Sol Group Annual Report

2002

Index

Sol Spa

Registered office
Piazza Diaz, 1
20052 Monza (MI) Italy

Share Capital
Euro 47.164.000,00 fully paid up.

C.F and company register of Milan
n° 04127270157
R.E.A. n° 991655
C.C.I.A.A. Milan

Sol Spa

Board of Directors

Chairman and Managing Director
Aldo Fumagalli Romario

Vice Chairman and Managing Director
Marco Annoni

Director with special duties
Ugo Marco Fumagalli Romario

Director with special duties
Giovanni Annoni

Directors
Maria Cristina Annoni
Stefano Bruscagli
Alberto Maria Savini
Alberto Enrico Tronconi

General manager
Giulio Bottes

Board of Statutory Auditors

Chairman
Enrico Aliboni

Statutory Auditors
Alessandro Danovi
Gianfranco Graziadei

Alternate Auditors
Vincenzo Maria Marzuillo
Vittorio Terrenghi

External Auditing Company

Deloitte & Touche S.p.a.
Palazzo Carducci
Via Olona, 2
20123 Milan
Italy

Powers of attorney assigned to the Directors
(CONSOB Communication No. 97001574 dated 20 February 1997)

To the Chairman and to the Vice Chairman: legal representation towards third parties and before the Court of Law, ordinary administration powers, in separate form from each other; extraordinary administration powers, jointly with each other, excepting for a number of specific acts of particular significance reserved to the jurisdiction of the Board.
To the Directors with special duties: ordinary administration powers as regards Administration and Finance (Ugo Marco Fumagalli Romario) and as regards the Organisation of Information Technology Systems (Giovanni Annoni) with single signature.

SOL Spa[1]

- 100% **AIRSOL B.V.** – Amsterdam (NL)
- 100% **TMG GmbH** – Krefeld (D)
- 100% **Vivisol H. GmbH** – Wien (A)
- 100% **Vivisol France Sarl** – Vaux le Penil (F)
- 100% **FRANCE OXYGENE Sarl** – Annoeullin (F)
- 100% **Vivisol Deutschland GmbH** – Mauern (D)
- 100% **Vivisol S.r.l.** – Monza (I)
  - **Vivisol Brescia S.r.l.** 70% – Brescia (I)
  - **Vivisol Umbria S.r.l.** 70% – Perugia (I)
  - **Vivisol Napoli S.r.l.** 70% – Marcianise (I)
    - 70% **Vivisol Silarus S.r.l.** – Battipaglia (I)
- 51% **BEHRINGER S.r.l.** – Genoa (I)
- 89.4% **Zeus S.A.** – Piraeus (GR)
- 90% **HGT S.A.** – Thessaloniki (GR)
  - 34% **Ionia Oxigono e.p.e.** – Thessaloniki (GR) *
- 50.10% **CryoMed S.r.l.** – Milan (I)
  - 51% **Cryo-Cell Italia S.r.l.** – Milan (I)

- **C.T.S. S.p.A.** 100% – Monza (I)
- **N.T.G. B.V.** 100% – Tilburg (NL)
- **B.T.G. BVBA** 100% – Lessines (B)
- **SOL France Sas** 100% – Cergy Pontoise (F)
- **SOL T. G. GmbH** 100% – Wiener Neustadt (A)
- **G.T.E. S.L.** 100% – Barcelona (E)
- **GTS Sh.p.k.** 100% – Tirana (AL)
- **TGB e.o.o.d.** 100% – Sofia (BG)
- **TGS A.D.** [2] 88.60% – Skopje (MK)
- **TGK Sofia A.D.** 51% – Sofia (BG)
- 10% **MEDICAL SYSTEM S.r.l.** – Pavia (I) *
- 70% **IMG d.o.o.** 30% – Belgrade (Yu)
- 99.92% **Vivisol B Sprl** 0.08% – Lessines (B)
- **I.C.O.A. S.r.l.** 97.60% – Vibo Valentia (I)
  - 70% / 30% **Vivisol Calabria S.r.l.** – Vibo Valentia (I)
    - 95.61% **Vivisol d. Stretto S.r.l.** – Villa S.Giovanni (I)

- 25.79% **Consorgas S.r.l.** – Milan (I)*
- 30% **T.G.T. A.D.** – Trn (BiH)
- 47.61% **TGP A.D.** – Petrovo (BiH)
- 52.79% **SOL-INA d.o.o.**[3] – Sisak (HR)
  - **UTP d.o.o.** 98% – Pula (HR)
  - **Kisikana d.o.o** 100% – Sisak (HR)
- 80% **Energetika Z.J.d.o.o.** – Jesenice (SLO)
  - 45,15%
- 49.45% **SPG - SOL Plin Gorenjska d.o.o.**[4] – Jesenice (SLO)
  - 35,89%
- 64.11% **T.P.J. d.o.o.** – Jesenice (SLO)
- 51% **SOL WELDING S.r.l.** – Costabissara (I)
  - **Esseti Deutschland GmbH** 100% – Heilbronn (D)
  - **Eurobot Welding S.r.l.** 60% – Carrè (I)
- 10% **S.A.T. Commerciale S.r.l.** – Carrè (I) *
- 10% **SALDO SERVIS S.r.l.** 80% – Trento (I) *
  - **Eurobot Welding S.r.l.** 40% – Carrè (I)

* Company not included in the consolidation basis.

(1) SOL has established the following foreign branches: Vaux le Penil (F), Lugano (CH), Feluy- Seneffe (B), Oisterwijk (NL).

(2) The share pertaining to minority interests includes a 7.75% equity investment in SIMEST S.p.A. Under agreements stipulated between SOL and SIMEST on 27 March 1996 and 2 August 2001, SOL S.p.A. is under obligation to repurchase the entire SIMEST share by 30 June 2003 (4.10%) and 30 June 2004 (remaining 3.45%)

(3) The share pertaining to minority interests includes a 10% equity investment in SIMEST S.p.A. Under agreements stipulated between SOL and SIMEST on 17 May 1999, SOL S.p.A. is under obligation to repurchase the entire SIMEST share by 30 June 2004.

(4) The share pertaining to minority interests includes a 5.4% equity investment in SIMEST S.p.A. Under agreements stipulated between SOL and SIMEST on 23.12.02, SOL S.p.A. is under obligation to repurchase the entire SIMEST share by 30 June 2007.

(5) B.T.G. has established a foreign branch at Dainville (France).

Directors' report Sol Group

2002

To the Shareholders,

The SOL Group is engaged in production, applied research and distribution activities pertaining to industrial, pure and medicinal gases, in home care, as well as in the sector for related medical equipment in Italy, presently active in seven other Western European countries and in eight Central-Eastern European countries. The products and services of companies belonging to the Group are used in the chemical, electronic, iron and steel, engineering and foodstuff industries, as well as in sectors such as environment protection, research and health.

The year 2002 was marked by uncertainty, with a general negative climate of confidence that penalised the consumption of durable goods while also slowing down consumable goods purchases. In 2002, the international economy witnessed a number of notable events, including financial scandals and a continuous reduction in share lists, high inflation, the risk of war against Iraq and a rise in the price of oil, which together progressively accented the climate of uncertainty.

All of this led to a slowdown in spending and industrial activities.

The risk of war caused the price of oil to rise, with a bullish trend, which in the event of a long, drawn-out war could push it up to extremely high levels.

At the same time, the expansionary economic policies of the USA could constitute a springboard for Europe and Japan (where domestic demand is still stagnant). However, the potential macroeconomic benefit will be reduced by the depreciation undergone by the US dollar against the euro, which in Europe will cause the trade balance to worsen and also lead to a possible downturn in investment activities, following a falloff in the competitiveness of European companies in foreign markets. On the other hand, the positive impact on imported inflation could enable real disposal income to grow at a higher rate.

The strengthening of the euro against the US dollar should also influence not only economic growth but also consumer price trends in the Eurozone and help to bring the average annual rate of inflation back to around 2%, even if the crucial factors for inflation will (among other things) be movements in the price of oil and adjustments to taxes and tariffs.

Forecasts for the year 2003 generally point to a weak European economy only undergoing slight improvement, with spending still on hold and investments recovering during the second half of the year, boosted by a lesser degree of uncertainty and favourable interest rates.

The Italian economy experienced a similar trend, even though final demand made moderate recovery during the second half of the year, mainly spurred on by incentives introduced to encourage investments (Law "Tremonti II") and consumption (environment-friendly incentives for car purchases). Industrial production was down 2.1% on 2001, while GDP increased by 0.4%.

The end of the effects of the Law "Tremonti II" and the negative impact that the strengthening of the euro has had on exports could invalidate economic recovery in 2003, as could the indicator for consumer confidence, which dropped to extremely low levels. It is therefore believed that private consumption trends will only be able to make a comeback in the second half of 2003, as will investments.

Given this scenario, the results achieved by the SOL Group may be considered more than satisfactory.

Net sales for 2002 were equal to Euro 267.2 million, representing growth of 13.3 % on 2001 (Euro 235.7 million).

The net operating margin amounted to Euro 28.4 million (equal to 10.6% of sales), up by 20.9% on the Euro 23.5 million registered in 2001.

Net profit attributable to the Group amounted to Euro 15.5 million (equal to 5.8% of sales), up 18.8% on the Euro 13.1 million registered in 2001.

Cash flow amounted to Euro 49.3 million (equal to 18.5% of sales), representing growth of 15.7% on 2001 (Euro 42.6 million).

Investments computed in the year 2002 totalled Euro 48 billion (equal to 18% of sales): substantially the same level as that seen in 2001.

The average number of staff employed by the Group totalled 1,224 (1,135 in 2001).

The Group's net financial indebtedness was equal to Euro 69.3 million (Euro 42.9 million at the end of 2001).

Performance

Compared with the previous year, the technical gases sector grew at a moderate pace, thanks in part to the services market. Of the various target markets, the iron and steel sector bore the brunt of the crisis afflicting the auto industry, while the shipbuilding sector showed signs of recovery. Also in decline were sales to the electronic sector, which is still struggling.

Sales to the environmental and food sectors picked up, as did sales of pure gases and special gases. Medicinal gas sales were in line, with average growth.

The Group's home care business enjoyed considerable growth in 2002 as well, both in Italy and foreign countries, as the positive trends witnessed over the last few years continued to prevail.

On the cost front, the year 2002 again saw the cost of electricity (the main raw material) undergo a notable rise of more than 20%, thereby having an increasing impact on production costs. These increased costs cannot always be immediately recovered by passing them on to selling prices, meaning that some of them triggered a decrease in margins.

The year 2002 was also witness to a hefty lengthening of the time taken by the public sector to pay its debts, which led to a similar increase in working capital supported by the Group, which – together with the considerable amount of investments made – led to a rise in net indebtedness, which has however remained at physiological levels.

During the course of the year 2002, technical gas reserves remained within the safety levels prescribed while sites continued to operate properly.

Production plants in Italy also continued to operate normally.

The Feluy site in Belgium operated on a continual basis, keeping its production levels at the levels already attained in 2001.

The new air separation and liquefaction plant in Mantua was brought on-stream during the second half of 2002. This plant, realised within the petrochemicals business Polimeri Europa, is one of the most modern and technologically advanced around, producing both cryogenic liquid gas for the market and the gaseous products needed for the Polimeri Europa factory to which they are supplied by way of a gas pipeline.

August 2002 saw a new carbon-dioxide production plant come on-stream at Bitola (Macedonia). Products supplied via gas pipelines to glassworks and steelworks benefited from the upturn enjoyed by consumption during the second half of the year.

The SOL Group continued with its expansion activities during 2002 through new initiatives undertaken both in Italy and abroad (Slovenia and Bosnia).

The SOL Group's work force increased during 2002, also further to the new initiatives, and the staff training and qualifying programmes continued in order to maintain and improve professional skills, to ensure the staff are capable of achieving the Group's growth objectives.

Environment, quality and safety

The commitment to maintain and enhance third party certifications as regards quality, safety and environment continued during 2002. Specifically, the production of a new manual marked the switchover to Vision 2000 for the Group quality system, which - integrated with the issues regarding safety and the environment - constitutes a System for the Management of Quality, Safety and the Environment for all Group activities. The ISO 9000 and ISO 14000 certification obtained in previous years was all confirmed in outstanding fashion, and enhanced with the new certification obtained by associated company ICOA S.r.l.

The prestigious European environmental registration EMAS, obtained in previous years for the San Martino Buon Albergo plant in Verona province was renewed and presented during an important Symposium organised on "European Quality Day".

Other significant achievements include the extension of EN 46001 certification with the EC mark for medical devices to anaesthetic gas production plants, which thus completed certification for medical systems used within hospitals.

With regard to the home care business, an extension of ISO 9002 certification was obtained by the associate company VIVISOL Deutschland, for its Krefeld site following that obtained for its Gersthofen and Mauern sites (certified during 2001).

The year 2002 also saw the quality, security and environment policies of SOL Group companies reviewed and updated further, as part of a plan for greater integration, in strict conformity to new European legislation for the correct management of industrial risks. Furthermore, SOL S.p.A. continued to take part in the Responsible Care programme, with the participation of all sites with products being initially transformed in preparation of Environmental Report issued by Federchimica. Safety indicators continued to be constantly monitored for both internal production activities and transportation activities, on a domestic and European scale. The most significant indicators for risk frequency and seriousness continue to remain under control.

To end this section, we should mention the special significance that renewed participation in Federchimica's annual initiative known as "Open Factories", organised by SOL in conjunction with the Gonzaga exhibition "La Celeste Galeria" (The Blue Gallery") and dedicated to Mantua's high-school community.

The success of this initiative is reflected by the fact that more than 1,000 students and teachers visited the exhibition about the Gonzagas first, before going on to visit the new Mantua factory.

