AnsaldoEnergia
A Finmeccanica Company

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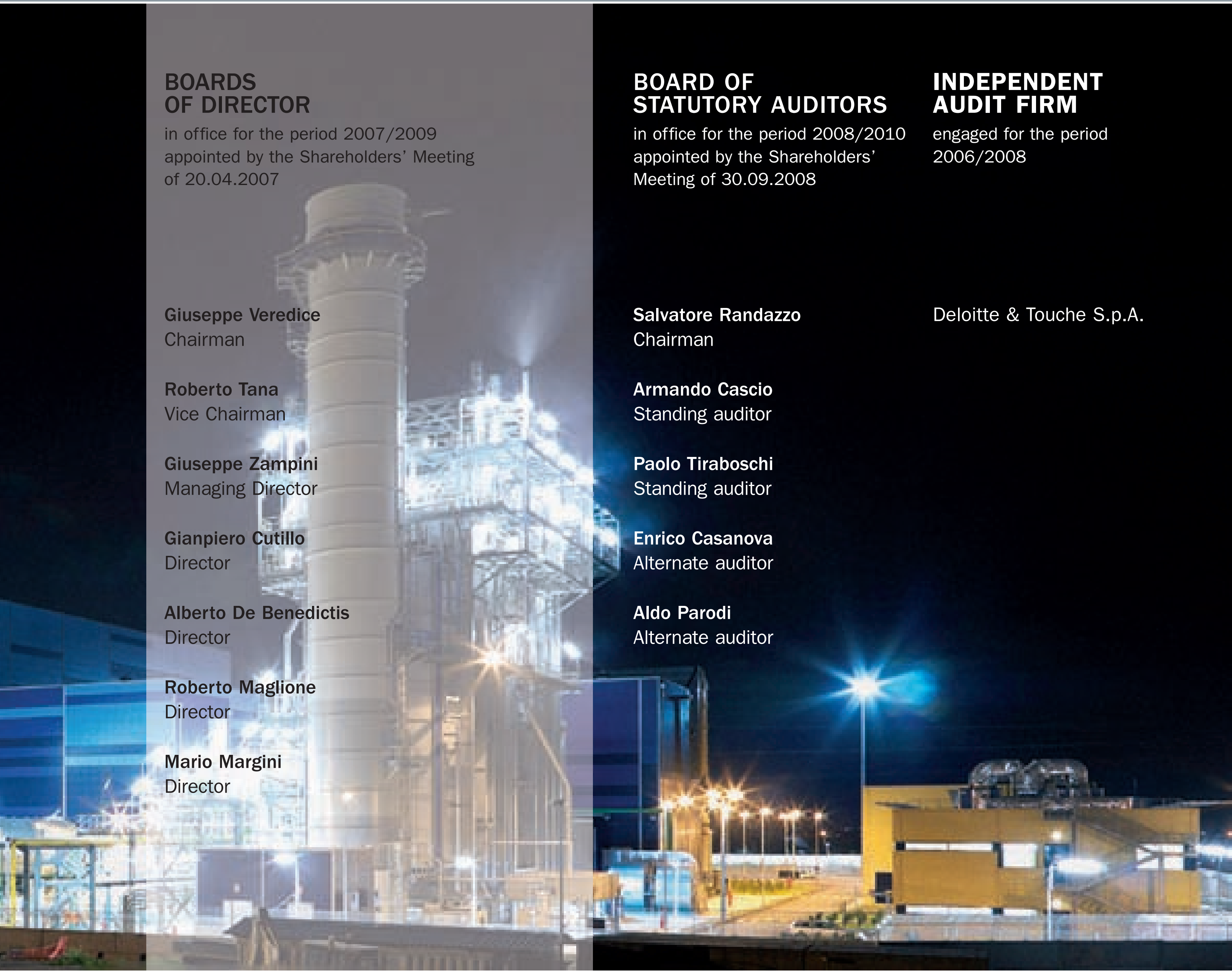


BOARDS OF DIRECTOR

in office for the period 2007/2009 appointed by the Shareholders' Meeting of 20.04.2007

Giuseppe Veredice
Chairman

Roberto Tana
Vice Chairman

Giuseppe Zampini
Managing Director

Gianpiero Cutillo
Director

Alberto De Benedictis
Director

Roberto Maglione
Director

Mario Margini
Director

BOARD OF STATUTORY AUDITORS

in office for the period 2008/2010 appointed by the Shareholders' Meeting of 30.09.2008

Salvatore Randazzo
Chairman

Armando Cascio
Standing auditor

Paolo Tiraboschi
Standing auditor

Enrico Casanova
Alternate auditor

Aldo Parodi
Alternate auditor

INDEPENDENT AUDIT FIRM

engaged for the period 2006/2008

Deloitte & Touche S.p.A.

Report on operations

Significant events in 2008 and events subsequent to the closure of the accounts

Shareholders

the flattering economic and financial results reported by your Company in fiscal 2008 confirm the success of the strategy adopted in recent years. We would like to draw your attention in particular to new orders worth Euro 2 billion, free operating cash flow amounting to Euro 134 million, a positive net financial position of Euro 574 million after distribution of the previous year's dividend totalling Euro 45 million, a rise in revenues of about 26% on 2007, excellent profitability with ROS standing at 9.3%, and an order backlog totalling Euro 3,658 million.
Looking at the most significant events in 2008 in more detail, the Company reported growing volumes in both key business areas: plant & components, and service activities. This production volume growth, a natural consequence of the high level of new orders in the last two years, has also been accompanied by careful selection of the risk profiles underpinning new contracts and by equally careful management, in order to maintain and to some extent improve profitability in both of these areas.
To improve its focus on the strategic goals set, your Company implemented a reorganisation during 2008, the main feature of which was the creation of a general management office devoted exclusively to contract performance, plus a co-general management office focusing on the development of products and markets.
During the year subsidiary Sagemi S.r.l. was merged into Ansaldo Energia S.p.A. as part of a complex process to simplify the corporate structure, in order to optimise the use of resources and reduce structural costs.

Turning to technology development, which provides vital support for volume and results growth, work in your Company's traditional sectors of operation focused on improving existing products, on scouting for new opportunities and alliances, and on focusing the research work of subsidiary Ansaldo Ricerche S.p.A. on the main projects pursued by the Group. We would like to draw your attention in particular to the introduction of a programme to improve the performance of the Company's largest turbine product, as well as to the continuation of several programmes to extend the service product portfolio, with special regard to service activities on fleets of machinery not manufactured by your Company.

Another important event in terms of diversification in the renewable energy and distributed generation sector was the acquisition during the year of 94.37% of Ansaldo Fuel Cells S.p.A., in part from Finmeccanica Group company Sogepa S.p.A., in part from Fincantieri S.p.A. (6.29%), and in part by paying in the unsubscribed portions of a capital increase (9.65%).

Ansaldo Fuel Cells has a mission to develop and industrialise fuel cells, which represent an emerging technology in the renewable energy and distributed generation sector and look set to become particularly important if environmental issues become very restrictive. The project development roadmap is relatively long-term and industrialisation will only be complete in several years' time.
In the same business segment, a 25% stake was also acquired in Turboenergy S.r.l., which specialises in the production and sale of micro-turbines rated 100 and 600 kwatt. A preliminary contract has also been drawn up with A.P.I. S.r.l., the parent company of Turboenergy, establishing a call option to purchase an additional stake which would give the Group a 51% holding in the company. The option will be valid from 15 May 2009 to 15 May 2010.

Efforts also continued to modernise production equipment, particularly at the Genoa production facility, in order to improve both efficiency and production capacity. These investments were not limited just to purchases of machinery and equipment featuring new technology, but also involved an ambitious project to redefine production flow, with the aim of reducing both throughput time for the main factory-manufactured products and production costs, as well as to create more sophisticated tools to measure the efficiency and effectiveness of production processes.

The growth reported during the year would not have been possible without careful human resources management, which represents a strategic lever to pursue and consolidate change.
Initiatives have therefore been taken to improve the professional mix of resources through new hirings, but most importantly with training initiatives designed to increase the technical and management skills of personnel at all corporate levels.

Your company works in a highly international sector, featuring a strong supply-side offering and extremely complex technological and management issues.
In performing its activities, your Company is subject to risk and uncertainty that could affect its economic and financial position.
General risks and risks linked to the type of business conducted by the Company are presented below:

General risks

Demand for goods and services in the power generation sector is driven by GDP and demographic trends in individual countries. This market is also affected by specific environmental policies and the price trend of the main fossil and other fuels used to generate electricity.

In 2008, and in the last quarter of the year in particular, financial markets were highly volatile, which had serious repercussions for various financial institutions and the economy as a whole. The overall weakening of the global economy will cause a reduction in demand for electricity generation, although the impact on different types of technology is not easy to predict at the present time. It is also certain that, if the weak situation and uncertainty over world growth were to continue for more than two or three years, the consequences on the net worth and financial position of your Company could be significant.

So far as demographics are concerned, the continuing growth trend will drive an increase in consumption, and we can therefore exclude any specific signs of risk in this area.

Environmental policy being adopted worldwide is consistent with the development direction of the products manufactured by your Company; it should be remembered that your Company's main product (gas turbines for combined and open cycles) represents the technology with the least environmental impact when compared to alternative forms of power generation from fossil fuels.

Finally, 2008 saw the price of the main fossil fuels touch historic highs in the first half of the year, only to fall dramatically in the last quarter as a result of the financial crisis. At the present time there is no reason to believe the price of fossil fuels will vary significantly in 2009, and no specific future risks have therefore been identified for your Company.

Risks relating to type of business

The international market in which your Company operates exposes it to financial risks.

The company adopts an extremely prudent policy with regard to the coverage of risks of a financial nature. Significant operations in currencies other than the Euro subject to exchange risk are hedged by means of specific forward contracts. To eliminate or minimise the credit risk, deriving in particular from work in foreign countries, the company adopts a policy of carefully analysing commercial operations right from the outset, closely examining the terms and conditions of payment to propose in offers and subsequently in contracts of sale.

Specifically, according to the value of the contract, the type of customer and the importing country, all the necessary precautions are taken to limit risk in terms of both payment and the financial instruments used, with recourse in the most complicated cases to insurance coverage or providing assistance to help the Customer obtain supply financing.

Typical risks for your Company

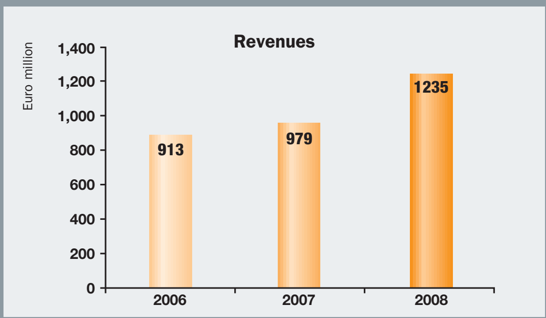
Fierce competition in the reference markets in which your Company operates is reflected in risks connected with its ability to maintain adequate levels of investment in innovative technology, in order to ensure that the product portfolio remains competitive compared to that offered by the competition. So far as the main gas turbine product is concerned, your Company has investment programmes underway to ensure that the technical characteristics of the main models remain competitive. The risk of a paradigm shift in technology introduced by the competition, such as to make your Company's products obsolete, does not at the present time appear significant.

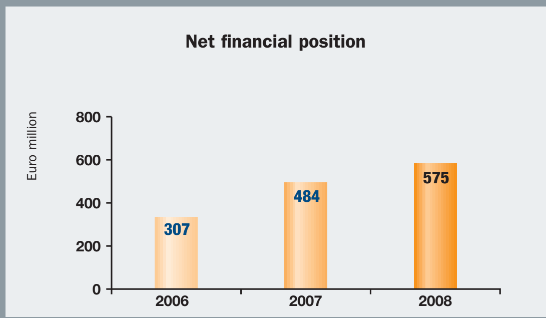
The robust results achieved, and in particular the level and quality of the order book and net financial position, mean that your Company can look ahead confidently to a 2009 that will be characterised by the effects of the continuing financial crisis, which began in September 2008.
These effects, which will be felt at least throughout 2009, should not have negative consequences for your company, even in the most pessimistic scenario so far outlined; indeed, the quality of the order book means that 2009 results are forecast to be in line with 2008.

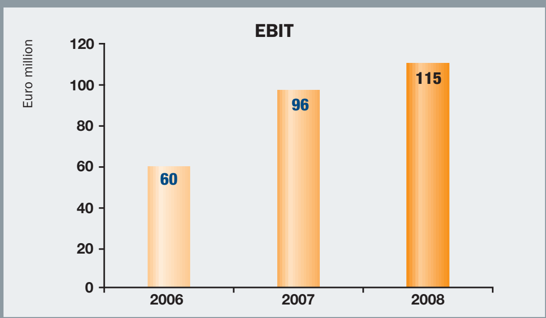
In early January 2009 the Company was notified that Pont Ventoux S.c.a.r.l. had appointed an arbitrator in its dispute with the Temporary Company Grouping between Ansaldo Energia S.p.A. (lead company), Alstom Power Italia S.p.A. and Voith Siemens Hydro Power Generation S.p.A., which was awarded a contract worth a total Euro 15 million to supply two electric power generation sets as part of the project to built a hydroelectric power station in Val di Susa.
The supply breaks down: Ansaldo Energia S.p.A. 31%, Alsthom Power Italia S.p.A. 17%, and Voith Siemens Hydro Power Generation S.p.A. 52%. Point Ventoux S.c.a.r.l. claims compensation for alleged direct and indirect damages and loss of image (these items are quantified at more than Euro 35 million) amounting to a total of more than Euro 90 million, maintaining that due to serious negligence the Grouping cannot rely on the clause that limits its liability to the value of the contract. Moreover, an initial examination of the application for arbitration shows that the reasoning of Pont Ventoux impinges on the failure to resolve issues affecting the Voith-Siemens and Alsthom supply.
Ansaldo Energia S.p.A. believes that it has performed its scope of supply fully and acted with the utmost diligence as lead company, and that it is therefore materially extraneous to the claims raised by Pont Ventoux for delays and non-performance of the contract. As Ansaldo Energia is the lead company, it will nevertheless work to defend both its own interests and those of the Grouping. Meetings are underway with representatives of the other companies in the Grouping to establish how to approach the litigation and the defensive strategy to adopt. In consideration of the above and the embryonic stage of the arbitration process, it is not thought necessary at this time to post any negative economic effects to the financial

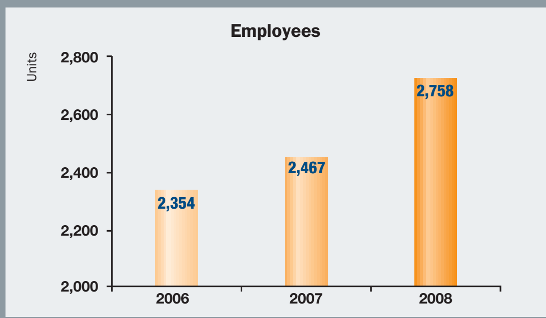
statements, also because same could be settled from warranty risk provisions made by the Company to cover the uncertainties typical of the business segment in which it operates.
Finally, there were no significant events after the closure of the accounts such as to require comment on their possible financial effects.

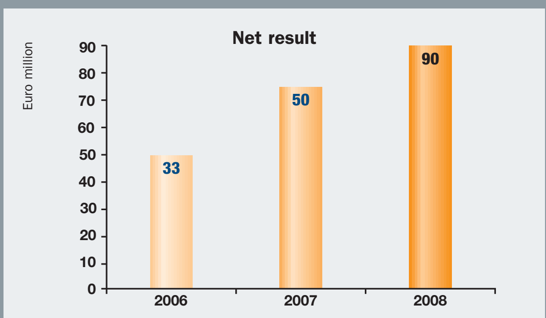
Ansaldo Energia results in the three-year period 2006-2008











Analysis of performance and financial position

The financial statements of Ansaldo Energia S.p.A. at 31 December 2008 have been prepared in accordance with the international accounting standards (IFRSs) endorsed by the European Commission and supplemented by the relevant interpretations (Standing Interpretations Committee – SIC and International Financial Reporting Interpretations Committee – IFRIC) issued by the International Accounting Standard Board (IASB).

In order to provide further information on the performance and financial position of Ansaldo Energia S.p.A., reclassified statements have been prepared.

Euro/thousand	2008	2007
Revenues	**1,235,627**	**979,001**
Costs for purchases and personnel	(1,143,204)	(854,922)
Amortisation and depreciation	(17,376)	(13,650)
Write-downs		(2,000)
Other net operating revenues (costs)	(753)	(4,187)
Changes in work in progress, semi-finished goods and finished products	40,962	(7,870)
EBIT	**115,256**	**96,372**
Net financial income (charges)	20,522	7,936
Income taxes (53,850) (37,041)	(46,243)	(53,850)
NET PROFIT BEFORE DISCONTINUED OPERATIONS	**89,535**	**50,458**
Result of discontinued operations		
NET PROFIT	**89,535**	**50,458**

2008 closed reporting higher revenues by about 26.2% in all business areas. So far as plant and machinery are concerned, this rise is attributable to an increase both in factory production and the percentage of plant engineering work, while in the service segment the rise on 2007 is mainly attributable to current service activities, because the contribution made by scheduled maintenance contracts was fairly stable.
Service business represents about 20% of revenues and about 29% of the gross margin generated during the year. EBIT increased Euro 18.9 million, standing at 9.3% of revenues (9.9% in 2007), but the comparison between the two years is not consistent as the 2008 total includes costs amounting to about Euro 6 million attributable to management fees charged by Finmeccanica S.p.A. for services rendered by the controlling company in the interests and on behalf of Group companies, consistently with its management and coordination activities. These fees were not charged in 2007 and, if adjusted to account for them, EBIT in 2008 would have amounted to 9.8%.
Research and development expenditure rose to Euro 21,9 million, of which Euro 16.8 million posted to the income statement and Euro 5.1 million capitalised to intangible assets, whereas in 2007 the total value of Euro 18.3 million was posted entirely to the income statement. The balance of other net operating revenues (costs) was a negative Euro 0.8 million, as opposed to a negative Euro 4.2 million in 2007. This item includes indirect taxes for the year, exchange differentials on cost items net of any insurance refunds and a provision to the reserve for litigation risks of Euro 3.5 million. In 2007 provisions were made for a dispute in arbitration and in connection with the asbestos risk, and income was recorded on the collection of receivables which had previously been written down.

Amortisation and depreciation rose by about Euro 3.9 million, attributable to the rise in tangible fixed assets as a result of investments in upgrading production capacity to meet higher production volumes.
Net financial income, standing at a positive Euro 20.5 million, breaks down Euro 21 million deriving from financial management, which benefited from higher average interest rates and a good net financial position. It also includes the loss recorded on investments of Euro 0.4 million, attributable to increases of Euro 1.3 million deriving from the dividend approved by subsidiary Ansaldo Nucleare S.p.A. and the release of the subsidiary write-down reserve in relation to company ASPL Ltd amounting to Euro 0.9 million, and the decrease attributable to the permanent loss of value in Ansaldo Ricerche S.p.A. of Euro 2.6 million.

Income tax amounting to Euro 46 million (Euro 54 million in 2007) has fallen, despite the improvement in the pre-tax result, because it benefits from the reduction in Italian tax rates and the redefinition of the tax base for the purposes of IRAP (regional business tax). In addition to IRES (corporate income tax), IRAP and deferred taxation, this item also includes Euro 0.5 million in foreign taxation, a sharp fall on 2007 (Euro 5 million).

The table below breaks down the balance sheet at 31 December 2008, with comparative information at 31 December 2007:

Euro/thousand	31.12.2008	31.12.2007
Non current assets	**181.391**	**132.260**
Non current liabilities	**132.546**	**123.460**
	48.845	**8.800**
Inventories	321.793	146.349
Contract work in progress	69.276	48.859
Trade receivables	328.135	335.523
Trade payables	421.243	318.259
Advances from customers	728.519	566.535
Working capital	**(430.558)**	**(354.063)**
Provisions for short term risks and charges	49.088	55.754
Other net current assets (liabilities)	(28.919)	(8.909)
Net working capital	**(508.565)**	**(418.726)**
Net invested capital	**(459.720)**	**(409.926)**
Shareholders' equity	**115.265**	**74.601**
Net financial debt (cash and cash equivalents)	**(574.985)**	**(484.527)**
Net (assets) liabilities held for sale	**0**	**0**

Non current assets basically refer to Euro 5.2 million intangible assets, Euro 132,0 million property, plant and equipment, Euro 40.2 million equity investments and Euro 3.2 million deferred tax assets. Intangible assets rose Euro 5 million on the previous year with the initiation of product development processes; investments in subsidiaries increased Euro 20 million to reflect the value of Ansaldo Fuel Cells S.p.A., which stands at Euro 20.8 million (as a result of the price paid and the capital increase subscribed during the year to provide the subsidiaries with the finance needed to perform their activities), and fell as a result of the write-down of Ansaldo Ricerche S.p.A., net of the capital increase of Euro 0.6 million paid into the company. Investments in associated companies increased as a result of the acquisition of Turboenergy Srl for Euro 1 million. During the year Sagemi Srl, which was valued at Euro 0.2 million in the 2007 financial statements, was incorporated into the company.

Non current liabilities include severance pay and other defined benefit plans for employees amounting to Euro 38.3 million, and provisions for risks of Euro 90.9 million. The increase in this item of Euro 10 million is the result of the variation in the reserve for post-order closure costs incurred to complete projects that had obtained their Provisional Acceptance Certificates and were therefore considered as completed.

Net working capital improved Euro 89.8 million, mainly as a result of the contribution made by advances received from customers as a natural consequence of the large volume of new orders. Shareholders' equity is represented by share capital amounting to Euro 11.9 million, reserves generated by conversion to IAS/IFRS, retained earnings and other reserves amounting to Euro 13.6 million, in addition to profit for the year of Euro 89.5 million.

Pre-strategic investment cash flow stands at a positive Euro 141.6 million, while funds from operations amount to Euro 106.4 million, an improvement of Euro 13.3 million on the previous year.
This cash flow was basically generated by the positive collections/disbursements ratio for plant and service contracts. Strategic investments include the value of the equity stake acquired from Sogepa S.p.A. in Ansaldo Fuel Cells S.p.A. amounting to Euro 6.7 million, and the acquisition value of the stake in Turboenergy srl.

