Sol Group Annual Report 2007

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 Monza e Brianza
n° 04127270157
R.E.A. n° 991655
C.C.I.A.A. Monza e Brianza

The 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
Stefano Bruscagli
Franco Nardini (Independent)
Luisa Savini

General Manager
Giulio Mario Bottes

Board of Statutory Auditors

Chairman
Alessandro Danovi

Regular Auditors
Enrico Aliboni
Gianfranco Graziadei

Alternate Auditors
Gabriele Zanfrini
Vittorio Terrenghi

Auditing Company

BDO SALA SCELSI FARINA
Via Andrea Appiani 12
20121 Milan

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

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

SOL Spa[1]

12.31.07

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)

99,92% Vivisol B Sprl 0,08%
Lessiness (B)

49% Vivisol S.r.l. 51%
Monza (I)

Vivisol Umbria S.r.l. 70%
Perugia (I)

Vivisol Napoli S.r.l. 81%
Marcianise (I)

70%

Vivisol Silarus S.r.l.
Battipaglia (I)

Il Point S.r.l. 65%
Verona (I)

98,41% Zeus S.A.
Piraeus (GR)

C.T.S. S.r.l. 100%
Monza (I)

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

100% B.T.G. BVBA
Lessines (B)[7]

100% SOL France Sas
Cergy Pontoise (F)

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

49% BEHRINGER S.r.l 2%
Genoa (I)

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

TGS A.D. 96,33%
Skopje (MK)

2,84%

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

13,43 IMG d.o.o. 42,14%
Nova Pazova (SCG) [5]

11,75%

I.C.O.A. S.r.l. 97,60%
Vibo Valentia (I)

70%

30% Vivisol Calabria S.r.l.
Vibo Valentia (I)

Consorgas S.r.l. 25,79%
Milan (I) *

100% Vivisol Nederland B.V.
Oisterwijk (NL)

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

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

60,96% TGP A.D.
Petrovo (BiH)

62,79% SOL-INA d.o.o.
Sisak (HR)

UTP d.o.o. 98%
Pula (HR)

Kisikana d.o.o. 100%
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)

100% SOL WELDING S.r.l.
Costabissara (I)

66,57% GTS Sh.p.k
Tirana (AL) [6]

88,87% TGK Sofia A.D.
Sofia (BG)

(*) Companies out of the area of consolidation
(1) SOL set up the following foreign branches: Vaux le Penil (F), Lugano (CH), Feluy- Seneffe (B), Krefeld (D).
(2) The third-party share includes a 5.4% equity investment of SIMEST S.p.A. According to the SOL/SIMEST contract of 12.23.2002 SOL is under obligation to repurchase this SIMEST share by 06.30.2010.
(3) The third-party share includes a 7.33% equity investment of SIMEST S.p.A. According to the SOL/SIMEST contract of 03.19.2003 SOL is under obligation to repurchase this SIMEST share by 06.30.2011.
(4) The third-party share includes a 36% equity investment of SIMEST S.p.A. According to the SOL/SIMEST contract of 07.21.2004 SOL is under obligation to repurchase this SIMEST share by 06.30.2012.
(5) The third-party share includes a 32.68% equity investment of SIMEST S.p.A. According to the SOL/SIMEST contract of 12.22.2004 SOL is under obligation to repurchase this SIMEST share by 06.30.2012.
(6) The third-party share includes a 33.43% equity investment of SIMEST S.p.A. According to the SOL/SIMEST contract of 07.30.2007 SOL is under obligation to repurchase this SIMEST share by 06.30.2015.
(7) B.T.G. set up a foreign branch at Dainville (France).

Directors' report Sol Group 2007

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 door-to-door medical care, as well as in the sector for related medical equipment in Italy, presently active in seven other Western European countries and in eight Central-Eastern European countries. The products and services of companies belonging to the Group are used in the chemical, 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 2007, the international scenario showed a positive trend during the first half year even if in a European context with a considerable rise of interest rates and a slowdown of the American economy that was very moderate as to the forecasts.

Whereas the second half of 2007 showed a progressive decline in Western economic activities, worsened by the subprime loan crisis whose negative effects still continue.

Oil price continued to be very high, significantly increasing costs of production and of raw materials.

Far East economy continued its growth trend, especially in China where it reached more than 10%, with fixed investments that increased by 25%.

During the first half of 2007, the Euro area had a positive growth trend mainly thanks to the driving force of Germany, with an increase in domestic demand for investments, in exports and to a lesser extent in consumption.

However, this growth trend slowed down in the second half of the year.

For what concerns Italy, the positive first half of 2007, even if with a growth lower than that of the Euro area, was followed by the second half of the year which reported a progressive decline in the economy for what concerns production and consumption. Moreover, the continuous price increase of raw materials and energy as well as the difficult political situation of the country fostered an uncertainty that makes the Italian economic scenario even more difficult with the continued weakness of industrial activity.

The technical gas sector showed a fairly good growth in the countries of the Euro area, even if lower than the one obtained in the previous year.

The sector continues to be penalised by the continuous increase in energy costs that cannot be completely transferred to the customers.

The 2007 financial year showed a good growth of utilisation of gasses in the chemical, environmental, food and medicinal sector, whereas the iron and steel sector showed a slowdown, especially in the second half of the year: this sector, after a recent significant growth, is settling down on lower consumption levels.

The other sector in which the SOL Group works - home-care sector - continued its growth trend, especially in the countries of the Euro area, being also under a generalised pressure due to the reduction in the selling price of the offered services.

Summary results

Within the afore-mentioned context, we believe that the results achieved by the SOL Group during 2007 were very positive.

Net sales generated by the SOL Group during 2007 reported sustained growth and amounted to Euro 427.1 million (+ 8.5% when compared with 2006).

The gross operating margin was Euro 97.1 million, equal to 22.7% of sales, with a 11.1% growth with respect to 2006 (Euro 87.4 million, or 22.2% of sales).

The operating result came to Euro 46 million, equating to 10.8% of sales, up by 30.7% with respect to the figure for 2006 (Euro 35.2 million, or 9% of sales).

The net profit amounted to Euro 26.7 million (Euro 16.6 million at the end of 2006), up by 60.9%.

Cash flow amounted to Euro 75.7 million (17.7% of sales), up by Euro 14.7 million when compared with 2006 (equating to Euro 60.9 million).

Capital expenditure recorded in the financial statements totaled Euro 69.2 million (Euro 53.3 million in 2006).

The average number of staff employed as at 12.31.07 totaled 1,674 (1,564 as at 12.31.06).

The Group's net financial indebtedness was equal to Euro 114.2 million (Euro 104.8 million as at 12.31.06).

Operating performance

During 2007, the technical gas sector disclosed a positive growth in sales when compared with the previous year (+4.9%, for a turnover equating to Euro 296.3 million), with volumes on the increase especially abroad.

Apart from the traditional development that the technical gas sector realised with its own application technologies and new services both in industry and health, activity in agribusiness and environmental protection was particularly important in 2007.

In this last case, various initiatives were carried out for water conditioning and recycling and for the recovery of contaminated sites.

We would also like to point out a strong growth of sales in the sector of foundries of ferrous and non-ferrous metals in the Balkan area.

Finally, the strengthening of the hospital sector continued through the acquisition of supplies from important medical facilities in north Europe.

The home-care business once again reported considerable growth, both in Italy and in foreign countries (+17% for a turnover equating to Euro 142.7 million) thanks to a continuous commitment in the development of new products and services that accompany and complete the oxygen treatment activities.

With regards to costs, there was a recovery in margins achieved by improving the operational efficiency, even if in the presence of a continual rise in production costs, especially electricity, and distribution costs; these are costs for which it is not always possible to transfer downstream.

The increase in trade receivables was less than the increase in sales due to an improvement of the

collection days. The payment time in Italy and in Greece by the public health sector is still very long. The Group's net indebtedness increased by Euro 9.4 million, essentially as a result of the requirements necessary for financing investments (over Euro 69 million) which were made during 2007 and of the increase in working capital.
During the course of 2007, 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 Piombino, Mantova, Jesenice and Skopje.
The SOL Group's work force increased during 2007 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 2007 with a listed price of Euro 4.782 and closed as at December 28, 2007 at Euro 4.890.
During the year, the stock achieved a maximum listed price of Euro 5.940, while the minimum came to Euro 4.640.

Environment, Quality and Safety

Also during 2007, the Integrated Management System on quality, safety and environmental themes, 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.
In general terms, all the certifications obtained according to the ISO 9001, ISO 14001, ISO 13485, OHSAS 18001 national standards were confirmed after an intense activity of "third-party audit". The certification status was also confirmed for the enforcement of the PED directive in the internal production of vaporisers.
Always during 2007, the excellence status was confirmed also by maintaining the EMAS European Registration for the factories of Verona and Mantova. The more than ten-year support to the Responsible Care program and to the principles of Social Liability constantly followed and carried out in every-day activities was confirmed.
Therefore, also throughout the whole of 2007, 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 organizational, management and auditing model in accordance with Italian Legislative Decree No. 231/2001.
The sites with Quality System certification reached 28 units including Italy and foreign countries within the technical gas activities.
CE marking certifications were also confirmed such as medical devices for medical gas distribution plants, vacuum and anaesthetic gas discharge installations, in addition to the maintenance of the CE marking for gases and mixtures produced by the company classified and registered as medical devices. The new EC marking was obtained for the Emergency Units for which the international reference standard was the ISO 13485 norm: 2003.

Within the sphere of Vivisol home-care activities, in addition to confirmation of the third party certification obtained in previous years, the extension of the ISO 900l certification was obtained for Vivisol Austria GmbH, apart from maintaining the ISO 14001 certification for the head Office of Monza.
As part of the Responsible Care program, our participation and collaboration continued for the drawing up of the Federchimica Environmental Report. Moreover, we must point out that we obtained, as forerunners of this sector, the Environmental Integrated Authorisation for some of our initial transformation factories with transparency principles towards the public and local media.
During 2007, systematic monitoring of the indirect environmental impacts which our activities may influence was continued. 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 carbon dioxide (CO2) into the environment.
The final figure for 2007 saw a reduced environmental impact of CO2 equivalent to 3,654 t.

SOL Group investments

During the year under review, investments in the technical gases sector amounted to Euro 49.1 million, with Euro 25.4 million of this being invested by the Parent Company SOL S.p.A. and Euro 20.1 million being invested in the home care sector. These investments are broken down below:

- A new modern plant that recovers carbon dioxide from a process fluid was carried out at the Raffineria API (API refinery) of Falconara Marittima. CO2 is liquefied, stored and intended for the food and industrial markets, contributing towards reducing the release of carbon dioxide into the environment.
- In the Piombino Factory, the enhancement works of the nitrogen compression plants in gas pipeline was completed, including a new high-efficiency centrifugal compressor. The company purchased a building with pertinent areas near the factory.
- The program for the modernization, enhancement and automation of the secondary plants in Italy continued. These activities concerned the units of Cremona, Pavia, Jesi and Sesto San Giovanni, in particular.
- At the factory of Pisa the realisation of the new office building was completed.
- In Germany, the Branch SOL Deutschland started the works for the construction of new plant for the liquefaction of oxygen and nitrogen located in Frankfurt am Main.
- In France, Branch SOL France started the extension work of the factory of medical and industrial gas production in cylinders of Pontoise. The works are expected to be completed within December 2008.
- In Croatia, Kisikana realised at Sisak several interventions of modernisation of the existing air fractionation plant.
- In Macedonia, at the TGS company at Skopje, the oxygen compression system in the gas pipeline was enhanced by installing a new volumetric compressor; the enhancement works of carbon dioxide storage capacity were completed at the factory of Bitola.

