TODINI COSTRUZIONI GENERALI S.p.A.

Rome – Viale Egeo 100/106

Share capital € 31,705,620

Entered in the Rome Companies Register under

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ANNUAL REPORT

CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2007

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Dear Shareholders,

The consolidated financial statements for the year ended 31 December 2007 which we are submitting for your analysis and approval, on the one hand reconfirm the objectives set out in the 2007-2009 Industrial Plan for the year under examination, particularly with regard to the expansion of the business and the recovery of profitability; on the other hand they represent the end result of a strategy initiated in 2004, which has brought the Group to a leading position in its industrial sector.

The most significant figures are summarised below:

- **value of production** amounted to € 456.0 million with an increase of 23.39% with respect to the value of production of the previous year;
- **the gross operating margin (EBITDA)** totalled € 42.1 million, corresponding to 9.23% of the value of production (€ 22.04 million during the previous year), was still affected by elements of distortion that characterised the economic results of the Bouirà project in Algeria, as analysed in detail in the chapter describing our industrial activities. We are nevertheless pleased to point out that, with the economic effects of the Algerian project deducted , this figure exceeds the targets set in the 2007-2009 Industrial Plan;
- **the operating income (EBIT)** amounted to € 14.7 million (€ 2.4 million in 2006);
- **net profit** totalled € 3.0 million, after amortisation, depreciation and provisions of € 27.4 million and the allocation of € 3.5 million for taxes for the year;
- the **net financial position** was € -68.3 million (€ -52.9 million in the previous year);
- the success of the **Business Model** – as demonstrated by the satisfactory results summarised above – which has pursued and will continue to pursue with great determination the

development of specific know-how, starting with the management and direct control of the industrial operations, whilst restricting the management by third parties to a minimum.

It is worth recalling that to achieve this objective the Parent Company has developed and, from 2004, implemented a strategy aimed at:

- ✓ Expanding the company through external channels
- ✓ Increasing know-how in specialist fields
- ✓ Diversification
- ✓ Developing human resources

➢ The indicators listed below reflect the ability of the Group, and the Parent Company in particular, to successfully compete in Construction, Concessions and Real Estate Development and Management:

CONSTRUCTION SECTOR:

€ 1,057.6 million of **Order Backlog** at the end of the period (€ 1,050.8 million as at 31 December 2006)

REAL ESTATE DEVELOPMENT AND MANAGEMENT SECTOR:

Managed Projects Portfolio at the end of the period of € 337.9 million[1)]

CONCESSIONS SECTOR:

Portfolio at the end of the period of € 28.6 million.

The stable positioning now achieved in these Sectors is a tangible reflection of the Parent Company’s **ability to innovate and change its business profile** correctly interpreting the expected changes in the Construction market scenario as a whole (namely not restricting its options solely to the Public Works market) both from the regulatory perspective and in terms of competition. The **critical success factors** are therefore oriented towards large company size, the expertise as a General Contractor – combined with the capacity of direct intervention based on accumulated know-how – and access to innovative sources of financing.

We would like therefore to draw your attention to the initiatives implemented in the operational and organisational areas that have had the greatest impact on the **strengthening of the Group’s competitive position in the market**, and in particular to those aimed at expanding the company and increasing know-how, and those aimed at consolidating its presence in those foreign markets that, in conditions of controlled risk, have the greatest potential to generate satisfactory returns, as well as those designed to guarantee the Parent Company its role as Integrated Operator in the real estate market. We also consider it worth highlighting the actions taken to obtain orders and/or undertake initiatives and operations designed to ensure a higher level of profitability compared to the company track record.

- ***Expansion and increase in know-how***

  In the annual report for the years 2005 and 2006, special mention was already made of the legal-technical process that saw the Parent Company become the legitimate and exclusive contractor to the company “Autostrade per l’Italia S.p.A.”, for the execution of the **extension and modernisation works for the “Autostrada A1 Galleria di Base – Lotto 9–11 – Variante di Valico”**.

  The project acquired by the Parent Company is included in the most important project underway by Autostrade per l’Italia S.p.A., aimed at upgrading the A1 motorway with the construction of the Variante di Valico (*Valico Bypass*), in order to improve the road system and reduce travel times between Bologna and Florence. The overall investment is estimated at around € 3,177 million (*source: Autostrade per l’Italia*).

  The order in the Backlog is the “symbol complex work” of the Variante di Valico project, namely the *Galleria di Base*, a twin tubes tunnel with separate carriage-ways (with a cross-section of 160 m² and a length of approximately 8.6 Km) that will connect the Emilia Romagna and Tuscany regions, 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 is expected to involve an overall investment of € 857.8 million (*source: Autostrade per l'Italia*).

  In contractual terms, the Parent Company is due to sign the 2nd Contract Amendment with the Client within the first half of this year. This Contract Amendment will involve variation orders amounting to € 3.0 million for works and € 6.0 million safety measures.

  We also note that during the year under examination, the Client approved a further Expert Report on the Additional, Technical Variation that brought the contract total to € 580 million.

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

  - Campo and Badia Nuova worksite; Roncobilaccio; Pallareto and Poggiolino (except for the environmental engineering works)

[1)] *Value estimated as at 31 December 2007, but referring to the end of the building process.*

- Bypass 16
- Bypass Citerna Poggiolino
- Artificial Tunnel of Badia Nuova

The percentage progress of the main activities as at 31 December 2007 was as follows:

- Poggio Civitella Tunnel 82.08%
- Base Tunnel and descent tunnel 20.73%
- Badia Nuova Viaduct 77.78%
- Setta I Viaduct 31.65%
- Casaglia Viaduct 16.81%
- Road + access road network 52.07%
- Ancillary Works 19.41%
- Rehabilitation of Torrente Casaglia 61.15%
- Specific Works for Futa 6.64%

Overall production for the month of December 2007 amounted to approximately 36.05% of the total contract amount.

The project, together with the other works recently completed and still underway (such as the hydraulic tunnel of the Algiers Main Rain Water Collector executed by means of Tunnel Boring Machine), have enabled the development of highly qualified in-house experience in this sector, resulting in the generation of high levels of technological know-how and availability of complex technical equipment, allowing the Group to establish itself as leader among its competitors.

To strengthen and capitalise on this expertise **a corporate department has been set up, within the Parent Company, with significant mechanical and non-mechanical underground excavation expertise**.

The **development** of additional **specialist skills** (industrial engineering and building construction) together with the **substantial efforts made in the standardisation of processes and the design and development of support tools for planning and control operations represent key success factors** for the Parent Company's **management of complex and large-scale projects**.

Within this operational framework the **Board of Directors**, through a structured strategic planning process, **directs efforts towards the acquisition of projects with high**

engineering content (General Contracting, and Design and Build Tender schemes), building upon the specialist skills already accumulated.

We are confident that this strategy will soon start producing targeted results.

During the year under examination the Parent Company participated in a tender for the redevelopment of four lanes of the State Road 640 "of Porto Empedocle" from km 9+800 to km 44+4.000 (as General Contractor) submitting the second best offer, which represented a significant success given that this was the company's first participation in a tender of this kind.

The company has also recently submitted an offer for the construction of a diversion road of the State Road 125 – Branch II – 2nd lot under the Design and Build Tender scheme, and is participating in the tenders issued by ANAS, as General Contractor, for the macro-lot 3 of the Salerno – Reggio Calabria motorway.

- ***Consolidation in foreign markets with greater income capacity***.

  Within the most significant results obtained by the implemented actions, the following are to be mentioned:

  - The **expansion of the corporate structure in Algeria** that, combined with the greater visibility and credibility enjoyed by the Parent Company and following the acquisition of a new client, the Ministry for Water Resources, has enabled the company to **consolidate its position on the Algerian market**.

    In this regard, we would like to note the following:

    - contract acquisition – last September by the Parent Company together with Alstom and a local partner – for **the line extension between the stations of Bordij el Kiffan and Dergana of Algiers Tramway** with an overall length of 6.9 km (€ 112 million including € 11 million attributable to the Parent Company);
    - **incorporation** in July 2007 **of Todini Algérie**, a company under Algerian law. Compared to the Todini Branch Office, which is solely involved in the performance of a contract for the execution of a project, the local company has several advantages of fiscal, parafiscal, commercial, and financial nature and also in terms of development support. The abovementioned company is also due to be assigned tools, plant, equipment and machinery necessary to support sales and hiring to third parties of cement concrete and asphalt concrete.

- Offers were presented in partnership with Pizzarotti S.p.A., Impregilo S.p.A. and CMC, for tenders published **for design and construction of the new Bou Medfa-Djelfa (DAO no. 15) and Touggourt-Massi Messaoud (DAO no. 14) railway lines.** Unfortunately, these tenders were not successful.

- **Consolidation of the Group in Central Asia and the former Soviet Union**, which is expected to generate a clear increase in market opportunities as a result of growing demand for infrastructure linked to mineral and oil extraction.

  Approximately € 284.4 million was the overall size of the Order Backlog as at 31 December 2007 (€ 205 million as at 31 December 2006) **–** due, *especially*, to the acquisition of three new orders:

  - ✓ **reconstruction of the Baku - Samur road (Azerbaijan)** from km 28 to km 89, for a contract total of € 99.5 million;
  - ✓ **reconstruction of the Baku - Shamakhi/Muganli road (Azerbaijan)** for a total length of 107 km with a contract total of € 68 million;
  - ✓ **reconstruction of the "M06 Kiev-Chop" motorway in Ukraine** from km 348 to km 441, for a contract total of € 48.3 million.

  These new acquisitions are proof of successful marketing efforts aimed at achieving the abovementioned objectives.

  Furthermore, we also note that the contracts already obtained and contracts that the Company is confident of obtaining are all accompanied by a prepayment corresponding to 10% of the contract total.

➢ ***Establishment of our role as Integrated Operator in the real estate market***

The Parent Company has assumed the role of "Integrated Operator" in the real estate market, with operations focused on the following business areas:

- ***Asset Management*** (on its own account and for third parties)

  Management of relations with Public Authorities for the approval of the urban planning instruments required for the completion of projects; acquisition, development and repositioning of residential and commercial real estate complexes on the market; and design, construction, and marketing of new residential and commercial complexes.