SOL Group investments

During the year under review, investments in the technical gases sector amounted to Euro 40.5 million, with Euro 23.8 million of this being invested by the Parent Company SOL S.p.A. and Euro 7.5 million being invested in the home care sector. These investments are broken down below:

- Work to construct a new air separation and liquefaction plant for the production of high-purity liquefied oxygen, nitrogen and argon and the supply of gaseous nitrogen and compressed air via gas pipelines to the Polimeri Europa petrochemical business (formerly EniChem) was completed at the Mantua factory. The site covers an area of more than 33,000 square metres. The factory was brought on-stream in July 2002, while supplies via the gas pipeline commenced in September 2002.
- The Piombino factory saw the completion of a new storage facility for liquid nitrogen that will provide added flexibility in the operating of liquefaction plants as well as enable a product reserve to be established for nitrogen supplies via the pipeline that provides nearby steelworks.
- In September 2002, at Radici Chimica (within the Novara factory) a new facility for the production of liquid carbon dioxide was realised further to the reclamation of a hydrogen production plant owned by Radici Chimica.
- The Cremona factory saw the realisation of a liquid carbon dioxide storage facility along with various related infrastructures, enabling a strategic product reserve to be established to meet the peaks in consumption of seasonal customers.
- A new line for the production of special NO- and N2-based mixes got off the ground at the Pure Gases factory in Monza.
- A production line for the bottling of high-purity oxygen-used in laser applications was realised at the Pavia factory.
- The Bologna factory's plant for the filling and warehousing of base units for the distribution of liquid oxygen (used in home-based therapies) underwent expansion.
- The company TGS successfully realised an LPG supply facility for vehicles in Skopje (Macedonia) while in Bitola it completed a new liquid carbon dioxide production plant. This plant came on-stream during August 2002.
- At Thessaloniki in Greece, the company HGT realised a new secondary bottling production plant for compressed gases.
- At Pula in Croatia, the company UTP embarked upon work to build a new secondary bottling production plant for compressed gases. Work is expected to be completed during the year 2003.

- Several on-site industrial and medical facilities were also realised and brought on-stream during the year.
- Means for the transport, distribution and sale of products were all upgraded by purchasing tanks and gas cylinder trucks, cryogenic liquid delivery tanks, gas cylinders, dewars and medical apparatus. All such measures were taken to support and develop the significant commercial growth achieved in all business sectors and geographical areas.

Information regarding investments in financial assets follows below.
- SOL S.p.A. raised its equity investment in Croatian company SOL-INA d.o.o. 46.56% to 52.79%.
- SOL S.p.A. acquired a 47.61% stake in the capital of Bosnian company Tehnogas Kakmuz A.D., which produces and sells carbon dioxide.
- VIVISOL S.r.l. beefed up its activities within the nutrition sector by acquiring a business unit from the firm Hospital Service S.r.l.
- SOL S.p.A. acquired an 80% stake in the Slovenian company Energetika d.o.o., which is based in Jesenice and is involved in the production of utilities, thereby strengthening its presence in Slovenia.
- AIRSOL B.V. acquired a 51% stake in the Genoa-based company Behringer S.r.l, which produces and sells appliances used to measure and control medical gases as well as welding and cutting equipment.
- We should also mention that in the year 2002, Bartolo Ossigeno S.r.l. was merged by incorporation into SOL S.p.A. , while VIVISOL CENTRO ADRIATICA S.r.l. was merged by incorporation into VIVISOL S.r.l.

These deals will help to improve geographical organisation in Italy as well as boost economies of cost.

Research and Development Activities

Our research activities, which have traditionally characterised, justified and supported the Group's development, continued during the financial period; these activities comprise mainly in applied research, currently associated with the development of new production technologies in Europe, with the promotion of new applications for technical gases and with the development of new welding machines.

SOL S.p.A. dealings with subsidiaries, associated companies and related parties.

As regards the dealings with subsidiaries and associated companies, transactions with the said companies are deemed to be within the normal course of Company business, which has given rise to such transactions in its role as Parent Company. The transactions were all intended and designed to foster the development in a synergic framework, which makes for beneficial integration within the Group. No transactions of an extraordinary or unusual nature in respect of the normal course of business have been carried out. Reference should be made to the information included in the Explanatory Notes to the Consolidated Financial Statements of SOL S.p.A. as at 31.12.02 for additional details, including the dealings of SOL S.p.A. with Group companies and other related parties.

Shares of the Parent Company held by Group Companies

We confirm that as at 31.12.02 the Parent Company SOL S.p.A. held No. 1,525,000 own ordinary shares, representing 1.68% of the share capital and carried in the Financial Statements for a value equal to Euro 2.97 million.

These shares were purchased to execute the resolution approved by the Shareholders' Meeting held on 28 April 2000, after which a stock option scheme was implemented reserved for employees of the Italian companies of the Group that had subscribed to SOL S.p.A. shares at the time of the initial offer (IPO) utilising the portion reserved for them. The stock option scheme foresees the right to purchase the same number of shares as those already subscribed, at a price of Euro 2,024 and may be exercised until 30 April 2003. We would mention that as at 31st December 2002, 126 beneficiaries had exercised said right, acquiring 275,000 shares.

Equity investments of Directors, Statutory Auditors and the General Manager

Full name	Company in which participating interest is held	Number of shares held at the close of the preceding financial year	Number of shares purchased	Number of shares sold	Number of shares held at the close of the financial year at 31.12.02
Aldo Fumagalli Romario	SOL S.p.A.	5,000	0	0	5,000
Marco Annoni	SOL S.p.A.	1,000	0	0	1,000
Ugo Fumagalli Romario	SOL S.p.A.	6,000	0	0	6,000
Giovanni Annoni	SOL S.p.A.	2,000	0	2,000	0
Alberto Enrico Tronconi	SOL S.p.A.	2,720,000 *	0	0	2,720,000 *
Stefano Bruscagli	SOL S.p.A.	6,800,000 **	0	0	6,800,000 **
Alberto Maria Savini	SOL S.p.A.	0	0		0
Maria Cristina Annoni	SOL S.p.A.	40,000 ****	0	0	40,000 ****
Enrico Aliboni	SOL S.p.A.	4,000 ***	0	0	4,000 ***
Giulio Bottes	SOL S.p.A.	4,000	4,000	4,000	4,000

* bare ownership rights and with voting rights.
** bare ownership rights.
*** held by spouse.
**** 20,000 held by spouse

The remaining Directors and Statutory Auditors do not hold nor have held any equity investments in Group Companies during 2002.

In order to gain a better understanding of the results we enclose the reclassified: Profit and Loss Account and Balance Sheet, as well as the net financial position statement and the essential data as regards the industrial gases and the home care sector for the SOL Group.

Reclassified profit and loss account SOL Group

(thousands of Euro)	**31/12/2002**	Incidence on net sales	31/12/2001	Incidence on net sales
Pipelines / on-site facilities	33,069	12,4	27,870	11,8
Merchant	171,087	64,0	155,856	66,1
Vivisol	63,004	23,6	52,004	22,1
NET SALES	**267,160**	**100,0**	235,731	100,0
Other revenues and income	2,745	1,0	1,888	0,8
Work performed for own purposes and capitalised	5,514	2,1	4,326	1,8
REVENUES	**275,419**	**103,1**	241,945	102,6
Purchase of materials	83,206	31,1	74,434	31,6
Services rendered	76,983	28,8	69,598	29,5
Change in stock	(2,454)	(0,9)	(3,410)	(1,4)
Other costs	6,280	2,4	5,644	2,4
TOTAL COSTS FOR PURCHASES AND SERVICES	**164,015**	**61,4**	146,266	62,0
VALUE ADDED	**111,404**	**41,7**	95,679	40,6
Total cost of production	45,844	17,2	41,076	17,4
GROSS OPERATING MARGIN	**65,561**	**24,5**	54,603	23,2
Depreciation and amortisation	33,558	12,6	29,385	12,5
Other provisions	3,610	1,4	1,741	0,7
OPERATING PROFIT	**28,392**	**10,6**	23,477	10,0
Financial income	1,192	0,4	1,539	0,7
Financial charges	5,180	1,9	4,662	2,0
Total financial income and charges	**(3,988)**	**(1,5)**	(3,122)	(1,3)
PROFIT ON ORDINARY ACTIVITIES	**24,404**	**9,1**	20,355	8,6
Extraordinary income and charges	96	0,0	(78)	(0,0)
PROFIT (LOSS) BEFORE INCOME TAXES	**24,500**	**9,2**	20,277	8,6
Income tax	8,766	3,3	7,093	3,0
PROFIT (LOSS) FOR THE YEAR	**15,734**	**5,9**	13,185	5,6
Profit (Loss) pertaining to minority interests	207	0,1	121	0,1
NET PROFIT (LOSS) FOR THE YEAR	**15,527**	**5,8**	13,064	5,5

Reclassified balance sheet SOL Group

(thousands of Euro)	**31.12.2002**	31.12.2001
ASSETS		
Current assets		
Cash and cash at bank	23,901	21,308
Trade debtors	110,102	93,672
Stocks	25,834	23,193
Prepayments and accrued income	541	916
Other short term assets	10,527	7,960
Total current assets	**170,905**	147,049
Fixed assets		
Technical fixed assets	202,884	184,854
Intangible fixed assets	6,988	7,073
Investments	3,968	4,493
Other fixed assets	1,527	4,337
Total fixed assets	**215,368**	200,756
TOTAL ASSETS	**386,273**	347,805
LIABILITIES AND CAPITAL AND RESERVES		
Short term liabilities		
Bank loans and overdrafts	5,352	4,290
Suppliers	43,196	47,211
Other creditors	6,925	5,764
Amounts owed to other financiers	15,141	8,450
Accruals and deferred income	3,707	3,976
Amounts owed to tax administration	3,956	4,576
Total current liabilities	**78,277**	74,268
Medium/long-term liabilities, provisions		
Provisions for risks and charges	15,495	14,274
Employee severance indemnity	8,071	7,286
Other liabilities	73,929	52,716
Total medium/long-term liabilities and provisions	**97,495**	74,276
Capital and reserves		
Subscribed capital	47,164	47,164
Reserves	139,711	128,587
Net profit	15,527	13,064
Capital and reserves for the Group	**202,402**	188,815
Capital and reserves - Minority interests	**7,893**	10,325
Profit (loss) - Minority interests	207	121
Minority interests –Capital and reserves	**8,099**	10,445
TOTAL CAPITAL AND RESERVES	**210,501**	199,260
TOTAL LIABILITIES AND CAPITAL AND RESERVES	**386,273**	347,805

Net financial position SOL Group

(thousands of Euro)	**31.12.2002**	31.12.2001
Cash and cash at bank	23,901	21,308
Securities	340	410
Loans – short term portion	(13,905)	(7,518)
Leases – short term portion	(1,236)	(932)
Short-term amounts owed to bank	(5,352)	(4,290)
Short-term Liquidity, Net	**3,748**	8,978
Permanent investments	561	563
Loans – long-term portion	(69,167)	(49,630)
Long-term amounts owed to banks	(31)	(157)
Amounts owed to Financiers for Leasing	(2,644)	(1,334)
Amounts owed to Shareholders for the purchase of equity investments	(1,785)	(1,372)
Medium/Long-Term Net indebtedness	**(73,066)**	(51,930)
Total Net Liquidity/Indebtedness	**(69,318)**	(42,952)

Information by business sector

	31.12.2002				31.12.2001			
(thousands of Euro)	Technical gas sector	Home care service	Write-downs	Consolidated figures	Technical gas sector	Home care service	Write-downs	Consolidated figures
Pipelines/on-site facilities	33,069	-	-	33.069	27.870	-	-	27.870
Merchant	176,702	-	(5.615)	171.087	160.638	-	(4.781)	155.856
Vivisol	-	-63,202	(198)	63.004	-	52.271	(267)	52.004
Net Sales	**209,771**	**63,202**	**(5.814)**	**267.160**	188.508	52.271	(5.048)	235.731
Other revenues and income	2,832	224	(311)	2.745	1.996	171	(278)	1.888
Work performed for own purposes and capitalised	3,190	2,325	(0)	5.514	1.616	2.648	63	4.326
Revenues	**215,792**	**65,751**	**(6.124)**	**275.419**	192.120	55.090	(5.264)	241.945
Purchase of materials	69,209	17,944	(3.946)	83.206	60.953	16.935	(3.454)	74.434
Services rendered	60,298	18,406	(1.721)	76.983	54.768	16.212	(1.381)	69.598
Change in stock	(1,385)	(1,069)	(0)	(2.454)	(2.539)	(871)	-	(3.410)
Other costs	4,901	1,836	(457)	6.280	4.498	1.576	(430)	5.644
Total costs for purchases and services	**133,023**	**37,117**	**(6.124)**	**164.015**	117.680	33.851	(5.264)	146.266
Value added	**82,770**	**28,635**	**-**	**111.404**	74.440	21.239	-	95.679
Total cost of production	36,659	9,184	-	45.844	33.442	7.633	-	41.076
Gross operating margin	**46,111**	**19,450**	**-**	**65.561**	40.998	13.605	-	54.603

	31.12.2002				31.12.2001			
Total assets	**357.103**	**90.586**	**(61.416)**	**386.273**	330.890	79.008	(62.093)	347.805
Total liabilities	**153.884**	**51.868**	**(29.981)**	**175.772**	136.583	45.778	(33.817)	148.545
Investments	**40.506**	**7.486**	**-**	**47.992**	38.026	9.703	-	47.728
Depreciation and amortisation	**25.989**	**7.569**	**-**	**33.558**	22.978	6.407	-	29.385

Significant events taking place after the end of financial year 2002 and foreseeable business developments

The most significant event witnessed during the opening months of the year 2003 has been the outbreak of war against Iraq.

As events presently stand, we are unable to say how long the conflict will last for or what the short-term and medium-term consequences will be on the economic performance of those countries in which the SOL Group operates.

In addition to what has already been reported, we should also mention that in February 2003, the subsidiary company VIVISOL Deutschland GmbH acquired the home care business of the German company Elomed GmbH, thereby expanding its presence in Germany around the Baden Württemberg region.

We should also add that, as at 26 March 2003, the company held 1,257,000 of its own shares in Treasury, and that 250 beneficiaries exercised the previously mentioned stock option, acquiring 543,000 shares.

To end, our aim for the year 2003 is to improve both turnover and profitability within the Group, even though the current scenario, dominated by the war in the Middle East, does not allow us to come up with detailed projections that are sufficiently reliable.

