Sol Group Annual Report 2006

Index

Sol Spa

Registered office
Via Borgazzi, 27
20052 Monza (MI)

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)

12.31.06

- 100% AIRSOL B.V. – Tilburg (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% Medizintechnik GmbH – Brema (D)
- 49% / 51% Vivisol S.r.l. – Monza (I)
- 70% Vivisol Umbria S.r.l. – Perugia (I)
- 70% Vivisol Napoli S.r.l. – Marcianise (I)
  - 70% Vivisol Silarus S.r.l. – Battipaglia (I)
- 65% Il Point S.r.l. – Verona (I)
- 98,41% Zeus S.A. – Piraeus (GR)

- 100% 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)
- 49% / 2% BEHRINGER S.r.l – Genova (I)
- 10% MEDICAL SYSTEM S.r.l. – Giussago (I) *
- 96,16% TGS A.D. – Skopje (MK)
  - 2,84% SOL SEE d.o.o. – Skopje (MK) (4) 61,16%
- 13,63 / 42,10% IMG d.o.o. – Nova Pazova (SCG) (5)
  - 11,71%
- 99,92% / 0,08% Vivisol B Sprl – Lessines (B)
- 97,60 I.C.O.A. S.r.l. – Vibo Valentia (I)
  - 70%
- 30% Vivisol Calabria S.r.l. – Vibo Valentia (I)
  - 100% 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)
  - 98% UTP d.o.o. – Pula (HR)
  - 100% Kisikana d.o.o. – Sisak (HR)
- 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)
- 100% GTS Sh.p.k – Tirana (AL)
- 78,46% TGK Sofia A.D. – Sofia (BG)

(*) 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 32,56%. 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).

Directors' report Sol Group 2006

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 of related medical equipment in Italy, in seven other Western European countries and in nine 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.

In 2006, the world macroeconomic scenario showed a positive trend with a growth greater than 5% but with a possible slowdown forecast that should occur in 2007, starting from the United States. The Chinese economy continued to grow and showed no signs of slowdown despite some attempts of economic policy for curbing the demand and increasing, as a result, inflationary pressures.

The Euro zone also showed a good growth during the period, supported by recovery of the domestic demand both for what concerns private consumption and industrial investments.

Growing inflation and the ensuing increase in interest rates represent the main risks, even if they are partially decreased by the fact that the prices of non-energetic raw materials have grown steady recently and the oil price has declined.

The strengthening of the industrial recovery in 2006, driven by Germany, increased industrial production by 3.4%, also as a result of the structural changes of the companies to improve efficiency and get ready to seize the opportunities present in different countries in the world.

The Italian economy grew in 2006, thanks to the boost of the international and European situation. The recovery was supported by industry and services. For what concerns expenditure, both domestic consumption and investments recovered their strength.

However, also in Italy, the increase in interest rates and tariffs, as well as the increase in tax burden, shall cause a possible slowdown of the growth trend expected for 2007.

The field of technical gasses, in particular, showed a good growth for what concerns prices and production, even if it continues to be strongly penalised by energy costs difficult to be borne, especially in Italy, which increase the competitive gap of Italy compared to the other European countries. A slight growth slowdown is also expected in the technical gas sector for 2007, especially in Italy, owing to the continued lack of industrial policy able to change the structural conditions of the manufacturing companies with a further subsequent deindustrialisation due to relocations and shutting-down.

As already pointed out in the half yearly report as at 30 June 2006, the Competition and Market Controller Authority ("AGCM") with its Measure no. 15392 of 26 April 2006, notified to the Parent Company SOL S.p.A. on 19 May 2006 and issued at the end of the Proceeding no. I/603, has considered that most of the Companies producing and distributing technical gasses in Italy, including SOL S.p.A., have carried out an restrictive market agreement, applying sanctions to them accordingly.

SOL S.p.A. was inflicted a penalty of Euro 6.8 million that the company paid in January 2007, after the Regional Administrative Court of Lazio on 2 November 2006 turned down the appeal presented by the company to obtain the cancellation of the measure, confirming the penalty of Euro 6.8 million.

The Company considered deeply unjust the measure adopted against it and appealed to the Council of State.

Summary results

Within the afore-mentioned context, we believe that the results achieved by the SOL Group during 2006 were positive.

Net sales attained by the SOL Group during 2006 reported excellent growth and amounted to Euro 393.6 million (+13.7% when compared with 2005).

The gross operating margin was Euro 87.4 million, equal to 22.2% of sales, with a 14.4% growth with respect to 2005 (Euro 76.4 million, or 22.1% of sales).

The operating result totalled Euro 35.2 million, equal to 9% of sales, down slightly with respect to the figure for 2005 (Euro 36.2 million, or 10.5% of sales). The operating result was affected by non-recurring charges (mainly the Antitrust sanction) for more than Euro 7 million.

The net profit amounted to Euro 16.6 million (Euro 17.3 million at the end of 2005).

Cash flow amounted to Euro 60.9 million, with a growth of Euro 4.6 million when compared with 2005 (equal to Euro 56.3 million).

Capital expenditure recorded in the financial statements totalled Euro 53.3 million (Euro 63.3 million in 2005).

The average number of staff employed as at 31 December 2006 totalled 1,564 (1,490 as at 31 December 2005).

The Group's net financial indebtedness was equal to Euro 104.8 million (Euro 90.7 million as at 31 December 2005).

Operating performance

During 2006, the technical gas sector disclosed satisfactory growth in sales when compared with the previous year, with volumes on the increase in Italy and abroad. The services area also experienced positive growth with new applications in the hospital and industrial 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 2005.

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.

Trade receivables increased mainly due to the further extension of the payment time in Italy by the public health sector. However, loan securitisation operations are in progress: they should bring significant proceeds during the first months of 2007.

The Group's net indebtedness increased by Euro 14 million, essentially as a result of the requirements necessary for financing investments (over Euro 53 million) made during 2006 and of the increase in working capital.

During the course of 2006, 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, Cuneo and Piombino.

The SOL Group's work force increased during 2006 and the staff training and qualifying activities continued in order to improve the professional quality so as to achieve the Group's growth objectives.

Stockmarket performance

SOL stock opened the year 2006 with a listed price of Euro 4.195 and closed as at 29 December 2006 at Euro 4.820.

During the year, the stock achieved a maximum listed price of Euro 4.980, while the minimum equalled Euro 4.162.

Environment, Quality and Safety

Also during 2006, the Integrated Management System on quality, safety and environment, long since adopted by the SOL Group, was concretely applied in all the activities of the Group Companies and passed always with a positive result the supervisory visits of the Certification Bodies.

We obtained an important acknowledgement with the Premio Qualità 2006 (Quality Award) by Confindustria Verona, added to the certificate of excellence of Certiquality and Sincert obtained the previous year thanks to the certifications achieved according to the ISO 9001, ISO 14001 and OHSAS 18001 standards.

The excellence status acknowledged also by means of the European Registration EMAS for the factories of Verona and Mantova was maintained and illustrated on the occasion of congresses and seminars that allowed us to confirm the more than ten-year support to the Responsible Care program and to the principles of Social Responsibility constantly followed and carried out in every-day activities.

Therefore, also throughout 2006, the commitment regarding quality, safety and the environment was consolidated and the related Management System was further implemented and confirmed as an important element of the organisational, management and auditing model in accordance with Italian Legislative Decree No. 231/2001.

Within the technical gas activities, the ISO 9001, ISO 14001 and OHSAS 18001 certifications obtained in the previous years were all confirmed and enriched with a new ISO 14001 certification obtained by the Head Office of Monza for the co-ordination and monitoring activities of the initial transformation units.

EC marking certifications as medical devices were also confirmed for medical gas distribution plants, vacuum and anaesthetic gas discharge installations, in addition to the maintenance and extension of the EC marking for gases and mixtures produced by the company classified and registered as medical devices. The international reference standard was the ISO 13485:2003 norm.

Within the sphere of 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 Vivisol Deutschland and the ISO 14001 certification for the Head Office of Monza.

As part of the Responsible Care program, our collaboration for the drawing up of the Federchimica Environmental Report continued, in addition to the initiative known as "Fabbriche Aperte", which during 2006 was characterised by two events in this field: one in the factory of Mantova with the Family Day initiative and the other in the factory of Piombino with the External Emergency Plan exercise carried out in close collaboration with the Authorities and covered by several local media.

During 2006, systematic monitoring continued of the indirect environmental impacts which the Group's activities may influence. These included 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 CO2 into the environment.

The final figure for 2006 saw a reduced environmental impact of CO2 equivalent to 3,650 t.

SOL Group investments

During the year under review, investments in the technical gases sector amounted to Euro 36.5 million, with Euro 19.4 million of this being invested by the Parent Company SOL S.p.A., while Euro 16.8 million were invested in the home care sector. These investments are broken down below:

- In the Piombino Factory, the enhancement works of the plants for the compression in gas pipeline started, including a new high-efficiency centrifugal compressor whose installation should be completed during the first half-year of 2007.
- In the Salerno factory, the second phase of the automation project of the air fractionation plant was completed and its efficiency was also improved by means of a new high-efficiency motor.
- At the primary production plant of Feluy (Belgium) the works for the realisation of the new power supply line were completed with the relevant electric transformation substation.
- In Croatia, Kisikana realised at the primary production plant of Sisak several interventions of modernisation by installing a new cooling unit and a new storage tank.
- In Macedonia, at the TGS company in Skopje, the enhancement works for compressed air production and drying for gas pipeline supplies were realised, whereas the enhancement works of carbon dioxide storage capacity started at the factory of Bitola.
- The program for the modernization, enhancement and automation of the secondary plants in Italy continued. These activities concerned the units of Ancona, Padua, Pisa and Monza in particular.
- At the factory of Catania the realisation of the new office building for the activities of VIVISOL was completed whereas at the factory of Pisa the realisation of the new office building for the activities of SOL and VIVISOL started.
- In Holland, NTG completed the plant modernisation works for the production of nitrous oxide whereas the works for the construction of a new gas bottling plant started.