- ***Service Provider*** (on its own account and for third parties)

Property and Facility Management and other services to third parties relating to the Global Service.

The Asset Management business Portfolio of projects managed as at 31 December 2007, is represented by the product surface area currently under development and the value of the real estate product at the end of the building process:

- the **product surface area** amounts to 139,348 m², broken down into the following product types:

	Product surface area under development (m^2)
✓ Residential	50,193
✓ Offices	29,924
✓ Accommodation	8,060
✓ Commercial	7,326
✓ Parking lots	43,845

- **the value, estimated as at 31 December 2007, but referring to the end of the building process**, stands at € 337.9 million, broken down as follows:

	Product Value (€/millions)
✓ Residential	155.1
✓ Offices	95.8
✓ Accommodation	20.2
✓ Commercial	23.1
✓ Parking lots	43.7

To complete the overall picture of the Asset Management operations, it is worth looking at the trend over the next three years for the “inventories” of managed portfolios, which are not expected to exhaust their potential over the three year period, but instead, by the end of 2010, should have trebled in value compared to 1 January 2008, despite the sustained value of the sales planned for the year 2010.

It is worth noting that **the Projects portfolio does not include the contributions of two Romanian development projects**, which are currently undergoing pre-feasibility studies, one relating to the development of a plot of land located in the vicinity of Sibiu, and the other to the development of a plot of land at km 73 of the Bucharest-Pitesti motorway. Both plots of land are owned by the Romanian subsidiary OLIMPIA SERVICII INTERNAZIONALE S.r.l..

Lastly, we note that the Asset Management business area Managed Projects Portfolio has elicited tender contracts for the Building Product Line of the Parent Company's Construction Sector for a total of around € 169.8 million, including around € 144.3 million already underway and consequently included in the Order Backlog as at 31 December 2007.

As regards the **Service Provider business area**, negotiations are underway for the acquisition, from two different Principals, of contracts involving the:

- management of energy, heating and cooling vectorialisation services for a vast real estate portfolio;
- maintenance and management of a super condominium;
- maintenance and management of a public building.

These operations will be conducted as part of the intervention to complete the Specific Plan for "Corso del Popolo" in Terni.

- ***Achieving greater profitability compared to the Company's track record***

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

- consolidation of our presence in **foreign markets** where the Group already operates and penetration of the **Arab Emirates** market, whilst ensuring technical and financial investment with a lower impact on current assets;
- consolidation of the **diversification** process in the Concessions Sector and in the Real Estate Development and Management Sector.

It should be noted firstly that, from an organisational perspective, all the commercial operations of the geographical areas where the Group already has a presence (including bordering areas and those where operating Branches are already present) have been assigned directly to the Operational Area. In addition to the results outlined above, we would like to note the award of the contract to the Parent Company by the Ministry of Public Works, Transport and Telecommunications, General Road Directorate of Tirana (Albania), **for the construction of the road lot from Levan to Tepelene** - Levan-Dames section – North-South road corridor, for a contract total of € 31.6 million. The works are scheduled for delivery within the first half of the current year.

The Commercial Area, in relation to the first strategic objective, has consequently focused its attention on the **penetration of the Emirates market**.

To this end a Branch was registered in Abu Dhabi and subsequently (at the start of 2008) in Dubai. Accreditation was also obtained from the Dubai Road Transport Authority for unlimited amounts, and also with the main Clients in the Emirates. With regard to the RTA it is worth noting that the accreditation for unlimited amounts was also awarded for railway works, for which very few General Contractors usually receive accreditation.

The Parent Company participated in three tenders in the Emirates and was awarded, in January 2008, the "R881-3A Junction – Sheik Zayed Parallel Road" project in the centre of Dubai (Jumeirah Lakes Towers area), which will also include 7 bridges and an underpass for an amount of around € 85 million.

During the current year the Parent Company has participated in three more tenders and has made contact with major industrial players aimed at building alliances for the joint realisation of complex projects in the transport sector.

As regards the second strategic objective, the Group intends to plan a series of initiatives aimed at consolidating a **greater presence in the Public Private Partnership (PPP) market**.

This process is not only seen as an instrument for increasing the Order Backlog in our traditional core business (induced by PPP), but **also, and above all, as an instrument designed to drive greater diversification** in a market with profitability that better matches the targets for return on invested capital; namely the market involving the Concessions and Real Estate Development and Management Sectors.

The Parent Company, with respect to the domestic contractual PPPs (concessions) market, whilst bearing in mind the reduction in supply generated by the recent changes in the legislation on project financing, is looking at several interesting initiatives within projects for urban development and renewal.

In terms of institutional (mixed company) PPPs, again at a national level, an invitation is being awaited for the submission of an offer, jointly with other companies, for the construction and management of line 4 of the Milan underground railway system.

Naturally, the Group is constantly on the look out for any attractive initiatives in the domestic market.

The Parent Company's Board of Directors is firmly convinced that interesting opportunities may emerge from projects aimed at developing local areas or parts of medium/large sized cities. To this end, the Parent Company is independently capable of assuming the designated role of Partner to Public Authorities, with the ability to establish continuous and successful dialogue with public bodies and the production and social structures existing and operating in the area concerned. At the same time, the Parent Company, employing the know-how accumulated within its overall organisation, is able to independently organise the multidisciplinary expertise (infrastructure establishment, real estate development, and management operations) required for these types projects.

With regard to foreign markets, on the other hand, the Parent Company has established relations with key Industrial Partners and International Lenders in order to identify operations under PPP or supported by Structured Financing for joint promotion and development.

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Other events that significantly **characterised the Group's activities in the year under examination** include the following.

- The formalisation, on 15 April 2007, of the *Avenant* no. 2 within the Parent Company's contract for the completion of the **road section and the works for the Bouira-El Adjiba East-West Motorway**.

  This approval resolved one of the main financial issues affecting the economic performance of this contract.

  Indeed, it is worth recalling that the *Avenant* was approved by the Client in August 2006 for an amount of DA 1,168.0 million and € 9 million, corresponding to an equivalent of approximately € 21.1 million, together with a 16.5-month extension to the contract period.

  Despite this approval, however, the Client illegitimately refused to issue the Work Progress Certificates (SALs) from 13 August 2006, the original contractual deadline.

  The Parent Company, therefore, funded the industrial works from 13 August 2006 until the payment relating to the Work Progress Certificates which took place in June 2007.

  We note that *Avenant* no. 2, contrary to the requests made, only resolved part of the items claimed.

  Some items continue to be unresolved, however, it was considered appropriate to defer their negotiation to avoid further delays in the approval of *Avenant* no. 2.

  In November 2007, *Avenant* no. 3 was submitted, which, in addition to the technical requests for greater project quantities and the application of new prices, also included the compensatory claims accrued up to that date, together with the contractually established indemnities, for a value of DA 1,277.2 million and € 10.8 million, corresponding to an equivalent of € 23.7 million (at the exchange rate of € 1 = DA 98.64). In mid April 2008, *Avenant* no. 3 was validated by the Client and sent to the *Commission National des Marchés* "CNM" for approval, solely for the part relating to the increase in quantities, the new prices and a part of the compensatory claims for a value of DA 510.9 million and € 7.4 million, corresponding to an equivalent of € 12.6 million (at the exchange rate of € 1 = DA 98.64). *Avenant* no. 3 provided for an extension of the contractual period up to October 2008.

This contractual deadline is likely to be postponed as a result of further breaches by the Client (already in progress and expected to continue). Naturally, the Parent Company will make the relevant compensation claims.

Upon completion of the project, an *Avenant de Clôture* will be submitted that will settle the so-called "indemnities" contractually established for the works whose quantities have exceeded those of the initial project by more than 35%.

- **The opening** of the first part of the abovementioned road section, **from km 204+800 to km 215+750 (**El Esnam Bypass) last July attended by the Minister for Transport who publicly expressed full satisfaction with the quality of the work.
- The issue on 24 April 2007 of the award from the arbitration proceeding initiated to settle the dispute with ANAS regarding the **modernisation of four lanes of the Grosseto-Fano SGC highway, Grosseto – Siena branch, Lot 9**. The award essentially accepted the Parent Company's claims, albeit penalising the economic aspect compared to the expected outcome.

  In December of the year under examination a settlement was reached with ANAS.
- The conclusion of the procedure pursuant to Art. 31 *bis* initiated for the **"Menaggio Bypass"** contract for the discharge of the claims recorded against the whole of Work Progress Certificate no. 12 for the work performed up to 27 July 2006.

  Since these claims are continuative and given that as at 31 December 2007 the Work Progress Certificate no. 23 was issued against which further claims were recorded, a further procedure pursuant to Article 31 *bis* will be initiated.
- The signature in November 2007, for the "**Milano – Lecco railway track doubling**" contract, of the deed of settlement for the claims recorded against the whole of Work Progress Certificate no. 38.

THE MARKET

Before commenting on market trends relating to the Group, it is important to briefly analyse and discuss a number of general **macroeconomic figures** from the IMF.

In 2007, world GDP grew in real terms by 4.9%, and, as was the case in 2006 (5%), was made up of + 2.7% for the developed economies + 7.9% for emerging economies.

The latter included the growth in areas where the Group has a direct interest, such as the CIS (+ 8.5%), Central-Western Europe (+ 5.8%), Algeria (+ 4.6%) and the Middle East (+ 5.8%).

In the Eurozone, GDP growth stood at 2.6% (2.8% in 2006). In Italy an increase of 1.5% was recorded (1.8% in 2006).

Global trade increased by 5.5% (compared to + 8.5% in 2006).

In 2008, in the wake of the US slowdown, worldwide growth is forecast at less than 4% (the lowest figure for the last 5 years).

Looking more closely at the **European building sector** (*source: Euroconstruct*), in 2007, growth in the sector was estimated at 2% (compared to 3.8% in 2006), and the forecast for 2008 is for an increase of around 1.4%, confirming the continuation, albeit with a slowdown, of a growth cycle started in 1994 (with a stagnation period in 2003-04).

In **Eastern Europe** this sector is expected to grow by more than 9%, with a veritable boom in public works, where an annual growth of 20% is expected for the two year period 2008-09.

In **Italy** the ANCE (the National Building Contractors Association) has forecast the trends shown in the table below.

