Sol Group Annual Report 2005

SOL

SOLGROUP

Index

Sol Spa

Registered office
Via Borgazzi, 27
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 Mario Bottes

Board of Statutory Auditors

Chairman
Alessandro Danovi

Statutory Auditors
Enrico Aliboni
Gianfranco Graziadei

Alternate Auditors
Gabriele Zanfrini
Vittorio Terrenghi

Independent Auditors

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 business acting severally; powers of extraordinary business, 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 business relating to Administration and Finance (Ugo Marco Fumagalli Romario) and to IT Systems Organization (Giovanni Annoni) signing severally.

SOL Spa[1]

12.31.05

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** Avelin (F)
- 100% **Vivisol Deutschland GmbH** Mauern (D)
- 100% **Vivisol S.r.l.** Monza (I)
  - **Vivisol Umbria S.r.l.** Perugia (I) 70%
  - **Vivisol Napoli S.r.l.** Marcianise (I) 70%
    - 70% **Vivisol Silarus S.r.l.** Battipaglia (I)
  - **Il Point S.r.l.** Verona (I) 65%
  - 30% **Vivisol Calabria S.r.l.** Vibo Valentia (I)
- 97,37% **Zeus S.A.** Piraeus (GR)
- 100% **HGT S.A.** Salonicco (GR)

C.T.S. S.r.l. Monza (I) 100%
N.T.G. B.V. Tilburg (NL) 100%
B.T.G. BVBA Lessines (B)[6] 100%
SOL France Sas Cergy Pontoise (F) 100%
SOL T. G. GmbH Wiener Neustadt (A) 100%
GTS Sh.p.k. Tirana (AL) 100%
TGK Sofia A.D. Sofia (BG) 78,46%
- 51% **BEHRINGER S.r.l.** Genova (I)
- 10% **MEDICAL SYSTEM S.r.l.** Giussago (I) *
- 19,27 **IMG d.o.o.** Belgrado (SCG)[5] 34,68%
- 99,92% **Vivisol B Sprl** Lessines (B) 0,08%

I.C.O.A. S.r.l. Vibo Valentia (I) 97,60%
- 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.** Milano (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)
- **UTP d.o.o.** Pula (HR) 98%
- **Kisikana d.o.o.** Sisak (HR) 100%

92,67% **Energetika Z.J.d.o.o.** Jesenice (SLO)[3]
- 45,15%

49,45% **SPG - SOL Plin Gorenjska d.o.o.** Jesenice (SLO)[2]
- 35,89%

64,11% **T.P.J. d.o.o.** Jesenice (SLO)
99,17% **SOL WELDING S.r.l.** Costabissara (I)
96,16% **TGS A.D.** Skopje (MK)
- 2,84%

61,16% **SOL SEE d.o.o.** Skopje (MK)[4]

(*) Company outside the scope of consolidation
(1) SOL has established the following foreign branches: Vaux le Penil (F), Lugano (CH), Feluy- 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 23 December 2002 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 19 March 2003 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 36%. 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) The minority interests include an equity investment of SIMEST S.p.A. equating to 46,05%. On the basis of the SOL/SIMEST agreement dated 22 December 2004 SOL is obliged to repurchase the SIMEST stock by 30 June 2012.
(6) B.T.G. has established a foreign branch in Dainville (France).

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Sol Group Headquarters in Monza.

General context

SOL S.p.A. is a corporate body organized in accordance with the legal system of the Italian Republic. SOL S.p.A. and its subsidiary companies (the "SOL Group") are 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, electronics, iron and steel, engineering and foodstuff industries, as well as in sectors such as environmental protection, research and health.

The Group's headquarters are based in Monza (MILAN), Italy.

The macroeconomic scenario during 2005 featured more marked expansion in the Far East than in the West, with the relentless growth of China at an extremely fast pace over the last few years.

A considerable rise in the prices of raw materials and certain monetary tension was witnessed.

The price of oil touched its all-time high, consequently drawing along a rise in its derivatives and electricity, being the raw material for the Group's main products.

Inflation was also on the up, especially during the second half of the year, fostered in part by the growth in economic activities registered during the same period.

In the Euro area, GDP growth, after the extremely weak first six months with a very low value of exports and fairly unsatisfactory production levels, showed a slight pick-up during the second half of 2005, due to the revival of domestic demand regarding both fixed investments and private consumption. Exports also disclosed a satisfactory trend essentially due to the depreciation of the exchange rate.

Italy, in contrast to the other European countries, saw zero growth and a drop in industrial production. Only in the second half of the year were timid signs of recovery seen in some sectors of consumption and exports.

Production investments were also penalized by both the industrial relocation and the uncertainty of demand.

The growth of the technical gases sector in Italy was conditioned by the difficulties experienced by the manufacturing industry, characterized by production relocation and a general slowdown in consumption.

Furthermore, during the same period product costs rose following the increase in electricity costs due to the rise in the cost of oil products, the scarcity of supply on the free market and the lack of an energy policy addressing a form of industrial production which consumes large amounts of energy such as technical gases production does.

The forecasts for 2006 suggest a slight pick-up in growth when compared with 2005, both with regards to consumption and investments, even if the continual energy price rises may have a negative impact for consumption.

Within the afore-mentioned context, we believe that the results achieved by the SOL Group during 2005 were positive.

The Group's consolidated financial statements as at 31 December 2005 were drawn up in compliance with the International Accounting Standards (IAS/IFRS), compulsory since 2005 for the preparation of the consolidated financial statements of European stockmarket listed groups.
The adoption of these standards made it necessary to reclassify the balance sheet and profit & loss account figures for the period (31 December 2004) presented on a comparative basis in these financial statements with the results achieved as at 31 December 2005.
The 2004 figures reclassified in accordance with the new standards disclose net sales amounting to Euro 321.8 million (+ Euro 1 million when compared with the figure calculated in accordance with the previous principles applied), an operating result of Euro 36.6 million (+ Euro 1.8 million) and a net result of Euro 17.7 million (Euro +1.2 million).
The main results obtained by the SOL Group during 2005 are presented below, on a comparative basis with those for 2004 reclassified in accordance with the new accounting standards.
Net sales generated by the SOL Group during 2005 reported satisfactory growth and amounted to Euro 346 million (+ 7.5% when compared with 2004).
The gross operating margin was Euro 76.4 million, equal to 22.1% of sales, up slightly with respect to 2004 (Euro 75.5 million, or 23.5% of sales).
The operating result came to Euro 36.2 million, equating to 10.5% of sales, down slightly with respect to the figure for 2004 (Euro 36.6 million, or 11.4% of sales).
The net profit amounted to Euro 17.3 million (Euro 17.7 million at the end of 2004).
Cash flow amounted to Euro 56.3 million, up by Euro 2.2 million when compared with 2004 (equating to Euro 54.2 million).
Capital expenditure recorded in the financial statements totalled Euro 63.3 million (Euro 54.2 million in 2004).
The average number of staff employed as at 31 December 2005 totalled 1,490 (1,412 as at 31 December 2004).
The Group's net financial indebtedness was equal to Euro 90.7 million (Euro 75.2 million as at 31 December 2004).

Operating performance

During 2005, the technical gases sector disclosed satisfactory growth in sales when compared with the previous year, with volumes on the increase especially abroad. The services area also experienced positive growth with new applications in the hospital sector.
Among the outlet sectors, the iron, steel and chemical areas disclosed a satisfactory performance, as did the health and environmental sectors.
Sales to customers served by means of gas pipelines reported a satisfactory increase when compared with 2004.
The home-care business once again reported considerable growth, both in Italy and in foreign countries.

With regards to costs, there was a slight reduction in margins, attributable to the continual rise in production costs, especially electricity, and distribution costs; these are costs which it is not always possible to transfer downstream, especially in Italy, due to the weakness of the economic cycle.
The profit & loss account was also weighed down by costs for the start-up of new air fractionating plants in Jesenice (Slovenia), which were brought onto stream in August, as well as in Kavadarci (Macedonia) and Feluy (Belgium); the latter started production in January 2006.
More specifically, the production capacity of the plant built in Feluy during 1998 was doubled.
Trade receivables underwent a positive trend, albeit in consideration of the difficult economic situation in Italy and generalized payment problems in the health sector.
The Group's net indebtedness increased by Euro 15.5 million, essentially as a result of the requirements necessary for financing investments (over Euro 63 million) which were made during 2005.
During the course of 2005, technical gas reserves remained within the safety levels while plants continued to operate more or less on a regular basis.
Scheduled periodic maintenance was carried out on the plants at Salerno, Feluy (Belgium), Piombino and Verona.
The SOL Group's work force increased during 2005 and the staff training and qualifying activities continued in order to improve the professional quality so as to achieve the Group's growth objectives.
During 2004, the Italian 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..
On 30 November 2005, the Antitrust Authority advised the parties concerned of the "Communication of the Preliminary Results", essentially complying with the matters already asserted by said Authority at the time of opening the preliminary inquiry.
SOL has taken steps to file defence briefs in which it sets forth the reasons why it believes it is extraneous to the objections raised by the Authority.
By May 2006, the preliminary inquiry should be concluded by means of the issue, by the Authority, of the final ruling.

Stockmarket performance

SOL stock opened the year 2005 with a listed price of Euro 4.220 and closed as at December 30, 2005 at Euro 4.138.
During the year, the stock achieved a maximum listed price of Euro 5.100, while the minimum came to Euro 3.990.

Environment, Quality and Safety

During 2005, the integrated Management System on matters of quality, safety and the environment, adopted in the past by the Group, obtained significant recognition by Sincert (National Accrediting

Body) by means of the consignment of the certification of excellence issued following the three certificates obtained for the Mantua factory in accordance with the ISO 9001, ISO 14001 and OHSAS 18001 standards.
This status of excellence, acknowledged to just a handful of companies in Italy, is accompanied and enhanced in our situation by the European EMAS Registration which was maintained for the Verona site and also achieved by the Mantua site.
Therefore, also throughout the whole of 2005, the commitment regarding quality, safety and the environment was confirmed and consolidated and the related Management System was also adopted as an important element of the organizational, management and auditing model in accordance with Italian Legislative Decree No. 231/2001.
The ISO 9001, ISO 14001 and OHSAS 18001 certifications obtained in previous years were also confirmed and enhanced by means of the new certifications obtained in Italy for the service activities in the hospital sector and for the activities in Austria and the Republic of Macedonia. By means of this extension, the SOL units certified in Italy and Europe number 25 sites.
CE marking certifications were also confirmed such as medical devices for medical gas distribution plants, vacuum and anaesthetic gas discharge installations, in addition to the maintenance of the CE marking for gases and mixtures produced by the company classified and registered as medical devices. The international reference standard was the ISO 13485 norm.
Within the sphere of Vivisol home-care activities, in addition to confirmation of the third party certification obtained in previous years, the extension of the ISO 900l certification was obtained for all the home-care services carried out in Italy and Europe, and of the site certificates. The Vivisol units which are certified to-date number 28 sites.
As part of the Responsible Care programme, participation and collaboration continued for the drawing up of the Federchimica Environmental Report, in addition to the renewed participation in the initiative known as "Fabbriche Aperte", which during 2005 saw the Group's plants visited by numerous students and their families.
During 2005, systematic monitoring was started up of the indirect environmental impacts which the Group's activities may influence. These included an increase in the installations made at the sites of the Customer with the technical gas auto-production plants known as "on-site plants". This solution, an alternative to the traditional supply of cylinders or liquefied cryogenic gas which occurs by means of road transportation, involves a benefit of "zero kilometres" travelled by trucks with a consequent reduction in the release of carbon dioxide (CO_2) into the environment.
The final figure for 2005 saw a reduced environmental impact of CO_2 equivalent to 3,400 t.

SOL Group investments

During the year under review, investments in the technical gases sector amounted to Euro 49.6 million, with Euro 13.7 million of this being invested in the home-care sector. These investments are analyzed below:

- Work for the improvement and the enhancement of the plants for the compression of oxygen in pipelines was completed at the Piombino plant.
- The system for the compression of nitrogen to be sent to the Chemical Hub in pipelines was enhanced at the Mantua plant.
- The programme for the modernization, enhancement and automation of the secondary plants in Italy continued. These activities concerned the units of Pisa, Ancona, Cremona and Monza in particular.
- At the Catania plant, work commenced for the construction of a new office block for the VIVISOL activities.
- In Macedonia, the company SOL-SEE completed work for the creation of the new air fractionating and liquefying plant for the production of high purity liquefied oxygen, nitrogen and argon with connected supply in pipelines to a leading metallurgic company.
  TGS extended the Bitola plant used for the production of carbon dioxide.
- In Feluy (Belgium), work was completed for upgrading the liquefying unit, with all the consequent ancillary plants and accessory services.
- In Slovenia, SPG's new air fractionating and liquefying plant in Jesenice became operative and replaced the old plant which had become obsolete.
- In the Netherlands, NTG extended the medical gas production activities at the Tilburg site, where work also started for the modernization of the nitrous oxide production plant. NTG also acquired a warehouse with offices to support the sales growth in the country.
- Work continued for the modernization and enhancement of the secondary production units in the Balkan countries were the Group operates.
- In Serbia, IMG began work for the construction of a new branch in Belgrade.
- In Bosnia, at the Kakmuz site, TPG carried out improvement measures on the carbon dioxide production plant.
- Work was carried out at Monza for the adaptation and improvement of the Group's new management headquarters. The transfer of the staff was completed during July 2005.
- Several 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, cylinders, dewars and medical equipment. All such measures were taken to support and develop the significant commercial growth achieved in all business sectors and geographical areas.

During 2005, the SOL Group continued with the process for the expansion and rationalization of its activities in Italy and abroad.

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.

The subsidiary company VIVISOL S.r.l. acquired an additional 15% interest in the company VIVISOL Brescia S.r.l., thereby raising its overall holding to 100%.

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

The Parent Company 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% to 36%, involving the obligation by SOL S.p.A. to repurchase the stock by 30 June 2012.

The subsidiary company AIRSOL B.V. acquired an interest of 4.39% in the company HGT S.A., taking its shareholding to 100%.

HGT S.A., in turn, sold the holding of 34% which it held in the subsidiary company Ionia Oxygono e.p.e. to third parties.

On 1 July 2005, the merger by incorporation of VIVISOL Brescia S.r.l. into VIVISOL S.r.l. took place, for the purpose of improving the territorial organization of the home-care services activities in the Lombardy area.

The Parent Company SOL S.p.A. raised its shareholding in the subsidiary company SOL Welding S.r.l. from 80.43% to 99.17%.

Furthermore, the subsidiary companies CryoMed S.r.l. and Eurobot Welding S.r.l., already in liquidation, ceased all activity.

Research and Development Activities

Research activities, which have traditionally characterised, justified and supported the Group's development, continued during the year; these activities mainly comprise applied research, currently associated with the development of new production 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 for the relevant accounting period.

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 (Italian personal data protection code), and formally acknowledge that they have taken steps to put together security measures capable of reducing to a 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 Italian Group companies obliged to draw up their own Programmatic Security Document have taken steps to do so within the legal deadlines.

Shares of the Parent Company held by Group Companies

We hereby confirm that as at 31 December 2005, the Parent Company SOL S.p.A. held 1,188,000 ordinary treasury 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 Group companies 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	Numero azioni acquistate	Number of shares sold	Number of shares held at the end of the accounting period 31 December 2005
Aldo Fumagalli Romario	SOL S.p.A.	5,000	0	0	5,000
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 **

* bare ownership rights.
** held by spouse.
\# 2,721,000 held by dependant children.

