TODINI COSTRUZIONI GENERALI S.p.A.

Rome - Via del Serafico 200

Share capital Euro 31,705,620

Registered in the Register of Companies – Rome Office

Tax Code: 08105460581

Rome R.E.A. no. 644647

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ANNUAL REPORT

CONSOLIDATED FINANCIAL STATEMENTS AS AT 31.12.2006

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Dear Shareholders,

The consolidated financial statements for the financial year ended as at 31.12.2006, which we submit for your approval and acceptance, reconfirm the objectives defined in the Industrial Plan, with special reference to growth of the revenues.

Its most significant figures are summarised below:

- **value of production** was equal to € 369.5 million, registering an increase of 15.52% in production with respect to the previous financial year;
- **the gross operating margin (EBITDA)** totalled €22.0 million, equal to 5.9% of the value of production (€ 30.4 million during the previous financial year). It has seen a significant decrease with respect to forecasts as a result of the negative economic trend registered by the Algeria Branch; details are contained in the chapter illustrating industrial activities. We are nevertheless pleased to note that, once the

economic activities of the Algeria branch are taken into account, the figure is in line with the objectives which have been set.

- **EBIT** was equal to € 2.4 million (positive for €12.4 million in 2005).
- **Net consolidated profits** totalled €1.3 million after amortisations and allocations to provisions, with €4.3 million being allocated for taxes for the subject year.
- **Net financial position** was equal to € (-52.9) million (€ (-76.5) million during the previous year);
- The **Orders Backlog** at the end of the period totalled € 1,050.8 million (€ 984.7 million as at 31.12.2005).

Results, with the exception of what has been described above, are satisfactory and have encouraged the Group to proceed in implementing its own Business Model, in spite of the sale of the participation in Ediltevere S.p.A. and the relative write-off.

The **Model** has allowed the Group to develop and define – starting in 2004 - an Industrial Plan aimed at "**creating value**" by means of a process based on:

- organisational and organic growth;
- enhancing skills;
- developing human resources.

This has allowed us to note how the changes (both in terms of laws and competition) expected on the market of large projects which drive **critical success factors** towards (i) a large company model, (ii) the skills of General Contractor and (iii) access to innovative forms of financing have been correctly interpreted. Businesses operating in more developed countries must prepare increasingly complex and qualified offers while works tendered in more traditional ways will increasingly be for businesses from developing countries.

As a result of the strategies adopted, the Parent Company – in the 2004/2006 three year period – has **doubled its Orders Backlog** from the outside, entering new markets and gaining access to different types of tenders.

As a result, the Parent Company, in the 2004-2006 three year period has significantly expanded the number of machinery, plant and equipment its has in use (figures almost trebled). The Company has begun to perform internal activities considered strategic and which require the highest rate of specialisation.

As such, what must be considered are the actions undertaken to strengthen **the Group's competitive advantage** in the Market - within the scope of a strategy for company growth, diversification and consolidation set out by planning instruments; with a specific focus on actions aimed at increasing the Backlog of Orders by acquisition of companies; and on actions consolidating the presence of the Parent Company in foreign markets where, in conditions of controlled risk, it is possible to generate greater income.

We believe therefore, that special mention must be made of the strategy outlined and of the actions which have been put in place by the Board of Directors of the Parent Company to acquire orders and/or take on activities that will guarantee greater profitability with respect to the company's track record.

- ***Increasing the Backlog of Orders by acquisition of companies***

  ACQUISITION FROM CONSORZIO RISALTO OF THE “VARIANTE DI VALICO” PROJECT (OWNER: AUTOSTRADE PER L’ITALIA S.P.A.)

It is well knownthat the Consorzio Stabile Risalto,participated by the Parent Company, Salini Costruttori S.p.A. and Rizzani De Eccher S.p.A. (henceforth, in short, “Salini and “Rizzani”) pursuant to and to the effects of Articles 10 and 12 of Law 109/04 was awarded the projects listed below:

- from the Company “Autostrade per l'Italia S.p.A.”, the construction of the new route of the Apennines crossing “Autostrade A1 Galleria di Base – Lotto 9–11 – Variante di Valico” for a total of € 498.5 million;
- From the company “Roma Metropolitane S.p.A.” the works for the “Metropolitana di Roma – Linea B1” for € 353.2 million.

In the annual report on the 2005 financial year, special mention was made of the legal-technical process which saw Salini and the Parent Company become the legitimate and exclusive contractors, respectively, for Roma Metropolitana S.p.A. and Autostrade per l’Italia S.p.A.

The work acquired by the Parent Company represents one of the most important interventions by Autostrade per l’Italia S.p.A., aimed at upgrading the A1 by executing the Variante di Valico (*Valico Bypass)* at the 48 Km of the Apennines section between Sasso Marconi and Poggiolino in order to improve the road network and reduce the travel timeneeded between Bologna and Florence. Overall investments are estimated at approximately € 2,268 million (*source Autostrade per l’Italia*).

The order in the Backlog reflects the symbolic value of the Variante di Valico works; that is the Galleria di Base. This is a tunnel with separate carriage-ways, a twin-tubes tunnel (each with a 160 m² section and approximately 8.6 Km in length) which will connect Emilia Romagna and Tuscany, linking the future service area of Badia Nuova in the north with a new junction at Poggiolino in the south.

The 11.2 Km section will see an overall investment of € 779.5 million (*source Autostrade per l'Italia*).

From a contractual point of view, please note that in 2005 the Parent Company signed a variation order to the contract which increased the contractual total from €498.5 million to €551.9 million while at the same time defining provisions in accordance with the procedure ex Art.31 bis of Law 109/94 for a total of € 27.8 million, already entirely cashed in.

With the provision dated November 11, 2006 ANAS approved the Relative Expert Report on the Additional, Technical Variation.

During the financial year in question, a further Amendment to the Contract was signed raising the contractual total by approximately € 9 million, bringing the total value of works to € 561.30 million.

This amendment to the contract concerned integrations/variations for € 3.0 million with respect to works and € 6.0 million for safety and security.

The most important works subject to variation were the Viadotto Casaglia, the slope, and additional works to integrate and consolidate service road network works and works on the Badia Nuova service area.

In terms of production, the following works have been completed:

- Campo and Badia Nuova worksite; Roncobilaccio; Pallareto and Poggiolino (with the exclusion of environmental engineering works)
- Bypass 16 (with the partial exclusion of the wear carpet);
- Bypass Citerna Poggiolino;
- Artificial Tunnel of Badia Nuova (excluding waterproofing).

With respect to the percentage of works carried on primary works and galleries, projects as at December 31. 2006 stood at:

- Galleria Poggio Civitella:	84%;
- Viadotto Badia Nuova:	22%;
- Viadotto Setta I:	23%;
- Base Tunnel:	9%;
- Slope:	35%;
- Viadotto Casaglia:	9%;

Overall production for the month of December 2006 was equal to approximately 18% of the contractual total.

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TRANSFER FROM GI.CO. COSTRUZIONI SPA BANKRUPTCY TRUSTEE OF THE BUSINESS LINE INCLUDING WORKS COMMISSIONED BY THE MINISTÈRE DES RESSOURCES EN EAU – ALGERIA.

The annual report on the 2005 financial year mentioned the purchase of the Algeria “line of business” of the bankrupt GI.CO. Costruzioni – joint stock company,: including:

- all of the shareholdings in the Consortium "GI.CO-Todini" which held the project to construct the Main rain water collector in the City of Algiers – commissioned by the *Ministère des Ressources en*

Eau Direction des Ressources Hydrauliques et de l'Economie de l'eau de la Wilaya d'Alger;

- the hydraulic rehabilitation work for the "El Harrach" River, lots 1, 2, and 3, from the same Client;
- The already executed "design, supply and supervision" project for the construction of the interchange at "Piazza 1° Maggio". The project was performed as subcontractor of ENGOA-SAPTA;
- Machinery and equipment.

Following the transfer, the Consorzio ""GI.CO.-Todini", whose name was changed to Consorzio Todini Algeria, transferred the company branch "lavori Algeria" to the parent company. This included the contract to construct the Main rain water collector in the City of Algiers.

As a result of the facts described above and subsequent contractual changes which took place, the Group increased its Backlog of Commissions by a sum equal to € 62 million and acquired machinery and equipment for a total value of € 2.3 million as at December 31, 2006, following amortizations for € 0.8 million.

➢ ***Consolidation in foreign markets and greater income capacity where the Parent Company already operates.***

Amongst the most important results obtained within the scope of the works carried out by the company, special mention must be made of;

- The **expansion of the corporate structure in Algeria** which, combined with greater visibility and reliability enjoyed by the Parent Company and - as mentioned above - following the acquisition of a new client, that is the Ministry for Water Resources, allowed the company to consolidate its position on the Algerian market.

In this respect, special mention must also be made of the contract signed on May 27, 2006 and the delivery of works which took place on June 5, 2006 for the Dam of Kef Eddir works – Client *Agence Nationale des Barrages et Transferts (ANBT)* – in partnership with Pizzarotti S.p.A. for a total of € 72.4 million (group share of € 36.2 million).

Furthermore, the International Consortium *Mediterrail*, led by Alstom Transport and the Parent Company leader for the civil works with a local partner, signed a turn-key contract to construct a **Tramway in Algiers** with *Entreprise du Métro d'Alger* for € 351.2 million on June 26, 2006.

The project focuses on the construction of the first city tram line in Algeria for an overall length of approximately 16.3 km, between the stations of Ruisseau and Bordij El Kiffan.

The project is divided into two lots:

– *Lot Infrastructures*: engineering works such as earthworks, 5 main bridge-works, paving, lighting, urban decoration, etc. with respect to which the Parent Company is acting as leader contractor;
– *Lot Système*: engineering works such as tracking, electric traction, signalling, etc and the supply of rolling stock (29 trams with an approximate length of 45 m each).

Works are scheduled to last 36 months.

Negotiations are currently in progress for the award of the extension of the line between the stations of Bordij el Kiffan and Dergana, for an overall length of 6.9 km.

Lastly, please note that the Parent Company, in partnership with Pizzarotti, CMC and GLF has submitted the most advantageous technical-economic offer to carry out works on the railway tracks at Boumedfa-Djelfa for 266 km (lot LGV2). Unfortunately the tender, together with other tenders on High Speed Trains, was cancelled last December and later re-issued for a single railway track with “large capacity” design speed.

- **Consolidation of the Parent Company in Central Asia and the former Soviet Union**, for which a marked increase in market opportunities was registered as a result of growing demand for infrastructure connected to works to extract petrol and minerals.