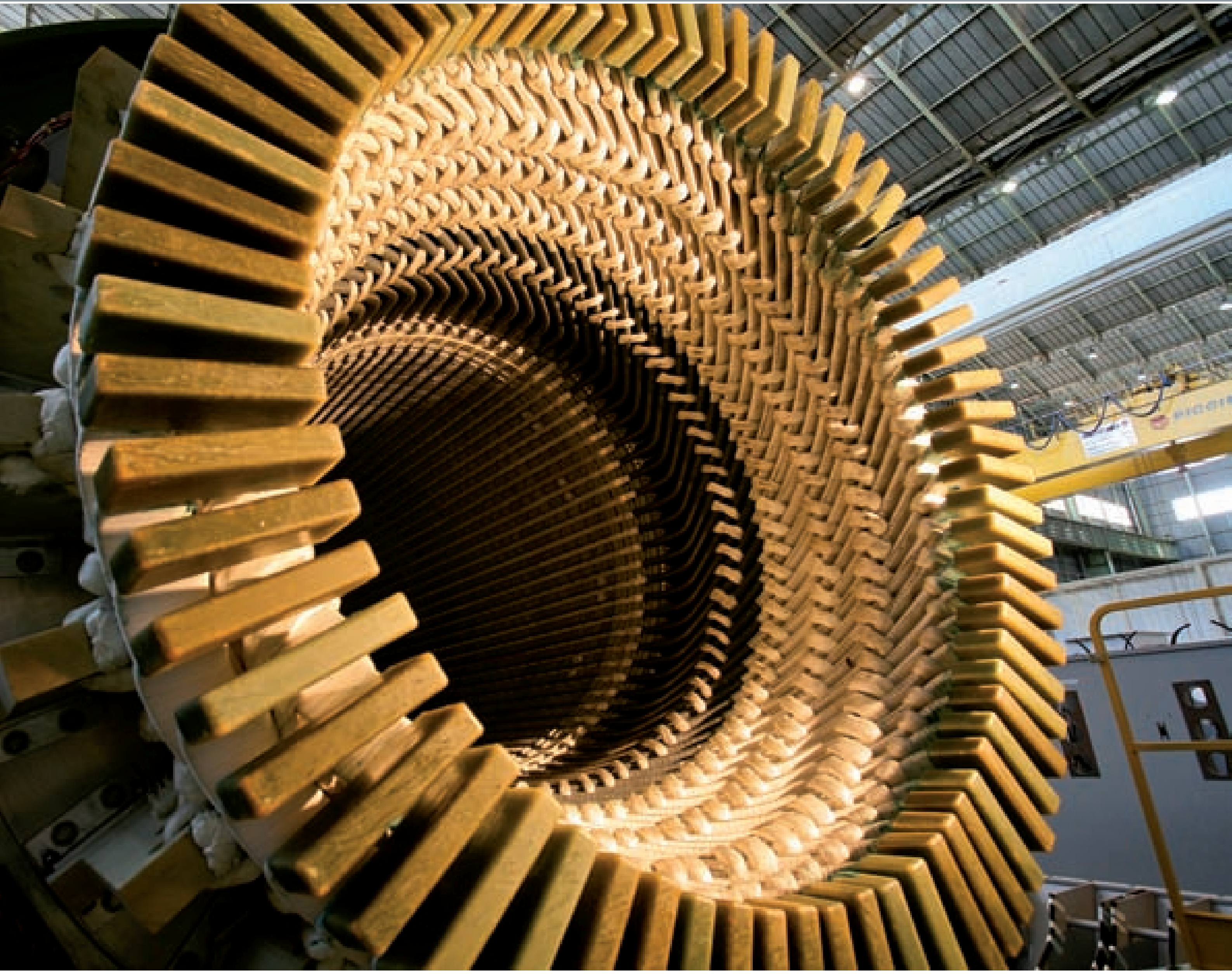
Euro/thousand	2008		2007	
Cash and cash equivalents at 1 January	22,991		10,694	
Cash flow from operating activities	135,601		127,497	
Changes in other operating assets and liabilities	(29,221)		(34,400)	
Funds From Operations (FFO)	106,380	**106,380**	93,097	**93,097**
Change in working capital	97,916		125,405	
Cash flow generated by (used in) operations	**204,296**		**218,502**	
Cash flow from investing activitieso	(62,675)		(17,856)	
Free operating cash-fiow (FOCF)		**141,621**		**200,646**
Strategic operations	(7,686)		0	
Changes in other financial assets	0		532	
Cash flow generated by (used in) investing activities	**(70,361)**		**(17,324)**	
Dividends paid	(45,000)		(24,173)	
Cash flow from financing activities	(89,759)		(164,708)	
Cash flow generated by (used in) investing activities	**(134,759)**		**(188,881)**	
Cash and cash equivalents at 31 December	**22,167**		**22,991**	

Financial Position

Net cash and cash equivalents at 31 December 2008 are reported in the table below, with comparative information at 31 December 2007.

The net financial position improved significantly, reflecting careful management of the order backlog, good terms of payment stipulated in contracts and higher new order volumes resulting in larger advance payments.
Of financial receivables from related parties, Euro 558.2 million refers to cash and cash equivalents deposited according to Group policy with Finmeccanica, as part of a cash pooling scheme which benefits all group companies by rationalising and optimising recourse to the banking system.
The increase is therefore attributable to the cash and cash equivalents generated during the year.
Cash and cash equivalents are remunerated at the best market conditions, also by recourse to temporary investments.
Ansaldo Energia also pools the treasury management of its subsidiaries, applying the same market rates.
This justifies the presence of financial payables to related parties, basically attributable to the cash and cash equivalents of Ansaldo Nucleare S.p.A., while receivables include financing for the activities of Ansaldo Thomassen B.V., Ansaldo Ricerche S.p.A. and Indian subsidiary ASPL Ltd.
Receivables and payables from/to the banking system should therefore be considered as residual and, so far as payables are concerned, attributable for the most part to term deposits or foreign currency which cannot be transferred to the relative local activities.

Euro/thousand	31.12.2008	31.12.2007
Short term financial payables		1,134
Medium/long term financial payables		
Cash or cash equivalents	22,167	22,991
BANK DEBT AND BONDS	**(22,167)**	**(21,857)**
Securities		
Financial receivables from related parties	(558,208)	(476,668)
Other financial receivables	(1,155)	(1,836)
FINANCIAL RECEIVABLES AND SECURITIES	**(559,363)**	**(478,504)**
Financial payables to related parties	4,393	12,731
Other short term financial payables	1,075	993
Other medium/long term financial payables	1,077	2,110
OTHER FINANCIAL PAYABLES	**6,545**	**15,834**
NET FINANCIAL DEBT (CASH AND CASH EQUIVALENTS)	**(574,985)**	**(484,527)**
Net financial debt (cash and cash equivalents) attributable to discontinued operations		



Information on the management and coordination activities of the company and relations with related parties

In accordance with the provisions of Article 2497 bis of the Italian Civil Code, it should be noted that the Company is subject to the management and coordination of the Group Parent Finmeccanica S.p.A.. The highlights of the latest financial statements approved by Finmeccanica S.p.A. are given in Appendix no. 12.
Below are the figures for relations with related parties in 2008 and in the previous year (details by Company are provided in Notes 10 and 26). Related parties include not only the Group Parent and the companies in which Ansaldo Energia S.p.A. has direct or indirect interests, but also the other related parties as defined by the International Accounting Standards.

	Parent companies	Subsidiaries	Associates (*)	Total
Current receivables				
– financial	496,089,023	62,119,031		**558,208,054**
– trade	80,000	3,663,796	317,000	**4,060,796**
– other	33,289,510	149,000		**33,438,510**
Current payables				
– financial		4,392,805		**4,392,805**
– trade	6,906,000	8,234,446	8,468,000	**23,608,446**
– other	35,707,241			**35,707,241**
Revenues	80,000	1,968,885		**2,048,885**
Other operating revenues				**0**
Purchases and costs	14,112,000	3,586,544	18,797,000	**36,495,544**
Financial income	20,752,000	2,223,002		**22,975,002**
Financial charges	29,000	443,093		**472,093**

(*) Companies subject to the control and coordination of Finmeccanica S.p.A.

Performance

Market prospects and competitive positioning

Global performance of the power generation market and prospects

After the exceptional level of new orders in 2007, in 2008 the market for power generation components confirmed the high demand of the previous year, saturating the production capacity of some builders.
These results, achieved despite the extreme volatility of fossil fuel prices, are attributable to very strong demand for electric power, driven primarily by the prospect of global economic growth until at least mid way through 2008, the rising population and better standards of living in developing countries.
Increased sensitivity to environmental problems, combined with the fragility of fossil fuel procurement, provided further incentives in 2008 for investment in energy sources characterised by reduced greenhouse gas emissions: nuclear, renewable and clean coal.
Specifically, while some western countries are discussing new nuclear energy programmes in increasingly concrete terms, in 2008 China ordered about 18 GW of new nuclear plants, representing almost the entire world market.
Of renewable sources, wind and hydro power confirmed the same record level of new orders as the previous year (18 GW and 45 GW respectively), with growth in the wind segment probably limited by manufacturing capacity.
2008 also saw the intensification of projects in the solar power segment, where concentration technology (new orders were received for about 500 MW in the first nine months of the year) can be used to build mid-size plants used in conjunction with the photovoltaic technology traditionally found in applications for residential and commercial environments.
Finally, thanks in part to EU efforts to fulfil obligations under the Kyoto protocol, work has begun on industrial scale pilot projects using “clean coal” technology (CO_2 capture and storage), which minimises the environmental impact of low cost fuel.

The current global financial crisis undermines the main driver of electric power demand, or industrial growth, resulting in market shrinkage which could continue into 2010. Nevertheless, the other factors supporting demand, including population growth, rising standards of living and the need to renew and maintain existing generating capacity, do not seem to have weakened. We therefore expect that although new orders in the two-year period 2009-2010 will fall sharply against 2007-2008, volumes will remain higher than the 2006 figure.
It must be stressed that the Service market, which is characterised by continuing physiological growth, is clearly anti-cyclical with respect to the economic downturn, because delaying investments in new capacity intensifies investments in the maintenance and modernisation of the installed base.

Performance of the thermoelectric sector and prospects

Globally, demand for thermo-electric power plant components seems to have fallen by 11% in 2008 compared with the same period in 2007 (trend extrapolated from totals for the first nine months of the year). It nevertheless needs to be remembered that in 2007 the market grew 190% on the previous year. 2008 should therefore be considered a year of consolidation, characterised in part by the saturation of the production capacity of several manufacturers.

In particular, demand for natural gas fired plants (combined cycles and open cycles) remained at 2007 levels in 2008, amounting to 58 GW in the first 9 months of the year. Orders for conventional coal-fired plant fell 15%, reflecting the slowdown in Asian economies, and China and India in particular.

Ansaldo’s main traditional geographical markets, on the other hand, have reported demand for about 55 GW in the first 9 months of 2008, up 16% on the previous year, and new orders almost doubled on the previous year in this period. The lion’s share of the increase came from Europe (+20%), Africa (+20%) and Russia (+112%).

In reference areas, therefore, Ansaldo Energia's market share in the first 9 months of 2008 was 6.4%, a rise of 5.8% on the previous year and 5.3% higher than 2006. So far as concerns gas turbine technology, Ansaldo Energia's market share in the first nine months of 2008 stands at more than 9%, confirming the excellent result reported in 2007.

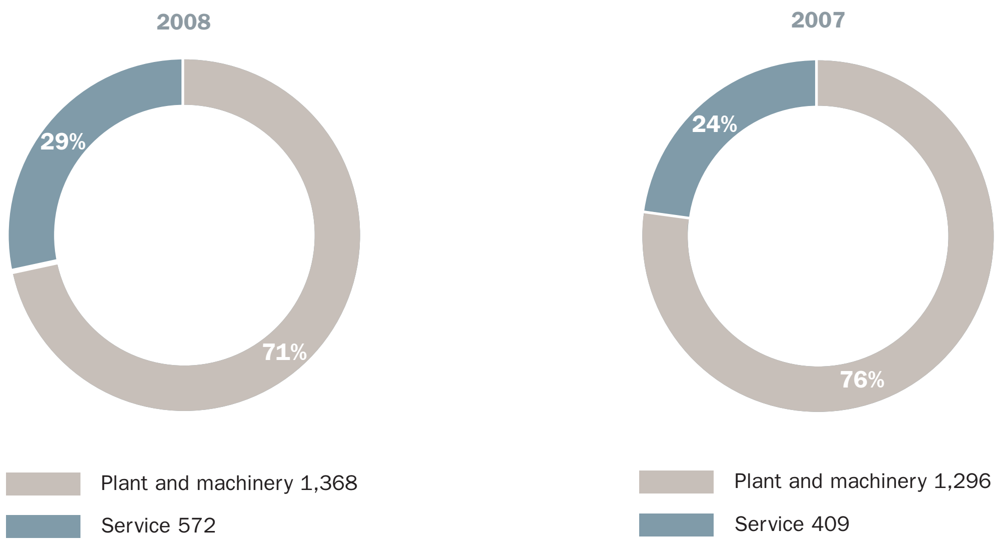
In the same geographical areas, several large competitors have seen their market share shrink rapidly for both gas turbine and steam technologies. General Electric in particular fell from 33% in 2007 to 26% in 2008, and Alstom from 25% to 21%. The same trend is even more marked if only the gas turbine segment is taken into consideration, where GE's market share fell from 46% to 39% and Alstom's from 23% to 7%.

Siemens and Mitsubishi, on the other hand, have increased their presence in these markets. In both technology segments, Siemens has increased its market share from 14% to 22% while Mitsubishi, benefiting from a drop of more than 30% in the value of the yen, has seen its share rise from 7% to 13%. Both competitors have been particularly successful in the gas turbine segment, where Siemens has grown from 13% to 21% and Mitsubishi from 4% to 15%.
The prospects for 2009 in Ansaldo Energia's reference markets look in line with a general downturn in the sector. However, the downturn should be less accentuated in geographical areas with a preference for gas turbine technology, where plants entail lower financial exposure and faster implementation times.

Sales

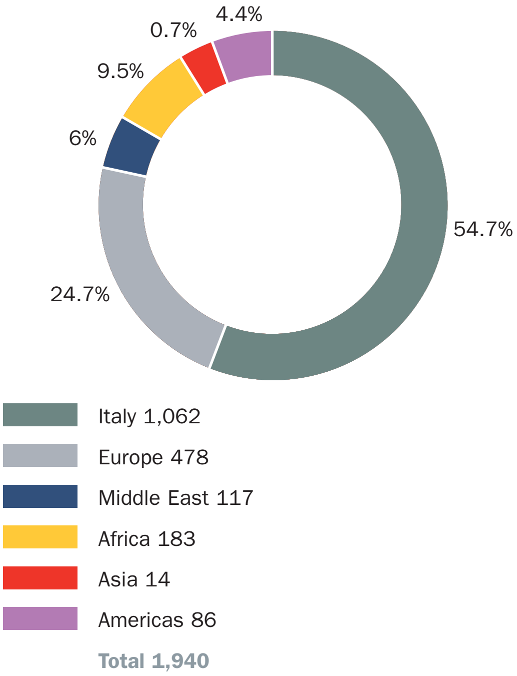
In 2008 Ansaldo Energia S.p.A. received orders worth Euro 1,940 million.
This represents a significant increase of about 14% on the previous year, mainly attributable to growth in the service segment.
2008 orders break down as follows by type of supply and geographical area, with 2007 results provided for comparison:

Orders by type of supply (Euro/million)

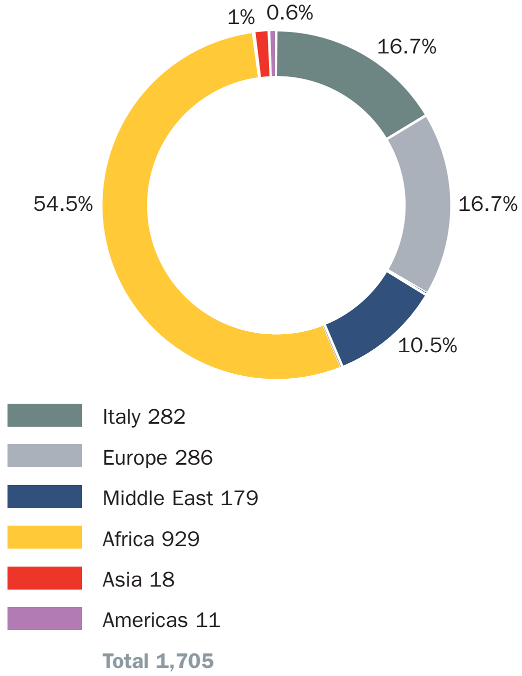


Orders by geographical area (Euro/million)

2008



2007



New orders for plant and components in 2008 confirm the exceptional results of 2007, reporting growth of 6%, although the market has experienced a slowdown in the final months of the year as a result of the financial crisis. So far as the geographical distribution of orders is concerned, the domestic market represented the relative majority, while Europe and the rest of the world accounted for 54% of volume, confirming the progressive internationalisation of Ansaldo Energia. In fact, during 2008, the company consolidated its position significantly in Russia, entered the French market with a first turnkey plant, and continued to increase its installed base in Africa.
The breakdown of orders for new plants and components by type of product is as follows:

Product	2008	2007
Gas turbines	14	23
Steam turbines	10	5
Generators	21	29
Total	**45**	**57**

Unlike 2007, in 2008 there was a better mix of service orders between long term agreements and current service contracts. There was a significant increase in the former, which rose to more than Euro 260 million, while the latter consolidated the brilliant results reported the previous year, with global growth in the service sector rising 56%, worth a total of Euro 573.1 million.

Plant and components

For Ansaldo Energia, 2008 was a year of consolidation of the excellent results reported in 2007. There was confirmation on one hand that production volumes in excess of Euro 1 billion can be handled on a regular basis, and on the other that the balance of new orders between components and turnkey plants will make it possible to contain the risk profile.
Turning to the geographical distribution of orders, although the domestic market continues to represent a significant portion of the whole, Ansaldo Energia is well known and appreciated on international markets.

In coming years, despite contraction in 2009 as a result of the financial crisis, Ansaldo Energia will continue to pursue its strategy, thanks to a consolidated presence on reference markets (Europe, Middle East, Africa and Russia), which include some of the most interesting emerging countries.
This endorses the strategy to concentrate sales efforts on emerging markets and where Ansaldo Energia has a broadly consolidated presence, following key clients and providing support for their development programmes.
The main new orders during the year were:

Italy:
- supply of a turnkey combined cycle rated 800 MW to Sorgenia for the Turano Lodigiano site;
- supply of a turnkey combined cycle rated 400 MW to En Plus S.p.A. (ATEL) for the San Severo site.

France:
- supply of a turnkey combined cycle rated 400 MW to 3CB SAS (ATEL) for the Bayet site.

Belgium:
- supply of a V94.3A4 turbine and associated steam turbine to Enel/Duferco for the Marcinelle site.

Greece:
- supply of a V94.3A4 turbine and associated steam turbine to Thisvi PGP SA (Edison) for the Thisvi site.

Hungary:
- Supply of a V94.3A4 turbine set to Dunamenti Eromuzrt (Suez-Electrabel) for the Dunamenti site.

Congo:
- supply of two V94.2 turbine sets to ENI Congo for the Pointe Noire site.

Chile:
- supply of two steam turbines rated 166 MW and relative generators to POSCO/AES for the Angamos site;
- supply of a steam turbine rated 280 MW and relative generator to POSCO/AES for the Campiche site.

Russia:
- supply of four V64.3A turbine sets to Power Machine.

The full confidence shown by customers in Ansaldo Energia's ability to satisfy their product and performance requirements put the Company in the best possible position to continue its growth in coming years.

Service activities

In 2008, as a result of ongoing research to identify the best possible solutions to increase the productivity of the installed base, better results were reported in all business segments.

Long term service agreements linked to orders for new plant, which fell in 2007, returned to previous year levels, contributing to service sector growth of 43%.

In the so-called "current service" segment, as a result of investments in resources and equipment to develop solutions to improve the performance of existing plant and machinery, this business segment is now comparable to the traditional spare parts segment. The main new orders in this segment are:
- rehabilitation of 3 units rated 660 MW at Enel's Brindisi site, with the dual aim of increasing performance, at the same time as reducing atmospheric emissions;
- repowering of six V94.3A2 turbine sets for Enel and a V94.3A2 turbine set for AEP; in both cases, in addition to an increase in performance, VeLoNox burners will be installed to reduce emissions.

More traditional segments such as spare parts, repairs and maintenance activities confirmed the growth trend reported in previous years.

Production

2008 both confirmed the growth trend in manufacturing and plant engineering reported the previous year, as well as highlighting the company's ability to manage this growth successfully.
During the year machinery was delivered for 4 turnkey plants (Batna, Larbaa, M'Sila, Turano), 2 power blocks (Algeciras, Thisvi), and 30 individual components. A further 7 plants are also in the design stage, some for installation in Italy and others overseas.

- Manufacturing

In 2008, 45 complete machines were manufactured at the Genoa Campi production facility:
7 V94.3A gas turbines
6 V94.2 gas turbines
3 V64.3A gas turbines
8 steam turbines and strategic service components
18 turbine generator sets
3 hydraulic generators

Repair work was performed on the following generators:
- rewinding of Unit 4 at the Hub River power station (Pakistan);
- repair of Jiguey hydro-generator (Dominican Republic).

- Work sites and plant start-ups

In 2008 there was a conspicuous increase in workload, particularly on the international market, while in Italy the situation remained fairly stable.
Erection and start-up work was completed successfully on the Naples Levante, Moncalieri and Ferrara power stations. The first two are 400 MW plants, respectively for customers Tirreno Power and Iride Energia, ordered to replace existing conventional systems and requiring complex reconversion work; the 800 MW Ferrara plant completes the series of contracts stipulated with Enipower, in this case through subsidiary SEF.
The machines for Barka (Oman), Amman East (Jordan) and Valuthur (India) were also erected and started up.
Erection work is currently being performed on the Batna, Larbaa and M'Sila (Algeria) open cycle plants, as well as on the machines for the Nueva Ventanas (Chile), Algeciras (Spain), Amarcoeur (Belgium) and Valona (Albania) plants.

- Service

Growth in recent years was once again confirmed, with an especially sharp rise in the "Rehabilitation and performance enhancement" line.
Steam turbine rehabilitation contracts, such as Yanbu in Saudi Arabia and Puente Nuevo in Spain, and gas turbine repowering contracts like the one awarded by Enel, have shifted the centre of gravity of service activities towards wide-reaching contracts with complex management requirements.
We would like to remind you that the LTSAs (Long Term Service Agreements) covering recently installed plants (Moncalieri, Vado Ligure) entered force, as did the Total Operation Guarantee for the Rizziconi plant.

The short cycle (current service) order book has been further internationalised and the company's scope of action extended, with major contracts in South America, Africa and India, also regarding equipment produced by competitors.
In the framework of service activities on third party technology, Ansaldo Energia continues to grow through its subsidiaries Ansaldo Thomassen B.V. and Ansaldo ESG A.G., winning important new contracts in Europe and extending its customer base. This result has been achieved in part as a result of commercial synergy between Ansaldo Energia S.p.A. and other Group companies.

- Contract management

2008 was a good year in terms of financial results, customer satisfaction, compliance with deadlines and quality standards, and product reliability.
PAC (Provisional Acceptance Certificates) were received for the Rizziconi 800 MW plant delivered to Swiss company EGL, and the Escatron (Spain) plant supplied to Enel (also 800 MW).
The Moncalieri and Ferrara plants also received PACs, as well as numerous turbine sets, all delivered according to the contract schedule. The Sparanise and Vado plants delivered last year reported good reliability in their first year of operation.

Management work is also under way on contracts of sale for plants and components on international markets, particularly in North Africa and Europe as part of the internationalisation drive.
No plants were subject to penalties for either late delivery or inadequate performance levels.

We would like to draw your attention to the fact that Ansaldo Energia S.p.A. was awarded the Finmeccanica 2008 Customer Satisfaction Award, which is organised by the Group to reward the most successful companies in terms of customer satisfaction, for its management of the contract to build the Rizziconi combined cycle power station, commissioned by customer Rizziconi Energia (EGL Group).

Organisation and process/product developments

The main characteristics of 2008, like 2007, were growing volumes and the need to manage contracts for turnkey plants, power blocks and service orders concurrently, with increasingly competitive delivery times.

The development of orders already booked, in addition to those forecast in coming years, has required the introduction of new processes both on the production and design sides, to improve productivity while maintaining product quality high.

- Manufacturing

One of the main novelties in 2008 was the launch of a new production model project, for introduction in 2009 as regards gas turbine components, and in 2010 as regards generators and steam turbines.
The results of this project, supplemented by other collateral projects concerning product structures and configurations (PLM and CAD/CAM), workplace care (TPM), and the unification of factory databases (TCM), supported by a major supplementary trade union agreement, will make it possible to rationalise and improve the efficiency of production activities.
In 2008 several machine tools and workshop systems entered service, representing vital contributions to the process of modernising production equipment which commenced several years ago, and have already enabled the company to achieve some of the targets it has set itself to increase efficiency and production capacity.
The high workload in 2008, which is expected to continue throughout 2009, has required significant recourse to outsourcing. To satisfy these needs, logistics activities involved in monitoring the work of third parties improved and a special office was set up to manage major outsourcing projects (complete machines or components).
The company's approach to outsourcing also changed, shifting from planned requests to agreements enabling the company to book batches of production capacity at third parties and manage them directly through its planning and scheduling system.

There was also a special focus on blading products. After consolidating the procurement of unfinished micro-castings in 2007, the mechanical work and special processes issue was examined, optimising the mix between internal and external activities and qualifying a sufficiently broad supplier base to guarantee high quality products, even in emergencies.
On the job training of young workshop resources also continued.

- Service

The increase in business volumes, a scope of action that has shifted towards a broader technical arena, and the enlargement of the geographical area in which work is performed, have on one hand required the recruitment of specialist resources in technical and engineering offices, and on the other the identification of suppliers able to provide the support needed for field activities in both Italy and internationally.

The supply chain was reorganised to integrate design, procurement, production and spare parts warehouse management processes.
The rise in volumes and therefore the growing need for spare parts has required the fine tuning of processes introduced the previous year.
Specifically, in order to optimise the management

of strategic stocks and spare parts, a special business sector has been created and a new operating model introduced that makes it possible to manage sales of materials at standard costs, reducing order fulfilment time and improving the relative monitoring systems.

To improve usage of gas turbine blades, a computer-based tool called APIS (Advanced Pooling Intelligent Optimize and Simulator) has been created to forecast consumption statistically and define optimum maintenance programmes.

- Contract management

The first stage of the Finmeccanica PMP project to qualify and certify Project Managers was concluded, involving almost 50% of the people employed in this role.
The contract management process (LCM, Risk Management, Phase Review) was completed for all the main contracts.
In the area of work site activities, the project to optimise “plant realisation time” was launched, involving a review of the activities on which the overall implementation time of a turnkey plant depends, identifying areas for improvement in terms of duration, reduced costs and lower risks. These activities affected Italian work sites in particular and will be extended in 2009 to foreign work sites.

