

NOTES TO THE FINANCIAL STATEMENTS

FORM AND CONTENTS OF THE FINANCIAL STATEMENTS

The financial statements for the year 2004 have been prepared in accordance with the statutory requirements, updated in accordance with the provisions of the company law reform contained in the Legislative Decree no. 6 of January 17, 2003 and subsequent amendments and integrations, 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 and 2497 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 they 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 director's report and the statutory and independent auditors' reports are made public in accordance with statutory requirements.

FINMECCANICA

DATI ESSENZIALI DEL BILANCIO AL 31.12.2003 DELLA SOCIETA' CHE ESERCITA L'ATTIVITA' DI DIREZIONE E COORDINAMENTO:

(in euro mil.)

FINMECCANICA SPA

STATO PATRIMONIALE

ATTIVO

IMMOBILIZZAZIONI	5.520.104
ATTIVO CIRCOLANTE	3.383.309
RATEI E RISCONTI	36.549
TOTALE ATTIVO	8.939.962

PASSIVO

PATRIMONIO NETTO:	
- Capitale	1.855.571
- Riserva e risultati a nuovo	1.248.327
- Utile dell'esercizio	188.425
	3.292.323
FONDI PER RISCHI E ONERI	602.142
TRATTAMENTO DI FINE RAPPORTO DI LAVORO SUBORDINATO	6.704
DEBITI	3.558.518
RATEI E RISCONTI	1.480.275
TOTALE PASSIVO	8.939.962

GARANZIE, IMPEGNI E ALTRI RISCHI	16.774.621
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CONTO ECONOMICO

VALORE DELLA PRODUZIONE	95.935
COSTI DELLA PRODUZIONE	-197.932
PROVENTI E ONERI FINANZIARI	13.750
RETTIFICHE DI VALORE DI ATTIVITA' FINANZIARIE	72.025
PROVENTI E ONERI STRAORDINARI	204.647
IMPOSTE SUL REDDITO DELL'ESERCIZIO	—
UTILE DELL'ESERCIZIO	188.425

LA FINMECCANICA SPA REDIGE IL BILANCIO CONSOLIDATO.

NOTES TO THE FINANCIAL STATEMENTS

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 issued by the Italian Accounting Profession (Consiglio Nazionale dei Dottori Commercialisti e dei Ragionieri e dall'Organismo Italiano di Contabilità).

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.

The Company, in compliance with the second paragraph of article 2426 of the civil code has not made any "fiscal adjustment" in the financial statement.

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%.

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.

Financial assets

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.

Receivables

Long-term receivables are recorded at realisable value and adjusted for the exchange rate as at December 31, 2004.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

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 contract;
- 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 valuation of contract work in progress reflects the current best estimate of the future programmes on the individual long term contracts made by the Company at the date of the preparation of the financial statements. Periodically the assumptions underlying the valuations are updated. The economic effects relating to prior periods are made in the period in which the updates are made.

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.

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, restructuring 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 and recorded in the income statement. In the case where a net profit derives from the conversion of single accounts in foreign currencies, for the part not absorbed by any losses in the year, a non-distributable reserve will be made at the end of the year.

Based on the applicable accounting principles the financial derivative operations, qualified as hedging operations, are valued in line with each asset – liability to which the cover refers, attributing the income and expenses matured to the income statement based on the accruals principle for the duration of the contract.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

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

CONCESSIONS AND LICENSES

They amount to Euro 450 thousand and relate to the acquisition from Siemens of licences for the most recent version of the V94.3A gas turbine. The licence, acquired at the end of the year, will be amortised commencing from the next year when the commercialisation of the product will begin.

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 for Euro 9,302 thousand after depreciation of Euro 3,393 thousand. Land and buildings relate to the industrial sites at Genoa-Campi (Euro 38,130 thousand), Legnano (Euro 17,483 thousand) and overseas sites (Euro 160 thousand).

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

The net decrease of Euro 503 thousand compared to the previous year results from:

- Acquisition and capitalisation of new plant (Euro 11,670 thousand) relating principally to increasing the production capacity on the gas turbine production line (Euro 2,800 thousand), the purchase of lathes, bridge cranes and extraordinary maintenance on machine equipment (Euro 2,000 thousand), and the complete restructuring of a building at the Genoa Campi site for office purposes (Euro 1,100 thousand).
- Capitalisation of plant in construction, which is expected to enter into service during 2005 amounting to Euro 930 thousand.
- Depreciation in the period for Euro 12,771 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 332 thousand derive from disposals net of depreciation.

Equity investments

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 principal changes relate to:

- The sale of FTI S.p.A in liquidation to Sogepa S.p.A. for Euro 506 thousand
- The closure of Ansaldo Malaysia in liquidation with a surplus of Euro 4 thousand
- The reimbursement due to the reduction of share capital of Anserv of Euro 123 thousand
- The net equity valuation at December 31, 2004 of the subsidiary companies with charges of Euro 6 thousand relating to Sopren S.p.A. and income of Euro 9 thousand relating to Sagem Italia and Euro 1,136 thousand relating to the Indian subsidiary ASIA Power Project Private Ltd with adjustment of the relative write down fund recorded in the provision for contingencies and charges.

ASSOCIATED COMPANIES

The change relates to the company Dayalistri Pratama Ltd, in the closing stage, deriving from the reimbursement of part of the share capital (Euro 394 thousand), previously written down, and the adjustment of the residual value of the net equity (Euro 441 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 40 thousand relates to the sale of the quota in the company Hydropastaza.

Receivables

(in Euro/migliaia)	31/12/2003	Variations in period		31/12/2004
	Value in fin stat.	Paid	Rembourse- ment	Value in fin stat.
From others:				
- customers	86		1	85
- State and public bodies for subsidies and contributions	200		23	177
- other receivables	12,696		1,356	11,340
- Employee indemnity tax credit	3,706	213	911	3,008
	16,688	213	2,291	14,610

NOTES TO THE FINANCIAL STATEMENTS

This account 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 3,008 thousand), a deferred interest bearing credit from an Algerian customer, subject to the SACE restructuring agreement (Euro 5,515 thousand) and from an Arabian customer (Euro 5,484 thousand), deposits (Euro 220 thousand) and CCNL advances and others (Euro 98 thousand). The most significant change relates to the reimbursement by SACE, of the expired quota of the above-mentioned receivables. The receivables in foreign currencies are adjusted to the exchange rate as at December 31, 2004.