  The overall size of the Backlog as at December 31, 2006, equal to € 205 million (€ 48.8 million as at December 31, 2005) is proof of the success of the marketing efforts made to achieve the abovementioned objectives. These figures come in part from the acquisition of two new orders, one for the reconstruction of the Atyrau-Dossor road, Karbatan ì- Dossor tract from Km 317 to Km 382 for a total of € 39.8 million and the reconstruction and widening of the Astana-Shchwchinsk road for an increased total as a result of changes to the project for € 95.5 million.

  Furthermore, what must also be noted is that:

- the offer prepared by the Parent Company for reconstruction works from Km 28 to Km 98 (lots 1 and 2) of the **Baku-Semur (Azerbaijan) section of road** was deemed to be the most advantageous;
- the same result is expected for the offer prepared by the Parent Company in partnership with Renco S.p.A. for the **Agip KCO Office Complex in Atyrau (Kazakhstan);**
- **Market penetration in Ukraine** is set to take place with the acquisition of the order for reconstruction works of a **tract of approximately 93 km of the M06 Kiev-Chop motorway,** which is expected to be finalised by the 1st semester of the current year.

  The Parent Company is also participating in other tenders in Ukraine (reconstruction works on the M06 Kiev-Chop Motor pay from Km 128 +100 to Km 348 + 000) with the aim of consolidating its presence in a market which will offer a number of significant opportunities in the future, also with respect to expected investments connected to the European Cup in 2012.

  Furthermore, please note that the all contracts already been obtained and contracts which the Company is confident of obtaining, include prepayment of a sum equal to between 10% and 20% of the overall contract sum.

➢ ***Achieving greater profitability with respect to the Company's track record***

The Group's Industrial Plan has set two operational objectives in this respect:

- Penetrate **new foreign markets,** paying maximum attention to the dynamic of investments and of financial flows;
- Start-up new **initiatives** both, in Italy and abroad, to be acquired with **methods other than traditional tenders** and to be diversified, with special reference to opportunities offered by the market for developing and managing real estate.

From an organisational point of view, on the one hand it was decided to strengthen the **Business Development Unit**, while on the other to **focus exclusively on the operational objectives described above**.

Consequently, commercial activities regarding the geographical areas where the company is already present have been entrusted directly to the Operational Line (local Project Managers).

The Business Development Unit, with respect to the first operational objective, **focused on penetrating the Arabic Gulf market.**

With respect to the second operative objective, the Parent Company intends to plan activities aimed at obtaining **greater presence in the Public Private Partnership (PPP) market** which includes the construction and management of public works through *Project Financing Initiatives*. This decision was not just driven by the need to increase the Orders Backlog in traditional core businesses as a result of PPP, but **also and primarily in order to truly diversify** activities within a market with profitability matching the objective of return on investment.

From a legal point of view, the European Commission has been asked to launch initiatives in order to best clarify the differences between contractual PPPs and institutionalised PPPs.

Hopefully, the present EU "recommendations" will not be accepted with regard in particular to the measures which significantly constrict initiatives by the private partner during the life-long partnership period and restrict free competition downstream of concessions entrusting tenders and supplies.

With respect to the Parent Company and so-called contractual PPPs (concessions), its aim will be focused on products and very specific cuts to investments.

In terms of so-called institutionalized (mixed company) PPPs, projects with a strong real estate component will be privileged, involving participation in the areas of institutional and financial investments.

With regards to the latter, what must be stressed is that the **Parent Company**, given the *Business* model it has adopted, is one of the most convincing examples of *General Contractors* **capable of** penetrating the Construction market in its entirety through its own ability to **compete on the market in terms of complex, multidisciplinary works**.

The Board of Directors of the Parent Company is firmly convinced that interesting opportunities may emerge from projects aimed at adding value to the territory or to parts of medium/large sized cities. In this area the Parent Company is autonomously able to take on the designated role of Partner with Public Administrations. That is to say the Parent Company is able to set up a continuous and efficient dialogue with public bodies, the world of production and society as a whole, as it exists and operates in the area in question; at the same time the Parent Company is capable of autonomously organising multidisciplinary works (putting in place infrastructure and developing real estate) employing to this end the know-how matured within its own over-all organisation, required by such projects.

The Parent Company is already acting in this capacity.

In JV ("ATI") with local businesses it was awarded - following a complex procedure provided by Art. 37 bis and following (promoter procedure) of Law 109/94 and later modifications and integrations (Merloni Law) – in concession the intervention to complete Corso del Popolo within the scope of the specific plan "Zona Corso del Popolo" by the Municipality of Terni.

The intervention to complete the works is carried out under concession contract. The compensation for this work is (i) the transfer by the Owner of part of a building plot to the Concessionaire, **where the latter is carrying out real estate, residential, commercial and office development works** and (ii) of the right to **manage and operate an underground parking lot with approximately 1000 spaces for thirty years.**

This initiative, with others which are also being carried out within the urban works market, allows the Group to manage an **Additional Diversified Backlog** in terms of **the Development and Management of Real estate equal to approximately € 218 million** (value of the building product as at December 31,2006 estimated at the end of the production period). With respect to the **concession segment the backlog is equal to approximately € 45 million**.

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Other events which have also **marked the activities of the Group in the financial year currently being examined** are described below.

- ***The transfer of shareholding in the subsidiary EDILTEVERE S.p.A***.
- The transfer falls within the scope of a strategic plan which the Parent Company has decided to implement, focusing on those parts of the public works market which in terms of amounts and categories are more coherent with the Industrial Plan.

  Within this scope, the Parent Company accepted the offer made by Tiesse Holding, which had undeniable financial and economic benefits.

  The write-off of EDILTEVERE S.p.A. has two direct consequences: the first is one in accounting terms. The second direct consequence is that this write-off made it possible for human and technical resources dedicated by the Parent Company to EDILTEVERE S.p.A to be withdrawn and to be more profitable employed in activities more closely connected to the scope of industrial strategies it has taken on.
- The transfer described above resulted in an operation which may be seen as a logical consequence, even in terms of strategy, of a further concentration of shares around a single subject: with the acquisition by the Controlling Company of the Parent Company – Todini Finanziaria S.p.A., of a further shareholding equal to 794,000 shares. These last,

combined with the 5,300,900 shares it already held, total 6,094,000 shares, equal to an overall shareholding of 99.19%.

As at this date, therefore, the shareholdings are completed by the 0.81% of shares held by a physical person, Ms. Luisa Todini: having total control of Todini Finanziaria S.p.A., Ms. Todini can be described as the only shareholder with (directly and indirectly) control over the entire shareholdings of the Parent Company, Todini Costruzioni S.p.A.

- **The spin-off of the business line inherent to agricultural-rural activities and the transfer of this line to a newly established limited liability company** entirely held by the Parent Company and known as Domus Etruria S.r.l.

  This operation and the resulting transfer of the company described above, which took place in December 2006, falls within the scope of a larger corporate plan which already saw the divestiture of other assets no longer deemed to be strictly functional to the works typically carried out by the Parent Company (the transfer of the Pomezia complex, the transfer of the rural complex with its annexes in the Municipality of Acquasparta).

- Signing the out-of-court agreement (ex Art. 31 bis) on February 7, 2006 with the Licence Holder ANAS to close the dispute regarding **the State Road 131 "Di Carlo Felice"** for a total of approximately € 1.8 million cashed in March 2006.

- Formalising the agreement which provides for ANAS accepting an award issued following the dispute relative to **Lot 9 of the Salerno-Reggio Calabria** – with confirmation of the resolution of the tender contract *inter partes* and with a sum of € 5 million cashed in last December being finally recognised.

- The agreement reached following preliminary proceedings, ex Art. 31 bis, with Ferrotramviaria S.p.A. to resolve the dispute regarding the **execution of works on a railway-metro connection between the stations of Bari and Lamasinata.** The sum of € 5.5 million was recognised; within the scope of this agreement formalised on May 26, 2006, the Parent Company was entrusted with finishing works consisting in completing engineering works in four stations and putting in place fire-fighting, air-conditioning, electrical and fluid systems in the same stations, as well as emergency accesses in the tunnel, totalling approximately € 6 million.
- Maximum focus was placed on all actions aimed at defining disputes from a certain number of works, currently being carried out or recently closed. More in detail:
  - Procedures ex Art. 31 bis have been started for the works "**Menaggio by-pass**" and "**Viabilità Accessoria Roma-Aeroporto di Fiumicino**" and with RFI to amicably resolve the dispute regarding the "**Milano – Lecco railway track doubling**".
  - The start up of arbitral proceeding to settle the dispute with ANAS regarding the works to modernize four lanes of **the Grosseto-Fano SGC highway** (**Grosseto – Siena branch, Lot 9**),

    These proceedings closed on April 24, 2007 with the granting of an arbitral award which, for the most part, accepts the requests made by the Parent Company, albeit penalising its economic aspects with respect to the expected outcome.

THE MARKET AND THE COMPETITIVE POSITION OF THE PARENT COMPANY

Before commenting market trends with respect to the Parent Company, we believe that a number of general **macroeconomic figures** from the IMF should be briefly analysed and discussed.

In 2006 GDP for the entire world grew in real terms by 5.4%. This was comprised of a growth of 3.1% (2.5% in 2005) attributable to developed economies and a growth of 7.9% (7.5% in 2005) which took place in other countries (emerging economies and developing economies).

Among the latter, remarkable the growth in areas in which the Group is directly interested in, such as the CIS (+7.7%) Central-Western Europe (+6.0%), Algeria (+2.7%) and the Middle East (+5.7%).

Trade volumes for goods and services also grew 9.2% overall, with a growth higher than the average registered for the 2001-2005 five year period.

In the Eurozone, GDP growth was equal to 2.6% (1.4% in 2005). In Italy an increase of 1.9% was registered (the highest rate seen in the last 5 years).

Italy, however, is still lagging severely behind in terms of labour productivity, which increased by 1.1% in 2006 compared to an average increase of 4% in the Eurozone.

Looking at the **European building sector** more closely (source Euroconstruct), in 2006 the sector grew by 3% (double what it grew in 2005) reconfirming a growth cycle started in 1994 (with a stagnation period in 2003-04) at an average rate of 1.8% and a forecast which sees it increasing by an average of 2% in the next three years.

Spain has reconfirmed its position as the country with the largest market in terms of size (16% of the total), ahead of Germany (15%), Great Britain (15%), France (14%) and Italy (14%).

In Eastern Europe the Slovakian (+14%) and Polish (+10%) markets have registered the greatest growth.

Markets of our interest such as the Maghreb, the Middle East and the CIS, have also been reconfirmed as being highly dynamic.

Within the European perspective, **Italy** is marked by a **highly fragmented offer**, since it is the country in which the greatest number of businesses (548,000) are found to be operating in the sector. The vast majority of these have less than 10 employees.

The schedules below show the tenders for public works published in 2006 and 2005 analysed by size and contain a breakdown of those which could be defined as being part of the "New Market".

