

INCOME STATEMENT (in Euro)	31/12/2003	31/12/2002
FINANCIAL INCOME AND CHARGES		
Income from equity investments from associated companies	118,627	82,265
	118,627	82,265
Other financial income from receivables in non-current assets other	808,048	1,553,215
	808,048	1,553,215
income other than above interest and commissions from subsidiaries interest and commissions from parent companies interest and commissions from others	21,180 1,569,038 17,473,007	130,322 652,600 29,503,808
	19,063,225	30,286,730
Interest and other financial charges interest and commissions from subsidiaries interest and commissions from parent companies interest and commissions from others	19,057 238,480 20,905,436	17,344 226,556 35,287,039
	21,162,973	35,530,939
TOTAL FINANCIAL INCOME AND CHARGES	(1,173,073)	(3,608,729)
ADJUSTMENT TO FINANCIAL ASSETS		
Revaluations of investments	138,999	8,870
Write-downs of investments	(16,485,204)	(921,852)
TOTAL ADJUSTMENTS TO FINANCIAL ASSETS	(16,346,205)	(912,982)
EXTRAORDINARY INCOME AND CHARGES		
Income gain on asset disposals over-accruals and other in prior years	52 3,196,670	1,805,350 1,467,629
	3,196,722	3,272,979
Charges personnel departures taxes from prior years under-accruals and other in prior years extraordinary provisions	5,217,014 682,086 3,449,249 5,693,797	9,019,398 763,575 2,997,922 6,729,181
	15,042,146	19,510,076
TOTAL EXTRAORDINARY ITEMS	(11,845,424)	(16,237,097)
Pre-tax result	8,892,149	14,855,077
Income taxes	5,798,027	5,630,764
PROFIT (LOSS) FOR THE YEAR	3,094,122	9,224,313

NOTES TO THE FINANCIAL STATEMENTS

FORM AND CONTENTS OF THE FINANCIAL STATEMENTS

The financial statements for the year 2003 have been prepared in accordance with the statutory requirements as required by articles 2424, 2424 bis, 2425, and 2425 bis of the Civil Code for the income statement and balance sheet and as required by articles 2427 of the Civil Code for the notes to the financial statements. In addition, all of the complementary information considered necessary in order to provide a true and fair view is included, even if not required by specific provisions in the legislation. In relation to the Balance Sheet and Income Statement no re-groupings have been made of account items. All of the amounts are expressed in Euro.

No departures have been made in the preparation of the financial statements as permitted by the 4th paragraph of article 2423 of the Civil Code.

The notes to the financial statements are expressed in thousands of Euro; the information required by the Civil Code are in some cases supplemented by detailed schedules which are considered as an integral part of the Notes. For a better understanding of the financial statements these schedules are provided as attachments.

The Share Capital of the company is held 100% by Finmeccanica S.p.A. with head office in Rome, Piazza Montegrappa 4.

The Company avails of the faculty not to prepare Consolidated Financial Statements in accordance with Legislative Decree 127 of 1991. A copy of the consolidated Financial Statements of Finmeccanica S.p.A., of the directors' report and the statutory and independent auditors' reports are made public in accordance with statutory requirements.

ACCOUNTING PRINCIPLES

The valuation of the individual items in the financial statements are based on the general principles of prudence and accruals, and on a going concern basis.

The accounting policies adopted in the preparation of the financial statements are those as required by article 2426 of the Civil Code and the accounting principles of the Italian Accounting Profession (Dottori Commercialisti e dei Ragionieri).

The most significant accounting policies adopted in the preparation of the financial statements are those as shown below, with any significant variations from the previous years shown in the individual comments to the notes in the financial statements.

Intangible assets

They relate to the acquisition costs, if external, or production, if internal, that do not exhaust their utility in the year they are incurred but demonstrate a capacity to produce future economic benefits. Amortisation is made over the period of their future economic utility, normally over five years, except for software and know-how which are amortised over three years.

The costs of set-up and expansion, and research and development are recorded with the approval of the Statutory Auditors.

Where during the year there is a permanent impairment in the future utility, the amount is written down.

Tangible assets and depreciation

They relate to the acquisition costs, if external, or production, if internal, increased for the effect deriving from the application, in the past, of legal monetary revaluations.

Some assets have been revalued to market value following operations of an extraordinary nature such as mergers by incorporation.

The depreciation is charged to the income statement on a straight line basis on rates taking into consideration the asset's estimated useful life.

For the first year of use, the depreciation rates are reduced to 50%.

The Company Ansaldo Componenti S.r.l. has made accelerated depreciation to take advantage of fiscal relief in the years 1989, 1990, 1991, 1992 and 1993.

On-going maintenance costs are charged directly to the income statement in the year in which they are incurred.

Extraordinary maintenance costs are capitalized in the year in which they are incurred.

Assets whose value at the balance sheet date have suffered permanent impairment in value are written down to their economic value; the original value is written back in successive years where the conditions for their write-off no longer exist, adjusted only for depreciation.

Equity investments

Equity investments are valued at cost or under the net equity method. The net equity method is applied when the results from the participation are significant in order to give a fairer representation of the result and net equity of the company, considering the fact that Ansaldo Energia avails of the faculty provided to sub-groups not to prepare consolidated financial statements. For the other holdings the cost method is applied being the purchase price or subscription paid. The cost is reduced for permanent impairment in values where any losses are not expected to be covered by profits in the immediate future; the original value is written back in successive years when the conditions for their write-down no longer exist. If the losses are greater than the subscription value the difference is recorded in a "provision for losses on investments" within "Other Provisions for risks and charges" under liabilities. The financial statements used are those approved in the Shareholders' meeting or prepared by the Board of Director's for approval.

Inventory

Raw material and finished products

They are valued at the lower of cost and market value. The cost is determined with reference to the average cost method.

The inventories of obsolete or slow moving articles are written down through the recording in a specific provision account.

NOTES TO THE FINANCIAL STATEMENTS

Semi-finished

The production to be completed of a definite sale or made for inventory is valued at production cost.

Job orders work in progress

Work in progress on job orders with a duration of a number of years are valued as per the contractual revenues in accordance with the percentage of completion method. This method provides for the valuation of the contract based on the total compensation agreed upon and the advancement of the work determined by comparing the costs incurred to-date to the total costs forecast.

The losses on job orders, forecast based on objective and reasonable valuations, are fully charged to the income statement in the year in which they are noted and recorded in a specific work in progress provision account.

For the contracts that are stipulated in foreign currencies, the conversion of revenues in Euro is made:

- at the exchange rate at the date of invoicing, for the part invoiced and not covered by specific exchange risk cover contracts;
- at the spot exchange rate for the amounts covered with a specific exchange risk cover contracts;
- at the exchange rate at the year-end for the part not invoiced and not covered by exchange risk cover contracts.

The costs at the year-end still to be incurred in foreign currencies are converted to Euro at the current exchange rate.

The costs sustained in the offer phase are charged directly to the income statement in the year in which they are incurred.

The invoices issued to customers during the execution of the work are recorded in the account "Payments on account" under liabilities and recorded as revenues on the completion of the work.