Current assets

Inventory

RAW MATERIAL AND CONSUMABLES

The inventories held relate to:

Stock provisions	Euro 15,884 thousand
Stock for specific job orders	Euro 36,670 thousand

Raw materials and consumables are recorded net of a provision for obsolete and slow moving inventory equal to Euro 6,107 thousand.

In the year the decrease amounted to Euro 5,204 thousand.

PRODUCTS IN WORK IN PROGRESS AND SEMI-FINISHED

Amount to Euro 52,536 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 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 substantial coverage 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 31/12/2004	On account 31/12/2004	Net 31/12/2004
0241	ENIPOWER – VARIOUS PLANTS	610,241	(755,510)	(145,269)
0208	IRAN PHASE 1 - N, 12 TG+GEN.	365,116	(370,478)	(5,362)
0219	BALLYLUMFORD IRELAND – COMB. CYCLE.	261,200	(264,468)	(3,268)
0257	IRAN PHASE 2 - N.10 TG+GEN.	248,570	(262,983)	(14,413)
0153	NEYVELI INDIA - 2X210MW	121,072	(123,178)	(2,106)
0286	IRAN PHASE 3 - N.8 TG+ N.8 GEN.	65,902	(73,987)	(8,085)
0250	VOGHERA-COSTR.ISOLA (EX ELECTRABEL)	52,133	(64,506)	(12,373)
0311	S.E.F. FERRARA - TG + TT + GEN.	51,695	(67,405)	(15,710)
0249	ELECTRABEL ROSIGNANO – COMB. CYCLE.	41,905	(85,336)	(43,431)
0307	IRAN 3000 MW NR.6 TG + NR.6 GEN.	54,662	(22,604)	32,058
0292	ENIPOWER - MAN + SPARE PARTS	25,192	(9,687)	15,505
0224	SERVOLA GAR. MAINTENANCE	27,637	(20,093)	7,544
0114	ISE CET 3 TARANTO	34,139	(30,989)	3,150
0284	SULCIS NR.1 TT 350 MW + AUXILIARY	15,332	(12,882)	2,450
0314	CALENIA EN/SPARANISE COMB. CYCLE 800 MW	32,432	(31,094)	1,338
	VARIOUS SERVICE	417,664	(414,547)	3,117

NOTES TO THE FINANCIAL STATEMENTS

The movements in the period of Euro 329,123 thousand can be summarised as follows:

Work in progress 31/12/2003	3,128,137
Work commenced in the period	711,299
Work completed in the period	(383,042)
Utilization of provision	2,608
Write-down provision	(1,742)
Work in progress at 31/12/2004	3,457,260

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 3,369 thousand.

PAYMENTS ON ACCOUNT

The payments on account represent the advances given to suppliers for orders on long-term contracts and increased by Euro 19,103 thousand due to the recent commencement of the Iranian contract "3000 MW" and of the new Italian contracts.

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				
	31/12/2003	Increase (+) Repay (-)	Provision (-) Write back of value (+)	31/12/2004
Customers	381,002	34,380		415,382
less:				
- Prov. doubtful debts	19,940		195	19,745
- Prov. doubtful debts for interest		99		99
Subsidiary companies	10,995	298		11,293
Associated companies	530	51		581
Holding companies	51,966	3,929		55,895
Tax receivables	14,013	(1,171)		12,842
Others	31,584	(6,162)		25,422
TOTAL	470,150	31,226	(195)	501,571

The increase in trade receivables is principally due to the increased level of invoicing in the final quarter of the year.

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

- financial receivables of Euro 66,663 thousand, of which Euro 55,826 thousand from Finmeccanica S.p.A., and Euro 10,601 thousand from the Indian subsidiary ASPL and Euro 236 thousand from the subsidiary SAGEMI srl.. The receivable from Finmeccanica originate from the centralised treasury procedures which were fully activated during the year.
- trade receivables of Euro 1,022 thousand.

The receivables from tax authorities of Euro 12,842 thousand relate to reimbursements requested.

The other receivables amount to Euro 25,422 thousand and are comprised of:

- receivables from overseas tax authorities for VAT (Euro 1,279 thousand);
- receivables from personnel and social security institutions for Euro 2,079 thousand;
- receivables from the Camozzi Group for Euro 13,875 thousand deriving from the sale of the business unit "Componenti Speciali Milano";
- receivables from the insurance company Società Generali (Euro 1,253 thousand) and deposits (Euro 309 thousand);
- amounts held on site in Italy and overseas (Euro 1,039 thousand);
- financial receivables from third parties (Euro 4,515 thousand) of which Euro 4,503 thousand from AETD, sold in previous years. 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, 7 and 10.

Cash and banks

Bank deposits relate to Euro 4,189 thousand in local currencies in the overseas locations, Euro 236 thousand in foreign currency accounts in foreign and Italian banks, Euro 6,068 thousand on blocked accounts, Euro 1,617 thousand in ordinary current accounts and Euro 99 thousand cash held in foreign branches.

Prepayments and Accrued Income

The account relates to the following:

- Accrued income
They are comprised of interest on SWAP operations (Euro 23 thousand).
- Prepayments
The most significant item (Euro 7,817 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 3,015 thousand), commissions on loans (Euro 620 thousand) and rent (Euro 164 thousand).

The important reduction in this account, compared to the previous year, for Euro 5,299 thousand relates to the progressive re-entry of the SWAP differentials.

NOTES TO THE FINANCIAL STATEMENTS

LIABILITIES

Net Equity

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

	VARIATION IN PERIOD			
	31/12/2003	Allocation of profits/cover of losses	Profits/loss for the year	31/12/2004
Share capital	11,967			11,967
Legal reserve	461	155		616
Profit (loss) carried forward	8,763	2,939		11,702
Profit (loss) for the year	3,094	(3,094)	6,484	6,484
	24,285	0	6,484	30,769

On April 15, 2004 the Ordinary Shareholders' Meeting approved the financial statements for the year 2003, with a profit for the year of Euro 3,094 thousand and approved the allocation to the legal reserve of Euro 155 thousand and the carry forward of Euro 2,939 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.