• In Belgium, at Lessines, BTG widened its activities of medical gas bottling.
• ENERGETIKA began work for the construction of a new hydroelectric power plant in Slovenia.

Work continued for the modernization and enhancement of the secondary production units in the Balkan countries were the Group operates. To be precise:

• In Serbia, IMG completed the works for the construction of a new secondary production plant at Nova Pazova near Belgrade.
• In Albania, the construction of the new secondary production plant of GTS at Vaqar, near Tirana, was completed.
• In Bulgaria, the modernization and enhancement program of TGK at Sofia continued, and the construction activities of a new unit for industrial gas bottling was completed at Plovdiv.
• Several on-site industrial and medical facilities were also realised and brought on-stream both in Italy and abroad.
• 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 2006, the SOL Group continued with the process for the expansion and rationalization of its activities in Italy and abroad.
In March 2006, the subsidiary company VIVISOL Deutschland GmbH acquired 100% of German company Medizintechnik GmbH located in Bremen, which is active in the home care service sector with total annual sales of approximately Euro two million.
In May, the Group raised its equity investment in I.M.G. d.o.o. in Serbia from 53.95% to 67.44%.
In September, following the decision of the Court of Reggio Calabria, VIVISOL CALABRIA S.r.l. became the owner of another 4.39% of VIVISOL DELLO STRETTO S.r.l., raising its equity investment to 100%.
In October, in Greece, HGT S.A. of Thessaloniki merged into ZEUS S.A. of Athens, in order to obtain a rationalisation of the activities of the Group in Greece.

Research and Development Activities

Research activities, which have traditionally characterised, justified and supported the Group's development, continued during the financial period; these activities mainly comprise applied research, currently associated with the development of new production technologies in Europe, with the promotion of new applications for technical gases and with the development of new welding machines. The costs relating to the R&D activities are charged to the profit and loss account for the relevant accounting period.

Shares of the Parent Company held by Group Companies

At 12.31.2006, the parent company SOL S.p.A. does not own any of its own shares.

All the Parent company's own shares owned by the same at the end of the previous financial year, equal to no. 1.188.000 ordinary shares for a nominal countervalue of Euro 617,760.00, were sold during 2006 at a unit price of Euro 4.82. The sale occurred because the reasons for purchasing own shares no longer existed.

The other Companies of the Group do not hold shares of the parent company SOL S.p.A.

Information on financial risks

Reference is made to what is said in the appropriate note contained within the Explanatory Notes.

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 implement security measures capable of reducing to a minimum the risks of destruction and loss, accidental or otherwise, of data, of unauthorized or not compliant access or processing in respect of the purposes of the data collection.

The Italian Group companies obliged to draw up their own Programmatic Security Document have taken steps to update the same.

Equity investments of Directors, Statutory Auditors and the General Manager and Managers with strategic responsibilities.

Full name	Investee company	Number of shares held at the end of the previous accounting period	Number of shares purchased	Number of shares sold	Number of shares held at the end of the accounting period 31 December 2006
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 **
Andrea Monti	SOL S.p.A.	3.000	0	3.000	0 **

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

Significant events which took place after the end of the 2006 accounting period and foreseeable business developments.

As from 1 January 2007, the German company Medizintechnik GmbH was merged through incorporation into VIVISOL Deutschland GmbH, of which it held 100%.

For what concerns 2007, a further increase in the cost of electricity, the raw material for the Group's primary production, is expected.

In any event, our objective is to continue to expand the turnover especially abroad, both with regards to technical gas and home care activities, and to improve the Group's profitability.

Monza, 28 March 2007

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

Consolidated financial statements Sol Group | 2006

Consolidated profit and loss account Sol Group

(in thousands of Euro)	Notes	12.31.2006	%	12.31.2005	%
NET SALES	1	**393,573**	100.0%	346,040	100.0%
Other operating income	2	2,899	0.7%	2,804	0.8%
Increases in internally-constructed fixed assets		7,083	1.8%	5,521	1.6%
REVENUES		**403,555**	102.5%	354,365	102.4%
Purchase of materials		122,327	31.1%	105,833	30.6%
Services rendered		117,963	30.0%	103,965	30.0%
Change in inventories		(1,945)	-0.5%	(3,094)	-0.9%
Other costs		12,621	3.2%	11,053	3.2%
TOTAL COSTS		**250,966**	63.8%	217,757	62.9%
ADDED VALUE	3	**152,589**	38.8%	136,608	39.5%
Payroll and related costs	4	65,201	16.6%	60,192	17.4%
GROSS OPERATING MARGIN		**87,388**	22.2%	76,416	22.1%
Amortisations and Depreciations	5	43,261	11.0%	38,291	11.1%
Other provisions	5	1,864	0.5%	1,944	0.6%
Non-recurring (income) / expense	5	7,033	1.8%	-	
OPERATING RESULT		**35,230**	9.0%	36,181	10.5%
Financial income		973	0.2%	833	0.2%
Financial expense		5,937	1.5%	5,352	1.5%
Total financial income / (expense)	6	(4,964)	-1.3%	(4,519)	-1.3%
PROFIT (LOSS) BEFORE INCOME TAXES		**30,266**	7.7%	31,662	9.1%
Income taxes	7	12,584	3.2%	13,638	3.9%
NET RESULT FROM BUSINESS ACTIVITIES		**17,682**	**4.5%**	18,024	5.2%
Net result from intermittent activities		-		-	
(Profit) / Loss pertaining to minority interests		(1.069)	-0.3%	(716)	-0.2%
NET PROFIT / (LOSS)		**16,613**	4.2%	17,308	5.0%
EARNINGS PER SHARE		**0.185**		0,193	

Consolidated balance sheet Sol Group

(In thousands of Euro)	Notes	**12.31.2006**	12.31.2005
Tangible fixed assets	8	263,585	252,991
Goodwill and consolidation differences	9	3,622	2,855
Other intangible fixed assets	10	1,848	1,414
Equity participations	11	539	538
Other financial assets	12	1,285	1,699
Pre-paid taxes	13	4,365	5,157
NON-CURRENT ASSETS		**275,244**	264,654
Non-current assets held for sale		**-**	-
Inventories	14	25,948	23,733
Trade receivables	15	177,648	146,851
Other current assets	16	10,951	7,796
Current financial assets	17	408	443
Prepayments and accrued income	18	1,563	1,528
Cash and cash at bank	19	17,481	16,422
CURRENT ASSETS		**233,999**	196,773
TOTAL ASSETS		**509,243**	461,427
Share Capital		47,164	47,164
Share premium reserve		63,335	63,335
Legal reserve		5,220	4,864
Other reserves		123,997	107,408
Net profit		16,613	17,308
Shareholders' equity-Group		**256,329**	240,079
Shareholders' equity - Minority interests		8,142	7,243
Profit (loss) pertaining to minority interests		1,069	716
Shareholders' equity - Minority interests		**9,211**	7,959
SHAREHOLDERS' EQUITY	20	**265.540**	248,038
Employee severance indemnities and other benefits	21	11,330	10,425
Deferred taxation	22	22,708	24,013
Provision for risks and charges	23	358	848
Payables and other liabilities	24	86,625	84,011
NON-CURRENT LIABILITIES		**121,021**	119,297
Non-current liabilities held for sale		**-**	-
Due to banks		13,001	6,695
Due to suppliers		62,944	56,202
Other financial liabilities		22,706	17,445
Tax liabilities		6,022	3,121
Accruals and deferred income		3,352	3,390
Other current liabilities		14,657	7,239
CURRENT LIABILITIES	25	**122,682**	94,092
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**509,243**	461,427

Consolidated cash flow statement Sol Group

(in thousands of Euro)	**12.31.2006**	12.31.2005
CASH FLOWS GENERATED BY OPERATING ACTIVITIES		
Profit (Loss) for the year	16,613	17,308
Minority interests in profit/loss	1,069	716
Adjustments not affecting liquidity		
Amortisations and Depreciations	43,261	38,291
Financial expense	5,448	4,907
Accrued employee severance indemnities and other benefits	1,225	1,290
Provisions (use) of provisions for risks and charges	(1,806)	3,330
Total	**65,810**	65,842
Changes in current assets and liabilities		
Stocks	(1,949)	(3,137)
Receivables	(32,887)	(7,704)
Prepayments and accrued income	(30)	(690)
Suppliers	6,381	3,977
Other creditors	6,660	3,161
Interests paid	(4,918)	(4,398)
Accrued expenses and deferred income	(872)	(219)
Tax liabilities	2,901	(431)
Total	**(24,714)**	(9,441)
Cash flow generated by operating activities	41,096	56,401
CASH FLOWS GENERATED BY INVESTMENT ACTIVITIES		
Acquisitions, revaluations and other changes in tangible fixed assets	(54,115)	(63,912)
Net book value of assets sold	1,503	1,055
Increases in intangible assets	(1,477)	(733)
(Increase) decrease in financial fixed assets	375	9
(Increase) decrease of shareholdings in subsidiary companies	(581)	-
(Increase) decrease in non-current financial assets	36	(225)
Total	**(54,258)**	(63,807)
CASH FLOWS GENERATED BY FINANCING ACTIVITIES		
Repayment of loans	(17,852)	(15,551)
Raising of new loans	26,124	20,100
Raising (repayment) of shareholders' loans	150	0
Dividends paid	(5,997)	(5,998)
Employee severance indemnities and benefits paid	(320)	(418)
Other changes in shareholders' equity		
- translation differences and other movements	5,637	1,073
- changes in shareholders' equity – minority interests	183	(221)
Total	**7,925**	(1,016)
INCREASE (DECREASE) IN CASH IN HAND AND AT BANK	**(5,237)**	(8,421)
CASH IN HAND AND AT BANK AT BEGINNING OF YEAR	**9,713**	18,134
CASH IN HAND AND AT BANK AT END OF YEAR	**4,476**	9,713

Statement of changes in consolidated shareholders' equity Sol Group

(in thousands of Euro)	Share capital	Share premium reserve	Legal reserve	Other reserves	Net Profit	Total
Balance as at 31 Dec. 2004 IAS	**47,164**	**63,335**	**3,439**	**96,018**	**17,740**	**227,696**
Allocation of 2004 profit as per general shareholders' meeting on 26 April 2005	-	-	1,425	10,317	(11,742)	-
Dividends paid as per general shareholders' meeting on 26 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 IAS	**47,164**	**63,335**	**4,864**	**107,408**	**17,308**	**240,079**
Allocation of 2005 profit as per general shareholders' meeting on 28/04/2006	-	-	356	10,955	(11,311)	-
Dividends paid as per general shareholders' meeting on 28/04/2006	-	-	-	-	(5,997)	(5,997)
Other consolidation changes	-	-	-	(92)	-	(92)
Treasury share sale	-	-	-	5,726	-	5,726
Profit (loss) for the year	-	-	-	-	16,613	16,613
Balance as at 31 Dec. 2006 IAS	**47,164**	**63,335**	**5,220**	**123,997**	**16,613**	**256,329**

Explanatory notes

The 2006 consolidated financial statements have been drawn up in accordance with the International Accounting Principles (IFRS) established by the International Accounting Standards Board and approved by the European Union. The IFRS are understood to also be all the reviewed international accounting standards ("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.