Investments in construction:

		% Changes in quantity			
		2005	2006	2007(°)	2008(°°)
		%	%	%	%
CONSTRUCTION	150,455	0.3	2.1	0.4	-0.1
Homes (*)	80,028	2.2	3.6	0.9	0.3
- new (*)	*38,246*	*2.5*	*3.0*	*0.0*	*-1.0*
- extraord.	*41,782*	*2.0*	*4.1*	*1.8*	*1.4*
Non residential (*)	70,427	-1.7	0.4	-0.3	-0.5
- private (*)	*39,944*	*-1.9*	*1.5*	*1.9*	*1.1*
- public (*)	*30,483*	*-1.0*	*-1.0*	*-3.0*	*-2.5*

(*) ANCE estimates on National Revenue and Expenditure Accounts

(°) ANCE preliminary data

(°°) ANCE forecasts

Source: ISTAT data processed by ANCE

With regard to **Public Works**, the increase in public resources, recorded in the Italian National Budget for 2007 (+23% in real terms) did not produce any real impacts on production levels due to the extreme slowness in allocation of the resources to the main budget centres and the absence of a clear and coherent policy framework. These difficulties resulted in a substantial halt in the publication of tenders for new investments by ANAS and the Italian State Railways in 2006 and the early part of 2007.

With respect to *New Market* tenders, in addition to the downturn in terms of overall value (- 22%), the following trends emerged (*source: OICE – Association of Italian engineering, architectural and technical-economic consulting organisations*):

- increase in the number and value of design and build tender schemes;
- a significant decrease in the average size of PPP operations and concessions (Law 109/94 Articles 37 *bis* and *quater*, Article 19), from € 30 million to € 13 million.

The trend for homes in the **Domestic Real Estate Market** continued to grow, however at a lower rate, both in terms of number of properties traded and prices.

The forecasts issued by *Nomisma* for the year 2007 point towards a further reduction in the growth of average prices of homes in urban areas (+ 4.2% compared to the first half of 2006 and + 2.4% on the second half of 2006), against more sustained growth in the 13 intermediate areas (+ 5.5% in real terms compared to 2006).

Average sale times tend to be lengthening, moderately (4.7 months against 4.2 months a year ago) and the discount applied by sellers on the asking prices is increasing (currently 11.1% compared to 10.7% a year ago).

In addition, the continued increase in interest rates may make households consider more carefully before seeking lending and may also make lenders more cautious in extending loans, especially to those with a higher risk profile.

Scenari Immobiliari (an independent property market research institute), in its September 2007 report, also confirmed the above trend in the residential property market, against an improvement in the non-residential sectors.

Energy efficiency and saving are issues that are increasingly coming to the fore in everyday life. The improvement of energy efficiency is now an urgent and necessary requirement and the real estate sector has been given a vital role in the reduction of energy consumption.

In order to fulfil their role within the system, enterprises must eliminate resistance to change, address the challenge of product and process innovation, and conceive building products not merely as consumer goods, but as solutions to problems and as an added value to consumers, capable of integrating functions and providing services.

A radical change in the business model that will entail a revolution in the organisation of the production chain and the skills of the human resources involved in the production process.

The Group has been able to foresee the changes underway and has acquired the necessary skills and expertise in good time.

ORGANISATION AND STAFF

The stable position now achieved in the Construction, Concessions, and Real Estate Development and Management Sectors has provided the basis for an **organisational upgrade** to better meet the needs of the Group's expanded size and the complex competitive challenges raised by this positioning.

The Parent Company's Board of Directors has made and will continue to make every effort to ensure an efficient and effective organisational structure for the company. The aim is to build a structure in constant evolution, capable, on the one hand, of meeting the abovementioned competitive challenges and on the other of instilling a sense of belonging among the Group's Human Resources.

To this end, the Parent Company has implemented and adopted the following major courses of action and measures:

- **Division of the corporate structure into two macro areas:**
  - Commercial Area
  - Operational Area

The Staff, including technicians, are allocated to the Operational Area.

Production management has been organised by Sector:

- Construction structured into Product Lines:
  - ✓ Complex Projects
  - ✓ Infrastructure in Italy
  - ✓ Building
  - ✓ Abroad
- Real Estate Development and Management divided into Business Units:
  - ✓ Asset Management

    - ✓ Service Provider
  - Concessions

- The **establishment of Corporate Bodies** within the Company's Central Structure that ensure **the most effective possible monitoring and control of the issues introduced by the significant and complex regulatory changes both in terms of administrative liability of companies and trade union and labour relations.** The setting up of the following has been provided for in particular:
  - a specific internal Body responsible for controlling compliance of business operations with the provisions laid down in Italian Legislative Decree 231/01 and in Italian Legislative Decree 196/03 on the protection of personal data. Specifically, with regard to Italian Legislative Decree 231/01, the Head of the Body must ensure that the Organisational Management and Control Model adopted by the Company is continuously revised and updated, and that the flow of information to the Supervisory Body is accurate and takes place in accordance with the procedures and timescales established in the Model;
  - an additional Body with the main responsibility of managing industrial relations; this Body will also manage training operations and initiatives aimed at the introduction of instruments for the promotion and assessment of human resources, an indication of the high degree of importance and competitive value assigned to these factors by the Board of Directors.
- **Consolidation of the use of the ERP system** (developed on the Oracle "EBS" platform), which provides integrated management of business processes, starting with planning and control ensured by means of in-house software also developed using Oracle databases and tools.

  The system is now regularly used by all the Bodies operating in the Head Office and by the Production Units in Italy and can also be considered to have been fully adopted in the Algeria Area. It has also been extended to the former Soviet Union, New EU and Arab Gulf Areas, for the Contracts acquired from 2007.
- Within the **Machinery Fleet Business Unit**, the revision in March 2008 of the rates for the internal machinery hire, revised in order to make them more competitive and consistent with the objective of extending the average life of the operational fleet and reducing the technical investments for equivalent acquired portfolios. In addition, the following structure

for the organisational units was planned in order to optimise this Business Unit's operational capacity – also with a view to opening the service up to the external market with benefits in terms of profits:

- Central Depot and Workshops Italy: serving the Production Units of Italy and Eastern Europe.
- Algeria Business Unit serving the Production Unit of North Africa.
- Azerbaijan Business Unit serving the Production Units of the former Soviet Union, Central Asia and the Arab Emirates.

➢ A "special project unit" was set up and is now operational, made up of technical, management, administrative and financial functions, designed to improve the effectiveness **of operations aimed at closing contractual positions that are no longer operational and removing companies in liquidation or to be liquidated, as well as recovering long overdue receivables.**

The special project unit carries out the following main activities:

- administration and static inspection of the contracts underlying the individual positions;
- recovery of long overdue receivables from Clients;
- recovery of long overdue receivables from third parties;
- plaintiff litigation in and out of court;
- discharge of guarantees issued on behalf of the Group in favour of Clients and third parties in general;
- termination of *ATI*s (temporary associations) and Corporate organisations.

These activities are only in small part driven by routine positions, namely relating to closing contracts (due to be reduced to a relatively insignificant number in the future because production operations will be concentrated in a small number of organisations with high production capacity) and for the most part by positions already in existence. They are, therefore, in the process of being transferred into a company division (Vehicle), with its own organisation that will absorb a part of the structure costs.

➢ The verification of the functioning of the **organisational structure** implemented in the **Algeria Area** and the adoption of corrective actions and measures as a result of the problem issues identified. This led to an organisational and procedural framework that was definitively formalised at the end of 2007 and will provide a base reference for the implementation of organisational structures in other Areas, with suitable adjustments made to meet specific local requirements.

- The completion, within the first half of this year, of a **study initiated in the second half** of the year under examination **aimed at outsourcing non-core activities**, like document production and copying traditionally performed with capital equipment such as printers, photocopiers, scanners and plotters. The next step will be the introduction of a fully electronic document management system.
- The **change in System Quality Certification Body** from the Bureau Veritas to the British Standards Institute (BSI). In addition to the prestige of an Organisation with a worldwide reputation as a Standards Body of the highest level, one of the fundamental reasons behind this choice is the Body's well-established presence within the Arab Gulf countries, with consequent benefits in terms of the Group's image in an Area with significant development potential.
- The implementation of an **Environmental Management System**, with the aim of obtaining certification from third party accredited Bodies (probably the BSI) within the first half of this year.
- The planning of the design and development of an **Occupational Health and Safety Management System** in conformity with OHSAS 18001, as a tool to optimise the organisation of the business in this area, elevating the safety measures already adopted in accordance with the prevailing regulations to the rank of management system. The objective on the one hand is to set up an effective means to more fully address the issue of administrative liability of legal persons, which was extended by the Italian Legislative Decree 123/07 to the area of occupational health and safety, and on the other to complement the implementation within the business of the Management Systems dedicated to "Quality, Safety, and Environment", with all the associated benefits both in terms of operational efficiency and external image.
- Lastly, **the transfer of the head office of the Group to a building available for its exclusive use**, with consequent opportunities to adopt logistical solutions that improve the efficiency of operations and exchange between Bodies/Services, thus improving the productivity of the operations conducted in the central structure.

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Further events have impacted and will continue to have an impact on the Group's operations.

- **The issue**, during 2007, **of the tranches of the renewal of the National Labour Collective Agreement**, signed on 23 March 2006. The increase in the labour costs, including the supplementary provincial negotiation, was 5%. This increase was only partly offset by the effects of the changes introduced by the 2007 Italian Budget Law in terms of Tax Wedge, resulting in an estimated reduction in IRAP (Regional Business Tax) of € 0.6 million.
- **The amount of the bonus earned**, in the year 2007, as a result of the **Company Framework Agreement for the *Variante di Valico* Worksite** signed by the Parent Company on 10 March 2006, which corresponded to 4.17% of overall labour costs accrued during the year under examination.

  A renewal agreement was formalised, on 26 June 2007, for the part concerning the results based bonus linked to productivity.

  The increase in the daily indemnity is offset by new conditions for the determination and payment of the bonus that are strongly oriented towards the recovery of productivity and the reduction of the rate of absenteeism, with the setting of stricter targets:

  - raising of the minimum threshold of hours worked from 80% to 90% of the maximum working hours;
  - reaching of minimum excavation points in the base tunnel in line with the company targets.

