Sol Group Annual Report 2010

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Sol Spa

Registered office
Via Borgazzi, 27
20900 Monza (MB)

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
Giovanni Annoni

Director with special powers
Giulio Fumagalli Romario

Directors
Leonardo Alberti
Stefano Bruscagli
Gianfranco Graziadei
(Independent)

General Manager
Giulio Mario Bottes

Joint General Manager
Andrea Monti

Board of Statutory Auditors

Chairman
Roberto Campidori

Regular Auditors
Alessandro Danovi
Enrico Aliboni

Alternate Auditors
Livia Martinelli
Vincenzo Maria Marzuillo

Auditing Company

BDO S.P.A.
Largo Augusto 8
20122 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 authorisation 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 Legal and Company Affairs (Giulio Fumagalli Romario) and to IT Systems Organization (Giovanni Annoni) signing severally.

SOL Spa(1)

12.31.10

- 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** Neufahrn bei Freising (D)
  - 100% **Bösch GmbH** Gottenheim (D)
- 100% **Vivisol Hellas S.A.** Athens (GR)
- 98,41% **SOL Hellas S.A.** Piraeus (GR)
- 49% **BiotechSol S.r.l.** 51% Monza (I)
- 99,92% **Vivisol B Sprl** 0,08% Lessiness (B)
- 100% **Dolby Healthcare Limited** Stirling (UK)
  - 100% **Dolby Medical Home Respiratory Care Limited** Stirling (UK)
  - 100% **R.L. Dolby (Services) Limited** Stirling (UK)
- 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)

- **C.T.S. S.r.l.** 100% Monza (I)
- **N.T.G. B.V.** 100% Tilburg (NL)
- 96,34% **JLV Medical Hispania S.L.** Madrid (E)
- 100% **B.T.G. BVBA** Lessines (B)(7)
- 100% **SOL France Sas** Cergy Pontoise (F)
- 100% **Hydrosol Sh.p.k.** Tirana (AL)
- 49% **Behringer S.r.l** 2% Genova (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) (3)
- **SOL-K Sh.p.k.** 0,28% 53,72% Pristina (KS) (6)
- 12,01% **IMG d.o.o.** 21,04% 37,71% Nova Pazova (SCG) (4)
- **Ossigen gas S.r.l.** 100% Udine (I)
- **Sigcgilsol India Private Limited** 50% Chennai (IND)
- **Medes S.r.l.** 51% Settimo Milanese (I)
- **I.C.O.A. S.r.l.** 97,60% Vibo Valentia (I)
  - 70% / 30% **Vivisol Calabria S.r.l.** Vibo Valentia (I)
- 65% **Il Point S.r.l.** Verona (I)

- 100% **Vivisol Nederland B.V.** Oisterwijk (NL)
- 100% **SOL T.G. GmbH** Wiener Neustadt (A)
- 100% **SOL Bulgaria E.A.D.** Sofia (BG)
- 75,18% **T.G.T. A.D.** Trn (BiH)
  - 26,43%
- 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) (2)
  - 45,15%
- 54,85% **SPG - SOL Plin Gorenjska d.o.o.** Jesenice (SLO)
  - 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) (5)
- 60% **HydroEnergy Sh.p.k.** Tirana (AL)
- 25,79% **Consorgas S.r.l.** Milano (I)*
- 100% **G.T.E. S.L.** Barcelona (E)*

(*) Non-consolidated companies
(1) SOL has established the following foreign branches: Vaux le Penil (F), Lugano (CH), Feluy- Seneffe (B), Frankfurt (D).
(2) The share pertaining to minority interests includes a 7.33% equity investment in SIMEST S.p.A. Under agreements stipulated between SOL and SIMEST on 19 March 2003, SOL is under obligation to repurchase this SIMEST share by 30 June 2011.
(3) The share pertaining to minority interests includes a 36% equity investment in SIMEST S.p.A. Under agreements stipulated between SOL and SIMEST on 21 July 2004, SOL is under obligation to repurchase this SIMEST share by 30 June 2012.
(4) The share pertaining to minority interests includes a 29.24% equity investment in SIMEST S.p.A. Under agreements stipulated between SOL and SIMEST on 22 December 2004, SOL is under obligation to repurchase this SIMEST share by 30 June 2012.
(5) The share pertaining to minority interests includes a 33.43% equity investment in SIMEST S.p.A. Under agreements stipulated between SOL and SIMEST on 30 July 2007, SOL is under obligation to repurchase this SIMEST share by 30 June 2015.
(6) The share pertaining to minority interests includes a 46.00% equity investment in SIMEST S.p.A. Under agreements stipulated between SOL and SIMEST on 11 June 2010, SOL is under obligation to repurchase this SIMEST share by 30 June 2018.
(7) B.T.G. has established a foreign branch at Dainville (France).

Directors' report Sol Group 2010

Foreword

This yearly Financial Report as at 31 December 2010 is drawn up pursuant to Article 154 ter of Italian Legislative Decree 58/1998 and prepared in accordance with the International Accounting Standards recognised by the European Community pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002, as well as with the implementation regulations set out in Article 9 of Italian Legislative Decree no. 38/2005.

General context

The SOL S.p.A. Group is engaged in production, applied research and distribution activities pertaining to industrial, pure and medicinal gases, in door-to-door medical care, as well as in the sector for related medical equipment in Italy, presently active in eight other Western European countries, in nine Central-Eastern European countries an in India. 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.
After the year 2009 characterised by an economic recession in almost all countries of the world, in 2010 the global economic trend showed a slight recovery almost everywhere, even if the intensity of the economic growth was not homogeneous in different geographical areas.
Good growth rates observed in Asia, Brazil, Australia and the United States were in contrast with a slower recovery of productive activity in Europe, driven by the global demand mainly in the first half of 2010, but slightly decelerating in the last part of the year.
The weakening of the euro favoured European companies, especially in the first half of 2010, while in the second half there has been a slight appreciation of the European currency against the US dollar.
During 2010, there have been recovery signs on the investments of companies, whereas consumer demand remained relatively stagnant.
A slight recovery, related both to the need to re-establish production that dropped in 2009 and to the driving force of the foreign demand, was pointed out also in Italy.
As regards 2011 forecasts, it seems that the global economic expansion is expected to continue, also because the growth of consumption and investments of developing countries will continue.
For what concerns the technical, special and medicinal gas sector, there has been a good recovery in terms of production and sales compared to 2009, although growth has not been steady and equally distributed over the whole year 2010.
The most positive customer industries were food, chemistry and the environment, while the iron industry and the automotive showed no significant recoveries.
The medicinal sector was characterised by a good growth, in that an activity not regulated by economic cycles compared to the industrial activity and with a constantly growing trend.
In line with the medicinal gas sector, the home-care sector registered also a good growth, in line with the trend of the last few years.

Summary Results

Within the afore-mentioned context, we believe that the results achieved by the SOL Group during 2010 were very positive.
Net sales generated by the SOL Group during 2010 reported satisfactory growth and amounted to Euro 518.9 million (+ 12.2% when compared with 2009).
The gross operating margin was Euro 123.6 million, equal to 23.8% of sales, 12.7% up with respect to 2009 (Euro 109.7 million, or 23.7% of sales).
The operating result came to Euro 59.6 million, equating to 11.5% of sales, 19.6% up with respect to the figure for 2009 (Euro 49.8 million, or 10.8% of sales).
The net profit amounted to Euro 31.9 million (Euro 25.1 million of 2009), up by 27.1%.
Cash flow amounted to Euro 92.6 million (17.8% of the sales), up by Euro 10.8 million when compared with 2009 (equating to Euro 81.7 million).
Capital expenditure recorded in the financial statements totalled Euro 62.1 million (Euro 63.4 million in 2009).
The average number of staff employed as at 31 December 2010 totalled 2009 (1,887 as at 31 December 2009).
The Group's net financial indebtedness was equal to Euro 161.3 million (Euro 138.9 million as at 31 December 2009).

Operating performance

During 2010, the technical gas sector showed an increase in sales when compared with the previous year (+9.7%, for a turnover equating to Euro 325.1 million), with volumes on the increase in almost all the economic market sectors.
Compared to 2009, a year characterised by a very serious world recession, sales to the most traditional consumers of technical gases, such as the iron, engineering, chemical and electronics industry slightly increased. Sales to customers of sectors less regulated by economic cycles, such as foodstuff, environment and health showed a more pronounced growth.
The home-care business once again reported considerable growth, both in Italy and in foreign countries (+ 16.9% for a turnover equating to € 213.4 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 an improvement in margins both in terms of gross operating margin and operating result, mainly due to a constant control of costs and to the optimisation of production and distribution operations.
Trade receivables reported an increase due to the rise in sales whereas the average collection time remained at the 2009 levels.
The payment time in Italy and in Greece by the public health sector is still very long.
The Group's net indebtedness increased only by Euro 22.4 million, essentially as a result of the increase in working capital and acquisitions made during the year.

The debt/equity ratios remain very sound; debt/equity ratio 0.45 and cash flow cover 1.30.
During 2010, technical gas reserves remained within the safety levels prescribed while some sites reduced their work due to the slow recovery of the economy.
The SOL Group's work force increased during 2010 and the staff training and qualifying activities continued in order to improve the professional quality so as to achieve the Group's growth objectives.

Stock market performance

SOL stock opened the year 2010 with a listed price of Euro 3.790 and closed as at 30 December 2010 at Euro 4.930.
During the year, the stock achieved a maximum listed price of Euro 5.145, while the minimum came to Euro 3.575.

Pharmaceutical Activities

Over the last few years, the pharmaceutical activities of the Group, both in Italy and abroad, became increasingly important and legally binding.
As a result of a more and more pressing application of the European directive of reference – Directive 2001/83/EC - and EC Regulation no. 726/2004, Group companies are more and more attentive to work in a pharmaceutical approach both in terms of production and regulation.
At the end of 2010, the Group had 49 Pharmaceutical Plants of which 29 in Italy and 20 abroad.
Pharmaceutical dossiers registered and approved by the competent authorities were 39 of which 4 in Italy and 35 abroad.
The ADR Monitoring and scientific service activity was started. During 2010, the "Product Quality Review " procedures - typical activity of medicine producers - started.

Quality, Safety, Health and Environment

Quality, safety, health and environment themes were constantly monitored and followed also in 2010 with an intense internal audit activity through an integrated management system long since adopted by all the Group Companies. Third-party controls and inspections, namely certification bodies and supervisory bodies of public administration, have always had a positive outcome.
In general terms, all the certifications obtained according to the ISO 9001, ISO 14001, ISO 13485, OHSAS 18001 international standards were renewed and widened. In particular, we emphasise the extension of the certification of the safety management system to all the units of SOL SpA in Italy and the obtaining of the ISO 22000 – FSSC 22000 related to food safety.
The certification status was also confirmed for the enforcement of the PED directive in the internal production of vaporisers and of the 93/42 Directive for the production of medical devices.
Always during 2010, the excellence certificate status was confirmed also by maintaining the EMAS European Registration for the factories of Verona and Mantua. 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 also confirmed.

During 2010, the commitments regarding quality, safety and the environment continued. The management system was further adjusted to the principles of the safety Consolidation Act (and in particular to the amendments introduced in 2009 by Italian Legislative Decree 106/09) and to the organisational, management and auditing model in accordance with Italian Legislative Decree No. 231/2001.

The plan for the OHSAS 18001 certification of all the activities and of all the Units of SOL SpA was complied with by obtaining in June 2010 the third-party certification.

Within the technical gas activities, the sites with the (ISO 9001) Quality System certification are 32 of which 22 in Italy and 10 outside Italy.

EC marking certifications were also renewed such as medical devices for medical gas distribution plants, vacuum and anaesthetic gas discharge installations, in addition to the maintenance of the EC marking for gases and mixtures produced by the company classified and registered as medical devices. The EC marking for the Emergency Units (EMU) was also confirmed as product classified as medical device. During 2010, the EC marking for cryobanks was completed.

Within the sphere of home-care activities, third party certification obtained in previous years was confirmed to date, the certification status (ISO 9001) of the Vivisol factories is 20 in Italy and 6 in other European countries.

Finally, the ISO 14001 certification of Vivisol Srl was confirmed.

As part of the Responsible Care program, our participation and collaboration continued for the drawing up of the Federchimica Environmental Report.

All the Environmental Integrated Authorisations obtained over the previous years were confirmed for some of our initial transformation factories with transparency principles towards the public and local media.

During 2010, systematic monitoring of the indirect environmental impacts that our activities may influence was continued. The number of technical gas auto-production plants known as "on-site plants" existing at the sites of the customers increased compared to the previous year. This solution, an alternative to the traditional supply of cylinders or liquefied cryogenic gas that occurs by means of road transportation, involves a benefit of "zero kilometres" travelled by trucks in addition to a different production cycle with energy consumption lower than the centralised production plant with a consequent reduction in the release of carbon dioxide (CO_2) into the environment. By applying the Life Cycle Assessment principle, the final figure for 2010 saw a reduced environmental impact of CO_2 equivalent to 13,506 t.

Finally, we point out that in April 2010 we published the first "Health, Safety, Security and Environment Report" with 2009 actuals. This report describes the activities undertaken and the results obtained in the protection of the environment, safety, security and health.