In the profit and loss account, income and costs deriving from non-recurring operations have been separately shown.

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.

Further to the enforcement of Legislative Decree no. 38 of 28 February 2005, implementing in the Italian regulations the European Regulation No. 1606/2002, companies with securities admitted for trading on Member European Union States' regulated markets must from 2006 draw up their financial statements in accordance with the international accounting standards (IAS/IFRS) issued by the International Accounting Standard Board (IASB), as approved by the EU Commission.

The financial statements and the explanatory notes have been prepared supplying also the additional information on diagrams and budget disclosure provided by Consob resolution no. 15519 and by Consob notification no. 6064293 issued on 28 July 2006.

The parent company SOL S.p.A. has also drawn up its own financial statements according to the international accounting standards, according to what is provided by Legislative Decree no. 38 of 28 February 2005.

Group composition and scope of consolidation

The Consolidated Financial Statements comprise the Financial Statements as at 31 December 2006 of the Parent Company SOL SpA and of the following companies, which are, pursuant to Article 38, paragraph 2 of Legislative Decree No. 127/91:

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

Company Name and Registered Offices	Notes		Share capital	Ownership Percentage Direct	Indirect	Total
AIRSOL BV – Tilburg		Euro	7,724,246.84	100%		100%
BEHRINGER Srl – Genoa		Euro	102,000	2%	49%	51%
B.T.G. Bvba – Lessines		Euro	3,558,000	100%		100%
C.T.S. S.rl – Monza		Euro	156,000	100%		100%
ENERGETIKA Z.J. d.o.o. – Jesenice	1	SIT	239,544,630.42	100%		100%
FRANCE OXYGENE Sarl – Avelin		Euro	1,300,000		100%	100%
G.T.S. Sh.P.K. – Tirana		LEK	59,100,000	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. – Nova Pazova	2	CSD	268,089,886.87	74.66%	24.89%	99.55%
KISIKANA D.o.o – Sisak		KUNE	28,721,300		62.79%	62.79%
Medizintechnik GmbH - Bremen		Euro	52,000		100%	100%
N.T.G. Bv – Tilburg		Euro	2,295,000	100%		100%
SOL France Sas – Cergy Pontoise		Euro	13,000,000	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	5,921,450	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		98.32%	98.32%
VIVISOL France Sarl – Vaux Le Penil		Euro	500,000		100%	100%
VIVISOL Heimbehandlungsgeräte GmbH – Vienna		Euro	726,728.34		100%	100%
VIVISOL Napoli Srl – Marcianise		Euro	98,800		70%	70%
VIVISOL S.r.l. – Monza		Euro	2,600,000	51%	49%	100%
VIVISOL Silarus S.r.l. - Battipaglia		Euro	18,200		49%	49%
VIVISOL Umbria S.r.l. - Perugia		Euro	67,600		70%	70%
ZEUS S.A. – Piraeus		Euro	5,460,387		98.41%	98.45%

1) The Group's share as at 31 December 2006 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 2006 includes a 32.56% 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 2006 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 2006 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. – BARCELONA	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 31 December 2006 and 31 December 2005 underwent the following changes:

- increase in the shareholding in Zeus S.A. (from 97.37% to 98.41%) due to the purchase of holdings from third parties by AIRSOL B.V.
- increase in the shareholding in VIVISOL dello Stretto Srl (from 94% to 98.32%) due to the purchase of holdings from third parties by VIVISOL Calabria Srl.
- inclusion of the company Medizintechnik GmbH acquired by the subsidiary VIVISOL Deutschland GmbH on 30 March 2006.

Furthermore, shareholders are informed that during the last quarter, Zeus S.A. absorbed the company HGT S.A.

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 **12.31.2006**	Average rate of exchange for 2006	Rate of exchange on 12.31.2005	Average rate of exchange for 2005
Albanian Lek	Euro 0.00806	Euro 0.00812	Euro 0.00817	Euro 0.00806
Macedonian Dinar	Euro 0.01630	Euro 0.01631	Euro 0.01639	Euro 0.01634
Bulgarian Lev	Euro 0.51130	Euro 0.51130	Euro 0.51117	Euro 0.51130
Croatian Kuna	Euro 0.13605	Euro 0.13652	Euro 0.13566	Euro 0.13515
Serbian Dinar	Euro 0.01261	Euro 0.01185	Euro 0.01173	Euro 0.01203
Slovenian Taller	Euro 0.00417	Euro 0.00417	Euro 0.00418	Euro 0.00417
Convertible Mark	Euro 0.51130	Euro 0.51130	Euro 0.51130	Euro 0.51130

Accounting principles

Tangible fixed assets

Cost

Real estate property, plant and machinery are stated at purchase or production cost, inclusive of any related charges. For assets 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 lia-

bility 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 %**
Plants and machinery	**7.5% - 20 %**
Fixtures and fittings, tools and 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 - Reduction of the value of the 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 – Aggregations of companies 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 – Equity investments in associated companies, 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: statement and valuation.

Current financial assets and securities held with the intention of maintaining them in the portfolio until maturity are recorded in the accounts with reference to the date of trading and, at the time of initial registration in the financial statements, are 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 current 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 in accordance with the formalities established by IAS 39 for hedge accounting applicable to the fair value hedge: profits and losses deriving from the following valuations at fair value are pointed out in the profit and loss account.

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.

Contract work in progress is 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 amendments 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, if present, are stated as a decrease to the shareholders' equity. The original cost of the treasury shares and the revenues deriving from any subsequent sales are recorded as changes in shareholders' equity.

Accruals and deferrals

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

Revenue recognition

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

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 Operating expense.

Deferred taxes are provided for according to the method of the overall provision of the liability. They are calculated on all the timing differences 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.
All the amounts represented in the diagrams and tables are expressed in thousands of Euros.

New accounting standards

In August 2005, IASB issued the new accounting standard IFRS 7 – Financial instruments: additional information and amendment complementary to IAS 1 – Filing of the consolidated financial statements: additional information relevant to share capital. IFRS 7 contains an updated version of the information prescriptions previously included in the IAS 32 accounting standard - Financial instruments: exposure in the financial statements and additional information, requesting additional information aimed at appreciating the importance of the financial instruments in relation to economic performances and to the financial position of an enterprise. The new accounting standard requires a description of the aims, policies and procedures carried out by the management separately for the different types of financial risk (liquidity, market and credit risk) to which the subject is exposed, including sensitivity analysis for each type of market risk (exchange rate, interest rate, equity, commodity) and report on the concentration and average, minimum and maximum exposure to the different types of risks during the period of reference, if the existing exposure at the end of the period is not sufficiently representative.

The amendment to IAS 1 introduces further report obligations to be supplied on the targets, policies and management processes of the share capital, specifying, in case of capital requirements imposed by third-party subjects, the management nature and method and any consequence of lack of compliance. IFRS 7 and the amendment to IAS 1 are effective starting from 1 January 2007 with the obligation to provide comparative information relevant to the 2006 financial year. The Sol Group is considering the impacts deriving from the application of this standard in view of the application starting from the Financial statements as at 31 December 2007.

On 3 March 2006, IFRIC issued the interpretative document IFRIC 9 – Following evaluation of the implicit derivatives in order to specify that a company must consider whether the implicit derivatives should be separate from the primary contract and reported as derivative instruments when such company becomes part of the contract.

Later, unless a change occurs to the conditions of the contract producing important effects on cash flows that would otherwise be requested by the contract, this evaluation cannot be made again. This interpretation will be applicable starting from 1 January 2007; the Group does not believe that the adoption of this interpretation will imply the surveying of significant effects.

On 30 November 2006, IASB issued the IFRS 8 accounting standard – Operating Segments that will be applicable starting from 1 January 2009 instead of IAS 14 Segment information. The new accounting standard requests the company to base the information indicated in the Segment Information on the elements that the management uses to take its operating decisions. Therefore, it requests the identification of the operating segments according to internal reporting that is duly checked by the management for the purpose of resource allocation to the different segments and for the purpose of performance analysis. On the issuing date of these financial statements, the Group is considering the effects deriving from the adoption of this standard without recognising significant differences compared to the currently filed disclosure.

In 2006, the following standards and interpretations not applicable to the Group were issued:

IFRIC 8 – Scope of IFRS 2 (Enforceable as from 1 January 2007);

IFRIC 12 – Service contracts in concession (Enforceable as from 1 January 2008).

