, 2015 were audited by another auditor who expressed an unmodified opinion on those statements on April 14, 2016.

Report on Other Legal and Regulatory Requirements

Opinion on the consistency of the report on operations and of certain information included in the report on corporate governance with the consolidated financial statements

We have performed the procedures indicated in the Auditing Standard (SA Italia) n° 720B in order to express, as required by law, an opinion on the consistency of the report on operations and of certain information included in the report on corporate governance required by art. 123-bis, n° 4, of Italian Legislative Decree n° 58/98, which are the responsibility of the Directors of SOL S.p.A., with the consolidated financial statements of the SOL Group as at December 31, 2016. In our opinion the report on operations and the information included in the report on corporate governance referred to above are consistent with the consolidated financial statements of the SOL Group as at December 31, 2016.

DELOITTE & TOUCHE S.p.A.

Signed by
Riccardo Raffo
Partner

Milano, Italy
April 20, 2017

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

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