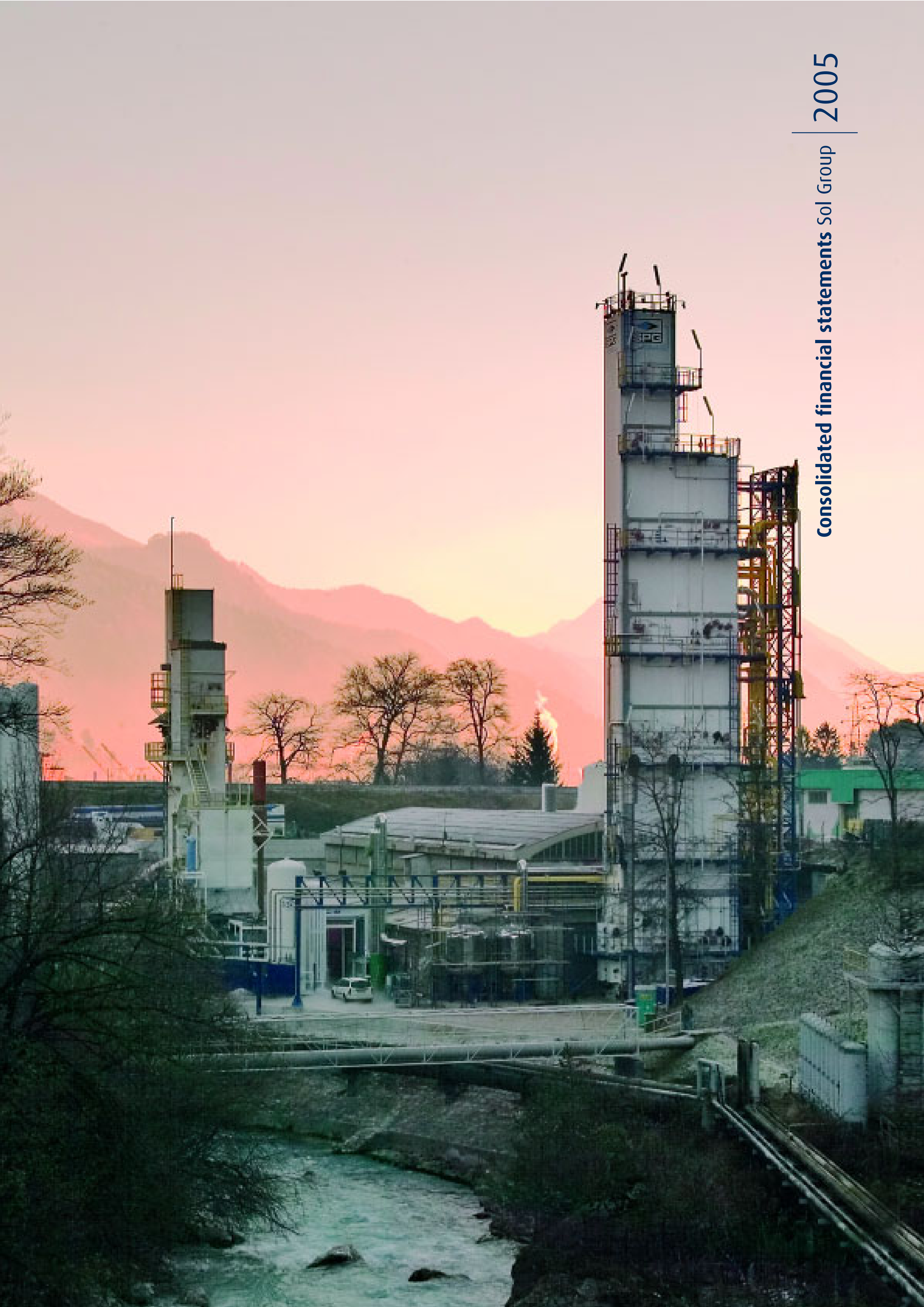
The other Directors, Statutory Auditors and the General Manager do not hold nor have held any equity investments in Group Companies during 2005.

Significant events which took place after the end of the 2005 accounting period and foreseeable business developments

No significant events took place after the end of the 2005 period.
As far as 2006 is concerned, we hope for an improvement in the difficult business trend which characterized 2005, especially in Italy.
An increase in the cost of electricity, the raw material for the Group's primary production, is however anticipated.
In any event, our objective is to continue to expand the turnover especially abroad and with regards to the home-care activities, and to maintain the Group's profitability.

Monza, Italy, 29 March 2006

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



Consolidated financial statements Sol Group | 2005

Consolidated profit and loss account Sol Group

(in thousands of Euro)	Note	**12.31.2005**	%	12.31.2004	%
NET SALES	1	**346,040**	100.0%	321,853	100.0%
Other revenues and income	2	2,804	0.8%	3,669	1.1%
Increases in internally-constructed fixed assets		5,521	1.6%	5,748	1.8%
REVENUES		**354,365**	102.4%	331,270	102.9%
Purchases of materials		105,833	30.6%	96,001	29.8%
Services rendered		103,965	30.0%	95,501	29.7%
Change in inventories		(3,094)	-0.9%	(1,858)	-0.6%
Other costs		11,053	3.2%	10,423	3.2%
TOTAL COSTS	3	**217,757**	62.9%	200,067	62.2%
ADDED VALUE		**136,608**	39.5%	131,203	40.8%
Payroll and related costs	4	60,192	17.4%	55,659	17.3%
GROSS OPERATING MARGIN		**76,416**	22.1%	75,544	23.5%
Depreciation and amortisation	5	38,291	11.1%	35,793	11.1%
Other provisions		1,944	0.6%	3,142	1.0%
OPERATING RESULT		**36,181**	10.5%	36,609	11.4%
Financial income / (expense)		(4,520)	-1.3%	(4,004)	-1.2%
Income / (loss) from equity investments		1	0.0%	(58)	0.0%
Total financial income / (expense)	6	(4,519)	-1.3%	(4,062)	-1.3%
PROFIT (LOSS) BEFORE INCOME TAXES		**31,662**	9.1%	32,547	10.1%
Income taxes	7	13,638	3.9%	14,188	4.4%
NET RESULT FROM BUSINESS ACTIVITIES		**18,024**	5.2%	18,359	5.7%
Net result from intermittent activities		-		-	
Profit / (Loss) pertaining to minority interests		(716)	-0.2%	(619)	-0.2%
NET PROFIT / (LOSS)		**17,308**	5.0%	17,740	5.5%
EARNINGS PER SHARE		**0.193**		0.198	

Consolidated balance sheet Sol Group

(in thousands of Euro)	Note	**12.31.2005**	12.31.2004
Tangible fixed assets	**8**	252,991	227,582
Goodwill and consolidation differences	**9**	2,855	2,640
Other intangible fixed assets	**10**	1,414	1,738
Equity investments	**11**	538	527
Other financial assets	**12**	1,699	1,590
Prepaid taxes	**13**	5,157	5,704
NON-CURRENT ASSETS		**264,654**	239,781
Non-current assets held for sale			
Inventories	**14**	23,733	20,596
Trade accounts receivable	**15**	146,851	138,879
Other current assets	**16**	7,796	7,644
Current financial assets	**17**	443	218
Prepayments and accrued income	**18**	1,528	838
Cash and cash at bank	**19**	16,422	21,888
CURRENT ASSETS		**196,773**	190,063
TOTAL ASSETS		**461,427**	429,844
Share Capital		47,164	47,164
Share premium reserve		63,335	63,335
Legal reserve		4,864	3,439
Reserve for own shares in portfolio		-	-
Other reserves		107,408	96,018
Net profit		17,308	17,740
Shareholders' equity - Group		**240,079**	227,696
Shareholders' equity - Minority interests		7,243	6,845
Profit (loss) pertaining to minority interests		716	619
Shareholders' equity - Minority interests		**7,959**	7,464
SHAREHOLDERS' EQUITY	**20**	**248,038**	235,160
Employee severance indemnities and other benefits	**21**	10,425	9,553
Deferred taxation	**22**	24,013	20,693
Provision for risks and charges	**23**	848	838
Payables and other financial liabilities	**24**	84,011	78,455
NON-CURRENT LIABILITIES		**119,297**	109,539
Non-current liabilities held for sale		**-**	-
Amounts due to banks		6,695	3,744
Trade accounts payable		56,202	52,225
Other financial liabilities		17,445	15,911
Tax liabilities		3,121	3,552
Accrued expenses and deferred income		3,390	3,099
Other current liabilities		7,239	6,614
CURRENT LIABILITIES	**25**	**94,092**	85,145
LIABILITIES AND SHAREHOLDERS' EQUITY		**461,427**	429,844

Consolidated cash flow statement Sol Group

(In thousands of Euro)	**12.31.2005**	12.31.2004
CASH FLOWS GENERATED BY OPERATING ACTIVITIES		
Profit (Loss) for the year	17,308	17,740
Minority interests in profit/loss	716	619
Adjustments not affecting liquidity		
Depreciation and amortisation	38,291	35,793
Financial expense	4,907	4,810
Accrued employee severance indemnities and other benefits	1,290	994
Provisions (use) of provisions for risks and charges	3,330	2,371
Total	**65,842**	62,327
Changes in current assets and liabilities		
Inventories	(3,137)	(1,922)
Receivables	(7,704)	(7,159)
Prepayments and accrued income	(690)	(202)
Suppliers	3,977	5,659
Other payables	3,161	485
Interest paid over	(4,398)	(4,291)
Accrued expenses and deferred income	(219)	(644)
Tax liabilities	(431)	(1,250)
Total	**(9,441)**	(9,325)
Cash flow generated by operating activities	56,401	53,003
CASH FLOWS GENERATED BY INVESTMENT ACTIVITIES		
Acquisitions, revaluations and other changes in tangible fixed assets	(63,912)	(57,405)
Net book value of assets sold	1,055	461
Increases in intangible assets	(733)	(1,200)
(Increase) decrease in financial fixed assets	9	205
(Increase) decrease in non-current financial assets	(225)	359
Total	**(63,807)**	(57,581)
CASH FLOWS GENERATED BY FINANCING ACTIVITIES		
Repayment of loans	(15,551)	(6,351)
Raising of new loans	20,100	15,014
Raising (repayment) of shareholders' loans	-	44
Dividends paid	(5,998)	(5,460)
Employee severance indemnities and benefits paid	(418)	(483)
Other changes in shareholders' equity		
- translation differences and other movements	1,073	740
- changes in shareholders' equity – minority interests	(221)	(78)
Total	**(1,016)**	3,427
INCREASE (DECREASE) IN CASH IN HAND AND AT BANK	**(8,421)**	(1,151)
CASH IN HAND AND AT BANK AT BEGINNING OF YEAR	**18,134**	19,286
CASH IN HAND AND AT BANK AT END OF YEAR	**9,713**	18,134

Statement of changes in consolidated shareholders' equity Sol Group

(in thousands of Euro)	Share Capital	Share premium reserve	Legal reserve	Reserve for own shares in portfolio	Other reserves	Retained earnings (accumulated loss)	Net profit	Total
Balance as at 1 Jan. 2004	**47,164**	**63,335**	**3,097**	**-**	**85,875**	**15,204**	**-**	**214,675**
Allocation of 2003 profit as per general shareholders' meeting on 30 April 2004	-	-	342	-	9,402	(9,744)	-	-
Dividends paid as per general shareholders' meeting on 30 April 2004	-	-	-	-	-	(5,460)	-	(5,460)
Other consolidation changes	-	-	-	-	741	-	-	741
Profit (loss) for the year	-	-	-	-	-	-	17,740	17,740
Balance as at 31 Dec. 2004	**47,164**	**63,335**	**3,439**	**-**	**96,018**	**-**	**17,740**	**227,696**
Allocation of 2004 profit as per general shareholders' meeting on 29 April 2005	-	-	1,425	-	10,317	-	(11,742)	-
Dividends paid as per general shareholders' meeting on 29 April 2005	-	-	-	-	-	-	(5,998)	(5,998)
Other consolidation changes	-	-	-	-	1,073	-	-	1,073
Profit (loss) for the year	-	-	-	-	-	-	17,308	17,308
Balance as at 31 Dec. 2005	**47,164**	**63,335**	**4,864**	**-**	**107,408**	**-**	**17,308**	**240,079**

Notes to the accounts

The 2005 consolidated financial statements have been drawn up in accordance with the IFRS established by the International Accounting Standards Board and approved by the European Union. The IFRS are understood to also be all the international accounting standards reviewed ("IAS"), all the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously known as the Standing Interpretations Committee ("SIC").

The profit and loss account has been drawn up with the allocation of the costs by nature; the balance sheet has been prepared in accordance with the format which highlights the separation of the "current/non-current" assets and liabilities, while the indirect method was adopted for the statement of cash flows.

The balances in these financial statements are presented on a comparative basis with the consolidated financial statements as at 31 December of the previous year, drawn up and reclassified on a consistent basis with policies used this year.

The section "Transition to the IAS/IFRS international accounting standards" includes the reconciliations, accompanied by explanatory notes, between the statements drawn up according to the new standards and those according to the previous accounting principles.

The analysis of the profit and loss account and the consolidated balance sheet and cash flow statement has also been carried out, in accordance with the matters anticipated by IAS 14, highlighting the contribution of the "Technical gases" and "Home-care service" activity sectors taken as primary sectors and providing the most important data relating to the activities by geographic area, Italy and the rest of Europe, identified as secondary sectors.

In conclusion, shareholders are informed that the statutory accounting schedules of the Parent Company SOL S.p.A. and of the subsidiary companies have been drawn up in accordance with current national legislation for statutory financial statements.

Group composition and scope of consolidation

The consolidated financial statements comprise the financial statements as at 31 December 2005 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) direct or indirect subsidiaries, consolidated on a line-by-line basis;

Company Name and Registered Offices	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. Srl – Monza		Euro	156,000	100%		100%
ENERGETIKA Z.J. d.o.o. – Jesenice	1	SIT	239,544,630.42	100%		100%
FRANCE OXYGENE Sarl – Avelin		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		100%	100%
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	2	CSD	182,989,886.87	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%
SOL France Sas – Cergy Pontoise		Euro	3,000,000	100%		100%
SOL SEE d.o.o. – Skopje	3	DEN	497,554,300	97.16%	2.72%	99.88%
SOL T.G. GmbH – Wiener Neustadt		Euro	726,728.34	100%		100%
SOL Welding Srl – Costabissara		Euro	2,000,000	99.17%		99.17%
SOL-INA D.o.o. – Sisak		KUNE	58,766,000	62.79%		62.79%
SPG – SOL Plin Gorenjska D.o.o. – Jesenice	4	SIT	1,970,000,000	54.85%	45.15%	100%
T.G.K. Sofia AD – Sofia		LEV	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 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 Srl – Monza		Euro	2,600,000		100%	100%
VIVISOL Silarus Srl – Battipaglia		Euro	18,200		49%	49%
VIVISOL Umbria Srl – Perugia		Euro	67,600		70%	70%
ZEUS S.A. – Piraeus		Euro	2,990,574		97.37%	97.37%

1) The Group's share as at 31 December 2005 includes a 7.33% equity investment of 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 share by 30 June 2007.
2) The Group's share as at 31 December 2005 includes a 46.05% equity investment of Simest S.p.A.; under an agreement entered into between SOL S.p.A. and Simest on 22 December 2004, SOL SpA is under obligation to repurchase the entire Simest share by 30 June 2012.
3) The Group's share as at 31 December 2005 includes a 36% equity investment of 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 share by 30 June 2012.
4) The Group's share as at 31 December 2005 includes a 5.4% equity investment of 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 Offices		Share capital	Ownership Percentage
G.T.E. S.L. – BARCELLONA	Euro	12,020.24	100.00 %

The company has not been consolidated since it is dormant.

c) associated companies, consolidated by adopting the equity method

Company Name and Registered Offices		Share capital	Ownership Percentage
CONSORGAS Srl - Milan	Euro	500,000	25.79 %

d) associated companies, carried at cost

Company Name and Registered Offices		Share 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 carried at cost, as they cannot be included among subsidiary and associated companies.

The scope of consolidation between 31st December 2005 and 31st December 2004 underwent the following changes:

- by means of an increase in the shareholding in VIVISOL Brescia S.r.l. (from 85% to 100%), due to the acquisition of interests belonging to third parties by VIVISOL S.r.l.; subsequently, during the third quarter of the year, VIVISOL Srl absorbed VIVISOL Brescia S.r.l.
- by means of an increase in the shareholding in SOL Welding Srl (from 80.43% to 99.17%) following the reduction of the share capital from Euro 967,000 to Euro 84,737, involving a proportional reduction of the par value of the holdings, and its simultaneous increase to Euro 2,000,000 fully subscribed by SOL SpA;
- by means of an increase in the shareholding in HGT S.A. (from 95.61% to 100%) due to the purchase of holdings from third parties by AIRSOL B.V..

Furthermore, shareholders are informed that during the first quarter, VIVISOL Deutschland GmbH absorbed the company OXYMED Medizintechnik GmbH.
This transaction did not produce any effects on the profit & loss account or balance sheet at consolidated level.

Accounting and consolidation principles

General principles

The consolidated financial statements of the SOL Group have been drawn up in Euro since this is the legal tender of the economies in the countries where the Group operates. The balances of the consolidated financial statement items, taking into account their importance, are expressed in thousands of Euro. Foreign subsidiaries are included in accordance with the principles described in the section "Consolidation principles – Consolidation of foreign companies".

Consolidation principles

Subsidiary companies

These are companies over which the Group exercises control. Such control exists when the Group has the power, directly or indirectly, to determine the financial and operating policies of a company, for the purpose of obtaining the benefits from its activities. The financial statements of the subsidiary companies are included in the consolidated financial statements as from the date when control over the company was taken up until the moment said control ceases to exist. The portions of shareholders' equity and the result attributable to minority shareholders are indicated separately in the consolidated balance sheet and profit & loss account, respectively.
Dormant subsidiaries are not included in the consolidated financial statements.

Associated companies

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

Equity investments in other companies

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

Transactions eliminated during the consolidation process

All the balances and the significant transactions between Group companies, as well as unrealized gains and losses on infraGroup transactions, are eliminated during the preparation of the consolidated financial statements. Any unrealized gains or losses generated on transactions with associated companies are eliminated in relation to the value of the Group's shareholding in said companies.

Foreign currency transactions

Transactions in foreign currencies are recorded at the exchange rate in force as of the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the exchange rate in force as of the balance sheet date. Exchange differences arising from the settlement of monetary items or from their translation at exchange rates different from those used at the time of initial recording during the year or in previous financial statements, are booked to the profit and loss account.

Consolidation of foreign companies

All the assets and liabilities of foreign companies denominated in currency other than the Euro which are included within the scope of consolidation, are converted using the exchange rates in force as of the balance sheet date (current exchange rate method). Income and costs are translated using the average rate for the year. The exchange differences emerging from the application of this method are classified as an equity account until the equity investment is disposed of.
Goodwill and adjustments to the fair value generated by the acquisition of a foreign company are stated in the relevant currency and translated using the period-end exchange rate.

