Sol Group Annual Report 2004

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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

Board of Directors

Chairman and Managing Director
Aldo Fumagalli Romario

Deputy Chairman and Managing Director
Marco Annoni

Director with special powers
Ugo Marco Fumagalli Romario

Director with special powers
Giovanni Annoni

Directors
Alessandra Annoni
Stefano Bruscagli
Uberto Fumagalli Romario
Luisa Savini

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.
Via Tortona, 25
20144 Milan, Italy

Powers granted to the Directors
(CONSOB Communication No. 97001574
dated 20 February 1997)

To the Chairman and Deputy Chairman: the legal representation of the Company in dealings with third parties and before the legal authorities; powers of ordinary management acting severally; powers of extraordinary management, acting jointly, it being understood that for the execution of the related acts the signature of one of the two with the written authorization of the other is sufficient; exception is made for certain specific acts of particular importance reserved for the competence of the Board.
To the Directors with special powers: powers of ordinary management relating to Administration and Finance (Ugo Marco Fumagalli Romario) and to IT Systems Organization (Giovanni Annoni) signing severally.

SOL Spa[1]

- 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 S.r.l.** – Monza (I)
    - 85% **Vivisol Brescia S.r.l.** – Brescia (I)
    - 70% **Vivisol Umbria S.r.l.** – Perugia (I)
    - 70% **Vivisol Napoli S.r.l.** – Marcianise (I)
      - 70% **Vivisol Silarus S.r.l.** – Battipaglia (I)
    - 65% **Il Point S.r.l.** – Verona (I)
    - 30% **Vivisol Calabria S.r.l.** – Vibo Valentia (I)
  - 97,37% **Zeus S.A.** – Piraeus (GR)
  - 95,61% **HGT S.A.** – Salonicco (GR)
    - 34% **Ionia Oxigono e.p.e.** – Salonicco (GR) *
  - 68,87% **CryoMed S.r.l.** in liquidation – Milano (I) *
  - 51% **BEHRINGER S.r.l.** – Genova (I)
  - 10% **MEDICAL SYSTEM S.r.l.** – Giussago (I) *
  - 100% **Vivisol Deutschland GmbH** – Mauern (D)
    - 100% **OXYMED Medizintechnik GmbH** – Plaue (D)
  - 19,27% **IMG d.o.o.** – Belgrado (SCG)
  - 99,92% **Vivisol B Sprl** – Lessines (B)
- 100% **C.T.S. S.r.l.** – Monza (I)
- 100% **N.T.G. B.V.** – Tilburg (NL)
- 100% **B.T.G. BVBA**[5] – Lessines (B)
- 100% **SOL France Sas** – Cergy Pontoise (F)
- 100% **SOL T. G. GmbH** – Wiener Neustadt (A)
- 100% **GTS Sh.p.k.** – Tirana (AL)
- 78,46% **TGK Sofia A.D.** – Sofia (BG)
- 80,73% **IMG d.o.o.** – Belgrado (SCG)
- 0,08% **Vivisol B Sprl** – Lessines (B)
- 97,60% **I.C.O.A. S.r.l.** – Vibo Valentia (I)
  - 70% **Vivisol Calabria S.r.l.** – Vibo Valentia (I)
    - 95,61% **Vivisol d. Stretto S.r.l.** – Gioia Tauro RC (I)
- 25,79% **Consorgas S.r.l.** – Milan (I)*
- 100% **G.T.E. S.L.** – Barcellona (E) *
- 75,18% **T.G.T. A.D.** – Trn (BiH)
- 60,96% **TGP A.D.** – Petrovo (BiH)
- 62,79% **SOL-INA d.o.o.** – Sisak (HR)
  - 98% **UTP d.o.o.** – Pula (HR)
  - 100% **Kisikana d.o.o** – Sisak (HR)
- 92,67% **Energetika Z.J.d.o.o.**[3] – Jesenice (SLO)
  - 45,15% **SPG - SOL Plin Gorenjska d.o.o.**[2] – Jesenice (SLO)
- 49,45% **SPG - SOL Plin Gorenjska d.o.o.**[2] – Jesenice (SLO)
  - 35,89% **T.P.J. d.o.o.** – Jesenice (SLO)
- 64,11% **T.P.J. d.o.o.** – Jesenice (SLO)
- 100% **Eurobot Welding S.r.l.** in liquidation – Costabissara (I)
- 80,43% **SOL WELDING S.r.l.** – Costabissara (I)
- 96,16% **TGS A.D.** – Skopje (MK)
  - 2,83% **SOL SEE d.o.o.**[4] – Skopje (MK)
- 84,65% **SOL SEE d.o.o.**[4] – Skopje (MK)

(*) Company not included in the consolidated basis.
(1) SOL has established the following overseas branches: Vaux le Penil (F), Lugano (SW), Feuly – Seneffe (B), Oisterwijk (NL).
(2) The minority interests include an equity investment of SIMEST S.p.A., equating to 5.4%. On the basis of the SOL/SIMEST agreement dated 12/23/02, SOL is obliged to repurchase the SIMEST stock by 30 June 2007.
(3) The minority interests include an equity investment of SIMEST S.p.A., equating to 7.33%. On the basis of the SOL/SIMEST agreement dated 03/19/03, SOL is obliged to repurchase the SIMEST stock by 30 June 2007.
(4) The minority interests include an equity investment of SIMEST S.p.A., equating to 12.52%. On the basis of the SOL/SIMEST agreement dated 21 July 2004, SOL is obliged to repurchase the SIMEST stock by 30 June 2012.
(5) B.T.G has established an overseas branch in Dainville (France).

Directors' report Sol Group 2004

Shareholders,

The SOL Group is engaged in production, applied research and distribution activities pertaining to industrial, pure and medical gases, in home care business, 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 worldwide macro-economic scenario during 2004 featured a high rate of growth during the first six months in the United States and in Eastern Asia, especially in China, Indonesia, South Korea, Japan and Malaysia. In Europe, by contrast a moderate pick-up was noted in industrial activities and services.

During the second half of the year, we witnessed a general slowdown in both consumption and investments even if, especially in the United States, this phenomenon was less marked than forecast. The rise in oil prices, which reached all-time highs during the second half of 2004, had a negative effect on the expansion of the economies, especially in Europe, where growth was low and internal demand weak.

In the Euro area, there was a strong appreciation of the Euro against the US dollar throughout the year. This had the effect of reducing economic growth and price trends, thereby considerably penalizing exports and, as a consequence, growth in GDP.

The Euro area, therefore, did not experience that extent of growth during 2004 which, by contrast, the United States, the emerging countries and also Japan were able to generate.

The industrial sectors were those who reported the greatest difficulties in the European countries, even if to a differing extent from country to country and depending on the manufacturing activities involved. The increase in international competition, the persistent structural problems and the weakness of the US dollar were the main causes which led to much lower growth in the other countries outside Europe.

The South-Eastern European countries, despite being in the presence of political-economic situations still undergoing considerable change, experienced growth, which was somewhat moderate.

Italy reported moderate growth during the first six months of 2004 followed by a slowdown in domestic demand during the second half of the year, both with regards to consumption and for the purchase of durable goods.

During 2004, the crisis affecting the Italian manufacturing industry became even more evident, an industry which continued to lose competitiveness when faced with foreign products, penalized by oil costs and the appreciation of the Euro against the US dollar, as well as by persistent structural problems.

The year 2005 promises to be a year of continuation of the trends already consolidated, with growth worldwide lower than in 2004 and relatively contained inflationary pressure, with extremely high competitiveness generated by the monetary market.

The technical gases sector once again saw a rise in the cost of electricity, caused essentially by the

increase in oil product costs and the scarcity of energy products on the deregulated market.
Furthermore, in Italy the process which sees the transfer of manufacturing activities abroad continued, involving the consequent reduction of technical gas consumption.
Despite operating in the difficult context described, the results achieved by the SOL Group were positive.
Net sales for 2004 were equal to Euro 320.8 million, representing growth of 7.5% on 2003 (Euro 298.5 million).
The net operating margin amounted to Euro 34.8 million (equal to 10.9% of sales), up by 5% on the Euro 33.2 million registered in 2003.
Pre-tax profit amounted to Euro 31 million, equal to 9.7% of sales revenues, up 6% on the Euro 29.3 million registered in 2003.
Net income came to Euro 16.9 million, equal to 5.3% of sales revenues, up 11.4% when compared with the balance of Euro 15.2 million in 2003.
The cash-flow came to Euro 53.9 million (equal to 16.8% of sales revenues), up by 7.7% on the Euro 50 million registered in 2003.
Investments booked during the year 2004 totalled Euro 53.4 billion, equal to 16.6% of sales revenues.
The average number of staff employed by the Group came to 1,412 (1,331 in 2003).
The Group's net financial indebtedness was equal to Euro 75.2 million (Euro 65.4 million at the end of fiscal 2003).

Operating performance

The technical gas sector disclosed satisfactory rises in sales when compared with last year, mainly thanks to the growth in volumes of liquid and compressed gases, particularly abroad. The services area underwent further growth with new applications in the shipyard and petrochemical sectors.
Among the outlet sectors, the chemical, metal, iron and steel areas disclosed a satisfactory performance, as did the environment and foodstuffs sectors; by contrast, the mechanics and electronics sector continued to show difficulties.
Sales in the hospital sector rose, mainly thanks to services provided to supplement supplies.
Sales to customers served by means of gas pipelines despite increasing in quantity disclosed a decrease with respect to 2003, essentially as a result of new long-term supply contracts stipulated with key customers.
The home care business once again reported satisfactory growth maintaining the profit margins, both in Italy and in foreign countries.
In Italy, we are still awaiting the competent ministerial bodies to establish the new reimbursement price for medical oxygen sold via chemist stores and pharmacies.
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 decision was made to place the company Eurobot Welding S.r.l. in liquidation and to close down the company Esseti

Deutschland GmbH in Heilbronn (Germany) so as to reduce the management costs of the activities in the welding sector.

The difficult situation affecting the economic cycle influenced the performance of amounts receivable, especially in Italy, essentially as far as the public sector was concerned. Losses on receivables and the provisions made for doubtful receivables reported values however which were lower than in 2003.

During the course of 2004, 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 Feluy (Belgium), Jesenice (Slovenia) Skopje (Macedonia), Mantua and Piombino.

The SOL Group continued with its expansion activities during 2004 by means of new initiatives undertaken both in Italy and abroad.

The SOL Group's work force increased during 2004, also further to the new initiatives, and the staff training and qualifying programmes continued in order to maintain and improve the professional quality so as to achieve the Group's growth objectives.

As of 30 March 2004, the Antitrust Authority launched a procedure targeted at ascertaining an alleged violation of Article 2 of Italian Law No. 287/90 with regards to the companies who market technical gases in Italy, including SOL S.p.A.. As of the same date, the Authority carried out an inspection at the SOL S.p.A. and VIVISOL S.r.l. offices which was not however part of the afore-mentioned procedure. The Authority has still not informed the parties concerned of the preliminary investigation results and has extended the deadline for the conclusion of the procedure until 30 November 2005. At the moment, it is not possible to anticipate the final outcome of the procedure or make further assessments.

Environment, quality and safety

During 2004, the commitments regarding quality, safety and the environment continued and were consolidated. All the certification from third party bodies was confirmed and in particular the ISO 9001:2000 standard was applied to the quality system, integrated with the issues regarding safety and the environment which constitutes a System for the Management of Quality, Safety and the Environment for all Group activities.

The ISO 9001 and ISO 14001 certification obtained in previous years was enhanced by means of the new certification obtained in Italy for the Mantua and Florence branches. By means of this extension, the SOL units certified in Italy and Europe number 22 sites.

The European environmental registration EMAS, obtained in previous years for the San Martino Buon Albergo plant in the Verona province was renewed and the EMAS registration procedure for the Mantua plant was completed

Again in relation to this latter plant, the certification procedure for the Safety Management System was also launched in accordance with the international OHSAS 18001 standard and the commit-

ment concerning the Agenda 21 programme also continued, a programme sponsored and developed in collaboration with the Civil Service (Municipal, Provincial and Regional authorities).
The ISO 13485:2002 certification (former EN 46001) was also confirmed with EC branding as medical device for the medical gas distribution, vacuum plants and anaesthetic gas scavenging systems, in addition to the maintenance of the EC branding for gases and mixtures produced by the company classified and registered as medical devices.
With regards to Vivisol activities, in addition to confirmation of the third party certification obtained in previous years, the procedure was started-up for the extension of the ISO 9001:2000 certification to all the home-care services carried out in Italy and Europe. On conclusion of this procedure, the Vivisol units certified will amount to 25 sites.
As part of the Responsible Care programme, our participation and 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 2004 saw our production plants visited by several students.

