

44° YEAR OF OPERATIONS
FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2003

Impregilo S.p.A.:

Share Capital euro 384,039,554.60 fully paid - Registered Offices at Viale Italia 1, Sesto San Giovanni (Milan)

Tax Code and Milan Company Registration no. 00830660155

Chamber of Commerce no. 525502 - VAT no. 02895590962



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DIRECTORS, OFFICERS AND COMMITTEES

Board of Directors (*)

Paolo Savona

Chairman

Pier Giorgio Romiti

Vice Chairman and

Managing Director

Directors (*)

Umberto Colombo

Adriano De Maio

Vittorio De Stasio

Ezio Gandini

Gian Luigi Garrino

Enzo Grilli

Carlo Lotti

Board of Statutory Auditors (*)

Giorgio Silva

Chairman

Statutory Auditors

Vittorio Amadio

Roberto Ascoli

Alternate Auditors

Giancarlo Caramanti

Enrico Colombo

Internal Audit Committee

Paolo Savona

Chairman

Vittorio De Stasio

Enzo Grilli

Remuneration Committee

Paolo Savona

Chairman

Vittorio De Stasio

Enzo Grilli

Independent Auditors (*)

Reconta Ernst & Young S.p.A.

(*) In office until approval of the financial statements
as of 31 December 2004

(*) In office for the three-year period 2003, 2004, 2005

FINANCIAL HIGHLIGHTS

Impregilo Group

(in millions of euro)	2003	2002
Operating information		
Value of production	2,932.4	2,682.3
Revenues from ordinary operations	2,678.6	2,401.6
Operating profit	181.5	137.6
Results before taxation	115.9	41.9
Net income for the year	50.5	25.1
Financial information		
Fixed assets, net	1,358.3	1,180.7
Operating capital	(265.0)	(281.3)
Net capital invested	1,093.3	899.4
Shareholders' equity (including cumulative translation adjustment)	326.4	303.9
Cumulative translation adjustment	(210.8)	(198.4)
Net financing position (*)	(766.9)	(595.5)
- financing position net of Project Financing debt	(528.1)	(595.5)
- Project Financing debt (**)	(238.8)	-
Operating information		
Order backlog:		
- construction	4,808	6,320
- services	79	183
- concessions	8,519	8,498
number of employees (31.XII)	12,998	16,854
number of employees (average in year)	14,227	18,612
Capital investment	281.7	235.9
Financial ratios		
Operating profit/Value of production (ROS)	6.2%	5.1%
Operating profit/Financial expense, net	2.66	2.34
Operating profit/Net capital invested (ROI)	16.6%	15.3%
Net income/Shareholders' equity (ROE)	15.5%	8.2%

(*) Excludes deferred tax assets (121 million euro).

(**) Finance structured specifically to be guaranteed by the future financial flows of the related concessions.

Impregilo S.p.A.

(in millions of euro)	2003	2002
Operating information		
Value of production	1,772.4	1,435.6
Revenues from ordinary operations	1,706.1	1,303.6
Operating profit	122.7	104.5
Results before taxation (*)	62.9	279.8
Net income for the year (*)	32.4	171.1
Financial information		
Fixed assets, net	862.3	982.5
Operating capital	(160.0)	(431.3)
Net capital invested	702.3	551.2
Shareholders' equity	511.3	487.8
Net financing position	(191.0)	(63.4)

(*) The results for 2002 include a capital gain of 267 million euro on the sale of Fisia Italimpianti S.p.A. to Hiatus S.p.A.



Protective works for the Venetian lagoon, Italy

Changes in the order backlog by Business Unit (Impregilo share)

(in millions of euro)	Backlog 1.1.2003	Acquisitions & adjustments	Revenues (*)	Backlog 31.12.2003
Infrastructure	5,136	956	(1,982)	4,110
Environmental Systems	961	(117)	(273)	571
Building Work	223	52	(148)	127
Total Construction	6,320	891	(2,403)	4,808
Concessions	8,498	271	(250)	8,519 (*)
Property	19		(19)	
Services	164	(58)	(27)	79
Total Concessions and Services	8,681	213	(296)	8,598

(*) Revenues only related to contractual production.

(*) Concessions are reported using the exchange rates as of 31 December 2003 and have not been discounted to present value.

*Impregilo group companies,
joint venture and consortia analysed by Business Unit*

Total 31.12.2001	(unit)	In liquid- ation	Non- operating	Operating	Total 31.12.2003	Total 31.12.2002
64	Infrastructure	4	5	81	90	76
8	Environmental Systems (Fisia Italimpianti S.p.A.)		2	4	6	6
91	Building Work (Impregilo Edilizia S.p.A.)	21	2	30	53	55
30	Concessions (Impregilo International Infrastructure N.V.)	1		43	44	38
14	Property (Promozione & Sviluppo S.p.A.)			11	11	10
7	Services (Impregilo Servizi S.p.A.)			7	7	8
6	Other companies			8	8	7
220	Total strategic Business Units	26	9	184	219	200
437	Imprepar-Impregilo Partecipazioni S.p.A.	161	69	51	281	343
657	Total Impregilo Group	187	78	235	500	543

REPORT ON OPERATIONS - First part

Performance during the year

Shareholders,

at Group level, consolidated operating profit for 2003 was 181.5 million euro, with consolidated net income of 50.5 million euro, while the operating profit reported in the Parent Company's financial statements was 122.7 million euro, with net income of 32.4 million euro.

With regard to the Group:

- the order backlog for construction work amounts to 4,808 million euro, compared with 6,320 million euro in the prior year. This value excludes a number of major contracts awarded to Impregilo for which the legal formalities have not yet been completed. These include the Novara-Milan and Milan-Genoa stretches of the High-Speed Railway, the Mestre By-pass modification to the A4 motorway, won in 2004, and so on. These additional contracts are estimated to be worth around 5,500 million euro;
- the contracts already obtained for the provision of public services under concession will generate total future revenues (order back-

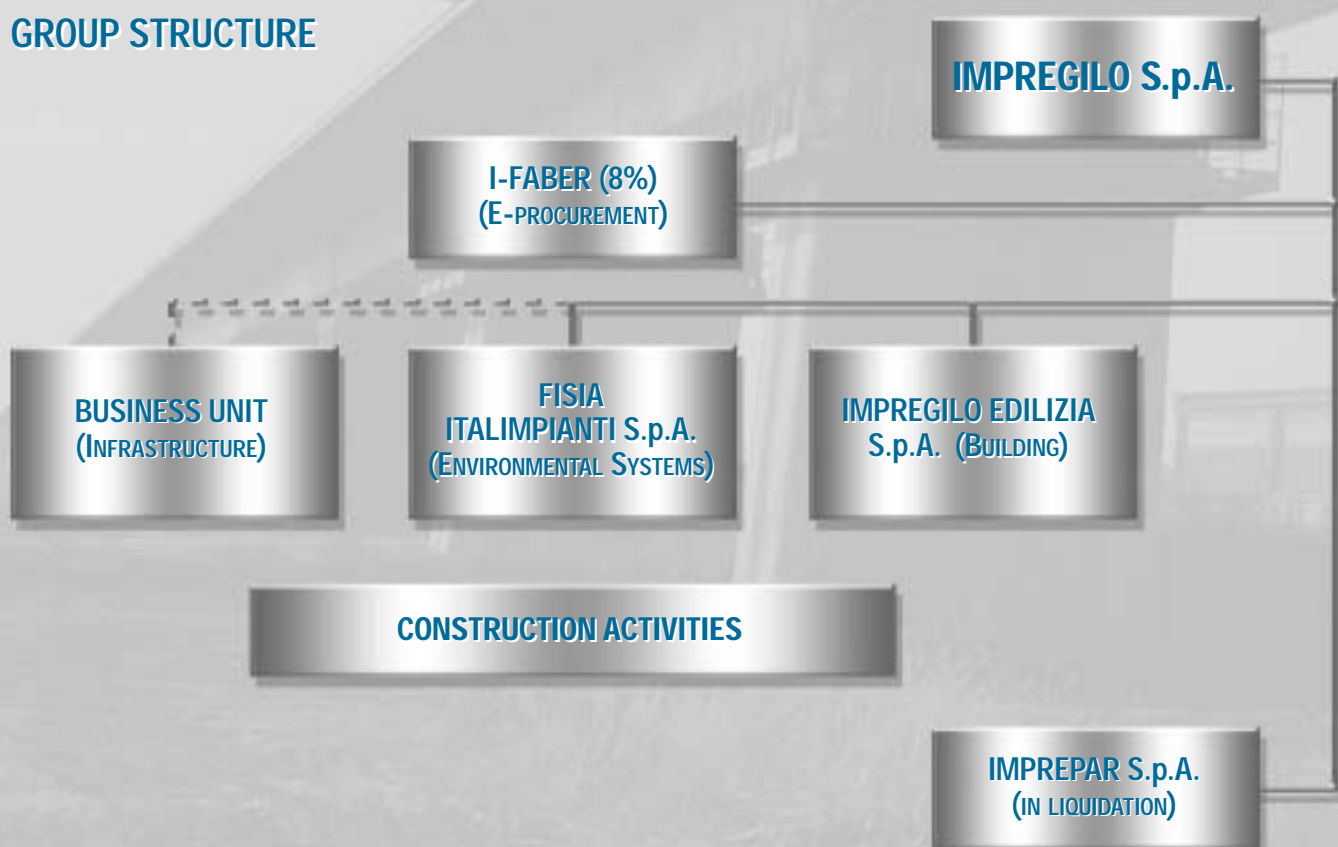
log) of 8,598 million euro, representing expected average annual revenues of 490 million euro over their average residual duration of 17.5 years;

- the value of production was 2,932.4 million euro (9.3% higher than in 2002) as a result of the orders generated in prior years;
- operating profit amounts to 181.5 million euro, up 31.8% with respect to the prior year, and represents 6.2% of the value of production (5.1% in 2002).

Operating profit is stated net of charges totalling 25 million euro recorded during the year to cover contingencies and doubtful accounts;

- as in prior years, the provisions recorded in the construction site records (claims), regardless of the reason or nature of the dispute, have not been recognised as revenues and will only be released to income when the timing and extent of any surpluses become certain. The costs associated with such claims are however expensed in full when incurred, rather than being capitalised (or "deferred", to use some jargon);
- net income of 50.5 million euro represents a return on capital

GROUP STRUCTURE



invested of 15.5%, which is double than that reported in 2002. Non-recurring income benefited from the gain on the sale of the office building in Sesto San Giovanni, which contributed about 14 million euro after taxation. This was offset by the cost of accepting the tax amnesty. This cost, about 12.5 million euro, had the effect of freeing tax credits totalling 110 million euro, of which just 36 million euro has already been collected;

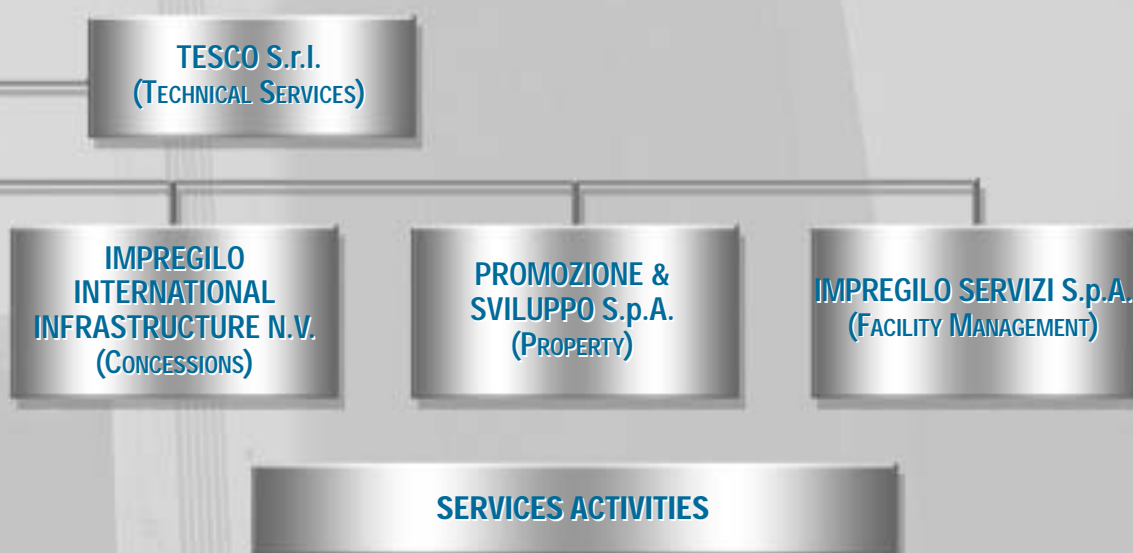
- the net financing position of 766.9 million euro, compared with 595.5 million euro at the end of the prior year, includes borrowing of 238.8 million euro regarding new contracts obtained on a Project Financing basis. Considering the Project Financing debt separately, since this is guaranteed following start-up solely by the cash flow generated by the individual projects, the net financing position amounts to 528.1 million euro with an improvement of 67.4 million euro compared with 595.5 million euro in 2002.

These results were obtained despite the continuation of difficult conditions in the Italian market. On the one hand, the first contracts

governed by the "Objectives" Law for General Contractors have been awarded using a points system that evaluates the technical characteristics of the bid and not merely the price; on the other, we still see contracts awarded on a lowest-cost basis, bidding base prices that are not in line with actual costs and anomalous competitive behaviour.

For example, the contract to widen the Bologna-Florence motorway was awarded on a lowest-bid basis with a bidding base price that was already below cost. As a consequence, Impregilo was unable to present an offer since there was no room to present a price that would even cover direct production costs. Even the Mestre By-pass competition (awarded to Impregilo S.p.A. in the end) had its problems: the adjudicating commission had to repeat the competition procedures due to an anomaly in the bid presented by a competitor who, having agreed to the repetition, then presented an appeal. The Project Financing approach, whereby contracts are awarded on a concession basis, is not readily accepted in Italy.

Abroad, where competition is always very strong and selective, it is





easier to arrange Project Financing, since the concession terms are clearer and facilitate participation by banks and financial institutions, which is a key factor in the completion of such projects. As an example benefiting Impregilo, Costanera Norte S.A., a 70% subsidiary and concession-holder for a motorway in Santiago (Chile), placed a bond for more than 216 million euro in the Chilean market during the year and, at the same time, completed the related Project Financing arrangements. This operation, which was acclaimed in both the local and international markets, was awarded "transaction of the year" status by "Project Financing International" and catalogued as "transaction of the year in South America".

The profitability of the Impregilo Group is satisfactory and improving, with a large backlog and prospects for further business in both the short and longer term. The outlook for performance in Italy and abroad is stronger than originally forecast in the most recent business plans. At present, the Group is generating income and cash flow from its construction activities, while ongoing investment in the provision of public services under concession will produce the expected returns upon implementation of the most important projects on a full-scale basis.

Continued support from the financial system will be necessary in order to achieve these objectives.

Impregilo is confident that the lending market will again find a way to support productive activities and, in particular, to fund the nation's enormous requirement for infrastructure, activating all the most appropriate financial instruments and selecting firms such as ours with the highly skilled technical management needed to complete contract work on time at a competitive price.

As discussed in previous reports with regard to the results of the Parent Company, Impregilo S.p.A., these essentially reflect the performance of the Infrastructure Business Unit:

- the value of production has risen 23.4% to 1,772.4 million euro (1,435.6 million euro in 2002);
- the operating profit of 122.7 million euro (104.5 million euro in 2002) represents 6.9% of sales and reflects growth of 17.5% with respect to the prior year;
- net income of 32.4 million euro derives from operating activities and cannot readily be compared with the results reported for 2002. In particular, the prior year's results included the effect of

selling 49% of Fisia Italmimpianti S.p.A. to the Equinox fund, which generated a gain of 176 million euro, net of tax effect;

- the net financing position is 191.0 million euro (63.4 million euro in 2002). This increase was mainly due to the purchase of machinery for the contracts in Iceland and Venezuela, the participation in the Milan-Genoa High-Speed Railway contract acquired from Tecnimont, and loans granted to subsidiary companies.

The improvement in the Group's profitability is clear from the progress made by all indices, after adjusting for the effects of extraordinary transactions.

Given these results and those expected in the coming years, Impregilo has the strength to meet its forthcoming financial deadlines, as was the case in November 2003 when bonds totalling 300 million euro were repaid. For the most part, the bonds maturing in 2004 and 2005 will be repaid out of the cash flow generated by ordinary and extraordinary operations, while the balance will be covered by recourse to the market, in all the various possible forms, with the primary intent to continue to take growth opportunities as they arise.

The liquidation of Imprepar is proceeding in accordance with the plan established when the liquidation was decided; accordingly, the lending banks will be repaid in full during 2004 and then the repayment of other creditors will commence.

Strategic guidelines

The activities of the company are currently focused on the construction of major infrastructure and high technology plant, as well as on the management of infrastructure and public services under concession. Competition in these areas, where the value added is considerable, appears to be reduced in many markets.

The progressive improvement in results is founded on our recognised ability to compete, where there remains room for further progress. This can be seen from:

- the satisfactory level and steady growth of sales and profitability deriving from both orders on-hand and new business;
- the modest levels of risk deriving from new business, given the rigorous selection of commercial opportunities;

Turin Novara section
of the high speed
railway line, Italy

- the presence of a highly skilled, cohesive and determined management team at operating level, and the substantial international and domestic experience contributed by our top managers;
- the significant skills and references accumulated in the strategic sectors of General Contracting for infrastructure and high technology plant, as well as in the management of infrastructure and public services under concession;
- the imminent start of work on major contracts already awarded to Impregilo, such as the Novara-Milan and Milan-Genoa stretches of the High-Speed Railway;
- the prospects for sustained demand in sectors of strategic interest, both in Italy and abroad.

The size of the order backlog is satisfactory and will be further consolidated in the near future. This significant volume of work is managed in order to achieve, among others, the following principal objectives:

- containment of operating and overhead costs;
- containment of the time taken to perform work, in order to free resources for additional opportunities;
- capitalisation on experience and the results of R&D work;
- rationalisation of the use of resources to ensure sustainable growth focused on the achievement of strategic objectives.

In this context, the company is continuing to withdraw from businesses that are no longer strategic: during 2003 the following activities were completed or started:

- the disposal of the sterilisation businesses in Italy and the United Kingdom;
- the disposal of investments in companies that operate hospital concessions in the United Kingdom;
- the disposal of concession-holders in sectors that are no longer considered strategic, and withdrawal from the property sector;
- the focusing of building work solely on projects with a high technological content;
- the conferral of e-procurement activities on i-Faber, a specialist company within the Unicredito Group which represents a rare example in Italy of a successful start-up in this sector.

At the same time, via a formal strategic planning process, the company pays constant attention to the critical success factors that underpin each business, in order to understand the development of

Impregilo's market positioning with respect to leading competitors and maintain our reputation for excellence. The markets and business segments of interest are monitored constantly. Markets and sectors of presence, as well as countries and business segments to be forsaken, are selected with reference to a continuously updated analysis of political, economic and financial risks, business opportunities over the medium/long term, Group strengths and customer reliability.

Group structure

The company's organisational and managerial structure is slim and adapted to our activities regarding the construction of infrastructure and high technology plant and the management of infrastructure and public services under concession. The appropriate consolidation of this structure has generated benefits in terms of both efficiency and effectiveness.

The Impregilo Group is currently organised into six Business Units (BU) that are coordinated by two Management Teams: one for General Contracting (comprising the Infrastructure, Building Work and Environmental Systems BUs) and the other for Concessions and Services (comprising the Concessions, Services and Property BUs).

All BUs, except for the Infrastructure BU which is effectively represented by the Parent Company, Impregilo, are organised into companies so that their value can be realised, if appropriate. In particular:

- Building Work BU: Impregilo Edilizia S.p.A.;
- Environmental Systems BU: Fisla Italimpianti S.p.A.;
- Concessions BU: Impregilo International Infrastructure N.V.;
- Services BU: Impregilo Servizi S.p.A.;
- Property BU: Promozione & Sviluppo S.p.A.

The companies leading these BUs make use of centralised services for staff functions in order to contain costs.

Constant attention is paid to the optimisation of the organisation as it relates to the development of each business, in order to assess possible improvements that might help to contain costs and maintain our reputation for excellence.



Market considerations

The company continues to identify prospects for strong demand in many countries, confirming a counter-cyclical tendency with respect to the economic performance of the sectors in which we operate and despite continued economic uncertainty worldwide. In addition, increased demand for environmental protection plant has been stimulated by the introduction, in many areas, of more demanding standards concerning air quality and urban hygiene. This enables

the company to continue the adoption of especially restrictive criteria for the selection of new business, thus lowering the degree of risk associated with our activities. Comparison of Impregilo's presence today around the world with that of a few years ago highlights a marked shift of work away from emerging nations towards developed nations, where profitability is currently greatest in the sectors of strategic interest to us.

Impregilo's presence around the world

	Infrastructure	Building Work	Environmental Systems	Concessions	Property	Services
Italy	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Europe						
Denmark			<input type="checkbox"/>			
Germany			<input type="checkbox"/>			
Great Britain				<input type="checkbox"/>		<input type="checkbox"/>
Greece	<input type="checkbox"/>					
Iceland	<input type="checkbox"/>					
Sweden			<input type="checkbox"/>			
Switzerland	<input type="checkbox"/>					
Portugal	<input type="checkbox"/>					
Russia	<input type="checkbox"/>					
America						
Argentina	<input type="checkbox"/>			<input type="checkbox"/>	<input type="checkbox"/>	
Brazil	<input type="checkbox"/>			<input type="checkbox"/>	<input type="checkbox"/>	
Chile	<input type="checkbox"/>			<input type="checkbox"/>		
Peru				<input type="checkbox"/>		
Dominican Republic	<input type="checkbox"/>					
U.S.A.	<input type="checkbox"/>					
Venezuela	<input type="checkbox"/>				<input type="checkbox"/>	
Middle East						
Saudi Arabia		<input type="checkbox"/>				
United Arab Emirates		<input type="checkbox"/>	<input type="checkbox"/>			
Qatar			<input type="checkbox"/>			
Asia						
Pakistan	<input type="checkbox"/>					
Total nations						

Ravedis
dam,
Italy


Italy

Market prospects appear good: the government's commitment to finding the resources needed to implement the infrastructure programmes envisaged in the "Objectives" law has given impetus to the Italian construction market, introducing the role of "General Contractor" which fits the company's profile particularly well.