The job order is considered finalised on the obtaining of a provisional acceptance certificate or equivalent document which, normally, coincides with the transfer of ownership of the plant; all the relative invoices are recorded in the income statement, in the account "Revenues from sales and services", while the costs to be incurred after the completion of the work are provided for in a specific reserve under liabilities.

The risks arising on a portion of the contractual revenues, generally represented by guarantees given to the customer, are reported in the memorandum accounts.

The work in progress on short-term job orders are valued at the lower of cost and realisable value.

Trade and financial payables and receivables

Payables and receivables are valued at their nominal value. The receivables are reduced directly for losses that are certain, while consideration is taken of further risks of non-payment with specific reserves.

The quota of the interest included in medium/long term receivables not matured at the year-end is deferred to future years.

The receivables subject to factoring are no longer included under receivables following receipt from the factoring company, the amount of the recourse risk is reported in the memorandum account; the interest due to the factor on the amounts received are recorded in the income statement in accordance with the accruals concept.

The payables and receivables in foreign currencies not covered by exchange risk contracts are converted to Euro at the exchange rate at the balance sheet date.

Provision for risks and charges

Provisions for risks and charges are recorded in respect of certain or probable losses or liabilities, the amount or due date of which could not be determined at year-end in relation to disputes in course, contentious matters, re-structuring costs and various other risks.

Employee leaving indemnity

The provision is accrued at the end of the year to cover the full liability to all employees in accordance with current legislation, national collective and integrated company agreements, net of advances paid. This liability is subject to revaluation in accordance with pre-determined indices.

Prepayments and accruals

They are recorded in accordance with the accruals concept.

Operations in foreign currencies

The receivables and payables originally expressed in foreign currencies are converted to Euro at the historical rate of the relative operation, adjusted to the spot rate when there is a specific exchange rate cover contract. The differences arising on the receipt and payment in foreign currencies are recorded in the income statement.

At the end of the year the amounts in foreign currency still open are adjusted to the exchange rate ruling at the balance sheet date. The adjustment relative to amounts of a short term nature are recorded in the income statement and those of a medium/long term nature are recorded in the income statement if the net difference is a loss, while profits are deferred in the Provision for deferred gains on foreign exchange in liabilities.

Taxes

Taxes have been calculated based on an estimate of the fiscal charge for the period in accordance with current fiscal legislation, taking into account exemptions and tax credits received.

NOTES TO THE FINANCIAL STATEMENTS

Deferred tax assets and liabilities are calculated on temporary differences between the values recorded in the financial statements and the corresponding values recognised for fiscal purposes. The deferred tax asset is only recorded if there exists reasonable certainty of their recovery.

Departures in accordance with paragraph 4 of article 2423 of the Civil Code

No exceptional events arose requiring departures in the preparation of the financial statements as permitted by the 4th paragraph of article 2423 of the Civil Code.

COMMENTS ON THE BALANCE SHEET ACCOUNTS

ASSETS

Fixed assets

For the three classes of fixed assets, intangibles, tangibles and financial assets, detailed schedules have been prepared as attachments no.1-2-3, which indicate for each item, the historical cost, accumulated amortisation and previous revaluations/write-downs, the movements in the year and the closing balances.

Intangible assets

The intangible assets consist of research and development costs relating to specific projects in which it is currently considered will result in the commercialisation of new products and a consequent recovery of the costs incurred. The balance has decreased by Euro 1,231 thousand compared to the previous year due to the amortisation for the period.

Tangible assets

Tangible assets are shown net of accumulated depreciation. The revaluations made in previous years relate principally to the application of law 413/91.

Land and buildings relate to the industrial sites at Genoa-Campi (Euro 38,775 thousand), Legnano (Euro 18,206 thousand) and overseas sites (Euro 167 thousand).

The movements in the period are shown in attachment no. 2.

The net increase of Euro 2,158 thousand compared to the previous year results from:

- Acquisition and capitalisation of new plant (Euro 17,911 thousand) relating principally to increasing the production capacity on the gas turbine production line (turbine blades and disks for rotaries). In relation to this, of note is the entry into service of a HOFFMANN broaching machine (Euro 4,762 thousand) and 4 MAGERLE adjustors (Euro 6,728 thousand).
- Capitalisation of plant in construction, which is expected to enter into service during 2004 amounting to Euro 3,905 thousand.
- Depreciation in the period for Euro 11,796 thousand calculated taking into account the useful life of the asset. The rates applied are as follows:

– Industrial buildings	3-5%
– Plant and machinery	5-20%
– Equipment	12.50-40%
– Furniture	12-20%
– Automobiles	20-25%
- decreases of Euro 10 thousand derive from disposals net of depreciation.

NOTES TO THE FINANCIAL STATEMENTS

Financial assets

HOLDINGS

The list of investments held, registered office, share capital, amount of the net equity, profit or loss for the period, percentage held and value recorded in the financial statements are included in schedule no. 4.

Schedule no. 3 shows the amounts recorded in the financial statements and the movements in the year.

Subsidiary companies

The principle changes relate to:

- The acquisition of 49% of Anserv (Euro 83 thousand) and 10% in the company Sopren S.p.A. (Euro 22 thousand).
- The payment to cover the losses in Sicom in liquidation (Euro 3,530 thousand) and the relative utilisation of the write-down reserve.
- The payment to cover the losses in ASIA Power Project (Euro 869 thousand) and the relative utilisation of the write-down reserve.
- The net equity valuation at December 31, 2003 of the subsidiary companies with charges of Euro 15,921 thousand and income of Euro 139 thousand. The most significant amount relates to the Indian subsidiary ASIA Power Project Private Ltd resulting in charges of Euro 15,770 thousand.

Associated companies

The principle changes relate to:

- The sale of the residual 40% held in Ansaldo Caldaie S.p.A. (Euro 4,339 thousand).
- The net equity valuation of Dayalistri Pratama Ltd with a provision for charges of Euro 511 thousand.

Other companies

The change relates principally to acquisitions, sales and closing of consortiums to which reference should be made to the attached schedules for further information.

PAYMENT OF SHARE CAPITAL

- The change of Euro 8 thousand relates to the payment for share capital in the company Hydropastaza.

RECEIVABLES

(Euro/thousand)	31/12/2002	Variations in period		31/12/2003
	Value in fin stat.	Paid	Reimburse- ment	Value in fin stat.
From others:				
- customers	6,607		6,521	86
- State and public bodies for subsidies and contributions	223		23	200
- other receivables	6,614	6,506	424	12,696
- Employee indemnity tax credit	4,809		1,103	3,706
	18,253	6,506	8,071	16,688

This item relates to receivables which are payable over one year, interest bearing or subject to revaluation.

The other receivables relate to the advance tax on the employee leaving indemnity in accordance with legislation 79/97 (Euro 3,706 thousand), a deferred interest bearing credit from an Algerian customer, subject to the SACE restructuring agreement (Euro 5,847 thousand) and from an Arabian customer (Euro 6,506 thousand), deposits (Euro 214 thousand) and CCNL advances and others (Euro 129 thousand). The most significant amount relates to the write back of the receivable from the client Sharjah subject to the SACE restructuring agreement (Euro 6,506 thousand) and the receipt of the final instalment from CASTI (Euro 6,521 thousand) for the sale of the production site at Legnano.