SOL Group investments

During the year under review, investments in the technical gases sector amounted to Euro 42.9 million, with Euro 16.5 million of this being invested by the Parent Company SOL S.p.A. and Euro 10.5 million being invested in the home care sector. These investments are broken down below:

- Work was completed at the Cremona plant for modernization and enhancement of the production plants which include the creation of a new helium bottling plant, the decanting of liquid helium into cryogenic dewars, the expansion of the ammonia depot, the rationalization and the extension of the spaces and the compressed gas bottling plants.
- At the Piombino plant work for the improvement and enhancement of the air fractionation gas production plants was completed including a new air filtration unit employing molecular screens, as well as the further enhancement of the nitrogen evaporation systems for the emergency supply of the related pipeline, while work continued for the enhancement of the systems for the compression of oxygen in pipelines.
- In Slovenia, the company SPG d.o.o. almost concluded work for the creation of the new air fractionation and liquefaction 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 Jesenice steelworks.
- In Macedonia, the recently set up company SOL SEE d.o.o. started work for the creation of the new air fractionation and liquefaction 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 nearby works which produce ferrous alloys in Kavadarci, owned by an important industrial group. The main elements of the plant have been ordered and are undergoing completion at the workshops of the suppliers, while the main civil foundation works have been finished.

- In Feluy (Belgium) work was started for the creation of a nitrogen liquefying system, a new liquid nitrogen storage tank, the enhancement of the industrial water cooling circuit and the electrical services and the expansion of the offices. The orders for all the main components have been issued.
- At the Mantua plant, the air fractionation plant was enhanced and improved in order to make it more flexible and adequate for the needs of the user also during the shutdowns for maintenance work on the integrated liquefaction plant, and work was completed for the modernization and automation of the old pre-existing fractionation plant.
- At the Padua, Ravenna and Cuneo 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 medical gases.
- At the Pisa plant, various improvement measures were carried out on the fire-fighting and inflammable gas depot systems and a refrigerant fluid conditioning system (bottling).
- At the Bari plant, extension and rationalization work was carried out, following the unification of the activities previously carried out at Trani.
- At Lessines (Belgium), the company BTG Bvba acquired an industrial goods shed with attached offices and land adjoining the pre-existing filling plant.
- At Cergy Pontoise (France), the company SOL France Sarl completed the installation of the production plant for special oxygen and nitrous oxide-based medical mixtures.
- Improvement and adaptation work continued on our plants from an environmental, safety and hygiene point of view both in Italy and abroad.
- Numerous medium and small on-site industrial and medical facilities were also realised and brought on-stream during the year.
- Facilities for the transport, distribution and sale of products were enhanced involving the purchase of cryogenic tanks, cryogenic liquid delivery tanks, and cylinders. All such measures were taken to support and develop the significant commercial growth achieved in all business sectors and geographical areas.

In the home-care sector, investments were made in particular as follows:

- The expansion of the activities by means of the opening of new centres specifically in Germany and in France;
- Base and portable units;
- Equipment and systems for ventilation therapy, sleep apnea and inhalation therapy;
- Software programmes for the computerized and more reliable management of home-care activities.

During 2004, the SOL Group continued its expansion abroad and in Italy.

The Parent Company SOL S.p.A. increased its shareholdings in the Italian company SOL Welding S.r.l. from 68.5% to 80.4% and in the Bulgarian company TGK A.D. from 71.42% to 78.47%, in the Macedonian company TGS A.D. from 88.6% to 96.15% and in the Slovenian company SOL-INA d.o.o. from 52.79% to 62.79%.

SOL S.p.A. also set up the company SOL SEE d.o.o. in Macedonia, which will be involved in the primary production of technical gases.
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.
The subsidiary company AIRSOL B.V. increased its shareholding in the Greek companies HGT S.A. (from 93.47% to 95.61%) and ZEUS S.A. (from 96.71% to 97.37%).
The subsidiary company Vivisol Deutschland GmbH acquired 100% of OXYMED Medizintechnik GmbH located in Plaue (Germany) which is active in the home-case service sector.

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 2004 for additional details, including the dealings of SOL S.p.A. with Group companies and other related parties.

Italian Legislative Decree No. 196/2003 concerning the protection of privacy

The Italian Group companies apply Italian Legislative Decree No. 196 dated 30 June 2003, the Italian personal data protection code, and formally acknowledge that they have taken steps to put together security measures capable of reducing to the minimum the risks of destruction and loss, accidental or otherwise, of said details, of unauthorized access or processing not permitted or not compliant with the purposes of the data collection.
The companies obliged to do so, shall draw up the Programmatic Security Document within the legal deadlines.

Changeover to the International Accounting Standards (IAS/IFRS)

As from 2005, all the EU companies listed on organized markets shall be obliged to draw up the annual consolidated financial statements and the interim consolidated reports applying the international accounting standards (IAS/IFRS).

The SOL Group is currently completing all the activities relating to the preparation of the financial statements in accordance with the new international standards which shall be applied to the interim consolidated report for the period ending 30 June 2005.

Shares of the Parent Company held by Group Companies

We confirm that as at 31 December 2004, 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	Investee company	Number of shares held at the end of the previous accounting period	Number of shares purchased	Number of shares sold	Number of shares held at the end of the accounting period 31 December 2004
Aldo Fumagalli Romario	SOL S.p.A.	5,000	0	0	5,000
Marco Annoni	SOL S.p.A.	1,000	0	1,000	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 ** #
Enrico Aliboni	SOL S.p.A.	4,000 ***	0	0	4,000 ***
Giulio Bottes	SOL S.p.A.	4,000	0	4,000	0

* bare ownership rights and with voting rights.
** bare ownership rights.
*** 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 2004.

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)	**12.31.2004**	incidence on net sales	12.31.2003	incidence on net sales
Pipelines / on-site facilities	34,875	10.9	37,333	12.5
Merchant	197,316	61.5	185,569	62.2
Home care	88,614	27.6	75,597	25.3
NET SALES	**320,804**	**100.0**	298,499	100.0
Other revenues and income	2,966	0.9	2,528	0.8
Work performed for own purposes and capitalised	5,748	1.8	4,082	1.4
REVENUES	**329,518**	**102.7**	305,109	102.2
Purchase of materials	96,001	29.9	85,596	28.7
Services rendered	96,248	30.0	86,846	29.1
Change in stock	(3,506)	(1.1)	487	0.2
Other costs	9,766	3.0	7,527	2.5
TOTAL COSTS FOR PURCHASES AND SERVICES	**198,510**	**61.9**	180,456	60.5
VALUE ADDED	**131,008**	**40.8**	124,653	41.8
Total cost of production	56,076	17.5	50,388	16.9
GROSS OPERATING MARGIN	**74,932**	**23.4**	74,265	24.9
Depreciation and amortisation	36,975	11.5	34,869	11.7
Other provisions	3,111	1.0	6,227	2.1
OPERATING PROFIT	**34,847**	**10.9**	33,169	11.1
Financial income	1,461	0.5	1,596	0.5
Financial expense	5,268	1.6	5,302	1.8
Total financial income & expense	**(3,807)**	**(1.2)**	(3,706)	(1.2)
PROFIT ON ORDINARY ACTIVITIES	**31,040**	**9.7**	29,463	9.9
Extraordinary income & expense	(31)	(0.0)	(201)	(0.1)
PROFIT (LOSS) BEFORE INCOME TAXES	**31,009**	**9.7**	29,262	9.8
Income tax	14,107	4.4	14,089	4.7
PROFIT (LOSS) FOR THE YEAR	**16,902**	**5.3**	15,173	5.1
Profit (Loss) pertaining to minority interests	397	0.1	(31)	(0.0)
NET PROFIT (LOSS) FOR THE YEAR	**16,505**	**5.1**	15,203	5.1

Reclassified balance sheet Sol Group

(thousands of Euro)	**12.31.2004**	12.31.2003
ASSETS		
Current assets		
Cash and cash at bank	21,888	24,310
Trade debtors	134,604	128,545
Stocks	28,842	25,272
Prepayments and accrued income	838	636
Other short term assets	10,677	10,774
Total current assets	**196,849**	189,537
Fixed assets		
Technical fixed assets	225,202	204,079
Intangible fixed assets	4,478	5,143
Investments	3,365	3,352
Other fixed assets	1,071	1,323
Total fixed assets	**234,116**	213,897
TOTAL ASSETS	**430,965**	403,435
LIABILITIES AND SHAREHOLDERS' EQUITY		
Short term liabilities		
Bank loans and overdrafts	3,744	5,016
Suppliers	52,070	46,566
Other payables	12,017	12,650
Amounts owed to other financiers	15,867	14,906
Accruals and deferred income	3,067	3,169
Amounts owed to tax administration	3,552	4,803
Total current liabilities	**90,318**	87,110
Medium/long-term liabilities, provisions		
Provisions for risks and charges	20,643	18,043
Employee severance indemnity	9,652	8,921
Other liabilities	78,455	69,583
Total medium/long-term liabilities and provisions	**108,750**	96,548
Shareholders' equity		
Subscribed capital	47,164	47,164
Reserves	160,938	150,427
Net profit	16,505	15,203
Shareholders' equity pertaining to the Group	**224,607**	212,795
Shareholders' equity pertaining to minority interests	**6,893**	7,013
Profit (loss) pertaining to minority interests	397	(31)
Shareholders' equity pertaining to minority interests	**7,290**	6,982
Total shareholders' equity	**231,897**	219,777
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**430,965**	403,435

Net financial position Sol Group

(thousands of Euro)	**12.31.2004**	12.31.2003
Cash and cash at bank	21,888	24,310
Securities	218	577
Loans – short term portion	(14,422)	(13,478)
Leases – short term portion	(1,445)	(1,428)
Short-term amounts due to bank	(3,744)	(5,016)
Amounts due to Shareholders for loans	(44)	-
Amounts owed to Shareholders for the purchase of equity investments	-	(1,332)
Short-term Liquidity, Net	**2,451**	3,633
Permanent investments	521	484
Loans – long-term portion	(74,705)	(65,693)
Long-term amounts owed to banks	(9)	(9)
Amounts due to Financiers for Leasing	(1,584)	(2,894)
Amounts due to Shareholders for the purchase of equity investments	(1,903)	(894)
Medium/Long-Term Net indebtedness	**(77,681)**	(69,006)
Total Net Liquidity/Indebtedness	**(75,230)**	(65,373)

Information by business sector Sol Group

	12.31.2004				12.31.2003			
(thousands of Euro)	Technical gas sector	Home care service	Write-downs	Consolidated figures	Technical gas sector	Home care service sector	Write-downs	Consolidated figures
Pipelines / on-site facilities	34,875	-	-	34,875	37,333	-	-	37,333
Merchant	204,573	-	(7,257)	197,316	192,008	-	(6,439)	185,569
Vivisol	-	88,850	(236)	88,614	-	75,829	(232)	75,597
Net sales	**239,448**	**88,850**	**(7,493)**	**320,804**	229,341	75,829	(6,671)	298,499
Other revenues and income	3,154	132	(320)	2,966	2,685	154	(311)	2,528
Work performed for own purposes and capitalised	2,644	3,100	4	5,748	1,637	2,440	5	4,082
Revenues	**245,246**	**92,082**	**(7,810)**	**329,518**	233,663	78,423	(6,977)	305,109
Purchase of materials	76,395	24,500	(4,893)	96,001	70,600	19,507	(4,511)	85,596
Services rendered	71,938	26,699	(2,390)	96,248	66,767	22,004	(1,924)	86,846
Change in stock	(2,613)	(892)	-	(3,506)	794	(307)	-	487
Other costs	6,588	3,706	(527)	9,766	5,727	2,341	(542)	7,527
Total costs for purchases and services	**152,307**	**54,013**	**(7,810)**	**198,510**	143,888	43,546	(6,977)	180,456
Value added	**92,938**	**38,069**	**-**	**131,008**	89,776	34,877	-	124,653
Total cost of production	42,973	13,103	-	56,076	39,695	10,693	-	50,388
Gross operating margin	**49,929**	**24,936**	**-**	**74,865**	50,081	24,185	-	74,265

	12.31.2004				12.31.2003			
Total assets	**384,516**	**109,631**	**(63,182)**	**430,965**	368,430	100,920	(65,915)	403,435
Total liabilities	**168,888**	**63,485**	**(33,306)**	**199,068**	159,892	56,066	(32,300)	183,658
Investments	**42,935**	**10,455**	**-**	**53,391**	24,707	9,526	-	34,233
Depreciation and amortisation	**27,418**	**9,557**	**-**	**36,975**	26,374	8,495	-	34,869

Significant events which took place after the end of the 2004 financial year and foreseeable business developments

Shareholders are informed that during January 2005, the Parent Company SOL S.p.A. sold an interest of 46.05% in the company IMG d.o.o. of Belgrade to SIMEST S.p.A. involving an obligation to repurchase the stock sold by 30 June 2012.