Explanatory notes

Profit and Loss Account

1. Net sales

Balance as at 12.31.2006	393,573
Balance as at 12.31.2005	346,040
Change	**47,533**

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

Description	12.31.2006	12.31.2005	Change
Technical gases	272,468	244,105	28,363
Home-care	121,105	101,935	19,170
Total	**393,573**	346,040	47,533

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 operating income

Balance as at 12.31.2006	2,899
Balance as at 12.31.2005	2,804
Change	**95**

The breakdown for the above item is as follows:

Description	12.31.2006	12.31.2005	Change
Capital gains on disposal of fixed assets	152	680	(528)
Insurance compensation	300	86	214
Grants received	424	431	(7)
Real estate rentals	19	9	10
Revaluation of long-term investments that are not shareholdings	2	6	(4)
Others	2,002	1,592	410
Total	**2,899**	2,804	95

3. Total costs

Balance as at 12.31.2006	250,966
Balance as at 12.31.2005	217,757
Change	**33,209**

The breakdown for the above item is as follows:

Description	**12.31.2006**	12.31.2005	Change
Purchase of materials	122,327	105,833	16,494
Services rendered	117,963	103,965	13,998
Change in inventories	(1,945)	(3,094)	1,149
Other costs	12,621	11,053	1,568
Total	**250,966**	217,757	33,209

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

Description	**12.31.2006**	12.31.2005	Change
Gas and materials	61,080	57,556	3,524
Consumable materials	8,402	7,382	1,020
Water	595	495	100
Electricity	49,727	38,218	11,509
Fuel oil	35	26	9
Stationery and printed items	1,023	1,038	(15)
Methane	1,465	1,118	347
Total	**122,327**	105,833	16,494

It is pointed out that also in 2006 the cost of electricity continued to increase significantly, partially eroding the margins especially in the "Technical Gas" field.

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

Description	**12.31.2006**	12.31.2005	Change
Freight	51,643	45,993	5,650
Maintenance	14,579	13,874	705
Consulting and general services	10,467	8,790	1,677
Insurance	2,659	2,614	45
Travel and related allowances	5,171	5,264	(93)
Advertising	1,217	1,187	30
Other services	32,227	26,243	5,984
Total	**117,963**	103,965	13,998

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

Description	12.31.2006	12.31.2005	Change
Costs for use of assets owned by others	8.093	6.519	1.574
Taxes other than income tax	2.892	3.093	(201)
Capital losses on disposal of assets	298	414	(116)
Losses on amounts receivable not covered by allowance	164	379	(215)
Other minor charges	1.172	472	700
Writedowns of long-term investments that are not shareholdings	2	-	2
Taxes from previous financial years	-	176	(176)
Total	**12.621**	11.053	1.568

4. Payroll and related costs

Balance as at 12.31.2006	65,201
Balance as at 12.31.2005	60,192
Change	**5,009**

The breakdown for the above item is as follows:

Description	12.31.2006	12.31.2005	Change
Wages and salaries	47.514	43.606	3.908
Social Security costs	16.462	15.296	1.166
Severance indemnity	1.225	1.290	(65)
Total	**65.201**	60.192	5.009

The composition of the workforce is analyzed below by category:

Description	12.31.2006	12.31.2005	Change
Managers	40	37	3
Office workers	1,016	957	59
Factory workers	543	517	26
Total	**1,599**	1,511	88

5. Amortisation and depreciation, provisions and non-recurring expense

Balance as at 12.31.2006	52,158
Balance as at 12.31.2005	40,235
Change	**11,923**

The breakdown for the above item is as follows:

Description	12.31.2006	12.31.2005	Change
Amortisation and depreciation	43,261	38,291	4,970
Provisions	1,864	1,944	(80)
Non-recurring (income) / expense	*7,033*	-	*7,033*
Total	**52,158**	40,235	11,923

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	**12.31.2006**	12.31.2005	Change
Land	-	-	-
Buildings	2,869	2,851	18
Plants and machinery	14,588	12,094	2,494
Fixtures and fittings, tools and equipment	22,595	20,494	2,101
Other assets	2,164	2,009	155
Assets in course of construction and advances	-	-	-
Total	**42,216**	37,448	4,768

Amortisation of intangible fixed assets

Description	**12.31.2006**	12.31.2005	Change
Industrial patents and intellectual property rights	449	208	241
Concessions, licenses, trade marks and similar rights	319	306	13
Other	277	329	(52)
Total	**1,045**	843	202

The increase in depreciation is linked to investments made during the period, amounting to Euro 53.3 million.

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

Description	**12.31.2006**	12.31.2005	Change
Risks on receivables	1,819	1,769	50
Amounts provided for risk provisions	38	60	(22)
Other reductions in value of fixed assets	-	108	(108)
Other provisions	7	7	-
Total	**1,864**	1,944	(80)

The "Non-recurring (income) / expense" item includes the amount of Euro 6.8 million relevant to the monetary penalty inflicted to the Parent Company SOL S.p.A. by AGCM (Antitrust) and the amount of Euro 233 thousand relevant to a tax assessment of SOL SpA with regard to the 2003 financial year.

6. Financial income / (expense)

Balance as at 12.31.2006	(4,964)
Balance as at 12.31.2005	(4,519)
Change	**(445)**

The breakdown for the above item is as follows:

Description	**12.31.2006**	12.31.2005	Change
Financial income	973	833	140
Financial expense	(5,937)	(5,352)	(585)
Total	**(4,964)**	(4,519)	(445)

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

Description	**12.31.2006**	12.31.2005	Change
Income from equity investments in other companies	7	-	7
Income from loans entered under fixed assets	24	12	12
Interest on deposits with banks and post offices	116	171	(55)
Interest receivable from clients	120	257	(137)
Exchange gains	468	88	380
Other financial income	238	305	(67)
Total	**973**	833	140

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

Description	**12.31.2006**	12.31.2005	Change
Interest payable to banks	(361)	(218)	(143)
Interest payable to suppliers	(33)	(53)	20
Interest payable on loans	(4,038)	(3,709)	(329)
Total financial charges	(1,016)	(927)	(89)
Exchange losses	(489)	(445)	(44)
Total	**(5,937)**	(5,352)	(585)

7. Income taxes

Balance as at 12.31.2006	12,584
Balance as at 12.31.2005	13,638
Change	**(1,054)**

The breakdown for the above item is as follows:

Description	**12.31.2006**	12.31.2005	Change
Current income taxes for the financial period	12,850	11,186	1,664
Deferred taxation	(1,217)	1,941	(3,158)
Pre-paid taxes	951	511	440
Total	**12,584**	**13,638**	**(1,054)**

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	12.31.2006	12.31.2005
Theoretical taxation	**9,988**	**10,448**
Tax effect permanent differences	1,055	1,877
Tax effect deriving from foreign tax rates different to Italian theoretical tax rates	(679)	(1,198)
Income taxes recorded in the financial statements, excluding IRAP (current and deferred)	**10,364**	**11,127**
Regional Business Tax (IRAP)	**2,220**	**2,511**
Income taxes recorded in the financial statements (current and deferred)	**12,584**	**13,638**

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 12.31.2006	263,585
Balance as at 12.31.2005	252,991
Change	**10,594**

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	Fixtures and fittings, tools and equipment	Other assets	Assets in course of construction and advances	Total
Balance as at 01/01/2005	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 movements	-	(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 12/31/2005	8,745	67,869	219,001	285,700	23,538	24,262	**629,115**
Increases	64	3,675	25,237	35,072	2,411	14,845	81,304
Revaluations	-	-	-	-	-	-	-
Other movements	-	117	634	(1,236)	711	(28,016)	(27,790)
Exchange differences	2	(18)	(37)	1	(5)	(5)	(62)
(Disposals)	-	(1,076)	(1,203)	(2,014)	(754)	-	(5,047)
Balance as at 12/31/2006	8,811	70,567	243,632	317,523	25,901	11,086	**677,520**

Changes in tangible fixed assets - acc. depreciation	Land	Buildings	Plants and machinery	Fixtures and fittings, tools and equipment	Other assets	Assets in course of construction and advances	Total
Balance as at 01/01/2005	-	29,250	128,622	166,443	16,189	-	340,504
Depreciation	-	2,851	12,094	20,494	2,009	-	37,448
(Write-downs)	-	-	-	-	-	-	-
Other movements	-	(71)	23	7	(468)	-	(509)
Exchange differences	-	58	259	178	66	-	561
(Disposals)	-	(1)	(350)	(997)	(532)	-	(1,880)
Balance as at 12/31/2005	-	32,087	140,648	186,125	17,264	-	**376,124**
Depreciation	-	2,869	14,588	22,595	2,164	-	42,216
(Write-downs)	-	-	-	-	-	-	-
Other movements	-	(157)	640	(2,002)	697	-	(822)
Exchange differences	-	(6)	(23)	(4)	(5)	-	(38)
(Disposals)	-	(269)	(817)	(1,811)	(648)	-	(3,545)
Balance as at 12/31/2006	-	34,524	155,036	204,903	19,472	-	**413,935**

Changes in tangible fixed assets – net value	Land	Buildings	Plants and machinery	Fixtures and fittings, tools and equipment	Other assets	Assets in course of construction and advances	Total
Balance as at 01/01/2005	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 12/31/2005	8.745	35.782	78.353	99.575	6.274	24.262	**252.991**
Increases	64	3.675	25.237	35.072	2.411	14.845	81.304
(Depreciation and writedowns)	-	(2.869)	(14.588)	(22.595)	(2.164)	-	(42.216)
Other movements	-	274	(6)	766	14	(28.016)	(26.968)
Exchange differences	2	(12)	(14)	5	-	(5)	(24)
(Disposals)	-	(807)	(386)	(203)	(106)	-	(1.502)
Balance as at 12/31/2006	8.811	36.043	88.596	112.620	6.429	11.086	**263.585**