  The aim is to generate the expected increase in productivity, or, in its absence, an appreciable reduction in the range of beneficiaries.

  The advance payment of the bonus during the monthly payment period has been reduced from 100% to 50% with considerable financial benefits.

  The agreement addresses and deals with the issue of salaries until 31 December 2010, with obvious benefits in terms of stability of industrial relations and the reduction of internal conflicts.

  Taking into account the various factors involved, the impact of the re-determined bonus on the total labour costs is estimated to be a minimum of 2.30% and a maximum of 2.80%.
- The **MBO (Management by Objectives)** scheme, successfully tested in 2006, was employed once again in the year under examination as an instrument that has been found to be successful in driving individual performances towards the achievement of company targets.

Participation in the scheme during the year was once again limited solely to the executive staff working in the Operational Area – Production.

The results achieved will be rewarded with a Bonus calculated on a variable percentage of Gross Annual Wages (GAW). The results that emerged show final performance figures that should generate an overall accrued MBO bonus similar to the bonus accrued for the year 2006.

- For 2007, in implementation of the provisions of Quality Procedure P18, a **Training Plan** was formulated for Head Office staff.

  A significant proportion of the staff of the head office and the worksites, especially those in the Algeria and Azerbaijan Branch, participated in and completed the **training and skills development activities on the new EBS Oracle platform**, in order to enhance their performance and to exploit their potential to the full (70 days training provided in total).

  In 2007, the staff of the Operational Area – Production also took part in seminars, meetings and training courses on Quality, and **Occupational Health and Safety** for a total of approximately 4100 hours, 97% of which were dedicated to health and safety. Half the training courses were conducted in-house and the other half consisted of external courses provided by specialist organisations and companies.

  The figures presented above refer to the following Areas/Worksites:

  - Algeria Area
  - Fiumicino Worksite
  - Milano-Lecco Worksite
  - Menaggio Worksite
  - Variante di Valico Worksite.

- The **severance indemnity instalments contributed to Pension Funds, or to Treasury Funds established at the INPS (Italian National Social Security Institution)** during the year 2007, amounted to around € 2.2 million.

  With effect from the same date, the 2007 Italian Budget Law introduced measures to compensate companies. Specifically:

  - exemption from the requirement to make contributions to the Severance Indemnity Guarantee Fund of 0.20% on total retributions (0.40% for managers) corresponding to around € 0.1 million;

- further measures that will come into force as at 1 January 2008 (exemption from third party charges for illness, maternity leave and unemployment costs).

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The table below provides the comparison between the average workforce in Italy and abroad for the years 2007 and 2006.

	2007			2006		
	ITALY	**ABROAD**	**TOTAL**	**ITALY**	**ABROAD**	**TOTAL**
Clerical Workers	170	393*	563	181	356*	537
Middle Managers	25	12	37	24	11	35
Manual Labourers	538	1,788**	2.326	482	1,711**	2,193
Executives	24	7	31	24	12	36
Total	**757**	**2,200**	**2,957**	**711**	**2,090**	**2,801**

* including 322 local — * including 269 local

* including 1,779 local — * including 1,636 local

INDUSTRIAL OPERATIONS

Value of production for last year saw a consolidation of the **trend in the expansion of the Group** with **a percentage growth of 23.39%** compared to 2006 and of 38.86% compared to 2005.

It should however be noted that the market is still subject to the elements of “distortion” (slowness in terms of inspections to approve surveys for variation orders, suspension of works ordered by Clients due to a lack of availability of work areas, etc.), already mentioned in the previous years’ annual reports.

These circumstances restrict the Group’s production capacity assigned to each project and consequently generate unproductive costs and damages. To recover these damages, appropriate defensive instruments are employed, to protect contractual obligations (recording claims). The effects of some of these actions, some of which were initiated in the past, have been **recorded in these financial statements and are supported by the criteria of prudence and rigour**.

With the above general framework in mind, the **information on the main operations** conducted by the Group in the Construction, the Real Estate Development and Management, and the Concessions Sectors has been provided below. Please refer to the introduction for the discussion of the operations connected to the *Variante di Valico* project (Complex Projects Product Line). Appropriate details have also been provided below for the positions for which the aforesaid defensive instruments have been employed to protect contractual obligations.

Construction Sector

- Infrastructure in Italy Product Line
  - *Road works*

    After the expropriation problem and the interferences were cleared up by ANAS, work proceeded as scheduled on the **2nd lot – 2nd branch of the new Western State Road 125 in Sardinia between S. Priamo and Terentia**. The final accounts were signed off in February 2008.

    During the year, on 16 October 2007, an amicable settlement was agreed and signed for the discharge of the claims.

    The Client is currently implementing the procedure for the payment of the amount recognised.

    On 28 April of this year the **1st Lot – 2nd branch of the State Road 340 "Regina" Menaggio and Pastura Bypass** was delivered to the Client, and was opened for traffic on the same date.

    During 2007, the tunnel was fully completed together with almost all the ventilation, electrical, fire prevention and CCTV equipment, and the project was brought into compliance with the new legal regulations with an expert technical variance report without increase in costs, drafted in September 2007.

    The works for the **accessory road network of the Rome – Fiumicino Airport motorway for the upgrade of the Rome-Fiumicino seaside road system – 1st lot** continued to be heavily affected, during the year 2007, by the presence of a variety of interferences relating to archaeological findings, the Italian Railways, ACEA (Rome's power utility company), etc.

During the year 2007, the following road network sections were delivered and opened to traffic:

1. West slip road, section from the works OP06 and the lot end, making the West access to the *Nuova Fiera di Roma* viable;
2. connecting section between the West Slip Road and Via Sabbatino, which ensures access to the *Nuova Fiera di Roma* railway station;
3. GRA junction **-** RM-FCO motorway: GRA overpass (OP18), ramp F and ramp E.

The finishing works requested by the Client were also carried out for the Farmhouse to be used as an operations room by ANAS S.p.A., which is now operational.

Works progress as at 31 December 2007 stood at 82% of the entire contract.

The works are scheduled for completion during the current year.

The works are currently underway for the **bypass State Road 219 "Eugubina" between the Branca locality (State Road junction 318) and Fossato di Vico (State Road 76)** entrusted by ANAS in 2004 to the ATI (temporary association) between Todini Spa (agent) and Ediltevere Spa (principal).

The progress of the works – undertaken by Perugia 219 Scarl established as a single entity to carry out the works – stands at 89% of the contract total.

The project is scheduled for completion in May 2008.

During the year the procedure was initiated for the discharge of the claims pursuant to Article 31 *bis* through the establishment of a relevant Commission.

- *Railway and Underground Railway Works*

With respect to the works to double the Milan-Lecco railway line, on the Carnate Usmate – Airuno section, of approximately 14 km in length, there was a further acceleration in the work on the site during the year 2007 compared to the previous year.

Indeed, several sections of the new track have been activated and put into operation: doubling of the section between the Municipality of Carnate and the Municipality of Cernusco L., and the new Roncaglia bypass track from the Municipality of Olgiate Folgora to the Municipality of Cernusco Bombardone.

The Bevate Tunnel excavated on two fronts for a total distance of 2,100 metres is in the completion phase.

The diaphragm was pierced last February.

Works progress as 31 December 2007 stood at approximately 75% of the entire contract.

The Contract Amendment (due to be signed by May) is in the process of being formalised and will govern the 1st expert technical variation order and supplementary report for the additional works required following the adjustments to the works already planned (safety works for the Beverate Tunnel) and the requests and instructions of the various Municipalities regarding the railway line.

The entire line is scheduled to start up on 28 July 2008, whilst the completion of the external finishing works is planned for the end of the year 2008.

The works have essentially been completed on the **underground railway double track connection between the Bari-Lamasinata and Bari-Barletta railway stations and the S. Paolo district.** The Parent Company was awarded the tender for the related engineering works (whereas the technological works are being carried by Alstom and Fersalento, working together in a vertical association).

With respect to **engineering works on the Piscinola – Secondigliano railway section from km 0+00 to km 2+060 as part of the modernisation and development of the Alifana railway**, problems connected to the effective availability of the areas continue to persist. The work carried out during the year has consequently been limited, and overall progress stands at 19.4%.

The unproductive costs sustained by the Parent Company, attributable to the abovementioned problems, have resulted in the need to record further claims in the works accounting during the year under examination.

- Building Product Line

  The works are underway for the construction of a **public non-residential complex and a private complex for residential and commercial use in the Municipality of Terni.**

  The progress of the works as at 31 December 2007 stood at 5.63%.

- Foreign Product Line

  - *Algeria Branch* - Autoroute de l’Est à la hauteur de Oued El Harrach - 16008 Caroubier, Algiers.

    The works are underway for the construction of the **Kef Eddir dam** near Damous in Wilaya de Tipaza by the Pizzarotti-Todini Consortium. The progress of the works as at 31 December 2007 was 25%. The reasons for the slowdown in the works have been described in the previous annual reports and relate to concerns that have emerged regarding the feasibility of the project. In September 2007, a seminar of experts was held that confirmed

the feasibility of the project, but requested a further examination of the geological situation of the site. Based on the results of the investigations performed the Client was able to produce the “preliminary report” on the possible alternatives that could be adopted instead of the excavation of the entire foundation of the dam. The second seminar on 20-21 April 2008 enabled the selection of the type of foundation for the dam from among 4 alternatives.
From the contractual perspective we note that on 4 March this year the *Avenant* no. 2 was issued to the Client, underlining to the latter the urgency in negotiating the *Avenant* as quickly as possible in order to enable the payment of the new prices and additional quantities yet to be honoured by the Client.
The works continue for the **road section and the works for the Bouira-El Adjiba East-West Motorway** (26 km in length) by the *Groupement* Todini-Enaler. As already mentioned, the first section of 11 km was opened to traffic on July 2007. As at 31 December 2007, the progress of the works stood at 77% without taking into account the effects of *Avenant* no. 3, and 70% with these effects considered.
The critical issues surrounding the economic performance of this project were discussed in detail in the 2006 Annual Report, and in the early part of this report we commented positively on the results of the defensive instruments employed by the Board of Directors to protect the contractual obligations. Nevertheless, although they have been reduced overall, some critical issues still remain that are outside the Parent Company’s control, such as the unforeseen increase in the project’s size, the prices of the raw materials and the breaches by the Client connected to the unavailability of areas and the lack of planning specifications for the project.
With respect to the aforementioned elements of distortion, the Parent Company, on the one hand has, as already mentioned, will continue to employ the appropriate and necessary instruments to protect contractual obligations – encouraged by the positive outcomes of the *Avenants* no. 2 and no. 3 – and on the other has further reinforced all the measures to attenuate the effects of the production slowdowns.
The contract for the construction of the **Algiers Tramway** , signed on 29 June 2006 between *Entreprise du Métro d’Alger* and *Consorzio Mediterrail* (Alstom, Todini and the local partner ETRHB) (€ 351.3 million), officially started up on 4 March 2007. Towards the end of 2007, the EMA awarded *Mediterrail* the contract for the extension of the tramway from Bordj El Kiffan to Dergana for around 6.5 km. The works conducted by the Parent

Company encountered severe difficulties due to the lack of planning specifications for some of the works, consequently making it impossible to render the related work areas operational.