- In Holland, the NTG company completed the construction works of a new factory of medical and industrial gas production in cylinders at Emmen; at the Tilburg factory, the office building was extended.
- ENERGETIKA continued work for the construction of a new hydroelectric power plant in Slovenia on the Sava river; it will be completed within the first half of 2008.
- Work continued for the modernization and enhancement of the secondary production units in the Balkan countries were the Group operates. In particular, in Bosnia the TGP company carried out a new well for extracting CO2, in Macedonia the TGS company completed several interventions of improvement of the plants at the cylindering centre of Skopje.
- Several on-site industrial and medical facilities were also realised and brought on-stream.
- 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 2007, the SOL Group continued with the process for the expansion and rationalization of its activities in Italy and abroad.

As from January 1, 2007, German company Medizintechnik GmbH was merged through incorporation into VIVISOL Deutschland GmbH that controlled 100% of its share capital. This merger was carried out in order to improve the organisation in Germany of the home-care sector.

In March, the Parent Company SOL S.p.A. raised its shareholding in the company TGK A.D. from 78.46% to 88.87% through an increase in capital.

During the same month, the Parent Company SOL S.p.A. set a Branch in Germany for the construction of a new liquefaction plant.

At the end of September, the Parent Company SOL S.p.A. purchased from Julia Gas S.r.l. the business unit relevant to the production and marketing of compressed gasses. Through this acquisition, SOL S.p.A. strengthened its commercial presence in north-eastern Italy.

As from October 1, 2007, VIVISOL dello Stretto S.r.l. was merged through incorporation into VIVISOL Calabria S.r.l. that held 100% of its share capital. This operation will rationalise the activities in the home-care sector carried out in the Calabria region.

On October 16, 2007, SOL S.p.A. set up the Dutch company VIVISOL Nederland B.V. by bringing in its own branch SOL S.p.A. Nederland. As a result, all the activities in the home care sector carried out in Holland will refer to a company with its own legal responsibility, whereas up to that date they were carried out by the Dutch branch of SOL S.p.A.

Always in October, the Parent Company SOL S.p.A. raised its shareholding in the subsidiary company SOL Welding S.r.l. to 100% through an increase in capital.

VIVISOL S.r.l. acquired a further participating interest of 11% in the subsidiary VIVISOL NAPOLI S.r.l. during December 2007 increasing the Company's controlling share to 81%.

During the same month of December, SIMEST S.p.A., through an increase in capital, entered with a participating interest of 33.43% in the share capital of the Albanian subsidiary GTS Sh.p.k.

Research and Development Activities

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

Shares of the Parent Company held by Group Companies

At 12.31.07 the Parent Company SOL S.p.A. does not own any of its own shares.
The other Companies of the Group do not hold shares of the parent company SOL S.p.A.
During the reporting year no SOL shares were purchased or sold either by the Parent Company itself or by other Group Companies.

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.

Liquidity risk

The liquidity risk may manifest with regards to the inability to raise the financial resources necessary for the anticipated investments under good economic conditions.
The Group has adopted a series of policies and processes aimed at optimising 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, 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".

Some Group companies purchase electric energy that is used for the primary production of technical gasses. The price of electricity is affected by the Euro/dollar rate of exchange and by the price trend of energy raw materials. The risk related to their fluctuations is mitigated by stipulating, as much as possible, fixed price purchase contracts or with a fluctuation measured on a not very short time period. Moreover, long-term supply contracts to customers index-linked in such a way as to cover the fluctuation risks shown above.

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, favouring, when possible and convenient, medium/long-term debt with fixed rates, also by operating through specific Interest Rate Swap contracts.

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

The Italian Group companies apply Italian Legislative Decree No. 196 dated 30 June 2003 (Italian personal data protection code), and formally acknowledge that they have taken steps to put together security measures capable of reducing to a minimum the risks of destruction and loss, accidental or otherwise, of said details, of unauthorized access or processing not permitted or not compliant with the purposes of the data collection.

The Italian Group companies obliged to draw up their own Programmatic Security Document have taken steps to do so.

Equity investments of Directors, Statutory Auditors, 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 12.31.07
Aldo Fumagalli Romario	SOL S.p.A.	5,000	0	0	5,000
Stefano Bruscagli	SOL S.p.A.	6,800,000 * #	0	0	6,800,000 * #
Enrico Aliboni	SOL S.p.A.	4,000 **	0	0	4,000 **

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

Significant events which took place after the end of the 2007 accounting period and foreseeable business developments.

No significant events have taken place after the end of the year.

For what concerns 2008, a further increase in the cost of electricity, the raw material for the Group's primary production, is anticipated.

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 maintain the Group's profitability, even if with a continuously worsening economic framework.

Monza, March 28, 2008

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

Consolidated financial statements Sol Group 2007

Consolidated profit and loss account Sol Group

(in thousands of Euro)	Notes	**12.31.2007**	%	12.31.2006	%
NET SALES	1	**427,072**	**100.0%**	393,573	100.0%
Other operating income	2	5,379	1.3%	2,899	0.7%
Internal works and collections	3	9,960	2.3%	7,083	1.8%
PROCEEDS		**442,411**	**103.6%**	403,555	102.5%
Purchase of materials		128,155	30.0%	122,327	31.1%
Services rendered		128,889	30.2%	117,963	30.0%
Change in inventories		2,686	0.6%	(1,945)	-0.5%
Other costs		14,516	3.4%	12,621	3.2%
TOTAL COSTS	4	**274,246**	**64.2%**	250,966	63.8%
ADDED VALUE		**168,165**	**39.4%**	152,589	38.8%
Payroll and related costs	5	71,100	16.6%	65,201	16.6%
GROSS OPERATING MARGIN		**97,065**	**22.7%**	87,388	22.2%
Depreciations	6	47,800	11.2%	43,261	11,0%
Other provisions	6	3,216	0.8%	1,864	0.5%
Financial income / charges	6	-		7,033	1.8%
OPERATING RESULT		**46,049**	**10.8%**	35,230	9.0%
Financial income		1,026	0.2%	973	0.2%
Financial expense		6,924	1.6%	5,937	1.5%
Total financial income / (expense)	7	(5,898)	-1.4%	(4,964)	-1.3%
PROFIT (LOSS) BEFORE INCOME TAXES		**40,151**	**9.4%**	30,266	7.7%
Income taxes	8	12,273	2.9%	12,584	3.2%
NET RESULT FROM BUSINESS ACTIVITIES		**27,878**	**6.5%**	17,682	4.5%
Net result from intermittent activities		-		-	
(Profit) / Loss pertaining to minority interests		(1,146)	-0.3%	(1,069)	-0.3%
NET PROFIT / (LOSS)		**26,732**	**6.3%**	16,613	4.2%
EARNINGS PER SHARE		**0.295**		0,185	

Consolidated balance sheet Sol Group

(In thousands of Euro)	Notes	**12.31.2007**	12.31.2006
Tangible fixed assets	9	284,338	263,585
Goodwill and consolidation differences	10	5,166	3,622
Other intangible fixed assets	11	1,772	1,848
Equity participations	12	546	539
Other financial assets	13	1,198	1,285
Prepaid taxes	14	3,235	4,365
NON-CURRENT ASSETS		**296,255**	275,244
Non-current assets held for sale			
Inventories	15	23,529	25,948
Trade receivables	16	185,018	177,648
Other current assets	17	9,356	10,951
Current financial assets	18	547	408
Prepayments and accrued income	19	1,071	1,563
Cash and cash at bank	20	24,602	17,481
CURRENT ASSETS		**244,123**	233,999
TOTAL ASSETS		**540,378**	**509,243**
Share capital		47,164	47,164
Share premium reserve		63,335	63,335
Legal reserve		5,285	5,220
Other reserves		133,129	123,997
Net Profit		26,732	16,613
Shareholders’ equity-Group		**275,645**	256,329
Capital and reserves - Minority interests		7,946	8,142
Profit (loss) pertaining to minority interests		1,146	1,069
Capital and reserves - Minority interests		**9,092**	9,211
SHAREHOLDERS' EQUITY	21	**284,737**	265,540
Employee severance indemnities and other benefits	22	10,036	11,330
Deferred taxation	23	19,038	22,708
Provisions for risks and charges	24	714	358
Payables and other liabilities	25	105,281	86,625
NON-CURRENT LIABILITIES		**135,069**	121,021
Non-current liabilities held for sale		**-**	-
Due to banks		12,940	13,001
Suppliers		67,212	62,944
Other financial liabilities		21,705	22,706
Income and other taxes		7,213	6,022
Accruals and deferred income		3,367	3,352
Other current liabilities		8,135	14,657
CURRENT LIABILITIES	26	**120,572**	122,682
TOTAL LIABILITIES AND SHAREHOLDERS’ EQUITY		**540,378**	**509,243**

Consolidated cash flow statement Sol Group

(in thousands of Euro)	**12.31.2007**	12.31.2006
CASH FLOWS GENERATED BY OPERATING ACTIVITIES		
Profit (Loss) for the year	26,732	16,613
Minority interests in profit/loss	1,146	1,069
Adjustments not affecting liquidity		
Depreciations	47,800	43,261
Financial expense	6,559	5,448
Accrued employee severance indemnities and other benefits	192	1,225
Allocation (use) of provisions for risks and charges	(3,314)	(1,806)
Total	**79,114**	65,810
Changes in current assets and liabilities		
Stocks	2,419	(1,949)
Receivables	(4,658)	(32,887)
Prepayments and accrued income	492	(30)
Suppliers	4,269	6,381
Other creditors	(5,135)	6,660
Interests paid	(5,964)	(4,918)
Accrued expenses and deferred income	(579)	(872)
Income and other taxes	1,191	2,901
Total	**(7,966)**	(24,714)
Cash flow generated by operating activities	71,149	41,096
CASH FLOWS GENERATED BY INVESTMENT ACTIVITIES		
Acquisitions, revaluations and other changes in tangible fixed assets	(67,220)	(54,115)
Net book value of assets sold	752	1,503
Increases in intangible assets	(2,162)	(1,477)
(Increase) decrease in financial fixed assets	94	375
(Increase) decrease of shareholdings and business units	(1,290)	(581)
(Increase) decrease in non-current financial assets	(139)	36
Total	**(69,966)**	(54,258)
CASH FLOWS GENERATED BY FINANCING ACTIVITIES		
Repayment of loans	(22,134)	(17,852)
Raising of new loans	38,455	26,124
Raising (repayment) of shareholders' loans	(150)	150
Dividends paid	(6,168)	(5,997)
Employee severance indemnities and benefits paid	(1,485)	(320)
Other changes in shareholders' equity		
- translation differences and other movements	(1,249)	5,637
- changes in shareholders' equity – minority interests	(1,265)	183
Total	**6,004**	7,925
INCREASE (DECREASE) IN CASH IN HAND AND AT BANK	**7,186**	(5,237)
CASH IN HAND AND AT BANK AT BEGINNING OF YEAR	**4,476**	9,713
CASH IN HAND AND AT BANK AT END OF YEAR	**11,662**	4,476

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. 2005 IAS	**47,164**	**63,335**	**4,864**	**107,408**	**17,308**	**240,079**
Allocation of 2005 profit as per general shareholders' meeting on 28.04.06	-	-	356	10,955	(11,311)	-
Dividends paid as per general shareholders' meeting on 28.04.06	-	-	-	-	(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**
Allocation of 2006 profit as per general shareholders' meeting on 27.04.07	-	-	65	15,313	(15,378)	-
Dividends paid as per general shareholders' meeting on 27.04.07	-	-	-	(4,933)	(1,235)	(6,168)
Other consolidation changes	-	-	-	(1,248)	-	(1,248)
Profit (loss) for the year	-	-	-	-	26,732	26,732
Balance as at 31 Dec. 2007 IAS	**47,164**	**63,335**	**5,285**	**133,129**	**26,732**	**275,645**

Notes to the accounts

The 2007 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.