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	2006		**2005**		**Var. % - 06/05**	
TENDER by size (€)	Number	Total (€/million)	Number	Total (€/million)	Number	Total
Up to 6,197,000	28,835	13,797	31,175	15,409	- 8%	- 10%
6.197.001 – 18.592.000	335	3,330	361	3,663	- 7%	- 9%
18.592.001 – 50.000.000	79	2,242	94	2,867	- 16%	- 22%
50.000.001 – 75.000.000	12	759	22	1,387	- 45%	- 45%
75.000.001 – 100.000.000	**4**	**367**	**7**	**596**	**- 43%**	**- 38%**
Oltre 100.000.000	**11**	**5,595**	**17**	**7,490**	**- 35%**	**- 25%**

Total	**29,276**	**26,091**	**31,676**	**31,412**	**- 8%**	**- 17%**

Source: ANCE

NEW MARKET TENDER (by type of procedure, for tenders with a known total)	**2006**		**2005**		**Var. % 2006/05**	
	Number	Total (€/million)	Number	Total (€/million)	Number	Total
Concessions and PPP	250	8,770	219	3,548	+ 14%	+ 147%
Design and build tenders	488	1,974	594	4,710	- 18%	- 58%
Concept design, design and build tenders	143	715	149	559	- 4%	+ 28%
General Contracting	4	1,615	2	3,690	+ 100%	- 56%
Total New Market	**885**	**13,074**	**964**	**12,507**	**- 8%**	**+ 5%**

Source: OICE

The following can clearly be seen from the statistics:

- an overall decrease in traditional tenders of any size as well as a decrease in Design and build tenders and a fall in unit values for the 4 tenders of the General Contracting type.
- An increase of tenders ex Art. 19 (construction and management concessions) and tenders ex Articles 37 bis and quarter (tenders proposed by the so-called "promoter").

With reference to the only type which has seen an increase, that is Public-Private Partnerships (PPP), ANCE data shows an increase of PPP tenders with respect to public works with a growth in incidence from 16% to 21% and a peak of 40% in tenders between 50 and 500 million euro range.

The most popular works, in terms of financing for the project, are cemeteries (average sum of € 7.2 million) and parking lots (average sum of € 12.9).

On the other hand, with respect to 2006, tender award proceedings pursuant to the procedures of the promoter and concession tenders have been relatively residual (113 against 247 in 2005 and 203 in 2004).

The longer lengths of time taken to award these tenders, combined with the reduction in the number of tenders issued and the overall sum total subject of the tender, cannot but give rise to worries over the future of the sector in a country such as Italy which, on the contrary, appears to be in need of significantly increasing investments in order to catch up with other European Union countries in terms of infrastructure.

With this respect, precise, positive signals are expected from the DPEF (Government's Economic and Financial Planning Document): more specifically, an Infrastructure appendix which should outline a "Priority Plan" for the current government in terms of putting in place infrastructure.

However, as previously mentioned, the Board of Directors of the Parent Company has maintained its competitive position on the national and international market through a process based on strategic planning and constant focus in order to identify the critical success factors necessary to obtain all possible opportunities to strengthen its position.

In-depth and continuous market monitoring is carried out as a result. This is aimed at selecting markets in which the company can compete based on an accurate analysis of economic, financial and political risks, the business opportunities forecast in the medium to long term and on the dependability of the client. With respect to the latter, what must be stressed is that the

Company only focuses on clients with a proven track record in terms of reliability and solvency.

ORGANISATION AND STAFF

The Industrial Plan – as mentioned above – is centred specifically on adding value to human resources, seeing them as a primary factor of success and inviting their involvement in preparing corporate planning as well as seeing them as the driving force behind the reasons and focus of all works to attain the company's underlying objectives.

The Board of Directors of the Parent Company has made and will continue to make every effort to ensure a modern, efficient and effective organisational structure for the company. The aim is to build a structure in constant evolution, capable, on the one hand, of consolidating the Group's competitive position as required by the planned growth dynamic characterizing the past financial years and which will continue to mark all company activities, while stimulating a sense of belonging to the same Group.

As such, the following lines of action have been implemented by the Parent Company.

- Coherently with the multi-segmented strategy pursued by the **corporate structure–** as mentioned above – two **macro-areas (Commercial and Operational) have been developed. P**roduction management has been organised by production line (Complex Projects - Italian - Foreign Infrastructure - Real Estate Development and Management).

- A two year program was put in place with the objective of, firstly, ensuring **significant improvement in processing and communicating data between operative units** and, secondly, **implementing an ERP system** (developed on an Oracle "EBS" platform). This system will allow for company management processes to be integrated, starting from the planning stages, and will ensure monitoring through its own software also developed with an Oracle database and tools.

  The first phase of the program has already been put in place. **In January of 2007 work on the ERP System began**. Its use is not limited to offices belonging to the Parent Company and in production units in Italy, but has also been extended to the Algeria Office, following a specific review of operative procedures, described below in greater detail.

  What must be taken into account is that, since 1997, the Parent Company has been equipped with a three-year planning system based on a yearly system. The ERP system **ensures greater control on the evolution of financial indebtedness**, a parameter which is a primary concern of the Board of Directors of the Parent Company. The Board has focused on this issue in order to:

  - ensure acceptable differences between generated cash flows and forecast cash flows.
  - improve purchase conditions for goods and services with respect to sales, even taking into account financial profiles.

In order to achieve this objective the Board of Directors of the Parent Company determined that the Operating Area needed to be given further responsibilities, in particular in terms of production and cash flow trends, and as such redistributed the criteria for awarding financial resources.

- The growth of the Group has lead to a greater need for competitiveness with respect to supplying internal services to production units, with the objective of evaluating possible openings to the outside.

  As such, a **Business Unit was established to organically manage the Number of Machines, Equipment, Deposits and Worksites in Use answering to this Unit**.

  The Business Unit is progressively putting into place a plan to divest itself of old machinery while increasing the number of more modern and efficient machinery .

  Approximately € 22 million were invested during the course of the financial year. These were, for the most part essentially funded by leasing (€ 18 million).

  In April of the current year, regulations for relations between Business Units and Leasing Units were issued. These also established the criteria of competitiveness - an integral part of the definition of technical rentals.

- The Parent Company is committed to a large, complex series of works aimed at closing **contractual positions taken on in Italy and which are no longer operative.** These often lead to **cancelling companies being liquidated or to be liquidated.**

These activities are driven by physiological positions and represent a significant slice of the company's overall activities. The Department in charge of regulating these activities opportunely coordinates the resources committed to them – interdisciplinary resources, transversally found in the entire corporate structure and, in general not dedicated full-time to the activity – ensuring that the harmony and homogeneity of the action is enhanced, as well as improving managerial efficiency and effectiveness.

Within the scope of the coordination activities described above, economic, financial and asset based projections, with specific reference to the impact these have on working capital policies and on policies on invested capital, as well as the optimum management of any risks connected to these, are the specific objective of the Office described above.

- In order to strengthen the competitive position of the Group and improve its position in the Algerian market, the Parent Company, as described above, has put in place a number of initiatives aimed at increasing the Orders Backlog by external growth (the acquisition of GI.CO. and SCI business lines) as well as directly (significant degree of participation in tenders). The resulting growth – which is set to increase further – has provided the Parent Company with a further reason to **rethink the Operating Structure of the Algerian Office,** in order to ensure greater efficiency in implementing the overall management and control system while accessing better market opportunities in accordance with the strengthening of its competitive position.

Specifically, interventions were carried out on the methods and responsibilities used by the Parent Company to manage the activities listed below:

- ✓ procurement
- ✓ monitoring purchases and local payments
- ✓ machines in use
- ✓ local human resourceslocal human resources;
- ✓ marketing activities.

Furthermore, it was decided to **activate the ERP project in the Algerian Office as well, starting January 1, 2007,** .

Once the effectiveness and efficiency of the organisational structure have been verified, this will also be implemented in other Offices after adjustments have been made to it based on the nature of each individual Office.

- ➢ A study aimed at **outsourcing no-core activities** was carried out. Relative choices based on these will be finalised within the next financial year.

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Further events have also affected and will continue to affect works by the Parent Company.

- ➢ With the issue, as of January 1, 2007, of the second part of the **renewal of the National Labour Collective Agreement** signed on March 23, 2006, as well as the issue of new EET sums set by the regional integrative contract starting 1 July 2006, increases in minimum wages and salaries have come into force. The whose overall sum, on a percentage basis on average company cost values measured as at 31 December 2005, is equal to approximately 3.5% for clerical workers and 3.7% for manual workers.

- Furthermore, in calculating EET, the renewal of the Collective Contracts – taking into account, with respect to the territory of each province, overall trends in the sector and its results – provide for a second increase as of September 1, 2007. The impact of this second increase, in terms of cost percentages, can be estimated as a further 0.90-1.00% increase, **bringing the overall average increase, once contracts have been renewed, to approximately 4.5%.**
- In regards to the **Company Framework Agreement for the Variante di Valico Worksite** signed on March 10, 2006, the bonus based on results, set up experimentally for the period January 1, 2006 – December 31,2006 has expired. An assessment of results is planned. **Incidence of the bonus matured**, of which advance payments have already been made in 2006 equal to almost the entire sum, is estimated at approximately 2.30% of overall labour costs matured during the financial year in question.
- An **MBO (Management by Objectives)** program, intended as an objective instrument for management and as a means for putting in place bonus policies, has been introduced, targeting and monitoring incentives for individually-based work and channelling these towards achieving group objectives.

This is the first incentive program experimented and put in place by the Parent Company. During the 2006 financial year, it was limited solely to Managers working on Production Lines .

All results achieved will be awarded with a Bonus calculated on a variable percentage of Gross Annual Wages (GAW). The results which have emerged – and on which the last assessments are currently being carried out – have shown performance data based on which an overall MBO approximately 10% of the annual costs of the individuals involved will be registered.

- For 2006, in accordance with the provision of Quality Procedures P18, the Board of Directors of the Parent Company has decided to develop a staff training plan for Office staff at an estimated cost of € 0.06 million. This has lead to the funding of training initiatives offered by various departments based on emerging training needs as well as on the budget of the body/department in question. Training activities have focused on courses to update staff on a number of targeted issues and specialisations regarding specific skills, such as accounting and tax regulations, staff management and administration, Laws 626 and 231, legislation on public works, etc.

  A significant number of staff members in both offices and worksites took part in training programs aimed at introducing the EBS Oracle platform.

  Furthermore, in 2006, staff working in Production Lines belonging to the Parent Company also took part in seminars, meetings and training courses on Quality, and the Safety and Security of Workers for a total of approximately 4000 hours, of which 50% were internal training courses and the remaining 50% were courses held with specialised bodies and companies.

In terms of dividing percentages based on training issues, 90% of the approximately 4,000 training hours carried out focused on Worker Health and Safety while the remaining 10% concerned the Company Quality Management System.

