



> Annual Report
and Consolidated
Financial Statements
as at December 31, 2003

EnerTAD SpA

Legal offices
Corso di Porta Nuova, 13-15, 20121 Milan
T. +39 02 6263.1 F. +39 02 654884

Share capital Euro 62,619,109 fully paid-in
Reg. N. at the Tribunal of Milan: 1078902
Fiscal Code 00276450632
VAT N. 09077420157

> I. Contents

> 2.	Corporate Officers	5
> 3.	Director's report	9
3.1	The new profile of the EnerTAD Group	10
3.2	EnerTAD Group's Financial Position and Results	11
3.2.1	Results	11
3.2.2	Performance of the subsidiary companies	13
3.2.3	Research and development activity	14
3.3	Financial position and results of the Parent Company EnerTAD SpA	14
3.3.1	Summary data	14
3.3.2	Results and performance in the year	14
3.3.3	Personnel	14
3.3.4	Corporate controls	14
3.3.5	Information on the holdings of Directors, Statutory and Director Generals	15
3.3.6	Transactions with parent, subsidiary and associated companies	15
3.3.7	Treasury shares or quotas in parent companies held	15
3.3.8	Treasury shares or quotas in parent companies acquired or sold by the company in the year	15
3.3.9	Significant operational events in the year	15
3.3.10	Environment, health and security	17
3.3.11	Subsequent events to the year end	17
3.3.12	Future outlook	18
3.3.13	Self-discipline, conduct and ethical codes	18
3.3.14	Legislative Decree 196 of 2003 Privacy Laws	18
3.3.15	IFRS (IAS) International accounting principles	18
3.3.16	Appointment of the Board of Directors, determination of the number and remuneration of board member	19
3.4	Proposal for the allocation of the result	19
> 4.	EnerTAD Group's Consolidated Financial statements	21
4.1	Consolidated balance sheet	22
4.2	Memorandum accounts – consolidates	30
4.3	Statement of income – consolidated	31
4.4	Notes to the financial statements of the EnerTAD Group as of December 31, 2003	34
4.4.1	Consolidated companies	34
4.4.2	Changes in consolidation area	34
4.4.3	Exceptions to the application of the principles contained in Legislative Decree 127/91	35
4.4.4	Consolidation principles	35

4.4.5	Consolidation differences and reconciliation of net equity and net profit for the year 2003	36
4.4.6	Accounting principles	36
4.4.7	Balance sheet accounts and movements	39
4.4.8	Income statement accounts and movements	46
4.4.9	Other information	49
> 5.	Supplementary consolidated schedules	51
5.1	List of investments in associated companies and subsidiaries	52
5.2	Consolidated reclassified income statement	54
5.3	Analytical reclassified income statement	55
5.4	Movements in the Group financial position	57
5.5	Cash flow statement	58
5.6	Reclassification of the consolidated balance sheet as per "net capital employed and financial resources"	59
> 6.	Report of the Board of Statutory Auditors	63
6.1	Report of the Board of Statutory Auditors on the consolidated financial statements as at December 31, 2003 of EnerTAD SpA	64
> 7.	Independent Auditor's Report	65
7.1	Independent Auditor's Report on the Group's Consolidated Financial Statements	66

> 2. Corporate officers

Board of Directors

Luigi Agarini	<i>Chairman and Managing Director</i>
Sante Agarini	<i>Vice Chairman and Managing Director</i>
Angelo Caloia	<i>Director</i>
Ernesto Monti	<i>Director</i>
Marco Nicolini	<i>Director</i>
Tiziano Riboldi	<i>Director</i>
Maurizio Rota	<i>Director</i>

Board of Statutory Auditors

Giorgio Bianchini Scudellari	<i>Chairman of the Board of Statutory Auditors</i>
Alessandro della Fontana	<i>Standing Statutory Auditor</i>
Marco de Ruvo	<i>Standing Statutory Auditor</i>
Bruno Capitta	<i>Alternate Statutory Auditor</i>
Gioacchino Messina	<i>Alternate Statutory Auditor</i>

Secretary to the Board of Directors

Danilo Lodola

Independent Auditing Firm

Deloitte & Touche SpA

> 2. Corporate Officers as of May 18, 2004

Board of Directors

Luigi Agarini	<i>Honorary Chairman</i>
Salvatore Russo	<i>Chairman and Managing Director</i>
Paolo Panella	<i>Managing Director</i>
Sante Agarini	<i>Director</i>
Angelo Caloia	<i>Director</i>
Ernesto Monti	<i>Director</i>
Marco Nicolini	<i>Director</i>

Board of Statutory Auditors

Giorgio Bianchini Scudellari	<i>Chairman of the Board of Statutory Auditors</i>
Alessandro della Fontana	<i>Standing Statutory Auditor</i>
Marco de Ruvo	<i>Standing Statutory Auditor</i>
Bruno Capitta	<i>Alternate Statutory Auditor</i>
Gioacchino Messina	<i>Alternate Statutory Auditor</i>

Secretary to the Board of Directors

Danilo Lodola

Independent Auditing Firm

Deloitte & Touche SpA

> 3. Director's report
Consolidated Financial Statement
of the EnerTAD Group

as at December 31, 2003

3. Director's Report

Dear Shareholders,

this report that we present to you, prepared in accordance with the provisions of the Civil Code and Consob recommendations, consists of the:

- > Directors' Report on operations;
- > Financial statements (statutory and consolidated):
 - > Balance sheet
 - > Income statement
 - > Notes to the financial statements
- > Supplementary schedules (statutory and consolidated).

This annual report was drawn up in compliance with Art. 2428 of the Italian Civil Code and according to Consob criteria. In addition, the report includes all information required in Consob recommendations and the powers assigned to the Directors, including the composition of the Board of Directors' and office held.

The financial statements as of December 31, 2003 were drawn up in accordance with the provisions of the Italian Civil Code.

In the preparation of the financial statements for the year ended December 31, 2003, the balance sheet and income statement were drawn up in accordance with articles 2423ter, 2424, 2424bis, 2425 and 2425bis of the Civil Code and the notes thereto in accordance with article 2427 of the Civil Code.

For the consolidated financial statements as of December 31, 2003, prepared in accordance with articles 24-46 of Legislative Decree 127 of 1991, the balance sheet and income statement format utilised was that as prescribed for companies included in the consolidation as per article 32 of the legislation; the notes to the financial statements were prepared in accordance with article 28 of the legislation.

The consolidation area of the EnerTAD Group was determined in accordance with the provisions of Legislative Decree 127 of 1991 and the companies excluded from the consolidation were determined in accordance with article 28 of the legislation.

3.1 The new profile of the EnerTAD Group

During the year 2003, the EnerTAD Group continued the strategic and managerial activity already undertaken in previous years in order to provide full implementation of the original mission contained in the business plan which is the achieving of a leadership position in the Italian environmental market.

In relation to operational activities, we note the continuation of the development of the business plans that will see EnerTAD operating in two sectors:

- > energy and environment services;
- > steel sector.

The principle inspiration that guides all of the business activities of the Group are based on the concept of sustainable development, through the ability of combining economic growth with social progress and environmental protection.

EnerTAD develops technologically advanced industrial projects in line with the principals established by both Italian and EU regulations.

EnerTAD directly controls and manages a group of enterprises specialised in energy production from renewable sources, waste management and integrated water cycle services.

In the production of electricity from renewable sources EnerTAD has designed and constructed wind generation fields in Lazio producing electricity from wind. EnerTAD also designed and constructed biomass waste-to-energy and CDR (combustion deriving from waste) plants in Lazio and Umbria. These plants have been built utilising the most advanced combustion technology and in full compliance of environmental regulations in force in Italy and the EU.

During the year 2003, EnerTAD, in line with the Business Plan guidelines, evaluated the strategic importance of the potential for growth and profitability, of the opening of new wind generation parks for a total installed capacity of approximately 200 MW, subsidised under the Green Certificates scheme.

In 2003, EnerTAD signed an agreement with the company Iritech (Finmeccanica) that will also permit the Group to be present in the hydrogen energy sector thanks to a programme centred on the construction of a series of demonstrative plants for a total power of approximately 10 MW, and on a parallel technological and industrial process development for the production of fuel cells with national and international partners.

In the waste management services EnerTAD guarantees reliable treatment procedures that reduce to a minimum the environment impact, aiding in the battle against the accumulation of landfill waste and thus promoting a 'virtuous cycle' of waste through differentiated waste, treatment of the moist and dry sections, recycling and, as already mentioned, waste-to-energy. From Waste to Resource.

Water is an increasingly precious asset that needs to be protected. EnerTAD, thanks to the integrated water cycle, maintains this 'asset' through the whole water cycle from its collection at source, to the treatment for the elimination of substances for human consumption, to the distribution and supply to the users (aqueducts), to the recovery and treatment of waste water (sewerage), and treatment before final discharge (purification).

In the steel sector, the EnerTAD France group is organised as a network of distribution warehouses for the sale in France, Holland, Germany, Italy and the United States of products acquired from external suppliers, directly to the clientele, consisting principally of small and medium sized operators.

From an organisational view point, the integration process continued within the TAD Group, following the conferment of the company EnerTAD France and its subsidiaries. Changes were therefore implemented in the organisational structure in order to guarantee a clear definition of roles and responsibilities, a rationalisation of operating costs and governance and a maximisation of operational efficiencies.

3.2 EnerTAD Group's Financial Position and Results

3.2.1. Results

The breakdown of the consolidated results are shown below:

	(€/000)	
	Dec. 31, 2003	Dec. 31, 2002
Revenues from sales and services	238,041	83,950
Value added	66,189	24,759
Personnel costs	(30,653)	(14,553)
Ebitda	35,536	10,206
Amort., depreciation and provisions	(18,347)	(5,740)
Ebit	17,189	4,466
Group net profit	5,263	4,043
Net capital employed	292,101	244,582
Group and minority interest net equity	112,914	81,813
Net financial position positive (negative)	(179,187)	(162,769)
Investments	37,355	27,073
Employees at the end of the period	(n.) 775	701
of which operating in consolidated companies	(n.) 754	696
Ordinary shares	(n.) 62,618,894	50,093,544

The comparison with the previous year is affected by the changes in the consolidation area, following the conferment of EnerTAD France and its subsidiaries. For these companies, belonging to the steel sector; for the year 2002 the revenues and the result were only included for the period September - December.

Revenues from sales and services, entirely generated by the Group's operating companies, increased as did the added value, following the change in the consolidation area.

	(€/000)		
	Dec. 31, 2003	Dec. 31, 2002	Change
Environment services	24,991	13,715	11,276
Energy generation	23,808	7,303	16,505
Waste water management	4,679	4,269	410
Other revenues	6,699	1,281	5,418
Total energy and environment sector	60,177	26,568	33,609
Stainless steel flat products	107,309	34,748	72,561
Stainless long flat products	47,987	11,820	36,167
Other stainless steel products	13,115	7,594	5,521
Other metal products	7,435	2,118	5,317
Other revenues	2,018	1,102	916
Total steel sector	177,864	57,382	120,482
TOTAL	238,041	83,950	154,091

The revenues from sales and services by geographic area are shown below:

	(€/000)			
	Steel	Energy and environment	Total Dec. 31, 2003	%
Italy	14,289	60,177	74,466	31.2%
France	67,362		67,362	28.3%
Holland/Germany	58,217		58,217	24.5%
United States	22,845		22,845	9.6%
Other countries	15,151		15,151	6.4%
TOTAL	177,864	60,177	238,041	100.0%

Also the **Ebitda** sees a natural increase following the change in the consolidation area.

The net **profit** pertaining to the Group increased by Euro 1,220 thousand compared to the previous year.

The net financial position positive (negative) is shown below:

	(€/000)		
	Dec. 31, 2003	Dec. 31, 2002	Change
Short-term financial payables - third party	(88,196)	(105,112)	16,916
Short-term financial payables - intercompany	(3,416)	(2,853)	(563)
Short-term financial receivables - third party			
Short-term financial receivables - intercompany	47,084	14,939	32,145
Restricted current account	25,000		25,000
Short-term cash and bank	11,864	4,360	7,504
Short-term net financial position	(7,664)	(88,666)	81,002
Long-term financial payables - third party	(175,697)	(75,016)	(100,681)
Long-term financial payables - intercompany			
Long-term financial receivables - third party	3,509	248	3,261
Long-term financial receivables - intercompany			
Other securities	665	665	
Long-term net financial position	(171,523)	(74,103)	(97,420)
Total net financial position	(179,187)	(162,769)	(16,418)
- of which without recourse	71,147	65,439	5,708

	(€/000)
Intercompany positions:	Dec. 31, 2003
Short-term intercompany payables	
Tad Metals Inc.	3,416
Short-term intercompany receivables	
Amea SpA	1
Amea Servizi SpA	6
Ame@Tad Srl	16
Cerveteri Ambiente Srl in liquidation	252
Fintad International SA	46,779
Socram Srl in liquidation	30
Total	47,084

Comments are provided below on the composition of the net financial position:

- a) the "Short-term financial payables – third parties", amounting to Euro 88,196 thousand, relates to payables to banks and other financial institutions, interest on the convertible bond "EnerTAD 2003-2006 convertible" and the short-term portion of the Project Financing of Euro 10,538 thousand;
- b) the "Short-term financial payables - intercompany", amounting to Euro 3,416 thousand, relates to financial payables of the companies TCT Stainless Steel Inc. and TCT Stainless Steel of Nashville Inc., belonging to the EnerTAD group, with Tad Metals Inc., company belonging to the Tad Fin group;
- c) the "Short-term financial receivables – intercompany", amounting to Euro 47,084 thousand, relates almost entirely to a receivable of Euro 46,779 thousand of EnerTAD from Fintad International SA relating to a treasury management agreement between the parent company Fintad International SA and EnerTAD SpA;
- d) the "Restricted current account" of Euro 25,000 thousand relates to a current account of EnerTAD SpA providing a guarantee in favour of Tad Fin SpA that was released from this restriction on April 13, 2004 and therefore re-enters within the available liquidity of EnerTAD SpA;
- e) the "Short-term cash and bank" of Euro 11,864 thousand includes the positive current accounts;
- f) the "Long-term financial payables – third parties", amounting to Euro 175,697 thousand, relates to the convertible bond "EnerTAD 2003-2006, convertible" and other medium/long-term loans provided by banks and other credit institutions to EnerTAD SpA and its subsidiaries including the medium/long-term portion of the Project Financing of Euro 60,609 thousand;

- g) the "Long-term financial receivables – third parties", amounting to Euro 3,509 thousand, relates almost entirely to a "life capitalisation product", underwritten with Generali Vita SpA for the obtaining of a guarantee in relation to the purchase of a participation in En. Hydro SpA;
- h) the "Other securities", amounting to Euro 665 thousand, consist of equity securities and relate to a guarantee on a leasing contract.

With reference to the position at point c), the treasury relationship is regulated by a master agreement of reciprocal financial assistance underwritten between Fintad International SA and EnerTAD SpA in 2002, based on the provision of financial assistance through either cash or guarantees (sureties, comfort letters).