The inclusion of the Novara-Milan and Milan-Genoa stretches of the High-Speed Railway among the priorities set by the "Objectives" law will enable the company, which has already been awarded these two contracts worth several billion euro, to begin work within the next two years. Promising negotiations are also underway regarding significant projects in the environmental and reclamation sectors.

Two new contracts were obtained by the company during 2003: an association of businesses promoted by Impregilo will carry out part of the Venice flood barrier project (Moses) which, for accounting reasons, has not yet been included in the orderbook; in addition, A.N.A.S. has awarded the company a contract to link the S.S.36 highway with the local motorway system at Cinisello Balsamo (Milan).

With regard to "Services and Concessions", "Facility Management" contracts have been signed with Unicredito Italiano and hospitals at Gricignano, Avellino and other locations with total value of about 14 million euro.

Europe

The company's share of contracts awarded during 2003 exceeded 600 million euro.

In Greece, the upturn of the construction market that began with

infrastructure for the Olympic Games has continued. Impregilo, working together with the leading Greek operator, has been awarded the contract for the construction of the Aghios Konstantinos-Kammena Vurla motorway, with a total value of 125 million euro. In addition, a number of promising projects for the filtration of fumes have been identified as part of the local electricity grid's programme to adopt European standards for power station emissions. The Group will participate in this work via the newly-formed Fisia Babcock.

In Iceland, the launch of a significant hydro-electric programme has resulted in signing a contract with the government there for work worth more than 450 million euro.

In Germany, the Group has won contracts worth about 100 million euro for the construction of incinerators and electrostatic filters by Fisia Babcock Environment GmbH. This follows the consolidation of technology in the field of incinerating solid urban waste and the filtration of fumes as a result of acquiring Babcock's environment business. The objective is to penetrate this sector even further.

In the United Kingdom, the Services BU has obtained new Facility Management contracts from hospitals and nursing homes worth more than 10 million euro.

In Sweden, promising negotiations have commenced for the supply of new incinerating furnaces and the construction of major public works together with leading local firms, although no contracts have been awarded for the moment.

In Russia, work on the St. Petersburg underground has been completed successfully. No new projects have commenced and the level of investment in major infrastructure there is unlikely to grow significantly. Considering this and the fact that current legislation





TBM, Portland West Side Tunnel,
Oregon, U.S.A.



does not allow for the development of concessions in sectors of interest to the company, we have decided to suspend our presence in this market for the moment.

The Americas

No significant new contracts were obtained in this area during 2003.

In the United States, where there are numerous attractive opportunities in the underground works sector, the company is working on a complex of tunnels to upgrade the Portland city drainage system in Oregon. The North American market is very interesting since it favours the competitive criteria sought by Impregilo, including the need to lodge guarantees for the full value of the contract in order to demonstrate the solidity of the builder. As a result, many companies are unable to work in that market.

In Brazil, the devaluation in 2002 has been followed by the first signs of economic recovery. However, having completed the rationalisation of its investments in local motorway concession-holders, Impregilo has decided not to commence any new projects until the situation has stabilised further.

In Venezuela, the company in association with other Italian firms is continuing to work on the "Puerto Cabello-Encrucijada" railway project. Given the crisis in this nation, Impregilo has slowed work to reflect the flow of payments, suspended investment and implemented a cost containment programme while awaiting an improvement in operating conditions.

In Argentina, Impregilo has been slowing activities for a number of years by not bidding for construction contracts; in addition, the financing position there has been improved steadily by the restructuring of debt. The positive effects of these measures will be felt from 2004 onwards.

Discussions continued during 2003 with regard to the economic conditions applying to the existing concessions, as allowed by the related decrees. The progress made by these negotiations, which are ongoing, suggests that the true worth of the equity investments concerned may be greater than their current book value.

In Chile, Impregilo is working with success on a major motorway concession; no new business opportunities are foreseen there in the short term.

Middle East

The company won contracts in this area during 2003 worth about 250 million euro.

The greater liquidity of the nations in the Middle East, deriving from the constant rise in oil prices, has given further impetus to their investment in infrastructure over the past two years. This effectively contradicts the adverse expectations arising from unknowns linked with the conflicts in Afghanistan and Iraq. The company is currently engaged in promising negotiations for desalination plant and continues to assess carefully the projects there, in order to benefit from the best business opportunities.

Until now, the company has limited its presence in the Middle East to the United Arab Emirates and Qatar with regard to the Environmental Systems BU. This reflects our leadership in the field of major desalination plant, which are in great demand in the area, and the fact that the terms of sale generate liquidity for us.

With regard to Building Work, Impregilo Edilizia has completed remaining work in the United Arab Emirates and Saudi Arabia and has closed the construction sites concerned.

Asia and the Pacific Basin

No new contracts were obtained in this area during 2003.

In the past, Impregilo has carried out important work in China. At the moment however, except for Hong Kong, the Chinese construction market is essentially closed to foreign firms since local operators have become fully autonomous in terms of technology and management.

With regard to China, projects to operate concessions for motorways and other public services (the recycling of energy from waste and management of the water cycle) would be of considerable interest,

since the company could place its wealth of technology and managerial skills at the service of the constantly growing domestic economy.

In Hong Kong, the allocation of substantial funds for infrastructure and reduced competition, essentially limited to foreign firms, has stimulated renewed interest in international competitions for civil works with a high technological content. However the Sars crisis impeded routine commercial activities there during 2003 and the company relinquished a number of opportunities that could have been concluded at the height of the epidemic.

With regard to the other Asian nations, the company has not commenced any new contracts and has progressively reduced its presence in the area. This approach takes into account that hardly any major new contracts are financed by international bodies, and that social unrest and economic instability is endemic in the area.

The Pacific basin markets are not currently being monitored, given strong demand in both Italy and the other nations in which the company operates.

Africa

During 2003, the company obtained contracts in this area totalling about 30 million euro, mainly comprising specialist work (foundations and the installation of piles) and supplements to work currently in progress.

The company has not commenced any new contracts and, unless there are drastic changes, is planning to leave the area. This reflects the fact that, unlike in the 1960s and 70s, no major new contracts are financed by international bodies, and that social unrest and political and economic instability are common throughout the continent.

Principal events during the year

This section describes the principal events of an exceptional nature that took place during the year; the dynamics of the order backlog are discussed in the sections entitled "Market considerations" and "Analysis of performance by area of activity".

Corporate activities

Bond: During November, the Impregilo Group repaid the bond for 300 million euro that matured on the 19th of the month.

The company has appointed Unicredit Banca Mobiliare (UBM) to act as rating advisor. UBM will assist Impregilo with the selection of one or more rating agencies and will support the company during the subsequent phases of the rating process, which is likely to finish during the second half of 2004.

The Fisia-Hiatus transaction: As mentioned in earlier reports, 49% of Hiatus S.p.A., which wholly owns Fisia Italimpianti S.p.A., was sold to Equinox on 17 March for 39.2 million euro. The agreements give Equinox a "put" option on the shares of Hiatus S.p.A., which can be exercised on specific terms after 1 June 2004, while a similar "call" option is available to Impregilo.

By a merger deed signed on 24 September, Hiatus S.p.A. absorbed Fisia Italimpianti S.p.A. with tax and accounting effect from 1 January 2003 and legal effect from 1 October 2003, and adopted that company's name.

Property at Sesto San Giovanni: In July, Impregilo sold the office building at Viale Italia 1, Sesto San Giovanni (Milan) to the property fund Euro Estate S.a.r.l., managed by UBS. This transaction worth 46 million euro was completed after buying out the related leasing

contract for 26 million euro, thereby realising a profit of about 20 million euro and cash flow of the same amount. Impregilo and other Group companies will continue to use this building, having signed a 9-year rental agreement with the property fund which allows space to be sublet.


The i-Faber transaction: On 15 May, the Impregilo Group completed arrangements with UniCredito Italiano for the conferral on i-Faber S.p.A. of the e-procurement and vertical marketplace activities developed by Globoworks Italia S.p.A. - a wholly-owned subsidiary of Impregilo - in the Engineering, Construction and Plant Engineering sectors. As a consequence, the share capital of i-Faber S.p.A. is held as follows: 65% the UniCredito Italiano Group, 23% Erg, 8% the Impregilo Group, 4% Oracle.

Tax amnesty: The Group has deemed it appropriate to settle certain fiscal situations by reference to the provisions of Law 289/02, at a total cost of about 12 million euro. This approach has enabled Impregilo, among other matters, to close a number of tax years affected by disputes regarding the treatment of the provisions made for customer claims. This has removed the reasons that prevented the tax authorities from repaying certain tax credits.

The Aeroporti di Roma transaction: During March, Leonardo S.r.l. (formerly Leonardo Holding S.A.) completed the sale of 44.74% of Aeroporti di Roma S.p.A. (hereafter "AdR") to a consortium lead by Macquarie Airports, an Australian group. Following this transaction, Impregilo now owns 11% of Leonardo S.r.l., which had received the 51.2% interest in "AdR" previously held by Leonardo Holding S.A.

Ponte de Pedra
hydroelectric plant,
Brazil





This transaction was described in earlier reports, in presentations to analysts and in the related press releases. Its economic effects were reported in the consolidated financial statements for 2002, but are reflected in the company's financial statements for 2003.

Construction

Cociv business: In July, the Group reached agreement with Tecnimont, a subsidiary of Edison S.p.A., for the purchase of its railway engineering business comprising a 50.5% interest in the Cociv consortium, which is the general contractor for the Milan-Genoa stretch of the High-Speed Railway. As a result of this acquisition, Impregilo owns 94.5% of the consortium which, under the terms of the related contract, will carry out engineering work, expropriations, work management and other activities associated with its role as general contractor. This consortium will allocate construction work to another consortium of firms in which Impregilo has a 71% interest.

Fisia Babcock: As already mentioned in the half-yearly report, Impregilo acquired the remaining 40% interest in Fisia Babcock Environment GmbH during April via Fisia Italimpianti S.p.A. Accordingly, this company is now wholly owned by the Group. Fisia Babcock Environment GmbH constructs plant for the incineration of solid urban waste and the filtration of fumes, with target annual revenues of about 150 million euro.

Concessions

Fibe S.p.A.: On 30 July via Fibe S.p.A., con-

cession-holder for the treatment of solid urban waste in the Province of Naples, Impregilo signed a Project Financing contract for 414 million euro arranged and underwritten by Banca OPI S.p.A. (San Paolo IMI Group) and by Westlb Ag. This transaction also envisages the presence of the EIB (European Investment Bank) which has already approved the project.

Costanera Norte: In December, Costanera Norte S.A., a 70% subsidiary of Impregilo S.p.A., placed a bond totalling 9.5 million unidad de fomento (216 million euro at the year-end exchange rate) in the Chilean market and, at the same time, completed the related Project Financing arrangements. Costanera holds a thirty-year concession for the construction and operation of an urban motorway that will cross Santiago (Chile).

This operation, which was acclaimed in both the local and international markets, was awarded "transaction of the year" status by "Project Finance International" and catalogued as "transaction of the year in South America".

Ausol-debt restructuring: Austopistas del Sol S.A., the concession-holder until 2020 of the access motorway north of Buenos Aires, has reached an out-of-court settlement with its bondholders and financing banks regarding the restructuring of outstanding debt. This agreement was ratified by the first-level Court on 29 December. Final ratification from the National Court of Appeal is expected shortly.

Casisa S.A.-debt restructuring: Agreements were signed with Banco de Rio and Banco Galicia on 23 December 2003 for the restructuring of debt which, as a result, will be reduced from about 96 million US dollars to about 22.5 million dollars. These transactions will take effect during 2004, since final formal approval is awaited from the Province of Cordoba, the concession-granting authority.

Ponte de Pedra: During the year via Ponte de Pedra Energetica S.A., an equal joint venture with Skanska BOT do Brasil, Impregilo signed a Project Financing contract for 227.5 million reais (61.3 million euro at the year-end exchange rate). Ponte de Pedra is the concession-holder for the construction and management of a 176 MW hydro-electric plant and a 130 km power transmission line in the Mato Grosso region.

Analysis of performance by area of activity

The process of grouping the BU within companies has been completed, except with regard to the Infrastructure BU. As a consequence, their activities can be examined by reference to the consolidated financial statements of the respective sector leaders. Accordingly, the following analysis as of 31 December 2003 is presented on a consolidated basis together with, where possible, comparative information for the prior year.

■ This Business Unit has not yet been grouped within companies, so the following information represents pro-forma management information.

31 December 2002	(in millions of euro)	31 December 2003
1,486.0	Value of production	1,982.1
111.7	Operating profit	133.3
5,135.9	Order backlog	4,109.8
12,763	Employees (number)	9,713

Construction

INFRASTRUCTURE



Bodio lot, tunnel Trans Alp, Switzerland

The Infrastructure Business Unit includes all infrastructure projects for the public sector, such as dams and hydro-electric power stations, motorways, railway lines, underground railways and bridges. This BU also works as a contractor for the Concessions BU when the latter is awarded infrastructure work to be operated under concession.

The value of production of the Infrastructure BU amounted to 1,982.1 million euro following considerable growth (+33%) with respect to 2002. This reflects the start of work on new contracts (Iceland and Greece) and, above all, the acceleration of existing contracts including, in particular, work on the High-Speed Railway.

This BU, which generates 68% of Impregilo Group revenues, operates in the following principal sectors: railways (70% of revenues), water works (13% of revenues), road works (5% of revenues) and other areas (12% of revenues). 75% of production is generated in Italy, 9% in Latin America, 11% in Europe and 5% in Other countries.

As of 31 December 2003, the order backlog amounts to 4,109.8 million euro. The following contracts were acquired during the year:

Flood barriers "Moses, Venice": The Interministerial Committee for Venice gave the go ahead for "Moses" on 3 April 2003. This construction, designed by the Venezia Nuova Consortium (hereafter "Cvn"), in which Impregilo has a 39.4% interest, consists of a system of mobile barriers to protect Venice from high water. Work worth a total of 3 billion euro is expected and Impregilo's share (about 800 million euro) will be included in the orderbook after the contracts between "Cvn" and Impregilo have been completed.

At the end of December, Impregilo received a commitment notice for the design and execution of the work on the "Malamocco mouth".

Hydro-electric plant in Iceland: Impregilo was awarded the KAR 11 and KAR 14 contracts on 19 February 2003, as part of the "Karahnjukar Hydroelectric Project". This project, financed entirely by the Icelandic government, is intended to supply the electricity required by the future industrial complex operated by "Alcoa Inc. Corporation" at Port Reydarfjordur (aluminium industry).

Impregilo's share of the work amounts to about 450 million euro.

Motorway stretch in Greece: Impregilo signed a contract with the Greek motorway authority on 29 April 2003 for the construction of an extension to the existing network. The total value of the contract exceeds 125 million euro and will be performed by a joint venture in which Impregilo holds a 40% interest.

S.S.36 highway/Milan motorway link: Impregilo was awarded this contract by Anas on 16 December 2003, involving work in the municipalities of Monza and Cinisello

Balsamo to link the S.S.36 highway (Lake Como and the Spluga Valley) with the North Milan motorway system. The total value of the contract exceeds 93 million euro and will be performed by a temporary association (ATI) between "Impregilo-Secol", in which the company holds a 75% interest.

Work in progress

Railways

Turin-Milan stretch of the High-Speed Railway (Italy)

This stretch, covering about 140 km, including 15 km of interconnections, starts north-east of Stura station in Turin and ends just outside Milan-Certosa, running alongside the southern edge of the A4 Turin-Milan motorway. The value of the work on the Turin-Novara sub-stretch awarded to the C.A.V.TO.MI. Consortium, in which Impregilo holds a 74.69% interest, amounts to 3,959 million euro. As of 31 December 2003, this work was 50% complete. The stretch is planned for completion in time for the Winter Olympics in 2006. In order to achieve this objective, monthly production by Consortium during 2003 averaged 111 million euro (Impregilo's share: 83 million euro).

Technical and economic agreement should be reached with TAV regarding the Novara-Milan sub-stretch in early 2004, and work will commence immediately.

Bologna-Florence stretch of the High-Speed Railway (Italy)

This stretch, covering about 74 km, include about 99 km of tunnels considering double track tunnels, single track tunnels, interconnections and approach windows. The

value of the work awarded to the Cavet Consortium totals 3,683 million euro as of 31 December 2003 and is 76% complete. The stretch is scheduled for completion by the end of 2005, unless further changes are made to the project. Impregilo has a 75.983% interest in the Cavet Consortium.

Caracas Railway-Tuy Medio (Venezuela)

This contract involves the construction of civil works for the railway line of about 42 km that links Caracas with the Tuy industrial area. The total value of the work, including the complete system, the track and the stations, is 2,000 million euro of which 900 million relates to contracts awarded to the Contuy A Consortium; as of 31 December 2003 the civil works are 75% complete. Completion was previously scheduled for 30 December 2005, but this will slip to 30 September 2006 since the customer is considering major changes to the original project. Impregilo has a 36.4% interest in the Contuy Consortium.

Puerto Cabello-La Encrucijada (Venezuela)

During 2002, the Contuy Consortium signed a contract for the construction of a stretch of railway covering the approximately 110 km that separate Puerto Cabello from La Encrucijada. The total value of the work awarded to the Consortium is 952 million euro and Impregilo's share is 33%. Having set-up the site, the initial underground work commenced during the year; 7% progress has been made as of 31 December 2003.

Trans Alp Tunnel (Switzerland)

This project relates to a new railway line crossing the St. Gothard mountain (Canton Ticino). The value of work awarded to the

TBM, Bologna Florence section of the high speed railway line, Italy



Trans Alp Tunnel Consortium totals 1,064 million euro; 15% progress has been made as of 31 December 2003. Impregilo has a 25% interest in the Trans Alp Tunnel Consortium.

Athens underground (Greece)

This extension to Metro Line 3, from Asso-maton to Egaleo, comprises 4.4 km of tunnels, excavation diameter 9.5 metres, dug in the traditional manner.

The project includes the construction of 6 ventilation and access shafts and 3 stations, partly on a cut & cover basis and partly underground.

The value of the work awarded to the Aktor-Impregilo joint venture totals 202 million euro and is 30% complete as of 31 December 2003. Impregilo has a 50% interest in the joint venture.

Athens tramway (Greece)

This new tramway extends over about 24 km and comprises 2 lines: the first, 15 km, along the coast from Neo Faliro to Glyfada; the second, 9 km, from the coast to the centre of Athens.

This contract, worth 198.5 million euro, in-

cludes all civil works, the construction of 11 stations, a depot and a workshop for the maintenance and refurbishment of carriages, the supply and installation of track and all the electro-mechanical systems.

This work, 63% complete as of 31 December 2003, is being performed by the Terna-Impregilo joint venture, in which Impregilo has a 45% interest.

Water works

Tunnel to re-route the Acheloos river (Greece)

This project involves the design and construction of a water tunnel that is 17.4 km long, with an excavation diameter of 7.1 metres. The excavation work is being carried out using a "Tunnel Boring Machine" and finished off with an internal lining in reinforced concrete. The contract also includes the construction of minor works, such as access roads and tunnels, overflow and pressure shafts.

This work, worth 121 million euro, is being performed by the Impregilo-Empedos joint venture in which Impregilo holds a 60% interest.

Work is 54% complete as of 31 December 2003.

Portland Tunnel (United States of America)

This contract signed in September 2002 involves the construction of a drainage collector adjacent to the Willamette river, in the western part of the city of Portland, Oregon, U.S.A. The project requires the construction of a pumping station in a shaft (Ø 38 m and 55 m deep) with a capacity of 833,000 m³/day, 6 shafts (Ø 12/18 m and 50 m deep), 5.7 km of tunnels linking the treatment plant and the main trunk of the drainage network. The value of the contract signed by the Impregilo-Healy Joint Venture is 309 million dollars. Work is 30% complete as of 31 December 2003. Impregilo has complete control over the joint venture.

This type of contract, Reimbursable cost plus fixed fee, is particularly innovative and is being used by Impregilo for the first time in this field; the direct cost of work (materials, equipment, subcontractors, labour etc.) are reimbursed by the customer (the

Carisio bridge,
Turin Novara
section of the
high speed
railway line,
Italy



Municipality of Portland), together with a lump-sum payment, covering profit and site overheads, made on a stage-of-completion basis.

**"Barrera de Salinidad" Aqueduct
Santo Domingo (Dominican Republic)**

This contract, started in 1999, involves the construction of a new aqueduct "Barrera de Salinidad" that will supply the water requirements of the eastern sector of Santo Domingo, the capital. The work consists of a barrier and related diversion works on the rio Ozama, pumping stations, a 67" pipeline extending for 12.25 km, a treatment plant with a capacity of 4 m³/s and tanks for the delivery of drinking water. The contract signed by the "CAO" Consortium, lead by Impregilo with a 67% interest, is worth 156 million euro and is 85% complete as of 31 December 2003.

Ghazi Barotha (Pakistan)

Impregilo is the leader (57.8%) of a joint venture together with Zublin (Germany) and two local firms for the construction of the Ghazi Barotha project. This contract envis-

ages the creation of system to divert and regulate the Indo river, together with a 52 km feeder channel linking with a hydro-electric power station generating 1,450 MW in the north of the country. The value of the work awarded to Ghazi Barotha Contractors joint venture amounts to 522 million euro and activity is 99% complete as of 31 December 2003.

**Karahnjukar hydro-electric
plant (Iceland)**

This contract signed with Landsvirkjun (Iceland's national electricity authority) is worth 450 million euro and relates to the construction of a hydro-electric plant in the east of the country. The work will be performed by our Iceland branch and involves the construction of a dam with a capacity of about 8.5 million m³ (contract KAR 11) and about 60 km of water tunnels (contract KAR 14). The river was diverted on schedule during December; physical work is 11% complete as of 31 December 2003. The completion of this work, which began in May, is planned for early 2007.