Group composition and scope of consolidation

The consolidated financial statements comprise the financial statements as at 12.31.07 of the Parent Company SOL SpA and of the following companies, which are, pursuant to Article 38.2 of Italian Legislative Decree No. 127/91:

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

Company Name and Registered Offices	Notes		Share capital	Ownership Percentage Direct	Indirect	Total
AIRSOL BV – Tilburg		Euro	7,750,000	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)	Euro	999,602	100%		100%
FRANCE OXYGENE Sarl – Avelin		Euro	1,300,000		100%	100%
G.T.S. Sh.P.K. – Tirana	2)	LEK	292,164,000	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	3)	CSD	268,089,886.87	74.82%	24.75%	99.57%
KISIKANA D.o.o – Sisak		KUNE	28,721,300		62.79%	62.79%
N.T.G. Bv – Tilburg		Euro	2,295,000	100%		100%
SOL France Sas – Cergy Pontoise		Euro	13,000,000		100%	100%
SOL SEE d.o.o. - Skopje	4)	DEN	497,554,300	97.16%	2.74%	99.90%
SOL T.G. GmbH – Wiener Neustadt		Euro	726,728.34	100%		100%
SOL Welding Srl – Costabissara		Euro	100,000	100%		100%
SOL-INA D.o.o. – Sisak		KUNE	58,766,000	62.79%		62.79%
SPG – SOL Plin Gorenjska D.o.o. – Jesenice	5)	Euro	8,220,664	54.85%	45.15%	100%
T.G.K. Sofia AD – Sofia		LEV	5,921,450	88.87%		88.87%
T.G.P. AD – Petrovo		KM	1,177,999	60.96%		60.96%
T.G.S. AD – Skopje		DEN	413,001,941	96.33%		96.33%
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		Euro	2,643,487	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 France Sarl – Vaux Le Penil		Euro	1,900,000		100%	100%
VIVISOL Heimbehandlungsgeräte GmbH – Vienna		Euro	726,728.34		100%	100%
VIVISOL Napoli Srl – Marcianise		Euro	98,800		81%	81%
VIVISOL Nederland BV – Oisterwijk		Euro	500,000	100%		100%
VIVISOL S.r.l. – Monza		Euro	2,600,000	51%	49%	100%
VIVISOL Silarus S.r.l. - Battipaglia		Euro	18,200		56.70%	56.70%
VIVISOL Umbria S.r.l. - Perugia		Euro	67,600		70%	70%
ZEUS S.A. – Piraeus		Euro	4,823,341.85		98.41%	98.41%

1) The Group's share as at 12.31.07 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 06.30.11.

2) The Group's share as at 12.31.07 includes a 33.43% equity investment of Simest S.p.A.; under an agreement entered into between SOL S.p.A. and Simest on 07.30.07, SOL SpA is under obligation to repurchase the entire Simest share by 06.30.15.

3) The Group's share as at 12.31.07 includes a 32.68% equity investment of Simest S.p.A.; under an agreement entered into between SOL S.p.A. and Simest on 12.22.04, SOL SpA is under obligation to repurchase the entire Simest share by 06.30.12.

4) The Group's share as at 12.31.07 includes a 36% equity investment of Simest S.p.A.; under an agreement entered into between SOL S.p.A. and Simest on 07.21.04, SOL SpA is under obligation to repurchase the entire Simest share by 06.30.12.

5) The Group's share as at 12.31.07 includes a 5.4% equity investment of Simest S.p.A.; under an agreement entered into between SOL S.p.A. and Simest on 12.23.02, SOL SpA is under obligation to repurchase the entire Simest share by 06.30.10.

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 12.31.07 and 12.31.06 underwent the following changes:
- increase in the shareholding in SOL Welding Srl (from 99.17% to 100%),
- increase in the shareholding in TGK AD (from 78.46% to 88.87%),
- increase in the shareholding in TGS AD (from 96.16% to 96.33%),
- increase in the shareholding in SOL SEE doo (from 99.88% to 99.90%),
- increase in the shareholding in IMG doo (from 99.55% to 99.57%),
- increase in the shareholding in VIVISOL Napoli Srl (from 70% to 81%) and, indirectly, in VIVISOL Silarus Srl (from 49% to 56.70%),
- inclusion of the company VIVISOL Nederland BV set up on 10.16.07.

Furthermore, shareholders are informed that during the first quarter, VIVISOL Deutschland GmbH absorbed the company Medizintechnik GmbH and that during the last quarter, VIVISOL Calabria Srl absorbed the company VIVISOL dello Stretto Srl.

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 **12.31.2007**		Average rate of exchange for 2007		Rate of exchange on 12.31.2006		Average rate of exchange for 2006
Albanian Lek	Euro	0.00818	Euro	0.00809	Euro	0.00806	Euro	0.00812
Macedonian Dinar	Euro	0.01628	Euro	0.01632	Euro	0.01630	Euro	0.01631
Bulgarian Lev	Euro	0.51130	Euro	0.51130	Euro	0.51130	Euro	0.51130
Croatian Kuna	Euro	0.13641	Euro	0.13629	Euro	0.13605	Euro	0.13652
Serbian Dinar	Euro	0.01254	Euro	0.01250	Euro	0.01261	Euro	0.01185
Slovenian Taller	Euro	-	Euro	-	Euro	0.00417	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 liability owed to the lessor is recorded in the financial statements under financial payables. The assets

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

Depreciation

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

Land and buildings	
- Land	-
- Buildings	2% - 10 %
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 fair value cannot be determined reliably, are gauged, if they have a pre-established maturity, at depreciated cost, using the effective interest method. When the financial assets do not have a pre-established maturity, they are valued at purchase cost.

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

The financial liabilities hedged by derivative instruments are valued 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).
Following the modifications made to the regulations of the Severance indemnity fund ("TFR") by Law no. 296 of 27 December 2006 (Financial act for 2007) and subsequent performing Decrees and

Regulations, the accounting principles applied to the severance pay amounts accrued as at 12.31.06 and those accruing as from 01.01.07, were modified as from this financial year, as provided by IAS 19 and the interpretations defined in July by the competent national technical bodies.

Due to the Reform of the complementary social security set forth in the aforesaid Decree, severance pay amounts accrued as at 12.31.06 shall continue to remain in the company depicting a plan with defined benefits (liability for accrued benefits subject to actuarial valuation), whereas, for companies with at least 50 employees, the amounts accruing as from 01.01.07, due to the choices made by the employees during the first half year, shall be allocated to a complementary form of social security or transferred from the company to the treasury fund managed by INPS (social security), depicting as from when the choice is formalised by the employee, as plans with defined benefits (not subject to actuarial valuation).

Following the new regulatory provisions, it was necessary to restate the amount of the liability accrued as at 12.31.06 to adjust the actuarial valuation model previously used on the bases of the new actuarial calculations (law revaluation rate instead of wage increase estimates).

This restatement, according to what is provided by IAS 19 paragraph 109, implied the recording as "curtailment" of an extraordinary income entered as a reduction of personnel costs and the recording of extraordinary expense entered as an increase of personnel costs following the recording of actuarial losses as at 12.31.06 non-recorded previously.

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.

Prepayments and accrued income

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

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.

Cashflow 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 principles IFRS 7 – Financial instruments: additional information and amendment complementary to IAS 1 – Filing of the consolidated financial statements: additional information relevant to the share capital. IFRS 7 contains an updated version of the information prescriptions previously included in the IAS 32 accounting principles - 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 principle requires a description of the targets, 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 January 1, 2007 with the obligation to provide comparative information relevant to the 2006 financial year.
On March 3, 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 must be separate from the primary contract and reported as derivative instruments when this 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. The adoption of this interpretation did not imply significant accounting data.

On November 30, 2006, IASB issued the IFRS 8 accounting principle – Operating Segments that will be applicable starting from January 1, 2009 instead of IAS 14 Segment information. The new accounting principle requests the company to base the information indicated in the Segment Information on the elements that the management uses to take its own 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 March 29, 2007, IASB issued a revised IAS 23 – Borrowing costs that will be enforceable as from January 1, 2009; the main change from the previous version is the removal of the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale.

On September 6, 2007, the IASB issued a revised IAS 1 – Presentation of Financial Statements that will be enforceable as from January 1, 2009; the main change from the previous version is to require that the company must present all non-owner changes in equity in one statement of comprehensive income (This principles has not yet been ratified).

In 2006 and in 2007, the following principles and interpretations not applicable to the Group were issued:

IFRIC 7 – Applying the Restatement Approach under IAS 29 - Financial Reporting in Hyperinflationary Economies (Enforceable as from January 1, 2007);

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

IFRIC 12 – Service Concession Arrangements (Enforceable as from January 1, 2008 and not yet ratified by the European Union).

IFRIC 13 – Customer Loyalty Programs (Enforceable as from January 1, 2009 and not yet ratified by the European Union).

IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (Enforceable as from January 1, 2008 and not yet ratified by the European Union).

Explanatory notes

Profit and Loss Account

1. Net sales

Balance as at 12.31.2007	427,072
Balance as at 12.31.2006	393,573
Movement	**33,499**

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

Description	12.31.2007	12.31.2006	Movement
Technical gases	284,936	272,468	12,468
Home-care	142,136	121,105	21,031
Total	**427,072**	393,573	33,499

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 12.31.2007	5,379
Balance as at 12.31.2006	2,899
Movement	**2,480**

The breakdown for the above item is as follows:

Description	12.31.2007	12.31.2006	Movement
Capital gains on disposal of fixed assets	2,905	152	2,753
Insurance compensation	71	300	(229)
Grants received	425	424	1
Real estate rentals	18	19	(1)
Write-ups of long-term financial assets that are not equity investments	1	2	(1)
Other	1,959	2,002	(43)
Total	**5,379**	2,899	2,480

3. Internal works and collections

Balance as at 12.31.2007	9,960
Balance as at 12.31.2006	7,083
Movement	**2,877**

The breakdown for the item "Internal works and collections" is as follows:

Description	12.31.2007	12.31.2006	Movement
Internally constructed fixed assets	1,946	1,186	760
Transfers to assets	8,014	5,897	2,117
Total	**9,960**	7,083	2,877

The item "Internally constructed fixed assets" relates to costs incurred for the internal construction of fixed assets.

The item "Transfers to assets" includes the collection from the warehouse of materials transferred to assets.