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

After the worksite shutdown during the first half of 2007, due the difficulties in the transfer of the utilities by the Client, the works continued for the intermediate section and the upstream section, consisting of a tunnel of around 1,800 metres in length and 5 wells. The mechanical excavation by Tunnel Boring Machine, after an initial section using traditional methods, is due to start in autumn 2008.

The end section downstream has been completed and was opened in February 2008.

The *Avenant* no. 5 is in the process of being approved, which will govern the payments for interferences relating to the sub-services and establish new contractual deadlines with an extension of 16 months.

Works progress as at 31 December 2007 stood at 47%.

The CNM (*Commission Nationale des Marchés*) is in the process of approving the survey no. 8 concerning the **Oued El Harrach project** (lots 1, 2 and 3). This survey concerns the establishment of the final amount for the project following the preliminary inspection on 28 April 2007 and the conversion into DA of the part in currency not covered by the Italian loan.

- *Azerbaijan Branch* – Sumgait Highway Near Delphin Hotel - Baku

The works have been partially completed for the **reconstruction of the Hajigabul (Gazimannea) - Kyurdamir road (Contract 13/540 km 0+000 – 84+935)** commissioned by the Ministry for Transport of the Republic of Azerbaijan.

The progress of the works stands at 89% of the contract total.

For the section comprising the bypass from km 75+200 to km 84+935 the completion deadline has been extended to 5 June 2008.

During the year 2007, as already mentioned, the Branch acquired two new projects commissioned by the Ministry of Transport of the Republic of Azerbaijan and financed by the European Bank for Reconstruction and Development:

- ✓ **The Reconstruction of the Baku- Samur Road between km: 28 – 89.**

  This contract involves the reconstruction of around 37 km of road with four lanes, the reconstruction of thirteen (13) bridges, and the rehabilitation of another seven (7).

It also involves the extension to four lanes of the existing two lanes for a total of around 24 km. The demolition and reconstruction of around nine (9) bridges and the rehabilitation of two (2) others is also envisaged.

The reconstruction works are currently underway with a progress of 6%.

The project is scheduled for completion on 7 July 2009.

- ✓ **Contract AHP 2, CW-206-2 / Upgrade of 15 km and Rehabilitation/Reconstruction of 107.7 km of Baku - Shamakhi/Muganli Road.**

  The contract involves the:

  1. Reconstruction of the road paving made up of bed of recycled asphalt, base and asphalt packet.
  2. Construction of bridges and culverts.
  3. Construction of a new overpass and junctions.

  The reconstruction works are currently underway with a progress of 7.5%.

  The project is scheduled for completion on 31 July 2009.

- *Kazakhstan Branches*

  - ✓ *Western Kazakhstan Branch* – Ulitza Volgograddskaya 31 – 417015 Uralsk

    The Branch was definitively closed on 19 November 2007.

  - ✓ *Atyrau Branch* - Ulitza Moldagulovoy, 247a - 465050 ATYRAU

    The Taking Over Certificate for the works to **reconstruct the road between Atyrau-Karabatan** (**Contract** 2004/1278 + Amendment) commissioned by Agip KCO and the ENI Group S.p.A, was issued.

    The progress of the works stands at 100% and the contractual guarantee period has expired.

    Works have also essentially been completed on the **reconstruction of the Karabatan - Dossor road**, commissioned by the Ministry for Transport and Communication of the Republic of Kazakhstan. The progress of the works stands at 99%. The end of the contractual guarantee period is scheduled for October 2009.

    The Branch will be closed during the course of the current financial year.

  - ✓ *Astana Branch* - Ulitza 30 Let Pobedy str., no.117 - 474074 Shortandy

    The works are still underway for the **reconstruction and expansion of the "Astana-Shchuchinsk" road section** from km 57.4 to km 100 acquired by Todini Central Asia.

The progress of the works stands at 46.5%.

The completion of the works is scheduled for November 2009.

- *Ukraine Branch* – – Sobornaya Str. No. 446 – 33024 Rovno

During the year under examination the Parent Company acquired a new project commissioned by the Ministry of Transport of the Republic of Ukraine - State Road Service of Ukraine (UKRAVTODOR) and funded by the European Bank for Reconstruction and Development, for a total amount of € 48.3 million.

The project named "**Repair of M06 Kiev-Chop road**" involves the rehabilitation of the road section from km 348 to km 441.

The project is scheduled for completion on 15 September 2009.

- *Dubai Branch*

As already mentioned, in January 2008 the Parent Company won a contract from the Roads & Transport Authority of Dubai for the construction of a new **road junction in the centre of Dubai ((Jumeirah Lakes Towers area)**. Specifically, this involves the road works for a junction made up of 7 viaducts and an underpass with a total length of 650 m, paving works for an area of around 9 km, and a network of sub-services, lighting and road signs, and environmental engineering works. The works started in February this year and will last for 20 months.

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

The contract acquired by the Parent Company involved the **partial construction of a 15 km long motorway section (lot I) and of a 9 km long road section (lot II) constituting the bypass of the town of Sibiu.**

As already mentioned in the 2006 Annual Report, during the course of the work, the Company became aware that it could not finish the works, primarily due to the Client's failure to deliver 55% of the areas and project plans for lot II.

In particular, we note that the Parent Company - which needs to complete 24 km of the project - has only been able to work on lot I (11 km) with a work progress on the total project, as at December 2006, of 37.2%.

Consequently, **on 6 October 2006**, **the Parent Company declared the termination of the tender contract due to the Client's clear failure to fulfil its obligations.**

Between October 2006 and March 2007, the Parent Company, in accordance with the provisions of Article 16.3 of the General Conditions of the Contract, carried out the works to secure the worksite.

Furthermore, on invitation by the Client, from October 2006, the parties conducted negotiations aimed at the possible recommencement of the works, as a result of which the Client, in January 2007, ordered the payment of € 3.2 million to the Parent Company, corresponding to the works carried out but not settled for an amount, gross of withholdings, of € 5.2 million.

In February 2007, the parties also finalised a settlement agreement setting out the procedures for the recommencement of the works and submitted the agreement for review to the DAB (Dispute Adjudication Board), which approved it.

Although the Client had expressed its commitment to signing this agreement if approved by the DAB, on 27 March 2007, the Client unexpectedly broke off the negotiations and stated that it acknowledged the termination of the tender contract as notified by the Parent Company.

The Parent Company immediately declared its willingness to work together with the Client to define all the contractual actions that needed to be put in place in the light of the declared termination of the tender contract.

Nevertheless, on 3 April 2007, the Client requested the enforcement of the Advance Payment Guarantee for an amount of € 5.3 million.

Given the considerable receivables still being claimed, the Parent Company opposed this enforcement.

By express provision established in Article 16.4 of the General Conditions of the Contract the Parent Company, in fact, has the right to a obtain immediate restitution of the Guarantee upon proper execution, and to obtain prompt payment for all costs sustained while carrying out the project, including payment for loss of profits and payment for any damages incurred as a consequence of the termination of the contract.

These sums, together with the guarantee withholdings (€ 1.8 million) must be included by the Works Manager in the final certificate prepared in accordance with the provisions of Article 19.6 of the General Conditions of the Contract.

The final certificate should also include all the amounts in relation to claims 1, 2, and 3 – already deemed legitimate by the DAB in its decision of 30 April 2006 – which must be recalculated based on the new scenario following the termination of the contract.

On 31 May 2007, the Client challenged the method and merits of the termination of the contract.

As a consequence, on 17 July 2007, the Parent Company asked DAB to decide on the formal and substantive correctness of the termination of the contract and the consequent right of the Company to compensation.

Thus, on 1 August 2007, the Parent Company submitted its “Statement of Case” containing the elements of fact and law justifying the choice.

On 20 August 2007, **the Client** submitted its response to the DAB that, although it responded to the Company’s arguments on the substance, **did not contest the procedural correctness of the termination of the contract**.

In the meantime, on 13 August 2007, the Parent Company submitted the final work progress report to the Works Manager containing the quantification of the amounts resulting from the works carried out and not yet paid, and a preliminary assessment of the claims made and the damage arising from the termination of the contract.

On 10 October 2007, the DAB confirmed the correctness of the method and the merits of the termination of the contract by the Company, and its right to be compensated. This decision was contested by the Client.

Following this decision the Parent Company, on 5 December 2007, initiated a further DAB procedure for the determination of the amounts due as compensation arising from the termination of the contract.

This procedure concluded with the decision of the DAB on 2 May 2008 awarding the Parent Company the right to compensation in the amount of € 15.7 million plus € 0.52 million for interest for payment arrears as at the same date.

This decision will be contested by the Parent Company, but also, most likely, by the Client.

It should be noted that the arbitration clause contained in the contract signed by the Client provides for any dispute, in the final instance, to be submitted to an international arbitration to be held in accordance with the rules of the International Chamber of Commerce (ICC) of Paris, to take place in Bucharest, with an arbitration committee consisting of only one arbitrator.

Moreover, Rumanian law establishes a limitation period for recourse to arbitration of only three years from the time when a claim is rejected.

In view of the above, on 13 September 2007, the Parent Company submitted a request for arbitration to the ICC of Paris concerning claims 1, 2, and 3, thus avoiding the risk expiry in relation to these claims.