Road works

Costanera Norte (Chile)

The contract awarded to Costanera Norte S.A. (Concessions BU) involves the construction of a 37 km urban motorway that crosses the city of Santiago (Chile) in an east-west direction. The work awarded to Empresa Constructora Costanera Norte Limitada is worth 294 million euro, at the current exchange rate, and is 58% complete. Impregilo has a 77.78% interest in the consortium.

Sea works

**Malamocco barrier-Moses,
Venice (Italy)**

Impregilo acquired the project to construct the external barrier south of the Malamocco mouth (to protect the future artificial basin for shipping) from the Venezia Nuova Consortium at the start of the year. This work, which complements that awarded to Impregilo as part of the "Moses project", is worth about 40 million euro and is 30% complete as of 31 December 2003.



- The consolidated financial statements of Fisia Italimpianti S.p.A. as of 31 December 2003 are summarised below:

31 December 2002	(in millions of euro)	31 December 2003
490.2	Value of production	536.7
485.5	Revenues from ordinary operations	529.3
44.5	Operating profit	24.7
49.9	Results before taxation	18.0
29.2	Net income for the year	9.9
20.9	Fixed assets net	256.0
111.6	Operating capital	(151.3)
(5.7)	Employee severance indemnities	(5.8)
(2.8)	Provisions for risks and charges	(4.3)
124.0	Net capital invested	94.6
44.4	Shareholders' equity	93.4
79.6	Net financing position	1.2
961.2	Order backlog	571.0
712	Employees (number)	721

Construction

ENVIRONMENTAL SYSTEMS

Fisia Italimpianti S.p.A., 51%-owned by Impregilo, is leader of the Environmental Systems sector which supplies specialist plant for the treatment of water and waste, for environmental services, for the generation of energy from the incineration of waste and for the treatment of toxic fumes.

The financial statements of Fisia Italimpianti S.p.A. consolidate:

Name (companies that are more than 20% owned)	Method
Fisia Italimpianti S.p.A. (*)	Line-by-line
Fisia Babcock Environment GmbH	Line-by-line
BBP Environment Betriebs- und Beteiligungsgesellschaft Eberswalde GmbH	Cost
BBP Environment Betriebs- und Beteiligungsgesellschaft Schmallenberg GmbH	Cost
Gestione Napoli S.p.A.	Cost

(*) Sector leader.

The group has reported positive results for the year, in terms of new contracts, revenues and margins, despite the marked devaluation of the dollar which adversely affected the ability to compete and the profitability of Euro-zone firms that operate in international markets.

The value of production as of 31 December 2003 was 536.7 million euro, up 9.5% with respect to 2002. Of this, 76% was generated in the water treatment and waste transformation sector, 11% in the environmental services sector and 13% in the sector for the generation of energy from the incineration of waste and the treatment of dangerous fumes.

The operating profit of 24.7 million euro is stated net of the amortisation of merger differences, 23.5 million euro, which were eliminated on the subsequent consolidation with

Impregilo since they arose as part of an intercompany transaction.

Net income fell to 9.9 million euro (29.2 million euro in 2002), mostly due to the effect of the amortisation referred to above.

The balance sheet reports a net capital requirement of 94.6 million euro, which is financed by shareholders' equity of 93.4 million and net borrowing of 1.2 million euro, including net amounts due from the Parent Company totalling 9.9 million euro. The changes in the balance sheet with respect to 2002 are influenced by the Fisia-Hiatus merger and the consolidation of Fisia Babcock Environment GmbH.

The total order backlog has risen to 1,118 million euro (Impregilo's share: 571 million euro) following the acquisition of new contracts during the year totalling 639 million euro (Impregilo's share: 326 million euro), gross of adjustments.

Protective works for the Venetian lagoon, Italy

The following contracts were acquired during the year:

Desalination plant at Jebel Ali, Station L (Dubai). Fisia Italmimpianti S.p.A. acquired a new contract for the construction of a sea-water desalination plant in Dubai on 12 May 2003. This contract is worth 281 million dollars (229 million euro at the year-end exchange rate). Fisia will build the plant for the Dubai energy and water authority, for which two other desalination plants worth a total of about 340 million euro have been constructed since 1999.

Operation and maintenance of the Acerra incinerator (Italy). This contract worth more than 160 million euro, signed with Fibe S.p.A. (Concessions BU), involves the management of the heat-recycling plant at Acerra for a period of ten years as part of the Campania SUW Project.

Fisia Babcock Environment GmbH. The contracts acquired by this subsidiary during the year included that involving the supply of a waste-to-energy plant to Oberhausen (Germany), worth 24 million euro, and that involving the supply of a plant for the treatment of fumes to Mannheim (Germany), worth 32 million euro.

Within the Plant Division of **Fisia Italmimpianti S.p.A.**, the progress made on con-

tracts during the year is described below:

Desalination plant at Shuweihat (Abu Dhabi)

This is a "turn-key" contract for the construction of a desalination plant comprising 6 units, each with a capacity of 16.7 million gallons/day (totalling 100 MIGD), to be delivered by August 2004. This contract is worth 555 million euro. Production during the year totalled 241 million euro and, at year-end, the work is 81% complete.

Desalination plant at Jebel Ali, Station L (Dubai)

This desalination plant comprises five units, each with a capacity of 14 million gallons/day (totalling 70 MIGD), to be delivered by February 2006. This contract is worth 229 million euro. Production during the year totalled 45 million euro and, at year-end, the work is 20% complete.

Desalination plant at Ras Laffan (Qatar)

The part of this contract that involves Fisia Italmimpianti S.p.A. requires the supply and installation of four desalination units with a total capacity of 40 MIGD, together with a remineralisation plant, to be delivered by the end of April 2004. This contract is worth 189 million euro. Production during the year totalled 42 million euro and, at year-end, the work is 85% complete.

Desalination plants at Jebel Ali, Stations G and K phase 1 (Dubai)

This contract involved the "turn-key" construction of three desalination units with a total capacity of 27.5 MIGD, to be delivered in 23 months. The warranty period for these three units ended during the year and the Final Acceptance Certificate is currently awaited. This contract is worth 129 million euro and, at year-end, is 99% complete.

Ras Laffan desalination plant, Qatar



Fibe Campania, Giuliano RDF production plant, Italy



Desalination plants

at Jebel Ali, Station K phase 2 (Dubai)

The part of this contract that involves Fisia Italmimpianti requires the supply and installation of three desalination units with a total capacity of 40 MIGD, to be delivered in 27 months. Two units have obtained their provisional acceptance certificates at year end, while the third has passed the tests and is waiting for provisional acceptance. This contract is worth 208 million euro. Production during the year totalled 8 million euro and, at year-end, the work is 93% complete.

Desalination plant

at Mirfa (Abu Dhabi)

This is a "fast track" project that requires the design and construction of three desalination units with a capacity of 22.5 MIGD, to be delivered in 17 months. The plant has been completed and Provision Acceptance Certificates have been issued for the three units. The final acceptance certificate will be issued shortly. This contract is worth 194 million euro. Production during the year totalled 15 million euro and, at year-end, the work is 98% complete.

Desalination plant

at Al Hidd (Bahrain)

The four desalination units comprising this contract were delivered on schedule and to the customer's satisfaction in November 1999.

The customer issued the final acceptance certificate during the year and the contract guarantees have been returned. This contract, worth 147 million euro, has now been completed.

Desalination plants

at Ruwais (Abu Dhabi)

This contract involves the supply of materials for the construction of two desalination plant, as part of a project for the construction of a power station by a consortium of leading international firms. Provisional delivery took place in 2002 and the warranty period expired during the year. The procedure to obtain the final acceptance certificate is currently underway.

Waste treatment plant

in the Campania Region (Italy)

The plants for the production of FFW (Fuel From Waste) at Casalduni and Battipaglia were completed during the year, joining those previously completed at Caivano, Tufino, Giugliano, Santa Maria Capua Vetere and Pianodardine. Materials are also being supplied for the incinerator at Acerra, where assembly will start when the site becomes available. This contract is worth 336 million euro. Production during the year totalled 33 million euro and, at year-end, the work is 45% complete.

Urban water purification plant

District of Florence (Italy)

Work on Lines II and III continued during the year with regard to both the civil works (preparing the environment, tanks and channels) and the supply of plant. This contract is worth 110 million euro. Production during the year totalled 20 million euro and, at year-end, the work is 86% complete. All the above contracts will be delivered on schedule.

Within the Management Division of Fisia

Italmimpianti S.p.A., activity has continued with regard to the management of the waste cycle and on reclamation projects. In particular:

- management on behalf of Fibe S.p.A. and Fibe Campania S.p.A. of 7 FFW plants in Campania, as part of an integrated waste management project; 1,456,149 tonnes of SUW were processed in the province of Naples during the year, and a further 840,515 tonnes were processed in the other Campania provinces (Caserta, Salerno, Benevento, Avellino), for a total of 2,296,664 tonnes; since October 2003, the work carried out on behalf of Fibe S.p.A. is performed by Gestione Napoli S.p.A. which is 71% owned by the Group (50% via Fisia Italmimpianti S.p.A. and 21% via Fisia Babcock Environment GmbH);
- assistance with reclamation work on behalf of the C.A.V.TO.MI. consortium in relation to the Turin-Milan stretch of the High-Speed Railway project;
- work to clean-up the sea under the Convention with the Environment Ministry, carried out by Castalia Ecolmar S.c.p.a., a consortium in which Fisia Italmimpianti S.p.A. holds a 51.9% interest;
- the management of the Fossano landfill, with the delivery of 75,200 tonnes in 2003 and authorisation for the third layer above ground comprising a further 37,600 tonnes to be delivered during 2004.

The activities of **Fisia Babcock Environment GmbH** during the year are described below:

- Halmstad (Sweden): the waste-to-energy

plant was completed and the Provisional Acceptance Certificate was obtained on 15 November 2003. This contract is worth 15 million euro and, at year-end, is 82% complete.

- Århus (Denmark): this mixed plant both treats fumes and recycles heat energy. Assembly work on both elements is well advanced and pressure testing is due to take place during the first half of 2004. This contract is worth 28 million euro and, at year-end, is 48% complete.
- Naples (Italy): this contract relates to the supply of technological components for a waste-to-energy plant with the treatment of fumes; construction of the boiler and the grid has been completed, while the other components are currently being purchased or produced. This contract is worth 65 million euro and, at year-end, is 21% complete.

- Vestfôrbranding (Denmark): this is a waste-to-energy plant; assembly work is progressing on schedule and pressure testing is due to take place during the first half of 2004. This contract is worth 41 million euro and, at year-end, is 39% complete.
- Oberhausen (Germany): this is a contract for the supply of a waste-to-energy plant; purchasing and construction are on schedule and assembly work will start during 2004. This contract is worth 24 million euro.
- Mannheim (Germany): this is a contract for a fume-treatment plant worth 32 million euro; purchasing activities are continuing on schedule.

Jebel Ali
desalination
plant, Dubai



■ The consolidated financial statements are summarised below.

31 December 2002	(in millions of euro)	31 December 2003
272.0	Value of production	178.4
244.0	Revenues from ordinary operations	152.7
(23.0)	Operating results	(11.8)
(24.7)	Results before taxation	(21.2)
(24.0)	Net loss for the year	(19.0)
50.0	Fixed assets net	50.4
69.0	Operating capital	84.3
(4.0)	Employee severance indemnities	(4.5)
(11.0)	Provisions for risks and charges	(18.4)
104.0	Net capital invested	111.8
11.0	Shareholders' equity	6.0
93.0	Net financing position	105.8
223.1	Order backlog	127.1
1,400	Employees (number)	491

Construction

BUILDING WORK



Sesto Fiorentino, Donati barracks, Italy

This comprises all advanced office and industrial building projects, as well as architectural and residential buildings, hospitals and airport buildings. The activities of this Business Unit are carried out by Impregilo Edilizia S.p.A., a wholly-owned subsidiary of Impregilo S.p.A.

The financial statements of Impregilo Edilizia S.p.A. consolidate:

Name (companies that are more than 20% owned) (*)	Method
Impregilo Edilizia S.p.A. (*)	Line-by-line
Bocoge S.p.A.-Costruzioni Generali	Line-by-line
Consortia and joint venture	Cost

(*) Sector leader.

(*) The scope of consolidation is detailed on page 160.

The value of production, 178.4 million euro, was principally generated by contracts regarding waste management in Campania, as well as the construction of the Casino at Campione d'Italia and the Universities of Calabria and Messina.

The operating loss of 11.8 million euro, down from 23 million euro in 2002, was affected by the losses incurred on the contracts completed in Saudi Arabia, 14 million euro, as well as by the cost of restructuring and reorganising Bocoge Costruzioni Generali S.p.A., which has been consolidated for the first time in 2003.

The net loss, after financial charges and extraordinary items, was 19 million euro. Impregilo S.p.A. covered this loss in early 2004 by waiving certain accounts receivable.

The net capital requirement as of 31 December 2003 is 111.8 million euro, of which 6 million euro is covered by shareholders' equity and 105.8 million euro by borrowing, including net liabilities to the Parent Company of 72 million euro.

Business development activities will relate to the domestic market, involving the construction of civil buildings, hospitals and airports, as well as to foreign markets, focusing on low-risk nations, such as the United Kingdom, United Arab Emirates and Qatar.



New Municipal Casino of Campione d'Italia, Italy

Contracts in progress

Waste management in the Campania Region (Italy)

The contracts awarded by Fibe S.p.A. and Fibe Campania S.p.A. (Concessions BU) relate to the construction of industrial buildings for waste management projects in the province of Naples and the other provinces in the Campania region.

The contract in the province of Naples was awarded by Fibe S.p.A., a subsidiary of the Impregilo Group. The FFW (Fuel From Waste) plants have been completed and access work is being completed at Caivano, while activity on the heat-recycling plant at Acerra is due to commence in 2004, with completion expected in around 24 months.

The contracts in the Campania provinces were awarded by Fibe Campania S.p.A., a subsidiary of the Impregilo Group. The value of the civil works, 77 million euro, relates entirely to Impregilo Edilizia S.p.A. The FFW (Fuel From Waste) plants have been completed, while activity on the heat-recycling plant at Santa Maria La Fossa is expected to commence during the first half of 2004, with completion in around 24 months.

Casino di Campione (Italy)

This contract involves the construction of the new Casino at Campione d'Italia. The work is being carried out by Campione S.c.a.r.l., in which Impregilo Edilizia S.p.A. currently holds an 80% interest; an additional interest is being acquired from

our partner. This contract is worth 78.5 million euro and, as of 31 December 2003, is about 68% complete.

Completion is planned for December 2004 with hand over by the end of June 2005.

Caserma Donati Consortium (Italy)

This project involves the construction of eight blocks on the site of the former Donati Barracks at Sesto Fiorentino (Florence). This work is being performed by the Caserma Donati Consortium. The contract is worth about 20.7 million euro plus price revisions and, as of 31 December 2003, is 25% complete. Impregilo Edilizia has an 80% interest in the Consortium; work is due to be completed in July 2005.

Concession for the University of Calabria (Italy)

This contract relates to the Vth phase of work to complete the construction of the new premises for the University of Calabria in Cosenza. This contract is worth about 108 million euro and, as of 31 December 2003, is 80% complete. Work began in March 1997 and should be finished in June 2005.

Concession for the University of Messina (Italy)

This contract relates to the construction of the Engineering faculty on the University of Messina campus. This contract is worth about 63 million euro and, as of 31 December 2003, is 97% complete. Work began in January 2000 and should be finished in February 2004.

Contracts being closed-out

Psychiatric rehabilitation centre at Cernusco sul Naviglio (Italy)

This work is being performed by Cernusco S.c.a.r.l. in which Impregilo Edilizia S.p.A. has a 60% interest as principal.

This contract is worth 61 million euro. Work was completed in November 2003 and final acceptance trials are currently in progress.

Hyatt Hotel in Milan (Italy)

The contract, signed in June 2000, is worth 25.9 million euro. The project involved the restructuring of bank building and transforming it into a hotel. The work was completed in October 2003.

New Auditorium in Rome (Italy)

This contract relates to the construction of a multi-purpose complex for the Municipality of Rome dedicated to music and activities that complement the study of music.

The work was performed by Auditorium S.c.a.r.l., in which Impregilo Edilizia S.p.A. has a 60% interest. This contract, worth 111 million euro, was completed and handed over during 2003.

H.H. Sheikh Zayed Bin Sultan Al Nahyan Mosque Project (United Arab Emirates)

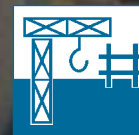
This contract relates to the construction in Abu Dhabi of the Mosque named after Sultan Sheikh Zayed Bin and represents one of the most significant buildings in the Arab world. Work was completed and tested in April 2003, when the contract guarantees were returned.

- The consolidated financial statements of the sub-holding company are summarised below:
(in millions of euro) 31 December 2003

Value of production	278.7
Revenues from ordinary operations	174.5
Operating profit	13.2
Results of companies carried at equity	4.8
Results before taxation	8.0
Net income for the year	4.5
Fixed assets, net	634.3
Operating capital	(184.5)
Employee severance indemnities	(1.3)
Provisions for risks and charges	(3.4)
Net capital invested	445.1
Shareholders' equity	67.6
Net financing position	377.5
Order backlog	8,519.1
Employees (number)	1,808

Concessions and services

CONCESSIONS



New Cross Radiology facility Wolverhampton,
United Kingdom

Impregilo International Infrastructure N.V., a wholly-owned subsidiary of Impregilo S.p.A., is the leader of all the concession-holders within the Group. The sectors covered by these companies include motorways, alternative energy sources, the water cycle and hospitals.

This sub-holding company controls all the concessions held by the Group, except for: Aguas del Gran Buenos Aires S.A., Caminos de las Sierra S.A., Ecovias Dos Imigrantes S.A. and Puentes del Litoral S.A. Although positive, the consolidated results of this sub-holding company do not yet express the potential profitability of the sector and the related product lines.

The financial statements of Impregilo International Infrastructure N.V. consolidate:

Name (companies that are more than 20% owned)	Method
Impregilo International Infrastructure N.V. (*)	Line-by-line
Fibe S.p.A.	Line-by-line
Fibe Campania S.p.A.	Line-by-line
Impregilo Italia Concessioni S.p.A.	Line-by-line
Impregilo New Cross Ltd	Line-by-line
Mercovia S.A.	Line-by-line
Sociedad Concesionaria Costanera Norte S.A.	Line-by-line
Acqua Italia S.p.A.	Equity
Autopistas del Sol S.A.	Equity
Consorcio Agua Azul S.A.	Equity
Contarina S.p.A.	Equity
Ecologia Montana S.p.A.	Equity
Enecor S.A.	Equity
IMC ST David's L.t.d.	Equity
Impregilo Wolverhampton Ltd	Equity
Ponte de Pedra Energetica S.A.	Equity
Primav Ecorodovias S.A.	Equity
Road Link A69 Holdings Ltd	Equity
Yacylec S.A.	Equity
Impregilo China Investments N.V.	Cost
Impregilo Parking Glasgow Ltd	Cost
Nuova Romea S.p.A.	Cost
Rodoconsult Assessoria L.t.d.	Cost
Sistranyac S.A.	Cost

(*) Sector leader.

The consolidated value of production, 278.7 million euro, includes the capitalised cost of work in progress (104.2 million euro) on the construction of infrastructure by the concession-holders and comprises 141.6 million euro generated in the "renewable energy sources" sector (Fibe and Fibe Campania); 121.5 million euro regarding the motorways segment and 15.6 million euro relating to other sectors.

The operating profit of 13.2 million euro is stated net of the amortisation of consolidation differences, 5.5 million euro, which were eliminated on the subsequent conso-

lidation with Impregilo S.p.A. since they arose as a result of intercompany transactions. In addition, in order to assess in full the profitability of the BU, the equity investments not yet transferred to Impregilo International Infrastructure N.V. would have increase the "results of companies carried at equity" by 8.4 million euro. These transfers should be completed during 2004.

The net capital requirement of 445.1 million euro is covered by shareholders' equity of 67.6 million euro and net borrowing of 377.5 million euro, which is stated net of amounts due from the Parent Company totalling 422.5 million euro.

As described in the section entitled "Principal events during the year", the following Project Financing agreements were reached during the year:

Company	Date
Fibe S.p.A.	30 July 2003
Costanera Norte S.A.	10 December 2003

These agreements alter the structure of debt guaranteed by Impregilo, since "Project Financing" liabilities are serviced out of the cash flows generated by the projects concerned.

The concessions held relate to:

Motorways

Product line	Concession holder	% interest	Total km	Phase	Start	Duration
Motorways:						
Argentina	Autopistas del Sol S.A.	28.33	120	operational	1993	2020
	Caminos de las Sierras S.A. (*)	49.00	395	operational	1998	2023
	Mercovia S.A.	60	16	operational	1998	2023
	Puentes del litoral S.A. (*)	26	59.6	operational	1998	2023
Chile	Costanera Norte S.A.	70	42.4	under constr.	2000	2033
Brazil	Ecovia Caminho Do Mar S.A.	35	140	operational	2000	2021
	Ecosul S.A.	17.5	625	operational	2001	2026
	Ecovias Dos Imigrantes S.A. (*)	35	180	operational	1998	2018
	CGMP	8.12		operational		unlimited
	Primav EcoRodovias S.A.	35		operational		unlimited
Great Britain	Road Link A69 Ltd.	30.9	86	operational	1998	2026
Italy	Nuova Romea S.p.A.	22		promotion		

(*) Currently being transferred from Impregilo S.p.A. and therefore not consolidated by Impregilo International Infrastructure N.V.