NOTES TO THE FINANCIAL STATEMENTS

Current assets

Inventory

RAW MATERIAL AND CONSUMABLES

Raw materials and consumables are recorded net of a provision for obsolete and slow moving inventory equal to Euro 4,077 thousand. The decrease in inventory is principally related to the changes made in the year and also a consequence of the sale of the production site at Legnano. In relation to this, obsolete material or material that could no longer be used was sold, with a utilisation of the obsolescence provision for a total amount of Euro 2,521 thousand. Parallel to this, a detailed analysis of the utilisation of inventory resulted in the recording of a further provision of Euro 2,028 thousand to counter the risks of obsolescence.

PRODUCTS IN WORK IN PROGRESS AND SEMI-FINISHED

Amount to Euro 55,375 thousand and relate to work in progress with characteristics of high standardisation that will be associated to the sales order only at the moment of identification of the project. The recording for the first time of products of this nature originates from the production reorganisation which, in improving the production efficiencies, rendered the processing of the Turbogas blade line and body machines (the latter in the initial phase) compatible with all orders. It should be noted that the order portfolio of the company consents a coverage of over 50% of these products in work in progress which are valued at production cost.

JOB ORDERS WORK IN PROGRESS

The job orders work in progress are recorded in the financial statements gross of advances received and pro-rata invoicing, recorded under liabilities, and net of inventory provision.

The net positions per job orders are as follows:

Order		Gross at 31/12/2003	On account 31/12/2003	Net 31/12/2003
0241	ENIPOWER - VARIOUS PLANT	488,387	(639,301)	(150,914)
0208	IRAN PHASE 1-N.12 TG+AT	359,429	(359,770)	(341)
0219	BALLYLUMFORD/IRELAND –COM. CYCLE.	260,623	(267,558)	(6,935)
0257	IRAN PHASE 2-N.12 TG+AT	167,863	(149,434)	18,429
0153	NEYVELI/INDIA-2 X 210 MW	118,374	(119,594)	(1,220)
M0510	MEDINA & YAMBU II S.A. - DESAL. 2x80 MW	99,749	(100,845)	(1,096)
0181	SONELGAZ/HAMMA II-C. OPEN 2x209 MW	98,074	(109,000)	(10,926)
0140	MEJILLONES III/CILE-IMP.COM. CYCLE.	92,307	(99,732)	(7,425)
0159	KOMOTINI/GRECIA-COMBINED CYCLE	61,522	(69,408)	(7,886)
0194	JEBEL ALI/U.A.E. - REPOWERING FASE 2	56,893	(61,511)	(4,618)
0213	LA CASELLA N. 2 T G V94.3.A2+ ACCESS.	51,920	(61,167)	(9,247)
0195	SAMALKOT/INDIA-COM. CYCLE OF 230MW	45,658	(40,486)	5,172
0237	BARKA OMAN-N. 2 TGAS+N. 2 ALT.	45,130	(50,785)	(5,655)
0184	MILMERRAN/AUSTRALIA - N. 2 GR 420 MW	41,368	(42,127)	(759)
	SERVICE ORDERS	428,453	(414,500)	13,953

The movements in the period of Euro 295,104 thousand can be summarised as follows:

Lavori in corso al 31/12/2002	2,833,033
Work in progress at 31/12/2002	746,565
Work commenced in the period	(451,385)
Write-down utilization	2,635
Write-down provision	(2,711)
Work in progress at 31/12/2003	3,128,137

The works completed relate to the jobs which have received the provisional acceptance certificate or equivalent document.

For these jobs, the costs still to be incurred after the closing of the work have been identified and recorded as reserves under "risk and charges" amounting to Euro 5,347 thousand.

PAYMENTS ON ACCOUNT

The payments on account to suppliers principally relate to long-term orders.

Receivables

They are recorded at their nominal value. Amounts not expressed in Euro are adjusted to the spot rate as per the specific contracts or in the absence of this, at the year-end rate.

For contentious receivables or doubt over recovery, in relation to disputes, judicial procedure or insolvency, a provision has been made for doubtful receivables.

The receivables recorded are not represented by bills of exchange or similar.

The movements in the period were as follows (in Euro/thousand):

VARIATIONS IN PERIOD				
	31/12/2002	Increase (+) Repay (-)	Provision (-) Write baack of value (+)	31/12/2003
Customers	430,128	(49,126)		381,002
less:				
- Prov. doubtful debts	18,682	(67)	1,325	19,940
- Prov. doubtful debts for interest	367	(367)		
Subsidiary companies	18,435	(7,440)		10,995
Associated companies	3,720	(3,190)		530
Holding companies	897	51,069		51,966
Others	72,172	(26,575)		45,597
less:				
- Prov. doubtful debts	209	(209)		
TOTAL	506,094	(34,619)	(1,325)	470,150

NOTES TO THE FINANCIAL STATEMENTS

The decrease in trade receivables is principally related to the quicker receipt on the Enipower and Tractebel orders.

The receivables from holding, subsidiary and associated companies, the details of which are included in the directors' report, are comprised of:

- financial receivables of Euro 61,500 thousand of which Euro 50,839 thousand from Finmeccanica SpA, and Euro 10,601 thousand from the Indian subsidiary APPL. The receivable from Finmeccanica originate from the centralised treasury procedures which were fully activated during the year;
- trade receivables of Euro 1,872 thousand.

The other receivables amount to Euro 45,597 thousand and are comprises of:

- receivables from tax authorities of Euro 14,013 thousand for reimbursements requested;
- receivables from overseas tax authorities for VAT (Euro 2,958 thousand);
- receivables from personnel and social security institutions for Euro 1,923 thousand;
- receivables from the Camozzi Group for Euro 13,875 thousand deriving from the sale of the business unit "Componenti Speciali Milano";
- receivables from insurance company (Euro 283 thousand), deposits (Euro 426 thousand);
- financial receivables from third parties (Euro 10,453 thousand) of which Euro 7,719 thousand from AETD, sold in the previous year. A specific repayment plan was agreed in relation to this latter receivable, with the payment of interest at market rates.

For an analysis of receivables by expiry date, nature, currency or exchange risk reference should be made to schedules no. 6 and 7.

Cash and banks

Bank deposits relate to Euro 3,342 thousand in local currencies in the overseas locations, Euro 1,243 thousand in foreign currency accounts in foreign and Italian banks, Euro 6,368 thousand on blocked accounts and Euro 2,207 thousand in ordinary current accounts.

Prepayments and Accrued Income

The account relates to the following:

- Accrued income

They are comprised of interest on SWAP operations (Euro 40 thousand).

- Prepayments

The most significant item (Euro 13,116 thousand) relates to the suspension of the differential, already charged by the financial institutions, for SWAP contracts which are deferred, and which will be recovered on the receipt of the receivable to which they are correlated.

The prepayments also include insurance premiums (Euro 2,565 thousand) and commissions on loans (Euro 1,288 thousand).

