Sol Group Annual Report 2003

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]

12.31.03

100% **AIRSOL B.V.**
Amsterdam (NL)

100% **TMG GmbH**
Krefeld (D)

100% **Vivisol H. GmbH**
Vienna (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. 85%
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.**
Genova (I)

96,72% **Zeus S.A.**
Piraeus (GR)

93,47% **HGT S.A.**
Thessaloniki (GR)

34%
Ionia Oxigono e.p.e.
Thessaloniki (GR) *

68,87% **CryoMed S.r.l.**
Milano (I) *

51%
Cryo-Cell Italia S.r.l. in liquidation
Milan (I) *

C.T.S. S.p.A. 100%
Monza (I)

N.T.G. B.V. 100%
Tilburg (NL)

B.T.G. BVBA[6] 100%
Lessines (B)

SOL France Sas 100%
Cergy Pontoise (F)

SOL T. G. GmbH 100%
Wiener Neustadt (A)

G.T.E. S.L. 100%
Barcellona (E) *

GTS Sh.p.k. 100%
Tirana (AL)

TGS A.D.[2] 88,60%
Skopje (MK)

TGK Sofia A.D. 71,42%
Sofia (BG)

10% **MEDICAL SYSTEM S.r.l.**
Pavia (I) *

70% **IMG d.o.o.** 30%
Belgrado (SCG)

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)*

75,18% **T.G.T. A.D.**
Trn (BiH)

60,96% **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)

92,67% **Energetika Z.J.d.o.o.**[5]
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)

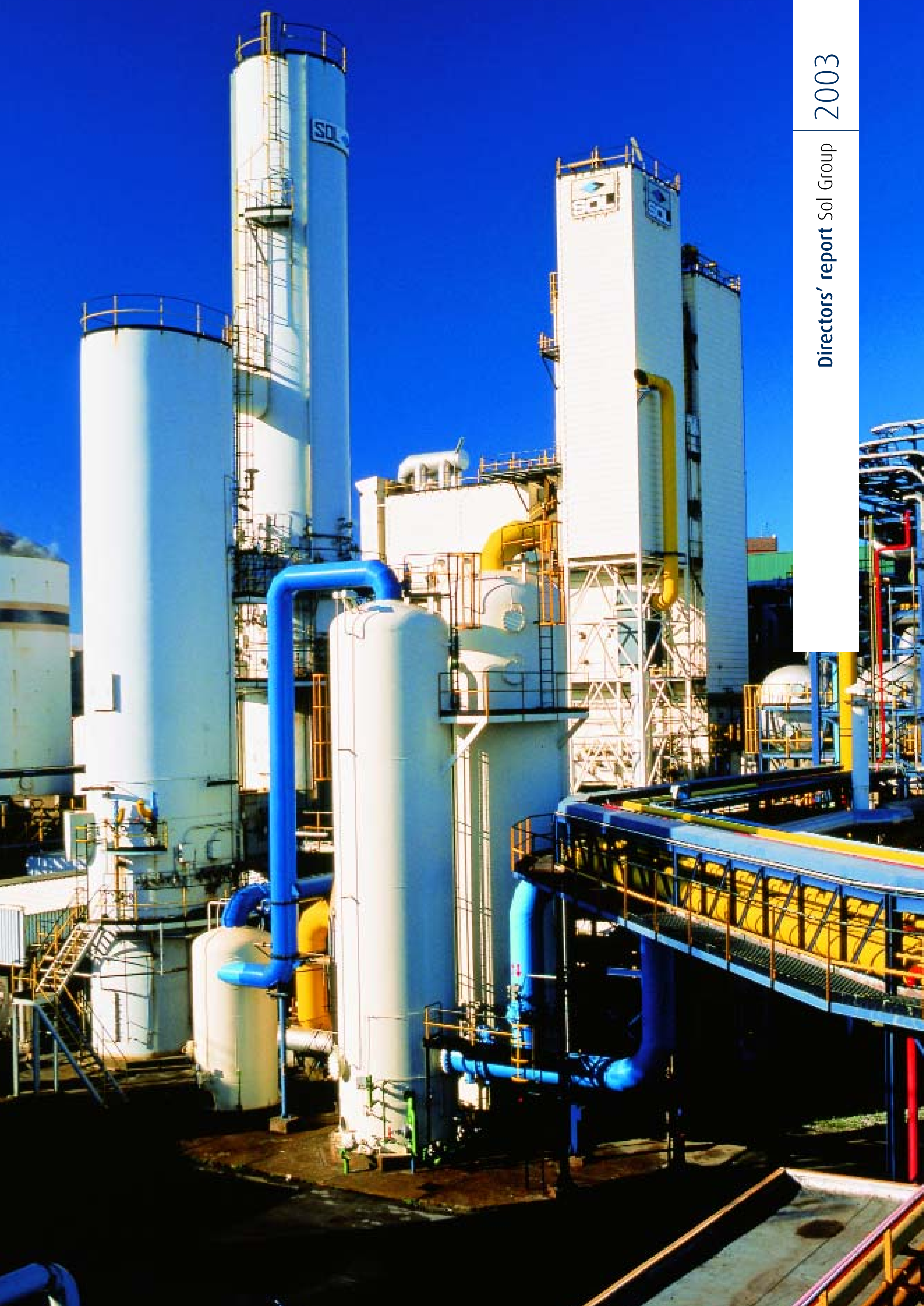
68,50% **SOL WELDING S.r.l.**
Costabissara (I)

Esseti Deutschland GmbH 100%
Heilbronn (D)

100% **Eurobot Welding S.r.l.**
Costabissara (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 2004.
(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 December 2002, SOL S.p.A. is under obligation to repurchase the entire SIMEST share by 30 June 2007.
(5) The share pertaining to minority interests includes a 7.33% equity investment in SIMEST S.p.A. Under agreements stipulated between SOL and SIMEST on 19 March 2003, SOL S.p.A. is under obligation to repurchase the entire SIMEST share by 30 June 2007.
(6) B.T.G. has established a foreign branch at Dainville (France).

Directors' report Sol Group 2003



Shareholders,

The SOL Group is engaged in production, applied research and distribution activities pertaining to industrial, pure and medicinal gases, in door-to-door medical care, as well as in the sector for related medical equipment in Italy, presently active in 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 2003 was characterized by the disappointing performance of the economy, with signs which are not particularly encouraging for the immediate future, involving continual downwards revisions of the growth estimates for the Euro zone.

During the first six months, we first of all witnessed the war in Iraq and subsequently the SARS epidemic in the Far East, events which had a negative influence on the whole world's economy.

Signs of an improvement were seen in the United States during the second half of 2003, further to the fiscal measures taken to support available income which gave a boost to both consumption and investments.

During the same period, the Far East overcame the effects of the SARS epidemic, regaining growth in consumption.

By contrast, the Euro zone continued to show signs of weakness with reference to the trend in private consumption.

On the other hand, fixed investments experienced a slight pick-up in the last few months, even if penalized abroad by the strength of the Euro which did not help exports.

Growth in GDP during 2003 in the Euro zone failed to exceed 0.5%, disclosing practically nil growth.

The countries in Balkan Europe experienced an average performance of their economies, slightly up, even though there were marked differences from country to country.

The Italian economy was characterized by a performance similar to that seen in the Euro zone, involving growth in GDP even lower (0.3%) and with the evidence in the first six months of a slump in investments, partly due to the end of the tax incentives.

The appreciation of the Euro penalized growth in Italy as well, reducing the potential rise in exports.

Even if in the last few months timid positive signs have been sensed, it is still premature to consider that we can talk of recovery which, we think, may manifest, if it be the case, as from the second half of 2004.

The macro-economic forecasts incline towards a world recovery, involving growth for 2004 of 4% in the United States and 1.5% in the Euro zone, with a Euro/Dollar exchange rate still at high levels and contained inflationary pressure.The growth potential of the Euro zone in any event remains low, despite the signs of improvement which emerge from the European economies.

Despite having operated in the afore-mentioned context, the results achieved by the SOL Group were positive.

The net sales achieved in 2003 came to Euro 298.5 million, disclosing growth of 11.7 % when compared with 2002 (Euro 267.2 million).

The net operating margin came to Euro 33.2 million, equal to 11.1% of revenues, up 16.8% when compared with the balance of Euro 28.4 million in 2002.
Pre-tax profit amounted to Euro 29.3 million, equal to 9.8% of sales, up 19.4% on the Euro 24.5 million registered in 2002.
Net profit pertaining to the Group totalled Euro 15.2 million, equating to 5.1% of revenues, essentially unchanged when compared with 2002, penalized by a tax charge of Euro 14.1 million - due to the fact that the tax concessions which the Italian Group companies had benefited from up until 2002 were no longer applicable - and the effect of the new norms concerning taxation introduced in Italy during December 2003.
The cash flow position totalled Euro 50 million, equal to 16.8% of revenues, more or less unchanged when compared with 2002 (Euro 49.3 million).
Investments booked during the year 2003 totalled Euro 34.2 billion, equal to 11.5% of sales revenues.
The average number of staff employed by the Group came to 1,331 units (1,224 in 2002).
The Group's net financial indebtedness was equal to Euro 65.4 million (Euro 69.3 million at the close of 2002).

Operating performance

The technical gas sector disclosed satisfactory increases in sales with respect to the previous year, partly thanks to growth in the volumes of gas supplied to customers via gas pipelines and volumes of liquid gases; by contrast, a slight drop was seen in volumes of industrial compressed gas. The services area underwent further growth.
Among the outlet sectors, the iron and steel area disclosed a satisfactory performance, as did the environment and foodstuffs sectors; by contrast, the electronics sector continued to show difficulties.
Sales of medicinal gas also rose, partly thanks to services provided to supplement supplies.
Sales to customers served by means of gas pipelines reported an increase when compared with 2002.
The home care business once again reported considerable growth maintaining the profit margins, both in Italy and in foreign countries.
At present in Italy, negotiations are taking place with the competent ministerial bodies for the definition of a new reimbursement price for medicinal oxygen sold via chemists; said definition is hoped to be achieved during early 2004.
A particular depressed market situation, both in Italy and on the other outlet markets, negatively influenced the results of activities in the welding materials and machines sector.
The difficult situation affecting the economic cycle influenced the performance of amounts receivable, especially in Italy. Losses on receivables and the provisions made for doubtful receivables reported values which were much higher than in 2002, a sign of the conjunctural weakness of the economic fabric.
During the course of 2003, technical gas reserves remained within the safety levels prescribed while sites continued to operate properly.

Scheduled periodic maintenance was carried out on the plants at Piombino, Salerno, Verona, Jesenice (Slovenia) and Feluy (Belgium).

It is necessary to point out that in Italy, the plants underwent several shutdowns during June following the disconnection of the electricity supply by the GRTN as a result of record consumption not supported by the national electricity grid.

All this had an effect on production without however putting supplies to customers at risk, thanks to the precautionary measures implemented.

The SOL Group continued with its expansion activities during 2003 by means of new initiatives undertaken both in Italy and abroad.

The SOL Group's work force increased during 2003, partly further to the new initiatives, and the staff training and qualifying activities continued in order to maintain and improve professional skills, to ensure the staff are capable of achieving the Group's growth objectives.

During June 2003, the decision was made to place Cryo-Cell Italia S.r.l. in liquidation following the repeated order of the Ministry of Health which prohibited private activities in Italy for withdrawing and conserving stem cells.

On 30 April 2003, the period for the exercise of the stock option right granted to the employees of the Italian Group companies, terminated. Shareholders are informed that, on conclusion of the plan 278 beneficiaries exercised their rights, acquiring 612,000 shares from SOL S.p.A.

Environment, quality and safety

The commitment to maintain third party certification concerning quality, safety and environment was further consolidated during 2003. In particular, the changeover of the certification of all our units in Italy and abroad in accordance with the ISO 9001:2000 (vision 2000) standard of the quality system was completed which, supplemented with the safety and environment topics, represents a Quality, Safety and Environment Management system within the sphere of all the Group activities. The ISO 9001 and ISO 14001 certification obtained in previous years was also confirmed and enhanced with the new certification obtained by the new Mantua factory (ISO 9001 and ISO 14001) and the Cuneo factory (ISO 9001).

The European environmental registration, Emas, obtained in previous years for the factory of San Martino Buon Albergo (Verona) was renewed and the procedure for the Emas registration for the Mantua factory was started up; the latter also participated in the Agenda 21 programme, a programme supported by the local public authority.

The EN 46001 certification was also confirmed with EC branding as medical device for the medicinal gas distribution and anaesthetic gas discharge installations, in addition to the maintenance of the EC branding for gases and mixtures produced by the company classified and registered as medical devices.