Shareholders are also informed that in January 2005, the subsidiary company VIVISOL S.r.l. acquired an additional interest of 15% in the company VIVISOL BRESCIA S.r.l., taking its overall holding to 100%.

As from 1 January 2005, the German company Oxymed Medizintechnik GmbH was merged by means of absorption in the company VIVISOL Deutschland GmbH, so as to optimise the organization and home-case service activities in Germany.

In March 2005, SOL S.p.A. reduced its shareholding in SOL-SEE d.o.o. from 84.64% to 61.16% in favour of SIMEST S.p.A. which consequently increased its holding from 12.52% al 36%, involving an obligation to repurchase the stock by 30 June 2012.

As far as 2005 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 objective is to achieve further growth in sales revenues and profitability.

Monza, Italy, March 29, 2005

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

Consolidated financial statements Sol Group

2004

Consolidated balance sheet Sol Group

ASSETS	Amounts receivable within the following year 12.31.04	Amounts receivable within the following year 12.31.03	12.31.2004	12.31.2003
A) CALLED UP SHARE CAPITAL NOT PAID				
called part			377,327	-
part not called			-	-
TOTAL			**377,327**	-
B) FIXED ASSETS				
I - Intangible fixed assets				
1) Start-up and expansion costs			298,949	411,421
2) Costs for research, development and advertising			55,759	198,445
3) Industrial patents and rights to use intellectual property			243,116	259,025
4) Concessions, licences, trademarks and similar rights			610,947	520,879
5) Goodwill			944,821	1,107,643
6) Assets in course of construction and down payments			-	34,892
7) Other			1,263,070	1,431,195
8) Consolidation difference			1,061,630	1,179,726
Total			**4,478,292**	5,143,226
II - Tangible fixed assets				
1) Land and buildings			39,663,777	40,187,566
2) Plants and machinery			69,157,763	71,467,095
3) Fixtures and fittings, tools and equipment			87,716,176	79,105,782
4) Other assets			6,663,887	5,314,420
5) Assets in course of construction and down payments			22,000,651	8,004,339
Total			**225,202,254**	204,079,202
III - Financial investments				
1) Equity investments in:				
Non-consolidated Group companies			11,224	31,984
Associated companies			475,582	475,428
Parent companies			-	-
Other companies			40,584	43,550
2) Receivables				
Amounts due from non-consolidated group companies	-	-	-	-
Amounts due from associated companies	-	-	-	-
Amounts due from parent companies	-	-	-	-
Other receivables	**5,227**	-	1,039,640	1,257,939
	5,227	-		
3) Other securities			520,587	484,016
4) Own shares			2,317,074	2,317,074
Total			**4,404,691**	4,609,991
TOTAL FIXED ASSETS			**234,085,237**	213,832,419

(continue) **ASSETS**			**12.31.2004**	12.31.2003
C) CURRENT ASSETS				
I - Stocks				
1) Raw materials, subsidiary materials and consumables			1,568,045	1,910,404
2) Work in progress and semi-finished goods			738,102	686,854
3) Work in progress on contracts			8,284,967	6,607,271
4) Finished goods and goods for resale			18,250,449	16,067,073
5) Down payments			-	-
Total			**28,841,563**	25,271,602
	Amounts receivable beyond the following year			
II - Receivables	**12.31.04**	12.31.04		
1) Trade receivables	-	48,156	134,604,235	128,545,338
2) Amounts due from non-consolidated group companies	-	-	-	-
3) Amounts due from associated companies	-	-	-	-
4) Amounts due from parent companies	-	-	-	-
4bis) Amounts due from the tax authorities	-	1,544	5,431,084	6,068,900
4ter) Prepaid taxes	**1,119**	44,295	2,815,724	2,989,748
5) Amounts due from third parties	**29,960**	19,067	1,865,969	1,203,610
Total	**31,079**	113,062	**144,717,012**	138,807,596
III - Financial investments which are not permanent				
1) In subsidiary companies			-	-
2) In associated companies			-	-
3) In parent companies			-	-
4) In other companies			38,024	38,082
5) Own shares			-	-
6) Other investments			180,288	538,889
Total			**218,312**	576,971
IV - Cash at bank and in hand				
1) Post Office and bank deposits			21,620,926	24,001,693
2) Bank cheques			-	13,036
3) Cash and cash equivalents on hand			266,659	295,665
Total			**21,887,585**	24,310,394
TOTAL CURRENT ASSETS			**195,664,472**	188,966,563
D) PREPAYMENTS AND ACCRUED INCOME				
Prepayments and accrued income			837,859	635,668
Premium on loans			-	-
TOTAL PREPAYMENTS AND ACCRUED INCOME			**837,859**	635,668
TOTAL ASSETS			**430,964,895**	403,434,650

Consolidated balance sheet Sol Group

LIABILITIES	Amounts receivable within the following year 12.31.04	Amounts receivable within the following year 12.31.03	12.31.2004	12.31.2003
A) CAPITAL AND RESERVES:				
Pertaining to the Group:				
I Share capital			47,164,000	47,164,000
II Share premium account			63,334,927	63,334,927
III Revaluation reserve			-	-
IV Legal reserve			3,439,020	3,097,354
V Reserve for own shares			2,317,074	2,317,074
VI Statutory reserves			-	-
VII Other reserves:				
a) Extraordinary reserve			32,505,195	31,473,537
b) Reserves subject to deferred taxation			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 difference			-3,726,412	-2,755,078
h) Undistributed earnings of subsidiaries and other reserves			52,502,221	42,393,598
i) Consolidation reserve			5,871,593	5,871,593
k) Other reserves			587,234	587,234
VIII Profits (losses) carried forward			-	-
IX Profit (loss) for the financial year			16,505,082	15,203,451
Total group shareholders' equity			**224,606,801**	212,794,557
Minority interests:				
X Capital and reserves pertaining to minority interests			6,893,219	7,012,799
XI Profit (loss) pertaining to minority interests			397,057	-30,784
Total shareholders' equity pertaining to minority interests			**7,290,276**	6,982,015
TOTAL SHAREHOLDERS' EQUITY			**231,897,077**	219,776,572
B) PROVISIONS FOR RISKS AND CHARGES				
1) Provisions for pensions and similar obligations			-	-
2) Taxation, also deferred			19,804,418	16,991,852
3) Other			838,259	1,051,596
4) Consolidated provisions for risks and charges			-	-
TOTAL PROVISIONS FOR RISKS AND CHARGES			**20,642,677**	18,043,448
C) EMPLOYEE SEVERANCE INDEMNITY			**9,652,260**	8,921,298
D) PAYABLES				
1) Bonds	-	-	-	-
2) Convertible bonds	-	-	-	-
3) Amounts due to the shareholders for loans	-	-	43,890	-
4) Amounts due to banks	**9,307**	9,060	3,753,315	5,024,775
5) Amounts due to other lenders	**76,289,335**	68,587,454	92,156,222	83,493,399
6) Down payments	-	-	5,256,082	5,339,492
7) Amounts due to suppliers	-	-	52,069,980	46,478,737
8) Bills of exchange payable	-	-	-	-
9) Amounts due to non-consolidated group companies	-	-	-	-
10) Amounts due to associated companies	-	-	155,104	87,557
11) Amounts due to parent companies	-	-	-	-
12) Amounts due to the tax authorities	-	-	3,552,439	4,802,736
13) Amounts due to Welfare and Social Security institutions	-	-	2,227,740	1,893,983
14) Other payables	**2,156,610**	986,819	6,490,706	6,403,394
TOTAL PAYABLES	**78,455,252**	69,583,334	**165,705,478**	153,524,073
E) ACCRUALS AND DEFERRED INCOME				
Accruals and deferred income			3,067,403	3,169,259
Discount on loans			-	-
TOTAL ACCRUALS AND DEFERRED INCOME			**3,067,403**	3,169,259
TOTAL LIABILITIES			**430,964,895**	403,434,650

Consolidated balance sheet Sol Group

MEMORANDUM ACCOUNTS	12.31.2004	12.31.2003
A) GUARANTEES GIVEN		
1) to others:		
a) Bank guarantees	6,398,298	6,841,266
b) Endorsements	-	-
c) Other personal guarantees	-	-
d) Real guarantees	-	-
Total	6,398,298	6,841,266
2) to associated companies		
a) Bank guarantees	-	-
b) Endorsements	-	-
c) Other personal guarantees	-	-
d) Real guarantees	-	-
Total	-	-
TOTAL	6,398,298	6,841,266
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	209,593	350,030
4) Securities held by others	-	-
5) Assets owned by others at our premises	17,704	-
6) Foreign currency repurchase commitments	-	-
TOTAL	227,297	350,030
C) GUARANTEES RECEIVED		
a) Bank guarantees	31,187	31,187
b) Endorsements	-	-
c) Other personal guarantees	-	-
d) Real guarantees	-	-
TOTAL	31,187	31,187
TOTAL MEMORANDUM ACCOUNTS	6,656,782	7,222,483

Consolidated profit and loss account Sol Group

	12.31.2004	12.31.2003
A) (+) VALUE OF PRODUCTION		
1) Net turnover from sales and services	320,804,332	298,499,051
2) Change in stocks of finished, semi-processed and work in progress	1,859,128	118,069
3) Change in work in progress on contracts	1,677,697	-787,693
4) Work performed for own purposes and capitalised	5,747,586	4,082,434
5) Other revenues and income:		
- Other revenues and income	2,527,556	2,098,463
- Financial grants to the financial period account	438,476	429,281
TOTAL	**333,054,775**	304,439,605
B) (-) Costs of production		
6) For raw materials, subsidiary materials, consumables and goods	-96,001,305	-85,596,317
7) For services	-96,248,235	-86,846,494
8) For use of assets owned by others	-6,065,117	-4,730,963
9) For staff costs:		
a) wages and salaries	-40,490,875	-36,477,651
b) Social Security costs	-14,180,595	-12,544,348
c) employee severance indemnity	-1,404,048	-1,366,132
d) pension costs and similar obligations	-	-
e) other costs	-	-
10) Amortisation and write-downs:		
a) Amortisation of intangible fixed assets	-2,083,377	-3,116,724
b) Depreciation of tangible fixed assets	-34,891,336	-31,752,591
c) Other reductions in value of fixed assets	-	-3,461
d) Allowance for doubtful debtors included in current assets and other accounts included in cash at bank and on hand	-3,088,261	-5,785,501
11) Movement in stocks of raw materials, subsidiary materials, consumables and goods	-31,288	182,999
12) Amounts provided for risk provisions	-21,176	-68,885
13) Other provisions	-1,105	-369,063
14) Other operating charges	-3,701,193	-2,795,584
TOTAL	**-298,207,911**	-271,270,715
(A - B) DIFFERENCE BETWEEN VALUE AND COSTS OF PRODUCTION	**34,846,864**	33,168,890