LIABILITIES

Net Equity

The changes in the net equity can be summarised as follows (in Euro thousands):

VARIATION IN PERIOD				
	31/12/2002	Allocation of profits/ cover. of losses	Profit/loss for the year	31/12/2003
Share capital	11,967			11,967
Legal reserve		461		461
Profit (loss) carried forward		8,763		8,763
Profit (loss) for the year	9,224	(9,224)	3,094	3,094
	21,191		3,094	24,285

On April 29, 2003 the Ordinary Shareholders' Meeting approved the financial statements for the year 2002, with a profit for the year of Euro 9,224 thousand and approved the allocation to the legal reserve of Euro 461 thousand and the carry forward of Euro 8,763 thousand.

The Share Capital of the Company, comprising 11,966,812 shares with a nominal value of Euro 1 each, is fully held by Finmeccanica SpA - Roma.

NOTES TO THE FINANCIAL STATEMENTS

Provision for risks and charges

The details of the provision for risk and charges is as follows (Euro thousands):

CHANGES IN PERIOD					
	31/12/2002	Reclass.	Provision to Income Statement	Direct Utilisation	31/12/2003
Pension rights and Similar obligations	405		92	122	375
Taxes	3,958		37	2,188	1,807
Other					
- Charges for contentious	11,740	(5,000)		407	6,333
- Charges for guarantees	16,573		8,934	7,807	17,700
- Restructuring charges	11,369	5,000	5,694	16,625	5,438
- Write down of participations	869		16,292	869	16,292
- Cost to completion	21,765		5,347	8,673	18,439
- Other charges and risks	4,028			3,930	98
	70,707		36,396	40,621	66,482

The provision for taxes was principally utilised against the amnesty tax for the closing of the contentious claim initiated in the years 1991/1993 which had not yet reached a final conclusion.

The other provisions are analysed as follows:

- **Charges for contentious disputes** – The provision represents the best estimate relating to the arbitration and disputes of a judicial nature with personnel (Euro 2,352 thousand) and third parties (Euro 3,981 thousand).
- **Charges for guarantees** – The provision is to cover risks related to the contractual performances of the orders in the course of completion. The provision was utilised for Euro 7,807 thousand and subsequently adjusted for future requirements with a provision of Euro 8,934 thousand. The Company considers that with this adjustment the provision is adequate to cover existing risks.
- **Restructuring charges** – Relates to the amounts provided against the risks connected to the sale of the activities as a consequence of the company restructuring. The provision decreased in the year following the closing of the claim with Mitsubishi relating to the boiler activity, sold in previous years and increased for provisions relating to redundancy costs following the departure from the site at Legnano.
- **Write-down of investments** – The amount is related to the losses of the subsidiary ASPL (Euro 15,770 thousand), of the associated company Dayalistri Pratama (Euro 511 thousand) and the Chiara Consortium (Euro 11 thousand). The provision decreased by 869 as utilisation for the covering of the losses in the subsidiary APPL.
- **Costs to completion** – They are costs to be incurred after the closing of orders for guarantees and completion of pending points.
- **Other charges and risks** – Relate to charges provided against expected costs for the liquidation of the company Ansaldo Middle East.

Employee leaving indemnity

The provision at the end of the year reflects the payable to employees in accordance with current legislation and contracts with personnel matured to December 31, 2003.

The amount has decreased by a net amount of Euro 4,543 thousand compared to the previous year, connected to the numerous departures of employees some of whom benefited from assisted pre-pension schemes.

Balance 31/12/2002		54,817
Change in year:	- provisions	6,835
	- utilisation	(11,210)
	- tax revaluation	(168)
		(4,543)
Balance 31/12/2003		50,274

Payables

For an analysis of payables by expiry date, nature, currency or exchange risk reference should be made to schedules no. 8 and 9. The payables are not subject to liens on the company assets.

CHANGES IN PERIOD			
(Euro/thousand)			
	31/12/2002	Increase (+) Decrease (-)	31/12/2003
Banks	16,551	(7,249)	9,302
Payments on account	3,127,034	242,576	3,369,610
Trade payables	235,069	38,695	273,764
Subsidiaries	10,439	(4,357)	6,082
Associated companies	6,222	(6,222)	0
Holding companies	13,124	(11,739)	1,385
Tax authorities	4,213	(543)	3,670
Social security Institutions	13,194	1,472	14,666
Other payables	34,412	(3,956)	30,456
	3,460,258	248,677	3,708,935

Payables to bank

They are comprised of medium/long term loans to Italian banks. They have decreased by Euro 7,249 thousand compared to the previous year, principally relating to temporary short-term positions, which reversed in the first days of the year.

NOTES TO THE FINANCIAL STATEMENTS

Payments on account

This account represents the amounts invoiced against work in progress on the basis of contractual conditions and is comprised of:

- Advance from customers 95,244 Euro/thousand
- Pro-rata invoicing 3,274,366 Euro/thousand

For the movements reference should be made to the comments in the account "Inventory".

Trade payables

Relate to contracts for the acquisition of goods and services principally relating to job orders and include the costs for the period not yet invoiced for materials delivered and services performed as at December 31, 2003.

They have increased by Euro 38,695 thousand compared to the previous year, relating essentially to withholdings made against specific responsibilities of a sub-contractor.

The payables not in Euro are adjusted to the exchange rate as at December 31, 2003.

Payables to subsidiary, associate and holding companies

For a detailed analysis reference should be made to the schedule contained in the directors' report.

The financial payables amount to Euro 1,880 thousand and show a decrease (Euro 1,232 thousand).

The trade payables (Euro 4,202 thousand) relate prevalently to the supply agreements with Sagem (Euro 2,144 thousand) and with APPL (Euro 1,927 thousand).

Other payables (Euro 1,385 thousand) relate to the Group VAT payable.

The payables not in Euro are adjusted to the exchange rate as at December 31, 2003.

Payables to tax authorities

Amount to Euro 3,670 thousand and relate to IRAP net of payments on account paid of Euro 5,481 thousand and, to Irpef withholding tax of Euro 2,893 thousand in December as substitute tax.

Payables to Social Security Institutions

This account equal to Euro 14,666 thousand relates to the social security contributions due by the personnel and the company for the December salaries and paid in January and other contributions which are paid annually and quarterly.

Other payables

This account includes payables to personnel for salaries and vacation days not taken (Euro 14,417 thousand), royalties matured (Euro 5,737 thousand), consultants (Euro 587 thousand) and overseas sites (Euro 564 thousand). The item also includes short-term financial payables (Euro 686 thousand), a medium/long term loan from the Ministry of Production Activity (Euro 6,700 thousand) and others (Euro 1,765 thousand).

Accrued liabilities and deferred income

They have been recorded in accordance with the accruals concept and have decreased by Euro 606 thousand.

Includes the quota of interest for future years (Euro 373 thousand) and suspension of Swap charges (Euro 20,804 thousand).

COMMENTS ON THE MEMORANDUM ACCOUNTS

Personal guarantees given

Guarantees given to third parties

They relate to guarantees given by the Company in favour of consortiums guaranteeing the work performed (Euro 1,000 thousand).

Sales and purchase commitments

Sales commitments

They amount to Euro 1,801,000 thousand relative to the contractual value of work in progress net of the amount already produced.

The sales commitments of foreign currencies for swap contracts agreed with credit institutions to cover the exchange risks of contractual revenues in foreign currencies, amount to Euro 33,739 thousand.

Purchase commitments

The irrevocable commitments of orders for the supply of goods and services relating to the company's activity amounts to Euro 1,080,000 thousand.