As part of the Vivisol activities, renewal was obtained of the certification in accordance with the ISO 900l:2000 (vision 2000) standard within the timescales anticipated, in addition to an additional extension of the ISO 9001 certification for all the territorial units of the subsidiary company Vivisol Deutschland.

As part of the Responsible Care programme, our collaboration continued for the drawing up of the Federchimica Environmental Report, in addition to the renewed participation in the initiative known as "Open Factories", which during 2003 saw some of our production plants visited by more than 2,000 middle school students.

SOL Group investments

During the year under review, investments in the technical gases sector amounted to Euro 24.7 million, with Euro 10.6 million of this being invested by the Parent Company SOL S.p.A. and Euro 9.5 million being invested in the home care sector. These investments are broken down below:

- Work started at the Cremona factory for the modernization and enhancement of the production plants which include the creation of a new helium bottling plant, the expansion of the ammonia depot, the rationalization and the extension of the spaces of the compressed gas bottling plants.
- Work was carried out at the Piombino factory for the enhancement of the gaseous nitrogen production plant by means of the installation of a new refrigeration unit and the enhancing of a compressor as well as the enhancing of the installation for the supply of argon via pipelines involving the installation of a new cryogenic supply tank. A series of work projects have also be started for the improvement and enhancement of the air fractionation gas production plants including a new air filtration unit, the enhancement of the systems for the compression of oxygen in pipelines, further enhancement of the nitrogen evaporation systems for the emergency supply of the related pipeline, with the related service installations.
- A system for the management of the air compressors which feed the fractionating plant has been installed at the Salerno factory, making it possible to reduce the energy consumption and also increase the compression potential.
- At the Padua factory, the fire detection and fighting system has been completely overhauled and rationalization of the storage areas completed.
- In the Ancona, Bologna, Catania, Cagliari and Pavia factories, work was carried out for adaptation to the GMP (Good Manufacturing Practice) involving the preparation or improvement of the areas intended for the filling and storage of medicinal gases.
- In Slovenia, the company SPG started work for the creation of the new air fractionating and liquefying plant for the production of high purity liquefied oxygen, nitrogen and argon and for the supply of gaseous nitrogen and oxygen via gas pipelines to the Acroni di Jesenice steelworks. The main elements of the plant are being completed in the workshops of the suppliers. The main civil engineering works for the foundations have been completed.
- At Pola in Croatia, the company UTP terminated the work for the construction of a new bottling production plant for compressed industrial and medicinal gases.
- In Kakmuz (Bosnia), the company TGP has built a new technical gas depot and a carbon dioxide bottling plant in addition to various improvement measures on the carbon dioxide product plants.

- At Lessines (Belgium), the company BTG has realized a new line for the bottling of high purity oxygen for laser applications and a new line for the bottling of gas and mixtures intended for the food industry.
- At Tilburg (Netherlands), the company NTG has built a plant for the cooling of the closed cycle water serving the nitrous oxide production plant, which makes a substantial reduction in water consumption possible.
- Several on-site industrial and medical facilities were also realised and brought on-stream during the year.
- Considerable investments were made for means for the transport, distribution and sale of products involving the purchase of cryogenic cisterns, cryogenic liquid delivery tanks, gas cylinders, dewar vessels and medical apparatus. All such measures were taken to support and develop the significant commercial growth achieved in all business sectors and geographical areas.

During 2003, the SOL Group continued its expansion abroad and in Italy.
The Parent Company SOL S.p.A. increased its interest holdings in the Bosnian companies TGT A.D. and TGP A.D., to 75.18% and 60.96% respectively, and in SOL Welding S.r.l. from 51% to 68.5%.
The Parent Company SOL S.p.A. also increased its interest holding in the Slovenian company Energetika Z.J. d.o.o. by acquiring the remaining 20% and therefore gaining total control of the company via wholly-owning its share capital.
The Parent Company SOL S.p.A. acquired a 100% holding in Eurobot Welding S.r.l.
The subsidiary company VIVISOL Deutschland GmbH acquired the business segment relating to the home care activities of the German company Elomed GmbH, thereby expanding its presence in Germany in the Baden Württemberg region.
The subsidiary company AIRSOL B.V. increased its interest holdings in various companies: in the Greek company HGT S.A. from 90% to 93.47%; in the Greek company Zeus S.A. from 89.4% to 96.72%; and in CryoMed S.r.l. from 50.1% to 68.87%.
The merger of the Bulgarian companies TGB d.o.o. and TGK A.D. was carried out so as to rationalize the Group's presence in Bulgaria.
In conclusion, the subsidiary company VIVISOL S.r.l. acquired an additional 15% interest in the company VIVISOL BRESCIA S.r.l., thereby raising its overall holding to 85%.

Research and Development Activities

Research activities, which have traditionally characterised, justified and supported the Group's development, continued during the financial period; these activities mainly comprise 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.
The costs relating to the R&D activities are charged to the profit and loss account of the relevant financial year.

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 with respect to the normal course of business have been carried out. Reference should be made to the information included in the Explanatory Notes to the Statutory and Consolidated Financial Statements of SOL S.p.A. as at 31 December 2003 for additional details, including the dealings of SOL S.p.A. with Group companies and other related parties.

Transition to the International Accounting Standards (IFRS)

As from 2005, all the EU companies listed on an organized market will be obliged to draw up the annual statutory financial statements and the interim accounts applying the international accounting standards.

The SOL Group has started to study the conversion process defining all the activities which will have to be implemented for the correct drafting of the financial statements. During 2004, interim accounts and the annual financial statements will be drawn up within the Group by applying the IFRS, so as to be able to avail of comparative data as from 2005.

Shares of the Parent Company held by Group Companies

We confirm that as at 31 December 2003, the Parent Company SOL S.p.A. held 1,188,000 ordinary own shares, representing 1.3% of the share capital, carried in the Financial Statements for a value equal to Euro 2.32 million.

These shares were purchased to execute the resolution approved by the Shareholders' Meeting held on 28 April 2000, further to 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 terminated on 30 April 2003.

Equity investments of Directors, Statutory Auditors and the General Manager

Full name	Company in which interest is held	Number of shares held at the close of the previous financial year	Number of shares purchased	Number of shares sold	Number of shares held at the close of the financial year at 12.31.03
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	6,000	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 ** #
Maria Cristina Annoni	SOL S.p.A.	40,000 ****	0	40,000 ****	0
Enrico Aliboni	SOL S.p.A.	4,000 ***	0	0	4,000 ***
Giulio Bottes	SOL S.p.A.	4,000	0	0	4,000

* bare ownership rights and with voting rights.
** bare ownership rights.
*** held by spouse.
**** 20,000 held by spouse
** # 2,721,000 held by dependant children

The remaining Directors and Statutory Auditors do not hold nor have held any equity investments in Group Companies during 2003.

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 for the SOL Group and the essential data as regards the industrial gases and the home care sector.

Reclassified profit and loss account Sol Group

(thousands of Euro)	**12.31.2003**	incidence on net sales	12.31.2002	incidence on net sales
Pipelines / on-site facilities	37,333	12.5	33,069	12.4
Merchant	185,569	62.2	171,087	64.0
Vivisol	75,597	25.3	63,004	23.6
NET SALES	**298,499**	**100.0**	267,160	100.0
Other revenues and income	2,528	0.8	2,745	1.0
Work performed for own purposes and capitalised	4,082	1.4	5,514	2.1
REVENUES	**305,109**	**102.2**	275,419	103.1
Purchase of materials	85,596	28.7	83,206	31.1
Services rendered	86,846	29.1	76,983	28.8
Change in stock	487	0.2	(2,454)	(0.9)
Other costs	7,527	2.5	6,280	2.4
TOTAL COSTS FOR PURCHASES AND SERVICES	**180,456**	**60.5**	164,015	61.4
VALUE ADDED	**124,653**	**41.8**	111,404	41.7
Total cost of production	50,388	16.9	45,844	17.2
GROSS OPERATING MARGIN	**74,265**	**24.9**	65,561	24.5
Depreciation and amortisation	34,869	11.7	33,558	12.6
Other provisions	6,227	2.1	3,610	1.4
OPERATING PROFIT	**33,169**	**11.1**	28,392	10.6
Financial income	1,596	0.5	1,192	0.4
Financial charges	5,302	1.8	5,180	1.9
Total financial income and charges	**(3,706)**	**(1.2)**	(3,988)	(1.5)
PROFIT ON ORDINARY ACTIVITIES	**29,463**	**9.9**	24,404	9.1
Extraordinary income and charges	(201)	(0.1)	96	0.0
PROFIT (LOSS) BEFORE INCOME TAXES	**29,262**	**9.8**	24,500	9.2
Income tax	14,089	4.7	8,766	3.3
PROFIT (LOSS) FOR THE YEAR	**15,173**	**5.1**	15,734	5.9
Profit (Loss) pertaining to minority interests	(31)	(0.0)	207	0.1
NET PROFIT (LOSS) FOR THE YEAR	**15,203**	**5.1**	15,527	5.8

Reclassified balance sheet Sol Group

(thousands of Euro)	**12.31.2003**	12.31.2002
ASSETS		
Current assets		
Cash and cash at bank	24,310	23,901
Trade debtors	128,545	115,805
Stocks	25,272	25,834
Prepayments and accrued income	636	541
Other short term assets	10,164	10,527
Total current assets	**188,927**	176,609
Fixed assets		
Technical fixed assets	204,079	202,884
Intangible fixed assets	5,143	6,988
Investments	3,352	3,968
Other fixed assets	1,371	1,527
Total fixed assets	**213,945**	215,368
TOTAL ASSETS	**402,872**	391,976
LIABILITIES AND CAPITAL AND RESERVES		
Short term liabilities		
Bank loans and overdrafts	5,016	5,352
Suppliers	46,566	43,196
Other payables	12,650	12,628
Amounts owed to other financiers	14,906	15,141
Accruals and deferred income	3,169	3,707
Amounts owed to tax administration	4,803	3,956
Total current liabilities	**87,110**	83,980
Medium/long-term liabilities, provisions		
Provisions for risks and charges	17,481	15,495
Employee severance indemnity	8,921	8,071
Other liabilities	69,583	73,929
Total medium/long-term liabilities and provisions	**95,986**	97,495
Net equity		
Subscribed capital	47,164	47,164
Reserves	150,427	139,711
Net profit	15,203	15,527
Capital and reserves for the Group	**212,795**	202,402
Capital and reserves - Minority interests	**7,013**	7,893
Profit (loss) pertaining to Minority interests	(31)	207
Minority interests - Capital and reserves	**6,982**	8,099
Total capital and reserves	**219,777**	210,501
TOTAL LIABILITIES AND CAPITAL AND RESERVES	**402,872**	391,976

Net financial position Sol Group

(thousands of Euro)	**12.31.2003**	12.31.2002
Cash and cash at bank	24,310	23,901
Securities	577	340
Loans – short term portion	(13,478)	(13,905)
Leases – short term portion	(1,428)	(1,236)
Short-term amounts owed to bank	(5,016)	(5,352)
Amounts owed to Shareholders for the purchase of equity investments	(1,332)	-
Short-term Liquidity, Net	**3,633**	3,748
Permanent investments	484	561
Loans – long-term portion	(65,693)	(69,167)
Long-term amounts owed to banks	(9)	(31)
Amounts owed to Financiers for Leasing	(2,894)	(2,644)
Amounts owed to Shareholders for the purchase of equity investments	(894)	(1,785)
Medium/Long-Term Net indebtedness	**(69,006)**	(73,066)
Total Net Liquidity/Indebtedness	**(65,373)**	(69,318)

Information by business sector Sol Group

	12.31.2003				12.31.2002			
(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	37,333	-	-	37,333	33,069	-	-	33,069
Merchant	192,008	-	(6,439)	185,569	176,702	-	(5,615)	171,087
Vivisol	-	75,829	(232)	75,597	-	63,202	(198)	63,004
Net sales	**229,341**	**75,829**	**(6,671)**	**298,499**	209,771	63,202	(5,814)	267,160
Other revenues and income	2,685	154	(311)	2,528	2,832	224	(311)	2,745
Work performed for own purposes and capitalised	1,637	2,440	5	4,082	3,190	2,325	-	5,514
Revenues	**233,663**	**78,423**	**(6,977)**	**305,109**	215,792	65,751	(6,124)	275,419
Purchase of materials	70,600	19,507	(4,511)	85,596	69,209	17,944	(3,946)	83,206
Services rendered	66,767	22,004	(1,924)	86,846	60,298	18,406	(1,721)	76,983
Change in stock	794	(307)	-	487	(1,385)	(1,069)	-	(2,454)
Other costs	5,727	2,341	(542)	7,527	4,901	1,836	(457)	6,280
Total costs for purchases and services	**143,888**	**43,546**	**(6,977)**	180,456	133,023	37,117	(6,124)	164,015
Value added	**89,776**	**34,877**	**-**	**124,653**	82,770	28,635	-	111,404
Total cost of production	39,695	10,693	-	50,388	36,659	9,184	-	45,844
Gross operating margin	**50,081**	**24,185**	**-**	**74,265**	46,110	19,450	-	65,561