This reciprocal financial assistance contract is consistent with the corporate scope of EnerTAD SpA (in line with its bye-laws, that provides the possibility to provide loans and guarantees to the parent company), in that, as is the purpose of these contracts, it provides an optimisation of the group financial resources through the concentration of the group liquidity in the parent company, partially avoiding the intermediation of the banking system and through the provision of guarantees to facilitate the access to credit by group companies.

In fact the reciprocal financial assistance between Fintad International SA and EnerTAD SpA is: i) in relation to the debtor position, at times Fintad and at times EnerTAD as the debtor, in any case always at a variable interest rate, that over the years has varied from a minimum of 5.5% to a maximum of 6.5%; currently the annual rate is 6.0%; ii) in relation to the guarantees they have almost always been in favour of EnerTAD, with Fintad providing sureties, liens or comfort letters on various payables of EnerTAD with credit institutions; the only guarantee given by EnerTAD in favour of Fintad is the Euro 25,000 thousand indicated above at sub d) that expired on April 13, 2004.

In relation to the debtor position, in virtue of the reimbursement made by Fintad International SA to EnerTAD SpA, and the debtor position of the Tad Fin group, with the EnerTAD group of Euro 3,416 thousand (see "Short-term payables – intercompany") the intercompany receivable of the EnerTAD group decreased at March 31, 2004 from Euro 47,084 thousand to Euro 41,724 thousand. In order to guarantee the repayment of this amount, irrevocable bank and credit guarantees were obtained in favour of EnerTAD for a total amount of Euro 41.000 thousand.

The **investments** in the period, that amount to Euro 37,355 thousand, represents the capex investments in the waste-to-energy and wind generation plants in addition to investments in the steel sector:

The **consolidated net equity** pertaining to the Group and minority interests increased following a share capital increase and the result for the year is in part compensated by the decrease of the minority interest share due to the acquisition by the Group of the minority interest in Tad Inox Service BV.

Personnel numbers increased by 74 units.

	Dec. 31, 2003	Dec. 31, 2002	(numebr) Change
Managers	49	40	9
White-collar	312	272	40
Blue-collar	414	389	25
Total personnel operating in the consolidated companies	775	701	74

The personnel in the energy and environment sector were 339 units and 436 units in the steel sector:

3.2.2 Performance of the subsidiary companies

ENERGY AND ENVIRONMENTAL SECTORS:

The companies operating in the energy and environment sectors in 2003 produced revenues of Euro 60,177 thousand, an increase of Euro 33,609 thousand compared to the previous year. The Ebitda in 2003, equal to Euro 22,714 thousand, increasing compared to the previous year, benefited from the entry into service of the waste-to-energy plants, owned by Terni En.A. SpA (entered into full service only at the end of 2002) and Eall Srl (entered into full service in May 2003) located respectively in Terni and San Vittore del Lazio.

STEEL SECTOR:

The companies belonging to the steel sector only entered into the consolidation area from September 2002. The revenues in the year amounted to Euro 177,864 thousand. The Ebitda in 2003 amounted to Euro 12,822 thousand.

3.2.3 Research and development activity

The EnerTAD Group did not carry out any research and development activity in the year.

3.3 Financial position and results of the Parent Company EnerTAD SpA

3.3.1 Summary data

	(€/000)	
	Dec. 31, 2003	Dec. 31, 2002
Value of production	5,483	1,845
Production costs:		
- personnel costs	(1,643)	(341)
- other costs	(4,355)	(2,428)
Production costs:	(5,998)	(2,769)
Operating result	(515)	(924)
- non operating income and charges	6	(37)
- financial income and charges	(152)	1,236
Pre-tax result	(661)	275
- Income taxes	(72)	(167)
Net profit (loss) for year	(733)	108
<i>Investments</i>	29,689	26,536
<i>Cash flow after financial charges and taxes</i>	(29,119)	(31,588)
<i>Net capital employed</i>	89,318	60,934
<i>Net financial position positive (negative)</i>	18,448	16,248
<i>Employees (n.)</i>	21	5

Based on the Consob circular of February 23, 1994 a reclassified income statement was prepared based on the format contained in the Legislative Decree 127 of 1991 in order to provide a better understanding of the accounts.

3.3.2 Results and performance in the year

EnerTAD SpA reported a loss of Euro 733 thousand for the year to December 31, 2003 compared to a profit of Euro 108 thousand in the previous year.

This result was principally generated from income for the provision of services to the subsidiaries and parent companies, financial charges and general costs of the holding.

The net financial position at December 31, 2003 improved by Euro 2,200 thousand compared to the previous year. The difference is attributable to the changes in the financial positions with Group companies.

3.3.3 Personnel

The number of personnel at December 31, 2003 was 7 managers and 14 white-collar employees.

As already commented upon in paragraph 3.1, during the year the company continued the strengthening of its organisational role with emphasise on the co-ordination of the Group administration functions and management control efficiency.

3.3.4 Corporate controls

The Board of Directors on February 25, 2002 deliberated to attribute to the Chairman and Managing Director Luigi Agarini and to the Vice Chairman and Managing Director Sante Agarini the powers of ordinary administration.

3.3.5 Information on the holdings of Directors, Statutory Auditors and Director Generals

	Company	No. of shares held at end of previous year	No. of shares acquired/subscribed	No. of shares sold	No. of shares held at end of current year
Agarini Luigi indirect, through:					
Fintad International SA	EnerTAD SpA	26,294,335	6,243,585		32,537,920
Tad Fin SpA	EnerTAD SpA	13,905,368	2,721,342		16,626,710

It is recalled that on December 30, 2003 the company Tad Metals SpA was incorporated by merger into the company Tad Fin SpA.

3.3.6 Transactions with parent, subsidiary and associated companies

EnerTAD SpA carries out transactions of a commercial and financial nature at normal market conditions with parent, subsidiary and associated companies. These relationships allow for the attainment of advantages deriving from the use of common services and expertise resulting from the exploitation of Group synergies and the application of Group-wide financial policies.

In particular, these relationships relate to the activities listed below, further detailed in the notes to the financial statements:

- > treasury management, loans and guarantees;
- > administration services;
- > real estate rental;
- > management of common services;
- > purchase and re-billing of services.

3.3.7 Treasury shares or quotas in parent companies held

In compliance with article 2428, paragraph 2, point 3 of the Italian Civil Code, it is hereby specified that at December 31, 2003 the Company did not own any treasury shares or shareholdings of its parent companies.

3.3.8 Treasury shares or quotas in parent companies acquired or sold by the company in the year

In compliance with article 2428, paragraph 2, point 4 of the Italian Civil Code, it is hereby specified that during the year the Company did not acquire or sell any treasury shares or shareholdings of its parent companies.

3.3.9 Significant operational events in the year

During the year the following important events took place.

On March 10, 2003 SAO SpA incorporated the company Rieti Ambiente SpA operating in the sector of residential waste collection and urban hygiene. The newly established company, with a share capital of Euro 130,000, held 51% by ASM di Rieti and 49% by SAO, is responsible for the construction and management of a waste collection and pre-selection plant in the Province of Rieti, at Casapenta.

On April 3, 2003, Tad Energia Ambiente SpA acquired 99.56% of Energie Pulite 2000 SpA, a company with headquarters in Latisana (UD) and a share capital of Euro 510,000. This company operates in the sector of energy generation and waste management and is responsible for a project which involves the construction of at least 10 Mw energy generation plant from biomass in the Municipality of Arzene (PN).

On April 14, 2003, the Extraordinary Shareholders' Meeting resolved on the issue of a convertible loan with exclusion of any pre-emption right, for a maximum counter-value of Euro 76.5 million as well as a capital increase to cover the above mentioned issue for a total nominal value of Euro 25.5 million.

Also on April 14, 2003, the Board of Directors, based on the powers received from the Extraordinary Shareholders' Meeting of August 30, 2002, resolved a paid-in capital increase from Euro 50,093,544 to Euro 62,616,930 through the issue of 12,523,386 EnerTAD shares to be offered as options to the shareholders based on 1 share for every 4 shares held at a price of Euro 2.50 each, of which Euro 1.50 is share premium. This share capital increase was entirely subscribed in May and June 2003.

In April 2003, following the awarding of a tender contract by the Municipality of Paliano, for the identification of a private partner, Tad Energia Ambiente SpA acquired an 11% interest in AMEA SPA and AMEA Servizi SpA, companies operating in the waste management sectors in the Municipality. These holdings, based on the agreements between the companies, were subsequently increased up to 33%.

On June 3, 2003, EnerTAD SpA subscribed for 25.5% in the share capital of Hydro Italia SpA (now En.Hydro SpA), thus reaching 51% in Joint Venture with Enel Hydro, following the awarding of a tender contract from Trenitalia SpA in March 2003.

On June 11, 2003, the Board of Directors of EnerTAD SpA, following the powers conferred by the Extraordinary Shareholders' Meeting of April 14, 2003, defined the structure of the offer of the convertible bonds in ordinary shares of EnerTAD.

In particular the total amount of the Global Offer was deliberated as a maximum of 18,000,000 bonds divided as follows:

- > a public offer for a minimum of 13,412,000 bonds;
- > an institutional placement for a maximum of 4,588,000 bonds in Italy for Professional Investors which would represent approximately 25.5% of the bonds included in the Global Offer.

The issue of the Convertible Bond Loan was with an underwriting syndicate, established and managed by Efibanca SpA, Bipielle Santander Central Hispano SIM SpA and Banca Akros SpA. In addition, IBI SpA assisted the Company as Financial Advisor.

The Board of Directors also defined the POC (Prestito Obbligazionario Convertibile - Convertible Bond) characteristics as listed below:

- > maximum loan amount of Euro 76,500,000;
- > nominal value of each bond: Euro 4.25;
- > issuing price equal to nominal value;
- > maturity date: November 30, 2006;
- > coupon payment terms every six months, that is, on May 31 and November 30 of each year from 2003 to 2006;
- > nominal interest rate equal to 5.75% ("step up" provision up to 6.10%).

Information, as well as the regulating framework relative to the above mentioned issued loan, together with a detailed schedule for the operation (and the mandatory press notices) have been made available and published in compliance with the legislation in force in Italy.

On June 25, 2003, EnerTAD SpA signed a contract for the acquisition of an 85% interest in MISTRAL FVG Srl, with headquarters in Spilimbergo, Pordenone (I) and a share capital of Euro 3,100,000. The transfer of the 85% of the share capital has still to be completed. This company, operating in the energy and waste management sector, mainly operates in the sector of special waste disposal (including hazardous and hospital waste), for which it obtained a 25,000 tonnes/year re-cycling authorization in a 2MW energy generation plant from renewable sources transferred to GRTN in compliance with the incentives provided under CIP6.

On July 4, 2003 the public subscription offering for the convertible loan "EnerTAD 2003-2006 convertible" which generated an overall request for 21,982,307 bonds equal to approximately 1.22 times the bonds included in the placing, was concluded.

On July 7, 2003, EnerTAD France SA acquired the remaining 30% minority interest of the Dutch company Tad Inox Service BV, thus acquiring its entire share capital.

On July 11, 2003 Borsa Italiana SpA with resolution 2977 gave authorisation effective July 11, 2003 for the commencement of trading on the Stock Exchange, on the MTA ordinary class I segment, of the convertible bonds "EnerTAD 2003-2006 convertible" (code ISIN IT0003474357).

On July 14, 2003 EnerTAD SpA acquired a holding of 33% in the company Eurosviluppo Industriale SpA, owner of a project for an integrated service platform that includes the construction of a combined cycle electric plant, in the municipality of Scandale (Kr).

On July 16, 2003, in compliance with the agreements reached with the Municipality of Paliano, Tad Energia Ambiente SpA established five companies for each single project to develop in the Paliano area. These companies all began with an initial share capital of Euro 10,000 and minority interests are held by the Group's companies, AMEA SpA and AMEA Servizi SpA.

In July, within the Global Offering that took place between June 24 and July 4, 2003, the amount was received relating to the "EnerTAD 2003-2006 convertible" bond.

On September 2, 2003, EnerTAD SpA acquired a 60% interest in Enersistema Srl (Frosinone), a company responsible for a project for the restoration and treatment of non-harmful waste. This company also holds controlling interests in the companies Enercom Srl and Enercombustibili Srl, active respectively in the sale and brokerage of waste produced by third parties and in CDR production.

On October 3, 2003, EnerTAD SpA acquired the full shareholding in the company D.S.I. Servizi Industriali Srl, operating in the waste management sector and the owner of a plant for the treatment of non-harmful waste located at Frosinone.

On October 21, 2003 EnerTAD SpA subscribed for 50,000 shares in Utilità SpA, equal to 3.3% of the share capital.

On October 23, 2003 the EnerTAD Group signed an agreement with the Finmeccanica Group, through its subsidiary Iritech SpA, that will permit the acceleration of the technological development of the fuel cells for the production of electricity for stationary use. This agreement provides for the entry of EnerTAD SpA into Ansaldo Fuel Cells SpA (wholly owned company of Iritech SpA), with an initial quota in the share capital of 6.3%, sub-divided 50% with Gepafin SpA (subsidiary of the Umbria Region, Sviluppumbria SpA), and that may arrive up to 23% through reserved share capital increases. The programme is centred on the construction of a series of demonstrative plants for a total power of approximately 10 MW and a parallel activity of technological and industrial process development for the production of fuel cells involving national and international partners.

On November 6, 2003 EnerTAD SpA incorporated the company EOS Windenergy Srl with a share capital of Euro 10,000. This company will be the new sub-holding of the EnerTAD Group for the construction and development of the projects relating to the production of electricity from aero-generators with total installed power of approximately 200 MW when fully operational, qualifying under the green certificates scheme. These new wind generation plants will enter into production gradually from the second part of 2004 and will be fully operational during the year 2005.

On December 18, 2003 the Shareholders' Meeting of En.Hydro SpA approved the spin-off into two companies: Società Depurazioni Acque Industriali Italia SpA (Sodai Italia SpA held 51% by EnerTAD SpA and 49% by Trenitalia SpA) and Water & Industrial Services Company SpA (Wisco SpA held 51% by Enel Hydro SpA and 49% by Trenitalia SpA). Sodai Italia SpA, in addition to guaranteeing to Trenitalia SpA the purification service of waste from the railroad workshops, which will base its business on integrated services for the treatment of water on behalf of third parties.

3.3.10 Environment, health and security

In line with the environmental mission of the company pursued during the year ended December 31, 2003, the programme of certification of the Group activities and the sites (plant) continued. In particular the certifications related to the certificates for the integrated system UNI EN ISO 9001/2000 (quality) and 14001 (environment), OHSAS 18001 (security) and EMAS 761/01 (environment).