	Amount	Possibility of utilisation	Disposable amount	Summary of the utilisations realized in the tree previous year	
				for losses covering	for other reasons
Share capital	11,967		11,967		
Legal reserve	616	B	616		
Profit (loss) brought forward	11,702	A, B, C	11,702		
Profit (loss) for the year	6,484		6,484		
	30,769		30,769		

Legend:

- A: for share capital increase
- B: to cover losses
- C: for distribution to shareholders

Provision for risks and charges

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

VARIATION IN PERIOD				
	31/12/2003	Provision to income statement	Direct utilisation	31/12/2004
Pension rights and Similar obligations	375	519	122	772
Taxes	1,807	3,358	124	5,041
Others				
- Charges for contentious	6,333	2,950	1,455	7,828
- Charges for guarantees	17,700	2,000		19,700
- Restructuring charges	5,438	10,400	2,867	12,971
- Write-down on investments	16,292		1,658	14,634
- Cost to completion	18,439		4,472	13,967
- Other charges and risks	98		38	60
	66,482	19,227	10,736	74,973

The provision for taxes represents the best estimate relating to the risks for Italian and overseas taxes and increased in the year by Euro 3,358 thousand.

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 1,667 thousand) and third parties (Euro 6,161 thousand).
- **Charges for guarantees** – The provision is to cover risks related to the contractual performances of the orders in the course of completion. In the year the provision increased by Euro 2,000 thousand and 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 by Euro 2,867 thousand for the release of some charges and increased by Euro 10,400 thousand for risks connected to the sale of secondary production sites.
- **Write-down on investments** – The provision relates for Euro 14,634 thousand to the subsidiary ASPL and permits an alignment to the net equity of the company as at December 31, 2004.
- **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.

NOTES TO THE FINANCIAL STATEMENTS

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, 2004.

The amount has decreased by a net amount of Euro 217 thousand compared to the previous year connected to the numerous departures of employees some of whom benefited from assisted pre-pension schemes.

Balance 31/12/2003		50,274
Changes in the year:	- provisions	6,613
	- utilisation	(7,135)
	- transfer of personnel	450
	- tax revaluation	(145)
		(217)
Balance 31/12/2004		50,057

Payables

For the analysis of payables by expiry date, nature, currency and exchange risk reference should be made to schedules no. 8,9 and 10. The payables are not subject to secured guarantees on company assets.

CHANGES IN PERIOD			
(Euro/thousand)			
	31/12/2003	Increase (+) Decrease (-)	31/12/2004
Amounts owed to banks	9,302	(1,784)	7,518
Payments on account	7,386	(837)	6,549
Advances received	3,369,610	381,455	3,751,065
Amounts owed to suppliers	273,764	(28,585)	245,179
Amounts owed to subsidiary companies	6,082	(2,063)	4,019
Amounts owed to parent companies	1,385	2,748	4,133
Amounts owed to tax administration	3,670	16	3,686
Amounts owed to social security institution	14,666	539	15,205
Other payables	23,070	1,732	24,802
	3,708,935	353,221	4,062,156

Payables to bank

They relate to medium/long term payables to Italian banks (IMI) for Euro 7,453 thousand and to a temporary short-term position for Euro 65 thousand. They decreased by Euro 1,843 thousand compared to the previous year, due to the repayment made in the year.

Payables to other lenders

Includes a medium/long term loan received from the Productivity Ministry (Euro 5,854 thousand) and decreased by Euro 846 thousand due to the instalment paid in the year. Also includes short-term financial payables (Euro 695 thousand).

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 87,066 Euro/thousand
- Pro-rata invoicing 3,663,999 Euro/thousand

The sales in the year amount to Euro 764,497 thousand, the work completed in the year was equal to Euro 383,042 thousand.

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, 2004.

The decrease is Euro 28,585 thousand compared to the previous year, principally due to the decrease in production volumes and to the change in payments that, once recovered the abnormal progressive situation, is currently in line with normal market conditions.

The payables not in Euro are adjusted to the exchange rate as at December 31, 2004.

Payables to subsidiary, associate and holding companies

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

The financial payables amount to Euro 189 thousand and show a decrease (Euro 1,691 thousand).

The trade payables (Euro 3,830 thousand) relate prevalently to the supply agreements with Sagem Italia (Euro 3,730 thousand), with ASPL (Euro 46 thousand), with Sopren S.p.A. (Euro 29 thousand) and with Ansaldo Middle East (Euro 25 thousand).

Other payables (Euro 4,115 thousand) relate to the Group VAT payable.

The payables not in Euro are adjusted to the exchange rate as at December 31, 2004.

NOTES TO THE FINANCIAL STATEMENTS

Payables to tax authorities

They amount to Euro 3,686 thousand and relate to IRAP for Euro 6,500 thousand, net of payments on account paid of Euro 5,972 thousand and, to Irpef of Euro 3,158 thousand in December as substitute tax.

Payables to Social Security Institutions

This account equal to Euro 15,205 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 (Euro 17,551 thousand) of which vacation days due Euro 7,436 thousand, retribution Euro 1,781 thousand, incentives Euro 3,080 thousand, leaving incentives Euro 4,754 thousand; royalties matured (Euro 1,925 thousand), consultants (Euro 807 thousand), insurance for assembly policies (Euro 2,558 thousand) and towards overseas organisations (Euro 1,147 thousand).

Accrued liabilities and deferred income

The amounts are recorded taking into account the accruals principle.

Includes the quota of interest for future years (Euro 330 thousand) and suspension of Swap charges (Euro 13,191 thousand) which have decreased significantly, as has the asset value, on the progressive re-entry of the SWAP differential (Euro 6,006 thousand).

COMMENTS ON THE MEMORANDUM ACCOUNTS

Unsecured guarantees given

Guarantees given to third parties

They relate to guarantees given in relation to consortiums guaranteeing execution of the work (Euro 485 thousand).

Sales and purchase commitments

Sales commitments

They amount to Euro 2,088,300 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 17,135 thousand.