The purchase commitments of foreign currencies for Swap contracts covering costs in foreign currencies amount to Euro 6,162 thousand.

Other

Personal guarantees received

They relate to:

- guarantees received from suppliers for the correct execution of orders (Euro 204,652 thousand);
- guarantee given by MEIE against the guarantees given by Ansaldo Energia in favour of AETD (Euro 577 thousand);
- letters of credit given in our favour by customers guaranteeing payment (Euro 475,969 thousand);

NOTES TO THE FINANCIAL STATEMENTS

- the commitment by Otto SpA to honour the guarantees given by Ansaldo Energia SpA to customers for the correct execution of orders transferred to Otto (Euro 40,227 thousand).

Other Guarantees given for Company obligations

They relate to:

- guarantees given by financial institutions and insurance companies on behalf of customers of Ansaldo Energia guaranteeing the correct execution of the work (Euro 707,193 thousand), participation for tenders (Euro 6,295 thousand) and in favour of suppliers for letters of credit issued to guarantee payment (Euro 109,247 thousand);
- guarantees given by financial institutions (Euro 275 thousand) in favour of the VAT offices of Genoa and Milan, guaranteeing the reimbursement requested.

Third party assets on deposit

- Amount to Euro 2,035 thousand and relate to materials owned by Enipower, provided as an initial stock for the maintenance work programmed on seven combined cycles supplied by Ansaldo Energia.

COMMENTS ON THE INCOME STATEMENT

Value of production

(Euro/thousand)	31.12.2003	31.12.2002	Variazioni
Revenues from sales/services	451,385	549,833	(98,448)
Variation of product inventory	55,374		55,374
Changes in work in progress	295,104	290,951	4,153
Increase internally constructed assets	139	137	2
Other income	38,480	18,044	20,436
	840,482	858,965	(18,483)

The revenues from sales and services are shown in accordance with article 2427 of the Civil Code in attachment no.10.

The increase in assets internally constructed relates to the cost of labour for Euro 139 thousand and relate to tangible fixed assets.

Other income includes grants received for training (Euro 473 thousand), gains on asset disposals (Euro 57 thousand), other revenues (Euro 16,811 thousand) and recovery of expenses (Euro 21,139 thousand). The gains on disposals refer to the sale of plant and machinery relating to normal substitutions in Italy and overseas.

Other revenues include the write-back and receipt from SACE of receivables previously written-down (Euro 10,860 thousand), insurance reimbursement (Euro 4,043 thousand) relating essentially to claims on damages incurred on orders, recovery of expense for materials (Euro 7,096 thousand), personnel expenses (Euro 1,548 thousand) and rent (Euro 551 thousand). They also include the reimbursement from Finmeccanica (Euro 12,495 thousand) as a consequence of the resolution of the concession with the Sulcis Committee, in relation to the guarantees given in previous years.

The revenues from sales and services principally relate to the completion of orders (Euro 451,385 thousand). The most significant projects in the year, considered as completed having obtained the PAC, related to the supply of steam generators for Kewaunee (Euro 21,662 thousand), 2 turbo gas and 2 alternators for Meghanaghat (Euro 46,470 thousand) and service for the rehabilitation of the Costanera station (Euro 61,710 thousand).

Costs of production

Costs for acquisition of raw materials and consumables

They are comprised of purchases of materials (Euro 374,423 thousand), electric energy, water, gas (Euro 4,925 thousand). The amount has decreased Euro 24,736 thousand compared to the previous year due principally to lower volumes in the year.

Costs for services

This account includes the costs for external work and services (Euro 198,164 thousand), insurance (Euro 7,155 thousand), emoluments for directors and statutory auditors (Euro 103 thousand), custom charges and transport (Euro 13,257 thousand), royalties (Euro 8,369 thousand), travel and transfer of personnel (Euro 9,646 thousand), decentralised services (Euro 15,785 thousand) and commissions on guarantees of a commercial nature (Euro 7,750 thousand).

Costs for the use of third party assets

This account includes the amounts paid for the rent of buildings (Euro 2,082 thousand), photocopying and data processing (Euro 426 thousand) and other rents (Euro 399 thousand).

Personnel costs

Below is shown the average number of employees divided by category:

	2003	2002
Sen. Manager	108	115
Managers	238	247
White collar	1,106	1,141
Blue collar	937	957
TOTAL	2,389	2,460

NOTES TO THE FINANCIAL STATEMENTS

The cost (Euro 126,169 thousand) represents all amounts for the year including deferred, social charges and leaving indemnity matured as at December 31, 2003.

The personnel costs for overseas locations amounted to Euro 11,490 thousand.

The reduction in personnel costs continued in the current year principally due to the decrease in the number of employees from leaving incentive or pre-pension schemes.

Amortisation, depreciation and write-downs

The division of the three sub accounts are shown in the Income Statement, while the economic-technical rates applied are shown under "Intangible and tangible fixed assets".

The amortisation and their correlation to the assets in the Balance Sheet are shown in the schedule below (Euro/thousand).

Amortisation of intangible assets

	2003	2002
Research and development costs	1,231	2,498

They relate to costs capitalised in previous years.

Amortisation of tangible assets

	2003	2002
Land and buildings	2,572	2,572
Plant & machinery	6,165	5,775
Ind. & comm. equip.	2,403	2,062
Other	656	582
TOTAL	11,796	10,991

Provisions made of amounts in current assets

Relates to the provision for doubtful debt in relation to the risk of insolvency.

Change in inventory of raw materials, consumables and goods

In relation to this reference should be made to the account "Inventory" in the Balance Sheet and the schedule no. 5.

Provisions for risks

Relates to the provision for guarantees in relation to the risks of the orders in course.

Other operating costs

This item includes: losses on the sale of assets (Euro 5 thousand), indirect taxes and Italian and overseas taxes (Euro 2,003 thousand of which Euro 709 thousand for ICI), contributions to associations (Euro 358 thousand), losses on receivables (Euro 3,038 thousand) and others (Euro 337 thousand).

Financial income and charges

Income from investments

They relate to dividends received in the year from the foreign associated company NNS (Euro 119 thousand).

Other financial income

INCOME FROM RECEIVABLES IN NON-CURRENT ASSETS

Refers to interest on receivables from SACE (Euro 679 thousand) and tax credits (Euro 129 thousand).

OTHER INCOME (in Euro thousands)

	2003	2002
Interest on current a/c's:		
– Subsidiary companies	21	130
– Holding companies	1,569	652
– Bank and credit institutions	1,099	1,204
Other interest:		
– State		354
– Other	10	125
Foreign exchange gains:		
– Realised	13,589	22,969
– To be realised	2,272	3,181
Gains on Swap operations	503	1,671
TOTAL	19,063	30,286

The "interest and commissions from others", relate to bank interest (Euro 1,099 thousand), income from exchange difference on Swap contracts (Euro 13,589 thousand), and foreign currency adjustment at year end (Euro 2,272 thousand), as well as premiums on Swap contracts (Euro 503 thousand) and others (Euro 10 thousand).