The following specific activity occurred:

- > the implementation of regulation EMAS 761/01 at the company Terni En.A. SpA;
- > the implementation of the regulation OHSAS 18001 and UNI EN ISO 14001 at the company Interpark Srl;
- > the implementation of the regulation UNI EN ISO 14001 at the company Eall Srl;
- > the maintaining of the certificate for the integrated management system for quality, environment and security in conformity respectively with the regulations UNI EN ISO 9001, UNI EN ISO 14001 and OHSAS 18001 for the companies Sao SpA and Omnia Srl.

3.3.11 Subsequent events to the year end

On January 29, 2004, in relation to the agreements signed with the Finmeccanica Group, the company EnerTAD SpA subscribed to a share capital increase in Ansaldo Fuel Cells SpA. The quota held of the Group is equal to 3.15%.

On February 24, 2004 the company EnerTAD SpA sold its entire holding in Eurosviluppo Industriale SpA realising a small gain.

On March 26, 2004, the Board of Directors of EnerTAD SpA deliberated, in accordance with article 22 of the company bye-laws, the deferment of the date for the approval of the statutory and consolidated financial statements for 2003 of the EnerTAD Group, originally set for the end of March. The Board in fact considered it necessary to avail of the faculty to extend this period in order to permit, based on the operational performance in the first months of the year in course and the implementation of the Business Plan, the definition of some accounting issues relating to the subsidiary companies and to evaluate the most appropriate accounting and classification criteria for some account items, including transactions with parent companies.

In particular, the Board of Directors deliberated to change the calendar for corporate events in the current year and, to defer to May 10, 2004, the approval of the statutory and consolidated financial statements for 2003 of the EnerTAD Group, providing the required information to the market.

On March 31, 2004, Comburo Srl, previously sold by Tad Energia Ambiente SpA at book value to the sub-holding Eos Windenergy Srl, acquired from third parties the business division relating to the project for the construction of a wind park called "Troia – San Vincenzo wind park".

On April 6, 2004 the total proportional spin-off deed of En. Hydro SpA was signed with the incorporation of two companies: Società Depurazioni Acque Industriali Italia SpA and Water & Industrial Services Company SpA as described previously.

In relation to subsequent events to December 31, 2003, relating to the net financial position reference should be made to paragraph 3.2.1.

3.3.12 Future Outlook

The year 2004 will see the first significant benefits from the consolidation and development in the two sectors, energy/waste management and steel, in which the Group is committed on the basis of the guidelines conferred by the Shareholders giving rise to the industrial mission.

In relation to the steel sector in 2004, growth is expected in sales through the consolidation of the markets in which the Group operates.

The current year will be characterised by important investments in order to complete the initiatives in advanced construction phase and continue the development of the Group strategies in the two sectors of activity.

3.3.13 Self-discipline, conduct and ethical codes

The company adopted the self-discipline code and the code of conduct as recommended by Borsa Italiana SpA and also updated its ethical code. These codes are available to any persons making a request, at the registered offices of the company or on the company internet site www.enertad.it. Also available through the same means is the Annual Corporate Governance Report with the same terms for publication as the annual accounts.

3.3.14 Legislative Decree 196 of 2003 Privacy Laws

With reference to the law on privacy, which entered into force on January 1, 2004, the company, relating to the use and treatment of personal data relating to employees, customers and suppliers, is currently analysing the security standards adopted.

The company is preparing the security document that will contain the information relating to the procedures and measures currently applied with reference to law 675/96 and to the possible changes and integrations that, within the period required by law of June 30, 2004, will be adopted in order to comply with the law.

3.3.15 IFRS (IAS) International accounting principles

The European Union Regulation 1606/02 of July 19, 2003 establishes that companies quoted on regulated markets must prepare, from January 1, 2005, consolidated financial statements adopting IFRS, issued by the International Accounting Standards Boards.

EnerTAD SpA has created a work group in order to co-ordinate the various phases in the transition process to international accounting principles, identifying the principle differences between group and IFRS (IAS) accounting principles, evaluating the possible impact on accounting and management information systems, and defining the new group accounting principles and the changes necessary to the systems and processes.

The principal impact on the financial statements, on the basis of the analysis and information currently available, are as follows:

- > the presentation of the financial statements in relation to the structure, lay-out and contents of the balance sheet, income statement and notes to the financial statements and the definition of the accounting principles;
- > the presentation of the accounting information by sector and geographic area;
- > the valuation and accounting treatment of intangible assets, in particular set-up and expansion, advertising, accessory costs relating to loans and development;
- > the valuation and accounting treatment of tangible assets, in particular the application of different useful life on a single plant, the depreciation criteria, the treatment of costs for technical interventions during the life of the plant, monetary revaluations and grants;
- > the valuation of the provision for risks;
- > the actuarial valuation of the employee leaving indemnity and the treatment of funds;
- > the recording and valuation of financial instruments;
- > the classification of finance leases;
- > the criteria for the recognition of revenue and costs;

- > the recording of losses on assets and valuation;
- > the definition of the consolidation area for the preparation of the consolidated financial statements, the valuation of goodwill and the treatment of translation reserves;
- > the re-alignment of the accounting and reporting system.

3.3.16 Appointment of the Board of Directors, determination of the number and remuneration of board member

Dear Shareholders,

the Board of Directors has revoked its mandate. Therefore, we invite you to deliberate on the appointment of new Directors, establishing the number of members on the Board of Directors, and the remuneration of the Board.

3.4 Proposal for the allocation of the result

Dear Shareholders,

the financial statements at December 31, 2003 of your company closes with a loss of Euro 733,181 that we propose to carry forward in the reserve "Retained profits (losses)".

If you are in agreement, we invite you to approve the directors' report and the financial statements consisting of the balance sheet, income statement and notes thereto.

We therefore invite you to deliberate accordingly.

For the Board of Directors
the Chairman
Luigi Agarini

Milan, May 10, 2004

> 4. EnerTAD Group's Consolidated
Financial Statements

as at December 31, 2003

> 4.1 Balance Sheet - Consolidated

				as at 31 December 2003		
ASSETS		values in Euro (within 12 month)	values in Euro (beyond 12 months)	Amount in Euro		
A)	RECEIVABLES DUE FROM SHAREHOLDERS FOR UNPAID CAPITAL			1,155		
B)	FIXED ASSETS					
I.	Intangible assets					
	1 formation, start-up and similar costs			5,888,249		
	2 research, development and advertising costs			1,466,773		
	3 industrial patents and intellectual property rights			243,329		
	4 concessions, licenses, trademarks and other			2,792,056		
	5 goodwill			59,380,906		
	6 assets under construction and payments on account			1,760,454		
	7 other			4,707,232		
	Total intangible fixed assets			76,238,999		
II.	Tangible assets:					
	1 land and buildings			41,869,740		
	2 plant and machinery			86,402,508		
	3 industrial and sales equipment			1,690,794		
	4 other fixed assets			3,068,837		
	5 assets under construction and payments on account			13,153,325		
	Total tangible fixed assets			146,185,204		
III.	Financial assets:					
	1 shareholdings in:					
	a subsidiary companies			230,872		
	b associated companies			19,760,116		
	c other companies			526,165		
	Total shareholdings			20,517,153		
	2 receivables:					
	a subsidiaries					
	b associated companies	6,500		6,500		
	c parent companies					
	d others		3,508,714	3,508,714		
	e group companies					
	f deposits	351	187,000	187,351		
	Total receivables	6,851	3,695,714	3,702,565		
	3 other securities		664,930	664,930		
	4 treasury shares					
	Total financial assets			24,884,648		
	TOTAL FIXED ASSETS			247,308,851		

as at 31 December 2002			Changes		
values in Euro (within 12 month)	values in Euro (beyond 12 months)	Amount in Euro	values in Euro (within 12 month)	values in Euro (beyond 12 months)	Amount in Euro
					1,155
		760,917			5,127,332
		515,365			951,408
		205,470			37,859
		2,822,787			(30,731)
		61,104,998			(1,724,092)
		824,120			936,334
		2,049,903			2,657,329
		68,283,560			7,955,439
		33,191,404			8,678,336
		85,820,519			581,989
		1,547,722			143,072
		3,146,789			(77,952)
		5,727,930			7,425,395
		129,434,364			16,750,840
		180,431			50,441
		246,611			19,513,505
		456,165			70,000
		883,207			19,633,946
			6,500		6,500
	248,416	248,416		3,260,298	3,260,298
136,473	39,155	175,628	(136,122)	147,845	11,723
136,473	287,571	424,044	(129,622)	3,408,143	3,278,521
	664,930	664,930			
		1,972,181			22,912,467
		199,690,105			47,618,746

		as at 31 December 2003		
ASSETS (continued)		values in Euro (within 12 month)	values in Euro (beyond 12 months)	Amount in Euro
C)	CURRENT ASSETS			
I.	Inventory:			
	1 raw materials, supplies and consumable goods			15,090,869
	2 work in progress and semi-finished products			2,424,906
	3 contract work in progress			
	4 finished goods			24,585,096
	5 payments on account			1,088
	Total inventory			42,101,959
II.	Receivables:			
	1 customers	66,986,395		66,986,395
	2 subsidiaries			
	a trade receivables	35,864		35,864
	b financial activities	298,246		298,246
	c others	1,439		1,439
	total from subsidiaries	335,549		335,549
	3 associated companies			
	a trade receivables	5,449,812		5,449,812
	b financial activities			
	c others			
	total from associated companies	5,449,812		5,449,812
	4 parent companies			
	a trade receivables	723,862		723,862
	b financial activities	46,778,769		46,778,769
	c others	1,292,160		1,292,160
	total from parent companies	48,794,791		48,794,791
	5 from others			
	a trade receivables			
	b payments on account	1,408,064		1,408,064
	c from tax authorities	5,905,926	12,000	5,917,926
	d deferred tax asset	3,810,251	1,764,857	5,575,108
	e others	1,749,421		1,749,421
	total from others	12,873,662	1,776,857	14,650,519
	6 group companies			
	a trade receivables			
	b financial activities			
	c others			
	total from group companies			
	Total receivables	134,440,209	1,776,857	136,217,066
III.	Financial assets - not constituting fixed assets:			
	1 shareholdings in parent companies			
	2 shareholdings in associated companies			3,630,000
	3 shareholdings in other companies			
	4 treasury shares			
	5 other securities			
	6 bills			
	Total financial assets not constituting fixed assets			3,630,000
IV.	Cash in banks and on hand			
	1 bank and postal accounts			36,793,356
	2 cheques on hands			4,818
	3 cash-in-hand and cash equivalents			65,581
	Total cash in bank and on hand			36,863,755
	TOTAL CURRENT ASSETS			218,812,780
D)	PREPAYMENTS AND ACCRUALS			1,835,334
	TOTAL ASSETS			467,958,120

as at 31 December 2002			Changes		
values in Euro (within 12 month)	values in Euro (beyond 12 months)	Amount in Euro	values in Euro (within 12 month)	values in Euro (beyond 12 months)	Amount in Euro
		20,374,706			(5,283,837)
		1,903,351			521,555
		21,044,949			3,540,147
		43,323,006			(1,221,047)
53,703,872	9,743	53,713,615	13,282,523	(9,743)	13,272,780
265,441		265,441	32,805		35,864
2,000		2,000	(561)		32,805
267,441		267,441	32,244		68,108
649,752		649,752	4,800,060		4,800,060
649,752		649,752	4,800,060		4,800,060
114,412		114,412	609,450		609,450
14,672,553		14,672,553	32,106,216		32,106,216
1,841,142		1,841,142	(548,982)		(548,982)
16,628,107		16,628,107	32,166,684		32,166,684
842,685		842,685	565,379		565,379
7,534,816		7,534,816	(1,628,890)		(1,616,890)
1,621,458	1,276,265	2,897,723	2,188,793	488,592	2,677,385
847,429	31,435	878,864	901,992	(31,435)	870,557
10,846,388	1,307,700	12,154,088	2,027,274	457,157	2,496,431
4,837		4,837	(4,837)		(4,837)
4,837		4,837	(4,837)		(4,837)
82,100,397	1,317,443	83,417,840	52,303,948	447,414	52,799,226
					3,630,000
					3,630,000
		4,306,096			32,487,260
		53,043			4,818
		4,359,139			32,504,616
		131,099,985			87,712,795
		2,061,405			(226,071)
		332,851,495			135,106,625

		as at 31 December 2003		
LIABILITIES		values in Euro (within 12 month)	values in Euro (beyond 12 months)	Amount in Euro
A)	NET EQUITY			
I.	Share capital			62,618,894
II.	Share premium reserve			33,750,517
III.	Revaluation reserve:			
	1 reserve ex art. 72/83			1,965,285
	2 reserve ex art. 413/91			
	Total revaluation reserves			1,965,285
IV.	Legal reserve			1,387,625
V.	Reserve for own shares in portfolio			
VI.	Statutory reserves			
VII.	Other reserves:			
	1 extraordinary reserve			345,087
	2 non-deductible reserve			
	3 profit re-investment reserve (South of Italy) ex art. 102			
	4 fund provision ex. art 54 Italian Pr.D. 597/73			6,706,260
	5 fund provision ex. art 55 Italian Pr.D. 597/73			1,278,189
	6 energy consumption fund provision ex Italian Law 308/82			
	7 reserve ex art. 33 C.7 Italian Law 413/91			
	8 shareholders' payments			123
	9 fund provision ex Italian Law Decree 361/87			
	10 translation reserve			(2,715,917)
	11 consolidation reserve			943,831
	Total other reserves			6,557,573
VIII.	Retained earnings or losses carried forward			446,903
IX.	Net profit for the period			5,262,807
	TOTAL GROUP NET EQUITY			111,989,604
	minority interest reserve			882,411
	minority interest share of result			41,945
	Net equity of minority interests			924,356
	TOTAL NET EQUITY			112,913,960
B)	PROVISION FOR CONTINGENCIES AND CHARGES			
	1 pension and similar provisions			
	2 taxation:			
	a current taxation			
	b deferred taxation			2,942,327
	total taxation			2,942,327
	3 others:			
	a risk fund provision on pending litigation			639,885
	b risk fund provision on investments			1,020,431
	c exchange rate risk fund provision			
	d environmental improvement risk fund			99,002
	e re-organisation and liquidation risk fund			
	f fund provision for other risks			364,159
	total others			2,123,477
	TOTAL PROVISION FOR CONTINGENCIES AND CHARGES			5,065,804

as at 31 December 2002			Changes		
values in Euro (within 12 month)	values in Euro (beyond 12 months)	Amount in Euro	values in Euro (within 12 month)	values in Euro (beyond 12 months)	Amount in Euro
		50,093,544			12,525,350
		14,959,055			18,791,462
		1,965,285			
		1,965,285			
		1,382,203			5,422
		345,087			
		6,706,260			
		1,278,189			
					123
		(751,643)			(1,964,274)
		(2,990,086)			3,933,917
		4,587,807			1,969,766
		344,303			102,600
		4,043,612			1,219,195
		77,375,809			34,613,795
		4,416,065			(3,533,654)
		21,051			20,894
		4,437,116			(3,512,760)
		81,812,925			31,101,035
		13,200			(13,200)
		2,779,481			162,846
		2,779,481			162,846
		369,885			270,000
		1,170,431			(150,000)
					99,002
		45,568			318,591
		1,585,884			537,593
		4,378,565			687,239

