



> Annual Report  
and Financial Statements  
as at December 31, 2004

**Enertad SpA**

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Share capital Euro 94,865,881.00 fully paid-in  
Reg. N. at the Tribunal of Milan: 1078902  
Fiscal Code 00276450632  
VAT N. 09077420157



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## > 2. Corporate officers

### **Board of Directors**

Russo Salvatore	<i>Chairman &amp; Managing Director</i>
Panella Paolo	<i>Vice Chairman &amp; Managing Director</i>
Cimoli Giancarlo	<i>Director</i>
Colleoni Gastone	<i>Director</i>
Loli Giorgio	<i>Director</i>
Mazzi Carlo (*)	<i>Director</i>
Monti Ernesto	<i>Director</i>

### **Board of Statutory Auditors**

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

### **Secretary to the Board of Directors**

Lodola Danilo

### **Independent Auditing Firm**

Deloitte & Touche SpA

(\*) resigned in February 2005



> 3. Director's report on operations for  
the year 2004



### 3. Director's Report

Dear Shareholders,

the document that we present to you, prepared in conformity with the provisions of the Civil Code and Consob recommendations, includes the following:

- > Board of Director's Report on Operations;
- > Financial statements (statutory and consolidated):
  - > Balance sheet
  - > Income statement
  - > Notes to the financial statements
- > Additional schedules (statutory and consolidated).

The Director's Report on operations was prepared in accordance with article 2428 of the Civil Code and according to the criteria established by Consob. Also provided is the information contained in the recommendations by Consob, the nature of the delegated powers conferred to directors, and the composition of the Board of Directors with indication of the office held.

In the preparation of the financial statements for the year ended December 31, 2004, the balance sheet and income statement formats were utilised as per articles 2423ter, 2424, 2424bis, 2425 and 2425bis of the Civil Code and as per article 2427 of the Civil Code in relation to the notes to the financial statements.

For the consolidated financial statements at December 31, 2004, prepared in accordance with the provisions contained in articles 24 to 46 of the Legislative Decree 127/91, the balance sheet and income statement have been utilised for the companies included in the consolidation, in accordance with article 32 of Legislative Decree 127/91; the notes to the financial statements have been prepared in accordance with the provisions of article 28 of the same decree.

The consolidation area of the Enertad Group has been determined in accordance with Legislative Decree 127/91 and the companies excluded from the consolidation determined in accordance with the provisions of article 28 of this decree.

### 3.1 Summary of the results

During 2004 the strategic and managerial activities continued in order to provide a practical implementation of the guidelines outlined by the industrial project, that would permit the Enertad Group to achieve an important position at national level in the renewable sources of energy (in particular in the wind-parks and waste-to-energy businesses, where important growth is expected) and in the environmental services.

In relation to operations, the consolidation of the industrial structure of the Group continued and was reorganised in four business areas:

- > Wind energy
- > Waste-to-energy and environmental services (waste treatment)
- > Water services
- > Steel

**The net consolidated result** of the Enertad Group for the year 2004 was a loss of Euro 24.4 million, after non-operating charges and investment write-downs of Euro 11.9 million. This result compares to a net profit of Euro 5.26 million in 2003.

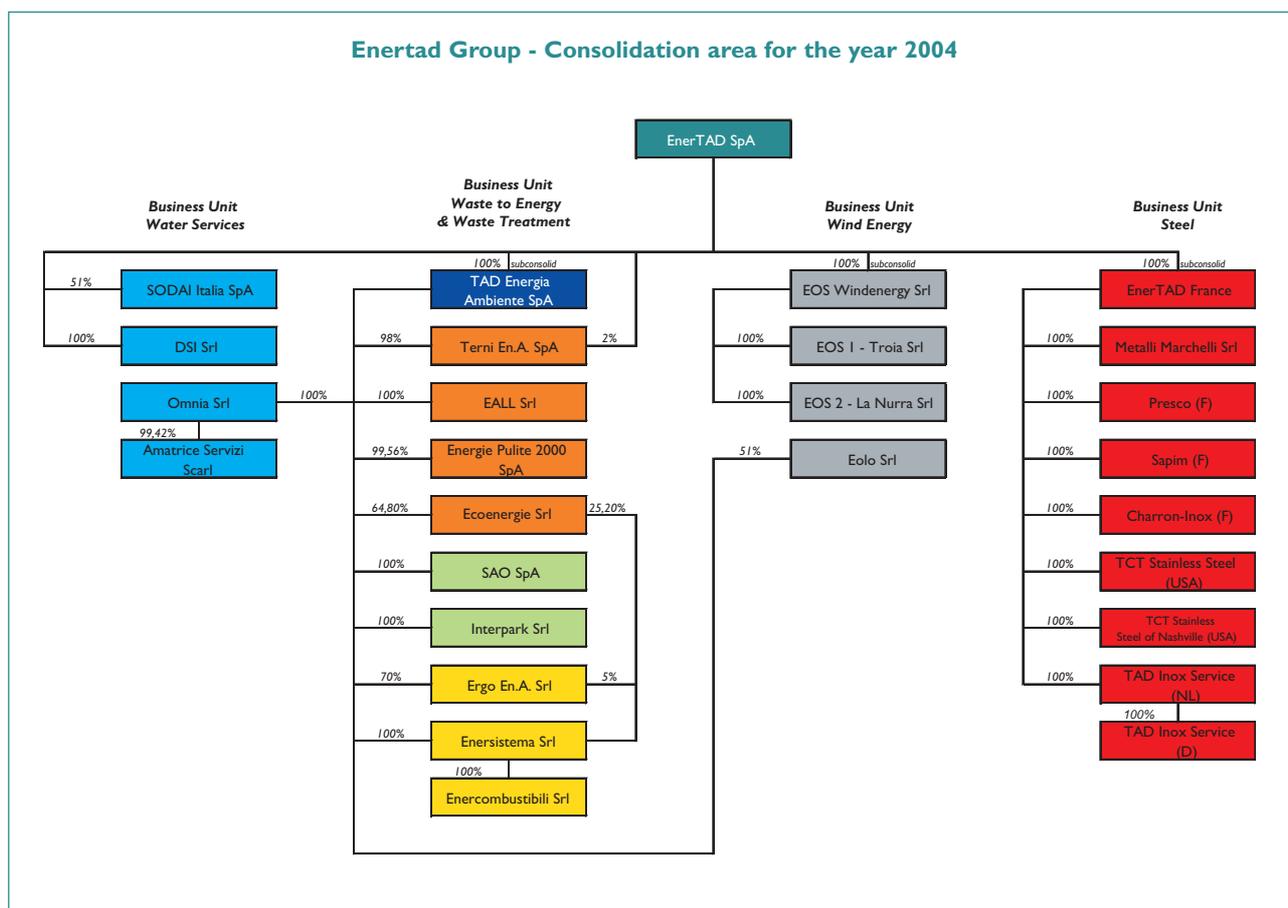
The result for the year 2004, from an operational viewpoint, was negatively impacted: by some problems of an operational nature on waste-to-energy plants, which however were repaired through maintenance and improved technology in the last quarter of the year; by the decrease in the volumes of urban waste conferred to the Orvieto (Terni) landfill of the subsidiary SAO SpA consequent of the termination of the waste from the Campania region; by the operational difficulties in the commencement of the company Enercombustibili in the production of combustible waste at Paliano (Frosinone); finally by some inefficiencies emerging in the water business. These negative factors were only partially set off by the excellent performance in the steel business.

On the net result for 2004 the charges relating to the adjustment of investment values, goodwill and other charges had a significant impact. In particular, on the basis of a close examination, a write-down was made of goodwill, investments and provision for charges in equity holdings, which concerned problems not only related to the general business environment.

**The net financial position** of the Enertad Group amounted to a net debt at December 31, 2004 of Euro 152.8 million, an improvement compared to 2003 of Euro 26.4 million largely due to the medium-long term debt for Euro 21.7 million. This reduction was a consequence of the share capital increase in August 2004 of Euro 74.17 million; the consequent cash flows primarily benefited the investment plan of the wind-park business.

	(€/000)		
	2004	2003	Change
Short-term financial receivables	81,445	83,948	(2,503)
Short-term debt	(90,107)	(91,612)	1,505
<b>Short-term fin. Position</b>	<b>(8,662)</b>	<b>(7,664)</b>	<b>(998)</b>
Medium/long term fin. Rec.	9,875	4,174	5,701
Medium/long term debt	(154,016)	(175,697)	21,681
<b>Medium/long term fin. Pos.</b>	<b>(144,141)</b>	<b>(171,523)</b>	<b>27,382</b>
<b>Net financial position</b>	<b>(152,803)</b>	<b>(179,187)</b>	<b>26,384</b>

## Enertad Group - Consolidation area for the year 2004



## 3.2 results of the Enertad Group

### 3.2.1 Income Statement

	2004	2003	Change
			(€/000)
Net revenues	283,883	238,041	45,842
<b>Gross operating margin</b>	<b>27,689</b>	<b>35,536</b>	<b>(7,847)</b>
% on revenues	9.8%	14.9%	-17.1%
Amortisation, deprec.& provisions	(22,664)	(18,347)	(4,317)
<b>Operating margin</b>	<b>5,025</b>	<b>17,189</b>	<b>(12,164)</b>
Financial income and charges	(11,309)	(8,925)	(2,384)
Property income and charges	(24)	(28)	4
Non operating items	(11,951)	(1,316)	(10,635)
<b>Pre-tax result</b>	<b>(18,259)</b>	<b>6,920</b>	<b>(25,179)</b>
Tax on income	(6,464)	(1,615)	(4,849)
<b>Net profit (loss) for the year</b>	<b>(24,723)</b>	<b>5,305</b>	<b>(30,028)</b>
Minority interest	312	(42)	354
<b>Group net profit (loss)</b>	<b>(24,411)</b>	<b>5,263</b>	<b>(29,674)</b>

I. The revenues from sales and services were characterised by an important increase particularly in the steel business; significant, but to a lesser extent was the increase in the "waste to energy" sector and water services.

	(€/000)		
	2004	2003	Change
Wind energy	540	340	200
Waste to energy	25,818	23,468	2,350
Waste treatment	23,354	24,991	(1,637)
Water services	7,500	4,679	2,821
Other revenues	2,789	6,699	(3,910)
<b>Sub-total energy and env. sector</b>	<b>60,001</b>	<b>60,177</b>	<b>(376)</b>
Products in steel	208,759	168,411	40,348
Other products in metal	12,416	7,435	4,981
Other revenues	2,707	2,018	689
<b>Steel sub-total</b>	<b>223,882</b>	<b>177,864</b>	<b>46,018</b>
<b>Total</b>	<b>283,883</b>	<b>238,041</b>	<b>45,642</b>

- > **“Wind energy”**. The Enertad Group is focussing its priority on investments in the production of energy through wind-parks that will represent in the future, an interesting and important growing market. The revenues in 2004 in the wind-park sector were produced from the wind-park at Viticuso (Frosinone) with fifteen wind turbines totalling 9 MW of which eight wind turbines were in operation at December 31, 2004 for a total of 4.8 MW. The Enertad Group expects to expand the power of the park to a total of 12 MW in 2005 with full operational production in 2006. During 2004 the work commenced on the wind-park at Troia San Vincenzo (Foggia) with power of 38 MW distributed from 19 wind turbines of 2 MW each, whose energy production will be fully operational by April 2005. The turnover in the wind energy business amounted to Euro 0.5 million compared to Euro 0.3 million in 2003.
- > **“Waste to energy”**. The Enertad Group started two waste-to-energy plants in 2002. The first, belonging to the company EALL SpA situated at San Vittore del Lazio (Frosinone), was authorised to burn 100,000 tonnes/year of combustible urban waste; the second, located at Terni and belonging to the company Terni EN.A. SpA, burns biomass comprised mainly from pulper (waste from the paper industry) and waste from wood processing. In both cases, the sale of electricity produced is on the basis of the so called CIP6 legislation with which the legislator intends to provide incentive for the production of electricity from renewable sources. During the year 2004 both the waste-to-energy plant at San Vittore del Lazio and that at Terni saw a negative impact on revenues following non-programmed closures of the plant: at San Vittore, due to the unexpected corrosion of some components. Replacements were necessary and the re-investment in some parts of the furnace for protective purposes. In relation to Terni, however, the stoppage was caused by problems related to the smoke control unit and the subsequent controlled actions to restart the plant as well as recovering the furnace. These events resulted in over 50 full days of non-programmed stoppage from the two waste-to-energy plants.

	EALL plant	TERNI EN.A plant
<b>Hours operating</b>		
2004	6,838	7,833
2003 *	6,373	8,000
Change	465	(167)
<b>Total waste incinerated</b>		
2004	79,883	100,214
2003	76,021	112,389
Change	3,862	(12,175)
<b>Sale of MWh</b>		
2004	65,970	71,888
2003	52,708	76,970
Change	13,262	(5,082)
<b>Revenues from electricity sold</b>	<b>(_/000)</b>	
2004	12,357	13,461
2003	9,524	13,945
Change	2,833	(484)
<b>Revenues from conferment</b>		<b>(_/000)</b>
2004	1,741	2,581
2003	1,947	2,797
Change	(206)	(216)

(\*) TERNI EN.A plant: value estimated

- > **“Waste treatment”**. The Enertad Group, through various subsidiary companies, manages waste treatment, recovery and disposal plants; it also provides city cleaning services. Through the company SAO SpA at Orvieto (Terni), the Group is owner of a first category landfill and a selection, sanitised and compost plant. For the management of the above-mentioned plants the company signed a twenty year agreement with the municipality of Orvieto; the landfill receives waste from the local ATO area No. 4, corresponding to the Terni Province. The year 2004 was characterised by a decrease in the quantities of waste conferred to the Le Crete (Terni) landfill, principally due to the full operational entry of the waste selection plant belonging to the company ASM of Terni (waste management company of the municipality). The quantitative gap was only in part overcome by the 51,000 tonnes of the waste from the Consorzio Napoli 3, that, in April 2004, interrupted the conferment which began in 2002. The above matters in 2004 resulted in a decrease in revenues of over Euro 1.5 million that SAO SpA considers partially recoverable with the implementation of the so-called “waste remodelling flows in the Umbria Region”. This will result in an increase in solid urban waste and special waste as well as an adjustment to tariffs.

	2004	2003	Change
<b>Waste conferred (tonnes)</b>			
RSU	46,393	47,676	(1,283)
RSAU	61,928	100,434	(38,506)
Mud	3,171	1,704	1,467
FORSU	29,890	18,212	11,678
<b>TOTAL</b>	<b>141,382</b>	<b>168,026</b>	<b>(26,644)</b>
<b>Net revenues from conferment (Euro/000)</b>	<b>7,737</b>	<b>8,457</b>	<b>(720)</b>

The Group, again in the “waste treatment” sector, has a plant at Paliano (Frosinone) for the production of combustible fuel through the company Enercombustibili. The revenues in this business decreased due to the non-conferment of special waste (at higher tariffs), that should have represented 50% of the total waste conferred.

	2004	2003	Change
<b>CDR Product (tonnes)</b>	<b>53,439</b>	<b>27,060</b>	<b>26,379</b>
<b>Revenues from CDR</b>	<b>2,345</b>	<b>895</b>	<b>1,450</b>

(\*) Sept. -Dec.

Finally the waste collection and transport services: specifically, the Enertad Group, through the company Interpark (Terni), operating both for the public and private sector, collects and transports urban solid waste and similar waste, special harmful and non-harmful waste. In addition Interpark manages a material sorter plant deriving from the differentiated collection of waste and a voluminous waste recovery plant.

- > **“Water services”**. In this business the Enertad Group operates through the companies Sodai Italia, DSI and OMNIA. The company Sodai Italia (that operates a waste water treatment plant) is still in the start-up phase as the transfer of management from Trenitalia to Sodai Italia took place in 2004. In addition, the preparation of the projects is in progress to request authorisation of the treatment of waste liquids, on behalf of third parties in some of these plants, including an increase in capacity. In relation to the company DSI, purchased in 2003, an improvement of the financial position began in 2004 as well as the programming of an investment plan that should commence in 2005. Despite this start-up phase, the water services business increased revenues by over 60% from Euro 4.7 million in 2003 to Euro 7.5 million in 2004.
- > **“Steel”**. The steel distribution business contributed largely to the consolidated revenues of the Enertad Group; this contribution, in 2004, amounted to almost 79% of revenues. The business is operated by the sub-holding Enertad France and has subsidiaries operating in its principal markets: France, United States, Holland, Germany and Italy. The positive market conditions, that began in the second part of 2003, continued for all of 2004.

	2004	2003	Change
Italy	15,703	14,289	1,414
France	104,223	87,543	16,680
Holland / Germany	48,444	38,036	10,408
United States	34,299	22,845	11,454
Other countries	21,212	15,151	6,061
<b>TOTAL</b>	<b>223,881</b>	<b>177,864</b>	<b>46,017</b>

(€/000)

**2. The Ebitda** decreased by Euro 7.8 million (-22%) despite the contribution of the steel business that almost doubled compared to 2003.

	2004	2003	Change
			(€/000)
Wind energy	805	443	362
Waste to energy	7,676	14,387	(6,711)
Waste treatment	1,478	5,826	(4,348)
Water services	(682)	544	(1,226)
Steel	23,912	12,806	11,106
Holding	(5,500)	1,530	(7,030)
<b>TOTAL</b>	<b>27,689</b>	<b>35,536</b>	<b>(7,847)</b>

> **“Wind energy”**. Despite the fact that 2004 was the first year for the wind sector, it contributed positively to the Ebitda with approximately Euro 0.8 million, thanks also to other revenues and the change in work in progress of Euro 0.7 million that with the above-mentioned revenues from services of Euro 0.5 million resulted in a value of production of Euro 1.2 million.

> **“Waste to energy”**. As already mentioned in relation to revenues, the “waste-to-energy” sector was negatively impacted by the non-programmed stoppage of the plant. In relation to the waste-to-energy plant at Terni, the Ebitda recorded a decrease due to the high consumption of methane and the higher costs of slag and ash disposal. In relation to the waste-to-energy plant at San Vittore the Ebitda was negatively impacted by the lack of production due to the above-mentioned reasons and to higher maintenance and operating costs.

The Ebitda in this sector was also marginally impacted by the negative results of Ecoenergie and Energie Pulite 2000 for approximately Euro 0.1 million.

	2004	2003	Change
			(€/000)
Waste-to-energy EALL	5,666	7,811	(2,145)
Waste-to-energy Terni ENA.	2,078	6,556	(4,478)
<b>TOTAL</b>	<b>7,744</b>	<b>14,367</b>	<b>(6,623)</b>

The technical problems in the year 2004 gave rise to an immediate counter-measure including the strengthening of the control procedures in relation to the raw materials and the atmospheric emissions; the operational know-how of the plant was enriched with the involvement of plant management experts; an intervention plan was made for the recovery of the operational and efficiency reliability.

> **“Waste treatment”**. Despite the decrease of 16% in the quantities of waste conferred to the landfill, SAO SpA was able to contain the decrease of the Ebitda, which amounted to Euro 2.9 million compared to Euro 4.4 million in 2003, thanks to the conferment of waste from Naples. In relation to the plant at Paliano, for the production of combustible from waste, the marginal contribution was negative due to, as already described in relation to revenues, the non-conferment of special waste and important differences between the tariff applied and the cost of production and conferment to the EALL incinerator. There was also an important decrease for the waste collection and selection services, as well as street cleaning, for the reasons described above, that, in 2003 contributed with an Ebitda of over Euro 1.4 million, which in 2004 was a little over Euro 0.2 million.

> **“Water services”**. Negative contribution due to the start-up of the business unit.

> **“Steel”**. As for revenues, also the Ebitda in the steel business was the sector that provided an important increase thanks to the positive market. The Ebitda increased by approximately 90% amounting to Euro 23.9 million compared to Euro 12.8 million in 2003.

> **“Holding”**. The year ended with a negative Ebitda of Euro 5.5 million compared to a positive result of Euro 1.5 million in 2003; this latter benefited from non-recurring revenues for services provided to the parent company TAD Fin SpA.

**3. Personnel.** Personnel costs increased by 15.7% equal to over Euro 4.8 million, principally due to the increase in personnel numbers by 32 and by the different makeup of the labour force.

The increase in personnel principally related to the water sector that, following the enlargement of the consolidation area, increased by 19 employees. The number of employees also increased in the steel sector by 14. In addition, the holding increased by 9 following the transfer of resources from the parent company TAD Fin SpA to Enertad SpA; in fact from 2004 the corporate administrative services for all of the Group are provided directly by Enertad SpA. The number of overseas employees amount to 432.

	2004	2003	(Head) Change
Waste treatment & to energy	222	234	(12)
Water services	103	84	19
Wind-parks	2	-	2
Steel	450	436	14
Holding	30	21	9
<b>TOTAL</b>	<b>807</b>	<b>775</b>	<b>32</b>

**4. Amortisation and depreciation** The amortisation and depreciation in the year increased by a total of Euro 4.7 million equal to almost 27%.

	2004	2003	(€/000) Change
<b>Amortisation intangible assets</b>			
Wind-parks	23	20	3
Waste to energy	892	894	(2)
Waste treatment	510	292	218
Water services	407	287	120
Steel	1,423	1,506	(83)
Holding	2,762	1,348	1,414
Goodwill	2,824	814	2,010
<b>Total</b>	<b>8,841</b>	<b>5,161</b>	<b>3,680</b>
<b>Depreciation tangible assets</b>			
Wind-parks	168	80	88
Waste to energy	8,249	7,603	646
Waste treatment	1,693	1,470	223
Water services	526	238	288
Steel	2,717	2,919	(202)
Holding	31	19	12
<b>Total</b>	<b>13,384</b>	<b>12,329</b>	<b>1,055</b>
<b>Total deprec. and amort.</b>	<b>22,225</b>	<b>17,490</b>	<b>4,735</b>

The large increase relates to Enertad SpA and from goodwill. The holding Enertad SpA recorded amortisation on intangible assets relating to costs for the share capital increase in August 2004 and for the convertible bond for a total of Euro 2.5 million.

In relation to the amortisation of goodwill, the higher cost relates to the sub-holding TAD Energia Ambiente SpA amounting to Euro 1.7 million in 2004 compared to Euro 0.6 million in 2003.

In relation to depreciation of tangible assets, the increases are exclusively related to the increase in the consolidation area in the water services and waste treatment sectors and to the new investments in the wind-park sector that became operational.

**5. Provisions for doubtful debts.** The Group made a doubtful debt provision in the year of Euro 0.4 million with a total doubtful debt provision at December 31, 2004 of Euro 2.0 million.

	2004	2003	(€/000) Change
<b>Doubtful debt provision</b>			
Wind-parks	-	-	-
Waste to energy	23	177	(154)
Waste treatment	247	314	(67)
Water services	124	142	(18)
Steel	45	224	(179)
Holding	-	-	-
<b>Total</b>	<b>439</b>	<b>857</b>	<b>(418)</b>

**6. Net financial income (charges).** The significant increase of Euro 2.4 million in the financial charges, that in 2004 amounted to Euro 11.3 million (Euro 8.9 million in 2003), are due to two principal reasons. The first is the higher charges in 2004 from the convertible bond relating to the entire year; that in 2003 only related to the second half of the year. The second relates to a greater recourse, especially by the companies in the "waste treatment" business to advances on credit lines. Finally, the investments in the wind-park business began operations.

**7. Non-operating charges and equity investments.** As already described in the introduction to the present report, the pre-tax result for the year 2004 is significantly impacted by the non-operating charges and write-down of equity investments.

Attributing these costs by business sector, similar to the other type of costs, the situation is as follows:

	Write-downs	Extraordinary charges	Extra- ordinary income	(€/000) TOTAL
"Waste To Energy" Sector	(1,706)	(2,006)	151	(3,561)
"Waste Treatment" Sector	(2,530)	(425)	629	(2,326)
"Water Services" Sector	(4,402)	(876)		(5,278)
"Steel" Sector	(6)	(1,062)		(1,068)
Enertad Holding	(496)	(123)	901	282
<b>Total</b>	<b>(9,140)</b>	<b>(4,492)</b>	<b>1,681</b>	<b>(11,951)</b>

- > **"Waste to energy"**. The charges are represented by provisions for disputes of Euro 1.2 million and write-downs of Euro 1.2 million made on the projects of the company Energie Pulite 2000 SpA for the construction of a biomass waste-to-energy plant, no longer possible following new regional legislation. In addition, the goodwill was written down relating to the investment in Energie Pulite 2000 SpA of Euro 0.5 million. The prior year charges of Euro 0.5 million also include amnesty tax (Euro 0.2 million), while provisions were made relating to the reclamation of the land at Arzene (Pordenone) owned by Energie Pulite 2000 SpA of Euro 0.2 million.
- > **"Waste treatment"**. The sector was impacted by the write-down of intangible assets relating to the company Enersistema: specifically in relation to goodwill and the landfill at Giuliano (Rome) totalling Euro 0.7 million. In addition, write-downs were made in Enersistema of Euro 0.7 million of inefficiencies due to the start-up of the plant capitalised in 2003. In relation to tangible fixed assets, projects were written down for a total of Euro 0.9 million in the companies SAO and Enersistema: the write-down made in this latter reflects the amount contained in the spin-off project of this company. As for the "waste-to-energy" sector, provisions were made for disputes amounting to Euro 0.24 million. The goodwill write-down of the Enersistema Group of Euro 0.3 million was substantially compensated by Euro 0.5 million relating to the positive effects covering the losses in 2003, pertaining to minority interests covered on their behalf by TAD Energia Ambiente SpA.
- > **"Water services"**. The principal account is represented by the goodwill write-down of Euro 3.1 million relating to the investment Omnia Srl (Euro 2.2 million), Amatrice Scarl (Euro 0.9 million); in addition the goodwill was written down relating to the investment in DSI Srl (Euro 0.7 million). Tangible fixed assets write-downs were also made of Euro 0.6 million relating to the projects no longer considered feasible in the companies Omnia Srl and Amatrice Scarl. In addition, following a transaction between the creditor company Omnia Srl and the company Umbria due Scarl, there was a loss on receivables of Euro 0.4 million. Finally there were prior year charges and provisions for risks amounting to Euro 0.4 million.
- > **"Steel"**. The total charges of Euro 1.1 million is principally due to the signing of a non- competition pact with the majority shareholders (Euro 0.95 million). The residual amount of Euro 0.15 million includes losses on receivables and write-downs on fixed assets.
- > **Enertad SpA**. The net income of Euro 0.3 million relates to extraordinary income of Euro 0.9 million resulting from the sale of non-utilised rights of Euro 0.5 million and the gain on the sale of the investment in Eurosviluppo Industriale SpA of Euro 0.4 million. Extraordinary charges were incurred of Euro 0.5 million relating to the write-down in investments no longer in the consolidation area, in particular TAD Ambiente SpA placed in liquidation (Euro 0.4 million).

**The income taxes**, equal to Euro 6.5 million increased by Euro 4.7 million compared to 2003 due to the higher revenues produced in the steel business. As from the year 2004, Enertad has adopted the national consolidated taxation regime.

### 3.2.2 Balance sheet

	(€/000)		
	2004	2003	Change
<b>A. Fixed assets</b>	<b>259,981</b>	<b>245,738</b>	<b>14,243</b>
Intangible assets	85,568	76,239	9,329
Tangible assets	166,955	146,185	20,770
Financial assets	7,458	23,314	(15,856)
<b>B. Working capital</b>	<b>63,402</b>	<b>48,214</b>	<b>15,188</b>
Inventory	49,020	42,102	6,918
Trade receivables	80,194	73,196	6,998
Other assets	22,518	17,778	4,740
Trade payables	(63,213)	(64,274)	1,061
Provision for contingencies and charges	(6,675)	(4,044)	(2,631)
Other liabilities	(18,442)	(16,544)	(1,898)
<b>C. Capital employed less current liabilities (a+b)</b>	<b>323,383</b>	<b>293,952</b>	<b>29,431</b>
<b>D. Employee leaving indemnity</b>	<b>(2,101)</b>	<b>(1,852)</b>	<b>(249)</b>
<b>E. Capital employed less current liabilities and employee leaving indemnity (c+d)</b>	<b>321,282</b>	<b>292,101</b>	<b>29,181</b>
Covered by:			
<b>F. Own funds</b>	<b>(168,479)</b>	<b>(112,914)</b>	<b>(55,565)</b>
Parent Company quota	(160,869)	(111,990)	(48,879)
Minority interest	(7,610)	(924)	(6,686)
<b>G. Medium/long term loans</b>	<b>(144,141)</b>	<b>(171,523)</b>	<b>27,382</b>
<b>H. Net short term debt</b>	<b>(8,662)</b>	<b>(7,664)</b>	<b>(998)</b>
Short-term bank payables	(90,107)	(91,612)	1,505
Liquid assets and short-term financial receivables	81,445	83,948	(2,503)
<b>Total debt (g+h)</b>	<b>(152,803)</b>	<b>(179,187)</b>	<b>26,384</b>
<b>I. Total (F+G+H)</b>	<b>(321,282)</b>	<b>(292,101)</b>	<b>(29,181)</b>

The financial structure of the Enertad Group reports a net capital employed of Euro 321.3 million (Euro 292.1 million at December 31, 2003), which is covered 52.4% by own capital (38.7% at December 31, 2003) and 47.6% from net debt (61.3 % at December 31, 2003).

The **fixed assets** at December 31, 2004 increased by Euro 14.2 million compared to 2003. The most important change relates to **intangible** fixed assets with a net increase of Euro 9.3 million. This principally derives from the enlargement of the consolidation area with an increase in goodwill of Euro 16.4 million and goodwill write-down of Euro 5.3 million.

	(€/000)		
	2004	2003	Change
<b>Intangible fixed assets</b>	<b>2004</b>	<b>2003</b>	<b>Change</b>
<b>Balance as at 1.1</b>	<b>76,239</b>	<b>68,283</b>	<b>7,956</b>
<b>Investments</b>	<b>9,807</b>	<b>9,179</b>	<b>628</b>
- Goodwill	2,660		2,660
- Other fixed assets	7,147	9,179	(2,032)
<b>Capitalisation and reclassification</b>	<b>(1,067)</b>	<b>2,855</b>	<b>(3,922)</b>
<b>Sales</b>		<b>(52)</b>	<b>52</b>
<b>Amortisation</b>	<b>(8,841)</b>	<b>(5,161)</b>	<b>(3,680)</b>
<b>Write-downs</b>	<b>(6,264)</b>		<b>(6,264)</b>
of which Goodwill:	(5,335)		(5,335)
<b>Change in the consolidation area</b>	<b>16,419</b>	<b>3,401</b>	<b>13,018</b>
of which Goodwill:	16,353	2,757	13,596
<b>Other movements</b>	<b>(725)</b>	<b>(2,266)</b>	<b>1,541</b>
<b>Balance as at 31.12</b>	<b>85,568</b>	<b>76,239</b>	<b>9,329</b>

The main contribution to the increase in fixed assets derives from **tangible** fixed assets that increased compared to 2003 by Euro 20.8 million. The important increase derives almost exclusively from new investments of Euro 30.6 million. The enlargement of the consolidation area contributed with Euro 1.2 million, whose effect was cancelled by write-downs of Euro 2.1 million.