The rates of exchange utilised to convert the financial statements not expressed in Euro are indicated in the table below:

Currency	Rate of exchange on **12.31.2005**	Average rate of exchange for 2005	Rate of exchange on 12.31.2004	Average rate of exchange for 2004
Albanian Lek	Euro 0.00817	Euro 0.00806	Euro 0.00797	Euro 0.00786
Macedonian Dinar	Euro 0.01639	Euro 0.01634	Euro 0.01581	Euro 0.01624
Bulgarian Lev	Euro 0.51117	Euro 0.51130	Euro 0.51127	Euro 0.51197
Croatian Kuna	Euro 0.13566	Euro 0.13515	Euro 0.13074	Euro 0.13352
Serbian Dinar	Euro 0.01173	Euro 0.01203	Euro 0.01226	Euro 0.01384
Slovenian Taller	Euro 0.00418	Euro 0.00417	Euro 0.00417	Euro 0.00418
Convertible Mark	Euro 0.51130	Euro 0.51130	Euro 0.51129	Euro 0.51129

Tangible fixed assets

Cost

Real estate property, plant and machinery are stated at purchase or production cost, inclusive of any related charges. For assets which justify capitalization, the cost also includes the financial charges which are directly attributable to the acquisition, construction or production of said assets.
The costs incurred subsequent to purchase are capitalized only if they increase the future economic benefits inherent to the assets to which they refer.
All the other costs are recorded in the profit & loss account when incurred.
Assets held under financial leasing agreements, via which all the risks and benefits associated with the ownership are essentially transferred to the Group, are recorded as Group assets at their current value or, if lower, at the net current value of minimum lease payments due. The corresponding liability owed to the lessor is recorded in the financial statements under financial payables. The assets are depreciated by applying the following method and rates.

The recoverability of their value is ascertained in accordance with the approach envisaged by IAS 36 illustrated in the following paragraph "Losses in value on assets".
The costs capitalized for leasehold improvements are attributable to the classes of assets to which they refer and depreciated over the residual duration of the rental contract or the residual useful life of the improvement, whichever period is shorter.
If the individual components of the compound fixed asset are characterized by different useful lives, they are recorded separately so as to be depreciated on a consistent basis with their duration ("component approach"). Specifically, according to this approach, the value of land and of the building which exists on said land are separated and just the building is depreciated.

Depreciation

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

Land and buildings	
- Land	-
- Buildings	2% - 10 %
Plant and machinery	**7.5% - 20 %**
Industrial and commercial equipment	**5.5% - 25 %**
Other assets	**10% - 30 %**

Public grants

Public grants obtained for investments in plant are recorded in the profit & loss accounts over the period necessary for correlating them with the related costs, and are treated as deferred income.

Intangible assets

Goodwill and consolidation differences

In the event of the acquisition of businesses, the assets, liabilities and potential liabilities acquired and identifiable are stated at their current value (fair value) as of the date of acquisition. The positive difference between the purchase cost and the portion of the current value of these assets and liabilities pertaining to the Group, is classified as goodwill and recorded in the financial statements as an intangible asset. Any negative difference ("negative goodwill") is by contrast stated in the profit & loss account at the time of acquisition.
Goodwill is not amortized, but is subject annually (or more frequently if specific events or changed circumstances indicate the possibility of having suffered a loss in value) to checks in order to identify any reduction in value, carried out at Cash Generating Unit level to which the Company's management charges said goodwill, in accordance with the matters anticipated by IAS 36 – Impairment of assets. After initial recognition, goodwill is valued at cost, net of any accumulated losses in value. Any writedowns made are not subject to subsequent reinstatement.
At the time of the disposal of a portion or of the whole of a company previously acquired, whose

acquisition gave rise to goodwill, account is taken of the corresponding residual value of the goodwill when determining the capital gain or loss on the disposal.
At the time of initial adoption of the IFRS, the Group chose not to retroactively apply IFRS 3 – Business Combinations to the acquisitions of businesses which took place prior to 1° January 2004; consequently, the goodwill generated on the acquisitions prior to the date of transition to the IFRS is maintained at the previous value, as are the Consolidation reserves recorded under the shareholders' equity, determined in accordance with the Italian accounting principles, subject to assessment and recognition of any losses in value as of that date.

Other intangible fixed assets

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

Loss in value of assets

The Group periodically assesses the recoverability of the book value of the Intangible assets and the Real estate property, plant and machinery, so as to determine if there is any indication that said assets have suffered a loss in value. If such indication occurs, it is necessary to estimate the recoverable value of the assets in order to establish the entity of the possible loss in value. An intangible fixed asset with an undefined useful life is subject to assessment of any reduction in value each year, or more frequently, if there is indication that the asset may have suffered a loss in value.
When it is not possible to estimate the recoverable value of an individual asset, the Group estimates the recoverable value of the unit generating the financial flows to which the asset belongs.

Financial instruments

The item Equity investments and other non-current financial assets includes the equity investments in non-consolidated companies and other non-current financial assets (securities held with the intention of maintaining them in the portfolio until maturity, non-current receivables and loans and other non-current financial assets available for sale).
Current financial instruments include trade receivables, current securities, other current financial assets and liquid funds and equivalents.

Financial liabilities include financial payables and trade payables.

Equity investments in non-consolidated companies are stated in accordance with the matters established by IAS 28 - Investments in Associates, as described in the previous section "Consolidation principles"; equity investments in other companies are stated at cost net of any writedowns . Other non-current financial assets, as well as current financial assets and financial liabilities, are stated in accordance with the approach established by IAS 39 - Financial instruments: Recognition and Measurement.

Current financial assets and securities held with the intention of maintaining them in the portfolio until maturity are recorded in the accounts with reference to the date of trading and, at the time of initial registration in the financial statements, are valued at acquisition cost, including any costs related to the transaction.

Subsequent to initial registration, the financial instruments available for sale and those available for trading are stated at current value. If the market price is not available, the current value of the financial instruments available for sale is gauged by means of the most appropriate valuations techniques, such as, for example, the analysis of the discounted back cash flows, made with the market information available as of the balance sheet date.

Gains and losses on financial assets available for sale are recorded directly under shareholders' equity until the moment the financial asset is sold or is written down; then, the accumulated gains or losses, including those previously recorded under shareholders' equity, are recorded in the profit & loss account for the period.

Loans and receivables which the Group does not hold for trading purposes (loans and receivables originated during core business activities), securities held with the intention of being maintained in the portfolio until maturity and all the financial assets for which listings on an active market are not available and whose fair value cannot be determined reliably, are gauged, if they have a pre-established maturity, at depreciated cost, using the effective interest method. When the financial assets do not have a pre-established maturity, they are valued at purchase cost.

Valuations are regularly carried out so as to check if objective evidence exists whether a financial asset or a group of assets have suffered a reduction in value. If objective evidence exists, the loss in value will have to be recorded as a cost in the profit & loss account for the period.

The financial liabilities hedged by derivative instruments are valued at fair value, in accordance with the formalities established by IAS 39 involving the classification of the derivatives as "held for trading": the recording in the accounts of these financial instruments anticipates the booking to the balance sheet of the derivative at its fair value and the booking of the value changes to the profit & loss account (financial instrument at fair value through profit or loss).

Inventories

Inventories of raw materials, semi-finished and finished products are valued at the lower of cost or market value, cost being determined using the weighted average cost method. The valuation of the inventories includes the direct costs of the materials and the labour and the indirect costs (variable and fixed).

Writedown allowances are calculated for materials, finished products and other supplies considered obsolete or slow-moving, taking into account their future expected usefulness or their realizable value.
Contruction contracts are valued on the basis of the stage of completion, net of any advance payments invoiced to customers.
Any losses on these contracts are booked to the profit & loss account in full at the time they become known.

Trade receivables

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

Cash and cash equivalents

This item includes the cash and bank current and deposit accounts repayable on demand and other short-term financial investments with elevated liquidity which are readily convertible into cash involving a risk of changes in value which is not significant.

Employee benefits

Post employment benefits are defined on the basis of plans, even though not yet formalized, that in relation to their characteristics are classified as "defined contribution" and "defined benefit". In defined contribution plans, the company's obligation is limited to the payment of contributions to the State or to a legally separate entity (so called Fund), and is determined on the basis of contributions due, reduced by amounts already paid over, if any.
The liability for defined benefit plans, net of any assets serving the plan, is determined on the basis of actuarial calculations and is recorded on an accruals basis on a consistent basis with the period of employment necessary to obtain the benefit.
The severance indemnity is classified as a defined benefit plan-type post employment benefit, the sum of which already accrued must be projected so as to estimate the amount to be paid out on termination of the employment relationship and subsequently discounted back, using the projected unit credit method, which is based on demographic and financial type hypothesis in order to make a reasonable estimate of the sum total of the benefits which each employee has already accrued against their employment services.
By means of the actuarial valuation, the current service cost which defines the sum total of the rights accrued during the year by the employees is charged to the profit & loss account item "payroll and related costs" and the interest cost which represents the figurative liability which the company would incur by requesting the market for a loan for the same amount as the severance indemnity is booked under "financial income/expense".
Actuarial gains and losses deriving from the variations of the actuarial bases used or from amend-

ments to the plan conditions, are recorded pro-quota in the profit & loss account over the remaining average working life of the employees up to the extent that their value not recorded at the end of the previous year exceeds 10% of the liability (so-called Corridor method).

Provisions for risks and charges

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

Trade payables

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

Treasury shares

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

Revenue recognition

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

Loan costs

Loan costs are recorded in the profit & loss account during the period they are incurred, with the exception of the financial charges capitalized as part of an asset which justifies capitalization (see the note: Real estate property, plant and machinery).

Taxation

Income taxes include all the taxation calculated on the Group's taxable income. The income taxes are recorded in the profit & loss account, with the exception of those relating to items directly debited against or credited to shareholders' equity, in which case the tax effect is booked directly to shareholders' equity. Provisions for taxation which might be generated by the transfer of the non-distributable profit of the subsidiary companies, are made solely when there is the real intention to transfer said profit.
Other taxes not linked to income, such as taxes on property and on capital, are included under Ope-

rating expense.

Deferred taxes are provided for according to the method of the overall provision of the liability. They are calculated on all the timing differences which emerge between the taxable base of an asset or liability and the book value in the consolidated financial statements, with the exception of goodwill not deductible for tax purposes.

Deferred tax assets on tax losses and unused tax credits carried forward, are recognized to the extent that future taxable income may be available against which they can be recovered.

Current and deferred tax assets and liabilities are offset when the income taxes are applied by the same tax authority and when there is a legal right to offset. Deferred tax assets and liabilities are determined using the tax rates which are expected to be applicable, within the respective legal systems of the countries where the Group operates, during the accounting period when the timing differences will be realized or cancelled.

Dividends

Dividends payable are represented as changes in shareholders' equity during the accounting period when they are approved by the shareholders' meeting.

Earnings per share

The basic earnings per share are calculated by dividing the Group's economic result by the weighted average of the shares in circulation during the year, excluding treasury shares.

Cash flow Statement

The cash flow statement is drawn up by applying the indirect method via which the pre-tax result is adjusted by the effects of the non-monetary transactions, by any deferral or provision of previous or future operative collections or payments.

Use of estimates

The preparation of the financial statements and the related notes in accordance with the IFRS requires management to make estimates and assumptions which have an effect on the values of the financial statement assets and liabilities and on the disclosures relating to the potential assets and liabilities as of the balance sheet date. The results which will make up the final balances may differ from said estimates. The estimates are used to obtain the provisions for risks and charges, the asset writedowns, employee benefits, taxation, other provisions and funds. The estimates and assumptions are periodically reviewed and the effects of each change are immediately reflected in the profit & loss account.

New accounting standards

No accounting standards or interpretations have been reviewed or issued, effective as from 1 January 2005, which have a significant effect on the Group's financial statements.

Explanatory notes

Profit and loss account

1. Net sales

Balance as at 12.31.05	346,040
Balance as at 12.31.04	321,853
Movement	**24,187**

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

Description	12.31.05	12.31.04	Movement
Technical gases	244,105	233,239	10,866
Home-care	101,935	88,614	13,321
Total	**346,040**	321,853	24,187

Reference should be made to the Directors' Report and the analysis of the results by type of business for comments regarding the trend in revenues.

2. Other income and revenues

Balance as at 12.31.05	2,804
Balance as at 12.31.04	3,669
Movement	**(865)**

The breakdown for the above item is as follows:

Description	12.31.05	12.31.04	Movement
Capital gains on disposal of fixed assets	680	1,504	(824)
Insurance compensation	86	137	(51)
Grants received	431	457	(26)
Real estate rentals	9	38	(29)
Write-ups of long-term financial assets that are not equity investments	6	10	(4)
Total	**2,804**	3.669	(865)

3. Total costs

Balance as at 12.31.05	217,757
Balance as at 12.31.04	200,067
Movement	**17,690**

The breakdown for the above item is as follows:

Description	**12.31.05**	12.31.04	Movement
Purchase of materials	105,833	96,001	9,832
Services rendered	103,965	95,501	8,464
Change in inventories	(3,094)	(1,858)	(1,236)
Other costs	11,053	10,423	630
Total	**217,757**	200,067	17,690

The composition of the item "Purchase of materials" is as follows:

Description	**12.31.05**	12.31.04	Movement
Gas and materials	57,556	51,129	6,427
Consumable materials	7,382	6,143	1,239
Water	495	614	(119)
Electricity	38,218	36,088	2,130
Fuel oil	26	77	(51)
Stationery and printed items	1,038	865	173
Methane	1,118	1,085	33
Total	**105,833**	96,001	9,832

Shareholders are informed of the continual increase in costs for the purchase of materials which is not always possible to transfer to the sales prices.

In particular, the cost of electricity has continued to rise.

Furthermore, during 2005 three new air fractionating plants were started up, whose start-up costs weighed in on the accounting period.

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

Description	**12.31.05**	12.31.04	Movement
Freight	45,993	42,559	3,434
Maintenance	13,874	12,544	1,330
Consulting and general services	8,790	8,510	280
Insurance	2,614	2,497	117
Travel and related allowances	5,264	4,794	470
Advertising	1,187	1,226	(39)
Other services	26,243	23,371	2,872
Total	**103,965**	95,501	8,464

Services include the freight costs which were affected by the rise in oil prices which characterized 2005.

The breakdown of the item "Other costs" is as follows:

Description	12.31.05	12.31.04	Movement
Use of third party assets	6,519	6,065	454
Taxes other than income tax	3,093	2,762	331
Capital losses on disposal of assets	414	66	348
Losses on amounts receivable not covered by allowance	379	289	90
Other minor charges	472	972	(500)
Writedowns of long-term financial assets that are not equity investments	-	1	(1)
Taxes from previous financial years	176	268	(92)
Total	**11,053**	10,423	630

4. Payroll and related costs

Balance as at 12.31.05	60.192
Balance as at 12.31.04	55.659
Movement	**4.533**

The breakdown for the above item is as follows:

Description	12.31.05	12.31.04	Movement
Wages and salaries	43,606	40,484	3,122
Social Security costs	15,296	14,181	1,115
Employee severance indemnity	1,290	994	296
Total	**60,192**	55,659	4,533

The composition of the workforce is analyzed below by category:

Description	12.31.05	12.31.04	Movement
Managers	37	37	-
Office workers	957	902	55
Factory workers	517	508	9
Total	**1,511**	1,447	64

5. Amortisation and depreciation

Balance as at 12.31.05	38,291
Balance as at 12.31.04	35,793
Movement	**2,498**

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

Depreciation of tangible fixed assets

Description	12.31.05	12.31.04	Movement
Land	-	-	-
Buildings	2,851	2,484	367
Plant and machinery	12,094	11,294	800
Industrial and commercial equipment	20,494	19,059	1,435
Other assets	2,009	2,177	(168)
Construction in progress and advances	-	-	-
Total	**37,448**	35,014	2,434

The increase in depreciation is linked to investments made during the period, amounting to Euro 63.3 million.