The figures described above refer to the following Branches/Worksites:

- Algeria
- Kazakhstan
- Romania
- Bari Metropolitana Worksite
- Fiumicino Worksite
- Milano-Lecco Worksite
- Quirra Worksite
- Variante di Valico Worksite.

➢ With respect to important **new aspects** introduced by the 2007 Financial Law on **severance indemnity pay**, we have estimated that, in the July 1, 2007-December 31, 2007 six-month period, portions turned over to Pension Funds, or to Treasury Funds established at the INPS, will total approximately € 0.6 million.

The Financial Law provides for measures to compensate companies. These measures are to enter into force as of this date. Specifically:

- Companies are exonerated from making contributions to the Severance Indemnity Guarantee Fund of 0.20% on total retributions (0.40% for managers);
- The deduction from company income of sums destined to INPS, as well as those destined to complementary pension systems.
- Further measures which will come into force as at January 1, 2008 (companies being exonerated from so-called improper charges for illness, maternity leave and unemployment costs).

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A comparison between staff members as of December 31, 2006 and December 31, 2005 is to be found below.

	2006			**2005**		
	ITALY	**ABROAD**	**TOTAL**	**ITALY**	**ABROAD**	**TOTAL**
Clerical workers	182	344 *	526	207	336 *	543
Middle-management	25	12	37	26	9	35
Manual workers	516	1,269 **	1,785	456	1,742 **	2,198
Managers	23	11	34	27	10	37
Total	**746**	**1,636**	**2,382**	**716**	**2,097**	**2,813**

* of which 249 local — * of which 228 local

** of which 1,258 local — ** of which 1,322 local

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INDUSTRIAL ACTIVITIES

Value of production for the last financial year sees a consolidation of the **trend in Group growth**, achieving **a percentage growth** of 12.52% with respect to 2005 and 40.66% with respect to 2004.

Special mention must be made, once again, that this growth – still noteworthy, especially if seen from the point of view of the dynamic growth of Italian competitors – reflects the effect of the write-off of Ediltevere S.p.A. assets which, in 2005, was entered into the consolidation area. This was estimated as affecting approximately 6% of the value of production registered in 2005.

On the one hand then, we can always express a certain degree of satisfaction with a growth which is nevertheless significant. On the other hand we must underline that elements of "distortion" remain in the market (slowness in terms of inspections to approve surveys for variations, orders to suspend works by Clients as a result of a lack of work areas, etc.). These are already described in annual reports for previous years.

These circumstances compress the Group, that is to say limit it in terms of the potential capacity for production made available for each project. The consequences are also unproductive costs and damages. To recover these damages, appropriate defensive instruments are employed, to protect contractual obligations (entering claims). The effects of some of these actions, undertaken also in the past, have been entered in these financial statements and are supported by the criteria of prudence and rigour.

Keeping the abovementioned general framework in mind, **information on the main activities** carried out by the Group in Large Infrastructures and the

Development and Management of Real Estate is described below. Please refer to the introduction for comments on all activities connected to the Variante di Valico.

Large Infrastructures

- **Infrastructure in Italy**

  - *Road works*

    After the expropriation problem and interferences were cleared up by ANAS, work proceeded as scheduled on the 2nd lot – 2nd branch of the new **Western State Road in Sardinia between S. Priamo and Terentia**.

    The works of the main tender, including 5 tunnels for a total length of approximately 1,500 m, 4 viaducts for a total of approximately 1,400 m, 2 bridges and various underpasses as well as almost the entire Quirra junction were carried out.

    As such, therefore, the works have been for the most part completed with the exception of a number of small interventions on the hydraulic system belonging to the old road and residual works on the Quirra junction which do not have an impact on the opening of the new lot of road to traffic.

    Works are currently being carried out to construct the 1st lot – 2nd branch of the **State Road 340 "Regina" Menaggio and Pastura Bypass**. The current state of works is equal to 60% of the entire tender.

    The work was acquired in 2002. However, a number of project-based and geological problems which had not been foreseen in the project delayed the start of works and the completion of the pilot hole drilled with a mechanical cutter while making the use of explosives in digging the tunnel almost impossible.

During the course of the year, the digging works for the tunnel have been completed and the last diaphragm has been pierced, with the exception of a part of the tunnel invert and dome cover in cement concrete.

An executive project to install technological systems in the tunnel (light, ventilation, fire fighting and ccTV equipment) is currently taking place while works are at very advanced stage at the Menaggio junction.

Following delivery for the execution of the works, which took place on July 28, 2004, works on the **road network accessory to the Rome-Fiumicino Airport motorway to redevelop the road system between Rome-Fiumicino seaside – 1st lot**, did not start as per the tender because of the presence of a significant number of archaeological finds and interferences with existing underlying structures. The only work it was possible to carry out was on a limited basis, that is to say only some works to prepare the worksite –

A first variation survey was prepared with an increase in expenditure on February 11, 2005 which resulted in an increase in the contract total of € 11.9 million, adjusting the total costs of works to € 73.7 million. This survey, apart for a number of minor aspects, primarily focused on introducing archaeological surveys. A second survey was prepared in 2006 for a variation which lead to a further increase in the contract total of € 8.5 million, bringing the total costs of works to € 82.2

million. This purchase order was signed by the Parent Company with reserves.

The state of works currently stands at approximately 70% of the tender.

In 2006 there was a significant drive towards continuing the works in order to satisfy Client needs, that is to say allowing for a part of the junction east of the New Fiera di Roma to be opened with the following tracts of road:

- GRA Motorway West Slip Road until the Fair junction;
- East Slip Road at the Fair up to the junction with the Rome-Fiumicino motorway, including the motorway underpass to change directions;
- West Fair exit to access the parking lots.

Works to restructure the Farmhouse to be used as an operations room by the Client, ANAS SpA, have also been finished.

As regards the four lanes of the **Grosseto-Fano SGC , Grosseto-Siena branch, lot 9**, it must be mentioned that during the year in question, works aimed at opening the road to traffic were carried out - with the road being opened on March 27, 2006.

Works on the **State Road 3 Flamina Spoleto (Eggi) - Foligno (S. Eraclio) tract of the Bypass** entrusted by ANAS in 1999 to the JV (A.T.I) between Todini Spa (agent) and Ediltevere Spa (principal) were completed and tested.

During the course of the year in question works by TODEDIL Scarl on expropriations were finished. The company was established to singly perform the works

Works are currently being carried out to construct the bypass on the **State Road 219 “Eugubina” between Branca (SS 318 junction) and Fossato di Vico (SS 76)** for a length of 7 + 413 km, entrusted by ANAS to JV (ATI) Todini S.p.A. (agent) and Ediltevere Spa (principal) in September of 2004. Works by PERUGIA 219 Scarl – a company established to singly carry out the works - began on March 2, 2005.

During the course of the year, worksite production increased as a result of the continuation of works in April of 2006.

Earthmoving works are currently at an advanced state (approximately 80%), while Work 4 - the “Valle Grande” 140 viaduct, the artificial tunnel “Campo del Sasso” for 52 m, the 150 m “Colbassano” artificial tunnel and the foundations and pylons with the respective 3 viaduct friezes have been completed.

Only the planking for the viaducts still needs to be put in place. All 5 box-structured underpasses have been finished as well.

Works are scheduled to be finished by the Spring 2008.

- *Railway and Underground Railway Works*

With respect to the works to double the Milan-Lecco railway line, on the Carnate Usmate – Airuno tract, by approximately 14 kilometres in length, the problems which had resulted in partial deliveries ceased in 2006 and the worksite has now begun operating in top gear full.

3 underpasses have been completed: the Bevate tunnel is currently being constructed, and 1,200 m of it are finished at this time. The

artificial tunnel at Rocaglia, with approximately 15 segments having been finished, for an overall total of 90 m.

Works are currently underway to construct the walls, the water barriers to protect the channels, earthworks and other accessory external works.

Completed works currently stand at approximately 35% of the entire project.

Works have also continued on the city railway double track **junction between the Bari-Lamsinata and Bari-Barletta railway station and the S. Paolo neighbourhood.** As mentioned before, the Parent Company was awarded the tender for engineering works (while Alstom and Fersalento are carrying out technological works on it as a vertical association).

In May 2006, as mentioned above, variation order no. 4 was signed, to complete the works on the stations and to allow the first lot from Bari Lamasinata to the Ospedale stop to be opened.

The total of these works stands at approximately € 6 million while the overall total of the works stands at € 38.3 million, including totals for recognised provisions.

These works are currently being carried out. Specifically, works to finish 4 stations and emergency accesses as well as to install technological systems in the stations (electricity, air conditioning, lifts and fire fighting systems) are currently in progress as are works on 3 KV electric traction systems.

With respect to engineering works on the **Piscinola – Secondigliano railway tract from 0+00 km to 2+060 km with the aim of**

modernising and developing the Alifana railway, problems connected to the effective availability of the areas continue to persist. Works carried out during the year, as such, remain limited, and overall progress on the works stands at 12%.

Unproductive costs sustained by the Parent Company and directly connected to the problems described above have found partial relief in a further amicable agreement ex 31 bis for € 2.5 million.

Furthermore, the amendment to the tender contract dated January 23, 2001 was also formalised. Amongst other things, it raised net totals for the works to € 55.6 million.

- *Building works*

Works to build **structures to complete the main body of the (Terminal A) passenger station at the Airport of Milano Malpensa** were launched on October 10, 2006.

During the course of the year, the Extraordinary Commissioner appointed to reactivate the convention for the Nuova Casa Circondariale di Marsala, finished the new preliminary project and resulting economic calculations. He then resigned his mandate due to the momentary lack of necessary financial coverage.

- *Consolidation works*

Works on **landslide reclamation in the Cascate delle Marmore** area entrusted by the Umbria Region to JV (A.T.I) - established by Todini SpA (agent) and Salvati Spa (principal) and Betti SpA (principal).

The works are currently being completed by MARMORE Scarl, company singly established for the works.

- **Abroad**

    - *Algeria Branch Office* – 7 Rue de Biskra Mohammadia – El Harrach – 16300 Algeria.

      As mentioned above, the Parent Company has adopted a number of initiatives to change the organisational structure of the Algeria Office in order to ensure greater efficiency in implementing the overall system of procedures and the company management system.

      The outcome of these initiatives, among other things, has made it possible to understand some critical points of economic trends in the work regarding the **roadwork and works on the Autoroute est-ouest Bouira-El Adjiba,** entrusted in to the Todini-Enaler Group established by Todini Algeria Branch office and the Algerian Enaler company.

      This situation led the Board of Directors of the Parent Company to a timely and radical intervention, not merely from an organisational point of view but also in terms of preparing the income statement for the year in question, as well as in preparing the relative forecasts "to finish". Specifically, within the scope of this activity, and with reference to present knowledge of the situation, all risk profiles of this work have been carefully and cautiously recalculated. Overall results for the Parent Company appear to have been penalised with respect to profit.