		as at 31 December 2003		
LIABILITIES (continued)		values in Euro (within 12 month)	values in Euro (beyond 12 months)	Amount in Euro
C)	EMPLOYEE LEAVING INDEMNITY			1,852,566
D)	PAYABLES			
	1 bonds		41,721	41,721
	2 convertible bonds	373,551	76,491,530	76,865,081
	3 due to banks	65,869,665	66,927,210	132,796,875
	4 other financing payables	61,763		61,763
	5 sums due to other financial institutions	21,890,416	32,235,562	54,125,978
	6 payments on account			
	7 trade payables	63,282,006		63,282,006
	8 accounts payable on bills accepted and drawn			
	9 subsidiaries			
	a trade receivables			
	b financial activities			
	c others			
	total from subsidiaries			
	10 due to associated companies			
	a trade receivables	113,745		113,745
	b financial activities			
	c others			
	total from associated companies	113,745		113,745
	11 due to parent companies			
	a trade receivables	733,407		733,407
	b financial activities			
	c others			
	total from parent companies	733,407		733,407
	12 sums payable to tax authorities	7,007,105		7,007,105
	13 social security provisions	1,531,693		1,531,693
	14 other payables	4,241,756	182,230	4,423,986
	15 group companies			
	a trade receivables	133,026	12,000	145,026
	b financial activities	3,415,570		3,415,570
	c others	171,312		171,312
	total from group companies	3,719,908	12,000	3,731,908
	TOTAL PAYABLES	168,825,015	175,890,253	344,715,268
E)	PREPAYMENT AND ACCRUALS			3,410,522
	TOTAL LIABILITIES			467,958,120

as at 31 December 2002			Changes		
values in Euro (within 12 month)	values in Euro (beyond 12 months)	Amount in Euro	values in Euro (within 12 month)	values in Euro (beyond 12 months)	Amount in Euro
		1,584,728			267,838
	41,721	41,721			
93,813,698	67,265,501	161,079,199	373,551 (27,944,033)	76,491,530 (338,291)	76,865,081 (28,282,324)
			61,763		61,763
11,297,576	7,707,778	19,005,354	10,592,840	24,527,784	35,120,624
4,421,924		4,421,924	(4,421,924)		(4,421,924)
39,771,591		39,771,591	23,510,415		23,510,415
113,745		113,745			
23,800		23,800	(23,800)		(23,800)
137,545		137,545	(23,800)		(23,800)
636,934		636,934	96,473		96,473
636,934		636,934	96,473		96,473
6,739,828		6,739,828	267,277		267,277
1,372,575		1,372,575	159,118		159,118
4,207,567	264,564	4,472,131	34,189	(82,334)	(48,145)
24,379		24,379	108,647		120,647
2,852,579		2,852,579	562,991		562,991
1,580,947		1,580,947	(1,409,635)		(1,409,635)
4,457,905		4,457,905	(737,997)		(725,997)
166,857,143	75,279,564	242,136,707	1,967,872	100,598,689	102,578,561
		2,938,570			471,952
		332,851,495			135,106,625

> 4.2 Memorandum Accounts - Consolidated

(€/000)

	31.12.2003			31.12.2002		
	Amounts included in the balance sheet	Amounts not included in the balance sheet	Total	Amounts included in the balance sheet	Amounts not included in the balance sheet	Total
I Guarantees issued						
- Non-secured guarantees issued						
1 Sureties						
- parent company		46,233	46,233		29,114	29,114
- subsidiaries						
- associated companies		1,496	1,496		1,496	1,496
- parent companies						
- other group companies		1,085	1,085		1,085	1,085
- third parties						
2 Endorsements						
- parent company						
- subsidiaries						
- associated companies						
- parent companies						
- other group companies						
- third parties						
3 Other						
- parent company						
- subsidiaries		4,544	4,544			
- associated companies						
- parent companies						
- other group companies						
- third parties						
- Secured guarantees issued						
1 Pledges						
- parent company						
- subsidiaries						
- associated companies						
- parent companies	25,000		25,000			
- other group companies						
- third parties						
2 Mortgages						
- parent company						
- subsidiaries						
- associated companies						
- parent companies						
- other group companies						
- third parties	6,539		6,539	2,045		2,045
II Other memorandum accounts						
- Guarantees received						
- sureties from parent companies	34,247		34,247	3,000		3,000
- sureties from third parties		5,086	5,086		3,918	3,918
- other personal guarantees		810	810		310	310
- garanzie reali						
- Third party securities and assets in deposit						
- Risks						
- Commitments						
- Leases		1,460	1,460		154	154
- Securities and assets by third parties	20		20	50		50

> 4.3 Statement of Income - Consolidated

(Amounts in Euro)

	Dec 31, 2003	Dec 31, 2002	Changes
A) Value of production			
1 Income from sales and supply of services	236,890,171	82,875,637	154,014,534
2 Variation of work in progress and finished and semi finished goods	2,412,034	837,201	1,574,833
3 Variation in contract work in progress			
4 Increases on internal work capitalised under fixed assets			
a production and stocks	8,686	481,395	(472,709)
b interests of the period	436,596	1,505,261	(1,068,665)
Total increases on internal work capitalised under fixed assets	445,282	1,986,656	(1,541,374)
5 Other revenues and income			
a contributions for operating expenses	342,824	105,167	237,657
b other operating revenues	1,151,264	1,074,135	77,129
c expenses re-charges	1,038,920	328,791	710,129
d various income	191,611	105,463	86,148
e income from property	933	622	311
f gains from ordinary management activities	30,058	28,711	1,347
g extraordinary income	453,888	615,550	(161,662)
Other revenues and income	3,209,498	2,258,439	951,059
Total value of production	242,956,985	87,957,933	154,999,052
B) Cost of production			
6 raw materials, consumables and supplies	(136,334,517)	(42,731,928)	(93,602,589)
7 services			
a services	(27,000,981)	(11,805,558)	(15,195,423)
b utilities	(2,968,527)	(1,178,062)	(1,790,465)
c various costs	(2,998,411)	(2,056,209)	(942,202)
Total services	(32,967,919)	(15,039,829)	(17,928,090)
8 use of third party assets	(2,474,856)	(1,425,871)	(1,048,985)
9 personnel expense			
a wages and salaries	(22,148,547)	(10,271,298)	(11,877,249)
b social security contributions	(6,938,000)	(3,235,891)	(3,702,109)
c employee leaving indemnity	(611,980)	(411,711)	(200,269)
d pension and similar costs	(214,932)	(94,998)	(119,934)
e other costs	(739,814)	(538,924)	(200,890)
Total personnel expense	(30,653,273)	(14,552,822)	(16,100,451)
10 Amortisation, depreciation and write-downs			
a amortisation of intangible fixed assets	(5,160,730)	(1,727,835)	(3,432,895)
b depreciation of tangible fixed assets	(12,328,892)	(3,823,489)	(8,505,403)
c other write-downs of fixed assets	(233,359)	(106,293)	(127,066)
d write-down of receivables listed under current assets and liquidity items	(856,639)	(189,491)	(667,148)
e utilisation of the depreciation fund for receivables listed under current assets and liquidity items	405,933	419,634	(13,701)
f losses on receivables	(859,303)	(261,857)	(597,446)
Total amortisation, depreciation and write-downs	(19,032,990)	(5,689,331)	(13,343,659)

Income statement <i>(continued)</i>		(Amounts in Euro)		
	Dec 31, 2003	Dec 31, 2002	Changes	
11	Change of raw materials, consumables, semi-finished and finished goods	(2,527,527)	(2,498,557)	(28,970)
12	Provisions for risks			
a	Provisions for pending litigation	(300,000)		(300,000)
b	Utilisation of the risk provision on pending litigation	69,770	60,312	9,458
	Total provisions for contingencies	(230,230)	60,312	(290,542)
13	Other provisions			
14	Other operating expenses			
a	taxation excluding income tax	(529,576)	(378,883)	(150,693)
b	property charges	(28,786)	(11,208)	(17,578)
c	loss from ordinary management activities	(16,147)		(16,147)
d	extraordinary loss	(1,352,558)	(183,546)	(1,169,012)
e	others	(1,447,710)	(476,941)	(970,769)
	Other operating costs	(3,374,777)	(1,050,578)	(2,324,199)
	Total cost of production	(227,596,089)	(82,928,604)	(144,667,485)
	Difference between value and cost of production	15,360,896	5,029,329	10,331,567=
C) Financial income and charges				
15	Income from investments			
a	subsidiary companies			
b	associated companies			
c	other companies	250	320	(70)
d	tax credit on dividends	1,139,512		1,139,512
e	gain on transfer investments		9,876,122	(9,876,122)
	Total income from investments	1,139,762	9,876,442	(8,736,680)
16	Other financial income			
a	from receivables classified under non-current assets			
a.1	subsidiary companies			
a.2	associated companies			
a.3	parent companies			
a.4	group companies			
a.5	others	67,133	687	66,446
	total receivables classified under non-current assets	67,133	687	66,446
b	from securities classified under non-current assets not constituting investments			
c	from securities classified under current assets not constituting investments			
c.1	interest income on securities			
c.2	gain on transfer of securities			
	from securities classified under current assets not constituting investments			
d	other income than above			
d.1	interests and commissions from subsidiaries	16,452	17,461	(1,009)
d.2	interests and commissions from associated companies			
d.3	interests and commissions from parent companies	2,222,133	552,878	1,669,255
d.4	interests and commissions from group companies			
d.5	interests and commissions from banks	206,673	77,452	129,221
d.6	interest and commissions from others and various incomes	196,924	667,941	(471,017)
d.7	profit on exchange rates	145,668	6,648	139,020
d.8	exchange rate risk fund utilisation			
	total other income than above	2,787,850	1,322,380	1,465,470
	Total other financial income	2,854,983	1,323,067	1,531,916

Income statement <i>(continued)</i>		(Amounts in Euro)		
	Dec 31, 2003	Dec 31, 2002	Changes	
17	interest and other financial charges			
	a subsidiaries			
	b associated companies			
	c parent companies		(566,503)	566,503
	d group companies	(117,343)		(117,343)
	e others	(11,660,912)	(5,260,008)	(6,400,904)
	f losses on exchange rates	(1,543)		(1,543)
	g exchange rate fund provision			
	h loss on transfer of investments			
	i loss on transfer of securities			
	Total interest and other financial charges	(11,779,798)	(5,826,511)	(5,953,287)
	Total financial income and charges	(7,785,053)	5,372,998	(13,158,051)
D) Adjustment of financial assets				
18	Revaluations			
	a investments			
	b financial assets - not constituting investments			
	c from securities classified under current assets not constituting investments			
	Total revaluations			
19	Write-downs			
	a investments			
	a.1 losses deriving from balance sheet evaluations	(274,283)	(43,334)	(230,949)
	a.2 risk fund provision on investments			
	a.3 utilisation of the risk fund provision on investments			
	total write-down of investments	(274,283)	(43,334)	(230,949)
	b financial assets - not constituting investments			
	c from securities classified under current assets not constituting investments			
	Total write-downs	(274,283)	(43,334)	(230,949)
	Total adjustment of financial assets	(274,283)	(43,334)	(230,949)
E) Extraordinary income and charges				
20	Income			
	a gains on extraordinary management transfers	380,021	54,639	325,382
	b others	397,482	100,781	296,701
	c utilisation of the re-organisation and liquidation fund			
	Total income	777,503	155,420	622,083
21	Charges			
	a losses on extraordinary management transfers	(13,233)	(25,912)	12,679
	b taxes relating to prior years		(46,173)	46,173
	c other charges and various risk provisions	(1,146,042)	(3,521,698)	2,375,656
	d charges for re-organisation and liquidation			
	Total charges	(1,159,275)	(3,593,783)	2,434,508
	Extraordinary income and charges	(381,772)	(3,438,363)	3,056,591
	Profit before taxation	6,919,788	6,920,630	(842)
22	Taxation on profit for the period	(1,615,036)	(2,855,967)	1,240,931
23	NET PROFIT FOR THE PERIOD	5,304,752	4,064,663	1,240,089
	Minority interest share	(41,945)	(21,051)	(20,894)
	GROUP NET PROFIT FOR THE PERIOD	5,262,807	4,043,612	1,219,195

> 4.4 Notes to the Consolidated Financial Statements of EnerTAD Group

as at December 31, 2003

4.4.1 Consolidated companies

The EnerTAD Group comprises 41 companies, of which 26 are included in the consolidation under the line-by-line method, 1 under the net equity method and 14 at cost.

The companies included in the consolidation area at December 31, 2003 are listed in the supplementary tables (point 5.1).

The consolidated financial statements include the financial statements of the parent company EnerTAD SpA and all of the companies in which the Parent Company directly or indirectly has a majority share.

The companies excluded from the consolidation area were determined in accordance with article 28 of Legislative Decree 127/91.

4.4.2 Changes in consolidation area

During the year the following companies entered into the consolidation area:

- > DSI Srl
- > Enercom Srl
- > Enercombustibili Srl
- > Ener Sistema Srl
- > Energie Pulite 2000 SpA
- > Eos Windenergy Srl

The following companies are included in the consolidation area under the line-by-line method:

ENERGY AND ENVIRONMENT SECTORS:

Amatrice Servizi Scarl	owned 99.42% by Omnia Srl
DSI Srl	owned 100% by EnerTAD SpA
Eall Srl	owned 100% by Tad Energia Ambiente SpA
Enercom Srl	owned 100% by Ener Sistema Srl
Enercombustibili Srl	owned 83.5% by Ener Sistema Srl
Energisistema Srl	owned 60% by EnerTAD SpA
Energie Pulite 2000 SpA	owned 99.56% by Tad Energia Ambiente SpA
Eolo Srl	owned 51% by Tad Energia Ambiente SpA
Eos Windenergy Srl	owned 100% by EnerTAD SpA
Ergo En.A. Srl	owned 70% by Tad Energia Ambiente SpA owned 5% by Ener Sistema Srl
Interpark Srl	owned 100% by Tad Energia Ambiente SpA
Omnia Srl	owned 100% by Tad Energia Ambiente SpA
Sao SpA	owned 100% by Tad Energia Ambiente SpA
Tad Ambiente Srl	owned 100% by Tad Energia Ambiente SpA
Tad Energia Ambiente SpA	owned 100% by EnerTAD SpA
Terni En.A. SpA	owned 98% by Tad Energia Ambiente SpA owned 2% by EnerTAD SpA

STEEL SECTOR:

EnerTAD France Sas - France	owned 99.99% by EnerTAD SpA
Charron Inox Sas - France	owned 100% by EnerTAD France Sas
Metalli Marchelli Srl	owned 100% by EnerTAD France Sas
Presco Sas - France	owned 100% by EnerTAD France Sas
Sapim Sas - France	owned 100% by EnerTAD France Sas
Tad Inox Service BV - The Netherlands	owned 100% by EnerTAD France Sas
Tad Inox Service GmbH - Germany	owned 100% by Tad Inox Service BV
TCT Stainless Steel Inc - United States	owned 100% by EnerTAD France Sas
TCT Stainless Steel of Nashville Inc - United States	owned 100% by EnerTAD France Sas

4.4.3 Exceptions to the application of the principles contained in Legislative Decree 127/91

During the year, no exceptional events occurred that would render the application of the principles for the preparation of consolidated financial statements as contained in the Legislative Decree 127/91, incompatible with a true and fair view of the Group's financial position and result for the year. As a consequence no exceptions were made as per paragraph 4 of article 29 of the Legislative Decree 127/91.