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

	12.31.2004	12.31.2003
C) FINANCIAL INCOME AND CHARGES		
15) (+) Income from equity investments:		
in non-consolidated group companies	-	-
in associated companies	-	317
in other companies	6	4
16) (+) other financial income		
a) from loans entered under fixed assets		
due from others:	-	3,015
due from associated companies	-	-
due from parent companies	-	-
b) from other permanent investments other than equity investments	17,495	17,694
c) from other investments which are not permanent	-	1,869
d) other financial income not included above:		
due from others:	711,538	811,856
due from associated companies	-	-
due from parent companies	-	-
17) (-) Interest payable and similar charges		
payable to others:	-4,612,827	-4,822,814
due to associated companies	-	-
due to parent companies	-	-
17bis) (-)Exchange (+) gains/ (-) losses	76,754	281,816
TOTAL	**-3,807,034**	-3,706,243
D) VALUE ADJUSTMENTS TO FINANCIAL INVESTMENTS		
18) (+) revaluations:		
of equity investments	1,248	5,714
of long-term financial assets which are not equity investments	10,234	333
of non-permanent investments which are not equity investments	-	-
19) (-) write-downs:		
of equity investments	-59,515	-163,998
of long-term financial assets which are not equity investments	-1,360	-5,392
of non-permanent investments which are not equity investments	-	-
TOTAL VALUE ADJUSTMENTS	**-49,393**	-163,343
E) EXTRAORDINARY INCOME AND CHARGES		
20) (+) extraordinary income:		
income	661,090	500,108
capital gains from disposal of fixed assets	13,137	41,242
21) (-) extraordinary charges:		
charges:	-387,983	-374,667
capital losses from disposal of fixed assets	-	-86,000
taxes from previous financial years	-267,709	-118,444
TOTAL EXTRAORDINARY INCOME AND CHARGES	**18,535**	-37,761
PROFIT OR LOSS BEFORE INCOME TAXES	**31,008,972**	29,261,543
22) (-) income taxes on the income of the period		
current	-12,307,821	-12,716,748
deferred	-1,799,012	-1,372,128
23) Aggregate net profit or loss	**16,902,139**	15,172,667
PROFIT (LOSS) FOR THE FINANCIAL YEAR PERTAINING TO OTHERS	**-397,057**	30,784
PROFIT (LOSS) FOR THE FINANCIAL YEAR PERTAINING TO THE GROUP	**16,505,082**	15,203,451

Explanatory notes to the Consolidated Balance Sheet and Profit and Loss Account as of 31 December 2004

General criteria

The Balance Sheet and Profit and Loss Account as of 31 December 2004 are in compliance with the provisions of Article 25 et seq. of Italian Legislative Decree No. 127/91; the accounting principles adopted are in line with those recommended by the National Commission for Listed Companies and the Stock Exchange (CONSOB) and established by the Italian Accounting Professional. 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. The financial statements are presented on a comparative basis with the previous year, the balances being consistent with current financial years', with the exception of the amendments introduced by means of the provisions of Italian Legislative Decree No. 6/2003. In particular, in the balance sheet layout, two specific items "4bis) amounts due from tax authorities" and "4ter) prepaid taxes" have been added to the Receivables under item CII, and among the liabilities the item "D3) Amounts due to shareholders for loans" has been added. In the Profit and Loss Account, the item "17Bis) exchange gains and losses" has been introduced. These changes were also made to the financial statement layouts for the year ended 31 December 2003.

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 of 31 December 2004 of the individual consolidated companies 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 of 31 December 2004 of the Parent Company SOL SpA and of the following companies, which are, pursuant to Article 38.2 of Italian Legislative Decree No. 127/91:

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

Company Name and Registered Office	Notes		Share capital	Ownership Percentage Directly	Indirectly	Total
AIRSOL BV – Amsterdam		Euro	7,724,246.84	100%		100%
BEHRINGER Srl – Genoa		Euro	102,000		51%	51%
B.T.G. Bvba – Lessines		Euro	3,558,000	100%		100%
C.T.S. S.rl – Monza		Euro	156,000	100%		100%
ENERGETIKA Z.J. d.o.o. – Jesenice	1	SIT	239,544,630.42	100%		100%
FRANCE OXYGENE Sarl – Annoeullin		Euro	1,300,000		100%	100%
G.T.S. Sh.P.K. – Tirana		LEK	59,100,000	100%		100%
HGT S.A. – Thesalonniki		Euro	1,069,807.50		95.61%	95.61%
I.C.O.A. Srl – Vibo Valentia		Euro	45,760	97.60%		97.60%
Il Point Srl – Verona		Euro	98,800		65%	65%
IMG D.o.o. – Belgrade		CSD	173,204,676.91	80.73%	19.27%	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%
OXYMED Medizintechnik GmbH – Plaue		Euro	25,564.59		100%	100%
SOL France Sas – Cergy Pontoise		Euro	3,000,000	100%		100%
SOL SEE d.o.o. – Skopje	2	DEN	497,554,300	97.17%	2.72%	99.89%
SOL T.G. GmbH – Wiener Neustadt		Euro	726,728.34	100%		100%
SOL Welding Srl – Costabissara		Euro	2,350,000	80.43%		80.43%
SOL-INA D.o.o. – Sisak		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	78.46%		78.46%
T.G.P. AD – Petrovo		KM	1,177,999	60.96%		60.96%
T.G.S. AD – Skopje		DEN	413,001,941	96.16%		96.16%
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 S.r.l. – 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 – Gioia Tauro		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 S.r.l. – Monza		Euro	2,600,000		100%	100%
VIVISOL Silarus S.r.l. – Battipaglia		Euro	18,200		49%	49%
VIVISOL Umbria S.r.l. – Perugia		Euro	67,600		70%	70%
ZEUS S.A. – Piraeus		Euro	2,990,574		97.37%	97.37%

1) The Group’s share as of 31 December 2004 includes a 7.33% equity investment in Simest S.p.A.; under an agreement entered into between SOL S.p.A. and Simest on 19 March 2003, SOL SpA is under obligation to repurchase the entire Simest stock by 30 June 2007.
2) The Group’s share as of 31 December 2004 includes a 12.52% equity investment in Simest S.p.A.; under an agreement entered into between SOL S.p.A. and Simest on 21 July 2004, SOL SpA is under obligation to repurchase the entire Simest stock by 30 June 2012.
3) The Group’s share as of 31 December 2004 includes a 5.4% equity investment in Simest S.p.A.; under an agreement entered into between SOL S.p.A. and Simest on 23 December 2002, SOL SpA is under obligation to repurchase the entire Simest share by 30 June 2007.

b) non-consolidated subsidiary companies

Company Name and Registered Office		Share capital	Ownership Percentage
CRYOMED SRL IN LIQUIDAZIONE - MILAN	Euro	86,990	68.87 %
EUROBOT WELDING SRL IN LIQUIDAZIONE – COSTABISSARA	Euro	93,000	100.00 %
G.T.E. S.L. – BARCELONA	Euro	12,020.24	100.00 %

c) associated companies, consolidated by adopting the equity method

Company Name and Registered Office		Subscribed capital	Ownership percentage
CONSORGAS – Milan	Euro	500,000	25.79 %
Ionia Oxigono e.p.e. – Salonicco	Euro	25,500	32.51 %

d) associated companies, valued at cost

Company Name and Registered Office		Subscribed capital	Ownership percentage
MEDICAL SYSTEM Srl – Giussago	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 31 December 2004 and 31 December 2003 underwent the following changes:

- by means of an increase in the holding in TGK AD (from 71.42% to 78.46%) for the purchase of holdings from third parties;
- by means of an increase in the holding in SOL Welding Srl (from 68.50% to 80.43%) following the reduction of the share capital from Euro 2,061,000 to Euro 1,459,678, involving a proportional reduction of the par value of the holdings, and its simultaneous increase to Euro 2,350,000 fully subscribed by SOL SpA;
- by means of the increase in the holding in Zeus S.A. (from 96.72% to 97.37%) as a result of the share capital increase for nominal Euro 600,000 fully subscribed by AIRSOL B.V.;
- by means of the increase in the holding in HGT S.A. (from 93.47% to 95.61%) as a result of the share capital increase for nominal Euro 350,145.50 fully subscribed by AIRSOL B.V.;
- by means of the inclusion of the company Il Point Srl in which a 65% holding was acquired by Vivisol on 26 March 2004.
- by means of the inclusion of the company Oxymed Medizintechnik GmbH in which a 100% holding was acquired by Vivisol Deutschland GmbH on 6 August 2004.
- by means of the inclusion of the company SOL SEE d.o.o. formed on 14 April 2004 and 84.65% owned by Sol SpA, 12.52% by SIMEST SpA and 2.83% by TGS A.D..

Shareholders are also informed of the deconsolidation of Eurobot Welding Srl since this company has started winding-up procedures and Esseti Deutschland GmbH since this company ceased activities as of 31 December 2004.

Consolidation principles and valuation criteria

Consolidation principles

The Financial Statements utilised for consolidation purposes are those as of 31 December 2004 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 Section 2423 et seq. 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 consolidation difference, and is amortised over a period of 5 years. The shares of shareholders' 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 "Shareholders' 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 Shareholders' 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 Euro by adopting the exchange rates prevailing as of 31 December 2004, whereas Profit and Loss Account items are converted into Euro using the average exchange rates recorded in the year 2004. The difference between the result for the accounting period generated by converting at the average exchange rates and the result emerging further to conversion at the exchange rates prevailing as of 31 December 2004 and the effects on assets and liabilities arising from exchange-rate fluctuations between the beginning of the accounting period and 31 December, are carried as part of shareholders' equity under the account "Reserve for translation difference".

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

Currency		Exchange rate on **12.31.04**		Average exchange rate for 2004		Exchange rate on 12.31.03		Average exchange rate for 2003
Albanian Lek	Euro	0.00797	Euro	0.00786	Euro	0.00749	Euro	0.00731
Macedonian Dinar	Euro	0.01581	Euro	0.01624	Euro	0.01648	Euro	0.01655
Bulgarian Lev	Euro	0.51127	Euro	0.51197	Euro	0.51127	Euro	0.51308
Croatian Kuna	Euro	0.13074	Euro	0.13352	Euro	0.13093	Euro	0.13232
Serbian Dinar	Euro	0.01226	Euro	0.01384	Euro	0.01469	Euro	0.01466
Slovenian Taller	Euro	0.00417	Euro	0.00418	Euro	0.00422	Euro	0.00428
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 accounting policies for the Consolidated Balance Sheet and Profit and Loss Account were those utilised by the Parent Company SOL SpA and in compliance with the legislative provisions in force as mentioned above, supplemented and interpreted by the Accounting Principles set out by the Italian Accounting Profession and the Italian Accounting Standard Setter (OIC). The valuation of the items carried in the consolidated economic and equity position have been based on the general accounting principles of prudence and accrual, and on the basis of a going concern. For the purposes of accounting, emphasis has been laid on the economic substance of transactions rather than to their legal form; as regards financial assets they were accounted for on the day of settlement. Income is recognised only if realised within the closing date of the Financial Statements, whereas risks and losses are taken into account even if acknowledged at a later date. Heterogeneous entries included in the single items of the Financial Statements have been valued separately. Balance-sheet items that have a useful economic life of more than one year have been stated among fixed assets.

Write-downs and write-ups

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

Revaluations

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

Exceptions

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

Valuation criteria of single items

Intangible fixed assets

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

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

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

Tangible fixed assets

Tangible assets are stated at purchase price or cost of construction, increased by the expenses incidental thereto. The cost value is only increased in compliance with specific national legal provisions which allow fixed assets to be revalued following merger deals or assignment of the possible difference between the value paid to acquire the equity investment and the accruing Shareholders' 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 furnishings		12%
- electronic office machines		20%

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

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

Financial investments

Shares in non-consolidated companies

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

Equity investments in associated companies

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

Other financial investments held as fixed assets

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

Own shares

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

Stocks

Stocks held in the warehouse are entered at the lower value between the purchase or production cost, 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 sales 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.

Amounts receivable expressed in non-Euro currencies are valued using the year-end exchange rates.

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. Risks for which the occurrence of a liability is only possible are indicated in the explanatory notes. Provisions for risks and charges include the item provisions for deferred taxation. Provisions reflect the best possible estimate based on the information available.

Employee severance indemnity

The employee severance indemnity represents the whole accumulated liability to employees, net of advances paid up at the end of the financial year, calculated in accordance with legislation, the collective labour agreements and any possible company employment 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.

Amounts payable expressed in non-Euro currencies are valued using the year-end exchange rates.