Motorway
Anchieta Imigrantes,
Brazil



Concession Costanera Norte S.A. (Chile)

Granted by	Chilean Ministry of Public Works (M.O.P.)
Duration	Until 30 June 2033
Location	Santiago (Chile)
Purpose	Design, construct and commence commercial operation of 42.35 km of urban motorway in Santiago (Chile)
Shareholders	Impregilo International Infrastructure N.V. 70% Simest S.p.A. 10% Empresa Constructora Tecsa S.A. 10% Empresa Constructora Fe Grande S.A. 10%
Book value recorded by Impregilo International Infrastructure N.V.	43.8 million euro

The project for the "Internacional Sistema Oriente-Poniente" concession relates to two stretches of motorway within the city of Santiago (Chile): the East-West stretch, 35.25 km, and the Kennedy stretch, 7.1 km. Construction work is being carried out by Impresa Constructora Costanera Norte Ltda, in which Impregilo S.p.A. has a 77.78% interest.

Construction work is continuing and the concession is expected to become operational during the second half of 2004.

The installation of a "Multi-lane Free Flow" electronic payments system will represent a major innovation for Chile's urban motorway network.

This technology, successfully employed in Australia and Canada, is radically different to the traditional system of pay-stations with barriers. In particular, modern equipment installed at the exits enables tolls to be paid rapidly without interrupting the flow of vehicles.

With regard to the commercial agreements, the concession holder has signed a contract with Petróleos de Chile S.A. (COPEC) whereby the latter will construct and manage the motorway service station.

This joint venture will offer full motorway services, not just for refuelling but also by making modern technology available, so that customers can access the services offered by the concession's "info center".

The total investment is about 420 million euro, of which 51% is covered by Project Financing arrangements in the form of a bond placed in the Chilean market guaranteed by Banco Interamericano de Desarrollo and AMBAC Assurance Corporation, with a Standard & Poor's AAA rating; 28% by capital grants from the State; 15% by the shareholders (Impregilo holds a 70% interest), and about 6% by self-financing generated by the project, as summarised below:

	Unidad de Fomento	Percentage	Euro/mln
Sources of finance:			
- share capital paid in	2,203,727	11.95	50.1
- subordinated loans from shareholders	604,000	3.27	13.7
- bond	9,500,000	51.49	215.8
- capital grant (from the State-M.O.P.)	5,150,543	27.92	117.0
- self financing	991,270	5.37	22.5
Total sources of finance	18,449,540	100	419.1
Uses of finance:			
- construction contract (*)	12,935,165	70.10	293.8
- other costs incurred during the construction phase	3,571,462	19.35	81.1
- other project costs	1,942,913	10.55	44.2
Total uses of finance	18,449,540	100	419.1

(*) Work performed by Impresa Constructora Costanera Norte Ltda, in which Impregilo S.p.A. has a 77.78% interest.

Urban concession
"East-West
Expressway Project"
in Santiago, Chile



Caminos de las Sierras S.A. (Argentina)

Granted by	Government of the Province of Cordoba
Duration	Until 2023
Location	Cordoba
Purpose	Construction, management and maintenance of 395 km of urban motorway
Shareholders	Group percentage 49% (inc. Impregilo S.p.A. 39%) Banco Galicia 3.55% Banco Rio 37.97% Others 9.48%
Book value recorded by Impregilo S.p.A.	44,526 euro/000

Caminos de las Sierra S.A. manages the concession for about 395 km of motorway providing access to the city of Cordoba. Construction work was completed in 2000, when the concession became operational. About 33.98 million vehicle-equivalents transited during 2003, up 23.7% with respect to 2002 mainly due to the opening of a new stretch. Negotiations are underway with the concession grantor for an increase in toll charges.

Agreements were signed with the banks during December 2003 for the restructuring of debt, as already described in the section entitled "Principal events during the year". In early 2004, agreements were signed for the acquisition of the banks' holdings totaling 41.52%; as a consequence, the Impregilo Group's interest in this concession amounts to 90.52%.

Mercovia S.A. (Argentina)

Granted by	Governments of Brazil and Argentina
Duration	Until 2023
Location	Mercosur frontier
Purpose	Construction, management and maintenance of a 16 km stretch of road, including a 1.5 km bridge
Shareholders	Impregilo International Infrastructure N.V. 60% Necon 20% Chediack 20%
Book value recorded by Impregilo International Infrastructure N.V.	3,892 euro/000

Mercovia S.A. manages the concession for the road of about 16 km that links the cities of Santo Tomè (Argentina) and Sao Borja (Brazil). In addition to managing vehicles in transit, this concession also involves the performance of customs activities and the storage of goods and trucks in transit.

This project, completed in 1998, includes the bridge over the Rio Uruguay, the unified border station on the Argentine side and the access roads on both side. This concession is currently operational; about 112,000 vehicle-equivalents transited during 2003, up 8.5% compared with 2002.

Autopistas del Sol S.A. (Argentina)

Granted by	Ministry for the economy and public works
Duration	Until 31 December 2020
Location	Buenos Aires-northern area
Purpose	Construction, management and maintenance of 120 km of urban motorway
Book value recorded by Impregilo International Infrastructure N.V.	Written off in full

Autopistas del Sol S.A. manages the concession for the 120 km motorway that gives northern access to the city of Buenos Aires. This is the biggest tollway in Argentina, in terms of transit volumes.

The concession is operational. About 265,000 vehicle-equivalents transited each day during 2003, up 11% compared with 2002 following a reversal of the downturn experienced in the prior two years due to the economic recession in that country.

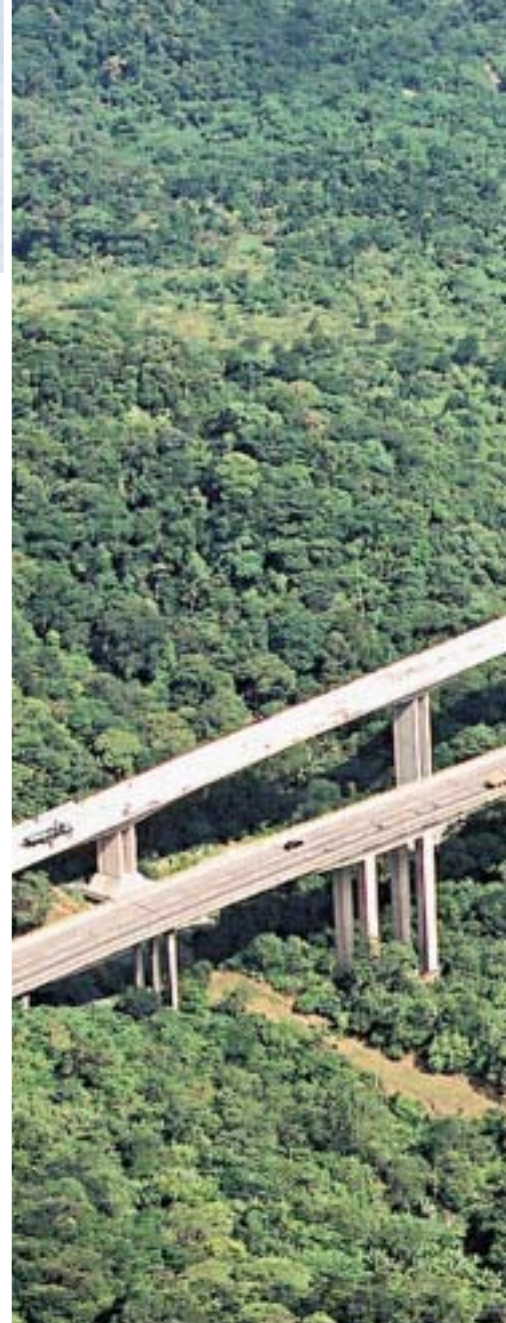
At present, the sub-holding company's direct investment in the concession holder has been written down in full as a conse-

quence of the economic problems experienced by Argentina. Total borrowing of 550 million US dollars recorded in the financial statements of the concession holder is the subject of a restructuring agreement (see the section entitled "Principal events in the year"). Under the terms of this accord, the debt of 550 million US dollars, with an average residual duration of one year and six months at an average rate of 9.75%, will be reduced to 374 million US dollars with an average residual duration of five years and five months, at an average rate of 5.5%. This transaction will alter the current ownership structure as follows:

%	Ownership structure after re-negotiation	Ownership structure at present
Abertis	31.59	45.16
Impregilo International Infrastructure N.V.	19.81	28.33
Sideco Americana	7.00	10.00
Dycasa S.A.	5.83	8.33
Dragados	5.72	8.18
Bondholders and banks	30.06	
Total	100	100

In addition to re-establishing equilibrium within the profit and loss account, this re-

negotiation will also benefit shareholders' equity commencing from next year.



Motorway Anchieta Imigrantes, Brazil



Nuova Romea (Italy)

Granted by	ANAS
Duration	To be fixed
Start date	To be fixed
Location	Area between the provinces of Mestre and Ravenna
Purpose	Design, construct and commence commercial operation of 132 km of urban motorway
Shareholders	Impregilo International Infrastructure N.V. 22% Società per Azioni Brescia Verona Vicenza Padova 22% Autostrade per l'Italia S.p.A. 20% Società delle Autostrade Venezia Padova S.p.A. 14% Società per Azioni Autovie Venete 8% Others 14%
Book value recorded by Impregilo International Infrastructure N.V.	220 euro/000

Nuova Romea S.p.A. was formed as a vehicle company on 10 June 2003 in order to bid as a promoter pursuant to art. 37 bis

of Law 109/94 for the construction of the Mestre-Ravenna stretch of motorway. This bid was presented in December 2003.

Primav Ecorodovias S.A. (Brazil)

Location	Sao Paulo (Brazil)
Purpose	Holding company for investments in companies whose objects are to design, construct and operate motorways in Brazil
Shareholders	Impregilo International Infrastructure N.V. 35% Primav Construcoes e Comercio Ltda 65%
Book value recorded by Impregilo International Infrastructure N.V.	3.7 million euro

The company owns investments in two concession-holders that operate 765 km of motorway:

- Ecovia Caminho do Mar (100%), which links the capital of Paraná, Curitiba, with the port of Paranaguá, 140 km;
- Ecosul (50%) in the State of Rio Grande do Sul, 625 km.

A 5.69% interest in STP (Serviços e Tecnologia de Pagamentos) was acquired during the year. This company manages automated toll collection systems using Telepass and Credit Cards and wholly owns CGMP (Centro de Gestão de Meios de Pagamento S.A.), which is currently active in the State of Sao Paulo and due to expand its services throughout the whole of Brazil.

The entire interest in Ecovias dos Emigrantes S.A., which holds the concession

for 180 km of motorway linking Sao Paulo with Santos, will also be conferred on Primav Ecorodovias during the first half of 2004. With regard to that concession, the completion certificate was issued in March 2003 and the related Performance Bond was released (work performed by a member of the Consorcio Imigrantes Group).

Authorisation for a 23% increase in toll charges was obtained with effect from 1 July 2003.

The total transits and revenues for the last two years, 2002-2003, of the three motorways operated by the Impregilo Group are summarised below:

Concession holder (millions of vehicles)	Traffic equivalents 2002	Traffic equivalents 2003
Ecovia Caminho do Mar S.A.	10	10.5
Ecosul S.A.	10	11
Ecovias dos Emigrantes S.A.	32	40
Total	52	61.5
Concession holder (millions of euro)	Revenues 2002	Revenues 2003
Ecovia Caminho do Mar S.A.	16.5	16.5
Ecosul S.A.	8.7	9.6
Ecovias dos Emigrantes S.A.	74.4	84.4
Total	100.6	110.5

Fibe Campania,
Pianoro RDF production plant, Italy

Energy from renewable sources

Product line	Concession holder	% interest	Power installed	Pop. served	Phase	Start	Duration
Energy from renewable sources:							
Argentina	Yacylec S.A.	18.67	p. line		operational	1994	2088
	Enecor S.A.	30	p. line		operational	1992	2088
	Sistranyac S.A.	20.1	p. line		operational	1992	2088
Brazil	Ponte de Pedra Energetica S.A.	50	176 mw		under constr.	1999	2033
Italy	Contarina S.p.A.	49		450,000	operational	1992	2011
	Ecomont S.p.A.	49		50,000	operational	2000	2050
	Fibe S.p.A. (°°)	77.5	120 mw	3.5 mln	part operational	2000	2014
	Fibe Campania S.p.A. (°°)	67.5	90 mw	2.3 mln	part operational	2001	2014

(°°) The plants for the production of FFW (Fuel From Waste) are operational and work has commenced on the construction of the heat-recycling and energy production plants.

Fibe S.p.A. (Italy)

Granted by	Managing Commissioner, President of the Campania Regional Government
Duration	Until 31 March 2014
Location	Province of Naples
Purpose	Construction of 3 fuel from waste (FFW) plants and a related heat recycling plant and the subsequent operation of these facilities, with the sale regulated by CIP6 of the electricity generated, together with exclusivity for the provision of waste management services regarding the residual (after sorting) SUW generated in the province of Naples
Shareholders	Group percentage 95% (inc. Impregilo International Infrastructure N.V. 77.5%) Energieversorgung Oberhausen AG 5%
Book value recorded by Impregilo International Infrastructure N.V.	94 million euro

Fibe S.p.A., the concession holder, has organised the construction of the three FFW plants (Caivano, Giugliano and Tufino) and will operate them over the duration of the contract (until 31 March 2014).

With regard to the construction of the heat-recycling plant at Acerra, the start-of-work report will be issued during 2004 with completion within about 24 months.

The total investment is about 576 million euro, of which 72% is covered by a Project Financing contract; 12% by capital already paid-in by the shareholders (Impregilo interest: 87.4%), and 16% by self-financing generated by the project, as summarised below:

	Percentage	Euro/mlin
Sources of finance:		
Capital paid-in	11.80	67.92
Project Financing	71.77	413.32
Self financing	16.43	94.69
Total sources of finance	100	575.93
Uses of finance:		
Construction contract (*)	60.40	347.87
Other costs incurred during the construction phase	18.72	107.81
Other project costs	20.88	120.25
Total uses of finance	100	575.93

(*) Work performed by companies in the Fisia Italmimpianti Group, Fisia Babcock and Impregilo Edilizia S.p.A.

Drawings against the loan of 414 million euro arranged during the year amounted to 173 million euro, in line with the financing requirements of the project.

Fibe Campania S.p.A. (Italy)

Granted by	Managing Commissioner, President of the Campania Regional Government
Duration	Until 31 December 2014
Location	Campania Region
Purpose	Construction of 4 fuel from waste (FFW) plants and a related heat recycling plant, together with exclusivity for the provision of waste management services regarding the residual (after sorting) SUW generated in the provinces of Avellino, Benevento, Caserta and Salerno
Shareholders	Group percentage 95% (inc. Impregilo International Infrastructure N.V. 67%) Energieversorgung Oberhausen AG 5%
Book value recorded by Impregilo International Infrastructure N.V.	22.3 million euro

Fibe Campania S.p.A., the concession holder, has organised the construction of the four FFW plants (Pianodardine, Casalduni, Santa Maria Capua Vetere and Battipaglia) and will operate them over the duration of the contract (until 31 December 2014). With regard to the construction of the heat-recycling plant at Santa Maria La Fossa, the start-of-work report will be issued during 2004 with completion within about 24 months.

The total investment will amount to about 404 million euro. The "Project Financing" arrangements will be completed during 2004. The part of the investment regarding the "construction contract" is worth about 278 million euro; this work will be performed by companies within the Fisia Italmimpianti Group, Fisia Babcock and Impregilo Edilizia S.p.A.



Ponte de Pedra Energetica S.A. (Brazil)

Granted by	Agenzia Nazionale Energia Elettrica
Duration	35 years from 1 October 1998
Location	Central-western Brazil on the border between Mato Grosso and Mato Grosso del Sud, between the cities of Itiquira (MT) and Sonora (MS)
Purpose	Construction of a hydro-electric plant, capacity 176 MW, supply and installation of electro-mechanical equipment, construction of 130 km transmission line. Sale of energy produced to the domestic market via a PPA signed with Cemig in August 2001
Shareholders	Impregilo International Infrastructure N.V. 50% Skanska BOT do Brasil Ltda. 50%
Book value recorded by Impregilo International Infrastructure N.V.	24.3 million euro

Ponte de Pedra hydroelectric plant,
Brazil

The infrastructure is currently under construction; the plant is expected to enter into service during the second half of 2004.

The total investment amounts to 417.5 million reais, or about 112 million euro. The part of the investment regarding the "con-

struction contract" is worth 239.7 million reais, about 64.5 million euro; this work will be performed by companies within the Consorcio Cigla-Sade Group, in which Cigla S.A., wholly owned by Impregilo S.p.A., has a 50% interest.





Water cycle

Product line	Concession holder	% interest	Pop. served	Phase	Start	Duration
Water cycle:						
Argentina	Aguas del G.Buenos Aires S.A. (*)	42.58	210,000	operational	2000	2030
Italy	Eniacqua Campania S.p.A.	16	4.2 mln	operational	1996	2021
	Acqua Italia S.p.A.	33.33		operational		
Peru	Consorcio Agua Azul S.A.	45	740,000	operational	2002	2027

(*) 23.73% of the shares were transferred as of 30 June 2003; the remainder is currently being transferred to I.I.I. N.V.

Consorcio Agua Azul S.A. (Peru)

Granted by	Peruvian Ministry of Public Works
Duration	Until 18 July 2027
Location	Lima
Purpose	Construction, maintenance and operation under concession of the system for the use of surface and underground water from the Rio Chillon to supply drinking water to the city of Lima
Shareholders	Impregilo International Infrastructure N.V. 45% Acea S.p.A. 45% Cosapi S.A. 10%
Book value recorded by Impregilo International Infrastructure N.V.	9.4 million euro

This concession holder supplies part of Lima's primary water requirements via the operation of feeder lines, field wells and purification plant. In particular, 29.6 m³ of drinking water were distributed in 2002, rising to 35.4 m³ in 2003.

The profitability of this concession has improved with respect to the prior year and

dividend distributions have been increasing since 2001.

The flotation of about 30% of capital (10% Impregilo International Infrastructure N.V., 10% Acea S.p.A. and 10% di Cosapi) on the Lima Stock Exchange is planned within the next few months.

Acqua Italia S.p.A. (Italy)

Purpose	Leader of investments in companies that design, construct and operate water concessions in Italy
Shareholders	Impregilo International Infrastructure N.V. 33.33% Acea S.p.A. 66.67%
Book value recorded by Impregilo International Infrastructure N.V.	28.5 million euro

Via Acquedotto De Ferrari Galliera (67% interest) and Acquedotto Nicolay (53.15% interest), this company supplies water to the

Municipalities of Genoa and neighbouring areas in the Liguria region.

Contract in concession for the exploitation waters of the "Rio Chillon" river, Peru



Hospitals, car parks

Product line	Concession holder	% interest	Beds/parking places	Phase	Start	Duration
Hospitals:						
Great Britain	IMC ST David's L.t.d.	66.66	100	operational	2000	2030
	Impregilo Wolverhampton L.t.d.	100	150,000 check-ups	operational	2002	2032
	Impregilo New Cross	100	soc.P.M	operational		unlimited
	Parking Glasgow	100				

St. David's
Community Hospital,
United Kingdom



The concessions held by these companies controlled by Impregilo International Infrastructure N.V. are described in detail, so

that the summary of consolidated performance during the year can be understood more clearly:

St. David's Community Hospital (Great Britain)

Granted by	Cardiff and Vale NHS Trust
Duration	Until 30 March 2030
Location	Cardiff (Wales)
Purpose	Studies, financing, construction and operation under concession of "St. David's" hospital
Shareholders	Impregilo International Infrastructure N.V. 66.66% Macob Construction Ltd. 33.34%
Book value recorded by Impregilo International Infrastructure N.V.	403,000 euro

The operation of this 100-bed hospital continues, with specialised wards for assisting the elderly and children. Results are consistent with financial and operating

plans, to the full satisfaction of both the concession grantor and users. This concession involved the investment of 20 million euro to create the hospital facility.

New Cross Radiology Facility (Great Britain)

Granted by	The Royal Wolverhampton Hospitals NHS Trust
Duration	Until 20 March 2032
Location	Black County (Birmingham-Wolverhampton) England
Purpose	Subcontract to operate and maintain medical equipment and general installations at Wolverhampton Hospital's Radiology Centre-England
Shareholders	Impregilo International Infrastructure N.V. 100%
Book value recorded by Impregilo International Infrastructure N.V.	Not significant

Construction work on and the supply of equipment to the new Image Diagnostics Centre at New Cross Hospital in Wolverhampton was completed on 23 June 2003, on schedule and with an investment of 19 million euro.

The Centre was accepted by the Concession grantor at the same time and the operational part of the concession has commenced.

The consolidated financial statements as of 31 December 2003 are summarised below:

31 December 2002	(in millions of euro)	31 December 2003
34.2	Value of production	17.6
24.3	Revenues from ordinary operations	15.4
(8.5)	Operating results	(4.7)
(6.6)	Results before taxation	(8.4)
(6.6)	Net loss for the year	(4.5)
4.8	Fixed assets net	3.9
134.8	Operating capital	126.3
-	Employee severance indemnities	-
(1.0)	Provisions for risks and charges	(1.3)
138.6	Net capital invested	128.9
93.1	Shareholders' equity	88.6
45.5	Net financing position	40.3
17	Employees (number)	9

Concessions and services

PROPERTY

Promozione & Sviluppo S.p.A., a wholly-owned subsidiary of Impregilo S.p.A., is now the leader of all the companies operating in this sector. The activities of this Business Unit are principally focused on the sale of existing investments and the develop of new projects, on condition that they can rapidly reach an advanced stage of development suitable for disposal on a profitable basis.

The Property BU comprises the following companies, joint venture and consortia:

Name (companies that are more than 20% owned) (*)	Method
Promozione & Sviluppo S.p.A. (*)	Line-by-line
Holiday House S.r.l.	Line-by-line
I.L.IM.-Iniziative Lombarde Immobiliari S.r.l.	Line-by-line
Immobil Sud S.r.l.	Line-by-line
Iniziative Coimpresa S.r.l.	Line-by-line
PREMED S.r.l.-Prefabbricati Mediterranei S.r.l.	Line-by-line
San Giovanni S.r.l.	Line-by-line
Anita S.r.l.	Cost
Società Edilizia Immobiliare Sarda-S.E.I.S. S.p.A.	Cost

(*) Sector leader.