	(€/000)		
	2004	2003	Change
<b>Tangible fixed assets</b>			
<b>Total net value as at 1.1</b>	<b>146,185</b>	<b>129,434</b>	<b>16,751</b>
Investments	30,553	25,157	5,396
Capitalisation and reclass.	240	164	76
Sales	(402)	(469)	67
Depreciation	(13,383)	(12,329)	(1,054)
Write-downs	(2,124)		(2,124)
Change in the consolidation area	6,066	4,895	1,171
Other movements	(180)	(667)	487
<b>Total net value as at 31.12</b>	<b>166,955</b>	<b>146,185</b>	<b>20,770</b>

Relating to the **tangible fixed asset investments** of Euro 30.6 million, of particular note is Euro 18.4 million in the wind-park sector; Euro 2.5 million for improvements to waste-to-energy plants and Euro 2.7 million for new machinery in the steel sector:

	(€/000)		
	2004	2003	Change
<b>Investment in tangible fixed assets</b>	<b>30,553</b>	<b>25,157</b>	<b>5,396</b>
- Wind energy	18,438	7,764	10,674
- Waste to energy	2,501	4,120	(1,619)
- Waste treatment	6,241	10,217	(3,976)
- Water services	519	32	487
- Steel	2,731	2,864	(133)
- Holding	123	160	(37)

The **financial** fixed assets decreased by Euro 15.9 million. The decrease followed the consolidation of the company Sodai Italia SpA (Euro 16.8 million) compensated in part by the acquisition of the investment in the company Ansaldo Fuel Cells SpA (Euro 4.3 million) and which resulted in a decrease in the value of equity investments by Euro 12.5 million from Euro 20.5 million at December 31, 2003 to Euro 8.0 million at December 31, 2004. This decrease is partially compensated by the increase in financial receivables from others following the issue of the insurance policies in favour of Trenitalia and GRTN.

	(€/000)		
	2004	2003	Change
<b>Financial assets</b>			
<b>Equity investments</b>	<b>7,209</b>	<b>23,127</b>	<b>(15,918)</b>
Subsidiary companies	438	231	207
Associated companies	2,812	19,760	(16,948)
Other companies	5,002	4,156	846
Provision for equity investments	(1,043)	(1,020)	(23)
<b>Receivables</b>	<b>249</b>	<b>187</b>	<b>62</b>
Deposits	249	187	62
<b>TOTAL</b>	<b>7,458</b>	<b>23,314</b>	<b>(15,856)</b>

The **working capital** of the Enertad Group increased by Euro 15.2 million, from Euro 48.2 million at December 31, 2003 to Euro 63.4 million at December 31, 2004. The increase was principally caused by the increase in inventory and trade receivables and this is in line with the significant increase in group revenues. The provision for contingencies and charges increased significantly by over Euro 2.6 million. In detail, the provision for risks increased by approximately Euro 2.0 million, from Euro 0.4 million to Euro 2.4 million. The increase in the provision for risks relates to Euro 1.1 million as a prudent estimate for charges relating to legal fees in the completion phase with the counterparties which was classified under extraordinary charges; in addition the amount includes the provision of Euro 0.5 million in relation to the revoking of benefits, as per law 488/92 of the company Terni En.A. SpA., of Euro 0.2 million relating to provisions for the reclamation of land owned by the company Energie Pulite 2000 SpA and other minor charges.

	(€/000)		
	2004	2003	Change
Inventory	49,020	42,102	6,918
Trade receivables	80,194	73,196	6,998
Other assets	22,518	17,778	4,740
Trade payables	(63,213)	(64,274)	1,061
Provision for contingencies and charges	(6,675)	(4,044)	(2,631)
Other liabilities	(18,442)	(16,544)	(1,898)
<b>TOTAL</b>	<b>63,402</b>	<b>48,214</b>	<b>15,188</b>

At December 31, 2004 the **total net equity** amounted to Euro 168.5 million of which Euro 160.9 million pertained to the parent company. Compared to December 31, 2003 there was a net increase of Euro 55.6 million. This resulted from the share capital increase concluded on August 5, 2004 for a value of Euro 74.2 million of which Euro 41.9 million was share premium reserve.

	(€/000)		
	2004	2003	Change
Share capital	94,866	62,619	32,247
Share premium reserve	75,672	33,751	41,921
Revaluation reserve	1,965	1,965	
Legal reserve	1,388	1,388	
Other reserves	11,675	6,557	5,118
Retained earnings	(286)	447	(733)
Profit (loss) for the year	(24,411)	5,263	(29,674)
<b>TOTAL</b>	<b>160,869</b>	<b>111,990</b>	<b>48,879</b>

The **net financial position** of the Parent Company at December 31, 2004 was a net debt position of Euro 152.8 million with a decrease of Euro 26.4 million compared to December 31, 2003 when the net debt position amounted to Euro 179.2 million.

	(€/000)		
	2004	2003	Change
<b>Short-term financial receivables</b>	<b>81,445</b>	<b>83,948</b>	<b>(2,503)</b>
Parent companies	37,172	46,779	(9,607)
Group companies	1,051	305	746
Third parties			
Cash and cash equivalent under pledge	16,193 27,029	36,864	(20,671) 27,029
<b>Short-term debt</b>	<b>(90,107)</b>	<b>(91,612)</b>	<b>1,505</b>
Parent companies	(80)	(3,416)	3,336
Group companies			
Third parties	(90,027)	(88,196)	(1,831)
<b>SHORT-TERM FINANCIAL POSITION</b>	<b>(8,662)</b>	<b>(7,664)</b>	<b>(998)</b>
<b>Medium/long term financial receivables</b>	<b>9,875</b>	<b>4,174</b>	<b>5,701</b>
Group companies			
Third parties	9,875	4,174	5,701
<b>Medium/long term financial payables</b>	<b>(154,016)</b>	<b>(175,697)</b>	<b>21,681</b>
Group companies			
Third parties	(154,016)	(175,697)	21,681
<b>M/L FINANCIAL POSITION</b>	<b>(144,141)</b>	<b>(171,523)</b>	<b>27,382</b>
<b>NET FINANCIAL POSITION</b>	<b>(152,803)</b>	<b>(179,187)</b>	<b>26,384</b>

The decrease in the net debt principally relates to medium/long-term debt from third parties that decreased by Euro 21.7 million. The improvement derives from the repayments of Euro 10.5 million relating to project financing of the waste-to-energy plants at San Vittore del Lazio (Frosinone) and at Terni. Loans were also repaid of Euro 8.0 million relating to the loan of Euro 32.1 million obtained by Enertad SpA from a banking pool of Banca Popolare di Milano, Capitalia and Efibanca. Finally SAO SpA repaid Euro 1.3 million relating to loans obtained totalling Euro 4.8 million. The receivables from the parent company FinTAD SA of Euro 37.2 million are guaranteed by irrevocable and unconditional bank guarantees of Euro 35.7 million with maturity on December 31, 2005; in 2005, Enertad SpA will utilise these resources to sustain the development of its industrial plan.

It is recalled that the liquid assets available, although amounting to Euro 43.2 million, include an amount of Euro 27.0 million under pledge by the Banca dell'Etruria e del Lazio. This latter has given guarantees in favour of the supplier Repower System AG on the payment of the supply of aero-generators installed in the wind-park at Troia San Vincenzo; the value of the guarantees will reduce in line with the payments made to the supplier and, consequently, the pro quota liquidity pledged will be made available, based on the agreements made on February 24, 2005.

### 3.2.3. Research & development

The Enertad Group, which does not directly undertake research and development activity, has a holding in the company Ansaldo Fuel Cells SpA. This company undertakes research, development, design, promotion, production, sales and post sales assistance of equipment, apparatus, complete lines, single components and other similar structures in the sector of the production, conservation, transfer and utilisation of energy produced with systems that utilise hydrogen, as well as the provision of technical consultancy of the same in this sector.

## 3.3 Economic and financial results of the Parent Company Enertad SpA

### 3.3.1. Summary data

	(€/000)	
<b>Financial Statements of Enertad SPA</b>	<b>2004</b>	<b>2003</b>
Revenues and Income	3.0	5.4
Net result of Enertad	(8.2)	(0.7)
Net Financial Position	49.9	18.4

The year ended with **revenues** of Euro 3.0 million compared to Euro 5.4 million in 2003 that benefited from non-recurring revenues for services to the parent company TAD Fin SpA.

The **net result** was a loss of Euro 8.2 million; this result includes amortisation and depreciation of Euro 2.8 million and write-downs in equity investments of Euro 1.8 million.

The **net financial position** was a positive result of Euro 49.9 million (Euro +31.4 million compared to the previous year); the difference compared to 2003 is due to the share capital increase and to financial transactions with the subsidiary companies.

### 3.3.2 Corporate controls

In relation to the new regulations on corporate governance, in June 2003 the Control and the Remuneration Committees were set up, both comprising non-executive directors. In 2004, the position Group Personnel Director was created whose functions were carried out in outsourcing. In addition, the Internal Auditing function was placed under direct reporting to the Chairman. For the purposes of operational controls, the function of Corporate Controller was created reporting directly to the Administration, Finance and Control Director.

### 3.3.3 Investments held by Directors, Statutory Auditors and General Directors

None

### 3.3.4 Transactions with subsidiary, associate and holding companies

Enertad SpA carries out transactions of a commercial and financial nature at normal market conditions with 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;
- > property rental;
- > management of common services;
- > purchase and re-billing of services.

### 3.3.5 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, 2004 the Company did not own any treasury shares or shareholdings of its parent companies.

### 3.3.6 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 holding companies.

### 3.3.7 Most significant events in the year

During the year the following significant events took place.

On January 29, 2004, in relation to the agreements signed with the Finmeccanica Group, Enertad SpA subscribed to a share capital increase in Ansaldo Fuel Cells SpA with a holding of 3.14%. The majority shareholder is Iritech. The company continues the applications development of the

production technology of fuel cells with carbonate fused technology. On September 9, Enertad SpA, in execution of the agreements, increased its holding to 10,28% through a share capital increase, with a total investment of Euro 4.3 million.

On March 31, 2004, Eos1-Troia Srl (formerly Combuoro 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 March 31, 2004, Eos Windenergy Srl incorporated the company Eos2-Nurra Srl, a company created for the construction of a wind-park in Sardinia.

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 (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 has therefore directly undertaken the management of 20 waste treatment plants from Trenitalia, while verifications are being made on the other three plants to ascertain which to take under management in 2005.

On May 18, 2004, the Board of Directors of Enertad SpA co-opted Salvatore Russo and Paolo Panella replacing the directors Tiziano Riboldi and Maurizio Rota, who resigned. Salvatore Russo was appointed Chairman and Managing Director while Paolo Panella was appointed Managing Director of Enertad SpA, with both conferred all the powers for the ordinary management of the company. Simultaneous to these appointments, Luigi Agarini was nominated as Honorary Chairman. Salvatore Russo and Paolo Panella, co-opted to the Board of Directors on May 18, were confirmed in their respective offices in the Shareholders' Meeting of June 23, 2004.

On June 21, 2004, the Board of Directors of Enertad SpA deliberated the approval of the information prospectus relating to the share capital increase of the Company. The operation resulted in the issue of 32,246,772 new ordinary shares of a nominal value of Euro 1.00 with rights effective as of January 1, 2004, offered as options to the shareholders based on 2 new shares for every 5 ordinary shares held in Enertad and to the holders of "Enertad 2003-2006 bonds" based on 2 new shares for every 5 convertible bonds held.

On June 23, 2004, the Shareholders' Meeting of Enertad SpA approved the financial statements for the year 2003 and appointed the members of the new Board of Directors. The Shareholders' Meeting determined as seven the number of members on the Board of Directors for the three-year period 2004, 2005 and 2006 composed of:

- > Salvatore Russo (Director with ordinary administration powers)
- > Paolo Panella (Director with ordinary administration powers)
- > Giancarlo Cimoli (Independent director)
- > Gastone Colleoni (Non-executive director)
- > Giorgio Loli (Non-executive director)
- > Carlo Mazzi (Non-executive director – resigned in March 2005)
- > Ernesto Monti (Independent director)

On September 10, 2004 the Board of Directors of Enertad SpA took notice that on August 5, 2004 the share capital increase operation was concluded. The operation related to the issue of 32,246,772 new shares of Euro 2.30 each for a total value of Euro 74,167,575.60 of which Euro 41,920,803.60 as share premium, resulting in a share capital of Euro 94,865,881.00 subdivided in ordinary shares of Euro 1 each.

After the share capital increase the shareholders with a quota above 2% were: the Agarini Group with 51.2%, the Alerion Industries Group with 17.40%, Banca Commerciale Lugano with 3.81% and Kairos Fund Ltd with 2.1%.

On December 3, 2004 the companies Tadfin SpA and Fintad International SA – controlled directly or indirectly by Mr. Agarini – communicated to Consob that their quota held in Enertad SpA amounted to respectively 17.388% and 32.918% for a total shareholding equal to 50.3%.

In October 2004, a series of important extraordinary maintenance took place on the waste-to-energy plant at San Vittore del Lazio and - to a lesser extent - at Terni, in order to improve the functional reliability particularly in relation to the already mentioned corrosion in some areas of the furnaces. Further improvement interventions are programmed for 2005.

On November 12, 2004 the Board of Directors of Enertad SpA deliberated the share capital increase in the subsidiary Enertad France sas from Euro 7,165,000.00 to Euro 17,165,000.00 through the issue of 655,910 new shares.

On the same day the Board of Directors of Enertad SpA approved the MBO plan with the relative regulations for the Directors and senior management covering positions of responsibility in the group and the subsidiary companies.

On November 25, 2004, taking notice of the strategic change that had resulted in previous understandings, an agreement was signed with one of the two private shareholders of the subsidiary Enersistema srl of Frosinone, in which the procedures for the exit from that company were established and resignation of directorships in other companies of the Enertad Group.

On December 23, 2004 the Shareholders' Meeting of Enertad SpA deliberated the Stock Option Plan that provides for the faculty to increase on more than one occasion the paid-in share capital for a period of five years from the date of the Shareholders' Meeting for a maximum nominal amount of Euro 3,600,000 through the issue of a maximum number of 3,600,000 ordinary shares, with normal rights of a nominal value of Euro 1 each, to be offered in subscription to the Directors and senior management of Enertad SpA or subsidiary companies, in accordance with article 2359 of the Civil Code that hold positions directly responsible for the results of the Group, in accordance with the Regulations approved by the Board of Directors.

### 3.3.8 Environment, health and security

In accordance with the mission of the company the certification programme of the activities and of the sites (plants) of the Group continued during the year 2004. In particular these activities related to the certifications of the integrated system UNI EN ISO 9001/2000 (quality) and I4001 (environment), OHSAS 18001 (security) and EMAS 761/01 (environment).

In relation to the specific activity carried out it is noted:

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

### 3.3.9 Significant events after the end of the year

In the first months of 2005 the following occurred:

- > **“Wind energy”**: the assembly was completed of 19 wind turbines for the Troia San Vincenzo (Foggia) park, that are already in production on a provisional basis. On February 21, 2005 a finance project contract was signed for the Troia San Vincenzo park between the subsidiary EosI -Troia and a banking pool composed of MPS SpA arranger, Efibanca and BBVA co-arrangers. Finally on March 17, 2005 the business unit of the wind-park Troia San Cireo (Foggia) was acquired with a power of 30 MW that can be increased to 40 MW.
- > **“Waste to energy”**: while the performance of the EALL plant was substantially in line with expectations, that of Terni En.A. closed for a total of 2 weeks due to technical problems. The plant re-commenced normal activity on April 9, 2005 and during the closure period maintenance work was also undertaken which was programmed for May.
- > **“Waste treatment”**: on March 9, 2005 an agreement was signed between SAO Spa, the Umbria region and the municipalities concerned for the protocol of understanding of the “Remodelling of the solid waste flows in the municipalities of the ATO 2 and 3 to the Orvieto plants”. This will result in an increase in the volumes of urban waste conferred to the Orvieto (Terni) landfill of approximately 24,000 tonnes per year from July with an increase in the tariff rate. Interventions are in progress for the improvement of the CDR production plant of Enercombustibili at Paliano (Frosinone). The subsidiary SAO SpA, in March 2005, sold the 38% investment in Volsca Ambiente SpA as it was no longer considered strategic.
- > **“Water services”**: the design and construction activities of the investments requested by the Lazio Region for the renewal of the authorisation for the use of the DSI plant at Frosinone are in progress. Finally, Sodai Italia is continuing with the preparatory activity for the authorisations of new platforms at the Voghera and Melfi sites.
- > **“Steel”**: the business activity continued in January, February and March 2005 in line with the forecasts.

### 3.3.10 Forecast evolution of the operations

In 2005, a significant increase in margins is expected in the wind-park business deriving from the entry into service of the Troia San Vincenzo park and the enlargement of the park at Viticuso.

A recovery of profitability is expected in the waste-to-energy business following the improvements to operational reliability made in recent months. In the environmental services business, a gradual increase is expected in volumes conferred to the Orvieto landfill owned by the subsidiary SAO SpA, consequent of the above-mentioned "Remodelling of the solid urban waste flows in the municipalities of the ATO 2 and 3 to the Orvieto plants".

In the water services business, the activity for the planning of the platforms for the treatment of waste will continue by the subsidiary Sodai Spa. At the same time the adjustments to the plants owned by the subsidiary DSI of Frosinone will continue with the objective of its full operational recovery. In the steel business a decrease in margins and volumes is expected as a consequence of a slowdown in economic growth; despite this a good performance is expected from the sector.

The Directors underlined the possibilities that may arise, today unknown, which may influence the realisation of some of the above actions, as well as the possibility that differences may arise in the economic/production forecasts, as the basis for the financial plans of the Group.

### 3.3.11 Risks and disputes

Management wishes to call attention to the following pending disputes which are considered to be most significant to the operations of the Enertad Group.

#### TERNI EN.A

The appeal is still pending, brought by third parties before the Regional Administrative Court of Umbria for the cancellation of some administrative regulations issued, in relation to the waste-to-energy plant at Maratta Bassa, Terni, and including an operational resolution, that approved a minor modification to the project of the plant, that was already judged favourably by the (EIA) Environmental Impact Assessment, confirmed by the Umbria Court and the Council of State.

The appeal is still pending against the resolution adopted by the Provincial Council of Terni before the Regional Administrative Court of Umbria. The resolution approved, according to article 20 of the legislative decree 22/97, the identification of unsuitable areas for waste disposal and recycling plant sites, enforcing pre-defined procedures to be applied to plants already approved and located such as those belonging to Terni En.A. SpA. This resolution provides, after a transitory period, some limitations for the plants such as those belonging to Terni En.A. SpA. that, although duly authorised, are situated and operate in areas that are considered "pre-dated" and unsuitable in relation to certain criteria.

#### E.A.L.L.

In relation to the waste-to-energy plant at S.Vittore del Lazio, owned by the company E.A.L.L. S.r.l., there are currently administrative appeals pending, brought by third parties, before the Regional Administrative Court of Lazio concerning the Stralcio Plan to manage waste, relating to the offer of a waste-to-energy plant approved by the Lazio Region in January 2002 and by the Managerial Assessors of the Frosinone Region in April 2002, thereby authorising the construction and management of the aforementioned plant. The petitions to precautionary suspend the resolutions brought forward by the claimants have been rejected by both the Regional Administrative Court of Lazio, and when an appeal was filed, by the Council of State.

The appeal is still pending to the Council of State, made by the company, for damages on the cancellation of the sentence with which the Regional Administrative Court of Lazio ruled, against the company, on the administration disputes existing with the municipality of Cervaro and relating to the construction of an electro-duct servicing the plant of San Vittore del Lazio, on the land of the municipality, already authorised by the Lazio Region with ruling number 969/7/C/1 of June 13, 2001.

Ambiente 2000 S.r.l., in December 2004, took out an arbitration procedure, currently in course, requiring the implementation, by EALL S.r.l., of the operation and maintenance contract agreed, relating to the San Vittore del Lazio plant, in January 2001 and not considered applicable by EALL. Ambiente 2000 S.r.l. requested, in addition to the fulfilment of the contract, general damages from EALL S.r.l., to be paid in a separate ruling. EALL has appealed the claims made by the counterparty.

#### SAO

It is recalled that, in November 2003, SAO commenced a recovery action of receivables from the municipality of Fermo in relation to the management of the local waste treatment plant. The municipality of Fermo appealed the injunction order issued by SAO Sp.A., requesting a counterclaim for damages compensating against the receivables of SAO Sp.A.; the claim of the municipality of Fermo is based on negligence in the management of the above-mentioned treatment plant in which it is claimed SAO Sp.A. is responsible. The Court of Fermo declared that jurisdictionally it was not competent for this case and so this decision was taken, and therefore SAO Sp.A. presented its appeal to the competent Court of Ancona. The appeal is still pending.

A preliminary investigation held by the public prosecutor's office in Orvieto is pending, concerning the landfill managed by S.A.O. Sp.A. and the removal of waste from the Campania Region, currently suspended, and that in July 2004, gave orders for a precautionary measure to be taken to place the landfill under sequestration without impairing its current operation.

In March 2005 an agreement was reached in relation to the recognition of the receivable of SAO Servizi Ambientali Orvieto SpA from the "Consorzio di Bacino Napoli 3" relating to the transport and disposal of waste from the Campania Region and a recovery plan of the receivable. SAO S.p.A. appealed to the Regional Administrative Court of Umbria the regulation issued by the Province of Terni in October 2004, in which the Province suspended, in accordance with article 28, paragraph 4 of Legislative Decree 22/97, for a period of six months, the authorisation to operate disposal operations at the Orvieto Loc. Le Crete relating to the use of terrace levels.

The company Tesi & Consulting, in October 2004, took a civil case to the Court of Livorno against the company for an amount of Euro 224,268, as compensation for professional fees for the design and preparation of a proposal for the construction and management of a R.S.U. selection and treatment plant, and CDR and FORSU production which SAO presented, in June 2002, to the municipality of Grosseto, in relation to a project financing in accordance with Law 109/94.

SAO also called upon the other members involved in the proposal and fully contested the action taken making a counterclaim against Tesi & Consulting.

### **OMNIA**

The appeal made by OMNIA S.r.l. is still pending relating to the regulations issued by the municipality of Valmontone, in December 2002. This suspended the work on the adjustment to the municipal purification plant of Valmontone, for the treatment of third party special liquid wastes, authorised by the Decree of the Vice Commission for emergency waste in the Lazio Region number 118 of August 1, 2002. In January 2003, the Decree of the Vice Commission for waste emergency in the Lazio Region number 118 of August 1, 2002 was appealed by the municipality of Valmontone, with Extraordinary Recourse to the Head of State and by some residents of Valmontone, with recourse to the Regional Administrative Court of Lazio, a recourse that is still pending. With Decree No. 30, dated April 9, 2003, subsequently recognised by Omnia S.r.l., the above-mentioned authorisation decree number 118/2002 was revoked. In May 2003, Omnia S.r.l. appealed the above-mentioned regulation 30/2003.

A part-time employee of the company has presented, in December 2004, an appeal to the employment tribunal for the recognition of managerial status with consequent payments of remuneration differences quantified as Euro 217,597.16 as at March 2004. The incorporation of the company in the above-mentioned case is in course.

### **TAD ENERGIA AMBIENTE**

The case taken by TAD Energia Ambiente S.p.A. is still pending, made in November 2003, against the company Ladurner S.r.l. to accept and validate the delay in the execution of tender contract of March 2003 for the construction of a CDR plant at Paliano, as well as other contractual violations.

### **3.3.12 Code of conduct and ethical Code**

The company has adopted the Code of Conduct as recommended by Borsa Italiana SpA and also updated its ethical code. A copy of this Code is available for persons so requiring, at the registered office of the company as well as on the internet site [www.enertad.it](http://www.enertad.it). The annual corporate governance report is also available within the same terms for publication as the annual accounts.

The Board of Directors on June 30, 2004 renewed the members of the Internal Control Committee and the Remuneration Committee constituted on June 11, 2003.

The members appointed to the Internal Control Committee were: Carlo Mazzi (resigned in March 2005), nominated Chairman of the Committee, Ernesto Monti and Giorgio Loli; while Ernesto Monti (Chairman), Gastone Colleoni and Giancarlo Cimoli are the members of the Remuneration Committee.

All of the members of the Committees were chosen from the independent or non-executive directors.

### **3.3.13 Legislative Decree No. 196/2003 Protection for Privacy**

In accordance with the law for the Protection of Personal Data (so called privacy law), in force since January 1, 2004, the company is reviewing the security standards imposed by the above-mentioned regulation on the receipt and treatment of personal data relating to employees, customers and suppliers. In relation to the so-called "Programmed Document on Security" the forms of the current protection will be described and possible changes will be indicated which, within the period required by law indicated as June 30, 2005, the company intends to adopt this new regulation.

### **3.3.14 IFRS (IAS) International accounting standards**

Enertad S.p.A. communicates that at the date of the preparation of the 2004 annual accounts, the transition process to the IFRS was not yet completed and therefore, in accordance with the CONSOB document "International Accounting Standards: the interim accounts, prospectus schedules, definition of related parties" published on February 17, 2005, will prepare the 1st Quarterly Report of 2005 utilising the same criteria for the preparation of the consolidated financial statements.

The 2nd Quarterly Report and the Half-Year Report for 2005, due to the impossibility in applying IAS 34 and as permitted by the above-mentioned document of Consob, will be prepared utilising the same criteria contained in the legislation on consolidated financial statements and a reconciliation

will be prepared of the net equity and result for the period based on the previous standards with those in accordance with international accounting standards.

The 3rd and 4th Quarterly Reports in 2005 will be prepared utilising the accounting standards as issued by IAS/IFRS.

The Quarterly Reports in 2005 will not, as permitted by the above-mentioned Consob document, be audited; the Half-Year Report as at June 30, 2005 will be subject to a limited audit in accordance with the principles contained in the Consob Resolution 10867 of July 31, 1997.

The audit work performed will be in line with the technical documents that presumably will be elaborated by Consob together with the accounting profession.

Finally, in compliance with Consob communication of March 10, 2005, Enertad SpA, on December 9, 2003, appointed the audit firm Deloitte & Touche SpA to assist the company in the implementation of systems and accounting procedures for the application of the IAS/IFRS accounting standards.

### **3.3.15 Proposal for the allocation of the result**

Dear Shareholders,

the financial statements at December 31, 2004 of your company closes with a loss of Euro 8,179,144 that we propose to carry forward in the reserve "Retained profits (losses)".

If you are in agreement, we invite you to approve the director's 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*  
**Salvatore Russo**

Milan, March 22, 2005

## GLOSSARY

**ATO:** Applicable territorial region. In accordance with Legislative Decree 22/97, the so-called "Ronchi Law" for the management of urban waste created the ATO's for each applicable territorial region, which normally corresponds to the Province.

**Biomass:** all types of organic original materials.

**CDR:** combustion from waste. Its composition is regulated and provides that it may not be constituted utilising the fractions deriving from differentiated waste but may be added for a quota not greater than 50% in industrial waste. The relative regulation also establishes its characteristics in terms of humidity, power, ash, chemical composition and provides for its utilisation in dedicated waste-to-energy and industrial plants, such as cement manufacturing and carbon thermoelectric plants.

**CIP6:** incentive tariff in which the "Gestore della Rete di Trasmissione Nazionale" (GRTN) purchases electricity produced by plants from renewable sources and similar established by regulation CIP6/92.

**Energy wind-parks:** energy produced from wind.

**FORSU:** organic fraction from solid urban waste.

**Inconel:** base of nickel and chrome with small percentages of titanium and aluminium.

**RSAU:** solid waste similar to urban waste.

**RSU:** solid urban waste.

**Waste-to-energy:** plant for the treatment of solid urban waste for the production of electricity.

**Waste to energy:** transformation process of waste into energy.

**Waste treatment:** all activity for the collection, transport and selection of waste.

**Wind turbines:** Plant capable of transforming the kinetic energy in wind into mechanical energy, which in turn is utilised for the production of electricity.