4. Total costs

Balance as at 12.31.2007	274,246
Balance as at 12.31.2006	250,966
Movement	**23,280**

The breakdown of the above item is as follows:

Description	12.31.2007	12.31.2006	Movement
Purchase of materials	128,155	122,327	5,828
Services rendered	128,889	117,963	10,926
Change in inventories	2,686	(1,945)	4,631
Other costs	14,516	12,621	1,895
Total	**274,246**	250,966	23,280

The item "Purchase of materials" includes purchases of gas and materials, electric energy, water, diesel oil and methane for production.

The item "Services rendered" includes costs of transports, maintenance, third-party services, consultancies and insurances.

The item "Other costs" includes rentals, taxes other than income tax, contingent liabilities and capital losses.

5. Payroll and related costs

Balance as at 12.31.2007	71,100
Balance as at 12.31.2006	65,201
Movement	**5,899**

The breakdown of the above item is as follows:

Description	12.31.2007	12.31.2006	Movement
Wages and salaries	52.079	47.514	4.565
Social Security charges	18.829	16.462	2.367
Employee severance indemnity	192	1.225	(1.033)
Total	**71.100**	65.201	5.899

The item wages and salaries includes an income of 0.9 millions of Euro related to the restatement of the Severance indemnity fund as at 12.31.06 due to the law amendments introduced by Law no. 296 of December 27, 2006 (Financial act) and subsequent performing decrees.

The composition of the workforce is analysed below by category:

Description	12.31.2007	12.31.2006	Movement
Managers	42	40	2
Office workers	1,056	1,016	40
Factory workers	623	543	80
Total	**1,721**	1,599	122

6. Depreciations, provisions and non recurrent charges

Balance as at 12.31.2007	51,016
Balance as at 12.31.2006	52,158
Movement	**(1,142)**

The breakdown of the above item is as follows:

Description	12.31.2007	12.31.2006	Movement
Depreciations	47,800	43,261	4,539
Provisions	3,216	1,864	1,352
Financial income / charges	-	7,033	(7,033)
Total	**51,016**	52,158	(1,142)

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	12.31.2007	12.31.2006	Movement
Land	-	-	-
Buildings	2,934	2,869	65
Plants and machinery	15,590	14,588	1,002
Other fixture and fitting, tools and equipment	25,687	22,595	3,092
Other Assets	2,411	2,164	247
Assets in course of construction and advances	-	-	-
Total	**46,622**	42,216	4,406

The increase in depreciation is linked to investments made during the period, amounting to Euro 69.2 million.

Amortisation of intangible fixed assets

Description	12.31.2007	12.31.2006	Movement
Industrial patents and intellectual property rights	681	449	232
Concessions, licenses, trade marks and similar rights	368	319	49
Other	129	277	(148)
Total	**1,178**	1,045	133

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

Description	12.31.2007	12.31.2006	Movement
Risks on receivables	2,631	1,819	812
Amounts provided for risk provisions	77	38	39
Other provisions	508	7	501
Total	**3,216**	1,864	1,352

The increase in the item "Other provisions" relates to the provision for a lawsuit of the Parent Company.

7. Financial income / (expense)

Balance as at 12.31.2007	(5.898)
Balance as at 12.31.2006	(4.964)
Movement	**(934)**

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

Description	12.31.2007	12.31.2006	Movement
Income from equity investments in other companies	-	7	(7)
Income from long-term receivables	47	24	23
Interest on banks and post offices deposits	197	116	81
Interest receivable from trade	301	120	181
Exchange gains	201	468	(267)
Other financial income	280	238	42
Total	**1,026**	973	53

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

Description	12.31.2007	12.31.2006	Movement
Interest payable to banks	(536)	(361)	(175)
Interest payable to suppliers	(72)	(33)	(39)
Interest payable on loans	(5,101)	(4,038)	(1,063)
Total financial expense	(1,081)	(1,016)	(65)
Exchange losses	(134)	(489)	355
Total	**(6,924)**	(5,937)	(987)

8. Income tax

Balance as at 12.31.2007	12,273
Balance as at 12.31.2006	12,584
Movement	**(311)**

The breakdown of the above item is as follows:

Description	12.31.2007	12.31.2006	Movement
Current income taxes	13,795	12,850	945
Deferred taxes	(2,683)	(1,217)	(1,466)
Prepaid taxes	1,161	951	210
Total	**12,273**	12,584	(311)

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	12.31.2007	12.31.2006
Theoretical taxation	**13,250**	9,988
Tax effect permanent differences	(1,708)	1,055
Tax effect deriving from foreign tax rates different to Italian theoretical tax rates	(1,532)	(679)
Income taxes recorded in the financial statements, excluding IRAP (current and deferred)	**10,010**	10,364
Regional Business Tax (IRAP)	**2,263**	2,220
Income taxes recorded in the financial statements (current and deferred)	**12,273**	12,584

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

9. Tangible fixed assets

Balance as at 12.31.2007	284,338
Balance as at 12.31.2006	263,585
Movement	**20,753**

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 01.01.06	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 changes	-	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 12.31.06	8,811	70,567	243,632	317,523	25,901	11,086	**677,520**
Increases	-	3,812	13,320	42,707	4,164	5,209	69,212
Revaluations	-	-	-	-	-	-	-
Other changes	0	(44)	(102)	230	(44)	0	40
Exchange differences	(0)	(2)	(20)	6	(2)	17	(1)
(Disposals)	-	(180)	(854)	(2,106)	(610)	-	(3,750)
Balance as at 12.31.07	8,811	74,153	255,976	358,360	29,409	16,312	**743,021**

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 01.01.06	-	32,087	140,648	186,125	17,264	-	376,124
Depreciation	-	2,869	14,588	22,595	2,164	-	42,216
(Write-downs)	-	-	-	-	-	-	-
Other changes	-	(157)	640	(2,002)	697	-	(822)
Exchange differences	-	(6)	(23)	(4)	(5)	-	(38)
(Disposals)	-	(269)	(817)	(1,811)	(648)	-	(3,545)
Balance as at 12.31.06	-	34,524	155,036	204,903	19,472	-	**413,935**
Depreciation	-	2,934	15,590	25,687	2,411	-	46,622
(Write-downs)	-	-	-	-	-	-	-
Other changes	-	39	62	1,026	3	-	1,129
Exchange differences	-	0	(8)	3	(2)	-	(6)
(Disposals)	-	(88)	(480)	(1,927)	(502)	-	(2,997)
Balance as at 12.31.07	-	37,409	170,200	229,692	21,382	-	**458,683**

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 01.01.06	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 changes	-	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 12.31.06	8,811	36,043	88,596	112,620	6,429	11,086	**263,585**
Increases	-	3,812	13,320	42,707	4,164	5,209	69,212
(Depreciation and writedowns)	-	(2,934)	(15,590)	(25,687)	(2,411)	-	(46,622)
Other changes	0	(83)	(164)	(796)	(47)	0	(1,089)
Exchange differences	(0)	(2)	(12)	3	0	17	6
(Disposals)	-	(92)	(374)	(179)	(108)	-	(753)
Balance as at 12.31.07	8,811	36,744	85,776	128,668	8,027	16,312	**284,338**

- Investments made during the financial year in respect of the item "Buildings" are mainly investments made by the Parent Company (Euro 1,260 thousand) and the subsidiary companies GTS Sh.P.K. (Euro 1,095 thousand), VIVISOL Deutschland (Euro 611 thousand) and NTG BV (Euro 502 thousand).
- Acquisitions made during the period relating to the item "Plant and machinery" are mainly due to the purchase of plants at the Parent Company's factories (Euro 10,452 million) and those of the subsidiaries TGS A.D. (Euro 910), NTG BV (Euro 433 thousand), GTS Sh.P.K. (Euro 334 thousand), SPG-SOL Doo (Euro 308 thousand), ZEUS SA (Euro 294 thousand) and VIVISOL Srl (Euro 189 thousand) and to a lesser extent to other investments at all other group companies.
- The item "Other fixture and fitting, tools and equipment" comprises commercial equipment (supplying devices, cylinders, base units, concentrators and medical appliances) as well as other small and sundry equipment. The increase recorded for the period was due to investments in commercial equipment in the form of cylinders, dispensing devices and tanks, made by companies in the technical gases sector for Euro 23,982 thousand (including Euro 8,895 by the Parent Company) and to investments made by companies operating in the home-care sector for Euro 18,725 thousand (including Euro 9,729 thousand by the company VIVISOL Srl), in respect of base units and other medical appliances.
- The item "Other assets" includes motor vehicles and motor cars, electric office equipment, furniture and fixtures, EDP systems. The increase recorded for the financial year relates to investments made for motor vehicles, laboratory equipment, hardware, furniture and fixtures, with Euro 1,483 thousand of the total reported pertaining to the Parent Company and the subsidiary companies C.T.S. SpA (Euro 752 thousand), TGS A.D. (Euro 277 thousand), VIVISOL B Sprl (Euro 300 thousand), TGK AD (Euro 238 thousand), VIVISOL Nederland BV (Euro 134 thousand) and VIVISOL Srl (Euro 120 thousand) and to a lesser extent to other investments at all other group companies.
- The item "Assets in course of construction" mainly refers to investments being made by the Parent Company (Euro 9,150 thousand) and by the subsidiaries ENERGETIKA Z.J. D.o.o. (Euro

4,889 thousand), T.G.S. AD (Euro 261 thousand), TGK AD (Euro 365 thousand), TGP AD (Euro 214 thousand) and C.T.S. Srl (Euro 506 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 medium-term lending institutions by a number of Group companies.
As at 12.31.07, mortgages amounted to Euro 120,758 thousand.
As at 12.31.07, liens amounted to Euro 107,499 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 01.01.06	-	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 12.31.06	-	1,945	9,948	17,344	146	-	**29,383**
Increases	-	-	139	116	-	-	255
Revaluations	-	-	-	-	-	-	-
Other changes	-	-	-	-	-	-	-
Exchange differences	-	-	-	-	-	-	-
(Disposals)	-	-	-	(48)	-	-	(48)
Balance as at 12.31.07	**-**	**1,945**	**10,087**	**17,412**	**146**	**-**	**29,590**

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 01.01.06	-	1,383	3,956	14,497	135	-	19,971
Depreciation	-	73	916	709	6	-	1,704
(Write-downs)	-	-	-	-	-	-	-
Other changes	-	-	-	-	-	-	-
Exchange differences	-	-	-	-	-	-	-
(Disposals)	-	-	-	(63)	-	-	(63)
Balance as at 12.31.06	-	1,456	4,872	15,143	141	-	**21,612**
Depreciation	-	73	906	598	4	-	1,581
(Write-downs)	-	-	-	-	-	-	-
Other movements	-	-	-	-	-	-	-
Exchange differences	-	-	-	-	-	-	-
(Disposals)	-	-	-	(5)	-	-	(5)
Balance as at 12.31.07	-	1,529	5,778	15,736	145	-	**23,188**

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 01.01.06	-	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 12.31.06	-	489	5,076	2,201	5	-	**7,771**
Increases	-	-	139	116	-	-	255
(Depreciation and writedowns)	-	(73)	(906)	(598)	(4)	-	(1,581)
Other movements	-	-	-	-	-	-	-
Exchange differences	-	-	-	-	-	-	-
(Disposals)	-	-	-	(43)	-	-	(43)
Balance as at 12.31.07	-	416	4,309	1,676	1	-	**6,402**

10. Goodwill and consolidation differences

Balance as at 12.31.2007	5,166
Balance as at 12.31.2006	3,622
Movement	**1,544**

The breakdown of the above item is as follows:

Changes in intangible assets	Goodwill	Consolidation differences	Total
Balance as at 01.01.06	982	1,873	2,855
Increases	-	767	767
Revaluations	-	-	-
Other movements	-	-	-
Exchange differences	-	-	-
(Amortisation)	-	-	-
Balance as at 12.31.06	982	2,640	**3,622**
Increases	484	1,060	1,544
Revaluations	-	-	-
Other movements	-	-	-
Exchange differences	-	-	-
(Amortisation)	-	-	-
Balance as at 12.31.07	1,466	3,700	**5,166**

The increase during the year in the item "Goodwill" concerns the acquisition of the business unit of the company Julia Gas Srl.