- Investments made during the period relating to the item "Land" refer to the investments of SOL SEE d.o.o.
- Investments made during the period in the item "Buildings" are mainly investments made by the Parent Company (Euro 1,773 thousand) and the subsidiary companies NTG BV (Euro 390 thousand), TPJ d.o.o. (Euro 136 thousand) and SOL SEE d.o.o. (Euro 1,075 thousand).
- Acquisitions made during the period relating to the item "Plant and machinery" are mainly due to the purchase of plants for the Parent Company's factories (Euro 11,490 thousand) and those of the subsidiaries AIRSOL BV (Euro 4,008) and SOL SEE d.o.o. (Euro 7,972 thousand) and to a lesser extent to other capital expenditure carried out by all other group companies.
- The item "Other industrial and commercial equipment" comprises commercial equipment (supplying devices, cylinders, base units, concentrators and medical appliances) as well as other small equipment. The increase recorded for the 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 19,337 thousand (including Euro 6,638 by the Parent Company) and to investments made by companies operating in the home-care sector for Euro 15,735 thousand (including Euro 7,427 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 897 thousand of the total reported pertaining to the Parent Company and the subsidiary companies CTS SpA (Euro 366 thousand), TGS A.D. (Euro 175 thousand), France Oxygene Sarl (Euro 78 thousand), VIVISOL Srl (Euro 144 thousand), SOL SEE d.o.o. (Euro 121 thousand).
- The item "Assets in course of construction" mainly refers to amounts relating to investments in progress made by the Parent Company (Euro 5,887 thousand) and the subsidiaries ENERGETIKA Z.J. D.o.o. (Euro 1,496 thousand), T.G.S. AD (Euro 1,061 thousand), G.T.S. Sh.P.K. (Euro

1,195 thousand), VIVISOL Srl (Euro 459 thousand), TGK AD (Euro 285 thousand) and C.T.S. Srl (Euro 219 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, Mantua, 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 of 31 December 2006, mortgages amounted to Euro 115,890 thousand.
As of 31 December 2006, liens amounted to Euro 102,299 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	Fixtures and fittings, tools and equipment	Other assets	Assets in course of construction and advances	Total
Balance as at 01/01/2005	-	1,945	5,940	17,223	146	-	25,254
Increases	-	-	-	106	-	-	106
Revaluations	-	-	-	-	-	-	-
Other movements	-	-	-	-	-	-	-
Exchange differences	-	-	-	-	-	-	-
(Disposals)	-	-	-	-	-	-	-
Balance as at 12/31/2005	-	1,945	5,940	17,329	146	-	**25,360**
Increases	-	-	4,008	116	-	-	4,124
Revaluations	-	-	-	-	-	-	-
Other movements	-	-	-	-	-	-	-
Exchange differences	-	-	-	-	-	-	-
(Disposals)	-	-	-	(101)	-	-	(101)
Balance as at 12/31/2006	-	1,945	9,948	17,344	146	-	**29,383**

Changes in tangible fixed assets - acc. depreciation	Land	Buildings	Plants and machinery	Fixtures and fittings, tools and equipment	Other assets	Assets in course of construction and advances	Total
Balance as at 01/01/2005	-	1,310	3,441	13,698	129	-	18,578
Depreciation	-	73	515	799	6	-	1,393
(Write-downs)	-	-	-	-	-	-	-
Other movements	-	-	-	-	-	-	-
Exchange differences	-	-	-	-	-	-	-
(Disposals)	-	-	-	-	-	-	-
Balance as at 12/31/2005	-	1,383	3,956	14,497	135	-	**19,971**
Depreciation	-	73	916	709	6	-	1,704
(Write-downs)	-	-	-	-	-	-	-
Other movements	-	-	-	-	-	-	-
Exchange differences	-	-	-	-	-	-	-
(Disposals)	-	-	-	(63)	-	-	(63)
Balance as at 12/31/2006	-	1,456	4,872	15,143	141	-	**21,612**

Changes in tangible fixed assets – net value	Land	Buildings	Plants and machinery	Fixtures and fittings, tools and equipment	Other assets	Assets in course of construction and advances	Total
Balance as at 01/01/2005	-	635	2,499	3,525	17	-	6,676
Increases	-	-	-	106	-	-	106
(Depreciation and writedowns)	-	(73)	(515)	(799)	(6)	-	(1,393)
Other movements	-	-	-	-	-	-	-
Exchange differences	-	-	-	-	-	-	-
(Disposals)	-	-	-	-	-	-	-
Balance as at 12/31/2005	-	562	1,984	2,832	11	-	**5,389**
Increases	-	-	4,008	116	-	-	4,124
(Depreciation and writedowns)	-	(73)	(916)	(709)	(6)	-	(1,704)
Other movements	-	-	-	-	-	-	-
Exchange differences	-	-	-	-	-	-	-
(Disposals)	-	-	-	(38)	-	-	(38)
Balance as at 12/31/2006	-	489	5,076	2,201	5	-	**7,771**

9. Goodwill and consolidation differences

Balance as at 12.31.2006	3,622
Balance as at 12.31.2005	2,855
Change	**767**

The breakdown for the above item is as follows:

Changes in intangible assets	Goodwill	Consolidation differences	Total
Balance as at 01/01/2005	842	1,798	2,640
Increases	140	183	323
Revaluations	-	(108)	(108)
Other movements	-	-	-
Exchange differences	-	-	-
(Amortisation)	-	-	-
Balance as at 12/31/2005	982	1,873	**2,855**
Increases	-	767	767
Revaluations	-	-	-
Other movements	-	-	-
Exchange differences	-	-	-
(Amortisation)	-	-	-
Balance as at 12/31/2006	982	2,640	**3,622**

The increase during the year in the item “Consolidation differences” concerns the acquisition of Medizintechnick Gmbh.

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 12.31.2006	1,848
Balance as at 12.31.2005	1,414
Change	**434**

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 course of construction and advances	Other	Total
Balance as at 01/01/2005	243	611	-	884	1,738
Increases	251	238	44	5	538
Revaluations	-	-	-	-	-
Other movements	(23)	(1)	-	5	(19)
Exchange differences	-	-	-	-	-
(Amortisation)	(208)	(306)	-	(329)	(843)
Balance as at 12/31/2005	263	542	44	565	**1,414**
Increases	1,061	284	124	15	1,484
Revaluations	-	-	-	-	-
Other movements	(1)	40	(44)	-	(5)
Exchange differences	-	-	-	-	-
(Amortisation)	(449)	(319)	-	(277)	(1,045)
Balance as at 12/31/2006	874	547	124	303	**1,848**

The increase of the item "Patents and intellectual property" is mainly due to the implementation of a new software aimed at optimising the logistic network.

11. Equity investment

Balance as at 12.31.2006	539
Balance as at 12.31.2005	538
Change	**1**

The breakdown for the above item is as follows:

Description	12.31.2006	12.31.2005
GTE S.L.	11	11
Non-consolidated subsidiary companies	**11**	11
Consorgas Srl	454	451
Medical System	18	18
Associated companies	**472**	469
Other equity investments	56	58
Other companies	**56**	58
Total	**539**	538

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 AIR-

SOL B.V.) and Euro 42 thousand reported among the other minority equity investments (relating to investments in local companies made by the subsidiary company T.G.S. A.D.).

12. Other financial assets

Balance as at 12.31.2006	1,285
Balance as at 12.31.2005	1,699
Change	**(414)**

The breakdown for the above item is as follows:

Description	**12.31.2006**	12.31.2005	Change
Amounts receivable from third parties	1,176	1,241	(65)
Other securities	109	458	(349)
Total	**1,285**	1,699	(414)

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

Description	**12.31.2006**	12.31.2005	Change
Guarantee deposits	667	600	67
Tax credit on Employee Severance Indemnity	327	407	(80)
Others	182	234	(52)
Total	**1,176**	1,241	(65)

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

Description	**12.31.2006**	12.31.2005	Change
SOL Technische Gase securities	5	4	1
VIVISOL Heimbehand securities	2	2	-
UTP securities	4	4	-
Other securities - ICOA S.r.l.	98	448	(350)
Total	**109**	458	(349)

13. Amounts receivable for prepaid taxes

Balance as at 12.31.2006	4,365
Balance as at 12.31.2005	5,157
Change	**(792)**

The above item may be broken down as follows:

	Risks on receivables	Risk provisions	Internal profits	Prior losses	Other minor	Total
Balance as at 01/01/2005	1,599	225	176	2,865	839	5,704
Provisions	(422)	(34)	(7)	(48)	-	(511)
Uses	-	-	-	-	-	-
Other movements	6	-	-	-	(42)	(36)
Exchange differences	-	-	-	-	-	-
Balance as at 12/31/2005	1,183	191	169	2,817	797	**5,157**
Provisions	(174)	(122)	156	(267)	(544)	(951)
Uses	-	-	-	-	(2)	(2)
Other movements	-	-	-	-	161	161
Exchange differences	-	-	-	-	-	-
Balance as at 12/31/2006	1,009	69	325	2,550	412	**4,365**

14. Inventories

Balance as at 12.31.2006	25,948
Balance as at 12.31.2005	23,733
Change	**2,215**

The breakdown for the above item is as follows:

Description	**12.31.2006**	12.31.2005	Change
Raw materials, subsidiary materials and consumables	1,961	1,699	262
Work in progress and semi-finished products	898	756	142
Finished goods and goods for resale	23,089	21,278	1,811
Total	**25,948**	23,733	2,215

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

15. Trade receivables

Balance as at 12.31.2006	177,648
Balance as at 12.31.2005	146,851
Change	**30,797**

The breakdown for the above item is as follows:

Description	Due within 12 months	Allowance for doubtful accounts	Total **12.31.2006**	Total 12.31.2005
Trade receivables	186,239	(8,591)	177,648	146,851
Total	186,239	(8,591)	**177,648**	146,851

The increase in trade receivables is due to the rise in sales and the extension of the payment time in Italy by the public administration.