Purchase commitments

The irrevocable commitments of orders for the supply of goods and services relating to the company's activity amount to Euro 1,106,800 thousand.

The purchase commitments of foreign currencies for SWAP contracts covering costs in foreign currencies amount to Euro 3,031 thousand.

Other

Unsecured guarantees received

They relate to:

- guarantees received from suppliers for the correct execution of orders (Euro 200,500 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 229,865 thousand);
- 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 28,501 thousand).

NOTES TO THE FINANCIAL STATEMENTS

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 718,921 thousand), participation for tenders (Euro 18,195 thousand) and in favour of suppliers for letters of credit issued to guarantee payment (Euro 76,238 thousand).

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)	31.12.2004	31.12.2003	Changes
Revenues from sales/services	390,709	451,385	60,676
Variation of product inventory	(2,839)	55,374	58,213
Changes of work in progress	329,122	295,104	(34,018)
Increase internally constructed assets	329	139	(190)
Other income	19,218	38,480	19,262
	736,539	840,482	103,943

The revenues from sales and services are detailed in accordance with article 2427 of the civil code in the attachment no.11.

The increase in assets internally constructed relates to the cost of labour for Euro 329 thousand and relate to tangible fixed assets.

Other income includes grants received for training (Euro 590 thousand), gains on asset disposals (Euro 65 thousand), other revenues (Euro 11,717 thousand) and recovery of expenses (Euro 6,846 thousand).

The gains on disposals refer to the sale of plant and machinery relating to normal substitutions in Italy and overseas. Other revenues and recovery of expenses include the receipt from SACE of receivables previously written-down (Euro 1,169 thousand), registry tax following a Court ruling in our favour (Euro 3,062 thousand) insurance reimbursement (Euro 7,106 thousand) relating essentially to claims on damages incurred on orders, recovery of expense for materials (Euro 5,307 thousand), personnel expenses (Euro 1,538 thousand) and rent (Euro 379 thousand).

The revenues from sales and services principally relate to the completion of orders. The most important contracts in the year, having obtained the PAC, and considered completed relate to the supply of steam generators for Mejlones (Euro 93,720 thousand), 1 combined cycle at Terni (Euro 29,960 thousand), 5 diesel units and relative auxiliary for the Dhaban Yemen plant (Euro 16,823 thousand), 1 steam turbine for the plant at Khrami, Georgia (Euro 20,086 thousand) and the Desox river revamping for the Fiume Santo plant (Euro 36,348 thousand).

Costs of production

Costs for acquisition of raw, ancillary and consumables

They are comprised of purchases of materials (Euro 308,239 thousand), electric energy, water, gas (Euro 4,958 thousand). The amount has decreased Euro 66,152 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 176,395 thousand), insurance (Euro 8,750 thousand), emoluments for directors and statutory auditors (Euro 104 thousand), custom charges and transport (Euro 8,336 thousand), royalties (Euro 6,799 thousand), travel and transfer of personnel (Euro 9,895 thousand), decentralised services (Euro 12,648 thousand) and commissions on guarantees of a commercial nature (Euro 8,779 thousand).

Costs for the use of third party assets

This account includes the amounts paid for the rent of buildings (Euro 2,176 thousand), photocopying and data processing (Euro 275 thousand) and other rents (Euro 127 thousand).

Personnel costs

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

	2004	2003
Senior managers	105	108
Managers	232	238
White collar	1,098	1,106
Blue collar	912	937
Overseas	114	107
TOTAL	2,461	2,496

The cost (Euro 128,798 thousand) represents all amounts for the year including deferred, social charges and leaving indemnity matured as at December 31, 2004.

The personnel costs for overseas locations amounted to Euro 3,241 thousand.

NOTES TO THE FINANCIAL STATEMENTS

The increase in personnel costs, despite the average reduced employee numbers, is attributable in addition to the normal salary increases, to the greater number of pro capita vacation days paid in 2004.

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 tangible assets

(Euro/thousand)	2004	2003
Land and buildings	2,594	2,572
Plant and machinery	7,118	6,165
Industrial and commercial equipment	2,462	2,403
Other assets	597	656
TOTAL	12,771	11,796

Provisions made of amounts in current assets

Relates to the write-down of foreign VAT receivables due to the high risk ascertained in these countries.

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 guarantee provision for Euro 2,000 thousand made to adequately cover risks relating to contracts in course and the provision for disputes of Euro 2,750 thousand against the updating of current disputes in course.

Other provisions

Relates to the obsolescence provision so that it is in line with the obsolescence of some materials.

Other operating costs

This item includes: losses on the sale of assets (Euro 64 thousand), indirect taxes and Italian and overseas taxes (Euro 1,669 thousand of which Euro 725 thousand for property tax), contributions to associations (Euro 369 thousand), losses on receivables (Euro 369 thousand), subscriptions (Euro 261 thousand) and others (Euro 261 thousand).

Financial income and charges

Income from equity investments

They relate to dividends received in the year from the foreign associated company NNS (Euro 84 thousand).

Other financial income

INCOME FROM RECEIVABLES IN NON-CURRENT ASSETS

Refers to interest on receivables from SACE (Euro 462 thousand) and tax credits (Euro 274 thousand).

OTHER INCOME (Euro thousands)

	2004	2003
Interest on current accounts: – Subsidiary companies	1	21
– Holding companies	819	1,569
– Bank and credit institutions	623	1,099
Other interest – Others	99	10
Foreign exchange gains: – realised	16,125	13,589
Gains on SWAP operations	165	503
TOTAL	17,832	16,791

The “interest and commissions from others” (Euro 17,012 thousand) relate to bank interest (Euro 623 thousand), income from exchange difference on SWAP contracts (Euro 16,125 thousand) as well as premiums on SWAP contracts (Euro 165 thousand) and others (Euro 99 thousand).

Financial income and charges

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

	2004	2003
Interest payable: – Subsidiary companies	11	19
– Holding companies	236	238
– Bank and credit institutions	764	961
– Suppliers	54	383
– Reversal int. overdue receivables	99	
Commissions an bank charges	767	1,120
Foreign exange losses – To be realised	14,939	15,313
Losses on SWAP operations	71	217
TOTAL	16,941	18,251

The commissions and interest from subsidiary companies (Euro 11 thousand) relate to transactions of a financial nature with SOPREN S.p.A. (Euro 3 thousand) and Sagem Italia S.r.l. (Euro 8 thousand).