## > 4. Financial Statements of Enertad SpA

as at December 31, 2004

## > 4.1 Balance Sheet

AS AT 31 DECEMBER 2004			
ASSETS	values in Euro (within 12 month)	values in Euro (beyond 12 months)	Amount in Euro
<b>A) RECEIVABLES DUE FROM SHAREHOLDERS FOR UNPAID CAPITAL</b>			
<b>B) FIXED ASSETS</b>			
<b>I. Intangible assets</b>			
1	formation, start-up and similar costs		7,402,361
2	research, development and advertising costs		569,246
3	industrial patents and intellectual property rights		84,740
4	concessions, licenses, trademarks and other		99,817
5	goodwill		
6	assets under construction and payments on account		
7	other		
	<b>Total intangible fixed assets</b>		<b>8,156,164</b>
<b>II. Tangible assets:</b>			
1	land and buildings		
2	plant and machinery		1,760
3	industrial and sales equipment		
4	other fixed assets		144,142
5	assets under construction and payments on account		
	<b>Total tangible fixed assets</b>		<b>145,902</b>
<b>III. Financial assets:</b>			
1	shareholdings in:		
a	subsidiary companies		102,146,717
b	associated companies		
c	other companies		4,332,649
	<b>Total shareholdings</b>		<b>106,479,366</b>
2	receivables:		
a	subsidiaries		
b	associated companies		
c	parent companies		
d	others	9,210,000	9,210,000
e	group companies		
f	deposits	13,753	13,753
	<b>total receivables</b>	<b>9,223,753</b>	<b>9,223,753</b>
3	other securities		
4	treasury shares		
	<b>Total financial assets</b>		<b>115,703,119</b>
	<b>TOTAL FIXED ASSETS</b>		<b>124,005,185</b>

AS AT 31 DECEMBER 2003			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
		4,807,340			2,595,021
		780,594			(211,348)
		109,211			(24,471)
		4,165			95,652
		1,054,570			(1,054,570)
		<b>6,755,880</b>			<b>1,400,284</b>
					1,760
		98,139			(98,139)
		104,562			39,580
		3,714			(3,714)
		<b>206,415</b>			<b>(60,513)</b>
		58,747,190			43,399,527
		16,929,164			(16,929,164)
		70,000			4,262,649
		<b>75,746,354</b>			<b>30,733,012</b>
	3,500,000	3,500,000		5,710,000	5,710,000
	8,144	8,144		5,609	5,609
	<b>3,508,144</b>	<b>3,508,144</b>		<b>5,715,609</b>	<b>5,715,609</b>
		<b>79,254,498</b>			<b>36,448,621</b>
		<b>86,216,793</b>			<b>37,788,392</b>

				AS AT 31 DECEMBER 2004		
ASSETS <i>(continued)</i>		values in Euro (within 12 month)	values in Euro (beyond 12 months)	Amount in Euro		
<b>C) CURRENT ASSETS</b>						
<b>I. Inventory:</b>						
1	raw materials, supplies and consumable goods					
2	work in progress and semi-finished products					
3	contract work in progress					
4	finished goods					
5	payments on account					
	<b>Total inventory</b>					
<b>II. Receivables:</b>						
1	customers	4,263		4,263		
2	subsidiaries					
a	trade receivables	10,774,966		10,774,966		
b	financial activities	104,336,319		104,336,319		
c	others	813,365		813,365		
	<b>total from subsidiaries</b>	<b>115,924,650</b>		<b>115,924,650</b>		
3	associated companies					
a	trade receivables	67,368		67,368		
b	financial activities					
c	others					
	<b>total from associated companies</b>	<b>67,368</b>		<b>67,368</b>		
4	parent companies					
a	trade receivables	242,239		242,239		
b	financial activities	37,171,905		37,171,905		
c	others	1,291,142		1,291,142		
	<b>total from parent companies</b>	<b>38,705,286</b>		<b>38,705,286</b>		
4 bis	tax receivables	2,336,821		2,336,821		
4 ter	deferred tax asset					
5	from others					
a	financial activities					
b	payments on account					
c	others	122,043		122,043		
	<b>total from others</b>	<b>122,043</b>		<b>122,043</b>		
6	group companies					
a	trade receivables					
b	financial activities					
c	others					
	<b>total from group companies</b>					
	<b>Total receivables</b>	<b>157,160,431</b>		<b>157,160,431</b>		
<b>III. Financial assets - not constituting fixed assets:</b>						
1	shareholdings in parent companies					
2	shareholdings in associated companies					
3	shareholdings in other companies					
4	treasury shares					
5	other securities					
6	bills					
	<b>Total financial assets not constituting fixed assets</b>					
<b>IV. Cash in banks and on hand</b>						
1	bank and postal accounts			31,662,133		
2	cheques on hands					
3	cash-in-hand and cash equivalents			1,626		
	<b>Total cash in bank and on hand</b>			<b>31,663,759</b>		
	<b>TOTAL CURRENT ASSETS</b>			<b>188,824,190</b>		
<b>D) PREPAYMENTS AND ACCRUED INCOME</b>						
				306,638		
<b>TOTAL ASSETS</b>				<b>313,136,013</b>		

AS AT 31 DECEMBER 2003			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
9,006		9,006	(4,743)		(4,743)
4,853,864		4,853,864	5,921,102		5,921,102
85,699,546		85,699,546	18,636,773		18,636,773
367,039		367,039	446,326		446,326
<b>90,920,449</b>		<b>90,920,449</b>	<b>25,004,201</b>		<b>25,004,201</b>
221,500		221,500	(154,132)		(154,132)
<b>221,500</b>		<b>221,500</b>	<b>(154,132)</b>		<b>(154,132)</b>
133,318		133,318	108,921		108,921
46,778,769		46,778,769	(9,606,864)		(9,606,864)
1,291,142		1,291,142			
<b>48,203,229</b>		<b>48,203,229</b>	<b>(9,497,943)</b>		<b>(9,497,943)</b>
156,521		156,521	2,180,300		2,180,300
591,000		591,000	(591,000)		(591,000)
432		432	121,611		121,611
<b>591,432</b>		<b>591,432</b>	<b>(469,389)</b>		<b>(469,389)</b>
<b>140,102,137</b>		<b>140,102,137</b>	<b>17,058,294</b>		<b>17,058,294</b>
		3,630,000			(3,630,000)
		<b>3,630,000</b>			<b>(3,630,000)</b>
		26,894,455			4,767,678
		1,271			355
		<b>26,895,726</b>			<b>4,768,033</b>
		<b>170,627,863</b>			<b>18,196,327</b>
		7,802			298,836
		<b>256,852,458</b>			<b>56,283,555</b>

		AS AT 31 DECEMBER 2004		Amount in Euro
LIABILITIES		values in Euro (within 12 month)	values in Euro (beyond 12 months)	
<b>A)</b>	<b>NET EQUITY</b>			
I.	Share capital			94,865,881
II.	Share premium reserve			75,672,020
III.	Revaluation reserve:			
	1 reserve ex art. 72/83			1,965,285
	2 reserve ex art. 413/91			
	<b>Total revaluation reserves</b>			<b>1,965,285</b>
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			
	9 fund provision ex Italian Law Decree 361/87			
	<b>Total other reserves</b>			<b>8,329,536</b>
VIII.	Retained earnings or losses carried forward			(286,279)
IX.	Net profit (loss) for the year			(8,179,144)
	<b>TOTAL GROUP NET EQUITY</b>			<b>173,754,924</b>
<b>B)</b>	<b>PROVISION FOR CONTINGENCIES AND CHARGES</b>			
	1 pension and similar provisions			
	2 taxation:			
	3 others:			
	a risk fund provision on pending litigation			
	b risk fund provision on investments			
	c exchange rate risk fund provision			
	d environmental improvement risk fund			
	e re-organisation and liquidation risk fund			
	f fund provision for other risks			
	<b>total others</b>			
	<b>TOTAL PROVISION FOR CONTINGENCIES AND CHARGES</b>			
<b>C)</b>	<b>EMPLOYEE LEAVING INDEMNITY</b>			139,175

## AS AT 31 DECEMBER 2003

## 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
		62,618,894			32,246,987
		33,750,517			41,921,503
		1,965,285			
		1,965,285			
		1,387,625			
		345,087			
		6,706,260			
		1,278,189			
		123			(123)
		8,329,659			(123)
		446,903			(733,182)
		(733,181)			(7,445,963)
		<b>107,765,702</b>			<b>65,989,222</b>
		80,894			58,281

				AS AT 31 DECEMBER 2004		
LIABILITIES (continued)		values in Euro (within 12 month)	values in Euro (beyond 12 months)	Amount in Euro		
<b>D)</b>	<b>PAYABLES</b>					
	1 bonds	41,721		41,721		
	2 convertible bonds	372,527	76,490,739	76,863,266		
	3 shareholder loans					
	4 banks	31,529,419		31,529,419		
	5 other lenders	8,025,000	16,050,000	24,075,000		
	6 payments on account					
	7 trade payables	1,754,554		1,754,554		
	8 accounts payable on bills accepted and drawn					
	9 subsidiaries					
	a trade receivables	738,024		738,024		
	b financial activities					
	c others	2,505,680		2,505,680		
	<b>total from subsidiaries</b>	<b>3,243,704</b>		<b>3,243,704</b>		
	10 associated companies					
	a trade receivables					
	b financial activities					
	c others					
	<b>total from associated companies</b>					
	11 parent companies					
	a trade receivables	948,155		948,155		
	b financial activities					
	c others					
	<b>total from parent companies</b>	<b>948,155</b>		<b>948,155</b>		
	12 sums payable to tax authorities	149,842		149,842		
	13 social security institutions	107,481		107,481		
	14 other payables	422,920		422,920		
	15 group companies					
	a trade receivables	97,950		97,950		
	b financial activities					
	c others					
	<b>total from group companies</b>	<b>97,950</b>		<b>97,950</b>		
	<b>TOTAL PAYABLES</b>	<b>46,693,273</b>	<b>92,540,739</b>	<b>139,234,012</b>		
<b>E)</b>	<b>ACCRUALS AND DEFERRED INCOME</b>			7,902		
	<b>TOTAL LIABILITIES &amp; EQUITY</b>			<b>313,136,013</b>		

## AS AT 31 DECEMBER 2003

## 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
	41,721	41,721	41,721	(41,721)	
373,551	76,491,530	76,865,081	(1,024)	(791)	(1,815)
31,298,664		31,298,664	230,755		230,755
12,129,734	24,075,000	36,204,734	(4,104,734)	(8,025,000)	(12,129,734)
2,127,784		2,127,784	(373,230)		(373,230)
706,875		706,875	31,149		31,149
16,203		16,203	(16,203)		(16,203)
78,799		78,799	2,426,881		2,426,881
<b>801,877</b>		<b>801,877</b>	<b>2,441,827</b>		<b>2,441,827</b>
621,646		621,646	326,509		326,509
<b>621,646</b>		<b>621,646</b>	<b>326,509</b>		<b>326,509</b>
395,699		395,699	(245,857)		(245,857)
113,819		113,819	(6,338)		(6,338)
456,860		456,860	(33,940)		(33,940)
77,977		77,977	19,973		19,973
<b>77,977</b>		<b>77,977</b>	<b>19,973</b>		<b>19,973</b>
<b>48,397,611</b>	<b>100,608,251</b>	<b>149,005,862</b>	<b>(1,704,338)</b>	<b>(8,067,512)</b>	<b>(9,771,850)</b>
					7,902
		<b>256,852,458</b>			<b>56,283,555</b>

## > 4.2 Memorandum Accounts

(€/000)

	31.12.2004			31.12.2003		
	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
<b>I Guarantees given</b>						
- Personal guarantees given						
1 Sureties						
- parent company		24,003	24,003		18,568	18,568
- subsidiaries		500	500			
- associated companies						
- parent companies						
- subsidiaries						
- third parties						
2 Endorsements						
- parent company						
- subsidiaries						
- associated companies						
- parent companies						
- subsidiaries						
- third parties						
3 Other						
- parent company						
- subsidiaries		11,012	11,012		4,544	4,544
- associated companies						
- parent companies						
- subsidiaries						
- third parties						
- Secured guarantees issued						
1 Pledges						
- parent company						
- subsidiaries	27,000		27,000			
- associated companies						
- parent companies				25,000		25,000
- subsidiaries						
- third parties						
2 Mortgages						
- parent company						
- subsidiaries						
- associated companies						
- parent companies						
- subsidiaries						
- third parties						
<b>II Other memorandum accounts</b>						
- Guarantees received						
- sureties from parent company	35,724		35,724			
- sureties from third parties						
- other unsecured guarantees	52,675	16,672	69,347	34,247		34,247
- secured guarantees						
- Securities and assets in deposit						
- Risks						
- Commitments						
- Future leases commitments						
- Securities and assets held by third parties						

## > 4.3 Statement of Income

(Amounts in Euro)

	31.12.2004	31.12.2003	Changes
<b>A) Value of production</b>			
1 Income from sales and supply of services	2,411,000	5,118,196	(2,707,196)
2 Variation of work in progress and finished and semi finished goods			
3 Variation in contract work in progress			
4 Increases on internal work capitalised under fixed assets			
a production and stocks			
b interests of the period			
<b>Total increases on internal work capitalised under fixed assets</b>			
5 Other revenues and income			
a grants			
b other operating revenues	612,912	304,723	308,189
c expenses re-charges			
d various income	122,379	60,004	62,375
e income from property			
f gains from normal operating activities	130		130
g over-accruals & similar in prior years	531,044	31,242	499,802
h stock sold on sale of business division			
<b>Total other revenues and income</b>	<b>1,266,465</b>	<b>395,969</b>	<b>870,496</b>
<b>Total value of production</b>	<b>3,677,465</b>	<b>5,514,165</b>	<b>(1,836,700)</b>
<b>B) Cost of production</b>			
6 Raw materials, consumables and supplies	(175,133)	(60,019)	(115,114)
7 services			
a services provided	(3,202,222)	(1,795,578)	(1,406,644)
b utilities	(2,730)		(2,730)
c various costs	(805,149)	(552,743)	(252,406)
<b>Total services</b>	<b>(4,010,101)</b>	<b>(2,348,321)</b>	<b>(1,661,780)</b>
8 Use of third party assets	(527,961)	(113,325)	(414,636)
9 Personnel expense			
a wages and salaries	(1,699,182)	(1,184,303)	(514,879)
b social security contributions	(541,762)	(386,249)	(155,513)
c employee leaving indemnity	(97,230)	(68,510)	(28,720)
d pension and similar costs			
e other costs		(3,495)	3,495
<b>Total personnel expense</b>	<b>(2,338,174)</b>	<b>(1,642,557)</b>	<b>(695,617)</b>
10 Amortisation, depreciation and write-downs			
a amortisation of intangible fixed assets	(2,762,169)	(1,348,272)	(1,413,897)
b depreciation of tangible fixed assets	(31,063)	(19,226)	(11,837)
c other write-downs of fixed assets			
d write-down of receivables listed under current assets and liquidity items			
e utilisation of the doubtful debt provision for receivables listed under current assets and liquidity items			
f losses on receivables		(258)	258
<b>Total amortisation, depreciation and write-downs</b>	<b>(2,793,232)</b>	<b>(1,367,756)</b>	<b>(1,425,476)</b>

<b>Income statement</b> <i>(continued)</i>	(Amounts in Euro)		
	<b>31.12.2004</b>	<b>31.12.2003</b>	<b>Changes</b>
11 Change of raw materials, consumables, semi-finished and finished goods			
12 Provisions for risks			
a Provisions for pending litigation			
b Utilisation of the risk provision on pending litigation			
<b>Total provisions for contingencies</b>			
13 Other provisions			
14 Other operating expenses			
a taxation excluding income tax	(6,247)	(87,998)	81,751
b property charges			
c losses from normal operating activities			
d under-accruals & similar in prior years	(145,566)	(18,262)	(127,304)
e others	(244,232)	(378,068)	133,836
<b>Other operating costs</b>	<b>(396,045)</b>	<b>(484,328)</b>	<b>88,283</b>
<b>Total cost of production</b>	<b>(10,240,646)</b>	<b>(6,016,306)</b>	<b>(4,224,340)</b>
<b>Difference between value and cost of production</b>	<b>(6,563,181)</b>	<b>(502,141)</b>	<b>(6,061,040)</b>
<b>C) Financial income and charges</b>			
15 Income from equity investments			
a subsidiary companies			
b associated companies			
c other companies			
d tax credit on dividends			
e gain on sale of equity investments	370,000		370,000
<b>Total income from investments</b>	<b>370,000</b>		<b>370,000</b>
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			
<b>total receivables classified under non-current assets</b>			
b from securities classified under non-current assets not constituting equity investments			
c from securities classified under current assets not constituting equity investments			
c.1 interest income on securities			
c.2 gain on sale of securities			
<b>from securities classified under current assets not constituting equity investments</b>			
d other income than above			
d.1 interests and commissions from subsidiaries	4,873,698	3,529,185	1,344,513
d.2 interests and commissions from associated companies			
d.3 interests and commissions from parent companies	2,458,138	1,945,947	512,191
d.4 interests and commissions from group companies			
d.5 interests and commissions from banks	398,805	193,022	205,783
d.6 interest and commissions from others and various income	190,364	17,364	173,000
d.7 profit on foreign exchange			
<b>total other income than above</b>	<b>7,921,005</b>	<b>5,685,518</b>	<b>2,235,487</b>
<b>Total other financial income</b>	<b>7,921,005</b>	<b>5,685,518</b>	<b>2,235,487</b>

<b>Income statement</b> <i>(continued)</i>		(Amounts in Euro)		
	<b>31.12.2004</b>	<b>31.12.2003</b>	<b>Changes</b>	
17 Interest and other financial charges				
a subsidiaries	(4,467)	(4,804)		337
b associated companies				
c parent companies				
d group companies				
e others	(8,320,189)	(5,839,816)		(2,480,373)
f losses on foreign exchange				
g exchange rate fund provision				
h loss on sale of equity investments				
<b>Total interest and other financial charges</b>	<b>(8,324,656)</b>	<b>(5,844,620)</b>		<b>(2,480,036)</b>
17 bis Exchange gains and losses		7,000		(7,000)
<b>Total financial income and charges</b>	<b>(33,651)</b>	<b>(152,102)</b>		<b>118,451</b>
<b>D) Adjustments to financial assets</b>				
18 Revaluations				
a equity investments				
b financial assets - not constituting equity investments				
c from securities classified under current assets not constituting equity investments				
<b>Total revaluations</b>				
19 Write-downs				
a investments				
a.1 losses deriving from balance sheet evaluations	(1,793,101)			(1,793,101)
a.2 risk fund provision on investments				
a.3 utilisation of the risk fund provision on investments				
<b>total write-down of equity investments</b>	<b>(1,793,101)</b>			<b>(1,793,101)</b>
b financial assets - not constituting equity investments				
c from securities classified under current assets not constituting equity investments				
<b>Total write-downs</b>	<b>(1,793,101)</b>			<b>(1,793,101)</b>
<b>Total adjustments to financial assets (D)</b>	<b>(1,793,101)</b>			<b>(1,793,101)</b>
<b>E) Extraordinary income and charges</b>				
20 Income				
a gains on sales of an extraordinary nature				
b others				
c utilisation of the re-organisation and liquidation fund				
<b>Total income</b>				
21 Charges				
a losses on sales of an extraordinary nature				
b taxes relating to prior years	(300)			(300)
c other charges and various risk provisions		(7,008)		7,008
d restructuring and liquidation charges				
<b>Total charges</b>	<b>(300)</b>	<b>(7,008)</b>		<b>6,708</b>
<b>Extraordinary income and charges</b>	<b>(300)</b>	<b>(7,008)</b>		<b>6,708</b>
<b>Pre-tax result</b>	<b>(8,390,233)</b>	<b>(661,251)</b>		<b>(7,728,982)</b>
22 Income taxes - current and deferred	211,089	(71,930)		283,019
<b>23 NET PROFIT (LOSS) FOR THE YEAR</b>	<b>(8,179,144)</b>	<b>(733,181)</b>		<b>(7,445,963)</b>

## > 4.4 Notes to the financial statements of Enertad as at December 31, 2004

### **4.4.1 General information**

#### **4.4.1.1 Structure of the Balance Sheet and Income Statement (article 2423 ter)**

The financial statements were prepared in accordance with the Civil Code and consist of the balance sheet (prepared in conformity with the provisions of articles 2424 and 2424bis of the civil code), the income statements (prepared in conformity with the provisions of articles 2425 and 2425bis of the civil code) and by the present notes to the financial statements, that provide the information as required by article 2427 of the civil code and other provisions of Civil Code and related legislation.

Additional information is provided in the Director's Report in relation to recommendations made by Consob and, even if not required by specific legislation, all additional information considered necessary to represent in a true and fair manner; the balance sheet, financial situation and results of the company.

For greater clarity on the financial statements some additional subdivisions were made and additional accounts included.

#### **4.4.1.2 Exceptions as per paragraph 4, Article 2423**

During the year, no exceptional events occurred that would render the application of the principles for the preparation of financial statements as contained in the Legislative Decree 127/91, incompatible with a true and fair view of the balance sheet and financial position and result for the year:

As a consequence it was not necessary to apply exceptions permitted.

#### **4.4.2 Accounting principles**

The financial statement items have been valued in accordance with the general criteria of prudence and accruals and on a going concerned basis and therefore in the preparation of the financial statements, prevalence has been given to the substance of the operations over their form.

The gains are recorded only if realised within the end of the period, while consideration is made of risks and losses even if known subsequent to the period end.

The accounting principles have not changed from those adopted in the previous year.

The most important accounting principles are as follows:

### Intangible assets

In accordance with Article 2426 of the Civil Code, paragraph 5, intangible assets are recorded with the agreement of the statutory auditors and amortised over five years, except for the charges to obtain financing which are amortised over the duration of the relative financing. They principally include costs connected to share capital increases, accessory charges for the obtaining of medium and long-term loans and other minor amounts.

### Tangible assets and depreciation

Tangible assets are recorded at purchase or production cost including direct incidental charges. The financial charges incurred for the acquisition of assets are capitalised and attributed to the asset until the asset is ready for use. The cost value is only adjusted in conformity with national legislation that permits the revaluation of tangible fixed assets.

The amortisation is calculated on a straight line basis based on the economic technical rates representative of their residual useful life.

The rates applied are as follows: plant 12%, furniture and EDP 12%-20% and motor vehicles 25%.

Tangible assets are written-down if there is a permanent impairment in their value; the original value is restored if the reasons for their write-down no longer exist.

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

Maintenance costs of an ordinary nature are charged fully to the income statement. 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

The holdings in subsidiary, associated (between 20% and 50% of the share capital) and in other companies recorded under non current assets are valued at purchase cost or substitution.

The cost is reduced in the case of permanent impairment where the investment has suffered losses and no recovery is foreseeable in the immediate future, or sufficient profits may be generated to absorb the losses; the original value is restated where 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".

### Receivables

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

### Employee leaving indemnity

The employee leaving indemnity provision covers the entire liability matured to employees in compliance with legislation in force and collective employment agreements.

This liability is revalued in accordance with indices established by the relevant legislation.

### Payables

Payables are recorded at their nominal value.

### Tax payables

Income taxes are accrued based on an estimate of the income tax charge for the year, taking into account the provisions of the national consolidation taxation regime.

### Amounts in foreign currencies

Receivable and payables in foreign currencies are converted at historical rates and adjusted to the year-end rate net of any hedging contracts.

The exchange gains and losses are recorded in the income statement.

### Accruals and prepayments

Prepayment and accruals are recorded in accordance with the accruals concept.

### 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.

### Dividends

Dividends are recorded in the year in which they are collected.

### Income taxes

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

Enertad S.p.A., as the Parent Company (direct or indirect of the companies of the Enertad group), sent within December 31, 2004, the "Communication relating to the national consolidated taxation regime", also communicating the companies adhering to this option. As of January 1, 2004, the group consolidated taxation legislation was introduced in the Finance Act for Direct Taxation, recently amended and integrated, that provides for consolidation at both national and worldwide level. The consolidation of the group permits a unitary taxation between the companies connected through control, aggregating the fiscal profits and losses of the different companies, for the application of Income tax (IRES) only on the net cumulative income of the group. The option is valid for a three year period (2004-2006). All of the transactions between Enertad Spa and the subsidiaries/consolidated companies, resulting from the adhesion to the option, will be regulated by a specific agreement.

In accordance with Accounting Principle No. 25, deferred taxes are recorded on the temporary timing differences between the fiscal and statutory assessable income. If from the above-mentioned calculation a deferred tax asset arises, this will be recorded in the financial statements under receivables.

Deferred tax liabilities are omitted if it can be demonstrated that the payments are improbable; the recording of deferred tax assets is subject to the reasonable certainty of their recovery. The deferred tax assets and liabilities are compensated if relating to amounts that may be compensated.

### 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 and commitments separate indications are shown for the amounts already recorded in the balance sheet and amounts not recorded in the balance sheet.

### 4.4.3 Balance sheet accounts and changes

#### B Fixed assets

##### B I Intangible assets

The movements in the year are detailed below:

							(€/000)	
		Balance	Purchases	Reclass-	Write-	Sales	Depre-	Balance
		31.12.2003		ifications	downs		ciation	31.12.2004
BI1	Formation, start-up and similar costs	4,807	5,165	(112)			(2,458)	7,402
BI2	Research, development and advertising costs	781	8				(220)	569
BI3	Industrial patents & intellectual property rights	109	35				(59)	85
BI4	Concessions, licenses, trademarks and similar rights	4	121				(25)	100
BI5	Goodwill							
BI6	Intangible assets under development and payments on account							
	- <i>assets under development</i>	55		(55)				
	- <i>payments on account</i>	1,000		(1,000)				
	<b>Total intangible assets under development and payments on account</b>	<b>1,055</b>		<b>(1,055)</b>				
BI7	Other							
<b>Total</b>		<b>6,756</b>	<b>5,329</b>	<b>(1,167)</b>			<b>(2,762)</b>	<b>8,156</b>

The costs capitalised in the year relate to:

	(€/000)
> Expenses for share capital increases	5,165
> Expenses related to extraordinary operations	9
> Purchase of software and licenses	148
> Other costs	7
<b>Total</b>	<b>5,329</b>

The accounts reclassifications refers almost exclusively to the recharge to the companies of the group of long-term costs in progress, previously invoiced by third parties directly to the parent company.

During the year no financial charges were charged to intangible fixed assets.

Intangible assets are recorded under assets with the consent of the Statutory Auditors.

## B II Tangible assets

The movements in the year are detailed below:

							(€/000)	
		Balance	Purchases	Reclass-	Write-	Sales	Depre-	Balance
		31.12.2003		ifications	downs		ciation	31.12.2004
<b>Gross values</b>								
BII1	Land and buildings							
BII2	Plant and machinery		2					2
BII3	Industrial and commercial equipment	98	47			(145)		
BII4	Other fixed assets	130	75			(4)		201
BII5	Assets under construction and payments on accounts							
	- assets under construction							
	- payments on account	4				(4)		
	Total tangible assets							
	under construction and payments on account	4				(4)		
<b>Total gross values</b>		<b>232</b>	<b>124</b>			<b>(153)</b>		<b>203</b>
<b>Accumulated depreciation</b>								
BII1	Land and buildings							
BII2	Plant and machinery							
BII3	Industrial and commercial equipment							
	commercial equipment							
BII4	Other fixed assets	(26)					(31)	(57)
<b>Total accumulated depreciation</b>		<b>(26)</b>					<b>(31)</b>	<b>(57)</b>
<b>Net values</b>								
BII1	Land and buildings							
BII2	Plant and machinery		2					2
BII3	Industrial and commercial equipment	98	47			(145)		
BII4	Other fixed assets	104	75			(4)	(31)	144
BII5	Assets under construction and payments on accounts							
	- assets under construction							
	- payments on account	4				(4)		
	Total tangible assets under construction							
	and payments on account	4				(4)		
<b>Total net values</b>		<b>206</b>	<b>124</b>			<b>(153)</b>	<b>(31)</b>	<b>146</b>

The increase of Euro 124 thousand is comprised of the following costs:

	(€/000)
5 Anemometers	47
1 Motor/Vehicle	8
1 Videoconference system	2
Office furniture and machines	27
EDP	40
<b>Total</b>	<b>124</b>

The disposals principally relate to the total value of the anemometers re-invoiced at book value to the group company EOS WindEnergy S.r.l..

During the year no adjustments were made to the depreciation criteria.

There were no revaluations made during the year.

### B III Financial assets

#### B III I Equity investments

##### Equity investments in subsidiaries

	Balance 31.12.03	Increase & acquis.	Reclass- ification	Disposals	Reval- uations	Write- downs	Other move.	Balance 31.12.04
TAD Energia Ambiente SpA	31,004	16,000						47,004
Enertad France Sas	25,750	10,000						35,750
Temi En. A. SpA	131							131
DSI Srl	766	1,862				(705)		1,923
EOS Windenergy Srl	10	401				(1)		410
EnerSistema Srl	1,086					(1,086)		
Sodai Italia SpA			16,929					16,929
<b>Total</b>	<b>58,747</b>	<b>28,263</b>	<b>16,929</b>			<b>(1,792)</b>		<b>102,147</b>

The increase in the investment in the company TAD Energia Ambiente Spa relates to a waiver of receivables to cover losses for the year 2004.

The increase in the holding in the company Enertad France Sas relates to a share capital increase of Euro 10,000,000 fully subscribed in November 2004 by Enertad SpA, with the issue of 655,910 new shares.

The change in the investment in DSI Srl relates to a share capital increase and amounts paid in by the shareholders to cover losses in part written down.

The changes in the investment in EOS Windenergy Srl relates to a share capital increase and amounts paid in by the shareholders to cover losses in part written down.

The write-down in the investment in the company EnerSistema Srl relates to an operation for the write-down of share capital for losses as deliberated by the extraordinary Shareholders' Meeting held on December 28, 2004. The subsequent recapitalisation of the share capital was fully subscribed by the company TAD Energia Ambiente SpA.

The account reclassifications from holdings in associated companies to holdings in subsidiary companies relates to the total proportional spin off of En. Hydro SpA with the incorporation of two companies: Società Depurazioni Acque Industriali Italia SpA (Sodai Italia SpA) 51% held by Enertad SpA and Water & Industrial Services Company SpA (Wisco SpA).

##### Holdings in associated companies

	Balance 31.12.03	Increase & acquis.	Reclass- ification	Disposals	Reval- uations	Write- downs	Other move.	Balance 31.12.04
EN-Hydro SpA (spin-off from Sodai Italia SpA)	16,929		(16,929)					
<b>Total</b>	<b>16,929</b>		<b>(16,929)</b>					

##### Holdings in other companies

	Balance 31.12.03	Increase & acquis.	Reclass- ification	Disposals	Reval- uations	Write- downs	Other move.	Balance 31.12.04
Ansaldo Fuel Cells SpA		4,167					96	4,263
Utilità SpA	70							70
<b>Total</b>	<b>70</b>	<b>4,167</b>					<b>96</b>	<b>4,333</b>

The increases relate to the subscription of share capital increase in Ansaldo Fuel Cells SpA on January 29, 2004 and on September 13, 2004. The holding of Enertad SpA at December 31, 2004 was 10.28%.

The other movements relate to the capitalisation of charges for legal assistance made in relation to the capitalisation operation of Ansaldo Fuel Cells S.p.A.

## B III 2 Receivables

### B III 2d Other receivables

They are represented by the following capitalisation insurance policies with a duration of over five years agreed with the company Generali Vita S.p.A.

- > Single premium policy of Euro 1,750,000 – contract duration 03.06.2003 / 03.06.2009;
  - > Annual premium policy of Euro 3,500,000 – contract duration 03.06.2003 / 03.06.2009;
- in addition to a similar policy, agreed with RAS Single premium policy of Euro 2,100,000 –

These policies relate to the obtaining of sureties for the acquisition of waste treatment plants from Trenitalia.

A further Euro 1,860,000 was provided to guarantee a surety policy of Vittoria Assicurazione Spa on behalf of the subsidiary Eos I -Troia Srl, in favour of GRITN, in relation to the tender for the realisation of the subscription of the electrical wind-parks under construction.

### B III 2f Guarantee deposits

Amounts to Euro 14 thousand and relate to the rental of vehicles and buildings.

## C Current assets

### C II Receivables

The total increase was Euro 17,058 thousand compared to December 31, 2003.

The increase related to:

- > receivables from subsidiaries with an increase of Euro 25,004 thousand,
- > other receivables with an increase of Euro 1,711 thousand.

The decreases related to:

- > receivables from associated companies for Euro 154 thousand,
- > receivables from holding companies for Euro 9,498 thousand relating to loans to Fintad International Sa (lux). In order to guarantee the recovery of the loans receivable that amounts to Euro 37,172 thousand at December 31, 2004 irrevocable and unconditional bank sureties were obtained, in favour of Enertad S.p.A. for a total amount of Euro 35,724 thousand with maturity on December 31, 2005. The company will enforce this maturity date in order to obtain these receivables or the related sureties.
- > receivables from third parties for Euro 5 thousand.

Below is shown the composition of other receivables.

	(€/000)		
	31.12.2004	31.12.2003	Change
Deposit		591	(591)
Other receivables	122		122
<b>Total</b>	<b>122</b>	<b>591</b>	<b>(469)</b>

Below is shown the composition of tax receivables.

	(€/000)		
	31.12.2004	31.12.2003	Change
Withholding tax on interest income	108	52	56
Vat Group receivable	1,345		1,345
IRPEG income tax payment on account		105	(105)
IRAP income tax payment on account	71		71
IRES income tax payment on account by subsidiaries	747		747
Withholding tax on interest income by subsidiaries	2		2
Other tax receivables	64		64
<b>Total</b>	<b>2,337</b>	<b>157</b>	<b>2,180</b>

### C III Current financial assets

								(€/000)
	Balance	Increase	Reclass-	Disposals	Reval-	Write-	Other	Balance
	31.12.03	& acquis.	ification		uations	downs	move.	31.12.04
Eurosviluppo Industriale Srl	3,630			(3,630)				
	<b>3,630</b>			<b>(3,630)</b>				

The holding was sold in February 2004.

### C IV Cash and banks

			(€/000)
	31.12.2004	31.12.2003	Change
Bank and postal deposits	31,662	26,895	4,767
Cash and cash equivalents	2	1	1
<b>Total</b>	<b>31,664</b>	<b>26,896</b>	<b>4,768</b>

The amounts relate to temporary liquidity on bank current accounts as well as cash and cash equivalent.

The balance at December 31, 2004 included Euro 27,000 thousand deposited in a restricted account at Banca Popolare dell'Etruria e del Lazio, indicated in the memorandum accounts, to guarantee a surety given for payments to be made to Repower System AG, supplier to the subsidiary EosI-Troia S.r.l., for aero-generators at the wind-parks.