- Engineering

In order to optimise the development capacity of Ansaldo Energia, in 2008 the process of internal reorganisation was completed, with the introduction of a new Department devoted entirely to the design/implementation of new products and services, supported by the best internal resources from centres of excellence and research, and reinforced by new specialist recruits from outside the company.
The new department employed 120 resources on 31 December 2008, double the number reported the previous year.
Thanks in part to these new dedicated skills, over the next three years the Company will accelerate the innovation process in the three areas previously identified: gas turbines, combined cycle plants and service activities on third-party fleets.

Investments

Investments in plant, equipment and machinery in 2008 were mainly addressed to modernising the technology of the existing fleet of machinery and, concurrently, several projects were launched to improve the efficiency of manufacturing processes for all the main components produced by Ansaldo.
In the Large-Scale Mechanical Engineering department, new equipment entering service included a vertical lathe and two new boring machines for manufacturing gas and steam turbine components and generator rotors. On the generators line, a new taping machine and autoclave were installed (the latter will enter production during 2009) in response to:

- the increased workload,
- new design solutions affecting several sizes of turbine-generator set,
- the need to guarantee production even in the event of accidental failure of the existing autoclave. The areas devoted to assembly were also reorganised and equipped with adequate lifting gear that can assemble the stator bars on several stages concurrently, so optimising the time required.

Work continued on upgrading production capacity in departments responsible for the manufacture of blades for steam turbines and compressor blades for gas turbines, with the replacement of out-of-date machining centres to restore efficiency, increase volumes and reduce throughput time. A new grinding machine has been installed in the hot blade line to work alongside the existing unit, not only to improve efficiency, but also to ensure that the backlog of work can be handled.

During 2008 the rotor welding system was first qualified and then entered service. The introduction of this system is an important technology and design driver, as well as developing metallurgical skills in both operating and process environments.

In addition to protecting the company from potential risks deriving from dependency on suppliers/competitors, the system provides it with the ability to supply steam turbines with various technological options available.

So far as investments in the company's property are concerned, both to accommodate the arrival of new recruits (of which there were a significant number in 2008) and to improve the working environment, renovation work was begun, and completed to a great extent, on several areas of office space unused for some time.
Other initiatives were also begun and partially completed in connection with the improvement of quality and safety standards, with diagnostics, and with work site equipment needed to satisfy increasing demand in the service business area.

Research, Development and Innovation

Confirming its strategic importance for the future competitiveness of your company, the innovation and development process has received a further boost in 2008, as demonstrated by:

- the growing number of patents registered, which rose from 17 in 2006 to 26 in 2007 and 27 in 2008;
- the increase in research and development costs from Euro 16.6 million in 2006, to Euro 21.9 million in 2008, of which Euro 5.1 million capitalised in connection with innovative products, including the development of the new V94.3A and OSP products.

Gas turbines

In 2008 work continued on development projects for the V94.3A and V94.2 turbines, enabling Ansaldo Energia to maintain and improve its competitive position vs. leading competitors, and advanced industrialisation began on some major projects to extend the period between V94.3A turbine overhauls and the working life of V94.2 turbines. Of particular interest is the V94.3A development project, on which your company is working with international research centres and potential technology partners. This project will be the main programme in 2009 and will benefit from the recently completed rationalisation of the development engineering organisation.
Other important results in 2008 refer to projects on the flexible use of alternative fuels and the acquisition of specific skills in blade repairs. Validation tests on very low emission combustion systems were also concluded.

Steam turbines

During 2008 the first 48” exhaust blade wheels were sold, after appearing in the product range for the first time in late 2007.
Development work was also completed on new components for turbine sections that can deliver better performance at lower costs.
With a view to improving manufacturing processes, the new rotor welding process has been developed and qualified, while trials are almost complete on materials for the new 640°C ultrasupercritical steam turbines. Work on the turbines will be concluded midway through 2009.

Turbo generators

While development work continues on the new 400 MVA air-cooled model, which will complete your Company’s large high performance gas turbine range, in 2008 design work was also completed on a new electrical machine monitoring system and new auxiliary systems for hydrogen-cooled turbine generators.
Marketing of the air-cooled 350 MVA turbine generator also commenced in 2008.

Combined cycles

Flexibility, reliability, plant availability and safety have already been identified as key success factors on the market for combined cycle plants. Focusing on these goals, development work got underway on:

- a suite of “Risk Analysis & Physical Security Plan” solutions which will be completed during 2009;
- improvement of the plant automation environment to increase product competitiveness both for new plants and service activities. (Fuel control mock-up for all hardware technology used; Plant simulator).

Service

R&D work in the service business area was performed in two main areas in 2008:

Original Equipment Manufacturer (OEM)

The main research and development programmes focused on advanced remote diagnostics and non-destructive testing.
During 2008 retrofit packages were offered for steam turbines supplied by Ansaldo Energia S.p.A.

Original Service Provider (OSP™)

In 2008, consistently with the strategic importance of service activities on units produced by your Company’s competitors, development work was concluded to complete on the OSP™ product range with regard to the 20-50 MW classes offered by the competition. The first stage of the re-engineering process for 90-120 MW class units was also completed.

In order to extend the product offering to cover machines other than gas turbines, work is planned to re-engineer steam turbine blades and turbine generator bars.

Finally, all development projects continued on combustion, control and monitoring systems, as well as on repair work.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Human resources

Consistently with the growth of the Company, initiatives in 2008 were addressed to improving the professional mix of resources and increasing technical and management capabilities and skills.
Beginning in September 2008, an important change was introduced in the organisational structure of Ansaldo Energia Group in accordance with your Company's strategic goals, featuring a strong focus on Italian and foreign subsidiaries.
The main novelties are:
- a General Management Office, with the main goal of manufacturing power generation components and plants, and performing service work;
- a Co-General Management Office, with a mission to develop business commercially and in terms of the technological innovation of products;
- the Administration, Corporate Affairs and Risk Management Office was established to bring together Administration, Finance and Control, the Corporate Affairs function previously assigned to the Legal Office, and Risk Management, which was previously the responsibility of the General Management Office;
- the Environment, Health and Safety unit was set up and reports to the Managing Director, demonstrating the importance of this function.

Subsidiary Sagemi S.r.l. was merged into Ansaldo Energia S.p.A. on 1 September 2008. As Sagemi worked almost exclusively for Ansaldo Energia S.p.A., the operation simplified contract relations with customers and suppliers, and optimised the use of human resources by reassigning them to Ansaldo Energia functions.

Processes and Systems

Several procedures were reviewed, also with a view to compliance with Legislative Decrees 231 and 262; work will continue in 2009 with the issue of new procedures.
So far as systems are concerned, the structure was strengthened in response to the strategic need to align activities with the ability of the function to offer adequate answers, in order to support new process models and new operating methods which evolve at an increasingly fast pace.
To this end the internal control structure was reviewed, and new projects and initiatives were set in motion.
A team of specialists was also set up to supervise the evolution of corporate processes (particularly administration, finance and control, engineering, service activities, logistics and production, and human resources), technological development, and the management of outsource data service delivery (particularly through the application of the service contract with ElsagDatamat).
So far as the development of new projects and initiatives is concerned, the most noteworthy are:
- New production model
- New spare parts model
- ICT governance (law 262 procedures and obligations)
- New treasury model
- Product development models, with a special focus on manufacturing issues
- Architecture of the new campus network

Industrial Relations and Management

During 2008 our Company completed important negotiations with local and company trade union representatives, resulting in several agreements, including the renewal of the second level supplementary agreement and the agreement that defines actions to improve manufacturing productivity.

During the year the National Employment Contract in the Mechanical Engineering sector was renewed, so concluding complicated and tense negotiations which did some damage to trade union relations in the company.

After overcoming this phase, it was decided to bring forward negotiations to renew the supplementary company agreement that expires at the end of 2008. The result of this process was the 9 July agreement.

The central core of the agreement was the renewal of the “performance bonus”, which represents the variable portion of compensation and is recognised on achievement of targets to improve efficiency, productivity and quality.

The performance bonus strengthens alignment between the interests of individual employees and those of the company, and so represents a tool to improve the co-responsibility of employees in achieving corporate goals, which is a fundamental success driver in a global market that is increasingly competitive, also due to the difficult current financial situation.
Among the provisions of the 9 July Agreement, we would like to draw your attention to the “services” offered to employees through a convention with the Intercompany Social Centre, where they can make postal, bank and insurance payments, as well as arrange to have their car serviced. This was intended to enhance the value of the Social Centre’s activities (there are plans to extend collaboration to other initiatives), and so to reconcile respect for working hours with personal needs, which improves the level of satisfaction in the company.

After renewing the performance bonus agreement, the Company was able to conclude negotiations successfully on actions to increase manufacturing productivity.

The agreement identifies working activities/methods aimed at optimising the use of means of production, as well as initiatives to grow and enhance the value of professionals and operatives, involving both traditional training activities and a system to assess the excellence of several innovative aspects of blue collar skills.

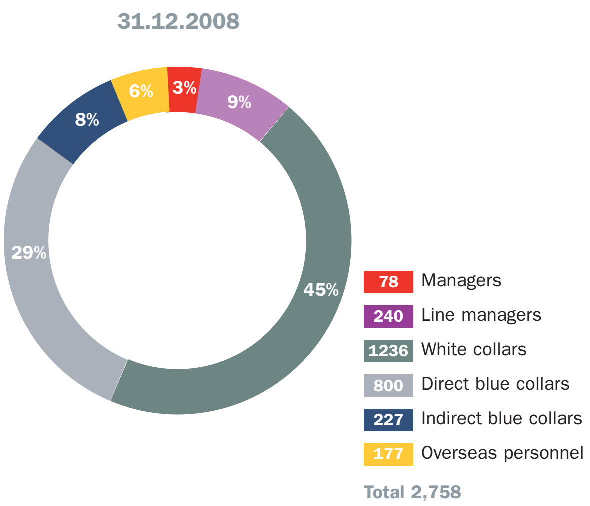
The Agreements of 9 July and 12 November define a set of tools - performance bonus, production improvement actions, professional skill value enhancement - which when up and running should make a significant contribution to consolidating and increasing our company’s competitiveness.

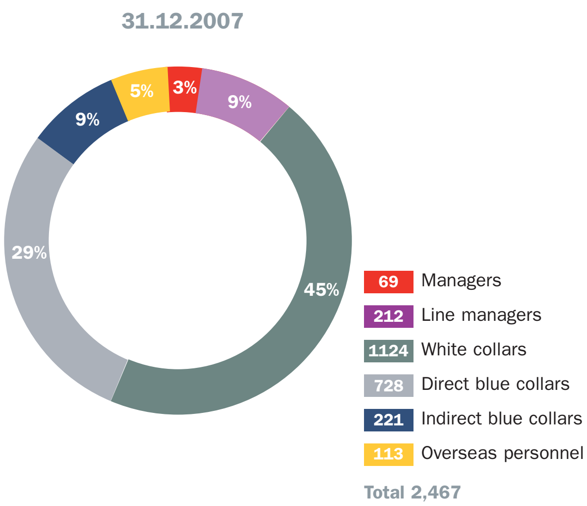
It should be remembered that negotiations in 2008 were conducted without loosing a single hour of work through industrial action, demonstrating the essentially positive attitude of the trade unions.

Finally, the “Finmeccanica Protocol” on line manager administration policy was introduced, involving amongst other things the creation of a health care policy for this category of employees.

Personnel

The number of personnel increased by 291 to 2,758 at the end of 2008.





New recruits and outgoing employees are given below:

Outgoing employees	
terminations of open-ended contracts	141
terminations of fixed term contracts:	
• induction contracts	4
• Italian law 398 (foreign contract workers), fixed term contracts, foreign fixed term contracts	45

New recruits	
new open-ended contracts	213
new fixed term contracts:	
• induction contracts	14
• professional apprenticeship contracts	16
• fixed term contracts and contract workers for foreign countries (Italian law 398	92
overseas personnel (fixed term contracts)	74
transfers from group companies	72

The total of 243 new open-ended, induction and professional apprenticeship contracts in 2008 breaks down as follows by category: 9 managers, 112 line managers and white collars, and 122 blue collars.
In line with the trend in recent years, the focus on young new recruits continued, and in 2008 more than 40% of new resources were under 30 years old.
The average age of the Ansaldo Energia workforce as a whole is 44, falling to 39 if only blue collars are taken into consideration, confirming the high level of turnover reported in production departments in recent years.
So far as concerns the level of education, 70% of white collar staff have degrees and 45% of blue collar workers have diplomas.
More than a quarter of all employees at 31 December 2008 have a university degree.

Health and safety in the workplace

2008 was an important turning point for Ansaldo Energia as regards health and safety in the workplace and environmental protection.
Firstly, anticipating the introduction of the new Italian regulations set out in the Safety Consolidation Act (Legislative Decree 81/08), the Company has decided to undertake an immediate and substantial reorganisation aimed at complying swiftly with said regulations. With the introduction of the new role of Sole Employer, the Safety Manual was issued and responsibility for corporate structures redefined.
In order to adopt a more effective and efficient tool to respond to these problems, the Company has also decided to establish a single entity, reporting directly to the Managing Director, in which to concentrate responsibilities for defining policy in the Environment and Safety sector, and applying current legislation across the Company, coordinating and supporting group Companies appropriately in this field.
Collaboration with Subsidiaries has been intensified in the fields of Prevention and Safety, and environmental policy, dedicating a qualified resource to the coordination of Group policy and activating an ongoing process of sharing information and experiences.
The programme for this exchange focuses particularly on training, an area in which Subsidiaries will take part in an intensive series of courses planned by Ansaldo Energia, also involving the use of innovative tools (audiovisual material, corporate computer network, simulators) to make the planned initiatives more effective.
Finally, a programme was launched to transform safety in the workplace activities into a system, in order to adapt the corporate approach to comply with the requirements of OSHAS 18001 standards: within two years this programme must put the company in a position to obtain certification.
Turning to environmental issues, work continued to upgrade plants and processes as required to maintain ISO 14001 certification: one of the improvement activities required for certification was remapping water emission sources and a project was launched to introduce separated waste collection.

Development, training and internal communication

In 2008 there was strong consolidation of development tools (Development Center, Assessment Center and workshops to develop certain skills) and an increase in the use of MBO (Management By Objectives) on the previous year for line managers in important positions.

Long Term Incentive Plan 2008-2010

On 30 May 2007 the Ordinary General Meeting of Finmeccanica approved an Incentive Plan covering the three-year period 2008-2010 for groups selected by Finmeccanica Group management, involving the assignment of rights to receive, at no charge, shares in the company purchased on the market.

The general guidelines for the proposal had previously been approved by the Finmeccanica Board of Directors on 20 April 2007. In substance, the Plan for the three-year period 2008-2010 reproduces the features of the 2005-2007 plan, which proved to be a valid incentivation and loyalty enhancement tool, as well as ensuring good alignment between management compensation and the Company's financial results in the medium term. Based on this experience and other considerations, the Board of Directors decided to invite the General Meeting to confirm the Plan for the subsequent three-year period.

The Performance Share Plan 2008-2010, as it is known, involves the assignment to Beneficiaries of the right to receive at no charge ordinary shares in "Finmeccanica - Società per azioni", through a "closed" period of three years, from 1 January 2008 to 31 December 2010, conditional on achieving the performance objectives set for the three-year period 2008-2010 and each year in it. Specifically, these goals refer to two performance indicators - Orders (and relative margins) and VAE (Valore Aggiunto Economico - added economic value) - and the relative targets fixed by the Budget/Plan 2008-2010, at Group or Subsidiary level, as a function of the real situation in which each beneficiary works.

According to the Plan, the award of Company shares is conditional on achieving the objectives established, which refer to Orders (with the planned margins) in connection with 40% of shares awarded, and Economic Added Value in connection with the remaining 60%. Set percentages of shares are associated with each year in the period of implementation of the Plan: specifically, 25% of shares are awarded conditionally on the 2008 and 2009 objectives being achieved, while the remaining 50% are associated to 2010 objectives. If this latter target is achieved, the Rules allow non awarded shares referring to previous years to be "recovered".

At the end of each year (2008, 2009 and 2010), after the approval of the draft financial statements and consolidated financial statements by the Finmeccanica S.p.A. Board of Directors, based on representations and data provided by the Company's offices and duly certified according to Group procedure, the Compensation Committee will verify the level of achievement of the performance objectives set, establish the number of shares to award to each assignee and notify the Participants.

Turning to Internal Communication, in 2008 the Company conducted the second Business Culture Project (BCP), the two-yearly survey addressed to all Finmeccanica company employees.

We would also like to draw your attention to the brochure published about the Performance Bonus, which is intended to explain the reasons for its renewal to the company's workforce as a whole.

On the training front, 2008 was a particularly prestigious year, because the Ansaldo Energia master's course, launched in 2007 and completed in 2008, for engineers working in the field of power generation components and plants was included among Italian Ministry good practises, as well as receiving an award from Confindustria for training excellence, which was presented by the Chairman of Confindustria to the Human Resources and Information Systems Director during the Orientagiovani event.

During the year internal staff received a total of 55,000 man-hours of training which, in addition to offering catalogue courses or consolidated programmes for Finmeccanica, addressed technical-specialist, regulatory, IT and linguistic areas.

In the framework of Group training initiatives, in 2008 Ansaldo Energia played an active role in the design and development of the first edition of PMP (Project Management Program), including the preparation of case studies, witness reports and teaching courses.

26 members of the staff of Ansaldo Energia and others employed by Ansaldo Nucleare took part in

the initiative, with a total of more than 1,400 hours of classroom training provided.
Individual training programmes were developed based on specific professional profiles, with the support of an assessment system; several participants also attended preparatory PMI or IPMA certification courses. All Project Managers involved in the certification procedure passed the examination successfully in the required time (no later than December 2008).

Training for the unemployed

In addition to training for internal personnel, several initiatives were addressed to unemployed workers with a view to recruitment (as machine tool operators and mechanical fitters), amounting to about 10,000 hours which have benefited from public financing, as well as training initiatives for leased staff also totalling around 10,000 hours.

Outside personnel training

In addition to training for its own staff, Ansaldo Energia also produced numerous courses for its customers' personnel. This by now consolidated activity for the company forms an integral part of the product supplied by Ansaldo Energia.

In 2008 parallel methods were used:

- Standard, modular courses, optimised according to the specific product
- Courses personalised according to customer requirements
- Specialist courses prepared to meet specific requirements.

The modular structure of plant engineering solutions and the reiteration of training courses has made it possible to create learning modules based on the main systems.
Training courses were held both at the Company's in-house training school, as well as on customer premises.
"In-house" courses were organised entirely by Ansaldo Energia personnel, including both logistics and educational issues.
The teaching staff sent to Customers, with an in-depth knowledge of the plant in question, were where possible the Ansaldo Energia S.p.A. staff members who followed the project throughout its development, from design engineering to start-up.
We would like to draw your attention to the fact that about 38,000 hours of training were organised for about 500 customer employees.

Security Policy Statement

Application of provisions pursuant to legislative decree no. 196/2003 (on the subject of of personal data protection)

During 2008 work continued on ensuring that data is processed according to the principles of legitimacy, correctness and pertinence, in order to reduce the risks of destruction and loss, or unauthorised access or prohibited treatment, pursuant to security objectives, in compliance with the provisions of Legislative Decree 196/2003 and the content of the Security Policy Statement regarding company data.

These actions will be indicated in the Security Policy Statement mentioned above when it is reviewed no later than the end of the first quarter of 2009.

Consistently with this, employees and new recruits in particular have been informed (also by means of publication on the intranet portal) about operating instructions for data controllers.

Performance and highlights of the main group companies

ANSALDO NUCLEARE S.p.A.

Ansaldo Nucleare S.p.A. performs and supplies projects and services for the nuclear power generation industry.
The most significant event in the year was the completion of the second unit at Cernavoda power station in Romania, which entered commercial service on 28 September 2007. This confirms the capabilities of Ansaldo Nucleare in the plant construction segment, accrediting it as a reliable partner for future projects in the resurgent international and Italian markets for new plants.
The other main activities during the year were the acquisition of a contract from Westinghouse for several new plants in China, and a contract with Enel regarding the completion of an existing plant in the Slovak Republic.

Company highlights:
- Result for the year: Euro 1.9 million
- Production revenues: Euro 32 million
- Shareholders' equity: Euro 2 million
- Net financial position: Euro +3.6 million
- Workforce: 168 employees.

ANSALDO RICERCHE S.p.A.

Ansaldo Ricerche has a mission in Italy and internationally to research, experiment, promote, produce, market and sell innovative products and services for plants and machinery that generate and distribute thermal power and electricity, for energy saving and environmental protection, and in connection with industrial plants, research and capital assets of any nature.
After its acquisition in 2006 by Ansaldo Energia, a reorganisation and review process was set in motion to shift the company's focus to activities that support the technological development of holding company Ansaldo Energia, and to wind up those no longer held to be "core" or which were unable to guarantee adequate profitability in the future.
In view of the new strategic mission, in 2008 the company's resources and projects were strongly refocused on Ansaldo Energia, while awaiting the completion of the total integration project through merger by incorporation.

Company highlights:
- Result for the year: Euro -2.4 million
- Production revenues: Euro 6.5 million
- Shareholders' equity: Euro 1.2 million
- Net financial position: Euro -9.1 million
- Workforce: 75 employees.

ANSALDO FUEL CELLS S.p.A.

This company has a mission to implement a technology development programme to produce fuel cells for use in power generation plants in the renewable energy and distributed generation sector. During the year the company performed exclusively development work, as the product is not yet on the market. Specifically, work continued on the development of materials, components and the configuration of the cells involved in the production of stacks, and on the analysis of functional issues. During the year the parent company Ansaldo Energia first acquired a majority stake, and then paid in the capital increase resolved.

Company highlights:
- Result for the year: Euro -2.1 million
- Production revenues: Euro 1.5 million
- Shareholders' equity: Euro 19.4 million
- Net financial position: Euro -13.0 million
- Workforce: 71 employees.

ASIA POWER PROJECTS PRIVATE LTD

Asia Power Projects Private Ltd., with headquarters in Madras, India, manages the on-shore portion of contracts acquired by Ansaldo Energia in this region, as well as performing service and spare parts work as a local unit.
In 2008 the company supervised the erection and start-up of the Valuthur plant, as well as performing service work on the Paguthan power station.

The company also manages long-term scheduled maintenance activities for the Samalkot power station.

Company highlights:
- Result for the year: Euro -0.8 million
- Production revenues: Euro 2.3 million
- Shareholders' equity: Euro -10.2 million
- Net financial position: Euro -8.0 million
- Workforce: 15 employees.

ANSALDO ENERGY SERVICE GROUP AG

The Company specialises in on-site service work on steam turbines and generators, which it performs by sending highly qualified professionals and/or portable equipment to power generation plants.
The Company has headquarters in Switzerland, in Wurenlingen (Aarau canton), where the engineering and administrative departments are located. Technical staff are usually hired on a contract basis as needed.
In 2008 the company reported a negative result due to a contract signed at the end of 2007 to rehabilitate a power station in Turkey, which encountered numerous management and technical problems during the year.

Company highlights:
- Result for the year: Euro -1 million
- Production revenues: Euro 10.3 million
- Shareholders' equity: Euro 0.6 million
- Net financial position: Euro -2.6 million
- Workforce: 17 employees.

ANSALDO THOMASSEN TURBINE SYSTEMS BV

The Company, which was acquired by Ansaldo Energia in September 2006 from US-based Calpine European Finance LLC, specialises in servicing General Electric gas turbines, for which it supplies parts, repairs, maintenance and repowering packages.
The acquisition of ATH is part of the development process embarked on by Ansaldo Energia to achieve full technological independence in the construction of power generation machinery, as well as to strengthen its technology skills significantly in the service area.
During the year the company performed work in Morocco on a maintenance contract and a major order to transfer gas turbines from South America to Ireland and repower them. The fact that the company is awarded contracts featuring a high level of technical and management complexity demonstrates the renewed credibility of Ansaldo Thomassen as a technology provider.

Company highlights:
- Result for the year: Euro 0.4 million
- Production revenues: Euro 53.9 million
- Shareholders' equity: Euro 5.2 million
- Net financial position: Euro -25.5 million
- Workforce: 129 employees.

ANSALDO THOMASSEN SERVICE GULF LLC

This Company, wholly owned by Ansaldo Thomassen Turbine Systems B.V., specialises in service work on General Electric technology gas turbines, for which the company supplies parts, repairs and maintenance.
ATSG has a workshop in Abu Dhabi with 26 employees.
Given the strategic position of the site, which is located in an excellent market, the company has good development prospects.
Ansaldo Energia is planning to invest in the development of the company, also in connection with the Group's traditional service activities.