Monza, 27.03.2003

Chairman of the Board of Directors
(Aldo Fumagalli Romario)

Consolidated financial statements Sol Group

2002

Consolidated balance sheet SOL Group

ASSETS *(thousands of Euro)*	Amounts receivable within the following financial year **31.12.02**	Amounts receivable within the following financial year 31.12.01	**31.12.2002**	31.12.2001
A) SUBSCRIBED CAPITAL UNPAID BY SHAREHOLDERS				
called part			481	929
part not called				26,040
TOTAL			**481**	26,969
B) FIXED ASSETS				
I - Intangible fixed assets				
1) Start-up and expansion costs			684,318	1,276,694
2) Costs for research, development and advertising			298,344	118,640
3) Industrial patents and intellectual property rights			459,396	599,268
4) Concessions, licences, trademarks and similar rights			345,523	443,935
5) Goodwill			1,005,928	70,651
6) Fixed assets in course of construction and payments on account			14,263	
7) Other			1,583,216	1,587,085
8) Consolidation difference			2,597,287	2,976,571
Total			**6,988,275**	7,072,844
II - Tangible fixed assets:				
1) Land and buildings			40,018,848	32,427,183
2) Plants and machinery			81,225,444	50,937,404
3) Other fixtures and fittings, tools and equipment			74,214,091	70,502,224
4) Other assets			5,377,898	4,982,432
5) Fixed assets in course of construction and payments on account			2,047,929	26,004,267
Total			**202,884,210**	184,853,510
III - Financial investments:				
1) Equity investments in:				
a) non-consolidated Group companies				
b) associated companies			370,645	375,462
c) parent companies				
d) other companies			60,783	41,709
2) Debtors				
a) amounts owed by non-consolidated group companies				
b) amounts owed by associated companies			144,000	180,000
c) amounts owed by parent companies				
d) amounts owed by other debtors	**66,634**	48,734	1,241,946	4,025,615
	66,634	48,734		
3) Other investments			561,199	563,333
4) Own shares			2,975,235	3,512,310
Total			**5,353,808**	8,698,429
TOTAL FIXED ASSETS			**215,226,293**	200,624,783

ASSETS *(thousands of Euro)*			**31.12.2002**	31.12.2001
C) CURRENT ASSETS				
I - Stocks:				
1) raw materials, subsidiary materials and consumables			2,016,687	1,973,340
2) work in progress and components			800,568	639,170
3) contracts in progress			7,395,238	6,873,098
4) finished goods and goods for resale			15,621,855	13,695,807
5) advances received				12,043
Total			**25,834,348**	23,193,458
	Amounts receivable within the following financial year			
II - Debtors:	**31.12.02**	31.12.01		
1) amounts owed by trade debtors	**61,994**	229,971	110,011,246	93,548,709
2) amounts owed by non-consolidated group companies				
3) amounts owed by associated companies			90,389	123,501
4) amounts owed by parent companies				
5) amounts owed by other debtors	**141,283**	130,914	10,327,590	7,654,162
Total	**203,277**	360,885	**120,429,225**	101,326,372
III - Financial investments which are not permanent:				
1) in subsidiary companies				
2) in associated companies				
3) in parent companies				
4) in other companies			39,029	39,686
5) own shares				
6) other investments			300,805	370,213
Total			**339,834**	409,899
IV - Cash at bank and in hand:				
1) banks and postal current accounts			23,632,166	21,089,466
2) bank cheques			3,557	5,211
3) cash and cash equivalents in hand			265,767	213,187
Total			**23,901,490**	21,307,864
TOTAL CURRENT ASSETS			**170,504,897**	146,237,593
D) PREPAYMENTS AND ACCRUED INCOME				
Prepayments and accrued income			541,255	915,613
Premium on loans				
TOTAL			**541,255**	915,613
TOTAL ASSETS			**386,272,926**	347,804,958

Consolidated balance sheet SOL Group

LIABILITIES *(thousands of Euro)*			**31.12.2002**	31.12.2001
A) CAPITAL AND RESERVES:				
Pertaining to the Group:				
I Subscribed capital			47,164,000	47,164,000
II Share premium account			62,676,766	62,139,691
III Revaluation reserve				
IV Legal reserve			2,530,970	2,012,957
V Reserve for own shares			2,975,235	3,512,310
VI Reserves provided for by the Articles of Association				
VII Other reserves				
a) Extraordinary reserve			25,656,022	21,471,953
b) Reserves not taxable until use or liquidation			4,106,867	3,799,031
c) Reserve for payments to cover losses				
d) Capital and reserves of aggregated companies				
e) Reserve for capital account grants				
f) Reserve for differences arising from application of the equity method				
g) Reserve for translation differences			-1,972,192	-2,531,778
h) Subsidiaries' undistributed profits and other reserves			37,825,003	36,549,038
i) Consolidation reserve			4,808,164	1,046,659
k) Other reserves			1,103,691	587,234
VIII Profits (losses) carried forward				
IX Profit (loss) for the financial year			15,527,267	13,063,945
Total group capital and reserves			**202,401,793**	188,815,040
Minority interests:				
X Capital and reserves pertaining to minority interests			7,892,706	10,324,611
XI Profit (loss) pertaining to minority interests			206,638	120,773
Total capital and reserves pertaining to minority interests			**8,099,344**	10,445,384
TOTAL CAPITAL AND RESERVES			**210,501,137**	199,260,424
B) PROVISIONS FOR RISKS AND CHARGES				
1) Provisions for pensions and similar obligations				
2) Provisions for taxation			14,211,994	13,360,208
3) Others			1,283,329	913,777
4) Consolidated provision for risks and charges				
TOTAL			**15,495,323**	14,273,985
C) EMPLOYEE SEVERANCE INDEMNITY			**8,070,990**	7,285,885
D) CREDITORS	amounts receivable after the end of the following financial year			
	31.12.02	31.12.01		
1) Debenture loans				
2) Convertible debenture loans				
3) Amounts owed to banks	**30,942**	157,306	5,383,057	4,447,273
4) Amounts owed to other financiers	**71,811,060**	50,963,792	86,952,339	59,413,968
5) Advances received				
6) Amounts owed to suppliers			43,100,768	47,107,313
7) Debts represented by bills of exchange				
8) Amounts owed to non-consolidated group companies				
9) Amounts owed to associated companies			95,489	103,912
10) Amounts owed to parent companies				
11) Amounts owed to tax administration		59,551	3,955,998	4,576,129
12) Amounts owed to Welfare Agencies and Social Security Institutions			1,756,784	1,594,819
13) Other creditors	**2,086,660**	1,595,226	7,254,525	5,764,845
TOTAL	**73,928,662**	52,775,875	**148,498,960**	123,008,259
E) ACCRUALS AND DEFERRED INCOME				
Accruals and deferred income			3,706,516	3,976,405
Discount on loans				
TOTAL			**3,706,516**	3,976,405
TOTAL LIABILITIES			**386,272,926**	347,804,958

Consolidated balance sheet SOL Group

MEMORANDUM ACCOUNTS *(thousands of Euro)*	**31.12.2002**	31.12.2001
A) GUARANTEES GIVEN		
1) to others:		
a) bank guarantees	8,098,859	8,548,246
b) endorsements		
c) other personal guarantees		
d) real guarantees	129,862	129,862
Total	**8,228,721**	8,678,108
2) to associated companies:		
a) bank guarantees		
b) endorsements		
c) other personal guarantees		
d) real guarantees		
Total		
B) OTHER MEMORANDUM ACCOUNTS		
1) Leasing rentals falling due		
2) Bills and cash orders in circulation		
3) raw materials and finished products held by others	412,287	322,986
4) Securities held by others		
5) Assets owned by others at our premises	7,894	15,174
6) Foreign currency repurchase commitments		
TOTAL	**420,181**	338,160
C) GUARANTEES RECEIVED		
a) bank guarantees	46,799	46,799
b) endorsements		
c) other personal guarantees		
d) real guarantees		
TOTAL	**46,799**	46,799
TOTAL MEMORANDUM ACCOUNTS	**8,695,701**	9,063,067

Consolidated profit and loss account SOL Group

(thousands of Euro)	**31.12.2002**	31.12.2001
A) (+) VALUE OF PRODUCTION		
1) Net turnover from sales and services	267,159,880	235,730,982
2) Variation in stocks of finished,		
semi-processed goods and work in progress	668,433	643,323
3) Variation in contracts in progress	522,140	2,086,351
4) Work performed for own purposes and capitalised	5,514,311	4,326,490
5) Other revenues and income:		
- Other revenues and income	2,163,110	1,127,759
- Grants pertaining to the financial period	582,199	759.997
TOTAL	**276,610,073**	244,674,902
B) (-) COSTS OF PRODUCTION		
6) for raw materials, subsidiary materials, consumables and goods	-83,206,102	-74,434,153
7) for services	-76,983,029	-69,598,193
8) for use of assets owned by others	-3,803,224	-3,909,813
9) for staff costs		
a) wages and salaries	-33,150,264	-29,873,104
b) Social Security costs	-11,391,816	-9,953,843
c) provision for employee severance indemnity	-1,301,531	-1,248,912
d) pension costs and similar obligations		
e) other costs		
10) amortisation and write-downs:		
a) amortisation of intangible fixed assets	-3,690,330	-3,451,351
b) depreciation of tangible fixed assets	-29,867,781	-25,933,218
c) other reductions in value of fixed assets	-4,053	-6,050
d) allowance for doubtful debtors included in current		
assets and other accounts included in cash at bank and in hand	-3,163,054	-2,090,664
11) movement in stocks of raw materials,		
subsidiary materials, consumables and goods	1,263,206	680,120
12) amounts provided for risk provisions	-239,354	-53,996
13) other provisions	-203,790	-340,565
14) other operating charges	-2,476,679	-1,733,948
TOTAL	**-248,217,801**	-221,947,690
(A - B) DIFFERENCE BETWEEN VALUE AND COSTS OF PRODUCTION	**28,392,272**	22,727,212

(continue) **Consolidated profit and loss account** SOL Group

(thousands of Euro)	**31.12.2002**	31.12.2001
C) FINANCIAL INCOME AND CHARGES		
15) (+) Income from equity investments:		
in non-consolidated group companies		
deriving from associated companies	8,823	
from other companies	1,692	1,601
16) (+) other financial income		
a) from loans forming part of fixed assets:		
from others		64,121
from associated companies	9,163	
from subsidiary companies		
b) from permanent investments other than equity investments	20,172	33,316
c) from other investments which are not permanent	15,324	51,816
d) other income not included above		
from others	1,136,799	1,388,474
from associated companies		
from parent companies		
17) (-) Interest payable and other financial charges:		
payable to others	-5,180,059	-4,661,670
payable to associated companies		
payable to parent companies		
TOTAL	**-3,988,086**	-3,122,342
D) VALUE ADJUSTMENTS IN RESPECT OF INVESTMENTS		
18) (+) Revaluation:		
of equity investments	348	2,510
of permanent investments which are not equity investments	6,399	
of non-permanent investments which are not equity investments		
19) (-) write-downs:		
of equity investments		-222,609
of permanent investments which are not equity investments		
of non-permanent investments which are not equity investments		
TOTAL VALUE ADJUSTMENTS	**6,747**	-220,099
E) EXTRAORDINARY INCOME		
20) (+) extraordinary income:		
income	421,731	748,803
capital gains from disposal of fixed assets	109,832	808,394
21) (-) extraordinary charges:		
charges	-260,110	-500,807
capital losses from disposal of fixed assets	-178,448	-20,699
taxes pertaining to previous financial periods	-4,236	-143,096
TOTAL EXTRAORDINARY INCOME AND CHARGES	**88,769**	892,595
PROFIT OR LOSS BEFORE INCOME TAXES	**24,499,702**	20,277,366
22) (-) income taxes on the income of the period		
current	-8,507,480	-8,025,135
deferred	-258,317	932,487
23) Aggregate net profit or loss	**15,733,905**	13,184,718
(PROFIT) LOSS FOR THE FINANCIAL YEAR ACCRUING TO OTHERS	**-206,638**	-120,773
PROFIT (LOSS) FOR THE FINANCIAL YEAR ACCRUING TO THE GROUP	**15,527,267**	13,063,945

Chairman of the Board of Directors
(Aldo Fumagalli Romario)

General criteria

The Balance Sheet and Profit and Loss Account as at 31st December 2002 have been prepared and presented in accordance with the provisions of Article 25 and subsequent articles of Legislative Decree No. 127/91; the accounting principles comply with those recommended by the Italian Securities and Investments Board (CONSOB) and prescribed by the National Boards for Accountants and Book-keepers. The Balance Sheet and the Profit and Loss Account are integrated by the relevant Explanatory Notes, which were prepared in accordance with the provisions of Article 38 of the above-mentioned Legislative Decree.

These Explanatory Notes include a reconciliation of the Parent Company's profit and shareholders' equity and the consolidated profit and shareholders' equity for the reporting period.

We have enclosed the cash flow statement to these Explanatory Notes for a better understanding of the Financial Statements.

The reclassified Balance Sheet and Profit and Loss Account are attached to the Directors' Report.

Accounting reference date

The Consolidated Financial Statements have been prepared and presented on the basis of the Financial Statements as at 31st December 2002 of each consolidated company duly approved by the General Shareholders' Meetings and prepared in accordance with to the Group's accounting principles.