### D Prepayments and accrued income

The details are as follows:

Description		31.12.2004	31.12.2003	Change
Acc. Income	Interest income	110		110
	Other accrued income	4		4
Prepayments	Guarantee charges	133	6	127
	Office machine rents and leases	7	2	5
	Rent	2		2
	Insurance	43		43
	Other prepayments	7		7
	Vehicle hire charges	1		1
<b>Total</b>		<b>307</b>	<b>8</b>	<b>299</b>

### A Shareholders' equity

#### A I Share capital

On June 21, 2004 the Board of Directors deliberated a share capital increase for a nominal amount of Euro 32,246,772, through the issue of 32,246,772 new shares with a nominal value of Euro 1.00 with rights as of January 1, 2004, each at a price of Euro 2.30 per share, therefore with a relative share premium amounting to Euro 41,920,803.60. The offer began on July 5, 2004 and was concluded with the total subscription and relative payment on August 6, 2004.

Further changes on the Share Capital occurred on the conversion of 215 convertible bonds for a total of Euro 215.

Therefore the Share Capital of Enertad SpA at December 31, 2004 is represented by 94,865,881 ordinary shares; having a nominal value of Euro 1.00 each, fully subscribed and paid-in.

The movements in all of the net equity accounts in the year were as follows:

	Balance 31.12.2003	Allocation of profit	Profit (loss) for year	Increase of Capital	Conversion of convertible bonds	Balance 31.12.2004
Share capital	62,619			32,247		94,866
Share premium reserve	33,751			41,921		75,672
Revaluation reserve	1,965					1,965
Legal reserve	1,388					1,388
Other reserves						
- reserve ex. art 54 Italian Pr.D. 597/73	6,706					6,706
- reserve ex. art 55 Italian Pr.D. 597/73	1,278					1,278
- extraordinary reserve	345					345
Retained earnings (accumulated losses)	447	(733)				(286)
Profit (loss) for the year	(733)	733	(8,179)			(8,179)
<b>Total</b>	<b>107,766</b>		<b>(8,179)</b>	<b>74,168</b>		<b>173,755</b>

Details of the shareholders' equity reserves:

	Balance 31.12.2004	possibility to utilise	quota distributable	summary of utilisation in previous three years
				for covering of losses
				for other reasons
Share Capital	94,866			
Share premium reserve	75,672	A,B	75,672	
Legal reserve	1,388	B		
Other reserves	10,294	A,B,C	10,294	
Retained earnings (accumulated losses)	(286)			
<b>Total</b>	<b>181,934</b>		<b>85,966</b>	
Quota non-distributable			83,643	
Residual quota distributable			2,323	

Legend: A: for increase of capital  
 B: for covering of losses  
 C: for distrib. to shareholders

### C Employee leaving indemnity

The movements are as follows:

	Balance 31.12.2003	Provisions	Utilisations	Balance 31.12.2004
Executives	43	57	(18)	82
White-collar	38	40	(21)	57
<b>Total</b>	<b>81</b>	<b>97</b>	<b>(39)</b>	<b>139</b>

### D Payables

There was a total decrease compared to December 31, 2003 equal to Euro 9,772 thousand.

The increases relate mainly to:

- payables to banks of Euro 231 thousand,
- payables to subsidiaries of Euro 2,442 thousand,
- payables to holding companies of Euro 326 thousand,
- payables to group companies of Euro 20 thousand,

The decreases relate mainly to:

*convertible bonds* for Euro 2 thousand, of which Euro 1 thousand for lower interest following the conversion of 215 bonds into shares,  
*payables to other lenders* of Euro 12,130 thousand,  
*trade payables* of Euro 373 thousand,  
*tax payables* of Euro 246 thousand,  
*payables to social security institutions and others* for Euro 40 thousand.

#### D1 Bonds

The bond loan (performance index linked bond) of the original Euro 51 million at December 31, 2004 is a residual 13,907 bonds with a unitary value of Euro 3.00.

#### D2 Convertible bonds

The convertible bond loan "ENERTAD 2003-2006 convertible" for an original amount of Euro 76,500,000 consists of, at December 31, 2004, 17,997,821 convertible bonds with a nominal unitary value of Euro 4.25 for a total nominal value of Euro 76,490,739.25.

The bonds are convertible into ordinary shares of the company at a nominal value of Euro 1.00 each, of 1 share for each convertible bond. The interest is payable on May 31 and November 30 each year from 2003 to 2006. The convertible bonds will be repaid by the Company in one single payment on November 30, 2006.

During the year 2004 a total of 215 bonds were presented for conversion. At December 31, 2004 the interest accrual for the month of December amounted to Euro 373 thousand.

#### D4 Bank payables

At December 31, 2004 bank payables amounted to Euro 31,529 thousand, comprising:

Operating bank credit lines	Balance 31.12.2004
<b>Ordinary current accounts</b>	
Banca Popolare di Milano	18,738
Banca Popolare di Novara	998
Monte dei Paschi di Siena	2,997
Cassa di Risparmio di Parma e Piacenza	289
Banca Popolare Commercio e Industria	
Banca Popolare Emilia Romagna	
<b>Credit lines (hot money)</b>	
Banca Popolare Emilia Romagna	1,007
Banca Popolare Commercio e Industria	2,500
Cassa di Risparmio di Parma e Piacenza	
Unicredit Banca D'Impresa	5,000
<b>Total</b>	<b>31,529</b>

#### D5 Other lenders

They relate to the following loans:

Lender	Original amount	Residual amount	Date loan received	Expiry		Expiry date	Interest rate
				within 1 year	over 1 year		
Efibanca SpA	32,100	24,075	30.09.03	8,025		30.06.2005	Euribor 6 mesi + 2,10%
					8,025	30.06.2006	
					8,025	30.06.2007	
<b>Total</b>				<b>8,025</b>	<b>16,050</b>		

## Memorandum accounts

### Unsecured guarantees given

The total amount is Euro 35,515 thousand divided as follows:

		(€/000)
Entity guaranteed	Covering	
Tax Office	Group VAT receivable 2000	294
Tax Office	Group VAT receivable 2001	612
Tax Office	Group VAT receivable 2002	12
Municipality of Paliano	Tender participation	150
Trenitalia SpA	ImpegnPurchase of shares in EN.Hydro SpA	17,500
Trenitalia SpA	ImpegnPurchase of shares in EN.Hydro SpA	3,500
Tax Office	Group VAT receivable 2003	1,935
Municipality of Rieti	Joint obligation for SAO SpA (Municipality of Rieti)	400
Municipality of Chiarimonti	Joint obligation for EOLO (construction of wind-park)	100
Banca Intesa	Credit lines subsidiary OMNIA Srl	2,500
Assicurazioni Ras	Joint obligation for Interpark Srl (Transport Ministry)	310
Assicurazioni Ras	Joint obligation Interpark Srl (Transport Ministry)	52
Assicurazioni Ras	Joint obligation Interpark Srl (Transport Ministry)	232
SIC Actradius	Joint obligation for DSI (surety Lazio Region)	1,549
Viscontea Coface SpA	Joint obligation for EALL Srl (Mecogas Srl)	75
Locat SpA	Co Joint Obligation for Enercombustibili (Impianto Casareo)	1,944
Banca Popolare Emilia Romagna	Credit lines subsidiary METALLI MARCHELLI Srl	4,350
<b>Total</b>		<b>35,515</b>

### Unsecured guarantees given

The amount relates to a restricted account guaranteeing a surety given by the Banca Popolare dell'Etruria e del Lazio.

### Guarantees received:

The total amount is Euro 105,071 thousand divided as follows:

		(€/000)
Entity guaranteed	Covering	
Banca Popolare Emilia Romagna	Comfort letter on hot money	3,000
Popolare Commercio Industria	Comfort letter	5,500
Monte Paschi Siena	Comfort letter	7,747
Cassa di Risparmio di Parma & Piacenza	Comfort letter	1,000
Efilbanca SpA	Surety on syndicated loan	32,100
Banca Popolare di Milano	Comfort letter on credit lines	15,000
Unicredit Banca Spa	Surety	5,000
Enertad	Loan granted to Fintad International SA	35,724
<b>Total</b>		<b>105,071</b>

Transactions with group companies

(€/000)

	Trade receivables			Trade payables		
	31.12.2004	31.12.2003	Change	31.12.2004	31.12.2003	Change
<b>Subsidiary companies</b>						
- Amatrice Servizi Scarl	65	8	57			
- Ame@tad Srl	21	7	14			
- DSI Servizi Industriali Srl	119		119			
- EALL Srl	741	27	714	79	79	
- Ecofuels Srl in liquidazione	8	8				
- Ecoenergie Srl	1,977	7	1,970			
- Enercombustibili Srl	10		10			
- Energie Pulite 2000 SpA	1		1			
- EnerSistema Srl	171		171			
- Eolo Srl	64		64			
- EOS Windenergy srl	1,079	201	878			
- Ergo En.A. Srl	61	6	55			
- Interpark Srl	184	60	124			
- Metalli Marchelli Srl	11	9	2			
- Omnia Srl	208	120	88		117	(117)
- Recupera Srl	20	7	13			
- SAO SpA	391	245	146	9	3	6
- Sodai Itlia SpA	638		638			
- Sorepla Srl	20	7	13			
- Tad Ambiente Srl	37	40	(3)	3		3
- TAD Energia Ambiente SpA	4,148	4,045	103	622	495	127
- Terni En.A. SpA	771	57	714	4	4	
- Tad Inox Service BV (Holland)	30		30	21	9	12
<b>Total subsidiary companies</b>	<b>10,775</b>	<b>4,854</b>	<b>5,921</b>	<b>738</b>	<b>707</b>	<b>31</b>
<b>Associated companies</b>						
- Amea Servizi SpA	9		9			
- Amea SpA	24		24			
- EN Hydro SpA		222	(222)			
- Rieti Ambiente SpA	2		2			
- UmbriaDue Servizi Scarl	20		20			
- Volsca Ambiente Srl	12		12			
<b>Total associated companies</b>	<b>67</b>	<b>222</b>	<b>(155)</b>			
<b>Parent companies</b>						
- Fintad International SA (Lux)	50	50				
- Tad Fin SpA	192	83	109	948	621	327
<b>Total parent companies</b>	<b>242</b>	<b>133</b>	<b>109</b>	<b>948</b>	<b>621</b>	<b>327</b>
<b>Other group companies</b>						
- E-Tad Technologie Srl				45	22	23
- Tad Immobiliare Srl				53	43	10
<b>Total other group companies</b>				<b>98</b>	<b>65</b>	<b>33</b>

(€/000)

	Financial receivables			Financial payables		
	31.12.2004	31.12.2003	Variazioni	31.12.2004	31.12.2003	Changes
<b>Subsidiaries</b>						
- Amatrice Servizi Scarl	1,462	1,651	(189)			
- Ame@tad Srl	115	16	99			
- Cerveteri Ambiente Srl in liquidazione	268	252	16			
- Dsi Srl	363	1,803	(1,440)			
- EALL Srl	7,925	9,633	(1,708)			
- Ecofuels Srl in liquidazione	5		5			
- Energie Pulite SpA		625	(625)			
- Enertad D France Sas (France)	7,791	16,665	(8,874)			
- Eolo Srl	8,295	8,548	(253)			
- EOS Windenergy Srl	4,463	554	3,909			
- EOSI-Troia Srl	10,418		10,418			
- EOS2-La Nurra Srl	3,714		3,714			
- Ergo En.A. Srl	1,078		1,078		16	(16)
- Interpark Srl	2,498	1,756	742			
- Omnia Srl	2,802	3,313	(511)			
- SAO SpA	9,365	3,721	5,644			
- Socram Ecologia Srl in liquidazione	31	30	1			
- Tad Ambiente Srl	626	287	339			
- TAD Energia Ambiente SpA	39,563	36,845	2,718			
- Terni En. A. SpA	3,554.00		3,554			
<b>Total subsidiaries</b>	<b>104,336</b>	<b>85,699</b>	<b>18,637</b>		<b>16</b>	<b>(16)</b>
<b>Parent companies</b>						
- Fintad International SA (Lux)	37,172	46,779	(9,607)			
<b>Total parent companies</b>	<b>37,172</b>	<b>46,779</b>	<b>(9,607)</b>			

(€/000)

	Other receivables			Other payables		
	31.12.2004	31.12.2003	Change	31.12.2004	31.12.2003	Change
<b>Subsidiaries</b>						
- Amatrice Servizi Scarl		15	(15)	52		52
- DSI Servizi Industriali Srl	2		2	27		27
- EALL srl		178	(178)	276	2	274
- Energie Pulite 2000 SpA	1		1			
- Eolo Srl	1		1	144		144
- EOS WindEnergy Srl	1		1			
- EOSI-Troia Srl	16		16	367		367
- Ergo En.A. Srl	1		1	96		96
- Interpark Srl		58	(58)	212		212
- Metalli Marchelli Srl	169		169	54		54
- Omnia Srl		72	(72)	122		122
- SAO SpA	250		250	578	64	514
- Sodai Italia SpA	1		1			
- Tad Ambiente Srl in liquidazione				6		6
- TAD Energia Ambiente SpA	372	1	371	64	12	52
- Terni En.A. SpA		43	(43)	508	1	507
<b>Total subsidiaries</b>	<b>814</b>	<b>367</b>	<b>447</b>	<b>2,506</b>	<b>79</b>	<b>2,427</b>
<b>Parent companies</b>						
- Fintad International SA (Lux)	1,291	1,291				
<b>Total parent companies</b>	<b>1,291</b>	<b>1,291</b>				

#### 4.4.4 Income statement accounts and changes

##### A. Value of production

###### A1 Revenues from sales of goods and services

	31.12.2004	31.12.2003	(€/000) Change
Italy	2,411	5,118	(2,707)
<b>Total</b>	<b>2,411</b>	<b>5,118</b>	<b>(2,707)</b>

The revenues at December 31, 2004 relate to services to the companies of the Group.

##### B Production costs

The changes compared to the previous year of Euro 4,224 thousand is principally related to the increase in the cost of services of Euro 1,662 thousand, personnel costs of Euro 696 thousand and amortisation and depreciation of Euro 1,425 thousand.

The production costs are shown below:

	31.12.2004	31.12.2003	(€/000) Change
Raw materials, ancillary, consumables and goods	175	60	115
Services	4,010	2,348	1,662
Use of third party assets	528	113	415
Personnel costs	2,339	1,643	696
Amortisation, depreciation and write-downs	2,793	1,368	1,425
Other operating costs	396	484	(88)
<b>Total</b>	<b>10,241</b>	<b>6,016</b>	<b>4,225</b>

##### C Financial income and charges

###### C16 Other financial income

There was a total increase compared to the previous year of Euro 2,236 thousand, generated from interest from holding companies of Euro 512 thousand, from subsidiary companies of Euro 1,345 thousand, from banks of Euro 206 thousand and interest from others and various income of Euro 173 thousand.

###### C17 Interest and other financial charges

The total increase at December 31, 2004 equal to Euro 2,480 thousand principally relates to interest payable on the convertible bond for Euro 2,312 thousand, bank interest for Euro 164 thousand and other interest for Euro 4 thousand.

The sub-division of interest and other financial charges is as follows:

	Ordinary bond	Convertible bond	Banks	Others	(€/000) Total
From subsidiaries				4	4
From others	3	4,397	3,916	5	8,321
<b>Total</b>	<b>3</b>	<b>4,397</b>	<b>3,916</b>	<b>9</b>	<b>8,325</b>

###### E22 Income taxes

The income taxes for the year are calculated in relation to the assessable charge and fiscal benefits in the year with reference to the consolidated national taxation regime.

### Transactions with group companies

	(€/000)					
	from sales & services	expenses	Services	Various costs	financial income	and other charges
<b>Subsidiaries</b>						
- Amatrice Servizi Scarl	65				92	
- Ame@tad Srl		14			4	
- Cerveteri Ambiente Srl in liquidazione					15	
- DSI Servizi Industriali Srl	73	37				
- EALL Srl	230	55				
- Ecoenergie Srl		10				
- Enercombustibili Srl		7			56	
- Energie Pulite 2000 SpA					46	
- EnerSistema Srl	167	3			22	
- Enertad D France Sas (France)					503	
- Eolo Srl	61	3			488	
- EOS Windenergy Srl	640	1			160	
- EOS1-Troia Srl					294	
- EOS2-La Nurra Srl					106	
- Ergo En.A. Srl	58	3			11	(4)
- Interpark Srl	145	29			119	
- Omnia Srl	114	63			188	
- Recupera Srl		14				
- SAO SpA	289	64		(2)	354	
- Socram Ecologia Srl in liquidazione					2	
- Sodai Italia SpA	139	64				
- Sorepla Srl		14				
- Tad Ambiente Srl	29	6		(6)	29	
- TAD Energia Ambiente SpA	67	26		(34)	2,385	
- Terni En. A. SpA	254	58				
- Tad Inox Services BV (Holland)		30				
<b>Total subsidiaries</b>	<b>2,331</b>	<b>501</b>		<b>(42)</b>	<b>4,874</b>	<b>(4)</b>
<b>Associated companies</b>						
- Amea Servizi SpA		5				
- Amea SpA		11				
- Rieti Ambiente SpA		2				
- UmbriaDue Servizi Scarl		20				
- Volsca Ambiente Srl		6				
<b>Total associated companies</b>		<b>44</b>				
<b>Controllanti</b>						
- Fintad International SA (Lux)					2,458	
- Tad Fin SpA		92	(300)	(23)		
<b>Total parent companies</b>		<b>92</b>	<b>(300)</b>	<b>(23)</b>	<b>2,458</b>	
<b>Other group companies</b>						
- E-Tad Technologie Srl				(20)		
- Tad Immobiliare SpA				(357)		
<b>Total other group companies</b>				<b>(377)</b>		

## 4.4.5 Other information

### 4.4.5.1 Number of employees

	(number)	
	31.12.2004	31.12.2003
Executives	9	7
White-collar	20	14
<b>Average number of employees</b>	<b>29</b>	<b>21</b>

#### 4.4.5.2 Remuneration of Directors and Statutory Auditors

	(€/000)		
	31.12.2004	31.12.2003	Changes
Directors fees	464	70	394
Statutory auditors fees	160	127	33
<b>Total</b>	<b>624</b>	<b>197</b>	<b>427</b>

#### 4.4.5.3 Remuneration paid to Directors, Statutory Auditors and Director Generals

In compliance with the provisions of Consob resolution 11971 of May 14, 1999, the total remuneration is listed below including from subsidiary companies:

Name	Office held	Duration of office	Emoluments for office in Enertad	Non monetary benefits	Bonus and other incentives	Other remuneration
Russo Salvatore	Chairman & Managing Director Enertad SpA	Approval annual accounts 2006	7,031	16,700	202,107	
Panella Paolo	Vice Chairman and Del. Director Enertad SpA	Approval annual accounts 2006	6,146		186,507	
	Chairman TAD Energia Ambiente SpA	Approval annual accounts 2006				205
Cimoli Giancarlo	Director Enertad SpA	Approval annual accounts 2006	5,260			
Colleoni Gastone	Director Enertad SpA	Approval annual accounts 2006	5,260			
Loli Giorgio	Director Enertad SpA	Approval annual accounts 2006	9,539			
Mazzi Carlo	Director Enertad SpA	Resigned 31.01.2005	5,260			
Monti Ernesto	Director Enertad SpA	Approval annual accounts 2006	9,539			
Agarini Luigi	Chairman Enertad SpA	Resigned 23.06.2004	7,672		52,083	
	Director TAD Energia Ambiente SpA	Resigned 18.10.2004				795
Agarini Sante	Delegated Director Enertad SpA	Resigned 23.06.2004	4,279			
	Chairman and Del. Director TAD Energia Ambiente SpA	Resigned 18.10.2004				1,590
	Chairman and Del. Director Interpark Srl	Resigned 7.04.2004				265
	Chairman SAO SpA	Resigned 7.04.2004				268
	Chairman Ergo En.A. Srl	Resigned 15.09.2004				702
	Delegated Director Omnia Srl	Resigned 4.10.2004				807
	Chairman Tad Ambiente Srl	Resigned 14.09.2004				1,404
	Chairman & Del. Director Terni En.A. SpA	Resigned 14.09.2004				1,410
	Delegated Director E.A.L.L. Srl	Resigned 14.09.2004				705
	Caloia Angelo	Director Enertad SpA	Resigned 23.06.2004	4,279		
Nicolini Marco	Director Enertad SpA	Resigned 23.06.2004	4,279			

Name	Office held	Duration of office	Emoluments for office in Enertad	Non monetary benefits	Bonus and other incentives	Other remuneration
Riboldi Tiziano (1)	Director Enertad SpA	Resigned 10.05.2004	3,393			
	Vice Chairman TAD Energia Ambiente SpA	Resigned 18.10.2004				795
	Director Omnia Srl	Resigned 4.10.2004				757
	Director Interpark Srl	Resigned 7.04.2004				265
	Director Terni En.A. SpA	Resigned 7.04.2004				268
	Director Tad Ambiente Srl	Resigned 14.09.2004				702
	Director Enertad SpA	Resigned 17.05.2004	3,393			
	Chairman Board Stat. Aud. Enertad SpA	Approval annual accounts 2004		68,858		
	Standing Auditor Enertad SpA	Approval annual accounts 2004		46,535		
de Ruvo Marco	Chairman Board Stat. Aud. TAD Energia Ambiente SpA	Approval annual accounts 2004				4,299
	Chairman Board Stat. Aud. EALL Srl	Approval annual accounts 2005				5,563
	Chairman Board Stat. Aud. Energie Pulite 2000 SpA	Approval annual accounts 2005				2,959
	Standing Auditor Omnia Srl	Approval annual accounts 2004				3,687
	Standing Auditor SAO SpA	Approval annual accounts 2004				5,331
	Standing Auditor Metalli Marchelli Srl	Approval annual accounts 2006				4,300
	Standing Auditor Enertad SpA	Approval annual accounts 2004	44,622			
	Standing Auditor Energie Pulite 2000 SpA	Approval annual accounts 2005				2,159
	Standing Auditor TAD Energia Ambiente SpA	Approval annual accounts 2004				3,129
della Fontana Alessandro	Standing Auditor Terni En.A. SpA	Approval annual accounts 2004				3,877
	Standing Auditor EALL Srl	Approval annual accounts 2005				3,877
	Standing Auditor Omnia Srl	Approval annual accounts 2004				3,856
	Standing Auditor SAO SpA	Approval annual accounts 2004				5,575
	Standing Auditor Metalli Marchelli Srl	Approval annual accounts 2006				3,800

note (1):The remuneration was paid by the companies referred to.

The present financial statements, represents in a true and fair manner the balance sheet and financial position as well as the result for the year and reflect the accounting records.

The Chairman  
of the Board of Directors  
**Salvatore Russo**

> 5. Supplementary schedules  
of Enertad SpA

## 5.1 List of equity investments held directly and indirectly in subsidiary and associated companies

	Registered office	Value	Share capital Amount	Net equity with result	Profit (loss)	Portion held directly	Portion held indirectly	Book value
						(%)	(%)	(€/000)
<b>Directly held subsidiary companies</b>								
DSI Srl	Frosinone	Euro	100,000	244,641	(1,555,359)	100.000		1,923
Enertad France Sas	Marseilles - France	Euro	17,165,000	35,023,380	3,623,528	100.000		35,750
Eos Windenergy Srl	Milan	Euro	10,000	94,432	(315,568)	100.000		410
TAD Energia Ambiente SpA	Milan	Euro	2,224,992	7,393,308	(13,807,454)	100.000		47,004
Sodai Italia SpA	Milan	Euro	15,615,000	14,737,258	(442,677)	51.000		16,929
<b>Indirectly held subsidiary companies</b>								
Amatrice Servizi Scarl	Rieti	Euro	78,000	91,124	(326,410)		99.420	
Ame@Tad Srl	Paliano (Fr)	Euro	10,000	26,563	(83,437)		55.000	
Cerveteri Ambiente Srl in liquid.	Orvieto (Tr)	Euro	77,469	(176,139)	(29,422)		100.000	
Charron Inox Sas	Marseilles - France	Euro	1,500,000	6,112,630	1,005,174		100.000	
Eall Srl	Orvieto (Tr)	Euro	5,164,000	5,360,975	2,362,226		100.000	
Ecoenergie Srl	Paliano (Fr)	Euro	10,000	24,317	35,683		90.000	
Ecofuels Srl in liquid.	Paliano (Fr)	Euro	10,000	(18,095)	(4,377)		90.000	
Enercom Srl in liquid.	Frosinone	Euro	25,500	6,609	(14,363)		100.000	
Enercombustibili Srl	Frosinone	Euro	10,000	10,000	(695,872)		100.000	
Enerdepurazioni Scarl	Frosinone	Euro	10,000	10			99.75	
Energie Pulite 2000 SpA	Latisana (Ud)	Euro	510,000	29,751	(1,478,194)		99.560	
EnerSistema Srl	Frosinone	Euro	20,000	20,000	(167,164)		100.000	
Eolo Srl	Atina (Fr)	Euro	20,400	767,356	(164,112)		51.000	
Eos1-Troia Srl (già Comburo Srl)	Milan	Euro	3,500,000	3,530,384	19,895		100.000	
Eos2-Nurra Srl	Milan	Euro	10,000	7,173	(2,827)		100.000	
Ergo En.A. Srl	Frosinone	Euro	50,000	52,771	(9,169)		75.000	
Interpark Srl	Terni	Euro	500,000	853,529	(279,484)		100.000	
Metalli Marchelli Srl	Milan	Euro	1,040,000	1,312,826	241,830		100.000	
Omnia Srl	Rieti	Euro	2,516,000	701,019	(2,622,718)		100.000	
Presco Sas	Rognac - France	Euro	373,500	4,951,915	404,076		100.000	
Recupera Srl	Paliano (Fr)	Euro	10,000	21,872	(35,370)		90.000	
SAO SpA	Orvieto (Tr)	Euro	7,524,400	10,424,691	(749,929)		100.000	
Sapim Sas	Monfavet - France	Euro	1,994,100	8,351,103	2,396,622		100.000	
Socram Ecologia Srl in liquid.	Orvieto (Tr)	Euro	51,645	(21,998)	(9,810)		100.000	
Sorepla Srl	Paliano (Fr)	Euro	10,000	21,840	(35,370)		90.000	
Tad Ambiente SpA in liquid.	Terni	Euro	90,000	64,522	(368,806)		100.000	
Tad Inox Service BV	Heerlen - Holland	Euro	7,714,264	18,442,963	3,666,446		100.000	
Tad Inox Service GmbH	Bad Schonborn - Germany	Euro	25,565	553,249	528,790		100.000	
TCT Stainless Steel Inc	Delaware - United Stated	Usd	1,000	6,066,807	734,305		100.000	
TCT Stainless Steel of Nashville Inc	Delaware - United Stated	Usd	1,000	10,210,704	1,915,281		100.000	
Terni En.A. SpA	Terni	Euro	6,546,492	6,980,187	(3,702,078)	2.000	98.000	131
<b>Total</b>								<b>102,147</b>
<b>Associated companies</b>								
Amea SpA (*)	Paliano (Fr)	Euro	2,635,000	2,956,877	1,153		33.000	
Amea Servizi SpA (*)	Paliano (Fr)	Euro	170,827	824,612	1,198		33.000	
Rieti Ambiente SpA (*)	Orvieto	Euro	130,000	107,576	(22,424)		49.000	
UmbriaDue Servizi Scarl (*)	Desenzano di Garda (BS)	Euro	100,000	691,674	91,674		34.000	
Volsca Ambiente SpA (*)	Velletri (Roma)	Euro	516,500	379,289	(206,897)		38.000	

(\*) Data at December 31, 2003

## 5.2 Summary data from the financial statements of subsidiary and associated companies

### Balance Sheet

(thousands of euro)	Receivables from share- holders for capital paid in	Fixed assets	Current assets	Prepaid & accrued income	net equity without result	Result (loss) for the year	Provision for risks & charges	Employee leaving indemnity	Comm. & financial payables	Accruals & deferred income
<b>Directly held subsidiary companies</b>										
DSI Srl		2,011	788	75	1,800	(1,555)	35	34	2,456	104
Energad France Sas		49,864	6,317	2,189	31,390	3,633	511		20,504	2,331
Eos Windenergy Srl		4,034	1,922	1	410	(316)		4	5,859	
TAD Energia Ambiente SpA		45,329	11,760	34	21,200	(13,807)	850	115	48,728	36
Sodai Italia SpA		12,612	4,328	12	15,180	(443)	30	21	2,164	
<b>Indirectly held subsidiary companies</b>										
Amatrice Servizi Scarl		1,515	2,013	7	417	(326)			3,320	124
Ame@Tad Srl		38	149		110	(83)			160	
Cerveteri Ambiente Srl in liquid.			149			(147)			325	
Charron Inox Sas		857	9,865	389	5,107	1,005	204		4,795	
Eall Srl		45,642	7,924	178	7,723	(2,362)	935	138	47,305	5
Ecoenergie Srl		1,648	3,813		60	(36)			2,007	
Ecofuels Srl in liquid.		3			(14)	(4)			21	
Enercom Srl in liquid.		42	174		21	(14)			222	1
Enercombustibili Srl		2,837	2,315	44	706	(696)	22		5,110	54
Enerdepurazioni Scarl	7	2	6		10				5	
Energie Pulite 2000 SpA		1,038	283		1,448	(1,478)	150		1,197	4
EnerSistema Srl		742	3,943	4	187	(167)				
Eolo Srl		10,045	581	10	931	(164)			9,319	550
Eos1-Troia Srl (renamed Comburo Srl)		19,741	499	7	3,510	20			16,717	
Eos2-Nurra Srl		739	3,076		10	(3)			3,808	
Ergo En.A. Srl		5,167	422		62	(9)		1	5,535	
Interpark Srl		2,024	4,326	143	1,133	(279)		124	5,263	253
Metalli Marchelli Srl		482	12,654	3	1,071	242		216	11,607	3
Omnia Srl		1,540	6,811	64	3,324	(2,623)	40	337	7,202	135
Presco Sas		1,174	11,306	480	4,548	404	41		7,947	20
Recupera Srl		14	56		57	(35)			48	
SAO SpA		14,624	19,661	170	11,174	(750)	749	667	22,300	314
Sapim Sas		1,524	22,947	172	5,954	2,397	170		16,121	
Socram Ecologia Srl in liquid.			16		(12)	(10)			38	
Sorepla Srl		14	56		57	(35)			48	
Tad Ambiente SpA in liquid.			765		434	(369)			700	
Tad Inox Service BV		8,718	30,250		14,776	3,666	327		20,199	
Tad Inox Service Gmbh		1,514	6,952		24	529	358		7,555	
TCT Stainless Steel Inc		9,531	6,335	175	5,333	734			9,974	
TCT Stainless Steel of Nashville Inc		8,203	8,576	91	8,297	1,914			6,659	
Terni En.A. SpA		36,592	10,446	1,072	10,682	(3,702)	692	86	38,536	1,816
<b>Associated companies</b>										
Amea SpA (*)		4,798	3,174	14	2,955	1		167	4,863	
Amea Servizi SpA (*)		112	1,184	6	823	1		12	465	1
Rieti Ambiente SpA (*)	91	4	24		130	(22)			11	
UmbriaDue Servizi Scarl (*)		934	5,222	140	600	92		18	5,582	4