	12.31.2003				12.31.2002			
Total assets	**367,894**	**100,894**	**(65,915)**	**402,872**	357,103	90,586	(55,713)	391,976
Total liabilities	**159,357**	**56,039**	**(32,300)**	**183,096**	153,884	51,868	(24,278)	181,475
Investments	**24,707**	**9,526**	**-**	**34,233**	40,506	7,486	-	47,992
Depreciation and amortisation	**26,374**	**8,495**	**-**	**34,869**	25,989	7,569	-	33,558

Significant events which took place after the end of the 2003 financial year and foreseeable business developments

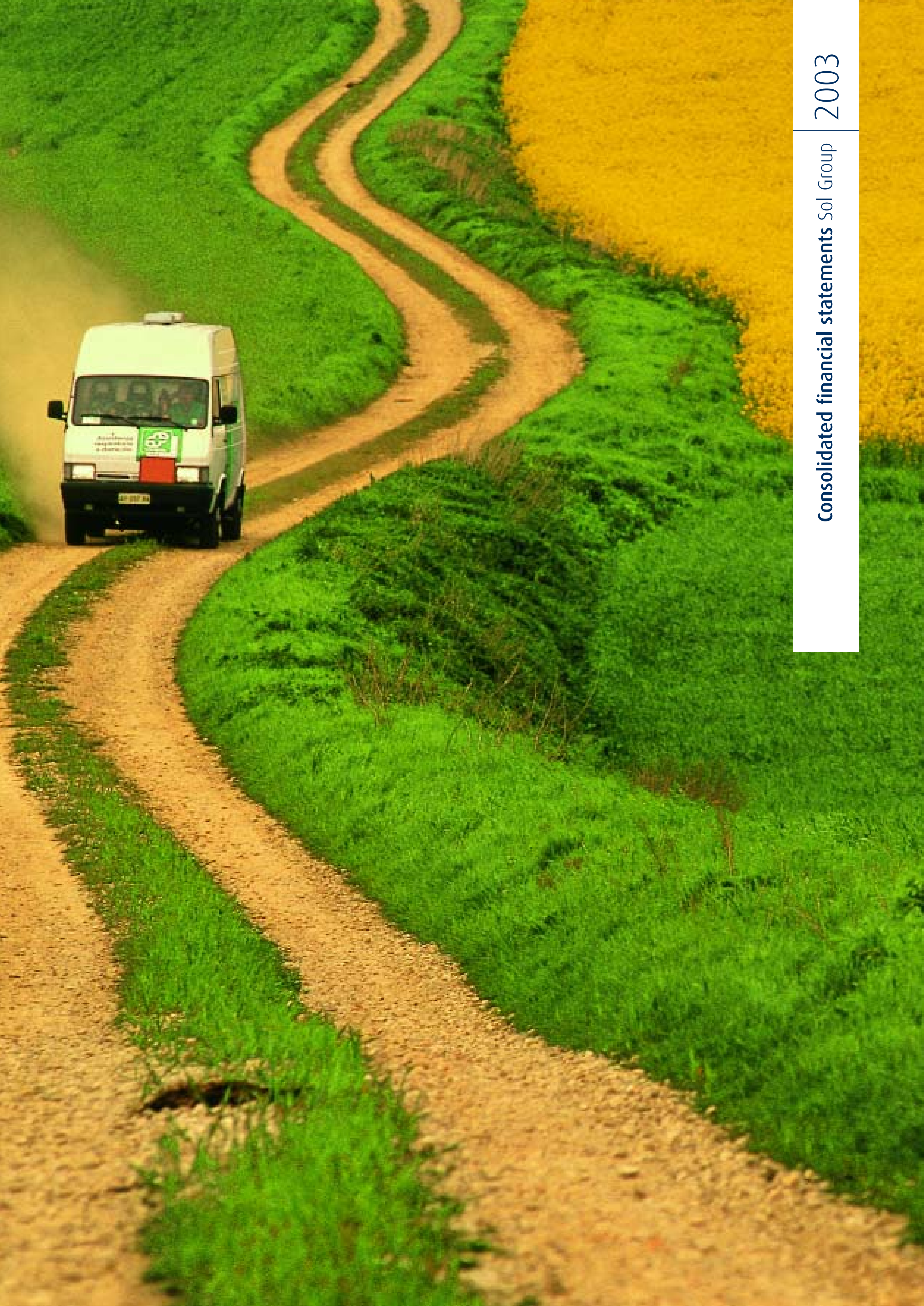
Shareholders are informed that in January 2004, the Parent Company SOL S.p.A. acquired an additional interest of 7.05% in the Bulgarian company TGK A.D., taking its overall holding to 78.47%. Furthermore, in March 2004 the subsidiary company VIVISOL S.r.l. acquired an interest holding of 65% in the company Il Point S.r.l. - Verona, whose activities concern the production, repair and sale of aids for the disabled and autonomy devices for the individual.

As far as 2004 is concerned, we believe that it will be characterized by the persistence of the current difficult economic phase, involving a pick-up, especially in Italy, which will not emerge before the second half of the year.

In any event, our aim is to further increase sales revenues, even if it is unlikely that they will reach the levels of the last few years, and maintain profitability.

Monza, Italy, March 30, 2004

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



Consolidated financial statements Sol Group 2003

Consolidated balance sheet Sol Group

ASSETS	Amounts receivable within the following year **12.31.03**	Amounts receivable within the following year 12.31.02	**12.31.2003**	12.31.2002
A) SUBSCRIBED CAPITAL UNPAID BY SHAREHOLDERS				
called part			-	481
part not called			-	-
TOTAL			**-**	481
B) FIXED ASSETS				
I - Intangible fixed assets				
1) Start-up and expansion costs			411,421	684,318
2) Costs for research, development and advertising			198,445	298,344
3) Patents and rights to use patents of others			259,025	459,396
4) Concessions, licences, trademarks and similar rights			520,879	345,523
5) Goodwill			1,107,643	1,005,928
6) Tangible fixed assets in course of construction and payments on account			34,892	14,263
7) Other			1,431,195	1,583,216
8) Consolidation difference			1,179,726	2,597,287
Total			**5,143,226**	6,988,275
II - Tangible fixed assets				
1) Land and buildings			40,187,566	40,018,848
2) Plants and machinery			71,467,095	81,225,444
3) Other fixtures and fittings, tools and equipment			79,105,782	74,214,091
4) Other assets			5,314,420	5,377,898
5) Tangible fixed assets in course of construction and payments on account			8,004,339	2,047,929
Total			**204,079,202**	202,884,210
III - Financial investments				
1) Equity investments in:				
Non-consolidated Group companies			31,984	-
associated companies			475,428	370,645
parent companies			-	-
other companies			43,550	60,783
2) Debtors				
Amounts owed by non-consolidated group companies	-	-	-	-
payable to associated companies	-	-	-	144,000
amounts owed by parent companies	-	-	-	-
other debtors	-	66,634	1,257,939	1,241,946
	-	66,634		
3) Other investments			484,016	561,199
4) Own shares			2,317,074	2,975,235
Total			**4,609,991**	5,353,808
TOTAL FIXED ASSETS			**213,832,419**	215,226,293

(continue) **ASSETS**	Amounts receivable within the following year **12.31.03**	12.31.02	**12.31.2003**	12.31.2002
C) CURRENT ASSETS				
I - Stocks				
1) raw materials, subsidiary materials and consumables			1,910,404	2,016,687
2) work in progress and components			686,854	800,568
3) contracts in progress			6,607,271	7,395,238
4) finished goods and goods for resale			16,067,073	15,621,855
5) advances received			-	-
Total			**25,271,602**	25,834,348
II - Debtors				
1) Trade debtors	**48,156**	61,994	128,545,338	110,011,246
2) Amounts owed by non-consolidated group companies	-	-	-	-
3) payable to associated companies	-	-	-	90,389
4) amounts owed by parent companies	-	-	-	-
5) other debtors	**112,956**	141,283	9,699,756	10,327,590
Total	**161,112**	203,277	**138,245,094**	120,429,225
III - Financial investments which are not permanent				
1) in subsidiary companies			-	-
2) in associated companies			-	-
3) in parent companies			-	-
4) in other companies			38,082	39,029
5) own shares			-	-
6) other investments			538,889	300,805
Total			**576,971**	339,834
IV - Cash at bank and in hand				
1) banks and postal current accounts			24,001,693	23,632,166
2) Bank cheques			13,036	3,557
3) Cash on hand			295,665	265,767
Total			**24,310,394**	23,901,490
TOTAL CURRENT ASSETS			**188,404,061**	170,504,897
D) ACCRUALS AND DEFERRED INCOME				
Prepayments and accrued income			635,668	541,255
Premium on loans			-	-
TOTAL			**635,668**	541,255
TOTAL ASSETS			**402,872,148**	386,272,926

Consolidated balance sheet Sol Group

LIABILITIES	Esigibili oltre l'esercizio successivo 12.31.03	Esigibili oltre l'esercizio successivo 12.31.02	12.31.2003	12.31.2002
A) CAPITAL AND RESERVES:				
Pertaining to the Group:				
I Subscribed capital			47,164,000	47,164,000
II Share premium account			63,334,927	62,676,766
III Revaluation reserve			-	-
IV Legal reserve			3,097,354	2,530,970
V Reserve for own shares			2,317,074	2,975,235
VI Statutory reserves			-	-
VII Other reserves:				
a) Extraordinary reserve			31,473,537	25,656,022
b) Reserves not taxable until use or liquidation			4,106,867	4,106,867
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			- 2,755,078	- 1,972,192
h) Undistributed earnings of subsidiaries and other reserves			42,393,598	37,825,003
i) Consolidation reserve			5,871,593	4,808,164
k) Other reserves			587,234	1,103,691
VIII Profits (losses) carried forward			-	-
IX Profit (loss) for the financial year			15,203,451	15,527,267
Total group net equity			**212,794,557**	202,401,793
Minority interests:				
X Capital and reserves pertaining to minority interests			7,012,799	7,892,706
XI Profit (loss) pertaining to minority interests			- 30,784	206,638
Total net equity pertaining to minority interests			**6,982,015**	8,099,344
TOTAL NET EQUITY			**219,776,572**	210,501,137
B) PROVISIONS FOR RISKS AND CHARGES				
1) Provisions for pensions and similar obligations			-	-
2) Provisions for taxation			16,429,350	14,211,994
3) others			1,051,596	1,283,329
4) Consolidated provision for risks and charges			-	-
TOTAL			**17,480,946**	15,495,323
C) EMPLOYEES SEVERANCE INDEMNITY			**8,921,298**	8,070,990
D) CREDITORS				
1) Debenture loans			-	-
2) Convertible debenture loans	-	-	-	-
3) Amounts owed to banks	**9,060**	30,942	5,024,775	5,383,057
4) Amounts owed to other financiers	**68,587,454**	71,811,060	83,493,399	86,952,339
5) Advances received	-	-	5,339,492	-
6) Amounts owed to suppliers	-	-	46,478,737	43,100,768
7) Debts represented by bills of exchange	-	-	-	-
8) Amounts owed to non-consolidated group companies		-	-	-
9) Amounts owed to associated companies	-	-	87,557	95,489
10) Amounts owed to parent companies	-	-	-	-
11) Amounts owed to tax administration	-	-	4,802,736	3,955,998
12) Amounts owed to Welfare and Social Security institutions		-	1,893,983	1,756,784
13) Other creditors	**986,819**	2,086,660	6,403,394	7,254,525
TOTAL	**69,583,333**	73,928,662	**153,524,073**	148,498,960
E) ACCRUALS AND DEFERRED INCOME				
Accruals and deferred income			3,169,259	3,706,516
Discount on loans			-	-
TOTAL			**3,169,259**	3,706,516
TOTAL LIABILITIES			**402,872,148**	386,272,926