Group composition and consolidation basis

The Consolidated Financial Statements comprise the Financial Statements as at 31st December 2002 of the Parent Company SOL SpA and of the following companies, which are, pursuant to Article 38, paragraph 2 of Legislative Decree No. 127/91:

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

Company Name and Registered Office	Notes		Share capital	Ownership Percentage Directly	Indirectly	Total
AIRSOL BV – Amsterdam		Euro	7,724,246.84	100%		100%
BEHRINGER Srl – Genoa		Euro	102,000	51%		51%
B.T.G. Bvba – Lessines		Euro	3,558,000	100%		100%
Cryo-Cell Italia Srl – Milan		Euro	52,653		25.55%	25.55%
CryoMed Srl –Milan		Euro	10,000		50.10%	50.10%
C.T.S. S.p.A. – Monza		Euro	156,000	100%		100%
ENERGETIKA Z.J. d.o.o. – Jesenice		SIT	239,544,630	80%		80%
Eurobot Welding Srl – Carrè		Euro	93,000		30.60%	30.60%
ESSETI DEUTSCHLAND GmbH - Heilbronn		Euro	25,000		51%	51%
FRANCE OXYGENE Sarl – Annoeullin		Euro	208,000		100%	100%
G.T.E. S.L. – Barcelona		Euro	12,020.24	100%		100%
G.T.S. Sh.P.K. – Tirana		LEK	5,000,000	100%		100%
HGT S.A. – Thesalonniki		Euro	469,600		90%	90%
I.C.O.A. Srl – Vibo Valentia		Euro	45,760	97.60%		97.60%
IMG D.o.o. – Belgrade		YUD	15,819,857	30%	70%	100%
KISIKANA d.o.o – Sisak		KUNE	28,721,300		62.79%	62.79%
N.T.G. Bv – Tilburg		Euro	2,268,946,46	100%		100%
SOL France Sas – Cergy Pontoise		Euro	3,000,000	100%		100%
SOL T.G. GmbH – Wiener Neustadt		Euro	726,728.34	100%		100%
SOL Welding Srl – Costabissara		Euro	1,325,000	51%		51%
SOL-INA D.o.o. – Sisak	1	KUNE	58,766,000	62.79%		62.79%
SPG – SOL Plin Gorenjska D.o.o. – Jesenice	2	SIT	1,970,000,000	54.85%	36.12%	90.97%
T.G.B. e.o.o.d. – Sofia		LEVA	3,750,000	100%		100%
T.G.K. Sofia AD – Sofia		LEVA	200,000	51%		51%
T.G.P. AD – Petrovo		KM	1,177,999	47.61%		47.61%
T.G.S. AD – Skopje	3	DEN	413,001,941	96.15%		96.15%
T.G.T. AD – Trn		KM	670,081	30%		30%
T.M.G. GmbH – Krefeld		Euro	2,045,167.52		100%	100%
T.P.J. D.o.o. – Jesenice		SIT	633,485,260	64.11%	32.65%	96.76%
U.T.P. D.o.o – Pula		KUNE	12,433,000		61.53%	61.53%
VIVISOL B S.p.r.l. – Lessines		Euro	162,500	0.08%	99.92%	100%
VIVISOL Brescia Srl – Brescia		Euro	41,600		70%	70%
VIVISOL Calabria Srl – Vibo Valentia		Euro	10,400		98.32%	98.32%
VIVISOL Deutschland GmbH – Mauern		Euro	2,500,000		100%	100%
VIVISOL dello Stretto Srl – Villa S. Giovanni		Euro	213,200		94.00%	94.00%
VIVISOL France Sarl – Vaux Le Penil		Euro	500,000		100%	100%
VIVISOL Heimbehandlungsgeräte GmbH – Wien		Euro	726,728.34		100%	100%
VIVISOL Napoli Srl – Marcianise		Euro	98,800		70%	70%
VIVISOL Srl – Monza		Euro	2,600,000		100%	100%
VIVISOL Silarus Srl – Battipaglia		Euro	18,200		49%	49%
VIVISOL Umbria Srl – Perugia		Euro	67,600		70%	70%
ZEUS S.A. – Piraeus		Euro	740,574		89.40%	89.40%

1) The Group's share as at 31st December 2002 includes a 10% equity investment in Simest S.p.A.; under an agreement stipulated between SOL S.p.A. and Simest on 17 May 1999, SOL SpA. is under obligation to repurchase the entire Simest share by 30 June 2004.
2) The Group's share as at 31st December 2002 includes a 5.4% equity investment in Simest S.p.A.; under an agreement stipulated between SOL S.p.A. and Simest on 23 December 2002, SOL SpA is under obligation to repurchase the entire Simest share by 30 June 2007.
3) The Group's share as at 31st December 2002 includes a 7.55% equity investment in Simest S.p.A.; under agreements stipulated between SOL S.p.A. and Simest on 27 March 1996 and 2 August 2001, SOL S.p.A. is under obligation to repurchase the entire Simest share by 30 June 2003 (4.1%) and 30 June 2004 (remaining 3.45%).

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

Company Name and Registered Office		Subscribed capital	Ownership percentage
CONSORGAS Srl - Milan	Euro	500,000	25.79 %
Ionia Oxigono e.p.e. - Thessaloniki	Euro	24,944.98	34.00 %

c) associated companies, valued at cost

Company Name and Registered Office		Subscribed capital	Ownership percentage
S.A.T. Commerciale Srl	Euro	41,500	10.00 %
SALDO SERVIS Srl	Euro	41,500	10.00 %

S.A.T. Commerciale Srl and SALDO SERVIS Srl have been considered to be among the associated companies since they are related by exclusive relationships of a commercial nature.
The equity investments in other companies were valued at cost, as they cannot be included among subsidiary and associated companies.
Compared with that recorded as at 31st December 2001, the Group's consolidation structure on 31st December 2002 was modified as a result of the balance sheets of the companies Behringer Srl and Energetika Z.J. d.o.o. (acquired on 5 December 2002 and 6 December 2002 respectively) and the financial statements of T.G.P. AD being included for the first time, and the equity investments held in T.P.J. d.o.o. and SPG-SOL d.o.o. increasing further to the acquisition of an investment in Energetika. Furthermore, as a result of the share capital increase undergone by SOL-INA D.o.o. on 19 March 2002, following the waiver of option rights by certain shareholders, the investments held in said company as well as in its subsidiaries Kisikana D.o.o. e U.T.P. D.o.o. have remained unchanged.
Please also note that during the second half of the year under review, the companies Bartolo Ossigeno Srl and VIVISOL Centro Adriatica Srl were also incorporated, which did not however have any effect on the Consolidated Balance Sheet or Profit and Loss Account.

Principles of consolidation and accounting policies

Consolidation principles

The Financial Statements utilised for consolidation purposes are those as at 31st December 2002 pertaining to individual companies. These Financial Statements have been suitably reclassified and adjusted in order to harmonise group accounting policies and standards with those of the Parent Company, which are in accordance with the provisions of Article 2423 and following articles of the Italian Civil Code, and with the provisions as recommended by CONSOB.

The consolidation principles used and applied are as follows:

- assets and liabilities, as well as income and expenses of consolidated companies are recorded in full; whereas accounts receivable and payable, income and expenses, profits and losses for material amounts deriving from transactions of a significant value, executed among companies included in the consolidation basis, taking possible deferred taxation into due account, are eliminated;

- the book value of investments in consolidated companies is set off against the corresponding shares of subsidiaries' net assets; and the possible difference between purchase price and relevant net assets at the book value at the date of acquisition is added to the assets or liabilities items of the consolidated companies; the possible residual difference, if negative, is entered in a balance sheet item denominated consolidation reserve; if positive, it is entered in an assets item denominated difference arising on consolidation, and is amortised over a period of 5 years. The shares of net assets and of profit belonging to third party shareholders, calculated on the basis of Financial Statements adjusted in accordance with the Group's accounting policies, are stated in the items "Minority interests - equity" of the Balance Sheet and "Minority interests - share of profit (loss)" of the Profit and Loss Account, respectively;
- taxation on undistributed profits of the consolidated companies are not accounted for, as it is presumed that profits will be distributed taking advantage of tax credits for the parent company or be permanently reinvested within the Group.

Conversion of Financial Statements denominated in foreign currency

The items under Capital and Reserves were converted into Euro by adopting the historical exchange rates for the financial periods in which they were generated. Balance-sheet items are converted into euros by adopting the exchange rates prevailing on 31st December 2002, whereas P&L items are converted into euros at the average exchange rates recorded in the year 2002. The difference between the result for the financial period generated by converting at the average exchange rates and the result emerging further to conversion at the exchange rates prevailing on 31st December 2002 and the effects on assets and liabilities arising from exchange-rate fluctuations between the beginning of the financial period and 31st December are carried as part of capital and reserves under the heading "Reserve for translation differences". In the case of those companies that have adopted the euro as the reporting currency, the "Reserve for translation differences" has been transferred to the item "Undistributed earnings of subsidiaries and other reserves".

The rates of exchange utilised to convert the Financial Statements not expressed in Euro are detailed in the table below:

Currency	Rate of exchange on **31.12.2002**	Average exchange rate for 2002	Rate of exchange on 31.12.2001	Average exchange rate for 2001
Albanian Lek	Euro 0.00717	Euro 0.00759	Euro 0.00838	Euro 0.00782
Macedonian Dinar	Euro 0.01627	Euro 0.01655	Euro 0.01660	Euro 0.01716
Bulgarian Lev	Euro 0.51161	Euro 0.51303	Euro 0.51379	Euro 0.51330
Croatian Kuna	Euro 0.13419	Euro 0.13522	Euro 0.13645	Euro 0.13412
Serbian Dinar	Euro 0.01608	Euro 0.01654	Euro 0.01706	Euro 0.01805
Slovenian Taller	Euro 0.00434	Euro 0.00443	Euro 0.00456	Euro 0.00459
Convertible Mark	Euro 0.51129	Euro 0.51129	Euro 0.51129	Euro 0.51129

Valuation criteria

The accounting policies and valuation criteria applied by all consolidated companies are substantially the same. The valuation criteria adopted in the consolidated economic and equity position were those utilised by the Parent Company SOL SpA and are in accordance with the applicable legislative provisions as mentioned above, supplemented and construed by the Accounting Principles set out by the Italian Accounting Profession. The valuation of the items carried in the consolidated economic and equity position have been based on the general accounting principles of prudence and accrual, and on the basis of a going concern. For the purposes of accounting, emphasis has been laid on the economic substance of transactions rather than to their legal form; as regards financial assets they were accounted for on the day of settlement. Income is recognised only if realised within the closing date of the Financial Statements, whereas risks and losses are taken into account even if acknowledged at a later date. Heterogeneous entries included in the single items of the Financial Statements have been valued separately. Balance-sheet items that have a useful economic life of more than one year have been stated among fixed assets.

Write-downs and write-ups

The value of tangible and intangible fixed assets the useful economic life of which is limited in time is systematically depreciated or amortised. The said assets along with other asset items are written down whenever a permanent decrease in value is recognised; the prior value is reinstated as long as the reasons for the preceding write-down are deemed no longer to apply. The detailed methods adopted for depreciation, amortisation and write-downs are illustrated below.

Revaluations

No revaluation has ever been made except for those provided for by specific laws regarding tangible assets and those arising from mergers.

Exceptions

There are no departures from the valuation criteria provided for by the legislation in force concerning the preparation of Financial Statements and consolidated Financial Statements in these and prior Financial Statements.

Entries recorded solely for fiscal purposes

The economic and equity positions for the Parent Company and for a number of subsidiary companies as at 31.12.02 include entries made exclusively to comply with taxation regulations, in particular accelerated depreciation exceeding the amounts necessary to distribute the cost of the fixed assets over the estimated useful working life thereof and assets with a unit value of less than Euro 516 were charged directly to the Profit and Loss Account.

Such entries are eliminated in the consolidated economic and equity position.

Valuation criteria of single items

Intangible fixed assets

Intangible assets represent costs and expenditures having a useful economic life of more than one year and are stated at purchase price increased by the expenses incidental thereto and are amortised on a straight-line basis. In this regard we point out that:

- Start-up and capital increase costs are stated in the specific asset item, and amortised over their useful economic life, however for a period not exceeding five years.
- Research, development and advertising costs are totally charged to the Profit and Loss Account for the year in which they were incurred. An exception is represented by costs related to the development of new products, provided they are associated with projects in the company's interests offering reasonable profitability prospects.
- Industrial patents and rights to use intellectual property are amortised over their estimated useful economic life, however for a period not exceeding that set out in the relevant license agreements.
- Concessions, licenses, trade marks and similar rights stated among assets are amortised on the basis of the estimated period of utilisation, in any case not exceeding that set out in the relevant purchase agreements; if the period of utilisation cannot be determined, it is established over five years.
- Goodwill is only carried as part of assets where actually paid for, and for no more than the cost incurred in this regard or following a merger, and is amortised over a period not exceeding its useful life, which is determined as ten years maximum.
- Differences arising from consolidation are amortised over a period of five years.
- Improvements to third party assets are amortised on the basis of the contract's residual life.

Assets, whose economic value appears to be permanently lower than their cost amortised in accordance with the criteria mentioned above, at the close of the financial year, are adjusted to their actual economic value. If the reasons that determined the said write-down subsequently appear no longer to apply, the appropriate write-up is then calculated.

Tangible fixed assets

Tangible assets are stated at purchase price or cost of construction, increased by the expenses incidental thereto. The cost value is only increased in compliance with specific national legal provisions which allow fixed assets to be revalued following merger deals or assignment of the possible difference between the value paid to acquire the equity investment and the accruing capital and reserves. Depreciation is systematically calculated on the cost of assets, increased by any possible revaluation, dependent upon the residual period of their use. Tangible assets, the economic value of which appears to be permanently lower than their cost depreciated in accordance with the criteria mentioned above, at the close of the financial year, are adjusted to their actual economic value.

Costs of ordinary maintenance are charged to the Profit and Loss Account in full. Maintenance costs including a capital increase element are added to the asset to which they refer and depreciated according to the residual period of utilisation of the relevant asset.

The annualised depreciation rates generally adopted are as follows:

Land and buildings	
- land	-
- residential buildings	-
- industrial buildings	4%
- light buildings	10%
Plants and machinery	
- plants and machinery - general	7.5%
- plants and machinery - specific	10%
Fixtures and fittings, tools and equipment	
- other small equipment	25%
- cylinders	9%
- distribution plants	9%
- treatment plants	15%
- base units	17,5%
- remote-measurements	20%
Other assets	
- motor vehicles	20%
- motor cars	25%
- furniture and furnishings	12%
- electronic office machines	20%

The depreciation rate of an asset is reduced by 50% in the financial year in which it is purchased, since we deem this is a method that reasonably approximates the temporal distribution of purchased assets during the financial year.

Assets that are the subject of finance lease contracts are stated among industrial fixed assets in conformity with their class and are systematically depreciated, just as the proprietary assets, according to their residual useful life. A balancing entry is made against the relevant short and medium term obligation in respect of the lessor; rentals are transferred from the costs for use of assets owned by others and the interest share concerning the reporting year is charged to financial expense. In this way finance lease transactions are reported in accordance with the so-called "financial method" set out by the International Accounting Standard I.A.S. 17 that represents the economic substance of the outstanding finance lease contracts more correctly.