NOTES TO THE FINANCIAL STATEMENTS

The commissions and interest from parent companies (Euro 236 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 16,694 thousand) relate to interest from credit institutions (Euro 133 thousand), medium/long terms loans from financial institutions (Euro 631 thousand) and trade payables (Euro 54 thousand). Also included are bank commissions and charges (Euro 767 thousand), differentials on SWAP (Euro 14,939 thousand) as well as charges on SWAP contracts (Euro 71 thousand).

Gains and losses in exchange differences

The adjustment of amounts valued in foreign currencies resulted in foreign exchange charges of Euro 659 thousand.

Adjustments to financial assets

Revaluations

The amount of Euro 2,124 thousand relates to the net equity valuation of the subsidiary ASPL for Euro 1,136 thousand, of Sagam Italia S.r.l. for Euro 9 thousand, of Dayalistri Pratama for Euro 952 thousand, and of the Chiara Consortium for Euro 27 thousand.

Write-downs

The write-downs relate to the closure of the Eurialo Consortium (Euro 26 thousand), Service Consortium (Euro 3 thousand), Set Consortium (Euro 1 thousand), Hydropastaza (Euro 16 thousand) and to the net equity valuation of the subsidiary Sopren S.p.A. (Euro 6 thousand).

Extraordinary income and charges

Income

This account includes the over-accruals and similar from prior years and other income not relating to ordinary business operations for a total amount of Euro 2,628 thousand and principally relate to tax credits (Euro 1,586 thousand) resulting from a favourable Court decision and over-accruals (Euro 556 thousand) and other.

Charges

This account includes charges for leaving incentives to personnel (Euro 5,921 thousand), taxes in relation to previous years already paid or at risk (Euro 2,114 thousand), provisions relating to the disposal of activities in previous years (Euro 10,400 thousand). Also included are under-accruals and similar from prior years (Euro 810 thousand) and disputes arising abroad (Euro 200 thousand).

Taxes for the year

The taxes for the year relate to Euro 6,635 thousand for IRAP and income taxes in India (Euro 430 thousand) Iran (Euro 1,812 thousand) and France (Euro 110 thousand).

Reconciliation between theoretical and effective rate:

	previous year	current year
Ordinary applicable rate	33%	33%
Effect of increase (decrease) to ordinary rate		
Losses carried forward	-33%	-33%
Effective rate	0%	0%

As at December 31, 2004, the deferred tax assets not recorded amount to Euro 22,758 thousand of which Euro 14,930 thousand relates to losses carried forward (up to 2006) and Euro 7,830 thousand relates to the non allowable part of the doubtful debt provision.

Although the future results are forecasts to be positive, the directors of the Company did not consider there existed the requisites of certainty beyond all reasonable doubt, required by accounting standard 25 for the recording of a deferred tax asset.



NOTES TO THE FINANCIAL STATEMENTS SCHEDULES

NOTES TO THE FINANCIAL STATEMENTS

Schedule n. 1

INTANGIBLE ASSETS (Euro/thousand)

	31/12/2003				Value in Fin. Stat.	Acquisition/ Capitalisation
	Cost	Revaluations	Write-downs	Amortisation fund		
Research, development and advertising costs	62,621			62,487	134	
Concessions, licenses, trademarks and similar						450
	62,621			62,487	134	450

Schedule n. 2

TANGIBLE ASSETS AND ACCUMULATED DEPRECIATION (Euro/thousand)

	31/12/2003				Value in Fin. Sat.
	Cost	Revaluations	Write-down	Depreciation fund	
Land and buildings					
– industrial	65,298	25,010		33,160	57,148
Plant and machinery	138,912	996		100,156	39,752
Industrial and comm. equipment	23,359			18,711	4,648
Other assets	14,369			12,701	1,668
Assets under construction and payments on account	3,944				3,944
	245,882	26,006		164,728	107,160

Variation in the period				31/12/2004				
Reclassification	Disposals	Write-downs Write-backs	Amortisation	Cost	Revaluation	Write-downs	Ammortisation fund	Value in Fin. Stat.
		(134)		62,621		134	62,487	
				450				450
		(134)		63,071		134	62,487	450

Variation in the period				31/12/2004				
Acquisition/ Capitalisation	Reclassification	Disposals (1)	Depreciation Radiazioni (2)	Cost	Revaluations	Write-downs	Depreciation fund	Value in Fin. Stat.
1,220			2,594	66,518	25,010		35,754	55,774
8,348		(14)	7,118	146,772	840		106,644	40,968
1,492			2,462	24,650			20,972	3,678
611		(48)	597	14,812			13,178	1,634
12,601		(11,942)		4,603				4,603
24,272		(12,004)	12,771	257,355	25,850		176,548	106,657

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

(2) Of which:

Cost	12,799
Revaluations	156
Depreciation	951
	<u>12,004</u>

NOTES TO THE FINANCIAL STATEMENTS

Schedule n. 3

HOLDINGS (Euro/thousand)

	31/12/2003			Acquisition	
	Cost	Revaluations	Write-downs		Value in Fin. Stat.
Holdings in subsidiary companies					
- Ansaldo Malesia SDN BAD	4			4	
- F T I Spa in Liq.	492	2,337	2,323	506	
- Ansaldo Middle East in Liq.	37			37	
- Asia Power Projects Private Ltd	4,230		4,230		
- Sagem Italia Srl	138	327	128	337	
- Ansaldo Energy INC	1			1	
- Anserv Srl	173		2	171	
- Sopren SpA	228		41	187	
	5,303	2,664	6,724	1,243	
Holdings in associated companies					
- Ruths SpA	93		93		
- PT. Dayalistri Pratama	4,856		4,856		
- NNS Snc	30			30	
- Ansaldo Caldaie SpA	8,036		8,036		
	13,015		12,985	30	
Holdings in other companies					
- Siet SpA	107			107	
- Cons.Ansaldo Energia El.	32		32		
- Consorzio CIC	52			52	
- Euroimpresa Legnano	155			155	
- Libian Italian Joint Co.	9			9	
- Consorzi and others	679		148	531	
- Actec consortium					50
- Chiara consortium	10		10		
	1,044		190	854	50
TOTAL HOLDINGS	19,362	2,664	19,899	2,127	50
ADVANCES (FOR FUTURE CAPITAL INCREASES)					
- others	40			40	
	40			40	