Amortisation of intangible fixed assets

Description	12.31.05	12.31.04	Movement
Industrial patents and intellectual property rights	208	198	10
Concessions, licenses, trade marks and similar rights	306	253	53
Other	329	328	1
Total	**843**	779	64

6. Financial income / (expense)

Balance as at 12.31.05	(4,519)
Balance as at 12.31.04	(4,062)
Movement	**(457)**

The breakdown for the above item is as follows:

Description	12.31.05	12.31.04	Movement
Financial income / (expense)	(4,520)	(4,004)	(516)
Income / (loss) from equity investments	1	(58)	59
Total	**(4,519)**	(4,062)	(457)

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

Description	12.31.05	12.31.04	Movement
Income from long-term receivables	12	18	(6)
Interest on deposits with banks and post offices	171	212	(41)
Interest receivable from clients	257	294	(37)
Exchange gains	88	732	(644)
Other financial income	304	206	98
Interest payable to banks	(218)	(213)	(5)
Interest payable to suppliers	(53)	(4)	(49)
Interest payable on loans	(3,709)	(3,518)	(191)
Total financial expense	(928)	(1,076)	148
Exchange losses	(444)	(655)	211
Total	**(4,520)**	(4,004)	(516)

The breakdown for the item "Income /(loss) on equity investments" is as follows:

Description	12.31.05	12.31.04	Movement
Income from equity investments	1	1	-
Loss on equity investments	-	(59)	59
Total	**1**	(58)	59

7. Income taxes

Balance as at 12.31.05	13,638
Balance as at 12.31.04	14,188
Movement	**(550)**

The breakdown for the above item is as follows:

Description	12.31.05	12.31.04	Movement
Current income taxes	11,186	12,307	(1,121)
Deferred taxes	1,941	1,529	412
Prepaid taxes	511	352	159
Total	**13,638**	14,188	(550)

The reconciliation between the tax liability recorded in the financial statements and the theoretical tax liability, calculated on the basis of the theoretical tax rates in force in Italy, is as follows:

Description	12.31.05	12.31.04
Theoretical taxation	**10,448**	10,741
Tax effect permanent differences	1,877	779
Tax effect deriving from foreign tax rates different to Italian theoretical tax rates	(1,198)	277
Income taxes recorded in the financial statements, excluding IRAP (current and deferred)	**11,127**	11,797
Regional Business Tax (IRAP)	**2,511**	2,391
Income taxes recorded in the financial statements (current and deferred)	**13,638**	14,188

So as to provide a clearer understanding of the reconciliation, separate account was taken of IRAP tax (regional business tax) due to its taxable base differing from the pre-tax profit. Therefore, the theoretical taxes have been calculated by applying just the IRES (company earnings' tax) tax rate (33%).

Balance sheet

8. Tangible fixed assets

Balance as at 12.31.05	252.,991
Balance as at 12.31.04	227,582
Movement	**25,409**

Analysis of tangible fixed assets

Changes in tangible fixed assets, with reference to their historical cost, depreciation and net value are as follows:

Changes in tangible fixed assets - cost	Land	Buildings	Plants and machinery	Industrial and commercial equipment	Other assets	Construction in progress and advances	Total
Balance as of 1 Jan. 04	8,443	60,101	188,881	231,305	19,408	8,054	516,192
Increases	161	2,205	9,422	25,358	3,051	14,033	54,230
Revaluations	-	182	-	-	-	-	182
Other changes	1	180	(256)	(186)	812	-	551
Exchange differences	(24)	(235)	(328)	(163)	(76)	(40)	(866)
(Disposals)	-	(418)	(56)	(1,388)	(341)	-	(2,203)
Balance as at 31 Dec. 04	8,581	62,015	197,663	254,926	22,854	22,047	**568,086**
Increases	146	5,859	21,902	31,200	2,170	2,069	63,346
Revaluations	-	-	-	-	-	-	-
Other changes	-	(63)	(247)	599	(810)	-	(521)
Exchange differences	18	227	409	248	91	146	1,139
(Disposals)	-	(169)	(726)	(1,273)	(767)	-	(2,935)
Balance as at 31 Dec. 05	8,745	67,869	219,001	285,700	23,538	24,262	**629,115**

Changes in tangible fixed assets - acc. depreciation	Land	Buildings	Plants and machinery	Industrial and commercial quipment	Other assets	Construction in progress and advances	Total
Balance as of 1 Jan. 04	-	26,872	117,385	152,189	14,093	-	310,539
Depreciation	-	2,484	11,294	19,059	2,177	-	35,014
(Write-downs)	-	-	-	-	-	-	-
Other changes	-	321	229	(3,584)	272	-	(2,762)
Exchange differences	-	(88)	(246)	(143)	(68)	-	(545)
(Disposals)	-	(339)	(40)	(1,078)	(285)	-	(1,742)
Balance as at 31 Dec. 04	-	29,250	128,622	166,443	16,189	-	**340,504**
Depreciation	-	2,851	12,094	20,494	2,009	-	37,448
(Write-downs)	-	-	-	-	-	-	-
Other changes	-	(71)	23	7	(468)	-	(509)
Exchange differences	-	58	259	178	66	-	561
(Disposals)	-	(1)	(350)	(997)	(532)	-	(1,880)
Balance as at 31 Dec. 05	-	32,087	140,648	186,125	17,264	-	**376,124**

Changes in tangible fixed assets - net value	Land	Buildings	Plants and machinery	Industrial and commercial equipment	Other assets	Construction in progress and advances	Total
Balance as of 1 Jan. 04	8,443	33,229	71,496	79,116	5,315	8,054	205,653
Increases	161	2,387	9,422	25,358	3,051	14,033	54,412
(Depreciation and writedowns)	-	(2,484)	(11,294)	(19,059)	(2,177)	-	(35,014)
Other changes	1	(141)	(485)	3,398	540	-	3,313
Exchange differences	(24)	(147)	(82)	(20)	(8)	(40)	(321)
(Disposals)	-	(79)	(16)	(310)	(56)	-	(461)
Balance as at 31 Dec. 04	8,581	32,765	69,041	88,483	6,665	22,047	**227,582**
Increases	146	5,859	21,902	31,200	2,170	2,069	63,346
(Depreciation and writedowns)	-	(2,851)	(12,094)	(20,494)	(2,009)	-	(37,448)
Other movements	-	8	(270)	592	(342)	-	(12)
Exchange differences	18	169	150	70	25	146	578
(Disposals)	-	(168)	(376)	(276)	(235)	-	(1,055)
Balance as at 31. Dec. 05	8,745	35,782	78,353	99,575	6,274	24,262	**252,991**

- Investments made during the period with regards to the item "Land" refer to the investments of TPJ d.o.o..
- The investments made during the period with regards to the item "Buildings" are mainly investments made by the Parent Company (Euro 2,279 thousand) and the subsidiary companies NTG BV (Euro 1,189 thousand), SPG d.o.o. (Euro 1,447 thousand), TPJ d.o.o. (Euro 175 thousand), TGS d.o.o. (Euro 327 thousand) and VIVISOL Napoli Srl (Euro 180 thousand).
- Acquisitions made during the period relating to the item "Plant and machinery" are mainly due to the purchase of plant for the Parent Company's factories (Euro 9,121 million) and those of the subsidiaries SPG d.o.o. (Euro 11,260 thousand) and TGS A.D. (Euro 865 thousand) and to a lesser extent to other capital expenditure carried out by all other group companies.
- The item "Industrial and commercial equipment" comprises commercial equipment (supplying devices, cylinders, base units, concentrators and medical appliances) as well as other small and sundry equipment. The increase recorded for the period was due to investments in commercial equipment in the form of cylinders, dispensing devices and tanks, made by companies in the technical gases sector for Euro 18,232 thousand (including Euro 6,117 by the Parent Company) and to investments made by companies operating in the home-care sector for Euro 12,968 thousand (including Euro 5,826 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 period relates to investments made for motor vehicles, laboratory equipment, hardware, furniture and fixtures, with Euro 716 thousand of the total reported pertaining to the Parent Company and the subsidiary companies C.T.S. SpA (Euro 261 thousand), NTG BV (Euro 163 thousand), TGS A.D. (Euro 166 thousand), France Oxygene Sarl (Euro 159 thousand), VIVISOL France Sarl (Euro 88 thousand) and BTG Bvba (Euro 206 thousand).
- The item "Construction in progress" mainly refers to investments being made by the Parent Com-

pany (Euro 7,878 thousand) and by the subsidiaries AIRSOL Bv (Euro 4,008 thousand), SOL SEE d.o.o. (Euro 9,500 thousand), CTS Srl (Euro 629 thousand) and IMG d.o.o. (Euro 713 thousand).

Please note that the sites located in Monza, Marcianise, Padua, 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 mortgage agreements entered into with long-term lending institutions by a number of Group companies.
As at 31 December 2005, mortgages amounted to Euro 107,627 thousand.
As at 31 December 2005, liens amounted to Euro 94,036 thousand.

Analysis of leased tangible assets

Changes in tangible fixed assets, with reference to their historical cost, depreciation and net value are as follows:

Changes in tangible fixed assets - cost	Land	Buildings	Plants and machinery	Industrial and commercial equipment	Other assets	Construction in progress and advances	Total
Balance as of 1 Jan. 04	-	1,945	5,915	17,107	146	-	25,113
Increases	-	-	25	116	-	-	141
Revaluations	-	-	-	-	-	-	-
Other changes	-	-	-	-	-	-	-
Exchange differences	-	-	-	-	-	-	-
(Disposals)	-	-	-	-	-	-	-
Balance as at 31 Dec. 04	-	1,945	5,940	17,223	146	-	**25,254**
Increases	-	-	-	106	-	-	106
Revaluations	-	-	-	-	-	-	-
Other changes	-	-	-	-	-	-	-
Exchange differences	-	-	-	-	-	-	-
(Disposals)	-	-	-	-	-	-	-
Balance as at 31 Dec. 05	-	1,945	5,940	17,329	146	-	**25,360**

Changes in tangible fixed assets - acc. depreciation	Land	Buildings	Plants and machinery	Industrial and commercial equipment	Other assets	Construction in progress and advances	Total
Balance as of 1 Jan. 04	-	1,237	2,928	12,836	104	-	17,105
Depreciation	-	73	513	862	25	-	1,473
(Write-downs)	-	-	-	-	-	-	-
Other changes	-	-	-	-	-	-	-
Exchange differences	-	-	-	-	-	-	-
(Disposals)	-	-	-	-	-	-	-
Balance as at 31 Dec. 04	-	1,310	3,441	13,698	129	-	**18,578**
Depreciation	-	73	515	799	6	-	1,393
(Write-downs)	-	-	-	-	-	-	-
Other changes	-	-	-	-	-	-	-
Exchange differences	-	-	-	-	-	-	-
(Disposals)	-	-	-	-	-	-	-
Balance as at 31 Dec. 05	-	1,383	3,956	14,497	135	-	**19,971**

Changes in tangible fixed assets - net value	Land	Buildings	Plants and machinery	Industrial and commercial equipment	Other assets	Construction in progress and advances	Total
Balance as of 1 Jan. 04	-	708	2,987	4,271	42	-	8,008
Increases	-	-	25	116	-	-	141
(Depreciation and writedowns)	-	(73)	(513)	(862)	(25)	-	(1,473)
Other changes	-	-	-	-	-	-	-
Exchange differences	-	-	-	-	-	-	-
(Disposals)	-	-	-	-	-	-	-
Balance as at 31 Dec. 04	-	635	2,499	3,525	17	-	**6,676**
Increases	-	-	-	106	-	-	106
(Depreciation and writedowns)	-	(73)	(515)	(799)	(6)	-	(1,393)
Other changes	-	-	-	-	-	-	-
Exchange differences	-	-	-	-	-	-	-
(Disposals)	-	-	-	-	-	-	-
Balance as at 31 Dec. 05	-	562	1,984	2,832	11	-	**5,389**

9. Goodwill and consolidation differences

Balance as at 12.31.05	2,855
Balance as at 12.31.04	2,640
Movement	**215**

The breakdown of the above item is as follows:

Changes in intangible assets	Goodwill	Consolidation differences	Total
Balance as of 1 Jan. 04	842	1,180	2,022
Increases	-	649	649
Revaluations	-	(31)	(31)
Other changes	-	-	-
Exchange differences	-	-	-
(Amortisation)	-	-	-
Balance as at 31 Dec. 04	842	1,798	**2,640**
Increases	140	183	323
Revaluations	-	(108)	(108)
Other changes	-	-	-
Exchange differences	-	-	-
(Amortisation)	-	-	-
Balance as at 31 Dec. 05	982	1,873	**2,855**

The increase during the year in the item "Goodwill" concerns the acquisition of retailer by the subsidiary company NTG BV.

The increase during the year in the item "Consolidation differences" concerns the purchase of the remaining 15% in Vivisol Brescia S.r.l. by the subsidiary Vivisol S.r.l. (Euro 75 thousand) and the remaining 4.39% of HGT S.A. by the subsidiary Airsol B.V. (Euro 108 thousand), subsequently written down.

The Group assesses the recoverability of the goodwill at least once a year or more frequently if there is any indication of losses in value. The recoverable value of the cash generating units is assessed by means of the determination of the usage value.

The discount rates used reflect the current valuations of the cost of money; the growth rates consider a prudent development of the sector over a duration of five years.

10. Other intangible fixed assets

Balance as at 12.31.05	1,414
Balance as at 12.31.04	1,738
Movement	**(324)**

The breakdown for the above item is as follows:

Changes in intangible assets	Industrial patents and intellectual property rights	Concessions, licenses, trade marks and similar rights	Assets in process of formation and advances	Other	Total
Balance as of 1 Jan. 04	259	521	-	1,128	1,908
Increases	220	310	-	60	590
Revaluations	-	-	-	-	-
Other changes	(38)	33	-	24	19
Exchange differences	-	-	-	-	-
(Amortisation)	(198)	(253)	-	(328)	(779)
Balance as at 31 Dec. 04	243	611	-	884	**1,738**
Increases	251	238	44	5	538
Revaluations	-	-	-	-	-
Other changes	(23)	(1)	-	5	(19)
Exchange differences	-	-	-	-	-
(Amortisation)	(208)	(306)	-	(329)	(843)
Balance as at 31 Dec. 05	263	542	44	565	**1,414**

11. Equity investments

Balance as at 12.31.05	538
Balance as at 12.31.04	527
Movement	**11**

The breakdown for the above item is as follows:

Description	**12.31.05**	12.31.04
GTE S.L.	11	11
Non-consolidated subsidiary companies	**11**	11
Consorgas Srl	451	449
Medical System	18	18
Ionia Oxigono e.p.e.	-	8
Associated companies	**469**	475
Other equity investments	58	41
Other companies	**58**	41
Total	**538**	527

All the above investments are owned by the Parent Company, except for Euro 18 thousand recorded among equity investments in associated companies (pertaining to the subsidiary company AIRSOL B.V.) and Euro 44 thousand reported among the other minority equity investments (of which Euro 42 thousand relating to investments in local companies made by the subsidiary company T.G.S.A.D.).

12. Other financial assets

Balance as at 12.31.05	1,699
Balance as at 12.31.04	1,590
Movement	**109**

The breakdown for the above item is as follows:

Description	**12.31.05**	12.31.04	Movement
Amounts receivable from third parties	1,241	1,070	171
Other securities	458	520	(62)
Total	**1,699**	1,590	109

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

Description	**12.31.05**	12.31.04	Movement
Guarantee deposits	600	509	91
Tax credit on Employee Severance Indemnity	407	505	(98)
Other	234	56	178
Total	**1,241**	1,070	171

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

Description	**12.31.05**	12.31.04	Movement
SOL TG securities:	4	4	-
VIVISOL Heimbehand securities	2	2	-
UTP securities	4	-	4
Other securities - ICOA S.r.l.	448	514	(66)
Total	**458**	520	(62)

13. Amounts receivable for prepaid taxes

Balance as at 12.31.05	5,157
Balance as at 12.31.04	5,704
Movement	**(547)**

The above item may be broken down as follows:

	Risks on receivables	Risk provisions	Internal profits	Prior losses	Other minor	Total
Balance as of 1 Jan. 04	1,720	303	197	2,912	1,007	6,139
Provisions	(112)	(78)	(21)	(47)	(94)	(352)
Uses	-	-	-	-	(130)	(130)
Other changes	(9)	-	-	-	56	47
Exchange differences	-	-	-	-	-	-
Balance as at 31 Dec. 04	1,599	225	176	2,865	839	**5,704**
Provisions	(422)	(34)	(7)	(48)	-	(511)
Uses	-	-	-	-	-	-
Other changes	6	-	-	-	(42)	(36)
Exchange differences	-	-	-	-	-	-
Balance as at 31 Dec. 05	1,183	191	169	2,817	797	**5,157**

14. Inventories

Balance as at 12.31.05	23,733
Balance as at 12.31.04	20,596
Movement	**3,137**

The breakdown for the above item is as follows:

Description	**31.12.05**	12.31.04	Movement
Raw, subsidiary and consumable materials	1,699	1,572	127
Work in progress and semi-finished products	756	738	18
Finished products and goods for resale	21,278	18,286	2,992
Total	**23,733**	20,596	3,137

The increase in the item "Finished products and goods for resale" is due to greater stocks of gas and new products marketed.

15. Trade accounts receivable

Balance as at 12.31.05	146,851
Balance as at 12.31.04	138,879
Movement	**7,972**

The breakdown for the above item is as follows:

Description	Due within 12 months	Allowance for doubtful accounts	Total **12.31.05**	Total 12.31.04
Trade accounts due from customers	155,388	(8,537)	146,851	138,879
Amounts due from non-consolidated group companies	-	-	-	-
Amounts due from associated companies	-	-	-	-
Amounts due from parent companies	-	-	-	-
Total	155,388	(8,537)	**146,851**	138,879

The allowance for doubtful accounts saw the following changes:

	12.31.04	Provisions	Uses	12.31.05
Allowance for doubtful accounts	9,708	1,769	(2,940)	8,537

16. Other current assets

Balance as at 12.31.05	7,796
Balance as at 12.31.04	7,644
Movement	**152**

The breakdown for the above item is as follows:

Description	12.31.05	12.31.04	Movement
Amounts due from employees	421	485	(64)
Capital payments due from shareholders	-	377	(377)
Amounts receivable in respect of income tax	1,447	1,512	(65)
VAT receivables	4,773	3,814	959
Other amounts due from the tax authorities	526	105	421
Other receivables	629	1,351	(722)
Total	**7,796**	7,644	152

17. Current financial assets

Balance as at 12.31.05	443
Balance as at 12.31.04	218
Movement	**225**

The breakdown for this item is as follows:

Description	12.31.05	12.31.04	Movement
Equity investment in Arena Tourist	39	38	1
Total other equity investments	**39**	38	1
Nextra treasury funds	164	164	-
Other fixed-income securities	240	16	224
Total other securities	**404**	180	224
Total	**443**	218	225

The equity investment in "Arena Tourist" is held by the subsidiary U.T.P. D.o.o..