Financial investments

Shares in non-consolidated companies

Fixed investments comprising equity investments in non-consolidated companies are valued at cost, written down to account for long-term losses in value.

Equity investments in associated companies

Shares in associated companies are valued according to the equity accounting method, i.e. for an amount equal to the net assets' share resulting from the last Balance Sheet of the said companies, after deducting dividends and making the adjustments required by the accounting principles regarding the preparation of consolidated Financial Statements.

Other financial investments held as fixed assets

Other equity investments and securities are valued at cost. Proper adjustments are made in the case of a permanent decrease in value, also arising from market quotations as far as listed securities are concerned, and the prior value is reinstated, in the financial year in which there is no further reason for such a write-down.

Other financial investments representing loans are reported at their estimated realisation value.

Own shares

Own Shares have been valued at cost based on the LIFO method, possibly adjusted to reflect long-term losses in value.

Stocks

Stocks held in the warehouse are entered at the lower value between the purchase or cost of production, including accessory changes and the presumed realisation value inferable on the basis of the market trend. The cost structure generally adopted is denominated as the LIFO method with annual steps (last-in, first-out). The net realisation value is calculated on the basis of the net sale price less both possible costs of production to be further incurred and direct sales costs.

Work in progress on contracts is reported on the basis of the accumulated costs incurred at the end of the financial year.

Stocks regarding obsolete or slow-moving items are written down to take account of actual possibilities of utilisation and realisation.

Debtors

Debtors are stated at their estimated realisation value, taking into account the degree of solvency of each debtor, maturity, outstanding doubtful accounts and enforceable guarantees.

Adjustment of the nominal value of amounts receivable to that of their estimated realisation is made through specific provisions for doubtful accounts, directly deducted from the corresponding asset item.

Long-term debtors are stated in the Balance Sheet among financial fixed assets and reported at their estimated realisation value.

Financial investments which are not permanent

Securities not held as fixed assets are reported at the lower value between the purchase price or estimated realisation value as per market quotations. The said lower value is not maintained if the reasons thereof no longer apply.

Cash and cash at bank

Liquid assets are stated at their nominal value.

Prepayments and accrued income

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

Provisions for risks and charges

Provisions for risks and charges are made to cover specific losses or amounts payable, certain or likely to be incurred, but for which the amount or the date on which they will arise is uncertain at the closing date for the financial year.
The risks for which there is only a possibility of a liability occurring are shown in the Explanatory Notes or in the Directors' Report enclosed to this statement.
Provisions for risks and charges include the item provisions for deferred taxation.

Employee severance indemnity

The employee severance indemnity represents the whole accumulated liability to employees, net of advances paid up to the Balance Sheet date, calculated in accordance with legislation, the collective labour agreements and possible company employment agreements in force.

Creditors

Creditors are reported at their nominal value, adjusted for returns or invoicing modifications.

Contingent liabilities, commitments and guarantees

The guarantees included in the memorandum items represent guarantees stated at the value corresponding to the amount still due as regards loans in respect of which such guarantees were issued.
Real guarantees on proprietary assets are detailed in the Explanatory Notes.
Possible commitments undertaken to purchase and sell foreign currencies are reported in the memorandum accounts at their notional amount, converted at the contractual rate of exchange in the case of options and at the forward rate of exchange as regards forward foreign exchange contracts.

Conversion criteria for items denominated in currencies other than those adhering to the Euro

Assets and liabilities denominated in currencies other than those adhering to the Euro are stated at the rates of exchange current on the day they were accounted. Adjustments to take account of possible losses arising on the valuation of assets and liabilities in foreign currencies at the rate of exchange ruling on the Balance Sheet date are charged to a specific risk fund and entered in the Profit and Loss Account.

Recording of revenues and income, costs and charges

Revenues and income, costs and charges are entered net of returns, discounts, allowances and premiums, as well as taxes directly associated with the sale of goods and the services rendered. Revenues from the sale of goods are recorded when the right of ownership on the relevant goods is transferred, which normally occurs at the time they are delivered or shipped. Financial revenues are recorded on an accrual basis.

Income tax

Income tax is determined on the basis of the taxable income of each consolidated company pursuant to the tax provisions in force in each country. Amounts owed to tax authorities are reported net of advances paid and tax withheld in the item "taxation". Fiscal benefits deriving from fiscal losses are recorded in the Profit and Loss Account of the year in which such losses are used to offset profits.

Provisions for deferred and pre-paid taxes have been provided for on significant differences of a temporary nature between the value of a given asset or liability based on statutory criteria and the value assigned to that given asset or liability for tax reporting purposes, by adopting the presume tax rate in force at the time the temporary differences will be reversed.

Grants on capital account

Capital contributions received from the 1998 financial year, entered in the profit and loss account as "other operating income", are recorded over more financial years in accordance with the accrual accounting method. Contributions received in previous financial years have been charged to an equity reserve at 50%; the remaining 50% has been recorded in the Profit and Loss Account over 5 or 10 years according to the time of their disbursement.

ASSETS

A) Capital payments due from shareholders

Balance as at 31.12.2002	481
Balance as at 31.12.2001	26,969
Movement	**(26,488)**

Description	31.12.2002	31.12.2001	Movement
Called part	481	929	(448)
Part not called	-	26,040	(26,040)
Totale	**481**	26,969	(26.,488)

B) Fixed Assets

I - Intangible fixed assets

Balance as at 31.12.2002	6,988,275
Balance as at 31.12.2001	7,072,844
Movement	**(84,569)**

Analysis of intangible assets

Movements in intangible fixed assets were as follows:

Items	Balance 31.12.2001	Increases	Revaluation (Write-downs)	Other movements	(Amor-tisation)	Balance **31.12.2002**
Start-up and expansion costs	1,276,694	686,743	-	18,607	(1.297,726)	684,318
Costs of research, development and advertising	118,640	316,633	-	4,435	(141,364)	298,344
Industrial patents and rights to use intellectual property	599,268	235,280	(253)	5,994	(380,893)	459,396
Concessions, licenses, trade marks and similar rights	443,935	127,965	-	2,585	(228,962)	345,523
Goodwill	70,651	609,000	-	399,288	(73,011)	1,005,928
Assets in course of construction and advances	-	14,263	-	-	-	14,263
Other	1,587,085	408,947	-	11,474	(424,290)	1,583,216
Consolidation difference	2,976,571	764,800	-	-	(1,144,084)	2,597,287
Total	7,072,844	3,163,631	(253)	442,383	(3,690,330)	6,988,275

The item "Start-up and expansion costs" is for the most part made up of costs incurred in transactions involving changes in the share capital of consolidated companies and expenses pertaining to the start-up of a number of sites within the Parent Company.

The item "Research, development and advertising costs" refers mainly to costs incurred to enter European markets. The increase recorded was due to investments made in research for new products by the subsidiary company SOL Welding Srl (Euro 310,333) and the subsidiary company Eurobot Welding Srl (Euro 6,300).

The item "Rights, industrial patents" refers almost exclusively to costs incurred for the acquisition of software. The increases for the period are mainly due to charges relating to implementation of the new software, amortised over 3 years.

The item "Concessions, licenses and trade marks" comprises almost exclusively costs incurred to obtain user licenses for new software, amortised over 5 years.

The item "Goodwill" mainly includes positive differences generated by mergers concerning companies taken over in prior years. The subsidiary company VIVISOL Srl was responsible for the increase recorded during the year (Euro 609,000), which was in respect of its acquisition of a business unit from Hospital Service Srl. This is being amortised over a period of ten years, which is regarded to be the period of economic return for the investment concerned, in consideration of the particular sector in which the business unit acquired operates.

The item "Other" primarily includes costs with a useful working life of more than one year which are being amortised over the same period as that estimated for the income related thereto. They mainly comprise costs incurred in connection with:

- notary public fees and miscellaneous expenses on medium-term loans
- restructuring works carried out on leased premises
- costs incurred for the construction of the aqueduct owned by the Consortium CIGRI, which supplies industrial water to the Piombino factory. These costs are amortised over 15 years according to the relevant agreement's maturity terms of the agreement
- initial leasing charges amortised over the duration of the related contracts.

The item "Difference arising on consolidation" refers to:

- the difference between the purchase price of the equity investment in the subsidiary SOL Welding Srl and the adjusted capital and reserves thereof as at 31.12.1997, equal to Euro 422,462 (current net value Euro 0)
- the difference between the purchase price of the equity investment in the subsidiary BARTOLO OSSIGENO Srl (merged with SOL SpA during the second half of the year) and the adjusted capital and reserves of the same company as at 31.12.1998, equal to Euro 403,547 (current net value Euro 80,709).
- the difference between the purchase price of the equity investment in the subsidiary VIVISOL Deutschland GmbH and the capital and reserves thereof as at 31.12.1999, equal to Euro 115,170 (current net value Euro 46,068).
- the difference between the purchase price of the remaining 15.77% of the equity investment in the subsidiary VIVISOL Deutschland GmbH and the capital and reserves thereof as at 31.12.2000, equal to Euro 48,058 (current net value Euro 28,835)
- the difference between the purchase price of the equity investment in the subsidiary HGT S.A. and the capital and reserves thereof as at 31.12.1999 increased by the share premium accruing on the increase in share capital for the financial period deriving from the waiver of option rights by the previous shareholders, equal to Euro 436,408 (current net value Euro 174,562).
- the difference between the purchase price of a further 15.55% stake in the subsidiary VIVISOL Centro Adriatica Srl (merged with VIVISOL Srl during the second half of the year) and the adjusted capital and reserves of the same company as at 31.12.1999, equal to Euro 311,785 (current net value Euro 124,714).

- the difference between the purchase price of the remaining 14.45% investment in the subsidiary VIVISOL Centro Adriatica Srl (merged with VIVISOL Srl during the second half of the year) and the adjusted capital and reserves of the same company as at 31.12.2000, equal to Euro 268,336 (current net value Euro 161,002).
- the difference between the purchase price of the equity investment in the subsidiary France Oxygene Sarl and the adjusted capital and reserves thereof as at 31.07.2000, equal to Euro 1,583,973 (current net value Euro 633,589).
- the difference between the purchase price of the equity investment in the subsidiary ZEUS S.A. and the adjusted capital and reserves thereof as at 31.12.2000, decreased by the value of the revalued assets equal to Euro 905,380 (current net value Euro 543,228) as indicated hereafter.
- the difference between the purchase price of the equity investment in the subsidiary T.G.T. A.D. and the capital and reserves thereof as at 31.12.2001, equal to Euro 66,300 (current net value Euro 39,780).
- the difference between the purchase price of the equity investment in the subsidiary Cryo-Cell Italia Srl and the capital and reserves of the same company as at 31.12.2001, equal to Euro 231,800 (current net value Euro 0, given that it was completely written off during the year under review).
- the difference between the purchase price of the equity investment in the subsidiary Behringer Srl and the adjusted capital and reserves of the same company as at 31.12.2002, equal to Euro 764,800 (current net value Euro 764,800). This difference has not been amortised since, with the investment in question having been acquired in December, only the company's balance sheet has been consolidated.

As for the amortization for the period broken down by class of assets, please see the detail given in the notes concerning the Profit and Loss Account.

Revaluation executed during the financial period refers to I.M.G. D.o.o.

II - Tangible fixed assets

Balance as at 31.12.2002	202,884,210
Balance as at 31.12.2001	184,853,510
Movement	**18,030,700**

Analysis of tangible assets

Movements in tangible assets during the year, with reference to their historical cost, depreciation and net value are as follows:

Movements in tangible assets **Cost**	Balance 31.12.2001	Increases	Revalu- ations	Other movements	(Disposals)	Balance **31.12.2002**
Land and buildings	51,742,900	8,691,641	-	4,826,135	(501,898)	64,758,778
Plants and machinery	149,049,401	41,181,582	-	(686,421)	(253,276)	189,291,286
Fixtures and fittings, tools and equipment	190,383,397	19,776,120	4,181	667,834	(875,627)	209,955,905
Other assets	17,041,083	2,260,340	4,045	241,935	(585,606)	18,961,797
Assets in course of construction and advances	26,004,267	3,333,635	-	(27,289,973)	-	2,047,929
Total	434,221,048	75,243,318	8,226	(22,240,490)	(2,216,407)	**485,015,695**

Movement in accumulated depreciation	Balance 31.12.2001	Depreciation (amortisation)	Write-downs	Other movements	(Disposals)	Balance **31.12.2002**
Land and buildings	19,315,717	2,000,554	-	3,652,232	(228,573)	24,739,930
Plants and machinery	98,111,997	10,121,826	-	35,184	(203,165)	108,065,842
Fixtures and fittings, tools and equipment	119,881,173	15,783,287	1,594	761,002	(685,242)	135,741,814
Other assets	12,058,651	1,962,114	2,206	102,379	(541,451)	13,583,899
Assets in course of construction and advances	-	-	-	-	-	-
Total	249,367,538	29,867,781	3,800	4,550,797	(1,658,431)	**282,131,485**

Movements in tangible assets Net value	Balance 31.12.2001	Increases	(Amortisation & write-downs)	Other movements	(Disposals)	Balance **31.12.2002**
Land and buildings	32,427,183	8,691,641	(2,000,554)	1,173,903	(273,325)	40,018,848
Plants and machinery	50,937,404	41,181,582	(10,121,826)	(721,605)	(50,111)	81,225,444
Fixtures and fittings, tools and equipment	70,502,224	19,780,301	(15,784,881)	(93,168)	(190,385)	74,214,091
Other assets	4,982,432	2,264,385	(1,964,320)	139,556	(44,155)	5,377,898
Assets in course of construction and advances	26,004,267	3,333,635	-	(27,289,973)	-	2,047,929
Total	184,853,510	75,251,544	(29,871,581)	(26,791,287)	(557,976)	**202,884,210**

- The investments made during the financial year in respect of the item "Land and buildings" are mainly investments effected by the Parent Company (Euro 6,891 thousand) and the subsidiary company TGS A.D. (Euro 1,567 thousand).
- Acquisitions effected during the financial year under review in respect of "Plant and machinery" were mainly the result of plant being purchased for the Parent Company's factories (Euro 36,840 thousand) – due especially to its Mantua site being brought on-stream - the subsidiary company TGS A.D. (Euro 1,680 thousand) and, to a lesser extent, other investments made by all other Group companies.
- The item "Other industrial and commercial equipment" comprises commercial equipment (supplying devices, cylinders, base units, concentrators and medical appliances) as well as other small 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 of the technical gases sector (Euro 12,741 thousand, including Euro 3,015 thousand by the Parent Company) and to investments made by companies operating in the home care sector (Euro 7,035 thousand, including Euro 2,518 thousand by the company VIVISOL S.r.l), in respect of base units and other medical appliances.
- The item "Other assets" includes amounts for motor vehicles and motor cars, electric office equipment, furniture and fixtures, and electronic accounting systems. The increase recorded the financial year relates to investments made in motor vehicles, laboratory equipment, hardware, furniture and furnishings, with Euro 866 thousand of the total reported pertaining to the Parent Company and the subsidiary companies C.T.S. SpA (Euro 259 thousand), VIVISOL Srl (Euro 217 thousand) and TGS A.D. (Euro 287 thousand).