Company highlights:
- Result for the year: Euro 0.4 million
- Production revenues: Euro 4.6 million
- Shareholders' equity: Euro 1.3 million
- Net financial position: Euro 0.1 million
- Workforce: 26 employees.

PERFORMANCE AND HIGHLIGHTS OF THE MAIN GROUP COMPANIES

Outlook

The results reported in 2008 bear witness to the robust strategic decisions taken by your company several years ago and which it will continue to pursue during 2009, despite objective difficulties deriving from the worsening of the international economic situation, in order to deliver results in line with those achieved in 2008.

Your Company's reasons for believing that it can limit the damage caused by the international economic crisis are:

- an order book at 31 December 2008 worth about Euro 3,658 million, which provides a robust base for the next three years;
- a solid financial position and the availability of resources for future investment;
- numerous commercial initiatives at advanced stages, with the stipulation during the year of agreements with some leading customers to pursue several interesting initiatives on a joint basis;
- technology renewal programmes under way, to innovate your Company's products and keep them in line with market demand;
- improvements in production processes, which when taken together with investments addressed to increasing production capacity and restoring efficiency, will make it possible to deliver volume and profitability growth.

The actions we will in any case need to take during 2009 to mitigate risks linked to the international financial crisis are: to carry on pursuing growth in the service sector, which continues to be the most profitable and least risky activity pursued by the Company, to manage the main plant orders carefully in order to minimise risks and to monitor cost factors constantly with a view to optimisation.

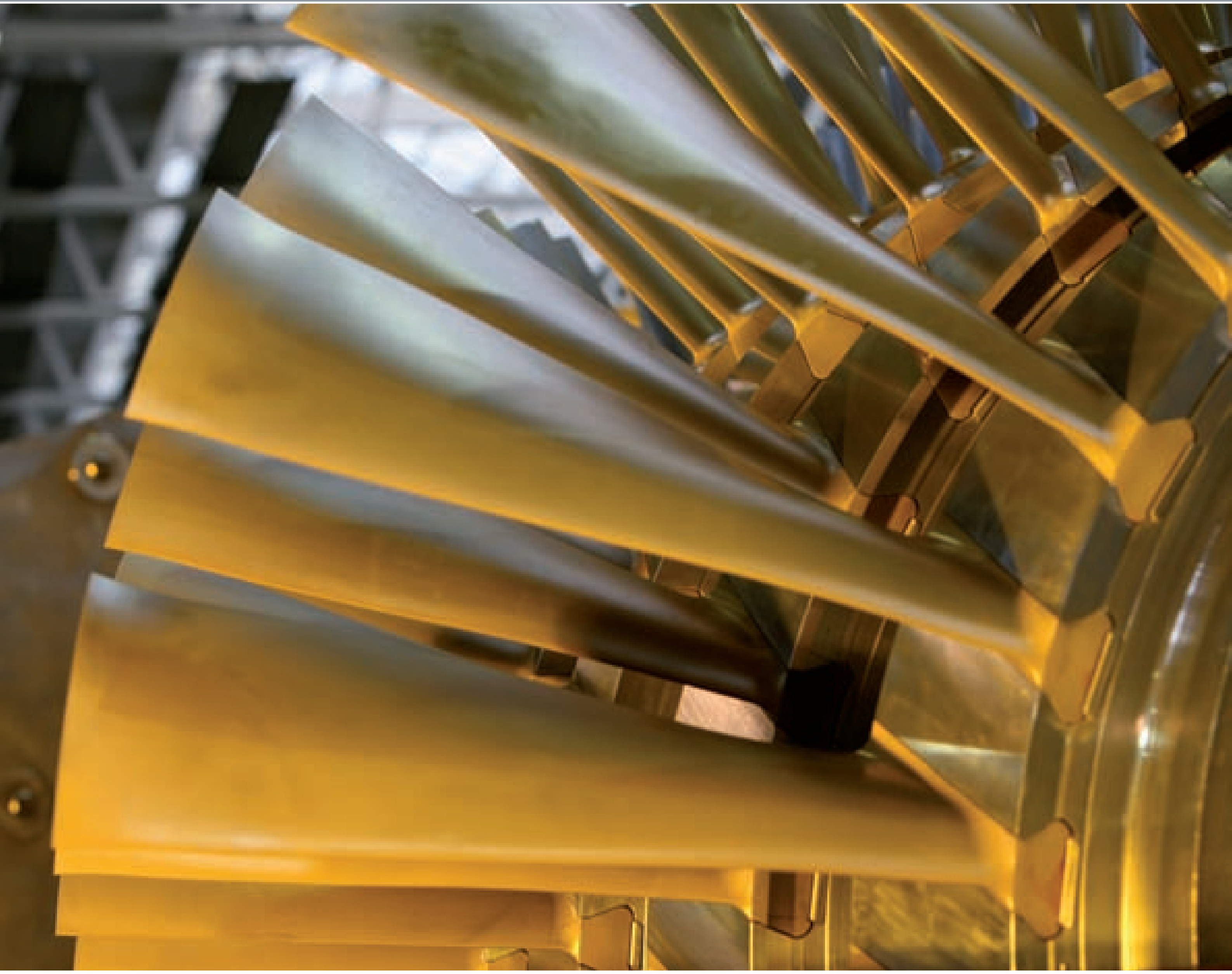
Based on these premises, 2009 will be a year in which production volumes should stabilise at 2008 levels, but we would like to point out that there will be objective difficulties generating positive cash flow after the payment of investments, as the favourable financial conditions of contracts over the last two years will not be easy to reproduce in the new international scenario.

Registered offices of the company

Genoa	Via N. Lorenzi, 8 Registered office and factory
Milan	Via P. Lomazzo, 60 Secondary registered office
Rome	Via G. Carducci, 10 Local office

in addition to sites opened for specific work on individual orders.

So far as concerns its foreign business, Ansaldo Energia S.p.A. operates through work sites and branch offices on activities linked to orders, and through commercial offices in the areas of greatest interest.



Report of the board of directors and proposals to the shareholders' meeting

Shareholders,

the 2008 Financial Statements submitted for your approval closed reporting net profit of Euro 89,534,725, which we propose to allocate as follows:

- Euro 88,793,745 as dividend to the sole Shareholder;
- and the remaining amount of Euro 740,980 to be carried forward.

We advise you that the Financial Statements for the year ended 31 December 2008 were audited by Deloitte & Touche S.p.A., as appointed by the Ordinary Shareholders' Meeting of 24 March 2006. We also remind you that the three-year mandate granted to the independent auditors expires with their signing of the audit report. Independent auditors must therefore be appointed to review the financial statements for the period 2009-2011. We propose engaging PriceWaterhouseCoopers to audit the accounts, as the company is already auditing the ordinary and consolidated financial statements of Finmeccanica SpA, consistently with the need for the independent auditors of the listed holding company to be entirely responsible for the Group consolidated statements.

The salient points of the offer received from PriceWaterhouseCoopers can be summarised as follows:

a) to perform the audit programme pursuant to article 165, Legislative Decree 58/98, on the financial statements of Ansaldo Energia SpA at 31 December of each year, the consideration requested by the auditors amounts to Euro 106,000 for each year;
b) to perform the audit programme on the separate and consolidated reporting package prepared according to the FM Group IAS/IFRS standards at 31 December of each year, the consideration requested by the auditors amounts to Euro 153,000 for each year;
c) to perform limited auditing of the separate and consolidated reporting package prepared according to the FM Group IAS/IFRS standards at 31 December of each year, the consideration requested by the auditors amounts to Euro 36,000 for each year;
d) to perform the control activities pursuant to article 155, clause 1, letter a. of Legislative Decree 58/1998, the consideration requested by the auditors amounts to Euro 35,000 for each year.

The amounts indicated do not include travel and living expenses for personnel working away from the company, which will be charged at cost plus VAT, and the supervision contribution paid to CONSOB.
Therefore, in compliance with the Agenda contained in the notice of General Meeting, ordinary session, you are invited to vote to:

- approve the Financial Statements at 31 December 2008, after taking note of the Board of Statutory Auditors' Report;
- appoint the independent auditors for the three-year period 2009-2011 and establish remuneration.

For THE BOARD OF DIRECTORS
THE CHAIRMAN

Prof. Giuseppe Veredice

Accounting statements and notes to the report at 31 December 2008

Profit and Loss

Euro

	Notes	2008	from related parties	2007	from related parties
Revenues	*27*	1,235,626,890	2,048,885	979,001,601	
Other operating income	*28*	9,409,477		19,897,159	49,877
Other operating income	*29*	648,809,510	3,662,379	454,026,235	13,429,714
Costs for services	*29*	334,121,022	32,833,544	262,201,993	32,127,036
Personnel costs	*30*	161,154,307		138,784,906	
Amortisation, depreciation and impairment	*32*	17,376,565		15,650,625	
Other operating costs	*28*	10,162,438		24,083,535	
Changes in inventories of work in progress, semi-finished and finished goods	*31*	40,962,529		(7,869,726)	
(-) Capitalisation of internal construction costs	*33*	880,895		90,838	
EBIT		**115,255,949**		**96,372,578**	
Financial income	*34*	26,731,260	22,975,088	16,799,111	13,030,374
Financial charges	*34*	6,209,492	472,093	8,863,042	664,497
Profit before taxes and the effect of discontinued operations		**135,777,717**		**104,308,647**	
Income tax expense	*35*	46,242,992		53,850,179	
Net profit		**89,534,725**		**50,458,468**	

Balance Sheet

Euro

	Notes	31.12.2008	from related parties	31.12.2007	from related parties
Non-current assets					
Intangible assets	*7*	5,213,152		180,000	
Property, plant and equipment	*8*	131,989,890		106,389,593	
Equity investments	*9*	40,181,888		19,135,389	
Receivables	*11*	837,442		1,865,625	
Deferred tax assets	*35*	3,169,979		4,690,851	
		181,392,351		**132,261,458**	
Current Assets					
Inventories	*12*	321,791,836		146,349,352	
Due from customers from contract work	*13*	69,276,272		48,858,611	
Trade receivables	*14*	328,134,766	4,060,796	335,523,298	2,989,905
Tax receivables	*15*	801,167		17,808,810	
Financial receivables	*14*	559,363,342	558,208,055	478,503,917	476,667,917
Total derivatives	*24*	405,285		199,868	
Other assets	*16*	73,046,935	33,438,079	78,881,035	37,427,676
Cash and cash equivalents	*17*	22,167,353		22,991,265	
		1,374,986,956		**1,129,116,156**	
Total assets		**1,556,379,307**		**1,261,377,614**	

Balance Sheet

Euro

	Notes	31.12.2008	from related parties	31.12.2007	from related parties
Shareholders' equity					
Share capital		11,966,812		11,966,812	
Other reserves		103,298,379		62,634,375	
Total shareholders' equity	*18*	**115,265,191**		**74,601,187**	
Non-current liabilities					
Borrowings	*19*	1,076,537		2,110,574	
Severance pay and other employee liabilities	*21*	38,391,712		39,220,751	
Provisions for risks and charges	*20*	90,979,089		80,594,203	
Deferred tax liabilities	*35*	853,166		1,251,254	
Other liabilities	*22*	2,323,202		2,393,972	
		133,623,706		**125,570,754**	
Current liabilities					
Due to customers for contract work	*13*	728,519,048		566,534,804	
Trade payables	*23*	421,243,154	23,608,446	318,258,734	9,740,907
Borrowings	*19*	5,467,957	4,392,805	14,857,490	12,730,671
Tax payables	*15*			2,291,917	
Provisions for risks and charges	*20*	49,088,905		55,754,529	
Total derivatives	*24*	17,801		764,197	
Other liabilities	*22*	103,153,545	35,707,181	102,744,002	37,153,003
		1,307,490,410		**1,061,205,673**	
Total liabilities		**1,441,114,116**		**1,186,776,427**	
Total liabilities and shareholders' equity		**1,556,379,307**		**1,261,377,614**	

Cash Flow

Euro thousand

	Notes	31.12.2008	from related parties	31.12.2007	from related parties
Cash flow from operating activities:					
Gross cash flow from operating activities	*36*	135,601		127,497	
Change in working capital	*36*	97,916	*14,748*	125,405	*(1,186)*
Changes in other operating assets and liabilities	*36*	(1,544)	*4,538*	3,609	*(2,496)*
Financial charges paid		22,080	*22,502*	12,573	*12,366*
Income taxes paid		(49,757)		(50,582)	
Cash flow generated by (used in) operations		**204,296**		**218,502**	
Cash flow from investing activities:					
Acquisitions of companies, net of cash acquired	*9*	(16,119)		(1,556)	
Investments in property, plant and equipment and intangible assets		(48,107)		(17,626)	
Disposals of property, plant and equipment and intangible assets		48		174	
Dividends received		1,501		1,600	
Other investing activities		2		84	
Cash flow generated by (used in) investing activities		**(62,675)**		**(17,324)**	
Cash flow from strategic investment activities		**(7,686)**			
Cash flow from financing activities:					
Repayment of bonds issued		(1,034)		(1,437)	
Net change in other financial payables	*19*	(88,725)	*(88,153)*	(163,271)	*(163,054)*
Dividends paid		(45,000)		(24,173)	
Cash flow used in investing activities		**(134,759)**		**(188,881)**	
Net decrease in cash and cash equivalents		(824)		12,297	
Cash and cash equivalents at 1 January		22,991		10,694	
Cash and cash equivalents at 31 December		**22,167**		**22,991**	

Statement of Recognised Income and Expenses (SORIE)

Euro

	31.12.2008	31.12.2007
Reserves for income (charges) recognised in equity		
- Reserves for income (charges) recognised in equity	(3,149,000)	297,371
- Cash flow hedge changes	152,552	758,743
Tax effect of charges (income) recognised in Shareholders Equity	69,863	(137,213)
Income (charges) recognised in Shareholders Equity	(3,066,311)	1,193,327
Result for the year	89,534,725	50,458,468
Total income and charges for the year	**86,468,414**	**51,651,795**

Notes to the financial statements at 31 December 2008

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2008

1. General information

Ansaldo Energia S.p.A. is a Finmeccanica Group company with headquarters in Genoa. As the Company is a sub-group pursuant to section 27, sub-section 3 of Legislative Decree 127, 1991, it does not prepare Consolidated Financial Statements, which are drawn up by the Controlling Company Finmeccanica SpA. The mission of the Company is to perform, in Italy and internationally, industrial, commercial, design, supply, erection, start up and service activities in the power generation plant and component sector, as well as in similar sectors, in addition to performing all works connected with the aforementioned activities.
Advanced technology, high professional standards, extensive production capacity and competitive projects and products have been constant features of the company from the outset and will drive it forward into the future.

2. Basis of preparation and accounting standards used

The 2008 financial statements have been prepared in accordance with the international accounting standards (IAS/IFRSs) endorsed by the European Commission, supplemented by the relevant interpretations (Standing Interpretations Committee – SIC and International Financial Reporting Interpretations Committee – IFRIC) issued by the International Accounting Standard Board (IASB). The IFRSs used to prepare the financial statements have been supplemented by the interpretations of the IFRIC in being at the time of preparation of the financial statements. Specifically, the standards used are those that have been endorsed by the European Union and which are contained in the following EU regulations: nos. 1725/2003, 707/2004, 2236/2004, 2237/2004, 2238/2004, 2086/2004, 211/2005, 1751/2005, 1864/2005, 1910/2005, 2106/2005, 108/2006, 708/2006, 1329/2006, 610/2007 and 611/2007.

New IFRSs and interpretations of the IFRIC
In 2008 the IASB and the International Financial Reporting Interpretations Committee (IFRIC) issued amendments and interpretations which are not yet obligatory or have not yet been endorsed by Community Legislators to the following principles: IAS 39 – IFRS 8 – IAS 23 – IAS 1 – IFSR 2 – IAS 27 – IFRS 3 – IFRIC 13 – IFRIC 14 – IFRIC 15 – IFRIC 16. The group will adopte these changes as of 1 January 2009; the company does not believe there will be any significant effects resulting from their application either for the current year or next year.

The general principle used in preparing these consolidated financial statements is the cost method, except for derivative instruments and some financial assets, which must or – exclusively in relation to financial assets – can be recognised at fair value under IAS 39.

All figures are shown in Euros unless otherwise indicated.
These financial statements prepared in accordance with IFRSs were audited by Deloitte & Touche S.p.A.
Preparation of the accounts at 31 December 2006 required management to make certain estimates.

3. Accounting standards adopted

Segment information
The Company considers the organisation by industry to be ‘primary’, as company risks and benefits are influenced significantly by differences in the products and services provided, with the organisation by geographic area being ‘secondary’, as company risks and benefits are also significantly influenced by operating in different countries or different geographic areas.

Currency translation

Identification of the functional currency
This report is presented in Euros (EUR) which is the currency of Ansaldo Energia S.p.A.

Translation of transactions denominated in a foreign currency
Items expressed in a currency other than the functional currency, whether monetary (cash and cash equivalents, receivables or payables due in pre-set or measurable amounts, etc.) or non-monetary (advances to suppliers of goods and services, goodwill, intangible assets, etc.), are initially recognised at the exchange rate prevailing at the date on which the transaction takes place. Subsequently, the monetary items are translated into the functional currency based on the exchange rate at the reporting date, and any differences resulting from this conversion are recognised in the income statement. Non-monetary items continue to be carried at the exchange rate on the date of the transaction, except in situations where there is a persistent unfavourable trend in the exchange rate concerned. If this is the case, exchange differences are recognised in the income statement.

Intangible assets
Intangible assets are non-monetary items without physical form, but which can be clearly identified and generate future economic benefits for the company. They are carried at purchase and/or production cost, including directly related expenses allocated to them when preparing the asset for operations and net of accumulated amortisation (with the exception of intangibles with an indefinite useful life) and any impairments of value.
Amortisation begins when the asset is available for use and is recognised systematically over its remaining useful life. In the period in which the intangible asset is recognised for the first time, the amortisation rate applied takes into account the period of actual use of the asset.

Development costs and recurring charges
Development costs are related to the application of the results of research or other knowledge in a plan or a project for the production of materials, devices, processes, systems or services that are new or significantly advanced, prior to the start of commercial production or use, for which the generation of future economic benefits can be demonstrated. These costs are amortised over the entire period in which the future earnings are expected to be realised for the project itself, and in any case for no longer than 10 years.
"Non recurring costs" as defined by Finmeccanica Group are separately classified under intangible assets. Research costs, on the other hand, are expensed in the period in which they are incurred.

Industrial patent and intellectual property rights
Patents and intellectual property rights are carried at acquisition cost net of amortisation and accumulated impairment losses. Amortisation begins in the period in which the rights acquired are available for use and is calculated based on the shorter of the period of expected use and that of ownership of the rights.

Concessions, licences and trademarks
This category includes: concessions, i.e. government measures that grant private parties the right to exclusive use of public assets or to manage public services under regulated conditions; licences that grant the right to use patents or other intangible assets for a determinate or determinable period of time; trademarks that establish the origin of the products of a given company; and licences for the know-how or software owned by others. The costs, including the direct and indirect costs incurred to obtain such rights, can be capitalised after receiving title to the rights themselves and are amortised systematically over the shorter of the period of expected use and that of ownership of the rights.

Tangible assets
Property, plant and equipment is measured at purchase or production cost net of accumulated depreciation and any impairment losses. The cost includes all direct costs incurred to prepare the assets for use, as well

as any charges for dismantlement and disposal that will be incurred to return the site to its original condition.
Charges incurred for routine and/or cyclical maintenance and repairs are expensed in full in the period in which they are incurred. Costs related to the expansion, modernisation or improvement of owned or leased structural assets are only capitalised to the extent that such costs meet the requirements for being classified separately as an asset or part of an asset. Any public capital grants related to property, plant and equipment are recognised as a direct deduction from the asset to which they refer.
The value of an asset is adjusted by systematic depreciation calculated based on the residual useful life of the asset itself. In the period in which the asset is recognised for the first time, the depreciation rate applied takes into account the period of actual use of the asset. The estimated useful lives adopted by the Company for the various asset classes are as follows:

	Years
Land	indefinite useful life
Industrial buildings	33
Plant and equipment	20-5
Minor equipment	8-2.5
Furniture	8-5
Vehicles	5-4

In the event the asset to be depreciated is composed of distinct elements with useful lives that are significantly different from those of the other constituent parts, each individual part that makes up the asset is depreciated separately, in application of the component approach to depreciation.
The item also comprises equipment for specific projects (tooling), although they are depreciated, like the other “non recurring charges”, according to the method of units produced vs. the total planned.
The gains and losses from the sale of assets or groups of assets are calculated by comparing the sales price with the related net book value.

Equity investments

The Company classifies its equity investments as follows:

- ‘subsidiaries’ in which the owner of the interest has the power to determine the financial and operating decisions and to receive the related benefits;
- ‘associated companies’ in which the owner of the interest exercises significant influence (which is assumed to exist when the owner can exercise at least 20% of the votes in the ordinary shareholders’ meeting). This also includes companies subject to joint control (joint ventures);
- ‘other companies’ that do not fall under any of the categories above.

Subsidiaries (including those subject to joint control), associates and other companies, with the exception of those that are held for sale, are recognised at the cost of purchase or start-up. The cost value is maintained in subsequent financial statements except in the event of a loss of value, or any write-back, following a change in its economic use or capital transactions. Equity investments held for sale are carried at the lower of cost and fair value net of sales costs.
The Appendix to these notes provides a summary of investee companies. Figures for subsidiaries are taken from the relevant financial statements at 31 December 2008 approved by the Board of Directors; for associates and other companies, the carrying values of the equity investments were matched against the equities of the investee companies, as appearing in the latest available financial statements approved.
Any value losses in excess of book value are recorded in the provision for risks on equity investments.
Should the reasons for write-downs cease to obtain, the value of equity investments is restored up to the original cost.

Inventories

Inventories are recorded at the lower of cost and net realisable value. The Group used the weighted average cost method. The net realisable value is the sales price in the course of normal operations net of estimated costs to finish the goods and those needed to make the sale. Any write-downs are eliminated in future periods if the reason for the write-down should cease to obtain.
The Company classifies inventories as follows:
- Raw materials, supplies and consumables
- Work in progress and semi-finished goods
- Advances.

Work in progress is recognised at production cost using the weighted average cost, excluding financial charges and general overheads.

Contract work in progress

Work in progress is recognised on the basis of progress (or percentage of completion), whereby costs, revenues and margins are recognised based on the progress of production. The state of completion is determined on the basis of the ratio between costs incurred at the measurement date and the total expected costs for the programme.
The valuation reflects the best estimate of the schedules prepared at the reporting date. The assumptions upon which the valuations are made are periodically updated. Any impact on profit or loss is recognised in the period in which the updates are made.
In the event the completion of a contract is expected to result in a loss at the gross margin level, the loss is recognised in its entirety in the period in which it becomes reasonably foreseeable.
Contract work in progress is recorded net of any write-downs, as well as pre-payments and advances relating to the contract being performed.
This analysis is carried out contract by contract: in the event of positive differences (where the value of work in progress is greater than total pre-payments), the difference is recorded as an asset; negative differences, on the other hand, are recorded as a liability under ‘due to customers for contract work’.
If it has not been collected at the date of preparation of the annual or interim accounts, the amount recorded among advance payments will have a direct contra-item in trade receivables.
Contracts with payments in a currency other than the functional currency (the Euro for the Company) are measured by converting the portion of payments due, calculated using the percentage-of-completion method, at the exchange rate prevailing at the close of the period in question. However, the Company’s policy for exchange-rate risk calls for all contracts in which cash inflows and outflows are significantly exposed to exchange rate fluctuations to be hedged specifically. In such cases, the recognition methods described in paragraph 3.2.1 are applied.

Receivables and financial assets

The Company classifies its financial assets into the following categories:
- financial assets at fair value through profit or loss;
- loans and receivables;
- held-to-maturity financial assets;
- available-for-sale financial assets.

Management classifies assets at the time they are first recognised.

Fair value assets with contra-items in the income statement

This category includes financial assets acquired for short term trading or defined as such by management, in addition to deriviatives, which are covered by the paragraph below. The fair value of these instruments is calculated with reference to the market value (bid price) at the date of closure of the period in question: instruments in this category are posted immediately to the income statement. The classification as current and non current reflects the expectations of management as regards their negotiation: those which are expected to be traded within 12 months or which are identified as held for the purposes of trading are classified under current assets.

Loans and receivables

This category includes non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. They are measured at their amortised cost using the effective interest method. Should objective evidence of impairment emerge, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement.
If the reasons for the write-down should cease to obtain, the value of the asset is restored up to the amortised cost value it would have if no impairment had been recognised.
These assets are classified as current assets, with the exception of portions expiring beyond 12 months, which are classified under non current assets.