Consolidated balance sheet Sol Group

MEMORANDUM ACCOUNTS	**12.31.2003**	12.31.2002
A) GUARANTEES GIVEN		
1) to others:		
a) bank guarantees	6,841,266	8,228,721
b) endorsements	-	-
c) other personal guarantees	-	-
d) real guarantees	-	-
Total	**6,841,266**	8,228,721
2) to associated companies		
a) bank guarantees	-	-
b) endorsements	-	-
c) other personal guarantees	-	-
d) real guarantees	-	-
Total	**-**	-
TOTAL	**6,841,266**	8,228,721
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	350,030	412,287
4) Securities held by others	-	-
5) Assets owned by others at our premises	-	7,894
6) Foreign currency repurchase commitments	-	-
TOTAL	**350,030**	420,181
C) GUARANTEES RECEIVED		
a) bank guarantees	31,187	46,799
b) endorsements	-	-
c) other personal guarantees	-	-
d) real guarantees	-	-
TOTAL	**31,187**	46,799
TOTAL MEMORANDUM ACCOUNTS	**7,222,483**	8,695,701

Consolidated profit and loss account Sol Group

	12.31.2003	12.31.2002
A) (+) VALUE OF PRODUCTION		
1) Net turnover from sales and services	298,499,051	267,159,880
2) Variation in stocks of finished, semi-processed and work in progress	118,069	668,433
3) Variation in contracts in progress	- 787,693	522,140
4) Other revenues and income:		
- Other revenues and income	2,098,463	2,163,110
- Grants pertaining to the financial period	429,281	582,199
TOTAL	**304,439,605**	276,610,073
B) (-) Costs of production		
6) for raw materials, subsidiary materials, consumables and goods	- 85,596,317	- 83,206,102
7) for services	- 86,846,494	- 76,983,029
8) for use of assets owned by others	- 4,730,963	- 3,803,224
9) for staff costs		
a) wages and salaries	- 36,477,651	- 33,150,264
b) Social Security costs	- 12,544,348	- 11,391,816
c) provision for employee severance indemnity	- 1,366,132	- 1,301,531
d) pension costs and similar obligations	-	-
e) other costs	-	-
10) amortisation and write-downs:		
a) amortisation of intangible fixed assets	- 3,116,724	- 3,690,330
b) depreciation of tangible fixed assets	- 31,752,591	- 29,867,781
c) other reductions in value of fixed assets	- 3,461	- 4,053
d) allowance for doubtful debtors included in current assets and other accounts included in cash at bank and in hand	- 5,785,501	- 3,163,054
11) movement in stocks of raw materials, subsidiary materials, consumables and goods	182,999	1,263,206
12) amounts provided for risk provisions	- 68,885	- 239,354
13) other provisions	- 369,063	- 203,790
14) other operating charges	- 2,795,584	- 2,476,679
TOTAL	**- 271,270,715**	- 248,217,801
(A - B) DIFFERENCE BETWEEN VALUE AND COSTS OF PRODUCTION	**33,168,890**	28,392,272

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

	12.31.2003	12.31.2002
C) FINANCIAL INCOME AND CHARGES		
15) (+) Income from equity investments:		
in non-consolidated group companies	-	-
from associated companies	317	8,823
from other companies	4	1,692
16) (+) other financial income		
a) from loans forming part of fixed assets		
payable to others:	3,015	-
payable to associated companies	-	9,163
payable to parent companies	-	-
b) from other permanent investments other than equity investments	17,694	20,172
c) from other investments which are not permanent	1,869	15,324
d) other financial income not included above:		
payable to others:	1,573,081	1,136,799
payable to associated companies	-	-
payable to parent companies	-	-
17) (-) Interest payable and similar charges		
payable to others:	- 5,302,223	- 5,180,059
payable to associated companies	-	-
payable to parent companies	-	-
TOTAL	**- 3,706,243**	- 3,988,086
D) VALUE ADJUSTMENTS IN RESPECT OF INVESTMENTS		
18) (+) Revaluation		
of equity investments	5,714	348
of permanent investments which are not equity investments	333	6,399
of non-permanent investments which are not equity investments	-	-
19) (-) write-downs:		
of equity investments	- 163,998	-
of permanent investments which are not equity investments	- 5,392	-
of non-permanent investments which are not equity investments	-	-
TOTAL VALUE ADJUSTMENTS	**- 163,343**	6,747
E) EXTRAORDINARY INCOME AND CHARGES		
20) (+) extraordinary incomes		
income	500,108	421,731
capital gains from disposal of fixed assets	41,242	109,832
21) (-) extraordinary charges		
charges:	- 374,667	- 260,110
capital losses from disposal of fixed assets	- 86,000	- 178,448
taxes pertaining to previous financial periods	- 118,444	- 4,236
TOTAL EXTRAORDINARY INCOME AND CHARGES	**- 37,761**	88,769
PROFIT OR LOSS BEFORE INCOME TAXES	**29,261,543**	24,499,702
22) (-) income taxes on the income of the period		
current	- 12,716,748	- 8,507,480
deferred	- 1,372,128	- 258,317
23) Aggregate net profit or loss	**15,172,667**	15,733,905
PROFIT (LOSS) FOR THE FINANCIAL YEAR ACCRUING TO OTHERS	**30,784**	- 206,638
PROFIT (LOSS) FOR THE FINANCIAL YEAR ACCRUING TO THE GROUP	**15,203,451**	15,527,267

Explanatory notes to the Consolidated Balance Sheet and Profit and Loss Account as at 31st December 2003

General criteria

The Balance Sheet and the Profit and Loss Account as at 31st December 2003 have been prepared and presented in accordance with the provisions of article 25 and following articles of Legislative Decree No. 127/91. The accounting principles comply with those recommended by the Italian Securities and Investments Board (CONSOB) and as set out by the Italian Accounting Profession. 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 2003 of each consolidated company duly approved by the General Shareholders' Meetings and prepared in accordance with the Group's accounting principles.

Group composition and consolidation basis

The Consolidated Financial Statements comprise the Financial Statements as at 31st December 2003 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) direct or indirect 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 – Genova		Euro	102,000		51%	51%
B.T.G. Bvba – Lessines		Euro	3,558,000	100%		100%
C.T.S. S.p.A. – Monza		Euro	156,000	100%		100%
ENERGETIKA Z.J. d.o.o. – Jesenice	1	SIT.	239,544,630	100%		100%
EUROBOT WELDING Srl – Costabissara		Euro	93,000	100%		100%
ESSETI DEUTSCHLAND GmbH – Heilbronn		Euro	25,000		68.50%	68.50%
FRANCE OXYGENE Sarl – Annoeullin		Euro	208,000		100%	100%
G.T.S. Sh.P.K. – Tirana		LEK	44,310,000	100%		100%
HGT S.A. – Salonicco		Euro	719,662		93.47%	93.47%
I.C.O.A. Srl – Vibo Valentia		Euro	45,760	97.60%		97.60%
IMG D.o.o. – Belgrado		CSD	41,359,431	30%	70%	100%
KISIKANA d.o.o – Sisak		KUNE	28,721,300		62.79%	62.79%
N.T.G. Bv – Tilburg		Euro	2,295,000	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	2,061,000	68.50%		68.50%
SOL-INA D.o.o. – Sisak	2	Kune	58,766,000	62.79%		62.79%
SPG – SOL Plin Gorenjska D.o.o. – Jesenice	3	SIT.	1,970,000,000	54.85%	45.15%	100%
T.G.K. Sofia AD – Sofia		LEVA	4,541,450	71.42%		71.42%
T.G.P. AD – Petrovo		KM	1,177,999	60.96%		60.96%
T.G.S. AD – Skopje	4	DEN	413,001,941	96.15%		96.15%
T.G.T. AD – Trn		KM	970,081	75.18%		75.18%
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%	35.89%	100%
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		85%	85%
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 – Vienna		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	2,390,574		96.72%	96.72%

1) The Group's share as at 31st December 2003 includes a 7.33% equity investment in Simest S.p.A.; under an agreement stipulated between SOL S.p.A. and Simest on 19th March 2003, SOL SpA is under obligation to repurchase the entire Simest stock by 30th June 2007.
2) The Group's share as at 31st December 2003 includes a 10% equity investment in Simest S.p.A.; under an agreement stipulated between SOL S.p.A. and Simest on 17th May 1999, SOL SpA is under obligation to repurchase the entire Simest share by 30th June 2004.
3) The Group's share as at 31st December 2003 includes a 5.4% equity investment in Simest S.p.A.; under an agreement stipulated between SOL S.p.A. and Simest on 23rd December 2002, SOL SpA is under obligation to repurchase the entire Simest share by 30th June 2007.
4) The Group's share as at 31st December 2004 includes a 7.55% equity investment in Simest S.p.A.; under agreements stipulated between SOL SpA and Simest dated 27th March 1996 and 2nd August 2001, SOL SpA is under obligation to repurchase the entire Simest share by 30th June 2004.

b) non-consolidated subsidiary companies

Company Name and Registered Office		Share capital	Ownership Percentage
CRYOMED Srl – Milan	Euro	86,990	68.87 %
CRYO-CELL ITALIA Srl in liquidazione - Milan	Euro	52,653	* 35.12 %
G.T.E. S.L. – Barcelona	Euro	12,020.24	100.00 %

* 51% owned by CryoMed Srl

c) 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. - Salonicco	Euro	25,500	31.78 %

d) associated companies, valued at cost

Company Name and Registered Office		Subscribed capital	Ownership percentage
MEDICAL SYSTEM Srl - Pavia	Euro	26,000	10.00 %

Medical System Srl has been classified among the associated companies since its relationships are of a commercial nature.

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

The scope of consolidation between 31st December 2003 and 31st December 2002 underwent the following changes:

- by means of the increase in the equity investment in SOL Welding Srl (from 51% to 68.5%) following an increase in the share capital for nominal Euro 736,000, in addition to the share premium of Euro 264,000, fully subscribed by SOL SpA and, as a consequence, also in its wholly-owned subsidiary Esseti Deutschland GmbH;
- in relation to Eurobot Welding Srl (from 30.6% to 100%), firstly as a result of the purchase by SOL Welding Srl of the residual portions of the share capital equating to 40% and, subsequently, as a result of the reestablishment by SOL SpA of the initial share capital of Euro 93,000, following the waiver of the related purchase option by SOL Welding Srl;
- with regards to TGT AD (from 30% to 75.18%) as a result of the share capital increase for nominal BAM 300,000 fully subscribed by SOL SpA and for the purchase of stock on the market, representative of 23.54% of the share capital;
- with regards to TGP AD (from 47.61% to 75.18%) due to the purchase of stock on the market;
- in relation to HGT S.A. (from 90% to 93.47%) as a result of the share capital increase for nominal Euro 250,062 fully subscribed by AIRSOL B.V.;
- with regards to VIVISOL Brescia Srl (from 70% to 85%) for the purchase of stock on the market;
- in relation to TGK AD (from 51% to 71.42%), as a result of the contribution of the wholly-owned

subsidiary T.G.B. e.o.o.d., subsequently merged by absorption, and the share capital increase for nominal Bulgarian Lev 1,500,000 of which Lev 1,200,000 carried out by third parties by means of the conferral of assets in kind;

- with regards to Zeus S.A.(from 89.40% to 96.72%) for the share capital increase of nominal Euro 1,650,000 fully subscribed by Airsol B.V..

Furthermore, shareholders are informed that GTE Sl, CryoMed Srl and Cryo-Cell Italia Srl are no longer consolidated since these companies are dormant or have started winding-up procedures.

Consolidation principles and valuation criteria

Consolidation principles

The Financial Statements utilised for consolidation are those as at 31st December 2003 relating to the 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 equity 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 "Equity pertaining to minority interests" 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 permanently reinvested within the Group.

Conversion of Financial Statements denominated in foreign currency

The items under Net equity 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 at the rates of exchange current on 31st December 2003, whereas the Profit and Loss Account items are converted into euros at the average rates of exchange for 2003. The difference between the results for the period calculated by applying the average rates of exchange and those calculated by applying the rates of exchange prevailing on 31st December 2003 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 the shareholders' equity under the heading "Reserve for translation differences"

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

Currency		Exchange rate on **12.31.03**		Average exchange rate for 2003		Exchange rate on 12.31.02		Average exchange rate for 2002
Albanian Lek	Euro	0.00749	Euro	0.00731	Euro	0.00717	Euro	0.00759
Macedonian Dinar	Euro	0.01648	Euro	0.01655	Euro	0.01627	Euro	0.01655
Bulgarian Lev	Euro	0.51127	Euro	0.51308	Euro	0.51161	Euro	0.51303
Croatian Kuna	Euro	0.13093	Euro	0.13232	Euro	0.13419	Euro	0.13522
Serbian Dinar	Euro	0.01469	Euro	0.01466	Euro	0.01608	Euro	0.01654
Slovenian Taller	Euro	0.00422	Euro	0.00428	Euro	0.00434	Euro	0.00443
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-backs

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 12.31.03 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 expansion 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, trademarks 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-back 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 net equity.
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%	- 10%
- plants and machinery - specific	10%	- 12%
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 fixtures		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.) no. 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 companies, after deducting dividends and making the adjustments required by the accounting principles regarding the preparation of consolidated Financial Statements.