      This fall in results for the tender in question furthermore resulted from a group of difficulties: a significant increase in the use of raw materials, and specifically petroleum derivatives; a further slowing down in production activities due to the distorting effect of external factors, such as, primarily, the continuous difficulty in supplying aggregates; , delays connected to unavailability of areas; absence of projects defining the works.

With this respect, and in the presence of the distorting effects described above, please note that the Parent Company has further increased all actions aimed at diminishing the so-called slow down effect.

With reference to the above, necessary tools and instruments to protect the company, such as registering suitable and pertinent claims, have been undertaken.

It must be noted that claims in Algeria are patiently negotiated with the Client. Results of such negotiations are to be included in a variation order (Avenant) to be approved by the “Commission National des Marchés (CNM)” in turn to be confirmed by the “Banque Algérienne de Développement (BAD)” with respect to financial coverage.

In March 2006 an Avenant was presented to the Client including all the issues that the worksite had registered as of that date.

The Avenant was approved by the Client in August 2006 for a value of 1,168,069,309.43 DA and € 8,976,033.99, corresponding to approximately € 21,140,000 (at current exchange rates of 1 Euro = 96.00 DA). This agreement also prolonged contract time by 16.5 months.

In spite of the approval of the Avenant, however, the Client illegitimately refused to allow the Works in progress Certificates (SAL) to be issued, starting August 13, 2006 – original expiry of the contract – since the Avenant was formally approved by the bodies described above on the April, 14, 2007, further confirming that these approvals require a long period of time.

As such, the parent company has financed and will continue to finance industrial works as of August 13 2006 up until SAL payment which presumably will take place by June of next year.

It should be considered that Avenant no. 2, contrary to requests made, exclusively resolved the issue of greater project quantities and the application of new prices.

As such, a number of items continue to be unresolved. Their total may be estimated at approximately € 11.0 million. Negotiation on these issues has been postponed in order to avoid further delays to the approval of Avenant no. 2.

To close this topic, and in order to reassure you, we can quite correctly affirm that the Parent Company, has a potential significant claim on the work in question. Its effects are cautiously not even partially entered into the financial statements.

Please note that the situation is being constantly monitored to ensure the adoption of the appropriate protective measures for the company. All possible measures for the restoration of unproductive costs and damages suffered have been adopted, while shortening the time these procedures will require.

Moving on to other activities, please note that the business line taken over by the GI.CO bankruptcy was part of the **Algiers main rain water collector.**

Works continue to be exclusively carried out in the intermediate and final tract. The upstream section, comprised of a tunnel of approximately 1,800 m in length and 5 wells, is the object of a variation order with an expenditure increase approved on November, 15 2006.

A further variation order is currently being submitted to cover payments for interferences regarding sub-services and to define new contractual deadlines.

The current state of works is equal to 40%.

Hydraulic engineering works on the river El Harrach have been completed. These are also part of the business line taken over as a result of the GI.CO. bankruptcy.

Works have begun on the **Kef Eddir dam** with the aim of creating a storage basin for drinking water for the Cities of Damaous, Benio-Milleuk and for the “willaya” of Chlef as well as to irrigate 700ha of agricultural lands. These are comprised of a central nucleus built with alluvial clay, protected both upstream and downstream by sand filters and "tout-venant" transitional materials from the river.

The barrier is 93 m high and the top of the dam is 478 m in length.

The current state of works is equal to 7%.

The Parent Company sub-entered into the works described below in 2002, following the acquisition of the SCI Costruzioni Algeria business line, for the execution of roadwork to **construct 11 km of the Est-Ouest Autoroute next to Constantine.**

These activities are carried through two different contracts acquired in partnership with local companies:

- √ Groupement G.R.T.A. (Todini-Cosider), which was awarded the tender for works (bridges and viaducts). The works have come to an end and final testing has been carried out.
- √ Groupement Todini-Sonatro winner of the tender for earthworks and road paving works. The variation survey, only approved at the end of 2004, allowed for part of the works to be carried out to clear up the area affected by landslides. These works were suspended because changes had to be made to the technical solution adopted.

With the exception of the area affected by the landslide, the works were completed and provisionally handed over. The 11 km section of autoroute has been nevertheless open to traffic.

- *Azerbaijan Branch Office* - Av. Akmed Djamil, 64/66 – Baku – AZ 1073

Works are currently underway to reconstruct the **Hajigabul (Gazimannea) - Kyurdamir road (Contract 13/540 Km**. **0+000 – 84+935)** commissioned by the Ministry for Transport of the Republic of Azerbaijan.

This work can be divided into three distinct parts.

- Adjustments of the original road section to sections with a double 1st category double carriageway from 0.00 (Hajigabul) to 3+435 km, which, after the Sabiribad junction, meets the main road, as per the following;

- reconstruction works to the main road, up until the 75+200 km, which essentially provides for adjustment to a single carriageway section of 2nd category road;
- *ex-novo* building works for a bypass to the city of Kurdamir at 75+200 km up until 84+935 km, with a section of 2nd category single carriageway.

Two new bridges at 0+416 km and 61+715 have been designed and works on their construction have started.

The current state of works is equal to 28.33% of the total.

Work on 0+000 km to 75+200 km is scheduled to finish November 10, 2007 for the section of road which includes the bypass. The deadline for works on 75+200 km to 84+935 has been extended to January, 31 2008.

- *Kazakhstan Branch Office*

- South Kazakhstan Region – Ulitza Mendeeleva, 3 – 708600 Zhetisay

  Once the works were completed, the warranty period for the project to modernise the Irrigation and Drainage System in Southern Kazakhstan expired on July, 31 2006. The Branch Office was definitively closed on January, 9 2006.

- Western Kazakhstan – Ulitza Volgograddskaya 31 – 417015 Uralsk

  The works on the road network of **western Kazakhstan in the tract between Atyrau and Oral** were delivered according to the contract programme. Work had been commissioned by the Ministry for Transport and Communications. The overall state of works stood at 100%. The warranty period expired on November 23, 2006. The overall sum of certified works rose to $ 178 million including VAT. The Branch Office will be closed during the course of the current financial year.

- Atyrau Branch - Ulitza Moldagulovoy, 247a - 465050 ATYRAU
  The Taking Over Certificate for the works to reconstruct the road between **Atyrau-Karabatan** (**Contract** 2004/1278 + Variation) commissioned by Agip KCO and the ENI Group S.p.A, was issued. Works stood at 97.36%, with vertical and horizontal road signs still to be completed. These will be put in place by July of the current year.
  Works to **reconstruct the Karabatan-Dossor road**, commissioned by the Ministry for Transport and Communication of the Republic of Kazakhstan have also commenced. The current state of works is equal to 41.4%.
- Astana Branch - Ulitza 30 Let Pobedy str., no.117 - 474074 Shortandy
  The Company Todini Central Asia T.O.O. was also established by the Branch Office with 100% ownership. The company then acquired the contract from the Ministry for Transport and Telecommunications to **restructure and enlarge the "Astana-Shchuchinsk road** from 57.4 km to 100.1 km. The works have already started and currently stand at 6%. Furthermore, in May of 2007 an addendum to the contract with an adjustment increasing

the number of carriageways on the road from four to six, as currently planned.

15 culverts are presently being built and the pylons on the bridges are also being moved. Works are also underway to shift communication cables and rebuild two new electricity lines.

- *Tajikistan Branch Office* – Ulitza Uini, 14 – 734042 Dushanbe

During the course of the year in question, works on the **Project to rehabilitate the Dushanbe –Kurgan Tyube- Dangara – Kulyab road came to a close.** These were carried out to schedule, registering a 100% completion rate. The warranty period expired on November 23, 2006. The Branch Office will be closed by the end of the first half of the current financial year.

Final testing certificates were issued in October and November of 2006.

- *Romania Branch Office* – Str. Stefan cel Mare, 195 – Sibiu

The Parent Company is currently participating in the **construction of a 24 km long section of motorway, which includes the bypass for the city of Sibiu**. Following its appointment as the Cultural Capital of Europe, Sibiu is set to become a highly popular tourist attraction.

This infrastructure is part of the IV Pan European corridor.

As previously described in the2005 annual report for the consolidated financial statements, with the decision issued on April 30, 2006, the DAB (Dispute Adjudication Board) found that the Parent Company had acted correctly and that claims 1,3 and 3 it had advanced against Client were founded.

Furthermore, in addition to the circumstances presented to the DAB, while the work was in progress, the Company also became aware that it could not finish the works, primarily as a result of the Client's failure to deliver certain areas and project plans.

Specifically, what must be noted is that the Parent Company - which needs to complete 24 km of the project - has only been able to work on lot 1 (11 km) with a state of works, as at December 2006 of 37.2% with respect to the overall project. Please note, however, that the state of works in available areas and with an approved executive project stand at 75%.

As such, Parent Company rescinded from the tender contract on December 21, 2006 as a result of the Client's failure to fulfil its obligations.

Starting in October 2006 and in accordance with Art. 16.3 of the General Conditions, the Parent Company commenced works to secure the worksite – still currently underway - for an overall total including all of March of the current year equal to approximately € 0.6 million.

Between October and December, upon request from the Client, the Parts have entered into discussions to amicably resolve any problems which have come to light, with the aim of starting the works again.

On December 20, 2006, the Client requested the execution of the Advance Payment Guarantee which expired on January 9, 2007.

In the first half of January 2007, the parties reached the following agreements based on which the Client:

- has renounced the execution of the Advance Payment Guarantee, provided that the Parent Company extend its validity up to April 19, 2007
- has provided for the payment of € 3,162,918.99 to the Parent Company for works carried out for a total, gross of withholding tax of € 5,163,250.66
- has reduced the Advance Payment Guarantee from € 6,573,985.71 to € 5,283,173.04.

As of February 2007, the parties furthermore finalised a settlement agreement establishing the methods to recommence works and submitted the agreement to the DAB for its opinion - which was positive.

Although the Client had manifested its commitment to signing this agreement should the DAB provide a favourable opinion, on March 27, 2007, the client unexpectedly stated that it had noted and accepted the resolution of the tender contract.

The Parent Company immediately stated its availability to work together with the Client to define which actions needed to be put in place given the resolution of the tender contract.

In spite of this, on April 3, 2007 the Client requested the execution of the Advance Payment Guarantee which expired on January 9, 2007.

Given that considerable assets are still currently on the books, the Parent Company will oppose this to the uttermost limits of the contract and by law.

By express provision as per Art. 16.4 of the General Conditions the Parent Company has, in fact, the right to a Good Execution Guarantee and to obtain prompt payment for all costs sustained while carrying out the works, including an indemnity for loss of profits and payment for any damages sustained as a result of the resolution of the contract.