SOL Group investments

During the year under review, investments in the technical gases sector amounted to Euro 32.9 million, with Euro 13.6 million of this being invested by the Parent Company SOL S.p.A. and Euro 29.2 million being invested in the home-care sector. These investments are broken down below:

- In Italy, a new plant for the production of nitrogen gas was installed at the SOL factory of Cuneo; within the intervention, the section for the supply of nitrogen in emergency and of hydrogen in gas pipeline was also enhanced and automated.
- In France, the realisation of a new production unit for industrial and medical compressed gas was started in Saint Savin near Lyon.
- In France, the expansion of production capacity continued at the SOL unit of Pontoise.
- In Greece, the expansion and modernisation activities of the establishment of SOL Hellas in Athens are underway.
- The program for the modernisation and rationalisation of the secondary SOL plants in Italy continued. These activities concerned the units of Genoa and Bologna, in particular.
- In Italy, the program of modernisation of the SOL primary production plant of Salerno was started with the main goal of improving efficiency and reducing energy consumption.
- Several on-site industrial and medical facilities were also realised and brought on-stream during the year; we point out in particular the on-site facility for the production of gaseous oxygen in Kosovo to supply a customer already supplied with liquid oxygen and with a significant increase in consumption.
- 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 the growth of the Group achieved in all business sectors and geographical areas.
- The start-up of the new SAP information management system that integrates all business processes of the major companies operating in Italy, notably SOL SpA and VIVISOL Srl is underway.

During 2010, the SOL Group continued with the process for the expansion and rationalisation of its activities in Italy and abroad.

It should be noted that the SOL S.p.A. Parent Company established the SICGILSOL India Private Limited company based in Chennai (India).

It is a 50% joint venture with a local partner and operates in the field of technical gases.

Moreover, the SOL S.p.A. Parent Company acquired 100% of the Ossigengas S.r.l. company of Udine, active in the marketing of technical gases in the Friuli region.

It is also reported that the SOL S.p.A. Parent Company acquired 51% of the Medes S.r.l. company of Settimo Milanese (MI), active in the carrying-out and installation of hospital facilities for the distribution of medicinal gases.

Finally, it should be noted that the AIRSOL B.V. subsidiary acquired 100% of the Dolby Stirling Healthcare Limited (Great Britain) company, which, through the Dolby Medical Home Respiratory Care Limited subsidiary, is active in the field of home-care in the UK market, in which the Sol Group was not yet present.

Research and Development Activities

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

Shares of the Parent Company held by Group Companies

At 31 December 2010, the SOL S.p.A. Parent Company did not hold treasury shares.
The other Companies of the Group did not hold shares of the SOL S.p.A. parent company.
During the 2010 reporting year, no SOL shares were purchased or sold either by the Parent Company itself or by other Group Companies.

InfraGroup transactions and transactions with related parties

For what concerns transactions carried out with related parties, including infragroup transactions, they cannot be considered as atypical or unusual, being part of the normal activities of the Group companies. The said operations are regulated at market conditions, allowing for the characteristics of the supplied goods and services.
Information on transactions with related parties, including those required by the Consob communication of 28 July 2006, are shown in the notes to the Consolidated Financial Statements as at 31 December 2010.

Main risks and uncertainties to which the SOL Group is exposed

Risks related to the general economic trend

The Group performance is affected by the increase or decrease of the gross national product, industrial production, cost of energy products and health expense policies adopted in the different European countries in which the Group works.
A slight economic upturn occurred during 2010; however, this has not allowed yet to move to the production levels achieved before 2009, year of the global crisis.

Risks relevant to the results of the Group

The SOL Group works partially in sectors considerably regulated by economic cycles related to the trend of the industrial production, such as iron, metallurgical, engineering industry and glass manufacture. In the case of a new decline in business, the growth and profitability of the Group could be partially affected.
Moreover, state policies for reducing health expenses could cause a reduction in margins of the home-care and medical gas sectors.

Risks related to fund requirements

The SOL Group carries on an activity that contemplates considerable investments both in production and in commercial equipment and expects to face up to requirements through the flows deriving from the operational management and from new bank loans.

The operational management should continue to create appropriate financial resources. Moreover, resorting to new loans, notwithstanding the excellent financial soundness of the Group, could experience an increase in spreads applied by the banks on future loans.

Other 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, and to commodity costs), in that the Group operates at international level in different currency areas and uses financial instruments that 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 write-down. Provisions are made on a collective basis for receivables which are not subject to individual write-down, 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 that 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 that holds them.
A number of Group subsidiary companies are located in countries that do not belong to the European Monetary Union, in particular Switzerland, Bosnia, Croatia, Serbia, Albania, Macedonia, Bulgaria, United Kingdom and India. Since the reference currency for the Group is the Euro, the income statements 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 that 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 are 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 centralisation 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 agreements.
The Parent Company has stipulated Interest Rate Swap agreements linked to floating rate medium-term loans with the aim of ensuring itself a fixed rate on said loans. The notional value as at 31 December 2010 is equal to Euro 43,706 thousand and the negative fair value is equal to Euro 1,474 thousand.

Risks relevant to the personnel

In the different countries in which the Group operates, employees are protected by different laws and/or collective labour contracts that guarantee them the right to be consulted on specific issues - including the downsizing and closing of departments and the reduction of employees - through representations. This could affect the Group's flexibility in redefining strategically its own organisations and activities.
The management of the Group consists of persons of proven expertise and normally having a long experience in the sectors in which the Group operates. The replacement of any person in the management may require a long period of time.

Risks relevant to the environment

The products and the activities of the SOL Group are subject to more and more complex and strict authorisation and environmental rules and regulations. This concerns manufacturing plants subject to regulations on emissions in the atmosphere, waste disposal, wastewater disposal and land contamination ban.

High charges should be shouldered in order to observe such regulations.

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 (Law concerning personal data protection), 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 the data, of unauthorised access or processing not permitted or not in compliance with the purposes of data collection.

The Italian Group companies obliged to draw up their own Programmatic Document on Security have updated it.

Management and co-ordination activities (ex Article 37, sub-paragraph 2, Market Regulation issued by Consob)

The body of shareholders of SOL S.p.A. consists of a controlling shareholder, Gas and Technologies World B.V., in turn controlled by Stichting Airvision, a Dutch foundation, which holds 59.978 % of the share capital.

Neither Gas and Technologies World B.V. nor Stichting Airvision manage and co-ordinate SOL S.p.A. pursuant to Article 2497 of the Italian Civil Code in that the majority shareholder, holding company, just asserts the rights and privileges of each shareholder and does not deal, since it does not have a structure fit for this purpose, with the management of the Company (fully entrusted to the independent decisions of the Board of Directors of SOL S.p.A.).

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 12.31.10
Aldo Fumagalli Romario	SOL S.p.A.	10,000	10,000 **	0	20,000 ***
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 **
Leonardo Alberti	SOL S.p.A.	1,020,000	0	0	1,020,000 ¤

* bare ownership rights
** held by spouse
*** including 15,000 held by spouse
# 2,721,000 held by dependent children
¤ 1,020,000 held through trust company for bare ownership rights

Significant events that took place after the end of the 2010 accounting period and foreseeable business developments.

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

For what concerns the year 2011, we expect a period characterised by a slow upturn of industrial activities, more pronounced abroad than in Italy; in the field of health, also thanks to the presence of the Group in new and important Countries, we also expect an interesting development confirming the trend recorded over the last few years.

The SOL Group will pursue the goal of growth, especially in the foreign markets, by keeping a constant rationalisation of the activities, continuing to invest in plants, commercial equipment, diversification and innovation.

Monza, March 30, 2011

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

Consolidated financial statements Sol Group 2010

Consolidated profit and loss account Sol Group

(in thousands of Euro)	Notes	12.31.2010	%	12.31.2009	%
NET SALES	1	**518,893**	**100.0%**	**462,621**	**100.0%**
Other revenues and income	2	2,094	0.4%	3,326	0.7%
Internal works and collections	3	13,054	2.5%	13,150	2.8%
REVENUES		**534,041**	**102.9%**	**479,097**	**103.6%**
Purchase of materials		148,550	28.6%	130,114	28.1%
Services rendered		153,727	29.6%	139,985	30.3%
Change in inventories		(2,528)	-0.5%	(1,282)	-0.3%
Other costs		17,712	3.4%	15,841	3.4%
TOTAL COSTS	4	**317,461**	**61.2%**	**284,658**	**61.5%**
ADDED VALUE		**216,580**	**41.7%**	**194,439**	**42.0%**
Payroll and related costs	5	**92,948**	**17.9%**	84,786	18.3%
GROSS OPERATING MARGIN		**123,632**	**23.8%**	**109,653**	**23.7%**
Depreciation/amortisation	6	59,736	11.5%	55,626	12.0%
Other provisions	6	4,278	0.8%	4,162	0.9%
Non-recurring income/expense	6	-		-	
OPERATING RESULT		**59,618**	**11.5%**	**49,865**	**10.8%**
Financial income		1,109	0.2%	1,318	0.3%
Financial expense		8,228	1.6%	8,081	1.7%
Total financial income / (expense)	7	(7,119)	-1.4%	(6,763)	-1.5%
PROFIT (LOSS) BEFORE INCOME TAXES		**52,499**	**10.1%**	**43,102**	**9.3%**
Income taxes	8	19,672	3.8%	17,000	3.7%
NET RESULT FROM BUSINESS ACTIVITIES		**32,827**	**6.3%**	**26,102**	**5.6%**
Net result from intermittent activities		-		-	
(Profit) / Loss pertaining to minority interests		(947)	-0.2%	(1,016)	-0.2%
NET PROFIT / (LOSS)		**31,880**	**6.1%**	**25,086**	**5.4%**
EARNINGS PER SHARE		**0,352**		**0,277**	

Consolidated statement of comprehensive income Sol Group

(in thousands of Euro)	12.31.2010	12.31.2009
PROFIT/(LOSS) FOR THE YEAR (A)	**32,827**	**26,102**
Effective part of profits / (losses) on cash flow hedging instruments	-	(10)
Profits / (losses) deriving from conversion of financial statements of foreign companies	(631)	(616)
Tax effect related to other profits (losses)	-	3
TOTAL OTHER PROFITS / (LOSSES) NET OF THE TAX EFFECT (B)	**(631)**	**(623)**
OVERALL RESULT FOR THE PERIOD (A+B)	**32,196**	**25,479**
Attributable to:		
- shareholders of the parent company	31,331	24,425
- minority interest	865	1,054

Consolidated statement of financial position Sol Group

(in thousands of Euro)	Notes	**12.31.2010**	12.31.2009
Tangible fixed assets	**9**	322,261	317,965
Goodwill and consolidation differences	**10**	21,586	12,420
Other intangible fixed assets	**11**	5,827	3,557
Equity investments	**12**	493	561
Other financial assets	**13**	1,694	1,561
Prepaid taxes	**14**	3,439	3,111
NON-CURRENT ASSETS		**355,300**	339,175
Non-current assets held for sale		**-**	**-**
Inventories	**15**	31,686	28,539
Trade receivables	**16**	225,596	200,696
Other current assets	**17**	11,854	12,063
Current financial assets	**18**	266	240
Prepayments and accrued income	**19**	1,842	1,492
Cash and cash at bank	**20**	32,314	41,984
CURRENT ASSETS		**303,558**	285,014
TOTAL ASSETS		**658,858**	624,189
Share Capital		47,164	47,164
Share premium reserve		63,335	63,335
Legal reserve		7,133	6,486
Reserve for treasury shares in portfolio		-	-
Other reserves		193,200	177,422
Retained earnings (accumulated loss)		-	-
Net Profit		31,880	25,086
Shareholders' equity-Group		**342,712**	319,493
Shareholders' equity - Minority interests		10,271	9,119
Profit pertaining to minority interests		947	1,016
Shareholders' equity - Minority interests		**11,218**	10,135
SHAREHOLDERS' EQUITY	**21**	**353,930**	329,628
Employee severance indemnities and other benefits	**22**	8,968	9,265
Deferred taxation	**23**	3,411	3,472
Provision for risks and charges	**24**	1,485	5,153
Payables and other liabilities	**25**	150,885	145,684
NON-CURRENT LIABILITIES		**164,749**	163,574
Non-current liabilities held for sale		**-**	**-**
Payables to banks		10,472	4,516
Trade accounts payable		69,209	64,281
Other financial liabilities		33,506	30,976
Current tax liabilities		8,698	12,046
Accrued expenses and deferred income		8,093	7,170
Other current liabilities		10,201	11,998
CURRENT LIABILITIES	**26**	**140,179**	130,987
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**658,858**	624,189