4.4.4 Consolidation principles

The consolidated balance sheet and income statement have been prepared in accordance with article 32 of Legislative Decree 127 of April 9, 1991. The following supplementary schedules are also included: cash flow statement; reclassified value added income statement; reclassified balance sheet showing the capital employed and sources of financing.

The financial statements included in the consolidation are those approved by the Board of Directors adjusted, where necessary, to reverse tax related entries and to adopt uniform Group accounting principles in line with the provisions for the preparation of consolidated financial statements.

The carrying value of the companies consolidated is eliminated against the corresponding quota of net equity held. The differences between the cost of acquisition of the subsidiaries and the corresponding quota held in the net equity is recorded in the balance sheet; if the difference is positive it is recorded under intangible assets while if the difference is negative it is recorded under net equity.

The quota of minority interest net equity and result for the period in consolidated companies are stated in a separate line in the consolidated balance sheet and income statement.

Receivables, payables, costs and revenues between consolidated companies are eliminated.

Unrealised gains and losses arising from transactions between consolidated companies or valued under the net equity method are eliminated if the amounts are significant.

The dividends received by the parent company and consolidated companies are reversed in the consolidated income statement.

The financial statements of consolidated companies not in the Euro area are converted, applying the average exchange rates in the year for the

income statement and the year end rates for the balance sheet. The Translation Reserve, that is recorded under net equity, represents the effects of the differences between the exchange rates at the year end and date of the original balance, and the effects of the differences generated in the conversion of the result adopting for the income statement and balance sheet respectively the average exchange rate for the year and the year end exchange rate.

4.4.5 Consolidation differences and reconciliation of net equity and net profit for the year 2003

The Consolidation Reserve includes the differences deriving from the elimination of the amounts in the financial statements of the consolidated companies against the corresponding quota of the subsidiary's net equity.

Also included are the differences to reverse entries of a fiscal nature and unrealised gains and losses deriving from transactions between Group companies.

Consequently, the other net equity accounts correspond to those recorded in the statutory financial statements of the parent company.

The reconciliation of the net equity and net profit for the year ended December 31, 2003 is summarised below:

	Capital and reserves	Profit (loss) for the year	Group net equity
(€/000)			
As per EnerTAD SpA financial statements	108,499	(733)	107,766
- Difference between net equity adjusted values of consolidated companies and book value of investments	(1,772)	5,996	4,224
Group net equity	106,727	5,263	111,990

4.4.6 Accounting principles

The consolidated financial statements have been prepared in accordance with the provisions of the Civil Code and by the accounting principles issued by the Italian Accounting Profession (Consigli Nazionali dei Dottori Commercialisti e dei Ragionieri) and, where they do not cover specific issues, the standards issued by the IASB have been adopted.

The accounting principles have not changed from those utilised in the previous year and are commented upon in the following pages.

The most significant accounting principles used in preparing the consolidated financial statements are as follows:

Intangible assets

Intangible assets are recorded at cost in accordance with article 2426, paragraph 5 of the civil code, including directly attributable accessory costs and are amortised on a straight-line basis over the period of their expected useful life.

Formation and set-up costs as well as research and development costs are recorded as assets, with the approval of the Board of Statutory Auditors, and are amortised over five years.

Goodwill, recorded as an asset with the consent of the Board of Statutory Auditors, represents the higher amount paid compared to the quota of net equity in the subsidiary acquired and is amortised over a maximum period of 20 years.

The remaining intangible assets principally include costs incurred for the implementation of IT system upgrades, accessory charges in obtaining medium/long-term loans, charges for share capital increases and other minor amounts. They are amortised over a period of five years or on the basis of the duration of the loan obtained.

Tangible assets

They are recorded based on acquisition cost, adjusted for the effects of revaluations made in accordance with law or the provisions of article 2425, last paragraph, of the Civil Code.

Revaluations are credited to the revaluation reserve included under net equity and have been partly utilised over the years for share capital increases and covering of losses.

The financial charges incurred for the acquisition of assets are capitalised and attributed to the asset until the asset is ready for use.

Depreciation is calculated based on the economic-technical useful life of the assets that prudently correspond to the ordinary fiscal rates applicable.

The depreciation rates applied for the different asset categories are as follows:

	(%)
Industrial buildings and constructions	3 - 4 - 5 - 10
General and specific plant and machinery	7- 12 - 15
Large equipment and operating machinery	10 - 17,5
Equipment	10 - 25
Office furniture and machines	12 -18 - 20
Vehicles and internal transport	20 - 25

In the year the assets enter into service the depreciation rate is reduced by 50%.

Normal on-going maintenance costs are charged in full to the income statement in the year in which they are sustained.

Maintenance costs of an incremental nature are allocated to the assets they relate to and depreciated in accordance with their residual use.

Financial assets

Equity Investments

Equity investments in associated companies, in which the EnerTAD Group holds over 20% or 10% if quoted, are accounted for under the net equity method.

The equity investments in companies, that although controlled are valued at cost as they are not significant or not yet operative, are listed as an attachment to the notes.

The other investments are valued at acquisition cost.

The cost is reduced in the case of permanent impairment where the participation has suffered losses and no recovery is foreseen in the immediate future, or sufficient profits may be generated to absorb the losses; the original value is written back when the reasons for the write-down no longer exist.

The investments that are expected to be disposed of within 12 months are classified as "Current financial assets" and are valued under the net equity method.

In consideration of the risks connected to investments a specific provision is recorded for investments held.

Inventory

Product inventory

Inventories are stated at the lower of purchase, determined as the weighted average cost, and market value.

Semi-finished and finished products are valued at production cost.

Obsolete and slow-moving inventories are written down to their net realisable value.

Contract work in progress

Contract work in progress, referring to long-term contracts are recorded based on the progress of the work completed determined in accordance with the costs incurred to the total cost to completion. Contract work in progress for short-term contracts are recorded at cost.

Receivables

Receivables are recorded at their net realisable value through an allowance for doubtful accounts.

Current financial assets

Securities

Securities are valued at cost or realisable value, taken from market prices in the case of quoted securities, if lower.

Provision for contingencies and charges

Provisions are made against possible future risks that require, in accordance with correct accounting principles, prudent recording of probable liabilities. The amounts provided represent a best possible estimate on the basis of available information and are divided into:

Pensions and similar obligations

The provision relates to other leaving indemnities and similar provisions.

Provision for investment risks

The provision is to cover permanent losses in equity investments.

Provision for other risks

This provision relates to other provisions than those mentioned above in respect of certain or probable losses or liabilities, the amount or due date of which could not be determined at year-end.

Employee leaving indemnity

The provision for employee leaving indemnities is accrued to cover the full liability to employees in accordance with current legislation and labour agreements at the balance sheet date. This liability is revalued in accordance with indices established by the relevant legislation.

Payables

Payables are recorded at their nominal value.

Sums payable to tax authorities

Income taxes are accrued based on an estimate of the income tax charge for each company.

Prepayments and accruals

They are accounted for on an accrual basis.

Risks, commitments and guarantees

The memorandum account reports the effective amounts of risks, commitments and guarantees.

For a better understanding of the total amount of the risks, commitments and guarantees separate indications are shown for the amounts already recorded in the balance sheet and amounts not recorded in the balance sheet.

Revenues

Revenues are recorded net of returns, discounts, rebates and premiums as well as sales taxes.

Revenues from the sale of goods are recognised on the transfer of the goods. This normally takes place when the goods are despatched or delivered.

The revenues of a financial nature are recognised based on the accrual basis.

Costs

Costs are recorded net of returns, discounts, rebates and premiums as well as purchases taxes.

Income taxes

Income taxes are calculated and accrued based on the fiscal charge with reference to legislation currently in force.

In accordance with Accounting Principle 25, deferred taxes are recorded on the temporary timing differences between the fiscal and statutory assessable income. Deferred assets are recorded under receivables within the limit of their reasonable recovery in future years, also with reference to the commencement of some of the Group plant.

4.4.7 Balance sheet accounts and movements

B Fixed assets

B I Intangible assets

The movements in the year are as follows:

	(€/000)							
	Balance at 31.12.02	Purchases	Capital- isation and reclass.	Change in consol. area	Other movements	Transfers	Amort- isation	Balance at 31.12.03
BI1 Formation, start-up and similar costs	761	6,150	(39)	253			(1,237)	5,888
BI2 Research, development and advertising costs	515	811	545				(404)	1,467
BI3 Industrial patents and intellectual property rights	205	132	1	3			(98)	243
BI4 Concessions, licenses, trademarks and similar rights	2,823	235	79		(4)	(52)	(289)	2,792
BI5 Goodwill	61,105		4	2,757	(2,262)		(2,223)	59,381
BI6 Assets under construction and payments on account								
- assets under construction	808	466	(765)	189				698
- payments on account	16	1,047						1,063
Total assets under construction and payments on account	824	1,513	(765)	189				1,761
BI7 Others	2,050	338	3,030	199			(910)	4,707
Total	68,283	9,179	2,855	3,401	(2,266)	(52)	(5,161)	76,239

During the year no financial charges were attributed to intangible assets.

The account *Goodwill* represents the higher amount paid against the corresponding net equity interest of the companies included in the consolidation.

The goodwill is amortised according to company-specific factors, future development plans, commencement of new projects and the recovery of the capital investments made.

The column *Change in consolidation area* refers to the effects of the acquisitions as indicated at paragraph 4.4.2

Details by sector of activity:

	(€/000)		
	Energy and environment	Steel	Balance at 31.12.2003
BI1 Formation, start-up and similar costs	5,888		5,888
BI2 Research, development and advertising costs	1,467		1,467
BI3 Industrial patents and intellectual property rights	213	30	243
BI4 Concessions, licenses, trademarks and similar rights	2,607	185	2,792
BI5 Goodwill	39,164	20,217	59,381
BI6 Assets under construction and payments on account			
- assets under construction	698		698
- payments on account	1,016	47	1,063
Total assets under construction and payments on account	1,714	47	1,761
BI7 Others	4,661	46	4,707
Total	55,714	20,525	76,239

The Formation and start up costs account consists of the following:

	(€/000)	
	31.12.2003	31.12.2002
Expenses for share capital increase	1,932	318
Expenses for company formation and changes in corporate bye-laws	16	11
Expenses for loan acquisition	3,727	341
Other costs	213	91
Total	5,888	761

The *Research, development and advertising costs* account consists of the following:

	(€/000)	
	31.12.2003	31.12.2002
Expenses for development activity		3
Expenses for software development		83
Expenses for promotional activity and institutional advertising campaigns	781	374
Expenses for feasibility studies and surveys	686	55
Total	1,467	515

B II Tangible assets

The movements in the account are detailed below:

	(€/000)								
	Balance at 31.12.02	Purchases	Capitalis. and reclass.	Changes in consol. area	Other changes	Write- downs	Sales	Depre.	Balance at 31.12.03
Gross values									
BII1 Land and buildings	37,897	5,800	2,104	2,901			(335)		48,367
BII2 Plant and machinery	95,153	8,593	1,331	897	(918)		(76)		104,980
BII3 Industrial and commercial equipment	3,637	738	(132)	344			(91)		4,496
BII4 Other assets	8,232	871	(203)	528	(66)		(245)		9,117
BII5 Assets under const. & payments on account									
- assets under construction	3,427	7,572	(1,405)	342					9,936
- payments on account	2,301	1,583	(1,530)	888			(25)		3,217
Total assets under const. & payments on account	5,728	9,155	(2,935)	1,230			(25)		13,153
Total gross values	150,647	25,157	165	5,900	(984)		(772)		180,113
Accumulated depreciation									
BII1 Land and buildings	(4,706)			(255)			63	(1,599)	(6,497)
BII2 Plant and machinery	(9,333)		(212)	(304)	280		66	(9,075)	(18,578)
BII3 Industrial and commercial equipment	(2,089)		85	(296)			46	(551)	(2,805)
BII4 Other assets	(5,085)		126	(150)	37		128	(1,104)	(6,048)
Total accumulated depreciation	(21,213)		(1)	(1,005)	317		303	(12,329)	(33,928)
Net values									
BII1 Land and buildings	33,191	5,800	2,104	2,646			(272)	(1,599)	41,870
BII2 Plant and machinery	85,820	8,593	1,119	593	(638)		(10)	(9,075)	86,402
BII3 Industrial and commercial equipment	1,548	738	(47)	48			(45)	(551)	1,691
BII4 Other assets	3,147	871	(77)	378	(29)		(117)	(1,104)	3,069
BII5 Assets under const. & payments on account									
- assets under construction	3,427	7,572	(1,405)	342					9,936
- payments on account	2,301	1,583	(1,530)	888			(25)		3,217
Total assets under const. & payments on account	5,728	9,155	(2,935)	1,230			(25)		13,153
Total net values	129,434	25,157	164	4,895	(667)		(469)	(12,329)	146,185

During the year financial charges amounting to Euro 436 thousand were attributed to tangible assets.

The *Purchases* are detailed below:

	(€/000)
Investments in the Terni "Waste-to-energy" project	2,844
Land and buildings	2,980
Steel sector plant and machinery	1,826
Investments for the Le Crete site	2,227
Investments for the wind generation parks	7,764
Industrial complex at Paliano (Fr)	1,528
CDR plant at Paliano (Fr)	3,532
Transport and equipment	575
Other investments	1,881
Total	25,157

The account *Change in consolidation area* refers to the effects of the acquisition as indicated at paragraph 4.4.2.