The Nextra Treasury Funds are held by the subsidiary ICOA Srl.

The other fixed-income securities comprise private bonds held by the subsidiary company TGT AD.

18. Prepayments and accrued income

Balance as at 12.31.05	1,528
Balance as at 12.31.04	838
Movement	**690**

These represent the harmonising items for the accounting period calculated on an accruals basis.

The breakdown for this item is as follows:

Description	12.31.05	12.31.04	Movement
Accrued income:			
Interest income	43	7	36
Other accrued income	7	54	(47)
Total accrued income	**50**	61	(11)
Prepayments:			
Insurance premiums	660	276	384
Rents	88	53	35
Prepaid expenses	91	93	(2)
Other prepayments	639	355	284
Total prepayments	**1,478**	777	701
Total prepayments and accrued income	**1,528**	838	690

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

19. Cash and cash at banks

Balance as at 12.31.05	16,422
Balance as at 12.31.04	21,888
Movement	**(5,466)**

The breakdown for this item is as follows:

Description	12.31.05	12.31.04	Movement
Bank and post office deposits	16,224	21,621	(5,397)
Cash and cash equivalents on hand	198	267	(69)
Total	**16,422**	21,888	(5,466)

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

20. Shareholders' equity

Balance as at 12.31.05	248,038
Balance as at 12.31.04	235,160
Movement	**12,878**

The share capital of SOL SPA as at 31 December 2005 comprised 90,700,000 ordinary shares with a par value of Euro 0.52 each, fully subscribed and fully paid up.

The shareholders' equity is stated net of 1,188,000 treasury shares acquired further to the resolution of the ordinary shareholders' meeting held on 28 April 2000.

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

Shareholders' equity	12.31.04	Transfer of result	Dividends paid	Translation differences	Other changes	Result	12.31.05
Pertaining to the Group:							
Share Capital	47,164	-	-	-	-	-	47,164
Share premium reserve	63,335	-	-	-	-	-	63,335
Legal reserve	3,439	1,425	-	-	-	-	4,864
Reserve for own shares in portfolio	2,317	-	-	-	-	-	2,317
Treasury shares	(2,317)	-	-	-	-	-	(2,317)
Other reserves	96,018	10,317	-	952	121	-	107,408
Net profit	17,740	(11,742)	(5,998)	-	-	17,308	17,308
Shareholders' equity-Group	227,696	-	(5,998)	952	121	17,308	**240,079**
Minority interests:							
Shareholders' equity - Minority interests	6,845	619	-	-	(221)	-	7,243
Profit (loss) pertaining to minority interests	619	(619)	-	-	-	716	716
Shareholders' equity - Minority interests	7,464	-	-	-	(221)	716	**7,959**
Shareholders' equity	235,160	-	(5,998)	952	(100)	18,024	**248,038**

The change in the item "Shareholders' equity - minority interests" mainly reflects the increase in the shareholding in HGT S.A. (from 95.61% to 100%) and in SOL Welding Srl (from 80.43% to 99.17%).

21. Employee severance indemnity and other benefits

Balance as at 12.31.05	10,425
Balance as at 12.31.04	9,553
Movement	**872**

The provisions underwent the following changes:

Changes in severance indemnities and other employee benefits	12.31.05	12.31.04
As at 1 January	9,553	9,041
Provisions	1,290	994
(Uses)	(708)	(703)
Financial expense	291	197
Other changes	(1)	25
Exchange differences	-	(1)
Balance as at 31 December	**10,425**	9,553

The balances recorded in the financial statements for the item "Changes in employee severance indemnities and other benefits" comprise:

	Employee severance indemnities		Others		Total	
	12.31.05	12.31.04	**12.31.05**	12.31.04	**12.31.05**	12.31.04
Current value of unfinanced plans	12,017	10,109	292	287	12,309	10,396
Unrecognized actuarial profits (Losses)	(1,833)	(799)	(51)	(44)	(1,884)	(843)
Net liability	**10,184**	**9,310**	**241**	**243**	**10,425**	**9,553**

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

	Italy	Other countries
Discount rate	2.86%	3% - 3.80%
Inflation rate	1.70%	2% - 2.30%
Tendential growth rate of salaries	2.54%	2% - 5.25%

Employee severance indemnity

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

Other

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

22. Deferred taxation

Balance as at 12.31.05	24,013
Balance as at 12.31.04	20,693
Movement	**3,320**

The item "Deferred taxation" represents the net balance of deferred tax liabilities provided for in the consolidated financial statements as at 31 December 2005 with regard to items of a fiscal nature present in the statutory financial statements of the Group companies (accelerated depreciation), and the deferred tax liabilities referring to the other consolidation entries; the item comprises.

	Capital gains	Accelerated depreciation	Leasing	Other minor	Total
Balance as at 1 Jan. 04	314	15,007	1,353	1,436	18,110
Provisions	352	1,452	1	(276)	1,529
Uses	(74)	-	-	-	(74)
Other changes	(1)	1,139	-	(10)	1,128
Exchange differences	-	-	-	(0)	(0)
Balance as at 31 Dec. 04	591	17,598	1,354	1,150	**20,693**
Provisions	7	563	26	1,345	1,941
Uses	-	-	-	-	-
Other changes	2	13	-	1,364	1,379
Exchange differences	-	-	-		-
Balance as at 31 Dec. 05	600	18,174	1,380	3,859	**24,013**

23. Provisions for risks and charges

Balance as at 12.31.05	848
Balance as at 12.31.04	838
Movement	**10**

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

Description	**12.31.05**	12.31.04	Movement
Pensions and similar commitments	-	-	-
Consolidation provision for future risks and charges	-	-	-
Other:			
Exchange fluctuation provision	-	-	-
Other minor provisions	848	838	10
Total other provisions	**848**	838	10
Total	**848**	838	10

The risk reserves highlight probable Group liabilities deriving from legal and tax disputes underway and bankruptcy revocation.

The change with respect to 2004 is due to provisions totalling Euro 117 thousand, uses amounting to Euro 67 thousand and reclassifications for Euro 60 thousand.

24. Other liabilities

Balance as at 12.31.05	84,011
Balance as at 12.31.04	78,455
Movement	**5,556**

The breakdown for the above item is as follows:

Description	**12.31.05**	12.31.04	Movement
Amounts due to banks	14	9	5
Amounts due to other lenders	79,304	76,289	3,015
Other payables	4,693	2,157	2,536
Total	**84.011**	78.455	5.556

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 secured guarantees with liens on movable assets and mortgages on financed real estate property, as already mentioned in the notes regarding tangible fixed assets. Furthermore, the same item also includes amounts owed to leasing companies amounting to Euro 1,990 thousand, deriving from the application of international accounting standard IAS 17 to assets that are the object of a finance lease.

The increase with respect to 2004 derives from additional loans raised during 2005, compared with the portions repaid.

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

Lending institute	Amount	Long-term portion	Short-term portion	Interest rate		Scadenza	Maturity	Original amount
Deutsche Bank	13	-	13	(v.r.)	2.92%	16.01.2006	Euro	207,000
Credito Emiliano	26	-	26		3.82%	17.02.2006	Euro	150,000
Mediocredito Centrale	236	-	236		3.20%	14.04.2006	ITL/mln	4,575
Banque Scalbert Dupont	4	-	4		3.80%	20.07.2006	Euro	14,000
San Paolo IMI	2,285	789	1,496		7.66%	15.03.2007	ITL/mln	19,000
Credito Italiano	100	29	71		4.05%	31.05.2007	Euro	100,000
San Paolo IMI	83	28	55		5.30%	15.06.2007	Euro	250,000
Credito Italiano*	4,523	2,319	2,204		5.15%	30.06.2007	Euro	10,500,000
Credito Emiliano	647	329	318	(v.r.)	3.07%	01.08.2007	Euro	1,540,000
ERP	545	327	218		1.95%	01.01.2008	ATS	18,000,000
San Paolo IMI	3,994	2,397	1,597		5.40%	15.03.2008	ITL/mln	24,750
Bank Austria	448	320	128	(v.r.)	2.80%	01.07.2009	ATS	15,000,000
Mediocredito Lombardo	1,332	999	333		5.80%	21.12.2009	Euro	1,831,000
Bank Austria	770	599	171	(v.r.)	2.80%	01.01.2010	ATS	20,000,000
Credito Emiliano	685	548	137		6.05%	14.06.2010	Euro	750,000
Mediocredito Centrale	4,107	3,287	820	(v.r.)	2.75%	30.06.2010	Euro	4,500,000
Mediocredito Centrale	907	715	192	(v.r.)	3.36%	30.06.2010	Euro	1,000,000
San Paolo IMI	9,286	7,429	1,857		3.82%	15.12.2010	Euro	13,000,000
Banco di Brescia	2,545	2,074	471		3.77%	31.12.2010	Euro	3,000,000
Banco di Brescia	946	851	95		4.57%	30.06.2011	Euro	945,540
San Paolo IMI	4,321	3,536	785		3.15%	15.09.2011	Euro	5,500,000
Banco di Brescia *	7,001	5,957	1,044		4.39%	30.09.2011	Euro	8,000,000
Banca Intesa *	8,000	8,000	-	(v.r.)	2.67%	30.09.2011	Euro	8,000,000
San Paolo IMI	5,625	4,688	937		5.50%	15.12.2011	Euro	7,500,000
Banco di Brescia *	5,000	5,000	-		3.61%	31.05.2012	Euro	5,000,000
Credito Emiliano	5,000	5,000	-		3.45%	01.09.2012	Euro	5,000,000
San Paolo IMI	7,300	6,257	1,043		4.12%	15.12.2012	Euro	7,300,000
San Paolo IMI	6,563	5,625	938		3.34%	15.12.2012	Euro	7,500,000
Credito Italiano*	4,000	4,000	-		4.10%	31.12.2012	Euro	4,000,000
Mediocredito Centrale	7,423	6,530	893	(v.r.)	3.49%	31.12.2012	Euro	8,263,000
Banco di Brescia *	1,000	1,000	-		3.75%	30.06.2013	Euro	1,000,000
Amounts owed to leasing companies	1,990	671	1,319					
Total	**96,705**	**79,304**	**17,401**					

Covenants

The loan agreements marked by an asterisk contain financial restrictions (covenants) which envisage the maintenance of determinate ratios between net financial indebtedness and shareholders' equity, between net financial indebtedness and cash-flow, and between net financial indebtedness and EBITDA referable to the consolidated financial statements.

To-date, these parameters have been observed.

Derivatives

The loan agreement outstanding with San Paolo IMI whose residual debt amounts to Euro 6,563 thousand, has been hedged by an IRS agreement entered into on 5 June 2003 which anticipates the payment of a fixed rate of 3.34% against a floating 6-month Euribor rate.

The fair value as at 31 December 2005, calculated by the same bank, was negative for a total of Euro 49 thousand.

The item "Other payables" includes the commitments of the company SOL S.p.A. to repurchase shares in the companies SPG d.o.o. (Euro 470 thousand), SOL SEE d.o.o. (Euro 2,922 thousand), IMG d.o.o. (Euro 797 thousand) and ENERGETIKA ZJ (Euro 409 thousand) presently held by the company SIMEST SpA.

25. Current liabilities

Balance as at 12.31.05	94,092
Balance as at 12.31.04	85,145
Movement	**8,947**

The breakdown for this item is as follows:

Description	**12.31.05**	12.31.04	Movement
Amounts due to banks	6,695	3,744	2,951
Trade accounts payable	56,202	52,225	3,977
Other financial liabilities	17,445	15,911	1,534
Tax liabilities	3,121	3,552	(431)
Other current liabilities	7,239	6,614	625
Accrued expenses and deferred income	3,390	3,099	291
Total	**94,092**	85,145	8,947

The increase in the item "Trade accounts payable" is due to the additional investments made during 2005. The item "other financial liabilities" includes the short-term portions of the amounts due to other lenders totalling Euro 17,401 thousand and amounts due to shareholders for loans totalling Euro 44 thousand.

The breakdown for the item "Tax liabilities" comprises:

Description	**12.31.05**	12.31.04	Movement
Amounts due in respect of income tax	332	1,311	(979)
Amounts due to Inland Revenue in respect of VAT	1,210	743	467
Amounts due for withholding tax	1,255	1,147	108
Other tax liabilities	324	351	(27)
Total	**3,121**	3,552	(431)

"Other current liabilities" comprise:

Description	**12.31.05**	12.31.04	Movement
Amounts due to Social Security institutions	2,290	2,228	62
Accrued holidays not taken	2,443	2,266	177
Amounts due to employees for wages and salaries	758	1,085	(327)
Guarantee deposits	458	357	101
Other payables	1,290	678	612
Total	**7,239**	6,614	625

"Accrued expenses and deferred income" represent the harmonising items for the period calculated on an accrual basis.

The breakdown for this item is as follows:

Description	**12.31.05**	12.31.04	Movement
Accrued expenses:			
Interest payable on loans	510	519	(9)
Other	690	723	(33)
Deferred income:	**1,200**	1,242	(42)
Sink funds granted	1,249	1,680	(431)
Rentals receivable	87	49	38
Other	854	128	726
Total deferred income	**2,190**	1,857	333
Premium on loans	**-**	-	-
Total	**3,390**	3,099	291

Breakdown of revenues by type of business Sol Group

(In thousands of Euro)	Technical gas sector	%	Home-care service sector	%	Write-downs	Consolidated figures	%
			12.31.05				
Technical gas sector	252,832	100.0%	-		(8,727)	244,105	70.5%
Home-care service sector	-		102,262	100.0%	(327)	101,935	29.5%
Net sales	**252,832**	**100.0%**	**102,262**	**100.0%**	**(9,054)**	**346,040**	**100.0%**
Other revenues and income	2,647	1.0%	446	0.4%	(289)	2,804	0.8%
Increases in internally-constructed fixed assets	1,741	0.7%	3,763	3.7%	17	5,521	1.6%
Revenues	**257,220**	**101.7%**	**106,471**	**104.1%**	**(9,326)**	**354,365**	**102.4%**
Purchase of materials	79,292	31.4%	32,165	31.5%	(5,624)	105,833	30.6%
Services rendered	74,966	29.7%	32,202	31.5%	(3,203)	103,965	30.0%
Change in inventories	(378)	-0.1%	(2,716)	-2.7%	-	(3,094)	-0.9%
Other costs	6,963	2.8%	4,589	4.5%	(499)	11,053	3.2%
Total costs	**160,843**	**63.6%**	**66,240**	**64.8%**	**(9,326)**	**217,757**	**62.9%**
Added value	**96,377**	**38.1%**	**40,231**	**39.3%**	**-**	**136,608**	**39.5%**
Payroll and related costs	44,644	17.7%	15,548	15.2%	-	60,192	17.4%
Gross Operating Margin	**51,733**	**20.5%**	**24,683**	**24.1%**	**-**	**76,416**	**22.1%**
Amortisation and depreciation	28,840	11.4%	9,451	9.2%	-	38,291	11.1%
Other provisions	1,402	0.6%	542	0.5%	-	1,944	0.6%
Operating result	**21,491**	**8.5%**	**14,690**	**14.4%**	**-**	**36,181**	**10.5%**
Financial income / (expense)	(2,811)	-1.1%	(1,709)	-1.7%	-	(4,520)	-1.3%
Income / (loss) from equity investments	1	0.0%	-		-	1	0.0%
Total financial income / (expense)	(2,810)	-1.1%	(1,709)	-1.7%	-	(4,519)	-1.3%
Profit (Loss) before income taxes	**18,681**	**7.4%**	**12,981**	**12.7%**	**-**	**31,662**	**9.1%**
Income taxes	7,771	3.1%	5,867	5.7%	-	13,638	3.9%
Net result from business activities	**10,910**	**4.3%**	**7,114**	**7.0%**	**-**	**18,024**	**5.2%**
Net result from intermittent activities	-		-		-	-	
Profit / (Loss) pertaining to minority interests	(249)	-0.1%	(467)	-0.5%	-	(716)	-0.2%
Net Profit / (Loss)	**10,661**	**4.2%**	**6,647**	**6.5%**	**-**	**17,308**	**5.0%**

Other Information Sol Group

(In thousands of Euro)	Technical gas sector	Home-care service sector	Write-downs	Consolidated figures
		12.31.05		
Total assets	**399,507**	**127,208**	**(65,288)**	**461,427**
Total liabilities	**174,661**	**73,945**	**(35,217)**	**213,389**
Investments	**49,590**	**13,756**	**-**	**63,346**