Consolidated cash flow statement Sol Group

(in thousands of Euro)	**12.31.2010**	12.31.2009
CASH FLOWS GENERATED BY OPERATING ACTIVITIES		
Profit for the year	31,880	25,086
Minority interests in profit/loss	947	1,016
Adjustments not affecting liquidity		
Depreciation/amortisation	59,736	55,626
Financial expense	7,465	7,655
Accrued employee severance indemnities and other benefits	666	547
Provisions (use) of provisions for risks and charges	(3,869)	4,111
Total	**96,825**	94,041
Changes in current assets and liabilities		
Inventories	(3,039)	(1,272)
Debtors	(22,647)	(84)
Prepayments and accrued income	(264)	(93)
Suppliers	1,834	(5,780)
Other payables	(646)	502
Interests paid	(6,701)	(7,114)
Accrued expenses and deferred income	62	47
Current tax liabilities	(3,349)	167
Total	**(34,750)**	(13,627)
Cash flow generated by operating activities	62,075	80,414
CASH FLOWS GENERATED BY INVESTMENT ACTIVITIES		
Acquisitions, revaluations and other changes in tangible fixed assets	(61,703)	(63,006)
Net book value of assets sold	733	625
Increases in intangible assets	(4,222)	(4,190)
(Increase) decrease in long-term investments	(66)	470
(Increase) decrease of shareholdings and business units	(8,110)	(6,208)
(Increase) decrease in current financial assets	(26)	281
Total	**(73,394)**	(72,028)
CASH FLOWS GENERATED BY FINANCING ACTIVITIES		
Repayment of loans	(30,779)	(25,543)
Raising of new loans	36,500	38,000
Raising (repayment) of shareholders’ loans	54	(44)
Dividends paid	(7,619)	(7,347)
Employee severance indemnities and benefits paid	(1,118)	(1,176)
Other changes in shareholders' equity		
- translation differences and other changes	(1,044)	(1,108)
- changes in shareholders’ equity – minority interests	(301)	(557)
Total	**(4,307)**	2,225
INCREASE (DECREASE) IN CASH IN HAND AND AT BANK	**(15,626)**	10,611
CASH IN HAND AND AT BANK AT BEGINNING OF YEAR	**37,468**	26,857
CASH IN HAND AND AT BANK AT END OF YEAR	**21,842**	37,468

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 group shareholders' equity	Total minority interests	Total shareholders' equity
Balance as at 12.31.2008	**47,164**	**63,335**	**5,695**	**151,869**	**34,801**	**302,864**	**9,675**	**312,539**
Allocation of 2008 profit	-	-	791	26,663	(27,454)	-	-	-
Dividend distribution	-	-	-	-	(7,347)	(7,347)	-	(7,347)
Other consolidation changes	-	-	-	(449)	-	(449)	(594)	(1,043)
Profit (loss) for the year	-	-	-	(661)	25,086	24,425	1,054	25,479
Balance as at 12.31.2009	**47,164**	**63,335**	**6,486**	**177,422**	**25,086**	**319,493**	**10,135**	**329,628**
Allocation of 2009 profit	-	-	647	16,820	(17,467)	-	-	-
Dividend distribution	-	-	-	-	(7,619)	(7,619)	-	(7,619)
Other consolidation changes	-	-	-	(493)	-	(493)	218	(275)
Profit (loss) for the year	-	-	-	(549)	31,880	31,331	865	32,196
Balance as at 12.31.2010	**47,164**	**63,335**	**7,133**	**193,200**	**31,880**	**342,712**	**11,218**	**353,930**

Notes to the consolidated financial statements

The 2010 consolidated financial statements have been drawn up in accordance with the International Accounting Principles (IFRS) established by the International Accounting Standard 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 income statement has been drawn up with the allocation of the costs by nature; the balance sheet has been prepared in accordance with the format that 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 income statement, income and costs deriving from non-recurring operations have been separately shown.

The analysis of the income statement and the consolidated statement of financial position 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 notes to the financial statements 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 31 December 2010 of the SOL S.p.A. Parent Company 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 B.V. – Tilburg		Euro	7,750,000	100%		100%
BEHRINGER Srl – Genoa		Euro	102,000	2%	49%	51%
BIOTECHSOL Srl – Monza		Euro	110,000	51%	49%	100%
BÖSCH GmbH – Gottenheim		Euro	25,564,59		100%	100%
B.T.G. Bvba – Lessines		Euro	5,508,625		100%	100%
C.T.S. S.rl – Monza		Euro	156,000	100%		100%
Dolby Healthcare Limited – Stirling		GBP	300,000		100%	100%
Dolby Medical Home Respiratory Care Limited – Stirling		GBP	15,000		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	ALL	292,164,000	100%		100%
HYDROENERGY Sh.p.k. - Tirana		ALL	1,350,000	60%		60%
HYDROSOL Sh.p.k. – Tirana		ALL	125,000		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	RSD	309,426,966.87	66.95%	32.28%	99.23%
JLV Medical Hispania S.L. – Madrid		Euro	2,516,800		96.34%	96.34%
KISIKANA d.o.o – Sisak		HRK	28,721,300		62.79%	62.79%
MEDES Srl – Settimo Milanese		Euro	10,400	51%		51%
N.T.G. B.V. – Tilburg		Euro	2,295,000	100%		100%
Ossigen Gas Srl – Udine		Euro	70,000	100%		100%
R.L. Dolby (Services) Limited – Stirling		GBP	3		100%	100%
SICGILSOL INDIA PRIVATE LIMITED - Chennai		INR	68,366,700	50%		50%
SOL Bulgaria E.A.D. – Sofia		BGN	3,754,360	100%		100%
SOL France Sas – Cergy Pontoise		Euro	13,000,000		100%	100%
SOL Hellas S.A. – Piraeus		Euro	1,710,921.26		98.41%	98.41%
SOL K Sh.p.k. – Pristina	4	Euro	3,510,000	99.72%	0.27%	99.99%
SOL SEE d.o.o. - Skopje	5	MKD	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		HRK	58,766,000	62.79%		62.79%
SPG – SOL Plin Gorenjska d.o.o. – Jesenice		Euro	8,220,664	54.85%	45.15%	100%
T.G.P. A.D. – Petrovo		BAM	1,177,999	60.96%	19.87%	80.83%
T.G.S. A.D. – Skopje		MKD	413,001,941	96.33%		96.33%
T.G.T. A.D. – Trn		BAM	970,081	75.18%		75.18%
T.M.G. GmbH – Krefeld		Euro	7,000,000		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		HRK	12,433,000		61.53%	61.53%
VIVISOL B Sprl – Lessines		Euro	162,500	0.08%	99.92%	100%
VIVISOL Calabria Srl – Vibo Valentia		Euro	10,400		98.32%	98.32%
VIVISOL Deutschland GmbH – Neufahm bei Freising		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 Hellas S.A. – Athens		Euro	540,000		100%	100%
VIVISOL Napoli Srl – Marcianise		Euro	98,800		81%	81%
VIVISOL Nederland B.V. – 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%

1) The Group's share as at 31 December 2010 includes a 7.33% equity investment of Simest S.p.A.; under an agreement entered into between SOL S.p.A. and Simest on 19 march 2003, SOL SpA is under obligation to repurchase the entire Simest share by 30 June 2011.
2) The Group's share as at 31 December 2010 includes a 33.43% equity investment of Simest S.p.A.; under an agreement entered into between SOL S.p.A. and Simest on 30 July 2007, SOL SpA is under obligation to repurchase the entire Simest share by 30 June 2015.
3) The Group's share as at 31 December 2010 includes a 29.24% equity investment of Simest S.p.A.; under an agreement entered into between SOL S.p.A. and Simest on 22 December 2004, SOL SpA is under obligation to repurchase the entire Simest share by 30 June 2012.
4) The Group's share as at 31 December 2010 includes a 46% equity investment of Simest S.p.A.; under an agreement entered into between SOL SpA. and Simest on 11 June 2010, SOL SpA is under obligation to repurchase the entire Simest share by 30 June 2018.
5) The Group's share as at 31 December 2010 includes a 36% equity investment of Simest S.p.A.; under an agreement entered into between SOL S.p.A. and Simest on 21 July 2004, SOL SpA is under obligation to repurchase the entire Simest share by 30 June 2012.

b) non-consolidated subsidiary companies:

Company Name and Registered Offices		Share capital	Ownership Percentage
G.T.E. S.L. - BARCELONA	Euro	12,020	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.

Equity investments in other companies were carried at cost, as they cannot be included among subsidiary and associated companies.

The scope of consolidation between 31 December 2010 and 31 December 2009 underwent the following changes:

- increase in the shareholding in HYDROSOL Sh.p.k. (from 96.33% to 99.99%).
- by means of the inclusion of the Ossigen Gas Srl company acquired in May 2010.
- by means of the inclusion of the Medes Srl company acquired in October 2010.
- by means of the inclusion of the SICGILSOL INDIA PRIVATE LIMITED company set up on 7 May 2010.
- by means of the inclusion of the Dolby Healthcare Limited company acquired in August 2010.
- by means of the inclusion of the Dolby Medical Home Respiratory Care Limited company acquired in August 2010.
- by means of the inclusion of the R.L. Dolby (Services) Limited company acquired in August 2010.

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 income statement, respectively.
Dormant subsidiaries are not included in the consolidated financial statements.

Jointly controlled companies

These are companies in which the Group exercises or joint control as defined by IAS 31 – Equity investments in joint ventures. The consolidated financial statements include the portion pertaining to the Group of the results of the jointly controlled companies, recorded using the proportional method, as from the date on which the joint control started and until it ceases to exist.

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 unrealised gains and losses on infraGroup transactions, are eliminated during the preparation of the consolidated financial statements. Any unrealised gain or loss 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 income statement.

Consolidation of foreign companies

All the assets and liabilities of foreign companies denominated in currency other than the Euro that 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 used for converting the financial statements not expressed in Euro are indicated in the table below:

Currency		Rate of exchange on **12.31.2010**		Average rate of exchange for 2010		Rate of exchange on 12.31.2009		Average rate of exchange for 2009
Macedonian Dinar	Euro	0.01607	Euro	0.01626	Euro	0.01628	Euro	0.01628
Serbian Dinar	Euro	0.00943	Euro	0.00970	Euro	0.01039	Euro	0.01064
Croatian Kuna	Euro	0.13545	Euro	0.13719	Euro	0.13699	Euro	0.13624
Albanian Lek	Euro	0.00720	Euro	0.00726	Euro	0.00724	Euro	0.00757
Bulgarian Lev	Euro	0.51130	Euro	0.51130	Euro	0.51130	Euro	0.51130
Convertible Mark (Bosnia)	Euro	0.51130	Euro	0.51130	Euro	0.51130	Euro	0.51130
Indian Rupee	Euro	0.01673	Euro	0.01650	Euro	-	Euro	-
Sterling (Great Britain)	Euro	1.16178	Euro	1.16571	Euro	-	Euro	-

Business combinations

The business combinations are accounted for in accordance with the acquisition method. According to this method, the consideration transferred in a business combination is measured at fair value, calculated as the sum of the fair value of the assets transferred and liabilities undertaken by the Group at the date of acquisition and of the equity instruments issued in exchange for the control of the acquired company. The expenses related to the transaction are generally recognised in the income statement when they are incurred.

The goodwill is determined as the surplus between the sum of the amounts transferred in the business combination, the value of shareholders' equity attributable to minority interests and the fair value of any equity investment previously held in the acquired company compared to the fair value of net assets acquired and liabilities undertaken at the date of acquisition. If the value of the net assets acquired and liabilities undertaken at the date of acquisition exceeds the sum of the amounts transferred, the value of shareholders' equity attributable to minority interests and the fair value of any equity investment previously held in the acquired company, this surplus is immediately recognised in the income statement as income arising from the concluded transaction.
The portions of shareholders' equity attributable to minority interests, at the date of acquisition, can be measured at fair value or at the pro-rata value of net assets recognised for the acquired company. The choice of the measurement method is carried out for each transaction.
Any amount subject to conditions stipulated by the contract of business combination are measured at fair value at the date of acquisition and included in the value of the amounts transferred in the business combination for the purposes of determining the goodwill.
In the case of business combinations that occurred in stages, the equity investment previously held by the Group in the acquired company is revalued at fair value at the date of acquisition of control and any ensuing gain or loss is recognised in the income statement. Any value arising from the equity investment previously held and recorded in Other profits (losses) are reclassified in the income statement as if the equity investment had been transferred.
The business combinations that occurred before 1 January 2010 were recognised according to the previous version of IFRS 3.

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 that justify capitalisation, the cost also includes the financial expenses which are directly attributable to the acquisition, construction or production of said assets.
The costs incurred subsequent to purchase are capitalised only if they increase the future economic benefits inherent to the assets to which they refer.
All the other costs are recorded in the income statement 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 capitalised 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 characterised 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%
Industrial and commercial equipment	5.5% - 25%
Other assets	10% - 30%

Public grants

Public grants obtained for investments in plant are recorded in the income statement 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 income statement at the time of acquisition.
Goodwill is not amortised, 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 write-downs 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 that 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 amortised 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 amortised, 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 write-downs . Other non-current financial assets, as well as current financial assets and financial liabilities, are stated in accordance with the approach established by IAS 39 – Financial instruments: recognition and measurement.

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

Subsequent to initial recognition, 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 measurement 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 income statement for the period.

Loans and receivables that 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 calculated, 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 measured at purchase cost.

Measurements 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 income statement for the period.

The financial liabilities hedged by derivative instruments are measured 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 measurements at fair value are pointed out in the income statement.

Inventories

Inventories of raw materials, semi-finished and finished products are measured at the lower of cost or market value, cost being determined using the weighted average cost method. The measurement of the inventories includes the direct costs of the materials and the labour and the indirect costs (variable and fixed). Write-down allowances are calculated for materials, finished products and other supplies considered obsolete or slow-moving, taking into account their future expected usefulness or their realisable value.
Contract work in progress is measured 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 income statement in full at the time they become known.