- The item "Assets in course of construction" mainly refers to amounts relating to investments in progress made by the Parent Company (Euro 344 thousand) and the subsidiaries C.T.S. SpA (Euro 113 thousand), SOL France (Euro 956 thousand), SOL Technische Gase (Euro 151 thousand) and UTP d.o.o. (Euro 254 thousand).

Revaluations carried out during the year, totalling Euro 8,226, relate to monetary revaluations effected by I.M.G. D.o.o. in accordance with local legislation.

As for the amortization for the period broken down by class of assets, please see the detail given in the notes concerning the Profit and Loss Account.

Please note that the sites located in Monza, Marcianise, Padua, Piombino, Cuneo, Salerno, Verona, Vibo Valentia, Zola Predosa, Pavia, Pisa, Sesto San Giovanni, Ravenna, Pomezia, Catania and Gersthofen are encumbered with mortgages and liens pertaining to medium-term loan agreements entered into by a number of Group companies with banks.

As at 31st December 2002, mortgages amounted to Euro 145,505 thousand.

As at 31st December 2002, liens amounted to Euro 128,083 thousand.

Reference should be made to the reconciliation between the Parent Company's profit and shareholders' equity and the consolidated profits and shareholders' equity given below as regards the effects of eliminating accelerated depreciation and of accounting for leases in accordance with the International Accounting Standard I.A.S. 17.

The item "Other movements" comprises Euro 529,881 relating to the inclusion of T.G.P. A.D. in the consolidated accounts and Euro 851,007 relating to the inclusion of the company Energetika Z.J. d.o.o. in the consolidated accounts, whilst the amounts for Behringer Srl are completely negligible.

III - Financial investments

Balance as at 31.12.2002	5,353,808
Balance as at 31.12.2001	8,698,429
Movement	**(3,344,621)**

Equity investments

Balance as at 31.12.2002	431,428
Balance as at 31.12.2001	417,171
Movement	**14,257**

The item is broken down as follows:

Description	**31.12.2002**	31.12.2001
CONSORGAS S.r.l.	292,367	292,367
FABER S.r.l.	-	5,164
S.A.T. Commerciale Srl	59,000	59,000
SALDO SERVIS Srl	10,000	10,000
Ionia Oxigono e.p.e.	9,278	8,931
Associated companies	**370,645**	375,462
Other equity investments	60,783	41,709
Other companies	**60,783**	41,709

With the exception of the Euro 9,278 reported as equity investments in associated companies (pertaining to the subsidiary company HGT S.A.) and Euro 47,692 reported for other minority equity investments (of which Euro 24,648 relates to investments held in local companies by the subsidiary company T.G.S.A.D. and Euro 18,075 relates to investments held by the subsidiary AIRSOL B.V.), all the above investments are owned by the Parent Company.

The equity investment held in Consorgas S.r.l. has been valued on the basis of the value of capital and reserves as at 31st December 2001, given that the financial statements as at 31st December 2002 will be approved within six months.

The equity investments in other companies were valued at cost.

Debtors

Balance as at 31.12.2002	1,385,946
Balance as at 31.12.2001	4,205,615
Movement	**(2,819,669)**

The breakdown for the above item is as follows:

Description	**31.12.2002**	31.12.2001	Movement
Amounts owed by non-consolidated group	-	-	-
Amounts owed by associated companies	144,000	180,000	(36,000)
Amounts owed by parent companies	-	-	-
Other debtors	1,241,946	4,025,615	(2,783,669)
Total	**1,385,946**	4,205,615	(2,819,669)

Amounts owed by associated companies refer to the Parent Company in respect of S.A.T. Commerciale Srl.

The breakdown for the item "Others debtors" is as follows:

Description	**31.12.2002**	31.12.2001	Movement
Guarantee deposits	340,875	3,297,816	(2,956,941)
Tax credit pertaining to Employee Severance Indemnity	630,904	665,174	(34,270)
Other	270,167	62,625	207,542
Total	**1,241,946**	4,025,615	(2,783,669)

The above-mentioned amounts refer almost exclusively to the Parent Company.

The change undergone by the item "Guarantee deposits" relates to the utilisation of guarantee money paid in the year 2001 in order to take part in a tender bid for an industrial development, completed during the course of the year under review.

None of the above amounts has a maturity exceeding 5 years.

Other securities

Balance as at 31.12.2002	561,199
Balance as at 31.12.2001	563,333
Movement	**(2,134)**

The breakdown for the item "Other securities" is as follows:

Description	31.12.2002	31.12.2001	Movement
Pledged securities – SOL Tecnische Gase	5,573	5,573	-
VIVISOL Heimbehand securities	2,381	604	1,777
Pledged securities - ICOA S.r.l.	-	67,116	(67,116)
Other securities - ICOA S.r.l.	553,245	490,040	63,205
Total	**561,199**	563,333	(2,134)

Other securities held by ICOA S.r.l. are represented by bonds issued by Ambroveneto (Euro 203,245) and bonds issued by Interbanca (Euro 350,000).
The above-mentioned securities have the following characteristics:

Description	Book value	Par value	Maturity	Currency	Rate of interest	Market value
AMBROVENETO	203,245	216,912	01.01.2005	Euro	Variable	216,370
INTERBANCA	350,000	350,000	21.10.2006	Euro	Variable	336,875

The Interbanca bonds have not been written down, since they are not expected to be liquidated before maturity.

Own shares

Balance as at 31.12.2002	2,975,235
Balance as at 31.12.2001	3,512,310
Movement	**(537,075)**

We hereby confirm that this portfolio, equal to 1.68% of the share capital, comprises 1,525,000 ordinary shares with a par value of Euro 0.52, purchased by way of implementing the resolution duly approved by the Shareholders' Meeting held on 28 April 2000.
As at 31st December 2002, the share price was Euro 2.378 per share, producing a total countervalue for capital of Euro 3,626,450.
A special provision of the Capital and reserves has been pledged in respect to these securities.

C) Current assets

I - Stocks

Balance as at 31.12.2002	25,834,348
Balance as at 31.12.2001	23,193,458
Movement	**2,640,890**

The breakdown for the above item is as follows:

Description	**31.12.2002**	31.12.2001	Movement
Raw materials, subsidiary materials and consumables	2,016,687	1,973,340	43,347
Work in progress and semi-finished goods	800,568	639,170	161,398
Contracts in progress	7,395,238	6,873,098	522,140
Finished goods and goods for resale	15,621,855	13,695,807	1,926,048
Advances received	-	12,043	(12.043)
Total	**25,834,348**	23,193,458	2,640,890

The valuation of stocks was not found to be higher than its realisation value and there are no stocks that are slow-moving or obsolete, so that no value adjustment was made.

The valuation of stocks made at an annual average cost would not have been significantly different from that resulting from the application of the method adopted.

The increase in the item "Finished goods and goods for resale" is mainly due to new distributed products, whereas the increase in the item "Work in progress on contracts" is due to new contracts being executed.

II - Debtors

Balance as at 31.12.2002	120,429,225
Balance as at 31.12.2001	101,326,372
Movement	**19,102,853**

The breakdown for the above item is as follows:

Description	**31.12.2002**	31.12.2001	Movement
Trade debtors	110,011,246	93,548,709	16,462,537
Amounts owed by associated companies	90,389	123,501	(33,112)
Other debtors	10,327,590	7,654,162	2,673,428
Totale	**120,429,225**	101,326,372	19,102,853

The balance is broken down by maturity date:

Description	Falling due after more than 12 months	Falling due after more than 12 months	in depreciation doubtful accts	Total **31.12.2002**	Total 31.12.2001
Trade debtors	117,570,028	61,994	(7,620,776)	110,011,246	93,548,709
Amounts owed by associated companies	90,389	-	-	90,389	123,501
Other debtors	10,186,307	141,283	-	10,327,590	7,654,162
Totale	127,846,724	203,277	(7,620,776)	**120,429,225**	101,326,372

There are no amounts falling due and payable after more than 5 years.

Euro 596,259 of the increase undergone by trade debtors was due to the broadening of the Group's consolidation structure and, with regard to the difference, to an increase in sales and to a lesser extent an increase in the number of delays taken to receive payments (especially from public bodies).

The amounts owed by associated companies are receivable from S.A.T Commerciale Srl (Euro 78,914) and SALDO SERVIS Srl (Euro 11,475).

Provisions for doubtful debtors recorded the following movements:

31.12.2001	Provisions	(Uses)	**31.12.2002**
5,022,735	3,163,054	(565,013)	**7,620,776**

The detailed breakdown for the item "Other debtors" is as follows:

Description	**31.12.2002**	31.12.2001	Movement
Corporation income tax credit	4,214,726	1,305,311	2,909,415
VAT receivables	3,869,411	3,842,954	26,457
Other receivables	2,243,453	2,505,897	(262,444)
Total	**10,327,590**	7,654,162	2,673,428

All "Other debtors" are considered as collectable and therefore no value adjustment was made.

III - Financial investments which are not permanent

Balance as at 31.12.2002	339,834
Balance as at 31.12.2001	409,899
Movement	**(70,065)**

The breakdown for this item is as follows:

Description	**31.12.2002**	31.12.2001	Movement
Swaps	62,959	60,426	2,533
MPS mutual fund	70,109	-	70,109
Open-end investment company (SICAV)	30	142,012	(141,982)
Genercomit funds	163,614	163,614	-
Equity shares in Arena Tourist	39,029	39,686	(657)
Other fixed-income securities	4,093	4,161	(68)
Total	**339,834**	409,899	(70,065)

Swaps are held by the subsidiary company VIVISOL Umbria Srl.

Shares in the MPS Mutual Fund are held by the subsidiary VIVISOL Umbria Srl.

Quotas in open-end investment companies are held by the subsidiary company SOL France Sas.

Shares in the Genercomit Tesoreria Fund are held by the subsidiary ICOA Srl.

The equity shares in "Arena Tourist" are held by the subsidiary U.T.P.

Other securities comprise private bonds held by the subsidiary company U.T.P.

IV - Cash at bank and in hand

Balance as at 31.12.2002	23,901,490
Balance as at 31.12.2001	21,307,864
Movement	**2,593,626**

The breakdown for this item is as follows:

Description	31.12.2002	31.12.2001	Movement
Post Office and bank deposits	23,632,166	21,089,466	2,542,700
Bank cheques	3,557	5,211	(1,654)
Cash and cash equivalents in hand	265,767	213,187	52,580
Total	**23,901,490**	21,307,864	2,593,626

The above balance represents the liquid assets and cash and cash equivalents existing at the close of the financial year.

D) Prepayments and accrued income

Balance as at 31.12.2002	541,255
Balance as at 31.12.2001	915,613
Movement	**(374,358)**

These represent the harmonising items for the financial period entered on an accrual basis.
The breakdown for this item is as follows:

Description	31.12.2002	31.12.2001	Movement
Accrued income:			
Interest receivable on securities	8,430	12,714	(4,284)
Other accrued income	34,265	100,363	(66,098)
Total accrued income	**42,695**	113,077	(70,382)
Prepayments:			
Insurance premiums	67,513	443,516	(376,003)
Rents	42,821	38,651	4,170
Prepaid expenses	93,935	92,428	1,507
Other prepayments	294,291	227,941	66,350
Total prepayments	**498,560**	802,536	(303,976)
Total prepayments and accrued	**541,255**	915,613	(374,358)

The item "Other prepayments" mainly comprises invoices referred to maintenance agreements or other agreements of a long-term nature.

LIABILITIES

A) Capital and reserves

Balance as at 31.12.2002	210,501,137
Balance as at 31.12.2001	199,260,424
Movement	**11,240,713**

The share capital of SOL SPA as at 31.12.02 comprised No. 90,700,000 ordinary shares with a par value of Euro 0.52 each, fully subscribed and fully paid up.

The breakdown of and movements in capital and reserves at year-end is detailed below:

Capital and reserves:	Balance 31.12.2001	Transfer of result	Dividends paid	Translation differences	Other movements	Result	Balance **31.12.2002**
Pertaining to the Group:							
Subscribed capital	47,164,000	-	-	-	-	-	47,164,000
Share premium account	62,139,691	-	-	-	537,075	-	62,676,766
Revaluation reserve	-	-	-	-	-	-	-
Legal reserve	2,012,957	518,013	-	-	-	-	2,530,970
Reserve for own shares	3,512,310	-	-	-	(537,075)	-	2,975,235
Reserves provided for by the Articles of Association	-	-	-	-	-	-	-
Other reserves:							
Extraordinary reserve	21,471,953	4,491,905	-	-	(307,836)	-	25,656,022
Reserves not taxable until use or liquidation	3,799,031	-	-	-	307,836	-	4,106,867
Reserve for payments to cover losses	-	-	-	-	-	-	-
Capital and reserves of aggregated companies	-	-	-	-	-	-	-
Reserve for capital account grants	-	-	-	-	-	-	-
Reserve for differences arising from application of the equity method	-	-	-	-	-	-	-
Reserve for translation differences	(2,531,778)	-	-	(1,096,707)	1.656.293	-	(1,972,192)
Undistributed earnings of subsidiaries and other reserves	36,549,038	2,703,676	-	(1,656,293)	228,582	-	37,825,003
Consolidation reserve	1,046,659	-	-	-	3,761,505	-	4,808,164
Other reserves	587,234	516,457	-	-	-	-	1,103,691
Profits (losses) carried forward	-	-	-	-	-	-	-
Profit (loss) for the financial year	13,063,945	(8,230,051)	(4,833,894)	-	-	15,527,267	15,527,267
Total group capital and reserves	188,815,040	-	(4,833,894)	(2,753,000)	5,646,380	15,527,267	**202,401,793**
Minority interests:							
Capital and reserves pertaining to minority interests	10,324,611	120,773	-	-	(2,552,678)	-	7,892,706
Profit (loss) pertaining to minority interests	120,773	(120,773)	-	-	-	206,638	206,638
Total capital and reserves pertaining to minority interests	10,445,384	-	-	-	(2,552,678)	206,638	**8,099,344**
Total Capital and Reserves	199,260,424	-	(4,833,894)	(2,753,000)	3,093,702	15,733,905	**210,501,137**

The share capital, legal reserve, extraordinary reserve and the non-taxable provisions and reserves reflect the amounts reported in the Parent Company's Financial Statements as at 31.12.02.