	12.31.04						
	Technical gas sector	%	Home-care service sector	%	Write-downs	Consolidated figures	%
	240,497	100.0%	-		(7,258)	233,239	72.5%
	-		88,850	100.0%	(236)	88,614	27.5%
	240,497	100.0%	88,850	100.0%	(7,494)	321,853	100.0%
	3,362	1.4%	627	0.7%	(320)	3,669	1.1%
	2,644	1.1%	3,100	3.5%	4	5,748	1.8%
	246,503	102.5%	92,577	104.2%	(7,810)	331,270	102.9%
	76,395	31.8%	24,500	27.6%	(4,894)	96,001	29.8%
	71,191	29.6%	26,699	30.0%	(2,389)	95,501	29.7%
	(1,038)	-0.4%	(820)	-0.9%	-	(1,858)	-0.6%
	6,855	2.9%	4,095	4.6%	(527)	10,423	3.2%
	153,403	63.8%	54,474	61.3%	(7,810)	200,067	62.2%
	93,100	38.7%	38,103	42.9%	-	131,203	40.8%
	42,547	17.7%	13,112	14.8%	-	55,659	17.3%
	50,553	21.0%	24,991	28.1%	-	75,544	23.5%
	26,483	11.0%	9,310	10.5%	-	35,793	11.1%
	2,020	0.8%	1,122	1.3%	-	3,142	1.0%
	22,050	9.2%	14,559	16.4%	-	36,609	11.4%
	(2,615)	-1.1%	(1,389)	-1.6%	-	(4,004)	-1.2%
	(38)	0.0%	(21)	0.0%	-	(58)	0.0%
	(2,653)	-1.1%	(1,410)	-1.6%	-	(4,062)	-1.3%
	19,397	8.1%	13,149	14.8%	-	32,547	10.1%
	8,719	3.6%	5,470	6.2%	-	14,188	4.4%
	10,679	4.4%	7,680	8.6%	-	18,359	5.7%
	-		-		-	-	
	(126)	-0.1%	(493)	-0.6%	-	(619)	-0.2%
	10,553	4.4%	7,187	8.1%	-	17,740	5.5%

	12.31.04			
	Technical gas sector	Home-care service sector	Write-downs	Consolidated figures
	383,190	109,835	(63,181)	429,844
	164,707	63,283	(33,306)	194,684
	43,715	10,515	-	54,230

Breakdown of revenues by type of business: Technical gas sector

The profit & loss account of the Technical gas sector is shown below:

(In thousands of Euro)	12.31.05	%	12.31.04	%
Net sales	**252,832**	100.0%	240,497	100.0%
Other revenues and income	2,647	1.0%	3,362	1.4%
Increases in internally-constructed fixed assets	1,741	0.7%	2,644	1.1%
Revenues	**257,220**	101.7%	246,503	102.5%
Purchase of materials	79,292	31.4%	76,395	31.8%
Services rendered	74,966	29.7%	71,191	29.6%
Change in inventories	(378)	-0.1%	(1,038)	-0.4%
Other costs	6,963	2.8%	6,855	2.9%
Total costs	**160,843**	63.6%	153,403	63.8%
Added value	**96,377**	38.1%	93,100	38.7%
Payroll and related costs	44,644	17.7%	42,547	17.7%
Gross Operating Margin	**51,733**	20.5%	50,553	21.0%
Amortisation and depreciation	28,840	11.4%	26,483	11.0%
Other provisions	1,402	0.6%	2,020	0.8%
Operating result	**21,491**	8.5%	22,050	9.2%
Financial income / (expense)	(2,811)	-1.1%	(2,615)	-1.1%
Income / (loss) from equity investments	1	0.0%	(38)	0.0%
Total financial income / (expense)	(2,810)	-1.1%	(2,653)	-1.1%
Profit (Loss) before income taxes	**18,681**	7.4%	19,397	8.1%
Income taxes	7,771	3.1%	8,719	3.6%
Net result from business activities	**10,910**	4.3%	10,678	4.4%
Net result from intermittent activities	-		-	
Profit / (Loss) pertaining to minority interests	(249)	-0.1%	(126)	-0.1%
Net Profit / (Loss)	**10,661**	4.2%	10,552	4.4%

Sales in the Technical Gas sector reported an increase of 5.1% due to the rise in prices and quantities. The gross operating margin rose by 2.3% since it felt the effect, in terms of margins, of the different mix in sales when compared with 2004, as well as the difficulties in transferring the continual cost increases downstream, especially in Italy.

The operating result was down slightly with respect to 2004, following the additional amortisation and depreciation for the current year, offset only partly by fewer provisions.

The balance sheet of the Technical Gas sector is presented below:

(in thousands of Euro)	**12.31.05**	12.31.04
Tangible fixed assets	217,946	200,825
Goodwill and consolidation differences	521	381
Other intangible fixed assets	722	958
Equity investments	16,951	16,940
Other financial assets	28,103	26,755
Prepaid taxes	4,586	4,891
NON-CURRENT ASSETS	**268,829**	250,750
Non-current assets held for sale	**-**	**-**
Inventories	12,739	12,318
Trade accounts receivable	101,480	98,701
Other current assets	2,921	4,145
Current financial assets	443	218
Prepayments and accrued income	1,092	652
Cash and cash at bank	12,003	16,406
CURRENT ASSETS	**130,678**	132,440
TOTAL ASSETS	**399,507**	383,190
Share Capital	47,164	47,164
Share premium reserve	63,335	63,335
Legal reserve	4,864	3,439
Reserve for own shares in portfolio	-	-
Other reserves	93,157	88,472
Net profit	10,661	10,552
Shareholders' equity-Group	**219,181**	212,962
Shareholders' equity - Minority interests	5,416	5,395
Profit (loss) pertaining to minority interests	249	126
Shareholders' equity - Minority interests	**5,665**	5,521
SHAREHOLDERS' EQUITY	**224,846**	218,483
Employee severance indemnities and other benefits	8,783	8,237
Deferred taxation	18,506	18,056
Provisions for risks and charges	779	828
Payables and other liabilities	76,103	69,452
NON-CURRENT LIABILITIES	**104,171**	96,573
Non-current liabilities held for sale	**-**	**-**
Amounts due to banks	6,434	3,647
Trade accounts payable	39,326	40,727
Other financial liabilities	15,348	13,960
Tax liabilities	2,101	1,946
Accrued expenses and deferred income	2,377	2,759
Other current liabilities	4,904	5,095
CURRENT LIABILITIES	**70,490**	68,134
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**399,507**	383,190

Breakdown of revenues by type of business: Home-care service sector

The profit & loss account of the Home-care Service sector is shown below:

(In thousands of Euro)	12.31.05	%	12.31.04	%
Net sales	**102,262**	100.0%	88,850	100.0%
Other revenues and income	446	0.4%	627	0.7%
Increases in internally-constructed fixed assets	3,763	3.7%	3,100	3.5%
Revenues	**106,471**	104.1%	92,577	104.2%
Purchase of materials	32,165	31.5%	24,500	27.6%
Services rendered	32,202	31.5%	26,699	30.0%
Change in inventories	(2,716)	-2.7%	(820)	-0.9%
Other costs	4,589	4.5%	4,095	4.6%
Total costs	**66,240**	64.8%	54,474	61.3%
Total costs	**40,231**	39.3%	38,103	42.9%
Payroll and related costs	15,548	15.2%	13,112	14.8%
Gross Operating Margin	**24,683**	24.1%	24,991	28.1%
Amortisation and depreciation	9,451	9.2%	9,310	10.5%
Other provisions	542	0.5%	1,122	1.3%
Operating result	**14,690**	14.4%	14,559	16.4%
Financial income / (expense)	(1,709)	-1.7%	(1,389)	-1.6%
Income / (loss) from equity investments	-		(21)	0.0%
Total financial income / (expense)	(1,709)	-1.7%	(1,410)	-1.6%
Profit (Loss) before income taxes	**12,981**	12.7%	13,149	14.8%
Income taxes	5,867	5.7%	5,470	6.2%
Net result from business activities	**7,114**	7.0%	7,679	8.6%
Net result from intermittent activities	-		-	
Profit / (Loss) pertaining to minority interests	(467)	-0.5%	(493)	-0.6%
Net Profit / (Loss)	**6,647**	6.5%	7,186	8.1%

Sales in the Homecare Service sector reported an increase of 15.1% due to the continual growth of activities.

The gross operating margin remained more or less at the 2004 levels. In terms of margin, the reduction noted in 2005 was due to both the increase in the portion of revenue deriving from new activities and services, which are undergoing an initial phase of growth, and to the rise in costs for purchases of materials and transport.

The operating result was up slightly with respect to 2004, despite having recorded greater amortisation and depreciation.

The balance sheet of the Home-care Service sector is presented below:

(in thousands of Euro)	**12.31.05**	12.31.04
Tangible fixed assets	35,045	26,757
Goodwill and consolidation differences	2,334	2,418
Other intangible fixed assets	692	621
Equity investments	13,658	13,464
Other financial assets	2,977	2,666
Prepaid taxes	570	813
NON-CURRENT ASSETS	**55,276**	46,739
Non-current assets held for sale	**-**	**-**
Inventories	10,994	8,278
Trade accounts receivable	51,213	45,668
Other current assets	4,870	3,494
Current financial assets	-	-
Prepayments and accrued income	436	186
Cash and cash at bank	4,419	5,470
CURRENT ASSETS	**71,932**	63,096
TOTAL ASSETS	**127,208**	109,835
Share Capital	7,724	7,724
Share premium reserve	4,187	4,187
Legal reserve	-	-
Reserve for own shares in portfolio	-	-
Other reserves	29,068	14,838
Retained earnings (accumulated loss)	3,324	10,694
Net profit	6,647	7,186
Shareholders' equity-Group	**50,950**	44,629
Shareholders' equity - Minority interests	1,846	1,430
Profit (loss) pertaining to minority interests	467	493
Shareholders' equity - Minority interests	**2,313**	1,923
SHAREHOLDERS' EQUITY	**53,263**	46,552
Employee severance indemnities and other benefits	1,642	1,316
Deferred taxation	5,507	2,637
Provisions for risks and charges	70	10
Payables and other liabilities	7,898	9,004
NON-CURRENT LIABILITIES	**15,117**	12,967
Non-current liabilities held for sale	**-**	-
Amounts due to banks	261	97
Trade accounts payable	52,093	44,800
Other financial liabilities	2,107	1,950
Tax liabilities	1,020	1,606
Accrued expenses and deferred income	1,013	341
Other current liabilities	2,334	1,522
CURRENT LIABILITIES	**58,828**	50,316
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**127,208**	109,835

Information by geographic area

The breakdown of revenues by geographic area is presented below:

Description	12.31.05	12.31.04	Movement
Italy	233,948	223,332	10,616
Rest of Europe	112,092	98,521	13,571
Total	**346,040**	321,853	24,187

The breakdown of the book value of the activities by geographic area is presented below:

Description	12.31.04	Movement
Italy	265,322	265,077
Rest of Europe	196,105	164,767
Total	**461,427**	**429,844**

The breakdown of investments by geographic area is presented below:

Description	12.31.05	12.31.04	Movement
Italy	24,917	20,948	3,969
Rest of Europe	38,429	33,282	5,147
Total	**63,346**	54,230	9,116

InfraGroup transactions and transactions with related parties

The Parent Company SOL S.p.A. is controlled by Gas and Technologies World B.V., in turn controlled by Stichting AIRVISION; the Group has not entered into any transactions with the latter.

InfraGroup transactions

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

InfraGroup sales and services carried out during 2005 amounted to Euro 64 million.

As at 31 December 2005, receivable and payable transactions between Group companies came to Euro 84 million, of which Euro 45 million of a financial nature and Euro 39 million of a trade nature.

The transactions of the SOL Group with associated companies comprised:

• Purchases from Consorgas Srl	Euro	489 thousand
• Amounts due to Consorgas Srl	Euro	50 thousand
• Purchases from Medical System Srl	Euro	310 thousand
• Amounts due to Medical System Srl	Euro	113 thousand

Transactions with related parties

During 2005, the SOL Group carried out transactions with related third parties, such as individuals who are relatives of some members of the parent company's Board of Directors. Such transactions comprised employment arrangements, which were remunerated at normal market rates and entailed a cost of Euro 422.5 thousand for the Group.

Commitments, guarantees and potential liabilities

The Sol Group has given sureties guaranteeing loans granted to the Parent Company and other Group companies for Euro 4,935 thousand.

Net financial position

(in thousands of Euro)	**12.31.05**	12.31.04
Cash and cash at banks	16,422	21,888
Securities	443	218
Loans - short term portion	(16,085)	(14,422)
Leases - short term portion	(1,316)	(1,445)
Short - term amounts due to banks	(6,695)	(3,744)
Amounts due to shareholders for loans	(44)	(44)
Amounts due to Shareholders for the purchase of equity investments	-	-
Short-term Liquidity, Net	**(7,274)**	2,451
Investment securities	459	521
Loans - long-term portion	(78,630)	(74,705)
Long - term amounts due to banks	(14)	(9)
Amounts due to lenders for Leasing	(674)	(1,584)
Amounts due to Shareholders for the purchase of equity investments	(4,597)	(1,903)
Medium/Long-Term Net indebtedness	**(83,457)**	(77,681)
Total Net Liquidity/Indebtedness	**(90,731)**	(75,230)

The increase in net indebtedness is essentially due to the considerable investments which the Group made during 2005.

Information on financial risks

The Group is exposed to financial risks associated with its business operations:

- credit risk in relation to normal trade transactions with customers;
- liquidity risk, with particular reference to the raising of financial resources associated with investments;
- market risks (mainly relating to exchange and interest rates), in that the Group operates at international level in different currency areas and uses financial instruments which generate interest.

Credit risk

The granting of credit to end customers is subject to specific assessments by means of structured credit facility systems.

Positions amongst trade receivables (if individually significant) for which objective partial or total non-recoverability is ascertained, are subject to individual writedown. Provisions are made on a collective basis for receivables which are not subject to individual writedown, taking into account the historic experience and the statistical data.

Liquidity risk

The liquidity risk may manifest with regards to the inability to raise the financial resources necessary for the anticipated investments under economic conditions.

The Group has adopted a series of policies and processes aimed at optimizing the management of the financial resources, reducing the liquidity risk, such as the maintenance of an adequate level of available liquidity, the obtaining of adequate credit facilities and the systematic monitoring of the forecast liquidity conditions, in relation to the corporate planning process.

Management believes that the funds and the credit facilities currently available, in addition to those which will be generated by operating and financing activities, will permit the Group to satisfy its requirements deriving from activities for investments, working capital management and debt repayments on their natural maturity dates.

Exchange risk

In relation to the sales activities, the Group companies may find themselves with trade receivables or payables denominated in currencies other than the reporting currency of the company which holds them.

A number of Group subsidiary companies are located in countries which do not belong to the European Monetary Union, in particular Switzerland, Bosnia, Croatia, Slovenia, Serbia, Albania, Macedonia and Bulgaria. Since the reference currency for the Group is the Euro, the profit & loss accounts of these companies are translated into Euro using the average exchange rate for the period and, revenues and margins in local currency being equal, changes in interest rates may have an effect on the equivalent value in Euro of revenues, costs and economic results.

Assets and liabilities of the consolidated companies whose reporting currency is not the Euro, can adopt equivalent values in Euro which differ depending on the performance of the exchange rates. As envisaged by the accounting standards adopted, the effects of these changes are booked directly to shareholders' equity, under the item "Other reserves".

The Group monitors the main exposures to exchange rate risks from translation; what is more, as of the balance sheet date, there were no hedges existing for said exposure.

Interest rate risk

The interest rate risk is handled by the Parent Company by means of the centralization of the majority of the medium/long-term debt and an adequate division of the loans between fixed rate and floating rate. The Parent Company has stipulated an interest rate swap agreement linked to a floating rate medium-term loan with the aim of ensuring itself a fixed rate on said loan.

Significant events which took place after the end of the accounting period and foreseeable business developments

Please refer to the specific section in the report on operations.

Monza, Italy, 29 March 2006

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

Appendix - Changeover to the International Accounting Standards (IFRS)

Further to the enforcement of European Regulation No. 1606 dated July 2002 issued by the European Parliament and by the European Council, companies with securities admitted for trading on Member European Union States' regulated markets must by 2005 draw up their consolidated financial statements in accordance with the international accounting standards (IAS/IFRS) issued by the International Accounting Standard Board (IASB), as approved by the EU Commission. As from 1 January 2005, the SOL Group adopted these standards for the preparation of the consolidated financial statements.

This Appendix provides the reconciliations between the net result for the period and the consolidated shareholders' equity in accordance with the previous standards (Italian accounting principles) and the net result for the year and the consolidated shareholders' equity in accordance with the IFRS for the previous periods presented for comparative purposes (as of the changeover date – 1 January 2004 - which corresponds with the start of the first period placed in comparison and for the previous period presented for comparative purposes, or rather 31 December 2004), as requested by IFRS 1 - First time adoption of the IFRS, as well as the related explanatory notes.