Trade receivables

Receivables are stated at their fair value which corresponds with their estimated realisable 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 measured 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 that 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 formalised, which 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 recognised on an accrual 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 that each employee has already accrued against their employment services.
By means of the actuarial measurement, the current service cost that defines the sum total of the

rights accrued during the year by the employees is charged to the income statement item "payroll and related costs" and the interest cost which represents the figurative liability that 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 recognised pro rata in the income statement over the remaining average working life of the employees up to the extent that their value not recognised at the end of the previous year exceeds 10 % of the liability (so-called Corridor method).

Provisions for risks and charges

The Group records 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 income statement 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 sale are recorded as changes in shareholders' equity.

Accruals and deferrals

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

Revenue recognition

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

Loan costs

Loan costs are recorded in the profit & loss account during the period they are incurred, with the exception of the financial charges capitalised as part of an asset which justifies capitalisation (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 income statement, 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 that might be generated by the transfer of the non-distributable profit of 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 that 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 recognised 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 that 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 realised or cancelled.

Dividends

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

Earnings per share

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

Cash flow Statement

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

Use of estimates

The preparation of the financial statements and the related notes in accordance with the IFRS requires management to make estimates and assumptions that 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 that will make up the final balances may differ from said estimates. The estimates are used to obtain provisions for risks and charges, asset write-downs, 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 income statement. All the amounts represented in the diagrams and tables are expressed in thousands of Euros.

Accounting principles, amendments and interpretations applied in 2010

IFRS 3 (2008) – Business combinations

The updated version of IFRS 3 has introduced important changes that mainly concern: the regulations of acquisitions in stages of subsidiary companies; the right to measure at fair value any minority interest acquired in a partial acquisition; the allocation to the income statement of all costs related to the business combination and the recognition at the date of acquisition of the liabilities for payments subject to condition.

IAS 27 (2008) – Consolidated and separate financial statements

IAS 27 (2008) establishes that, after obtaining the control of a company, transactions in which the parent company acquires or transfers more minority interests without modifying the control over the subsidiary are transactions with shareholders and therefore must be recognised under shareholders' equity. It follows that the book value of the controlling interest and minority interests must be adjusted to reflect the change in interest in the subsidiary and any difference between the amount of the adjustment made to minority interests and the fair value of the price paid or received in respect of that transaction is recognised directly in the shareholders' equity and is attributed to the shareholders of the parent company. There will be no adjustment to the value of goodwill and profits or losses recognised in the income statement.

Notes

Income statement

1. Net sales

Balance as at 12.31.10	518,893
Balance as at 12.31.09	462,621
Change	**56,272**

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

Description	12.31.2010	12.31.2009	Change
Technical gases	305,971	280,584	25,387
Home-care	212,922	182,037	30,885
Total	**518,893**	462,621	56,272

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 revenues and income

Balance as at 12.31.10	2,094
Balance as at 12.31.09	3,326
Change	**(1,232)**

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

Description	12.31.2010	12.31.2009	Change
Capital gains on disposal of fixed assets	197	421	(224)
Insurance compensation	100	195	(95)
Grants received	92	123	(31)
Real estate rentals	39	18	21
Other	1,666	2,569	(903)
Total	**2,094**	3,326	(1,232)

3. Internal works and collections

Balance as at 12.31.10	13,054
Balance as at 12.31.09	13,150
Change	**(96)**

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

Description	12.31.2010	12.31.2009	Change
Transfers to assets	11,593	11,329	264
Time work	1,461	1,821	(360)
Total	**13,054**	13,150	(96)

The item "Time work" 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 12.31.10	317,461
Balance as at 12.31.09	284,658
Change	**32,803**

The breakdown of the above item is as follows:

Description	12.31.2010	12.31.2009	Change
Purchase of materials	148,550	130,114	18,436
Services rendered	153,727	139,985	13,742
Change in inventories	(2,528)	(1,282)	(1,246)
Other costs	17,712	15,841	1,871
Total	**317,461**	284,658	32,803

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 12.31.10	92,948
Balance as at 12.31.09	84,786
Change	**8,162**

The breakdown of the above item is as follows:

Description	12.31.2010	12.31.2009	Change
Wages and salaries	70,212	63,810	6,402
Social Security charges	21,915	20,213	1,702
Employee severance indemnities	821	763	58
Pension costs and similar obligations	-	-	-
Other costs	-	-	-
Total	**92,948**	84,786	8,162

The composition of the workforce is analysed below by category:

Description	12.31.2010	12.31.2009	Change
Managers	41	40	1
Office workers	1,300	1,214	86
Factory workers	774	690	84
Total	**2,115**	1,944	171

6. Depreciations, provisions and non recurring expenses

Balance as at 12.31.10	64,014
Balance as at 12.31.09	59,788
Change	**4,226**

The breakdown of the above item is as follows:

Description	12.31.2010	12.31.2009	Change
Depreciation/amortisation	59,736	55,626	4,110
Provisions	4,278	4,162	116
Non-recurring income/expense	-	-	-
Total	**64,014**	59,788	4,226

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

Depreciation of intangible fixed assets

Description	12.31.2010	12.31.2009	Change
Land	-	-	-
Buildings	3,218	3,151	67
Plants and machinery	15,302	14,915	387
Industrial and commercial equipment	35,885	33,022	2,863
Other Assets	3,370	3,030	340
Assets under construction and advances	-	-	-
Total	**57,775**	54,118	3,657

The increase in depreciation is linked to investments made during the period, amounting to Euro 62.1 million.

Amortisation of intangible fixed assets

Description	12.31.2010	12.31.2009	Change
Industrial patents and intellectual property rights	1,284	952	332
Concessions, licenses, trade marks and similar rights	550	456	94
Other	127	100	27
Total	**1,961**	1,508	453

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

Description	12.31.2010	12.31.2009	Change
Risks on receivables	3,864	3,684	180
Provisions for risks	414	477	(63)
Other provisions	-	1	(1)
Total	**4,278**	4,162	116

7. Financial income / (expenses)

Balance as at 12.31.10	(7,119)
Balance as at 12.31.09	(6,763)
Change	**(356)**

The breakdown of the above item is as follows:

Description	12.31.2010	12.31.2009	Change
Financial income	1,109	1,318	(209)
Financial expense	(8,228)	(8,081)	(147)
Total	**(7,119)**	(6,763)	(356)

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

Description	12.31.2010	12.31.2009	Change
Income from equity investments in associated companies	-	1	(1)
Income from long-term receivables	3	31	(28)
Interest on banks and post offices deposits	174	212	(38)
Interest receivable from trade	249	425	(176)
Exchange rate gains	527	557	(30)
Other financial income	156	92	64
Total	**1,109**	1,318	(209)

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

Description	12.31.2010	12.31.2009	Change
Interest payable to banks	(206)	(205)	(1)
Interest payable to suppliers	(27)	(47)	20
Interest payable on loans	(5,732)	(6,111)	379
Total financial expense	(1,576)	(1,293)	(283)
Exchange losses	(687)	(425)	(262)
Total	**(8,228)**	(8,081)	(147)

8. Income taxes

Balance as at 12.31.10	19,672
Balance as at 12.31.09	17,000
Change	**2,672**

The breakdown of the above item is as follows:

Description	12.31.2010	12.31.2009	Change
Current income taxes	20,394	17,490	2,904
Deferred taxes	(394)	(264)	(130)
Prepaid taxes	(328)	(226)	(102)
Total	**19,672**	17,000	2,672

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	12.31.2010	12.31.2009
Theoretical taxation	**14,440**	**11,853**
Tax effect permanent differences	3,072	(1,848)
Tax effect deriving from foreign tax rates different to Italian theoretical tax rates	(1,565)	(419)
Other differences	-	4,289
Income taxes recorded in the financial statements, excluding IRAP (current and deferred)	**15,947**	**13,875**
Regional Production Tax (IRAP)	**3,725**	**3,125**
Income taxes recorded in the financial statements (current and deferred)	**19,672**	**17,000**

So as to provide a clearer understanding of the reconciliation, separate account was taken of IRAP 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.

Statement of financial position

9. Tangible fixed assets

Balance as at 12.31.10	322,261
Balance as at 12.31.09	317,965
Change	**4,296**

Analysis of tangible fixed assets

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

Changes in tangible fixed assets - cost	Land	Buildings	Plants and machinery	Industrial and commercial equipment	Other assets	Assets under construction and advances	Total
Balance as at 01.01.2009	8,809	81,264	264,259	402,321	32,453	22,829	811,935
Increases	638	5,457	23,106	38,385	4,068	15,106	86,760
Revaluations	-	-	-	-	-	-	-
Other changes	-	87	51	2,276	341	(23,329)	(20,573)
Exchange differences	(6)	(161)	(320)	(136)	(67)	-	(691)
(Disposals)	(40)	(418)	(255)	(6,600)	(672)	-	(7,985)
Balance as at 12.31.09	9,401	86,229	286,841	436,246	36,123	14,606	**869,446**
Increases	34	2,242	10,918	45,703	2,809	427	62,133
Revaluations	-	-	307	(307)	-	-	-
Other changes	-	(143)	520	1,289	298	-	1,964
Exchange differences	(12)	(107)	(348)	(150)	(83)	(17)	(717)
(Disposals)	-	-	(196)	(2,881)	(662)	-	(3,739)
Balance as at 12.31.10	9,423	88,221	298,042	479,900	38,485	15,016	**929,087**

Changes in tangible fixed assets - acc. depreciation	Land	Buildings	Plants and machinery	Industrial and commercial equipment	Other assets	Assets under construction and advances	Total
Balance as at 01.01.2009	-	39,962	185,128	255,443	23,710	-	504,243
Depreciation	-	3,151	14,915	33,022	3,030	-	54,118
(Write-downs)	-	-	-	-	-	-	-
Other changes	-	-	10	655	57	-	723
Exchange differences	-	(23)	(125)	(59)	(35)	-	(243)
(Disposals)	-	(302)	(234)	(6,236)	(588)	-	(7,360)
Balance as at 12.31.09	-	42,788	199,694	282,825	26,174	-	**551,481**
Depreciation	-	3,218	15,302	35,885	3,370	-	57,775
(Write-downs)	-	-	-	-	-	-	-
Other changes	-	(72)	530	371	170	-	999
Exchange differences	-	(37)	(194)	(139)	(55	-	(425)
(Disposals)	-	-	(144)	(2,208)	(652)	-	(3,004)
Balance as at 12.31.10	-	45,879	215,188	316,734	29,007	-	**606,826**

Changes in tangible fixed assets - net value	Land	Buildings	Plants and machinery	Industrial and commercial equipment	Other assets	Assets under construction and advances	Total
Balance as at 01.01.2009	8,809	41,302	79,131	146,878	8,743	22,829	307,692
Increases	638	5,457	23,106	38,385	4,068	15,106	86,760
(Depreciation and write-downs)	-	(3,151)	(14,915)	(33,022)	(3,030)	-	(54,118)
Other changes	-	87	41	1,621	284	(23,329)	(21,296)
Exchange differences	(6)	(138)	(196)	(77)	(32)	-	(448)
(Disposals)	(40)	(116)	(21)	(364)	(84)	-	(625)
Balance as at 12.31.09	9,401	43,441	87,147	153,421	9,949	14,606	**317,965**
Increases	34	2,242	11,225	45,396	2,809	427	62,133
(Depreciation and write-downs)	-	(3,218)	(15,302)	(35,885)	(3,370)	-	(57,775)
Other changes	-	(71)	(10)	918	128	-	965
Exchange differences	(12)	(70)	(154)	(11)	(28)	(17)	(292)
(Disposals)	-	-	(52)	(673)	(10)	-	(735)
Balance as at 12.31.10	9,423	42,324	82,854	163,166	9,478	15,016	**322,261**

- Investments made during the financial year in respect of the item "Lands" are mainly investments made by the Parent Company (Euro 34 thousand).
- Investments made during the financial year in the "Buildings" item refer mainly to investments of the Parent Company (Euro 1,234 thousand) and of the VIVISOL Deutschland GmbH (Euro 278 thousand), SOL K Sh.p.k. (Euro 153 thousand), KISIKANA Doo (Euro 107 thousand) and TPJ Doo (Euro 94 thousand) subsidiary companies.
- Acquisitions made during the period relating to the "Plant and machinery" item are mainly due to the purchase of plants for the Parent Company's factories (Euro 4,847 thousand) and of the SOL-K Sh.p.K. (Euro 4,470 thousand), TGS A.D. (Euro 145 thousand), KISIKANA Doo (Euro 672 thousand), VIVISOL Srl (Euro 177 thousand) subsidiaries and to a lesser extent to other capital expenditure carried out by all the other group companies.
- The item "Industrial and commercial equipment" comprises commercial equipment (supplying devices, cylinders, base units, concentrators and medical appliances) as well as other small and sundry equipment. The increase recorded for the period was due to investments in commercial equipment in the form of cylinders, dispensing devices and tanks, made by companies in the technical gases sector for Euro 18,377 thousand (including Euro 5,336 by the Parent Company) and to investments made by companies operating in the home-care sector for Euro 27,326 thousand (including Euro 10,827 thousand by the company VIVISOL Srl), in respect of base units and other medical appliances.
- The item "Other assets" includes motor vehicles and motor cars, electric office equipment, furniture and fixtures, EDP systems. The increase recorded for the period relates to investments made for motor vehicles, laboratory equipment, hardware, furniture and fixtures, with Euro 326 thousand of the total reported pertaining to the Parent Company and the CTS Srl (Euro 307 thousand), VIVISOL Srl (Euro 180 thousand), TGS A.D. (Euro 130 thousand), VIVISOL France Sarl (Euro 339 thousand), BÖSCH GmbH (Euro 336 thousand), VIVISOL Heimbehandlungsgerate

GmbH (Euro 110 thousand), VIVISOL Nederland BV (Euro 171 thousand), TGT AD (Euro 121 thousand) and SOL T.G. GmbH (Euro 183 thousand) subsidiary companies and to a lesser extent to other capital expenditure carried out by all the other group companies.
- The item "Assets under construction" mainly refers to investments being made by the Parent Company (Euro 11,333 thousand) and by the SOL France Sas (Euro 1.549 thousand), HYDROENERGY Shpk (Euro 643 thousand), KISIKANA Doo (Euro 402 thousand) and SICGILSOL INDIA PRIVATE LIMITED (Euro 206 thousand) subsidiary companies.

