

TODINI COSTRUZIONI GENERALI

LUISA TODINI
PRESIDENTE

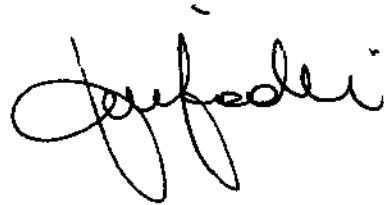
Statement of continued support for the Global Compact

Year 2004

We believe in sustainable development and we commit, on a day-to-day basis, to adopt and promote the 10 Global Compact principles.

Our corporate *mission* is the following:

- *Be a highly qualified Construction Company by merging corporate culture with technical skills*
- *Perform effectively and efficiently by fully respecting the environment as well as human and workers' rights*



TODINI COSTRUZIONI GENERALI S.p.A.

Rome - Via del Serafico 200

Share Capital Euro 31,705,620

Rome Chamber of Commerce - R.E.A. (Economic and Administrative

Index) no. 644647

Tax Code and Rome Company Register no. 08105460581

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ANNUAL REPORT

CONSOLIDATED FINANCIAL STATEMENTS AS OF 31

DECEMBER 2004

Distinguished Shareholders,

the consolidated financial statements for the year ended 31 December 2004 here submitted to your attention show a profit of Euro/thousands 4,520, net of minority interests.

The gross operating margin (EBITDA) is Euro/thousands 27,187 and the ebitda margin is 10.3%.

Our net financial standing for the year is Euro/thousands -60,402, clearly improving in comparison with the closing balance of 2003 (- 67,240 Euro/thousands).

We would like to comment in broad outline the state of the Italian construction market moving from a short account on world and European macroeconomics.

In 2004 the world GDP registered a 5.1% increase, the highest one in the last thirty years, thanks in particular to China (9.5%) and India (7.3%).

The global trade has increased by 9.5% (in comparison with 5.1% in 2003), but this has generated strong tensions in raw materials trade: the annual average oil prices moved from 29 dollars per barrel in 2003 to 39 dollars in 2004 and also the prices of non-energy raw materials – beginning with steel - have considerably increased (+21%).

On the other hand, prices of manufactures dropped by 8.5%, thanks to an increase in production and pressures from international competitors. The EU registered a GDP of 2.4%, which showed an increase in comparison with 1% of 2003, mainly due to the drive exerted by three of the new EU member countries (Poland, Hungary and the Czech Republic).

The EU enlargement to ten new countries has made our continent comparable to the United States and the Russian Federation in terms of population and has strengthened the economic potential of a large single market.

The single currency, the Euro, though widely perceived as the cause of price increases in our country, has anyway brought along a series of benefits ranging from the elimination of fluctuation in exchange rates to an easier planning of investment decisions, from price transparency (immediately comparable) to a greater competitiveness, from a shelter from “external shocks” to the greater cash availability and diversification offered by a single financial market.

In the light of these growth incentives, we must note that other factors have kept and will still keep the Italian growth at a slower pace than the European average.

In fact, in 2004 the Italian GDP has increased only by 1.2%, though registering a 0.4% increase in comparison with 2003.

Concerns are raised by the loss of market shares for our exports, which is mirrored also in the trade balance that, for the first time after 12 years, shows a passive balance.

In 2005, the GDP is expected to maintain the same growth as 2004 (1.2%) with an increase in investments of about 2%, dragged as in the past by the construction market, although this one is registering a slight slowdown in comparison to 2004.

Also employment data, increased by 2% in 2004, mirror a decisive contribution by the construction market, in which job opportunities have increased by 5%.

On the Italian market, the value of public contracts has increased by 5.4% in comparison with 2003 and this is worth only for Southern Italy (+47%) whereas a slight fall has been noted in Northern (-19%) and Central (-3%) regions.

The growth of contracts for major works (exceeding Euro/thousands 51,646), equal to 37.8%, is of great importance since they represent 46% of the total market.

As concerns awarding authorities, calls for bids by highway and railways companies are increasing (+281% and +8% respectively), whereas negative trends are shown by Anas (-30%), Regional Authorities (-50%), Provincial Authorities (-11%), Municipalities (-10%).