The increase during the year in the item "Consolidation differences" concerns the purchase of a further 11% shareholding of VIVISOL Napoli Srl by the subsidiary VIVISOL Srl.

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.

11. Other intangible fixed assets

Balance as at 12.31.2007	1,772
Balance as at 12.31.2006	1,848
Movement	**(76)**

The breakdown of 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 01.01.06	263	542	44	565	1,414
Increases	1,061	284	124	15	1,484
Revaluations	-	-	-	-	-
Other changes	(1)	40	(44)	-	(5)
Exchange differences	-	-	-	-	-
(Amortisation)	(449)	(319)	-	(277)	(1,045)
Balance as at 12.31.06	874	547	124	303	**1,848**
Increases	375	677	-	178	1,230
Revaluations	-	-	-	-	-
Other movements	(125)	(4)	(124)	125	(128)
Exchange differences	-	-	-	-	-
(Amortisation)	(681)	(368)	-	(129)	(1,178)
Balance as at 12.31.07	443	852	-	477	**1,772**

12. Equity participations

Balance as at 12.31.2007	546
Balance as at 12.31.2006	539
Movement	**7**

The breakdown of the above item is as follows:

Description	**12.31.2007**	12.31.2006
GTE S.L.	11	11
Non-consolidated subsidiary companies	**11**	11
Consorgas Srl	479	454
Medical System	18	18
Associated companies	**497**	472
Other equity investments	38	56
Other companies	**38**	56
Total	**546**	539

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 23 thousand reported among the other minority equity investments (of which Euro 15 thousand relating to investments in local companies made by the subsidiary company T.G.S. A.D. and Euro 8 thousand made by the subsidiary company VIVISOL Deutschland GmbH).

13. Other financial assets

Balance as at 12.31.2007	1.198
Balance as at 12.31.2006	1.285
Movement	**(87)**

The breakdown of the above item is as follows:

Description	**12.31.2007**	12.31.2006	Movement
Other receivables	1,088	1,176	(88)
Other securities	110	109	1
Total	**1,198**	1,285	(87)

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

Description	**12.31.2007**	12.31.2006	Movement
Guarantee deposits	687	667	20
Tax credit on Employee Severance Indemnity	222	327	(105)
Other	179	182	(3)
Total	**1,088**	1,176	(88)

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

Description	**12.31.2007**	12.31.2006	Movement
SOL TG collateral securities	5	5	-
VIVISOL Heimbehand securities	2	2	-
UTP securities	4	4	-
Other securities - ICOA S.r.l.	99	98	1
Total	**110**	109	1

14. Amounts receivable for prepaid taxes

Balance as at 12.31.2007	3,235
Balance as at 12.31.2006	4,365
Movement	**(1,130)**

The breack down for the above item is as follows:

	Risks on receivables	Risk provisions	Internal profits	Prior losses	Other minor	Total
Balance as at 01.01.06	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 12.31.06	1,009	69	325	2,550	412	**4,365**
Provisions	(11)	72	(50)	(661)	(511)	(1,161)
Uses	-	-	-	-	-	-
Other movements	(5)	(5)	-	-	41	31
Exchange differences	-	-	-	-	-	-
Balance as at 12.31.07	993	136	275	1,889	(58)	**3,235**

15. Inventories

Balance as at 12.31.2007	23,529
Balance as at 12.31.2006	25,948
Movement	**(2,419)**

The breakdown of the above item is as follows:

Description	**12.31.2007**	12.31.2006	Movement
Raw materials, subsidiary materials and consumables	1,875	1,961	(86)
Work in progress and semi-finished products	1,366	898	468
Finished products and goods for resale	20,288	23,089	(2,801)
Total	**23,529**	25,948	(2,419)

16. Trade receivables

Balance as at 12.31.2007	185,018
Balance as at 12.31.2006	177,648
Movement	**7,370**

The breakdown of the above item is as follows:

Description	Due within 12 months	Allowance for doubtful accounts	Total **12.31.2007**	Total 12.31.2006
Trade receivables	193.900	(8.882)	185.018	177.648
Total	193.900	(8.882)	**185.018**	177.648

The increase in trade receivables is due to the rise in sales partially offset by an improvement of the collection days.

The allowance for doubtful accounts saw the following changes:

	12.31.2006	Provisions	Uses	12.31.2007
Allowance for doubtful accounts	8,591	2,631	(2,340)	8,882

17. Other current assets

Balance as at 12.31.2007	9,356
Balance as at 12.31.2006	10,951
Movement	**(1,595)**

The breakdown of the above item is as follows:

Description	12.31.2007	12.31.2006	Movement
Amounts due from employees	455	435	20
Capital payments due from shareholders	-	330	(330)
Amounts receivable in respect of income tax	1.429	2.912	(1.483)
VAT receivables	6.411	5.850	561
Other amounts due from the tax authorities	128	565	(437)
Other receivables	933	859	74
Total	**9.356**	10.951	(1.595)

18. Current financial assets

Balance as at 12.31.2007	547
Balance as at 12.31.2006	408
Movement	**139**

The breakdown for this item is as follows:

Description	12.31.2007	12.31.2006	Movement
Equity investment in Arena Tourist	-	40	(40)
Total other equity investments	**-**	40	(40)
Nextra treasury funds	164	164	-
Other fixed-income securities	383	204	179
Total other securities	**547**	368	179
Total	**547**	408	139

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

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

19. Prepayments and accrued income

Balance as at 12.31.2007	1,071
Balance as at 12.31.2006	1,563
Movement	**(492)**

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

The breakdown for this item is as follows:

Description	12.31.2007	12.31.2006	Movement
Accrued income:			
Interest income	12	5	7
Other accrued income	109	33	76
Total accrued income	**121**	38	83
Prepayments:			
Insurance premiums	172	248	(76)
Rents	161	201	(40)
Prepaid expenses	71	66	5
Other prepayments	546	1,010	(464)
Total prepayments	**950**	1,525	(575)
Total prepayments and accrued income	**1,071**	1,563	(492)

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

20. Cash and cash at bank

Balance as at 12.31.2007	24,602
Balance as at 12.31.2006	17,481
Movement	**7,121**

The breakdown for this item is as follows:

Description	12.31.2007	12.31.2006	Movement
Bank and post office deposits	24,419	17,297	7,122
Bank cheques	-	3	(3)
Cash and cash equivalents in hand	183	181	2
Total	**24,602**	17,481	7,121

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

21. Shareholders' equity

Balance as at 12.31.2007	284,737
Balance as at 12.31.2006	265,540
Movement	**19,197**

The share capital of SOL SPA as at 12.31.06 comprised 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	12.31.2006	Transfer of result	Dividends paid	Translation differences	Other changes	Result	12.31.2007
Pertaining to the Group:							
Share capital	47,164	-	-	-	-	-	47,164
Share premium reserve	63,335	-	-	-	-	-	63,335
Legal reserve	5,220	65	-	-	-	-	5,285
Reserve for own shares in portfolio	-	-	-	-	-	-	-
Treasury shares	-	-	-	-	-	-	-
Consolidation reserve	-	-	-	-	-	-	-
Other reserves	123,997	15,313	(4,933)	6	(1,254)	-	133,129
Retained earnings (accumulated loss)	-	-	-	-	-	-	-
Net Profit	16,613	(15,378)	(1,235)	-	-	26,732	26,732
Shareholders' equity-Group	256,329	-	(6,168)	6	(1,254)	26,732	**275,645**
Minority interests:							
Shareholders' equity - Minority interests	8,142	1,069	-	-	(1,265)	-	7,946
Profit (loss) pertaining to minority interests	1,069	(1,069)	-	-	-	1,146	1,146
Shareholders' equity - Minority interests	9,211	-	-	-	(1,265)	1,146	**9,092**
Shareholders' equity	265,540	-	(6,168)	6	(2,519)	27,878	**284,737**

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

Description	**12.31.2007** Shareholders' equity	**12.31.2007** Net result	12.31.2006 Shareholders' equity	12.31.2006 Net result
Financial statements of SOL SpA	**187,983**	**8,213**	**185,937**	**1,298**
Elimination of inter-company transactions, net of tax effects:				
- Internal profit on tangible fixed assets	(1,012)	(32)	(980)	(478)
- Internal profit on investments		(331)		(16,435)
- Reversal of adjustments to investments in subsidiary companies	207	929		1,057
- Dividends paid by consolidated companies		(1.191)		(1,054)
Adjustment of accounting policies to achieve consistent Group accounting policies, net of tax effects:				
- Adjustment to achieve a consistent accounting policies regarding intangible assets	(1,645)		(733)	
- Use of finance lease method for leased assets	143	20	115	32
- Valuation at equity of companies reported at cost	343	24	319	3
Carrying value of consolidated equity investments	**(159,137)**		(132,890)	
Net assets and financial year's results of consolidated companies	**245,063**	**19,100**	201,923	32,190
Allocation of the difference to the assets of the companies and relative depreciation, amortisation and write-downs:				
- Goodwill on consolidation	3,700		2,639	
Consolidated Group financial statements	**275,645**	**26,732**	256,329	16,613

22. Employee severance indemnities and other benefits

Balance as at 12.31.2007	10,036
Balance as at 12.31.2006	11,330
Movement	**(1,294)**

The provisions underwent the following changes:

Changes in severance indemnities and other employee benefits	**12.31.2007**	12.31.2006
As at 1 January	11,330	10,425
Provisions	192	1,225
(Uses)	(461)	(799)
Curtailment	(1,955)	-
Recognized actuarial profits (losses)	1,055	-
Financial expense	470	485
Other changes	(595)	(6)
Balance as at 31 December	**10,036**	11,330

As already indicated in the "Accounting principles" paragraph, in consequence of the amendments introduced by Law no. 296 of December 27th, 2006 (Financial act for 2007) and subsequent performing Decrees and Regulations, severance pay amounts accrued as at 12.31.06 shall continue to remain in the company depicting a plan with defined benefits, whereas, for companies with at least 50 employees, the amounts accruing as from 01.01.07, due to the choices made by the employees during the first half year, shall be allocated to a complementary form of social security or transferred from the company to the treasury fund managed by INPS (social security), depicting as from when the choice is formalised by the employee, as plans with defined benefits.
Therefore, it was necessary to restate the amount of the Fund accrued as at 12.31.06 equal to Euro 11,330 thousand, to adjust the actuarial valuation model previously used to restate the amount of the future liability of the company on the bases of the new actuarial calculations.
This restatement implied the entry in the profit and loss account of an income equal to Euro 900 thousand (Euro 1,955 thousand of "curtailment" as income and Euro 1,055 thousand as expense for recording actuarial losses not entered previously).