(*) The scope of consolidation is detailed on page 160.

The consolidated balance sheet of Promozione & Sviluppo reports capital invested as of 31 December 2003 totalling about 129 million euro, of which 89 million euro is financed by shareholders' funds and 40 million euro is covered by net borrowing, including amounts due to the Parent Company totalling 31 million euro.

Net capital invested has decreased by about 10 million euro since 31 December 2002 following receipt of an advance from the Hines group, on signature of a preliminary agreement for the sale of the Melchiorre Gioia project, and the collection of receivables relating to property sold in the prior year. Net capital invested finances property projects totalling 129 million euro (128 million euro as of 31 December 2002).

The reduction in net capital invested is reflected in an improvement in the net financing position by 5 million euro and in a reduction in shareholders' equity due to the net loss incurred during the year. This loss was affected by asset write-downs to realisable value of 2 million euro and net financial expense of 4 million euro.

Factory Outlet Center in Gallarate, Italy



The projects of this BU are listed below, together with their status:

Projects to be sold

Company	Property	Status of sale	Amount Euro/mln
Promozione & Sviluppo S.p.A.	Cascina Granzetta-Siziano	No negotiations	
Promozione & Sviluppo S.p.A.	Land-S.Martino Siccomario	No negotiations	
Promozione & Sviluppo S.p.A.	Hotel Corallo-Livorno	Negotiations in progress	
Promozione & Sviluppo S.p.A.	Land Gallarate-Malpensa	Negotiations in progress	
Promozione & Sviluppo S.p.A.	Ind. complex-Mazzo di Rho	Signed preliminaries	1.1
Promozione & Sviluppo S.p.A.	Offices-Buenos Aires	No negotiations	
Promozione & Sviluppo S.p.A.	Land-Buenos Aires	No negotiations	
Premes S.r.l.	Warehousing Sesto Fiorentino	Negotiations in progress	
I.L.IM.	Land Melchiorre Gioia-Milan	Signed preliminaries	33.0
I.L.IM.	Land Borghetto-Lodigiano	Signed preliminaries	0.8
I.L.IM.	Premises in Gallarate	No negotiations	
Immobil Sud S.r.l.	Immobil Sud-Naples	Negotiations in progress	
I.L.IM.	Land Locate Triulzi	Signed preliminaries	1.8
Promozione & Sviluppo S.p.A.	Viale Tibaldi-shop, car parking	Signed preliminaries	3.5
Promozione & Sviluppo S.p.A.	Viale Tibaldi-offices	No negotiations	
Premes S.r.l.	Hotel Sesto Fiorentino (IBIS)	Signed preliminaries	11.0
Iniziativa Coimpresa S.r.l.	Colli di Sant'Avendrace Cagliari	Negotiations in progress	

Projects in progress

Bosa Holiday Village (Italy)

Two contracts signed during the year envisage the acquisition of land by Promozione & Sviluppo S.p.A. upon approval of the Implementation Agreement and the Detailed Project Plans. In addition, Next Partner has been given a mandate to identify potential investors in the project. At the same time, direct contacts have been established with a fund interested in acquiring the project, which would still be managed by us.

The Buildings Commission has recently approved the Detailed Implementation Plans for two of the four sectors comprising the project.

Hotel Sesto Fiorentino- Premes S.r.l. (Italy)

Following signature of the preliminary sale

contract with Sifalberghi S.r.l., Premes is completing construction work on a "IBIS" brand hotel in Sesto Fiorentino (Florence). Hand over to the committed purchaser will take place when the work is finished.

Maddalena Island

Complex-Seis S.p.A. (Italy)

Negotiations are continuing with the U.S. Navy regarding the duration and rental for the 134 bungalows on Maddalena Island owned by the company.

In the meantime, Seis has waived an appeal to the regional court regarding the validity of the Planning Agreement and a related share of unallocated construction volume. In return, the Municipality of Maddalena has authorised 62,000 cu.m. of construction to develop and enhance tourism in the area.

The new implementation plan, which must still be approved by the Sardinia Region,

will be subject to a specific "Planning Agreement" involving a review and study of its impact on the environment and the countryside.

Sant'Avendrace Hills

Cagliari-Iniziativa Coimpresa S.r.l. (Italy)

Iniziativa Coimpresa S.r.l., which is wholly owned by San Giovanni S.r.l., signed the Planning Agreement with the Municipality of Cagliari on 5 June 2003. Design work and work to obtain the necessary authorisations is continuing. The Archaeological Park and Archaeological Museum projects have been formally approved by the competent authorities and the Municipality has already awarded the contracts. With regard to the constructions, architectural design work is well advanced overall and the drawings for each sector are transmitted to the competent authorities on a systematic basis for the necessary approvals.

AA "Contract for the sale of future assets" 1st part, is being drawn up together with Ente Regionale per il Diritto allo Studio Universitario-ERSU regarding a 330-bed facility costing 20.5 million euro. This contract should be signed during the first half of 2004.

Iniziativa Coimpresa S.r.l. and San Giovanni S.r.l. will merge during 2004.

- The consolidated financial statements of Impregilo Servizi, leader of the companies and consortia operating in the "Services" sector, are summarised below:

31 December 2002	(in millions of euro)	31 December 2003
19.9	Value of production	21.4
19.2	Revenues from ordinary operations	21.0
0.6	Operating results	(0.6)
0.4	Results before taxation	0.2
0.2	Net income for the year	-
4.7	Fixed assets net	3.5
-	Operating capital	-
(0.5)	Employee severance indemnities	(0.6)
-	Provisions for risks and charges	(0.2)
4.2	Net capital invested	2.7
1.2	Shareholders' equity	1.2
3.0	Net financing position	1.5
163.3	Order backlog	78.8
174	Employees (number)	154

Concessions and services

SERVICES



New Cross Radiology facility Wolverhampton,
United Kingdom

These comprise the provision of Facility Management activities regarding the maintenance and operation of property complexes (service sector, industry, infrastructure) and clinical engineering in hospitals (supply and operation of electro-medical equipment and furnishings).

The Services BU comprises the following companies, joint venture and consortia:

Name (companies that are more than 20% owned) (*)	Method
Impregilo Servizi S.p.A. (*)	Line-by-line
Impregilo Medical Technologies (Acad) Ltd	Line-by-line
Sterile Services International (Cardiff) Ltd	Line-by-line
Sterile Services International Ltd	Line-by-line
Gricignano 3 S.r.l.	Equity
S.I.MA. GEST 3 S.c.r.l.	Cost
Versilia Servizi S.c.a.r.l.	Cost

(*) Sector leader.

(*) The scope of consolidation is detailed on page 160.

The results reported in the 2003 financial statements are below expectations with regard to both new business and profitability. Economic performance was affected by promotional expenses, general costs and financial charges, which were not fully offset by gains on the sale of the investments in Omasa S.p.A. and Air Liquide.

Commercial activity developed well in the Medical & Hospital and Facility Management

areas, with contracts from Avellino Hospital, U.S. Navy Gricignano Hospital, Royal Wolverhampton Hospitals and Unicredito, but the Public Agencies market experienced a slowdown due to the suspension of three Global Service competitions arranged by Consip S.p.A.

As part of the disposals programme, a preliminary contract was signed for the sale of holdings in Sterile Services International (Cardiff) Ltd, Sterile Services International Ltd and Impregilo Medical Technologies (Acad) Ltd.

Information by geographic area

Certain information extracted from the consolidated financial statements is summarised by geographic area below.

(in millions of euro)	Italy	Europe	America	Asia	Africa	Total
Value of production	2,321	303	276	26	6	2,932
Infrastructure	1,509	211	155	20	6	1,901
Environmental Systems	465	71				536
Building Work	170	3		6		179
Concessions	143	12	121			276
Property	18					18
Services	16	6				22
Order backlog-construction work	2,954	919	689	202	44	4,808
Infrastructure	2,505	864	689	8	44	4,110
Environmental Systems	322	55		194		571
Building Work	127					127
Order backlog-concessions and services	2,607	393	5,598			8,598
Concessions	2,563	358	5,598			8,519
Services	44	35				79
Employees	5,368	1,697	4,586	588	759	12,998

Liquidation of Imprepar-Impregilo Partecipazioni S.p.A.

The Ordinary Shareholders' Meeting held on 24 February 2003 resolved to put Imprepar-Impregilo Partecipazione S.p.A. into voluntary liquidation. The liquidation is being per-

formed via the disposal of assets and the payment of liabilities. The balance sheet is summarised below:

Imprepar consolidated balance sheet

(in millions of euro)	31 December 2003	31 December 2002	Change
Assets and work in progress	401	497	(96)
Fixed assets	56	63	(7)
Total assets	457	560	(103)
Due to banks	(46)	(112)	66
Due to the parent company	(296)	(265)	(31)
Trade payables	(112)	(180)	68
Shareholders' equity	(3)	(3)	
Total liabilities and shareholders' equity	(457)	(560)	(103)

Operating activity ceased almost entirely during the year, either for natural reasons or

as a result of selling lines of business. In particular:

(units)	31 December 2003	31 December 2002	Change
Contracts	502	615	(113)
Operational	11	40	(29)
Non-operational	491	575	(84)
Equity investments	281	343	(62)



The liquidation balance sheet is prepared by the liquidator and is subjected to independent audit. All receivables and payables are stated at their estimated realisable value, which is determined as follows:

- receivables are certain if they carry the right to take enforcing action against the debtors concerned;
- receivables are disputed if judgement is awaited;
- potential receivables (claims) relate to work performed for which no request for payment has been made or, if made, the claim has been rejected by the potential debtor.

Certain receivables are stated at their enforceable amount. In general, disputed receivables are stated with reference to the judgement of the first-level court, the opinion of the court-appointed technical expert or the opinion of the appointed lawyer; potential receivables are stated at a small percentage of the claim, based on prior experience of the likelihood of recoverability.

Receivables include 120 million euro due from Iraq for the construction of the Mosul dam. On 18 February 2004, the Paris Grande Instance Court sentenced the French bank holding the Iraqi funds to pay 33 million euro to the Gimod joint venture (Imprepar interest: 20%).

The amount due to Impregilo, 296 million euro, is subordinate to the settlement of all other Imprepar liabilities. The liquidation plan envisages that repayments to Impregilo S.p.A. will start in 2004, after having repaid the amounts due to banks and other creditors. The liquidation will essentially be completed by 2008.

Personnel

There was intensive activity during 2003 in relation to Personnel, with major initiatives, projects and investment designed to enhance the professional skills available for the achievement of the Impregilo Group's business strategies.

In this context, the following steps were taken to develop our human capital:

- the **"Inventory of managerial skills"** project which adopted structured methodology to codify knowledge about the managerial abilities of the Group's managers and supervisors. The analysis of head office staff, contract personnel and employees at group companies covered about 380 persons. This work prepares the way for the development of personal career plans and profiles for each position;
- the **"Professional families"** project, whereby the company has promoted and launched an extensive programme to record and invest in existing know-how. This project involves 12 working parties which are seeking to maintain, update



St. Petersburg underground, Russia





and develop the professional skills required to guarantee the continuity of our results;

- improvement of **"Training Programmes"** which, in addition to the routine activities (courses for managers, supervisors and new recruits) carried out since 2001, with updates to reflect the development of the business and corporate strategies, were extended in 2003 to include specific training on the "Creation of value". These courses, already attended by about 100 managers, will be completed over the next year. In addition, following the adoption by the Impregilo Group of the "Regulations governing the administrative responsibilities of legal persons and companies (Decree 231/01)", nine training sessions were held for a total of 230 managers. Overall, 1,176 mandays of training were held during the year.

The Company's remuneration and incentive schemes were also updated during the year, with a project to analyse both the responsibilities inherent in each organisational role and the related remuneration, in order to determine the consistency of the level and remuneration attributed to each position with respect to those applying in the related industrial sector. This analysis resulted in investment in the competitive position of the Impregilo remuneration package, as well as changes to the system of management by objectives (MBO).

With regard to industrial relations in 2003, Impregilo renewed efforts together with the trade unions to establish a system of industrial relations that improves the working conditions at both head office and operational locations, by tackling in particular such issues as job mobility, safety at work and skill training/re-training.

On this last point, an ongoing training project has been developed together with the National Agency for professional training in the building industry (Formedil) in order to:

- re-skill manual workers;
- invest in the key skills required in order to carry out large-scale contracts.

Agreement has been reached with the Unions regarding the management of transferred personnel in connection with the Turin-Milan High-Speed Railway Consortium (C.A.V.TO.MI.). This agreement optimises the rotation of work teams, ensuring safety and efficiency in the management of rest periods.

At an international level, an initial meeting was held with a delegation of international trade unions with a view to signing a protocol covering all Impregilo activities throughout the world. This protocol balances our commitment to respecting workers' rights with the company's technical, organisational and production-related requirements.

In addition, Impregilo and the Trade Unions in Iceland have reached an agreement that resolves important issues regarding the proper legal interpretation of the contract governing all matters concerning the personnel employed on the Karahnjúkar Hydroelectric Project. This accord will contribute to the successful outcome of the project.

Impregilo is also involved in the negotiations for the renewal of the National Payroll Contract (CCNL) for employees of building companies, with direct participation in two Technical Commissions regarding "changes to the CCNL" and the "assessment of costs".

During the year, an agreement was signed with the Unions regarding the management of excess personnel following the liquidation of Imprepar (Impregilo Partecipazioni S.p.A.). This envisages transfers to other Group companies that need personnel

and the payment of severance incentives.

The entire Impregilo Group employs 12,998 persons as of 31 December 2003, as indicated in the following table:

	Central staff and Tesco 2002	Central staff and Tesco 2003	Infra-structure	Building Work	Environ-mental Systems	Sub-total construction	Conces-sions	Property and services	Sub-total services	Total 31.12.03	Total 31.12.02
Managers	47	46	162	21	28	211	48	5	53	310	323
inc.:											
- c/o staff functions	47	46	28	5	26	59	10	3	13	118	122
- c/o contract companies			134	16	2	152	38	2	40	192	201
Clerical staff	235	242	2,564	146	314	3,024	1,268	44	1,312	4,578	4,806
inc.:											
- c/o staff functions	235	242	54	13	204	271	4	29	33	546	563
- c/o contract companies			2,510	133	110	2,753	1,264	15	1,279	4,032	4,243
Manual workers	14	14	6,987	324	179	7,490	492	114	606	8,110	11,725
inc.:											
- c/o staff functions	14	14	4			4		9	9	27	25
- c/o contract companies			6,983	324	179	7,486	492	105	597	8,083	11,700
Total	296	302	9,713	491	521	10,725	1,808	163	1,971	12,998	16,854

The analysis of personnel employed by companies included within the scope of consolidation is provided in the explanatory notes.

The principal characteristics of the "1999 Stock Option Plan" approved by the Board of Directors on 5 May 1999, relating to the purchase of options to acquire a total of 4,300,000 ordinary shares in Impregilo S.p.A., are described below. This information was also given in the report on the financial statements as of 31 December 1999. The subscription price is euro 0.81. The options are granted to managers of the company based on objective criteria. The "1999 Stock Option Plan" envisages three classes of allocation: 250,000, 100,000 and 50,000 shares. The "1999 Options" may be exercised, in whole or in

part, in accordance with the following timetable:

- from 5 May 2001: up to 50% of the number of "1999 Options" granted;
- from 5 May 2002: up to 100% of the number of "1999 Options" granted.

The "1999 Options" may be exercised at any time, except during the following periods:

- between 1 January of each year and the date of publication of the results, including the preliminary results, for the prior year;
- between 1 July of each year and the date of publication of the results for the first half of the year in progress.

The "1999 Options" lapse entirely if not exercised by 5 May 2005.

The share price must be paid in full at the time of subscription.

Protective works for the Venetian lagoon, Italy

Purchasing

Tesco (registered offices in Sesto San Giovanni, operational offices in Genoa and floating buyers spread around the various contracts) issued orders with a total value (machinery, materials and services) of 526.8 million euro during the year. The number of orders issued, following the drop in 2002 due to rationalisation and the decentralisation of low-value orders, has stabilised (5,340 in 2003, compared with 5,118 in 2002).

An initiative was launched in July 2003, with consultancy support from Eraclito S.a.s., in order to make overall improvements in the area of Purchasing. This comprises a series of projects involving the majority of Group functions, including the operational units. Activity is progressing according to plan and will continue throughout 2004.

A "Purchase planning and methodology" function has been created to devise, communicate and improve the tools required to enhance the effectiveness of Group purchasing, as well as to guide and monitor the proper application of such tools by the Impregilo's various organisational units, in collaboration with the managers responsible for "Purchasing and Logistics" and "Plant and Machinery".

Accordingly, this function:

- develops and updates the Group Purchasing Plan;
- ensures the availability and continual improvement of methods, procedures and standards covering purchasing processes within the Group and provides support for their effective application as part of operational decision-making;

- guarantees excellent functional and operational support for the proper use of IT systems in the management of machinery, purchasing and inventories.

The methods, processes and tools which generate the Group Purchasing Plan were defined during the year in the context of an integrated Group. Benefits include the development of contract strategies for the purchase of widely used, critical items, having regard for the economies of scale (cost savings) and the better allocation of operational activities between central offices and individual contracts.

With regard to the conferral of the e-procurement activities of Globoworks Italia S.p.A. on i-Faber, a major effort was made in three separate areas during 2003: the use of on-line auctions (with achievement

of the volume objective for transactions: more than 140 million euro), utilisation of the web platform for the issue of orders, and integration with the corporate SAP system.

Capital investment, research and development

Capital investment

Capital investment during the year, about 282 million euro, included machinery and other means of production totalling about 84 million euro, the construction of works to be operated under concession totalling about 153 million euro, and the start-up of construction sites totalling about 45 million euro.

The investment in machinery mostly related to the start-up of the new Karanjiukar contract in Iceland, as well as to the High-



Speed Railway project and the hydraulic work on the Portland Tunnel.

Investment in the construction of works to be operated under concession related to the urban motorway in Santiago (Chile) and industrial buildings for the waste management projects in the Campania region.

Research and development

During 2003, the Group's engineering offices continued to monitor and assist the contracts in progress, as well as to provide support for the preparation of bids and the setting up of construction sites. Considering the various areas of business, the following discussion summarises the milestones reached during the year.

Mechanisation of tunnel boring

A major effort was made to determine which

technologies to employ for the construction of the Karahnjúkar dam in Iceland. The contract calls for the construction of a rockfill dam, with the upstream wall surfaced in concrete and hydraulic tunnels extending over about 50 km. The underground work proposed to and accepted by the customer will be almost entirely carried out mechanically, using three TBMs. The final stages in the assembly of the first machine are currently being carried out on site.

Critical review of the project for the mobile flood barriers at the Malamocco mouth-Moses, Venice

Another important project tackled by the engineering offices during 2003 related to the work the Venezia Nuova Consortium regarding the tidal flood barriers to protect the lagoon. Impregilo has been awarded the

work required at the Malamocco mouth. A critical review of the project developed by the Consortium in prior years began in 2003 in order to optimise the design solutions. In particular, the bedding and dimensions of the threshold tanks are being assessed.

Bidding as General Contractor and EPC Contractor

Bids prepared during the year included those for the second maxi-stretch of the Salerno-Reggio Calabria motorway and the Mestre By-pass (both as General Contractor) and for the Nuova Romea Commerciale and Pedemontana Veneta concessions (where Impregilo International is part of the Promoter group). These bids made extensive recourse to the engineering offices for design work, especially in relation to the development of design and construction solu-



Karahnjúkar hydroelectric project, Iceland

tions that would lower performance costs, as well as for the selection of methodologies and the preparation of work programmes.

Consistent with the company's commitments, ongoing efforts are made to find ways to minimise the environmental impact deriving from site technologies. The most significant activity related to the design work needed to bid for the Churchill Hospital concession in Oxford (United Kingdom). This work not only involved the architectural and structural aspects, but above all the hospital plant engineering aspects, where the quality standards attained by the company are particularly high.

Water technologies and environmental protection

Research in the water sector was focused on the further refinement of designs for plant that render drinkable the distilled output of desalination plants. This involves the injection of carbon dioxide obtained from the output of these plants and subsequent re-carbonisation using lime.

This product is now fully-fledged company technology and was one of the deciding factors in obtaining the Jebel Ali Station L contract.

Considerable effort has also been dedicated to refining our reverse osmosis technology. In particular, calculation models have been developed for sand filtration and an original model has been perfected for the performance of the entire plant, in order to predetermine the scale of the process needed so that the core designs can be developed.

Incineration and fume technologies

Drawing on experience in the construction of composting plant, Fisia Italmimpianti S.p.A. made a competitive bid for a plant required by the Municipality of Abu Dhabi with a capacity of 300,000 t/year.

The sector also obtained new calculation programmes for the design of thermal cycles that can be used in the design of integrated systems that incorporate desalination plant. In addition, during 2003, Fisia Babcock Environment GmbH registered a new patent which lowers the atmospheric emission of azote compounds by using pyrolysis gas deriving from the combustion of waste on the grid, in place of ammonia. The first tests to obtain this patent were carried out in a plant for the recycling of heat from waste during July 2003, with highly satisfactory results.

Other research has also been performed or is in progress at year-end, mainly relating to improvements in the control of atmospheric emissions containing pollutants or heavy metals. Lastly, U.S. regulations under discussion include the limits placed on the emission of mercury vapour into the atmosphere; such limits would require the installation of control systems over mercury emissions in almost all coal-fired thermo-electric power stations: the patent held by Fisia Babcock Environment GmbH in this field is subject to constant refinement and steady improvements.





Safety, the environment and quality

Impregilo S.p.A. worked hard during 2003, not only to maintain the competitive level and quality of its products and services, but also to improve them continually in the interests of all concerned. This was achieved by developing and implementing an Integrated Quality, Environment and Safety System that complies with UNI EN ISO 9001:2000, UNI EN ISO 14001:1996 and OHSAS 18001:1999, and by extending it to all Impregilo Group companies.