These sums, together with the guarantee withholdings (€ 1,845,947.76) must be included by the Engineer in the final certificate prepared in accordance with the provisions of Art. 19.6 of the General Conditions.

The final certificate should also include all sums relative to claims 1, 2, and 3, which must be recalculated based on the new scenario following the resolution of the contract.

Claims no. 4 to no. 30 - lower with respect to the claims described above - must also be assessed based on the resolution of the contract and their relative sums must also be entered into the final certificate.

It is quite likely that the sum entered on the final certificate by the Engineer will not satisfy the requests of the Parent Company, and might result in a dispute. In this case, a first appeal must be made to the DAB for a decision on the issue, while a last appeal must be made to Arbitrage, should one of the parties make an appeal against the DAB decision. Nevertheless, the Directors of the Parent Company – given their awareness of the situation as it stands - believe that all sums recorded in the financial statements are recoverable.

- *Tunisia Branch Office* – Immeuble Pacha Center – Lotissement Mellouli Route Touristique – 1002 Monplaisir/El Kantaoui.

The Parent Company is currently involved in the **construction of lot 1M’Saken-Karkar of the M’Saken-Gabes-Ras Jedir motorway in** Groupement with EHTP-Entreprise Hamila des Travaux Publics**.**

The Parent Company has been entrusted with carrying out engineering works while earthworks and works on the roadbed are the responsibility of its partner, EHTP.

The year was marked by intense negotiations with EHTP aimed at putting in place a more efficient organisational structure for the Groupement in order to counter the negative effects of the financial difficulties faced by EHTP.

The difficulties continued even following the sale of EHTP (June 2006) to Trabelsi, in spite of the Parent Company and EHTP signing a 2nd amendment to the contract (September 21, 2006) providing a number of concessions to EHTP.

The new works program was not being adhered to and delays in the earthworks had a resulting impact on engineering works as well (the Parent Company had not obtained access to bridges and viaducts because no access ramps had been put in place. The outcome of this was a delay in installing road sings and guardrails).

In spite of the sale of EHTP assets to Hamilà, the financial difficulties were not resolved, leading further problems in the management of the project and in the progress of the works. All of which culminated on March 15, 2007, with a Formal Notice being issued by the Client prior to the resolution of the contract.

At last, on April 2, 2007 a 3rd variation order was signed: with it the management of the Groupement passed to the Parent Company, who had taken on responsibly for carrying out the works entrusted to EHTP as well.

The majority of the works are scheduled to be completed at the end of October 2007.

The contractual deadline for the works – initially scheduled for March 3, 2007 – has been postponed to July 2007, with the Client recognising the fact that works had been suspended as a result of bad weather.

Furthermore, with respect to further delays accumulated by the Client for expropriations and for project design, the end of the works may reasonably be scheduled for the end of October 2007.

Lastly, please note that at the end of April 2007, the Groupment, together with other companies which had been working on other lots of the motorway, have asked the Client to provide extraordinary indemnity for the rise in prices registered for bitumen, petrol and steel, since the review of contractual prices did not cover these increases in price. Works may be suspended in case of a negative answer.

For the purpose of thoroughness, a list of further branch offices, agencies and representation offices belonging to the Parent Company are found below. No activities within the consolidation area have been registered for these.

- *Moldova* - Bd. Renasterii n° 22/1 - 2005 Chisinau
- *Russian Federation* – Ul. Sadovniceskaia, 76/71 -Moscow, 115054

- *Argentina* - Calle Paraguay 2302 19° Piso, D.to 5 - C1121ABL Capital Federal
- *Greece* – Nikitara str., 3 – 154451 N. Psichico – Athens

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Real Estate Development Department

- **Asset and Project Management activities for urban redevelopment in the Venice-Marghera area**.

  The property is owned by CEDIV SpA, who is in turn participated by the Parent Company. This company is set to entrust the Parent Company with Asset and Project Management activities aimed at acquiring the necessary urban planning -building authorisations to construct a building complex with a mixed residential and tertiary destination on this land.

  The aim of this investment is on the one hand, to render the use of this area more efficient by identifying functional spaces to fulfil the needs of the city in its diversity; a second aim is to redevelop the area, creating a pedestrian area connecting the railway station and the Venice-Marghera by building new park for the area.

  The aim of the Parent Company was to acquire an approval for a variation to the Urban Plan (Special Urban Planning Scheme) following the adoption of the Deliberation of the Municipal Committee dated march 23, 2005 no. 213, the consequent adoption of the Deliberation of the Municipal Committee no. 139 dated October 24, 2004 and the following approval of Municipal Committee Decision no. 186 dated December 290, 2005 of C/AS data sheet no. 8 Regulations of the General Town-Planning Program.

Following this approval, which only took place recently (April 27, 2007) and with the exception of the urban convention procedure, the destination of the areas in question, analysed by m² are as follows;

–	Residential	Max m²15,640
–	Offices	Max m² 15,960
–	Accommodation	Max m² 8,060
–	Commercial	Max m² 4,740
–	Underground parking lots	Max m² 26,688
–	Multi-storey car park	Max m² 11,560

What must be noted is that all of these buildings may nevertheless be employed as office-spaces.

The works are scheduled to start in the second half of 2007.

Total investments stand at approximately € 85 million.

- **The development of properties in the Magliana-Muratella area in Rome**.

With the approval of the Urban Development Plan in Rome, Parent Company properties located in the Magliana-Muratella area in Rome and previously classified as agricultural could now be developed.

A number of solutions to develop the building potential of the area with tools suited to the general plans are currently being studied. These may be further accelerated based on the instructions contained in Deliberation no. 333 of the Municipal Committee dated 2004 (procedures on implementing building compensation provided by adopted or approved urban planning tools).

- **Real Estate initiative in Sardinia.**

The Parent Company signed an agreement to formalise a profit pooling contract with a company owning an area in Sardinia equal to 130,000 m^2 with an approved building project of approximately 40,000 m^3. Overall investments stand in the region of € 38 million, based on a 44 month long building program.

- **Asset Management Activities in Romania.**

The subsidiary, OLIMPIA SERVICII INTERNAZIONALE Srl with offices in Bucharest operates in the real estate development and management sector of the Romanian market.

Its portfolio is currently comprised of properties with an industrial destination.

- ✓ one of these is found near the city of Sibiu, and is currently rented;
- ✓ the other is located on 73rd km of the Pitesti-Bucharest Motorway. A number of development plans aimed at entering the petroleum market are currently under examination.

The subsidiary furthermore owns a property in the centre of Bucharest which is rented out and is currently being used as offices.

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COMMERCIAL ACTIVITIES

Commercial activities in the **Large Infrastructures sector** by the Parent Company focused on the objectives defined by the Industrial Plan and therefore aimed at, in terms of the national market, opportunities connected to “New Initiatives” (General Contractor and PPP acquisitions) and traditional tenders. For the foreign market, Parent Company activities were aimed at consolidating and activating its presence in new regions in the southern Mediterranean basin, Eastern Europe and Central Asia.

In 2006, the Parent Company took part in 16 calls to tender for a total of € 7,962 million, which may be analysed as follows:

– Building category

Railway works	€/million	3,822
Building works	€/million	69
Road works	€/million	4,018
Hydraulic works	€/million	28
Airport works	€/million	25

– Contractual category

New initiatives	€/million	7,080
Traditional tenders	€/million	882

– Geographic area

Italy	€/million	266
Abroad	€/million	7,695

€ 48.7 million were acquired on the national market following variation orders or shareholdings in consortia or JV (ATI).

In terms of the international market, Parent Company acquisitions lead to an increase in orders of € 347.8 million, of which € 249.8 million were tenders which have since been closed (with a success rate of 36%) and € 98 million following variation orders or equity investments in Joint Ventures.

The Industrial Plan provided for the acquisition of an overall total of € 156 million on the domestic market and € 250 on the international market for the financial year.

In summary, the **Group's Backlog of Orders** went from € 940.5 million as at December 31, 2005 (of which € 782.1 million in Italy and € 158.4 abroad) to € 1,050.8 million as at December 31, 2006 (of which € 678.3 million in Italy and € 372.5 million abroad). This may be subdivided by activity - building or contractual - and is comprised of the following:

Backlog by **Type of Building Works**: (figures in €/million)

	2006		*2005*	
Railway works/Urban Transport	140.8	13.40%	109.5	11.64%
Hydraulic/redevelopment	65.9	6.27%	25.9	2.75%
Road works	799.2	76.06%	746.9	79.42%
Building works	42.1	4.01%	52.9	5.62%
Airport works	2.8	0.28%	5.3	0.57%

Backlog by **Type of Contract**:

	2006		*2005*	
New initiatives	29.5	2.81%	40.1	4.26%
Traditional tenders in Italy	648.9	61.75%	742.0	78.89%
Foreign Tenders	372.4	35.44%	158.4	16.85%

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In terms of Real Estate Development, please find the most significant indicators for the portfolio managed by the group as at December 31, 2006 below:

– **Surface area currently under development** is equal to 77,485 m². It can be broken down by product type as follows:
  - Residential m² 44,370
  - Tertiary m² 33,115

- of which:
  - Offices m² 17,000
  - Accommodation m² 8,000
  - Commercial m² 8,115

– **Value, estimated as at December 31, 2006 at the end of the building process**, stands at € 218 million and may be analysed as follows:

- Residential €/million 130.5
- Tertiary €/million 87.5
- Of which:
  - Offices €/million 44.8
  - Accommodation €/million 20.7
  - Commercial €/million 22.0

FINANCIAL ACTIVITIES:

During the financial year in question the primary objective of all financial activities carried out was to support Group growth, specifically in terms of investments connected to the start-up of new activities, while limiting their effects on the Company’s net financial position.

Results can be deemed satisfactory, especially considering that net financial indebtedness as at December 31, 2006 stood at approximately € 52.9 million, up by approximately € 23.5 million as at December 31, 2005 in spite a growth in value of production equal to 12.52%.

The Board of Directors of the Parent Company also continued to turn its efforts to bringing corporate financial resources back into balance; an undertaking which it had already begun working on during the previous financial year.

With this respect, a contract was finalised in August for a medium to long term unsecured loan of € 40 million with a 4 year expiry, co-organised by BNL and Intesa S. Paolo and held by another 6 Institutions.

As a result of the operation described above, indebtedness with banks beyond the current financial year went from a total of 46% to 78%.

In order to support further growth, as forecast for the next three-year period, the Parent Company has furthermore increased its own overall financing facilities; with “cash" facilities going from approximately € 215 million to € 268.9 in total.

In terms of contingencies, as at December 31, 2006 these were equal to approximately € 198.8 million, up by roughly € 17.2 million with respect to the previous financial year as a result of credits granted by Credit Institutions and Insurance Companies to the Parent Company for an overall total of € 301 million.