Financial assets held to maturity

These are non-derivative assets with fixed maturities that the Company has the intention and ability to hold to maturity. Those maturing within 12 months are carried as current assets. Should objective evidence of impairment emerge, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. If the reasons for the write-down should cease to obtain in future periods, the value of the asset is restored up to the amortised cost value it would have if no impairment had been recognised.

Financial assets held to maturity

This category includes financial assets, other than derivative instruments, specifically assigned to it or not classified in any previous item. These assets are assessed at fair value, which is calcualted with reference to market prices at the balance sheet date or using financial valuation techniques and models, and any changes in value are reported by contra-items in a specific shareholders' equity reserve ("reserve for assets available for sale"). This reserve is reversed to the income statement only when the financial asset is actual transferred or, in the event of a negative change, when the reduction in value posted to shareholders' equity cannot be recovered. The classification as current or non current asset depends on the intentions of management and the actual tradability of the security: assets which are expected to be realised in the upcoming 12 months are classified under current assets.
If there is objective evidence of a loss of value, the value of the assets is reduced so that it is equal to the discounted value of future cash flows: negative changes of value previously posted to the shareholders' equity reserve are reversed to the income statement. Losses of value previously accounted for are restored if the circumstances which caused their reduction no longer obtain.

Derivatives

Derivatives are still regarded as assets held for trading and stated at fair value through profit and loss, unless they are deemed eligible for hedge accounting and effective in offsetting the risk in respect of underlying assets, liabilities or commitments undertaken by the Company.
In particular, the Company uses derivatives as part of its hedging strategies to offset the risk of changes in the fair value of assets or liabilities on its balance sheet or the risk associated with contractual commitments (fair value hedges) and the risk of changes in expected cash flows in contractually defined or highly probable operations (cash flow hedges). For details regarding the methodology for recognising hedges of the exchange rate risk on long-term contracts, see Note 3.
The effectiveness of hedges is documented both at the start of the operation and periodically thereafter (at least every time an annual or interim report is published) and measured by comparing changes in the fair value of the hedging instrument against changes in the hedged item ('dollar offset ratio'). For more complex instruments, the measurement involves statistical analysis based on the variation of the risk.

Fair Value Hedge
Changes in the value of derivatives that have been designated and qualify as fair value hedges are recognised in profit or loss, similarly to the treatment of changes in the fair value of the hedged assets or liabilities that are attributable to the risk that has been offset with the hedge.

Cash Flow Hedge
Changes in the fair value of derivatives that have been designated and qualify as cash flow hedges are recognised – with reference to the 'effective' component of the hedge only – in a specific equity reserve ('cash flow hedge reserve'), which is subsequently recognised in profit or loss when the underlying transaction affects profit or loss. Changes in fair value attributable to the non-effective component are immediately recognised in profit or loss for the period. If the derivative is sold, or ceases to function as an effective hedge against the risk for which it was originated, or the occurrence of the underlying operation ceases to be highly probable, the relevant portion of the cash flow hedge reserve is immediately recognised in the income statement.

Determining fair value
The fair value of instruments quoted on public markets is determined with reference to the bid price for the instrument in question at the reference date.
The fair value of unquoted instruments is determined with financial valuation techniques. Specifically, the fair value of interest rate swaps is measured by discounting the expected cash flows, while the fair value of foreign exchange forwards is determined on the basis of the market exchange rate at the reference date and the rate differentials among the currencies involved.

Cash and cash equivalents
The item includes cash, deposits with banks or other institutions providing current account services, post office accounts and other cash equivalents, as well as investments maturing in less than three months from the date of acquisition. Cash and cash equivalents are recognised at their fair value.

Shareholders' equity

Share capital
Share capital consists of the capital subscribed and paid up by the Company.
Costs directly associated with the issue of shares are recognised as a decrease in share capital, less deferred taxes, if any, when they are directly attributable to capital operations.

Profits (losses) carried forward
These include net profits or losses for the period and for previous years that are not distributed or allocated to reserves (for profits) or covered (for losses). The item also includes transfers from other equity reserves when the restrictions on their release cease to apply, as well as the effects of changes in accounting policies and significant errors.

Other reserves
They include the fair value reserve relating to items accounted for using the fair value method recognised in equity, the cash flow hedge reserve in respect of the effective portion of such hedges, and the stock option/grant reserve.

Payables and other liabilities
Payables and other liabilities are initially recognised at fair value net of transaction costs. They are subsequently valued at their amortised cost using the effective interest rate method (see Note 3.20).
Payables and other liabilities are defined as current liabilities unless the Company has the contractual right to settle its debts at least 12 months after the reporting date.

Deferred tax assets

Deferred tax assets and liabilities are calculated based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax assets and liabilities are calculated by applying the tax rate in force at the time the temporary differences will be reversed. Deferred tax assets are recognised to the extent that it is probable the company will post taxable income at least equal to the temporary differences in the financial periods in which such assets will be reversed.

Employee benefits

Post-employment benefit plans

The Company uses several types of pension and supplementary benefit plans, which can be classified as follows:

- Defined contribution plans in which the company pays fixed amounts to a distinct entity (e.g. a fund) but has no legal or constructive obligation to make further payments if the fund does not have sufficient assets to pay the benefits accrued by employees during their period of employment with the company. The company recognises the contributions to the plan only when employees rendered their services to the company specifically in exchange for these contributions;
- Defined benefit plans in which the company undertakes to provide agreed benefits for current and former employees and incur the actuarial and investment risks associated with the plan. The cost of the plan is therefore not determined by the amount of the contributions payable in the financial period but, rather, is redetermined with reference to demographic and statistical assumptions and wage trends. The methodology used is the projected unit credit method.

The company recognises the costs of defined benefit plans using the so-called 'equity method', which involves recognising actuarial losses and gains relating to all defined benefit plans directly in shareholders' equity in the year in which they occur.

So far as concerns the classification of costs relating to defined benefit plans, labour costs (current and previous), as well as costs relating to the recognition of curtailment (where applicable) are recognised in "Personnel costs". Vice versa, interest costs, net of the expected performance of assets serving the plan, are classified under "financial interest expense".

Other long-term benefits and post-employment benefit plans

The Company grants employees other benefits (such as seniority bonuses after a given period of service with the company) that, in some cases, continue to be provided after retirement (for example, medical care). These receive the same accounting treatment as defined benefit plans, using the projected unit credit method. However, the corridor approach cannot be used for 'other long-term benefits'. Consequently, net actuarial gains and losses are recognised both immediately and in full as they occur, including related social charges.

Benefits payable for the termination of employment and incentive plans

Termination benefits are recognised as liabilities and expenses when the enterprise is demonstrably committed to terminating the employment of an employee or group of employees before the normal retirement date or to providing termination benefits as a result of an offer made in order to encourage voluntary redundancy. The benefits payable to employees for the termination of employment do not bring any future economic benefit to the enterprise and are therefore recognised immediately as expenses.

Equity compensation benefits

The Company uses stock option plans as part of its compensation of senior management. In these cases, the theoretical benefit attributable to the recipients is charged to the income statement in the financial periods for which the plan is operative with a contra-item in an equity reserve. The benefit is quantified by measuring the fair value of the assigned instrument using financial valuation techniques that take account of market conditions and, at the date of each annual or interim report, an updated estimate of the number of instruments expected to be distributed.

Provisions for risks and charges

Provisions for risks and charges cover certain or probable losses and charges whose timing or amount was uncertain at the reporting date.
The provision is recognised only when a current obligation (legal or constructive) exists as a result of past events and it is probable that an outflow of economic resources will be required to settle the obligation. The amount reflects the best current estimate of the cost of fulfilling the obligation. The interest rate used to determine the present value of the liability reflects current market rates and includes the additional effects relating to the specific risk associated with each liability.
Risks for which the emergence of a liability is merely a possibility are reported in the section in the notes on commitments and risks and no provision is recognised.

Leasing

Operating leasing

Receipts and payments in respect of contracts qualifying as operating leases are recognised in the income statement over the duration of the contract.

Revenue

Revenues generated by an operation are recognised at the fair value of the amount received and receivable, inclusive of volume discounts and reductions.
Revenues also include changes in work in process, the accounting policies for which were described in Note 2 above.
Revenues generated from the sale of goods are recognised when the enterprise has transferred to the buyer substantially all of the significant risks and rewards of ownership of the goods, which, in many cases, will coincide with the transfer of title or possession to the buyer; and when the value of the revenues can be reliably determined.
Revenues from services are recognised on a percentage-of-completion method when they can be reliably estimated.

Government grants

Once formal authorisation for their assignment has been issued, grants are recognised on an accruals basis in direct correlation with the costs incurred.
Specifically, set-up grants are taken to the income statement in direct relation to the depreciation of the relevant goods or projects, and are recognised as a direct reduction in the value of the depreciation expense.

Costs

Costs are recorded in compliance with the inherence principle and the matching principle.

Financial income and expense

Interest is recognised on an accruals basis using the effective interest rate method, i.e. the interest rate that results in the financial equivalence of all inflows and outflows (including any premiums, discounts, commissions etc.) that make up a given operation.
Financial expense is never capitalised.

Dividends

Dividends are recognised as soon as shareholders obtain the right to receive payment, which is normally when the shareholders' meeting approves the distribution of dividends.

Dividends distributed to Ansaldo Energia S.p.A. shareholders are recognised as liabilities for the period in which their distribution is approved by the shareholders' meeting.

Related party transactions

Related party transactions are made at arm's length.

4. Significant issues

Hedging long-term contracts against foreign exchange risk

In order to hedge exposure to changes in flows of receipts and payments associated with long-term construction contracts denominated in currencies other than the functional currency, the Company enters into specific hedges for the expected individual cash flows in respect of the contract. The hedges are entered into at the moment the commercial contracts are finalised. Exchange-rate risk is normally hedged with plain vanilla instruments (forward contracts); in all cases where hedges prove to be ineffective, changes in the fair value of such instruments are taken immediately to the income statement as financial items, while the underlying asset is valued as if it were exposed to exchange rate variations. The effects of this recognition policy are reported in Note 28. Hedges in the former case are carried as cash flow hedges, considering as ineffective the part relating to the premium or discount in the case of forwards or the time value in the case of options, which is recognised under financial items.

Provisions for risks and estimates of final costs of long-term contracts

The Company operates in sectors and with contractual arrangements that are especially complex. They are recognised on a percentage-of-completion basis. Margins recognised in the income statement are a function of both the state of progress on contracts and the margins that are expected to be recognised for the completed contract. Accordingly, correct recognition of work in progress and margins on contracts that have not yet been completed requires management to make a careful estimate of the final costs and expected increases, as well as delays, extra costs and penalties that could reduce the expected margin. In order to enhance support for this activity, the Company has adopted contract management and risk analysis tools designed to identify, monitor and quantify the risks associated with such contracts. The amounts posted in the financial statements and in the interim reports represent management's best estimate at the reporting date using said procedures.

In addition, the Company's operations regard sectors and markets where many disputes are settled only after a considerable period of time, especially in cases where the customer is a government entity, making it necessary for management to estimate the outcome of such disputes. The main potential loss situations classified as 'probable' or 'possible' (no provision is recognised for the latter) are reported in Note 20.

Asset impairment

The company's assets are subjected to impairment testing at least once a year if they have an indefinite life, or more frequently if there are indications of permanent losses of value. Similarly, the impairment tests are conducted on all the assets for which there are indicators of losses of value, even if the depreciation or amortisation process has already been started.

Impairment tests are generally conducted using the discounted cash flow method, which is, however, highly sensitive to the assumptions contained in the estimate of future flows and interest rates used.

In order to calculate these values, the Company uses the plans approved by company management and financial parameters in line with current values in reference markets.

5. Significant non recurring events or transactions

Significant non recurring events or transactions

During the year the Company completed the merger with subsidiary Sagemi Srl. The merger was finalised by public notary deed no. 83192, dated 5 August 2008, and entered force as of 1 September 2008, while for tax purposes itwas back-dated to 1 January 2008. The merger was needed to comply with group reorganisation synergy targets. The impact on equity of the merger is given in the table below:

BALANCE SHEET

Euro	01.01.2008	31.08.2008
Non current assets		
Intangible assets		
Property, plant and equipment	4,314,41	4,314,41
Property investments		
Equity investments	20,650,34	20,650,34
Financial assets assessed at fair value		
Securities held to maturity		
No-current receivables to related parties		
Receivables	21,360,90	21,360,90
Deferred tax assets	77,513,53	77,513,53
Other assets		
	123,839,18	**123,839,18**
Current assetsi		
Inventories		
Due from customers for contract work		246,651,25
Current receivables to related parties	4,036,443,75	3,540,599,32
Trade receivables	562,182,67	336,406,03
Financial assets assessed at fair value		
Securities held to maturity		
Tax receivablesi	94,917,45	69,145,52
Financial receivables		
Other assets	10,189,60	14,741,92
Cash and cash equivalents	8,929,43	21,401,20
	4,959,314,15	**3,982,293,99**
Non current assets held for sale		
Total liabilities	**5,083,153,33**	**4,106,133,17**

Euro	01.01.2008	31.08.2008
Shareholders' equity		
Share capital	50,000,00	50,000,00
Reserves	546,563,80	351,439,28
Total shareholders' equity	**596,563,80**	**401,439,28**
Non current liabilities		
Borrowing		
Severance pay and other employee liabilities	455,314,26	442,838,89
Provisions for risks and charges		
Deferred tax assets	1,235,41	1,235,41
Other liabilities	22,174,15	19,625,35
	478,723,82	**463,699,65**
Current assets		
Due to customers for contract work	2,177,002,37	375,979,97
Current liabilities to related parties	418,959,20	333,860,31
Trade payables	590,821,24	1,822,822,19
Borrowings		
Tax payables	138,827,69	72,203,38
Provisions for risks and charges	68,282,96	18,302,83
Other liabilities	613,972,25	617,825,56
	4,007,865,71	**3,240,994,24**
Total liabilities	**4,486,589,53**	**3,704,693,89**
Total liabilities and shareholders' equity	**5,083,153,33**	**4,106,133,17**

6. Segment information

The Company operates exclusively in the energy sector.
Company revenue can be broken down geographically as follows (based on the customer's home country):

Euro/thousand	31.12.2008	31.12.2007
Italia	550,421	720,486
EU	117,187	19,358
United Kingdom	179	
Rest of Europe	35,059	4,251
Africa	410,945	84,793
North America	4,168	3,659
South America	6,027	5,585
Middle East	70,755	43,528
Asia	38,781	97,324
Other	56	17
	1,233,578	**979,001**

Assets are geographically distributed as follows:

	31,12.2008	31.12.2007
EU	859,648	777,254
North America	13,837	5,029
Other	92,275	135,193
	965,760	**917,476**

Capital expenditure is distributed as follows:

Euro/thousand	31.12.2008	31.12.2007
EU	48,107	17,626
North America		
Other		
	48,107	**17,626**

7. Intangible assets

Euro/thousand	Goodwill	Development costs	Patents and similar rights	Concessions, licenses and trademarks	Other	Total
1° January 2007						
Cost				450		**450**
Carrying amount				**450**		**450**
Amortisation				270		
31 December 2007 broken down as follows:						
Cost				450		**450**
Depreciation and impairment				270		**270**
Carrying amount				**180**		**180**
Investments (**)					5,123	**5,123**
Sales						
Amortisation				90		**90**
31 December 2008 broken down as follows::				**90**	**5,123**	**5,213**
Cost				450	5,123	**5,573**
Depreciation and impairment				360		**360**
Carrying amount				**90**	**5,123**	**5,213**

Intangible assets amounting to Euro 5,213 thousand refer to:

- licence rights, acquired from Siemens in 2004, for the most advanced version of the V94 3A gas turbine. The amortisation of Euro 90 thousand is based on an assessment of the assets' ability to produce revenue;

- intangible assets in progress regarding research and development projects totalling Euro 5,123 thousand. In 2008 the company launched several projects with highly innovative content such as to justify the capitalisation of costs. The first and most important project regards the development of the V94.3A gas turbine, to upgrade its performance in line with market demand and the standards offered by the competition. The other two projects, consistently with the strategic importance of service work performed on equipment installed by third parties as well as ourselves, refer to the study and design of the main gas turbine components in the 20-50 MW class and the 90-120 MW class.

8. Property, plant and equipment

Euro/thousand	Land and buildings	Plant and machinery	Equipment	Other	Capitalisation of plant under construction and advances	Total
1° January 2007						
Cost	67,973	161,349	27,576	14,834	9,700	281,432
Revaluations	15,708	840				16,548
Depreciation and impairment	36,853	120,676	24,402	13,587		195,518
Carrying amount	**46,828**	**41,513**	**3,174**	**1,247**	**9,700**	**102,462**
Investments	1,746	5,208	9,870	332	470	17,626
Sales		138				138
Amortisation	2,422	7,720	2,979	439		13,560
31 December 2007 broken down as follows:	**46,152**	**38,863**	**10,065**	**1,140**	**10,170**	**106,390**
Cost	69,719	165,244	37,334	15,096	10,170	297,563
Revaluations	15,708	840				16,548
Depreciation and impairment	39,275	127,221	27,269	13,956		207,721
Carrying amount	**46,152**	**38,863**	**10,065**	**1,140**	**10,170**	**106,390**
Investments	2,477	21,411	5,667	779	12,650	42,984
Fusion			1	3		4
Sales		101				101
Amortisation	2,486	8,814	5,576	410		17,286
31 December 2008 broken down as follows::	**46,143**	**51,359**	**10,157**	**1,512**	**22,820**	**131,991**
Cost	72,196	185,605	43,181	15,792	22,820	339,594
Revaluations	15,708	840				16,548
Depreciation and impairment	41,761	135,086	33,024	14,280		224,151
Carrying amount	**46,143**	**51,359**	**10,157**	**1,512**	**22,820**	**131,991**

Property, plant and equipment are stated net of accumulated depreciation.
Land and buildings refer to the industrial sites at Genoa-Campi (Euro 34,792 thousand), Legnano (Euro 11,217 thousand) and the Teheran property in which the Iranian branch has its headquarters (Euro 141 thousand).
The net increase of Euro 25,600 thousand compared to the previous year is determined by:

- purchases and capitalisation of new plant (Euro 30,334 thousand) relating to two mobile filtering plants, two mobile upright boring machines, a SIRMU lathe, a MAGERLE grinding machine, a rotor welding machine and general-purpose machine tools used in production;

- capitalisation of plant under construction (expected to enter service in 2009) totalling Euro 12,650 thousand;
- depreciation in the year of Euro 17,286 thousand, calculated based on the useful life of the assets at the following rates:

Industrial buildings	3-5%
Plant and machinery	5-20%
Minor equipment	12,5-40%
Furniture	12-20%
Vehicles	20-25%

- decreases of Euro 101 thousand deriving from disposals net of depreciation;
- an increase of Euro 4 thousand as a result of the Sagemi Italia merger.

9. Equity investments

Euro/thousand	31.12.2008	31.12.2007
Opening balance	19,135	22,991
Acquisitions/subscriptions and capital increases	23,814	1,556
Revaluations/impairment	-2,648	-5,328
Merger eliminations	-138	
Sales	2	84
Mergers	20	
Closing balance	**40,181**	**19,135**

The changes in the year relate mainly to the acquisition of subsidiary Ansaldo Fuel Cells SpA for Euro 6,673 thousand and its subsequent recapitalisation (Euro 14,128 thousand), to the acquisition of associated company Turboenergy Srl for Euro 1,000 thousand, and to the payment of Euro 2,000 thousand to subsidiary Ansaldo Ricerche SpA on account of future losses and write-downs against permanent losses of value assessed during the year and amounting to Euro 2,648 thousand.
Ansaldo Fuel Cells, the acquisition of which was completed during the year, has a mission to develop fuel cells for distributed power generation. During the year it achieved some important product development and testing milestones, as well as producing numerous prototypes.
The value of the investment was subject to impairment testing, performed on the basis of the business plan prepared by the subsidiary, demonstrating the recoverability of capitalised costs (a key item under balance sheet assets) incurred to develop fuel cells of a duration and efficiency such as to make the product a commercial proposition. The business plan envisages 5 years' more product development and sales starting in 2013, followed by a period of 12 years in which demand for the product is forecast to increase strongly. According to the plan the company will start to generate positive cash flow as of 2020, achieving revenue volumes of more than Euro 1 billion annually at the end of the forecast period.
Cash flow after the period considered by the plan (terminal value) was extrapolated based on the final period of the plan.
The assumptions on which the plan is based are:
- the best possible estimate of the future renewable energy and distributed generation market, amounting to 30 GW;
- the best possible estimate of the market share of fuel cell technology, amounting to 1.6 GW;
- the attribution of 30% of this latter market to Ansaldo Fuel Cells;
- the technical development of the product will ensure its competitiveness as regards other already consolidated sources of renewable and distributed energy;

- the financial requirement for product development and to start production is estimated at about Euro 80 million.

The cash flows considered have been discounted back at a rate (WACC) of 9%, which takes account of all risk items deriving from the nature of the business and the fact that the company is in its start up phase. The impairment test demonstrated that the full value of the investment can be recovered. This result was also confirmed by the sensitivity analysis performed both on the discounting back rate and forecast cash flows.
In view of how long it is estimated to take to receive a return on the investment, the project will be monitored constantly as a function of both technical and market developments.
During the year subsidiary Sagemi Italia was merged into your Company with effect backdated to 1 January 2008, resulting in the elimination of the equity investment of Euro 138 thousand.

List of equity investments at 31 December 2008 (Euro/thousand)

Name	% Ownership	Carrying amount	Total assets	Total liabilities
Subsidiaries and associates				
Ansaldo Energy Inc.	100%	1	155	105
Ansaldo ESG AG	100%	4,201	7,605	7,048
Ansaldo Fuel Cells S,p.A.	94.37%	20,801	44,929	25,521
Ansaldo Nucleare S.p.A.	100%	107	27,770	25,753
Ansaldo Ricerche S.p.A.	100%	1,213	17,186	15,973
Ansaldo Thomassen Bv	100%	11,953	52,414	47,248
Asia Power Project Private Ltd	100%	0	74,898	210,058
- Write-down reserve		-10,215		
Dayalistri Pratama in liq.	45%	47	not applicable	
Energeko Gas Italia S.r.l.	20.99%	10		
Polaris S.r.l.	49%	48		
Turboenergy S.r.l.	25%	1,000		
			224,956	**331,707**
Other equity investments and consortia				
Consorzio Chiara	50%	16		
Consorzio CISA	66%	68		
Consorzio CORIBA	5%	3		
Consorzio CRIS	15.80%	380		
Consorzio Energie Rinnovabili	51%	10		
Consorzio SET	0.01%	5		
Consorzio SIRE	29.41%	25		
Cosorzio Quinn	8.33%	0		
Euroimpresa Legnano	9.917%	155		
Libian Italian Joint Co.	0.33%	9		
SIET S.p.A.	3.58%	107		
SIIT Distretto Tecnologico Ligure	2.30%	13		
SOGEA	0.10%	9		
Total equity investments (net of write-down provisions)		**40,181**		

The Appendices include a Table of investee companies which provides the information required by the Italian Civil Code.