Reclassification	Variation in the period				31/12/2004			
	Disposals	Utilisation reserve	Reval. ex art.2426	Write-downs Write-backs value	Cost	Revaluation	Write-downs	Value in Fin. Stat.
	4							
	506				(14)	2,337	2,323	
					37			37
					4,230		4,230	
				9	138	327	119	346
					1			1
	123				50		2	48
				(6)	228		47	181
	633			3	4,670	2,664	6,721	613
	394			441	93		93	47
					4,462		4,415	30
					30			
					8,036		8,036	
	394			441	12,621		12,544	77
					107			107
					32		32	
					52			52
					155			155
					9			9
	34			(30)	645		178	467
					50			50
				16	10		(6)	16
	34			(14)	1,060		204	856
	1,061			430	18,351	2,664	19,469	1,546
	24			(16)	16		16	
	24			(16)	16		16	

Reserve for write-downs in holdings

Subsidiaries - Asia Power Projects Private Ltd	1,136
Associated - P.T. Dayalistri Pratama	511
Other - Consorzio Chiara	11
	<u>1,658</u>
Total write – backs value	<u>2,072</u>

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 december 31 2004	Profit (loss)
Subsidiary companies				
- ANSALDO MIDDLE EAST in Liq.	EGYPT	10	31	
		LE 50,000		
- ASIA POWER PROJECTS PRIVATE Ltd	INDIA	53	(14,633)	705
		RS 3,140,300	(868,299,167)	39,737,433
- SAGEM ITALIA S.r.l.	GENOA	50	346	9
(*) - ANSALDO ENERGY INC.	USA	1	26	25
		\$ 1,000	22,947	
- ANSERV Srl	ROMANIA	37	70	
		M/Lei 1,453	2,771	
- SOPREN SpA	GENOA	176	181	(6)
Associated companies				
- P.T. DAYALISTRI PRATAMA	INDONESIA		104	
- NNS Snc	FRANCE	76	287	211

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

(*) Last financial charges available 31.12.2003

Share held %	Net equity value (A)	Carrying value (B)	Valuation law 2426 (C)	Excess	
				B-A	B-C
99	31	37	31	6	6
100	(14,633)		(14,633)	14,633	14,633 ⁽¹⁾
100	346	346	346		
100	26	1	26		
100	70	48	70	(22)	(22)
100	181	181	196		(15)
		613			
45	47		47	(47)	(47)
40	114	30	114	(84)	(84)
		30			

NOTES TO THE FINANCIAL STATEMENTS

Schedule n. 5

INVENTORY (Euro/thousand)

	31/12/2003	Variation in the period		31/12/2004
		Increases (+) Decreases (-)	Provision	
Raw, ancillary and consumables	57,758	(5,204)		52,554
obsolescence provision	4,077		2,030	6,107
	53,681	(5,204)	(2,030)	46,447
Products in work in progress and semi-finished	55,375	(2,839)		52,536
Work in progress	3,136,385	328,257		3,464,642
obsolescence provision	8,248	(2,608)	1,742	7,382
	3,128,137	330,865	(1,742)	3,457,260
Advances	7,452	19,103		26,555
TOTAL INVENTORY	3,244,645	341,925	(3,772)	3,582,798

Schedule n. 6

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

	31/12/2004				31/12/2003			
	within one year	amounts between 2 and 5 years	over 5 years	Total	within one year	amounts between 2 and 5 years	over 5 years	Total
Non-current receivables								
others:								
– customers	85			85	86			86
– others	2,613	11,912		14,525	1,734	14,868		16,602
	2,698	11,912		14,610	1,820	14,868		16,688
Current receivables								
Other financial receivables								
subsidiary companies	10,837			10,837	10,661			10,661
associated companies	55,826			55,826	50,839			50,839
others	4,515			4,515	10,453			10,453
	71,178			71,178	71,953			71,953
Trade receivables								
customers	395,538			395,538	361,062			361,062
subsidiary companies	456			456	334			334
associated companies	497			497	411			411
parent companies	69			69	1,127			1,127
	396,560			396,560	362,934			362,934
Various receivables:								
associated companies	84			84	119			119
tax receivables	12,842			12,842	14,013			14,013
personnel	2,079			2,079	1,923			1,923
others								
– Foreign VAT	1,279			1,279	2,958			2,958
– CSM sale	13,875			13,875	13,875			13,875
– Others	3,674			3,674	2,375			2,375
	33,833			33,833	35,263			35,263
Accrued income	23			23	42			42
Total	504,292	11,912		516,204	472,012	14,868		486,880

NOTES TO THE FINANCIAL STATEMENTS

Schedule n. 7

RECEIVABLES, CASH AND ACCRUED INCOME

WITH FOREIGN EXCHANGE RISK (Euro/thousand)

	31/12/2004			31/12/2003		
	with foreign exchange risk	In Euro	Total	with foreign exchange risk	In Euro	Total
Non-current receivables:						
others:						
– customers		85	85		86	86
– others	10,999	3,526	14,525	12,352	4,250	16,602
	10,999	3,611	14,610	12,352	4,336	16,688
Current receivables						
customers	55,624	339,914	395,538	59,211	301,851	361,062
subsidiary companies	75	11,218	11,293	73	10,922	10,995
associated companies		581	581		530	530
parent companies	62	55,833	55,895	97	51,869	51,966
tax receivables		12,842	12,842		14,013	14,013
others:						
– others	2,409	23,013	25,422	4,141	27,443	31,584
	58,170	443,401	501,571	63,522	406,628	470,150
Liquid assets:						
Bank and postal deposits	4,434	7,676	12,110	4,469	8,576	13,045
Cash and cash equivalents	99		99	115		115
	4,533	7,676	12,209	4,584	8,576	13,160
Accrued income	23		23		42	42
Total	73,725	454,688	528,413	80,458	419,582	500,040