Other financial investments

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 realisable 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 estimated realisable 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 realisable 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.

Receivables

Receivables are entered at their estimated realisable value, taking into account the degree of solvency of each debtor, maturity, outstanding doubtful accounts and enforceable guarantees.

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

Long-term receivables are entered in the Balance Sheet among financial fixed assets and reported at their estimated realisable 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 realisable 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 entered 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 effective liability accrued by employees, net of down payments paid up at the end of the first six months, calculated in accordance with current legislation, collective labour agreements and any in-house agreements in force.

Payables

Payables are reported at their nominal value, adjusted for returns or invoicing modifications.
Liabilities for down payments received against the provision of services and contract work in progress, are classified in the item “Down payments”, while those not collected are directly set off against the amounts receivable.

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 entered 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 due to tax authorities are reported net of down payments 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.

Capital contributions

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 a net 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 12.31.03	-
Balance as at 12.31.02	481
Movement	**(481)**

Description	**12.31.2003**	12.31.2002	Movement
Called part	-	481	(481)
Part not called	-	-	-
Total	**-**	481	(481)

B) Fixed Assets

I - Intangible fixed assets

Balance as at 12.31.03	5,143,226
Balance as at 12.31.02	6,988,275
Movement	**(1,845,049)**

Analysis of intangible assets

Movements in intangible fixed assets were as follows:

Items	Balance 12.31.2002	Increases	Revaluations (Write-downs)	Other movements	(Amortisation)	Balance **12.31.2003**
Start-up and expansion costs	684,318	20,331	-	(16,643)	(276,585)	411,421
Research, development and advertising costs	298,344	63,726	-	-	(163,625)	198,445
Industrial patents and rights to use intellectual property	459,396	222,799	-	(9,928)	(413,242)	259,025
Concessions, licenses, trademarks and similar rights	345,523	382,303	(175)	(27,493)	(179,279)	520,879
Goodwill	1,005,928	227,000	-	9,861	(135,146)	1,107,643
Assets in course of construction and down payments	14,263	34,892	-	(14,263)	-	34,892
Other	1,583,216	243,090	-	(13,818)	(381,293)	1,431,195
Consolidation difference	2,597,287	149,993	-	-	(1,567,554)	1,179,726
Total	6,988,275	1,344,134	(175)	(72,284)	(3,116,724)	**5,143,226**

The item "Start-up and expansion costs" for the most part includes costs incurred relating to movements in the share capital of consolidated companies and for the listing of Parent Company's shares.
The item "Research, development and advertising costs" refers mainly to costs incurred to enter European markets.
The item "Industrial patents and rights" 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 new software, amortised over a period of 3 years.
The item "Concessions, licenses and trademarks" comprises almost exclusively costs incurred to obtain user licenses for new software, amortised over a period of 5 years.
The item "Goodwill" mainly includes balances generated by mergers or acquisitions of business segments which took place in prior years. The increase during the accounting period is to the charge of the subsidiary VIVISOL Deutschland GmbH for Euro 227,000 due to the acquisition of the business segment relating to the homecare activities of Elomed GmbH; this balance is amortized over a period of 5 years. During the previous accounting period, Vivisol Srl purchased the business segment of Hospital Service Srl, paying goodwill of Euro 609,000 which is amortized over a period of 10 years, being regarded to be the period of economic return for the investment concerned, in consideration of the particular sector in which the business segment 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:

- mergers with other companies
- 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 a period of 15 years according to the relevant agreement's maturity terms
- initial leasing charges amortised over the duration of the related contracts.

The item "Consolidation difference" refers to:

- the difference between the purchase price of the equity investment in the subsidiary BARTOLO OSSIGENO Srl and the adjusted net equity value thereof as at 12.31.1998, equal to Euro 403,547 (current net value Euro 0).
- the difference between the purchase price of the equity investment in the subsidiary VIVISOL Deutschland GmbH and the net equity value thereof as at 12.31.1999, equal to Euro 115,170 (current net value Euro 0, having considered it necessary to completely amortize the residual value in the current accounting period).
- the difference between the purchase price of the remaining 15.77% of the equity investment in the subsidiary VIVISOL Deutschland GmbH and the net equity value thereof as at 12.31.2000, equal to Euro 48,058 (current net value Euro 0, having considered it necessary to completely amortize the residual value in the current accounting period)

- the difference between the purchase price of the equity investment in the subsidiary HGT S.A. and the net equity value thereof as at 12.31.1999 increased by the share premium accruing on the increase in share capital for the financial period deriving from the waiver of purchase options by the previous shareholders, equal to Euro 436,408 (current net value Euro 0, having considered it necessary to completely amortize the residual value in the current accounting period).
- the difference between the purchase price of an additional 15.55% of the equity investment in the subsidiary VIVISOL Centro Adriatica Srl (merged with VIVISOL Srl during the second half of 2002) and the adjusted net equity value of the same company as at 12.31.1999, equal to Euro 311,785 (current net value Euro 62,357).
- the difference between the purchase price of the remaining 14.45% of the equity investment in the subsidiary VIVISOL Centro Adriatica Srl (merged with VIVISOL Srl during the second half of 2002) and the adjusted net equity value of the same company as at 12.31.2000, equal to Euro 268,336 (current net value Euro 107,334).
- the difference between the purchase price of the equity investment in the subsidiary France Oxygene Sarl and the adjusted net equity value thereof as at 07.31.2000, equal to Euro 1,583,973 (current net value Euro 316,795).
- the difference between the purchase price of the equity investment in the subsidiary ZEUS S.A. and the adjusted net equity value thereof as at 12.31.2000, decreased by the value of the revalued assets equal to Euro 905,380 (current net value Euro 0, having considered it necessary to completely amortize the residual value in the current accounting period).
- the difference between the purchase price of an additional 7.32% of the equity investment in the subsidiary ZEUS S.A. and the adjusted net equity value thereof as at 06.30.03, equal to Euro 60,643 (current net value Euro 0, since said balance was completely amortized during the accounting period).
- the difference between the purchase price of the equity investment in the subsidiary T.G.T.A.D. and the net equity value thereof as at 12.31.2001, equal to Euro 66,300 (current net value Euro 26,520).
- the difference between the purchase price of the equity investment in the subsidiary Behringer Srl and the adjusted shareholders' equity of the same company as at 12.31.2002, equal to Euro 764,800 (current net value Euro 611,840).
- the difference between the purchase price of an additional 15% of the equity investment in the subsidiary VIVISOL Brescia Srl and the adjusted net equity value thereof as at 12.31.2002, equal to Euro 68,600 (current net value Euro 54,880).

As for the amortization for the half-year period broken down by class of assets, please refer to the analysis 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 12.31.03	204,079,202
Balance as at 12.31.02	202,884,210
Movement	**1,194,992**

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 12.31.2002	Increases	Revalu-ations	Other movements	(Disposals)	Balance **12.31.2003**
Land and buildings	64,758,778	2,023,069	-	1,726,539	(320,588)	68,187,798
Plants and machinery	189,291,286	3,558,480	-	(3,582,388)	(424,015)	188,843,363
Fixtures and fittings, tools and equipment	209,955,905	20,310,142	5,034	3,582,311	(2,547,949)	231,305,443
Other assets	18,961,797	2,343,762	2,809	(1,646,523)	(253,924)	19,407,921
Assets in course of construction and down payments	2,047,929	5,997,292	-	(40,882)	-	8,004,339
Total	485,015,695	34,232,745	7,843	39,057	(3,546,476)	**515,748,864**

Movements in accumulated depreciation	Balance 12.31.2002	Depreciation (amortisation)	Write-downs	Other movements	(Disposals)	Balance **12.31.2003**
Land and buildings	24,739,930	2,556,649	-	732,515	(28,862)	28,000,232
Plants and machinery	108,065,842	10,793,299	-	(1,272,334)	(210,539)	117,376,268
Fixtures and fittings, tools and equipment	135,741,814	16,533,800	1,719	2,245,820	(2,323,492)	152,199,661
Other assets	13,583,899	1,868,843	1,567	(1,146,109)	(214,699)	14,093,501
Assets in course of construction and down payments	-	-	-	-	-	-
Total	282,131,485	31,752,591	3,286	559,892	(2,777,592)	**311,669,662**

Movements in tangible assets Net value	Balance 12.31.2002	Increases	(Amortisation & write-downs)	Other movements	(Disposals)	Balance **12.31.2003**
Land and buildings	40,018,848	2,023,069	(2,556,649)	994,024	(291,726)	40,187,566
Plants and machinery	81,225,444	3,558,480	(10,793,299)	(2,310,054)	(213,476)	71,467,095
Fixtures and fittings, tools and equipment	74,214,091	20,315,176	(16,535,519)	1,336,491	(224,457)	79,105,782
Other assets	5,377,898	2,346,571	(1,870,410)	(500,414)	(39,225)	5,314,420
Assets in course of construction and down payments	2,047,929	5,997,292	-	(40,882)	-	8,004,339
Total	202,884,210	34,240,588	(31,755,877)	(520,835)	(768,884)	**204,079,202**

- The investments made during the financial year in respect of the item "Land and buildings" are mainly investments effected by the Parent Company (Euro 379 thousand) and the subsidiary companies UTP d.o.o.. (Euro 698 thousand), TGK AD (Euro 540 thousand) and Energetika (Euro 166 thousand).

- Acquisitions effected during the financial year under the item "Plants and machinery" are mainly due to the purchase of plants for the Parent Company's factories (Euro 2,580 million) and to a lesser extent to other capital expenditure carried out by all other group companies.
- The item "Fixtures and fittings, tools and 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 for Euro 11,270 thousand (including Euro 2,629 by the Parent Company) and to investments made by companies operating in the home care sector for Euro 9,040 thousand (including Euro 3,938 thousand by the company VIVISOL Srl), in respect of base units and other medical appliances.
- The item "Other assets" includes motor vehicles and motor cars, electric office equipment, furniture and fixtures, EDP systems. The increase recorded for the financial year relates to investments made in motor vehicles, laboratory equipment, hardware, furniture and fixtures, with Euro 833 thousand of the total reported pertaining to the Parent Company and the subsidiary companies C.T.S. SpA (Euro 204 thousand), TGS A.D. (Euro 271 thousand), SOL Technische Gase Gmbh (Euro 199 thousand) and VIVISOL Srl (Euro 122 thousand).
- The item "Assets in course of construction" mainly refers to investments being made by the Parent Company (Euro 3,428 thousand) and by the subsidiary SPG-SOL d.o.o. (Euro 1,935 thousand).

Revaluations carried out during the half-year period, totalling Euro 7,843, relate to monetary revaluations effected by I.M.G. D.o.o. in accordance with local legislation.
As for the amortization for the half-year period broken down by class of assets, please refer to the analysis 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, Ancona, Brescia, Mantova, Romans d'Isonzo, Lessines and Gersthofen are encumbered with mortgages and liens pertaining to medium-term loan agreements entered into by a number of Group companies with credit institutions.
As at 31st December 2003, mortgages amounted to Euro 127,050 thousand.
As at 31st December 2003, liens amounted to Euro 109,629 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.) no. 17.

III - Financial investments

Balance as at 12.31.03	4,609,991
Balance as at 12.31.02	5,353,808
Movement	**(743,817)**

Equity investments

Balance as at 12.31.03	550,962
Balance as at 12.31.02	431,428
Movement	**119,534**

The breakdown for the above item is as follows:

Description	**12.31.2003**	12.31.2002
G.T.E. S.L.	11,224	-
Cryo-Cell Italia Srl in liquidazione	20,760	-
Non-consolidated subsidiary companies	**31,984**	-
CONSORGAS S.r.l.	448,074	292,367
Medical System	18,075	-
S.A.T. Commerciale Srl	-	59,000
SALDO SERVIS Srl	-	10,000
Ionia Oxigono e.p.e.	9,279	9,278
Associated companies	**475,428**	370,645
Other minority equity investments	43,550	60,783
Other companies	**43,550**	60,783
Total	**550,962**	431,428

As indicated previously, during the accounting period the companies G.T.E. S.L. and CryoMed Srl and its subsidiary Cryo-Cell Italia Srl in liquidation, were no longer consolidated.