(\*) Data at December 31, 2003

## Income Statement

	Value of production	Costs of production	Financial income and charges	Adjustment to financial asset values	Extraord. income and charges	Taxes	Net result
<b>(thousands of euro)</b>							
<b>Directly held subsidiary companies</b>							
DSI Srl	1,106	(2,635)	(11)		(42)	27	(1,555)
Enertad France Sas	1,043	(757)	3,230			117	3,633
Eos Windenergy Srl	1,510	(1,654)	(160)	(12)			(316)
TAD Energia Ambiente SpA	1,905	(3,094)	(2,414)	(9,213)	(1,016)	25	(13,807)
Sodai Italia SpA	2,838	(3,242)	2		(32)	(9)	(443)
<b>Indirectly held subsidiary companies</b>							
Amatrice Servizi Scarl	884	(1,083)	(96)		(37)	6	(326)
Ame@Tad Srl	32	(111)	(4)				(83)
Cerveteri Ambiente Srl in liquid.		(14)	(15)				(29)
Charron Inox Sas	19,466	(17,515)	(24)		(318)	(604)	1,005
Eall Srl	14,173	(13,574)	(2,152)		(767)	(42)	(2,362)
Ecoenergie Srl		(36)					(36)
Ecofuels Srl in liquid.		(4)					(4)
Enercom Srl in liquid.	31	(48)	(5)		8		(14)
Enercombustibili Srl	2,345	(6,254)	(71)		980		(3,000)
Enerdepurazioni Scarl	3	(3)					
Energie Pulite 2000 SpA		(1,221)	(72)		(185)		(1,478)
EnerSistema Srl	10,266	(10,904)	(47)	(3,227)	(246)	(31)	(4,189)
Eolo Srl	744	(438)	(487)		17		(164)
Eos I -Troia Srl (renamed Comburo Srl)	378	(40)	(300)			(18)	20
Eos2-Nurra Srl	106	(3)	(106)				(3)
Ergo En.A. Srl	485	(189)	(238)			(67)	(9)
Interpark Srl	5,896	(5,987)	(161)		68	(95)	(279)
Metalli Marchelli Srl	16,258	(15,626)	(172)		19	(237)	242
Omnia Srl	7,004	(8,085)	(251)	(811)	(454)	(26)	(2,623)
Presco Sas	22,383	(21,251)	(75)		(394)	(259)	404
Recupera Srl		(35)					(35)
SAO SpA	13,422	(12,802)	(685)	(11)	(333)	(341)	(750)
Sapim Sas	51,999	(47,304)	(113)		(844)	(1,341)	2,397
Socram Ecologia Srl in liquid.		(7)	(2)		(1)		(10)
Sorepla Srl		(35)					(35)
Tad Ambiente SpA in liquidation	222	(561)	(29)		(1)		(369)
Tad Inox Service BV	64,754	(59,411)	(405)		430	(1,702)	3,666
Tad Inox Service Gmbh	30,907	(30,043)	(105)			(230)	529
TCT Stainless Steel Inc	16,933	(14,171)	(310)		(1,000)	(718)	734
TCT Stainless Steel of Nashville Inc	29,152	(25,818)	(145)			(1,275)	1,914
Terni En.A. SpA	16,602	(18,680)	(1,410)		(434)	220	(3,702)
<b>Associated companies</b>							
Amea SpA (*)	5,153	(4,768)	(244)		(30)	(110)	1
Amea Servizi SpA (*)	1,857	(1,840)	14		(2)	(28)	1
Rieti Ambiente SpA (*)		(22)					(22)
UmbriaDue Servizi Scarl (*)	5,244	(5,026)	(3)			(123)	92
Volsca Ambiente SpA (**)	6,904	(6,671)	(123)		(11)	(90)	9

(\*) Data at December 31, 2003

### 5.3 Reclassified Summary Income Statement

	31.12.2004	31.12.2003	(€/000) Changes
<b>Industrial revenues and income</b>			
Revenues from sales	3,024	5,423	(2,399)
Other income	122	60	62
	<b>3,146</b>	<b>5,483</b>	<b>(2,337)</b>
Changes in inventory of finished, semi-finished and products in work in progress			
<b>Industrial value of production</b>	<b>3,146</b>	<b>5,483</b>	<b>(2,337)</b>
Internal construction of fixed assets			
<b>Total value of production for year</b>	<b>3,146</b>	<b>5,483</b>	<b>(2,337)</b>
Purchase of raw materials and goods	(175)	(60)	(115)
Change of raw materials and goods			
Services	(3,202)	(1,796)	(1,406)
Utilities and other costs	(1,580)	(1,044)	(536)
Recharge expenses to third parties			
Indirect taxes	(6)	(88)	82
<b>Value added</b>	<b>(1,817)</b>	<b>2,495</b>	<b>(4,312)</b>
Personnel costs	(2,338)	(1,643)	(695)
<b>Ebitda</b>	<b>(4,155)</b>	<b>852</b>	<b>(5,007)</b>
Depreciation on operational assets	(2,793)	(1,367)	(1,426)
Doubtful debt provision			
<b>Operating result</b>	<b>(6,948)</b>	<b>(515)</b>	<b>(6,433)</b>
Financial income and charges	(404)	(152)	(252)
Property income and charges			
Equity investment income and charges	(1,793)		(1,793)
Non-operating income and charges	755	6	749
<b>Pre-tax result</b>	<b>(8,390)</b>	<b>(661)</b>	<b>(7,729)</b>
Income taxes	211	(72)	283
<b>Profit (loss) for the year</b>	<b>(8,179)</b>	<b>(733)</b>	<b>(7,446)</b>

## 5.4 Reclassified Analytical Income Statement

	(€/000)		
Income statement accounts	31.12.2004	31.12.2003	Change
<b>Revenues and incomes of an industrial nature</b>			
<i>Revenues from sales</i>			
1 Income from sales and supply of services	2,411	5,118	-2,707
5b Other operating revenues	613	305	308
<b>Total</b>	<b>3,024</b>	<b>5,423</b>	<b>(2,399)</b>
<i>Other income</i>			
5a Grants received			
5d Other income	122	60	62
<b>Total</b>	<b>122</b>	<b>60</b>	<b>62</b>
<i>Change of inventory of finished products, semi-finished products and work in progress</i>			
2 Variation in product inventory			
3 Variation in contract work in progress			
<b>Total</b>			
<b>Value of industrial production</b>	<b>3,146</b>	<b>5,483</b>	<b>(2,337)</b>
<i>Internal capitalised production</i>			
4a Production and stocks			
4b Interests of the period			
<b>Total</b>			
<b>Value of total production</b>	<b>3,146</b>	<b>5,483</b>	<b>(2,337)</b>
<i>Purchases of raw materials and consumables</i>			
6 Raw materials, consumables and supplies	(175)	(60)	(115)
<i>Change in inventory of raw materials and consumables</i>			
11 Change in inventory of raw materials and consumables			
<i>Services</i>			
7a Services	(3,202)	(1,796)	(1,406)
<i>Utilities and various costs</i>			
7b Utilities	(3)		(3)
7c Various costs	(805)	(553)	(252)
8 Use of third party assets	(528)	(113)	(415)
13 Other provisions			
14e Other operating expenses	(244)	(378)	134
<b>Total</b>	<b>(1,580)</b>	<b>(1,044)</b>	<b>(536)</b>
<i>Expense recharged to third parties</i>			
5c Expenses charges			
<i>Taxation excluding direct income tax</i>			
14a Taxation excluding direct income tax	(6)	(88)	82
<b>Value added</b>	<b>(1,817)</b>	<b>2,495</b>	<b>(4,312)</b>
<i>Personnel costs</i>			
9 Total personnel expense	(2,338)	(1,643)	(695)
<b>Total</b>	<b>(2,338)</b>	<b>(1,643)</b>	<b>(695)</b>
<b>Gross operating margin</b>	<b>(4,155)</b>	<b>852</b>	<b>(5,007)</b>
<i>Operating amortisation and depreciation</i>			
10a Amortisation of intangible fixed assets	(2,762)	(1,348)	(1,414)
10b Depreciation of tangible fixed assets	(31)	(19)	(12)
<b>Total</b>	<b>(2,793)</b>	<b>(1,367)</b>	<b>(1,426)</b>
<i>Doubtful debt provisions</i>			
10d Write-down of assets forming part of working capital			
<b>Operating result</b>	<b>(6,948)</b>	<b>(515)</b>	<b>(6,433)</b>

## Analytical Reclassified Statement of Income (continued)

	(€/000)		
Income statement accounts	31.12.2004	31.12.2003	Change
<i>Financial income and charges</i>			
16 Total other financial income	7,921	5,686	2,235
-16cc2 Gains on sale of securities			
17 Total interest and other financial charges	(8,325)	(5,845)	(2,480)
-17g Losses of sale of equity investments			
-17h Losses on sale of securities			
17 bis Exchange gains and losses		7	(7)
<b>Total</b>	<b>(404)</b>	<b>(152)</b>	<b>(252)</b>
<i>Property income and charges</i>			
5e Property income			
14b Property charges			
<b>Total</b>			
<i>Income and charges on equity investments</i>			
19a Total write-down of equity investments	(1,793)		(1,793)
15 Total income from equity investments	370		370
-15e Deduct gains on sale of equity investments	(370)		(370)
<b>Total</b>	<b>(1,793)</b>		<b>(1,793)</b>
<i>Non-operating income and charges</i>			
5f Gains from normal activities			
5g Over-accruals and similar in prior years	531	31	500
5h Inventory ceded on sale of business unit			
10c Other write-downs of fixed assets			
10e Utilisation of the doubtful debt provision			
10f Losses on receivables			
12a Provision for risks on legal cases in progress			
12b Utilisation of the risk provision on pending litigation			
14c Losses from normal activities			
14d Under-accruals and similar in prior years	(146)	(18)	(128)
15e Gains on sale of equity investments	370		370
16cc2 Gains on sale of securities			
17i Losses on sale of securities			
17h Losses on sale of equity investments			
18 Revaluations			
19b Write-downs of financial assets - not constituting equity investments			
19c Write-downs of securities classified under current assets not constit. equity investments			
20a Gains on extraordinary sales			
20b Other income			
20c Utilisation of the re-organisation and liquidation fund			
21a Losses on extraordinary sales			
21b Taxes relating to prior years			
21c Other charges and various risk provisions		(7)	7
21d Charges for re-organisation and liquidation			
<b>Total</b>	<b>755</b>	<b>6</b>	<b>749</b>
<b>Pre-tax result</b>	<b>(8,390)</b>	<b>(661)</b>	<b>(7,729)</b>
<i>Income taxes</i>			
22 Taxation for the year	211	(72)	283
<b>Net result for the year</b>	<b>(8,179)</b>	<b>(733)</b>	<b>(7,446)</b>

## 5.5 Financial position

		(€/000)		
		31.12.2004	31.12.2003	Change
B III 2	Financial assets: receivables (excluding account f - deposits)	9,210	3,500	5,710
B III 3	Financial assets: other securities			
C II 2b	Current assets: financial receivables from subsidiary companies	104,336	85,700	18,636
C II 3b	Current assets: financial receivables from associated companies			
C II 4b	Current assets: financial receivables from parent companies	37,172	46,779	(9,607)
C II 5a	Current assets: financial receivables from others			
C II 6b	Current assets: financial receivables from Group companies			
C III 5	Current financial assets: other securities			
C III 6	Current financial assets: bills			
C IV	Cash and cash equivalent			
	Liquid assets	4,664	1,896	2,768
	Restricted current account	27,000	25,000	2,000
		31,664	26,896	4,768
D 1	Payables : bonds	(42)	(42)	
D 2	Payables : convertible bonds	(76,863)	(76,865)	2
D 3	Payables : payables to shareholders for financing			
D 4	Payables : due to banks	(31,529)	(31,299)	(230)
D 5	Payables : due to other lenders	(24,075)	(36,205)	12,130
D 8	Payables : bills accepted and drawn			
D 9 b	Payables : financial payables to subsidiary companies		(16)	16
D 10 b	Payables : financial payables to associated companies			
D 11 b	Payables : financial payables to parent companies			
D 15 b	Payables : financial payables to Group companies			
<b>Total</b>		<b>49,873</b>	<b>18,448</b>	<b>31,425</b>

The financial situation at 31.12.2004 and 31.12.2003 can be summarised as follows:

		(€/000)		
		31.12.2004	31.12.2003	Change
1	Financial receivables - medium/long term	9,210	3,500	5,710
2	Financial payables - medium/long term	(92,541)	(100,608)	8,067
3	Net financial position medium/long term (1+2)	(83,331)	(97,108)	13,777
4	Financial receivables - short-term	173,172	159,374	13,798
5	Financial payables - short-term	(39,968)	(43,818)	3,850
6	Net financial position - short-term (4+5)	133,204	115,556	17,648
<b>7</b>	<b>Total net financial position (3+6)</b>	<b>49,873</b>	<b>18,448</b>	<b>31,425</b>

## 5.6 Cash Flow statement

	(€/000)	
	31.12.2004	31.12.2003
<b>1 Loss for the year</b>	<b>(8,179)</b>	<b>(733)</b>
<b>2 Depreciation and amortisation</b>	<b>2,793</b>	<b>1,367</b>
3 <i>Elimination of non monetary extraordinary items</i>		
Write-down of investments	1,793	
Write-down of fixed assets		
Provision (Utilisation) of deferred tax provision		
Provision (Utilisation) of risks in investments		
Provision (Utilisation) foreign exchange provision		
Provision (Utilisation) restructuring provision		
Other provisions (utilisation) - inventory, doubtful debts		
<i>Total non monetary extraordinary items</i>	1,793	
4 <i>Elimination of monetary extraordinary items</i>		
Receipt of dividend and tax credit		
(Gains) Losses on sale of investments	(370)	
(Gains) Losses on sale of fixed assets		
<i>Total monetary extraordinary items</i>	(370)	
<b>5 Operating Cash flow (1+4)</b>	<b>(3,963)</b>	<b>634</b>
6 Change in working capital	(6,173)	(112)
7 (Increase) Decrease in deposits	(6)	(8)
8 Change in employee leaving indemnity	58	55
9 Tangible and intangible investments	(5,452)	(7,198)
10 Purchase of equity investments	(32,526)	(22,491)
<b>11 Cash flow after financial charges and taxes (5+10)</b>	<b>(48,062)</b>	<b>(29,120)</b>
12 Disposal of tangible fixed assets (net book value)	1,320	
13 (Gain) Loss on disposals of fixed assets		
14 Sale of investments & treasury shares (book value)	3,630	
15 (Gain) Loss on sale of equity investments	370	
<b>16 Net Cash flow (11+15)</b>	<b>(42,742)</b>	<b>(29,120)</b>
17 (Increase) Red. in share capital in companies of Group (received or paid)		
18 Share capital increase plus premium	74,167	31,320
19 Receipt of dividend and tax credit		
20 Increase (Reduction) net equity		
<b>21 Change in net financial position (16+20)</b>	<b>31,425</b>	<b>2,200</b>
<b>22 Financial position at 31.12.03 - positive (negative)</b>	<b>18,448</b>	<b>16,248</b>
<b>23 Financial position at 30.06.04 - positive (negative) (21+22)</b>	<b>49,873</b>	<b>18,448</b>

## 5.7 Reclassified Balance Sheet “capital employed and source of funds”

(€/000)

Balance Sheet accounts		31.12.2004	31.12.2003	Changes
I	A <i>receiv. Due from shareholders for unpaid capital</i>			
	<b>Fixed assets</b>			
B I	<i>Intangible fixed assets</i>	8,156	6,756	1,400
B II	<i>Tangible fixed assets</i>			
	Gross values	202	232	(30)
	Depreciation fund	(56)	(26)	(30)
	<i>Total tangible fixed assets</i>	146	206	(60)
	<i>Investments and treasury shares</i>			
B III	I Investments classified under fixed assets	106,479	75,746	30,733
C III	(1/2/3) Investments classified under current assets		3,630	(3,630)
B III	4 Treasury shares classified under fixed assets			
C III	4 Treasury shares classified under current assets			
	<i>Total investments and treasury shares</i>	106,479	79,376	27,103
B III	b Provision for risk in equity investments			
B III	2 f Guarantees	14	8	6
	<i>Total equity investments and financial fixed assets</i>	106,493	79,384	27,109
	<b>Total tangible and intangible fixed assets and investments</b>	<b>114,795</b>	<b>86,346</b>	<b>28,449</b>
B	<b>Provision for risks and charges</b>			
B I	<i>Pensions and similar obligations</i>			
B 2	<i>Taxes</i>			
B 3	<i>Others</i>			
	a Provision disputes in course			
	c Exchange fluctuation provision			
	d Environment provision			
	e Restructuring and liquidation provision			
	f Other risks provision			
	<i>Total others</i>			
	<b>Total provisions for risks and charges</b>			
C	<b>Employee leaving indemnity</b>	<b>(139)</b>	<b>(81)</b>	<b>(58)</b>
2	<b>NET FIXED ASSETS EMPLOYED</b>	<b>114,656</b>	<b>86,265</b>	<b>28,391</b>
C I	<b>Inventory</b>			
	Gross value			
	Provision for write down of inventory			
	<b>Total net inventory</b>			
C II	<b>Receivables</b>			
	<i>Trade receivables</i>			
I	<i>Trade receivables from customers</i>			
	Gross values	4	9	(5)
	Provision for write down of receivables			
	<i>Total net trade receivables from customers</i>	4	9	(5)
	<i>Trade receivables from group companies</i>			
2a	From subsidiaries	10,775	4,854	5,921
3a	From associated companies	67	222	(155)
4a	From parent companies	242	133	109
6a	From group companies			
	<i>Total trade receivables from group companies</i>	11,084	5,209	5,875
	<i>Total net trade receivables</i>	11,088	5,218	5,870

Reclassified Balance Sheet "capital employed and source of funds" (continued)

(€/000)

Balance Sheet accounts	31.12.2004	31.12.2003	Changes
<i>Other receivables</i>			
<i>Other receivables from group companies</i>			
2c From subsidiaries - others	813	367	446
3c From associated companies - others			
4c From parent companies - others	1,291	1,291	
6c From group companies - others			
<i>Total other receivables from group companies</i>	<i>2,104</i>	<i>1,658</i>	<i>446</i>
<i>Other receivables from third parties</i>			
4bis Tax receivables	2,337	157	2,180
4ter Deferred tax asset			
5b From others - payments on account		591	(591)
5e From others - other	122		122
<i>Total other receivables from third parties</i>	<i>2,459</i>	<i>748</i>	<i>1,711</i>
<b>Total other receivables</b>	<b>4,563</b>	<b>2,406</b>	<b>2,157</b>
<b>D Prepayments and accrued income</b>	<b>307</b>	<b>8</b>	<b>299</b>
<b>Total current assets</b>	<b>15,958</b>	<b>7,632</b>	<b>8,326</b>
<b>D Payables</b>			
<i>Trade payables</i>			
6 Third party trade payables	(1,754)	(2,128)	374
<i>Trade payables to group companies</i>			
8a Subsidiaries	(738)	(707)	(31)
9a Associated companies			
10a Parent companies	(948)	(622)	(326)
14a Group companies	(98)	(78)	(20)
<i>Total trade payables to group companies</i>	<i>(1,784)</i>	<i>(1,407)</i>	<i>(377)</i>
<i>Total trade payables</i>	<i>(3,538)</i>	<i>(3,535)</i>	<i>(3)</i>
<i>Other payables</i>			
<i>Other payables</i>			
8c Subsidiaries - others	(2,505)	(78)	(2,427)
9c Associated companies - others			
10c Parent companies - others			
14c Group companies - others			
<i>Total other payables to group companies</i>	<i>(2,505)</i>	<i>(78)</i>	<i>(2,427)</i>
<i>Other payables to third parties</i>			
5 Payments on account			
11 Tax payables	(150)	(395)	245
12 Social security institutions	(107)	(114)	7
13 Others	(423)	(457)	34
<i>Total other payables - third parties</i>	<i>(680)</i>	<i>(966)</i>	<i>286</i>
<b>Total other payables</b>	<b>(3,185)</b>	<b>(1,044)</b>	<b>(2,141)</b>
<b>E Accruals and deferred income</b>	<b>(8)</b>		<b>(8)</b>
<b>Total current liabilities</b>	<b>(6,731)</b>	<b>(4,579)</b>	<b>(2,152)</b>
<b>3 WORKING CAPITAL</b>	<b>9,227</b>	<b>3,053</b>	<b>6,174</b>
<b>4 TOTAL NET CAPITAL INVESTED (1+2+3)</b>	<b>123,883</b>	<b>89,318</b>	<b>34,565</b>

Reclassified Balance Sheet "capital employed and source of funds" (continued)

(€/000)

Balance Sheet accounts		31.12.2004	31.12.2003	Changes
<b>SOURCE OF FUNDS</b>				
A	<b>Net equity</b>			
I	Share capital	(94,866)	(62,619)	(32,247)
II	Share premium reserve	(75,672)	(33,750)	(41,922)
III	Revaluation reserve	(1,965)	(1,965)	
IV	Legal reserves	(1,388)	(1,388)	
V	Statutory reserves			
VI	Reserve for own shares in portfolio			
VII	Other reserves	(8,330)	(8,330)	
VIII	Retained earnings	286	(447)	733
	<i>Total</i>	(181,935)	(108,499)	(73,436)
IX	Profit (loss) for the year	8,179	733	7,446
<b>I</b>	<b>TOTAL NET EQUITY</b>	<b>(173,756)</b>	<b>(107,766)</b>	<b>(65,990)</b>
<b>Financial receivables - medium/long term</b>				
<i>From third parties</i>				
B III	2 d Receivables from others -beyond 12 months	9,210	3,500	5,710
	3 Other securities - beyond 12 months			
	5a Receivables from other lenders- beyond 12 months			
	<i>Total from third parties</i>	9,210	3,500	5,710
<i>From group companies</i>				
B III	2a From subsidiaries - beyond 12 months			
	2b From associated companies - beyond 12 months			
	2c From parent companies - beyond 12 months			
	2e From group companies - beyond 12 months			
C II	2b From subsidiaries - beyond 12 months			
	3b From associated companies - beyond 12 months			
	4b From parent companies - beyond 12 months			
	6b From group companies - beyond 12 months			
	<i>Total from group companies</i>			
	<b>Total financial receivables - medium/long term</b>	<b>9,210</b>	<b>3,500</b>	<b>5,710</b>
<b>Financial payables - medium/long term</b>				
<i>Third parties</i>				
I	Bonds - beyond 12 months		(42)	42
2	Convertible bonds - beyond 12 months	(76,491)	(76,491)	
3	Shareholders for loans - beyond 12 months			
4	Banks - beyond 12 months			
5	Other lenders - beyond 12 months	(16,050)	(24,075)	8,025
8	Bills drawn - beyond 12 months			
	<i>Total from third parties</i>	(92,541)	(100,608)	8,067
<i>From group companies</i>				
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>			
	<b>Total financial payables - medium/long term</b>	<b>(92,541)</b>	<b>(100,608)</b>	<b>8,067</b>
	<b>Total net financial position - medium/long term</b>	<b>(83,331)</b>	<b>(97,108)</b>	<b>13,777</b>

## Reclassified Balance Sheet "capital employed and source of funds" (continued)

(€/000)

Balance Sheet accounts		31.12.2004	31.12.2003	Changes	
<b>Financial receivables - short-term</b>					
<i>From group companies</i>					
B III	2a	From subsidiaries - within 12 months			
	2b	From associated companies - within 12 months			
	2c	From parent companies - within 12 months			
	2e	From group companies - within 12 months			
C II	2b	From subsidiaries - within 12 months	104,336	85,700	18,636
	3b	From associated companies - within 12 months			
	4b	From parent companies - within 12 months	37,172	46,779	(9,607)
	6b	From group companies - within 12 months			
<i>Total from group companies</i>		<b>141,508</b>	<b>132,479</b>	<b>9,029</b>	
<i>From third parties</i>					
B III	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 - within 12 months			
C IV		Liquid assets	31,664	26,896	4,768
<i>Total from third parties</i>		<b>31,664</b>	<b>26,896</b>	<b>4,768</b>	
<b>Total financial receivables - short-term</b>		<b>173,172</b>	<b>159,375</b>	<b>13,797</b>	
<b>Financial payables - short-term</b>					
<i>Third parties</i>					
D	1	Bonds - within 12 months	(42)		(42)
	2	Convertible bonds - within 12 months	(372)	(374)	2
	3	Shareholders for loans - within 12 months			
	4	Banks - within 12 months	(31,529)	(31,299)	(230)
	5	Other lenders - within 12 months	(8,025)	(12,130)	4,105
	8	Bills -within 12 months			
<i>Third parties</i>		<b>(39,968)</b>	<b>(43,803)</b>	<b>3,835</b>	
<i>Group companies</i>					
	9b	Subsidiaries - within 12 months		(16)	16
	10b	Associated companies - within 12 months			
	11b	Parent companies - within 12 months			
	15b	Group companies - within 12 months			
<i>Total - group companies</i>			(16)	16	
<b>Total financial payables - short-term</b>		<b>(39,968)</b>	<b>(43,819)</b>	<b>3,851</b>	
<b>Total net financial position - short-term</b>		<b>133,204</b>	<b>115,556</b>	<b>17,648</b>	
<b>2</b>	<b>TOTAL NET FINANCIAL POSITION - SHORT-TERM</b>		<b>49,873</b>	<b>18,448</b>	<b>31,425</b>
<b>3</b>	<b>TOTAL SOURCE OF FUNDS (1+2)</b>		<b>(123,883)</b>	<b>(89,318)</b>	<b>(34,565)</b>



## > 6. Consolidated Balance Sheet

as at December 31, 2004

## > 6.1 Consolidated Balance Sheet

				AS AT 31 DECEMBER 2004		
ASSETS		values in Euro (within 12 month)	values in Euro (beyond 12 months)	Amount in Euro		
<b>A)</b>	<b>RECEIVABLES DUE FROM SHAREHOLDERS FOR UNPAID CAPITAL</b>					
<b>B)</b>	<b>FIXED ASSETS</b>					
<b>I.</b>	<b>Intangible assets</b>					
	1 formation, start-up and similar costs					8,443,260
	2 research, development and advertising costs					1,073,223
	3 industrial patents and intellectual property rights					247,391
	4 concessions, licenses, trademarks and other					2,564,278
	5 goodwill					68,166,682
	6 assets under construction and payments on account					1,453,630
	7 other					3,619,465
	<b>Total intangible fixed assets</b>					<b>85,567,929</b>
<b>II.</b>	<b>Tangible assets:</b>					
	1 land and buildings					44,338,716
	2 plant and machinery					91,168,438
	3 industrial and commercial equipment					2,246,355
	4 other assets					2,442,948
	5 assets under construction and payments on account					26,758,195
	<b>Total tangible fixed assets</b>					<b>166,954,652</b>
<b>III.</b>	<b>Financial assets:</b>					
	I Equity investments in:					
	a subsidiary companies					438,491
	b associated companies					2,811,931
	c other companies					4,788,814
	<b>Total equity investments</b>					<b>8,039,236</b>
	2 receivables:					
	a subsidiaries					
	b associated companies	6,818				6,818
	c parent companies					
	d others		9,210,000			9,210,000
	e group companies					
	f deposits	9,785	239,008			248,793
	<b>total receivables</b>	<b>16,603</b>	<b>9,449,008</b>			<b>9,465,611</b>
	3 other securities			664,930		664,930
	4 treasury shares					
	<b>Total financial assets</b>					<b>18,169,777</b>
	<b>TOTAL FIXED ASSETS</b>					<b>270,692,358</b>

AS AT 31 DECEMBER 2003			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			(1,155)
		5,888,249			2,555,011
		1,466,773			(393,550)
		243,329			4,062
		2,792,056			(227,778)
		59,380,906			8,785,776
		1,760,454			(306,824)
		4,707,232			(1,087,767)
		<b>76,238,999</b>			<b>9,328,930</b>
		41,869,740			2,468,976
		86,402,508			4,765,930
		1,690,794			555,561
		3,068,837			(625,889)
		13,153,325			13,604,870
		<b>146,185,204</b>			<b>20,769,448</b>
		230,872			207,619
		19,760,116			(16,948,185)
		526,165			4,262,649
		<b>20,517,153</b>			<b>(12,477,917)</b>
6,500		6,500	318		318
	3,508,714	3,508,714		5,701,286	5,701,286
351	187,000	187,351	9,434	52,008	61,442
<b>6,851</b>	<b>3,695,714</b>	<b>3,702,565</b>	<b>9,752</b>	<b>5,753,294</b>	<b>5,763,046</b>
	664,930	664,930			
		<b>24,884,648</b>			<b>(6,714,871)</b>
		<b>247,308,851</b>			<b>23,383,507</b>

		AS AT 31 DECEMBER 2004		
ASSETS (continued)		values in Euro (within 12 month)	values in Euro (beyond 12 months)	Amount in Euro
C)	CURRENT ASSETS			
I.	<b>Inventory:</b>			
	1 raw materials, supplies and consumable goods			17,342,116
	2 work in progress and semi-finished products			1,886,217
	3 contract work in progress			14,182
	4 finished goods			29,777,149
	5 payments on account			
	<b>Total inventory</b>			<b>49,019,664</b>
II.	<b>Receivables:</b>			
	1 customers	77,538,832		77,538,832
	2 subsidiaries			
	a trade receivables	338,135		338,135
	b financial activities	1,044,319		1,044,319
	c others	4,141		4,141
	<b>total from subsidiaries</b>	<b>1,386,595</b>		<b>1,386,595</b>
	3 associated companies			
	a trade receivables	1,519,475		1,519,475
	b financial activities			
	c others			
	<b>total from associated companies</b>	<b>1,519,475</b>		<b>1,519,475</b>
	4 parent companies			
	a trade receivables	797,845		797,845
	b financial activities	37,171,905		37,171,905
	c others	1,291,142		1,291,142
	<b>total from parent companies</b>	<b>39,260,892</b>		<b>39,260,892</b>
	4 bis tax receivables	7,765,342		7,765,342
	4 ter deferred tax asset	4,019,291	1,385,782	5,405,073
	5 others			
	a financial activities	1,184,515		1,184,515
	b payments on account	1,637,077	2,500,000	4,137,077
	c others			
	<b>total from others</b>	<b>2,821,592</b>	<b>2,500,000</b>	<b>5,321,592</b>
	6 group companies			
	a trade receivables			
	b financial activities			
	c others			
	<b>total from group companies</b>			
	<b>Total receivables</b>	<b>134,312,019</b>	<b>3,885,782</b>	<b>138,197,801</b>
III.	<b>Current Financial assets -</b>			
	1 investments in parent companies			
	2 investments in associated companies			212,611
	3 investments in other companies			
	4 treasury shares			
	5 other securities			
	6 bills			
	<b>Total current financial assets</b>			<b>212,611</b>
IV.	Cash in banks and on hand			
	1 bank and postal accounts			43,179,508
	2 cheques on hands			
	3 cash-in-hand and cash equivalents			42,777
	<b>Total cash in bank and on hand</b>			<b>43,222,285</b>
	<b>TOTAL CURRENT ASSETS</b>			<b>230,652,361</b>
D)	PREPAYMENTS AND ACCRUED INCOME			2,730,730
	<b>TOTAL ASSETS</b>			<b>504,075,449</b>