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

	31/12/2004			31/12/2003			Total
	within one year	amounts between 2 and 5 years	over 5 years	within one year	amounts between 2 and 5 years	over 5 years	
Medium/long term payables:							
Banks	1,947	5,506	7,453	1,571	7,725		9,296
Other lenders	880	4,974	5,854	845	5,855		6,700
	2,827	10,480	13,307	2,416	13,580		15,996
Current liabilities							
Other financial payables							
Banks	65		65	6			6
Other lenders	695		695	686			686
Subsidiary companies	189		189	1,880			1,880
	949		949	2,572			2,572
Trade payables							
Trade payables	245,179		245,179	273,764			273,764
Subsidiary companies	3,830		3,830	4,202			4,202
Parent companies	18		18				
	249,027		249,027	277,966			277,966
Various payables:							
Tax authorities	3,686		3,686	3,670			3,670
Payables to social security institutions	15,205		15,205	14,666			14,666
Other payables:							
- parent companies	4,115		4,115	1,385			1,385
- others	24,802		24,802	23,070			23,070
	47,808		47,808	42,791			42,791
Total payables	300,611	10,480	311,091	325,745	13,580		339,325 ⁽¹⁾
Accrued expenses	330		330	661			661
Total	300,941	10,480	311,421	326,406	13,580		339,986

(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)

	31/12/2004			31/12/2003		
	with foreign exchange risk	In Euro	Total	with foreign exchange risk	In Euro	Total
Payables						
Banks		7,518	7,518		9,302	9,302
Other lenders		6,549	6,549		7,386	7,386
Trade payables	36,995	208,184	245,179	20,903	252,861	273,764
Subsidiary companies	795	3,224	4,019	732	5,350	6,082
Parent companies		4,133	4,133		1,385	1,385
Tax authorities		3,686	3,686		3,670	3,670
Payables to social security institutions		15,205	15,205		14,666	14,666
Other payables - others	757	24,045	24,802	565	22,505	23,070
Total payables	38,547	272,544	311,091	22,200	317,125	339,325
Accrued expenses	330		330		661	661
TOTAL	38,877	272,544	311,421	22,200	317,786	339,986

Schedule n. 10

(Euro/thousand)

	From acc. 2004	Italy	Rest of Europe	North America	Rest of the world	Total
RECEIVABLES						
Third party customers	392,912	184,548	78,693	157	129,514	392,912
Group customers	2,626	2,626				2,626
TOTAL CUSTOMERS	395,538	187,174	78,693	157	129,514	395,538
Subsidiaries	11,293	11,156			137	11,293
Associated companies	581		581			581
Parent companies	55,895	55,895				55,895
Tax authorities	12,842	12,842				12,842
Others- third parties	25,422	23,229	103		2,090	25,422
TOTAL RECEIVABLES	501,571	290,296	79,377	157	131,741	501,571
PAYABLES						
Bonds						
Banks	7,518	7,518				7,518
Other lenders	6,549	6,549				6,549
Third party suppliers	239,829	176,170	50,158	1,488	12,013	239,829
Group suppliers	5,350	5,350				5,350
TOTAL SUPPLIERS	245,179	181,520	50,158	1,488	12,013	245,179
Subsidiaries	4,019	3,948			71	4,019
Parent companies	4,133	4,133				4,133
Tax authorities	3,686	3,686				3,686
Social security institutions	15,205	15,205				15,205
Others - third parties	24,802	24,045			757	24,802
TOTAL PAYABLES	311,091	246,604	50,158	1,488	12,841	311,091

Schedule n. 11

REVENUES (Euro/thousand)

	31/12/2004			31/12/2003		
	Italy	Overseas	Total	Italy	Overseas	Total
Revenues from sales						
- Italy	145,484			201,648		
- EU		38,389			10,477	
- Europe (outside EU)		1,096			21,455	
- Africa		7,738			3,132	
- North America		172			22,128	
- Latin America		99,103			72,237	
- Middle east		72,246			57,893	
- Far east		26,480			61,853	
- Other countries		1			562	
TOTAL REVENUES	145,484	245,225	390,709	201,648	249,737	451,385

NOTES TO THE FINANCIAL STATEMENTS

Schedule n. 12

PURCHASE AND SALES COMMITMENTS

(Euro/thousand)

	31/12/2004	31/12/2003
Commitments to purchase		
Purchase orders:		
- third parties	1,106,800	1,080,000
Foreign exchange contracts	3,031	6,162
	1,109,831	1,086,162
Commitments to sell		
Sales orders	2,088,300	1,801,000
Foreign exchange contracts	17,135	33,739
TOTAL	2,105,435	1,834,739

Schedule n. 13

OTHER MEMORANDUM ACCOUNT (Euro/thousand)

	Against obligations of others	Total as at 31/12/2004	Total as at 31/12/2003
Unsecured guarantees received			
Sureties	201,077	201,077	205,229
Guarantees	28,501	28,501	40,227
Others	229,865	229,865	475,969
	459,443	459,443	721,425
Third party assets held	2,035	2,035	2,035
Guarantees of others given for obligations of the company – Against others obligations	813,354	813,354	823,010
TOTAL OTHER MEMORANDUM ACCOUNTS	1,274,832	1,274,832	1,546,470

PROPOSAL TO THE SHAREHOLDERS' MEETING

Dear Shareholders,

The Financial Statements for the year 2004, presented for your approval, ended with a net profit of Euro 6,484,334, which, after the deduction of 5% to be allocated to the legal reserve, is available for distribution to the Shareholders' Meeting in accordance with article 31, point b) of the Company By-Laws.

The Financial Statements for the year ended December 31, 2004 were audited by Deloitte & Touche, appointed in the Ordinary Shareholders' meeting of April 4, 2003. Finally, we recall, that with the present Shareholders' Meeting, the three-year mandate of the Board of Statutory Auditors expires.