Figures on contingencies – the result of the combined effect of releases for works carried out and of increases for new Commissions - were also satisfactory for the year, especially if the marked increase in value of production in the portfolio of orders is taken into account.

Lastly please note that the average cost of indebtedness in 2006 stood at 4.81%, increasing by 0.61% compared to 2005 (4.2%) as a consequence of an equivalent increase in average EURIBOR rates.

DERIVATIVES

The Parent Company has put in place operations on interest rate derivatives to cover risks relative to an increase in interest rates.

Its aim is to stabilise future cash flows payable by the Parent Company for loans, as such supplying protection against possible increases in the rate curve, with a cover approximately equal to 50% of overall financial indebtedness at variable rates.

The effectiveness of these operations are valued and shown ex-ante, adopting so-called” discretionary scenarios”.

Please note that the Parent Company does not enter into derivative contracts for speculative purposes.

ECONOMIC, CAPITAL AND FINANCIAL MANAGEMENT

Figures for the financial and economic situation and assets and liabilities for the 2006 financial year contained in the following pages are compared with figures for 2005.

In order to present homogenous comparisons, figures for the previous years have been reclassified, where necessary. What must nevertheless be taken into account is that, with respect to 2005, the current financial year is marked by the accounting effects of the write-off of EDILTEVERE SpA.

The figures contained in the schedules below and their results are in thousands of euros unless otherwise stated.

ECONOMIC ANALYSIS

	(thousands of euros)	**31.12.2006**	**31.12.2005**
	ANALYTICAL BREAKDOWN OF THE INCOME ITEMS		
A	**REVENUES FROM SALES AND SERVICES**	**329,898**	**289,508**
	Changes in inventories of work in progress, semi-finished and finished products	-6,183	842

	Changes in contract work in progress	28,224	13,863
	Additions to internally produced fixed assets	11,292	8,423
	Other revenues and income	6,350	15,759
B	**VALUE OF PRODUCTION**	**369,581**	**328,395**
	Raw materials and services	-281,427	-227,335
	Sundry overhead charges	-5,671	-26,372
C	**ADDED VALUE**	**82,483**	**74,688**
	Cost of labour	-60,443	-44,280
D	**GROSS OPERATING PROFIT (EBITDA)**	**22,040**	**30,409**
	Depreciation and amortizations	-19,058	-17,576
	Provisions for risks and charges	-573	-378
E	**OPERATING INCOME (EBIT)**	**2,409**	**12,455**
	Balance of operating income and charges	-4,701	-4,224
	Adjustments to financial assets	-447	253
F	PROFIT BEFORE EXTRAORDINARY ITEMS AND TAXES	**-2,739**	**8,484**
	Extraordinary income and charges	8,409	787
G	**PROFIT BEFORE TAXATION**	**5,670**	**9,271**
	Income taxes for the year	-4,387	-5,240
H	**PROFIT (LOSS) FOR THE YEAR**	**1,283**	**1,130**
	Minority share of net income	**494**	**223**
	Group share of net income	**789**	**3,808**

As noted above, value of production increased by 12.52% with respect to the previous year.

The consumption of materials and services also increased by € 54 million in absolute values, resulting in an increase in incidence on Value of production, which went from 69% to 76%.

Added Value, totalling € 82.4 million, was up with respect to 2005 but maintained the same percentage incidence on Value of production, equal to 22% (23% in 2005).

EBITDA decreased by € 8.3 million compared to 2005 with an incidence on Value of Production equal to approximately 6%.

Depreciation, amortisations and provisions showed an increase of € 1.6 million with respect to the previous financial year.

EBIT registered a fall of € 10.0 million when compared to 2005.

ASSET ANALYSIS

	(thousands of euros)	31.12.2006	31.12.2005
	ANALYTICAL BREAKDOWN OF ASSETS AND LIABILITIES		
A	**FIXED ASSETS**		
	Intangible fixed assets	31,520	25,262
	Tangible fixed assets	19,870	28,806
	Financial fixed assets	9,018	10,905
	Total	**60,408**	**64,973**
B	**NET WORKING CAPITAL**		
	Inventories	133,718	117,509
	Trade receivables	83,686	101,781
	Other assets	40,222	40,324
	Trade payables	-134,736	-125,343
	Advances from clients	-34,181	-29,527

	Provisions for risks and charges	-14,398	-13,442
	Other liabilities	-26,113	-23,349
	Total	**48,198**	**67,953**
C	**NET CAPITAL EMPLOYED (A+B)**	**108,606**	**132,926**
D	**EMPLOYEE SEVERANCE INDEMNITY**	-4,192	-4,252
E	**NET CAPITAL, EMPLOYED, LESS EMPLOYEE SEVERANCE INDEMNITY**	**104,414**	**128,674**
	Covered by:		
F	**SHAREHOLDERS' EQUITY**	**51,435**	**52,216**
G	**MEDIUM/LONG-TERM NET FINANCIAL BORROWINGS**		
	- Net financial payables, medium and long term	62,960	46,357
	- Financial receivables entered as fixed assets	-4,142	-3,232
	Total	**58,818**	**43,125**
H	**SHORT TERM NET FINANCIAL BORROWINGS**		
	Short term financial payables	32,270	53,307
	Short term financial receivables	-38,109	-19,973
	Total	**-5,839**	**33,334**
	TOTAL NET FINANCIAL DEBT (G+H)	**52,979**	**76,458**
I	**TOTAL AS IN "E" (F+G+H)**	**104,414**	**128,674**

Fixed assets registered a net decrease equal to € 4.5 million due to an increase of € 6.2 million in intangible assets, as well as a decrease of € 8.9 million in tangible assets and an increase of € 1.9 million for financial assets.

Individual movements during the period are analysed in the notes to the financial statements.

Working capital saw a fall in absolute values of € 19.7 million with respect to 2005, bringing typical percentage incidence on Value of Production to 13.04% (20.7% in 2005, 28.5% in 2004, 45.6% in 2003 and 35.6% in 2002).

Net invested capital covered by shareholders’ equity is of 49%, while net financial indebtedness is equal to 51%.

Net financial indebtedness - please note the overall decrease of € 23.5 million - shows a reduction in short term debt of € 39.1% and in increase in medium to long term debt of € 15.6 million, which may be analysed as follows (in thousands of euros):

	as at 31.12.2006	as at 31.12.05
Current position		
- cash and cash equivalents	38,109	19,966
- floating assets	0	7
- short-term borrowings from banks	-32,023	-53,046
- due to subsidiaries	0	0
-due to parent company	0	0
- due to others	-247	-261
Total current position	**5,839**	**-33,334**
Medium and long term assets		
- Receivables due from subsidiaries	346	293
- Receivables due from associated companies	1,720	1,426
- Receivables due from parent company	50	0

- Receivables due from others	2,026	1,513
-Long-term borrowings from banks	-62,857	-46,134
- Long-term financial payables	-103	-223
Total medium and long term assets	**-58,818**	**-43,124**
Net Financial Position	**-52,979**	**-76,458**

A brief summary of asset structures is provided in the table below:

(figures in thousands of euros)	2006	2005
- Operating capital	48,198	67,953
- Fixed assets	60,408	64,973
Gross invested capital (a):	108,606	132,926
- Employee severance indemnity (b)	-4,192	-4,252
Net invested capital (a-b)	**104,414**	**128,674**
- Net financial borrowings	52,979	76,458
- Equity	51,435	52,216
Total	**104,414**	**128,674**

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FINANCIAL ANALYSIS		
CASH FLOW STATEMENT		
(figures in thousands of euros)	**31.12.06**	**31.12.05**
A. Net opening financial availability (borrowings)	**(76,458)**	**(60,402)**
B. Cash flow from operating activities:		
Group profit (loss) for the year	789	3,808
Minority profit (loss) for the year	494	223
Depreciation and amortisation	18,884	17,127

Write-offs on non-consolidated equity investments	(1)	(253)
Normalisation of profits for the year (transfer of participations)	(8,558)	1,632
Net change in the employee termination reserve	(59)	648
Net change in other provisions	956	2,815
<u>Change in net working assets:</u>		
(increase)/decrease in inventories	(16,209)	8,135
(increase)/decrease in receivables	19,282	(25,560)
(increase)/decrease in accrued income and prepaid expenses	(1,085)	(2,395)
Increase/(decrease) in payables – not including advances	11,093	23,279
Increase(decrease) in advances	4,654	(408)
increase/(decrease) in accrued expenses and deferred income	1,064	1,255
Total	**31,304**	**30,305**
C. Cash flow from investments:		
<u>Investments in fixed assets:</u>		
Intangible	(19,631)	(22,604)
Tangible	3,425	(16,171)
Net financial	1,887	(9,899)
Profit from divestment in tangible, intangible and financial assets	11,055	3,760
Non-monetary variations (changes in scope of consolidation)	**(2,497)**	
Total	**(5,671)**	**(44,914)**
D. Other sources (Uses)		
Dividends	0	0
Equity reserves	0	0
Increase/(decrease) in share capital	0	0
Changes in group equity (change in scope of consolidation)	**(245)**	**47**

Changes in minority equity (change in scope of consolidation)	**(1,819)**	**(1,496)**
Total other sources	**(2,064)**	**(1,449)**
E. Total cash-flow (B+C+D)	**23,479**	**(16,056)**
F net final financial availability (borrowings) (A+E)	**(52,979)**	**(76,458)**
The change in net financial borrowings is determined as follows		
(figures in thousands of Euros)	**31,12,06**	**31,12,05**
Increases (decreases) in short-term borrowings	15,694	11,280
Increases (decreases) in medium/long-term borrowings	(39,173)	4,776
Total	**(23,479)**	**16,056**

TREASURY SHARES AND SHAREHOLDING GROUP

Pursuant to Article 2428 of the Civil Code please note that:

- The Parent Company holds no own shares or shares in its parent company directly or by means of trust companies or intermediaries;
- during the course of the year the Parent Company neither purchased nor disposed of, either directly or by means of trusts or intermediaries, of any own shares or shares belonging to the parent company;
- Parent Company shareholdings as of this date are as follows:
  - ∗ Todini Finanziaria S.P.A. (entirely held by Luisa Todini) 99.19 %
  - ∗ Luisa Todini 0.81%

TRANSACTIONS WITH SUBSIDIARY, ASSOCIATED AND PARENT COMPANIES AND COMPANIES CONTROLLED BY THE LATTER

All operations carried out by the Parent Company with the parties listed above were for the most part concerned with the exchange of goods, the supply of services, and the use and supply of financial resources with associated and subsidiary companies.

All these operations are part of ordinary management and are regulated by ordinary market conditions.

Participations, analysed in detail in the explanatory notes to the financial statements, are primarily related to joint-ventures and consortia, established with other construction companies in order to perform the contracts.

Standing payables and receivables with these companies are a record of transactions of a commercial and financial nature.