Please note that the sites located in Monza, Padua, Pavia, Pisa, Sesto San Giovanni, Ravenna, Pomezia, Catania, Ancona, Mantua, Verona and Jesenice are encumbered with mortgages and liens pertaining to medium-term loan agreements entered into by a number of Group companies with banks.
As at 31 December 2010, mortgages amounted to Euro 139,420 thousand.
As at 31 December 2010, liens amounted to Euro 126,678 thousand.

Analysis of leased tangible assets

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

Changes in tangible fixed assets - cost	Land	Buildings	Plants and machinery	Industrial and commercial equipment	Other assets	Assets under construction and advances	Total
Balance as at 01.01.2009	-	1,945	10,142	17,412	146	-	29,645
Increases	-	-	-	-	-	-	-
Revaluations	-	-	-	-	-	-	-
Other changes	-	-	-	-	-	-	-
Exchange differences	-	-	-	-	-	-	-
(Disposals)	-	-	-	-	-	-	-
Balance as at 12.31.09	-	1,945	10,142	17,412	146	-	**29,645**
Increases	-	-	-	-	-	-	-
Revaluations	-	-	-	-	-	-	-
Other changes	-	-	-	-	-	-	-
Exchange differences	-	-	-	-	-	-	-
(Disposals)	-	-	-	-	-	-	-
Balance as at 12.31.10	-	1,945	10,142	17,412	146	-	**29,645**

Changes in tangible fixed assets - acc. depreciation	Land	Buildings	Plants and machinery	Industrial and commercial equipment	Other assets	Assets under construction and advances	Total
Balance as at 01.01.2009	-	1,602	6,610	16,145	146	-	24,503
Depreciation	-	32	595	318	-	-	945
(Write-downs)	-	-	-	-	-	-	-
Other changes	-	-	-	-	-	-	-
Exchange differences	-	-	-	-	-	-	-
(Disposals)	-	-	-	-	-	-	-
Balance as at 12.31.09	-	1,634	7,205	16,463	146	-	**25,448**
Depreciation	-	15	591	297	-	-	903
(Write-downs)	-	-	-	-	-	-	-
Other changes	-	-	-	-	-	-	-
Exchange differences	-	-	-	-	-	-	-
(Disposals)	-	-	-	-	-	-	-
Balance as at 12.31.10	-	1,649	7,796	16,760	146	-	**26,351**

Changes in tangible fixed assets - net value	Land	Buildings	Plants and machinery	Industrial and commercial equipment	Other assets	Assets under construction and advances	Total
Balance as at 01.01.2009	-	343	3,532	1,267	-	-	5,142
Increases	-	-	-	-	-	-	-
(Depreciation and write-downs)	-	(32)	(595)	(318)	-	-	(945)
Other changes	-	-	-	-	-	-	-
Exchange differences	-	-	-	-	-	-	-
(Disposals)	-	-	-	-	-	-	-
Balance as at 12.31.09	-	311	2,937	949	-	-	**4,197**
Increases	-	-	-	-	-	-	-
(Depreciation and write-downs)	-	(15)	(591)	(297)	-	-	(903)
Other changes	-	-	-	-	-	-	-
Exchange differences	-	-	-	-	-	-	-
(Disposals)	-	-	-	-	-	-	-
Balance as at 12.31.10	-	296	2,346	652	-	-	**3,294**

10. Goodwill and consolidation differences

Balance as at 12.31.10	21,586
Balance as at 12.31.09	12,420
Change	**9,166**

The breakdown of the above item is as follows:

Changes in intangible assets	Goodwill	Consolidation differences	Total
Balance as at 01.01.2009	3,116	3,816	6,932
Increases	1,043	4,445	5,488
Revaluations (Write-downs)	-	-	-
Other changes	-	-	-
Exchange differences	-	-	-
(Amortisation)	-	-	-
Balance as at 12.31.09	4,159	8,261	**12,420**
Increases	-	6,305	6,305
Revaluations (Write-downs)	-	-	-
Other changes	2,861	-	2,861
Exchange differences	-	-	-
(Amortisation)	-	-	-
Balance as at 12.31.10	**7,020**	**14,566**	**21,586**

The other changes of the financial year under the "Goodwill" item refer to the acquisition by the Dolby Healthcare Limited subsidiary of Dolby Medical Home Respiratory Care Limited occurred in 2007.

The increase during the year in the "Consolidation differences" item concerns:

- the acquisition of the Ossigen Gas Srl company (Euro 793 thousand) by the Parent Company
- the acquisition of the Medes Srl company (Euro 160 thousand) by the Parent Company
- the acquisition by the AIRSOL BV subsidiary of the Dolby Healthcare Limited, Dolby Medical Home Respiratory Care Limited and R.L. Dolby (Services) Limited companies (Euro 5,352 thousand).

In May 2010, the SOL SpA Parent Company purchased 100% of the shares of Ossigen Gas Srl, operating in the field of technical gases. Ossigen Gas Srl in the period of eight months ended 31 December 2010 contributed to the consolidated result for the period with a net profit of Euro 8 thousand. If the acquisition had occurred on 1 January 2010, the revenues and the profit of the Group would have been more than Euro 140 thousand and Euro 37 thousand, respectively, for the 12-month period ended 31 December 2010.

In August 2010, the AIRSOL BV subsidiary purchased 100% of the shares of the Dolby Healthcare Limited, Dolby Medical Home Respiratory Care Limited and R.L. Dolby (Services) Limited companies, active in the field of home-care. Dolby Healthcare Limited, Dolby Medical Home Respiratory Care Limited and R.L. Dolby (Services) Limited in the five month period ended 31 December 2010 contributed to the consolidated result for the period with a net profit of Euro 171 thousand. If the acquisition had occurred on 1 January 2010, the revenues and the profit of the Group would have been more than Euro 6,990 thousand and Euro 1,115 thousand, respectively, for the 12-month period ended 31 December 2010.

In October 2010, the SOL SpA Parent Company purchased 51% of the shares of Medes Srl, active in the field of technical gases. Medes Srl in the period of two months ended 31 December 2010 contributed to the consolidated result for the period with a net profit of Euro 2 thousand. If the acquisition had occurred on 1 January 2010, the revenues and the profit of the Group would have been more than Euro 1,674 thousand and Euro 44 thousand, respectively, for the 12-month period ended 31 December 2010.

The result of the acquisitions on the assets and liabilities of the Group is set below:

	Values recorded during acquisition	Adjustments to fair value	Book values before acquisition
Tangible fixed assets	1,101		1,101
Intangible fixed assets	2,870		2,870
Financial investments	-		-
Inventories	108		108
Trade and other receivables	2,374		2,374
Prepayments and accrued income	86		86
Cash and cash at bank	1,083		1,083
Minority interests	(438)		(438)
Suppliers	(3,094)		(3,094)
Other creditors	(809)		(809)
Risk provisions	(140)		(140)
Employee Severance Indemnity	(156)		(156)
Accrued expenses and deferred income	(97)		(97)
Identifiable net assets and liabilities	**2,888**	**0**	**2,888**
Goodwill deriving from acquisition	**6,305**		
Amount paid	**(9,193)**		
Available funds acquired	**1,083**		
Net outlays of available funds	**(8,110)**		

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 12.31.10	5,827
Balance as at 12.31.09	3,557
Change	**2,270**

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 under construction and advances	Other	Total
Balance as at 01.01.2009	454	791	297	368	1,910
Increases	1,236	868	1,327	19	3,450
Revaluations (Write-downs)	-	-	-	-	-
Other changes	-	5	(300)	3	(292)
Exchange differences	-	(3)	-	-	(3)
(Amortisation)	(952)	(456)	-	(100)	(1,508)
Balance as at 12.31.09	738	1,205	1,324	290	**3,557**
Increases	1,299	852	1,715	396	4,262
Revaluations (Write-downs)	-	-	-	-	-
Other changes	-	-	(27)	(1)	(28)
Exchange differences	-	(3)	-	-	(3)
(Amortisation)	(1,284)	(550)	-	(127)	(1,961)
Balance as at 12.31.10	753	1,504	3,012	558	**5,827**

12. Equity investments

Balance as at 12.31.10	493
Balance as at 12.31.09	561
Change	**(68)**

The breakdown of the above item is as follows:

Description	**12.31.2010**	12.31.2009
GTE S.L.	11	11
Non-consolidated subsidiary companies	**11**	11
Consorgas Srl	422	422
Medical System Srl	18	18
Associated companies	**440**	516
Other equity investments	42	42
Other companies	**42**	34
Total	**493**	561

All the above investments are owned by the Parent Company, except for Euro 18 thousand recorded among equity investments in the AIRSOL BV subsidiary company and Euro 28 thousand reported among the other minority equity investments (of which Euro 15 thousand relating to investments in local companies made by the TGS AD subsidiary company, Euro 2 thousand made by the TPJ Doo subsidiary company, Euro 8 thousand made by the ICOA Srl subsidiary company and Euro 3 thousand made by the VIVISOL Deutschland GmbH subsidiary company).

13. Other financial assets

Balance as at 12.31.10	1,694
Balance as at 12.31.09	1,561
Change	**133**

The breakdown of the above item is as follows:

Description	12.31.2010	12.31.2009	Change
Amounts receivable from third parties	1,402	1,553	(151)
Other securities	292	8	284
Total	**1,694**	1,561	133

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

Description	12.31.2010	12.31.2009	Change
Guarantee deposits	1,244	1,387	(143)
Tax credit on Employee Severance Indemnity	15	34	(19)
Other	143	132	11
Total	**1,402**	1,553	(151)

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

Description	12.31.2010	12.31.2009	Change
SOL TG pledged securities	4	4	-
SOL Hellas securities	284	-	284
TGT securities	4	4	-
Total	**292**	8	284

14. Amounts receivable for prepaid taxes

Balance as at 12.31.10	3,439
Balance as at 12.31.09	3,111
Change	**328**

The breakdown for the above item is as follows:

	Risks on receivables	Risk provisions	Internal profits	Prior losses	Other minor	Total
Balance as at 01.01.2009	948	137	278	1,481	9	2,853
Provisions	304	-	(24)	(34)	(20)	226
Uses	-	-	-	-	-	-
Other changes	-	-	-	-	32	32
Exchange differences	-	-	-	-	-	-
Balance as at 12.31.09	1,252	137	254	1,447	21	**3,111**
Provisions	(22)	-	(11)	89	272	328
Uses	-	-	-	-	-	-
Other changes	-	-	-	-	-	-
Exchange differences	-	-	-	-	-	-
Balance as at 12.31.10	1,230	137	243	1,536	293	**3,439**

15. Inventories

Balance as at 12.31.10	31,686
Balance as at 12.31.09	28,539
Change	**3,147**

The breakdown of the above item is as follows:

Description	**12.31.2010**	12.31.2009	Change
Raw, subsidiary and consumable materials	2,616	1,642	974
Work in progress and semi-finished products	1,365	1,568	(203)
Finished products and goods for resale	27,705	25,329	2,376
Total	**31,686**	28,539	3,147

16. Trade receivables

Balance as at 12.31.10	225,596
Balance as at 12.31.09	200,696
Change	**24,900**

Description	Due within 12 months	Allowance for doubtful accounts	Total **12.31.2010**	Total 12.31.2009
Trade receivables	237,787	(12,191)	225,596	200,696
Total	237,787	(12,191)	**225,596**	200,696

The allowance for doubtful accounts saw the following changes:

	12.31.2009	Provisions	Uses	**12.31.2010**
Allowance for doubtful accounts	11,513	3,864	(3,186)	12,191

17. Other current assets

Balance as at 12.31.10	11,854
Balance as at 12.31.09	12,063
Change	**(209)**

The breakdown of the above item is as follows:

Description	**12.31.2010**	12.31.2009	Change
Amounts due from employees	497	580	(83)
Amounts receivable in respect of income tax	806	1,434	(628)
VAT receivables	9,469	8,464	1,005
Other amounts due from the tax authorities	202	407	(205)
Other receivables	880	1,178	(298)
Total	**11,854**	12,063	(209)

18. Current financial assets

Balance as at 12.31.10	266
Balance as at 12.31.09	240
Change	**26**

The breakdown for this item is as follows:

Description	**12.31.2010**	12.31.2009	Change
Nextra treasury funds	164	164	-
Other fixed-income securities	102	76	26
Total other securities	**266**	240	26
Total	**266**	240	26

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

The other fixed-income securities consists of bond securities held by the subsidiary company TGT AD.