It must be noted that the “traditional” public contracts foreseen by the

Merloni Law, which up to three years ago represented 100% of the market, concerned but 50% of it in 2003 and just 39% in 2004.

In fact, the “new market” - by which we mean integrated design and work contract, the general contractor, construction and management concessions, the promoter’s project financing (art. 37-quater in Merloni Law) - accounted for 61%.

However, different dynamics can be observed in this “new market”: whereas integrated contracts and general contractors are steady growing, concessions and project financing marked a setback in 2004.

To this end it must be noted that, though the demand of private capital in public contracts has reached record amounts in 2004, most of the requests made by local governments do not see the end of their bureaucratic courses. In fact, in comparison to last year, project financing and construction and management concessions that succeed in reaching a tender for contract show a drop by 5% and 58%, respectively.

And also when contracts are awarded, one must consider the many obstacles arising in the construction of a work financed by private capital, which leads to the conclusion that PFI operations that really come to conclusion are still marginally few: according to the Observatory promoted by the Ministry of the Economy and Unioncamere, in 2004 the contracts entered by banks and enterprises were 18 for a total of € 3 billions, and only 5 of them concerned public works as stated in Merloni Law (hospitals, cemeteries, parking areas, underground railways).

However, the Parent Company and its main subsidiaries, also due to their

financial and economic potential, are always particularly interested in the growing prospects offered by this market, which in our opinion is destined to a greater and greater development provided the need for an harmonisation of public and private interests is suitably reflected in the laws and their implementing regulations.

Regarding regulations, the Financial Law 2005 has introduced a price revision provision in case of excessive increases in raw materials prices and other steps forwards have been made by the decree on general contractor's qualification to guarantee our sector the efficiency and competitiveness needed to boost our country's infrastructural networks.

We hope that the missing parts, in particular those referring to the role of the general contractor, planning and global implementation guarantee will be issued as soon as possible.

As concerns the "Legge Obiettivo" (Strategic Infrastructure Act), though some doubts remain on the difficulties met in the development of each project due also to their financing, we confirm the positive opinion we already expressed in the past.

This law, in fact and among other merits, introduced the criterion of the economic most advantageous tender and in so doing rewarded quality as well as efficiency.

According to the recent report on the state of implementation of the "Legge Obiettivo" issued by the State Audit Board, the value of the work to be assigned according to the general contractor formula is about €82 billions, of which only €4 billions have been already awarded; therefore,

there is a huge amount of major works expecting award, which makes us optimist on market prospects for next years.

The implementation of these projects and of those under study should also help fill in the infrastructural gap with other European countries as shown by the incidence of investments in the construction sector with reference to the GDP that in Italy has been about 2% lower than the EU-15 average for many years now.

Distinguished Shareholders, your Parent Company keeps constant attention to key factors for its success through a structured process of strategic planning in order to seize all opportunities to strengthen its competitiveness.

Markets are continuously monitored; markets to be abandoned, kept or opened are detected upon a careful analysis of political, economic and financial risks, average and long-run business opportunities, as well as clients' reliability.

Development activities are focused only on trusty clients and average-large size work.

During 2004 an important project for the development of the IT system has been launched to realise considerable improvements in data processing and communications among operative units.

This project will continue during 2005 and 2006.

The main companies of the Group, Ediltevere and Litoide in Umbria, Cgs in Friuli, have all increased their turnover and achieved satisfactory profitability margin.

Economic, assets and financial analysis

Economic, assets and financial data for the year 2004, which will be analysed in the following pages, are compared to the same data of 2003.

To provide you with homogeneous comparisons, data concerning 2003 have been consistently re-classed when needed.

Data reported in the analytical tables showing the results are in thousands

Euro if not otherwise indicated.