Information by sector of activity:

	Energy and environment	Steel	Balance at 31.12.03
Gross values			
BI1 Land and buildings	33,245	15,122	48,367
BI2 Plant and machinery	90,945	14,035	104,980
BI3 Industrial and commercial equipment	2,164	2,332	4,496
BI4 Other assets	4,506	4,611	9,117
BI5 Assets under const. & payments on account			
- assets under construction	9,933	3	9,936
- payments on account	2,838	379	3,217
Total assets under const. & payments on account	12,771	382	13,153
Total gross values	143,631	36,482	180,113
Accumulated depreciation			
BI1 Land and buildings	(2,418)	(4,079)	(6,497)
BI2 Plant and machinery	(11,160)	(7,418)	(18,578)
BI3 Industrial and commercial equipment	(1,276)	(1,529)	(2,805)
BI4 Other assets	(2,804)	(3,244)	(6,048)
Total accumulated depreciation	(17,658)	(16,270)	(33,928)
Net values			
BI1 Land and buildings	30,827	11,043	41,870
BI2 Plant and machinery	79,785	6,617	86,402
BI3 Industrial and commercial equipment	888	803	1,691
BI4 Other assets	1,702	1,367	3,069
BI5 Assets under const. & payments on account			
- assets under construction	9,933	3	9,936
- payments on account	2,838	379	3,217
Total assets under const. & payments on account	12,771	382	13,153
Total net values	125,973	20,212	146,185

B III Financial assets

B III I Equity investments

Subsidiaries

	(€/000)		
	31.12.2003	31.12.2002	Change
Ame@Tad Srl	6		6
Cerveteri Ambiente Srl in liquidation	77	77	
Combuoro Srl	10	10	
Ecoenergie Srl	8		8
Ecofuels srl in liquidation	9		9
Enerdepurazioni Scarl	10		10
Recupera Srl	9		9
Socram Ecologia Srl in liquidation	93	93	
Sorepla Srl	9		9
Total	231	180	51

Associated companies

	(€/000)		
	31.12.2003	31.12.2002	Change
Amea SpA	1,596		1,596
Amea Servizi SpA	724		724
En. Hydro SpA	16,780		16,780
Rieti Ambiente SpA	19		19
Umbriadue Servizi Idrici Scarl	428	34	394
Volasca SpA	213	213	
Total	19,760	247	19,513

Other companies

	(€/000)		
	31.12.2003	31.12.2002	Change
Banca di Credito Coop. di Terni SpA	5	5	
Banca Popolare di Spoleto SpA	9	9	
Galleo Scarl	3	3	
Medianova Scarl	23	23	
Ala Scarl	6	6	
Agesa Srl	21	21	
Reclas SpA	389	389	
Utilità SpA	70		70
Totale	526	456	70

B III 2 Receivables

B III 2b Receivables from associated companies

The receivables are from the companies Amea SpA and Amea Servizi SpA.

B III 2d Other receivables

The balance includes Euro 3,500 thousand for two life insurance policies, duration over five years, underwritten with the Company Generali Vita SpA and relating to a guarantee policy.

B III 3 Other securities

They relate to equity securities and refer to a time deposit as guarantee for a leasing contract.

C Current assets

C I Inventory

The account *Inventory* decreased by Euro 1,221 thousand.

(€/000)

	Balance at 31.12.2002	Change in the consol. area.	Other changes	Changes in inventory	Balance at 31.12.2003
Raw materials, ancillary and consumables	20,375		(2,993)	(2,291)	15,091
Work in progress and semi-finished products	1,903		(43)	565	2,425
Finished products and goods	21,045		1,930	1,610	24,585
Payments on account				1	1
Total	43,323		(1,106)	(115)	42,102

C II Receivables

The account *Receivables* increased by Euro 52,799 thousand.

The composition of the *Other receivables* account is detailed below.

(€/000)

	31.12.2003	31.12.2002	Change
VAT Receivable	214	177	37
Grant as per Law 488/92	749		749
Receivables from public administrations		13	(13)
Withholdings on interest income and dividends		83	(83)
Inail on premiums		99	(99)
Insurance reimbursements	198	55	143
Other receivables	588	452	136
Total	1,749	879	870

C III Current financial investments

C III 2 Investments in associated companies

The account relates to the investment in the company Eurosviluppo Industriale SpA, sold in February 2004.

(€/000)

	31.12.2003	31.12.2002	Change
Eurosviluppo Industriale SpA	3,630		3,630
Total	3,630		3,630

C IV Cash in banks and on hand

The account relates principally to bank current accounts that have increased by Euro 32,505 thousand compared to the previous year. The balance at December 31, 2003, includes a restricted current account of Euro 25,000 thousand provided as a guarantee by EnerTAD SpA in favour of Tad Fin SpA, that was released from this restriction on April 13, 2004 and therefore re-enters within the available liquidity of EnerTAD SpA..

D Prepayments and accrued income

The account decreased by Euro 226 thousand and relates principally to prepaid insurance costs of Euro 542 thousand, prepaid leasing of Euro 349 thousand, prepaid contractual charges of Euro 165 thousand and other prepayments of Euro 779 thousand.

A Net equity

A I Share Capital

The share capital consists of 62,618,894 ordinary shares with a nominal value of Euro 1.00 each fully subscribed and paid-in.

The movements in the net equity accounts in the year are as follows:

	Capital	Share premium reserve	Revaluat. reserve	Legal reserve	Fund prov. ex art.54 DPR 597/73	Fund prov. ex art.55 DPR 597/73	Extraord. reserve	Consol. reserve	Currency translation reserve	Profit (loss) brought forward	Profit (loss) for the year	Group net equity	Minority interest	Total
Balance as at 31.12.2002	50,094	14,959	1,965	1,382	6,706	1,278	345	(2,990)	(750)	344	4,043	77,376	4,437	81,813
Allocation of 2002 profit				6						(103)	(109)			
Profit (loss) carried forward								3,934			(3,934)			
Change in currency translation reserve									(1,966)			(1,966)		(1,966)
Changes in the consolidation area													(3,554)	(3,554)
Increases in share capital	12,523	18,785										31,308		31,308
Conversion of bonds	2	7										9		9
Profit (loss) for the year											5,263	5,263	41	5,304
Balance as at 31.12.2003	62,619	33,751	1,965	1,388	6,706	1,278	345	944	(2,716)	447	5,263	111,990	924	112,914

B Provision for contingencies and charges

	Balance at 31.12.2002	Change in consol. area	Provisions	Utilisation	Other changes	Balance at 31.12.2003
B1 Employee leaving indemnity and similar obligations	13			(13)		
B2 Taxes						
- Current						
- Deferred		2,779	587	(119)	(305)	2,942
Total taxes		2,779	587	(119)	(305)	2,942
B3 Others						
- provision for risks on pending litigations		370	300	(30)		640
- provision for investment risks		1,170		(150)		1,020
- provision for environment improve. risk			99			99
- other various risks		46	319			365
Total others		1,586	718	(180)		2,124
Total		4,378	1,305	(312)	(305)	5,066

C Employee leaving indemnity

	Balance as at 31.12.2002	Provisions	Change in the consol. area	Utilisation and payments	Balance as at 31.12.2003
Mangers	111	130		(114)	127
White-collar	529	206	16	(142)	609
Blue-collar	945	276	14	(119)	1,116
Total	1,585	612	30	(375)	1,852

The account *change in consolidation area* refers to acquisitions as indicated at paragraph 4.4.2.

D Payables

The account *Payables* increased by Euro 102,578 thousand.

With the exception of *bank payables* of Euro 18,037 thousand, there are no payables over 5 years.

The breakdown of loans secured on company assets at December 31, 2003 is as follows:

	(€/000)				
	Unsecured guarantees	Pledges	Mortgaged guarantees	Total secured	Total
	(1)	(2)	(3)	(4)=(2)+(3)	(5)=(1)+(4)
Bonds	42				42
Convertible bonds	76,865				76,865
Banks	49,069	76,942	6,786	83,728	132,797
Shareholder loans	62				62
Other lenders	52,285		1,841	1,841	54,126
Total	178,323	76,942	8,627	85,569	263,892

The *Other payables account* is detailed below:

	(€/000)		
	31.12.2003	31.12.2002	Change
Personnel	1,976	2,103	(127)
Directors and statutory auditors	204	229	(25)
Public administrations		301	(301)
Employees for maturity vacation not taken	1,547	956	591
Guarantee deposits		253	(253)
Other payables	697	630	67
Total	4,424	4,472	(48)

E Accruals and deferred income

The balance of Euro 3,411 thousand principally consists of deferred income on plant capital grants of Euro 2,529 thousand and other accruals and deferred income of Euro 882 thousand.

Memorandum account

The memorandum account reports the amounts of risks, commitments and guarantees provided at the balance sheet date; details of these amounts are shown at point 4.2 of the consolidated financial statements.

Transactions with Group companies

	(€/000)					
	Trade		Financial		Other	
	Receivables	Payables	Receivables	Payables	Receivables	Payables
Parent companies						
Fintad International SA	50		46,779		1,292	
Tad Fin SpA	674	733				
Total parent companies	724	733	46,779		1,292	
Subsidiaries						
Ame@Tad Srl	6		16			
Cerveteri Ambiente Srl in liquidation			252			
Comburo Srl					1	
Ecoenergie Srl	7					
Ecofuels Srl in liquidation	8					
Enerdepurazioni Scarl	1					
Recupera Srl	7					
Socram Ecologia Srl in liquidation			30			
Sorepla Srl	7					
Total subsidiaries	36		298		1	
Associated companies						
En. Hydro SpA	222					
Eurosviluppo Industriale SpA	2,000					
Umbriadue Servizi Idrici Scarl	2,534					
Volsca Ambiente SpA	694	114				
Total associated companies	5,450	114				

Other group companies

Tad Metals Inc		3,416	170
Tad Immobiliare SpA	42		
E-Tad Tecnologie SpA	89		
G.D.S. Srl			1
Ideadrome III Srl	14		
Total other group companies	145	3,416	171

4.4.8 Income Statement accounts and movements

A Value of production

A1 Revenues from sales and services

The increase compared to the previous year is due to the changes in the consolidation area.

Revenues from sales, equal to Euro 236,890 thousand, refer to the sectors of activity as listed below:

	31.12.2003	31.12.2002	(€/000) Change
Environmental services	24,991	13,715	11,276
Energy generation	23,808	7,303	16,505
Water cycle management	4,679	4,269	410
Other revenues	5,723	862	4,861
Total environment and energy sector	59,201	26,149	33,052
Stainless steel flat products	107,309	34,748	72,561
Stainless steel long products	47,987	11,820	36,167
Other stainless steel products	13,115	7,594	5,521
Other metal products	7,435	2,117	5,318
Other revenues	1,843	448	1,395
Total steel sector	177,689	56,727	120,962
Total	236,890	82,876	154,014

Revenues from sales and services can be broken down geographically as follows:

	Steel sector	Energy and environmental sector	(€/000) Total 31.12.2003	%
Italy	14,289	59,201	73,490	31.0%
France	67,187		67,187	28.4%
Holland/Germany	58,217		58,217	24.6%
U.S.A.	22,845		22,845	9.6%
Rest of the world	15,151		15,151	6.4%
Total	177,689	59,201	236,890	100.0%

B Cost of production

Also the costs of production are impacted by the change in the consolidation area and have increased by Euro 144,667 thousand compared to the previous year.

C Financial income and charges

C15 Income from investments

The amount consists exclusively of tax credits on dividends.

C17 Interest due and other financial charges

(€/000)

	Bond loans	Banks	Other	Total
a. Subsidiaries				
b. Associated companies				
c. Parent companies				
d. Group companies			117	117
e. Others	2,088	9,333	240	11,661
f. Loss on exchange rates		2		2
g. Exchange rate risk fund provision				
h. Loss on investments				
i. Loss on sale of securities				
Total interest and other financial charges	2,088	9,335	357	11,780

The account increased by Euro 5,953 thousand compared to the previous year.

D Adjustment to the value of financial assets

D19 Write-downs of investments

(€/000)

	31.12.2003	31.12.2002	Change
a. Losses from balance sheet valuations			
En. Hydro SpA	(150)		(150)
Cerveteri Ambiente Srl in liquidation	(124)	(23)	(101)
Socram Ecologia Srl in liquidation		(20)	20
Total losses from balance sheet evaluations	(274)	(43)	(231)
b. Provision for risks on investments			
c. Utilisation on the risk fund for investments			
Total write-down of investments	(274)	(43)	(231)

E Extraordinary income and charges

E20 Extraordinary income

The account *Extraordinary income* is broken down as follows:

(€/000)

	31.12.2003	31.12.2002	Change
a. Gains on sales of an extraordinary nature			
Gain on spin-off operation			
Gain on sales of assets	380	54	326
Gain on sale of investments			
Total gain on sales of an extraordinary nature	380	54	326
b. Others			
Deferred taxes relating to preceding years	81	20	61
Indemnity on third party liability insurance	67	21	46
Compensation for damages	12	4	8
Other	237	56	181
Total other	397	101	296
c. Utilisation of the re-organisation and liquid. provision			
Total extraordinary income	777	155	622

E21 Extraordinary charges

The account *Extraordinary charges* is broken down as follows:

	31.12.2003	31.12.2002	(€/000) Change
a. Loss on sales of an extraordinary nature			
Loss on sale of investments			
Loss on sale of assets	13	26	(13)
Total loss on sales of an extraordinary nature	13	26	(13)
b. Taxes relating to preceding years		46	(46)
c. Other charges and provisions for various risks			
Under-accruals and similar in prior years	140	16	124
Taxation amnesty	725		725
Various extraordinary charges	281	3,506	(3,225)
Total other charges and provisions for various risks	1,146	3,522	(2,376)
d. Charges for reorganisation			
Total extraordinary charges	1,159	3,594	(2,435)

Transactions with Group companies

	Revenues from sales & services		Recharge expenses	Financial income	Purchases	Duties for Services Utilities Others			Use of third assets	Financial charges
Parent companies										
Fintad International SA					2,161					
Tad Fin SpA	4,040			8	61			(9)		(7)
Total parent companies	4,040			8	2,222			(9)		(7)
Subsidiaries										
Ame@Tad Srl				7						
Cerveteri Ambiente Srl in liquidation				15						
Ecoenergie Srl				9						
Ecofuels Srl in liquidation				8						
Recupera Srl				7						
Socram Ecologia Srl in liquidation					2					
Sorepla Srl				7						
Total subsidiaries				38	17					
Associated companies										
En Hydro SpA	80			141						
Eurosviluppo Industriale SpA	2,000									
Umbriadue Servizi Idrici Scarl	1,892	304		70						
Volsca Ambiente SpA	84	16		32						
Total associated companies	4,056	320		243						

4.4.9 Other information

Average number of employees	(number)		
	31.12.2003	31.12.2002	Changes
Managers	49	40	9
White-collar	312	272	40
Blue-collar	414	389	25
Total average number of employees	775	701	74

Data by sector of activity and geographical area	(€/000)		
	Energy & environment	Steel	Total
Net revenues	59,201	177,689	236,890
Operating result	9,356	7,833	17,189
Direct assets	260,381	132,127	392,508
Indirect assets			75,450
Direct liabilities	102,461	103,496	205,957
Indirect liabilities			149,087
Investments in intangible and tangible assets	34,291	3,064	37,355
Amortisation, depreciation and write-downs	14,347	4,686	19,033

	(€/000)				
	Italy	France	Holland & Germany	United States	Total
Direct assets	273,556	55,351	38,935	24,666	392,508
Investments in intangible and tangible assets	34,395	1,011	1,822	127	37,355

The present financial statements give a true and fair view of the financial position and results for the year and correspond to the underlying accounting records.