AS AT 31 DECEMBER 2003			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
		15,090,869			2,251,247
		2,424,906			(538,689)
		24,585,096			14,182
		1,088			5,192,053
		<b>42,101,959</b>			(1,088)
					<b>6,917,705</b>
66,986,395		66,986,395	10,552,437		10,552,437
35,864		35,864			302,271
298,246		298,246	746,073		746,073
1,439		1,439	2,702		2,702
<b>335,549</b>		<b>335,549</b>	<b>748,775</b>		<b>1,051,046</b>
5,449,812		5,449,812	(3,930,337)		(3,930,337)
<b>5,449,812</b>		<b>5,449,812</b>	<b>(3,930,337)</b>		<b>(3,930,337)</b>
723,862		723,862	73,983		73,983
46,778,769		46,778,769	(9,606,864)		(9,606,864)
1,292,160		1,292,160	(1,018)		(1,018)
<b>48,794,791</b>		<b>48,794,791</b>	<b>(9,533,899)</b>		<b>(9,533,899)</b>
5,905,926	12,000	5,917,926	1,859,416		1,847,416
3,810,251	1,764,857	5,575,108	209,040	(379,075)	(170,035)
1,408,064		1,408,064	(223,549)		(223,549)
1,749,421		1,749,421	(112,344)	2,500,000	2,387,656
<b>3,157,485</b>		<b>3,157,485</b>	<b>(335,893)</b>	<b>2,500,000</b>	<b>2,164,107</b>
<b>134,440,209</b>	<b>1,776,857</b>	<b>136,217,066</b>	<b>(430,461)</b>	<b>2,120,925</b>	<b>1,980,735</b>
		3,630,000			(3,417,389)
		<b>3,630,000</b>			<b>(3,417,389)</b>
		36,793,356			6,386,152
		4,818			(4,818)
		65,581			(22,804)
		<b>36,863,755</b>			<b>6,358,530</b>
		<b>218,812,780</b>			<b>11,839,581</b>
		1,835,334			895,396
		<b>467,958,120</b>			<b>36,117,329</b>

AS AT 31 DECEMBER 2004			
LIABILITIES	values in Euro (within 12 month)	values in Euro (beyond 12 months)	Amount in Euro
<b>A) NET EQUITY</b>			
I. Share capital			94,865,881
II. Share premium reserve			75,672,020
III. Revaluation reserve:			
1 reserve ex art. 72/83			1,965,285
2 reserve ex art. 413/91			
<b>Total revaluation reserves</b>			<b>1,965,285</b>
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			
9 fund provision ex Italian Law Decree 361/87			
10 translation reserve			(3,594,916)
11 consolidation reserve			6,940,221
<b>Total other reserves</b>			<b>11,674,841</b>
VIII. Retained earnings or losses carried forward			(286,279)
IX. Net profit (loss) for the year			(24,410,905)
<b>TOTAL GROUP NET EQUITY</b>			<b>160,868,468</b>
minority interest reserves			7,922,000
minority interest share of result			(312,000)
<b>Net equity of minority interests</b>			<b>7,610,000</b>
<b>TOTAL NET EQUITY</b>			<b>168,478,468</b>
<b>B) PROVISION FOR CONTINGENCIES AND CHARGES</b>			
1 pension and similar provisions			
2 taxation:			
a current taxation			
b deferred taxation			3,533,536
<b>total taxation</b>			<b>3,533,536</b>
3 others:			
a provision for risks on pending litigation			650,650
b provision for investment risks			1,042,926
c exchange rate risk fund provision			
d provision for environmental improve. Risk			88,559
e re-organisation and liquidation risk provision			
f other risk provisions			2,403,229
<b>total others</b>			<b>4,185,364</b>
<b>TOTAL PROVISION FOR CONTINGENCIES AND CHARGES</b>			<b>7,718,900</b>

## AS AT 31 DECEMBER 2003

## 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
		62,618,894			32,246,987
		33,750,517			41,921,503
		1,965,285			
		1,965,285			
		1,387,625			
		345,087			
		6,706,260			
		1,278,189			
		123			(123)
		(2,715,917)			(878,999)
		943,831			5,996,390
		6,557,573			5,117,268
		446,903			(733,182)
		5,262,807			(29,673,712)
		111,989,604			48,878,864
		882,411			7,039,589
		41,945			(353,945)
		924,356			6,685,644
		112,913,960			55,564,508
		2,942,327			591,209
		2,942,327			591,209
		639,885			10,765
		1,020,431			22,495
		99,002			(10,443)
		364,159			2,039,070
		2,123,477			2,061,887
		5,065,804			2,653,096

				AS AT 31 DECEMBER 2004		
LIABILITIES (continued)		values in Euro (within 12 month)	values in Euro (beyond 12 months)	Amount in Euro		
<b>C) EMPLOYEE LEAVING INDEMNITY</b>				<b>2,101,435</b>		
<b>D) PAYABLES</b>						
1	bonds	41,721		41,721		
2	convertible bonds	372,527	76,490,739	76,863,266		
3	shareholder loans	61,763		61,763		
4	banks	73,903,714	54,844,686	128,748,400		
5	other lenders	15,645,684	22,680,385	38,326,069		
6	payments on account	54,069		54,069		
7	trade payables	61,200,808		61,200,808		
8	accounts payable on bills accepted and drawn					
9	subsidiaries					
	a trading	724,724		724,724		
	b financial	79,500		79,500		
	c other	5,124		5,124		
	<b>total subsidiaries</b>	<b>809,348</b>		<b>809,348</b>		
10	associated companies					
	a trading	130,545		130,545		
	b financial					
	c other	585		585		
	<b>total associated companies</b>	<b>131,130</b>		<b>131,130</b>		
11	parent companies					
	a trading	952,558		952,558		
	b financial					
	c other					
	<b>total parent companies</b>	<b>952,558</b>		<b>952,558</b>		
12	tax authorities	5,510,826		5,510,826		
13	social security institutions	1,932,638		1,932,638		
14	other payables	6,858,253	75,036	6,933,289		
15	group companies					
	a trading	206,253		206,253		
	b financial					
	c other	10,537		10,537		
	<b>total group companies</b>	<b>216,790</b>		<b>216,790</b>		
<b>TOTAL PAYABLES</b>		<b>167,691,829</b>	<b>154,090,846</b>	<b>321,782,675</b>		
<b>E) ACCRUALS AND DEFERRED INCOME</b>				<b>3,993,971</b>		
<b>TOTAL LIABILITIES &amp; EQUITY</b>				<b>504,075,449</b>		

## AS AT 31 DECEMBER 2003

AS AT 31 DECEMBER 2003			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
		1,852,566			248,869
	41,721	41,721		(41,721)	
373,551	76,491,530	76,865,081	(1,024)	(791)	(1,815)
61,763		61,763			
65,869,665	66,927,210	132,796,875	8,034,049	(12,082,524)	(4,048,475)
21,890,416	32,235,562	54,125,978	(6,244,732)	(9,555,177)	(15,799,909)
			54,069		54,069
63,282,006		63,282,006	(2,081,198)		(2,081,198)
			724,724		724,724
			79,500		79,500
			5,124		5,124
			<b>809,348</b>		<b>809,348</b>
113,745		113,745	16,800		16,800
			585		585
113,745		113,745	<b>17,385</b>		<b>17,385</b>
733,407		733,407	219,151		219,151
<b>733,407</b>		<b>733,407</b>	<b>219,151</b>		<b>219,151</b>
7,007,105		7,007,105	(1,496,279)		(1,496,279)
1,531,693		1,531,693	400,945		400,945
4,241,756	182,230	4,423,986	2,616,497	(107,194)	2,509,303
133,026	12,000	145,026	73,227		61,227
3,415,570		3,415,570	(3,415,570)		(3,415,570)
171,312		171,312	(160,775)		(160,775)
<b>3,719,908</b>	<b>12,000</b>	<b>3,731,908</b>	<b>(3,503,118)</b>		<b>(3,515,118)</b>
<b>168,825,015</b>	<b>175,890,253</b>	<b>344,715,268</b>	<b>(1,174,907)</b>	<b>(21,787,407)</b>	<b>(22,932,593)</b>
		3,410,522			583,449
		<b>467,958,120</b>			<b>36,117,329</b>

## > 6.2 Consolidated Memorandum Accounts

(€/000)

	31.12.2004			31.12.2003		
	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
<b>I Guarantees given</b>						
- Unsecured guarantees given						
1 Guarantees						
- for commitments of the parent company		24,003	24,003	18,568		18,568
- for commitments of subsidiaries	141	58,851	58,992	27,665		27,665
- for commitments of associated companies		1,996	1,996	1,496		1,496
- for commitments of parent companies						
- for commitments of group companies		1,085	1,085	1,085		1,085
- for commitments of third parties						
2 Endorsements						
- for commitments of the parent company						
- for commitments of subsidiaries						
- for commitments of associated companies						
- for commitments of parent companies						
- for commitments of group companies						
- for commitments of third parties						
3 Other non-secured guarantees						
- for commitments of the parent company						
- for commitments of subsidiaries		11,012	11,012	4,544		4,544
- for commitments of associated companies						
- for commitments of parent companies						
- for commitments of group companies						
- for commitments of third parties						
- Secured guarantees given						
1 Pledges						
- for commitments of the parent company						
- for commitments of subsidiaries	27,000		27,000			
- for commitments of associated companies						
- for commitments of parent companies				25,000		25,000
- for commitments of group companies						
- for commitments of third parties						
2 Mortgages						
- for commitments of the parent company						
- for commitments of subsidiaries						
- for commitments of associated companies						
- for commitments of parent companies						
- for commitments of group companies						
- for commitments of third parties	6,539		6,539	6,539		6,539
<b>II Other memorandum accounts</b>						
- Guarantees received						
- holding company guarantees	35,724	1,518	37,242	34,247		34,247
- third party guarantees	52,675	16,672	69,347		5,086	5,086
- other unsecured guarantees		810	810		810	810
- secured guarantees						
- Securities and goods held in deposit						
- Risks						
- Commitments	1,800		1,800			
- Future leasing commitments		1,658	1,658		1,460	1,460
- Securities and goods held by third parties	3		3	20		20

## > 6.3 Consolidated Income Statement

(Amounts in Euro)

	31.12.2004	31.12.2003	Changes
<b>A) Value of production</b>			
1 Income from sales and supply of services	283,216,574	236,890,171	46,326,403
2 Variation of work in progress and finished and semi finished goods	1,210,874	2,412,034	(1,201,160)
3 Variation in contract work in progress	14,182		14,182
4 Increases on internal work capitalised under fixed assets			
a production and stocks	162,056	8,686	153,370
b interests of the period	928,701	436,596	492,105
<b>Total increases on internal work capitalised under fixed assets</b>	<b>1,090,757</b>	<b>445,282</b>	<b>645,475</b>
5 Other revenues and income			
a grants	366,420	342,824	23,596
b other operating revenues	666,293	1,151,264	(484,971)
c expenses re-charges	620,270	1,038,920	(418,650)
d various income	535,745	191,611	344,134
e income from property	7,000	933	6,067
f gains from normal operating activities	24,824	30,058	(5,234)
g over-accruals & similar in prior years	565,931	453,888	112,043
<b>Total other revenues and income</b>	<b>2,786,483</b>	<b>3,209,498</b>	<b>(423,015)</b>
<b>Total value of production</b>	<b>288,318,870</b>	<b>242,956,985</b>	<b>45,361,885</b>
<b>B) Cost of production</b>			
6 raw materials, consumables and supplies	(176,296,623)	(136,334,517)	(39,962,106)
7 services			
a services	(40,586,177)	(27,000,981)	(13,585,196)
b utilities	(3,408,073)	(2,968,527)	(439,546)
c various costs	(4,316,914)	(2,998,411)	(1,318,503)
<b>Total services</b>	<b>(48,311,164)</b>	<b>(32,967,919)</b>	<b>(15,343,245)</b>
8 use of third party assets	(4,087,728)	(2,474,856)	(1,612,872)
9 personnel expense			
a wages and salaries	(25,060,353)	(22,148,547)	(2,911,806)
b social security contributions	(7,836,185)	(6,938,000)	(898,185)
c employee leaving indemnity	(603,414)	(611,980)	8,566
d pension and similar costs	(233,984)	(214,932)	(19,052)
e other costs	(1,747,147)	(739,814)	(1,007,333)
<b>Total personnel expense</b>	<b>(35,481,083)</b>	<b>(30,653,273)</b>	<b>(4,827,810)</b>
10 Amortisation, depreciation and write-downs			
a amortisation of intangible fixed assets	(8,841,763)	(5,160,730)	(3,681,033)
b depreciation of tangible fixed assets	(13,383,982)	(12,328,892)	(1,055,090)
c other write-downs of fixed assets	(8,391,629)	(233,359)	(8,158,270)
d write-down of receivables listed under current assets and liquidity items	(438,840)	(856,639)	417,799
e utilisation of the doubtful debt provision for receivables listed under current assets and liquidity items	124,613	405,933	(281,320)
f losses on receivables	(220,012)	(859,303)	639,291
<b>Total amortisation, depreciation and write-downs</b>	<b>(31,151,613)</b>	<b>(19,032,990)</b>	<b>(12,118,623)</b>

Consolidated Income statement <i>(continued)</i>		(Amounts in Euro)		
	31.12.2004	31.12.2003	Changes	
11	Change of raw materials, consumables, semi-finished and finished goods	6,162,179	(2,527,527)	8,689,706
12	Provisions for risks			
a	Provisions for pending litigation	(521,161)	(300,000)	(221,161)
b	Utilisation of the risk provision on pending litigation	63,143	69,770	(6,627)
	<b>Total provisions for contingencies</b>	<b>(458,018)</b>	<b>(230,230)</b>	<b>(227,788)</b>
13	Other provisions			
14	Other operating expenses			
a	taxation excluding income tax	(572,229)	(529,576)	(42,653)
b	property charges	(31,007)	(28,786)	(2,221)
c	losses from normal operating activities	(15,618)	(16,147)	529
d	under-accruals & similar in prior years	(487,998)	(1,352,558)	864,560
e	others	(1,445,986)	(1,447,710)	1,724
	<b>Other operating costs</b>	<b>(2,552,838)</b>	<b>(3,374,777)</b>	<b>821,939</b>
	<b>Total cost of production</b>	<b>(292,176,888)</b>	<b>(227,596,089)</b>	<b>(64,580,799)</b>
	<b>Difference between value and cost of production</b>	<b>(3,858,018)</b>	<b>15,360,896</b>	<b>(19,218,914)</b>
<b>C) Financial income and charges</b>				
15	Income from equity investments			
a	subsidiary companies			
b	associated companies			
c	other companies	190	250	(60)
d	tax credit on dividends		1,139,512	(1,139,512)
e	gain on sale of equity investments	370,000		370,000
	<b>Total income from investments</b>	<b>370,190</b>	<b>1,139,762</b>	<b>(769,572)</b>
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	13,611	67,133	(53,522)
	<b>total receivables classified under non-current assets</b>	<b>13,611</b>	<b>67,133</b>	<b>(53,522)</b>
b	from securities classified under non-current assets not constituting equity investments			
c	from securities classified under current assets not constituting equity investments			
c.1	interest income on securities			
c.2	gain on sale of securities			
	<b>from securities classified under current assets not constituting equity investments</b>			
d	other income than above			
d.1	interests and commissions from subsidiaries	50,698	16,452	34,246
d.2	interests and commissions from associated companies			
d.3	interests and commissions from parent companies	2,458,605	2,222,133	236,472
d.4	interests and commissions from group companies			
d.5	interests and commissions from banks	410,303	206,673	203,630
d.6	interest and commissions from others and various incomes	1,668,816	196,924	1,471,892
d.7	exchange rate risk fund utilisation			
	<b>total other income than above</b>	<b>4,588,422</b>	<b>2,642,182</b>	<b>1,946,240</b>
	<b>Total other financial income</b>	<b>4,602,033</b>	<b>2,709,315</b>	<b>1,892,718</b>

**Consolidated Income statement** (continued)

(Amounts in Euro)

	31.12.2004	31.12.2003	Changes
17 Interest and other financial charges			
a subsidiaries			
b associated companies			
c parent companies			
d group companies	(50,242)	(117,343)	67,101
e others	(15,947,514)	(11,660,912)	(4,286,602)
f losses on foreign exchange			
g exchange rate fund provision			
h loss on sale of equity investments			
<b>Total interest and other financial charges</b>	<b>(15,997,756)</b>	<b>(11,778,255)</b>	<b>(4,219,501)</b>
17 bis Exchange gains and losses	87,474	144,125	(56,651)
<b>Total financial income and charges</b>	<b>(10,938,059)</b>	<b>(7,785,053)</b>	<b>(3,153,006)</b>
<b>D) Adjustments to financial assets</b>			
18 Revaluations			
a equity investments			
b financial assets - not constituting equity investments			
c from securities classified under current assets not constituting equity investments			
<b>Total revaluations</b>			
19 Write-downs			
a investments			
a.1 losses deriving from balance sheet evaluations	(473,599)	(274,283)	(199,316)
a.2 risk fund provision on investments	(22,495)		(22,495)
a.3 utilisation of the risk fund provision on investments			
<b>total write-down of equity investments</b>	<b>(496,094)</b>	<b>(274,283)</b>	<b>(221,811)</b>
b financial assets - not constituting equity investments			
c from securities classified under current assets not constituting equity investments			
<b>Total write-downs</b>	<b>(496,094)</b>	<b>(274,283)</b>	<b>(221,811)</b>
<b>Total adjustments to financial assets</b>	<b>(496,094)</b>	<b>(274,283)</b>	<b>(221,811)</b>
<b>E) Extraordinary income and charges</b>			
20 Income			
a gains on sales of an extraordinary nature	30,423	380,021	(349,598)
b others	2,149,807	397,482	1,752,325
c utilisation of the re-organisation and liquidation fund			
<b>Total income</b>	<b>2,180,230</b>	<b>777,503</b>	<b>1,402,727</b>
21 Charges			
a losses on sales of an extraordinary nature	(46,506)	(13,233)	(33,273)
b taxes relating to prior years	(5,217)		(5,217)
c other charges and various risk provisions	(5,095,159)	(1,146,042)	(3,949,117)
<b>Total charges</b>	<b>(5,146,882)</b>	<b>(1,159,275)</b>	<b>(3,987,607)</b>
<b>Extraordinary income and charges</b>	<b>(2,966,652)</b>	<b>(381,772)</b>	<b>(2,584,880)</b>
<b>Pre-tax result</b>	<b>(18,258,823)</b>	<b>6,919,788</b>	<b>(25,178,611)</b>
22 Income tax the period	(6,464,082)	(1,615,036)	(4,849,046)
<b>23 NET PROFIT (LOSS) FOR THE YEAR</b>	<b>(24,722,905)</b>	<b>5,304,752</b>	<b>(30,027,657)</b>
Minority interest share	312,000	(41,945)	353,945
<b>GROUP NET PROFIT (LOSS) FOR THE YEAR</b>	<b>(24,410,905)</b>	<b>5,262,807</b>	<b>(29,673,712)</b>

## > 6.4 Notes to the financial statements of EnerTAD Group as at December 31, 2004

### **6.4.1 Consolidated companies**

The EnerTAD Group consists of 42 companies, of which 28 are included in the consolidation area under the line by line method and 14 are valued at cost.

The companies included in the consolidation area at December 31, 2004 are shown in the attachments (point 8.1).

The consolidated financial statements include the financial statements of EnerTAD SpA and those of companies in which it holds, directly or indirectly, the majority of the voting rights.

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

### **6.4.2 Changes in the consolidation area**

During the year the consolidation area changed:

new companies included:

- > Ecoenergie Srl;
- > Eos1-Troia Srl (previously Comburo Srl);
- > Eos2-Nurra Srl;
- > Sodai Italia SpA (beneficiary of the spin-off, effective April 6, 2004, of En. Hydro SpA)

In addition due to corporate changes in the year the EnerTAD Group acquired the total interest in the companies EnerSistema Srl and Enercombustibili Srl previously holding respectively 60% and 86.5% respectively.

Companies leaving the consolidation area:

- > Enercom Srl in liquidation;
- > Tad Ambiente Srl in liquidation.

The following companies entered into consolidation area under the line-by-line method:

#### ENERGY AND ENVIRONMENT SECTORS:

Amatrice Servizi Scarl	held 99.42% da Omnia Srl
DSI Srl	held 100% da EnerTAD SpA
Eall Srl	held 100% da Tad Energia Ambiente SpA
Ecoenergie Srl	held 64.80% da Tad Energia Ambiente SpA held 25.20% da EnerSistema Srl
Enercombustibili Srl	held 100% da EnerSistema Srl
EnerSistema Srl	held 100% da Tad Energia Ambiente SpA
Energie Pulite 2000 SpA	held 99.56% da Tad Energia Ambiente SpA
Eolo Srl	held 51% da Tad Energia Ambiente SpA
Eos1-Troia Srl (renamed Comburo Srl)	held 100% da Eos Windenergy Srl
Eos2-Nurra Srl	held 100% da Eos Windenergy Srl
Eos Windenergy Srl	held 100% da EnerTAD SpA
Ergo En.A. Srl	held 70% da Tad Energia Ambiente SpA held 5% da EnerSistema Srl
Interpark Srl	held 100% da Tad Energia Ambiente SpA
Omnia Srl	held 100% da Tad Energia Ambiente SpA
SAO SpA	held 100% da Tad Energia Ambiente SpA
Sodai Italia SpA (beneficiary of the spin-off En. Hydro SpA)	held 51% da EnerTAD SpA
TAD Energia Ambiente SpA	held 100% da Enertad SpA
Terni En.A. SpA	held 98% da Tad Energia Ambiente SpA held 2% da Enertad SpA

#### STEEL SECTOR:

Enertad France Sas - France	held 100% da Enertad SpA
Charron Inox Sas - France	held 100% da Enertad France Sas
Metalli Marchelli Srl	held 100% da Enertad France Sas
Presco Sas - France	held 100% da Enertad France Sas
Sapim Sas - France	held 100% da Enertad France Sas
Tad Inox Service BV - Holland	held 100% da Enertad France Sas
Tad Inox Service Gmbh - Germany	held 100% da Tad Inox Service BV
TCT Stainless Steel Inc - United States	held 100% da Enertad France Sas
TCT Stainless Steel of Nashville Inc - United States	held 100% da Enertad France Sas

#### 6.4.3 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 balance sheet and 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.

#### 6.4.4 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 source 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 year 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.

#### 6.4.5 Consolidation differences and reconciliation of net equity and net profit for the year 2004

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, 2004 is summarised below:

	Share capital and reserves	Profit (loss) for the year	Group net equity
			(€/000)
<b>As per financial statements of Enertad SpA</b>	<b>181,934</b>	<b>(8,179)</b>	<b>173,755</b>
- Difference between the adjusted net equity of the companies consolidated and the carrying value of the investments	3,345	(16,232)	(12,887)
<b>Group net equity</b>	<b>185,279</b>	<b>(24,411)</b>	<b>160,868</b>

#### 6.4.6 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 adopted 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 incidental 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.

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

	(%)
Industrial and other buildings	3 - 4 – 5 - 10
General and specific plant	7- 12 - 15
Large plant and machinery	10 – 17.5
Equipment	10 - 25
Office furniture and equipment	12 –18 - 20
Motor 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 the companies that are not significant or not yet operative are valued at cost and 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 investment 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 restated 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".

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

## Inventories

### Stock

Stock is 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 stocks are written down in relation to their possible usefulness or 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 equity investments

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 the period 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.

#### **Tax payables**

Income taxes are accrued based on an estimate of the income tax charge for the year for each company, while taken as a whole for the companies included in the national consolidation taxation regime.

#### **Accruals and prepayments**

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. With effect from January 1, 2004, the company Enertad SpA, as parent company of the Enertad group, has adhered to the national consolidated taxation regime.

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 start-up of some of the Group plant.

## 6.4.7 Balance sheet accounts and changes

### B Fixed assets

#### B I. Intangible assets

The movements in the year are detailed below:

	Balance 31.12.03	Purchases	Capitalis. & reclass.	Change consolid. area	Other move.	Sales	Write- downs	Deprec- iation	Balance 31.12.04
B11 Formation, start-up and expansion costs	5,888	5,315	(42)	83			(191)	(2,610)	8,443
B12 Research, development and advertising costs	1,467	8						(402)	1,073
B13 Industrial patents & intellectual property rights	243	163	(1)	(46)				(112)	247
B14 Concessions, licenses, trademarks and similar rights	2,792	56		8	(2)		(2)	(288)	2,564
B15 Goodwill	59,381	2,660		16,353	(723)		(5,335)	(4,169)	68,167
B16 Intangibles under development and payments on account									
- assets under development	698	1,236	(450)				(47)		1,437
- payments on account	1,063	1	(1,047)						17
<b>Total intangible assets under dev and on account</b>	<b>1,761</b>	<b>1,237</b>	<b>(1,497)</b>				<b>(47)</b>		<b>1,454</b>
B17 Other	4,707	368	473	21			(689)	(1,260)	3,620
<b>Total</b>	<b>76,239</b>	<b>9,807</b>	<b>(1,067)</b>	<b>16,419</b>	<b>(725)</b>		<b>(6,264)</b>	<b>(8,841)</b>	<b>85,568</b>

During the year no financial charges were charged to intangible fixed assets.

The account Goodwill represents the higher value paid compared to the net equity share for the companies that entered the consolidation area. This Goodwill is amortised in relation to the characteristics of the companies, future business plans, projects and the recovery of the capital value of the companies.

The purchases for set-up and expansion costs relate almost entirely to professional and legal consultant fees connected to the share capital increase, while the account goodwill relates to the purchase of the wind-park business division of Troia – San Vincenzo.

The change in the consolidation area relating to the goodwill account for Euro 16,353 thousand relates to the full consolidation of the company Sodai Italia SpA.

The write-downs relate to goodwill concerning the following companies:

	(€'000)
	<b>31.12.2004</b>
Amatrice Servizi Scarl	880
DSI Srl	742
Enercombustibili Srl	40
EnerSistema Srl	963
Energie Pulite 2000 Srl	530
Omnia Srl	2,180
<b>Total</b>	<b>5,335</b>

The other write-downs were made in the following companies and relate to the capitalisation of costs which are no longer considered to be of future utility.

	(€/000)
	<b>31.12.2004</b>
Amatrice Servizi Scarl	47
EnerSistema Srl	673
Energie Pulite 2000 Srl	192
Omnia Srl	17
<b>Total</b>	<b>929</b>

**Information by sector:**

The data by sector is shown below which is detailed further in the Director's Report on operations.

	Environm. and energy sector	Steel sector	(€/000) Balance 31.12.2004
BI1 Formation, start-up and expansion costs	8,443		8,443
BI2 Research, development and advertising costs	1,073		1,073
BI3 Industrial patents & intellectual property rights	224	23	247
BI4 Concessions, licenses, trademarks and similar rights	2,476	88	2,564
BI5 Goodwill	49,973	18,194	68,167
BI6 Intangible assets under development and payments on account			
- assets under development	1,437		1,437
- payments on account		17	17
<b>Total intangible assets in development and on account</b>	<b>1,437</b>	<b>17</b>	<b>1,454</b>
BI7 Other	3,576	44	3,620
<b>Total</b>	<b>67,202</b>	<b>18,366</b>	<b>85,568</b>

The account *Plant and Machinery* is comprised of:

	31.12.2004	(€/000) 31.12.2003
Expenses for share capital increases	5,571	1,932
Incorporation costs and change in by-laws	35	16
Costs in acquiring finance	2,713	3,727
Other costs	124	213
<b>Total</b>	<b>8,443</b>	<b>5,888</b>

The account *Research, development and advertising costs* is comprised of:

	31.12.2004	(€/000) 31.12.2003
Promotional and institutional advertising expenses	569	781
Feasibility and research expenses	504	686
<b>Total</b>	<b>1,073</b>	<b>1,467</b>

## B II Tangible assets

The movements in the year are detailed below:

	Balance 31.12.03	Purchases	Capital. and Reclass.	Change consol. area	Other changes	Write- downs	Sales	Deprec- iation	Balance 31.12.04
(€/000)									
<b>Gross values</b>									
BI1 Land and buildings	48,367	2,597	1,601						52,565
BI2 Plant and machinery	104,980	5,536	4,117	5,848	(327)		(161)		119,993
BI3 Industrial and commercial equipment	4,496	852	516	16			(355)		5,525
BI4 Other fixed assets	9,117	641	(4)	15	(20)		(548)		9,201
BI5 Assets under construction and payments on account									
- <i>assets under construction</i>	9,936	18,985	(3,414)	798		(1,200)			25,105
- <i>payments on account</i>	3,217	1,942	(2,578)			(924)	(4)		1,653
<b>Total assets under const. &amp; payments on acc.</b>	<b>13,153</b>	<b>20,927</b>	<b>(5,992)</b>	<b>798</b>		<b>(2,124)</b>	<b>(4)</b>		<b>26,758</b>
<b>Total net values</b>	<b>180,113</b>	<b>30,553</b>	<b>238</b>	<b>6,677</b>	<b>(347)</b>	<b>(2,124)</b>	<b>(1,068)</b>		<b>214,042</b>
<b>Accumulated depreciation</b>									
BI1 Land and buildings	(6,497)		8					(1,737)	(8,226)
BI2 Plant and machinery	(18,578)		(4)	(588)	152		92	(9,898)	(28,824)
BI3 Industrial and commercial equipment	(2,805)		(2)	(1)			114	(585)	(3,279)
BI4 Other fixed assets	(6,048)			(22)	15		460	(1,163)	(6,758)
<b>Total accumulated depreciation</b>	<b>(33,928)</b>		<b>2</b>	<b>(611)</b>	<b>167</b>		<b>666</b>	<b>(13,383)</b>	<b>(47,087)</b>
<b>Net values</b>									
BI1 Land and buildings	41,870	2,597	1,609					(1,737)	44,339
BI2 Plant and machinery	86,402	5,536	4,113	5,260	(175)		(69)	(9,898)	91,169
BI3 Industrial and commercial equipment	1,691	852	514	15			(241)	(585)	2,246
BI4 Other fixed assets	3,069	641	(4)	(7)	(5)		(88)	(1,163)	2,443
BI5 Under construction and on account									
- <i>assets under construction</i>	9,936	18,985	(3,414)	798		(1,200)			25,105
- <i>payments on account</i>	3,217	1,942	(2,578)			(924)	(4)		1,653
<b>Total under construction and on account</b>	<b>13,153</b>	<b>20,927</b>	<b>(5,992)</b>	<b>798</b>		<b>(2,124)</b>	<b>(4)</b>		<b>26,758</b>
<b>Total net values</b>	<b>146,185</b>	<b>30,553</b>	<b>240</b>	<b>6,066</b>	<b>(180)</b>	<b>(2,124)</b>	<b>(402)</b>	<b>(13,383)</b>	<b>166,955</b>

During the year financial charges were charged to tangible fixed assets of Euro 929 thousand.

The composition of *Purchases* is as follows:

	(€/000)
Investment in the Colleferro "Waste to Energy" project	18,060
Investments in wind-park plants	1,777
"Waste to Energy" plants	4,508
Land and buildings	1,178
Plant and machinery steel sector	3,750
Other investments environment sector	1,280
<b>Other investments</b>	<b>30,553</b>

The change in the consolidation area relates almost entirely to the full consolidation of the company Sodai Italia SpA.

The write-downs were in the following companies and relate to initiatives and projects no longer realisable partly due to the introduction of new legislation.

	(€/000)
	<b>31.12.2004</b>
Energie Pulite 2000 Srl	985
Omnia Srl	536
Sao SpA	603
<b>Total</b>	<b>2,124</b>

The fixed assets under construction, relate almost entirely to costs for the development and construction of new wind-parks.

**Information by sector:**

The data by sector is shown below which is detailed further in the Director's Report on operations.