The allowance for doubtful accounts saw the following changes:

	12.31.2005	Provisions	Uses	**12.31.2006**
Allowance for doubtful accounts	8,537	1,819	(1,765)	8,591

16. Other current assets

Balance as at 12.31.2006	10,951
Balance as at 12.31.2005	7,796
Change	**3,155**

The breakdown for the above item is as follows:

Description	**12.31.2006**	12.31.2005	Change
Amounts due from employees	435	421	14
Capital payments due from shareholders	330	-	330
Amounts receivable in respect of income tax	2,912	1,447	1,465
VAT receivables	5,850	4,773	1,077
Other amounts due from the tax authorities	565	526	39
Other receivables	859	629	230
Total	**10,951**	7,796	3,155

17. Current financial assets

Balance as at 12.31.2006	408
Balance as at 12.31.2005	443
Change	**(35)**

The breakdown for this item is as follows:

Description	12.31.2006	12.31.2005	Change
Equity investment in Arena Tourist	40	39	1
Total other equity investments	**40**	39	1
Nextra treasury funds	164	164	-
Other fixed-income securities	204	240	(36)
Total other securities	**368**	404	(36)
Total	**408**	443	(35)

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 12.31.2006	1,563
Balance as at 12.31.2005	1,528
Change	**35**

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

The breakdown for this item is as follows:

Description	12.31.2006	12.31.2005	Change
Accrued income:			
Interest receivable	5	43	(38)
Other accrued income	33	7	26
Total accrued income	**38**	50	(12)
Prepayments:			
Insurance premiums	248	660	(412)
Rents	201	88	113
Prepaid expenses	66	91	(25)
Other prepayments	1,010	639	371
Total prepayments	**1,525**	1,478	47
Total prepayments and accrued income	**1,563**	1,528	35

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 bank

Balance as at 12.31.2006	17,481
Balance as at 12.31.2005	16,422
Change	**1,059**

The breakdown for this item is as follows:

Description	12.31.2006	12.31.2005	Change
Bank and post office deposits	17,297	16,224	1,073
Bank cheques	3	-	3
Cash and cash equivalents in hand	181	198	(17)
Total	**17.481**	16.422	1.059

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 12.31.2006	265,540
Balance as at 12.31.2005	248,038
Change	**17,502**

The share capital of SOL SPA as at 31 December 2006 comprised No. 90,700,000 ordinary shares with a par value of Euro 0.52 each, fully subscribed and fully paid up.

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

Shareholders' equity	12.31.2005	Transfer of result	Dividends paid	Translation differences	Other movements	Result	12.31.2006
Pertaining to the Group:							
Share Capital	47,164	-	-	-	-	-	47,164
Share premium reserve	63,335	-	-	-	-	-	63,335
Legal reserve	4,864	356	-	-	-	-	5,220
Reserve for own shares in portfolio	2,317	-	-	-	(2,317)	-	-
Treasury shares	(2,317)	-	-	-	2,317	-	-
Other reserves	107,408	10,955	-	62	5,572	-	123,998
Net profit	17,308	(11,311)	(5,997)	-	-	16,613	16,613
Shareholders' equity-Group	240,079	-	(5,997)	62	5,572	16,613	**256,329**
Minority interests:							
Capital and reserves - Minority interests	7,243	716	-	-	183	-	8,142
Profit (loss) pertaining to minority interests	716	(716)	-	-	-	1,069	1,069
Shareholders' equity - Minority interests	7,959	-	-	-	183	1,069	**9,211**
Shareholders' equity	248,038	-	(5,997)	62	5,755	17,682	**265,540**

The column Other movements of the item "Other reserves" includes the amount of Euro 5,726 thousand relating to the sale of all the treasury shares that the Parent Company held in its portfolio.

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

	12.31.2006	
Description	Shareholders' equity	Net result
Financial statements of SOL SpA	**185,937**	**1,298**
Elimination of inter-company transactions, net of tax effects:		
- Internal profit on tangible fixed assets	(980)	(478)
- Internal profit on investments	-	(16,435)
- Reversal of adjustments to investments in subsidiary companies	-	1,057
- Dividends paid by consolidated companies	-	(1,054)
Adjustment of accounting policies to achieve consistent Group accounting policies, net of tax effects:		
- Adjustment to achieve consistent accounting policies regarding intangible assets	(733)	-
- Use of finance lease method for leased assets	115	32
- Valuation at equity of companies reported at cost	319	3
Carrying value of consolidated equity investments	(132,890)	**-**
Shareholders' equity and financial year's results of consolidated companies	201,923	32,190
Allocation of the difference to the assets of the companies and relative depreciation, amortisation and write-downs:		
- Goodwill on consolidation	2,639	-
Consolidated Group financial statements	**256,329**	**16,613**

21. Employee severance indemnities and other benefits

Balance as at 12.31.2006	11,330
Balance as at 12.31.2005	10,425
Change	**905**

The provisions underwent the following changes:

Changes in employee severance indemnities and other benefits	**12.31.2006**	12.31.2005
As at 1 January	10,425	9,553
Provisions	1,225	1,290
(Uses)	(799)	(708)
Financial expense	485	291
Other movements	(6)	(1)
Balance as at 31 December	**11,330**	10,425

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

	Employee severance indemnities		Other		Total	
	12.31.2006	12.31.2005	**12.31.2006**	12.31.2005	**12.31.2006**	12.31.2005
Current value of unfinanced plans	12,112	12,017	306	292	12,418	12,309
Unrecognized actuarial profits (Losses)	(1,026)	(1,833)	(62)	(51)	(1,088)	(1,884)
Net liability	**11,086**	**10,184**	**244**	**241**	**11,330**	**10,425**

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

	Italy	Other countries
Discount rate	4.06%	2.5% - 4.7%
Inflation rate	1.70%	2.0% – 3.5%
Tendential growth rate of salaries	2.66%	2.0% – 3.0%

Employee severance indemnities

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

Other

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

22. Deferred taxation

Balance as at 12.31.2006	22,708
Balance as at 12.31.2005	24,013
Change	**(1,305)**

The item “Deferred taxation” represents the net balance of deferred tax liabilities provided for in the consolidated financial statements as at 31 December 2006 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 01.01.2005	591	17,598	1,354	1,150	20,693
Provisions	7	563	26	1,345	1,941
Uses	-	-	-	-	-
Other movements	2	13	-	1,364	1,379
Exchange differences	-	-	-	-	-
Balance as at 12.31.2005	**600**	**18,174**	**1,380**	**3,859**	**24,013**
Provisions	(213)	772	(142)	(1,634)	(1,217)
Uses	-	-	-	-	-
Other movements	-	-	-	(88)	(88)
Exchange differences	-	-	-	-	-
Balance as at 12.31.2006	**387**	**18,946**	**1,238**	**2,137**	**22,708**

23. Provisions for risks and charges

Balance as at 12.31.2006	358
Balance as at 12.31.2005	848
change	**(490)**

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

Description	12.31.2006	12.31.2005	Change
Pensions and similar commitments	-	-	-
Consolidation provision for future risks and charges	-	-	-
Other:			
Other minor provisions	358	848	(490)
Total other provisions	**358**	848	(490)
Total	**358**	848	(490)

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

The change with respect to 2005 is due to provisions totalling Euro 43 thousand, uses amounting to Euro 496 thousand and reclassifications for Euro 37 thousand.

24. Payables and other liabilities

Balance as at 12.31.2006	86,625
Balance as at 12.31.2005	84,011
Change	**2,614**

The breakdown for the above item is as follows:

Description	12.31.2006	12.31.2005	Change
Due to banks	4	14	(10)
Due to other lenders	82,465	79,304	3,161
Other creditors	4,156	4,693	(537)
Total	**86,625**	84,011	2,614

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 equal to Euro 3,169 thousand, deriving from the application of the international accounting standard IAS 17 on assets that are the object of a finance lease.
The increase with respect to 2005 derives from additional loans raised during 2006, compared with the portions repaid.

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

Lending institute	Amount	Long-term portion	Short-term portion		Interest rate	Maturity		Original amount
San Paolo IMI	789	-	789		7.66%	15.03.2007	Lit./Mil.	19,000
Unicredit	30	-	30		4.05%	31.05.2007	Euro	100,000
San Paolo IMI	28	-	28		5.30%	15.06.2007	Euro	250,000
Unicredit *	2,319	-	2,319		5.15%	30.06.2007	Euro	10,500,000
Credito Emiliano	329	-	329	(t.v.)	4.28%	01.08.2007	Euro	1,540,000
ERP	327	109	218		1.95%	01.01.2008	ATS	18,000,000
San Paolo IMI	2,397	799	1,598		5.40%	15.03.2008	Lit./Mil.	24,750
Bank Austria	320	192	128	(t.v.)	3.94%	01.07.2009	ATS	15,000,000
Mediocredito Lombardo	999	666	333		5.80%	21.12.2009	Euro	1,831,000
Bank Austria	599	428	171	(t.v.)	3.94%	01.01.2010	ATS	20,000,000
Credito Emiliano	548	403	145		6.05%	14.06.2010	Euro	750,000
Mediocredito Centrale	3,287	2,416	871	(t.v.)	3.90%	30.06.2010	Euro	4,500,000
Mediocredito Centrale	715	518	197	(t.v.)	4.55%	30.06.2010	Euro	1,000,000
San Paolo IMI	7,429	5,572	1,857		3.82%	15.12.2010	Euro	13,000,000
Banco di Brescia	2,074	1,584	490		3.77%	31.12.2010	Euro	3,000,000
Banco di Brescia	851	662	189		4.57%	30.06.2011	Euro	945,540
San Paolo IMI	3,536	2,750	786		3.15%	15.09.2011	Euro	5,500,000
Banco di Brescia *	5,957	4,867	1,090		4.39%	30.09.2011	Euro	8,000,000
Banca Intesa *	20,000	16,000	4,000	(t.v.)	4.07%	30.09.2011	Euro	20,000,000
San Paolo IMI	4,688	3,750	938		5.50%	15.12.2011	Euro	7,500,000
Banco di Brescia *	5,000	4,539	461		3.61%	31.05.2012	Euro	5,000,000
Banco di Brescia *	1,854	1,551	303		4.72%	30.06.2012	Euro	2,000,000
Credito Emiliano	5,000	5,000	-		3.45%	01.09.2012	Euro	5,000,000
San Paolo IMI	6,257	5,214	1,043		4.12%	15.12.2012	Euro	7,300,000
San Paolo IMI	5,625	4,687	938		3.34%	15.12.2012	Euro	7,500,000
Unicredit *	4,000	4,000	-		4.10%	31.12.2012	Euro	4,000,000
Mediocredito Centrale	6,528	5,586	942	(t.v.)	4.64%	31.12.2012	Euro	8,263,000
Banco di Brescia *	1,000	1,000	-		3.75%	30.06.2013	Euro	1,000,000
Banco di Brescia *	5,000	4,377	623		4.46%	31.12.2013	Euro	5,000,000
Banco di Brescia *	3,000	2,626	374		4.46%	31.12.2013	Euro	3,000,000
Amounts owed to leasing companies	4,491	3,169	1,322					
Total	**104,977**	**82,465**	**22,512**					

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 5,625 thousand, has been hedged by an IRS agreement entered into on 5 June 2003 which establishes the payment of a fixed rate of 3.34% against a floating 6-month Euribor rate.
The fair value as at 31 December 2006, calculated by the same bank, was positive for a total of Euro 113 thousand.