With regard to the procedure and as a result of the objection raised by Client, the arbitrator will have to decide first on his jurisdiction and then enter into the merits of the assessments of claims 1, 2 and 3.

Given that these claims were incorporated within the dispute concerning the termination of the contract, the parties have stated that they consider it appropriate to consolidate this arbitration procedure with the procedure that will most likely be initiated after the decision of the DAB of 2 May 2008. This arbitration procedure will therefore see the settlement, in the final instance, of the entire dispute relating to the Sibiu contract.

Based on the information currently available and supported by the aforementioned decision of the DAB of 2 May 2008, the Board of Directors is confident that the asset items posted in the financial statements are fully recoverable.

- *Tunisia Branch* – Route Touristiche

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

The Parent Company has been awarded the execution of the engineering works, whereas the earthworks and road works were assigned to its partner EHTP.

As a result of the continuous financial difficulties of the partner EHTP, on 2 April 2007, contract amendment no. 3 was signed, and with it the management of the *Groupement* was transferred to the Parent Company, which has also taken on the responsibility for carrying out the works assigned to EHTP.

On 22 February 2008, the partner EHTP notified the *Groupement* that, since the end of April 2007, it had been placed in “judicial administration”, a regime that, under Tunisian law, involves the supervision for a given period by an expert nominated by the Court with the aim of verifying the possibility of the remediation of the company, a remediation that on the basis of the information now available appears to have been achieved several months ago.

The official project completion date, initially scheduled for 3 March 2007, has been postponed to July 2007, with the Client's partial recognition of the fact that works had been suspended as a result of bad weather.

Furthermore, as a result of the further delays accumulated by the Client in the expropriations and project design, the final deadline for the works may reasonably be expected to be scheduled for the end of June 2008.

This assumption is supported by the fact that the Client has certified the price revisions up to March 2008 (last Work Progress Report submitted), thus implicitly acknowledging the delay for reasons not ascribable to the *Groupement* (the contract establishes that, after 4.5 months from the expiry of the contractual deadlines, the price revisions will not apply to the works still to be completed).

Lastly we note that, in addition to the extraordinary indemnity requested at the end of April 2007 for the rise in prices registered for bitumen, petrol and steel (since the contractual price revisions did not cover these price increases), further claims linked to the delayed delivery of the areas and the recognition of the whole period of bad weather were submitted to the Client between January and April 2008.

For the sake of completeness, the other branch offices, agencies and representation offices belonging to the Group that are closing or that do have any operations falling within the scope of consolidation are listed below.

- *Moldavia* - Bd. Renasterii no. 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 Branch* – Nikitara str., 3 – 154451 N. Psichico – Athens

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Real Estate Development and Management Sector

- Business Asset Management Unit

- *Development of properties in the Magliana-Muratella area in Rome.*

The approval of the Urban Development Plan in Rome (Municipal Committee decision no. 18 of 12 February 2008), has made the development possible, within the Integrated Programme for the transformation of the City, of real estate with building potential, previously classified as agricultural, on a significant portion of land owned by the Parent Company located in the Magliana-Muratella area in Rome.

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 Municipal Committee Decision no. 333 of 2004 (procedures on implementing building compensation established by adopted or approved urban planning tools).

- *Real Estate initiative in Sardinia.*

The Parent Company signed an agreement to formalise a profit pooling contract (50% participation by the Parent Company) with a company that owns an area in Sardinia of 130,000 m² with an approved building plan of approximately 40,000 m³. Overall investments stand in the region of € 38 million, based on a 44 month long building program.

- *Asset Management on behalf of third parties for the urban redevelopment of an area in Venice-Marghera.*

The land is owned by CEDIV SpA, which is in turn held by the Parent Company. This company has assigned the Parent Company the Asset Management activities aimed at acquiring the necessary urban planning-building authorisations as part of the initial phase of a more general assignment to construct a building complex for mixed residential and commercial use 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 city's diverse needs, and on the other to redevelop the area as a pedestrian zone connecting the railway station and the Venice-Marghera public spaces, through the construction of a new park for the area.

Following the approval of the Variation to the Specific Plan on 27 April 2007 by Municipal Committee decision no. 51, the operations during the year focused on the design of the concept for the construction of an environmentally friendly building complex, capable of obtaining the relevant international certification thus bringing benefits to the community, at sustainable economic and financial development costs and with a guaranteed steady income. This involved a preliminary phase of assessment and the setting out of the Real Estate and Construction Programme based on the restrictions of the variation to the approved urban development plan.

From the administrative perspective the objectives for the current year are the conclusion of the urban planning agreement and the issue of the construction permits.

The initiatives detailed in the Specific Plan are designated for the following uses:

✓ Residential max m² 15,640

✓	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

It should be noted, however, that the developer has the option to designate the whole of the building capacity for office use.

The works are scheduled to start in the first half of 2009.

The total investment amounts to approximately € 145 million.

- *Asset Management on behalf of third parties for the development of a property complex in Terni*

  An Asset Management contract has recently been formalised involving the optimisation of the value of the building product of a real estate complex for residential use located in Terni.

Concessions Sector

The portfolio of management operations originates from the first **project acquired under PPP (Public Private Partnership)**.

This involves the assignment of the concession for the intervention to complete the implementation of the Specific Plan for “Corso del Popolo zone” in the Municipality of Terni.

The Parent Company has the role of sponsor to the Project Company (Corso del Popolo S.p.A.) and as such acts as **Partner to the Municipal Authority**.

Specifically, this will entail the **thirty year management of the public car park with around 1,000 parking spaces. The portfolio as at 31 December 2007 resulting from the returns from these management operations amounts to € 28.6 million with the start of the management operations scheduled for 2010.**

COMMERCIAL ACTIVITIES

The acquisition operations in the **Construction Sector** focused on the objectives of the Industrial Plan and therefore concentrated:

- for the **national market**, on projects with high engineering content and on the opportunities offered by the PPP market, without neglecting the traditional tenders market;

- for the **foreign market**, on projects aimed at consolidating and establishing the Parent Company's presence in new regions in the southern basin of the Mediterranean, in Eastern Europe and in Central Asia.

During 2007, the Parent Company took part in 23 calls for tenders (16 in 2006) for a total of € 6,213 million (€ 7,962 million in 2006), broken down as follows:

- Building Category

Railway Works	€/millions	3,742
Building Works	€/millions	214
Road Works	€/millions	1,093
Hydraulic Works	€/millions	119
Urban development works	€/millions	1,045

- Contractual Category

New initiatives	€/millions	5,246
Traditional Tenders	€/millions	967

- Geographic Area

Italy	€/millions	1,017
Abroad	€/millions	5,196

In the national market, acquisitions led to an increase in orders of € 183.2 million, including € 143.8 million from expired tenders and direct negotiations and € 39.4 million resulting from variation orders or participations in consortiums and/or ATIs (temporary associations).

In terms of the international market, acquisitions led to an increase in orders of € 167.6 million, including € 170.4 million for expired tenders and a reduction of € 2.8 million resulting from variation orders or participations in Joint Ventures.

In summary, the **Group's Order Backlog** went from € 1,050.8 million as at 31 December 2006 (consisting of € 678.3 million in Italy and € 372.5 million abroad) to **€ 1,057.6 million as at 31 December 2007** (consisting of € 655.5 million in Italy and € 402.1 million abroad), which may be broken down by building and contractual category as follows:

- Backlog by **Building Category**: *(figures in €/millions)*

	2007		*2006*	
Railway Works/Urban Transport	130.8	12.37%	140.8	13.60%
Hydraulic/Redevelopment Works	55.0	5.20%	65.9	6.37%
Road Works	713.5	67.46%	783.2	75.68%

Building Works	158.3	14.97%	42.1	4.07%
Airport Works	0	0%	2.8	0.28%

- Backlog by **Contract Category**:

	2007		*2006*	
PPP initiatives	27.7	2.62%	29.5	2.85%
Traditional Tenders in Italy	627.8	59.36%	632.9	61.16%
Foreign Tenders	402.1	38.02%	372.4	35.99%

FINANCIAL ACTIVITIES

During the financial year under examination the primary objective of all financial activities carried out was once again to support Group growth, specifically in terms of investments connected to the start-up of new Orders and new Initiatives, whilst limiting their effects on the net financial position.

The Group had satisfactory results, especially considering that net financial borrowing as at 31 December 2007 stood at approximately € 68.2 million, up by approximately € 15.2 million compared to 31 December 2006, together with a growth in the value of production of € 86.5 million and the contributions of the severance indemnity instalments to Pension Funds, or to Treasury Funds established at the INPS (Italian National Social Security Institution), already discussed above.

The efforts to rebalance the financial resources, undertaken in the previous years mainly by the Parent Company, through the opening of two medium term pooled loans, have enabled the achievement of an overall bank borrowing with 62% classed as medium to long term.

"Cash" credit facilities amount to a total of around € 252.7 million. The slight reduction on the previous year was generated by a combination of the revision of several positions that were aggregated following the merger two or more lenders and the partial repayment of a medium term loan of the Parent Company as a result of the regular servicing of the debt.

In terms of contingencies, as at 31 December 2007 these amounted to approximately € 242.4 million, up by roughly € 47.6 million with respect to the previous year as a result of credits granted by Lenders and Insurance Companies to the Parent Company for an overall total of € 316.1 million.

The figures relating to contingencies – the result of the combined effect of releases for projects carried out and of increases for new Orders – were also satisfactory this year, taking into account the significant increase in the value of production.

Lastly, we note that, despite the 1.25% increase in the average benchmark market interest rate (Euribor) on the previous year, the cost of company borrowing during the year (item C17 of the Profit and Loss Account) remained essentially unchanged thanks to a careful policy of containment of financial charges.

DERIVATIVES

The Parent Company has put in place interest rate derivative transactions to hedge against the risks relating to an increase in interest rates.

The objective is to stabilise the future cash flows payable by the Parent Company for loans, thus providing protection against possible increases in the interest rate curve.

The effectiveness of these hedging transactions is valued and shown *ex-ante*, adopting the discretionary scenarios.

The Parent Company does not enter into derivative contracts for speculative purposes.

ECONOMIC, CAPITAL AND FINANCIAL MANAGEMENT

The figures for the financial and economic situation and assets and liabilities for the year 2007, which are analysed below, have been compared with the figures for the year 2006.