Financial interest and charges

Financial interest and charges are analysed as follows (in Euro thousands):

	2003	2002
Interest payable:		
– Subsidiary companies	19	17
– Holding companies	238	227
– Bank and credit institutions	961	1,282
– Suppliers	383	590
Commissions and bank charges	1,120	1,956
Foreign exchange losses		
– Realised	15,313	24,659
– To be realised	2,912	6,295
Losses on Swap operations	217	505
TOTAL	21,163	35,531

The "commissions and interest from subsidiary companies" (Euro 19 thousand) relate to transactions of a financial nature with FTI S.p.A. in liquidation (Euro 8 thousand), SOPREN S.p.A. (Euro 5 thousand) and SAGEM S.r.l. (Euro 6 thousand).

NOTES TO THE FINANCIAL STATEMENTS

The commissions and interest from holding companies (Euro 238 thousand) relate to transactions with Finmeccanica S.p.A. for commissions and expenses on guarantees.

The commissions and interest from others and other charges (Euro 20,905 thousand) relate to interest from credit institutions (Euro 250 thousand), medium/long terms loans from financial institutions (Euro 711 thousand), and trade payables (Euro 383 thousand). Also included are bank commissions and charges (Euro 1,120 thousand), differentials on SWAP (Euro 15,313 thousand), foreign exchange losses (Euro 2,912 thousand), as well as charges on SWAP contracts (Euro 217 thousand).

Adjustments to financial assets

Revaluations

The amount of Euro 139 thousand relates to the net equity valuation of the subsidiary FTI S.p.A.

Write-downs

The amount of Euro 16,485 thousand relates to the losses in the Indian subsidiary ASPL (Euro 15,770 thousand), in Tramonte Holding (Euro 15 thousand), in Sopren S.p.A. (Euro 6 thousand) and SAGEM S.r.l. (Euro 129 thousand), in Anserv S.r.l. (Euro 1 thousand), in the associated company Dayalistri Pratama (Euro 511 thousand), in the Chiara Consortium (Euro 21 thousand) and the Ansaldo Energia Consortium (Euro 32 thousand).

Extraordinary income and charges

Income

The gains from disposals of an extraordinary nature, amounting to Euro 52 thousand, relate to the sale of the holding in the company Astra Immobiliare. Also included are over-accruals from previous years and other income not relating to ordinary business operations for a total amount of Euro 3,197 thousand.

Charges

This account includes provisions for costs related to the extraordinary sales operations and in particular adjustment of the provision made for the Mitsubishi claim (Euro 2,500 thousand), costs for redundancies already agreed upon (Euro 5,217 thousand) or future redundancies (Euro 3,193 thousand), under-accruals from prior years and other costs not relating to ordinary business operations (Euro 3,449 thousand) and overseas taxes of previous years (Euro 682 thousand).

Taxes for the year

The taxes for the year relate to Euro 5,536 thousand for IRAP and Euro 262 thousand for taxes paid overseas.



NOTES TO THE FINANCIAL STATEMENTS SCHEDULES

NOTES TO THE FINANCIAL STATEMENTS

Schedule n. 1

INTANGIBLE ASSETS (Euro/thousand)

	31/12/2002				Value in Fin Stat	Aquisition / Capitalisation
	Cost	Revaluations	Writedown	Amortisation fund		
Research, development and advertising	62,621			61,256	1,365	
	62,621			61,256	1,365	

Schedule n. 2

TANGIBLE ASSETS AND ACCUMULATED DEPRECIATION (Euro/thousand)

	31/12/2002				Value in Fin Stat	Aquisition / Capitalisation
	Cost	Revaluations	Writedown	Amortisation fund		
Land and buildings:						
- civil industrial	65,021	25,010		30,588	59,443	277
Plant and machinery	125,059	996		95,972	30,083	15,839
Industrial & comm. equipment	24,265			18,456	5,809	1,242
Other assets	18,150			16,374	1,776	553
Assets under construction and advances	12,206				12,206	9,954
	244,701	26,006		161,390	109,317	27,865

Variation in the period				31/12/2003				
Reclassification	Disposals	Write-downs Write-backs	Amortisation	Cost	Revaluations	Writedown	Amortisation fund	Value in Fin. Stat.
			1,231	62,621			62,487	134
			1,231	62,621			62,487	134

Variation in the period				31/12/2003				
Reclassification (1)	Disposals (2)		Amortisation	Cost	Revaluations	Writedown	Amortisation	Value in Fin. Stat.
			2,572	65,298	25,010		33,160	57,148
	(5)		6,165	138,912	996		100,156	39,752
	0		2,403	23,359			18,711	4,648
	(5)		656	14,369			12,701	1,668
	(18,216)			3,944				3,944
	(18,226)		11,796	245,882	26,006		164,728	107,160

(1) Relates to the use of depreciation made in previous years

(2) Of which:

Cost	26.684
Revaluations	
Write-downs	
Amortisations	8.458
	<u>18.226</u>

NOTES TO THE FINANCIAL STATEMENTS

Schedule n. 3

HOLDINGS (Euro/thousand)

	31/12/2002			Value in Fin Stat	Aquisition
	Cost	Revaluations	Writedown		
Holdings in subsidiary companies					
- Sicom Spa in Liq.	7,618		7,618		3,530
- Ansaldo Malesia SDN BAD	4			4	
- F. Tosi Ing. Spa in Liq.	492	2,198	2,323	367	
- Ansaldo Middle East	37			37	
- Asia Power Projects Private LTD	3,361		3,361		869
- Sagem Srl	138	327		465	
- Tramonte Holding BV	60		45	15	
- Ansaldo Energy INC	1			1	
- Anserv Srl	90			90	83
- Sopren Spa	206		35	171	22
- Ansaldo Energia A.T.D.	(162)	162			
	11,845	2,687	13,382	1,150	4,504
Holdings in associated companies:					
- Ruths SpA	93		93		
- PT. Dayalistri Pratama	4,856		4,856		
- NNS Snc	30			30	
- Ansaldo Caldaie Spa	12,375		8,036	4,339	
	17,354		12,985	4,369	
Holdings in other companies:					
- Ansaldo Superconduttori	154		154		
- Astra Immobiliare Srl	8			8	
- Siet Spa	107			107	
- Cons. Ansaldo Energia El.	32			32	
- Consorzio CIC	52			52	
- Euroimpresa Legnano	155			155	
- Libian Italian Joint CO.	9			9	
- Consortiums and others	679		148	531	
- Genesi Consortium	24			24	
- Chiara Consortium					10
	1,220		302	918	10
TOTAL HOLDINGS	30,419	2,687	26,669	6,437	4,514
ADVANCES (FOR FUTURE CAPITAL INCREASES)					
- Other	32			32	8
	32			32	8

Variation in the period					31/12/2003			
Reclassification	Disposals	Utilisation reserve	Rival. ex art.2426	Write-downs Write-backs values (+)	Cost	Revaluations	Writedown	Value in Fin Stat
		3,530			11,148		11,148	
			139		4			4
					492	2,337	2,323	506
					37			37
		869			4,230		4,230	
				(128)	138	327	128	337
				(15)	60		60	
					1			1
				(2)	173		2	171
				(6)	228		41	187
					(162)	162		
		4,399	139	(151)	16,349	2,826	17,932	1,243
					93		93	
					4,856		4,856	
					30			30
	4,339				8,036		8,036	
	4,339				13,015		12,985	30
					154		154	
	8				107			107
				(32)	32		32	
					52			52
					155			155
					9			9
					679		148	531
	24				10		10	
				(10)				
	32			(42)	1,198		344	854
	4,371	4,399	139	(193)	30,562	2,826	31,261	2,127
					40			40
					40			40