Contingent liabilities, commitments and guarantees

The guarantees included in the memorandum accounts 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

Monetary items expressed in currencies other than those adhering to the Euro are stated at the rates of exchange current when they were recorded in the accounts. Any negative or positive differences arising from the adjustment of foreign currency receivables and payables using the year-end rates, are recorded in specific Balance Sheet items and reclassified in item 17 bis of 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 the tax authorities are reported net of advances paid and tax withheld in the item "Amounts due to the tax authorities". 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 prepaid 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 estimated tax rate in force at the time the temporary differences will be reversed. Shareholders are informed that SOL SpA, together with the subsidiary Sol Welding Srl, adhered to the national tax consolidation (Italian Legislative Decree No. 344 dated 12 December 2003).

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 an equity reserve at 50%; the remaining 50% has been recorded in the Profit and Loss Account over 5 or 10 years according to the time of their disbursement.

ASSETS

A) Called up share capital not paid

Balance as at 12.31.04	377,327
Balance as at 12.31.03	-
Movement	**377,327**

Description	12.31.2004	12.31.2003	Movement
Called part	377,327	-	377,327
Part not called	-	-	-
Total	**377,327**	-	377,327

B) Fixed Assets

I - Intangible fixed assets

Balance as at 12.31.04	4,478,292
Balance as at 12.31.03	5,143,226
Movement	**(664,934)**

Analysis of intangible assets

Movements in intangible fixed assets were as follows:

Items	Balance 12.31.2003	Increases	Revaluations (Write-downs)	Other movements	(Amor-tisation)	Balance 12.31.2004
Start-up and expansion costs	411,421	13,972	-	(4,457)	(121,987)	298,949
Costs of research, development and advertising	198,445	7,313	-	(8,002)	(141,997)	55,759
Industrial patents and rights to use intellectual property	259,025	220,138	-	(38,181)	(197,866)	243,116
Concessions, licenses, trade marks and similar rights	520,879	310,256	-	32,914	(253,102)	610,947
Goodwill	1,107,643	-	-	8,376	(171,198)	944,821
Assets in course of construction and down payments	34,892	-	-	(34,892)	-	-
Other	1,431,195	142,458	-	118,766	(429,349)	1,263,070
Consolidation difference	1,179,726	649,782	-	-	(767,878)	1,061,630
Total	5,143,226	1,343,919	-	74,524	(2,083,377)	**4,478,292**

The item "Start-up and expansion costs" for the most part includes costs incurred relating to the share capital transactions of consolidated companies and for start-up of new plant.

The item "Costs for research, development and advertising" 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 the new software, amortised over 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 the values which have merged at the time of mergers of companies in prior years and for the purchase of business segments. Such goodwill is amortized over a maximum period of 10 years on the basis of the estimated period of economic return of the investment, taking into consideration the sector in which the companies operate.

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 plant. These costs are amortised over 15 years according to the relevant agreement's maturity terms of the agreement

The item "Consolidation difference" refers to:

- 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 shareholders' equity value of the same company as at 12.31.1999, equal to Euro 311,785 (current net value Euro 0).
- 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 shareholders' equity value of the same company as at 12.31.2000, equal to Euro 268,336 (current net value Euro 53,667).
- the difference between the purchase price of the equity investment in the subsidiary France Oxygene Sarl and the adjusted shareholders' equity value thereof as at 31.07.2000, equal to Euro 1,583,973 (current net value Euro 0).
- the difference between the purchase price of the equity investment in the subsidiary T.G.T. A.D. and the shareholders' equity value thereof as at 12.31.2001, equal to Euro 66,300 (current net value Euro 13,260).
- 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 458,880).
- the difference between the purchase price of an additional 15% of the equity investment in the subsidiary VIVISOL Brescia Srl and the adjusted shareholders' equity value thereof as of 31 December 2002, equal to Euro 68,600 (current net value Euro 41,160).

- the difference between the purchase price of the equity investment in the subsidiary Il Point Srl and the shareholders' equity of the same company as of 31 March 2004, equal to Euro 117,828 (current net value Euro 94,263).
- the difference between the purchase price of the equity investment in the subsidiary Oxymed Medizintechnik GmbH and the shareholders' equity thereof as of 30 June 2004, equal to Euro 500,500 (current net value Euro 400,400).

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

II - Tangible fixed assets

Balance as at 12.31.04	225,202,254
Balance as at 12.31.03	204,079,202
Movement	**21,123,052**

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 12.31.2003	Increases	Revalu-ations	Other movements	(Disposals)	Balance **12.31.2004**
Land and buildings	68,187,798	2,320,752	181,657	(213,253)	(418,286)	70,058,668
Plants and machinery	188,843,363	9,395,837	-	(590,344)	(55,785)	197,593,071
Fixtures and fittings, tools and equipment	231,305,443	24,594,780	-	(349,548)	(1,387,998)	254,162,677
Other assets	19,407,921	3,050,827	-	736,499	(341,050)	22,854,197
Assets in course of construction and down payments	8,004,339	14,028,393	-	(32,081)	-	22,000,651
Total	515,748,864	53,390,589	181,657	(448,727)	(2,203,119)	**566,669,264**

Movements in accumulated depreciation	Balance 12.31.2003	Depreciation (amortisation)	Write-downs	Other movements	(Disposals)	Balance **12.31.2004**
Land and buildings	28,000,232	2,547,402	-	186,749	(339,492)	30,394,891
Plants and machinery	117,376,268	11,116,264	-	(17,342)	(39,882)	128,435,308
Fixtures and fittings, tools and equipment	152,199,661	19,049,567	-	(3,724,751)	(1,077,976)	166,446,501
Other assets	14,093,501	2,178,103	-	203,423	(284,717)	16,190,310
Assets in course of construction and down payments	-	-	-	-	-	-
Total	311,669,662	34,891,336	-	(3,351,921)	(1,742,067)	**341,467,010**

Movements in tangible assets Net value	Balance 12.31.2003	Increases	(Amortisation & write-downs)	Other movements	(Disposals)	Balance 12.31.2004
Land and buildings	40,187,566	2,502,409	(2,547,402)	(400,002)	(78,794)	39,663,777
Plant and machinery	71,467,095	9,395,837	(11,116,264)	(573,002)	(15,903)	69,157,763
Fixtures and fittings, tools and equipment	79,105,782	24,594,780	(19,049,567)	3,375,203	(310,022)	87,716,176
Other assets	5,314,420	3,050,827	(2,178,103)	533,076	(56,333)	6,663,887
Assets in course of construction and down payments	8,004,339	14,028,393	-	(32,081)	-	22,000,651
Total	204,079,202	53,572,246	(34,891,336)	2,903,194	(461,052)	**225,202,254**

- The investments made during the financial year in respect of the item "Land and buildings" are mainly investments made by the Parent Company (Euro 1,496 thousand) and the subsidiary companies BTG Bvba (Euro 429 thousand) and TGS d.o.o. (Euro 136 thousand).
- Acquisitions made during the financial year under the item "Plant and machinery" are mainly due to the purchase of plant for the Parent Company's factories (Euro 7,675 million) and those of the subsidiary TPJ d.o.o. (Euro 704 thousand) and to a lesser extent to other capital expenditure carried out by all other group companies.
- The item "Other 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 14,704 thousand (including Euro 4,052 by the Parent Company) and to investments made by companies operating in the home care sector for Euro 9,891 thousand (including Euro 3,799 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 for motor vehicles, laboratory equipment, hardware, furniture and fixtures, with Euro 1,128 thousand of the total reported pertaining to the Parent Company and the subsidiary companies C.T.S. SpA (Euro 710 thousand), TGS A.D. (Euro 214 thousand), UTP d.o.o. (Euro 112 thousand), France Oxygene Sarl (Euro 132 thousand) and BTG Bvba (Euro 168 thousand).
- The item "Assets in course of construction" mainly refers to investments being made by the Parent Company (Euro 643 thousand) and by the subsidiaries SPG-SOL d.o.o. (Euro 10,586 thousand) and SOL SEE d.o.o. (Euro 2,836 thousand). The amounts concern the construction of new plant

Revaluations carried out during the year, totalling Euro 181,657, relate to monetary revaluations made by Zeus S.A. in accordance with local legislation.

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

Please note that the sites located in Monza, Marcianise, Padua, Piombino, Cuneo, Salerno, Verona,

Vibo Valentia, Zola Predosa, Pavia, Pisa, Sesto San Giovanni, Ravenna, Pomezia, Catania, Ancona, Brescia, Mantua, Romans d'Isonzo, Lessines and Jesenice are encumbered with mortgages and liens pertaining to medium-term loan agreements entered into by a number of Group companies with banks.
As of 31 December 2004, mortgages amounted to Euro 107,577 thousand.
As of 31 December 2004, liens amounted to Euro 93,986 thousand.
Reference should be made to the reconciliation between the Parent Company's profit and shareholders' equity and the consolidated profit and shareholders' equity given below as regards the effects of eliminating fiscal interference and of accounting for leases in accordance with the International Accounting Standard I.A.S. 17.

III - Financial investments

Balance as at 12.31.04	4,404,691
Balance as at 12.31.03	4,609,991
Movement	**(205,300)**

Equity investments

Balance as at 12.31.04	527,390
Balance as at 12.31.03	550,962
Movement	**(23,572)**

The breakdown for the above item is as follows:

Description	**12.31.2004**	12.31.2003
G.T.E. S.L.	11,224	11,224
Cryo-Cell Italia Srl in liquidation	-	20,760
Non-consolidated subsidiary companies	**11,224**	31,984
CONSORGAS Srl	449,321	448,074
Medical System	18,075	18,075
Ionia Oxigono e.p.e.	8,186	9,279
Associated companies	**475,582**	475,428
Other equity investments	40,584	43,550
Other companies	**40,584**	43,550
Total	**527,390**	550,962

With the exception of Euro 26,261 recorded among equity investments in associated companies (of which Euro 18,075 concerning the subsidiary AIRSOL B.V. and Euro 8,186 concerning the subsidiary HGT S.A.) and Euro 26,977 recorded among other minor equity investments (of which Euro 23,944 relating to investments in local companies made by the subsidiary T.G.S. A.D.), all the above equity investments are held by the Parent Company
The equity investments in other companies were valued at cost.

Receivables

Balance as at 12.31.04	1,039,640
Balance as at 12.31.03	1,257,939
Movement	**(218,299)**

The breakdown for the above item is as follows:

Description	**12.31.2004**	12.31.2003	Movement
Amounts due from non-consolidated group companies	-	-	-
Amounts due from associated companies	-	-	-
Amounts due from parent companies	-	-	-
Amounts due from third parties	1,039,640	1,257,939	(218,299)
Total	**1,039,640**	1,257,939	(218,299)

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

Description	**12.31.2004**	12.31.2003	Movement
Guarantee deposits	509,349	453,952	55,397
Tax credit pertaining to Employee Severance Indemnity	504,664	580,054	(75,390)
Other	25,627	223,933	(198,306)
Total	**1,039,640**	1,257,939	(218,299)

The breakdown for the balance is shown by maturity date:

Description	Falling due within more than 12 months	Falling due after more than 12 months	Total **12.31.2004**	Total 12.31.2003
Guarantee deposits	-	509,349	509,349	453,952
Tax credit pertaining to Employee Severance Indemnity	-	504,664	504,664	580,054
Other	-	25,627	25,627	223,933
Total	-	1,039,640	**1,039,640**	1,257,939

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 12.31.04	520,587
Balance as at 12.31.03	484,016
Movement	**36,571**

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

Description	12.31.2004	12.31.2003	Movement
Pledged securities – SOL Tecnische Gase	4,276	4,276	-
VIVISOL Heimbehand securities.	2,381	2,381	-
Other securities - ICOA S.r.l.	513,930	477,359	36,571
Total	**520,587**	484,016	36,571

Other securities held by ICOA S.r.l. are represented by bonds issued by Ambroveneto (Euro 72,289), bonds issued by Interbanca (Euro 343,000) and bonds issued by Banca Intesa (Euro 98,640).