	Environ. and energy sector	Steel sector	(€/000) Balance 31.12.04
<b>Gross values</b>			
BII1 Land and buildings	37,264	15,301	52,565
BII2 Plant and machinery	104,983	15,010	119,993
BII3 Industrial and commercial equipment	2,954	2,571	5,525
BII4 Other fixed assets	4,470	4,731	9,201
BII5 Under construction and on account			
- assets under construction	25,105		25,105
- payments on account	720	933	1,653
<b>Total assets under const. and payments on acc.</b>	<b>25,825</b>	<b>933</b>	<b>26,758</b>
<b>Total gross values</b>	<b>175,496</b>	<b>38,546</b>	<b>214,042</b>
<b>Accumulated depreciation</b>			
BII1 Land and buildings	(3,479)	(4,747)	(8,226)
BII2 Plant and machinery	(20,447)	(8,377)	(28,824)
BII3 Industrial and commercial equipment	(1,545)	(1,734)	(3,279)
BII4 Other fixed assets	(3,032)	(3,726)	(6,758)
<b>Total accumulated depreciation</b>	<b>(28,503)</b>	<b>(18,584)</b>	<b>(47,087)</b>
<b>Net values</b>			
BII1 Land and buildings	33,785	10,554	44,339
BII2 Plant and machinery	84,536	6,633	91,169
BII3 Industrial and commercial equipment	1,409	837	2,246
BII4 Other fixed assets	1,438	1,005	2,443
BII5 Under construction and on account			
- assets under construction	25,105		25,105
- payments on account	720	933	1,653
<b>Total assets under const. and payments on acc.</b>	<b>25,825</b>	<b>933</b>	<b>26,758</b>
<b>Total net values</b>	<b>146,993</b>	<b>19,962</b>	<b>166,955</b>

**B III Financial assets**

B III I Equity investments

*Subsidiary companies*

	31.12.2004	31.12.2003	(€/000) Variazioni
Ame@Tad Srl	106	6	100
Cerveteri Ambiente Srl in liquid.	77	77	
Comburo Srl (ora Eos I - Troia Srl)		10	(10)
Ecoenergie Srl		8	(8)
Ecofuels srl in liquid.	9	9	
Enercom srl in liquid.	25		25
Enerdepurazioni Scarl	10	10	
Recupera Srl	59	9	50
Socram Ecologia Srl in liquid.	93	93	
Sorepla Srl	59	9	50
<b>Total</b>	<b>438</b>	<b>231</b>	<b>207</b>

Associated companies

	31.12.2004	31.12.2003	(€/000) Variazioni
Amea SpA	1,596	1,596	
Amea Servizi SpA	724	724	
En. Hydro SpA (spin-off from Sodai Italia SpA)		16,780	(16,780)
Rieti Ambiente SpA	64	19	45
Umbriadue Servizi Idrici Scarl	428	428	
Volsca SpA		213	(213)
<b>Total</b>	<b>2,812</b>	<b>19,760</b>	<b>(16,948)</b>

The company Volsca SpA was reclassified under current financial assets.

Other companies

	31.12.2004	31.12.2003	(€/000) Variazioni
Banca di Credito Coop. di Terni SpA	5	5	
Banca Popolare di Spoleto SpA	9	9	
Galileo Scarl	3	3	
Medianova Scarl	23	23	
Ala Scarl	6	6	
Agesa Srl	21	21	
Reclas SpA	389	389	
Utilità SpA	70	70	
Ansaldo Fuel Cells SpA	4,263		4,263
<b>Total</b>	<b>4,789</b>	<b>526</b>	<b>4,263</b>

The company Ansaldo Fuel Cells SpA operates in the application development of technologies for the production of fuel cell energy (hydrogen). Following the share capital paid in January and September 2004 the holding of the Enertad Group was equal to 10.28%.

B III 2 Receivables

*B III 2b Receivables from associated companies*

This relates to receivables from the companies Amea SpA and Amea Servizi SpA.

*B III 2d Other receivables*

The balance consists of Euro 5,250 thousand for two capital life insurance policies, duration over five years, underwritten with the Company Generali Vita SpA and an amount of Euro 2,100 thousand for a similar policy with RAS. These policies relate to the obtaining of sureties for the acquisition of waste treatment plants from Trenitalia. During the year a further Euro 1,860 thousand was provided to guarantee a surety policy of Vittoria Assicurazione SpA on behalf of the subsidiary EOS I-Troia Srl, in favour of GRTN, in relation to the tender for the construction of the electricity wind-parks.

B III 3 Other securities

They concerned securities and relates to a restricted deposit guaranteeing a leasing contract.

## C Current assets

### C I Inventories

The account *Receivables* increased by Euro 6,918 thousand.

	Balance 31.12.2003	Change in consol. Area	Other changes	Changes in inventory	Balance 31.12.2004
Raw materials, ancillary and consumables	15,091		(481)	2,732	17,342
Semi-finished goods and work in progress	2,425		(17)	(522)	1,886
Contract work in progress				14	14
Finished products and goods	24,585		27	5,166	29,778
Payments on account	1			(1)	
<b>Total</b>	<b>42,102</b>		<b>(471)</b>	<b>7,389</b>	<b>49,020</b>

(€/000)

### C II Receivables

The account *Receivables* increased by Euro 1,981 thousand.

With the exception of Euro 2,000 thousand of *Other receivables*, there are no receivables over 5 years. The total amount of receivables over 12 months amounts to Euro 2,500 thousand.

In relation to the accounts *Other Receivables* the composition is shown below.

	31.12.2004	31.12.2003	Changes
VAT receivables	226	214	12
Grants as per Law 488/92	259	749	(490)
Receivables for insurance claims	130	198	(68)
Receivables for deposits paid	2,500		2,500
Receivables from public entities	122		122
Receivables from Inail	196		196
Other receivables	704	588	116
<b>Total</b>	<b>4,137</b>	<b>1,749</b>	<b>2,388</b>

(€/000)

The amount of Euro 2,500 thousand refers to a deposit paid by the company Eos 2– Nurra Srl to the Reclamation Consortium of Nurra against the rental contract of the business division agreed on June 9, 2004.

Breakdown of the receivables by geographic area:

				(€/000)
<b>C) RECEIVABLES</b>	<b>Italy</b>	<b>Europe</b>	<b>America</b>	<b>Total</b>
1 from customers	39,759	34,536	3,243	77,538
2 from subsidiary companies				
a trade	338			338
b financial	1,044			1,044
c others	4			4
<b>total from subsidiary companies</b>	<b>1,386</b>			<b>1,386</b>
3 from associated companies				
a trade	1,519			1,519
b financial				
c others				
<b>total from associated companies</b>	<b>1,519</b>			<b>1,519</b>
4 from parent companies				
a trade	748	50		798
b financial		37,172		37,172
c others		1,291		1,291
<b>total from parent companies</b>	<b>748</b>	<b>38,513</b>		<b>39,261</b>
4 bis tax receivables	7,765			7,765
4 ter deferred tax asset	4,154	177	1,074	5,405
5 from others				
a trade				
b financial	1,181		3	1,184
c others	3,344	793		4,137
<b>total from others</b>	<b>5,322</b>	<b>4,525</b>	<b>793</b>	<b>5,321</b>
6 from group companies				
a trade				
b financial				
c others				
<b>total from group companies</b>				

### C III Current financial assets

#### C III 2 Investments in associated companies

This relates to the investment in the company Volsca SpA that was sold at book value in March 2005.

				(€/000)
	<b>31.12.2004</b>	<b>31.12.2003</b>	<b>Changes</b>	
Volsca SpA	213		213	
<b>Total</b>	<b>213</b>		<b>213</b>	

### C IV Cash and banks

This principally relates to the current bank accounts that increased by Euro 6,358 thousand compared to the previous year:

Included in "Liquid assets – bank and postal deposits" at December 31, 2004 is Euro 27,000 thousand deposited in a restricted account at Banka Popolare dell'Etruria e del Lazio, to guarantee a surety given for payments to be made to Repower System AG, supplier of the wind turbines at the wind-parks. The release of the surety and of the correlated deposit, will occur in line with the payments made to the supplier over the coming months and will be prevalently refinanced by a project finance operation agreed in March 2005.

### D Prepayments and accrued income

The account increased by Euro 895 thousand and relates to insurance for Euro 694 thousand, leasing instalments for Euro 364 thousand, management charges and environmental restoration for Euro 173 thousand, surety charges for Euro 139 thousand and others for Euro 1,361 thousand.

## A Shareholders' equity

### A I Share capital

The Share Capital is represented by 94,865,881 ordinary shares; having a nominal value of Euro 1.00 each, fully subscribed and paid-in.

The movements in all of the net equity accounts in the year were as follows:

	(€/000)													
	Share capital	Share premium reserve	Reval. reserve	Legal reserve	Reserve ex art.54 Italian PR.D 597/73	Reserve ex art.55 Italian PR.D 597/73	Extraord. reserves	Consolid. reserves	Conversion reserve	Retained earnings	Profit for the period	Group net equity	Minority interest net equity	Total
<b>Balance as at 31.12.2003</b>	<b>62,619</b>	<b>33,751</b>	<b>1,965</b>	<b>1,388</b>	<b>6,706</b>	<b>1,278</b>	<b>345</b>	<b>944</b>	<b>(2,716)</b>	<b>447</b>	<b>5,263</b>	<b>111,990</b>	<b>924</b>	<b>112,914</b>
Apportionment of profit 2003											733			
Retained earnings								5,996			(5,996)			
Change in translation reserve									(879)			(879)		(879)
Change in consolidation area													6,957	6,957
Increase in share capital	32,247	41,921										74,168	41	74,209
Profit (loss) for the period											(24,411)	(24,411)	(312)	(24,723)
<b>Balance as at 31.12.2004</b>	<b>94,866</b>	<b>75,672</b>	<b>1,965</b>	<b>1,388</b>	<b>6,706</b>	<b>1,278</b>	<b>345</b>	<b>6,940</b>	<b>(3,595)</b>	<b>(286)</b>	<b>(24,411)</b>	<b>160,868</b>	<b>7,610</b>	<b>168,478</b>

The amount of Euro 5,996 thousand is represented by the profits in the year 2003 of the subsidiary companies which were fully consolidated. The change in the net equity of minority interests is almost fully related to the consolidation of Sodai Italia SpA.

### B Provision for contingencies and charges

	(€/000)					
	Balance 31.12.2003	Change in consol.area	Provisions	Utilisations	Other changes	Balance 31.12.2004
<b>B1 Pension and similar</b>						
B2 Taxation						
- Current						
- Deferred		2,942		788	(142)	3,533
<b>Total taxes</b>		<b>2,942</b>		<b>788</b>	<b>(142)</b>	<b>3,533</b>
B3 Others						
- provision on pending litigation		640		57	(46)	651
- provision on equity investments		1,020		23		1,043
- provision for environmental improve risk		99			(10)	89
- provision for other risks		365		2,042	(4)	2,403
<b>Total others</b>		<b>2,124</b>		<b>2,122</b>	<b>(60)</b>	<b>4,186</b>
<b>Total</b>		<b>5,066</b>		<b>2,910</b>	<b>(115)</b>	<b>7,719</b>

The increase in the provision for other risks refers to Euro 1,098 thousand for a prudent estimate of the charges relating to legal consultant fees, still to be agreed with the counterparty, with the amount recorded in extraordinary charges. The amount also includes, in addition to minor charges, the provision for Euro 463 thousand relating to the benefits not received due to the revocation of the financing as per Law 488/92 of the company Terni En.A. SpA.

### C Employee leaving indemnity

	(€/000)				
	Balance 31.12.2003	Provisions	Change consol area.	Utilisations & payments	Balance 31.12.2004
Executives	127	113	(1)	(44)	195
White-collar	609	211	11	(95)	736
Blue-collar	1,116	279	(6)	(219)	1,170
<b>Total</b>	<b>1,852</b>	<b>603</b>	<b>4</b>	<b>(358)</b>	<b>2,101</b>

The accounts changes in consolidation area relates to the effects due to the consolidation of the equity investments indicator at paragraph 7.4.2.

## D Payables

The account *Payables* decreased by Euro 22,932 thousand.

With the exception of Euro 1,927 thousand of *Payables to other lenders*, there are no payables over 5 years.

The details of the mortgaged assets at December 31, 2004 are as follows:

	Unsecured guarantees (1)	Guaranteed by pledges (2)	Guaranteed by mortgages (3)	Total secured guarantees (4)=(2)+(3)	Total (5)=(1)+(4)
Bonds	42				42
Convertible bonds	76,863				76,863
Payables for loans from shareholders	62				62
Payable to banks	115,825	7,314	5,609	12,923	128,748
Other lenders	37,005		1,321	1,321	38,326
<b>Total</b>	<b>229,797</b>	<b>7,314</b>	<b>6,930</b>	<b>14,244</b>	<b>244,041</b>

The bank payables guaranteed by pledges for Euro 7,314 thousand refer almost entirely to a credit line of a commercial nature granted to the subsidiary Tad Inox Service BV and assisted by a revolving pledge on the stock.

This account *Other payables* consists of:

	31.12.2004	31.12.2003	Changes
Payables to personnel	2,164	1,976	188
Payables to directors and statutory auditors	454	204	250
Payables to public entities	216		216
Payables to personnel for vacation days	1,935	1,547	388
Payables for spin-off	164		164
Payables for purchase of business divisions	400		400
Other	1,600	697	903
<b>Total</b>	<b>6,933</b>	<b>4,424</b>	<b>2,509</b>

Breakdown of the payables by geographic area:

	(€/000)			
D) PAYABLES	Italy	Europe	America	Total
1 bonds	42			42
2 convertible bonds	76,863			76,863
3 payables to shareholders for loans	62			62
4 payables to banks	114,990	13,016	742	128,748
5 payables to other lenders	24,075	14,251		38,326
6 payables on account	54			54
7 trade payables	35,623	23,024	2,554	61,201
8 debiti rappresentati da titoli di credito				
9 payables to subsidiaries				
a trade	725			725
b financial	80			80
c other	5			5
<b>total to subsidiary company</b>	<b>810</b>			<b>810</b>
10 payables to associated companies				
a trade	131			131
b financial				
c other	1			1
<b>total to associated companies</b>	<b>132</b>			<b>132</b>
11 payables to parent companies				
a trade	953			953
b financial				
c other				
<b>total to parent companies</b>	<b>953</b>			<b>953</b>
12 debiti tributari	1,262	3,477	772	5,511
13 payables to social security institutions	933	723	277	1,933
14 other payables	2,888	2,766	1,279	6,933
15 payables to group companies				
a trade	206			206
b financial				
c other			11	11
<b>total to group companies</b>	<b>206</b>		<b>11</b>	<b>217</b>

### E Accruals and deferred income

The account increased by Euro 583 thousand and consists of accrued grant income on plants for Euro 3,020 thousand, costs for the period relating to insurance policies for Euro 104 thousand and others for Euro 870 thousand.

### Memorandum accounts

The memorandum account reports the effective amounts of risks, commitments and guarantees at the year end. Details are shown at point 7.2 of the consolidated financial statements.

Transactions with Group companies

(€/000)

	Trade		Financial		Others	
	Receivables	Payables	Receivables	Payables	Receivables	Payables
<b>Parent companies</b>						
Fintad International SA	50		37,172		1,291	
Tad Fin SpA	748	952				
<b>Total parent companies</b>	<b>798</b>	<b>952</b>	<b>37,172</b>		<b>1,291</b>	
<b>Subsidiary companies</b>						
Ame@Tad Srl	23	6	114			
Cerveteri Ambiente Srl in liquidation			268			
Ecofuels Srl in liquidation	8		5			
Enercom Srl in liquidation		34		80		
Enerdepurazioni Scarl	205				3	
Recupera Srl	21					
Socram Ecologia Srl in liquidation			31		1	
Sorepla Srl	21					
Tad Ambiente Srl in liquidation	60	685	626			5
<b>Total subsidiary companies</b>	<b>338</b>	<b>725</b>	<b>1,044</b>	<b>80</b>	<b>4</b>	<b>5</b>
<b>Associated companies</b>						
Amea SpA	25	113				
Amea Servizi SpA	9	17				1
Rieti Ambiente SpA	5					
Umbriadue Servizi Idrici Scarl	1,172					
Volsca Ambiente SpA	308					
<b>Total associated companies</b>	<b>1,519</b>	<b>130</b>				<b>1</b>
<b>Other group companies</b>						
E-Tad Tecnologie SpA		153				
Tad Immobiliare SpA		53				
Tad Metals Inc						10
<b>Total other group companies</b>		<b>206</b>				<b>10</b>

## 6.4.8 Income statement accounts and changes

### A. Value of production

#### A1 Revenues from sales of goods and services

The revenues from sales and services, equal to Euro 283,216 thousand relate to the following sectors:

(€/000)

	31.12.2004	31.12.2003	Change
Waste management services	23,354	24,991	(1,637)
Energy production	26,358	23,808	2,550
Water cycle	7,500	4,679	2,821
Other revenues	2,225	5,723	(3,498)
<b>Total energy and environment sector</b>	<b>59,437</b>	<b>59,201</b>	<b>236</b>
Stainless steel flat products	128,619	107,309	21,310
Stainless steel ling products	44,762	47,987	(3,225)
Other stainless steel products	35,378	13,115	22,263
Other metal products	12,416	7,435	4,981
Other revenues	2,604	1,843	761
<b>Total steel sector</b>	<b>223,779</b>	<b>177,689</b>	<b>46,090</b>
<b>Total</b>	<b>283,216</b>	<b>236,890</b>	<b>46,326</b>

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

	(€/000)			
	Steel sector	Environment and energy sector	Total 31.12.2004	%
Italy	15,703	59,437	75,140	26.5%
France	104,223		104,223	36.8%
Holland / Germany	48,444		48,444	17.1%
United States	34,299		34,299	12.1%
Other countries	21,110		21,110	7.5%
<b>Total</b>	<b>223,779</b>	<b>59,437</b>	<b>283,216</b>	<b>100.0%</b>

## B Production costs

The accounts increased compared to the previous year by Euro 64,581 thousand substantially in line with the increase in business volumes and to the change in the consolidation area where reference should be made to the Director's Report on operations for further information.

## C Financial income and charges

### C15 Income from equity investments

The balance consists almost exclusively of the gain on the sale of equity investments held in the company Eurosviluppo Industriale SpA.

### C17 Interest and other financial charges

	(€/000)			
	From bonds	From banks	From others	Total
a. Subsidiary companies				
b. Associated companies				
c. Parent companies				
d. Group companies			50	50
e. Others	4,400	9,786	1,762	15,948
f. Exchange fluctuation provision				
g. Losses on sale of equity investments				
h. Losses on sale of securities				
<b>Total interest and other financial charges</b>	<b>4,400</b>	<b>9,786</b>	<b>1,812</b>	<b>15,998</b>

The account increased compared to December 31, 2003 by Euro 4,219 thousand, due principally to financial charges relating to the convertible bond issued by Enertad SpA during the second half of 2003.

## D Adjustment of financial assets

### D19 Write-down of equity investments

	(€/000)		
	31.12.2004	31.12.2003	Change
<b>a1 Losses deriving from net equity valuations</b>			
Cerveteri Ambiente Srl in liquidation		(124)	124
En. Hydro SpA	(28)	(150)	122
Rieti Ambiente SpA	(11)		(11)
Tad Ambiente Srl in liquidation	(435)		(435)
<b>Total losses from net equity valuations</b>	<b>(474)</b>	<b>(274)</b>	<b>(200)</b>
<b>a2 Risk provision on equity investments</b>			
Enercom Srl in liquidation	(22)		(22)
<b>Total provisions on equity investments</b>	<b>(22)</b>		<b>(22)</b>
<b>Total write-downs of investments</b>	<b>(496)</b>	<b>(274)</b>	<b>(244)</b>

## E Extraordinary income and charges

### E20 Extraordinary income

The composition of the account is as follows:

	31.12.2004	31.12.2003	(€/000) Change
<b>a. Gains on disposals of an extraordinary nature</b>			
Gains on fixed asset sales	30	380	(350)
<b>Total gains from extraord. management sales</b>	<b>30</b>	<b>380</b>	<b>(350)</b>
<b>b. Others</b>			
Deferred tax income relating to prior years		81	(81)
Various indemnity on motor insurance	38	67	(29)
Other damage compensation	2	12	(10)
Other	2,110	237	1,873
<b>Total others</b>	<b>2,150</b>	<b>397</b>	<b>1,753</b>
<b>Total extraordinary income</b>	<b>2,180</b>	<b>777</b>	<b>1,403</b>

Included in the other extraordinary income is the extraordinary income relating to the transaction of the company Omnia Srl for Euro 1,259 thousand further explained below, Euro 488 thousand relating to the minority net equity at December 31, 2003 of the companies EnerSistema Srl and Enercombustibili Srl in which the full holdings were acquired in the year.

### E21 Extraordinary charges

The composition of the account is as follows:

	31.12.2004	31.12.2003	(€/000) Change
<b>a. Losses on disposals of an extraordinary nature</b>			
Losses on fixed assets sales	46	13	33
<b>Total losses from extraordinary management sales</b>	<b>46</b>	<b>13</b>	<b>33</b>
<b>b. Taxes relating to prior years</b>	<b>5</b>		<b>5</b>
<b>c. Other charges and various risk provisions</b>			
Prior year charges and similar		140	(140)
Amnesty taxes		725	(725)
Claims damage received	33		33
Other charges and various risk provisions	1,322		1,322
Extraordinary charges	3,740	281	3,459
<b>Total other charges and various risk provisions</b>	<b>5,095</b>	<b>1,146</b>	<b>3,949</b>
<b>Total extraordinary charges</b>	<b>5,146</b>	<b>1,159</b>	<b>3,987</b>

The other charges and provisions for risks include, in addition to the above-mentioned provisions for Euro 1,098 thousand for legal consulting fees in completion, the amount of Euro 150 thousand relating to the security of the industrial site at Arzene (PN) owned by the company Energie Pulite 2000 Srl.

The other extraordinary charges include an amount of Euro 950 thousand for a non competitive agreement, in addition to an amount of Euro 1,670 thousand relating to the settlement of a commercial dispute of the subsidiary Omnia Srl, that resulted in the cancellation of trade receivables for a similar amount, and at the same time the re-issue of an invoice of Euro 1,259 thousand whose revenues are recorded under extraordinary income in the account "others".

Transactions with Group companies

	(€/000)									
	Revenues from sales and services	Various income	Financial income	Extra-ordinary income	Purchases	Services for			Financial charges	Extra-ordinary charges
						services provided	Utilities	Other		
<b>Parent companies</b>										
Fintad International SA			2,458							
Tad Fin SpA	92					300	11	12		
<b>Total parent companies</b>	<b>92</b>		<b>2,458</b>			<b>300</b>	<b>11</b>	<b>12</b>		
<b>Subsidiary company</b>										
Ame@Tad Srl	14		4							
Cerveteri Ambiente Srl in liquidation		16								
Ecofuels Srl in liquidation										
Enercom Srl in liquidation										
Enerdepurazioni Scarl										
Recupera Srl		13								
Socram Ecologia Srl in liquidation			2							
Sorepla Srl		13								
Tad Ambiente Srl in liquidation	47	7	29			186	2	32		
<b>Total subsidiary companies</b>	<b>61</b>	<b>33</b>	<b>51</b>			<b>186</b>	<b>2</b>	<b>32</b>		
<b>Associated company</b>										
Amea SpA		12								
Amea Servizi SpA		7								
Rieti Ambiente SpA										
Umbriadue Servizi Idrici Scarl	87	280		1,259						1,670
Volsca Ambiente SpA	54	23								
<b>Total associated companies</b>	<b>141</b>	<b>322</b>		<b>1,259</b>						<b>1,670</b>

The loans receivable from the parent company FinTAD International SA are guaranteed by irrevocable and unconditional bank sureties for a total amount of Euro 35,724 thousand with maturity on December 31, 2005. The company will enforce this maturity date in order to obtain these receivables or the related sureties.

#### 6.4.9 Other information

Number of employees	(number)		
	31.12.2004	31.12.2003	Changes
Executives	23	19	4
White-collar	361	342	19
Blue-collar	423	414	9
<b>Average number of employees</b>	<b>807</b>	<b>775</b>	<b>32</b>

The increase of 32 compared to the previous year relates almost entirely to the change in the consolidation area.

## Recording of deferred tax income and charges

(€/000)

	year 2004		year 2003	
	Amount of the temporary differences	Fiscal effect	Amount of the temporary differences	Fiscal effect
<b>Deferred tax asset:</b>				
Depreciation, amortisation, provisions & write-downs	4,920	1,680	3,909	1,362
Other differences	2,261	780	1,574	543
sub- total		2,460		1,905
Fiscal losses carried forward		2,945		3,670
<b>Total deferred tax asset</b>		<b>5,405</b>		<b>5,575</b>
<b>Deferred tax liabilities:</b>				
Depreciation, amortisation, provisions & write-downs	8,017	2,886	6,250	2,250
Gains	1,797	647	1,922	692
Other differences				
<b>Total deferred liabilities</b>		<b>3,533</b>		<b>2,942</b>
<b>Total net deferred liabilities(assets)</b>		<b>(1,872)</b>		<b>(2,633)</b>

## Information is provided by sector and geographic area

(€/000)

	Environement and energy ambiente	Steel sector	Total
Net revenues	59,437	223,779	283,216
Operating result	(14,705)	19,730	5,025
Assets directly allocated	270,521	138,412	408,933
Assets not directly allocated			95,142
Liabilities directly allocated	108,377	91,101	199,478
Liabilities not directly allocated			136,119
Tangible and intangible asset investments	37,610	2,750	40,360
Amortisation, depreciation and provisions	26,696	4,456	31,152

(€/000)

	Italy	France	Holland & Germany	United States	Total
Assets directly allocated	283,659	60,011	41,761	23,502	408,933
Tangible and intangible asset investments	37,644	977	1,685	54	40,360

The present financial statements, represents in a true and fair manner; the balance sheet and financial position as well as the result for the year and reflect the accounting records.



## > 7. Supplementary Consolidated Schedules

## 7.1 Equity investments in subsidiary and associated companies

### Companies consolidated by the line-by-line method

Registered office	Value	Share capital	% Held directly	Held indirectly	
				%	Parent company
Enertad SpA Milan	Euro	94,865,881			
<i>ENERGY AND ENVIRONMENT</i>					
Amatrice Servizi Scarl Rieti	Euro	78,000		99.42	Omnia Srl
DSI Srl Frosinone	Euro	100,000	100.00		
Eall Srl Orvieto (Tr)	Euro	5,164,000		100.00	Tad Energia Ambiente SpA
Ecoenergie Srl Paliano (Fr)	Euro	10,000		64.80 25.20	Tad Energia Ambiente SpA EnerSistema Srl
Enercombustibili Srl Frosinone	Euro	10,000		100.00	EnerSistema Srl
EnerSistema Srl Frosinone	Euro	20,000		100.00	Tad Energia Ambiente SpA
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
Eos1-Tiroia Srl (già Comburo Srl) Milan	Euro	3,500,000		100.00	Eos Windenergy Srl
Eos2-Nurra Srl Milan	Euro	10,000		100.00	Eos Windenergy Srl
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 EnerSistema 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
Sodai Italia SpA (beneficiary of spin-off of En. Hydro SpA) Milan	Euro	15,615,000	51.00		
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 Marseilles - France	Euro	17,165,000	100.00		
Charon Inox Sas Marseilles - 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 - Germania	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

Equity investments in subsidiary and associated companies (continued)

Subsidiary companies not consolidated

Registered office	Value	Share capital	% Held directly	Held indirectly	
				%	Parent company
Amea SpA					
Paliano (Fr)	Euro	2,635,000		33.00	Tad Energia Ambiente SpA
Amea Servizi spA					
Paliano (Fr)	Euro	170,827		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
Ecofuels Srl in liquidation					
Paliano (Fr)	Euro	10,000		90.00	Tad Energia Ambiente SpA
Enercom Srl in liquidation					
Frosinone	Euro	25,500		100.00	Ener Sistema Srl
Enerdepurazioni Scarl					
Frosinone	Euro	10,000		99.00	Enercombustibili Srl
				1.00	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
Tad Ambiente Srl in liquidation					
Terni	Euro	90,000		100.00	Tad Energia Ambiente SpA
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

## 7.2 Reclassified Summary Income Statement

	31.12.2004	31.12.2003	(€/000) Change
<b>Industrial revenues and income</b>			
Revenues from sales	283,883	238,041	45,842
Other income	902	535	367
	<b>284,785</b>	<b>238,576</b>	<b>46,209</b>
Changes in inventory of finished, semi-finished and products in work in progress	1,225	2,412	(1,187)
<b>Industrial value of production</b>	<b>286,010</b>	<b>240,988</b>	<b>45,022</b>
Internal construction of fixed assets	1,091	446	645
<b>Total value of production for year</b>	<b>287,101</b>	<b>241,434</b>	<b>45,667</b>
Purchase of raw materials and goods	(176,297)	(136,335)	(39,962)
Change of raw materials and goods	6,162	(2,528)	8,690
Services	(40,586)	(27,001)	(13,585)
Utilities and other costs	(13,258)	(9,890)	(3,368)
Recharge expenses to third parties	620	1,039	(419)
Indirect taxes	(572)	(530)	(42)
<b>Value added</b>	<b>63,170</b>	<b>66,189</b>	<b>(3,019)</b>
Personnel costs	(35,481)	(30,653)	(4,828)
<b>Ebitda</b>	<b>27,689</b>	<b>35,536</b>	<b>(7,847)</b>
Depreciation on operational assets	(22,225)	(17,490)	(4,735)
Doubtful debt provision	(439)	(857)	418
<b>Ebit</b>	<b>5,025</b>	<b>17,189</b>	<b>(12,164)</b>
Financial income and charges	(11,309)	(8,925)	(2,384)
Property income and charges	(24)	(28)	4
Equity investment income and charges	(496)	866	(1,362)
Non-operating income and charges	(11,455)	(2,182)	(9,273)
<b>Pre-tax profit (loss)</b>	<b>(18,259)</b>	<b>6,920</b>	<b>(25,179)</b>
Income taxes for the year	(6,464)	(1,615)	(4,849)
<b>Net profit (loss) for the year</b>	<b>(24,723)</b>	<b>5,305</b>	<b>(30,028)</b>
Minority interest	312	(42)	354
<b>Group net profit (loss) for the year</b>	<b>(24,411)</b>	<b>5,263</b>	<b>(29,674)</b>

### 7.3 Reclassified Analytical Income Statement

(€/000)