Reserve for write-down in holdings

Subsidiaries - Asia Service Private Ltd	(15,770)
Collegate - P.T. Dayalistri Pratama	(511)
Other - Consorzio Chiara	(11)

NOTES TO THE FINANCIAL STATEMENTS

Schedule n. 4

LIST OF HOLDINGS IN SUBSIDIARY AND ASSOCIATED COMPANIES (Euro/thousand)

	Head office	Share capital	Net equity at 31 dicembre 2003	Profit (loss)
Subsidiary companies				
- F T I S.p.A in liq.	LEGNANO	183	506	139
- SICOM S.p.A. in liq.	MILANO	2,582		
(*)- ANSALDO MIDDLE EAST LTD	EGITTO	10	31	
		LE 50,000		
(*)- ANSALDO MALESIA	MALESIA	2	20	
		RM 10,000		
- ASIA POWER PROJECTS PRIVATE LTD	INDIA	55	(15,769)	(15,823)
		RS 3,140,300	(908,036,600)	(911,176,900)
- SAGEM S.r.l.	GENOVA	50	337	(128)
(*)- ANSALDO ENERGY INC.	USA	1	26	25
		\$ 1,000	22,947	
- ANSERV S.r.l.	ROMANIA	40	180	
		M/Lei 1,408	7,188	
- SOPREN S.p.A.	GENOVA	176	196	(6)
Associated companies				
- DAYALISTRI PRATAMA	INDONESIA	9,303	(1,137)	(10,440)
- NNS Snc	FRANCIA	76	373	296

(1) The quota of losses exceeding the carrying value is recorded in the Provision for risk and charges

(*) last financial statements available 31.12.2002

Share held %	Net equity value (A)	Carrying value (B)	Valuation Eccedente law 2426 (C)	B-A	Excess B-C
100	506	506	506		
100					
99	31	37	31	6	6
100	20	4	20		
100	(15,769)		(15,769)	15,769	15,769 ⁽¹⁾
100	337	337	337		
100	26	1	26		
100	180	171	180	(9)	(9)
100	196	187	196	(9)	(9)
		1,243			
45	(511)		(511)	511	511
40	149	30	149	(119)	(119)
		30			

NOTES TO THE FINANCIAL STATEMENTS

Schedule n. 5

INVENTORY (Euro/thousand)

	31/12/2002	Variations in the period		31/12/2003
		Increase (+) Decreases (-)	Provision	
Raw, ancillary and consumables	62,795	(5,037)		57,758
- provision for depreciation	4,570	(2,521)	2,028	4,077
	58,225	(2,516)	(2,028)	53,681
Products in work in progress and semi-finished		55,375		55,375
Work in progress	2,841,205	295,180		3,136,385
- provision for depreciation	8,172	(2,635)	2,711	8,248
	2,833,033	353,190	(2,711)	3,183,512
Advances	21,972	(14,520)		7,452
TOTAL INVENTORY	2,913,230	336,154	(4,739)	3,244,645

Schedule n. 6

RECEIVABLES AND ACCRUED INCOME BY EXPIRY AND NATURE (Euro/thousand)

	31/12/2003			31/12/2002			Total
	within one years	amount between 2 and 5 years	expiry over 5 years	within one years	amount between 2 and 5 years	expiry over 5 years	
Non-current receivables							
holding companies							
- Customers	86		86	6,607			6,607
- Others	1,734	14,868	16,602	201	11,445		11,646
	1,820	14,868	16,688	6,808	11,445		18,253
Current receivables							
Other financial receivables							
Subsidiary companies	10,661		10,661	17,556			17,556
Holding companies	50,839		50,839				
Others	10,453		10,453	11,208			11,208
	71,953		71,953	28,764			28,764
Trade Receivables							
Customers	361,062		361,062	411,079			411,079
Subsidiary Companies	334		334	879			879
Associated Companies	411		411	3,638			3,638
Holding Companies	1,127		1,127	897			897
	362,934		362,934	416,493			416,493
Various Receivables							
from others:							
- Associated Companies	119		119	82			82
- Foreign VAT	2,958		2,958	4,150			4,150
- Tax Authorities	14,013		14,013	18,941			18,941
- Personnel	1,923		1,923	2,053			2,053
- Camozzi for CSM	13,875		13,875	13,875			13,875
- Others	2,375		2,375	21,736			21,736
	35,263		35,263	60,837			60,837
Accrued Income							
	42		42	225			225
TOTAL	472,012	14,868	486,880	513,127	11,445		524,572

NOTES TO THE FINANCIAL STATEMENTS

Schedule n. 7
RECEIVABLES, CASH AND ACCRUED INCOME WITH IN FOREIGN CURRENCIES
OR EXCHANGE RISK (Euro/thousand)

	31/12/2003			31/12/2002		
	with foreign exchange risk	In Euro	Total	with foreign exchange risk	In Euro	Total
Non-current receivables						
from others						
- Customers		86	86		6,607	6,607
- Others	12,352	4,250	16,602	6,104	5,542	11,646
	12,352	4,336	16,688	6,104	12,149	18,253
Current receivables						
Customer	59,211	301,851	361,062	75,394	335,685	411,079
Subsidiary companies	73	10,922	10,995	73	18,362	18,435
Associated companies		530	530	92	3,628	3,720
Holding companies	97	51,869	51,966	151	746	897
Others		45,597	45,597		71,963	71,963
	59,381	410,769	470,150	75,710	430,384	506,094
Liquid assets:						
Bank and postal deposits	4,469	8,576	13,045	11,246	38,343	49,589
Cash and equivalents	115		115	110		110
	4,584	8,576	13,160	11,356	38,343	49,699
Accrued income		42	42		225	225
TOTAL	76,317	423,723	500,040	93,170	481,101	574,271

Schedule n. 8
PAYABLES AND ACCRUAL BY EXPIRY AND NATURE (Euro/thousand)

	31/12/2003			31/12/2002			Total
	within one years	amount between 2 and 5 years	expiry over 5 years	within one years	amount between 2 and 5 years	expiry over 5 years	
Medium/Long Term Payables							
Banks	1,571	7,725	9,296	1,805	8,555	10,360	
Other Payables	845	5,855	6,700	812	6,700	7,512	
	2,416	13,580	15,996	2,617	15,255	17,872	
Current liabilities							
Banks	6		6	6,190		6,190	
Subsidiary Companies	1,880		1,880	578		578	
Holding Companies				2,534		2,534	
Other Payables	686		686	1,522		1,522	
	2,572		2,572	10,824		10,824	
Trade payables							
To suppliers	273,764		273,764	235,069		235,069	
Subsidiary Companies	4,202		4,202	9,861		9,861	
Associated Companies				6,222		6,222	
Holding Companies				255		255	
	277,966		277,966	251,407		251,407	
Various payables:							
Tax authorities	3,670		3,670	4,213		4,213	
Social security institutions	14,666		14,666	13,195		13,195	
Other payables							
- holding companies	1,385		1,385	10,335		10,335	
- others	23,070		23,070	25,378		25,378	
	42,791		42,791	53,121		53,121	
Total payables	325,745	13,580	339,325	317,969	15,255	333,224	⁽¹⁾
Accrued liabilities	661		661	555		555	
TOTAL	326,406	13,580	339,986	318,524	15,255	333,779	