Economic analysis

(Euro/thousands)	<u>31 Dec. 2004</u>	<u>31 Dec. 2003</u>
TABLE FOR THE ANALYSIS OF THE REVENUES AND RESULTS		
A. REVENUES FROM SALES AND SERVICES	228,643	175,450
Changes in inventories of work in progress, semi-finished and finished products	1,806	2,294
Changes in contract work in progress	21,308	-16
Work performed for own purposes and capitalized	5,136	7,479
Other income	6,350	6,580
B. VALUE OF PRODUCTION	263,243	191,787
Consumption of raw materials and services	-190,935	-136,184
Other overhead charges	-8,114	-5,839
C. ADDED VALUE	64,193	49,764
Labour cost	-37,007	-30,067
D. GROSS OPERATING MARGIN (EBITDA)	27,187	19,697
Amortization, depreciation, write-downs of receivables	-11,157	-8,647

Provisions for risks and charges	-1,591	-5,112
E. OPERATING RESULTS (EBIT)	14,439	5,938
Financial proceeds and charges	-4,558	-3,953
Adjustments to financial assets	-76	-847
F. EARNINGS BEFORE EXTRAORDINARY INCOME AND TAXES	9,805	1,138
Extraordinary income and expenses	3	9,307
G. PROFIT (LOSS) BEFORE TAXES	9,807	10,445
Income taxes for the year	-4,685	-5,610
H. PROFIT (LOSS) FOR THE YEAR ATTRIBUTABLE TO PARENT COMPANY AND MINORITY INTERESTS	5,122	4,835
Loss (profit) for the year attributable to minority interests	-602	-1,441
I. PROFIT (LOSS) FOR THE YEAR ATTRIBUTABLE TO THE PARENT COMPANY	4,520	3,394

The year 2004 shows a profit, attributable to the Parent Company, equal to 1.7% of the Value of Production after net taxation provisions for the year equal to 1.8% of it.

The value of production shows a 37% increase in comparison with the previous year (after a 12% growth registered between 2003 and 2002).

The gross operating margin is increasing by 38% whereas the operating result increases by 144% in comparison with the previous year.

Net financial expenses have a 1.7% incidence on the value of production in comparison with a 2.1% incidence in 2003.

You may find all other details in the notes and their Annexes.

ASSETS AND LIABILITIES ANALYSIS

(Euro/thousands)	<u>31 Dec. 2004</u>	<u>31 Dec. 2003</u>
TABLE OF ASSETS AND LIABILITIES ANALYSIS		
A. FIXED ASSETS		
Intangible fixed assets	16,523	13,798
Tangible fixed assets	19,656	18,328
Financial fixed assets	2,386	1,371
Total	38,565	33,497
B. TRADING CAPITAL		
Inventories	143,813	116,348
Trade Receivables	65,946	79,530
Other receivables	48,204	47,316
Trade Payables	-92,686	-75,932
Advances from clients	-48,103	-51,252
Provisions for Risks and Charges	-10,627	-7,666
Other liabilities	-31,472	-28,334
Total	75,075	80,010
C. INVESTED CAPITAL NET OF LIABILITIES FOR THE		
YEAR	(A+B)	
	113,640	113,507
D. EMPLOYEES SEVERANCE INDEMNITY		
	-3,604	-3,547
E. INVESTED CAPITAL NET OF LIABILITIES FOR THE		
YEAR AND THE EMPLOYEES SEVERANCE INDEMNITY	<u>110,036</u>	<u>109,960</u>
balanced by:		
F. EQUITY	49,634	42,720

G. AVERAGE-LONG TERM NET FINANCIAL BORROWING

- Average-long term financial payables	35,995	12,290
- Financial debts reported in fixed assets	-4,151	-2,631
Total	31,844	9,659

H. SHORT-TERM NET BORROWING

Short-term financial payables	52,015	73,664
Short-term availability for financial debts	-23,457	-16,083
Total	28,558	57,581

TOTAL FINANCIAL BORROWING	(G+H)	60,402	67,240
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I. TOTAL AS IN "E"	(F+G+H)	<u>110,036</u>	<u>109,960</u>
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In the Net Fixed Assets, we note an increase equal to Euro/thousands 5,068.

The trading capital decreased by Euro/thousands 4,935 and its incidence on the Value of production dropped at 29% in comparison with 42% in 2003.

The net invested capital, equal to Euro/thousands 110,036, is formed by the equity for 45% (39% in 2003), and the net borrowing for 55% (61% in 2003).

The equity moves from Euro/thousands 42,720 as of 31 December 2003 to Euro/thousands 49,634 as of 31 December 2004.