The "Consolation reserve" appearing in the consolidated balance sheet as at 31st December 2002 reflects:

- the difference between the acquisition cost of the investment in AIRSOL BV and the net equity value of the group on the date of acquisition (Euro 1,046,659).
- the difference between the acquisition value of the equity investment held in TGP A.D. and the net equity value of the same company as at 31.12.2002 (Euro 75,356).
- the difference between the acquisition value of the equity investment held in ENERGETIKA Z.J. D.o.o. and the net equity value of the same company, the capital gains pertaining to the investments held as at 31.12.2002 (Euro 3,686,149) duly being taken into account.

The change undergone by the item "Capital and reserves pertaining to minority interests" was mainly due to the acquisition of further equity investments in SOL-INA d.o.o., SPG d.o.o. and TPJ d.o.o. and to the inclusion of the companies TGP A.D., ENERGETIKA Z.J. d.o.o. and Behringer Srl in the Group's consolidated accounts.

Harmonisation table between the capital and reserves and economic position of the Parent Company and the consolidated capital and reserves and economic position.

	Net Profit		**Capital and reserves**	
	For the Group	Minority interests	For the Group	Minority interests
BALANCES AS PER THE EQUITY AND ECONOMIC POSITION FOR THE PARENT COMPANY	11,327,673	-	157,541,224	-
Effect of the elimination of value adjustments and of provisions made solely for fiscal purposes, net of tax effects:				
- Surplus accelerated depreciation	898,805	51,724	22,205,430	102,712
Elimination of inter-company transactions, net of tax effects:				
- Internal profit on tangible fixed assets	16,733	(5,943)	(144,016)	(10,657)
- Internal profit on intangible fixed assets	(12,263)	(46,347)	(192,142)	(46,347)
- Reversal of adjustments to investments in subsidiary companies	430,249	42,842	-	-
- Dividends paid by consolidated companies	(3,230,161)	(6,615)	-	-
Effect of changes to valuation criteria and action taken to make criteria more consistent within the Group, net of fiscal effects:				
- Adjustment of rates of exchange	121,636	-	(97,865)	-
- Use of finance lease method for leased assets	129,579	(2,454)	2,370,474	4,985
- Valuation at equity of companies reported at cost	313	35	158,453	80
Carrying value of consolidated equity investments	-	-	(97,715,306)	-
Capital and reserves and half-yearly profit (loss) for consolidated	7,049,321	153,069	115,650,087	8,089,558
Allocation of differences to assets of consolidated companies and depreciation of same assets:				
- Tangible fixed assets	(58,355)	18,149	(85,414)	72,596
- Goodwill on consolidation	(1,030,501)	(113,582)	2,710,869	(113,582)
Effect of other adjustments:				
- Change in consolidation basis	(115,761)	115,761	-	-
BALANCES AS PER THE CONSOLIDATED EQUITY AND ECONOMIC POSITION	15,527,267	206,638	202,401,793	8.099,344

B) Provisions for risks and charges

Balance as at 31.12.2002	15,495,323
Balance as at 31.12.2001	14,273,985
Movement	**1,221,338**

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

Description	31.12.2002	31.12.2001	Movement
Provisions for pensions and similar obligations	-	-	-
Taxation provision	14,211,994	13,360,208	851,786
Other:			
- Provisions for exchange rate fluctuations	27,287	32,599	(5,312)
- Other minor provisions:	1,256,042	881,178	374,864
Total other provisions	1,283,329	913,777	369,552
Total	**15,495,323**	14,273,985	1,221,338

The "Provisions for Taxation" represents the net balance of deferred tax receivable and payable reported in the Consolidated Financial Statements as at 31.12.02 with regard to items having a fiscal nature carried in the Financial Statements for the period of Group companies (accelerated depreciation), deferred receivable or payable tax referred to consolidation entries and deferred receivable tax accruing to temporary tax differences (taxed provisions).
The item "other" consists of provisions for general risks that do not offset asset items.

C) Employee severance indemnity

Balance as at 31.12.2002	8,070,990
Balance as at 31.12.2001	7,285,885
Variazione	**785,105**

Movements in staff severance fund were as follows:

	Balance 31.12.2001	Allocation	(Uses)	Other movements	Balance 31.12.2002
Movements in employee severance provision					
Total	7,285,885	1,301,531	(612,339)	95,913	**8,070,990**

The amount set aside represents the amount actually owned by companies as at 31.12.02 to staff employed as of said date, net of any advances paid.

D) Creditors

Balance as at 31.12.2002	148,498,960
Balance as at 31.12.2001	123,008,259
Movement	**25,490,701**

The detailed breakdown of the item 'Creditors' is as follows:

Description	31.12.2002	31.12.2001	Movement
Debenture loans	-	-	-
Amounts owed to banks	5,383,057	4,447,273	935,784
Amounts owed to other financiers	86,952,339	59,413,968	27,538,371
Advances received	-	-	-
Amounts owed to suppliers	43,100,768	47,107,313	(4,006,545)
Amounts owed to associated	95,489	103,912	(8,423)
Amounts owed to tax administration	3,955,998	4,576,129	(620,131)
Amounts owed to Social Security institutions	1,756,784	1,594,819	161,965
Other creditors	7,254,525	5,764,845	1,489,680
Total	**148,498,960**	123,008,259	25,490,701

Creditors are valued at their nominal value and are broken down according to maturity as follows:

	Within 12 months	After 12 months	After 5 years	Total 31.12.2002	Total 31.12.2001
Debenture loans	-	-	-	-	-
Amounts owed to banks	5,352,115	30,942	-	5,383,057	4,447,273
Amounts owed to other financiers	15,141,279	56,896,416	14,914,644	86,952,339	59,413,968
Advances received	-	-	-	-	-
Amounts owed to suppliers	43,100,768	-	-	43,100,768	47,107,313
Amounts owed to associated companies	95,489	-	-	95,489	103,912
Amounts owed to tax administration	3,955,998	-	-	3,955,998	4,576,129
Amounts owed to Social Security institutions	1,756,784	-	-	1,756,784	1,594,819
Other creditors	5,167,865	2,086,660	-	7,254,525	5,764,845
Total	74,570,298	59,014,018	14,914,644	**148,498,960**	123,008,259

The item "Amounts due to other financiers" for the most part comprises loans granted by medium and long-term credit institutions. Such 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 equal to Euro 5,250 thousand, deriving from the application of the international accounting standard IAS 17 on assets that are the object of a finance lease.

The detailed breakdown for of the item "Amounts owed to other financiers" is as follows (with values expressed in thousands of Euro):

Finance institute	Amount	Amount short-term	Rate of interest	Maturity	Value	Original amount
BFCC	4	4	5.10%	19.02.2003	FFR	400,000
Banca di Roma	5,165	5,165	3.64%	13.03.2003	Euro	5,164,569
Deutsche Bank	34	34	3.99%	02.04.2003	ITL Million	400
IMI	940	940	4.05%	30.11.2003	ITL Million	9,100
Dresdner Bank	176	176	5.95%	01.12.2003	DEM	1,500,000
Banca Popolare di Vicenza	100	100	5.65%	31.12.2003	Euro	100,000
Cassa di Risparmio di Trieste	104	69	3.96%	01.01.2004	ITL Million	850
Mediocredito Centrale	480	320	4.75%	25.02.2004	ITL Million	3,098
Banque Scalbert Dupont	14	12	6.50%	01.04.2004	FFR	260,000
Banque Scalbert Dupont	9	7	6.50%	24.06.2004	FFR	162,000
Banque Scalbert Dupont	5	3	6.50%	01.08.2004	FFR	78,000
Efibanca	1,409	704	3.56%	13.09.2004	ITL Million	7,500
Mediosud	72	35	4.65%	31.12.2004	ITL Million	460
BNL	129	52	4.09%	11.01.2005	ITL Million	300
Deutsche Bank	116	52	4.05%	19.01.2005	ITL Million	400
Mediocredito Lombardo	81	32	5.32%	31.03.2005	ITL Million	500
Centrobanca	78	25	3.70%	31.12.2005	ITL Million	286
Deutsche Bank	168	52	4.02%	16.01.2006	Euro	207,000
Mediocredito Centrale	1,654	473	3.20%	14.04.2006	ITL Million	4,575
IMI	6,190	1,211	7.66%	15.03.2007	ITL Million	19,000
IMI	250	56	5.30%	15.06.2007	Euro	250,000
Credito Italiano	10,500	1,892	5.15%	30.06.2007	Euro	10,500,000
Credito Emiliano	1,540	282	4.38%	01.08.2007	Euro	1,540,000
ERP	1,199	218	1.95%	01.01.2008	ATS	18,000,000
IMI	8,788	1,598	5.40%	15.03.2008	ITL Million	24,750
Bank Austria	833	128	3.494%	01.07.2009	ATS	15,000,000
Mediocredito Lombardo	1,831	-	5.80%	21.11.2009	Euro	1,831,000
Bank Austria	1.283	171	3.494%	01.01.2010	ATS	20,000,000
Credito Emiliano	750	-	6.05%	14.06.2010	Euro	750,000
Mediocredito Centrale	4,500	-	3.55%	30.06.2010	Euro	4,500,000
IMI	13,000	-	3.18%	15.12.2010	Euro	13,000,000
IMI	5,500	-	4.72%	15.09.2011	Euro	5,500,000
IMI	7,300	-	3.18%	15.09.2011	Euro	7,300,000
IMI	7,500	-	5.50%	15.12.2011	Euro	7,500,000
Amounts owed to leasing companies	5,250	1,332				
Total	**86,952**	**15,141**				

The item "Amounts owed to associated companies", which refers to the supply of goods and services at arm's length conditions, is broken down as follows:

	31.12.2002	31.12.2001	Movement
S.A.T. Commerciale	5,000	5,000	-
CONSORGAS Srl	90,489	98,912	(8,423)
Total	**95,489**	103,912	(8,423)

The breakdown for the item "Amounts owed to tax administration" comprises:

Description	31.12.2002	31.12.2001	Movement
Amounts owed in respect of income tax	2,395,476	1,951,240	444,236
Amount owed to Inland Revenue in respect of VAT	455,814	885,234	(429,420)
Amounts owed to tax administration in respect of withholding	963,379	1,085,769	(122,390)
Other amounts owed to tax administration	141,329	653,886	(512,557)
Total	**3,955,998**	4,576,129	(620,131)

The breakdown for the item "Other creditors" is as follows:

Description	31.12.2002	31.12.2001	Movement
Accrued holidays not taken	2,018,937	1,657,679	361,258
Guarantee deposits	284,690	303,782	(19,092)
Amount owed for acquisition of equity investments	2,702,829	1,888,698	814,131
Amounts owed to employees for wages and salaries	541,239	585,736	(44,497)
Other creditors	1,706,830	1,328,950	377,880
Total	**7,254,525**	5,764,845	1,489,680

The item "Amounts owed for acquisition of equity investments" includes the undertaking assumed by the company SOL S.p.A. to repurchase shares in the companies TGS A.D. (Euro 539,004), SPG d.o.o. (Euro 489,814) and SOL – INA (Euro 776,583), presently owned by the company SIMEST SPA, the amount owed by SOL S.p.A. for the acquisition of shares in ENERGETIKA Z.J. d.o.o. (Euro 659,200) and the amount owed by VIVISOL Srl for the acquisition of shares in VIVISOL Centro Adriatica Srl (Euro 258,228).

E) Accruals and deferred income

Balance as at 31.12.2002	3,706,516
Balance as at 31.12.2001	3,976,405
Movement	**(269,889)**

These represent the harmonising items for the financial period entered on an accrual basis. The breakdown for this item is as follows:

Description	31.12.2002	31.12.2001	Movement
Accrued liabilities:			
Interest payable on loans	686,343	502,825	183,518
Other	697,421	720,121	(22,700)
Total accrued liabilities	**1,383,764**	1,222,946	160,818
Deferred income:			
Government grants	2,246,296	2,528,213	(281,917)
Rents receivable	35,871	-	35,871
Other	40,585	225,246	(184,661)
Total deferred income	**2,322,752**	2,753,459	(430,707)
Total	**3,706,516**	3,976,405	(269,889)

The item "Government grants" refers to capital contributions recorded in accordance with the accrual accounting method.

MEMORANDUM ACCOUNTS

Memorandum accounts

Balance as at 31.12.2002	8,695,701
Balance as at 31.12.2001	9,063,067
Movement	**(367,366)**

Description	31.12.2002	31.12.2001	Movement
Guarantees given to third parties	8,098,859	8,548,246	(449,387)
Real guarantees given	129,862	129,862	-
Other guarantees given	420,181	338,160	82,021
Guarantees received	46,799	46,799	-
Total	**8,695,701**	9,063,067	(367,366)

The guarantees given to third parties refer to guarantees issued in respect of loans granted to SOL SpA and to group companies.