10. Financial transactions with related parties

Commercial relations with related parties are carried out at arm's length, as is settlement of interest bearing receivables and payables when not governed by specific contractual conditions. Below are the amounts:

Receivables at 31.12.2008 Euro	Current financial receivables	Trade receivables	Other current receivables	Total
Parent company				
Finmeccanica S.p.A.	**496,089,024**	**80,000**	**33,289,079**	**529,458,103**
Subsidiary companies				
ASPL	9,700,580			9,700,580
Ansaldo ATH	26,600,251	425,001		27,025,252
Ansaldo Ricerche	9,260,450	174,726		9,435,176
Ansaldo E.S.G.	2,751,679	265,441	149,000	3,166,120
Ansaldo Fuel Cells	12,958,369	862,464		13,820,833
Ansaldo Electric Drives	847,702			847,702
Ansaldo Nucleare		1,936,164		1,936,164
	62,119,031	**3,663,796**	**149,000**	**65,931,827**
Associated companies (*)				
Fata S.p.A.		**317,000**		**317,000**
Total	**558,208,055**	**4,060,796**	**33,438,079**	**595,706,930**

Receivables at 31.12.2007 Euro	Current financial receivables	Trade receivables	Other current receivables	Total
Parent company				
Finmeccanica S.p.A.	**445,763,414**	**207,000**	**37,144,676**	**483,115,090**
Subsidiary companies				
ASPL	9,700,580			9,700,580
Sagem Italia		362,962		362,962
TTS Thomassen	10,676,717	450,816		11,127,533
Ansaldo Ricerche	9,564,276	124,248		9,688,524
E.S.G.		420,704		420,704
Ansaldo Electric Drives	962,930	10,998		973,928
Ansaldo Nucleare		674,593		674,593
	30,904,503	**2,044,321**		**32,948,824**
Associated companies (*)				
Ansaldo Industria in liq.		103,103		103,103
HR Gest		1,615		1,615
Ansaldo Fuel Cells		429,999		429,999
Ansaldo STS		120,284		120,284
SO.GE.PA.			283,000	283,000
Elsag Datamat		6,517		6,517
Fata S.p.A.		77,066		77,066
		738,584	**283,000**	**1,021,584**
Total	**476,667,917**	**2,989,905**	**37,427,676**	**517,085,498**

Payables at 31.12.2008 Euro	Current financial payables	Trade payables	Other current payables	Total
Parent companies				
Finmeccanica S.p.A.		**6,906,000**	**35,707,181**	**42,613,181**
Subsidiary companies				
Ansaldo Ricerche		4,981,951		4,981,951
Ansado ATH		1,860,767		
Ansaldo E.S.G.		1,364,508		1,364,508
Ansaldo Nucleare	4,392,805	27,220		4,420,025
	4,392,805	**8,234,446**		**12,627,251**
Associated companies (*)				
Fata Logistic System		1,187,000		1,187,000
Space Software Italia S.p.A.		22,000		22,000
Fata S.p.A.		51,000		51,000
Elsag Datamat		3,288,000		3,288,000
Finmeccanica Group Service		250,000		250,000
Finmeccanica Group Real Estate		61,000		61,000
SO.GE.P.A.		3,436,000		3,436,000
Oto Melara		115,000		115,000
Galileo Avionica		58,000		58,000
		8,468,000		**8,468,000**
Total	**4,392,805**	**23,608,446**	**35,707,181**	**63,708,432**

Payables at 31.12.2007 Euro	Current financial payables	Trade payables	Other current payables	Total
Parent companies				
Finmeccanica S.p.A.		**842,000**	**37,153,003**	**37,995,003**
Subsidiary companies				
Ansaldo Nucleare S.p.A.	9,674,953	1,337		9,676,290
Ansaldo Ricerche S.p.A.		1,226,941		1,226,941
E.S.G. Energy Service Group AG	1,331,617	447,103		1,778,720
Sagem Italia Srl	1,724,101	2,266,350		3,990,451
Thomassen Turbine Systems B.V.		233,000		233,000
	12,730,671	**4,174,731**		**16,905,402**
Associated companies (*)				
Ansaldo STS		1,055		1,055
Elsag Datamat		117,118		117,118
Fata Logistic Systems		959,763		959,763
Fata S.p.A.		3,537,376		3,537,376
Finmeccanica Group Services		24,086		24,086
HR Gest		84,778		84,778
		4,724,176		**4,724,176**
Total	**12,730,671**	**9,740,907**	**37,153,003**	**59,624,581**

(*) companies subject to the direction and coordination of Finmeccanica S.p.A.

The various payables and receivables with the Parent Company include receivables deriving from advance taxation due to temporary differences of Euro 25,675 thousand, VAT receivable amounting to Euro 7,614 thousand and deferred tax liabilities of Euro 6,403 thousand transferred to the Finmeccanica tax consolidation scheme, in addition to taxation payable for the year of Euro 29,204 thousand. Changes for the year and a breakdown of assets by maturity in foreign currency and by geographical area are provided in Appendices 5, 6, 9 and 10 to these Notes.

11. Receivables and other non current assets

Euro/thousand	31.12.2008	31.12.2007
Receivables from SACE		507
Caution money	348	332
Severance indemnity receivables	398	921
Others	90	105
Non current receivables	**836**	**1,865**
Advance taxation	3,170	4,691
Other non current assets	**3,170**	**4,691**

The main changes in non current assets relate to: the reclassification of the current portion of receivables from SACE, which were the subject of specific restructuring agreements; the fall in TFR receivable as a result of applications; and the recognition of deferred tax assets (IRAP, Euro 3,037 thousand) and taxation under shareholders' equity (Euro 133 thousand). Changes for the year and a breakdown of assets by maturity in foreign currency and by geographical area are provided in Appendices 3, 4, 5 and 6 to these Notes.

12. Inventories

Euro/thousand	31.12.2008	31.12.2007
Raw materials, supplies and consumables	163,612	79,699
Work in progress and semi-finished goods	76,297	35,334
Advances to suppliers	81,884	31,316
	321,793	**146,349**

Raw materials, supplies and consumables

These items are recorded net of provisions for depreciation amounting to Euro 9,607 thousand. They are assessed at average weighted cost, which is certainly below the net realisation value.
The increase for the year amounted to Euro 83,913 thousand, mainly due to the rise in production volumes, the delivery of important components in the final days of December and the fact that the company has decided, given the high level of commitments accepted (as demonstated by the order backlog), to procure components in advance which play a critical role in the production process and have long supplier delivery times.

Work in progress and semi-finished products

Semi-finished products, which increased Euro 40,963 thousand, are assessed at production cost and refer to highly standardised parts that are associated to sales orders only when specific projects are identified. The increase on 2007 does not introduce any risk as the order backlog and emerging opportunities will ensure definitive association with sales orders during 2009.

Advances to suppliers

This item, which mainly relates to contract work for plant orders, rose by Euro 50,568 thousand. The increase is attributable to the need to pay advances to certain component suppliers for work ordered during the year.

13. Contract work in progress and advances received

Euro/thousand	31.12.2008	31.12.2007
Contract work in progress (gross)	320,424	244,309
Sagemi merger	247	
Advances from customers	251,395	195,450
Contract work in progress (net)	**69,276**	**48,859**
Advances from customers (gross)	3,946,852	3,557,424
Contract work in progress	3,218,333	2,990,889
Advances from customers (net)	**728,519**	**566,535**

Net contract work in progress fell Euro 20,417 thousand compared with the previous year and basically refers to component sales.

The main orders are given below (Euro/thousand):

Description of plant	Gross WIP at 31.12.2008	Advances at 31.12.2008	Net WIP at 31.12.2008
MARCINELLE - No.1 TG V94.3A4 - No.1 AT	21,813	(6,700)	15,113
ALGECIRAS SPAGNA - No.2 TG+No.2 ALT.+AUX	57,373	(48,837)	8,536
THISVI (GR) - No.1 TG V94.3A+1 TG MT 15-43	22,086	(16,309)	5,777
ASM - BRESCIA WASTE-TO-ENERGY PLANT	8,373	(3,825)	4,548
SERVOLA - OPERATION GUARANTEE	45,426	(42,836)	2,590
SAMALKOT INDIA - SPARE PARTS FOR MAINTENANCE	6,722	(4,636)	2,086
HAMMA ALGERIA - TG SPARE PARTS	1,838		1,838
MAPNA - BLADING SET, IRAN SUPPLIES 2008	5,986	(4,251)	1,735
ENEL PROD.CTE TORREVALD.NORD - RICAMBI ALT	2,566	(976)	1,590
FRANCO TOSI NARNI - HYDRO GENERATOR	3,105	(1,650)	1,455

Net advances from customers rose Euro 161,984 thousand, basically due to the fact that most of the orders in progress are for plant engineering, where invoicing is not strictly correlated with production progress.

The main orders are given below (Euro/thousand):

Description of plant	Gross WIP at 31.12.2008	Advances at 31.12.2008	Net WIP at 31.12.2008	Receivables at 31.12.2008
ENIPOWER - MANUT. + SPARE PARTS AVAILABLE	100,560	(162,350)	(61,790)	16,980
TURANO - CC MULTISHAFT 2+1 800MW	46,669	(106,441)	(59,772)	13,213
BAYET-CC SINGLE SHAFT 400MW	11,436	(63,642)	(52,206)	
SAN SEVERO - C.C. SINGLE SHAFT 400MW	15,916	(66,768)	(50,852)	
RIZZICONI - C.C. 800MW	286,832	(336,114)	(49,282)	1,195
ALGERIA M'SILA - C.A. TG 2X215MW	143,417	(180,906)	(37,489)	29,452
PERVOMAISKAYA RUSSIA - 4 TG+4 AT	18,929	(45,860)	(26,931)	42
S.E.F. - FERRARA - TG+TT+AT	137,339	(162,837)	(25,498)	449
ALGERIA LARBAA - 4TG + 4AT	174,102	(198,699)	(24,597)	20,814
TIRRENO POWER NAPOLI LEV. - C.C.	152,798	(176,095)	(23,297)	15,910
CALENIA EN./SPARANISE - GTF	13,285	(31,422)	(18,137)	
CONGO 2TG94.2 PLUS S.F. + 2ATWY217	17,119	(34,900)	(17,781)	20,940

For orders considered to be complete, costs still to incur after the end of work were assessed and a special reserve under risks and charges established.
Pursuant to IAS 11, long-term orders are assessed using the cost to cost method, which involves establishing the percentage progress, as a ratio between costs incurred and the planned totals, and applying it to contract revenues in order to obtain the value to state under contract work in progress at the end of the period.

14. Trade and financial receivables

Euro/thousand	31.12.2008		31.12.2007	
	Trade	Financial	Trade	Financial
Receivables	335,236	1,155	354,821	1,836
(Impairment))	(11,161)		(22,288)	
	324,075	**1,155**	**332,533**	**1,836**

Receivables are stated at their fair value at 31 December 2008.
Receivables which are disputed, or if there is any doubt over their recovery with regard to legal disputes, judicial proceedings or insolvency, are recorded at their nominal value and written down in a special reserve for doubtful receivables to reflect the effects of the impairment test performed. The receivables recorded are not represented by bills of exchange or similar securities.
The net fall of Euro 8,458 thousand is basically due to the gradual reduction of receivables from customer ENEL for the Escatron contract (Euro 41,370 thousand), from SEF–Ferrara (Euro 26,865 thousand), from Doosan Korea (Euro 20,050 thousand), and PJSC STROYTRANSGAZ Russia (Euro 8,758 thousand), offset by increases due basically to customer ABB Process Autom. for the Congo contract (Euro 20,940 thousand), to Iride Energia – Turin for the Moncalieri contract (Euro 14,485 thousand), to Sonelgaz (Euro 13,948 thousand), to A2A (Euro 13,090 thousand) and to Sorgenia (Euro 12,613 thousand), as well as to the reduction of Euro 11,127 thousand in provisions for write-downs, applied as a result of the settlement of several lawsuits, most importantly the one with Belleli Holding, which was concluded during the year with a transaction.
Financial receivables refer to the current portion of receivables from SACE, relating to restructuring agreements with defaulting countries, and the dividend receivable from subsidiary Ansaldo ESG.

Changes for the year and a breakdown of assets by maturity in foreign currency and by geographical area are provided in Appendices 3, 4, 5 and 6 to these Notes.

15. Tax receivables and payables

Euro/thousand	31.12.2008		31.12.2007	
	Receivables	Payables	Receivables	Payables
Direct taxes	801			2,291
	801			**2,291**

Receivables
Of tax receivables, Euro 801 thousand refers to the provision for IRAP (Euro 9,267 thousand) net of the advance payment (Euro 10,068 thousand).

16. Other current assets

Euro/thousand	31.12.2008	31.12.2007
Accrued income - current portion	17,593	17,962
Receivables from employees and social security	2,358	2,112
Other receivables from tax authorities	10,415	17,809
Other assets	9,243	21,383
	39,609	**59,266**

Other current assets include:
- accrued income, mainly relating to the future year portion of insurance costs to cover erection risks, attributed to orders according to their state of completion;
- a receivable from Camozzi Group amounting to Euro 3,026 thousand;
- a receivable from NLC Neyveli for interst on the late payment of Withholding Tax amounting to Euro 3,005 thousand, improperly withheld, for which a formal dispute is pending in India. The risks relating to this receivable, and likewise the entire dispute with the Indian tax authorities, have been accounted for by means of an overall payment into the taxation reserve;
- receivables from the tax authorities amounting to Euro 10,415 thousand, referring to direct taxes paid in previous years for which refunds and interest have been applied. These receivables were reclassified from the Tax Receivables item on 31 December 2007. During the year these receivables decreased by Euro 7,394 following a reimbursement from the tax authorities.

Changes for the year and a breakdown of assets by maturity in foreign currency and by geographical area are provided in Appendices 3, 4, 5 and 6 to these Notes.

17. Cash and cash equivalents

Euro/thousand	31.12.2008	31.12.2007
Cash	102	57
Bank deposits	22,065	22,934
	22,167	**22,991**

Of bank deposits, Euro 12,138 thousand relates basically to cash and cash equivalents in the local currency deriving from collections on Algerian contracts for on-site work, Euro 117 thousand to foreign currency accounts in Italian and foreign banks, Euro 2,170 thousand to deposit accounts and Euro 7,640 thousand to ordinary current accounts.
We remind you that in accordance with Group treasury policy, the company's cash and cash equivalents are deposited with Finmeccanica S.p.A. and remunerated at arm's length. The amounts deposited in bank accounts at year end should therefore be considered as residual assets.

18. Shareholders' equity

Shareholders' equity at 31 December 2008 was Euro 115,265 thousand, a net increase of Euro 40,664 thousand.
A breakdown of shareholders' equity with regard to cash and cash equivalents and availability is provided in Appendix 7 to these Notes. Changes during the year are detailed in the "other reserves" item.

Share capital

	Number of ordinary shares	Par value shares	Treasury	Total
Outstanding shares	11,966,812	€ 1	–	11,966,812
Treasury shares	–		–	–
31 December 2007	**11,966,812**		**–**	**11,966,812**
31 December 2008 broken down:				
Outstanding shares	11,966,812	€ 1		11,966,812
Treasury shares	–		–	–
	11,966,812		**–**	**11,966,812**

The share capital is divided into 11,966,812 ordinary shares with a par value of Euro 1 each.
The entire share capital is held by Finmeccanica S.p.A., Rome.
The Company does not possess any treasury shares.

Other reserves

Euro/thousand	Retained earnings	Cash flow hedge reserve	Reserve for stock-option/ grant plans	Reserve for actuarial gains (losses)) recognised in equity	Other reserve	Total
31 December 2006	**38,245**	**1,729**	**388**	**(3,911)**	**(68)**	**36,383**
Dividends paid	(24,173)					(24,173)
Premium on share capital increases						
Reclassification from Reserve for deferred taxation to Shareholders' equity	1,926			(1,926)		0
Actuarial profits (losses)				297		297
Net profit for the year	50,458					50,458
Stock option/grant plans:						
- value of services rendered			(388)			(388)
- issue of new shares			1,820		(82)	1,738
Fair valueadjustment		(2,576)				(2,576)
Recognition in the income statement		758				758
Deferred taxation		644		(507)		137
Translation differences						
31 December 2007	**66,456**	**555**	**1,820**	**(6,047)**	**(150)**	**62,634**
Dividends paid	(45,000)					(45,000)
Premium on share capital increases						
Reclassification from Reserve for deferred taxation to Shareholders' equity						0
Actuarial profits (losses)	(9,493)			9,493		0
Net profit for the year	89,535					89,535
Stock option/grant plans:						
- value of services rendered			(1,909)			(1,909)
- issue of new shares			613		33	646
Fair value adjustment		951				951
Recognition in the income statement		(799)		(3,149)		(3,948)
Deferred taxation	459	(70)				389
Translation differences						
31 December 2008	**101,957**	**637**	**524**	**297**	**(117)**	**103,298**

Cash Flow hedge reserve

This reserve has been created in compliance with IAS 39 to recognise changes in the derivative and swap contracts entered into by the Company to hedge exposure to exchange risk on cash flows in foreign currencies. The reserve is stated net of the related deferred tax liabilities.

Reserve for stock option and stock grant plans

This reserve records the cost of Finmeccanica shares to grant to Key Management Personnel on achieving the targets set in the stock grant plan for fiscal 2008.
The "Stock grant plan share consignment reserve" records the differential between the carrying and transfer values of shares in the plan.

19. Borrowings

Euro/thousand	31.12.2008			31.12.2007		
	Current	Non current	Total	current	Non Current	Total
Bank borrowings				1.134		1.134
Other borrowings	1,075	1,077	2,152	993	2,111	3,104
	1,075	**1,077**	**2,152**	**2,127**	**2,111**	**4,238**

Changes in borrowings are given below (Euro/thousand):

	31.12.2007	Repayments	31.12.2008
Bank borrowings	1,134	1,134	–
Other borrowings	3,104	952	2,152
	4,238	**2,086**	**2,152**

Lenders

This item refers to a medium/long term loan granted by the Italian Ministry of Production Activities in connection with facilitated research funding, and decreased as a result of the repayment of the instalment falling due during the year.

Net financial position

Financial information is given below in the form suggested by CONSOB in circular no. DEM/6064293, 28 July 2006 (Euro/thousand):

Euro/thousand	31.12.2008	31.12.2007
Cash	102	57
Bank deposits	22,065	22,934
Cash and cash equivalents	**22,167**	**22,991**
Current financial receivables	**559,363**	**478,504**
Current bank payables		301
Current portion of non-current borrowings		833
Other current borrowings	5,468	13,723
Current debt	**5,468**	**14,857**
Current net debt (cash)	**(576,062)**	**(486,638)**
Non current bank payables		
Other non current payables	1,077	2,111
Non current net debt	**1,077**	**2,111**
Current net debt (cash)	**(574,985)**	**(484,527)**

20. Provisions for risks and charges and contingent liabilities

Euro/thousand	Restructuring	Provision for equity investment risks	Product guarantees	Penalties	Taxation reserve	Other	Total
1 January 2007							
Current	*6,848*	*10,830*		*33,933*			***51,611***
Non-current			*19,699*		*22,770*	*24,175*	***66,644***
	6,848	**10,830**	**19,699**	**33,933**	**22,770**	**24,175**	**118,255**
Allocations		240	5,000		5,749	56,651	**67,640**
Uses	103			995	103	48,347	**49,548**
Other changes			5,000	(5,000)			**0**
31 December 2007	**6,745**	**11,070**	**29,699**	**27,938**	**28,416**	**32,479**	**136,347**
Broken down as follows:							
Current	*6,745*	*11,070*		*27,938*		*10,000*	***55,753***
Non-current			*29,699*		*28,416*	*22,479*	***80,594***
	6,745	**11,070**	**29,699**	**27,938**	**28,416**	**32,479**	**136,347**
Allocations				3,500	500	20,705	**24,705**
Uses	176	860	9,000	9,096	1,820	33	**20,985**
Other changes							
31 December 2008	**6,569**	**10,210**	**20,699**	**22,342**	**27,096**	**53,151**	**140,067**
Broken down as follows:							
Current	*6,569*	*10,210*		*22,342*		*9,967*	***49,088***
Non-current			*20,699*		*27,096*	*43,184*	***90,979***
	6,569	**10,210**	**20,699**	**22,342**	**27,096**	**53,151**	**140,067**

Restructuring charges
This item contains prior year provisions against asset disposal risks. During the year Euro 176 thousand was used.

Provisions for equity investment risks
In 2008 subsidiary ASPL reported a positive net result, allowing the provision for equity write-down to be reduced to align it with the new shareholders' equity value.

Product warranties
This reserve makes provision for direct and indirect risks deriving from performance guarantees pledged, also after the contractual warranty period. There is a statistical possibility that indirect damage caused by the performance of your Company's products may occur across the entire installed park. One example is the use of Euro 9,000 thousand of the provisions in 2008 to settle the dispute with customer ISE regarding the Taranto power station.

Pending disputes
This reserve makes provision for the best estimate of arbitration proceedings and legal disputes with employees (Euro 935 thousand) and with third parties (Euro 21,407 thousand). The reserve for pending

disputes with third parties makes provision for legal and arbitration disputes in Italy and internationally deriving from contracts and assignments of business performed in previous years. Because of uncertainty over the time needed to reach a final judgement in the aforementioned disputes, it is impossible to establish when the disbursement may take place. The provision for pending disputes decreased by Euro 9,096 thousand in relation to the settlement with Camozzi (Euro 8,755 thousand) and with third parties (Euro 341 thousand), and was increased by Euro 3,500 thousand in relation to disputes in South America.

Taxation

This reserve makes provision for the best estimate of exposure to Italian and foreign tax risks. The provision during the year of Euro 500 thousand refers to taxes in Spain.
Overall, of provisions to the reserve for taxation for the year and previous years:

- Euro 12,712 thousand, in part already paid out, refers to a dispute with the Indian tax office regarding the taxability of materials sold FOB to Indian customers. The Company considers said materials to be exempt from local taxes by virtue of the treaty against dual taxation in force between the two countries. To strengthen its position, in addition to pursuing its defence at all levels in India, the company has also activated the procedure envisaged by the treaty for the amicable settlement of the dispute;
- Euro 10,077 thousand refers to the estimate of tax payable to the Iranian tax authorities, with whom the amount hs not yet been defined;
- Euro 1,267 thousand refers to Italian income tax, in part already paid out, mainly attributable to an old dispute awaiting the decision of the Court of Cassation;
- Euro 3,040 thousand refers to taxation not yet defined with the competent authorities of various countries in which Ansaldo Energia has performed local activities, mainly in Spain (Euro 1,000 thousand) and Ireland (Euro 1,007).

Other provisions

Other provisions refer to costs to incur after the completion of contracts relating to guarantees or other contract undertakings (Euro 43,184 thousand) and costs to cover the asbestos risk. This allocation was made necessary by the non-renewal of the insurance policy covering “professional illnesses deriving from the use of or exposure to asbestos”, which expired in January 2007. The amount of the allocation represents the best estimate based on historical data available and now consolidated scientific doctrine regarding the “latency” period of the illness even beyond 15-20 years. Past events basically refer to the Legnano production facility, which has been disposed of. We remind you that same was acquired by Ansaldo Energia in 1991, and that asbestos had been almost entirely eliminated from work processes by the end of the 1980s, and therefore well before the legal prohibition introduced in 1992.
In application of the relative accounting standards, provisions have been made for any obligations in relation to probable and quantifiable risks (Euro 3,500 thousand) deriving from other pending disputes in South America.
The situation below does not fall into this category, but is mentioned here solely for the purposes of full disclosure.
On 20 November 1997 the company Abengoa, in connection with a contract commissioned by the Porto Rico Electricity Authority (“Prepa”), signed a sub-supply contract with Ansaldo Energia for repowering work on the San Juan power station in Porto Rico.
With regard to the contract between Abengoa and Prepa, American International Insurance Company of Puerto Rico (“AIIP”), an AIG Group company, issued a Performance Bond and a Payment Bond, each worth US$ 125 million, for which Ansaldo Energia provided counter-guarantees of US$ 36 million each with reference to its scope of supply.
In 2000 Abengoa, without informing Ansaldo Energia, unilaterally terminated its contract and filed suit against the customer with the Court of Porto Rico to terminate the contract and claim for damages.
Prepa, in turn, claimed US$ 500 million damages from Albengoa and the guarantor AIIP.
In order to prevent the discussion of the aforementioned bonds, Ansaldo Energia filed suit with the Court of

Milan to declare its bonds ineffective and subordinately to apply for Albengoa to hold it harmless.
AIIP and Albengoa opposed this stance, and in particular AIIP requested that Ansaldo Energia be obliged jointly to hold AIG harmless from any claim by Prepa and the sub-suppliers of Abengoa.
Even if the judge does not uphold the applications for the counter-bonds posted by Ansaldo Energia to be declared void and ineffective, it is not thought that the Company will suffer damages, because:

1. there is no liability attaching to Ansaldo Energia with regard to the Performance Bond, as it was unable to complete the scope of its supply due to the fault of Abengoa, as established by the award of March 2003, which upheld the applications of Ansaldo Energia regarding the breach of contract of Abengoa in unilaterally terminating the contract with Prepa, without informing Ansaldo Energia;
2. so far as concerns the payment bond, there have as yet been no applications for payment from subsuppliers of Ansaldo Energia. Indeed, the only applications made so far have been to Abengoa by its subcontractors. Furthermore, if any joint liability were to be established, Ansaldo Energia could have recourse to Abengoa, also pursuant to the aforementioned award.

In 2004, in the framework of a Court investigation into contracts awarded by Enipower S.p.A., Ansaldo Energia S.p.A., as supplier of same, received notice of investigation pursuant to the law on the administrative liability of corporations ex D.Lgs. 231, 8 June 2001, for alleged supervisory failings in connection with an employee of the company, who subsequently resigned and is alleged to have committed illegalities.
The proceedings are now pending following the preliminary hearing, awaiting a sentence of acquittal or committal for trial.
The parties who filed suit against Ansaldo Energia have not yet quantified their application for damages, which could be presented at the end of the proceedings.
Ansaldo Energia has always disputed the charges, believing itself to be completely free of liability.
In consideration of this the Company, continuing its line of determination and transparency, will continue to pursue its defence, where necessary, at every level to demonstrate without doubt that it has nothing to do with the facts in question.