Income statement accounts	31.12.2004	31.12.2003	Change
<b>Revenues and incomes of an industrial nature</b>			
<i>Revenues from sales</i>			
1 Income from sales and supply of services	283,217	236,890	46,327
5b Other operating revenues	666	1,151	(485)
<b>Total</b>	<b>283,883</b>	<b>238,041</b>	<b>45,842</b>
<i>Other income</i>			
5a Grants received	366	343	23
5d Other income	536	192	344
<b>Total</b>	<b>902</b>	<b>535</b>	<b>367</b>
	<b>284,785</b>	<b>238,576</b>	<b>46,209</b>
<i>Change of inventory of finished products, semi-finished products and work in progress</i>			
2 Variation in product inventory	1,211	2,412	(1,201)
3 Variation in contract work in progress	14		14
<b>Total</b>	<b>1,225</b>	<b>2,412</b>	<b>(1,187)</b>
<b>Value of industrial production</b>	<b>286,010</b>	<b>240,988</b>	<b>45,022</b>
<i>Internal capitalised production</i>			
4a Production and stocks	162	9	153
4b Interests of the period	929	437	492
<b>Total</b>	<b>1,091</b>	<b>446</b>	<b>645</b>
<b>Value of total production</b>	<b>287,101</b>	<b>241,434</b>	<b>45,667</b>
<i>Purchases of raw materials and consumables</i>			
6 Raw materials, consumables and supplies	(176,297)	(136,335)	(39,962)
<i>Change in inventory of raw materials and consumables</i>			
11 Change in inventory of raw materials and consumables	6,162	(2,528)	8,690
<i>Services</i>			
7a Services	(40,586)	(27,001)	(13,585)
<i>Utilities and various costs</i>			
7b Utilities	(3,408)	(2,969)	(439)
7c Various costs	(4,316)	(2,998)	(1,318)
8 Use of third party assets	(4,088)	(2,475)	(1,613)
13 Other provisions			
14e Other operating expenses	(1,446)	(1,448)	2
<b>Total</b>	<b>(13,258)</b>	<b>(9,890)</b>	<b>(3,368)</b>
<i>Expense recharged to third parties</i>			
5c Expenses charges	620	1,039	(419)
<i>Taxation excluding direct income tax</i>			
14a Taxation excluding direct income tax	(572)	(530)	(42)
<b>Value added</b>	<b>63,170</b>	<b>66,189</b>	<b>(3,019)</b>
<i>Personnel costs</i>			
9 Total personnel expense	(35,481)	(30,653)	(4,828)
<b>Total</b>	<b>(35,481)</b>	<b>(30,653)</b>	<b>(4,828)</b>
<b>Gross operating margin</b>	<b>27,689</b>	<b>35,536</b>	<b>(7,847)</b>
<i>Operating amortisation and depreciation</i>			
10a Amortisation of intangible fixed assets	(8,841)	(5,161)	(3,680)
10b Depreciation of tangible fixed assets	(13,384)	(12,329)	(1,055)
<b>Total</b>	<b>(22,225)</b>	<b>(17,490)</b>	<b>(4,735)</b>
<i>Doubtful debt provisions</i>			
10d Write-down of assets forming part of working capital	(439)	(857)	418
<b>Operating result</b>	<b>5,025</b>	<b>17,189</b>	<b>(12,164)</b>

Reclassified Analytical Income Statement (continued)

	(€/000)		
Income statement accounts	31.12.2004	31.12.2003	Change
<i>Financial income and charges</i>			
16 Total other financial income	4,602	2,709	1,893
-16 c2 Gains on sale of securities			
17 Total interest and other financial charges	(15,998)	(11,778)	(4,220)
-17h Losses on sale of equity investments			
-17i Losses on sale of securities			
17 bis Exchange gains and losses	87	144	(57)
<b>Total</b>	<b>(11,309)</b>	<b>(8,925)</b>	<b>(2,384)</b>
<i>Property income and charges</i>			
5e Property income	7	1	6
14b Property charges	(31)	(29)	(2)
<b>Total</b>	<b>(24)</b>	<b>(28)</b>	<b>4</b>
<i>Income and charges on equity investments</i>			
19a Total write-down of equity investments	(496)	(274)	(222)
15 Total income from equity investments	370	1,140	(770)
-15e Deduct gains on sale of equity investments	(370)		(370)
<b>Total</b>	<b>(496)</b>	<b>866</b>	<b>(1,362)</b>
<i>Non-operating income and charges</i>			
5f Gains from normal activities	25	30	(5)
5g Over-accruals and similar in prior years	566	454	112
10c Other write-downs of fixed assets	(8,392)	(233)	(8,159)
10e Utilisation of the doubtful debt provision	125	406	(281)
10f Losses on receivables	(220)	(859)	639
12a Provision for risks on legal cases in progress	(521)	(300)	(221)
12b Utilisation of the risk provision on pending litigation	63	70	(7)
14c Losses from normal activities	(16)	(16)	
14d Under-accruals and similar in prior years	(488)	(1,353)	865
15e Gains on sale of equity investments	370		370
16c c2 Gains on sale of securities			
17i Losses on sale of securities			
17h Losses on sale of equity investments			
18 Revaluations			
19b Write-downs of financial assets - not constituting equity investments			
19c Write-downs of securities classified under current assets not constit. equity investments			
20a Gains on extraordinary sales	30	380	(350)
20b Others	2,150	397	1,753
20c Utilisation of the re-organisation and liquidation fund			
21a Losses on extraordinary sales	(47)	(13)	(34)
21b Taxes relating to prior years	(5)		(5)
21c Other charges and various risk provisions	(5,095)	(1,145)	(3,950)
21d Charges for re-organisation and liquidation			
<b>Total</b>	<b>(11,455)</b>	<b>(2,182)</b>	<b>(9,273)</b>
<b>Pre-tax result</b>	<b>(18,259)</b>	<b>6,920</b>	<b>(25,179)</b>
<i>Income taxes</i>			
22 Taxation on for the year	(6,464)	(1,615)	(4,849)
<b>Net result for the year</b>	<b>(24,723)</b>	<b>5,305</b>	<b>(30,028)</b>
Minority interest share	312	(42)	354
<b>Group net profit (loss) for the year</b>	<b>(24,411)</b>	<b>5,263</b>	<b>(29,674)</b>

## 7.4 Financial position

		(€/000)		
		31.12.2004	31.12.2003	Change
B III 2b	Financial assets: receivables from associated companies	7	7	
B III 2d	Financial assets: receivables from others	9,210	3,509	5,701
B III 3	Financial assets: other securities	665	665	
C II 2b	Current assets: financial receivables from subsidiary companies	1,044	298	746
C II 3b	Current assets: financial receivables from associated companies			
C II 4b	Current assets: financial receivables from parent companies	37,172	46,779	(9,607)
C II 5a	Current assets: financial receivables from others			
C II 6b	Current assets: financial receivables from Group companies			
C III 5	Current financial assets: other securities			
C III 6	Current financial assets: bills			
C IV	Cash and cash equivalent			
	Liquid assets	16,222	11,864	4,358
	Restricted current account	27,000	25,000	2,000
		43,222	36,864	6,358
D I	Payables : bonds	(42)	(42)	
D 2	Payables : convertible bonds	(76,864)	(76,866)	2
D 3	Payables : payables to shareholders for financing	(62)	(62)	
D 4	Payables : due to banks	(128,749)	(132,797)	4,048
D 5	Payables : due to other lenders	(38,326)	(54,126)	15,800
D 8 b	Payables : bills accepted and drawn			
D 9 b	Payables : financial payables to subsidiary companies	(80)		(80)
D 10 b	Payables : financial payables to associated companies			
D 11 b	Payables : financial payables to parent companies			
D 15 b	Payables : financial payables to Group companies		(3,416)	3,416
<b>Total</b>		<b>(152,803)</b>	<b>(179,187)</b>	<b>26,384</b>

The financial situation at 31.12.2004 and 31.12.2003 can be summarised as follows:

		(€/000)		
		31.12.2004	31.12.2003	Change
1	Financial receivables -medium/long term	9,875	4,174	5,701
2	Financial payables -medium/long term	(154,016)	(175,697)	21,681
3	Net financial position -medium/long term (1+2)	(144,141)	(171,523)	27,382
4	Financial receivables -short-term	81,445	83,948	(2,503)
5	Financial payables -short-term	(90,107)	(91,612)	1,505
6	Net financial position -short-term (4+5)	(8,662)	(7,664)	(998)
<b>7</b>	<b>Total net financial position (3+6)</b>	<b>(152,803)</b>	<b>(179,187)</b>	<b>26,384</b>

## 7.5 Cash flow statement

	Gestione corrente	Change in the consolidat. Area	Total (€/000)
<b>1 Group profit (loss)</b>	<b>(24,411)</b>		<b>(24,411)</b>
2 Amortisation & depreciation	22,226		22,226
3 <i>Elimination of non monetary extraordinary items</i>			
Write-down (Revaluations) of equity investments			
Write-down of tangible and intangible assets	8,388		8,388
Change in provision for investments for net equity adjustment	23		23
Provision (utilisation) of pension provision			
Provision (utilisation) of deferred tax liability provision	733		733
Provision (utilisation) of provision for legal disputes in course	11		11
Provision (utilisation) of other provisions	2,029		2,029
Provision (Utilisation) of doubtful debt provision	120		120
<i>Total non-monetary extraordinary items</i>	<i>11,304</i>		<i>11,304</i>
4 <i>Elimination of monetary extraordinary items</i>			
Receipt of dividends and related tax credit			
(Gains) losses on disposals of investments and securities	(370)		(370)
(Gains) losses on capital expenditure disposals	30		30
<i>Total monetary extraordinary items</i>	<i>(340)</i>		<i>(340)</i>
<b>5 Operating cash flow (1÷4)</b>	<b>8,779</b>		<b>8,779</b>
6 Working capital change	(13,599)		(13,599)
7 (Increase) Decrease of guarantee deposits	(61)		(61)
8 Change in staff leaving indemnity and similar obligations	245		245
9 Tangible and intangible asset investments	(40,360)		(40,360)
10 Purchase of equity investments	(4,263)		(4,263)
<b>11 Cash flow after financial charges and taxes (5÷10)</b>	<b>(49,259)</b>		<b>(49,259)</b>
12 Disposal of tangible fixed assets ( residual net book value)	402		402
13 (Gains) losses on capital expenditure disposals	(30)		(30)
14 Sales/Spin-off of equity investments and treasury shares (book value)			
15 (Gains) losses on sale of equity investments	370		370
<b>16 Net cash flow (11÷15)</b>	<b>(48,517)</b>		<b>(48,517)</b>
17 Translation changes	879		879
18 (Increase)/Decreases in share capital of group companies	(245)		(245)
19 Share capital increase	74,210		74,210
20 Change in the consolidation area		369	369
21 Payment of dividends to shareholders of the Parent Company			
22 Change in minority interest net equity after payment of dividends	(312)		(312)
<b>23 Change in net financial position (16÷22)</b>	<b>26,015</b>	<b>369</b>	<b>26,384</b>
<b>24 Financial position as at 31.12.2003 assets/(liabilities)</b>			<b>(179,187)</b>
<b>25 Financial position as at 31/12/2004 assets/(liabilities) (23÷24)</b>			<b>(152,803)</b>

## 7.6 Reclassified Balance Sheet "capital employed and source of funds"

(€/000)

Balance Sheet accounts		31.12.2004	31.12.2003	Changes
<b>NET CAPITAL EMPLOYED</b>				
I	<b>SUBSCRIBED CAPITAL UNPAID</b>		I	(1)
B	<b>Fixed assets</b>			
B I	<i>Intangible fixed assets</i>	85,568	76,239	9,329
B II	<i>Tangible assets</i>			
	Gross value	214,042	180,113	33,929
	Accumulated depreciation	(47,087)	(33,928)	(13,159)
	<b>Total tangible fixed assets</b>	<b>166,955</b>	<b>146,185</b>	<b>20,770</b>
	<i>Equity investments and treasury shares</i>			
B III	I Equity investments classified under fixed assets	8,039	20,517	(12,478)
C III	(1/2/3) Equity investments classified under current assets	213	3,630	(3,417)
B III	4 Treasury shares classified under fixed assets			
C III	4 Treasury shares classified under fixed assets			
	<b>Equity investments and treasury shares</b>	<b>8,252</b>	<b>24,147</b>	<b>(15,895)</b>
B 3	b Risk fund provision on equity investments	(1,043)	(1,020)	(23)
B III	2 f Deposits	249	187	62
	<b>Total equity investments, treasury shares and deposits</b>	<b>7,458</b>	<b>23,314</b>	<b>(15,856)</b>
	<b>Total fixed assets</b>	<b>259,981</b>	<b>245,738</b>	<b>14,243</b>
B	<b>Provision for contingencies and charges</b>			
B I	<i>Pension and similar provisions</i>			
B 2	<i>Taxation</i>			
	a Current			
	b Deferred	(3,533)	(2,942)	(591)
	<b>Total taxation</b>	<b>(3,533)</b>	<b>(2,942)</b>	<b>(591)</b>
B 3	<i>Others</i>			
	a Provision on pending litigation	(651)	(639)	(12)
	c Exchange rate risk provision			
	d Environmental improvement risk provision	(88)	(99)	11
	e Re-organisation and liquidation risk provision			
	f Fund provision for other risks	(2,403)	(364)	(2,039)
	<b>Total others</b>	<b>(3,142)</b>	<b>(1,102)</b>	<b>(2,040)</b>
	<b>Total provision for contingencies and charges</b>	<b>(6,675)</b>	<b>(4,044)</b>	<b>(2,631)</b>
C	<b>Employee leaving indemnity</b>	<b>(2,101)</b>	<b>(1,852)</b>	<b>(249)</b>
<b>2</b>	<b>NET FIXED CAPITAL</b>	<b>251,205</b>	<b>239,842</b>	<b>11,363</b>
C I	<b>Inventory</b>			
	Gross value	49,020	42,102	6,918
	Provision for write-downs			
	<b>Total inventory</b>	<b>49,020</b>	<b>42,102</b>	<b>6,918</b>
C II	<b>Receivables</b>			
I	<i>Receivables from customers</i>			
	Gross value	79,581	69,148	10,433
	Doubtful debt provision	(2,042)	(2,162)	120
	<b>Total receivables from customers</b>	<b>77,539</b>	<b>66,986</b>	<b>10,553</b>
	<i>Receivables from group companies</i>			
2a	From subsidiaries	338	36	302
3a	From associated companies	1,519	5,450	(3,931)
4a	Parent companies	798	724	74
6a	Other group companies			
	<b>Receivables from group companies</b>	<b>2,655</b>	<b>6,210</b>	<b>(3,555)</b>
	<b>Total receivables</b>	<b>80,194</b>	<b>73,196</b>	<b>6,998</b>

Reclassified Balance Sheet "capital employed and source of funds" (continued)

(€/000)

Balance Sheet accounts	31.12.2004	31.12.2003	Changes
<i>Other receivables</i>			
<i>Other receivables from group companies</i>			
2c From subsidiaries	4	1	3
3c From associated companies			
4c Parent companies	1,291	1,292	(1)
6c Other group companies			
<i>Total other receivables from group companies</i>	1,295	1,293	2
<i>Other receivables from third parties</i>			
4 bis Crediti tributari	7,765	5,918	1,847
4 ter Imposte anticipate	5,405	5,575	(170)
5b From others- accounts	1,185	1,408	(223)
5c From others- other	4,137	1,749	2,388
<i>Total receivables from others</i>	18,492	14,650	3,842
<i>Total other receivables</i>	19,787	15,943	3,844
<b>D Prepayment &amp; accrued income</b>	<b>2,731</b>	<b>1,835</b>	<b>896</b>
<b>Total current assets</b>	<b>151,732</b>	<b>133,076</b>	<b>18,656</b>
<b>D Payables</b>			
<i>Trade payables</i>			
7 Suppliers	(61,201)	(63,282)	2,081
<i>Payables to group companies</i>			
9a Subsidiaries	(724)		(724)
10a Associated companies	(130)	(114)	(16)
11a Parent companies	(952)	(733)	(219)
15a Other group companies	(206)	(145)	(61)
<i>Total trade payables to group companies</i>	(2,012)	(992)	(1,020)
<i>Total trade payables</i>	(63,213)	(64,274)	1,061
<i>Other payables</i>			
<i>Other payables to group companies</i>			
9c Subsidiaries	(5)		(5)
10c Associated companies	(1)		(1)
11c Parent companies			
15c Other group companies	(11)	(171)	160
<i>Total other payables to group companies</i>	(17)	(171)	154
<i>Other payables to third parties</i>			
6 Payments on account	(54)		(54)
12 Tax authorities	(5,511)	(7,007)	1,496
13 Social security institutions	(1,933)	(1,532)	(401)
14 other payables	(6,933)	(4,424)	(2,509)
<i>Total other payables to third parties</i>	(14,431)	(12,963)	(1,468)
<i>Total other payables</i>	(14,448)	(13,134)	(1,314)
<b>Total payables</b>	<b>(77,661)</b>	<b>(77,408)</b>	
<b>E Accruals and deferred income</b>	<b>(3,994)</b>	<b>(3,410)</b>	<b>(584)</b>
<b>Total current assets</b>	<b>(81,655)</b>	<b>(80,818)</b>	<b>(837)</b>
<b>3 WORKING CAPITAL</b>	<b>70,077</b>	<b>52,258</b>	<b>17,819</b>
<b>4 TOTAL NET CAPITAL EMPLOYED (1+2+3)</b>	<b>321,282</b>	<b>292,101</b>	<b>29,181</b>

Reclassified Balance Sheet "capital employed and source of funds" (continued)

(€/000)

Balance Sheet accounts		31.12.2004	31.12.2003	Changes
<b>SOURCE OF FUNDING</b>				
A	<b>Net equity</b>			
I	Share capital	(94,866)	(62,619)	(32,247)
II	Share premium reserve	(75,672)	(33,751)	(41,921)
III	Revaluation reserve	(1,965)	(1,965)	
IV	Legal reserve	(1,388)	(1,388)	
V	Treasury share reserve			
VI	Statutory reserve			
VII	Other reserves	(11,675)	(6,557)	(5,118)
VIII	Retained earnings (accumulated losses)	286	(447)	733
	<b>Total</b>	<b>(185,280)</b>	<b>(106,727)</b>	<b>(78,553)</b>
IX	Profit/ (loss) for the period	24,411	(5,263)	29,674
	Group net equity	(160,869)	(111,990)	(48,879)
	Minority interest net equity	(7,610)	(924)	(6,686)
<b>I</b>	<b>TOTAL NET EQUITY</b>	<b>(168,479)</b>	<b>(112,914)</b>	<b>(55,565)</b>
<b>Medium/long term financial receivables</b>				
<i>From third parties</i>				
B III	2 d Receivables from others -over 12 months	9,210	3,509	5,701
	3 Other securities - over 12 months	665	665	
	5a Receivables from other lenders - over 12 months			
	<b>Total third parties</b>	<b>9,875</b>	<b>4,174</b>	<b>5,701</b>
<i>From Group companies</i>				
B III	2a Subsidiary companies- over 12 months			
	2b Associated companies- over 12 months			
	2c Parent companies- over 12 months			
	2e Other group- over 12 months			
C II	2b Subsidiary companies- over 12 months			
	3b Associated companies- over 12 months			
	4b Parent companies- over 12 months			
	6b Other group- over 12 months			
	<b>Total from group companies</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>Total medium/long term financial receivables</b>	<b>9,875</b>	<b>4,174</b>	<b>5,701</b>
<b>Medium/long term financial payables</b>				
<i>Third parties</i>				
I	Bonds - over 12 months		(42)	42
2	Convertible bonds - over 12 months	(76,491)	(76,492)	1
3	Bank - over 12 months			
4	Shareholder loans- over 12 months	(54,845)	(66,927)	12,082
5	Other lenders - over 12 months	(22,680)	(32,236)	9,556
8	Accounts payable on bills - over 12 months			
	<b>Total third parties</b>	<b>(154,016)</b>	<b>(175,697)</b>	<b>21,681</b>
<i>Group companies</i>				
9b	Subsidiary companies- over 12 months			
10b	Associated companies- over 12 months			
11b	Parent companies- over 12 months			
15b	Other group- over 12 months			
	<b>Total group companies</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>Total medium/long term financial payables</b>	<b>(154,016)</b>	<b>(175,697)</b>	<b>21,681</b>
	<b>NET FINANCIAL POSITION - MEDIUM/LONG TERM</b>	<b>(144,141)</b>	<b>(171,523)</b>	<b>27,382</b>

Reclassified Balance Sheet "capital employed and source of funds" (continued)

(€/000)

Balance Sheet accounts	31.12.2004	31.12.2003	Changes
<b>Short-term financial receivables</b>			
<i>Group companies</i>			
B III 2a	Subsidiary companies- within 12 months		
2b	Associated companies- within 12 months	7	7
2c	Parent companies- within 12 month		
2e	Other group - within 12 months		
C II 2b	Subsidiary companies- within 12 months	1,044	298
3b	Associated companies- within 12 months		
4b	Parent companies- within 12 month	37,172	46,779
6b	Other group - within 12 months		
<i>Total group companies</i>		38,223	47,084
<i>Third parties</i>			
C II 2d	Other financial receivables - within 12 months		
5a	Receivables from other lenders - within 12 months		
C III 5	Other securities - within 12 months		
6	Deposits - within 12 months		
<i>Total third parties</i>			
C IV	Cash in hand and at banks	43,222	36,864
<b>Total short-term financial receivables</b>		<b>81,445</b>	<b>83,948</b>
<b>Short-term financial payables</b>			
<i>Third parties</i>			
D 1	Bonds - within 12 months	(42)	(42)
2	Convertible bonds - within 12 months	(373)	(374)
3	Banks - within 12 months	(62)	(62)
4	Shareholders loans - within 12 months	(73,904)	(65,870)
5	Other lenders - within 12 months	(15,646)	(21,890)
8	Accounts payable on bills - within 12 months		
<i>Total due to third parties</i>		(90,027)	(88,196)
<i>Group companies</i>			
9b	Subsidiaries - within 12 months	(80)	(80)
10b	Associated companies - within 12 months		
11b	Parent companies - within 12 months		
15b	Group companies - within 12 months		(3,416)
<i>Total due to group companies</i>		(80)	(3,416)
<b>Total short-term financial payables</b>		<b>(90,107)</b>	<b>(91,612)</b>
<b>Total short-term net financial position</b>		<b>(8,662)</b>	<b>(998)</b>
<b>2</b>	<b>TOTAL NET FINANCIAL POSITION</b>	<b>(152,803)</b>	<b>(179,187)</b>
<b>3</b>	<b>TOTAL SOURCE OF FUNDING (1+2)</b>	<b>(321,282)</b>	<b>(292,101)</b>

> 8. Report of the Board of Statutory  
Auditors to the Shareholders' Meeting

## 8.1 Report of the Board of Statutory Auditors on the Parent Company and Consolidated Financial Statements as at December 31, 2004 of Enertad SpA

### **MINUTES OF THE BOARD OF STATUTORY AUDITORS MEETING**

#### **OF ENERTAD SpA OF APRIL 6, 2005**

On April 6, 2005 at the offices of the Chairman of the Board of Statutory Auditors, the Chairman Bianchini Scudellari and the standing auditors de Ruvo and Della Fontana met in order to prepare the report in accordance with article 153 of Legislative Decree 58/98 and article 2429 of the Civil Code.

Having reviewed the documentation made available by the Board of Directors and by the Administration Department of the companies, and the auditors' report, the following two reports were prepared and the check list required by the CONSOB Communication No. 1025564 of April 2001, to be sent the day after the shareholders' meeting for the approval of the financial statements.

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#### ***Report of the Board of Statutory Auditors on the statutory financial statements as at December 31, 2004 of Enertad SpA***

Dear Shareholders,

The present report is prepared in accordance with article 153, paragraph 1 of the legislative decree 58/98, taking into consideration CONSOB Communication DEM/1025564 of April 6, 2001.

During the year we attended the meetings of the Board of Directors; in these meetings and in separate meetings with the Chairman and the Managing Director, and with the Vice-Chairman and the Managing Director, we obtained information on the business operations and on the economic, financial and equity operations made including through subsidiary companies.

Through the obtaining of information from the managers of the different departments, from the examination of the documentation transmitted and from the examination of the statutory records, we have reviewed and verified, in relation to our responsibilities, the adequacy of the organisational structure of the company, the internal control system, the administration/accounting system and on the reliability to correctly represent the operations

made, as well as the adequacy of the instructions given to the subsidiary companies in order to comply with the obligations of the communication.

In particular we communicate that:

- the company did not undertake any untypical or unusual transactions with infra-group, related or third party companies;
- the transactions with related parties are of a commercial (prevalently referring to holding, administrative and financial activities) and financial nature (centralised treasury management), in the interests of the company, at market prices; the information provided by the directors in the director's report is adequate;
- no significant transactions were undertaken that were not in conformity with law or company by-laws, imprudent or risky, in potential conflict of interest or contrary to resolutions made by the shareholders' meeting or that would compromise the net equity values of the company; the most significant transactions are reported in the director's report on operations;

the most significant of these related to:

- (i) On March 31, 2004, Eos 1 – Troia Srl (formerly 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”;
- (ii) On April 6, 2004 the total proportional spin-off was signed of En Hydro SpA with the incorporation of two companies, of which one, Società Depurazioni Acque Industriali Italia SpA (Sodai Italia SpA) held 51% by Enertad SpA. The remaining quota equal to 49% is held by Trenitalia SpA. Sodai Italia SpA took under direct management 20 waste treatment plants from Trenitalia.
- (iii) On June 21, 2004, the Board of Directors of the company deliberated the approval of the information prospectus relating to the share capital increase of the company. This operation resulted in the emission of 32,246,772 new ordinary shares with a nominal

value of Euro 1.00 each and a share premium of Euro 1.30 with normal rights as of January 1, 2004.

(iv) On September 10, 2004 the Board of Directors of the company took notice that on August 5, 2004 the share capital increase operation was concluded;

(v) On November 12, 2004, the Board of Directors of the company deliberated the share capital increase in the subsidiary Enertad France SAS from Euro 7,165,000.00 to Euro 17,165,000.00 through the issue of 655.910 new shares;

(vi) On December 23, 2004, the Shareholders' Meeting of the company deliberated the faculty to increase on more than one occasion the paid-in share capital for a period of five years from the date of the Shareholders' Meeting for a maximum nominal amount of Euro 3,600,000 through the issue of a maximum number of 3,600,000 ordinary shares to be offered in subscription to the directors and senior management of the company or subsidiary companies.

- there were no matters reported in the auditors' report;
- the directors did not propose the distribution of a dividend;
- no petitions or claims were received as per article 2408 of the civil code;
- the independent audit firm received other assignments relating to: a) assistance in the preparation of the information prospectus and verification of the industrial plan for the purpose of a share capital increase: Euro 14,000; b) support activity in the implementation of the systems and accounting procedures for the application of IAS/IFRS accounting standards: Euro 35,000; c) verification of the "covenants" relating to the convertible bond dated 31.12.2003 and 30.06.2004: Euro 10,000;
- we are not aware of any appointments of a continuative nature with persons related to the independent audit firm;

our opinion was given in accordance with article 2389, paragraph 2 of the Civil Code on June 30, 2004 in relation to the determination of the remuneration of the members of the Board of Directors and the members of the Internal Control and Remuneration

Committees; in the same meeting a mandate was given to the Remuneration Committee, including the Chairman of the Board of Statutory Auditors, to determine the remuneration of the Chairman and the Vice Chairman, in their positions as Managing Directors.

- the Board of Statutory Auditors maintained regular contact with the independent audit firm, through meetings at the registered office of the company, during the course of which it was not necessary to make more detailed investigations;
- the organisational structure and the internal control system were reviewed by the board of statutory auditors that, together with the Internal Control Committee, verified the formalisation of some internal procedures and the level of responsibility of managers. During the year the internal audit function was better defined, and commencing from 2005 a new person was appointed to head the department. These matters are reported in the corporate governance report that also indicates the non significant areas not implemented by the Self Regulation Code;
- the accounting system, that has been recently reorganise, is adequate and appropriate for the correct representation of the business operations and the instructions given to the subsidiary companies appear adequate;
- there were no important omissions or irregularities noted during the verifications made.

On June 30, 2004 the Board of Directors renewed the members of the Internal Control Committee and the Remuneration Committee. All of the members were chosen from independent or non-executive directors.

During the year we held nine Board meetings, held periodic meetings with the independent auditors and management of the company. The Board of Directors held ten meetings in the year. The Internal Control Committee, set up in June 2003, held its first meeting in April 2004, approving the Regulations and its work plan and its second meeting in September 2004, relating to the organisational structure of the company. The Remuneration Committee met three times (June 30, September 29 and November 12) in 2004.

In relation to our responsibility we have examined the draft parent company and consolidated

financial statements of the company prepared by the Board of Directors and the director's report and we verified compliance with the law that governs their preparation.

Based on the verifications made and the information received there are no significant matters to report upon in the present report.

In consideration of the matters commented upon above we express our favourable opinion for the approval of the financial statements.

Finally, we recall that, with the approval of the present financial statements, our three year mandate terminates. We thank you for your trust and invite you to deliberate in relation to the composition of the new Board.

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***Report of the Board of Statutory Auditors on the consolidated financial statements as at December 31, 2004 of Enertad SpA***

Dear Shareholders,

The Board of Directors prepared the consolidated financial statements at December 31, 2004. 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 March 30, 2005 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 activities of the Board are concluded with the preparation and signing of the present minutes.

The Board of Statutory Auditors

Giorgio Bianchini Scudellari

Marco de Ruvo

Alessandro Della Fontana

Handwritten signatures of the Board of Statutory Auditors, corresponding to the names listed to the left.

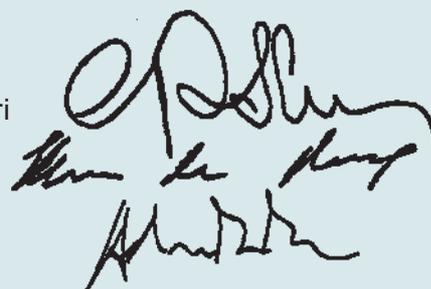
The above "Reports" contained in these minutes were deposited on the current date at the registered office of the company.

The Board of Statutory Auditors

Giorgio Bianchini Scudellari

Marco de Ruvo

Alessandro Della Fontana

Handwritten signatures of the Board of Statutory Auditors, corresponding to the names listed to the left.

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



## > 9. Independent Auditors' Report

# Deloitte.

Deloitte & Touche S.p.A.  
Via Tortona, 25  
20144 Milano  
Italia

Tel: +39 02 83322111  
Fax: +39 02 83322112  
www.deloitte.it

### REPORT OF THE INDEPENDENT AUDITORS AS PER ARTICLE 156 OF LEGISLATIVE DECREE NO. 58 OF FEBRUARY 24, 1998

To the Shareholders of  
ENERTAD S.p.A.

We have audited the financial statements of Enertad S.p.A. as of December 31, 2004. These financial statements are the responsibility of Enertad S.p.A.'s Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the Auditing Standards 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 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.

For the opinion on the financial statements of the prior period, which are presented for comparative purposes as required by law, reference should be made to our report issued on June 3, 2004.

In our opinion, the financial statements of Enertad S.p.A. as of December 31, 2004 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 Enertad S.p.A..

The Company has controlling shareholdings that are recorded in the financial statements at cost and therefore prepare consolidated financial statements. The consolidated financial statements represent an integration of the financial statements in order to provide adequate information on the financial position and results of the Company and of the Group. The consolidated financial statements, audited by us, are presented together with our report dated March 30, 2005.

DELOITTE & TOUCHE S.p.A.

Dario Righetti  
Partner

March 30, 2005

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

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

Member of  
Deloitte Touche Tohmatsu

Sede Legale: Via Tortona, 25 - 20144 Milano  
Capitale Sociale: versato Euro 10.275.030,00 - 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

# Deloitte.

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### REPORT OF THE INDEPENDENT AUDITORS AS PER ARTICLE 156 OF LEGISLATIVE DECREE NO. 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, 2004. 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.

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 our report issued on June 3, 2004.

In our opinion, the consolidated financial statements of the company Enertad S.p.A. and its subsidiaries as of December 31, 2004 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.

DELOITTE & TOUCHE S.p.A.

Dario Righetti  
Partner

March 30, 2005

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

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