In accordance with these regulations, the Impregilo Group agrees to:

- maintain the desired and expected level of quality in order to meet the technical requirements specified in contracts;
- operate with regard for the health and safety of its employees and all those who come into contact with the Group as part of their work;
- reduce the environmental impact of its construction sites, establishing and maintaining documented procedures for verifying compliance with both the regulations and the activities planned.

In addition, aware of the value of the environment and the health and safety of workers, as well as the need to establish open dialogue between all the parties concerned, Impregilo S.p.A. is the first construction company to prepare an Environment Report which identifies and quantifies the principal factors with an impact on the environment and safety deriving from its construction activities. The second edition relating to 2003 will be issued in 2004, together with the publication of the financial statements.

The action taken in each area during 2003 is described below.

Safety

At the time of changeover from ISO 9001:1994 to ISO 9001:2000, a System for the Management of Health and Safety at Work was developed for Group companies in accordance with OHSAS 18001:1999. This system was audited during October and November 2003 so that applicant Group companies could obtain OHSAS 18001 certification covering the following areas:

- Impregilo S.p.A.: design of infrastructure and civil works;
- Impregilo Edilizia S.p.A.: design of civil and industrial buildings;
- Impregilo Servizi S.p.A.: design and management of integrated services for the operation and maintenance of civil and industrial buildings and the related technological plant;
- Tesco S.r.l.: integrated management of purchasing and logistical activities regarding machines, materials, goods and services.

This system involves the identification of risks regarding the health and safety of workers, the analysis and control of such risks, and the management of accidents in the workplace. In relation to this last activity, the central Safety function analyses the data submitted every month for each contract and reports periodically to the Coordination Committee.

Environment

Consistent with the policy on quality, the environment and safety expressed by the top management of Impregilo, the system for the management of quality and safety has been integrated with the system for



Rehabilitation works Hyatt Hotel in Milan, Italy

managing the environment, which complies with ISO 14001:1996.

This system, based on the 1st Environment Report for 2002, was extended to all Impregilo Group companies during 2003, and is currently being extended to the consortia lead by Impregilo and all suppliers/subcontractors.

The certification process for this system has not yet commenced.

See the Environment Report for 2003 for further details, which is available on the website www.impregilo.it in the "Investor Relations" section.

Quality

The changeover from ISO 9001:1994 to ISO 9001:2000 took place during the year with regard to the head office and new contracts. The pre-existing quality system was retained for contracts where progress has exceeded more than 50%.

Throughout the whole of 2003, Impregilo's Environment and Safety Quality function carried out internal audits of the central functions and the contracts of companies to be certified, in order to verify the effectiveness of their quality systems and identify any weaknesses.

This system, which extends to all companies belonging to the Impregilo Group, was audited in November so that ISO

9001:2000 certification could be awarded to both companies that need it (SOA certification) and other applicant Group companies. This certification covers the following areas:

- Impregilo S.p.A.: design and construction of infrastructure and civil works;
- Impregilo Edilizia S.p.A.: design and construction of civil and industrial buildings;
- Impregilo Servizi S.p.A.: design and management of integrated services for the operation and maintenance of civil and industrial buildings and the related technological plant;
- Tesco S.r.l.: integrated management of purchasing and logistical activities regarding machines, materials, goods and services;
- Bocoge S.p.A.: design and construction of civil and industrial buildings.

Based on Impregilo's 9 business processes, the effectiveness of the quality system is monitored and measured using a number of efficiency and effectiveness indicators identified with support from the managers of these processes. At meetings of the Coordination and Review Committees, the management of Impregilo uses these indicators to verify the achievement of established objectives and, in the event of failure, analyses the reasons and determines the new action to take.



Corporate Governance

Annual report on the system of Corporate Governance and compliance with the Code of Self-Regulation

The structure of Corporate Governance adopted by Impregilo is based on the recommendations and regulations contained in the Code of Self-Regulation adopted by the Committee for the Corporate Governance of listed companies. This reflects our conviction, on the one hand, that the adoption of a system of structured regulations will enable us to operate with maximum efficiency and, on the other, that increasing levels of transparency will contribute to increasing investor confidence in the company.

First section- The structure of Governance at Impregilo

The system of governance adopted by Impregilo is summarised below with reference to our organisation and to the actions taken in 2003 that demonstrate how the Company, while pursuing the creation of shareholder value, has given particular attention to the environmental issues faced by Group companies and has supported and internalised the commitment to conduct business in an ethical manner.

Board of Directors

The Board of Directors is charged with the management of the Company and therefore plays a central role within the organisation, being specifically responsible for the strategic direction and organisational guidance of activities.

The Board of Directors comprises not less than seven and not more than eleven members (art. 19 of the articles of association, which are available on the website www.impregilo.it). As required by law, directors cannot be appointed for a period of more than three years and their mandate expires at the time of the shareholders' meeting called to approve the financial state-

ments for the final year of such mandate. The directors can be re-appointed since this is not forbidden by Impregilo's articles of association. The mechanism of list voting is not used for the appointment of directors; the articles of association do not contain any regulations regarding the representation of minority interests, the number of independent directors or the standards of respectability, professionalism and independence expected of directors.

The ordinary shareholders' meeting held on 7 May 2002 established that the Board of Directors should comprise 9 members. The current members of the Board of Directors, which will remain in office until the shareholders' meeting held to approve the financial statements as of 31 December 2004, are as follows:

Umberto Colombo, Adriano De Maio, Vittorio De Stasio, Ezio Gandini, Gian Luigi Garrino, Enzo Grilli, Carlo Lotti, Pier Giorgio Romiti, Paolo Savona.

The Chairman of the Board of Directors is

Paolo Savona and the Vice Chairman and Managing Director is Pier Giorgio Romiti; both were appointed by the Board of Directors on 7 May 2002.

Pursuant to art. 23 of the articles of association, the Board of Directors exercises the widest powers of ordinary and extraordinary administration and, accordingly, may carry out all acts that it deems appropriate for the achievement of the corporate objects, except for those that, by law, are reserved for the shareholders in general meeting.

In accordance with art. 20 of the articles of association, the Board of Directors elects from among its members a Chairman and, if necessary, one or more Vice Chairmen who take the place of the Chairman in the event of absence or impediment.

The Board of Directors may delegate part of its powers to one or more directors, establishing limits and procedures for the exercise of such powers, and may appoint managers and agents who need not be Board



Athens Tramway
System, Greece

members, fixing their powers (art. 24 of the articles of association).

Pursuant to art. 24 of the articles of association, the Board may also delegate all or part of its powers, except those reserved for it by law, to an Executive Committee of which the Chairman is a member by right; the Board of Directors may also establish other committees with specific functions, establishing their duties, powers and methods of functioning.

The current Board of Directors has not established an Executive Committee.

The Internal Audit Committee and the Remuneration Committee have been established. The Board does not consider it necessary for the moment to establish a Nominations Committee since, up to now, the shareholders have not had difficulty in nominating appropriate candidates such that the composition of the Board of Directors complies with the recommendations of the Code of Self-Regulation regarding the presence of independent and non-executive directors. Any nominations received from shareholders prior to the meeting are filed at the registered offices.

The committees are an internal organ of the Board of Directors with a consultative role and the power to make recommendations; they have been established to improve both the functioning of the Board of Directors and its ability to provide strategic direction. The Company's legal representative is the Chairman or else, in the event of absence or impediment, each of the Vice Chairmen, if appointed, or the Directors who have been granted this power by the Board.

Pursuant to the last paragraph of art. 21 of the articles of association, the Board of Directors meets at least every quarter. During these meetings, the persons with delegated powers report to the Board and to the Board

of Statutory Auditors on their activities in the exercise of their powers and on the principal transactions carried out by the company and its subsidiaries.

Pursuant to art. 22 of the articles of association, Board resolutions are valid if the majority of appointed directors are present; resolutions are adopted by an absolute majority of those present.

The Board of Statutory Auditors

The Board of Statutory Auditors monitors compliance with the law, the articles of association and the principles of proper administration in the conduct of corporate activities, and verifies the adequacy of the organisational structure, the system of internal control and the Company's accounting and administrative systems.

Pursuant to art. 27 of the articles of association, the Board of Statutory Auditors comprises three serving auditors and two alternate auditors and is appointed using a list voting mechanism. The Board of Statutory

Auditors is therefore appointed with reference to lists presented by the shareholders and filed at the Company's registered offices at least ten days prior to the date fixed for the shareholders' meeting in first calling.

The lists of candidates cannot be accepted unless accompanied by the curriculum of each candidate, and declarations that they comply with the regulatory and statutory requirements for election and that there are no reasons for which they cannot be elected or are otherwise incompatible.

Auditors cannot be elected if they are already serving auditors in more than five listed companies.

Statutory auditors can be re-appointed since this is not forbidden by Impregilo's articles of association.

The articles of association enable appropriately organised minorities to appoint a statutory auditor; the minimum ownership interest required in order to present a list is 2% of the ordinary shares.

Karahnjúkar
hydroelectric project,
Iceland



The current Board of Statutory Auditors was appointed at the shareholders' meeting held on 7 May 2002 for the three-year period 2002/2004 and, accordingly, its mandate will expire at the meeting held to approve the financial statements as of 31 December 2004.

The current Board of Statutory Auditors was appointed at the shareholders' meeting held on 7 May 2002 and comprises: Giorgio Silva (Chairman), Vittorio Amadio and Roberto Ascoli (Auditors), Enrico Colombo and Giancarlo Caramanti (Alternate Auditors).

General meetings

The ordinary shareholders' meeting held on 8 May 2001 approved the "Regulations for Shareholders' Meetings" (available on the website www.impregilo.it), prepared following the Assonime format. These regulations ensure the orderly performance of general meetings, in compliance with the fundamental right of individual shareholders to request clarification on the matters under

discussion, express their opinion and propose resolutions.

Independent Auditors

Impregilo and its principal subsidiaries have, as required by law, appointed independent auditors to verify that the accounting records are properly kept in accordance with Decree 58/1998, and to verify the half-yearly reports.

As part of the general plan for the audit of the Group, in addition to the audit appointments required by law, certain subsidiaries not considered "significant" by Consob are also audited on a voluntary basis.

Share capital and ownership

Share capital amounts to euro 384,039,554.60 and is represented by 722,382,695 ordinary shares and 16,154,910 non-convertible savings shares, par value euro 0.52 each. The characteristics and rights of the savings shares are governed by arts. 8 and 29 of the articles of association.

The Company does not hold any own shares. No party exercises control over Impregilo S.p.A. As determined from the shareholders' register as of 29 February 2004 and other available information, the following shareholders own more than 2% of the company's ordinary shares:

- Gemina S.p.A. 24.859%;
- Capitalia S.p.A. 3.316%, (comprising 2.87% held directly and 0.446% held indirectly).

There are no shareholders' agreements regarding the shares in Impregilo S.p.A.

Environment Report

The first Environment Report for the Impregilo Group was prepared during 2003 (available on the website www.impregilo.it), covering the principal work and construction sites in Italy during 2002. The Environment Report, based on the "Guidelines of the Forum for Environmental Reports" prepared by Fondazione ENI Enrico Mattei, demonstrates the Company's commitment to constant operational innovation, to take care of and respect the environment - which is significantly affected during the construction phase of work - and to safeguard the health and safety of workers. The effort made to prepare the Environment Report has enabled and enables Impregilo to inform local and national administrations about the Group's systems for protecting and safeguarding the environment, even in situations when the impact of work is at its greatest.

Code of Ethics

On 29 January 2003, the Board of Directors of Impregilo S.p.A. adopted a new version of the "Code of Ethics for the Impregilo Group" (available on the website www.impregilo.it). This code defines the values and principles of honesty, propriety, integrity, transparen-



cy, impartiality, confidentiality and respect that must be reflected in the behaviour of all those who, as directors, officers, employees or collaborators, work on behalf of the Impregilo Group, so that business and corporate affairs are properly conducted in a manner that safeguards the image of the Group and the expectations of our shareholders and the general public.

Accordingly, this Code contains regulations that govern relations with customers, suppliers, public administrations, political organisations, trade unions and the press, in order to safeguard both persons and company assets; the Code also establishes a system of controls to ensure compliance with the Code.

Organisational model

At the meeting held on 29 January 2003, the Board of Directors also approved the "Model of Organisation and Management" (available on the website www.impregilo.it) required by art. 6 of Decree 231/01. This document is based on the Confindustria guidelines approved on 7 March 2002.

The adoption of the Model, rooted in the

principles established by the Code of Ethics, represents a further step towards rigour, transparency and a sense of responsibility in the conduct of internal and external relations. Accordingly, shareholders are offered appropriate guarantees of efficient and proper management, while all those who work for and in the name of Impregilo are made aware of the need to behave in a direct and proper fashion in the conduct of their activities, in order to avoid the risk of committing illegal acts pursuant to Decree 231/2001. The Model comprises a general part that includes a description of the contents of Decree 231/2001, the objectives and functioning of the Model, the duties of the Supervisory Body - identified by the Board to be the Manager of Internal Control - and the disciplinary rules, and two separate "special parts" that cover the different types of illegal act envisaged by Decree 231/2001.

Second section- Implementation of the Code of Self-Regulation

A detailed description of the decisions taken

by the Company in order to implement the requirements of the Code of Self-Regulation is provided below.

Board of Directors

The Board of Directors plays a central role in the management and organisation of the Company. In this context, the Board of Directors:

- examines and approves the Company's strategic, industrial and financial plans and takes note of the plans of subsidiaries;
- examines and assesses forecast operating performance;
- examines and approves periodic financial statements;
- monitors the general operating performance of the Company and the Group, examines the principal operating events, as well as investments and disposals, and periodically verifies the achievement of planned results;
- examines and approves transactions with related parties and any significant transactions identified from the work described above;
- receives, together with the Board of Statutory Auditors, regular information from the Managing Director regarding activities performed in the exercise of his powers;
- verifies the adequacy of the Company's and the Group's general organisation and administration;
- determines, having heard the opinion of the Board of Statutory Auditors and based on a proposal from the Remuneration Committee, the remuneration of the Managing Director and the Directors with special duties, and, if not already decided at the shareholders' meeting, allocates the total approved remuneration among the individual Board members;

Motorway
Monte Bianco
Aosta, Courmayeur-
Morgex, Italy



- approves the incentive plans for top management;
- reports to the shareholders in general meeting;
- determines the rules of corporate governance.

The Board of Directors has granted the Chairman Paolo Savona the power to implement Board resolutions and to take care of and supervise the Company's cultural activities; the Chairman is also responsible for Impregilo's system of Internal Control and coordinates corporate communications.

The Chairman calls meetings of the Board of Directors, establishes the agenda, ensures that adequate and timely information is circulated to directors and statutory auditors, except in urgent and necessary circumstances, coordinates the activities of the Board and directs business at the related meetings; he also chairs the shareholders' meetings.

The Chairman also works together with the Managing Director regarding the determination of objectives, strategies and business plans.

The Board of Directors has appointed the Managing Director Pier Giorgio Romiti as the Company's legal representative, granting him the power to implement Board resolutions together with wide powers to manage the business, with the ability to delegate responsibility for the organisation and management of certain sectors of activity. Nevertheless, normal practice envisages that all significant, economic and financial transactions are presented for examination and approval by the Board of Directors. The Managing Director has reported periodically to the Board regarding the activities performed in the exercise of the powers delegated to him.



Shuweihat
desalination
plant, Abu Dhabi

The organisation is determined as a consequence of instructions issued by the Managing Director which identify the managers responsible for the various functional areas and sectors of business, establishing for each of them their duties and areas of responsibility. Functional managers are delegated appropriate powers and spending limits with reference to their responsibilities.

Pursuant to art. 21 of the articles of association, the Board must meet at least every quarter on the invitation of the Chairman or, if absent, of a Vice Chairman or the Managing Director, or on written request from at least two directors.

Board meetings were held regularly throughout 2003; there was a total of 6 meetings.

The Directors and Statutory Auditors made a point of attending these meetings.

It is normal practice to make necessary and useful documentation and information available to the Directors and Statutory Auditors, with reasonable advance notice, so that they can discuss knowledgeably and resolve on the matters on the agenda.

The calendar of meetings for the current year (available on the website www.impregilo.it) envisages that the Board will meet 7 times, including the 4 required meetings.

At a meeting held on 9 March 2004, the Board of Directors adopted a procedure designed to guarantee the propriety in substance and in form of transactions concluded with related parties and to identify significant transactions. This is consistent with the principles contained in the Code of Self-Regulation governing related-party and significant transactions.

This requires, inter alia, that the Board of Directors must give prior approval for transactions with related parties with a value that exceeds:

1. Euro 5,000,000 for the purchase or sale of equity investments;
2. Euro 500,000 for contracts for the provision or the acquisition of services and for other transactions that involve payments, commitments or charges for the Company;
3. all transactions that must be communicated to the market pursuant to art. 71



Genoa underground, Darsena station, Italy



bis of the Consob Regulation governing issuers.

Other transactions with related parties do not require the approval of the Board of Directors; the Managing Director will report periodically and in detail to the Board on any such transactions carried out in the exercise of the powers granted to him.

In order to avoid operations on terms that differ from those that might credibly have been agreed by unrelated parties, the Board ensures that they are carried out with assistance from independent experts who express an opinion on the economic terms, the technical and practical procedures and the legitimacy of such transactions.

The procedure also identifies significant transactions, which are defined as those:

1. which must be communicated to the market in accordance with current legislation and regulations;
2. involving the entry into new areas of business or the exit from an area of business;
3. involving the purchase or sale of equity investments, other activities or lines of business with an individual value in excess of euro 20,000,000.

These significant transactions are excluded

from the powers granted to the Managing Director and must be presented for prior approval by the Board of Directors.

When it becomes necessary for the Company to enter into significant transactions, the Managing Director will, with reasonable advance notice, provide the Board of Directors with a summary picture of the analyses performed regarding their strategic consistency, their economic feasibility and the expected returns.

The Board of Directors comprises 1 executive director (the Managing Director, Pier Giorgio Romiti) and 8 non-executive directors; of these 8, 7 are independent directors (Umberto Colombo, Adriano De Maio, Vittorio De Stasio, Ezio Gandini, Gian Luigi Garrino, Enzo Grilli and Paolo Savona). As required by the Code of Self-Regulation, the status of the independent directors was last verified by the Board of Directors at the meeting held on 9 March 2004.

The number and authoritative standing of the non-executive directors is sufficient to guarantee that their judgement will carry significant weight in the adoption of Board resolutions.

Position	Person	Execu- tive	Non executive	Inde- pendent	No. of other appointments		Internal Audit Committee		Remuneration Committee	
					(a)	(c)	(b)	(a)	(b)	(a)
Chairman	Savona Paolo		X	X	100	3	X	100	X	100
Vice Chairman and Managing Director	Romiti Pier Giorgio	X			100	3				
Director	Colombo Umberto		X	X	50	-				
Director	De Maio Adriano		X	X	66.66	4				
Director	De Stasio Vittorio		X	X	83.33	4	X	66.66	X	100
Director	Gandini Ezio		X	X	83.33	1				
Director	Garrino Gian Luigi		X	X	100	3				
Director	Grilli Enzo		X	X	50	2	X	33.33	X	100
Director	Lotti Carlo		X		100	-				

(a) This column indicates the percentage attendance of directors at Board and Committee meetings.

(b) This column indicates with an "X" the director's membership of the Committee.

(c) This column indicates the number of directorships or appointments as auditor held by the person concerned in other companies listed in regulated markets, including foreign markets, or in finance companies, banks, insurance companies and other large firms. The Report on corporate governance lists these appointments in full.

The members of the Board of Directors of Impregilo hold the following appointments in other companies:

Position	Person	Other appointments
Chairman	Savona Paolo	Tim S.p.A. (*) - Rcs Mediagroup (*) - ADR S.p.A. (°°°)
Vice Chairman and Managing Director	Romiti Pier Giorgio	Gemina S.p.A. (°°) - Sistemi di Energia (*) - ADR S.p.A. (*)
Director	Colombo Umberto	Acea S.p.A. (*) - Saes Getters S.p.A. (*) - SNIA S.p.A. (*) - Telecom Italia S.p.A. (*) - Energy Conversion Devices Inc (USA) (*)
Director	De Maio Adriano	Saes Getters (*) - Telecom Italia Media (*) - Il Sole 24 Ore (*) - TXT e-solution (*)
Director	De Stasio Vittorio	Fineco Group (*) - Fineco Asset Mgt (*) - Qanta (*) - ABL (*)
Director	Gandini Ezio	Gemina S.p.A. (*)
Director	Garrino Gian Luigi	Gemina S.p.A. (°) - Risk Management S.p.A. (*) - IPI S.p.A. (*)
Director	Grilli Enzo	Tim S.p.A. (*) - Generali S.p.A. (*)

(°) Chairman.

(°°) Managing Director.

(°°°) Vice Chairman.

(*) Director.

Directors are appointed by the shareholders in general meeting, at which time they are presented with the nominations together with complete information on the personal and professional characteristics of the candidates.

The current Board of Directors was appointed at the shareholders' meeting held on 7 May 2002, which determined that the total gross annual remuneration of the

Board should be euro 315,000; this amount was allocated to the various directors by the Board, based on a proposal from the Remuneration Committee.

Pursuant to art. 2389.2 of the Italian Civil Code and again based on a proposal from the Remuneration Committee, the Board also allocated additional remuneration to the Chairman and the Managing Director in their roles as directors with special duties.

Remuneration Committee

The Remuneration Committee was established by the Board of Directors on 21 March 2000. The current members of this Committee are: Paolo Savona (Chairman), Vittorio De Stasio and Enzo Grilli. Accordingly, all the members of the Remuneration Committee are independent. The task of the Remuneration Committee is to make proposals to the Board regarding the remuneration of directors with special duties and, on request from the Managing Director, to determine criteria for the remuneration of the Company's top management.

During 2003, the Remuneration Committee held a meeting that was attended by all members and the entire Board of Statutory Auditors.

At this meeting, the Remuneration Committee examined the key threads of remuneration policy, verifying the competitive positioning of the system for remunerating management with respect to market conditions, and examined a new Management By Objectives (MBO) system for top managers, tied to the achievement of both personal and corporate objectives. The Committee

also made recommendations to the Board of Directors regarding the allocation to the Chairman and the Managing Director of remuneration linked in part to the achievement of corporate objectives.