19. Prepayments and accrued income

Balance as at 12.31.10	1,842
Balance as at 12.31.09	1,492
Change	**350**

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

The breakdown for this item is as follows:

Description	**12.31.2010**	12.31.2009	Change
Accrued income:			
Interest income	3	1	2
Other accrued income	357	137	220
Total accrued income	**360**	138	222
Prepayments:			
Insurance premiums	283	290	(7)
Rents	79	52	27
Prepaid expenses	97	107	(10)
Other prepayments	1,023	905	118
Total prepayments	**1,482**	1,354	128
Total prepayments and accrued income	**1,842**	1,492	350

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 12.31.10	32,314
Balance as at 12.31.09	41,984
Change	**(9,670)**

The breakdown for this item is as follows:

Description	**12.31.2010**	12.31.2009	Change
Bank and post office deposits	32,090	41,783	(9,693)
Cash and cash equivalents on hand	224	201	23
Total	**32,314**	41,984	(9,670)

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

21. Capital and reserves

Balance as at 12.31.10	353,930
Balance as at 12.31.09	329,628
Change	**24,302**

The share capital of SOL S.p.A as at 31 December 2010 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:

Capital and reserves	12.31.2009	Transfer of result	Dividends paid	Translation differences	Other changes	Result	12.31.2010
Pertaining to the Group:							
Share capital	47,164	-	-	-	-	-	47,164
Share premium reserve	63,335	-	-	-	-	-	63,335
Legal reserve	6,486	647	-	-	-	-	7,133
Other reserves	177,422	16,820	-	(549)	(493)	-	193,200
Retained earnings (accumulated loss)	-	7,619	(7,619)	-	-	-	-
Net Profit	25,086	(25,086)	-	-	-	31,880	31,880
Shareholders' equity-Group	319,493	-	(7,619)	(549)	(493)	31,880	**342,712**
Minority interests:							
Shareholders' equity - Minority interests	9,119	1,016	-	-	136	-	10,271
Profit pertaining to minority interests	1,016	(1,016)	-	-	-	947	947
Shareholders' equity-Minority equity	10,135	-	-	-	136	947	**11,218**
Shareholders' equity	329,628	-	(7,619)	(549)	(357)	32,827	**353,930**

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

Description	**12.31.2010** Shareholders' equity	**12.31.2010** Net profit	12.31.2009 Shareholders' equity	12.31.2009 Net profit
Financial statements of SOL SpA	**210,901**	**16,476**	**202,044**	**12,952**
Elimination of inter-company transactions, net of tax effects:				
- Internal profit on tangible fixed assets	(1,059)	(27)	(1,031)	(36)
- Reversal of investments				
- Reversal of adjustments to investments in subsidiary companies	207	488	207	1,715
Adjustment of accounting policies to achieve consistent Group accounting policies, net of tax effects:				
- Adjustment to achieve a consistent accounting policy regarding intangible assets	(1,676)		(1,676)	
- Use of finance lease method for leased assets	57	(33)	90	(26)
- Valuation at equity of companies reported at cost	287	(75)	363	34
Carrying value of consolidated equity investments	(199,029)	-	(184,616)	-
Net assets and financial year's results of consolidated companies	318,458	27,333	295,851	22,398
Allocation of the difference to the assets of the companies and relative depreciation, amortisation and write-downs:				
- Goodwill on consolidation	14,566	-	8,261	-
Consolidated Group financial statements	**342,712**	**31,880**	**319,493**	**25,086**

22. Employee severance indemnities and other benefits

Balance as at 12.31.10	8,968
Balance as at 12.31.09	9,265
Change	**(297)**

The provisions underwent the following changes:

Changes in severance indemnities and other employee benefits	12.31.2010	12.31.2009
As at 1 January	9,265	9,677
Provisions	821	763
(Uses)	(809)	(821)
Financial charges	129	126
Other changes	(438)	(480)
Exchange differences	-	-
Balance as at 31 December	**8,968**	9,265

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

	Employee severance indemnities		Other		Total	
	12.31.2010	12.31.2009	**12.31.2010**	12.31.2009	**12.31.2010**	12.31.2009
Current value of unfinanced plans	9,673	9,419	307	327	9,980	9,746
Unrecognised actuarial profits (Losses)	(916)	(423)	(96)	(58)	(1,012)	(481)
Net liability	**8,757**	**8,996**	**211**	**269**	**8,968**	**9,265**

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

	Italy	Other countries
Discount rate	1.30%	3% - 6%
Inflation rate	1.50%	2% - 3%
Tendential growth rate of salaries	3.96%	3% - 6%

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.

Others

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 12.31.10	3,411
Balance as at 12.31.09	3,472
Change	**(61)**

The item "Deferred taxation" represents the net balance of deferred tax liabilities provided for in the consolidated financial statements as at 31 December 2010 with regard to tax items 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 01.01.2009	588	2,009	588	555	3,740
Provisions	(132)	(83)	(68)	19	(264)
Uses	-	-	-	-	-
Other changes	-	-	-	-	-
Exchange differences	-	-	-	(4)	(4)
Balance as at 12.31.09	**456**	**1,926**	**520**	**570**	**3,472**
Provisions	(205)	(83)	(137)	31	(394)
Uses	-	-	-	-	-
Other changes	-	-	-	333	333
Exchange differences	-	-	-	-	-
Balance as at 12.31.10	**251**	**1,843**	**383**	**934**	**3,411**

24. Provisions for risks and charges

Balance as at 12.31.10	1,485
Balance as at 12.31.09	5,153
Change	**(3,668)**

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

Description	**12.31.2010**	12.31.2009	Change
Pensions and similar obligations	-	-	-
Consolidation provision for future risks and charges	-	-	-
Other:			
Exchange fluctuation provision	-	-	-
Other minor provisions	1,485	5,153	(3,668)
Total other provisions	**1,485**	5,153	(3,668)
Total	**1,485**	5,153	(3,668)

Provisions for risks highlight probable Group liabilities deriving from legal and tax disputes underway.

The change with respect to 2009 is due to provisions totalling Euro 414 thousand, uses amounting to Euro 4,084 thousand.

25. Payables and other liabilities

Balance as at 12.31.10	150,885
Balance as at 12.31.09	145,684
Change	**5,201**

The breakdown of the above item is as follows:

Description	12.31.2010	12.31.2009	Change
Amounts due to other lenders	143,800	140,555	3,245
Other payables	7,085	5,129	1,956
Total	**150,885**	145,684	5,201

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 1,648 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 2009 derives from additional loans raised during 2010, 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	Short-term	Long-term portion	Short-term amount		Interest rate	Maturity		Original amount
Banco di Brescia	95	-	95		4.57%	30.06.2011	Euro	945,540
Intesa San Paolo	393	-	393		3.15%	15.09.2011	Euro	5,500,000
Banco di Brescia *	1,297	-	1,297		4.39%	30.09.2011	Euro	8,000,000
Intesa San Paolo*	4,000	-	4,000	(f.r.)	1.61%	30.09.2011	Euro	20,000,000
Banca Popolare di Bergamo	1,000	1,000	-	(f.r.)	1.98%	25.11.2011	Euro	1,000,000
Banca Popolare di Bergamo	1,000	-	1,000	(f.r.)	1.98%	25.11.2011	Euro	1,000,000
Intesa San Paolo	938	-	938		5.50%	15.12.2011	Euro	7,500,000
Banco di Brescia *	1,595	541	1,054		3.61%	31.05.2012	Euro	5,000,000
Banco di Brescia *	554	189	365		4.72%	30.06.2012	Euro	2,000,000
Credito Emiliano	2,103	1,069	1,034		3.45%	01.09.2012	Euro	5,000,000
Intesa San Paolo	2,086	1,043	1,043		4.12%	15.12.2012	Euro	7,300,000
Intesa San Paolo	1,875	937	938		3.34%	15.12.2012	Euro	7,500,000
Unicredit *	1,698	866	832		4.10%	31.12.2012	Euro	4,000,000
Mediocredito Centrale	2,421	1,248	1,173	(f.r.)	2.44%	31.12.2012	Euro	8,263,000
Banco di Brescia *	500	300	200		3.75%	30.06.2013	Euro	1,000,000
Credito Emiliano	1,852	1,245	607	(f.r.)	1.63%	25.07.2013	Euro	3,000,000
Banco di Brescia *	2,333	1,589	744		4.46%	31.12.2013	Euro	5,000,000
Banco di Brescia *	1,400	954	446		4.46%	31.12.2013	Euro	3,000,000
Banco di Brescia *	2,679	1,828	851		4.84%	31.12.2013	Euro	5,000,000
BNL Paribas	2,917	2,084	833	(f.r.)	1.65%	16.02.2014	Euro	5,000,000
Banca Popolare di Bergamo	7,000	5,752	1,248		5,66%	30.07.2015	Euro	7,000,000
Credito Emiliano	500	407	93		3.51%	18.11.2015	Euro	500,000
Banco di Brescia	1,000	800	200		5.11%	31.12.2015	Euro	1,000,000
Mediocredito Italiano	7,333	6,000	1,333	(f.r.)	2.40%	31.03.2016	Euro	8,000,000
Credito Emiliano	2,810	2,420	390		3.70%	26.05.2017	Euro	3,000,000
Mediobanca	16,250	13,750	2,500		4.39%	20.06.2017	Euro	20,000,000
Mediobanca	12,188	10,313	1,875		2.82%	20.06.2017	Euro	15,000,000
Banca Popolare di Bergamo	1,000	1,000	-		4.28%	30.11.2018	Euro	1,000,000
Credito Artigiano	16,855	15,143	1,712	(f.r.)	3.25%	31.12.2018	Euro	20,000,000
Barclays Bank	8,500	7,500	1,000	(f.r.)	2.88%	30.06.2019	Euro	10,000,000
Mediobanca	20,000	20,000	-		4.44%	01.04.2020	Euro	20,000,000
Factor Banka	4,496	4,176	320	(f.r.)	2.84%	31.12.2022	Euro	5,200,000
Mediobanca	13,393	12,322	1,071		2.90%	20.06.2023	Euro	15,000,000
Mediocredito Italiano	20,000	18,519	1,481	(f.r.)	2.30%	31.03.2024	Euro	20,000,000
Monte Paschi di Siena	10,000	9,000	1,000		4.21%	15.06.2025	Euro	10,000,000
Other financial payables	68	-	68					
Derivatives	1,475	1,051	424					
Amounts due to leasing companies	1,648	754	894					
Total	**177,252**	**143,800**	**33,452**					

Covenants

The loan agreements marked by an asterisk (*) contain financial restrictions (covenants) that 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 1,875 thousand, has been hedged by an IRS agreement entered into on 5 June 2003 that anticipates the payment of a fixed rate of 3.34 % against a floating 6-month Euribor rate.
   The fair value as at 31 December 2010, calculated by the same bank, was negative for a total of Euro 46 thousand (at 31 December 2009 negative for Euro 75 thousand).
2. The loan agreement outstanding with Mediobanca whose residual debt amounts to Euro 16,250 thousand has been hedged by an IRS agreement entered into on 24 October 2007 that anticipates the payment of a fixed rate of 4.39% against a floating 6-month Euribor rate.
   The fair value as at 31 December 2010, calculated by the same bank, was negative for a total of Euro 1,188 thousand (at 31 December 2009 negative for Euro 1,220 thousand).
3. The loan agreement outstanding with Mediobanca whose residual debt amounts to Euro 12,188 thousand has been hedged by an IRS agreement entered into on 14 May 2009 that anticipates the payment of a fixed rate of 2.815 % against a floating 6-month Euribor rate.
   The fair value as at 31 December 2010, calculated by the same bank, was negative for a total of Euro 241 thousand (at 31 December 2009 negative for Euro 74 thousand).
4. The loan agreement outstanding with Mediobanca whose residual debt amounts to Euro 13,393 thousand has been hedged by an IRS agreement entered into on 19 May 2010 that anticipates the payment of a fixed rate of 2.895% against a floating 6-month Euribor rate.
   The fair value as at 31 December 2010, calculated by the same bank, was positive for a total of Euro 1 thousand.

Hierarchical levels of fair value measurement

As regards the financial instruments recorded in the statement of financial position at fair value, the IFRS 7 requires that such values be classified on the basis of a hierarchical level that reflects the importance of the inputs used when determining the fair value.
The levels are broken down as follows:

- Level 1 – prices recorded on an active market for measured assets or liabilities;
- Level 2 – inputs other than the prices set forth above, which are directly (prices) or indirectly (derived from the prices) observable on the market;
- Level 3 – inputs that are based on observable market figures.