The equity investments in the companies S.A.T. Commerciale Srl and SALDO SERVIS Srl have prudently been written down and their value written off, since both companies are undergoing arrangement before bankruptcy procedures.

With the exception of the Euro 20,760 reported among equity investments in non-consolidated subsidiary companies (pertaining to the subsidiary company AIRSOL B.V.) and Euro 27,353 reported among equity investments in associated companies (of which Euro 18,075 pertaining to the associated company AIRSOL B.V. and Euro 9,279 pertaining to the associated company HGT S.A.) and Euro 29,943 recorded among other minority equity investments (of which Euro 24,974 relating to investments held in local companies by the subsidiary company T.G.S. A.D.), all the other investments indicated above are owned by the Parent Company,

The equity investments in other companies were valued at cost.

Receivables

Balance as at 12.31.03	1,257,939
Balance as at 12.31.02	1,385,946
Movement	**(128,007)**

The breakdown for the above item is as follows:

Description	12.31.2003	12.31.2002	Movement
Amounts due from non-consolidated group companies	-	-	-
Amounts due from associated companies	-	144,000	(144,000)
Amounts due from parent companies	-	-	-
Other receivables	1,257,939	1,241,946	15,993
Total	**1,257,939**	1,385,946	(128,007)

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

Description	12.31.2003	12.31.2002	Movement
Guarantee deposits	453,952	340,875	113,077
Tax credit pertaining to Employee Severance Indemnity	580,054	630,904	(50,850)
Other	223,933	270,167	(46,234)
Total	**1,257,939**	1,241,946	15,993

The breakdown for the balance is shown by maturity date:

Description	Falling due within 12 months	Falling due after more than 12 months	Total 12.31.2003	Total 12.31.2002
Guarantee deposits	-	453,952	453,952	340,875
Tax credit pertaining to Employee Severance Indemnity	-	580,054	580,054	630,904
Other	-	223,933	223,933	270,167
Total	-	1,257,939	**1,257,939**	1,241,946

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

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

Other securities

Balance as at 12.31.03	484,016
Balance as at 12.31.02	561,199
Movement	**(77,183)**

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

Description	12.31.2003	12.31.2002	Movement
Pledged securities – SOL Tecnische Gase	4,276	5,573	(1,297)
Securities - VIVISOL Heimbehandlungsgeräte	2,381	2,381	-
Other securities - ICOA S.r.l.	477,359	553,245	(75,886)
Total	**484,016**	561,199	(77,183)

Other securities held by ICOA S.r.l. are represented by bonds issued by Ambroveneto (Euro 144,579) and bonds issued by Interbanca (Euro 332,780

The above-mentioned securities have the following characteristics:

Description	Book value	Par value	Maturity	Currency	Interest rate	Market value
AMBROVENETO	144,579	144,608	01/01/2005	Euro	Variable	144,579
INTERBANCA	332,780	350,000	21/10/2006	Euro	Variable	332,780

Own shares

Balance as at 12.31.03	2,317,074
Balance as at 12.31.02	2,975,235
Movement	**(658,161)**

We hereby confirm that this portfolio, equal to 1.31% of the share capital, comprises 1,188,000 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.
A special reserve included as part of equity has been pledged in respect to these securities.

The changes which have taken place during the accounting period are shown below:

	Balance 12.31.2002	Increases	(Disposals)	Revaluations (Write-downs)	Other movements	Balance **12.31.2003**
Own shares	2,975,235	-	(658,161)	-	-	2,317,074
Total	2,975,235	-	(658,161)	-	-	**2,317,074**

The disposals amounting to Euro 658,161 are the consequence of the exercise of the stock option right by the employees.

The stock option plan reserved the right to purchase – at a price of Euro 2.024 – a number of shares equal to that already subscribed, for the employees of the Italian Group companies who had subscribed SOL S.p.A. shares at the time of the initial public offer (IPO) utilizing their assigned quota; this right could be exercised up until 30 April 2003.

C) Current assets

I - Stocks

Balance as at 12.31.03	25,271,602
Balance as at 12.31.02	25,834,348
Movement	**(562,746)**

The breakdown for the above item is as follows:

Description	12.31.2003	12.31.2002	Movement
Raw materials, subsidiary materials and consumables	1,910,404	2,016,687	(106,283)
Work in progress and semi-finished goods	686,854	800,568	(113,714)
Contracts in progress	6,607,271	7,395,238	(787,967)
Finished goods and goods for resale	16,067,073	15,621,855	445,218
Down payments	-	-	-
Total	**25,271,602**	25,834,348	(562,746)

The valuation of stocks was not found to be higher than its realisable 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 due to new products marketed.

II - Receivables

Balance as at 12.31.03	138,245,094
Balance as at 12.31.02	120,429,225
Movement	**17,815,869**

The breakdown for the above item is as follows:

Description	12.31.2003	12.31.2002	Movement
Amounts due from clients	128,545,338	110,011,246	18,534,092
Amounts due from associated companies	-	90,389	(90,389)
Other receivables	9,699,756	10,327,590	(627,834)
Total	**138,245,094**	120,429,225	17,815,869

The balance is broken down by maturity date:

Description	Falling due within 12 months	Falling due after more than 12 months	Bad debts fund	Total **12.31.2003**	Total 12.31.2002
Amounts due from clients	138,858,657	48,156	(10,361,475)	128,545,338	110,011,246
Amounts due from associated companies	-	-	-	-	90,389
Other receivables	9,586,800	112,956	-	9,699,756	10,327,590
Total	148,445,457	161,112	(10,361,475)	**138,245,094**	120,429,225

The increase in the item "Amounts due from clients" is due to the rise in sales and the reclassification among creditors of down payments received for Euro 5,339,436, as explained further on.

There are no amounts receivable after more than 5 years.

Provision for doubtful debts recorded the following movements:

	12.31.2002	Provisions	(Uses)	**12.31.2003**
	7,620,776	5,785,501	(3,044,802)	**10,361,475**

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

Description	**12.31.2003**	12.31.2002	Movement
Amounts receivable in respect of income tax	2,824,924	4,214,726	(1,389,802)
VAT receivables	4,153,410	3,869,411	283,999
Other receivables	2,721,422	2,243,453	477,969
Total	**9,699,756**	10,327,590	(627,834)

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

III - Financial investments which are not permanent

Balance as at 12.31.03	576,971
Balance as at 12.31.02	339,834
Movement	**237,137**

The breakdown for this item is as follows:

Description	**12.31.2003**	12.31.2002	Movement
Equity investments in Arena Tourist	38,082	39,029	(947)
Total other equity investments	**38,082**	39,029	(947)
Swaps	-	62,959	(62,959)
MPS mutual funds	-	70,109	(70,109)
Open-end investment company (SICAV)	30	30	-
Genercomit funds	163,614	163,614	-
Other fixed-income securities	375,245	4,093	371,152
Total other securities	**538,889**	300,805	238,084
Total	**576,971**	339,834	237,137

The equity investment in "Arena Tourist" is held by the subsidiary U.T.P. D.o.o..
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.
Other securities comprise private bonds held by the subsidiary U.T.P. D.o.o. (Euro 24,813) and oth-

er short-term securities held by the subsidiary KISIKANA D.o.o. (Euro 197,044) and by the subsidiary T.G.T. AD (Euro 153,388).

IV - Cash at bank and in hand

Balance as at 12.31.03	24,310,394
Balance as at 12.31.02	23,901,490
Movement	**408,904**

The breakdown for this item is as follows:

Description	12.31.2003	12.31.2002	Movement
Post Office and bank deposits	24,001,693	23,632,166	369,527
Bank cheques	13,036	3,557	9,479
Cash and cash equivalents in hand	295,665	265,767	29,898
Total	**24,310,394**	23,901,490	408,904

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

D) Prepayments and accrued income

Balance as at 12.31.03	635,668
Balance as at 12.31.02	541,255
Movement	**94,413**

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

Description	12.31.2003	12.31.2002	Movement
Accrued income:			
Interest receivable on securities	11,264	1,824	9,440
Other accrued income	82,997	40,871	42,126
Total accrued income	**94,261**	42,695	51,566
Prepayments:			
Insurance premiums	48,706	67,513	(18,807)
Rents	58,352	42,821	15,531
Prepaid expenses	82,635	93,935	(11,300)
Other prepayments	351,714	294,291	57,423
Total prepayments	**541,407**	498,560	42,847
Total prepayments and accrued income	**635,668**	541,255	94,413

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

LIABILITIES

A) Net equity

Balance as at 12.31.03	219,776,572
Balance as at 12.31.02	210,501,137
Movement	**9,275,435**

The share capital of SOL SPA as at 12.31.03 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 net equity at year-end is detailed below:

Net Equity	Balance 12.31.2002	Transfer of result	Dividends paid	Translation differences	Other movements	Result	Balance **12.31.2003**
Pertaining to the Group:							
Subscribed capital	47,164,000	-	-	-	-	-	47,164,000
Share premium account	62,676,766	-	-	-	658,161	-	63,334,927
Revaluation reserve	-	-	-	-	-	-	-
Legal reserve	2,530,970	566,384	-	-	-	-	3,097,354
Reserve for own shares	2,975,235	-	-	-	(658,161)	-	2,317,074
Statutory reserves	-	-	-	-	-	-	-
Other reserves:							
Extraordinary reserve	25,656,022	5,301,057	-	-	516,458	-	31,473,537
Reserves subject to deferred taxation	4,106,867	-	-	-	-	-	4,106,867
Reserve for translation differences	(1,972,192)	-	-	(782,886)	-	-	(2,755,078)
Non-distributable earnings of subsidiaries and other reserves	37,825,003	4,199,594	-	-	369,001	-	42,393,598
Consolidation reserve	4,808,164	-	-	-	1,063,429	-	5,871,593
Other reserves	1,103,691	-	-	-	(516,457)	-	587,234
Profits (losses) carried forward	-	-	-	-	-	-	-
Profit (loss) for the financial year	15,527,267	(10,067,035)	(5,460,232)	-	-	15,203,451	15,203,451
Total group net equity	202,401,793	-	(5,460,232)	(782,886)	1,432,431	15,203,451	**212,794,557**
Minority interests:							
Capital and reserves pertaining to minority interests	7,892,706	206,638	-	-	(1,086,545)	-	7,012,799
Profit (loss) pertaining to minority interests	206,638	(206,638)	-	-	-	(30,784)	(30,784)
Total net equity pertaining to minority interests	8,099,344	-	-	-	(1,086,545)	(30,784)	**6,982,015**
Total net equity	210,501,137	-	(5,460,232)	(782,886)	345,886	15,176,176	**219,776,572**

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 12.31.03.

The "Consolidation reserve" appearing in the consolidated balance sheet as at 31st December 2003 reflects:

- the difference between the acquisition value of the equity 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 in TGP A.D. and the net equity value of the same company as at 12.31.2002 (Euro 75,356).
- the difference between the acquisition value of an additional 13.35% of the equity investment in TGP A.D. and the net equity value of the same company as at 12.31.2002 (Euro 12,407).
- the difference between the acquisition value of the equity investment in ENERGETIKA Z.J. D.o.o. and the adjusted net equity value of the same company, the capital gains pertaining to the investments held as at 12.31.2002 (Euro 3,686,149) duly being taken into account.
- the difference between the acquisition value of an additional 67% of the equity investment in ENERGETIKA Z.J. D.o.o. and the adjusted net equity of the same company, the capital gains pertaining to the investments held as at 12.31.2002 (Euro 652,414) duly being taken into account.
- the difference between the acquisition value of an additional 23.54% of the equity investment in TGT A.D. and the net equity value of the same company as at 12.31.2002 (Euro 228,380).
- the difference between the acquisition value of an additional 20.42% of the equity investment in TGK A.D. and the net equity value of the same company as at 12.31.2002 (Euro 170,228).

The change in the item "Capital and reserves pertaining to minority interests" was mainly due to the additional equity investments acquired by the Group in SOL Welding Srl, Eurobot Welding Srl, TGK AD, TGT AD, TGP AD, HGT S.A., VIVISOL Brescia Srl and ZEUS S.A. and the exclusion from the scope of consolidation of CryoMed Srl and Cryo-Cell Italia Srl in liquidation.