PROFIT AND LOSS ACCOUNT

A) Value of production

Balance as at 31.12.2002	276,610,073
Balance as at 31.12.2001	244,674,902
Movement	**31,935,171**

The breakdown for this item is as follows:

Description	31.12.2002	31.12.2001	Movement
Net turnover from sales and services	267,159,880	235,730,982	31,428,898
Variation in stocks	668,433	643,323	25,110
Variation in contracts in progress	522,140	2,086,351	(1,564,211)
Work performed for own purposes and capitalised	5,514,311	4,326,490	1,187,821
Other revenues and income	2,163,110	1,127,759	1,035,351
Financial grants to the financial period account	582,199	759,997	(177,798)
Total	**276,610,073**	244,674,902	31,935,171

The variation of the consolidation basis generated a net increase in sales totalling Euro 1,763,856. The breakdown for the item "Other revenues and income" is as follows:

Description	31.12.2002	31.12.2001	Movement
Capital gains on disposal of fixed assets	956,247	347,852	608,395
Insurance indemnities	86,452	165,705	(79,253)
Rent on real the state	25,885	8,345	17,540
Other	1,094,526	605,857	488,669
Total	**2,163,110**	1,127,759	1,035,351

The item "Other" comprises contingent assets relating to ordinary operations.

Geographical distribution and breakdown of revenues by type of business are detailed below:

Geographical distribution of revenues

Description	31.12.2002	31.12.2001	Movement
Sales - Italy	192,897,427	175,724,446	17,172,981
Sales - EEC (except Italy)	52,112,754	43,272,349	8,840,405
Sales outside EEC countries	22,149,699	16,734,187	5,415,512
Total	**267,159,880**	235,730,982	31,428,898

Breakdown of revenues by type of business

Description	31.12.2002	31.12.2001	Movement
Gas pipelines and on-site	33,069,274	27,870,409	5,198,865
Merchant	171,086,588	155,856,412	15,230,176
Home care	63,004,018	52,004,161	10,999,857
Total	**267,159,880**	235,730,982	31,428,898

Reference should be made to the Directors' Report for comments regarding the trend in revenues.

B) Costs of production

Balance as at 31.12.2002	248,217,801
Balance as at 31.12.2001	221,947,690
Movement	**26,270,111**

The breakdown for the item “Costs of production” is as follows:

Description	31.12.2002	31.12.2001	Movement
Raw materials, subsidiary materials and consumables	83,206,102	74,434,153	8,771,949
Services	76,983,029	69,598,193	7,384,836
Costs for use of assets owned by others	3,803,224	3,909,813	(106,589)
Wages and salaries	33,150,264	29,873,104	3,277,160
Social Security costs	11,391,816	9,953,843	1,437,973
Employee severance indemnity	1,301,531	1,248,912	52,619
Pensions costs	-	-	-
Other costs relating to staff	-	-	-
Amortisation of intangible fixed assets	3,690,330	3,451,351	238,979
Amortisation of tangible fixed assets	29,867,781	25,933,218	3,934,563
Other reductions in value of fixed assets	4,053	6,050	(1,997)
Allowance for doubtful debtors included in current assets	3,163,054	2,090,664	1,072,390
Variation in stocks of raw materials	(1,263,206)	(680,120)	(583,086)
Amounts provided for risk provisions	239,354	53,996	185,358
Other provisions	203,790	340,565	(136,775)
Other operating charges	2,476,679	1,733,948	742,731
Total	**248,217,801**	221,947,690	26,270,111

The increase undergone by production costs was due substantially to an increase in revenues.

The item "raw materials, subsidiary materials and consumables" includes power costs since, since in view of the group's type of business, electricity constitutes de facto the main raw material.
The percentage incidence of purchases, net of adjustments to stocks of raw materials, in respect of the value of production is shown in the table below.

Description	31.12.2002	31.12.2001
Variation in stocks of raw materials	(1,263,206)	(680,120)
Purchases of raw materials, subsidiary materials and goods	83,206,102	74,434,153
Purchases of raw materials, subsidiary materials and goods - adjusted	81,942,896	73,754,033
Value of production	267,828,313	236,374,305
Percentage incidence	**30,60%**	31,20%

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

Description	31.12.2002	31.12.2001	Movement
Freight	36,395,919	33,045,201	3,350,718
Maintenance	9,858,189	8,735,586	1,122,603
Consulting and general services	4,806,593	4,923,527	(116,934)
Insurance premiums	2,126,853	1,665,718	461,135
Travel and related allowances	4,904,370	4,608,833	295,537
Advertising	1,005,515	819,455	186,060
Remuneration paid to Directors and fees paid to Statutory Auditors	2,026,330	2,073,439	(47,109)
Other services	15,859,260	13,726,434	2,132,826
Total	**76,983,029**	69,598,193	7,384,836

The breakdown of the item "Depreciation, amortisation and write-downs" pertaining to fixed assets, detailed by class of assets:

Depreciation of tangible fixed assets

Description	31.12.2002	31.12.2001	Movement
Land and buildings	2,000,554	197,713	1,802,841
Plants and machinery	10,121,826	9,263,387	858,439
Fixtures and fittings, tools and equipment	15,783,287	14,292,380	1,490,907
Other assets	1,962,114	2,179,738	(217,624)
Tangible fixed assets in course of construction	-	-	-
Total	**29,867,781**	25,933,218	3,934,563

Amortisation of intangible fixed assets

Description	31.12.2002	31.12.2001	Movement
Start-up and expansion costs	1,297,726	1,078,165	219,561
Costs of research, development and advertising	141,364	327,863	(186,499)
Patents and rights to use patents of others	380,893	413,426	(32,533)
Concessions, licenses, trade marks and similar rights	228,962	213,965	14,997
Goodwill	73,011	113,464	(40,453)
Other	424,290	392,185	32,105
Consolidation difference	1,144,084	912,283	231,801
Total	**3,690,330**	3,451,351	238,979

The breakdown for the item "Other operating charges" is as follows:

Description	31.12.2002	31.12.2001	Movement
Taxes other than income tax	1,774,258	1,419,783	354,475
Capital losses related to ordinary activities	92,823	19,039	73,784
Losses on amounts receivable not covered by provisions	1,002	93,200	(92,198)
Other minor charges	608,596	201,926	406,670
Total	**2,476,679**	1,733,948	742,731

The item "Other minor charges" comprises contingent liabilities relating to ordinary operations.

C) Financial income and charges

Balance as at 31.12.2002	(3,988,086)
Balance as at 31.12.2001	(3,122,342)
Movement	**(865,744)**

The breakdown for the item financial income and expense is detailed in the table below:

Description	31.12.2002	31.12.2001	Movement
Income from equity investments in associated companies	8,823	-	8,823
Income from equity investments in other companies	1,692	1,601	91
Income from loans entered under fixed assets	29,335	97,437	(68,102)
Income from securities entered under current assets	15,324	51,816	(36,492)
Other income not included above	1,136,799	1,388,474	(251,675)
(Interest payable and other similar financial charges)	(5,180,059)	(4,661,670)	(518,389)
Total	**(3,988,086)**	(3,122,342)	(865,744)

The breakdown of the item "Other income not included above" is as follows:

Description	31.12.2002	31.12.2001	Movement
Interest on deposits with banks and post offices	238,651	445,757	(207,106)
Interest receivable from trade	145,832	57,309	88,523
Interest receivable on other amounts	-	429	(429)
Realised gains on foreign exchange transactions	581,378	755,559	(174,181)
Other financial income	170,938	129,420	41,518
Total	**1,136,799**	1,388,474	(251,675)

The breakdown for the item "Interest payable and other similar financial charges" is as follows:

Description	31.12.2002	31.12.2001	Movement
Interest payable to banks	297,132	282,895	14,237
Interest payable to suppliers	37,016	70,129	(33,113)
Exchange rate losses and provisions for exchange rate fluctuations	593,823	482,289	111,534
Interest payable on loans	3,387,534	2,977,374	410,160
Total financial charges	864,554	848,983	15,571
Total	**5,180,059**	4,661,670	518,389

The item "Other financial charges" includes mainly expenses and banking fees and charges.

D) Value adjustments to financial investments

Balance as at 31.12.2002	6,747
Balance as at 31.12.2001	(220,099)
Movement	**226,846**

The breakdown for the item "Value adjustments to financial investments" is as follows:

Description	**31.12.2002**	31.12.2001	Movement
Write-ups of equity investments in associated	348	2,510	(2,162)
Write-ups of long-term investments that are not equity investments	6,399	-	6,399
Write-downs of equity investments in associated companies	-	(222,609)	222,609
Total	**6,747**	(220,099)	226,846

E) Extraordinary income and charges

Balance as at 31.12.2002	88,769
Balance as at 31.12.2001	892,595
Movement	**(803,826)**

The breakdown for the item "Extraordinary income and charges" is as follows:

Description	**31.12.2002**	31.12.2001	Movement
Other extraordinary income	421,731	748,803	(327,072)
Capital gains from disposal of fixed assets	109,832	808,394	(698,562)
Capital losses from disposal of fixed assets	(178,448)	(20,699)	(157,749)
Other extraordinary charges	(264,346)	(643,903)	379,557
Total	**88,769**	892,595	(803,826)

Income taxes on the income of the financial period

Balance as at 31.12.2002	8,765,797
Balance as at 31.12.2001	7,092,648
Movement	**1,673,149**

The breakdown of income taxes on the income of the financial period is as follows:

Description	**31.12.2002**	31.12.2001	Movement
Current income taxes for the financial period	8,507,480	8,025,135	482,345
Deferred taxation	258,317	(932,487)	1,190,804
Total	**8,765,797**	7,092,648	1,673,149

The total amount of current income taxes for the financial period corresponds to the sum of the income taxes calculated by the individual companies.

Information on employees

Description	31.12.2002	31.12.2001	Movement
Managers	36	34	2
Office workers	796	745	51
Factory workers	451	401	50
Total	**1,283**	1,180	103

Remuneration paid to Directors and fees paid to Statutory Auditors

Description	31.12.2002	31.12.2001	Movement
Directors	1,908,796	1,933,408	(24,612)
Statutory Auditors	117,534	140,031	(22,497)
Total	**2,026,330**	2,073,439	(47,109)

Reference should be made to the Explanatory Notes to the Financial Statements as at 31.12.02 of SOL SpA as regards the remuneration paid to Directors and the fees paid to Statutory Auditors.

Dealings with correlated parties

During the year 2002, the SOL Group had dealings with related parties, such as private individuals who are relatives of certain members of the Parent Company's Board of Directors. Such relations consisted of employment agreements, which were remunerated at normal market rates and entailed a cost of Euro 312,000 for the group.

Chairman of the Board of Directors

(Aldo Fumagalli Romario)

Consolidated cash flow statement Sol Group

(In thousands of Euro)	**31.12.2002**	31.12.2001
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES		
Profit for the period	15,527	13,064
Minority interest - share of profit	207	121
Adjustments not affecting liquidity		
Depreciation and amortisation	33,558	29,384
Employee severance indemnity accrued during the year	1,302	1,248
Increase (decrease) in provisions for liabilities and charges	1,221	175
Write-down of equity investments	-	-
Total	**51,815**	43,992
Changes in current assets and liabilities		
Stocks	(2,641)	(3,335)
Debtors	(19,076)	(8,407)
Prepayments and accrued income	374	270
Suppliers	(4,015)	7,751
Other creditors	1,652	1,020
Accruals and deferred income	(270)	(213)
Amounts owed to tax administration	(620)	1,471
Total	**(24,596)**	(1,443)
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	**27,219**	42,549
CASH FLOWS PROVIDED BY INVESTING ACTIVITIES		
Acquisitions, revaluation and other movements in industrial fixed assets	(47,085)	(48,345)
Change in the consolidation basis	(1,371)	(1,355)
Net book value of assets	558	2,110
Increases in intangible assets	(3,606)	(3,700)
(Increase) decrease in investments	3,345	(4,958)
(Increase) decrease in financial assets not held as fixed assets	70	(70)
TOTAL	**(48,090)**	(56,318)
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES		
Proceeds from (repayments of) new borrowings	27,538	4,673
Changes in other medium/long-term liabilities	-	-
Repayment of debenture loans	-	-
Dividends paid	(4,834)	(4,831)
Employee severance indemnity paid during the year net of transfers from Group companies	(516)	(748)
Other changes in capital and reserves		
- increase in share capital	-	-
- translation differences and other movements	(2,780)	3,472
- movements in capital and reserves pertaining to minority interests	(2,553)	3,060
- change in the consolidation basis	5,674	(887)
TOTAL	**22,529**	4,739
INCREASE (DECREASE) IN CASH IN HAND AND AT BANK	**1,658**	**(9,030)**
CASH IN HAND AND AT BANK AT BEGINNING OF YEAR	**16,861**	**25,891**
CASH IN HAND AND AT BANK AT END OF YEAR	**18,518**	**16,861**

Deloitte & Touche S.p.A.
Revisione e organizzazione contabile
Palazzo [illegible]
Via Olona, 2
20123 Milano
Italia

Tel: + 39 02 [illegible]
Fax: + 39 02 [illegible]
www.deloitte.it

Deloitte & Touche

AUDITOR'S REPORT IN ACCORDANCE WITH ARTICLE 156 OF LEGISLATIVE DECREE OF FEBRUARY 24, 1998, N. 58

To the Shareholders of
SOL S.p.A.

We have audited the consolidated financial statements of SOL S.p.A. as of December 31, 2002. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the Auditing Standards recommended by Consob, the Italian Stock Exchange Commission. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The financial statements of certain subsidiary companies representing respectively 12,83% of consolidated total assets and 10,31% of consolidated revenues have been examined by other auditors who provided us with copies of their reports. Our opinion, expressed in this report, as regards the figures relating to such companies included in the consolidation, is partially based on the work carried out by these other auditors. We believe that our audit provides a reasonable basis for our opinion.

For the opinion on the consolidated financial statements of the prior year, presented for comparison in accordance with legal requirements, reference should be made to the auditor's report issued by us on April 12, 2002.

In our opinion, the consolidated financial statements present fairly the financial position of the Company as of December 31, 2002, and the results of its operations for the year then ended, and comply with the principles which regulate the preparation of financial statements in Italy.

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

DELOITTE & TOUCHE S.p.A.

Signed by
Patrizia Arienti
Partner

Milan, April 14, 2003

Design
M Studio, Milano

Printing
Grafiche Mariano, Mariano Comense

Sol Spa

Piazza Diaz, 1
20052 Monza (MI) Italy
Telephone +39.039.23961
Fax +39.039.2396371