Such disclosure has been arranged within the sphere of the process for conversion to the IFRS and for the preparation of the Group's consolidated financial statements as at 31 December 2005 in accordance with the IFRS as approved by the EC; it does not include all the statements, comparative information and explanatory notes which would be necessary for providing a complete view, in compliance with the IFRS, of the financial standing and the economic result of the SOL Group as at 31 December 2004.

Reconciliations required by of IFRS 1

As required by IFRS 1, these notes describe the standards adopted during the preparation (according to the IFRS) of the opening consolidated balance sheet as at 1 January 2004, the main differences with respect to the Italian accounting principles used for drawing up the consolidated statements of the Group until 31 December 2004, as well as the consequent reconciliations between the balances originally published, drawn up in accordance with the Italian accounting principles, and the corresponding balances reclassified on the basis of the IFRS.

The balance sheets and profit & loss accounts for 2004 have been drawn up in accordance with the formalities indicated by IFRS 1 - First time adoption of the IFRS. Specifically, the IFRS standards already applicable as from 1 January 2005, as published by 31 December 2004, have been used.

First time adoption of IFRS

General approach

The Group has retrospectively applied the IFRS accounting standards in force as at 31 December 2004 to all the periods included in the first IFRS financial statements and to the opening balance sheet, subject to a number of exemptions adopted by the Group, in observance of IFRS 1, as described in the following paragraph.

These 2004 accounting schedules represent the balances published for comparative purposes in the consolidated financial statements as at 31 December 2005.

The opening balance sheet as at 1 January 2004 reflects the following differences in approach with respect to the consolidated financial statements as at 31 December 2003, drawn up in compliance with the Italian accounting principles:

- all the assets and liabilities whose recording is required by the IFRS, including those not envisaged in accordance with the Italian accounting principles, have been stated and valued in accordance with the IFRS;
- all the assets and liabilities whose recording is required by the Italian accounting principles, but not permitted by the IFRS, have been eliminated;
- all the assets and liabilities have been reclassified as the balances which would have been calculated if the new standards had been applied retrospectively;
- some financial statement items have been reclassified in accordance with the matters envisaged by the IFRS.

The effects of these adjustments have been booked directly to the opening shareholders' equity as of the date of initial application of the IFRS (1 January 2004) net of the tax effect recorded as and when under the provision for deferred taxation or in the prepaid tax assets.

Optional exemptions adopted by the Group

Business Combinations: the Group has chosen not to retrospectively apply IFRS 3 - Business Combinations for the transactions which took place before the date of changeover to the IFRS.

Employee benefits: the Group has decided to record all the cumulative actuarial gains and losses existing as of 1 January 2004, despite having decided to adopt the "corridor method" for the actuarial gains and losses which will be generated after said date.

Effects of the changeover to the IFRS on the balance sheet as of 1 January 2004

A summary of the consolidated balance sheet as of the date of changeover, reclassified according to the approach of the distinction between "current and non-current" assets and liabilities, is presented in the table below".

Balance sheet as at 1 January 2004 Sol Group

(In thousands of Euro)	As per Italian accounting principles	Reclassifications	IAS/IFRS Adjustments	Effects of changeover to IAS/IFRS	IAS/IFRS
Tangible fixed assets	204,079	425	1,149	1,574	205,653
Goodwill and consolidation differences	2,083		(61)	(61)	2,022
Other intangible fixed assets	3,060	(425)	(701)	(1,126)	1,934
Equity investments	551			-	551
Other financial assets	4,127	(2,317)		(2,317)	1,810
Prepaid taxes	2,990		3,149	3,149	6,139
NON-CURRENT ASSETS	**216,890**	**(2,317)**	**3,536**	**1,219**	**218,109**
Non-current assets held for sale	**-**	**-**	**-**	**-**	**-**
Inventories	25,272		(6,598)	(6,598)	18,674
Trade accounts receivable	128,546		3,142	3,142	131,688
Other current assets	7,204			-	7,204
Current financial assets	577			-	577
Prepayments and accrued income	636			-	636
Cash and cash at bank	24,310			-	24,310
CURRENT ASSETS	**186,545**	**-**	**(3,456)**	**(3,456)**	**183,089**
TOTAL ASSETS	**403,435**	**(2,317)**	**80**	**(2,237)**	**401,198**
Share Capital	47,164			-	47,164
Share premium reserve	63,335			-	63,335
Legal reserve	3,097				3,097
Reserve for own shares in portfolio	2,317	(2,317)		(2,317)	-
Other reserves	81,677	(28)	4,226	4,198	85,875
Retained earnings (accumulated loss)	15,204			-	15,204
Shareholders' equity-Group	**212,794**	**(2,345)**	**4,226**	**1,881**	**214,675**
Shareholders' equity - Minority interests	6,982		(59)	(59)	6,923
Profit (loss) pertaining to minority interests				-	-
Shareholders' equity - Minority interests	**6,982**	**-**	**(59)**	**(59)**	**6,923**
SHAREHOLDERS' EQUITY	**219,776**	**(2,345)**	**4,167**	**1,822**	**221,598**
Employee severance indemnities and other benefits	8,921	12	108	120	9,041
Deferred taxation	16,992	(8)	1,126	1,118	18,110
Provision for risks and charges	1,052			-	1,052
Payables and other liabilities	69,583			-	69,583
NON-CURRENT LIABILITIES	**96,548**	**4**	**1,234**	**1,238**	**97,786**
Non-current liabilities held for sale	**-**	**-**	**-**	**-**	**-**
Amounts due to banks	5,016			-	5,016
Trade accounts payable	46,566			-	46,566
Other financial liabilities	14,906			-	14,906
Tax liabilities	4,803			-	4,803
Accrued expenses and deferred income	3,169	36	19	55	3,224
Other current liabilities	12,651	(12)	(5,340)	(5,352)	7,299
CURRENT LIABILITIES	**87,111**	**24**	**(5,321)**	**(5,297)**	**81,814**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**403,435**	**(2,317)**	**80**	**(2,237)**	**401,198**

The main reclassification concerned the recording of treasury stock against shareholders' equity

The following table indicates the accounting standards relating to the adjustments made:

Balance sheet as at 1 January 2004 Sol Group

(In thousands of Euro)	As per Italian accounting principles	1 Reclassifications	2 IAS 2 Inventories	3 IAS 11 Contracts	4 IAS 12 Income taxes
Tangible fixed assets	204,079	425			
Goodwill and consolidation differences	2,083	-			
Other intangible fixed assets	3,060	(425)			
Equity investments	551	-			
Other financial assets	4,127	(2.317)			
Amounts receivable for prepaid taxes	2,990	-			2,912
NON-CURRENT ASSETS	**216,890**	**(2.317)**	**-**	**-**	**2,912**
Non-current assets held for sale	**-**	**-**			
Inventories	25,272	-	10	(6,608)	
Trade accounts receivable	128,546	-		3,142	
Other current assets	7,204	-			
Current financial assets	577	-			
Prepayments and accrued income	636	-			
Cash and cash at bank	24,310	-			
CURRENT ASSETS	**186,545**	**-**	**10**	**(3,466)**	**-**
TOTAL ASSETS	**403,435**	**(2.317)**	**10**	**(3,466)**	**2,912**
Share Capital	47,164	-			
Share premium reserve	63,335	-			
Legal reserve	3,097	-			
Reserve for own shares in portfolio	2,317	(2,317)			
Other reserves	81,677	(28)	6	1,175	2,909
Retained earnings (accumulated loss)	15,204	-			
Shareholders' equity-Group	**212,794**	**(2,345)**	**6**	**1,175**	**2,909**
Shareholders' equity - Minority interests	6,982				3
Shareholders' equity - Minority interests	**6,982**	**-**	**-**	**-**	**3**
SHAREHOLDERS' EQUITY	**219,776**	**(2,345)**	**6**	**1,175**	**2,912**
Employee severance indemnities and other benefits	8,921	12			
Deferred taxation	16,992	(8)	4	699	
Provision for risks and charges	1,052	-			
Other liabilities	69,583	-			
NON-CURRENT LIABILITIES	**96,548**	**4**	**4**	**699**	**-**
Non-current liabilities held for sale	**-**	**-**			
Amounts due to banks	5,016	-			
Trade accounts payable	46,566	-			
Other financial liabilities	14,906	-			
Tax liabilities	4,803	-			
Accrued expenses and deferred income	3,169	36			
Other current liabilities	12,651	(12)		(5,340)	
CURRENT LIABILITIES	**87,111**	**24**	**-**	**(5,340)**	**-**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**403,435**	**(2,317)**	**10**	**(3,466)**	**2,912**

	5 IAS 16 Real estate , property, plant and machinery	6 IAS 19 Employee benefits	7 IAS 20 Grants	8 IAS 38 Intangible assets	Effects of changeover to IAS/IFRS	IAS/IFRS
	1,149				1,574	205,653
				(61)	(61)	2,022
				(701)	(1,126)	1,934
					-	551
					(2,317)	1,810
	(3)	33	7	200	3,149	6,139
	1,146	**33**	**7**	**(562)**	**1,219**	**218,109**
					-	**-**
					(6,598)	18,674
					3,142	131,688
					-	7,204
					-	577
					-	636
					-	24,310
	-	**-**	**-**	**-**	**(3,456)**	**183,089**
	1,146	**33**	**7**	**(562)**	**(2,237)**	**401,198**
					-	47,164
					-	63,335
					-	3,097
					(2,317)	-
	723	(88)	(12)	(487)	4,198	85,875
					-	15,204
	723	**(88)**	**(12)**	**(487)**	**1,881**	**214,675**
		13		(75)	(59)	6,923
	-	**13**	**-**	**(75)**	**(59)**	**6,923**
	723	**(75)**	**(12)**	**(562)**	**1,822**	**221,598**
		108			120	9,041
	423				1,118	18,110
					-	1,052
					-	69,583
	423	**108**	**-**	**-**	**1,238**	**97,786**
					-	**-**
					-	5,016
					-	46,566
					-	14,906
					-	4,803
			19		55	3,224
					(5,352)	7,299
	-	**-**	**19**	**-**	**(5,297)**	**81,814**
	1,146	**33**	**7**	**(562)**	**(2,237)**	**401,198**

The following statement and the subsequent explanatory notes summarize the main changes which have taken place, as at the date of changeover, to the Group's consolidated shareholders' equity, referring to the adjustments indicated in the previous schedule by number and type.

Reconciliation of the Group shareholders' equity as at 1 January 2004

Group shareholders' equity as per Italian accounting principles		**212,794**
1	Reclassifications	(2,345)
2	Inventories	6
3	Construction contracts	1,175
4	Income taxes	2,909
5	Real estate property, plant and machinery	723
6	Employee benefits	(88)
7	Grants	(12)
8	Intangible assets	(487)
	Total IAS/IFRS adjustments	**1,881**
	IAS/IFRS shareholders' equity	**214,675**

1. Reclassifications

The most significant reclassifications concern the treasury shares previously indicated under "Other financial assets" which were reclassified and charged against the shareholders' equity (Euro 2,317 thousand).

2. Inventories (IAS 2)

The valuation of the inventories at weighted average cost was adopted, since the LIFO method, used previously by the Group, is no longer permitted by the IFRS.

3. Construction contracts (IAS 11)

Construction contracts were recorded on the basis of the state of completion of the work, net of any advance payments made by the customers.

4. Income taxes (IAS 12)

"Amounts due for prepaid taxes" were recorded, calculated on the tax losses of some Group companies; future utilization of these taxes is envisaged.

5. Real estate property, plant and machinery (IAS 16)

In accordance with the Italian accounting principles, land directly attributable to buildings was depreciated together with the building using the same rate of depreciation.

This depreciation is no longer permitted by the IFRS. The values attributable to this depreciation have therefore been eliminated, by reclassifying the amount under the item "Other reserves".

6. Employee benefits (IAS 19)

By means of the adoption of the IFRS, the employee severance indemnity (TFR) is considered an obligation with defined benefits and must be recalculated by applying the "projected unit credit" method. The Group has decided to record cumulative actuarial gains and losses outstanding as of 1 January 2004 with a negative effect on the opening shareholders' equity of Euro 88 thousand.

7. Grants (IAS 20)

Grants amounting to Euro 19 thousand have been recorded in the item "Accrued expenses and deferred income", previously stated in the item "Other reserves", on the basis of the useful lives of the assets financed. This transaction has brought about a negative effect on the Group's shareholders' equity equating to Euro 12 thousand.

8. Intangible fixed assets (IAS 38)

Certain types of deferred costs can no longer be capitalized; the net book values as of the date of changeover have been reversed with a matching balance under "Other reserves".

2004 Profit and Loss Account Sol Group

A reconciliation of the 2004 profit & loss account is presented below:

(In thousands of Euro)	As per Italian accounting principles	Reclassifications	IAS/IFRS Adjustments	Effects of changeover to IAS/IFRS	IAS/IFRS
Net sales	**320.804**		**1.049**	**1.049**	**321.853**
Other revenues and income	2.966	684	19	703	3.669
Increases in internally-constructed fixed assets	5.748		-	-	5.748
Revenues	**329.518**	**684**	**1.068**	**1.752**	**331.270**
Purchase of materials	96.001		-	-	96.001
Services rendered	96.248		(748)	(748)	95.500
Change in inventories	(3.506)		1.648	1.648	(1.858)
Other costs	9.766	657	-	657	10.423
Total costs	**198.510**	**657**	**900**	**1.557**	**200.067**
Added value	**131.008**	**27**	**168**	**195**	**131.203**
Payroll and related costs	56.076		(417)	(417)	55.659
Gross Operating Margin	**74.932**	**27**	**585**	**612**	**75.544**
Amortisation and depreciation	36.975	(31)	(1.151)	(1.182)	35.793
Other provisions	3.111	31	-	31	3.142
Operating result	**34.847**	**27**	**1.736**	**1.763**	**36.610**
Financial income / (expense)	(3.807)		(197)	(197)	(4.004)
Income / (loss) from equity investments		(58)	-	(58)	(58)
Total financial income / (expense)	**(3.807)**	**(58)**	**(197)**	**(255)**	**(4.062)**
Extraordinary income / (expense)	**(31)**	**31**		**31**	**-**
Profit (Loss) before income taxes	**31.009**	**(0)**	**1.539**	**1.539**	**32.548**
Income taxes	14.106		83	83	14.189
Net result from business activities	**16.903**	**(0)**	**1.456**	**1.456**	**18.359**
Net result from intermittent activities			-	-	-
Profit / (Loss) pertaining to minority interests	(397)		(222)	(222)	(619)
Net Profit / (Loss)	**16.506**	**(0)**	**1.234**	**1.234**	**17.740**

The main reclassifications were made for the purposes of dividing up, onto individual lines of the profit & loss account, the positive and negative components recorded as extraordinary income and expense in accordance with the previous principles.

The following table shows the main adjustments made as of the changeover date:

2004 Profit and Loss Account Sol Group

(In thousands of Euro)	As per Italian accounting principles	1 Reclassifications	2 IAS 2 Inventories	3 IAS 11 Contracts	4 IAS 12 Income taxes
Net sales	**320,804**	**-**		**1,049**	
Other revenues and income	2,966	684			
Increases in internally-constructed fixed assets	5,748	-			
Revenues	**329,518**	**684**	**-**	**1,049**	**-**
Purchase of materials	96,001	-			
Services rendered	96,248	-			
Change in inventories	(3,506)	-	(30)	1,678	
Other costs	9,766	657			
Total costs	**198,510**	**657**	**(30)**	**1,678**	**-**
Added value	**131,008**	**27**	**30**	**(629)**	**-**
Payroll and related costs	56,076	-			
Gross Operating Margin	**74,932**	**27**	**30**	**(629)**	**-**
Amortisation and depreciation	36,975	(31)			
Other provisions	3,111	31			
Operating result	**34,847**	**27**	**30**	**(629)**	**-**
Financial income / (expense)	(3,807)	-			
Income / (loss) from equity investments	-	(58)			
Total financial income / (expense)	**(3,807)**	**(58)**	**-**	**-**	**-**
Extraordinary income / (expense)	**(31)**	**31**			
Profit (Loss) before income taxes	**31,009**	**-**	**30**	**(629)**	**-**
Income taxes	14,106	-	11	(235)	47
Net result from business activities	**16,903**	**-**	**19**	**(394)**	**(47)**
Net result from intermittent activities	-	-			
Profit / (Loss) pertaining to minority interests	(397)	-	1	(1)	
Net Profit / (Loss)	**16,506**	**-**	**20**	**(395)**	**(47)**

	5 IAS 16 Real estate property, plant and machinery	6 IAS 19 Employee benefits	7 IAS 20 Grants	8 IAS 38 Intangible assets	Effects of changeover to IAS/IFRS	IAS/IFRS
					1,049	**321,853**
			19		703	3,669
					-	5,748
	-	**-**	**19**	**-**	**1,752**	**331,270**
					-	96,001
	(770)			22	(748)	95,500
					1,648	(1,858)
					657	10,423
	(770)	**-**	**-**	**22**	**1,557**	**200,067**
	770	**-**	**19**	**(22)**	**195**	**131,203**
		(417)			(417)	55,659
	770	**417**	**19**	**(22)**	**612**	**75,544**
	38			(1,189)	(1,182)	35,793
					31	3,142
	732	**417**	**19**	**1,167**	**1,763**	**36,610**
		(197)			(197)	(4,004)
					(58)	(58)
	-	**(197)**	**-**	**-**	**(255)**	**(4,062)**
					31	**-**
	732	**220**	**19**	**1,167**	**1,539**	**32,548**
	59	87	7	107	83	14,189
	673	**133**	**12**	**1,060**	**1,456**	**18,359**
					-	-
	(181)	8		(49)	(222)	(619)
	492	**141**	**12**	**1,011**	**1,234**	**17,740**

The following notes summarize the main changes which have taken place, as at the changeover date, on the Group's consolidated net result, referring to the adjustments indicated in the previous schedule by number and type.