> 5. Supplementary consolidated schedules

5.1 List of investments in associated companies and subsidiaries

Companies included in the consolidation area under the line-by-line method

Offices	Registered Currency	Capital	% of direct shareholding	Indirect shareholding	
				%	Subsidiary
EnerTAD SpA Milan	Euro	62,618,894			
<i>ENERGY AND ENVIRONMENT</i>					
Amatrice Servizi Scarl Rieti	Euro	78,000		99.42	Omnia Srl
DSI Srl Frosinone	Euro	50,000	100.00		
Eall Srl Orvieto (Tr)	Euro	5,164,000		100.00	Tad Energia Ambiente SpA
Enercom Srl Frosinone	Euro	25,500		100.00	Ener Sistema Srl
Enercombustibili Srl Frosinone	Euro	10,000		83.50	Ener Sistema Srl
Enersistema Srl Frosinone	Euro	1,446,000	60.00		
Energie Pulite 2000 SpA Latisana (Ud)	Euro	510,000		99.56	Tad Energia Ambiente SpA
Eolo Srl Atina (Fr)	Euro	20,400		51.00	Tad Energia Ambiente SpA
Eos Windenergy Srl Milan	Euro	10,000	100.00		
Ergo En.A. Srl Frosinone	Euro	50,000		70.00 5.00	Tad Energia Ambiente SpA Ener Sistema Srl
Interpark Srl Terni	Euro	500,000		100.00	Tad Energia Ambiente SpA
Omnia Srl Rieti	Euro	2,516,000		100.00	Tad Energia Ambiente SpA
Sao SpA Orvieto (Tr)	Euro	7,524,400		100.00	Tad Energia Ambiente SpA
Tad Ambiente Srl Terni	Euro	90,000		100.00	Tad Energia Ambiente SpA
Tad Energia Ambiente SpA Milan	Euro	2,224,992	100.00		
Terni En.A. SpA Terni	Euro	6,546,492	2.00	98.00	Tad Energia Ambiente SpA
<i>STEEL</i>					
EnerTAD France Sas Marseille - France	Euro	7,165,000	99.99		
Charron Inox Sas Marseille - France	Euro	1,500,000		100.00	EnerTAD France Sas
Metalli Marchelli Srl Milan	Euro	1,040,000		100.00	EnerTAD France Sas
Presco Sas Rognac - France	Euro	373,500		100.00	EnerTAD France Sas
Sapim Sas Monfavet - France	Euro	1,994,100		100.00	EnerTAD France Sas
Tad Inox Service BV Heerlen - Holland	Euro	7,714,264		100.00	EnerTAD France Sas
Tad Inox Service GmbH Bad Schonborn - Germany	Euro	25,565		100.00	Tad Inox Service BV
TCT Stainless Steel Inc Delaware - United States	Usd	1,000		100.00	EnerTAD France Sas
TCT Stainless Steel of Nashville Inc Delaware - United States	Usd	1,000		100.00	EnerTAD France Sas

List of investments in associated companies and subsidiaries

Companies valued at net equity

Offices	Registered Currency	Capital	% of direct shareholding	Indirect shareholding	
				%	Subsidiary company
En. Hydro SpA Rome	Euro	31,230,000	25.50		EnerTAD SpA

Companies valued at cost

Offices	Registered Currency	Capital	% of direct shareholding	Indirect shareholding	
				%	Subsidiary company
Amea SpA Paliano (Fr)	Euro	1,938,650		33.00	Tad Energia Ambiente SpA
Amea Servizi spA Paliano (Fr)	Euro	128,600		33.00	Tad Energia Ambiente SpA
Ame@Tad Srl Paliano (Fr)	Euro	10,000		55.00	Tad Energia Ambiente SpA
Cerveteri Ambiente Srl in liquidaz. Orvieto	Euro	77,469		100.00	Sao SpA
Comburo Srl Rome	Euro	10,000		100.00	Tad Energia Ambiente SpA
Ecoenergie Srl Paliano (Fr)	Euro	10,000		64.80 25.20	Tad Energia Ambiente SpA Ener Sistema Srl
Ecofuels Srl in liquidazione Paliano (Fr)	Euro	10,000		90.00	Tad Energia Ambiente SpA
Enerdepurazioni Scarl Frosinone	Euro	10,000		99.00 1.00	Enercombustibili Srl Ergo En. A. Srl
Recupera Srl Paliano (Fr)	Euro	10,000		90.00	Ener Sistema Srl
Rieti Ambiente SpA Orvieto	Euro	130,000		49.00	Sao SpA
Socram Ecologia Srl in liquidaz. Orvieto	Euro	51,645		100.00	Sao SpA
Sorepla Srl Paliano (Fr)	Euro	10,000		90.00	Ener Sistema Srl
Umbriadue Servizi Idrici Scarl Desenzano del Garda (BS)	Euro	100,000		34.00	Omnia Srl
Volsca Ambiente SpA Velletri (Rome)	Euro	516,500		38.00	Sao SpA

5.2 Consolidated reclassified income statement

	31.12.2003	31.12.2002	(€/000) Change
Revenues and incomes of an industrial nature			
Revenues from sales	238,041	83,950	154,091
Other income	535	210	325
	238,576	84,160	154,416
Change in inventory of finished products, semi-finished products and work in progress	2,412	837	1,575
Value of industrial production	240,988	84,997	155,991
Internal capitalised production	446	1,986	(1,540)
Value of total production	241,434	86,983	154,451
Purchases of raw materials and consumables	(136,335)	(42,732)	(93,603)
Change in inventory of raw materials and consumables	(2,528)	(2,499)	(29)
Services	(27,001)	(11,806)	(15,195)
Utilities and various costs	(9,890)	(5,137)	(4,753)
Expense recharged to third parties	1,039	329	710
Other taxes and levies	(530)	(379)	(151)
Value added	66,189	24,759	41,430
Personnel costs	(30,653)	(14,553)	(16,100)
Gross operating margin	35,536	10,206	25,330
Amortisation and Depreciation	(17,490)	(5,551)	(11,939)
Doubtful debt provisions	(857)	(189)	(668)
Operating result	17,189	4,466	12,723
Financial income and charges	(8,925)	(4,504)	(4,421)
Income and charges on real estate assets	(28)	(10)	(18)
Income and charges on investments	866	(43)	909
Non-operating income and charges	(2,182)	7,011	(9,193)
Pre-tax result	6,920	6,920	
Income tax	(1,615)	(2,856)	1,241
Profit (loss) for the year	5,305	4,064	1,241
Minority interest	(42)	(21)	(21)
Group net profit (loss)	5,263	4,043	1,220

5.3 Analytical reclassified income statement

(€/000)

Income statement accounts	31.12.2003	31.12.2002	Change
Revenues and incomes of an industrial nature			
<i>Revenues from sales</i>			
1 Income from sales and services	236,890	82,876	154,014
5b Other operating revenues	1,151	1,074	77
Total	238,041	83,950	154,091
<i>Other revenues</i>			
5a Grants	343	105	238
5d Other incomes	192	105	87
Total	535	210	325
	238,576	84,160	154,416
<i>Change in inventory of work in progress, semi-finished and finished products</i>			
2 Change in inventory of work in progress, semi-finished and finished products	2,412	837	1,575
3 Change in inventory of contract work in progress			
Total	2,412	837	1,575
Value of industrial production	240,988	84,997	155,991
<i>Internal capitalised production</i>			
4a Production and inventory	9	481	(472)
4b Interest for the period	437	1,505	(1,068)
Total	446	1,986	(1,540)
Total value of production	241,434	86,983	154,451
<i>Purchases of raw materials, ancillary, consumables and goods</i>			
6 Raw materials, ancillary, consumables and goods	(136,335)	(42,732)	(93,603)
<i>Change in inventory of raw materials, ancillary, consumables and goods</i>			
11 Change in inventory of raw materials, ancillary, consumables and goods	(2,528)	(2,499)	(29)
<i>Services</i>			
7a Services	(27,001)	(11,806)	(15,195)
<i>Utilities and other costs</i>			
7b Utilities	(2,969)	(1,178)	(1,791)
7c Other costs	(2,998)	(2,056)	(942)
8 Use of third party assets	(2,475)	(1,426)	(1,049)
13 Other provisions			
14e Other operating costs	(1,448)	(477)	(971)
Total	(9,890)	(5,137)	(4,753)
<i>Recharge of expenses to third parties</i>			
5c Recharges of expenses	1,039	329	710
<i>Other taxes and levies</i>			
14a Other taxes and levies	(530)	(379)	(151)
Value added	66,189	24,759	41,430
<i>Personnel costs</i>			
9 Total personnel	(30,653)	(14,553)	(16,100)
Total	(30,653)	(14,553)	(16,100)
Gross operating margin	35,536	10,206	25,330
<i>Amortisation and depreciation</i>			
10a Amortisation of intangible assets	(5,161)	(1,728)	(3,433)
10b Depreciation of tangible assets	(12,329)	(3,823)	(8,506)
Total	(17,490)	(5,551)	(11,939)
<i>Doubtful debt provision</i>			
10d Write-down of receivables included under current assets and liquidity	(857)	(189)	(668)
Operating result	17,189	4,466	12,723

Analytical Reclassified Statement of Income (continued)

	(€/000)		
Income statement accounts	31.12.2003	31.12.2002	Change
<i>Financial income and charges</i>			
16 Total other financial income	2,855	1,323	1,532
-16c.2 Deduction of capital gain on sale of securities			
17 Total interest and other financial charges	(11,780)	(5,827)	(5,953)
-17h Deduction of capital losses on sale of investments			
-17i Deduction of capital losses on sale of securities			
Total	(8,925)	(4,504)	(4,421)
<i>Income and charges on real estate</i>			
5e Revenues	1	1	
14b Charges	(29)	(11)	(18)
Total	(28)	(10)	(18)
<i>Incomes and charges on investments</i>			
19a Total write-down of investments	(274)	(43)	(231)
15 Total revenues on investments	1,140	9,876	(8,736)
-15e Deduction of capital gain on sale of investments		(9,876)	9,876
Total	866	(43)	909
<i>Non-operating income and charges</i>			
5f Gains on ordinary activities	30	29	1
5g Gains on over-accruals in prior years and similar	454	616	(162)
10c Other write-downs on investments	(233)	(106)	(127)
10e Utilisation of the doubtful debt provision of current assets and liquidity	406	420	(14)
10f Bad debt	(859)	(262)	(597)
12a Provisions for risks on pending litigations	(300)		(300)
12b Utilisation of the risk fund on pending litigations	70	60	10
14c Loss on ordinary activities	(16)		(16)
14d Loss on under-accruals in prior years and similar	(1,353)	(184)	(1,169)
15e Gains on sale of securities		9,876	(9,876)
16c.c.2 Gains on sale of investments			
17i Loss on sale of securities			
17h Loss on sale of investments			
18 Total revaluations			
19b Write-down of financial assets that do not constitute equity investments			
19c Write down of securities listed under current assets which do not constitute equity investments			
20a Gains on sales of an extraordinary nature	380	55	325
20b Others	397	101	296
20c Utilisation of the reorganisation provision			
21a Loss on sales of an extraordinary nature	(13)	(26)	13
21b Taxes relative to preceding years		(46)	46
21c Other charges and provisions for sundry risks	(1,145)	(3,522)	2,377
21d Reorganisation charges			
Total	(2,182)	7,011	(9,193)
Pre-tax result	6,920	6,920	
<i>Income tax</i>			
22 Income tax	(1,615)	(2,856)	1,241
Net profit (loss)	5,305	4,064	1,241
Minority interest	(42)	(21)	(21)
Group net profit (loss)	5,263	4,043	1,220

5.4 Movements in the Group financial position

		(€/000)		
		31.12.2003	31.12.2002	Change
B III 2b	Financial assets: receivables from associated companies	7		7
B III 2d	Financial assets: receivables from others	3,509	248	3,261
B III 3	Financial assets: other securities	665	665	
C II 2b	Current assets: receivables from subsidiaries	298	265	33
C II 3b	Current assets: receivables from associated companies			
C II 4b	Current assets: receivables from parent companies	46,779	14,673	32,106
C II 5a	Current assets: receivables from others			
C II 6b	Current assets: receivables from other group companies			
C III 5	Short-term investments: other securities			
C III 6	Short-term investments: bills receivables			
C IV	Cash and bank			
	Short-term liquidity	11,864	4,359	7,505
	Restricted current account	25,000		25,000
		36,864	4,359	32,505
D I	Payables: bonds	(42)	(42)	
D 2	Payables: convertible bonds	(76,866)		(76,866)
D 3	Payables: banks	(132,797)	(161,079)	28,282
D 4	Payables: to shareholders for loans	(62)		(62)
D 5	Payables: other lenders	(54,126)	(19,005)	(35,121)
D 8 b	Payables: on bills accepted and drawn			
D 9 b	Payables to subsidiaries			
D 10 b	Payables to associated companies			
D 11 b	Payables to parent companies			
D 15 b	Payables to other group companies	(3,416)	(2,853)	(563)
Total		(179,187)	(162,769)	(16,418)

The groups financial position at 31.12.2003 and 31.12.2002 can be summarised as follows:

		(€/000)		
		31.12.2003	31.12.2002	Change
1	Medium/Long-term financial receivables	4,174	913	3,261
2	Medium/Long-term financial payables	(175,697)	(75,015)	(100,682)
3	Medium/Long-term net financial position (1+2)	(171,523)	(74,102)	(97,421)
4	Short-term financial receivables	83,948	19,297	64,651
5	Short-term financial payables	(91,612)	(107,964)	16,352
6	Short-term net financial position (4+5)	(7,664)	(88,667)	81,003
7	Total net financial position (3+6)	(179,187)	(162,769)	(16,418)

5.5 Cash flow statement

	Actual	Changes to the consolid. area	Total (€/000)
1 Group's net income	5,263		5,263
2 Amortisation, depreciation and write-downs	17,490		17,490
3 <i>Elimination of non-cash extraordinary items</i>			
Write-down (revaluation) of investments	274		274
Write-down of intangible and tangible assets			
Change in the provision fund for risks on investments for net equity value adjustments	(150)		(150)
Increase (utilisation of) staff leaving indemnity provision	(13)		(13)
Increase (utilisation of) of deferred taxes	468		468
Increase (utilisation of) pending litigations provision	270		270
Increase (utilisation of) other provisions	418		418
Increase (utilisation of) doubtful debt provision	451		451
<i>Total non-cash extraordinary items</i>	1,718		1,718
4 <i>Elimination of cash extraordinary items</i>			
Receipt of dividends and related tax credit			
Gains/(losses) on disposals of investments and securities			
Gains/(losses) on disposals of fixed assets and business divisions			
<i>Total cash extraordinary items</i>			
5 Operating cash flow (1÷4)	24,471		24,471
6 Change in working capital	(13,557)		(13,557)
7 (Increase) decrease of guarantee deposits	(11)		(11)
8 Change in staff leaving indemnity and similar obligations	237		237
9 Investments in tangible and intangible assets	(37,355)		(37,355)
10 Acquisition of equity investments	(19,908)		(19,908)
11 Free cash flow after financial charges and taxes (5÷10)	(46,123)		(46,123)
12 Disposal of property, plant and equipment (net book value)	521		521
13 Gains (losses) on disposal of property, plant and equipment			
14 Transfer/spin-off of investments and treasury shares (book value)			
15 Gains (losses) on sale of equity investments			
16 Net cash flow (11÷15)	(45,602)		(45,602)
17 Variation for currency translation	1,873		1,873
18 Increase(decrease) of holdings in groups' companies			
19 Increase in share capital	31,320		31,320
20 Change in consolidation area		(4,009)	(4,009)
21 Payment of dividend to parent companies' shareholders			
22 Change in minority interest equity after payment of dividends			
23 Variation of net financial position (16÷22)	(12,409)	(4,009)	(16,418)
24 Financial position at 31.12.2002 assets/(liabilities)	(162,769)		(162,769)
25 Financial position at 31.12.2003 assets/(liabilities) (23÷24)			(179,187)