(1) Does not include the account advances

NOTES TO THE FINANCIAL STATEMENTS

Schedule n. 9

PAYABLES AND ACCRUED LIABILITIES IN FOREIGN CURRENCIES OR EXCHANGE RISKS (Euro/thousand)

	31/12/2003			31/12/2002		
	With foreign exchange risk	In Euro	Total	With foreign exchange risk	In Euro	Total
Payables						
Banks		9,302	9,302		16,550	16,550
Suppliers	20,903	252,861	273,764	37,376	197,693	235,069
Subsidiary Companies	732	5,350	6,082	800	9,639	10,439
Associated Companies					6,222	6,222
Holding Companies		1,385	1,385		13,124	13,124
Tax authorities		3,670	3,670		4,213	4,213
Social security institutions		14,666	14,666		13,195	13,195
Other payables - other		30,456	30,456		34,412	34,412
Total payables	21,635	317,690	339,325	38,176	295,048	333,224
Accrued liabilities		661	661		555	555
TOTAL	21,635	318,351	339,986	38,176	295,603	333,779

Schedule n.10
REVENUES (Euro/thousand)

	31/12/2003			31/12/2002		
	Italy	Overseas	Total	Italy	Overseas	Total
'Revenues from sales						
- Italy	201,648			280,498		
- Europe CEE		10,477			19,077	
- Europe extra CEE		21,455			63,748	
- Africa		3,132			88,342	
- North America		22,128			3,197	
- Latin America		72,237			12,641	
- Middle East		57,893			77,503	
- Far East		61,853			3,374	
- Other countries		562			1,453	
TOTAL REVENUES	201,648	249,737	451,385	280,498	269,335	549,833

NOTES TO THE FINANCIAL STATEMENTS

Schedule n. 11
PURCHASE AND SALES COMMITMENTS (Euro/thousand)

	31/12/2003	31/12/2002
Commitments to purchase		
Purchase orders:		
- third parties	1,080,000	1,220,000
Foreign exchange contracts	6,162	10,738
	1,086,162	1,230,738
Commitments to sell		
Sales orders	1,801,000	1,957,400
Foreign exchange contracts	33,739	62,998
TOTAL	1,834,739	2,020,398

Schedule n. 12
OTHER MEMORANDUM ACCOUNT (Euro/thousand)

	Against Receivables	obligations of others	Total at 31/12/2003	Total at 31/12/2002
Personal guarantees received				
- Sureties		205,229	205,229	213,026
- Guarantees		40,227	40,227	101,078
- Others		475,969	475,969	494,880
		721,425	721,425	808,984
Third party assets held				
		2,035	2,035	
Guarantees of others given for obligations of the company				
- Against other obligations		823,010	823,010	879,405
TOTAL OTHER MEMORANDUM ACCOUNTS		1,546,470	1,546,470	1,688,389

PROPOSAL TO THE SHAREHOLDERS' MEETING

Dear Shareholders,

The Financial Statements for the year 2003, presented for your approval, closed with a profit of Euro 3,094,122, which we propose is allocated as follows:

- for 5%, equal to Euro 154,706, to the legal reserve
- for the residual, equal to Euro 2,939,416, carried forward.

The Financial Statements for the year ended December 31, 2003 were audited by Deloitte & Touche, appointed in the Ordinary Shareholders' meeting of April 4, 2003.

Finally, we recall, that with the present Shareholders' Meeting, our mandate expires.

Therefore, in conformity with the Agenda contained in the notice to the shareholders' meeting, you are called to:

- 1) approve the Financial Statements for the year 2003 as well as the directors' report, after the presentation of the report by the Statutory Auditors
- 2) nominate the Board of Directors for the three-year period 2004/2006, determining the number of members the Board will contain.

for THE BOARD OF DIRECTORS
THE PRESIDENT

REPORT OF THE STATUTORY AUDITORS ON THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2003

Dear Shareholders,

The financial statements for the year ended December 31, 2003, that the Board of

Directors present for your approval, consisting of a balance sheet, income statements and notes thereto have been presented to us together with the directors' report and attachments thereto.

The notes illustrate the accounting policies which do not differentiate from those utilised in the previous The notes also include detailed information on the balance sheet and income statement and information required by law.

The directors' report illustrates the business and performance of the company and includes information relating to subsequent events after the year-end and the future outlook for the current year.

We attended all of the board of directors' meetings in the year.

We ascertained that the meetings were conducted in accordance with corporate law and the statutes of the company, noting the existence of conflicts of interest and contrary to shareholder meeting resolutions, and we received from the Directors periodic information on the business and the most important financial operations of the company and its holdings; on the basis of this information the Board considers that the

resolutions and conduct of the Board of Directors were in conformity with corporate law and the statutes of the company.

We requested information and verified the respecting of the principles of correct administration and we had frequent contact with personnel of the Audit functions and the administration department; we also had periodic meetings with the independent audit firm Deloitte & Touche S.p.A for the reciprocal exchange of information.

The Board also verified over the year the adequacy of the internal controls and administration and accounting function and the adequacy of this latter to correctly represent the underlying transactions. From this examination and from the information received from the auditing firm no events arose on which to report on. Based on the above and that the independent audit firm have confirmed there will be no exceptions to report on in their audit report, we express our favourable opinion on the financial statements and the allocation of the result as proposed by the Board of Director's.

Finally, we recall, that with the present Shareholders' Meeting, our mandate expires. The Board of Director's therefore requests the shareholders' meeting to elect the Board of statutory auditors.

THE STATUTORY AUDITORS
(Dott. Giorgio CUMIN)
(Dott.ssa Maria Gabriella ATTARDI)
(Rag. Paolo MARIANI)

**AUDITOR'S REPORT IN ACCORDANCE WITH ARTICLES 150 AND 155 OF
LEGISLATIVE DEGREE OF FEBRUARY 24, 1998, N. 58 AND IN ACCORDANCE WITH
ARTICLE 14 OF LAW OF AUGUST 12, 1977, N. 675**

**To the Shareholders of
Ansaldo Energia S.p.A.:**

We have audited the financial statements of Ansaldo Energia S.p.A. (the Company) as of December 31, 2005. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the Auditing Standards recommended by Consob, the Italian Stock Exchange Commission. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion. For the opinion on the financial statements of the prior year, presented for comparison in accordance with legal requirements, reference should be made to the auditor's report issued by Deloitte & Touche S.p.A. (now DT S.p.A.) on March 18, 2005.

In our opinion, the financial statements present fairly the financial position of Ansaldo Energia S.p.A. as of December 31, 2005, and the results of its operations for the year then ended, and comply with the principles which regulate the preparation of financial statements in Italy.

DELOITTE & TOUCHE S.p.A.

Signed by
Corrado Toscano
Partner

Genoa, Italy
March 26, 2006

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

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