The following table shows the assets and liabilities at fair value as at 31 December 2010, by hierarchical level of fair value measurement:

Payables and other liabilities	Notes	Level 1	Level 2	Level 3	Total
Intesa San Paolo		-	(46)	-	(46)
Mediobanca		-	(1,188)	-	(1,188)
Mediobanca		-	(241)	-	(241)
Mediobanca		-	1	-	1
Total		**-**	**(1,474)**	**-**	**(1,474)**

The item "Other payables" includes the commitments of the company SOL S.p.A. to repurchase shares in the companies SOL SEE Doo (Euro 2,922 thousand), GTS ShPK (Euro 802 thousand), IMG Doo (Euro 776 thousand) and SOL K ShPK (Euro 1,702 thousand) presently held by the company SIMEST SpA.

26. Current liabilities

Balance as at 12.31.10	140,179
Balance as at 12.31.09	130,987
Change	**9,192**

The breakdown for this item is as follows:

Description	**12.31.2010**	12.31.2009	Change
Payables to banks	10,472	4,516	5,956
Trade accounts payable	69,209	64,281	4,928
Other financial liabilities	33,506	30,976	2,530
Current tax liabilities	8,698	12,046	(3,348)
Other current liabilities	10,201	11,998	(1,797)
Accrued expenses and deferred income	8,093	7,170	923
Total	**140,179**	130,987	9,192

The item "Other financial liabilities" includes the short-term portions of the amounts due to other lenders totalling Euro 33,452 thousand and amounts due to shareholders for loans totalling Euro 54 thousand.

The breakdown for the item "Current tax liabilities" comprises:

Description	**12.31.2010**	12.31.2009	Change
Amounts due in respect of income tax	4,109	3,705	404
Amounts due to Inland Revenue in respect of VAT	1,938	4,099	(2,161)
Amounts due in respect of withholding tax	1,696	1,445	251
Other current tax liabilities	955	2,797	(1,842)
Total	**8,698**	12,046	(3,348)

"Other current liabilities" comprise:

Description	**12.31.2010**	12.31.2009	Change
Amounts due to Social Security institutions	3,658	3,613	45
Accrued holidays not taken	3,749	3,186	563
Amounts due to employees for wages and salaries	1,119	863	256
Guarantee deposits	497	459	38
Amounts due for acquisition of equity investments	166	470	(304)
Other payables	1,012	3,407	(2,395)
Total	**10,201**	11,998	(1,797)

The item "Amounts due for purchase of equity investments" includes the commitments of the company SOL S.p.A. to repurchase shares in the companies ENERGETIKA Z.J. Doo (Euro 166 thousand) presently held by the company SIMEST SPA.

"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	**12.31.2010**	12.31.2009	Change
Accrued expenses:			
Interest payable on loans	764	543	221
Other	1,739	795	944
Total accrued expenses	**2,503**	1,338	1,165
Deferred income:			
Sink funds granted	170	107	63
Rentals receivable	134	84	50
Other	5,286	5,641	(355)
Total deferred income	**5,590**	5,832	(242)
Total	**8,093**	7,170	923

Breakdown of revenues by type of business Sol Group

			12.31.2010				
(In thousands of Euro)	Technical gas sector	%	Home-care service sector	%	Write-downs	Consolidated figures	%
Technical Gas sector	325,090	100.0%	-		(19,119)	305,971	59.0%
Home-care service sector	-		213,419	100.0%	(497)	212,922	41.0%
Net sales	**325,090**	**100.0%**	**213,419**	**100.0%**	**(19,616)**	**518,893**	**100.0%**
Other revenues and income	2,178	0.7%	348	0.2%	(432)	2,094	0.4%
Internal works and collections	4,039	1.2%	8,922	4.2%	93	13,054	2.5%
Revenues	**331,307**	**101.9%**	**222,689**	**104.3%**	**(19,955)**	**534,041**	**102.9%**
Purchase of materials	98,084	30.2%	63,473	29.7%	(13,007)	148,550	28.6%
Services rendered	95,459	29.4%	64,251	30.1%	(5,983)	153,727	29.6%
Change in inventories	21	0.0%	(2,549)	-1.2%	-	(2,528)	-0.5%
Other costs	10,229	3.1%	8,446	4.0%	(963)	17,712	3.4%
Total costs	**203,793**	**62.7%**	**133,621**	**62.6%**	**(19,953)**	**317,461**	**61.2%**
Added value	**127,514**	**39.2%**	**89,068**	**41.7%**	**(2)**	**216,580**	**41.7%**
Payroll and related costs	57,286	17.6%	35,662	16.7%	-	92,948	17.9%
Gross Operating Margin	**70,228**	**21.6%**	**53,406**	**25.0%**	**(2)**	**123,632**	**23.8%**
Depreciation/amortisation	37,987	11.7%	21,749	10.2%	-	59,736	11.5%
Other provisions	3,614	1.1%	664	0.3%	-	4,278	0.8%
Non-recurring income/expense	-		-		-	-	
Operating result	**28,627**	**8.8%**	**30,993**	**14.5%**	**(2)**	**59,618**	**11.5%**
Financial income	8,001	2.5%	656	0.3%	(7,548)	1,109	0.2%
Financial expense	6,577	2.0%	2,760	1.3%	(1,109)	8,228	1.6%
Total financial income / (expense)	1,424	0.4%	(2,104)	-1.0%	(6,439)	(7,119)	-1.4%
Profit (Loss) before income taxes	**30,051**	**9.2%**	**28,889**	**13.5%**	**(6,441)**	**52,499**	**10.1%**
Income taxes	9,722	3.0%	9,950	4.7%	-	19,672	3.8%
Net result from business activities	**20,329**	**6.3%**	**18,939**	**8.9%**	**(6,441)**	**32,827**	**6.3%**
Net result from intermittent activities	-		-		-	-	
(Profit) / Loss pertaining to minority interests	(301)	-0.1%	(646)	-0.3%	-	(947)	-0.2%
Net Profit / (Loss)	**20,028**	**6.2%**	**18,293**	**8.6%**	**(6,441)**	**31,880**	**6.1%**

Other Information Sol Group

		12.31.2010		
(In thousands of Euro)	Technical gas sector	Home-care service sector	Write-downs	Consolidated figures
Total assets	**541,673**	**278,787**	**(161,602)**	**658,858**
Total liabilities	**240,011**	**121,806**	**(56,889)**	**304,928**
Investments	**32,867**	**29,266**		**62,133**

12.31.2009							
	Technical gas sector	%	Home-care service sector	%	Write downs	Consolidated figures	%
	296,273	100.0%	-		(15,689)	280,584	60.7%
	-		182,522	100.0%	(485)	182,037	39.3%
	296,273	100.0%	182,522	100.0%	(16,174)	462,621	100.0%
	2,851	1.0%	931	0.5%	(456)	3,326	0.7%
	5,395	1.8%	7,728	4.2%	27	13,150	2.8%
	304,519	102.8%	191,181	104.7%	(16,603)	479,097	103.6%
	87,452	29.5%	53,957	29.6%	(11,295)	130,114	28.1%
	88,963	30.0%	55,367	30.3%	(4,345)	139,985	30.3%
	597	0.2%	(1,879)	-1.0%	-	(1,282)	-0.3%
	9,610	3.2%	7,192	3.9%	(961)	15,841	3.4%
	186,622	63.0%	114,637	62.8%	(16,601)	284,658	61.5%
	117,897	39.8%	76,544	41.9%	(2)	194,439	42.0%
	54,798	18.5%	29,988	16.4%	-	84,786	18.3%
	63,099	21.3%	46,556	25.5%	(2)	109,653	23.7%
	37,109	12.5%	18,517	10.1%	-	55,626	12.0%
	3,871	1.3%	291	0.2%	-	4,162	0.9%
	-		-		-	-	
	22,119	7.5%	27,748	15.2%	(2)	49,865	10.8%
	7,705	2.6%	1,101	0.6%	(7,488)	1,318	0.3%
	6,757	2.3%	2,726	1.5%	(1,402)	8,081	1.7%
	948	0.3%	(1,625)	-0.9%	(6,086)	(6,763)	-1.5%
	23,067	7.8%	26,123	14.3%	(6,088)	43,102	9.3%
	8,894	3.0%	8,106	4.4%	-	17,000	3.7%
	14,173	4.8%	18,017	9.9%	(6,088)	26,102	5.6%
	-		-		-	-	
	(364)	-0.1%	(651)	-0.4%	(1)	(1,016)	-0.2%
	13,809	4.7%	17,366	9.5%	(6,089)	25,086	5.4%

12.31.2009				
	Technical gas sector	Home-care service sector	Write downs	Consolidated figures
	520,932	248,403	(145,146)	624,189
	231,668	103,339	(40,446)	294,561
	40,501	22,930		63,431

Breakdown of revenues by type of business: Technical Gas sector

The income statement of the Technical Gas Sector is shown below:

(In thousands of Euro)	12.31.2010	%	12.31.2009	%
Net sales	**325,090**	100.0%	296,273	100.0%
Other revenues and income	2,178	0.7%	2,851	1.0%
Internal works and collections	4,039	1.2%	5,395	1.8%
Revenues	**331,307**	101.9%	304,519	102.8%
Purchase of materials	98,084	30.2%	87,452	29.5%
Services rendered	95,459	29.4%	88,963	30.0%
Change in inventories	21	0.0%	597	0.2%
Other costs	10,229	3.1%	9,610	3.2%
Total costs	**203,793**	62.7%	186,622	63.0%
Added value	**127,514**	39.2%	117,897	39.8%
Payroll and related costs	57,286	17.6%	54,798	18.5%
Gross Operating Margin	**70,228**	21.6%	63,099	21.3%
Depreciation/amortisation	37,987	11.7%	37,109	12.5%
Other provisions	3,614	1.1%	3,871	1.3%
Non-recurring income/expense	-		-	
Operating result	**28,627**	8.8%	22,119	7.5%
Financial income	8,001	2.5%	7,705	2.6%
Financial expense	6,577	2.0%	6,757	2.3%
Total financial income / (expense)	1,424	0.4%	948	0.3%
Profit (Loss) before income taxes	**30,051**	9.2%	23,067	7.8%
Income taxes	9,722	3.0%	8,894	3.0%
Net result from business activities	**20,329**	6.3%	14,173	4.8%
Net result from intermittent activities	-		-	
(Profit) / Loss pertaining to minority interests	(301)	-0.1%	(364)	-0.1%
Net Profit / (Loss)	**20,025**	6.2%	13,809	4.7%

Sales in the Technical Gas Sector reported a 9.7% increase.

Gross operating margin increased by 11.3% compared to the previous year.

Operating result increased by 29.4% compared to the previous year.

The statement of financial position of the Technical Gas sector is presented below:

(in thousands of Euro)	**12.31.2010**	12.31.2009
Tangible fixed assets	253,271	257,856
Goodwill and consolidation differences	2,179	1,225
Other intangible fixed assets	5,088	2,834
Equity investments	59,558	59,626
Other financial assets	40,726	26,331
Prepaid taxes	2,974	2,574
NON-CURRENT ASSETS	**363,796**	350,446
Non-current assets held for sale	**-**	-
Inventories	13,470	13,495
Trade receivables	142,928	129,863
Other current assets	3,583	7,402
Current financial assets	266	240
Prepayments and accrued income	1,225	914
Cash and cash at bank	16,405	18,572
CURRENT ASSETS	**177,877**	170,486
TOTAL ASSETS	**541,673**	520,932
Share capital	47,164	47,164
Share premium reserve	63,335	63,335
Legal reserve	7,133	6,486
Reserve for treasury shares in portfolio	-	-
Other reserves	156,708	151,957
Retained earnings (accumulated loss)	-	-
Net Profit	20,028	13,809
Shareholders' equity-Group	**294,368**	282,751
Shareholders' equity - Minority interests	6,993	6,149
Profit pertaining to minority interests	301	364
Shareholders' equity - Minority interests	**7,294**	6,513
SHAREHOLDERS' EQUITY	**301,662**	289,264
Employee severance indemnities and other benefits	7,308	7,635
Deferred taxation	2,796	2,996
Provisions for risks and charges	1,335	4,919
Payables and other financial liabilities	131,369	122,318
NON-CURRENT LIABILITIES	**142,808**	137,868
Non-current liabilities held for sale	**-**	-
Payables to banks	10,464	4,389
Trade accounts payable	49,228	47,647
Other financial liabilities	25,361	25,691
Current tax liabilities	4,693	8,936
Accrued expenses and deferred income	1,482	1,238
Other current liabilities	5,975	5,899
CURRENT LIABILITIES	**97,203**	93,800
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**541,673**	520,932

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

The income statement of the Home-care Service sector is shown below:

(In thousands of Euro)	12.31.2010	%	12.31.2009	%
Net sales	**213,419**	100.0%	182,522	100.0%
Other revenues and income	348	0.2%	931	0.5%
Internal works and collections	8,922	4.2%	7,728	4.2%
Revenues	**222,689**	104.3%	191,181	104.7%
Purchase of materials	63,473	29.7%	53,957	29.6%
Services rendered	64,251	30.1%	55,367	30.3%
Change in inventories	(2,549)	-1.2%	(1,879)	-1.0%
Other costs	8,446	4.0%	7,192	3.9%
Total costs	**133,621**	62.6%	114,637	62.8%
Added value	**89,068**	41.7%	76,544	41.9%
Payroll and related costs	35,662	16.7%	29,988	16.4%
Gross Operating Margin	**53,406**	25.0%	46,556	25.5%
Depreciation/amortisation	21,749	10.2%	18,517	10.1%
Other provisions	664	0.3%	291	0.2%
Operating result	**30,993**	14.5%	27,748	15.2%
Financial income	656	0.3%	1,101	0.6%
Financial expense	2,760	1.3%	2,726	1.5%
Total financial income / (expense)	(2,104)	-1.0%	(1,625)	-0.9%
Profit (Loss) before income taxes	**28,889**	13.5%	26,123	14.3%
Income taxes	9,950	4.7%	8,106	4.4%
Net result from business activities	**18,939**	8.9%	18,017	9.9%
Net result from intermittent activities	-		-	
(Profit) / Loss pertaining to minority interests	(646)	-0.3%	(651)	-0.4%
Net Profit / (Loss)	**18,293**	8.6%	17,366	9.5%

Sales in the Home-care Service sector reported an increase of 16.9%.