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

25. Current liabilities

Balance as at 12.31.2006	122,682
Balance as at 12.31.2006	94,092
Change	**28,590**

The breakdown for this item is as follows:

Description	**12.31.2006**	12.31.2005	Change
Due to banks	13,001	6,695	6,306
Due to suppliers	62,944	56,202	6,742
Other financial liabilities	22,706	17,445	5,261
Tax liabilities	6,022	3,121	2,901
Other current liabilities	14,657	7,239	7,418
Accruals and deferred income	3,352	3,390	(38)
Total	**122,682**	94,092	28,590

The item "other financial liabilities" includes the short-term portions of the amounts due to other lenders totalling Euro 22,512 thousand and amounts due to shareholders for loans totalling Euro 194 thousand.

The breakdown for the item "Tax liabilities" comprises:

Description	**12.31.2006**	12.31.2005	Change
Amounts due in respect of income tax	3,360	332	3,028
Amounts due in respect of VAT	1,092	1,210	(118)
Amounts due in respect of withholding tax	1,202	1,255	(53)
Other tax liabilities	368	324	44
Total	**6,022**	3,121	2,901

Other current liabilities" comprise:

Description	12.31.2006	12.31.2005	Change
Amounts due to Social Security institutions	2,699	2,290	409
Accrued holidays not taken	2,665	2,443	222
Amounts due to employees for wages and salaries	910	758	152
Guarantee deposits	425	458	(33)
Other creditors	7,958	1,290	6,668
Total	**14,657**	7,239	7,418

The item "Other creditors" includes the commitments of the company SOL S.p.A. to repurchase shares in the companies SPG – SOL d.o.o. (Euro 470 thousand) and ENERGETIKA Z.J. d.o.o. (Euro 415 thousand) presently held by the company SIMEST SpA and the amount of Euro 6.8 million relevant to the sanction inflicted by AGCM (Antitrust) to SOL S.p.A.

"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	12.31.2006	12.31.2005	Change
Accrued expenses:			
Interest payable on loans	531	510	21
Others	373	690	(317)
Total accrued expenses	**904**	1,200	(296)
Deferred income:			
Sink funds granted	834	1,249	(415)
Rentals receivable	74	87	(13)
Others	1,540	854	686
Total deferred income	**2,448**	2,190	258
Total	**3,352**	3,390	(38)

Breakdown of revenues by type of business Sol Group

(In thousands of Euro)	12.31.2006 Technical gas sector	%	Home care service sector	%	Write-downs	Consolidated figures	%
Technical gas sector	282,506	100.0%	-		(10,038)	272,468	69.2%
Home-care service sector	-		121,946	100.0%	(841)	121,105	30.8%
Net sales	**282,506**	**100.0%**	**121,946**	**100.0%**	**(10,879)**	**393,573**	**100.0%**
Other operating income	1,998	0.7%	1,188	1.0%	(287)	2,899	0.7%
Increases in internally-constructed fixed assets	2,230	0.8%	4,828	4.0%	25	7,083	1.8%
Revenues	**286,734**	**101.5%**	**127,962**	**104.9%**	**(11,141)**	**403,555**	**102.5%**
Purchase of materials	92,579	32.8%	36,573	30.0%	(6,825)	122,327	31.1%
Services rendered	84,167	29.8%	37,182	30.5%	(3,386)	117,963	30.0%
Change in inventories	(639)	-0.2%	(1,306)	-1.1%	-	(1,945)	-0.5%
Other costs	8,668	3.1%	4,882	4.0%	(929)	12,621	3.2%
Total costs	**184,775**	**65.4%**	**77,331**	**63.4%**	**(11,140)**	**250,966**	**63.8%**
Added value	**101,959**	**36.1%**	**50,631**	**41.5%**	**(1)**	**152,589**	**38.8%**
Payroll and related costs	47,358	16.8%	17,843	14.6%	-	65,201	16.6%
Gross Operating Margin	**54,601**	**19.3%**	**32,788**	**26.9%**	**(1)**	**87,388**	**22.2%**
Amortisations and Depreciations	32,351	11.5%	10,911	8.9%	(1)	43,261	11.0%
Other provisions	1,455	0.5%	409	0.3%	-	1,864	0.5%
Non-recurring (income) / charges	7,033	2.5%	-		-	7,033	1.8%
Operating result	**13,762**	**4.9%**	**21,468**	**17.6%**	**-**	**35,230**	**9.0%**
Financial income	1,570	0.6%	334	0.3%	(931)	973	0.2%
Financial expense	5,084	1.8%	1,782	1.5%	(929)	5,937	1.5%
Total financial income / (expense)	(3,514)	-1.2%	(1,448)	-1.2%	(2)	(4,964)	-1.3%
Profit (Loss) before income taxes	**10,248**	**3.6%**	**20,020**	**16.4%**	**(2)**	**30,266**	**7.7%**
Income taxes	6,206	2.2%	6,322	5.2%	-	12,528	3.2%
Net result from business activities	**3,986**	**1.4%**	**13,698**	**11.2%**	**(2)**	**17,682**	**4.5%**
Net result from intermittent activities	-		-		-	-	
(Profit) / Loss pertaining to minority interests	(335)	-0.1%	(734)	-0.6%	-	(1,069)	-0.3%
Net Profit / (Loss)	**3,651**	**1.3%**	**12,964**	**10.6%**	**(2)**	**16,613**	**4.2%**

Other Information Sol Group

(In thousands of Euro)	12.31.2006 Technical gas sector	Home care service sector	Write-down	Consolidated figures
Total assets	**422,145**	**153,884**	**(66,785)**	**509,243**
Total liabilities	**191,458**	**69,605**	**(17,360)**	**243,703**
Investments	**36,504**	**16,772**	**-**	**53,276**

12.31.2005						
Technical gas sector	%	Home care service sector	%	Write downs	Consolidate d figures	%
252,832	100.0%	-		(8,727)	244,105	70.5%
-		102,262	100.0%	(327)	101,935	29.5%
252,832	100.0%	102,262	100.0%	(9,054)	346,040	100.0%
2,647	1.0%	446	0.4%	(289)	2,804	0.8%
1,741	0.7%	3,763	3.7%	17	5,521	1.6%
257,220	101.7%	106,471	104.1%	(9,326)	354,365	102.4%
79,292	31.4%	32,165	31.5%	(5,624)	105,833	30.6%
74,966	29.7%	32,202	31.5%	(3,203)	103,965	30.0%
(378)	-0.1%	(2,716)	-2.7%	-	(3,094)	-0.9%
6,963	2.8%	4,589	4.5%	(499)	11,053	3.2%
160,843	63.6%	66,240	64.8%	(9,326)	217,757	62.9%
96,377	38.1%	40,231	39.3%	-	136,608	39.5%
44,644	17.7%	15,548	15.2%	-	60,192	17.4%
51,733	20.5%	24,683	24.1%	-	76,416	22.1%
28,840	11.4%	9,451	9.2%	-	38,291	11.1%
1,402	0.6%	542	0.5%	-	1,944	0.6%
-		-		-	-	
21,491	8.5%	14,690	14.4%	-	36,181	10.5%
1,644	0.7%	232	0.2%	(1,043)	833	0.2%
4,454	1.8%	1,941	1.9%	(1,043)	5,352	1.5%
(2,810)	-1.1%	(1,709)	-1.7%	-	(4,519)	-1.3%
18,681	7.4%	12,981	12.7%	-	31,662	9.1%
7,771	3.1%	5,867	5.7%	-	13,638	3.9%
10,910	4.3%	7,114	7.0%	-	18,024	5.2%
-		-		-	-	
(249)	-0.1%	(467)	-0.5%	-	(716)	-0.2%
10,661	4.2%	6,647	6.5%	-	17,308	5.0%

12.31.2005			
Technical gas sector	Home care service sector	Write downs	Consolidate d figures
399,507	127,208	(65,288)	461,427
174,661	73,945	(35,217)	213,389
49,590	13,756	-	63,346

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)	12.31.2006	%	12.31.2005	%
Net sales	**282,506**	**100.0%**	252,832	100.0%
Other operating income	1,998	0.7%	2,647	1.0%
Increases in internally-constructed fixed assets	2,230	0.8%	1,741	0.7%
Revenues	**286,734**	**101.5%**	257,220	101.7%
Purchase of materials	92,579	32.8%	79,292	31.4%
Services rendered	84,167	29.8%	74,966	29.7%
Change in inventories	(639)	-0.2%	(378)	-0.1%
Other costs	8,668	3.1%	6,963	2.8%
Total costs	**184,775**	**65.4%**	160,843	63.6%
Added value	**101,959**	**36.1%**	96,377	38.1%
Payroll and related costs	47,358	16.8%	44,644	17.7%
Gross Operating Margin	**54,601**	**19.3%**	51,733	20.5%
Amortisations and Depreciations	32,351	11.5%	28,840	11.4%
Other provisions	1,455	0.5%	1,402	0.6%
Non-recurring (income) / charges	7,033	2.5%	-	
Operating result	**13,762**	**4.9%**	21,491	8.5%
Financial income	1,570	0.6%	1,644	0.7%
Financial expense	5,084	1.8%	4,454	1.8%
Total financial income / (expense)	(3,514)	-1.2%	(2,810)	-1.1%
Profit (Loss) before income taxes	**10,248**	**3.6%**	18,681	7.4%
Income taxes	6,262	2.2%	7,771	3.1%
Net result from business activities	**3,986**	**1.4%**	10,910	4.3%
Net result from intermittent activities	-		-	
(Profit) / Loss pertaining to minority interests	(335)	-0.1%	(249)	-0.1%
Net Profit / (Loss)	**3,651**	**1.3%**	10,661	4.2%

Sales in the Technical Gas sector reported an increase of 11.7% due to the rise in prices and quantities. Gross operating margin increased by 5.5% since it was affected by the considerable increase in the cost of electricity that was not completely transferred on the sale prices.