5.6 Reclassification of the consolidated balance sheet as per “net capital employed and financial resources”

Balance Sheet accounts		31.12.2003	31.12.2002	Changes
(€/000)				
NET CAPITAL EMPLOYED				
I	Receivables due from shareholders for unpaid capital			
B	Fixed assets			
BI	<i>Intangible assets</i>	76,239	68,284	7,955
BII	<i>Tangible assets</i>			
	Gross value	180,113	150,647	29,466
	Accumulated depreciation	(33,928)	(21,213)	(12,715)
	Total tangible assets	146,185	129,434	16,751
	<i>Investments and treasury shares</i>			
B III I	Long-term investments	20,517	884	19,633
C III (1/2/3)	Investments listed under current assets	3,630		3,630
B III 4	Treasury shares listed under fixed assets			
C III 4	Treasury shares listed under current assets			
	Total investments and treasury shares	24,147	884	23,263
B 3 b	Provision for risks on investments	(1,020)	(1,170)	150
B III 2 f	Guarantee deposits	187	176	11
	Total investments, treasury shares and guarantee deposits	23,314	(110)	23,424
	Total fixed assets	245,738	197,608	48,130
B	Provision for contingencies and charges			
BI	<i>Employee leaving indemnity and similar obligations</i>		(13)	13
B2	<i>Taxes</i>			
a	Current			
b	Deferred	(2,942)	(2,779)	(163)
	Total taxes	(2,942)	(2,779)	(163)
B3	<i>Other</i>			
a	Fund provision for pending litigations	(639)	(370)	(269)
c	Exchange rate fund provision			
d	Environmental improvement risk provision	(99)		(99)
e	Fund provision for reorganisation and liquidation			
f	Fund provision for other risks	(364)	(46)	(318)
	Total other	(1,102)	(416)	(686)
	Total fund provision for contingencies and charges	(4,044)	(3,208)	(836)
C	Employee leaving indemnity	(1,852)	(1,585)	(267)
2	NET FIXED CAPITAL	239,842	192,815	47,027
C I	Inventory			
	Gross value	42,102	43,323	(1,221)
	Obsolete provision			
	Total inventory	42,102	43,323	(1,221)
C II	Receivables			
	<i>Trade receivables</i>			
I	<i>Trade receivables</i>			
	Gross value	69,148	55,289	13,859
	Depreciation provision	(2,162)	(1,576)	(586)
	Total trade receivables	66,986	53,713	13,273
	<i>Receivables from group companies</i>			
2a	Subsidiaries	36		36
3a	Associated companies	5,450	650	4,800
4a	Parent companies	724	114	610
6a	Group companies		5	(5)
	Total trade receivables from group companies	6,210	769	5,441
	Total trade receivables	73,196	54,482	18,714

Reclassification of the consolidated balance sheet as per “net capital employed and financial resources” (continued)

(€/000)

Balance Sheet accounts	31.12.2003	31.12.2002	Changes
<i>Other receivables</i>			
<i>Other receivables from group companies</i>			
2c Subsidiaries	1	2	(1)
3c Associated companies			
4c Parent companies	1,292	1,841	(549)
6c Other group companies			
<i>Total other receivables from group companies</i>	1,293	1,843	(550)
<i>Other third party receivables</i>			
5b Other : advances	1,408	843	565
5c Other ; tax authorities	5,918	7,535	(1,617)
5d Other : deferred taxes	5,575	2,898	2,677
5e Other : other	1,749	879	870
<i>Total other third party receivables</i>	14,650	12,155	2,495
<i>Total other receivables</i>	15,943	13,998	1,945
Totale crediti	89,139	68,480	20,659
D Prepayments and accrued income	1,835	2,061	(226)
Total assets	133,076	113,864	19,212
D Payables			
<i>Trade payables</i>			
7 From suppliers	(63,282)	(39,772)	(23,510)
<i>Trade payables from group companies</i>			
9a Subsidiaries			
10a Associated companies	(114)	(114)	
11a Parent companies	(733)	(637)	(96)
15a Group companies	(145)	(24)	(121)
<i>Total trade payables from group companies</i>	(992)	(775)	(217)
<i>Total trade payables</i>	(64,274)	(40,547)	(23,727)
<i>Other payables</i>			
<i>Other payables from group companies</i>			
9c Subsidiaries			
10c Associated companies		(24)	24
11c Parent companies			
15c Group companies	(171)	(1,581)	1,410
<i>Total other payables from group companies</i>	(171)	(1,605)	1,434
<i>Other payables from third parties</i>			
6 Advances		(4,421)	4,421
12 Tax payables	(7,007)	(6,740)	(267)
13 Social security payables	(1,532)	(1,373)	(159)
14 Other payables	(4,424)	(4,472)	48
<i>Total other third party payables</i>	(12,963)	(17,006)	4,043
<i>Total other payables</i>	(13,134)	(18,611)	5,477
Totale debiti	77,408	59,19	18,250
E Accrued liabilities and deferred income	(3,410)	(2,939)	(471)
Total liabilities	(80,818)	(62,097)	(18,721)
3 WORKING CAPITAL	52,258	51,767	491
4 TOTAL NET INVESTED EMPLOYED (1+2+3)	292,101	244,582	47,519

Reclassification of the consolidated balance sheet as per "net capital employed and financial resources" (continued)

(€/000)

Balance Sheet accounts	31.12.2003	31.12.2002	Changes	
FINANCIAL RESOURCES				
A	Net equity			
I	Share capital	(62,619)	(50,094)	(12,525)
II	Share premium reserve	(33,751)	(14,959)	(18,792)
III	Revaluation reserve	(1,965)	(1,965)	
IV	Legal reserve	(1,388)	(1,382)	(6)
V	Treasury share reserve			
VI	Statutory reserve			
VII	Other reserve	(6,557)	(4,589)	(1,968)
VIII	Profit/loss carried over	(447)	(344)	(103)
	Total	(106,727)	(73,333)	(33,394)
IX	Profit/loss for the period	(5,263)	(4,043)	(1,220)
	Group net equity	(111,990)	(77,376)	(34,614)
	Minority interest net equity	(924)	(4,437)	3,513
I	TOTAL NET EQUITY	(112,914)	(81,813)	(31,101)
	Loans receivable – medium/long term			
	<i>Third parties</i>			
B III	2 d Receivables- beyond 12 months	3,509	248	3,261
	3 Other securities - beyond 12 months		665	665
	5a Other lenders- beyond 12 months			
	<i>Total third parties</i>	4,174	913	3,261
	<i>Receivables from group companies</i>			
B III	2a Subsidiaries- beyond 12 months			
	2b Associated companies- beyond 12 months			
	2c Parent companies- beyond 12 months			
	2e Group companies- beyond 12 months			
C II	2b Subsidiaries- beyond 12 months			
	3b Associated companies- beyond 12 months			
	4b Parent companies- beyond 12 months			
	6b Group companies- beyond 12 months			
	<i>Total receivables from group companies</i>			
	Total medium/long term financial receivables	4,174	913	3,261
	Financial payables medium/long term			
	<i>Third party</i>			
D	1 Bonds- beyond 12 months		(42)	(42)
	2 Convertible bonds- beyond 12 months	(76,492)		(76,492)
	3 Banks- beyond 12 months	(66,927)	(67,266)	339
	4 Shareholder loans – beyond 12 months			
	5 Other lenders- beyond 12 months	(32,236)	(7,708)	(24,528)
	8 Secured payables- beyond 12 months			
	<i>Total third party</i>	(175,697)	(75,016)	(100,681)
	<i>Group companies</i>			
D	9b Subsidiaries- beyond 12 months			
	10b Associated companies- beyond 12 months			
	11b Parent companies- beyond 12 months			
	15b Group companies- beyond 12 months			
	<i>Total group companies</i>			
	Total medium/long term financial payables	(175,697)	(75,016)	(100,681)
	Total medium/long term net financial position	(171,523)	(74,103)	(97,420)

Reclassification of the consolidated balance sheet as per “net capital employed and financial resources” (continued)

(€/000)

Balance Sheet accounts	31.12.2003	31.12.2002	Changes
Short-term financial receivables			
<i>Group companies</i>			
B III 2a	Subsidiaries- within 12 months		
2b	Associated companies- within 12 months	7	7
2c	Parent companies- within 12 months		
2e	Group companies- within 12 months		
C II 2b	Subsidiaries- within 12 months	298	265
3b	Associated companies- within 12 months		
4b	Parent companies- within 12 months	46,779	14,674
6b	Group companies- within 12 months		
<i>Total group companies</i>		47,084	14,939
<i>Third parties</i>			
C II 2d	Short-term financial receivables from third parties- within 12 months		
5a	Receivables from other lenders- within 12 months		
C III 5	Other securities- within 12 months		
6	Bills receivable- within 12 months		
<i>Total receivables from third parties</i>			
C IV	Cash and bank	36,864	4,360
Total short-term financial receivables		83,948	19,299
Short-term financial payables			
<i>Third parties</i>			
D 1	Bonds- within 12 months		
2	Convertible bonds- within 12 months	(374)	(374)
3	Banks- within 12 months	(65,870)	(93,814)
4	Shareholder loans - beyond 12 months	(62)	(62)
5	Other lenders- within 12 months	(21,890)	(11,298)
8	Secured payables- within 12 months		
<i>Total third party</i>		(88,196)	(105,112)
<i>Group companies</i>			
9b	Subsidiaries- within 12 months		
10b	Associated companies- within 12 months		
11b	Parent companies- within 12 months		
15b	Group companies- within 12 months	(3,416)	(2,853)
<i>Total short-term financial payables to group companies</i>		(3,416)	(2,853)
Total short-term financial payables		(91,612)	(107,965)
Total short-term financial position		(7,664)	(88,666)
2	TOTAL NET FINANCIAL POSITION	(179,187)	(162,769)
3	TOTAL FINANCIAL RESOURCES (1+2)	(292,101)	(244,582)

> 6. Report of the Board
of Statutory Auditors

6.1 Report of the Board of Statutory Auditors on the consolidated financial statements as at December 31, 2003 of EnerTAD SpA

Dear Shareholders,

The Board of Directors prepared the consolidated financial statements at December 31, 2003. In relation to the specific responsibilities of the Board of Statutory Auditors, in accordance with article 41 of the Legislative Decree 127/91, in our opinion the financial statements have been prepared in compliance with the law and in accordance with a correct determination of the consolidation area.

The verifications made by the independent audit firm Deloitte & Touche SpA certified that the values recorded correspond to the accounting records of the Parent Company and the information formally transmitted by its subsidiaries.

The auditors' report dated June 3, 2004 by Deloitte & Touche SpA reports that the consolidation procedures applied are in compliance with law and correct accounting practices.

The consolidated financial statements are therefore correctly prepared and in conformity with the requirements for their preparation.

The Board of Statutory Auditors

Giorgio Bianchini Scudellari

Marco de Ruvo

Alessandro Della Fontana



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

> 7. Independent Auditors' Report

Deloitte.

Deloitte & Touche S.p.A.
Palazzo Carducci
Via Olona, 2
20123 Milano
Italia

Tel: +39 02 88011
Fax: +39 02 433440
www.deloitte.it

REPORT OF THE INDEPENDENT AUDITORS ON THE CONSOLIDATED FINANCIAL STATEMENTS AS PER ARTICLE 156 OF LEGISLATIVE DECREE 58 OF FEBRUARY 24, 1998

To the Shareholders of
EnerTAD S.p.A.

We have audited the consolidated financial statements of the company EnerTAD S.p.A. and its subsidiaries, as of December 31, 2003. These consolidated financial statements are the responsibility of EnerTAD S.p.A.'s Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the Auditing Standards and criteria recommended by CONSOB. Those standards and criteria require that we plan and perform the audit to obtain the necessary assurance about whether the consolidated financial statements are free of material misstatement and, taken as a whole, are presented fairly. 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 the Directors. We believe that our audit provides a reasonable basis for our opinion.

The financial statements of certain subsidiaries and associated companies which represent, respectively 27.5% of the consolidated assets and 75% of consolidated revenues, were examined by other auditors, whose reports were furnished to us. Our opinion, expressed in this report, insofar as it relates to the amounts included for those companies, is based also on the audit work performed by other auditors.

For the opinion on the consolidated financial statements of the prior period, which are presented for comparative purposes as required by law, reference should be made to the report issued by Deloitte & Touche Italia S.p.A. on March 21, 2003.

In our opinion, the consolidated financial statements of the company EnerTAD S.p.A. and its subsidiaries as of December 31, 2003 comply with the laws governing the criteria for their preparation and give a true and fair view of the financial position and of the results of the Company and its subsidiaries.

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Parma Roma
Torino Treviso Verona Vicenza

Sede Legale: Palazzo Carducci - Via Olona, 2 - 20123 Milano
Capitale Sociale: versato Euro 6.720.406,00 - sottoscritto Euro 10.327.590,00 - deliberato Euro 10.850.000,00
Partita IVA/Codice Fiscale/Registro delle Imprese Milano n. 03049560166 - R.E.A. Milano n. 1720239

Member of
Deloitte Touche Tohmatsu

For a better understanding of the consolidated financial statements, the following matter is brought to the readers' attention - as further described in the notes to the financial statements:

- the "Short-term receivables from parent companies", equal to Euro 48,203 thousand at December 31, 2003, relates, for Euro 46,779 thousand, to a loan from EnerTAD S.p.A. to its parent company FinTad International S.A. This receivable derives from a treasury management contract between the parent company and EnerTAD S.p.A., regulated by a master agreement of reciprocal financial assistance signed in 2002 through the provision of either cash or guarantees. In order to guarantee the repayment of this amount, that at March 31, 2004 was reduced to Euro 41,724 thousand, adequate bank guarantees were obtained, in favour of EnerTAD S.p.A. for a total amount of Euro 41,000 thousand.

DELOITTE & TOUCHE S.p.A.

Dario Righetti
Partner

Milan, June 3, 2004

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

Graph and layout: **Barabino & Partners**
Print: Larovere Milano