21. Employee obligations

Euro/thousand	31.12.2008	31.12.2007
Severance obligations	36,801	37,778
Defined-benefit retirement plans	523	493
Other employee obligations	1,067	951
	38,391	**39,222**

The statutory severance pay obligation is specific to Italy and calls for the payment of the entitlement accumulated by employees until the time they leave the company. This provision is calculated in accordance with Article 2120 of the Italian Civil Code, by dividing the fixed components of an employee’s compensation by 13.5.
Italian law 296, 27 December 2006, and subsequent Decrees and Regulations issued in early 2007 in the framework of complementary pension reform, have significantly modified the operation of this mechanism, establishing that severance pay maturing after the date of the Reform be transferred to the complementary pension fund or the Treasury fund managed by INPS.
With defined-benefit plans, the Company assumes the obligation to ensure a specific retirement benefit level for employees participating in the plan, guaranteeing to make good any negative difference between the value of plan assets and the agreed-upon benefit level.

Defined-benefit retirement plans break down as follows (Euro/thousand):

Euro/thousand	31.12.2008 Present value of the obligation	Net liability defined-benefit plans
Opening balance	493	493
Costs of benefits paid	113	113
Benefits paid	83	83
Closing balance	**523**	**523**

Euro/thousand	31.12.2007 Present value of the obligation	Net liability defined-benefit plans
Opening balance	498	498
Costs of benefits paid	107	107
Benefits paid	112	112
Closing balance	**493**	**493**

Changes in severance obligations are shown below :

Euro/thousand	31.12.2008	31.12.2007
Opening balance	37,778	43,552
Costs of benefits paid		(3,104)
Interest expense	1,070	1,434
Actuarial losses (profits)	3,149	(297)
Fusion	423	
Decreases for sales	5,619	3,807
Closing balance	**36,801**	**37,778**

The amounts recognised in the income statement were calculated as follows :

Euro/thousand	2008	2007
Curtailment		(3,489)
Personnel costs		385
Interest expense	1,070	1,434
Total cost	**1,070**	**(1,670)**

The main actuarial assumptions made in assessing defined benefit plans and the component of severance pay that continues to represent a defined benefit plan are the following:

	Severance obligations	
	31.12.2008	31.12.2007
Discount rate	4.00%	4.28%
Expected return on plan assets	3.60%	3.60%
Rate of salary increase	n.a.	n.a.
Rate of turnover	3.40%	3.40%

Other reserves for personnel amounting to Euro 1,067 thousand represent the portion regarding Complementary Pension Funds which will be paid in January.

22. Other current and non current liabilities

Euro/thousand	Non current		Current	
	31.12.2008	31.12.2007	31.12.2008	31.12.2007
Employee obligations	2,323	2,394	23,798	20,762
Social security payable			14,897	15,426
Other payables			23,360	26,057
Total other payables			**62,055**	**62,245**
Other b/t tax payables			5,391	3,348
Total other liabilities	**2,323**	**2,394**	**67,446**	**65,593**

Non current employee obligations

This item refers to obligations to employees for seniority premiums, assessed at fair value.

Current employee obligations

This item increased Euro 3,036 thousand and refers to obligations to employees for: holidays not taken (Euro 9,595 thousand), workforce remuneration paid in the subsequent month (Euro 4,722 thousand), incentives, one-off payments, MBO and overtime attributable to the year (Euro 7,450 thousand), and early retirements already agreed (Euro 1,221 thousand).

Pension and social security liabilities

This item refers to amounts payable to these entities for contributions owed by the Company and its employees regarding December salaries paid in January, and to remuneration for the year on which contributions are paid quarterly or annually.

Other liabilities

This item contains payables to insurance companies (Euro 14,575 thousand), to consultants (Euro 510 thousand), to licensers for royalties accruing (Euro 4,975 thousand), to VAT in foreign countries (Euro 2,754 thousand) and other minor liabilities (Euro 548 thousand).

23. Trade payables

Trade payables increased Euro 89,117 thousand, basically due to the increase in production.
A breakdown of liabilities by maturity in foreign currency and by geographical area is provided in Appendices 8, 9 and 10 to these Notes.

24. Derivatives

The table below provides details of the asset and liability positions relating to derivative instruments. The portion of changes recognised in the income statement is shown in Note 28.

Euro/thousand	31.12.2008		31.12.2007	
	Assets	Liabilities	Assets	Liabilities
Forward forex instruments	405	18	200	764
	405	**18**	**200**	**764**

25. Guarantees and other commitments

Leasing

The Company holds a number of operating leases primarily for the purposes of acquiring the use of multipurpose digital office photocopiers, civil facility management equipment and the property in Via Lomazzo in Milan, where the company has its secondary head office. Below are the non-cancellable minimum future payments relating to operating lease contracts and the commitments for contracts that may be considered as operating lease contracts:

Euro/thousand	Operating lease contract
Within 1 year	900
2 to 5 years	3,600
Beyond 5 years	1,500
	6,000

The company has no current capital lease contracts.

Guarantees

At 31 December 2008 the Company had the following outstanding guarantees (Euro/thousand):

	31.12.2008	31.12.2007
Guarantees in favour of third parties	1,220,769	916,784
Other unsecured guarantees given to third parties	505	505
Unsecured guarantees given	**1,221,274**	**917,289**

Guarantees in favour of third parties

This item relates to guarantees issued by banks and insurance companies to:

- customers to bid for tenders (Euro 19,087 thousand);
- customers for advances received and good performance (Euro 1,175,394 thousand);
- suppliers for letters of credit issued to secure payments (Euro 2,259 thousand);
- others: lenders, customs and excise offices, lessors (Euro 24,029 thousand).

Other unsecured guarantees pledged to third parties

These guarantees are mainly issued by the Company in favour of consortium members to provide guarantees for their assets (Euro 505 thousand).

Unsecured guarantees received

Euro/thousand	31.12.2008	31.12.2007
Guarantees given by third parties	204,419	199,423
Holding harmless	24,029	31,309
Other	500,801	729,541
Unsecured guarantees received	**729,249**	**960,273**

These items refer to:

- guarantees received from suppliers for good performance of work orders (Euro 204,419 thousand);
- the undertaking by Otto SpA to honour the guarantees given by Ansaldo Energia S.p.A. to customers for the good performance of transferred work orders (Euro 14,014 thousand);
- the undertaking by Ansaldo Nucleare S.p.A. to honour the guarantees given by Ansaldo Energia S.p.A. to customers for the good performance of transferred work orders (Euro 5,493 thousand);
- the undertaking by Ansaldo Thomassen Turbine System BV to honour guarantees given by Ansaldo Energia S.p.A. to customers for the good performance of transferred work orders (Euro 1,621 thousand);
- the undertaking by Ansaldo Ricerche to honour guarantees given by Ansaldo Energia S.p.A. to customers for the good performance of transferred work orders (Euro 645 thousand);
- the undertaking by Ansaldo E.S.G. to hold Ansaldo Energia S.p.A harmless (Euro 2,256 thousand);
- letters of credit in our favour given by customers to guarantee collection (Euro 500,801 thousand).

26. Economic transactions with third parties

Below are all the costs and revenues of the Company with related parties for the years 2008 and 2007:

Euro Year 2008	Revenues	Other operating revenues	Costs	Financial income	Financial charges
Parent companies					
Finmeccanica S.p.A.	80,000	0	14,112,000	20,752,000	29,000
Subsidiaries					
Ansaldo Nucleare S.p.A.	1,380,678		(2,061,121)		424,935
Ansaldo Thomassen Turbine Systems B.V.	180,000		1,161,219	1,052,276	
Ansaldo Electric Drives S.p.A.				47,086	
Ansaldo E.S.G. Ltd	390,060		1,684,237	49,652	18,158
Ansaldo Ricerche S.p.A.	18,147		4,356,549	454,729	
Ansaldo Fuel Cells S.p.A.			(1,553,961)	619,345	
	1,968,885	0	3,586,923	2,223,088	443,093
Affiliated (*)					
Elsag Datamat			13,822,000		
Finmeccanica Group Service			611,000		
Finmeccanica Group Real Estate			61,000		
Space Software Italia			18,000		
Galileo Avionica			48,000		
Oto Melara			96,000		
Ansaldo Segnalamento Ferroviario			5,000		
Fata S.p.A.			1,105,000		
Fata Logistic System			3,031,000		
	0	0	18,797,000	0	0
	2,048,885	**0**	**36,495,923**	**22,975,088**	**472,093**

Euro Year 2007	Revenues	Other operating revenues	Costs	Financial income	Financial charges
Parent companies					
Finmeccanica S.p.A.	0	0	5,029,000	12,200,238	38,319
Subsidiaries					
Ansaldo Nucleare S.p.A.			(2,186,199)	321	569,250
Thomassen Turbine Systems B.V.			(230,742)	381,401	
Ansaldo Electric Drives S.p.A.			(10,000)	42,347	154
ESG Energy Service Group AG			450,115		23,155
Ansaldo Ricerche S.p.A.			3,066,314	406,029	42
Sagem Italia S.r.l.		31,362	8,088,913	38	33,577
	0	31,362	9,178,401	830,136	626,178
Affiliated (*)					
Ansaldo Ind. in liq.			(704,675)		
Ansaldo Fuel Cells		18,515	(341,700)		
Finmeccanica Group Service			113,494		
SELEX Sistemi integrati			2,000		
Ansaldo STS			3,784		
Ansaldo Signal N.V.			9,973		
HR Gest			588,647		
Elsag Datamat S.p.A.			10,598,350		
Fata S.p.A.			18,829,759		
Fata Logistic System			2,249,717		
	0	18,515	31,349,349	0	0
	0	**49,877**	**45,556,750**	**13,030,374**	**664,497**

(*) companies subject to the direction and coordination of Finmeccanica S.p.A.

Economic transactions with parent company Finmeccanica refer to charge-backs in connection with the cost of seconded personnel and expenses incurred by the Controlling Company with regard to joint activities.
The financial income refers to the investment of cash and cash equivalents during the year, also with recourse to temporary restrictions and always consistently with the best market conditions. Financial charges refer to commission on bank guarantees.
Economic transactions with subsidiaries refer to the cost of services received net of recovered expenses for services rendered. Financial income and charges refer to financial transactions at the market rates applied by the Group.
Economic transactions with associates refer mainly to supplies of materials and services for specific orders or for general services.

27. Revenue

Euro/thousand	31.12.2008	31.12.2007
Revenue from sales	929,654	1,147,871
Change in contract work in progress	303,924	(168,870)
Total revenue	**1,233,578**	**979,001**

Revenue from sales and services is detailed in the table contained in the “Segment information” section. Below are the main contracts contributing to revenue for the year:

Euro/thousand Customer	Power plant	Revenue
Sonelgaz	Larbaa- Algeria	145,065
Sonelgaz	M’Sila - Algeria	122,807
Sonelgaz	Batna – Algeria	88,316
Tirreno Power	Napoli Levante	70,648
Rizziconi Energia	Rizziconi	64,311
Sorgenia	Turano	46,633
Acea Electrabel Prod	Leinì	26,410

Revenue, in addition to the value of production in the period, also comprises definitive payments on contract work in progress.

28. Other operating income (costs)

Euro/thousand	2008		2007	
	Income	Costs	Income	Costs
Other subsidies	124		127	
Gains on the sale of intangible assets and property, plant and equipment	37	90	151	115
Income from property investments	123		243	
Accruals to/Reversals of provisions for risks and charges		3,500		15,000
Exchange rate differenze on operating items	3,469	3,280	1,120	1,087
Adjustment of receivables and liabilities in a foreign currency at the end-of-period exchange rate	1,284	839	1,092	1,823
Financial income from operating receivables	165			
Insurance reimbursement	3,515		1,729	
Indirect taxes		1,376		1,753
Other operating income (costs)	692	1,077	15,385	4,306
	9,409	**10,162**	**19,847**	**24,084**

The provision of Euro 3,500 thousand was made to cover legal disputes for which developments during the year required an adjustment.
Of indirect taxes of Euro 1,376 thousand, Euro 847 thousand refers to ICI property tax. Other subsidies derive from funding for human resource training.
Other operating income (Euro 692 thousand) basically refers to previously written-down receivables from insolvent countries collected through SACE. The other costs (Euro 692 thousand) refer to membership fees (Euro 529 thousand), donations (Euro 450 thousand) and others (Euro 98 thousand).

29. Cost of goods and services

Euro/thousand	2008	2007
Purchases of materials from third parties	729,059	460,655
Change in inventories	(83,913)	(20,058)
Total cost of goods	**645,146**	**440,597**
Services rendered by third parties	294,646	226,930
Costs of rents and operating leases	6,640	3,144
Total cost of services	**301,286**	**230,074**

The cost of materials purchased amounted to Euro 729,059 thousand, an increase of Euro 268,404 thousand on the previous year, mainly due to the increase in production volumes, combined with a change in the production mix (plant/machinery). It should also be remembered that this increase is in part connected with the increase in inventories both of raw materials and semi-finished products, basically as a result of the need to support growth by reducing the risk connected with supplies and the fact that increasing the installed fleet makes it necessary to increase the level of spare parts kept in stock.
Costs for services include costs for services performed by the parent company in the interests and on behalf of group companies, consistently with direction and coordination activities (Euro 5,993 thousand), costs for external work and various services (Euro 251,044 thousand), emoluments for directors and statutory auditors (Euro 4,669 thousand), customs charges and transport costs (Euro 15,519 thousand), travel and transfers (Euro 8,360 thousand), outsourced services (Euro 9,498 thousand), ordinary maintenance costs (Euro 7,192 thousand) and catering (Euro 3,083 thousand), net of cost recoveries from third parties (Euro 11,125 thousand).
Costs of rents and operating leases amount to Euro 6,640 thousand and include rent for the Milan and Rome offices and areas for storage and production (Euro 3,338 thousand), photocopier and IT equipment hire (Euro 3,253 thousand), and other rents (Euro 49 thousand).

30. Personnel costs

Euro/thousand	2008	2007
Wages and salaries	118,065	101,012
Costs of stock option/grant plans	613	1,820
Social security contributions	34,898	30,182
Severance indemnity costs		(3,104)
Costs related to other defined-benefit plans	113	107
Costs related to defined-benefit plans	6,379	5,130
Redundancy incentives	2,726	4,464
Personnel cost recoveries	2,496	1,370
Other costs	856	543
	161,154	**138,784**

The average workforce at 31 December 2008 numbered 2,758, compared with 2,467 at 31 December 2007.

Below is a breakdown of average workforce by category:

	2008	2007	Changes
Managers	77	69	8
Middle managers	221	204	17
White collar workers	1,344	1,199	145
Blue collar workers	983	928	55
Total	**2,625**	**2,400**	**225**

The cost (Euro 161,154 thousand) represents all liabilities for salaries and deferred remuneration, social security contributions and severance pay maturing at 31 December 2008. The cost of personnel in permanent foreign establishments amounted to Euro 6,935 thousand.
The increase of Euro 22,370 thousand is basically attributable to the larger average operating workforce (+225).
Cost recoveries on loans to personnel stood at Euro 2,496 thousand.

31. Changes in inventories of finished products, products in progress and semi-finished products

Euro/thousand	2008	2007
Changes in inventories of finished products, products under process and semi-finished goods	40,962	(7,870)

The change of Euro 48,832 thousand compared with the previous year is due basically to the larger number of critical components, which the company procured in advance to resolve potential supply bottlenecks.

32. . Depreciation, amortisation and impairment

Euro/thousand	2008	2007
Depreciation and amortisation:		
Intangible assets	90	90
Property, plant and equipment	17,286	13,560
	17,376	**13,650**
Write-downs:		
operating receivables		2,000
Total depreciation, amortisation and impairment	**17,376**	**15,650**

The amortisation of fixed-life intangible assets (Euro 90 thousand) refers to the Siemens licence for the most advanced version of the V94 3A gas turbine.

Depreciation of property, plant and equipment breaks down as follows:

Euro/thousand	2008	2007
Land and buildings	2,486	2,422
Plant and machinery	8,814	7,720
Industrial and commercial equipment	5,576	2,979
Other assets	410	439
	17,286	**13,560**

33. Capitalisation of internal construction costs

Increases in fixed assets as a result of internal construction work refer to the cost of labour and relate to intangible assets (Euro 75 thousand) and to plant, property and equipment (Euro 806 thousand).

34. Financial income and charges

Euro/thousand	2008			2007		
	Proventi	Oneri	Netto	Proventi	Oneri	Netto
Dividends	1,300		1,300	2,329		2,329
Discounting of receivables, liabilities and provisions			0	36		36
Interest and commission income	666	566	100	1,030	761	269
Exchange rate differences	202	642	(440)	279	225	54
Value adjustments of equity investments	860	2,648	(1,788)	32	5,600	(5,568)
Other financial income and charges	729	1,881	(1,152)	62	1,612	(1,550)
	3,757	**5,737**	**(1,980)**	**3,768**	**8,198**	**(4,430)**

Of dividends received in 2008, Euro 1,300 thousand was collected from subsidiary Ansaldo Nucleare.
Interest and commission income basically refer to the reimbursement during the year of interest on stamp duty receivable (Euro 69 thousand), to interest collected from defaulting countries through SACE (Euro 315 thousand), to differentials on the rates applied by Mediobanca to mortgages (Euro 201 thousand) and other income (Euro 81 thousand).
The charges basically relate to currency exchange and bank guarantee commissions (Euro 310 thousand), to bank interest and charges (Euro 79 thousand), and to interest expense payable to other lenders with regard to research work (Euro 177 thousand).
Adjustments to the value of equity investments refer to the alignment of the stake in subsidiary Asia Power Project amounting to Euro 860 thousand and the write-down of the investment in Ansaldo Ricerche of Euro 2,648 thousand.
The other financial income and charges refer to Euro 1,070 thousand interest cost on severance pay, and income (Euro 729 thousand) and charges (Euro 811 thousand) on swaps in connection with changes in the fair value of hedging operations which, as they have not passed the effectiveness test, are immediately recognised in profit and loss.

35. Income taxes

Income tax expense can be broken down as follows:

Euro/thousand	2008	2007
Corporate income tax (IRES)	34,331	52,156
Regional business tax (IRAP)	9,267	10,000
Other income taxes	953	
Tax related to previous periods	(134)	(14,779)
Provisions for tax disputes	500	5,645
Lieu tax	54	
Deferred tax - net	1,272	828
	46,243	**53,850**

The table shows the reconciliation between the average effective tax rate and the applicable tax rate:

Euro/thousand	2008		2007	
	amount	%	amount	%
Result before taxation	104,309	34.06	104,309	51.62
Taxes at current fiscal rate	37,339		34,422	
Foreign tax credit				
Previous year fiscal losses considered not recoverable recovered in the current year				
Permanent differences:				
- non deductible costs	(491)		2,432	
- other net differences	(1,245)			
IRAP and other taxes calculated on a different basis than the pre-tax result	10,640		16,996	
Actual taxes	**46,243**		**53,850**	

The income tax expense for the year, in addition to IRES and IRAP, also includes a substantial provision for taxes matured but not yet claimed by the Spanish tax authorities amounting to Euro 500 thousand.
Deferred tax liabilities and the relative receivables and payables at 31 December 2007 derive from the following temporary differences:

Euro/thousand	Income statement		Balance sheet	
	Profit	Loss	Assets	Liabilities
Write-down of contract work in progress	1,625		21,187	4,921
Reserves for risks and charges		362	6,436	
Severance pay, pension funds and seniority bonuses		2,013		1,738
Others		537	1,093	355
Valuation Allowance	**1,625**	**2,912**	**28,716**	**7,014**

Net provisions for deferred taxes break down Euro 1,526 thousand IRES and a reversal of net deferred IRAP tax liabilities amounting to Euro 239 thousand.
Of receivables deriving from advance taxation, Euro 25,674 thousand was transferred to the Finmeccanica tax consolidation scheme, and of deferred tax liabilities Euro 6,404 thousand was transferred to the Finmeccanica tax consolidation scheme.

Provision has been made for advance taxation on all temporary differences arising during the year as follows:

Advance taxes on:	Taxable amount	Taxes
Provisions for work contract risks	67,479	21,188
Other taxed provisions for risks	59,577	15,567
Receivables write-down reserve	11,161	3,070
Other temporary differences	1,203	377
TOTAL	**139,420**	**40,202**
Assets which will probably not be recovered	(36,579)	(11,486)
Provision for advance taxes	**102,841**	**28,716**

The provision for advance taxation was made after a careful assessment of the possibility of recovering said assets in the future based on the business plans approved by the Board of Directors.
For these reasons, the theoretical future tax benefit of Euro 40,202 thousand (equal to the total taxes advanced on all the temporary differences) was the subject of valuation allowance amounting to a total of Euro 11,486 thousand, in consideration of the fact that the year of expiry of some tax-deductible temporary differences is without limit or impossible to predict.

Deferred taxes and the relative receivables and payables at 31 December 2008, with a contra-item under shareholders' equity, are detailed below:

Euro/thousand	31 december 2007	Allocations	31 december 2008
Deferred tax liabilities recognised directly in equity for cash flow hedge costs	172	70	242

36. Cash flow from operating activities

Euro/thousand	For the 12 months to 31 December	
	2008	2007
Net profit (loss)	89,535	50,458
Depreciation, amortisation and impairment	17,376	15,650
Income taxes	46,243	53,850
Provisions	1,975	16,106
Cost of severance pay		(3,104)
Cost of defined-benefit plans	941	2,509
Gains from the sale of assets	53	(36)
Financial charges and income, net of value adjustments of equity investments carried at cost	(20,522)	(7,936)
	135,601	**127,497**

The changes in working capital, net of the effects of the acquisition and sale of consolidated companies and translation differences, are as follows:

Euro/thousand	2008	2007
Inventories	(175,444)	(12,596)
Contract work in progress and advances received	(18,645)	129,429
Trade receivables and payables	292,005	8,572
Changes in working capital	**97,916**	**125,405**

The changes in other operating assets and liabilities, net of the effects of the acquisition and sale of companies and translation differences, are as follows:

Euro/thousand	2008	2007
Payment of severance indemnity and other defined-benefit plans	(7,578)	(4,092)
Changes in provisions for risks	(20,193)	(2,794)
Changes in other operating items	26,227	10,495
	(1,544)	**3,609**

37. Financial risk management

The Company is exposed to financial risks in connection with its operations, and particularly to risks of the following types:

- *market risks*, regarding exposure to positions which generate interest (interest rate risk) and operations in currency areas other than the functional currency (exchange risk);
- *credit risks*, deriving from ordinary commercial operations or financing activities.

The Company monitors each of the aforementioned risks individually, taking prompt action to minimize same, also through the use of derivative hedging instruments.
The paragraphs below, also through the use of sensitivity analysis, examine the potential impact on results reported deriving from hypothetical fluctuations in the reference parameters. In accordance with IFRS 7, the analysis is based on simplified scenarios applied to actual figures for the reference periods and, due to their nature, cannot be considered as indicative of the real effects of future changes in the reference parameters if the equity and financial structure and the market conditions change, nor can they reflect the interrelations existing between and complexity of reference markets.

Interest rate risk management

The Company, which has a stable, positive, financial position, is exposed to interest rate changes in connection with the use of liquidity, which is for the most part used by parent company Finmeccanica S.p.A. in accordance with Group policy.
Interest rate risks are measured by means of sensitivity analysis, in accordance with IFRS 7. If the reference rates were 50 basis points higher (lower) at 31 December 2008, the result and shareholders’ equity would have been Euro 2,878 thousand higher (lower).

Exchange risk management

On contract acquisitions, company procedures require the hedging of all revenues in foreign currencies subject to exchange risk. On the cost side, the company adopts the policy of stipulating procurement contracts prevalently in Euros. Any purchases in local currencies are usually covered by a corresponding amount of revenue in the same currency.
The Parent Company performs hedging operations in the form of forward currency purchases/sales. At the end of 2008 the total domestic value in Euros of items covered by derivative instruments stood at Euro 4,958 thousand.