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

	Net Profit		Net Equity	
	For the Group	Minority interests	For the Group	Minority interests
BALANCES AS PER THE EQUITY AND ECONOMIC POSITION FOR THE PARENT COMPANY	6,833,312	-	158,914,305	-
Effect of the elimination of value adjustments and of provisions made solely for fiscal purposes, net of tax effects:				
- Surplus accelerated depreciation	1,612,617	12,530	23,821,460	111,828
Elimination of inter-company transactions, net of tax effects:				
- Internal profit on tangible fixed assets	(329,029)	(4,673)	(479,163)	(9,212)
- Internal profit on intangible fixed assets	42,242	2,882	(166,453)	(26,913)
- Reversal of adjustments to investments in subsidiary companies	2,307,662	129,933	286,234	78,268
- Dividends paid by consolidated companies	(1,086,547)	(8,190)	-	-
Adjustment of accounting policies to achieve consistent Group accounting policies, net of tax effects:				
- Adjustment of rates of exchange	97,865	-	-	-
- Use of finance lease method for leased assets	(154,478)	4,104	2,230,845	6,369
- Valuation at net equity of companies reported at cost	5,714	-	314,188	52
Carrying value of consolidated equity investments	-	-	(104,627,766)	-
Net equity and half-yearly profit (loss) for consolidated companies	7,236,226	(185,518)	131,464,947	6,730,878
Allocation of differences to assets of consolidated companies and relevant depreciation:				
- Tangible fixed assets	(58,355)	18,149	(143,768)	90,744
- Goodwill on consolidation	(1,567,554)	-	1,179,726	-
Effect of other adjustments:				
- Change in consolidation basis	263,774	-	-	-
BALANCES AS PER THE CONSOLIDATED EQUITY AND ECONOMIC POSITION	15,203,451	(30,784)	212,794,557	6,982,015

B) Provisions for risks and charges

Balance as at 12.31.03	17,480,946
Balance as at 12.31.02	15,495,323
Movement	**1,985,623**

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

Description	12.31.2003	12.31.2002	Movement
Provisions for pensions and similar obligations	-	-	-
Provision for taxation	16,429,350	14,211,994	2,217,356
Other:			
- Provisions for exchange rate fluctuations	2,980	27,287	(24,307)
- Other minor provisions	1,048,616	1,256,042	(207,426)
Total other provisions	1,051,596	1,283,329	(231,733)
Total	**17,480,946**	15,495,323	1,985,623

The item "Provision for Taxation" represents the net balance of deferred tax receivable and payable reported in the Consolidated Financial Statements as at 12.31.03 with regard to items having a fiscal nature carried in the Financial Statements for the period of Group companies (accelerated depreciation), deferred tax receivable or payable referred to consolidation entries and deferred tax receivable accruing to temporary tax differences (taxed provisions).

The item "Other minor provisions" refers to provisions for risks not specifically referable to items carried under assets.

C) Employees severance indemnity

Balance as at 12.31.03	8,921,298
Balance as at 12.31.02	8,070,990
Movement	**850,308**

Movements in staff severance fund were as follows:

	Balance 12.31.2002	Allocation	(Uses)	Other movements	Balance **12.31.2003**
Movements in employees severance provision					
Total	8,070,990	1,366,132	(503,901)	(11,923)	**8,921,298**

The amount set aside represents the amount actually owed by companies as at 31st December 2003 to staff employed as of said date, net of any down payments paid.

D) Payables

Balance as at 12.31.03	153,524,073
Balance as at 12.31.02	148,498,960
Movement	**5,025,113**

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

Description	12.31.2003	12.31.2002	Movement
Debenture loans	-	-	-
Amounts due to banks	5,024,775	5,383,057	(358,282)
Amounts due to other lenders	83,493,399	86,952,339	(3,458,940)
Down payments	5,339,492	-	5,339,492
Amounts due to suppliers	46,478,737	43,100,768	3,377,969
Amounts due to associated companies	87,557	95,489	(7,932)
Amounts due to tax administration	4,802,736	3,955,998	846,738
Amounts due to Social Security institutions	1,893,983	1,756,784	137,199
Other payables	6,403,394	7,254,525	(851,131)
Total	**153,524,073**	148,498,960	5,025,113

Payables 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 **12.31.2003**	Total 12.31.2002
Debenture loans	-	-	-	-	-
Amounts due to banks	5,015,715	9,060	-	5,024,775	5,383,057
Amounts due to other lenders	14,905,945	56,768,344	11,819,110	83,493,399	86,952,339
Down payments	5,339,492	-	-	5,339,492	-
Amounts due to suppliers	46,478,737	-	-	46,478,737	43,100,768
Amounts due to associated companies	87,557	-	-	87,557	95,489
Amounts due to tax administration	4,802,736	-	-	4,802,736	3,955,998
Amounts due to Social Security institutions	1,893,983	-	-	1,893,983	1,756,784
Other payables	5,416,575	986,819	-	6,403,394	7,254,525
Total	83,940,740	57,764,223	11,819,110	**153,524,073**	148,498,960

The item "Amounts due to other lenders" 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 due to leasing companies equal to Euro 4,322 thousand, deriving from the application of the international accounting standard (IAS) no. 17 on assets that are the object of a finance lease.

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

Finance institute	Amount	Short-term amount	Interest rate	Maturity	Value	Original amount
Cassa di Risparmio di Trieste	36	36	3.96%	01.01.2004	ITL million	850
Mediocredito Centrale	160	160	4.75%	25.02.2004	ITL million	3,098
Banque Scalbert Dupont	4	4	6.50%	01.04.2004	FFR	260,000
Banque Scalbert Dupont	3	3	6.50%	24.06.2004	FFR	162,000
Banca Popolare di Vicenza	125	125	(v.r.) 4.05%	30.06.2004	Euro	125,000
Banque Scalbert Dupont	2	2	6.50%	01.08.2004	FFR	78,000
Banca di Roma	2,582	2,582	(v.r.) 2.50%	10.09.2004	Euro	5,164,569
Efibanca	704	704	(v.r.) 2.69%	13.09.2004	ITL million	7,500
Mediosud	37	37	4.65%	31.12.2004	ITL million	460
BNL	77	26	(v.r.) 2.61%	11.01.2005	ITL million	300
Deutsche Bank	65	52	(v.r.) 2.87%	19.01.2005	ITL million	400
Mediocredito Lombardo	48	32	(v.r.) 4.05%	31.03.2005	ITL million	500
Centrobanca	53	26	3.70%	31.12.2005	ITL million	286
Deutsche Bank	116	52	(v.r.) 2.87%	16.01.2006	Euro	207,000
Credito Emiliano	126	52	3.82%	17.02.2006	Euro	150,000
Mediocredito Centrale	1,418	473	3.20%	14.04.2006	ITL million	4,575
IMI	4,979	1,299	7.66%	15.03.2007	ITL million	19,000
IMI	194	56	5.30%	15.06.2007	Euro	250,000
Credito Italiano	8,608	1,991	5.15%	30.06.2007	Euro	10,500,000
Credito Emiliano	1,256	300	(v.r.) 3.04%	01.08.2007	Euro	1,540,000
ERP	981	218	1.95%	01.01.2008	ATS	18,000,000
IMI	7,190	1,598	5.40%	15.03.2008	ITL million	24,750
Bank Austria	705	128	(v.r.) 2.771%	01.07.2009	ATS	15,000,000
Mediocredito Lombardo	1,831	166	5.80%	21.11.2009	Euro	1,831,000
Bank Austria	1,112	171	(v.r.) 2.771%	01.01.2010	ATS	20,000,000
Credito Emiliano	750	-	6.05%	14.06.2010	Euro	750,000
Mediocredito Centrale	4,500	-	(v.r.) 2.75%	30.06.2010	Euro	4,500,000
IMI	13,000	1,857	(v.r.) 2.41%	15.12.2010	Euro	13,000,000
Banco di Brescia	946	-	4.57%	30.06.2011	Euro	945,540
IMI	5,500	393	4.72%	15.09.2011	Euro	5,500,000
IMI	7,300	-	(v.r.) 2.41%	15.09.2011	Euro	7,300,000
IMI	7,500	938	5.50%	15.12.2011	Euro	7,500,000
IMI	7,500	-	3.34%	15.12.2012	Euro	7,500,000
Amounts due to leasing companies	4,322	1,428				
Total	**83,493**	**14,906**				

The item "Down payments" relates to the invoices issued and collected on for job still in progress as of 31st December 2003 or for other down payments from customers. During the current year, steps were taken to reclassify – in a different manner to last year – the amounts collected (amounting to Euro 5,339,436) reclassified under the item "Down payments" among the liabilities separating them from those still to be collected (amounting to Euro 2,514,814). In 2002, down payments collected for a sum total of Euro 5,703,213 were also directly set off against the receivables from clients.

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

	12.31.2003	12.31.2002	Movement
S.A.T. Commerciale	-	5,000	(5,000)
CONSORGAS Srl	36,827	90,489	(53,662)
Medical System	50,730	-	50,730
Total	**87,557**	95,489	(7,932)

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

Description	12.31.2003	12.31.2002	Movement
Amounts due in respect of income tax	2,593,174	2,395,476	197,698
Amounts due to Inland Revenue in respect of VAT	1,079,101	455,814	623,287
Amounts due to tax administration in respect of withholding tax	1,017,882	963,379	54,503
Other amounts due to tax administration	112,579	141,329	(28,750)
Total	**4,802,736**	3,955,998	846,738

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

Description	12.31.2003	12.31.2002	Movement
Accrued holidays not taken	2,174,833	2,018,937	155,896
Guarantee deposits	302,446	284,690	17,756
Amounts due for acquisition of equity investments	2,226,276	1,888,698	337,578
Amounts due to employees for wages and salaries	773,000	541,239	231,761
Other payables	926,839	2,520,961	(1,594,122)
Total	**6,403,394**	7,254,525	(851,131)

The item "Amounts due for acquisition of equity investments" includes the commitments of the company SOL S.p.A. to repurchase shares in the companies TGS A.D. (Euro 555,841), SPG d.o.o. (Euro 473,727), SOL – INA (Euro 776,583) and ENERGETIKA ZJ (Euro 420,125) presently held by the company SIMEST SPA.

E) Accruals and deferred income

Balance as at 12.31.03	3,169,259
Balance as at 12.31.02	3,706,516
Movement	**(537,257)**

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

Description	12.31.2003	12.31.2002	Movement
Accrued liabilities:			
Interest payable on loans	512,095	686,343	(174,248)
Other	633,402	697,421	(64,019)
Total accrued liabilities	**1,145,497**	1,383,764	(238,267)
Deferred income:			
Lump sums granted	1,866,316	2,246,296	(379,980)
Rentals receivable	31,021	35,871	(4,850)
Other	126,425	40,585	85,840
Total deferred income	**2,023,762**	2,322,752	(298,990)
Total	**3,169,259**	3,706,516	(537,257)

The item "Lump sums granted" refers to capital contributions recorded in accordance with the accrual accounting method.

MEMORANDUM ACCOUNTS

Memorandum accounts

Balance as at 12.31.03	7,222,483
Balance as at 12.31.02	8,695,701
Movement	**(1,473,218)**

Description	12.31.2003	12.31.2002	Movement
Guarantees given to third parties	6,841,266	8,228,721	(1,387,455)
Other guarantees given	350,030	420,181	(70,151)
Guarantees received	31,187	46,799	(15,612)
Total	**7,222,483**	8,695,701	(1,473,218)

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 12.31.03	304,439,605
Balance as at 12.31.02	276,610,073
Movement	**27,829,532**

The breakdown for this item is as follows:

Description	12.31.2003	12.31.2002	Movement
Revenues from sales and services	298,499,051	267,159,880	31,339,171
Change in stocks	118,069	668,433	(550,364)
Change in work in progress on contracts	(787,693)	522,140	(1,309,833)
Work performed for own purposes and capitalised	4,082,434	5,514,311	(1,431,877)
Other revenues and income	2,098,463	2,163,110	(64,647)
Grants pertaining to the financial period	429,281	582,199	(152,918)
Total	**304,439,605**	276,610,073	27,829,532

The change in the scope of consolidation due to the inclusion of the profit and loss account of Behringer Srl and ENERGETIKA Z.J. D.o.o. led to a net increase in sales of Euro 1,431,028.