The above-mentioned securities have the following characteristics:

Description	Book value	Par value	Maturity	Currency	Rate of interest	Market value
AMBROVENETO	72,290	72,304	01/01/2005	Euro	Variable	72,290
INTERBANCA	343,000	350,000	21/10/2006	Euro	Variable	343,000
BANCA INTESA	98,640	100,000	30/01/2009	Euro	Variable	98,640

Own shares

Balance as at 12.31.04	2,317,074
Balance as at 12.31.03	2,317,074
Movement	-

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 shareholders' equity has been pledged in respect to these securities.

As of 31 December 2004, the share price came to Euro 4.23 per share, producing a total equivalent value for capital of Euro 5,025,240.

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

	Balance 12.31.2003	Increases	(Disposals)	Revaluations (Write-downs)	Other movements	Balance **12.31.2004**
Own shares	2,317,074	-	-	-	-	2,317,074
Total	2,317,074	-	-	-	-	**2,317,074**

C) Current assets

I - Stocks

Balance as at 12.31.04	28,841,563
Balance as at 12.31.03	25,271,602
Movement	**3,569,961**

The breakdown for the above item is as follows:

Description	12.31.2004	12.31.2003	Movement
Raw materials, subsidiary materials and consumables	1,568,045	1,910,404	(342,359)
Work in progress and semi-finished goods	738,102	686,854	51,248
Works in progress on contracts	8,284,967	6,607,271	1,677,696
Finished goods and goods for resale	18,250,449	16,067,073	2,183,376
Down payments	-	-	-
Total	**28,841,563**	25,271,602	3,569,961

The valorisation of the inventory does not emerge as any higher than the realizable value.

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 12.31.04	144,717,012
Balance as at 12.31.03	138,807,596
Movement	**5,909,416**

The breakdown for the above item is as follows:

Description	12.31.2004	12.31.2003	Movement
Amounts due from clients	134,604,235	128,545,338	6,058,897
Amounts due from the tax authorities	5,431,084	6,068,900	(637,816)
Prepaid taxes	2,815,724	2,989,748	(174,024)
Amounts due from third parties	1,865,969	1,203,610	662,359
Total	**144,717,012**	138,807,596	5,909,416

The balance is broken down by maturity date:

Description	Falling due within 12 months	Falling due after more than 12 months	In doubtful accts	Total **12.31.2004**	Total 12.31.2003
Amounts due from clients	144,312,168	-	(9,707,933)	134,604,235	128,545,338
Amounts due from the tax authorities	5,431,084	-	-	5,431,084	6,068,900
Prepaid taxes	2,814,605	1,119	-	2,815,724	2,989,748
Amounts due from third parties	1,836,009	29,960	-	1,865,969	1,203,610
Total	154,393,866	31,079	(9,707,933)	**144,717,012**	138,807,596

There are no amounts receivable after more than 5 years.

Provision for doubtful debts recorded the following movements:

	12.31.2003	Provisions	(Uses)	**12.31.2004**
	10,361,475	3,088,261	(3,741,803)	**9,707,933**

The detailed breakdown of the item "Amounts due from the tax authorities" is as follows:

Description	**12.31.2004**	12.31.2003	Movement
Amounts receivable in respect of income tax	1,512,349	1,897,144	(384,795)
VAT receivables	3,813,695	4,034,665	(220,970)
Other amounts due from the tax authorities	105,040	137,091	(32,051)
Total	**5,431,084**	6,068,900	(637,816)

The detailed breakdown of the item "Prepaid taxes" is as follows:

Description	**12.31.2004**	12.31.2003	Movement
As per statutory financial statements			
Prepaid taxes for provisions for doubtful receivables	1,592,181	1,719,839	(127,658)
Prepaid taxes for risk provisions	225,331	66,000	159,331
Other minor	777,688	955,799	(178,111)
Total	**2,595,200**	2,741,638	(146,438)
From consolidation transactions			
Prepaid taxes on internal gains	220,524	248,110	(27,586)
Total	**220,524**	248,110	(27,586)
TOTAL	**2,815,724**	2,989,748	(174,024)

The tax losses carried forward pertaining to certain companies, amounting to approximately Euro 30 million, have not been taken into account for the purposes of the calculation of the prepaid taxes since there is no reasonable certainty of generating taxable income in the immediate future which would be capable of absorbing these losses.

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

Description	**12.31.2004**	12.31.2003	Movement
Amounts due from staff	485,076	379,220	105,856
Other receivables	1,380,893	824,390	556,503
Total	**1,865,969**	1,203,610	662,359

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

III - Financial investments which are not permanent

Balance as at 12.31.04	218,312
Balance as at 12.31.03	576,971
Movement	**(358,659)**

The breakdown for this item is as follows:

Description	12.31.2004	12.31.2003	Movement
Equity investments in Arena Tourist	38,024	38,082	(58)
Other equity investments	**38,024**	38,082	(58)
Open-end investment company (SICAV)	30	30	-
Genercomit funds	163,614	163,614	-
Other fixed-income securities	16,644	375,245	(358,601)
Total other securities	**180,288**	538,889	(358,601)
Total	**218,312**	576,971	(358,659)

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.

The other fixed-income securities comprise private bonds held by the subsidiary company U.T.P. D.o.o..

IV - Cash at bank and in hand

Balance as at 12.31.04	21,887,585
Balance as at 12.31.03	24,310,394
Movement	**(2,422,809)**

The breakdown for this item is as follows:

Description	12.31.2004	12.31.2003	Movement
Post Office and bank deposits	21,620,926	24,001,693	(2,380,767)
Bank cheques	-	13,036	(13,036)
Cash and cash equivalents on hand	266,659	295,665	(29,006)
Total	**21,887,585**	24,310,394	(2,422,809)

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

D) Prepayments and accrued income

Balance as at 12.31.04	837,859
Balance as at 12.31.03	635,668
Movement	**202,191**

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

Description	12.31.2004	12.31.2003	Movement
Accrued income:			
Interest receivable	7,407	11,264	(3,857)
Other accrued income	54,403	82,997	(28,594)
Total accrued income	**61,810**	94,261	(32,451)
Prepayments:			
Insurance premiums	276,179	48,706	227,473
Rents	52,816	58,352	(5,536)
Prepaid expenses	92,624	82,635	9,989
Other prepayments	354,430	351,714	2,716
Total prepayments	**776,049**	541,407	234,642
Total prepayments and accrued income	**837,859**	635,668	202,191

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

LIABILITIES

A) Shareholders' equity

Balance as at 12.31.04	231,897,077
Balance as at 12.31.03	219,776,572
Movement	**12,150,505**

The share capital of SOL SPA as at 12.31.04 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 shareholders' equity at year-end is detailed below:

Net Equity	Balance 12.31.2003	Transfer of result	Dividends paid	Translation differences	Other movements	Result	Balance **12.31.2004**
Pertaining to the Group:							
Share capital	47,164,000	-	-	-	-	-	47,164,000
Share premium account	63,334,927	-	-	-	-	-	63,334,927
Revaluation reserves	-	-	-	-	-	-	-
Legal reserve	3,097,354	341,666	-	-	-	-	3,439,020
Reserve for own shares	2,317,074	-	-	-	-	-	2,317,074
Statutory reserves	-	-	-	-	-	-	-
Other reserves	-	-	-	-			
Extraordinary reserve	31,473,537	1,031,658	-	-	-	-	32,505,195
Reserves subject to deferred taxation	4,106,867	-	-	-	-	-	4,106,867
Reserve for translation difference	(2,755,078)	-	-	(971,334)	-	-	(3,726,412)
Undistributed earnings of subsidiaries and other reserves	42,393,598	8,370,139	-	-	1,738,484	-	52,502,221
Consolidation reserve	5,871,593	-	-	-	-	-	5,871,593
Other reserves	587,234	-	-	-	-	-	587,234
Profits (losses) carried forward	-	-	-	-	-	-	-
Profit (loss) for the financial year	15,203,451	(9,743,463)	(5,459,988)	-	-	16,505,082	16,505,082
Total group shareholders' equity	212,794,557	-	(5,459,988)	(971,334)	1,738,484	16,505,082	**224,606,801**
Minority interests:							
Capital and reserves pertaining to minority interests	7,012,799	(30,784)	-	-	(88,796)	-	6,893,219
Profit (loss) pertaining to minority interests	(30,784)	30,784	-	-	-	397,057	397,057
Total shareholders' equity pertaining to minority interests	6,982,015	-	-	-	(88,796)	397,057	**7,290,275**
Total Shareholders's Equity	219,776,572	-	(5,459,988)	(971,334)	1,649,688	16,902,139	**231,897,077**

The share capital, legal reserve, extraordinary reserve and the non-taxable provisions and reserves reflect the amounts reported in the Parent Company's Financial Statements as at 31 December 2004.

The "Consolidation reserve" appearing in the consolidated balance sheet as of 31 December 2004 reflects:

- the difference between the acquisition value of the equity investment in AIRSOL BV and the shareholders' 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 shareholders' equity value of the same company as at 31 December 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 shareholders' equity value of the same company as at 31 December 2002 (Euro 12,407).
- the difference between the acquisition value of the equity investment in ENERGETIKA Z.J. D.o.o. and the adjusted shareholders' equity value of the same company, the capital gains pertaining to the investments held as at 31 December 2002 (Euro 3,686,149) duly being taken into account.
- the difference between the acquisition value of an additional 12.67% of the equity investment in ENERGETIKA Z.J. D.o.o. and the adjusted shareholders' equity of the same company, the capital gains pertaining to the investments held as at 31 December 2003 (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 shareholder's equity value of the same company as at 31 December 2003 (Euro 228,380).
- the difference between the acquisition value of an additional 20.42% of the equity investment in TGK A.D. and the shareholders' equity value of the same company as at 31 December 2003 (Euro 170,228).

The change in the item "Capital and reserves pertaining to minority interests" was mainly generated by the increase of additional equity investments in SOL Welding Srl., SOL SEE d.o.o., TGK AD, HGT S.A. and Zeus S.A., the inclusion within the scope of consolidation of the company Il Point Srl and the deconsolidation of ESSETI Deutschland GmbH.

Reconciliation between the equity and economic position of the Parent Company and the consolidated equity and economic position.

	Net Profit		Shareholders' Equity	
	For the Group	Minority interests	For the Group	Minority interests
BALANCES AS PER THE EQUITY AND ECONOMIC POSITION FOR THE PARENT COMPANY	28,503,240	-	181,957,557	-
Effect of writing off the value adjustments and the amounts provided for exclusively in compliance with tax regulations net of fiscal effects:				
- Excess accelerated depreciation due to tax interference	(26,898,285)	(134,617)	-	-
Elimination of inter-company transactions, net of tax effects:				
- Internal profit on tangible fixed assets	35,789	1,018	(446,890)	(4,679)
- Internal profit on intangible fixed assets	44,566	2,090	(132,080)	(14,630)
- Reversal of adjustments to investments in subsidiary companies	10,537,558	(48,625)	-	-
- Dividends paid by consolidated companies	(932,318)	(11,025)	-	-
Adjustment of accounting policies to achieve consistent Group accounting policies, net of tax effects:				
- Adjustment of rates of exchange	185,228	-	185,228	-
- Use of finance lease method for leased assets	(6,305)	6,925	2,225,815	12,020
- Use of finance lease method for assets leased to third parties	-	-	-	-
- Valuation at equity of companies reported at cost	325	(42)	314,227	(21)
- Tax on subsidiaries' undistributed profits	-	-	-	-
Carrying value of consolidated equity investments	-	-	(111,587,736)	-
Shareholders' equity and financial year's results of consolidated companies	5,854,615	512,879	151,231,173	7,188,693
Allocation of the difference to the assets of the companies and relative depreciation, amortisation and write-downs:				
- Tangible fixed assets	(58,355)	18,149	(202,123)	108,893
- Goodwill on consolidation	(767,878)	-	1,061,630	-
Effect of other adjustments:				
- Change in consolidation basis	6,902	50,305	-	-
BALANCES AS PER THE CONSOLIDATED EQUITY AND ECONOMIC POSITION	16,505,082	397,057	224,606,801	7,290,276

B) Provisions for risks and charges

Balance as at 12.31.04	20,642,677
Balance as at 12.31.03	18,043,448
Movement	**2,599,229**

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

Description	**12.31.2004**	12.31.2003	Movement
Provisions for pensions and similar obligations	-	-	-
Taxation, also deferred	19,804,418	16,991,852	2,812,566
Other:			
- Provisions for exchange rate fluctuations	-	2,980	(2,980)
- Other minor provisions	838,259	1,048,616	(210,357)
Total other provisions	838,259	1,051,596	(213,337)
Total	**20,642,677**	18,043,448	2,599,229

The item "Provision for taxes" represents the net balance of deferred tax liabilities provided for in the consolidated financial statements as of 31 December 2004 with regard to items having a fiscal nature stated in the statutory financial statements of the Group companies (accelerated depreciation) and of deferred tax liabilities referring to the other consolidation entries; the item comprises.