These are regulated by on market conditions, and precisely:

- sales and purchases at a price between independent operators;
- interest at rates provided for banking purposes.

An analysis of main transactions currently in place with subsidiaries, associated companies, the parent company and any other businesses controlled by the latter, as well as any company associated to the Parent Company and not within the area of consolidation is found below;

TODINI FINANZIARIA S.P.A. (parent company of the Parent Company)

Accounts receivables	In thousands of euro	36.6
Accounts Payable	In thousands of euro	32.6
Costs	In thousands	1.511.3

	of euro	
Revenues	In thousands of euro	100.9
CGS S.P.A. (subsidiary of the Parent Company)		
Accounts receivables	In thousands of euro	35.8
Accounts Payable	In thousands of euro	1.968.2
Costs	In thousands of euro	70.1
Revenues	In thousands of euro	76.7
CEDIV S.P.A. (associated company not within the area of consolidation)		
Accounts receivables	In thousands of euro	13.4
Accounts Payable	In thousands of euro	0
Costs	In	0

	thousands of euro	
Revenues	In thousands of euro	0

Below is further information on the main activities carried out by the Group in Large Building Works and the Development and Management of Real Estate, carried out through Consortia, Joint ventures and companies not included in the area of consolidation. The analysis is broken down by type of work and branch office.

Large Infrastructures

- **Infrastructures in Italy**
  - *Railways and underground works*

    SCAV Scarl (shareholding 70%).

    The company was established to **carry out works on flyovers and adjustments to the outer road network for the new High Capacity Milan Turin railway line and the A4** motorway entrusted to the Cav.To.Mi Consortium in 2002 and JV (A.T.I) Todini Spa (agent), Ediltevere Spa (principal) and CGS SpA (principal) .

    The works were finished and subjected to final testing.

    In 2006 an agreement to resolve the legal dispute was formalised.
  - *Hydraulic works*

    IRRIGAZIONE FURORE Scarl (shareholding 40%).

    The company was established to manage **works of the 2nd lot, 1st branch of the works to construct a water distribution network in**

irrigation areas of the Naro-Furore basin entrusted to ESA and JV (A.T.I.) Condotte SpA (agent) and Todini Spa (principal).

During the course of 2006, once certification for the end of works as at December 31, 2005 was obtained, the following actions were carried out:

approval inspections were completed pursuant to Art. 4 paragraph B) of the Transaction Act on piping laid before suspension as at July 31, 1995;

finishing and minor works not altering the functional structure of the irrigation system were put in place.

Furthermore, reports on the Final State of Works were prepared. On December 20, 2006 the Director of Works transmitted these to the Creditor E.S.A.

With respect to the reserves recorded in the accounts, pursuant to Art. 31 bis of Law no. 104/94 an amicable settlement was entered into with R.U.P. (Network among the State Provinces), still needing final approval from the Board of Directors of E.S.A. to become definitive.

Furthermore, works were started to activate the irrigation system in order to monitor its performance with the aim of delivering the works to the Client. These were interrupted because of a lack of water available from the Furore dam after it was emptied in order to carry out works on its catchments.

- **Abroad**
  - *Algeria Branch Office*
    - *AFT Kramis Consortium* (shareholding 49.99 %).

The Consortium was established in 2001 and was awarded the Ministère des Ressources en Eau – Agence Nationale des Barrages et Transferts tender to **construct the Kramis dam:** it will have a height of 28 m while being 650 meters in length, and will be complete with electro-mechanical systems.

Its capacity is of approximately 45.38 cubic meters, and the water is to be used for irrigation.

Works were for the most part completed and provisionally delivered on December 30, 2004.

At the start of 2006, strong rains caused damages to some of the works. The Client requested interventions to repair the works, which were carried out during the financial year under analysis.

For greater details on activities carried out by *Groupement Todini-Enaler, Groupement G.R.T.A. (Todini-Cosider) and Groupement Todini-Sonatro*, please see the chapter on industrial activities.

- *Greece Branch Office*
  - *J.V. Aktor A.T.E.-Todini (shareholding 55%)*

    The Joint Venture was entrusted with the works to build an **underground railway system in Athens**.

    Building works for the lot concerning line 3 of the Athens underground railway system were carried out throughout the course of 2006 and achieved a certified total as at December 31, 2006 of approximately 17.5 million.

As of February 12, 2007, the Consortium transferred the sum of € 100,000.00 to the Parent Company to partially cover the € 680,242.32 credit matured.

Financial resources relative to the dispute between the Consortium and the Client, currently taking place, should cover the remaining receivables from the Parent Company.

Works still to be carried out total approximately € 4 million and are primarily concerned with finishing works on the Egaleo station. The works are scheduled to be completed as at December of 2007.

- Consorzio Todini-Aktor (shareholding 60%).

The Consortium was awarded the tender to **construct a building complex for the Ministry of Labour and Social Security**.

Works began again after the Olympics in Athens were closed and were for the most part completed with the housing used by Olympic athletes during the event being transformed into offices.

Total works certified as at March 16, 2006 stand at approximately € 26.9 million.

All relevant sums due to the Parent Company from the Consortium have been paid in.

After year-end, other works were carried out, whose total was not significant. Presumably a further certificate on the state of works will be issued in the first half of 2007.

Also presumably, a provisional testing certificate will be issued by December of 2007.

- J.V. Kallidromo Pantekniki-ALTE-Todini (shareholding 23%).

Works on the construction of the **Kallidromo railway tunnel** underwent final testing in 2005. During the course of 2006 the Consortium provided maintenance services for the works in question.

Resources deriving from the sale of machinery as well as the dispute with the Client should cover, as far as we are aware, any residual credit for profits, loans and the transfer of machinery from the Parent Company to the Consortium.

<u>Real Estate Management and Development</u>

- Urban redevelopment in the Venice-Marghera area.
  - Cediv SpA (shareholding 42.33%)

    The company owns an industrial complex for which, as of April 27, 2007 approval was granted for a variation to the Urban Development Plan (Special Urban Planning Scheme) to build a real estate complex of mixed residential, office, hotel and commercial destination.

    A summary description of the project is found in the chapter on industrial activities.

LEGISLATIVE DECREE 231/2001

With reference to Legislative Decree 231/2001 please note that as of April 29, 2005 the Board of Directors of the Parent Company has appointed a single Monitoring Body. Pursuant to the aforementioned law, this body has been appointed in the person of Mr. Marco Cardia, attorney-at-law, who is a professional external to the Company.

On April 29, 2005, the Board of Directors also approved a Management and Monitoring Organisation Model in accordance with Law 231/2001.

The Model is comprised of four parts, a general part and two more detailed parts regulating specific infringements against Public Administration and corporate crimes. The fourth part is concerned with protocols. The Company deemed it necessary to adopt the Model described above in order to standardise regulations governing the Group as well as any business relations it entertains.

Conformity to the regulations described in the Model is monitored in a periodical note sent by the Monitoring Body to the relative corporate offices. Compliance with these regulations is furthermore monitored through periodical audits arranged by the Monitoring Body itself on so-called "sensitive” processes.

PRIVACY POLICY

With respect to the Privacy Policy ex Legislative Decree no 196 dated 30/6/2003 please note that as of 30 March 2006 a Security Plan was prepared with the aim of establishing the organisational, physical and logistical safety and security measures to be adopted in order to comply with all requirements on the safety of data processed by the Parent Company with respect to the provisions of the abovementioned Legislative Decree.

GOVERNANCE

The Parent Company Corporate Governance System is in conformity with the provisions of the Civil Code.

The Board of Directors has the widest powers to perform any act deemed necessary to obtain and achieve corporate objectives, carrying out strategic actions and safeguarding the interests and assets of the Parent Company.

The Board of Directors of the Parent Company met 18 times during the financial year in question to examine and deliberate on ordinary institutional activities, managerial choices of particular interest to the Parent Company, and specific decisions it opted to share with the Administrative Body, in spite of the fact that these had previously been the object of powers of attorney granted to the Directors.

SIGNIFICANT EVENTS WITH RESPECT TO CORPORATE SOCIAL RESPONSIBILITY

Corporate Social Responsibility is an integral part of the system of values the Todini Group has always aspired to.

Among the many initiatives promoted or supported by the Parent Company in 2006, special mention must be made of the following:

- *Fondazione Ing. Franco Todini* – Cavaliere del Lavoro, a non-profit institution which funds initiatives of a marked humanitarian, social and cultural significance by granting scholarships to students who have been awarded high school leaving certificates with top marks at the end of each school year.
- *Global Compact*, an association created by the UN to spread awareness of the ten fundamental principles underpinning human rights, work, the environment, and the fight against corruption (Todini was the first Italian construction company to support this initiative);
- *Day nursery*, operating since 2005 in the Rome Offices, it can accommodate up to 50 children, including not only the children of employees and workers, but also the children of workers from other companies and members of the local community;

- *Vanaprastha Community*, a community on the outskirts of Bangalore run by Father Sibi, established to help abandoned children.
- *Policlinico Umberto I*, contributions to purchase machinery for the Neonatal, Pathology and Neonatal Intensive Care Unit.

SIGNIFICANT EVENTS OCCURING AFTER YEAR END

In addition to the events described in this report, mention must also be made of the following events with respect to the Parent Company:

- Offers were presented in partnership with Pizzarotti S.p.A., Impregilo S.p.A. and CMC for the tender published to design and construct the new **Bou Medfa-Djelfa (DAO no. 15) and Touggourt-Massi Messaoud (DAO no. 14) railway lines.**

  The tender did not provide a base project but just guidelines and a list of the areas to be connected by the line: a preliminary study (Program Contract) was presented during the tender which will be later finalised with a definitive project (Application Contract).

  The first tender is concerned with works on the new electric railway line of approximately 260 km in length. This will connect the SNTF coast line (Bou Medfa) to southern Algeria (Djelfa) passing through Ksar El Boukhari, Bougzoul, Ain Oussera and Hassi Bahbah and will include a further 30 km which will serve to connect the city of Mèdèa.

  A second 180 km line will also be built. It will run in a single direction and will not be electric. This will connect the city of Touggourt and the petrol supply pole of Hassi Messaoud in southern Algeria. The project will be integrated with a line connecting Bistra and Touggourt which will be the subject of a separate call to tender.

- A variation order was signed by Todini Central Asia - held by the Parent Company - which adjusts the contract total for building works on the **Astana –Shchuchinsk road section between 57.4 Km and 100 Km.**

  In fact, as a result of this variation the contract sum has been increased to approximately € 127.3 million (inclusive of local VAT equal to 14%).

  Works are scheduled to be completed by 2009 with annual production peaks of approximately € 50 million.

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Rome, 30 May 2007

ON BEHALF OF THE BOARD OF DIRECTORS

The Managing Director

(Ing. Michele DE CAPOA)