The decrease in operating result compared to 2005 is due both to greater depreciations and non-recurrent charges, the latter essentially consisting in the already mentioned Antitrust sanction (Euro 6.8 million).

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

(in thousands of Euro)	**12.31.2006**	12.31.2005
Tangible fixed assets	222,047	217,946
Goodwill and consolidation differences	521	521
Other intangible fixed assets	1,237	722
Equity investments	34,954	16,951
Other financial assets	8,037	28,103
Pre-paid taxes	3,513	4,586
NON-CURRENT ASSETS	**270,309**	268,829
Non-current assets held for sale	**-**	-
Inventories	13,389	12,739
Trade receivables	117,560	101,480
Other current assets	7,098	2,921
Current financial assets	408	443
Prepayments and accrued income	782	1,092
Cash and cash at bank	12,599	12,003
CURRENT ASSETS	**151,836**	130,678
TOTAL ASSETS	**422,145**	399,507
Share Capital	47,164	47,164
Share premium reserve	63,335	63,335
Legal reserve	5,220	4,864
Other reserves	105,050	93,157
Net profit	3,651	10,661
Shareholders' equity-Group	**224,420**	219,181
Capital and reserves - Minority interests	5,932	5,416
Profit (loss) pertaining to minority interests	335	249
Shareholders' equity - Minority interests	**6,267**	5,665
SHAREHOLDERS' EQUITY	**230,687**	224,846
Employee severance indemnities and other benefits	9,513	8,783
Deferred taxation	18,234	18,506
Provision for risks and charges	279	779
Payables and other financial liabilities	73,541	76,103
NON-CURRENT LIABILITIES	**101,567**	104,171
Non-current liabilities held for sale	**-**	**-**
Due to banks	10,348	6,434
Due to suppliers	43,774	39,326
Other financial liabilities	19,250	15,348
Tax liabilities	1,964	2,101
Accruals and deferred income	1,911	2,377
Other current liabilities	12,644	4,904
CURRENT LIABILITIES	**89,891**	70,490
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**422,145**	399,507


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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)	12.31.2006	%	12.31.2005	%
Net sales	**121,946**	**100.0%**	102,262	100.0%
Other operating income	1,188	1.0%	446	0.4%
Increases in internally-constructed fixed assets	4,828	4.0%	3,763	3.7%
Revenues	**127,962**	**104.9%**	106,471	104.1%
Purchase of materials	36,573	30.0%	32,165	31.5%
Services rendered	37,182	30.5%	32,202	31.5%
Change in inventories	(1,306)	-1.1%	(2,716)	-2.7%
Other costs	4,882	4.0%	4,589	4.5%
Total costs	**77,331**	**63.4%**	66,240	64.8%
Added value	**50,631**	**41.5%**	40,231	39.3%
Payroll and related costs	17,843	14.6%	15,548	15.2%
Gross Operating Margin	**32,788**	**26.9%**	24,683	24.1%
Amortisations and Depreciations	10,911	8.9%	9,451	9.2%
Other provisions	409	0.3%	542	0.5%
Operating result	**21,468**	**17.6%**	14,690	14.4%
Financial income	334	0.3%	232	0.2%
Financial expense	1,782	1.5%	1,941	1.9%
Total financial income / (expense)	(1,448)	-1.2%	(1,709)	-1.7%
Profit (Loss) before income taxes	**20,020**	**16.4%**	12,981	12.7%
Income taxes	6,322	5.2%	5,867	5.7%
Net result from business activities	**13,698**	**11.2%**	7,114	7.0%
Net result from intermittent activities	-		-	
(Profit) / Loss pertaining to minority interests	(734)	-0.6%	(467)	-0.5%
Net Profit / (Loss)	**12,964**	**10.6%**	6,647	6.5%

Sales in the Home care Service sector reported a 19.2% increase due to the continual growth of activities both in Italy and in other European countries.

The gross operating margin increased by 32.8% compared to 2005, recovering in terms of operational efficiency of the activities and of a better mix of products and services sold.

The operating result, following the performance of the gross operating margin, increased by 46.1% compared to 2005.

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

(in thousands of Euro)	**12.31.2006**	12.31.2005
Tangible fixed assets	41,538	35,045
Goodwill and consolidation differences	3,101	2,334
Other intangible fixed assets	612	692
Equity investments	15,010	13,658
Other financial assets	3,520	2,977
Pre-paid taxes	852	570
NON-CURRENT ASSETS	**64,633**	55,276
Non-current assets held for sale	**-**	-
Inventories	12,560	10,994
Trade receivables	66,352	51,213
Other current assets	4,699	4,870
Current financial assets	-	-
Prepayments and accrued income	781	436
Cash and cash at bank	4,859	4,419
CURRENT ASSETS	**89,251**	71,932
TOTAL ASSETS	**153,884**	127,208
Share Capital	7,724	7,724
Share premium reserve	4,187	4,187
Legal reserve	-	-
Other reserves	51,921	29,068
Retained earnings (accumulated loss)	4,521	3,324
Net profit	12,964	6,647
Shareholders' equity-Group	**81,317**	50,950
Capital and reserves - Minority interests	2,228	1,846
Profit (loss) pertaining to minority interests	734	467
Capital and reserves - Minority interests	**2,962**	2,313
SHAREHOLDERS' EQUITY	**84,279**	53,263
Employee severance indemnities and other benefits	1,817	1,642
Deferred taxation	4,474	5,507
Provision for risks and charges	79	70
Payables and other liabilities	13,084	7,898
NON-CURRENT LIABILITIES	**19,454**	15,117
Non-current liabilities held for sale	**-**	**-**
Due to banks	2,653	261
Due to suppliers	36,529	52,093
Other financial liabilities	3,456	2,107
Tax liabilities	4,058	1,020
Accruals and deferred income	1,441	1,013
Other current liabilities	2,014	2,334
CURRENT LIABILITIES	**50,151**	58,828
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**153,884**	127,208

Information by geographic area

The breakdown of revenues by geographic area is presented below:

Description	12.31.2006	12.31.2005	Change
Italy	259,587	233,948	25,639
Rest of Europe	133,986	112,092	21,894
Total	**393,573**	346,040	47,533

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

Description	12.31.2006	12.31.2005
Italy	289,798	265,322
Rest of Europe	219,445	196,105
Total	**509,243**	461,427

The breakdown of investments by geographic area is presented below:

Description	12.31.2006	12.31.2005	Change
Italy	24,670	24,917	(247)
Rest of Europe	28,606	38,429	(9,823)
Total	**53,276**	63,346	(10,070)

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 2006 amounted to Euro 72 million.

As at 31 December 2006, receivable and payable transactions between Group companies total Euro 81 million, of which Euro 34 million of a financial nature and Euro 47 million of a trade nature.

The breakdown for the intercompany financial receivables is as follows:

• Financial receivables granted by SOL S.P.A.	Euro	14,0 million
• Financial receivables granted by AIRSOL BV	Euro	14,6 million
• Financial receivables granted by other companies	Euro	5,4 million

The transactions of the SOL Group with associated companies comprised:

• Sales to Consorgas Srl	Euro	1 thousand
• Purchases from Consorgas Srl	Euro	472 thousand
• Amounts due to Consorgas Srl	Euro	84 thousand
• Purchases from Medical System Srl	Euro	299 thousand
• Amounts due to Medical System Srl	Euro	104 thousand.

Transactions with related parties

During 2006, 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 457.8 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 4,352 thousand.

Net financial position

(in thousands of Euro)	**12.31.2006**	12.31.2005
Cash and cash at banks	17,481	16,422
Securities	408	443
Loans – short term portion	(21,188)	(16,085)
Leases – short term portion	(1,324)	(1,316)
Short-term amounts due to banks	(13,001)	(6,695)
Amounts due to shareholders for loans	(194)	(44)
Amounts due to Shareholders for the purchase of equity investments	(885)	-
Short-term Liquidity, Net	**(18,703)**	**(7,274)**
Investment securities	109	459
Loans – long-term portion	(79,295)	(78,630)
Long-term amounts due to banks	(4)	(14)
Amounts due to lenders for Leasing	(3,170)	(674)
Amounts due to Shareholders for the purchase of equity investments	(3,719)	(4,597)
Medium/Long-Term Net indebtedness	**(86,079)**	**(83,457)**
Total Net Liquidity/Indebtedness	**(104,783)**	**(90,731)**

The increase in total net indebtedness is due both to the increase in net working capital and to the investment activity that reached a considerable amount (Euro 53.3 million) also during 2006.

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 contemplated 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, 28 March 2007

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

Report of the independent auditors Sol Group 2006

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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.

1. 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, 2006, 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.

2. 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.

   For the opinion on the prior year consolidated financial statements, the balances of which are presented for comparative purposes, reference should be made to our auditor's report issued on April 13, 2006.

3. In our opinion, the consolidated financial statements present fairly the financial position of SOL Group as of December 31, 2006, 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 and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n. 38/2005.

DELOITTE & TOUCHE S.p.A.

Signed by

Riccardo Raffo
Partner

Milan, Italy,
April 12, 2007

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

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