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

	Employee severance indemnities		Other		Total	
	12.31.2007	12.31.2006	**12.31.2007**	12.31.2006	**12.31.2007**	12.31.2006
Current value of unfinanced plans	9,566	12,112	320	306	9,886	12,418
Unrecognized actuarial profits (Losses)	158	(1,026)	(8)	(62)	150	(1,088)
Net liability	**9,724**	**11,086**	**312**	**244**	**10,036**	**11,330**

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

	Italy	Other countries
Discount rate	4.71%	3% - 3.80%
Inflation rate	2.00%	2% - 2.30%
Tendential growth rate of salaries	3.88%	2% - 5.25%

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.

23. Deferred taxation

Balance as at 12.31.2007	19,038
Balance as at 12.31.2006	22,708
Movement	**(3,670)**

The item "Deferred taxation" represents the net balance of deferred tax liabilities provided for in the consolidated financial statements as at 12.31.07 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 01.01.06	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 12.31.06	**387**	**18,946**	**1,238**	**2,137**	**22,708**
Provisions	496	(2,043)	(401)	(735)	(2,683)
Uses	-	-	-	-	-
Other movements	-	(1)	-	(986)	(987)
Exchange differences	-	-	-	-	-
Balance as at 12.31.07	**883**	**16,902**	**837**	**416**	**19,038**

Following the change in tax rates in Italy, set as from 2008, deferred taxes were recalculated according to the new rates; this implied a positive effect of Euro 3,249 thousand.

24. Provisions for risks and charges

Balance as at 12.31.2007	714
Balance as at 12.31.2006	358
Movement	**356**

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

Description	12.31.2007	12.31.2006	Movement
Pensions and similar commitments	-	-	-
Consolidation provision for future risks and charges	-	-	-
Other:			
Exchange fluctuation provision	-	-	-
Other minor provisions	714	358	356
Total other provisions	**714**	358	356
Total	**714**	358	356

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

The change with respect to 2006 is due to provisions totaling Euro 585 thousand, uses amounting to Euro 205 thousand and reclassifications for Euro 24 thousand.

25. Payables and other liabilities

Balance as at 12.31.2007	105,281
Balance as at 12.31.2006	86,625
Movement	**18,656**

The breakdown of the above item is as follows:

Description	12.31.2007	12.31.2006	Movement
Due to banks	-	4	(4)
Amounts owed to other financiers	99,637	82,465	17,172
Other creditors	5,644	4,156	1,488
Total	**105,281**	86,625	18,656

The item "Amounts due to other lenders" for the most part comprises loans granted by medium and long-term credit institutions. Some of these loans are backed by liens on movable assets and mortgages on real property, as already mentioned in the notes regarding tangible fixed assets. Furthermore, the same item also includes amounts owed to leasing companies amounting to Euro 3,802 thousand, deriving from the application of international accounting standard IAS 17 to assets that are the object of a finance lease.

The increase with respect to 2006 derives from additional loans raised during 2007, compared with the portions repaid.

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

Lending institute	Amount	Long-term portion	Short-term portion		Interest rate	Maturity		Original amount
ERP	109	-	109		1.95%	01.01.2008	ATS	18,000,000
Intesa San Paolo	799	-	799		5.40%	15.03.2008	ITL/mln	24,750
Bank Austria	192	64	128	(f.r.)	5.41%	01.07.2009	ATS	15,000,000
Mediocredito Lombardo	666	333	333		5.80%	21.12.2009	Euro	1,831,000
Bank Austria	428	257	171	(f.r.)	5.41%	01.01.2010	ATS	20,000,000
Credito Emiliano	403	249	154		6.05%	14.06.2010	Euro	750,000
Mediocredito Centrale	2,416	1,492	924	(f.r.)	5.40%	30.06.2010	Euro	4,500,000
Mediocredito Centrale	519	316	203	(f.r.)	5.59%	30.06.2010	Euro	1,000,000
Intesa San Paolo	5,571	3,715	1,856		3.82%	15.12.2010	Euro	13,000,000
Banco di Brescia	1,584	1,076	508		3.77%	31.12.2010	Euro	3,000,000
Banco di Brescia	662	473	189		4.57%	30.06.2011	Euro	945,540
Intesa San Paolo	2,750	1,964	786		3.15%	15.09.2011	Euro	5,500,000
Banco di Brescia *	4,866	3,728	1,138		4.39%	30.09.2011	Euro	8,000,000
Intesa San Paolo*	16,000	12,000	4,000	(f.r.)	5.28%	30.09.2011	Euro	20,000,000
Intesa San Paolo	3,750	2,812	938		5.50%	15.12.2011	Euro	7,500,000
Banco di Brescia *	4,539	3,592	947		3.61%	31.05.2012	Euro	5,000,000
Banco di Brescia *	1,551	1,234	317		4.72%	30.06.2012	Euro	2,000,000
Credito Emiliano	5,000	4,067	933		3.45%	01.09.2012	Euro	5,000,000
Intesa San Paolo	5,214	4,171	1,043		4.12%	15.12.2012	Euro	7,300,000
Intesa San Paolo	4,688	3,750	938		3.34%	15.12.2012	Euro	7,500,000
Unicredit *	4,000	3,264	736		4.10%	31.12.2012	Euro	4,000,000
Mediocredito Centrale	5,586	4,594	992	(f.r.)	6.17%	31.12.2012	Euro	8,263,000
Banco di Brescia *	1,000	900	100		3.75%	30.06.2013	Euro	1,000,000
Credito Emiliano	3,000	3,000	-	(f.r.)	4.91%	25.07.2013	Euro	3.000,000
Banco di Brescia *	4,377	3,726	651		4.46%	31.12.2013	Euro	5,000,000
Banco di Brescia *	2,626	2,235	391		4.46%	31.12.2013	Euro	3,000,000
Banco di Brescia *	5,000	4,263	737		4.84%	31.12.2013	Euro	5,000,000
Fortis Bank	5,000	4,583	417	(f.r.)	5.07%	16.02.2014	Euro	5,000,000
Mediobanca	20,000	20,000	-	(f.r.)	4.39%	20.06.2017	Euro	20,000,000
Factor Banka	5,200	4,853	347	(f.r.)	5.87%	31.12.2022	Euro	5,200,000
Amounts due to leasing companies	3,802	2,926	876					
Total	**121,298**	**99,637**	**21,661**					

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

1. The loan agreement outstanding with Intesa San Paolo whose residual debt amounts to Euro 4,688 thousand, has been hedged by an IRS agreement entered into on 5 June 2003 which an-

ticipates the payment of a fixed rate of 3.34% against a floating 6-month Euribor rate.

The fair value as at 12.31.07, calculated by the same bank, was negative for a total of Euro 136 thousand (at 12.31.06 positive for Euro 113 thousand).

2. The loan agreement outstanding with Mediobanca whose residual debt amounts to Euro 20,000 thousand, has been hedged by an IRS agreement entered into on 24.10.07 which anticipates the payment of a fixed rate of 4.39% against a floating 6-month Euribor rate.

   The fair value as at 12.31.07, calculated by the same bank, was positive for a total of Euro 127 thousand.

The item "Other creditors" 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), SPG – SOL d.o.o. (Euro 470 thousand), ENERGETIKA Z.J. d.o.o. (Euro 166 thousand), GTS Sh.P.K. (Euro 865 thousand) and IMG d.o.o. (Euro 767 thousand) currently belonging to SIMEST SpA.

26. Current liabilities

Balance as at 12.31.2007	120,572
Balance as at 12.31.2006	122,682
Movement	**(2,110)**

The breakdown for this item is as follows:

Description	12.31.2007	12.31.2006	Movement
Due to banks	12,940	13,001	(61)
Suppliers	67,212	62,944	4,268
Other financial liabilities	21,705	22,706	(1,001)
Income and other taxes	7,213	6,022	1,191
Other current liabilities	8,135	14,657	(6,522)
Accruals and deferred income	3,367	3,352	15
Total	**120,572**	122,682	(2,110)

The item "other financial liabilities" includes the short-term portions of the amounts due to other lenders totalling Euro 21,661 thousand and amounts due to shareholders for loans totalling Euro 44 thousand.

The breakdown for the item "Tax liabilities" comprises:

Description	12.31.2007	12.31.2006	Movement
Amounts due in respect of income tax	4,091	3,360	731
Amounts due to Inland Revenue in respect of VAT	1,092	1,092	-
Amounts due for withholding tax	1,357	1,202	155
Other tax liabilities	673	368	305
Total	**7,213**	6,022	1,191

"Other current liabilities" comprise:

Description	**12.31.2007**	12.31.2006	Movement
Amounts due to Social Security institutions	3,140	2,699	441
Accrued holidays not taken	2,967	2,665	302
Amounts due to employees for wages and salaries	1,025	910	115
Guarantee deposits	442	425	17
Other creditors	561	7,958	(7,397)
Total	**8,135**	14,657	(6,522)

The item "Other creditors" includes Euro 48 thousand that represent the negative fair value as at 12.31.07 related to forward purchase contract of currency (USD) and to a derivative linked to the commodity price.

"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	**12.31.2007**	12.31.2006	Movement
Accrued expenses:			
Interest payable on loans	594	531	63
Other	485	373	112
Total accrued expenses	**1,079**	904	175
Deferred income:			
Sink funds granted	439	834	(395)
Rentals receivable	72	74	(2)
Other	1,777	1,540	237
Total deferred income	**2,288**	2,448	(160)
Total	**3,367**	3,352	15

Breakdown of revenues by type of business Sol Group

12.31.2007							
(In thousands of Euro)	Technical gas sector	%	Home care service sector	%	Write-downs	Consolidated figures	%
Technical gas sector	296,289	100.0%			(11,353)	284,936	66.7%
Home-care service sector			142,727	100.0%	(591)	142,136	33.3%
Net sales	**296,289**	**100.0%**	**142,727**	**100.0%**	**(11,944)**	**427,072**	**100.0%**
Other operating income	4,970	1.7%	840	0.6%	(431)	5,379	1.3%
Internal works and collections	3,457	1.2%	6,499	4.6%	4	9,960	2.3%
Revenues	**304,716**	**102.8%**	**150,066**	**105.1%**	**(12,371)**	**442,411**	**103.6%**
Purchase of materials	95,043	32.1%	40,961	28.7%	(7,849)	128,155	30.0%
Services rendered	89,623	30.2%	42,916	30.1%	(3,650)	128,889	30.2%
Change in inventories	318	0.1%	2,368	1.7%	-	2,686	0.6%
Other costs	8,782	3.0%	6,607	4.6%	(873)	14,516	3.4%
Total costs	**193,766**	**65.4%**	**92,852**	**65.1%**	**(12,372)**	**274,246**	**64.2%**
Added value	**110,950**	**37.4%**	**57,214**	**40.1%**	**1**	**168,165**	**39.4%**
Payroll and related costs	50,109	16.9%	20,991	14.7%	-	71,100	16.6%
Gross Operating Margin	**60,841**	**20.5%**	**36,223**	**25.4%**	**1**	**97.065**	**22.7%**
Depreciations	35,063	11.8%	12,737	8.9%	-	47,800	11.2%
Other provisions	2,616	0.9%	600	0.4%	-	3,216	0.8%
Financial income / charges	-		-		-	-	
Operating result	**23,162**	**7.8%**	**22,886**	**16.0%**	**1**	**46,049**	**10.8%**
Financial income	827	0.3%	507	0.4%	(308)	1,026	0.2%
Financial expense	5,707	1.9%	1,501	1.1%	(284)	6,924	1.6%
Total financial income / (expense)	(4,880)	-1.6%	(994)	-0.7%	(24)	(5,898)	-1.4%
Profit (Loss) before income taxes	**18,282**	**6.2%**	**21,892**	**15.3%**	**(23)**	**40,151**	**9.4%**
Income tax	5,245	1.8%	7.029	4.9%	(1)	12,273	2.9%
Net result from business activities	**13,037**	**4.4%**	**14,863**	**10.4%**	**(22)**	**27,878**	**6.5%**
Net result from intermittent activities	-		-		-	-	-
(Profit) / Loss pertaining to minority interests	(634)	-0.2%	(512)	-0.4%	-	(1,146)	-0.3%
Net Profit / (Loss)	**12,403**	**4.2%**	**14,351**	**10.1%**	**(22)**	**26,732**	**6.3%**