In order to provide equivalent comparisons, the figures for the previous year have been reclassified, where necessary.

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

ECONOMIC ANALYSIS

ANALYTICAL BREAKDOWN OF THE INCOME ITEMS

	(Thousands of €)	**31/12/07**	**31/12/06**
A.	**REVENUES FROM SALES AND SERVICES**	421,335	329,898
	Changes in inventories of work	0	0
	in progress	(4,113)	(6,183)
	Changes in contract work in progress	7,347,7	28,224
	Additions to internally produced fixed assets	18,281	11,292
	Other revenues and income	13,164	6,350

B.	**VALUE OF CORE PRODUCTION**	**456,015**	**369,581**
	Raw materials and services	(336,261)	(281,427)
	Sundry overhead charges	(8,377)	(5,671)
C.	**ADDED VALUE**	**111,378**	**82,483**
	% added value	***24%***	***22%***
	Cost of labour	(69,290)	(60,442)
D.	**GROSS OPERATING PROFIT (EBITDA)**	**42,088**	**22,040**
	% ebitda	***9.2%***	***6.0%***
	Depreciation/amortisation	(26,719)	(19,058)
	Provisions for risks and charges	(697)	(573)
E.	**OPERATING INCOME (EBIT)**	**14,673**	**2,409**
	% ebit	***3.2%***	***0.7%***
	Balance of financial income and charges	(8,984)	(4,701)
	Adjustments to financial assets	(254)	(447)
F.	**PROFIT BEFORE EXTRAORDINARY**		
	ITEMS AND TAXES	**5,434**	**(2,739)**
	Extraordinary income and charges	1,100	8,410
G.	**PROFIT BEFORE TAX**	**6,534**	**5,671**
	Income taxes for the year	(3,529)	(4,387)
H.	**PROFIT (LOSS) FOR THE YEAR**	**3,005**	**1,283**
	minority share	(1,136)	494
	Group share	**4,141**	**789**

As noted above, value of production increased by 23.39 % compared to the previous year.

The consumption of materials and services also increased by € 54.8 million in absolute values, resulting in a decrease in the incidence on the Value of production from 76% to 73%.

Added Value, totalling € 111,378 million, was up with respect to 2006 bringing its incidence on the Value of production up to 24.42%.

The gross operating margin (EBITDA) increased by € 20.05 million compared to 2006 with an incidence on the Value of Production of approximately 9.23%.

Depreciation, amortisation and provisions recorded an increase of € 7.78 million with respect to 2006.

The operating income (EBIT) registered an increase of € 12.26 million compared to 2006.

ASSET ANALYSIS

	(Thousands of €)	31/12/2007	31/12/2006
A	**FIXED ASSETS**		
	- Intangible fixed assets	29,732	31,520
	- Tangible fixed assets	25,739	19,870
	- Financial fixed assets	8,838	9,018
	Total	**64,309**	**60,408**
B	**WORKING CAPITAL**		
	- Inventories	148,557	133,718
	- Trade receivables	122,060	83,686
	- Other assets	49,959	40,222
	- Trade payables	(151,902)	(134,736)
	- Advances from clients	(59,222)	(34,181)
	- Provisions for risks and charges	(11,361)	(14,398)
	- Other liabilities	(39,536)	(26,114)
	Total	**58,555**	**48,198**
C	**CAPITAL INVESTED, NET OF LIABILITIES**		
	FOR THE YEAR (A+B)	**122,864**	**108,606**

	EMPLOYEE SEVERANCE		
D	**INDEMNITY**	(3,738)	(4,192)
	CAPITAL INVESTED, NET OF LIABILITIES		
E	**FOR THE YEAR AND SEVERANCE INDEMNITY**	**119,126**	**104,414**
	Covered by:		
F	**EQUITY**	50,916	51,435
	MEDIUM AND LONG TERM		
	NET FINANCIAL BORROWING		
	- Medium and long term financial payables	49,449	62,960
	- Financial receivables recorded as fixed assets	(4,102)	(4,142)
G	**Total**	**45,347**	**58,818**
	SHORT TERM		
	NET FINANCIAL BORROWING		
	- Short term financial payables	85,919	32,270
	- Available liquidity and short term financial receivables	(63,056)	(38,109)
H	**Total**	**22,863**	**(5,839)**
	TOTAL FINANCIAL DEBT (G+H)	**68,210**	**52,979**
I	**TOTAL AS IN "E" (F+G+H)**	**119,126**	**104,414**

Fixed assets registered a net increase of € 3.9 million, due to a decrease of € 1.8 million in intangible fixed assets and an increase of € 5.9 million in tangible fixed assets.

The individual movements during the period are detailed in the explanatory notes.

Working capital increased in absolute value by € 10.4 million with respect to 2006, bringing the percentage incidence on the Value of Core Production to 12.8% (13.04% in 2006, 20.7% in 2005, 28.5% in 2004 and 45.6% in 2003).

Net invested capital was 42% covered by equity and 58% covered by net financial borrowing.

Net financial borrowing, increased by € 15.2 million, with an increase in the short term component of € 28.7 million and a reduction in the medium-long term component of € 13.5 million, and may be broken down as follows (in €/thousands):

	As at **31.12.2007**	As at **31.12.2006**
Current position		
- Cash and cash equivalents	63,056	38,109
- Floating assets	0	0
- Short-term borrowings from banks	(52,539)	(32,023)
- Financial payables due to subsidiaries	0	0
- Financial payables due to parent company	0	0
- Financial payables due to others	(33,380)	(247)
Total current position	**(22,863)**	**5,839**
Medium and long term position		
- Financial receivables due from subsidiaries	194	346
- Financial receivables due from associated companies	2,626	1,720
- Financial receivables due from parent company	0	50
- Financial receivables due from others	1,283	2,026
-Long-term borrowings from banks	(46,429)	(62,857)
- Long-term financial payables	(3,021)	(103)
Total medium and long term position	**(45,347)**	**(58,818)**
Net Financial Position	**(68,210)**	**(52,979)**

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

(in thousands of €)	**Year 2007**	**Year 2006**
- Working capital	58,555	48,198
- Fixed assets	64,309	60,408

Gross invested capital (a)	*122,864*	*108,606*
- Severance indemnity (b)	(3,738)	(4,192)
Net invested capital (a-b)	**119,126**	**104,414**
- Net financial borrowing	68,210	52,979
- Equity	50,916	51,435
Total	**119,126**	**104,414**

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FINANCIAL ANALYSIS		
CASH FLOW STATEMENT		
(in thousands of €)	**31/12/2007**	**31.12.2006**
A. Net opening financial availability (borrowing)	**(52,980)**	**(76,458)**
B. Cash flow from operating activities:		
Profit (loss) for the year	3,006	1,283
Depreciation/amortisation	26,623	18,884
Write-down of equity investments	254	(1)
Gain/loss from disposal of equity investments	0	(8,558)
Net change in the severance indemnity provision	(454)	(59)
Net change in other provisions	(3,037)	956
Change in net working capital:		
(increase)/decrease in inventories	(14,839)	(16,209)
(increase)/decrease in receivables	(49,442)	19,282
(increase)/decrease in accrued income and prepaid expenses	1,331	(1,085)
increase/(decrease) in payables – not including advances	30,556	11,093
increase(decrease) in advances	25,041	4,654
increase/(decrease) in accrued expenses and deferred income	32	1,064
	19,071	**31,304**
C. Cash flow from investments:		
Investments in fixed assets:		
Intangible	(18,772)	(19,631)
Tangible	(11,933)	3,425
Net financial	(74)	1,887
Profit from divestment of tangible and intangible fixed assets	0	11,055
Non-monetary variations (changes in consolidation area)	0	(2,497)
	(30,779)	**(5,761)**
D. Other Sources (Uses)		
Payables due to other lenders		

Dividends distributed by the Parent Company	(2,016)	-
Changes in group shareholders' equity (change in consolidation area)	(1,498)	(245)
Changes in minority shareholders' equity (change in consolidation	(10)	(1,819)
Share capital increase		
	(3,524)	(2,064)
E. Net cash-flow (B+C+D)	**(15,231**	**23,479**
F. Net final financial availability (borrowings) (A+E)	**(68,210)**	**(52,980)**
The change in net financial borrowing is the result of the following:		
(amounts in thousands of €)	**31.12.2007**	**31.12.2006**
Increases (decreases) in medium/long-term borrowing	(13,471)	15,694
Increases (decreases) in short-term borrowing	28,702	(39,173)
Total	**15,231**	**(23,479)**

OWN SHARES AND SHAREHOLDER STRUCTURE

Pursuant to Article 2428 of the Italian Civil Code we note that:

- the Parent Company does not hold own shares or shares in its parent company directly or through trust companies or intermediaries;
- during the course of the year the Parent Company did not acquire or dispose of, either directly or through trust companies or intermediaries, of any own shares or shares of the parent company;
- the shareholder structure of the Parent Company as at today's date is 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 transactions carried out by the Parent Company with related parties essentially involved the exchange of goods, the supply of services, and the use and supply of financial resources with associated and subsidiary companies.

All these transactions are part of ordinary operations and are conducted under normal market conditions.

The equity investments, analysed in detail in the explanatory notes, primarily relate 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 conducted under market conditions, and specifically:

– sales and purchases at prices between independent operators;
– interest at rates established for banking purposes.

The table below details the receivable and payable relationships with the non-consolidated subsidiaries and associated companies.