Description	12.31.2004	12.31.2003	Movement
As per the statutory financial statements			
Deferred taxes on capital gains	591,695	314,392	277,303
Deferred taxes on depreciation	17,599,059	-	17,599,059
Other minor	8,858	8,349	509
Total accrued income	**18,199,612**	322,741	17,876,871
From consolidation operations			
Deferred taxes on leasing	1,353,863	1,352,592	1,271
Deferred taxes for accelerated depreciation	-	15,006,256	(15,006,256)
Deferred taxes on the revaluation of assets	250,943	310,263	(59,320)
Total	**1,604,806**	16,669,111	(15,064,305)
Total	**19,804,418**	16,991,852	2,812,566

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

C) Employee severance indemnity

Balance as at 12.31.04	9,652,260
Balance as at 12.31.03	8,921,298
Movement	**730,962**

Movements in staff severance fund were as follows:

	Balance 12.31.2003	Allocation	(Uses)	Other movements	Balance **12.31.2004**
Movements in employee severance provision					
Total	8,921,298	1,404,048	(702,762)	29,676	**9,652,260**

The reserve represents the company's entire liability as of 31 December 2004 accrued by the employees on the payroll as of that date, net of any advances paid.

D) Payables

Balance as at 12.31.04	165,705,478
Balance as at 12.31.03	153,524,073
Movement	**12,181,405**

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

Description	**12.31.2004**	12.31.2003	Movement
Bonds	-	-	-
Convertible bonds	-	-	-
Amounts due to the shareholders for loans	43,890	-	43,890
Amounts due to banks	3,753,315	5,024,775	(1,271,460)
Amounts due to other lenders	92,156,222	83,493,399	8,662,823
Down payments	5,256,082	5,339,492	(83,410)
Amounts due to suppliers	52,069,980	46,478,737	5,591,243
Bills of exchange payable	-	-	-
Amounts due to non-consolidated group companies	-	-	-
Amounts due to associated companies	155,104	87,557	67,547
Amounts due to Parent companies	-	-	-
Amounts due to the tax authorities	3,552,439	4,802,736	(1,250,297)
Amounts due to Social Security institutions	2,227,740	1,893,983	333,757
Other payables	6,490,706	6,403,394	87,312
Total	**165,705,478**	153,524,073	12,181,405

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

	Falling due within 12 months	Falling due after 12 months	Falling due after more than 5	Total **12.31.2004**	Total 12.31.2003
Amounts due to shareholders for loans	43,890	-	-	43,890	-
Amounts due to banks	3,744,008	9,307	-	3,753,315	5,024,775
Amounts due to other financiers	15,866,887	65,487,864	10,801,471	92,156,222	83,493,399
Down payments	5,256,082	-	-	5,256,082	5,339,492
Amounts due to suppliers	52,069,980	-	-	52,069,980	46,478,737
Amounts due to associated companies	155,104	-	-	155,104	87,557
Amounts due to tax administration	3,552,439	-	-	3,552,439	4,802,736
Amounts due to Social Security institutions	2,227,740	-	-	2,227,740	1,893,983
Other payables	4,334,096	1,140,610	1,016,000	6,490,706	6,403,394
Total	87,250,226	66,637,781	11,817,471	**165,705,478**	153,524,073

Payables due beyond 5 years are broken down by geographic area s follows:

Description	**12.31.2004**				12.31.2003			
	Italy	EC	Non EC	Total	Italy	EC	Non EC	Total
Amounts due to other lenders	8,380,588	2,420,883	-	10,801,471	11,733,065	86,045	-	11,819,110
Other payables	1,016,000	-	-	1,016,000	-	-	-	-
Total	**9,396,588**	**2,420,883**	**-**	**11,817,471**	11,733,065	86,045	-	11,819,110

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 3,204 thousand, deriving from the application of the international accounting standard IAS 17 on assets that are the object of a finance lease.

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

Finance institute	Amount	Short-term amount		Rate of interest	Maturity	Value	Original amount
BNL	26	26	(f.r.)	2.71%	11.01.2005	ITL million	300
Deutsche Bank	13	13	(f.r.)	2.88%	19.01.2005	ITL million	400
Mediocredito Lombardo	16	16	(f.r.)	4.25%	31.03.2005	ITL million	500
MPS	9	9	(f.r.)	3.88%	30.11.2005	ITL million	70
Centrobanca	27	27		3.70%	31.12.2005	ITL million	286
Deutsche Bank	65	52	(f.r.)	2.88%	16.01.2006	Euro	207,000
Credito Emiliano	77	51		3.82%	17.02.2006	Euro	150,000
Mediocredito Centrale	709	473		3.20%	14.04.2006	ITL million	4,575
Banque Scalbert Dupont	11	7		3.80%	20.07.2006	Euro	14,000
IMI	3,680	1,394		7.66%	15.03.2007	ITL million	19,000
IMI	139	56		5.30%	15.06.2007	Euro	250,000
Credito Italiano	6,617	2,095		5.15%	30.06.2007	Euro	10,500,000
Credito Emiliano	956	309	(f.r.)	3.15%	01.08.2007	Euro	1,540,000
ERP	763	218		1.95%	01.01.2008	ATS	18,000,000
IMI	5,592	1,598		5.40%	15.03.2008	ITL million	24,750
Bank Austria	577	128	(f.r.)	2.88%	01.07.2009	ATS	15,000,000
Mediocredito Lombardo	1,665	333		5.80%	21.11.2009	Euro	1,831,000
Bank Austria	941	171	(f.r.)	2.88%	01.01.2010	ATS	20,000,000
Credito Emiliano	750	65		6.05%	14.06.2010	Euro	750,000
Mediocredito Centrale	4,500	393	(f.r.)	2.85%	30.06.2010	Euro	4,500,000
IMI	11,143	1,857		3.82%	15.12.2010	Euro	13,000,000
Banco di Brescia	3,000	455		3.77%	31.12.2010	Euro	3,000,000
Banco di Brescia	946	-		4.57%	30.06.2011	Euro	945,540
IMI	5,107	786		4.72%	15.09.2011	Euro	5,500,000
Banco di Brescia	8,000	999		4.39%	30.09.2011	Euro	8,000,000
IMI	6,563	938		5.50%	15.12.2011	Euro	7,500,000
IMI	7,300	-		4.12%	15.12.2012	Euro	7,300,000
IMI	7,500	938		3.34%	15.12.2012	Euro	7,500,000
Credito Italiano	4,000	-		4.10%	31.12.2012	Euro	4,000,000
Mediocredito Centrale	8,262	843	(f.r.)	2.85%	31.12.2012	Euro	8,263,000
Amounts due to leasing companies	3,204	1,620					
Total	**92,156**	**15,867**					

The interest rate of the IMI loan totalling Euro 7.5 million, which was originally floating, has been made fixed by means of a specific IRS contract with an identical duration and for an identical amount.

The item "Down payments" relates to the invoices issued and collected on for works still in progress as of 31 December 2004 or for other down payments from customers.

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:

	12.31.2004	12.31.2003	Movement
CONSORGAS Srl	69,641	36,827	32,814
Medical System	85,463	50,730	34,733
Total	**155,104**	87,557	67,547

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

Description	12.31.2004	12.31.2003	Movement
Amounts due in respect of income tax	1,311,016	2,593,174	(1,282,158)
Amounts due to Inland Revenue in respect of VAT	742,683	1,079,101	(336,418)
Amounts due to the tax authorities in respect of withholding tax	1,146,733	1,017,882	128,851
Other amounts due to the tax authorities	352,007	112,579	239,428
Total	**3,552,439**	4,802,736	(1,250,297)

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

Description	12.31.2004	12.31.2003	Movement
Accrued holidays not taken	2,266,020	2,174,833	91,187
Guarantee deposits	356,992	302,446	54,546
Amounts due for acquisition of equity investments	1,902,599	2,226,276	(323,677)
Amounts due to employees for wages and salaries	1,084,994	773,000	311,994
Other payables	880,101	926,839	(46,738)
Total	**6,490,706**	6,403,394	87,312

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 SPG d.o.o. (Euro 469,814) and SOL SEE d.o.o. (Euro 1,016,000) and ENERGETIKA ZJ (Euro 416,785) presently held by the company SIMEST SPA.

E) Accruals and deferred income

Balance as at 12.31.04	3,067,403
Balance as at 12.31.03	3,169,259
Movement	**(101,856)**

These represent the harmonising items for the financial period entered on an accrual basis.

The breakdown for this item is as follows:

Description	12.31.2004	12.31.2003	Movement
Accrued liabilities:			
Interest payable on loans	519,278	512,095	7,183
Other	722,919	633,402	89,517
Total accrued liabilities	**1,242,197**	1,145,497	96,700
Deferred income:			
Lump sums granted	1,648,346	1,866,316	(217,970)
Rentals receivable	48,899	31,021	17,878
Other	127,961	126,425	1,536
Total deferred income	**1,825,206**	2,023,763	(198,556)
Total	**3,067,403**	3,169,259	(101,856)

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

MEMORANDUM ACCOUNTS

Memorandum accounts

Balance as at 12.31.04	6,656,782
Balance as at 12.31.03	7,222,483
Movement	**(565,701)**

Description	12.31.2004	12.31.2003	Movement
Guarantees given to third parties	6,398,298	6,841,266	(442,968)
Real guarantees given	-	-	-
Other memorandum accounts	227,297	350,030	(122,733)
Guarantees received	31,187	31,187	-
Total	**6,656,782**	7,222,483	(565,701)

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 12.31.04	333,054,775
Balance as at 12.31.03	304,439,605
Movement	**28,615,170**

The breakdown for this item is as follows:

Description	12.31.2004	12.31.2003	Movement
Net turnover from sales and services	320,804,332	298,499,051	22,305,281
Change in stocks	1,859,128	118,069	1,741,059
Change in works in progress on contracts	1,677,697	(787,693)	2,465,390
Work performed for own purposes and capitalised	5,747,586	4,082,434	1,665,152
Other revenues and income	2,527,556	2,098,463	429,093
Financial grants to the financial period account	438,476	429,281	9,195
Total	**333,054,775**	304,439,605	28,615,170

The change in the scope of consolidation due to the inclusion of the Profit and Loss Account of the companies Il Point Srl (period from 1 April until 31 December) and OXYMED Medizintechnik GmbH (period from 1 July until 31 December) led to a net increase in sales of Euro 1,725,069.

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

Description	12.31.2004	12.31.2003	Movement
Capital gains on disposal of fixed assets	1,490,839	1,113,092	377,747
Insurance indemnities	136,635	107,193	29,442
Real estate rentals	38,458	27,090	11,368
Other	861,624	851,088	10,536
Total	**2,527,556**	2,098,463	429,093

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	12.31.2004	12.31.2003	Movement
Sales - Italy	222,325,026	212,958,966	9,366,060
Sales - EEC (except Italy)	78,431,925	66,635,754	11,796,171
Sales outside EEC	20,047,381	18,904,331	1,143,050
Total	**320,804,332**	298,499,051	22,305,281

Breakdown of revenues by type of business

Description	12.31.2004	12.31.2003	Movement
Gas pipelines and on-site	34,875,017	37,332,699	(2,457,682)
Merchant	197,315,775	185,569,175	11,746,600
Home care	88,613,540	75,597,177	13,016,363
Total	**320,804,332**	298,499,051	22,305,281

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

B) Costs of production

Balance as at 12.31.04	298,207,911
Balance as at 12.31.03	271,270,715
Movement	**26,937,196**

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

Description	12.31.2004	12.31.2003	Movement
Raw materials, subsidiary materials and goods	96,001,305	85,596,317	10,404,988
Services	96,248,235	86,846,494	9,401,741
Costs for use of assets owned by others	6,065,117	4,730,963	1,334,154
Wages and salaries	40,490,875	36,477,651	4,013,224
Social Security costs	14,180,595	12,544,348	1,636,247
Employee severance indemnity	1,404,048	1,366,132	37,916
Pension costs and similar obligations	-	-	-
Other costs relating to staff	-	-	-
Amortisation of intangible fixed assets	2,083,377	3,116,724	(1,033,347)
Amortisation of tangible fixed assets	34,891,336	31,752,591	3,138,745
Other reductions in value of fixed assets	-	3,461	(3,461)
Allowance for doubtful debtors included in current assets	3,088,261	5,785,501	(2,697,240)
Variation in stocks of raw materials	31,288	(182,999)	214,287
Amounts provided for risk provisions	21,176	68,885	(47,709)
Other provisions	1,105	369,063	(367,958)
Other operating charges	3,701,193	2,795,584	905,609
Total	**298,207,911**	271,270,715	26,937,196

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

The percentage incidence of purchases, net of adjustments to inventories of raw materials, in respect of the value of production is shown in the table below.