This Committee meeting was not attended by the Managing Director and the proposals regarding the remuneration of the Chairman were adopted in the absence of the person concerned.

In compliance with the Code of Self-Regulation, the Remuneration Committee used the services of external consultants arranged via the Central Personnel and Organisation Department.

The Committee has adopted a Regulation that governs the way it functions.

The "1999 Stock Option Plan" approved by the Board of Directors on 5 May 1999 is still in force; the characteristics of this plan are indicated in the "Personnel" section of this report.

Internal Audit Committee

The Internal Audit Committee was established by the Board on 8 February 2000. The current members of this Committee

are: Paolo Savona (Chairman), Vittorio De Stasio and Enzo Grilli. Accordingly, all the members of the Internal Control Committee are independent. The Internal Control Committee plays a consultative role, makes recommendations and assesses the adequacy of the System of Internal Controls adopted by the Board of Directors at the meeting held on 8 February 2000. This Committee also assesses the work plan prepared by the Manager of Internal Control, receives periodic reports from this Manager, assesses the proposals made by Independent Auditors and the plan of the audit presented by them, reports to the Board of Directors at least every six months on the work performed and on the adequacy of the System of Internal Controls, and receives the reports of the Supervisory Body pursuant to Decree 231/2001.

During 2003, the Internal Audit Committee held three meetings which were all attended by the entire Board of Statutory Auditors.

These Committee meetings were not attended by the Managing Director, but the Manager of Internal Control was always present.

Acuetucto Oriental,
"Barrera de Salinidad",
Dominican Republic



At these meetings, the Committee examined and assessed the reports prepared by the Manager of Internal Control and the reports prepared by the Supervisory Body pursuant to Decree 231 /2001; the Committee also assessed the proposals received from Independent Auditors regarding the audit for the three-year period 2003/2005. The Committee then reported to the Board of Directors, at the time of approving the annual financial statements and the half-year report, regarding the work performed and the adequacy of the System of Internal Control.

The Committee has adopted a Regulation that governs the way it functions.

Processing of confidential information

On 27 March 2001, the Board of Directors approved a procedure for the management and processing of confidential information about the Company and its subsidiaries. This procedure defines roles and responsibilities, and covers methods of communication with third parties and the publication of news considered to represent price sensitive information.

In compliance with this procedure:

- the Chairman is responsible for the communication of information to the public, working together with the Managing Director. They must specifically give prior authorisation for every contact involving the press or other forms of communication (press releases, interviews), financial analysts and institutional investors intended to divulge documents and confidential price sensitive information about the Company or its subsidiaries;
- the communication of price sensitive must be complete, timely, appropriate and non-selective, in compliance with current legislation and regulations, avoiding situations where different investors might hold different information or which could in some way affect the performance of Impregilo's share price;
- it is absolutely forbidden for anyone to give press interviews or make declarations that relate to significant facts which have not already been public in accordance with legal requirements;
- the directors and statutory auditors must keep in strictest confidence the docu-


ments and information obtained in the performance of their duties; the managers and employees of the Company and its subsidiaries are obliged to keep secret any confidential information about the Company and its subsidiaries and to handle such information solely through authorised channels, taking every care to ensure that business communications within the company do not compromise the confidential nature of such information.

Code of Conduct for Internal Dealing

At the meeting held on 17 December 2002, the Board adopted a Code of Conduct for Internal Dealing which was subsequently modified and supplemented in accordance with the regulations issued by Borsa Italiana S.p.A. These regulations require listed companies to communicate periodically the transactions in their listed securities carried out by parties with a detailed knowledge of the Company's performance as a consequence of their position within it (Relevant Persons).

The Code of Conduct approved requires Rel-





evant Persons to communicate to the Company, within the fifth trading day of the end of each calendar quarter, all their transactions during that quarter with a cumulative value that is equal to or greater than 50,000 euro, but not greater than 250,000 euro, and to communicate without delay and, in any case, no later than the day after any significant transactions have been arranged (regardless of their settlement date), all transactions in excess of 250,000 euro.

The Code also requires the exercise of stock options or option rights to be communicated and gives the Board of Directors the power in relation to all or certain Relevant Persons to ban or restrict, at certain times of the year, all or some of the transactions governed by the Code of Conduct.

The Code of Conduct includes a system of sanctions applying to Relevant Persons that do not comply with their obligations under the Code.

System of Internal Control

At the meeting held on 8 February 2000, the Board of Directors resolved to equip the Company with a System of Internal Control, being an organized and coordinated series of rules of conduct and procedures designed to ensure proper and efficient man-

agement, in order to identify, prevent and manage financial and operational risks and safeguard the Company's assets.

At that meeting, the Board established the Internal Audit Committee and gave it the consultative role and recommendation-making functions described earlier.

At the meeting held on 12 September 2000, the Board adopted a recommendation of the Internal Audit Committee and appointed a Manager of Internal Control.

The Manager of Internal Control reports (staff position) to the Chairman of the Board of Directors and is fully independent of operational management; the Manager supervises and coordinates a dedicated team of four persons with varying levels of professional experience; the Manager has autonomous powers to take action and perform checks, and has financial autonomy.

The Manager has reported to the Internal Control Committee on the work performed; the Committee has assessed the plan of work and the reports of the Manager, verifying periodically the adequacy and proper functioning of the System, and obtained assurance that the principal business risks have been identified and are managed on an appropriate basis.

The duties of the Manager are to ensure compliance with internal and external regulations, perform work via the Internal Auditing department, for which he is responsible, designed to identify specific areas of risk, and carry out monitoring and checking activities.

During 2003, the Internal Auditing department continued work to identify the areas for action in order to lower the Company's risk profile, carried out 25 audit visits and prepared the audit plan for 2004-2006.

The Board of Directors has identified the Manager of Internal Control as the Supervisory Body pursuant to art. 6.1.b) of Decree 231/2001. With reference to the activities associated with that role, the Organisation and Management Model adopted by the Board of Directors has been implemented and communicated throughout the Group. The functioning of the Model and related compliance is monitored regularly.

Investor Relations

The Investor Relations function was established in July 2001, creating a department dedicated to institutional investors and other shareholders which reports to the Investor Relations Manager whose specific

duty is to manage relations with these investors; the Investor Relations Manager has activated a dedicated e-mail address for communications and requests from shareholders (investor.relations@impregilo.it) and the website www.impregilo.it contains a section covering relations with the shareholders, entitled "Investor Relations", which contains both economic and financial information and other updated documents of general interest to the shareholders.

In addition to being a duty to the market, the Company believes that an ongoing dialogue with shareholders and institutional investors, based on a mutual understanding of the reciprocal roles, is in its specific interests; this dialogue inevitably takes place in compliance with the procedure for handling confidential information, so that investors and potential investors are guaran-

teed the right to receive the same information when making their investment decisions.

Board of Statutory Auditors

In accordance with art. 27 of the articles of association, the Statutory Auditors were appointed with reference to two shareholder lists presented by Gemina S.p.A. and Banca di Roma S.p.A. (now Capitalia S.p.A.). In particular, Giorgio Silva, Roberto Ascoli, Enrico Colombo and Giancarlo Caramanti were elected from the list presented by Gemina S.p.A., which obtained the largest number of votes; Vittorio Amadio was elected from the list presented by Banca di Roma S.p.A. (now Capitalia S.p.A.).

The Board of Statutory Auditors met 8 times during 2003; the Statutory Auditors made a point of attending these meetings.

Position	Person	Percentage attendance at Board meetings	No. of other appointments (b)
Chairman	Silva Giorgio	100	3
Auditor (*)	Amadio Vittorio	100	3
Auditor	Ascoli Roberto	100	
Alternate Auditor	Caramanti Giancarlo		
Alternate Auditor	Colombo Enrico		1

(*) Auditor elected from a list presented by minority shareholders.

(b) This column indicates the number of appointments held by the person concerned in other companies listed on regulated markets in Italy. The Report on corporate governance lists these appointments in full.

The Statutory Auditors of Impregilo hold the following appointments as director or statutory auditor in listed companies:

Position	Person	Other appointments
Chairman	Silva Giorgio	Acquedotto Galliera (**) - Acquedotto Nicolay (*) - Eni S.p.A. (**)
Auditor (*)	Amadio Vittorio	Gemina S.p.A. (*) Milano Assicurazioni (*) - Premafin (*)
Alternate Auditor	Colombo Enrico	Tod's (*)

(*) Chairman of the Board of Statutory Auditors.

(*) Auditor.

(**) Alternate Auditor.

Portland West Side Tunnel, Oregon, U.S.A.



Investments held by Directors, Statutory Auditors and General Managers

As required by art. 79 of Consob decision 11971/99, the following table summarises the investments in Impregilo S.p.A. and its subsidiaries held by Directors, Statutory Auditors and General Managers, both directly and via companies under their control, trust

companies or other intermediaries, as reflected in the shareholders' register as of 31 December 2003, notifications received and other information obtained from such Directors, Statutory Auditors and General Managers.

Surname and name	Company	Number of shares held at the end of the prior year	Number of shares acquired	Number of shares sold	Number of shares held at the end of the year
Savona Paolo	Impregilo S.p.A.	377,500		17,500	360,000
Gandini Ezio	Impregilo S.p.A.		200,000		200,000
Garrino Gian Luigi	Impregilo S.p.A.	15,000	25,000		40,000
Gambato Roberto (*)	Impregilo S.p.A.	45,000	45,300		(**) 90,300

(*) General Manager until 30 June 2003, i.e. during the period from 1 January 2003 to 30 June 2003.

(**) Held as property of spouse.

Intercompany and "related-party" transactions (parent company and companies under its control)

Relations between Group companies, both in terms of the vertical integration of production and with regard to the provision of services, are settled on arms'-length terms. In particular:

- sales and purchases at prices applicable between independent operators;
- rentals at property market prices;
- interest at rates applied by banks.

Such transactions mainly comprise:

- services provided by the Corporate structure:
 - managerial, regarding technical and organisational support;
 - financial, regarding the sourcing of loans and the issue of guarantees needed in order to perform work;
 - administrative, fiscal, corporate and insurance services.

- commercial relations, regarding the purchase of machinery, spare parts, raw materials and other materials required for contracts, arising between Tesco, the subsidiary responsible for purchasing and operating companies;
- relations connected with construction contracts and services requested by the Concessions BU when it is awarded infrastructure work to be operated under concession (see "Analysis of performance by area of activity");
- relations connected with contracts awarded by contracting companies to S.G.F.-I.N.C. S.p.A., which specialises in foundations, including the installation of piles and drilling.

Even though not significant in economic terms, relations with related parties include

contracts with Gemina S.p.A. for the supply of services in equipped facilities, assistance with IT systems, the management of external relations and chauffeur services totalling 186 euro/000 each year.

The shares held in Leonardo Holding were previously pledged, until 20 February 2003, to guarantee a loan granted to A.D.R.

On the basis of information received from Group companies, there have not been any strange or unusual transactions.

The Parent Company's transactions and balances as of 31 December 2003 are summarised below, while the details can be found at the end of this report on page 165.

(in euro/000)	Receivables			
	commercial	financial	other	total
Subsidiary companies	121,893	211,698	8,432	342,023
Associated companies	4,604	1,241	251	6,096
Other companies	830,774	185,404	52,864	1,069,042
Total	957,271	398,343	61,547	1,417,161

(in euro/000)	Payables			
	commercial	financial	other	total
Subsidiary companies	18,030	549,281	37	567,348
Associated companies	7,067	118	241	7,426
Other companies	803,395	219,875	93,939	1,117,209
Total	828,492	769,274	94,217	1,691,983

(in euro/000)	Revenues from sales and services	Cost of production	Financial income from services	Financial expense
Subsidiary companies	821		10,517	58,006
Associated companies	361		3,238	
Other companies	41,931	691	17,784	6,471
Total	43,113	691	31,539	64,477

This analysis does not include relationships involving the sharing of revenues or the recharging of costs resulting from joint venture activities abroad and consortia in Italy.

Significant events subsequent to year-end

Construction

On 26 February, Impregilo, as leader of the temporary association of firms formed with Grandi Lavori Fincosit and Consorzio Cooperative Costruzioni, was provisionally awarded the Mestre By-pass work.

The Impregilo-led bid won on the basis of an offer, after price reductions, of about 530 million euro; the final adjudication should be made by 9 April 2004.

On 17 March 2004, the second stretch of the Salerno-Reggio Calabria motorway was provisionally awarded to the consortium comprising Impregilo (51%) and Condotte.

The contracts for disposals by Sterile Services International Ltd, in the United Kingdom, took effect in March. The total value of the transactions is about 2.5 million pounds and lowers bank debt and guarantees by 2.1 million pounds.

Forecast for operations

A number of contracts awarded to Impregilo should be signed during the year; in particular, these relate to the Novara-Milan stretch of the High-Speed Railway, preliminary work on the Milan-Genoa High-Speed Railway (known as the "Terzo Valico"), the contract for the Moses project between Consorzio Venezia Nuova and Impregilo, and the modification to the A4 motorway-the Mestre By-pass. The signature of these contracts will increase and raise the importance of the order backlog, assuring additional profitability and cash flow.

The cash flow generated from ordinary and extraordinary operations means that the bonds maturing during the year, discussed elsewhere in this report, will be repaid on time.

Work to improve efficiency and reorganise working practices will continue to benefit the current year, with consequently higher profit margins both in terms of operating income and with regard to pre-tax results.

Adoption of the new IAS/IFRS accounting standards

Commencing from 2005, Regulation 1606 issued by the European Parliament and the Council of Europe in July 2002 requires the consolidated financial statements of companies listed in EU regulated markets to be prepared in accordance with the IAS/IFRS accounting standards.

During 2003, Impregilo S.p.A. launched a specific project regarding the implementation of the new accounting standards by forming a dedicated working party, comprising both internal and external personnel,

tasked with the following objectives:

- identification of the principal differences between Italian accounting principles and those laid down in the IAS/IFRS, including preparation of the first opening balance sheet (1 January 2004, transition date) and quantification of the related impact;
- implementation of the administrative processes and business information systems that will enable the financial statements and periodic reports to be prepared in accordance with the IAS/IFRS accounting standards.

Analysis of the economic, financial and equity position of the Impregilo Group

Consolidated results

The profit and loss account reports net income for the year of 50 million euro. This amount is analysed as follows:

(in euro/000)	2003	2002	Change
Revenues from ordinary operations	2,678,616	2,401,551	277,065
Other revenues and income	253,826	280,742	(26,916)
Value of production	2,932,442	2,682,293	250,149
Operating costs	(2,604,295)	(2,387,992)	(216,303)
Gross operating margin	328,147	294,301	33,846
Amortisation, depreciation and provisions	(146,656)	(156,724)	10,068
Operating profit	181,491	137,577	43,914
Financial income (expense), results from investments	(81,402)	(75,811)	(5,591)
Adjustments to financial assets	5,000	(17,346)	22,346
Extraordinary income (expense)	10,807	(2,471)	13,278
Results before taxation	115,896	41,949	73,947
Income taxes for the year	(68,015)	(14,985)	(53,030)
(Net income)/loss attributable to minority shareholders	2,582	(1,881)	4,463
Net income for the year	50,463	25,083	25,380

The **value of production** amounted to 2,932 million euro, up 250 million euro (+9.3%). 79.2% of production was generated in Italy (81% in the prior year), 10.3% in Europe (5% in the prior year) and 10.5% in non-European nations (14% in the prior year).

The **gross operating margin** has risen by 11% from 294 to 328 million euro. The incidence of the gross operating margin on the value of production was 11% (similar to the prior year).

The **operating profit** of 181 million euro was 44 million euro higher than in the prior year and represents 6.2% of the value of production (5.1% in the prior year), despite having recorded charges of 25 million euro to cover contingencies and doubtful accounts identified during the year.

Financial income and expense and the results from equity investments have ab-

sorbed 81 million euro (76 million euro in the prior year). They comprise: net interest charged by the banking system, 25 million euro (43 million euro in the prior year); bond interest expense, 58 million euro (48 million euro in the prior year), net interest charged to third parties, 9 million euro (28 million euro in the prior year); losses on foreign currency transactions and items, 18 million euro (3 million euro in the prior year), income from equity investments, 8 million euro (18 million euro in the prior year) and other net financial income.

Adjustments to financial assets have contributed 5 million euro (charge of 17 million euro in the prior year). This caption includes the alignment of the value of companies carried at equity. The charge in the prior year was due to the extraordinary write-down of investments in Argentina and Brazil.

Extraordinary income and expense reflect a net contribution of 11 million euro, comprising the gain on the disposal of the property in Sesto San Giovanni, net of the cost of accepting the tax amnesty.

Income taxes amount to 68 million euro, comprising 16 million euro for Irap, 44 million euro for current corporate taxation, 4 million euro for current foreign taxes and a net balance of 4 million euro in relation to deferred taxation.

Excluding Irap, the average effective tax rate is 45%; the difference with respect to the theoretical rate is partly due to the tax charge on companies with taxable income of 38%, given the taxation of revenues in certain foreign countries regardless of the statutory results reported, and partly to the partial recovery of tax credits in relation to loss-making subsidiaries.

Consolidated balance sheet

The comparative amounts as of 31 December 2002 included in the following table have been appropriately reclassified for the sake of clarity, as discussed in the introduction to the explanatory notes.

The **balance sheet** of the Impregilo Group as of 31 December 2003 is summarised below:

(in euro/000)	31 December 2003	31 December 2002	Change
Fixed assets			
- intangible	179,278	149,351	29,927
- tangible	669,094	522,584	146,510
- equity investments	221,291	243,257	(21,966)
- long-term receivables	288,596	265,521	23,075
Total fixed assets (*)	1,358,259	1,180,713	177,546
Operating capital			
- inventories	615,515	578,546	36,969
- customers	894,068	829,012	65,056
- suppliers	(964,096)	(824,117)	(139,979)
- other assets (liabilities)	(810,496)	(864,746)	54,250
Total operating capital	(265,009)	(281,305)	16,296
Total net capital invested	1,093,250	899,408	193,842
Shareholders' equity			
- share capital	384,029	384,023	6
- share premium reserve	28,986	28,982	4
- revaluation reserve	1,345	1,345	
- legal reserve	21,939	13,383	8,556
- cumulative translation adjustment	(210,788)	(198,450)	(12,338)
- consolidation reserve	1,480	2,102	(622)
- retained earnings	48,926	47,474	1,452
- net income for the year	50,463	25,083	25,380
Total shareholders' equity	326,380	303,942	22,438
Net borrowing (liquidity)			
- borrowing/(liquidity), short term	(240,377)	(153,599)	(86,778)
- borrowing/(liquidity), m/l term	1,007,247	749,065	258,182
Total net borrowing (liquidity)	766,870	595,466	171,404
Total net capital invested	1,093,250	899,408	193,842

(*) Excludes 2,029 euro/000 (2,273 euro/000 as of 31 December 2002) relating to advance taxes paid pursuant to art. 3 of Law 662/1996, and 41,237 euro/000 (41,888 euro/000 as of 31 December 2002) relating to securities held as fixed assets.

Fixed assets, net have increased by 177 million euro. This change comprises:

- investment in waste management plant in the Campania Region, in the urban motorway that crosses Santiago (Chile), and in plant and machinery for the construction of the city of Portland's collector drain and the hydro-electric plant in the eastern part of Iceland;
- equity investments have changed as a

result of adjusting the book value of companies carried at equity, and reclassifying investments in liquidation as current assets;

- long-term receivables have increased by 23 million euro, reflecting the increase in the amount due from Imprepar-Impregilo Partecipazioni S.p.A. This caption includes 288 million euro due from Imprepar-Impregilo Partecipazioni S.p.A.

Faido lot, tunnel Trans Alp, Switzerland



as of 24 February 2003, the date when the company was put into liquidation, since the payment plan prepared by the liquidator indicates that this amount will be recovered in the medium term. Accordingly, the amounts due from this company as of 31 December 2002, previously classified as current receivables, 266 million euro, have also been reclassified to this caption.

Operating capital has increased by 16 million euro, reflecting gross values that are in line with the prior year. The greater volume of production during the year, as reflected in higher revenues from ordinary operations and in the related operating costs, has resulted in increased inventories and higher trade receivables and payables. Normal business dynamics, with the collection of receivables relating to contracts that have been completed or which are almost complete, and with changes in

the amounts due from customers and due to suppliers and subcontractors in relation to contracts in progress that are consistent with the higher volume of production, have resulted in an improvement in the management of both trade receivables, with a reduction in the average collection period by (13) days from (126) to (113) days, and trade payables, with an increase in the average payment period by 1 day from 133 to 134 days.

Consolidated shareholders' equity has increased by 22 million euro, comprising net income for the year of 50 million euro, net of dividends paid totalling 9 million euro, the reduction of 18 million euro on translating the foreign currency financial statements of consolidated companies due to the devaluation of the US dollar against the euro, and the change in the consolidation reserve by 1 million euro.

Consolidated financing position

Borrowing is analysed as follows:

Analysis of borrowing

(in euro/000)	31 December 2003	31 December 2002	Change
Short term			
Liquid funds	482,354	480,389	1,965
Liquid funds Project Financing	150,552		150,552
Marketable securities	6,267	18,508	(12,241)
Financial receivables (**)	275,743	525,216	(249,473)
- inc. due from tax authorities (*)	265,730	229,403	36,327
Due to banks	(352,124)	(451,773)	99,649
Due to other providers of finance	(40,371)	(45,782)	5,411
Financial payables (***)	(82,044)	(72,959)	(9,085)
- inc. due to tax authorities	(72,827)	(40,980)	(31,847)
Bonds issued	(200,000)	(300,000)	100,000
Total short-term balances	240,377	153,599	86,778
Medium-long term			
Financial receivables	21,623	23,954	(2,331)
Capitalised securities	41,237	41,888	(651)
Due to banks	(122,717)	(26,265)	(96,452)
Due to banks Project Financing	(173,500)		(173,500)
Due to other providers of finance	(2,690)	(38,642)	35,952
Financial payables	(5,348)		(5,348)
- inc. due to tax authorities	(3,659)		(3,659)
Bonds issued	(550,000)	(750,000)	200,000
Bonds issued Project Financing	(215,852)		(215,852)
Total medium-long term balances	(1,007,247)	(749,065)	(258,182)
Net financing position	(766,870)	(595,466)	(171,404)

(*) The net financing position excludes deferred tax assets arising from the prepaid taxation of timing differences.