Gross operating margin increased by 14.7% compared to the previous year.

Operating result increased by 11.7% compared to the previous year.

The statement of financial position of the Home-care Service sector is presented below:

(in thousands of Euro)	**12.31.2010**	12.31.2009
Tangible fixed assets	68,991	60,109
Goodwill and consolidation differences	19,407	11,194
Other intangible fixed assets	739	724
Equity investments	45,648	45,634
Other financial assets	6,543	6,389
Prepaid taxes	465	537
NON-CURRENT ASSETS	**141,793**	124,587
Non-current assets held for sale	**-**	-
Inventories	18,216	15,044
Trade receivables	94,014	80,578
Other current assets	8,237	4,636
Current financial assets	-	-
Prepayments and accrued income	618	578
Cash and cash at bank	15,909	22,980
CURRENT ASSETS	**136,994**	123,816
TOTAL ASSETS	**278,787**	248,403
Share capital	7,750	7,750
Share premium reserve	22,484	22,484
Legal reserve	-	-
Reserve for treasury shares in portfolio	-	-
Other reserves	77,486	68,908
Retained earnings (accumulated loss)	27,022	24,922
Net Profit	18,293	17,366
Shareholders' equity-Group	**153,035**	141,430
Shareholders' equity - Minority interests	3,300	2,983
Profit pertaining to minority interests	646	651
Shareholders' equity - Minority interests	**3,946**	3,634
SHAREHOLDERS' EQUITY	**156,981**	145,064
Employee severance indemnities and other benefits	1,660	1,630
Deferred taxation	615	476
Provisions for risks and charges	150	234
Payables and other liabilities	19,515	23,367
NON-CURRENT LIABILITIES	**21,940**	25,707
Non-current liabilities held for sale	**-**	-
Payables to banks	9	127
Trade accounts payable	76,869	57,080
Other financial liabilities	8,145	5,285
Current tax liabilities	4,005	3,110
Accrued expenses and deferred income	6,611	5,932
Other current liabilities	4,227	6,098
CURRENT LIABILITIES	**99,866**	77,632
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**278,787**	248,403

Information by geographic area

The breakdown of revenues by geographic area is presented below:

Description	12.31.2010	12.31.2009	Movement
Italy	301,629	276,062	25,567
Rest of Europe	217,264	186,559	30,705
Total	**518,893**	462,621	56,272

The breakdown of investments by geographic area is presented below:

Description	12.31.2010	12.31.2009	Change
Italy	26,635	11,610	15,025
Rest of Europe	35,498	51,821	(16,323)
Total	**62,133**	63,431	(1,298)

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.

Intragroup transactions

All the infraGroup transactions fall within the ordinary operations of the Group, they 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 2010 amounted to Euro 94.3 million.

As at 31 December 2010, receivable and payable transactions between Group companies came to Euro 146.1 million, of which Euro 80.5 million of a financial nature and Euro 65.6 million of a trade nature.

The breakdown for the intercompany financial receivables is as follows:

• Financial receivables granted by SOL S.P.A.	Euro	44,9 million
• Financial receivables granted by AIRSOL BV	Euro	29,2 million
• Financial receivables granteinies	Euro	6,4 million

The transactions of the SOL Group with associated companies comprised:

• Purchases from Consorgas Srl	Euro	258 thousand
• Amounts due to Consorgas Srl	Euro	6 thousand
• Purchases from Medical System Srl	Euro	370 thousand
• Amounts due to Medical System Srl	Euro	169 thousand

Commitments, guarantees and potential liabilities

The Sol Group obtained sureties totalling Euro 22,174 thousand and issued letters of support totalling Euro 1,000 thousand guaranteeing loans granted to Group companies.

Net financial position

(in thousands of Euro)	**12.31.2010**	12.31.2009
a Cash	224	201
b Bank loans and overdrafts	32,090	41,783
c Securities held for trading	-	-
d Liquidity (a) + (b) + (c)	**32,314**	**41,984**
e Securities	266	240
e Other short-term financial assets	-	-
e Current financial receivables	**266**	**240**
f Short-term amounts due to banks	(10,472)	(4,516)
g Loans – short term portion	(32,134)	(29,710)
g Leases – short term portion	(894)	(915)
h Amounts due to shareholders for loans	(54)	-
h Amounts due to Shareholders for the purchase of equity investments	(166)	(470)
h Other short-term financial liabilities	(424)	(351)
i Current borrowing (f) + (g) + (h)	**(44,144)**	**(35,962)**
j Net current borrowing (d) + (e) + (i)	**(11,564)**	**6,262**
k Long-term amounts due to banks	-	-
l bonds issued	-	-
m Investment securities	292	8
m Other long-term financial assets	1	-
m Loans – long-term portion	(141,995)	(137,822)
m Amounts due to lenders for Leasing	(754)	(1,713)
m Amounts due to Shareholders for the purchase of equity investments	(6,202)	(4,666)
m Other long-term financial liabilities	(1,051)	(1,018)
n Non-current borrowing (k) + (l) + (m)	**(149,709)**	**(145,211)**
o Net borrowing (j) + (n)	**(161,273)**	**(138,949)**

Information on risks

Risks related to the general economic trend

The Group performance is affected by the increase or decrease of the gross national product, industrial production, cost of energy products and health expense policies adopted in the different European countries in which the Group works.
A slight economic upturn occurred during 2010; however, this has not allowed yet to move to the production levels achieved before 2009, year of the global crisis.

Risks relevant to the results of the Group

The SOL Group works partially in sectors considerably regulated by economic cycles related to the trend of the industrial production, such as iron, metallurgical, engineering industry and glass manufacture. In the case of a new decline in business, the growth and profitability of the Group could be partially affected.
Moreover, state policies for reducing health expenses could cause a reduction in margins of the home-care and medical gas sectors.

Risks related to fund requirements

The SOL Group carries on an activity that contemplates considerable investments both in production and in commercial equipment and expects to face up to requirements through the flows deriving from the operational management and from new bank loans.
The operational management should continue to create appropriate financial resources. Moreover, resorting to new loans, notwithstanding the excellent financial soundness of the Group, could experience an increase in spreads applied by the banks on future loans.

Other 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, and to commodity costs), in that the Group operates at international level in different currency areas and uses financial instruments that 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 write-down. Provisions are made on a collective basis for receivables that are not subject to individual write-down, 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 that 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 that holds them.

A number of Group subsidiary companies are located in countries that do not belong to the European Monetary Union, in particular Switzerland, Bosnia, Croatia, Serbia, Albania, Macedonia, Bulgaria, United Kingdom and India. Since the reference currency for the Group is the Euro, the income statements 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 that 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 are 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 centralisation 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 agreements.

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 42 thousand; a presumed increase in short-term interest rates by 0.50 % would imply an increase in financial expense of ca. Euro 197 thousand.

For what concerns the three existing Interest Rate Swap contracts related to variable rate loans, a presumed and instantaneous increase in short-term interest rates by 10 % would imply a negative fair value of ca. Euro 1,147 thousand. Vice versa, a decrease would determine a negative fair value of ca. Euro 1,688 thousand.

A presumed and instantaneous change in short-term interest rates by 0.50 % would imply a negative fair value of ca. Euro 2,254 thousand. Vice versa, a decrease would determine a negative fair value of ca. Euro 720 thousand.

The Parent Company has stipulated Interest Rate Swap agreements linked to floating rate medium-term loans with the aim of ensuring itself a fixed rate on said loans. The notional value as at 31 December 2010 is equal to Euro 43,706 thousand and the negative fair value is equal to Euro 1,474 thousand.

Risks relevant to the personnel

In the different countries in which the Group operates, employees are protected by different laws and/or collective labour contracts that guarantee them the right to be consulted on specific issues - including the downsizing and closing of departments and the reduction of employees - through representations. This could affect the Group's flexibility in redefining strategically its own organisations and activities.

The management of the Group consists of persons of proven expertise and normally having a long experience in the sectors in which the Group operates. The replacement of any person in the management may require a long period of time.

Risks relevant to the environment

The products and the activities of the SOL Group are subject to more and more complex and strict authorisation and environmental rules and regulations. This concerns manufacturing plants subject to regulations on emissions in the atmosphere, waste disposal, wastewater disposal and land contamination ban.

High charges should be shouldered in order to observe such regulations.

Information pursuant to article 149 duodecies of the Consob Issuer Regulation

The following table, drawn up pursuant to Article 149 duodecies of the Consob Issuer Regulation, shows the considerations pertaining to the 2010 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	Addressee	Considerations pertaining to the 2010 financial year
Auditing	BDO SpA	SOL SpA Parent Company	86
	BDO SpA	Subsidiary companies	36
	BDO network	Subsidiary companies	132
Quarterly audit	BDO SpA	SOL SpA Parent Company	8
	BDO SpA	Subsidiary companies	7
Other services	BDO SpA	SOL SpA Parent Company (1)	23
	BDO SpA	Subsidiary companies (1)	12
	BDO network	Subsidiary companies (1)	75
Total			**379**

(1) Fiscal aid services and others

Non-recurring significant events and transactions

Pursuant to Consob communication no. DEM/6064296 of 28 July 2006, the SOL Group did not carry out non-recurring significant events and transactions during 2010.

Transactions deriving from atypical and/or unusual operations

Pursuant to Consob communication no. DEM/6064296 of 28 July 2006, the SOL Group did not carry out atypical and/or unusual operations in 2009, as defined by the Communication itself.

Significant events that 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 30, 2011

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

Certificate of the Consolidated financial statements pursuant to Article 154-bis of Italian Legislative Decree 58/98

The undersigned Aldo Fumagalli Romario and Marco Annoni, as Managing directors and Marco Filippi, as Manager in charge of the drawing up company accounting documents of SOL S.p.A., certify, considering also what is provided by Article 154-bis, sub-paragraphs 3 and 4, of Italian Legislative Decree no. 58 of 24 February 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 2010 financial year.

We also certify that:

1. the consolidated financial statements:

a) have been prepared in accordance with the International Accounting Standards recognised by the European Community pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
b) correspond to the figures reported in the accounting records;
c) they are suitable for providing a true picture of the financial and economic position of the issuing company and of the consolidated companies;

2. the directors' report includes a reliable analysis of the business trend and operating result as well as of the situation of issuing company and of the consolidated companies, together with a description of the main risks and uncertainties they incur.

Monza, March 30, 2011

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

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

Report of the independent auditors Sol Group 2010

BDO

Tel.: +39 0229062098
Fax: +39 026575867
www.bdo.it

Largo Augusto, 8
20122 Milano
milano@bdo.it

Auditor's report on the consolidated financial statements
in accordance artt. 14 and 16 of legislative decree n. 39 of 27 January 2010
(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 the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the related explanatory notes, of SOL S.p.A. and its subsidiaries (the "SOL" Group") as of and for the year ended December 31, 2010. These financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n. 38/2005, are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these 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 consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the financial statements of prior year, which are presented for comparative purposes, reference should be made to our auditor's report issued on April 12, 2010.

3. In our opinion, the consolidated financial statements of SOL Group as of December 31, 2010 comply with International Financial Reporting Standards as adopted by European Union and the requirements of national regulations issued pursuant to art. 9 of legislative decree n. 38/2005; therefore , they are clearly stated and give a true and fair view of the financial position, the results of the operations and the cash flows of the SOL Group for the year then ended.

BDO

2.

4. The Directors of SOL S.p.A. are responsible for the preparation of the report on operations and the annual report on corporate governance and ownership structures, published in the financial info section of SOL S.p.A. web site, in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on operations and of the information provided by paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) of art. 123-bis of legislative decree n. 58/1998 included in the annual report on corporate governance and ownership structures, with the financial statements, as required by law. For this purpose, we have performed the procedures required under Auditing Standard n. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the report on operations and the information provided by paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) of art. 123-bis of legislative decree n. 58/1998, included in the annual report on corporate governance and ownership structures, are consistent with the consolidated financial statements of SOL Group as of December 31, 2010.

Milan April 15, 2011

BDO S.p.A.

Signed by: Maurizio Vanoli
(Director)

Sol Spa

Via Borgazzi, 27 - 20900 Monza (MB) Italy - Telephone +39.039.23961 - Fax +39.039.2396375 - Email diaf@sol.it - www.sol.it