Description	12.31.2004	12.31.2003
Change in stocks of raw materials	31,288	(182,999)
Purchases of raw materials, subsidiary materials and goods	96,001,305	85,596,317
Adjusted purchases of raw materials, subsidiary materials and goods	96,032,593	85,413,318
Value of production	322,663,460	298,617,119
Percentage incidence	**29.76%**	28.60%

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

Description	12.31.2004	12.31.2003	Movement
Freight	42,559,256	39,499,908	3,059,348
Maintenance	12,543,770	12,069,444	474,326
Consulting and general services	8,510,354	6,642,450	1,867,904
Insurance	2,497,076	2,332,420	164,656
Travel and related allowances	4,794,099	5,290,208	(496,109)
Advertising	1,217,189	1,130,172	87,017
Remuneration paid to Directors and fees paid to Statutory Auditors	2,326,777	2,079,000	247,777
Other services	21,799,714	17,802,892	3,996,822
Total	**96,248,235**	86,846,494	9,401,741

The breakdown of the item "Amortisation and depreciation" of intangible and tangible fixed assets by asset category, is presented below:

Amortisation of intangible fixed assets

Description	12.31.2004	12.31.2003	Movement
Start-up and expansion costs	121,987	276,585	(154,598)
Costs of research, development and advertising	141,997	163,625	(21,628)
Industrial patents and rights to use intellectual property	197,866	413,242	(215,376)
Concessions, licenses, trade marks and similar rights	253,102	179,279	73,823
Goodwill	171,198	135,146	36,052
Other	429,349	381,293	48,056
Consolidation difference	767,878	1,567,554	(799,676)
Total	**2,083,377**	3,116,724	(1,033,347)

Depreciation of tangible fixed assets

Description	12.31.2004	12.31.2003	Movement
Land and buildings	2,547,402	2,556,649	(9,247)
Plants and machinery	11,116,264	10,793,299	322,965
Fixtures and fittings, tools and equipment	19,049,567	16,533,800	2,515,767
Other assets	2,178,103	1,868,843	309,260
Tangible fixed assets in course of construction	-	-	-
Total	**34,891,336**	31,752,591	3,138,745

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

Description	12.31.2004	12.31.2003	Movement
Taxes other than income tax	2,761,913	1,625,007	1,136,906
Capital losses related to ordinary activities	66,106	180,622	(114,516)
Losses on amounts receivable not covered by provisions	289,321	627,589	(338,268)
Other minor charges	583,853	362,366	221,487
Total	**3,701,193**	2,795,584	905,609

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

C) Financial income and charges

Balance as at 12.31.04	(3,807,034)
Balance as at 12.31.03	(3,706,243)
Movement	**(100,791)**

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

Description	12.31.2004	12.31.2003	Movement
Income from equity investments in non-consolidated group companies	-	-	-
Income from equity investments in associated companies	-	317	(317)
Income from equity investments in other companies	6	4	2
Income from loans entered under fixed assets	17,495	20,709	(3,214)
Income from securities entered under current assets	-	1,869	(1,869)
Other income not included above	711,538	811,856	(100,318)
(Interest payable and other similar financial charges)	(4,612,827)	(4,822,814)	209,987
Exchange (losses) gains	76,754	281,816	(205,062)
Total	**(3,807,034)**	(3,706,243)	(100,791)

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

Description	12.31.2004	12.31.2003	Movement
Interest on banks and post offices deposits	212,148	297,355	(85,207)
Interest receivable from clients	294,083	202,995	91,088
Interest receivable on other amounts	-	35,807	(35,807)
Other financial income	205,307	275,699	(70,392)
Total	**711,538**	811,856	(100,318)

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

Description	12.31.2004	12.31.2003	Movement
Interest payable to banks	212,754	260,567	(47,813)
Interest payable to suppliers	4,219	7,913	(3,694)
Interest payable on loans	3,517,552	3,766,054	(248,502)
Total financial charges	878,302	788,280	90,022
Total	**4,612,827**	4,822,814	(209,987)

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

The item "Exchange gains (losses)" is made up as follows:

Description	12.31.2004	12.31.2003	Movement
Exchange gains	732,007	761,225	(29,218)
Exchange losses	(655,253)	(479,409)	(175,844)
Total	**76,754**	281,816	(205,062)

D) Value adjustments to financial investments

Balance as at 12.31.04	(49,393)
Balance as at 12.31.03	(163,343)
Movement	**113,950**

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

Description	12.31.2004	12.31.2003	Movement
Revaluations of equity investments	1,248	5,714	(4,466)
Revaluations of long-term financial assets which are not equity investments	10,234	333	9,901
Revaluations of current receivables	-	-	-
Write-downs of equity investments	(59,515)	(163,998)	104,483
Write-downs of long-term financial assets which are not equity investments	(1,360)	(5,392)	4,032
Write-downs of current receivables	-	-	-
Total	**(49,393)**	(163,343)	113,950

E) Extraordinary income and charges

Balance as at 12.31.04	18,535
Balance as at 12.31.03	(37,761)
Movement	**(56,296)**

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

Description	**12.31.2004**	12.31.2003	Movement
Other extraordinary income	661,090	500,108	160,982
Capital gains from disposal of fixed assets	13,137	41,242	(28,105)
Capital losses from disposal of fixed assets	-	(86,000)	86,000
Taxes from previous financial years	(267,709)	(118,444)	(149,265)
Other extraordinary charges	(387,983)	(374,667)	(13,316)
Total	**18,535**	(37,761)	56,296

Income taxes for the year

Balance as at 12.31.04	14,106,833
Balance as at 12.31.03	14,088,876
Movement	**17,957**

The breakdown of income taxes for the year is as follows:

Description	**12.31.2004**	12.31.2003	Movement
Current taxes	12,307,821	12,716,748	(408,927)
Deferred and prepaid taxes	1,799,012	1,372,128	426,884
Total	**14,106,833**	14,088,876	17,957

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

The breakdown of deferred and prepaid taxation is as follows:

	12.31.04 Sum total of the timing differences	12.31.04 Tax effect (amount)	12.31.03 Sum total of the timing differences	12.31.03 Tax effect (amount)
Prepaid taxes				
Prepaid taxes for allowances on doubtful receivables	2,701,388	-111,957	3,909,894	770,240
Prepaid taxes for risk provisions	482,821	-77,578	0	0
Prepaid taxes for the write-down of equity investments	0	0	1,346,739	444,424
Prepaid taxes on tax losses	0	0	0	0
Prepaid taxes on internal gains	-75,073	-27,587	427,087	102,533
Other minor	730,179	175,709	309,041	46,039
Totale		**-41,413**		1,363,236
Deferred taxation				
Deferred taxes on capital gains	902,163	336,236	775,425	293,907
Deferred taxes on accelerated depreciation	-3,399,771	1,468,548	-3,942,512	2,317,365
Deferred taxes on operating grants	0	0	0	0
Deferred taxes on leasing	1,892	1,272	69,182	81,193
Deferred taxes on the revaluation of assets	-148,330	-59,320	-148,330	-59,320
Other minor	31,308	10,864	717,908	102,219
Total		**1,757,600**		2,735,364
Net prepaid (deferred) taxation		**-1,799,012**		-1,372,128

Information on employees

Description	**12.31.2004**	12.31.2003	Movement
Managers	37	37	-
Office workers	902	856	46
Factory workers	508	469	39
Total	**1,447**	1,362	85

Remuneration paid to Directors and fees paid to Statutory Auditors

Description	**12.31.2004**	12.31.2003	Movement
Directors	2,170,463	1,934,431	236,032
Statutory Auditors	156,314	144,569	11,745
Total	**2,326,777**	2,079,000	247,777

Reference should be made to the Explanatory Notes to the Financial Statements as at 31 December 2004 of SOL SpA as regards the remuneration paid to Directors and the fees paid to Statutory Auditors.

Dealings with correlated parties

During 2004, the SOL Group had dealings with related parties, such individuals related by kin 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 370,062 for the Group.

The Chairman of the Board of Directors

(Aldo Fumagalli Romario)

Consolidated cash flow statement Sol Group

(In thousands of Euro)	**12.31.2004**	12.31.2003
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES		
Profit for the period	16,505	15,203
Minority interest - share of profit	397	(31)
Adjustments not affecting liquidity		
Depreciation and amortisation	36,975	34,869
Change in staff severance fund	1,404	1,366
Increase (decrease) in provisions for liabilities and charges	2,599	1,986
Write-down of equity investments	-	-
Total	**57,880**	53,394
Changes in current assets and liabilities		
Stocks	(3,570)	563
Receivables	(6,287)	(17,815)
Prepayments and accrued income	(202)	(94)
Suppliers	5,659	3,370
Other payables	338	4,626
Accrued liabilities and deferred income	(102)	(537)
Amounts due to the tax authorities	(1,250)	847
Total	**(5,415)**	(9,042)
CASH FLOW PROVIDED BY OPERATING ACTIVITIES	**52,466**	44,352
CASH FLOWS PROVIDED BY INVESTING ACTIVITIES		
Acquisitions, revaluation and other movements in industrial fixed assets	(56,475)	(33,716)
Change in the consolidation basis	-	-
Net book value of assets	461	769
Increases in intangible assets	(1,418)	(1,272)
(Increase) decrease in investments	205	744
(Increase) decrease in financial assets not held as fixed assets	359	(237)
TOTAL	**(56,869)**	(33,713)
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES		
Proceeds from (repayments of) new borrowings	8,663	(3,459)
Repayment of debenture loans	-	-
Proceeds from (repayments of) shareholders' loans	44	
Dividends paid	(5,460)	(5,460)
Termination indemnities paid during the year net of transfers from Group companies	(673)	(516)
Other changes in shareholders' equity		
- increase in share capital	-	-
- translation differences and other movements	767	(414)
- movements in net equity pertaining to minority interests	(89)	(1,087)
- change in the consolidation basis	-	1,063
TOTAL	**3,252**	(9,872)
INCREASE (DECREASE) IN CASH IN HAND AND AT BANK	**(1,151)**	**767**
CASH IN HAND AND AT BANK AT BEGINNING OF YEAR	**19,286**	**18,518**
CASH IN HAND AND AT BANK AT END OF YEAR	**18,134**	**19,286**

Report of the independent auditors Sol Group 2004

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**AUDITOR'S REPORT PURSUANT TO ARTICLE 156
OF LEGISLATIVE DECREE No. 58 OF FEBRUARY 24, 1998**

**To the Shareholders of
SOL S.p.A.**

We have audited the consolidated financial statements of SOL S.p.A. as of December 31, 2004. These financial statements are the responsibility of the Company's Directors. 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 Commission for listed Companies and the Stock Exchange. 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 the Directors, 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 15,72% of the consolidated total assets and 10,82% of the consolidated revenues, have been examined by other auditors.

For the opinion on the financial statements of the prior year, which are presented for comparative purposes as required by law, reference should be made to the auditor's report issued by us on April 9, 2004.

In our opinion, the consolidated financial statements present fairly the financial position of SOL S.p.A. as of December 31, 2004, and the results of its operations for the year then ended in accordance with the Italian law governing financial statements.

DELOITTE & TOUCHE S.p.A.

Signed by
Patrizia Arienti
Partner

Milan, Italy,
April 13, 2005

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

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