Other Information Sol Group

12.31.2007				
(In thousands of Euro)	Technical gas sector	Home care service sector	Write-down	Consolidated figures
Total assets	**463,150**	**183,996**	**(106,768)**	**540,378**
Total liabilities	**206,062**	**65,710**	**(16,131)**	**255,641**
Investments	**49,121**	**20,091**	**-**	**69,212**

12.31.2006

Technical gas sector	%	Home care service sector	%	Write downs	Consolidated figures	%
282,506	100.0%			(10,038)	272,468	69.2%
		121,946	100.0%	(841)	121,105	30.8%
282,506	100.0%	121,946	100.0%	(10,879)	393,573	100.0%
1,998	0.7%	1,188	1.0%	(287)	2,899	0.7%
2,230	0.8%	4,828	4.0%	25	7,083	1.8%
286,734	101.5%	127,962	104.9%	(11,141)	403,555	102.5%
92,579	32.8%	36,573	30.0%	(6,825)	122,327	31.1%
84,167	29.8%	37,182	30.5%	(3,386)	117,963	30.0%
(639)	-0.2%	(1,306)	-1.1%	-	(1,945)	-0.5%
8,668	3.1%	4,882	4.0%	(929)	12,621	3.2%
184,775	65.4%	77,331	63.4%	(11,140)	250,966	63.8%
101,959	36.1%	50,631	41.5%	(1)	152,589	38.8%
47,358	16.8%	17,843	14.6%	-	65,201	16.6%
54.601	19.3%	32,788	26.9%	(1)	87,388	22.2%
32,351	11.5%	10,911	8.9%	(1)	43,261	11.0%
1,455	0.5%	409	0.3%	-	1,864	0.5%
7,033	2.5%	-		-	7,033	1.8%
13,762	4.9%	21,468	17.6%	-	35,230	9.0%
1,570	0.6%	334	0.3%	(931)	973	0.2%
5,084	1.8%	1,782	1.5%	(929)	5,937	1.5%
(3,514)	-1.2%	(1,448)	-1.2%	(2)	(4,964)	-1.3%
10,248	3.6%	20,020	16.4%	(2)	30,266	7.7%
6,262	2.2%	6,322	5.2%	-	12,584	3.2%
3,986	1.4%	13,698	11.2%	(2)	17,682	4,5%
-		-	-	-	-	-
(335)	-0.1%	(734)	-0.6%	-	(1,069)	-0.3%
3,651	1.3%	12,964	10.6%	(2)	16,613	4.2%

12.31.2006

Technical gas sector	Home care service sector	Write downs	Consolidated figures
422,145	153,884	(66,786)	509,243
191,458	69,605	(17,360)	243,703
36,504	16,772	-	53,276

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)	12.31.2007	%	12.31.2006	%
Net sales	**296,289**	100.0%	282,506	100.0%
Other operating income	4,970	1.7%	1,998	0.7%
Internal works and collections	3,457	1.2%	2,230	0.8%
Revenues	**304,716**	102.8%	286,734	101.5%
Purchase of materials	95,043	32.1%	92,579	32.8%
Services rendered	89,623	30.2%	84,167	29.8%
Change in inventories	318	0.1%	(639)	-0.2%
Other costs	8,782	3.0%	8,668	3.1%
Total costs	**193,766**	65.4%	184,775	65.4%
Added value	**110,950**	37.4%	101,959	36.1%
Payroll and related costs	50,109	16.9%	47,358	16.8%
Gross Operating Margin	**60,841**	20.5%	54,601	19.3%
Depreciations	35,063	11.8%	32,351	11.5%
Other provisions	2,616	0.9%	1,455	0.5%
Financial income / charges	-		7,033	2.5%
Operating result	**23,162**	7.8%	13,762	4.9%
Financial income	827	0.3%	1,570	0.6%
Financial expense	5,707	1.9%	5,084	1.8%
Total financial income / (expense)	(4,880)	-1.6%	(3,514)	-1.2%
Profit (Loss) before income taxes	**18,282**	6.2%	10,248	3.6%
Income tax	5,245	1.8%	6,262	2.2%
Net result from business activities	**13,037**	4.4%	3,986	1.4%
Net result from intermittent activities	-		-	-
(Profit) / Loss pertaining to minority interests	(634)	-0.2%	(335)	-0.1%
Net Profit / (Loss)	**12,403**	4.2%	3,651	1.3%

Sales in the Technical gas sector reported a 4.9% increase.

Gross operating margin increased by 11.4% compared to the previous year.

Operating result increased by 68.3% compared to the previous year.

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

(in thousands of Euro)	**12.31.2007**	12.31.2006
Tangible fixed assets	236,301	222,047
Goodwill and consolidation differences	1,005	521
Other intangible fixed assets	1,248	1,237
Equity participations	59,606	34,954
Other financial assets	6,956	8,037
Prepaid taxes	2,563	3,513
NON-CURRENT ASSETS	**307,679**	270,309
Non-current assets held for sale	**-**	**-**
Inventories	13,032	13,389
Trade receivables	120,389	117,560
Other current assets	3,603	7,098
Current financial assets	547	408
Prepayments and accrued income	596	782
Cash and cash at bank	17,304	12,599
CURRENT ASSETS	**155,471**	151,836
TOTAL ASSETS	**463.150**	422,145
Share capital	47,164	47,164
Share premium reserve	63,335	63,335
Legal reserve	5,285	5,220
Other reserves	121,856	105,050
Retained earnings (accumulated loss)	568	-
Net Profit	12,403	3,651
Shareholders' equity-Group	**250,611**	224,420
Shareholders' equity - Minority interests	5,843	5,932
Profit (loss) pertaining to minority interests	634	335
Shareholders' equity - Minority interests	**6,477**	6,267
SHAREHOLDERS' EQUITY	**257,088**	230,687
Employee severance indemnities and other benefits	8,472	9,513
Deferred taxation	15,274	18,234
Provisions for risks and charges	589	279
Payables and other financial liabilities	87,636	73,541
NON-CURRENT LIABILITIES	**111,971**	101,567
Non-current liabilities held for sale	**-**	-
Due to banks	12,361	10,348
Suppliers	53,273	43,774
Other financial liabilities	17,875	19,250
Income and other taxes	3,501	1,964
Accruals and deferred income	1,615	1,911
Other current liabilities	5,466	12,644
CURRENT LIABILITIES	**94,091**	89,891
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**463,150**	422,145

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)	12.31.2007	%	12.31.2006	%
Net sales	**142,727**	**100.0%**	121,946	100.0%
Other operating income	840	0.6%	1,188	1.0%
Internal works and collections	6,499	4.6%	4,828	4.0%
Revenues	**150,066**	**105.1%**	127,962	104.9%
Purchase of materials	40,961	28.7%	36,573	30.0%
Services rendered	42,916	30.1%	37,182	30.5%
Change in inventories	2,368	1.7%	(1,306)	-1.1%
Other costs	6,607	4.6%	4,882	4.0%
Total costs	**92,852**	**65.1%**	77,331	63.4%
Added value	**57,214**	**40.1%**	50,631	41.5%
Payroll and related costs	20,991	14.7%	17,843	14.6%
Gross Operating Margin	**36,223**	**25.4%**	32,788	26.9%
Depreciations	12,737	8.9%	10,911	8.9%
Other provisions	600	0.4%	409	0.3%
Operating result	**22,886**	**16,0%**	21,468	17.6%
Financial income	507	0.4%	334	0.3%
Financial expense	1,501	1.1%	1,782	1.5%
Total financial income / (expense	(994)	-0.7%	(1,448)	-1.2%
Profit (Loss) before income taxes	**21,892**	**15.3%**	20,020	16.4%
Income tax	7,029	4.9%	6,322	5.2%
Net result from business activities	**14,863**	**10.4%**	13,698	11.2%
Net result from intermittent activities	-		-	
(Profit) / Loss pertaining to minority interests	(512)	-0.4%	(734)	-0.6%
Net Profit / (Loss)	**14,351**	**10.1%**	12,964	10.6%

Sales in the Homecare Service sector reported an increase of 17%.

Gross operating margin increased by 10.5% compared to the previous year.

Operating result increased by 6.6% compared to the previous year.

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

(in thousands of Euro)	**12.31.2007**	12.31.2006
Tangible fixed assets	48,037	41,538
Goodwill and consolidation differences	4,161	3,101
Other intangible fixed assets	524	612
Equity participations	31,576	15,010
Other financial assets	3,464	3,520
Prepaid taxes	672	852
NON-CURRENT ASSETS	**88,434**	64,633
Non-current assets held for sale	**-**	-
Inventories	10,498	12,560
Trade receivables	71,581	66,352
Other current assets	5,746	4,699
Current financial assets	-	-
Prepayments and accrued income	475	781
Cash and cash at bank	7,262	4,859
CURRENT ASSETS	**95,562**	89,251
TOTAL ASSETS	**183,996**	153,884
Share capital	7,750	7,724
Share premium reserve	20,719	4,187
Legal reserve	-	-
Other reserves	49,011	51,921
Retained earnings (accumulated loss)	23,827	4,521
Net Profit	14,351	12,964
Shareholders' equity-Group	**115,658**	81,317
Shareholders' equity - Minority interests	2,116	2,228
Profit (loss) pertaining to minority interests	512	734
Shareholders' equity - Minority interests	**2,628**	2,962
SHAREHOLDERS' EQUITY	**118,286**	84.279
Employee severance indemnities and other benefits	1,564	1,817
Deferred taxation	3,764	4,474
Provisions for risks and charges	125	79
Payables and other liabilities	17,645	13,084
NON-CURRENT LIABILITIES	**23,098**	19,454
Non-current liabilities held for sale	**-**	**-**
Due to banks	579	2,653
Suppliers	30,070	36,529
Other financial liabilities	3,830	3,456
Income and other taxes	3,712	4,058
Accruals and deferred income	1,752	1,441
Other current liabilities	2,669	2,014
CURRENT LIABILITIES	**42,612**	50,151
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**183,996**	153,884

Information by geographic area

The breakdown of revenues by geographic area is presented below:

Description	12.31.2007	12.31.2006	Movement
Italy	273,524	259,587	13,937
Rest of Europe	153,548	133,986	19,562
Total	**427,072**	393,573	33,499

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

Description	12.31.2007	12.31.2006
Italy	298,012	289,798
Rest of Europe	242,366	219,445
Total	**540,378**	509,243

The breakdown of investments by geographic area is presented below:

Description	12.31.2007	12.31.2006	Change
Italy	34,274	24,670	9,604
Rest of Europe	34,938	28,606	6,332
Total	**69,212**	53,276	15,936

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 2007 amounted to Euro 76 million.