The long-term receivables are as follows:

Long-term receivables from subsidiaries	
EDILFI SCARL in liquidation	129,773
CONSORZIO COSTRAL	117
CONSORZIO SOLASO	1,075
TODINI CENTRAL ASIA	2,453
Nobiallo	6,400
TODINI ALGERI	4,337
Scav scarl (from cgs)	50,000
Total	**194,155**

Long-term receivables from associated companies	
Bata 91 scrl in liquid	117,914
Bata srl in Liquid	3,900
Cediv spa	1,419,350
Consorzio Aft	300,000
Consorzio.Kallidromo	536,360
Cons.Balvano in Liquid	4,259
Corina srl in liquid	71,940
Irfur scarl	172,000
Total	**2,625,723**

The receivables and payables of working capital are:

Subsidiaries	**Receivables**	**Payables**
- Edilfi	3	7
- Consorzio FAT	267	172

- Consorzio Todini Algeri	2	28
- Albacem	16	0
- Consorzio Costral in liquidation	0	16
- SCI Sonatro	500	
- Maver Scarl in liquidation	64	620
- Nobiallo Scarl	0	138
- Consorzio Aktor/Metro	573	0
- Scav	434	827
- Uque	0	26
Total	**1,859**	**1,834**

Associated companies	Receivables	Payables
Bata 91	56	0
Cediv spa	178	0
Consorzio Kallidromo	866	0
Rupe di Orvieto	116	0
Colle Todi	228	4
Alburni	172	224
Tormini	20	9
Valico	108	0
Corina	735	1,534
Irina	466	1,175
Consorzio Nucleo Balvano	140	0
Consorzio A.F.T.	1,453	0
CONSORZIO LA FENICE	0	10
EDILMI	0	38
IRRIGAZIONE FURORE	0	583
RISALTO S.R.L.	0	37
VARIANTE VALICO	0	43
CONS. KALLIDROMO	0	39
CONS. RENCO TODINI	0	10
Total	**4,538**	**3,706**

The main relationships in existence with the Parent Company are shown below.

– TODINI FINANZIARIA S.P.A.

Receivables	€/thousands	74,973
Payables	€/thousands	681,846

Costs	€/thousands	2,003,342
Revenues	€/thousands	144,830

Further information is provided below on the main activities carried out by the Group in the Construction Sector through Companies, Consortia, and Joint ventures not included in the consolidation area, with a break down by product line and Business Unit.

Construction Sector

- Infrastructure in Italy Product Line
  - *Hydraulic works*

    IRRIGAZIONE FURORE Scarl (equity investment 40%).

    This company was established to manage the concession for the **works of the 2nd lot, 1st branch of the works to construct a water distribution network in the irrigation areas of the Naro-Furore basin** awarded by ESA to the ATI (temporary association) Condotte SpA (agent) and Todini SpA (principal).

    During the year 2007, only the maintenance of certain machinery and equipment was carried out because the work had not yet been taken in delivery from the Client.

    The works have been fully completed and the worksite has been closed down.

    In November 2007 the amount of the claims relating to the amicable agreement signed beforehand was invoiced.

- *Foreign Product Line*
  - *Greece Branch*
    - J.V. Aktor A.T.E.-Todini (equity investment 55%)

      The Joint Venture was awarded the contract to build an **underground railway system in Athens**.

      The works relate to line 3 of the Athens underground railway system and were essentially completed in September 2007.

      Between February and July 2007, the Consortium transferred the sum of € 0.4 million to the Parent Company to partially cover the receivable accrued.

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

      The Consortium is working to obtain the final inspection of the work by the end of 2008.
    - Consorzio Todini-Aktor (equity investment 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 completed with the conversion of the accommodation used by the athletes during the Olympics into offices.

The work was inspected in December 2007 and the operations required to liquidate the consortium should be completed by the end of the year 2008.

- Consorzio Pantekniki-ALTE-Todini (equity investment 23%).

  The works on the construction of the **Kallidromo railway tunnel** underwent final inspection in 2005.

  Resources deriving from the sale of machinery as well as from the dispute with the Client are sufficient to cover the residual receivable claimed by the Parent Company from the Consortium.

ITALIAN LEGISLATIVE DECREE 231/2001

The Parent Company's Management and Monitoring Organisation Model pursuant to Law 231/2001, is divided into four parts: a general part; two more detailed parts regulating specific infringements against Public Authorities and corporate crimes; and a fourth part relating to the protocols. The Parent Company deemed it necessary to adopt the Model described above in order to standardise regulations governing the organisation and the parties it maintains business relations with.

Conformity to the regulations described in the Model is monitored by regular information sent to the Supervisory Body by the relevant corporate functions. Compliance with these regulations is also monitored through periodical audits ordered by the Supervisory Body on "sensitive" processes.

As a result of the extension of the list of predicate offences (offences of "receiving, laundering or use of money, goods or benefits of illicit origin"; offences of "culpable homicide and grievous bodily injury, committed in violation of the regulations on the prevention of industrial accidents and occupational health and safety") and in anticipation of the further supplementations (offences against the "environment" and of "private bribery"), the Organisation Model is currently being revised to make the necessary adjustments.

PRIVACY POLICY

On 30 March 2006, a Policy Document on Security was drawn up with the aim of establishing the organisational, physical and logistical security measures to be adopted in order to comply with all the requirements concerning the security of the data processed by the Parent Company in accordance with the provisions of the abovementioned Italian Legislative Decree.

GOVERNANCE

The Parent Company's Corporate Governance System conforms to the provisions of the Italian Civil Code.

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

As you are aware, in the meeting held on 27 June 2007 - following the resignation of the Director Mr. Giuseppe Crini with effect from 30 June 2007 and, by virtue of the clause "*simul stabunt, simul cadent*" (together we stand, together we fall), set forth in Article 10 of the current Articles of Association – the entire Board of Directors lapsed. On the following 6 July, the shareholders' meeting, invited to appoint a new management body, on the basis of the power, expressly provided for in Article 10, paragraph 1 of the current Articles of Association, to appoint a Board of Directors made up of a number varying from three to five members, resolved that the management body should consist of four members and appointed the Directors Mr. Aldo Serafini, Mr. Michele de Capoa, Mr. Raffaele Cocciò and Attorney at Law Luigi Ferretti. In consideration of the resolutions of the shareholders' meeting, the Board of Directors' meeting, held on the same date, resolved to appoint Mr. Aldo Serafini as Chairman of the Board of Directors and Mr. Michele de Capoa as Managing Director and Chief Executive Officer. The Board of Directors, in the same meeting, assigned:

i) the Chairman the task of ensuring the effective and efficient functioning of the Board of Directors, assuming all the functions of direction and coordination in the commercial and promotional relations required to guarantee the company's presence in Italian and foreign markets, in accordance with the policies set out in the strategic plan;

ii) the Managing Director the responsibility for the management of the company, assigning him, with the exception of the aforementioned matters expressly assigned to the Chairman and the other Directors, the functions of direction and coordination of the company's overall operations;

iii) the Director, Mr. Raffaele Cocciò, the coordination of the operations of the commercial area.

Subsequently, on 27 August 2007, the ordinary shareholders' meeting, chaired by the Chairman of the Statutory Board of Auditors as the entire Board of Directors had lapsed with effect from 24 August 2007, due to premature death of the Chairman, invited the shareholders' meeting to appoint a new management body, setting the number of its members and establishing its term of office. The shareholders' meeting, on the basis of the power expressly provided for in Article 10, paragraph 1 of the Articles of Association and, having considered the professional requisites to be adequate, resolved that the management body should consist of three members and confirmed the appointment of the Directors Luigi Ferretti, Michele de Capoa and Raffaele Cocciò, establishing the term of office of three years for the appointed Board of Directors and, thus, until the approval of the financial statements for the year ended 31 December 2009. Also on 27 August 2007, the Board of Directors made the following appointments:

Attorney at Law Luigi Ferretti	Chairman
Mr. Michele de Capoa	Managing Director and Chief Executive Officer
Mr. Raffaele Cocciò	Director Responsible for the coordination of the operations of the commercial area.

Following its reconstitution, the Board of Directors confirmed: the validity and effectiveness of the delegated powers assigned, with particular reference to those awarded to the Technical Directors and the Branch Directors of the Parent Company as Employers pursuant to Italian Legislative Decree 626/94 as amended; the ratification of all the actions carried out in agreement with the Chairman of the Statutory Board of Auditors, Mr. Marco Tabellini, during the period of the absence of the Board of Directors; and the transfer of the registered office of the Company from Via del Serafico, no. 200 (00142 Rome) to Viale Egeo, no. 100/106 (00144 Rome).

The Parent Company's Board of Directors met 17 times during the year under examination to examine and resolve on ordinary activities, managerial choices of particular interest to the Parent Company, and certain decisions that, despite being the subject of specific delegate authorities assigned to Directors, were considered appropriate to be put before the entire management body.

SIGNIFICANT EVENTS WITH RESPECT TO CORPORATE SOCIAL RESPONSIBILITY

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

Of the many initiatives promoted or supported by the Parent Company in 2007, with the active participation of the principal shareholder, Ms. Luisa Todini, we would like to note the following:

- *Fondazione Mr. Franco Todini – Cavaliere del Lavoro*, a non-profit institution that funds highly important humanitarian, social and cultural initiatives 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 (the Parent Company was the first Italian construction company to support this initiative);
- *Day nursery*, operating since 2005 in the former Rome head office, 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.
- *Fondazione James non morirà* (the "James will not die" foundation), a foundation operating in Ethiopia to help the poor.

SIGNIFICANT EVENTS OCCURRING AFTER YEAR END

In addition to the events described in this report, mention should also be made of the following events:

✓ The issue of the inspection report, on 8 January 2008, for the construction works **for the 3rd lot, 2nd branch of the State Road 45 in the section "Tre Ponti – Tormini"**. **Tormini interconnection**, in view of the failure by the Client to make the payment for the works carried out, in recognition of the revision of the prices and the delay in the issue of the inspection report, the contractor A.T.I. (temporary association) signed the inspection document with reservations and recorded 4 claims.

It should be noted in this regard that, after the completion of the works, in December 1997, and following the seismic events that took place in Lombardy that caused structural damage to the tunnels constructed in the State Road, the Client, in the absence of an inspection certificate, ordered the ATI (temporary association) to submit a proposal for intervention and execution of the interventions. The latter, which were approved by the Client, were completed in October 2005 and partially recorded in the measurement books.

The actions required to submit the dispute to arbitration are currently being implemented.

- ✓ The issue, on 22 May last year, of the Letter of Acceptance by the Ministry of Public Works, Transport and Telecommunications GRD, General Road Directorate of Tirana (Albania), for the construction of **the road lot from Levan to Tepelene - Levan-Dames section – North-South road corridor**.
- ✓ The signature on 26 May 2008 of the Amicable Agreement between the Parent Company and ANAS for the “Variante di Menaggio” project.

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Rome, 30 May 2008

ON BEHALF OF THE BOARD OF DIRECTORS

The Chairman

Luigi Ferretti - Attorney at Law