These amount to 121 million euro as of 31 December 2003, compared with 130 million euro as of 31 December 2002.

(**) Excludes intercompany receivables totalling 119,124 euro/000.

(***) Excludes intercompany payables totalling 82,084 euro/000.

Analysis of borrowing

The principal captions comprising the analysis of borrowing are described below:

Entity	Amount (euro/000)
Parent company (head office and branches) and consortia	299,882
Subsidiary companies	110,573
Other operational contracts	71,899
Total	482,354

Liquid funds of 482,354 euro/000 include 78,157 euro/000 recorded by the Parent Company, of which 45,331 euro/000 is restricted to specific projects and 11,454 euro/000 is restricted to guarantee borrowing.

The availability of liquidity despite gross borrowing reflects the nature of the Group's activities and the specific forms of financing arranged (Project Financing). In particular, Impregilo operates via consortia which hold the liquidity deriving from advances paid by customers. The timing and basis for the transfer of funds to the consortium partners depends on financial requirements of the contracts concerned. Secondly, the use of Project Financing limits the risk of recourse at Group level but means that the funds must be frozen, limiting the immediate use of the liquidity available on a temporary basis.

Liquid funds Project Financing - 150,552 (euro/000)

The balance of 150,552 euro/000 represents the unutilised portion of the bond issued by Costanera Norte S.A. (described in the section entitled "Principal events during the year"), which is deposited with the trustee for the transaction and will only become

Liquid funds - 482,354 (euro/000)

Bank and postal deposits amount to 482,354 euro/000, in line with the position as of 31 December 2002, and comprise:

available after the additional work to be performed has been certified by an independent advisor.

Financial receivables - 297,366 (euro/000)

Financial receivables total 297,366 euro/000 (549,170 euro/000 as of 31 December 2002), of which 275,743 euro/000 due in the short term and 21,623 euro/000 due in the medium-long term. The decrease of 251,804 euro/000 is mainly due to the collection of the amounts receivable from Fiat, 186,725 euro/000, and Leonardo Holding S.A., about 53,000 euro/000.

As of 31 December 2003, financial receivables mainly comprise:

Entity	Amount (euro/000)
Receivables from the Tax Authorities:	
- Parent company	156,432
- C.A.V.TO.MI.	35,750
- Cavet	15,998
- Fibe Campania S.p.A.	19,127
- Impregilo Edilizia	9,004
- Ghazi Barotha joint venture	8,692
- Fisla Italmipianti S.p.A.	8,854
- Fibe S.p.A.	7,020
- Others (of which 4,853 receivables from the Tax Authorities)	14,866
Total short-term receivables	275,743
- Due from Leonardo Holding	21,623
Total medium-long term receivables	21,623
Total	297,366



Naples underground, Italy

As described earlier, the Group has deemed it appropriate to take advantage of certain measures that have facilitated the settlement of its fiscal position. This approach has enabled Impregilo, among other matters, to close a number of tax years affected by disputes regarding the "Provisions" made for customer claims. This has removed the reasons that prevented the tax authorities from repaying certain tax credits.

Marketable securities - 6,267 (euro/000)

Marketable securities amount to 6,267 euro/000 and mainly comprise bonds held by Fisia Babcock Environment GmbH, 5,989 euro/000. These bonds, which earn interest at 2.42% p.a., were issued by Ford Credit Europe Bank PLC (England) during 2001 and mature in 2004.

Long-term securities - 41,237 (euro/000)

Long-term securities are essentially unchanged at 41,237 euro/000. The balance

principally comprises Nigerian government securities totalling 31,002 euro/000, maturing in 2020, which are guaranteed in terms of the principal and one year's interest by U.S. Treasury "collateral bonds"; Venezuelan government securities totalling 4,019 euro/000 with annual maturities until 2010, and Brazilian government securities totalling 6,178 euro/000 which mature in 2024.

This caption is analysed below:

Type of security	Issuer	Currency	Market price (**)	Amount euro/000	Interest rate	Last payment date
Nigerian Bond 2020 (*)	Nigerian Central Bank	USD	94.5	31,002	6.25%	November 2020
Par Bond	Federal Republic of Brazil	USD	86.6	4,431	6.00%	April 2024
Discount Bond	Federal Republic of Brazil	USD	83.5	1,747	3.18%	April 2024
Venezuelan Bond	Venezuelan Central Bank	USD	N.a. (***)	4,019	4.00%	December 2010
Total				41,199		

(*) Guaranteed in terms of principal and one year's interest by US Treasury "collateral bonds".

(**) Prices on 8 March 2004.

(***) Official price not available at present; since the date of issue (13 December 1990) all annual repayments have been made on time.

The book value of these securities has not been adjusted to reflect their market value since they will be held until maturity.

Except for the Venezuelan bonds, the above securities totalling 37,180 euro/000 have been deposited with a bank to secure a loan made to Impregilo S.p.A.

Bonds issued - 750,000 euro/000

Bonds total 750,000 euro/000, of which 200,000 euro repayable in the short term and 550,000 euro repayable over the medium/long term. The net decrease with respect to the prior year reflects the repayment during 2003 of bonds issued in October 2001 by Impregilo International Infrastructure N.V., a Netherlands subsidiary.

This caption is analysed below:

Type of security	Amount euro/000	Amount to be repaid	Interest rate	Issue date	Maturity date
Impregilo 2004 FR	125,000		6-month Euribor +1.7%	July 1999	27.07.2004
I.I.I. N.V. 2004 FR	75,000	200,000 in 2004	3-month Euribor +2.2%	August 2002	13.08.2004
I.I.I. N.V. 2005 FR	200,000		6-month Euribor +1.15%	May 2000	31.05.2005
I.I.I. N.V. 2005 FR	140,000		3-month Euribor +2.5%	June 2002	24.06.2005
I.I.I. N.V. 2005 Fixed	210,000	550,000 in 2005	7.25%	June 2002	24.06.2005
Total		750,000			

Protective works for the Venetian lagoon, Italy

The "covenants" and "negative pledges" governing these bonds are in line with normal market terms. The regulations and offering circulars for these bonds can be consulted by reference to the website www.impregilo.it

Bonds issued Project Financing - 215,852 euro/000

As described earlier, Costanera Norte S.A. placed a bond totalling 9.5 million unidad de fomento (216 million euro at the year-end exchange rate) in the Chilean market during December. This bond has the characteristics described below.

Type of security	Amount Unidad de Fomento	Amount euro/000	Interest rate	Issue date	Final repayment date
Costanera Norte S.A.	1,900,000	43,170	5.00%	December 2003	June 2016
Costanera Norte S.A.	7,600,000	172,682	5.50%	December 2003	December 2024
Total	9,500,000				

Due to banks - 474,841 (euro/000)

Amounts due to banks total 474,841 euro/000, comprising 352,124 euro/000 repayable in the short term and 122,717

euro/000 repayable over the medium/long term, in line with last year.

The amounts due to banks mainly relate to:

Entity	Amount (euro/000)
Parent company (head office and branches)	189,328
Subsidiary companies	83,620
Other operational contracts	79,176
Total banks, short term	352,124
Parent company (head office and branches)	45,201
Subsidiary companies	77,516
Total banks, medium-long term	122,717
Total	474,841

Due to banks Project Financing - 173,500 euro/000

Fibe S.p.A. signed a loan contract for 414 million euro during the year, as described elsewhere, of which the amount paid out is recorded in the balance sheet.

Due to other providers of finance - 43,061 (euro/000)

Amounts due to other providers of finance total 43,061 euro/000, comprising 40,371

euro/000 repayable in the short term, and 2,690 euro/000 repayable over the medium/long term.

The net financial position is summarised below. In order to identify the net financial commitment for which the Impregilo Group is directly responsible, the Project Financing liability has been deducted and the guarantees given by the Parent Company, to support borrowing by companies not consolidated line-by-line, have been added.



(in euro/000)	31.12.2003	31.12.2002	Change
Financial payables	(1,278,808)	(1,644,441)	365,633
Financial receivables	72,873	361,655	(288,782)
Liquidity (*)	488,621	498,897	(10,276)
Net amounts due from tax authorities	189,244	188,423	821
Financial payables Project Financing (a)	(389,352)		(388,352)
Liquidity Project Financing (b)	150,552		150,552
Net financing position	(766,870)	(595,466)	(171,404)
Payables Project Financing (a-b)	238,800		238,800
Financing position net of Project Financing debt	(528,070)	(595,466)	67,396
Guarantees given for the borrowing of non-consolidated companies	(237,843)	(418,905)	181,062
Net financial commitment	(765,913)	(1,014,371)	248,458

(*) Comprises: net liquidity and marketable securities.

The guarantees given for the borrowing of non-consolidated companies have decreased by about 181 million euro following the repayments made to banks during the year by Imprepar, 66 million euro; by non-consolidated companies related to Impregilo Edilizia S.p.A., 19 million euro; and by non-consolidated companies related to Impregilo S.p.A., 96 million euro, including 79 million euro regarding work in Italy and 17 million euro regarding work abroad.



Consolidated cash flows

(in euro/000)	2003	2002
A Opening (borrowing)	(595,466)	(708,066)
Operating profit	181,491	137,577
Depreciation and amortisation	115,867	138,407
B Cash flow from activities	297,358	275,984
Changes in operating capital of which:		
- change in inventories	(36,969)	65,654
- change in customers	(65,056)	125,616
- change in suppliers	139,979	79,568
- change in other assets (liabilities)	(88,095)	(115,374)
	(50,141)	155,464
C Cash flow from operations	247,217	431,448
Investment in intangible fixed assets	(45,070)	(92,621)
Investment in tangible fixed assets	(236,286)	(198,326)
Investment in equity investments	(303)	(58,512)
Net value of fixed assets sold	52,216	157,302
	(229,443)	(192,157)
D Available cash flow	17,774	239,291
Financial income/(expense)	(81,402)	(93,157)
Extraordinary income/(expense)	10,807	(2,471)
Fiscal income/(expense)	(68,015)	(14,985)
Dividends paid	(8,807)	
Change in scope of consolidation and other movements (*)	(41,761)	(16,078)
	(189,178)	(126,691)
E Net cash flow for the year	(171,404)	112,600
F Closing (borrowing) (A+E)	(766,870)	(595,466)

(*) The net borrowing position as of 31 December 2002 of the companies that were consolidated for the first time in 2003 was (13,856 euro/000), analysed as follows: Bocoge S.p.A., (18,595) euro/000; Fisia Babcock Environment GmbH, 17,822 euro/000; Mercovia S.A., (13,233) euro/000; New Cross Ltd, 150 euro/000.

Analysis of the economic, financial and equity position of Impregilo S.p.A.

Results of the Parent Company

The **profit and loss account** reports net income for the year of 32 million euro.

(in euro/000)	2003	2002	Change
Revenues from ordinary operations	1,706,072	1,303,631	402,441
Other revenues and income	66,363	131,996	(65,633)
Value of production	1,772,435	1,435,627	336,808
Operating costs	(1,620,080)	(1,269,855)	(350,225)
Gross operating margin	152,355	165,772	(13,417)
Amortisation, depreciation and provisions	(29,679)	(61,301)	31,622
Operating profit	122,676	104,471	18,205
Financial income (expense), results from investments	(35,252)	284,978	(320,230)
Adjustments to financial assets	(35,502)	(107,574)	72,072
Extraordinary income (expense)	10,999	(2,110)	13,109
Income before taxation	62,921	279,765	(216,844)
Income taxes for the year	(30,512)	(108,635)	78,123
Net income for the year	32,409	171,130	(138,721)

The **value of production** amounted to 1,772 million euro, up 337 million euro (+23.5%). The increase in revenues from ordinary operations by 402 million euro reflects the greater volume of production of the High-Speed Railway contracts.

The **gross operating margin** of 152 million euro was lower than in the prior year, which benefited from the invoicing of prior-period costs incurred in relation to the Turin-Novara stretch of the High-Speed Railway.

Depreciation, amortisation and provisions amounted to 30 million euro, which was lower than in the previous year due to the effect, referred to above, of the prior-period costs recognised in 2002.

Operating profit rose 17% from 104 to 123 million euro, which represents 6.9% of the value of production compared with 7.2% in the prior year.

Financial income and expense and the results from equity investments absorbed 35 million euro, while in the prior year they contributed 285 million euro. The 2002 balance included gains on the inter-company sale of the investments in Fisia Italmimpianti S.p.A., Fibe S.p.A. and Fibe Campania S.p.A. totalling 324 million euro.

Adjustments to financial assets absorbed 35 million euro and included the write down of equity investments, this compares with adjustments totalling 108 million euro in

the prior year following the devaluation of the currencies of the South American investments.

Extraordinary income and expense reflect a net contribution of 11 million euro, comprising the gain of 21 million euro on the disposal of the property in Sesto San Giovanni, net of the cost, 10 million euro, of accepting the tax amnesty, Law 289/02, to settle outstanding disputes.

Income taxes amounted to 30 million euro. Excluding Irap, the effective tax rate of 38% is higher than the theoretical tax rate due to the taxation of revenues in certain foreign countries regardless of the statutory results reported, and to the application of flat-rate taxes to certain types of income. The tax charge in the prior year totalled 109 million euro, principally in relation to the capital gain realised on the sale of Fisia Italmimpianti S.p.A. to Hiatus S.p.A., a subsidiary.

Balance sheet of the Parent Company

The comparative amounts as of 31 December 2002 included in the following table have been appropriately reclassified for the sake of clarity, as discussed in the introduction to the explanatory notes.

The **balance sheet** of the Parent Company as of 31 December 2003 is summarised below:

(in euro/000)	31 December 2003	31 December 2002	Change
Fixed assets			
- intangible	118,522	119,101	(579)
- tangible	23,285	3,862	19,423
- equity investments	432,345	593,996	(161,651)
- long-term receivables	288,204	265,521	22,683
Total fixed assets (*)	862,356	982,480	(120,124)
Operating capital			
- inventories	263,384	252,374	11,010
- customers	60,992	41,016	19,976
- suppliers	(79,381)	(49,174)	(30,207)
- other assets (liabilities)	(405,039)	(675,502)	270,463
Total operating capital	(160,044)	(431,286)	271,242
Total net capital invested	702,312	551,194	151,118
Shareholders' equity			
- share capital	384,029	384,023	6
- share premium reserve	28,986	28,982	4
- legal reserve	21,939	13,383	8,556
- other reserves	2,894	2,894	
- retained earnings	40,998	(112,569)	153,567
- net income for the year	32,409	171,130	(138,721)
Total shareholders' equity	511,255	487,843	23,412
Net borrowing (liquidity)			
- borrowing/(liquidity), short term	162,398	(100,331)	262,729
- borrowing/(liquidity), m/l term	28,659	163,682	(135,023)
Total net borrowing (liquidity)	191,057	63,351	127,706
Total net capital invested	702,312	551,194	151,118

(*) Excludes 1,574 euro/000 (1,694 euro/000 as of 31 December 2002) relating to advance taxes paid pursuant to art. 3 of Law 662/1996.

Fixed assets, net have decreased by 120 million euro.

This change comprises:

- investment in tangible fixed assets of 19 million euro, principally in relation to work on the hydro-electric plant in Iceland;
- net decrease in equity investments by 162 million euro due to stating all holdings net of the provisions for losses on equity investments that were previously classified among the liabilities. These movements

are detailed in the explanatory notes;

- long-term receivables have increased by 23 million euro: this caption now includes 288 million euro due from Impregilo Partecipazioni S.p.A.

Operating capital has increased by 271 million euro. This increase reflects the decrease in the provision for losses on equity investments, described in the section on "Equity investments", by 168 million euro,

as well as the net change in the inter-company balances with the leaders of the Business Units and other subsidiaries, 103 million euro.

Shareholders' equity has increased by 23 million euro, comprising net income for the year of 32 million euro, net of dividends paid totalling 9 million euro.

Financing position

Borrowing is analysed as follows:

Analysis of borrowing

(in euro/000)	31 December 2003	31 December 2002	Change
Short term			
Liquid funds	78,157	54,358	23,799
Marketable securities	274	116	158
Financial receivables (*)	159,809	220,001	(60,192)
- inc. due from tax authorities	156,432	149,900	6,352
Due to banks	(189,328)	(143,515)	(45,813)
Due to other providers of finance	(33,876)	(12,642)	(21,234)
Financial payables (**)	(52,434)	(17,987)	(34,447)
- inc. due to tax authorities	(44,197)	(13,444)	(30,753)
Bonds issued	(125,000)		(125,000)
Total short-term balances	(162,398)	100,331	(262,729)
Medium-long term			
Financial receivables	21,587	23,954	(2,367)
Capitalised securities		1	(1)
Due to banks	(45,201)	(25,406)	(19,795)
Due to other providers of finance		(37,231)	37,231
Financial payables	(5,045)		(5,045)
- inc. due to tax authorities	(3,659)		(3,659)
Bonds issued		(125,000)	125,000
Total medium-long term balances	(28,659)	(163,682)	135,023
Net financing position	(191,057)	(63,351)	(127,706)

(*) Excludes intercompany receivables totalling 376,756 euro/000.

(**) Excludes intercompany payables totalling 769,274 euro/000.

Analysis of borrowing

The principal captions comprising the analysis of borrowing are described below:

Liquid funds - 78,157 (euro/000)

Bank and postal deposits amount to 78,157 euro/000, compared with 54,358 euro/000 as of 31 December 2002 and comprise:

Entity	Amount (euro/000)
Head office	61,655
Branches	16,502
Total	78,157

Liquid funds of 78,157 euro/000 include 45,331 euro/000 restricted to specific projects and 11,454 euro/000 restricted to guarantee borrowing.

Financial receivables - 181,396 (euro/000)

Financial receivables total 181,396 euro/000

(243,955 euro/000 as of 31 December 2002) of which 159,809 euro/000 due in the short term and 21,587 euro/000 due in the medium-long term. The decrease of 62,559 euro/000 is mainly due to the collection of amounts receivable from Leonardo Holding totalling about 53,000 euro/000.

Turin Novara section of the high speed railway line, Italy



As of 31 December 2003, financial receivables mainly comprise:

Entity	Amount (euro/000)
Receivables from the Tax Authorities:	
- Head office	153,240
- Branches	3,192
- Others	3,377
Total short-term receivables	159,809
- Due from Leonardo Holding	21,587
Total medium-long term receivables	21,587
Total	181,396

Bonds issued - 125,000 (euro/000)

Bonds total 125,000 euro/000 and comprise:

Type of security	Amount euro/000	Amount to be repaid	Interest rate	Issue date	Maturity date
Impregilo 2004 FR	125,000		6-month Euribor + 1.7%	July 1999	July 2004
Total		125,000			

Due to banks - 234,529 (euro/000)

Amounts due to banks total 234,529 euro/000, comprising 189,328 euro/000 repayable in the short term and 45,201 euro/000 repay-

able over the medium/long term (168,921 euro/000 as of 31 December 2002).

The amounts due to banks mainly relate to:

Entity	Amount (euro/000)
Head office	172,617
Branches	16,711
Total banks, short term	189,328
Head office	45,201
Total banks, medium-long term	45,201
Total	234,529

Due to other providers of finance - 33,876 (euro/000)

Amounts due to other providers of finance total 33,876 euro/000, compared with 12,642 euro/000 at the end of the prior year, an increase of 21,234 euro/000.

The following table also summarises the guarantees given by the Parent Company so that non-consolidated companies can obtain loan finance. This information therefore shows the total commitment of the Parent Company to providers of finance.



(in euro/000)	31.12.2003	31.12.2002	Change
Financial payables	(403,028)	(348,337)	(54,691)
Financial receivables	24,964	94,056	(69,092)
Liquidity	78,431	54,474	23,957
Net amounts due from tax authorities	108,576	136,456	(27,880)
Net financing position	(191,057)	(63,351)	(127,706)
Guarantees given for the borrowing of non-consolidated companies	(237,843)	(418,905)	181,062
Net financial commitment	(428,900)	(482,256)	53,356

The guarantees given for the borrowing of non-consolidated companies have decreased by about 181 million euro following the repayments made to banks during the year by Imprepar, 66 million euro; by non-consolidated companies related to Impregilo

Edilizia S.p.A., 19 million euro; and by non-consolidated companies related to Impregilo S.p.A., 96 million euro, including 79 million euro regarding work in Italy and 17 million euro regarding work abroad.



Ponte de Pedra hydroelectric plant, Brazil

Cash flows

(in euro/000)	2003	2002
A Opening (borrowing)	(63,351)	(48,644)
Operating profit	122,676	104,471
Depreciation and amortisation	27,115	61,302
B Cash flow from activities	149,791	165,773
Changes in operating capital of which:		
- change in inventories	(11,010)	(113,412)
- change in customers	(19,976)	110,450
- change in suppliers	30,207	(69,811)
- change in other assets (liabilities)	(204,516)	(175,660)
	(205,295)	(248,433)
C Cash flow from operations	(55,504)	(82,660)
Investment in intangible fixed assets	(36,882)	(70,482)
Investment in tangible fixed assets	(21,885)	(907)
Investment in financial fixed assets (*)	(303)	(63,542)
Net value of fixed assets sold	52,006	20,651
	(7,064)	(114,280)
D Available cash flow	(62,568)	(196,940)
Financial income/(expense)	(35,252)	284,978
Extraordinary income/(expense)	10,999	(2,110)
Fiscal income/(expense)	(30,512)	(108,635)
Dividends paid	(8,807)	
Other changes	(1,566)	8,000
	(65,138)	182,233
E Net cash flow for the year	(127,706)	(14,707)
F Closing (borrowing) (A+E)	(191,057)	(63,351)

(*) Stated net of non-monetary items arising from intercompany transactions reclassified to the changes in other assets (liabilities).