As at 12.31.07, receivable and payable transactions between Group companies came to Euro 80.2 million, of which Euro 30.8 million of a financial nature and Euro 49.4 million of a trade nature.

The breakdown for the intercompany financial receivables is as follows:

• Financial receivables granted by SOL S.P.A.	Euro	12,7 million
• Financial receivables granted by AIRSOL BV	Euro	14,3 million
• Financial receivables granted by other companies	Euro	3,8 million

The transactions of the SOL Group with associated companies comprised:

• Purchases from Consorgas Srl	Euro	473 thousand
• Amounts due to Consorgas Srl	Euro	50 thousand
• Purchases from Medical System Srl	Euro	311 thousand
• Amounts due to Medical System Srl	Euro	84 thousand.

Transactions with related parties

During 2007, 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 521.6 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 6,856 thousand.

Net financial position

(in thousands of Euro)	**12.31.2007**	12.31.2006
Cash and cash at banks	24,602	17,481
Securities	547	408
Loans – short term portion	(20,786)	(21,188)
Leases – short term portion	(876)	(1,324)
Short-term amounts due to banks	(12,940)	(13,001)
Amounts due to shareholders for loans	(44)	(194)
Amounts due to Shareholders for the purchase of equity investments	-	(885)
Short-term Liquidity, Net	**(9,496)**	(18,703)
Investment securities	110	109
Loans – long-term portion	(96,711)	(79,295)
Long-term amounts due to banks	-	(4)
Amounts due to lenders for Leasing	(2,926)	(3,170)
Amounts due to Shareholders for the purchase of equity investments	(5,190)	(3,719)
Medium/Long-Term Net indebtedness	**(104,717)**	(86,079)
Total Net Liquidity/(Indebtedness)	**(114,213)**	(104,783)

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 69.2 million) also during 2007.

Information on financial risks

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

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

Credit risk

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

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

Liquidity risk

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

The Group has adopted a series of policies and processes aimed at optimising 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, 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".
Some Group companies purchase electric energy that is used for the primary production of technical gasses. The price of electricity is affected by the Euro/dollar rate of exchange and by the price trend of energy raw materials. The risk related to their fluctuations is mitigated by stipulating, as much as possible, fixed price purchase contracts or with a fluctuation measured on a not very short time period. Moreover, long-term supply contracts to customers index-linked in such a way as to cover the fluctuation risks shown above.
The Group monitors the main exposures to exchange rate risks from conversion; at the balance sheet date there is a forward purchase of currency for USD 2,600 thousand with a negative fair value of ca. Euro 36 thousand, as well as a Commodity Energy Basis Swap with a negative fair value of ca. Euro 12 thousand.

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, favouring, when possible and convenient, medium/long-term debt with fixed rates, also by operating through specific Interest Rate Swap contracts.
The Parent Company has stipulated two interest rate swap agreements linked to two floating rate medium-term loans with the aim of ensuring itself a fixed rate on said loans. The notional value as

at December 31, 2007 is equal to Euro 24,687 thousand and the positive fair value is equal to Euro 263 thousand.

Considering the Group's indebtedness, a presumed and instantaneous increase in short-term interest rates by 10% would imply an increase in financial expense of ca. Euro 180 thousand.

For what concerns the two existing IRS contracts related to variable rate loans, a presumed and instantaneous increase in short-term interest rates by 10%, would imply a positive fair value of ca. Euro 740 thousand. Vice versa, a decrease would determine a negative fair value of ca. Euro 249 thousand.

Information pursuant to article 149 octies of the Consob Issuer Regulation

The following table, drawn up pursuant to art. 149 octies of the Consob Issuer Regulation, shows the considerations pertaining to the 2007 financial year for the auditing services and for those other than auditing supplied by the auditing company and by bodies belonging to its network.

(In thousands of Euro)	Subject who supplied the service	Receiver	Considerations pertaining to the 2007 financial year
Auditing	BDO Sala Scelsi Farina SpA	Parent Company SOL SpA	85
	BDO Sala Scelsi Farina SpA	Subsidiary companies	32
	BDO network	Subsidiary companies	17
Other services	BDO Sala Scelsi Farina SpA	Parent Company SOL SpA (1)	6
	BDO Sala Scelsi Farina SpA	Subsidiary companies (1)	8
Total			**148**

(1) Fiscal aid services and others

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, March 28, 2008

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

Certificate of the Consolidated financial statements pursuant to art. 81-ter of the Consob Regulation no. 11971 of May 14th, 1999 with further supplements and amendments

The undersigned Aldo Fumagalli Romario and Marco Annoni, as Managing directors and Marco Filippi, as Manager in charge of the drawing up of corporate accounting documents of SOL S.p.A., certify, considering also what is provided by art.154-bis, sub-paragraphs 3 and 4, of Legislative Decree no. 58 of February 24th, 1998:

- the adequacy in relation to the characteristics of the business and
- actual application

of the administrative and accounting procedures for the drawing up of the consolidated financial statements during the 2007 financial year.

We also certify that the consolidated financial statements as at 12.31.07:

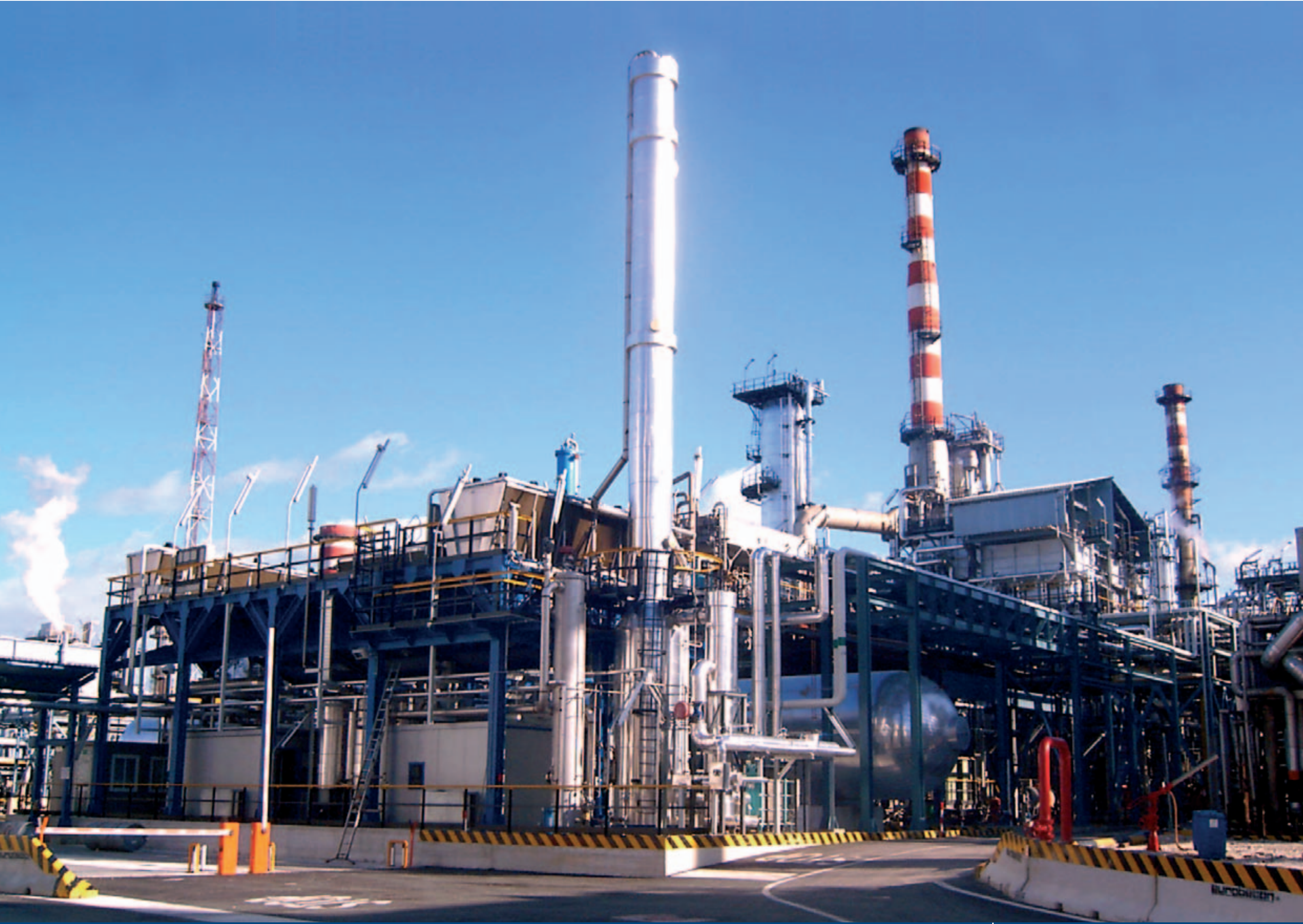
a) correspond to the figures reported in the accounting records;

b) drawn up in compliance with the IFRS – International Financial Reporting Standards – adopted by the European Union as well as with the measures issued in implementation of art. 9 of the Lgs.D. no. 38/2005, as far as we know, it is suitable for providing a true picture of the financial and economic position of the issuing company and of the consolidated companies.

Monza, March 28, 2008

The Managing directors
(Aldo Fumagalli Romario)
(Marco Annoni)

Manager in charge of the drawing up
of corporate accounting documents
(Marco Filippi)



Report of the independent auditors Sol Group | 2007

BDO

BDO SALA SCELSI FARINA
Società di Revisione per Azioni

Via Andrea Appiani 12 20121 Milano

Report of the auditors in accordance with
article 156 of legislative decree n. 58 of 24 February 1998
(This report has been translated from the original Italian text
which was issued in accordance with the Italian legislation)

To the shareholders of
SOL S.p.A.

1. We have audited the consolidated financial statements, including balance sheet, profit and loss, movements of equity, cash flow statement and Directors' Report, of SOL S.p.A. and its subsidiaries ("SOL Group") as at and for the year ended 31 December 2007. These financial statements are the responsibility of the parent company's management. 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 and are, as a whole, reliable. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the consolidated financial statements of prior year, which are presented for comparative purposes as required by the law, reference should be made to the audit report issued by previous auditors dated 12 April 2007.

3. In our opinion, the consolidated financial statements of SOL S.p.A. as at and for the year ended 31 December 2007 comply with the International Financial Reporting Standards adopted by European Community, as well as to the measures issued for the implementation of the art. 9 of the Legislative Decree n. 38/2005; therefore they are clearly stated and give a true and fair view of the financial position, the results, the movements of equity and the cash flows of the SOL Group for the year then ended.

Milan, 4 April 2008

BDO Sala Scelsi Farina
Società di Revisione per Azioni

Signed by: Maurizio Vanoli

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