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

1. deliberate on the Financial Statements for the year 2004 as well as the director's report, after the presentation of the report by the Statutory Auditors
2. appoint members of the Board of Statutory Auditors for the three-year period 2005/2007 designating a Chairman
3. determine the remuneration of the Board of Directors
4. determine the emoluments of the Board of Statutory Auditors'
5. confirm the appointment of the Independent Audit Firm

for the BOARD OF DIRECTORS
THE PRESIDENT

REPORT OF THE STATUTORY AUDITORS

Dear Shareholders

for the year ended December 31, 2004 we have performed verifications in compliance with the requirements of law and in accordance with the principles of conduct for Statutory Auditors as recommended by the Italian Accounting Profession (Consigli nazionali dei Dottori Commercialisti e dei Ragionieri).

In particular, in compliance with the provisions of article 149 of the Legislative Decree 58/98:

- We attended the meetings of the Board of Directors and Shareholders' Meetings, obtaining from the Directors detailed and updated information on the activities carried out and on the most important economic and financial operations undertaken by the company. In accordance with the role assigned to us we had the possibility to verify that the actions undertaken were always in compliance with the deliberations made, with law and the by-laws, and were not in potential conflict of interests. Based on this constant updating, we can testify that the managerial choices made by the Directors and the consequent actions were always governed by the principles of prudence and economic rationality directed at maximising the expected benefits and safeguarding the assets of the company.
 - We have acquired knowledge and supervised, in relation to our specific responsibilities, the licenses for the carrying out of the activities of the company, the adequacy of the organisational structure of the company to confront the tasks assigned and the objectives of the company, verifying, during the year, whether any amendments or changes made reduced or modified the operational/managerial efficiency in any manner. We have undertaken constant verifications, with the purpose of verifying the respecting of the principles of correct administration, by means of direct observation and the gathering of information from department managers and through meetings with the Audit Firm, with whom there were numerous valuable exchanges of information.
 - We have evaluated the effectiveness of the company's internal audit, administration and accounting procedures. In the latter case, we also assessed the accounting system for the purposes of ensuring that it accurately represents data on operations, by obtaining information from the managers of the respective corporate departments and analysing the results of the work carried out by the independent auditors "DELOITTE & TOUCHE S.p.A."
- We continued the activity of monitoring the project that commenced in the previous year, in compliance with Legislative Decree 231. During the meetings undertaken, we were able to ascertain that, also based on suggestions provided by the certification company, that there were improvements, in accordance with the Ethical Code, of the existing procedures, extending them also to the administration-financial sector, where consolidated principles, on the basis of good administration and the rules suggested by the Parent Company, already guaranteed an adequate level of completeness and correctness. In this field, the analysis was particularly directed on a precise definition of the responsibilities, with the purpose of obtaining data, not only to support adequate documentation, but also and especially of a uniform behaviour in their formulation.

During the verifications, as described above, there were no significant facts meriting mention in this report. In as far as we are aware, your Directors, in the financial statements, did not make recourse to any exceptions as permitted by article 2423, paragraph 4 of the civil code. In the Director's Report and notes to the financial statements, your Directors reported in detail on the most significant aspects, in particular on the operations that characterised the operations during the year 2004 as well as the future outlook of the operations.

On our part, therefore, there is nothing to report. In view of the matters reported on above and to the fact that the Audit Firm have completed and provided, as confirmed to us by Mr. CORRADO TOSCANO of "DELOITTE & TOUCHE S.p.A.", the auditors' report without qualification, we express a favourable opinion on the approval of the draft financial statements for the year ended December 31, 2004 (balance sheet, income statement and notes thereto), that reports a profit of Euro 6,484,334, after taxes of Euro 8,987,356, as well as the Director's Report, as presented to you by the Board of Directors.

We recall that, with the year 2004, our three year mandate comes to an end and the Board of Statutory Auditors must be appointed for the three year period 2005/2007.

THE BOARD OF STATUTORY AUDITORS
Giorgio CUMIN
Maria Gabriella ATTARDI
Paolo MARIANI

RELAZIONE DELLA SOCIETA' DI REVISIONE AI SENSI DEGLI ART. 156 E 165 DEL D. LGS. 24.2.1998, N. 58 E AI SENSI DELL'ART. 14 DELLA LEGGE 12.8.77, N. 675

All'Azionista della
Ansaldo Energia S.p.A.

1. Abbiamo svolto la revisione contabile del bilancio d'esercizio della società Ansaldo Energia S.p.A. (la Società) chiuso al 31 dicembre 2004. La responsabilità della redazione del bilancio compete agli amministratori della Società. E' nostra la responsabilità del giudizio professionale espresso sul bilancio e basato sulla revisione contabile.
2. Il nostro esame è stato condotto secondo i principi e i criteri per la revisione contabile raccomandati dalla CONSOB. In conformità ai predetti principi e criteri, la revisione è stata pianificata e svolta al fine di acquisire ogni elemento necessario per accertare se il bilancio d'esercizio sia viziato da errori significativi e se risulti, nel suo complesso, attendibile. Il procedimento di revisione comprende l'esame, sulla base di verifiche a campione, degli elementi probativi a supporto dei saldi e delle informazioni contenuti nel bilancio, nonché la valutazione dell'adeguatezza e della correttezza dei criteri contabili utilizzati e della ragionevolezza delle stime effettuate dagli amministratori. Riteniamo che il lavoro svolto fornisca una ragionevole base per l'espressione del nostro giudizio professionale. Per il giudizio relativo al bilancio dell'esercizio precedente, i cui dati sono presentati ai fini comparativi secondo quanto richiesto dalla legge, si fa riferimento alla relazione da noi emessa in data 26 marzo 2004.
3. A nostro giudizio, il bilancio d'esercizio della Ansaldo Energia S.p.A. al 31 dicembre 2004 è conforme alle norme che ne disciplinano i criteri di redazione; esso pertanto è redatto con chiarezza e rappresenta in modo veritiero e corretto la situazione patrimoniale e finanziaria e il risultato economico della Società.
4. La Società, come richiesto dalla legge, ha inserito nella nota integrativa i dati essenziali dell'ultimo bilancio della società che esercita su di essa l'attività di direzione e coordinamento. Il nostro giudizio sul bilancio della Ansaldo Energia S.p.A. non si estende a tali dati.

DELOITTE & TOUCHE S.p.A.


Corrado Toscano
Socio

Genova, 14 marzo 2005

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