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

Description	12.31.2003	12.31.2002	Movement
Capital gains on disposal of fixed assets	1,113,092	956,247	156,845
Insurance indemnities	107,193	86,452	20,741
Real estate rentals	27,090	25,885	1,205
Other	851,088	1,094,526	(243,438)
Total	**2,098,463**	2,163,110	(64,647)

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	12.31.2003	12.31.2002	Movement
Sales - Italy	212,958,966	192,897,427	20,061,539
Sales - EEC (except Italy)	62,316,211	52,112,754	10,203,457
Sales outside EEC	23,223,874	22,149,699	1,074,175
Total	**298,499,051**	267,159,880	31,339,171

Breakdown of revenues by type of business

Description	12.31.2003	12.31.2002	Movement
Gas pipelines and on-site	37,332,699	33,069,274	4,263,425
Merchant	185,569,175	171,086,588	14,482,587
Home care	75,597,177	63,004,018	12,593,159
Total	**298,499,051**	267,159,880	31,339,171

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

B) Costs of production

Balance as at 12.31.03	271,270,715
Balance as at 12.31.02	248,217,801
Movement	**23,052,914**

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

Description	12.31.2003	12.31.2002	Movement
Raw materials, subsidiary materials and goods	85,596,317	83,206,102	2,390,215
Services	86,846,494	76,983,029	9,863,465
Costs for use of assets owned by others	4,730,963	3,803,224	927,739
Wages and salaries	36,477,651	33,150,264	3,327,387
Social Security charges	12,544,348	11,391,816	1,152,532
Employee severance indemnity	1,366,132	1,301,531	64,601
Pension costs and similar obligations	-	-	-
Other costs relating to staff	-	-	-
Amortisation of intangible fixed assets	3,116,724	3,690,330	(573,606)
Amortisation of tangible fixed assets	31,752,591	29,867,781	1,884,810
Other reductions in value of fixed assets	3,461	4,053	(592)
Allowance for doubtful debts included in current assets	5,785,501	3,163,054	2,622,447
Change in stocks of raw materials	(182,999)	(1,263,206)	1,080,207
Amounts provided for risk provisions	68,885	239,354	(170,469)
Other provisions	369,063	203,790	165,273
Other operating charges	2,795,584	2,476,679	318,905
Total	**271,270,715**	248,217,801	23,052,914

The item "Raw materials, subsidiary materials and goods" includes power costs since, in view of the group's type of business, electricity constitutes de facto the main raw material.

The provision to the allowance for doubtful debts, having increased by over Euro 2.6 million when compared with 2002, was determined by the following factors:

- an extraordinary provision for approximately Euro 1 million against an amount due to SOL S.p.A. from the leading public hospital of Rome following the lack of funds made available by the Italian Government for the full payment of the amounts due to suppliers

- adjustment of the allowance for doubtful debts against the increase in its utilization which took place in 2003 following the emergence of losses on amounts receivable to a much higher extent than in previous years, an evident sign of the general difficulties experienced by the economy.

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	12.31.2003	12.31.2002
Change in stocks of raw materials	(182,999)	(1,263,206)
Purchases of raw materials, subsidiary materials and goods	85,596,317	83,206,102
Adjusted purchases of raw materials, subsidiary materials and goods	85,413,318	81,942,896
Value of production	298,617,120	267,828,313
Percentage incidence	**28.60%**	30,60%

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

Description	12.31.2003	12.31.2002	Movement
Transportation	39,499,908	36,395,919	3,103,989
Maintenance	12,069,444	9,858,189	2,211,255
Consulting and general services	6,642,450	4,806,593	1,835,857
Insurance	2,332,420	2,126,853	205,567
Travel and related allowances	5,290,208	4,904,370	385,838
Advertising	1,130,172	1,005,515	124,657
Remuneration paid to Directors and fees paid to Statutory Auditors	2,079,000	2,026,330	52,670
Other services	17,802,892	15,859,260	1,943,632
Total	**86,846,494**	76,983,029	9,863,465

The breakdown of the item "Amortisation of tangible and intangible fixed assets", detailed by class of assets is as follows:

Amortisation of tangible fixed assets

Description	12.31.2003	12.31.2002	Movement
Land and buildings	2,556,649	2,000,554	556,095
Plants and machinery	10,793,299	10,121,826	671,473
Fixtures and fittings, tools and equipment	16,533,800	15,783,287	750,513
Other assets	1,868,843	1,962,114	(93,271)
Tangible fixed assets in course of construction	-	-	-
Total	**31,752,591**	29,867,781	1,884,810

Amortisation of intangible fixed assets

Description	12.31.2003	12.31.2002	Movement
Start-up and expansion costs	276,585	1,297,726	(1,021,141)
Costs of research, development and advertising	163,625	141,364	22,261
Industrial patents and rights to use intellectual property	413,242	380,893	32,349
Concessions, licences, trademarks and similar rights	179,279	228,962	(49,683)
Goodwill	135,146	73,011	62,135
Other	381,293	424,290	(42,997)
Consolidation difference	1,567,554	1,144,084	423,470
Total	**3,116,724**	3,690,330	(573,606)

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

Description	12.31.2003	12.31.2002	Movement
Taxes other than income tax	1,625,007	1,774,258	(149,251)
Capital losses related to ordinary activities	180,622	92,823	87,799
Losses on amounts receivable not covered by provisions	627,589	1,002	626,587
Other minor charges	362,366	608,596	(246,230)
Total	**2,795,584**	2,476,679	318,905

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

C) Financial income and charges

Balance as at 12.31.03	(3,706,243)
Balance as at 12.31.02	(3,988,086)
Movement	**281,843**

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

Description	12.31.2003	12.31.2002	Movement
Income from equity investments in associated companies	317	8,823	(8,506)
Income from equity investments in other companies	4	1,692	(1,688)
Income from loans entered under fixed assets	20,709	29,335	(8,626)
Income from securities entered under current assets	1,869	15,324	(13,455)
Other income not included above	1,573,081	1,136,799	436,282
(Interest payable and other similar financial charges)	(5,302,223)	(5,180,059)	(122,164)
Total	**(3,706,243)**	(3,988,086)	281,843

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

Description	12.31.2003	12.31.2002	Movement
Interest on deposits with banks and post offices	297,355	238,651	58,704
Interest receivable from clients	202,995	145,832	57,163
Interest receivable on other amounts	35,807	-	35,807
Realised gains on foreign exchange transactions	761,224	581,378	179,846
Other financial income	275,700	170,938	104,762
Total	**1,573,081**	1,136,799	436,282

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

Description	12.31.2003	12.31.2002	Movement
Interest payable to banks	260,567	297,132	(36,565)
Interest payable to suppliers	7,913	37,016	(29,103)
Exchange rate losses and provisions for exchange rate fluctuations	479,229	593,823	(114,594)
Interest payable on loans	3,766,054	3,387,534	378,520
Total financial charges	788,460	864,554	(76,094)
Total	**5,302,223**	5,180,059	122,164

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

D) Value adjustments to financial investments

Balance as at 12.31.03	(163,343)
Balance as at 12.31.02	6,747
Movement	**(170,090)**

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

Description	12.31.2003	12.31.2002	Movement
Write-backs of equity investments in associated companies	5,714	348	5,366
Write-backs of long-term investments that are not equity investments	333	6,399	(6,066)
Write-downs of equity investments	(163,998)	-	(163,998)
Write-downs of long-term investments that are not equity investments	(5,392)	-	(5,392)
Total	**(163,343)**	6,747	(170,090)

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

- Write-down of CryoMed Srl Euro 99,998
- Write-down of S.A.T. Commerciale Srl Euro 59,000
- Write-down of Saldo Servis Srl Euro 5,000

E) Extraordinary income and charges

Balance as at 12.31.03	(37,761)
Balance as at 12.31.02	88,769
Movement	**(126,530)**

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

Description	12.31.2003	12.31.2002	Movement
Other extraordinary income	500,108	421,731	78,377
Capital gains from disposal of fixed assets	41,242	109,832	(68,590)
Capital losses from disposal of fixed assets	(86,000)	(178,448)	92,448
Other extraordinary charges	(493,111)	(264,346)	(228,765)
Total	**(37,761)**	88,769	(126,530)

Income taxes on the income of the financial period

Balance as at 12.31.03	14,088,876
Balance as at 12.31.02	8,765,797
Movement	**5,323,079**

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

Description	12.31.2003	12.31.2002	Movement
Current taxation	12,716,748	8,507,480	4,209,268
Deferred taxation	1,372,128	258,317	1,113,811
Total	**14,088,876**	8,765,797	5,323,079

The total amount of current taxation for the financial period corresponds to the sum of the income taxes calculated by the individual companies.
The increase in current taxation is essentially due to the fact that the tax concessions on investments utilized in 2002 by the Italian Group companies (Tremonti-bis Law) are no longer applicable.
The increase in deferred taxation is due to the rise in the average tax rate in Italy following the abolition as from 2004 of the DIT (Dual Income Tax) Law.

Dati sull'occupazione

Description	12.31.2003	12.31.2002	Movement
Managers	37	36	1
Office workers	856	796	60
Factory workers	469	451	18
Total	**1,362**	1,283	79

Remuneration paid to Directors and fees paid to Statutory Auditors

Description	12.31.2003	12.31.2002	Movement
Directors	1,934,431	1,908,796	25,635
Statutory Auditors	144,569	117,534	27,035
Total	**2,079,000**	2,026,330	52,670

Dealings with correlated parties

During 2003, the SOL Group carried out transactions with related parties such as individuals related to certain members of the Parent Company's Board of Directors. Such transactional relationships comprised employment arrangements, which were remunerated at normal market rates and entailed a cost of Euro 335,212 for the Group.

The Chairman of the Board of Directors

(Aldo Fumagalli Romario)

Consolidated cash flow statement Sol Group

(In thousands of Euro)	**12.31.2003**	12.31.2002
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES		
Profit for the period	15,203	15,527
Minority interest - share of profit	(31)	207
Adjustments not affecting liquidity		
Depreciation and amortisation	34,869	33,558
Change in staff severance fund	1,366	1,302
Increase (decrease) in provisions for liabilities and charges	1,986	1,221
Write-down of equity investments	-	-
Total	**53,394**	51,815
Changes in current assets and liabilities		
Stocks	563	(2,641)
Debtors	(17,815)	(19,076)
Prepayments and accrued income	(94)	374
Suppliers	3,370	(4,015)
Other payables	4,626	1,652
Accrued liabilities and deferred income	(537)	(270)
Amounts owed to tax administration	847	(620)
Total	**(9,042)**	(24,596)
CASH FLOW FROM OPERATIONS	**44,352**	27,219
CASH FLOWS PROVIDED BY INVESTING ACTIVITIES		
Acquisitions, revaluation and other movements in industrial fixed assets	(33,716)	(47,085)
Change in the consolidation basis	-	(1,371)
Net book value of assets	769	558
Increases in intangible assets	(1,272)	(3,606)
(Increase) decrease in investments	744	3,345
(Increase) decrease in financial assets not held as fixed assets	(237)	70
TOTAL	**(33,713)**	(48,090)
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES		
Proceeds from (repayments of) new borrowings	(3,459)	27,538
Changes in other medium/long-term liabilities	-	-
Repayment of debenture loans	-	-
Dividends paid	(5,460)	(4,834)
Termination indemnities paid during the year net of transfers from Group companies	(516)	(516)
Other changes in shareholders' equity		
- increase in share capital	-	-
- translation differences and other movements	(414)	(2,780)
- movements in minority interests - equity	(1,087)	(2,553)
- change in the consolidation basis	1,063	5,674
TOTAL	**(9,872)**	22,529
INCREASE (DECREASE) IN CASH IN HAND AND AT BANK	**767**	**1,658**
CASH IN HAND AND AT BANK AT BEGINNING OF YEAR	**18,518**	**16,861**
CASH IN HAND AND AT BANK AT END OF YEAR	**19,286**	**18,518**

Report of the independent auditors Sol Group 2003

Deloitte.

Deloitte & Touche S.p.A.
Palazzo Carducci
Via Olona, 2
20123 Milano
Italia

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

**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, 2003. These financial statements are the responsibility of SOL S.p.A. 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. We believe that our audit provides a reasonable basis for our opinion. The responsibility of audit work of certain subsidiary companies representing respectively 13,68% of the consolidated total assets and 10,57% of the consolidated revenues, have been examined by other auditors.

For the opinion on the financial statements of the prior year, presented for comparison in accordance with law requirements, reference should be made to the auditor's report issued by Deloitte & Touche S.p.A. (now DT S.p.A.) on April 14, 2003.

In our opinion, the consolidated financial statements of SOL S.p.A. present fairly the financial position of the Company as of December 31, 2003, and the results of its operations for the year then ended, and comply with the principles that 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 9, 2004

Design
M Studio, Milano

Printing
Leva Arti Grafiche, Sesto San Giovanni

Sol Spa

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