The sensitivity of exchange rate changes, while not significant, is given in the table below, which highlights the effects of exchange rate fluctuations of 5% in both directions:

Euro/thousand	5% increase in EUR GBP exchange rate	5% decrease in EUR GBP exchange rate	5% increase in EUR USD exchange rate	5% decrease in EUR USD exchange rate
Non current receivables			(29)	32
Trade receivables	(30)	33	(441)	488
Financial receivables			(18)	20
Derivatives	(3)	3	(16)	17
Cash and cash equivalents	(3)	4	(5)	5
Assets	**(36)**	**40**	**(509)**	**562**
Trade payables	(33)	36	(245)	271
Derivatives			(1)	1
Liabilities	**(33)**	**36**	**(246)**	**272**
Result	**(3)**	**4**	**(263)**	**290**
Shareholders' equity	**(3)**	**4**	**(263)**	**290**

Credit risk management

The Company is exposed to credit risks in connection both with the counterparties of its commercial operations, as well as by financing and investment activities, in addition to guarantees pledged on third party payables or commitments.
In order to eliminate or minimise the credit risk deriving from commercial operations, and overseas commercial operations in particular, the company adopts the policy of hedging the risk from the outset of the commercial operation, carefully examining the conditions and payment methods to propose in bids, for subsequent ratification in contracts of sale.
Specifically, according to the contract amount, the type of customer and the importing country, the necessary precautions are taken to limit the credit risk both in terms of payment and the financial instruments planned, such as stand-by L/C or irrevocable and confirmed letter of credit. In cases in which this is not possible and if the country / customer is particularly at risk, the opportunity is assessed of applying for adequate insurance coverage through Export Credit Agencies such as SACE or through international banks for contracts for which supply financing is required.

To better explain the concentration and ageing of receivables recognised in the financial statements, the table below has been prepared:

	State institutions			Other customers			
	Area Europe	Area America	Other	Area Europe	Area America	Other	Total
Guarantee withholdings					3,400	1,518	4,918
Unexpired receivables				169,018	949	69,475	239,442
Receivables expired for less than 6 months				42,257	4,473	14,977	61,707
Receivables expired for less than 1 year					1,109		1,109
Receivables expired for between 1 and 5 years				16,899		16,899	
Total	**0**	**0**	**0**	**211,275**	**26,830**	**85,970**	**324,075**

Liquidity risk

In consideration of the stable, positive, financial position of the Company, there is no liquidity risk.

Derivatives

The table below gives the fair value of the various derivatives in the portfolio:

	Fair Value at 31 December 2008	Fair Value at 31 December 2007
Assets		
Currency forward/swap/option		
Cash flow hedge	405	200
Liabilities		
Currency forward/swap/option		
Fair value hedge	18	764

38. Key management personnel compensation

The compensation due to persons who have the power of and the responsibility for planning, directing and controlling the Company, including executive Directors, is as follows:

Euro/thousand	2008	2007
Compensation	2,884	2,025
Post-employment benefits	94	
Severance pay	2,086	
Stock grant	896	207
Total	**5,960**	**2,232**

The fees due to Directors amount to Euro 2,814 thousand for the period 2008-2009. The fees due to Statutory Auditors stand at Euro 70 thousand for the period 2008-2010.
These fees include emoluments and any other sum paid as compensation and social security for the exercise of the office of Director or Statutory Auditor of the Company.

The parent company Finmeccanica S.p.A. has established a stock grant plan under which shares in Finmeccanica S.p.A. are granted to Group employees and consultants if targets are achieved, to provide incentives and encourage loyalty.
At 31 December 2008 free stock grants were still outstanding to Ansaldo Energia S.p.A. employees and consultants of no. 200,023 ordinary Finmeccanica shares of par value Euro 20.44 each. Movements in the number of shares granted are as follows:

Euro/thousand	2007 *(no. shares)*	2008 *(no. shares)*
Outstanding rights at 1 January	**164.839**	**136.214**
New rights allocated	6.340	200.023
Rights exercised in the year	27.832	136.214
Rights expired in the year	7.133	
Outstanding rights at 31 December	**136.214**	**200.023**

for the BOARD OF DIRECTORS
THE CHAIRMAN
Prof. Giuseppe Veredice

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2008

Details

DETAILS

Schedule 1 - Equity investments

Euro/thousand

		31.12.2007		
		Cost	Write downs	Book value
%				
31.12.2008	**Equity investments in subsidiary companies**			
100	Ansaldo Energy Inc.	1		1
100	Ansaldo ESG AG	4,201		4,201
94,37	Ansaldo Fuel Cells S.p.A.			
100	Ansaldo Nucleare S.p.A.	107		107
100	Ansaldo Ricerche S.p.A.	7,221	(5,360)	1,861
100	A S P L interamente svalutata			
100	Ansaldo Thomassen BV	11,953		11,953
0	Sagem Italia S.r.l.	138		138
		23,621	**(5,360)**	**18,261**
	Equity investments in associated companies			
45	Dayalistri Pratama in liq.	4,462	(4,415)	47
20,99	Energeko Gas Italia S.r.l.			
49	Polaris S.r.l.	50		50
25	Turbo Energy S.r.l.			
		4,512	**(4,415)**	**97**
	Consortia			
50	CHIARA	16		16
66	CISA	68		68
5	CORIBA	3		3
15,8	CRIS	380		380
51	ENERGIE RINNOVABILI			
8,33	QUINN			
01	SET	4		4
29,41	SIRE	13		13
		484	**0**	**484**
	Other ventures			
9,917	Euroimpresa Legnano	155		155
0,33	Libian Italian Joint Co.	9		9
3,58	SIET S.p.A.	107		107
2,3	SIIT Distretto Tecnologico Ligure	13		13
0,1	SOGEA	9		9
		293	**0**	**293**
Total equity investments		**28,910**	**(9,775)**	**19,135**

Acquisitions/ Capitalisations	Disposals	(Write-downs) Revaluations	31.12.2008 Cost	Write downs	Book value
			1		1
			4,201		4,201
20,801			20,801		20,801
			107		107
2,000		(2,648)	9,221	(8,008)	1,213
					0
			11,953		11,953
	(138)		0		0
22,801	**(138)**	**(2,648)**	**46,284**	**(8,008)**	**38,276**
			4,462	(4,415)	47
10			10		10
	(2)		48		48
1,000			1,000		1,000
1,010	**(2)**	**0**	**5,520**	**(4,415)**	**1,105**
			16		16
			68		68
			3		3
			380		380
10			10		10
					0
1			5		5
12			25		25
23	**0**	**0**	**507**	**0**	**507**
			155		155
			9		9
			107		107
			13		13
			9		9
0	**0**	**0**	**293**	**0**	**293**
23,834	**(140)**	**(2,648)**	**52,604**	**(12,423)**	**40,181**

Schedule 2 - List of equity investments

Euro/thousand

Name	Head Office	Reference financial statements	Share capital
Equity investments in subsidiary companies			
Ansaldo Energy Inc.	USA	31-12-2008	1
Ansaldo ESG AG	Switzerland	31-12-2008	269
Ansaldo Fuel Cells S.p.a.	Genoa	31-12-2008	21,623
Ansaldo Nucleare S.p.A.	Genoa	31-12-2008	500
Ansaldo Ricerche S.p.A.	Genoa	31-12-2008	3,000
Ansaldo Thomassen B.V.	The Netherlands	31-12-2008	91
Asia Power Project Private Ltd	India	31-12-2008	46
Equity investments in associated companies			
Dayalistri Pratama in liq.			
Energeko Gas Italia S.r.l.			
Polaris S.r.l.			
Turbo Energy S.r.l.			
Equity investments in jointly controlled companies			
Consortia			
CHIARA			
CISA			
CORIBA			
CRIS			
ENERGIE RINNOVABILI			
QUINN			
SET			
SIRE			
Other ventures			
Euroimpresa Legnano			
Libian Italian Joint Co.			
SIET S.p.A.			
SIIT Distretto Tecnologico Ligure			
SOGEA			
Total equity investments			

Currency	Shareholders' equity	Profit (loss))	Ownership %	Net equity in financial statements	Carrying value
USD	50	10	100	50	1
FRSV	556	(1,167)	100	556	4,201
EUR	19,408	(2,147)	94.37	18,315	20,801
EUR	2,017	1,861	100	2,017	107
EUR	1,213	(2,468)	100	1,213	1,213
EUR	5,166	361	100	5,166	11,953
RUPIE	(10,215)	(763)	100	(10,215)	
					38,276
			45		47
			20.99		10
			49		48
			25		1,000
					1,105
			50		16
			66		68
			5		3
			15.8		380
			51		10
			8.33		0
			0.01		5
			29.41		25
					507
			9.917		155
			0.33		9
			3.58		107
			2.3		13
			0.1		9
					293
					40,181

Schedule 3 - Non current receivables

Euro/thousand

	31.12.2007					31.12.2008		
	Residual nominal value	Impairment	Book value	Outpayments	Refunds	Residual nominal value	Impairment	Book value
Other receivables	1,865		1,865	16	1,045	836		836
	1,865	**0**	**1,865**	**16**	**1,045**	**836**	**0**	**836**

Schedule 4 - Assets by due date

Euro/thousand

	31.12.2008 Amounts falling due			31.12.2007 Amounts falling due		
	between 2 and 5 years	beyond° 5 years	Totale	between 2° and 5 years	beyond 5 years	Total
Receivables						
Financial receivables			0	507		507
Other receivables	836		836	1,358		1,358
	836	**0**	**836**	**1,865**	**0**	**1,865**
Tax receivables	**3,170**		**3,170**	**4,691**		**4,691**
Total non current assets	**4,006**	**0**	**4,006**	**6,556**	**0**	**6,556**

Schedule 5 - Assets in foreign currencies

Euro/thousands

	31.12.2008			31.12.2007		
	In foregin currency	In Euros	Total	In foregin currency	In Euros	Total
Receivables						
Financial receivables			0	507		507
Other receivables		836	836		1,358	1,358
	0	**836**	**836**	**507**	**1,358**	**1,865**
Other non current assets		**3,170**	**3,170**		**4,691**	**4,691**
Total non current assets	**0**	**4,006**	**4,006**	**507**	**6,049**	**6,556**
Current receivables from related parties						
Financial receivables	12,452	545,756	558,208	9,701	466,967	476,668
Trade receivables	265	3,796	4,061	421	2,569	2,990
Other receivables	149	33,289	33,438		37,427	37,427
	12,866	**582,841**	**595,707**	**10,122**	**506,963**	**517,085**
Trade receivables	91,362	232,713	324,075	17,489	315,044	332,533
Tax receivables		801	801			0
Financial receivables	1,065	90	1,155	1,836		1,836
Derivatives	405		405	200		200
Other assets	4,713	34,898	39,611	921	58,345	59,266
Cash and cash equivalents	17,201	4,966	22,167	17,201	5,790	22,991
Total current assets	**127,207**	**856,309**	**983,921**	**47,569**	**886,142**	**933,911**
	127,207	**860,315**	**987,927**	**48,076**	**892,191**	**940,467**

Schedule 6 - Assets by geographical area

Euro/thousand

	31.12.2008					31.12.2007				
	Italy	Rest of Europe	North America	Rest of world	Total	Italy	Rest of Europe	North America	Rest of world	Total
Non current receivables										
Financial receivables					0	507				507
Other receivables	836				836	1,358				1,358
	836	**0**	**0**	**0**	**836**	**1,865**	**0**	**0**	**0**	**1,865**
Tax receivables	3,170				3,170	4,691				4,691
Total non current assets	**4,006**	**0**	**0**	**0**	**4,006**	**6,556**	**0**	**0**	**0**	**6,556**
Current receivables rom related parties										
Financial receivables	519,155	29,352		9,701	558,208	456,290	10,677		9,701	476,668
Trade receivables	1,432	2,629			4,061	2,118	872			2,990
Other receivables	33,289	149			33,438	37,427				37,427
	553,876	**32,130**	**0**	**9,701**	**595,707**	**495,835**	**11,549**	**0**	**9,701**	**517,085**
Trade receivables	232,713	606	12,895	77,861	324,075	191,098	18,136	5,029	118,270	332,533
Tax receivables	801			801						0
Financial receivables	90	528	537		1,155	1,836				1,836
Derivatives			405		405			200		200
Other assets	34,732	166		4,713	39,611	52,244			7,022	59,266
Total current assets	**822,212**	**33,430**	**13,837**	**92,275**	**961,754**	**741,013**	**29,685**	**5,229**	**134,993**	**910,920**
	826,218	**33,430**	**13,837**	**92,275**	**965,760**	**747,569**	**29,685**	**5,229**	**134,993**	**917,476**

Schedule 7 -
Reserves and portion available for allocation

Euro/thousand

Type/description	Amount	Possible use	Available portion	Summary of uses in previous three years: to cover losses	Summary of uses in previous three years: for other purposes
Share capital (*)	11,967	**B C**	11,967		
Legal reserve:					
Accumulated earnings	2,392	**B**	2,392		
Cash Flow Hedge reserve	879	**B**	879		
Reserve for stock option/grant	407	**B**	407		
Reserve for actuarial gains (losses) recognised in equity	297		297		
Deferred taxation referring to shareholders' equity items	(242)	**B**	(242)		
Retained earnings	10,030	**A B C**	10,030		
Total	**13,763**		**13,763**		
Portion not available for allocation			**10,899**		
Remaining portion available for allocation			**2,864**		

Key:
(*) net of treasury shares
A for capital increasee
B to cover losses
C to allocate to shareholders

Schedule 8 - Liabilities by due date

Euro/thousand

	31.12.2008 Amounts falling due			31.12.2007 Amounts falling due		
	between 2 and years	beyond 5 years	Total	between 2 and years	beyond 5 years	Total
Non current financial payables	1,077		1,077	2,111		2,111
Other non current liabilities	2,323		2,323	2,394		2,394
Total non current liabilities	**3,400**		**3,400**	**4,505**		**4,505**

Schedule 9 - Liabilities in foreign currencies

Euro/thousand

	31.12.2008			31.12.2007		
	In foreign currency	In Euros	Total	In foreign currency	In Euro	Totale
Non current financial payables		1,077	1,077		2,111	2,111
Other non current liabilities		2,323	2,323		2,394	2,394
Total non current liabilities	**0**	**3,400**	**3,400**	**0**	**4,505**	**4,505**
Current payables to related parties						
Financial payables		4,393	4,393	1,331	11,399	12,730
Trade payables	1,365	22,244	23,609	447	9,293	9,740
Other payables		35,707	35,707		37,154	37,154
	1,365	**62,344**	**63,709**	**1,778**	**57,846**	**59,624**
Trade payables	12,392	385,242	397,634	8,348	300,171	308,519
Financial payables		1,075	1,075		2,127	2,127
Tax payables					2,291	2,291
Derivatives	18		18	764		764
Other liabilities	1,474	65,972	67,446	647	64,946	65,593
Total current liabilities	**15,249**	**514,633**	**529,882**	**11,537**	**427,381**	**438,918**

Schedule 10 - Liabilities by geographical area

Euro/thousand

	31.12.2008					31.12.2007				
	Italy	Rest of Europe	North America	Rest of world	Total	Italy	Rest of Europe	North America	Rest of world	Total
Non current financial payables	1,077				1,077	2,111				2,111
Other non current liabilities	2,323				2,323	2,394				2,394
Total non current liabilities	**3,400**	**0**	**0**	**0**	**3,400**	**4,505**	**0**	**0**	**0**	**4,505**
Current payables to related parties										
Debiti finanziari	4,393				4,393	11,399	1,331			12,730
Trade payables	20,383	3,226			23,609	9,293	447			9,740
Other payables	35,707				35,707	37,154				37,154
	60,483	**3,226**	**0**	**0**	**63,709**	**57,846**	**1,778**	**0**	**0**	**59,624**
Trade payables	353,045	32,197	3,041	9,351	397,634	265,649	32,585	934	9,351	308,519
Financial payables	1,075				1,075	2,127				2,127
Tax payables					0	2,291				2,291
Derivatives			18		18			764		764
Other liabilities	67,284			162	67,446	64,946			647	65,593
Total current liabilities	**481,887**	**35,423**	**3,059**	**9,513**	**529,882**	**392,859**	**34,363**	**1,698**	**9,998**	**438,918**
	485,287	**35,423**	**3,059**	**9,513**	**533,282**	**397,364**	**34,363**	**1,698**	**9,998**	**443,423**

Schedule 11 - List of engagements pursuant to article 149 of the issuer rulesi

Euro/thousand

Type of engagement	Audit firm/other entity engaged	Consideration for year to perform engagement	Total
Auditing services	DELOITTE	376	376
Tax consulting services	DELOITTE	103	103
Consulting services in preparation for listing path assessment	DELOITTE PRICE WATERHOUSE	323 303	323 303
Foreign branches	PRICE WATERHOUSE DELOITTE	4 33	4 33
		Total considerations	**1,142**

Schedule no. 12 - Highlights of most recent financial statements approved by the company exercising direction and coordination (article 2497-bis of the Italian civil code))

euro migliaia

FINMECCANICA SPA

STATO PATRIMONIALE

ATTIVO

ATTIVITA' NON CORRENTI	8.328.754
ATTIVITA' CORRENTI	3.207.202
ATTIVITA' NON CORRENTI POSSEDUTE PER LA VENDITA	-
TOTALE ATTIVO	**11.535.956**

PASSIVO

PATRIMONIO NETTO:	
- Capitale	1.864.380
- Riserve e risultati a nuovo	3.920.955
- Utile dell'esercizio	44.810
	5.830.145
PASSIVITA' NON CORRENTI	1.618.801
PASSIVITA' CORRENTI	4.087.010
PASSIVITA' DIRETTAMENTE CORRELATE AD ATTIVITA' POSSEDUTE PER LA VENDITA	-
TOTALE PASSIVO	**11.535.956**

CONTO ECONOMICO

RICAVI	335.485
COSTI	-225.319
PROVENTI E ONERI FINANZIARI	-49.353
IMPOSTE SUL REDDITO DELL'ESERCIZIO	-16.003
(PERDITE) UTILI CONNESSI AD ATTIVITA' CESSATE	-
UTILE DELL'ESERCIZIO	**44.810**

LA FINMECCANICA SPA REDIGE IL BILANCIO CONSOLIDATO.

Report of the board of statutory auditors to the financial statements

Shareholders,

this report has been prepared by the Board of Statutory Auditors pursuant to and for the purposes of article 2429, clause 2, of the Italian Civil Code, and in compliance with the principles of conduct for statutory auditors recommended by the Italian Accounting Profession (Consigli Nazionali dei Dottori Commercialisti e dei Ragionieri).
We examined the draft Financial Statements at 31 December 2008, prepared by the Directors pursuant to the Law and transmitted to the Board of Statutory Auditors together with the management report, which provides a comprehensive description of the most important economic operations performed by your Company and its investee companies.
We remind you that pursuant to article 2409 bis and subsequent of the Italian Civil Code, the supervision of the good keeping of your Company's accounting records and the results reported, and likewise the alignment of same with balance sheet data, is not the responsibility of the Statutory Auditors, but of the Independent Auditors. The Board of Statutory Auditors is responsible for making observations on same and assessing compliance with the law as regards the governance of the company and its good administration.
We remind you that the accounts and financial statements are audited by Deloitte & Touche S.p.A. and invite you to read their report.

We remind you that the Financial Statements submitted to you by the Directors have been prepared in accordance with IAS/IFRS international accounting standards as issued by the International Accounting Standard Board and endorsed by the European Commission, in compliance with EC Regulation no. 1606/2002 issued by the European Parliament and ratified by Italian Law with Legislative Decree no. 38, 28 February 2005.

In the performance of its duties, the Board of Statutory Auditors has undertaken the supervisory activities required by Law, in observance of the "Principles of Conduct of the Board of Statutory Auditors" recommended by the Italian Accounting Profession (Consigli Nazionali dei Dottori Commercialisti e dei Ragionieri).

This Board, appointed by you at the Annual General Meeting held on 30 September 2008, certifies the following:
- we have monitored compliance with the law and the bylaws and principles of good administration;
- since our engagement began we have attended the meetings of the Board of Directors held on 3 October 2008, 29 January 2009 and 3 March 2009. The Statutory Auditors attended the aforementioned Board meetings as reported in the minutes, verifying that same were conducted in compliance with statutory, legal and regulatory rules, and that the operations performed were not obviously imprudent, risky, in potential conflict of interest or, in any case, in contrast with the resolutions of the General Meeting of Shareholders. These meetings confirmed management continuity; the decisions taken appeared to be in accordance with the principles of prudence and good administration and no irregularities were found in the management of the company;
- so far as concerns good administration, we confirm that the Company is managed competently and in accordance with the provisions of the Law and the Bylaws. Equity and financial information provided during the year appear to have been represented clearly. Board documents and meetings demonstrate that the Directors have always operated within the framework of the powers and authority granted to them;
- the Board of Statutory Auditors has not found any atypical and/or unusual operations, either between companies in the group or with related and third parties. Ordinary operations with other members of the group or with related parties are described in the Supplementary Notes, which we invite you to consult, and took place at arm's length;
- during the course of our meetings, held on 6 November 2008, 27 January 2009 and 11 March 2009, we obtained information from the Directors

and Managers of the Company about the general performance trend and foreseeable outlook for both your Company and its subsidiaries; about the organisation structure of the Company, which appeared to be consistent with its size and complexity; about the adequacy of the system of procedures implemented by your Company pursuant to Legislative Decree 231/2001 and, in particular, about the adequacy of the Organisation Model, as well as about the activities performed by the Supervisory Body; about the internal control and reporting system and about Internal Auditing; in this way we have gathered information and supervised the adequacy of the organisation of the company and we have no particular comments to make in this regard;
- we have assessed and monitored the adequacy of the administration and accounting system, as well as the reliability of the latter to provide a true picture of management events, by obtaining information from those responsible for the functions involved, from the person responsible for accounting control and by examining company documents; we have no particular comments to make in this regard;
- no statements or representations have been received pursuant to article 2408 of the Italian civil code;
- no notifications have been received from the Boards of Statutory Auditors of subsidiary companies;
- during the performance of our supervisory activities as described above, no other significant facts have emerged such as to require mention in this report;
- the Board of Statutory Auditors, at the time of preparation of this report, had not received certification of the financial statements from the Independent Auditors, who however informed us that the outcome will be positive, ie. without comments and/or reservations.

We have examined the financial statements at 31 December 2008 which, as we are not responsible for analysing the content on its merits, we have supervised as regards general organisation, overall compliance with the law as regards formation and structure, and in regard to which we have no comments to make. So far as we are aware, in the preparation of the financial statements, the Directors have not departed from the law pursuant to article 2423, clause four, of the Italian civil code.

We have verified that the financial statements reflect the events and information of which we are aware, as collected during the performance of our duties, and have no comments to make.

In expressing a positive overall opinion based on the results of the auditing activities performed, the Board of Statutory Auditors, pursuant to article 2429 of the Italian Civil Code, in its sphere of competence and based on the information gathered, in consideration of the fact that there are no causes of impediment, believes that the Financial Statements at 31 December 2008, comprising the balance sheet, income statement and supplementary notes, which close reporting a profit of Euro 89,534,725, net of Euro 46,242,992 taxation, deserve your approval, as does the proposal submitted by the Board of Directors with regard to the allocation of operating profit.

THE BOARD OF STATUTORY AUDITORS
Dr. Prof. Salvatore Randazzo
Dr. Armando Cascio
Dr. Paolo Tiraboschi

Deloitte.

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**AUDITORS' REPORT PURSUANT TO ART. 156 AND 165
OF LEGISLATIVE DECREE No. 58 OF FEBRUARY 24, 1998**

**To the Shareholders of
ANSALDO ENERGIA S.p.A.**

1. We have audited the financial statements of Ansaldo Energia S.p.A. (the "Company"), which comprise the balance sheet as of December 31, 2008, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. These financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the Auditing Standards recommended by CONSOB, the Italian Commission for listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the prior year's financial statements, the balances of which are presented for comparative purposes, reference should be made to our auditors' report issued on March 7, 2008.

3. In our opinion, the financial statements present fairly the financial position of Ansaldo Energia S.p.A. as of December 31, 2008, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

4. The Company, though in the presence of subsidiaries, pursuant to the exemption granted by currently prevailing laws in Italy, did not prepare consolidated financial statements as these are prepared and published by its parent company, Finmeccanica S.p.A.

5. Pursuant to Art. 2497-bis, first paragraph, of the Italian Civil Code, the Company has stated that it is subject to direction and coordination by Finmeccanica S.p.A. and therefore, has included summary financial data from the latest financial statements of Finmeccanica S.p.A. in the explanatory notes. Our opinion on Ansaldo Energia S.p.A. financial statements does not cover this summary financial data.

6. The directors of Ansaldo Energia S.p.A. are responsible for the preparation of the Report on Operations in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the Report on Operations with the financial statements, as required by art. 156, paragraph 4-bis, letter d), of the Legislative Decree 58/98. For this purpose, we have performed the procedures required under Auditing Standard n. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion the Report on Operations is consistent with the financial statements of Ansaldo Energia S.p.A. as of December 31, 2008.

DELOITTE & TOUCHE S.p.A.

Signed by
Carlo Laganà
Partner

Genoa, Italy,
March 16, 2009

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

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June 2009

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