1. Reclassifications (IAS 1)

Other revenues and income

Euro 684 thousand previously included under the item "Extraordinary income", has been reclassified under this item.

Other costs

Euro 657 thousand previously included under the item "Extraordinary expense", has been reclassified under this item.

Amortisation, depreciation and Other provisions

Euro 31 thousand has been reversed from amortization and depreciation and reclassified under other provisions.

Income / (loss) from equity investments

Euro 58 thousand previously included under the item "Extraordinary expense", has been reclassified under this item.

Extraordinary income / (expense)

Euro 31 thousand in income has been reclassified under other items, since this caption is no longer envisaged.

2. Inventories (IAS 2)

The change is due to the valuation of the inventories at weighted average cost.

3. Construction contracts (IAS 11)

The valuation of the construction contracts on the basis of the stage of completion of the work has led to the registration of higher revenues for Euro 1,049 thousand and the reversal of the inventories for Euro 1,678 thousand.

Steps were taken to re-define the values of the construction contracts both with regards to the estimated margin and further to the fact that certain assets, originally treated at construction contracts, were subsequently rented to customers, remaining the Group's property and thereby losing the original construction contract nature.

When compared with the previous calculations, lower sales were recorded for a total of Euro 1.502 thousand.

4. Income taxes (IAS 12)

This concerns the recovery of prepaid taxes provided for as at 1 January 2004 and the additional taxes relating to the adjustments made.

5. Real estate property, plant and machinery (IAS 16)

Services rendered

The decrease in the item of Euro 770 thousand is due to the capitalization of costs for tests & inspections.

Amortisation/depreciation

The increase in the item of Euro 38 thousand is due to the amortisation of the capitalized final test & inspection costs (+ Euro 212 thousand) and the reversal of depreciation (- Euro 174 thousand) relating to land.

6. Employee benefits (IAS 19)

Payroll and related costs

The different accounting treatment of employee benefits led to a lower cost of Euro 417 thousand.

Financial income / (expense)

This item contains the figurative financial expense (interest cost) determined as part of the actuarial calculation method for employee severance indemnities (TFR) totalling Euro 197 thousand.

7. Grants (IAS 20)

This item involves the recording in the profit & loss account of the last portion of the non-refundable grants (sink funds) previously classified under the item "Shareholders' equity".

8. Intangible fixed assets (IAS 38)

Services rendered

The increase in the item of Euro 22 thousand is due to the charging to the profit & loss account of costs capitalized in the balance sheet belonging to the financial statements drawn up in accordance with Italian accounting principles.

Amortisation

The decrease in the item of Euro 1,189 thousand reflects the reduction in value of the intangible assets and the portions of amortisation no longer under the item "Goodwill and consolidation differences".

The table below presents a reconciliation of the balance sheet as at 31 December 2004, as emerging from the adjustments made as of the changeover date and those made to the profit & loss account for the year already mentioned

Balance sheet as at 31 December 2004 Sol Group

(In thousands of Euro)	As per Italian accounting principles	Reclassifications	IAS/IFRS Adjustments	Effects of changeover to IAS/IFRS	IAS/IFRS
Tangible fixed assets	225,202	504	1,876	2,380	227,582
Goodwill and consolidation differences	1,847		793	793	2,640
Other intangible fixed assets	2,631	(504)	(389)	(893)	1,738
Equity investments	527		-	-	527
Other financial assets	3,907	(2,317)	-	(2,317)	1,590
Prepaid taxes	2,816		2,888	2,888	5,704
NON-CURRENT ASSETS	**236,930**	**(2,317)**	**5,168**	**2,851**	**239,781**
Non-current assets held for sale				**-**	**-**
Inventories	28,842		(8,246)	(8,246)	20,596
Trade accounts receivable	134,604		4,275	4,275	138,879
Other current assets	7,644			-	7,644
Current financial assets	218		-	-	218
Prepayments and accrued income	838		-	-	838
Cash and cash at bank	21,888		-	-	21,888
CURRENT ASSETS	**194,034**	**-**	**(3,971)**	**(3,971)**	**190,063**
TOTAL ASSETS	**430,964**	**(2,317)**	**1,197**	**(1,120)**	**429,844**
Share Capital	47,164		-	-	47,164
Share premium reserve	63,335		-	-	63,335
Legal reserve	3,439		-	-	3,439
Reserve for own shares in portfolio	2,317	(2,317)	-	(2,317)	-
Other reserves	91,847	(26)	4,197	4,171	96,018
Retained earnings (accumulated loss)	-		-	-	-
Net profit	16,506		1,234	1,234	17,740
Shareholders' equity-Group	**224,608**	**(2,343)**	**5,431**	**3,088**	**227,696**
Shareholders' equity- Minority interests	6,893		(48)	(48)	6,845
Profit (loss) pertaining to minority interests	397		222	222	619
Shareholders' equity - Minority interests	**7,290**	**-**	**174**	**174**	**7,464**
SHAREHOLDERS' EQUITY	**231,898**	**(2,343)**	**5,605**	**3,262**	**235,160**
Employee severance indemnities and other benefits	9,652	15	(114)	(99)	9,553
Deferred taxation	19,804	(6)	895	889	20,693
Provision for risks and charges	838		-	-	838
Payables and other liabilities	78,455		-	-	78,455
NON-CURRENT LIABILITIES	**108,749**	**9**	**781**	**790**	**109,539**
Non-current liabilities held for sale				**-**	**-**
Amounts due to banks	3,744		-	-	3,744
Trade accounts payable	52,225		-	-	52,225
Other financial liabilities	15,911		-	-	15,911
Tax liabilities	3,552		-	-	3,552
Accrued expenses and deferred income	3,067	32	-	32	3,099
Other current liabilities	11,818	(15)	(5,189)	(5,204)	6,614
CURRENT LIABILITIES	**90,317**	**17**	**(5,189)**	**(5,172)**	**85,145**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**430,964**	**(2,317)**	**1,197**	**(1,120)**	**429,844**

A breakdown of the adjustments according to the accounting principles relating to the adjustments made is shown below:

Balance sheet as at 31 December 2004 Sol Group

(In thousands of Euro)	As per Italian accounting principles	1 Reclassifications	2 IAS 2 Inventories	3 IAS 11 Contracts	4 IAS 12 Income taxes
Tangible fixed assets	225,202	504			
Goodwill and consolidation differences	1,847	-			
Other intangible fixed assets	2,631	(504)			
Equity investments	527	-			
Other financial assets	3,907	(2,317)			
Prepaid taxes	2,816	-			2,865
NON-CURRENT ASSETS	**236,930**	**(2,317)**	**-**	**-**	**2,865**
Non-current assets held for sale	**-**	**-**			
Inventories	28,842	-	39	(8,285)	
Trade accounts receivable	134,604	-		4,275	
Other current assets	7,644	-			
Current financial assets	218	-			
Prepayments and accrued income	838	-			
Cash and cash at bank	21,888	-			
CURRENT ASSETS	**194,034**	**-**	**39**	**(4,010)**	**-**
TOTAL ASSETS	**430,964**	**(2,317)**	**39**	**(4,010)**	**2,865**
Share Capital	47,164	-			
Share premium reserve	63,335	-			
Legal reserve	3,439	-			
Reserve for own shares in portfolio	2,317	(2,317)			
Other reserves	91,847	(26)	6	1,177	2,909
Retained earnings (accumulated loss)	-	-			
Net profit	16,506	-	20	(395)	(47)
Shareholders' equity-Group	**224,608**	**(2,343)**	**26**	**782**	**2,862**
Shareholders' equity - Minority interests	6,893	-			3
Profit (loss) pertaining to minority interests	397	-	(1)	1	-
Shareholders' equity - Minority interests	**7,290**	**-**	**(1)**	**1**	**3**
SHAREHOLDERS' EQUITY	**231,898**	**(2,343)**	**25**	**783**	**2,865**
Employee severance indemnities and other benefits	9,652	15			
Deferred taxation	19,804	(6)	14	464	
Provision for risks and charges	838	-			
Payables and other liabilities	78,455	-			
NON-CURRENT LIABILITIES	**108,749**	**9**	**14**	**464**	**-**
Non-current liabilities held for sale	**-**	**-**			
Amounts due to banks	3,744	-			
Trade accounts payable	52,225	-			
Other financial liabilities	15,911	-			
Tax liabilities	3,552	-			
Accrued expenses and deferred income	3,067	32			
Other current liabilities	11,818	(15)		(5,257)	
CURRENT LIABILITIES	**90,317**	**17**	**-**	**(5,257)**	**-**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**430,964**	**(2,317)**	**39**	**(4,010)**	**2,865**

5 IAS 16 Real estate property, plant and machinery	6 IAS 19 Employee benefits	7 IAS 20 Grants	8 IAS 38 Intangible assets	9 IAS 39 Financial instruments	Effects of changeover to IAS/IFRS	IAS/IFRS
1.876					2,380	227,582
			793		793	2,640
			(389)		(893)	1,738
					-	527
					(2,317)	1,590
(68)	(54)		123	22	2,888	5,704
1,808	**(54)**	**-**	**527**	**22**	**2,851**	**239,781**
					-	**-**
					(8,246)	20,596
					4,275	138,879
					-	7,644
					-	218
					-	838
					-	21,888
-	**-**	**-**	**-**	**-**	**(3,971)**	**190,063**
1,808	**(54)**	**-**	**527**	**22**	**(1,120)**	**429,844**
					-	47,164
					-	63,335
					-	3,439
					(2,317)	-
718	(83)	(12)	(472)	(46)	4,171	96,018
					-	-
492	141	12	1.011		1,234	17,740
1,210	**58**	**(0)**	**539**	**(46)**	**3,088**	**227,696**
	10		(61)		(48)	6,845
181	(8)	-	49		222	619
181	**2**	**-**	**(12)**		**174**	**7,464**
1,391	**60**	**(0)**	**527**	**(46)**	**3,262**	**235,160**
	(114)				(99)	9,553
417					889	20,693
					-	838
					-	78,455
417	**(114)**	**-**	**-**	**-**	**790**	**109,539**
					-	**-**
					-	3,744
					-	52,225
					-	15,911
					-	3,552
					32	3,099
				68	(5,204)	6,614
-	**-**	**-**	**-**	**68**	**(5,172)**	**85,145**
1,808	**(54)**	**(0)**	**527**	**22**	**(1,120)**	**429,844**

The following statement summarizes the main changes which have taken place to the consolidated shareholders' equity as at 31 December 2004, referring to the adjustments indicated in the previous schedule by number and type.

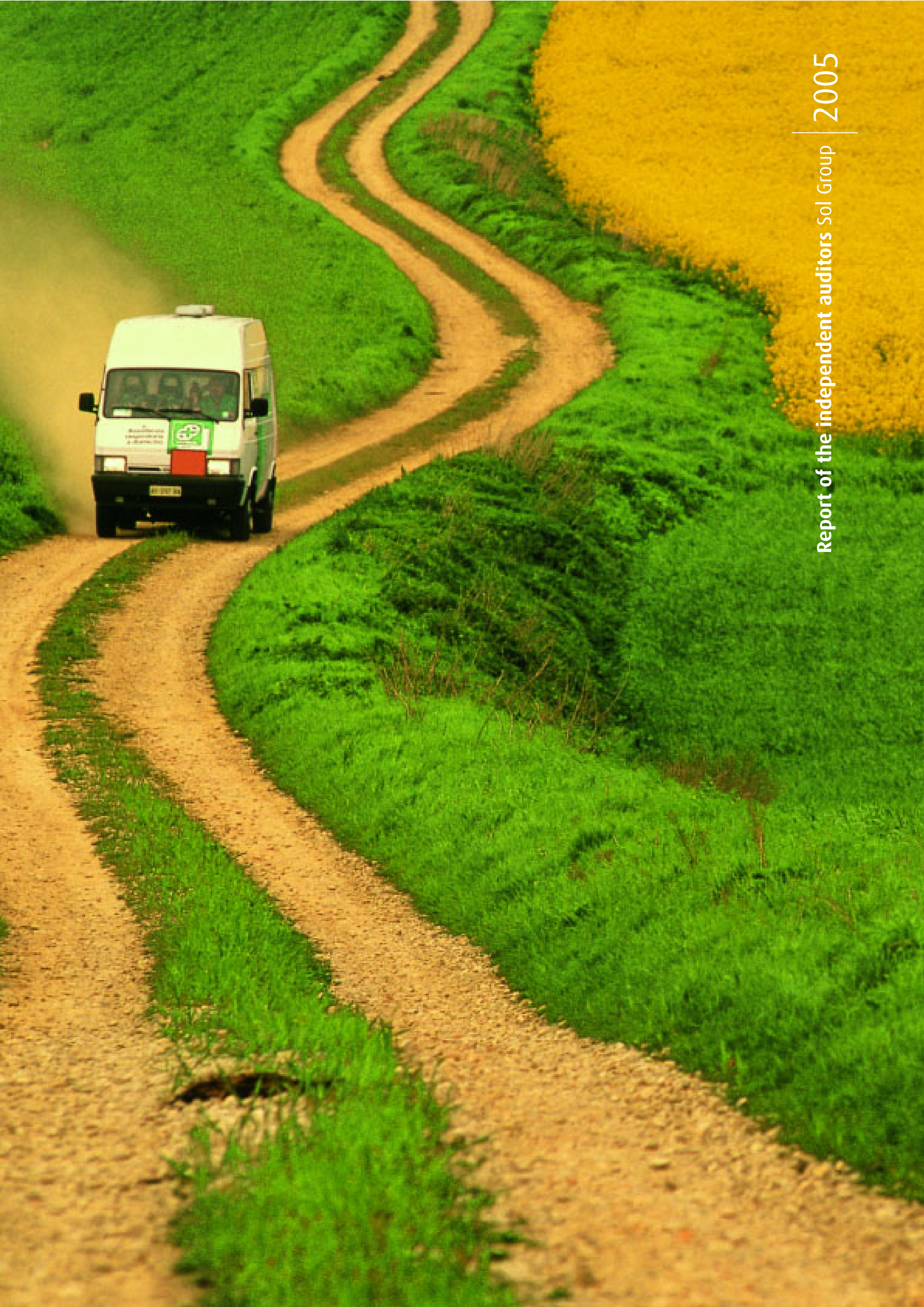
Group shareholders' equity as per Italian accounting principles		**224.608**
1	Reclassifications	(2,343)
2	Inventories	26
3	Construction contracts	782
4	Income taxes	2,862
5	Real estate property, plant and machinery	1,210
6	Employee benefits	58
7	Grants	-
8	Intangible assets	539
9	Financial instruments	(46)
	Total IAS/IFRS adjustments	**3,088**
	IAS/IFRS shareholders' equity	**227,696**

Reference should be made to the explanatory notes accompanying the reconciliation of the Group's shareholders' equity as at 1 January 2004 for the description of the changes.

With regards to the financial instruments indicated above under point 9 of the previous table, shareholders are informed that they concern the recording of the derivative at fair value as at 31 December 2004.

Monza, Italy, 29 March 2006

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



Report of the independent auditors Sol Group 2005

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AUDITORS' REPORT PURSUANT TO ARTICLE 156 OF LEGISLATIVE DECREE N. 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. and subsidiaries (the SOL Group), which comprise the balance sheet as at December 31, 2005, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. These consolidated financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. These consolidated financial statements represent SOL S.p.A.'s first annual consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

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 consolidated 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 audit of the financial statements of subsidiaries which statements reflect total assets representing 18,33% of consolidated total assets and revenues representing 11,26% of consolidated revenues, is the responsibility of other auditors.

The consolidated financial statements present for comparative purposes the corresponding data for the year 2004 prepared in accordance with IFRS. In addition, the note to the Appendix concerning the transition to IFRS explains the effects of the transition to IFRS as adopted by the European Union. As explained in this note the Directors have modified the information on the effects of transition to IFRS included in the reconciliation statements required by IFRS 1, previously approved by the Board of Directors and published as an attachment to the half-yearly interim financial statements, which we have audited and on which we issued a special purpose auditors' report dated October 18, 2005. The information presented in the note n. 3 "IAS 11 Construction Contracts" have been examined by us in order to express our opinion on the consolidated financial statements as of December 31, 2005.

In our opinion, the consolidated financial statements present fairly the financial position of SOL Group as of December 31, 2005, and the results of its operations and its cash flows for the year then ended in accordance with IFRS as adopted by the European Union.

DELOITTE & TOUCHE S.p.A.

Patrizia Arienti
Partner

Milan, Italy,
April 13, 2006

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

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