The formation of the net financial standing, in thousands Euro, is determined as follows:

31 Dec. 2004 31 Dec. 2003

Current assets

Cash	23,457	16,076
Floating assets	0	7
Short-term borrowing from banks	-51,636	-70,408
Due to subsidiaries	0	-677
Due to parent company	0	0
Due to others	-379	-2,579
Total current assets	-28,558	-57,581
Average-long term assets		
Receivables due from subsidiaries	162	0
Receivables due from associated companies	1,682	1,089
Due from others	2,307	1,542
Long-term borrowings from banks	-30,736	-11,968
Other long-term financial payables	-5,259	-322
Total of average-long term assets	-31,844	-9,659
Net financial standing	-60,402	-67,240

You will find here below a summary of the assets structure:

(in thousands Euro)	<u>Year 2004</u>	<u>Year 2003</u>	<u>Variation</u>
- Trading capital	75,074	80,010	-4,936
- Fixed assets	38,565	33,497	5,068
Gross invested capital (a)	113,639	113,507	132
- Employees severance indemnity	3,604	3,547	57
(b)			
Net invested capital (a-b)	110,036	109,960	76

- Net financial borrowing	60,402	67,240	-6,838
- Equity	49,634	42,720	6,914
TOTAL	110,036	109,960	76

FINANCIAL ANALYSIS

CASH FLOW STATEMENTS

(amounts in thousands Euro)

	31 Dec. 2004	31 Dec. 2003
A. Net opening financial availability (borrowing)	(67,240)	(41,037)
B. Cash flow from operating activities:		
Group Profit (loss) of the year	4,520	3,394
Profit (loss) for the year attributable to minority interests	602	1,441
Amortization and depreciation	10,562	8,302
Valuation of non consolidated equity investments	76	847
Net changes in employees severance indemnity	57	45
Net changes in other provisions	2,961	2,878
Changes in net current assets:		
(increase)/decrease in inventories	(27,834)	(4,265)
(increase)/decrease receivables	15,449	(37,221)
(increase)/decrease accrued income and pre-paid expenses	(1,068)	455
increase/(decrease) payables-without advances	16,650	4,763
increase/(decrease) advances	(3,149)	5,188
increase/(decrease) accrued expenses and deferred income	1,298	711
Non-monetary variations (changes in consolidation)	629	1,863
	20,753	(11,599)

C. Cash flow from investments:

Investments in fixed assets:

Intangibles	(9,653)	(10,639)
Tangibles	(5,018)	(5,194)
Net- financial	(1,091)	(684)
Profit from disinvestment in tangibles	99	1,047
Non-monetary variations (changes in consolidation)	(43)	996
	(15,706)	(14,474)

D. Cash flow from financing activities

Dividends from Parent Company

Changes in Group equity (changes in consolidation)	(210)	(413)
Changes in equity (changes in consolidation) attributable to minority interests	(479)	284
Capital increase	2,480	0

E. Total cash flow (B+C+D) 6,838 (26,203)**F. Final net financial availability (borrowing) (A+E) (60,402) (67,240)****Changes in net financial borrowing are as follows:**

(in thousands Euro)	31 Dec. 2004	31 Dec. 2003
Increase (decrease) in short-term borrowing		
due to changes in consolidation	1,612	2,826
Increase (decrease) in average-long term borrowing	22,185	3,430
Increase (decrease) in short-term borrowing	(30,634)	19,947
Total	(6,838)	26,203

The Parent Company has subsidiaries and branches in the following

countries:

Algeria

Argentina

Greece

Kazakhstan

Moldova

Romania

Russia

Tajikistan

Tunisia

and from this year, Azerbaijan.

In other countries and regions, with particular reference to the Balkans, Northern Africa and the Middle East, Central and Southern Asia, we carefully monitor the market and participate in tenders of great interest to further extend our activities.

The initiatives presently carried out have all been acquired through our participation in international tenders for contracts or are due to structured finance initiatives.

As concerns international tenders, in compliance with the caution principle which has always characterised your Group business policies and also due to our own considerations, we do not deem as opportune participation in tenders not funded by supernational Bodies or Organisations such as E.B.R.D., E.I.B., World Bank etc.

In 2004, the Parent Company has been awarded new contracts and/or has

increased those already in its portfolio up to Euro/thousands 346,208 (net of tender rebates and minority interests), of which 10% concerns contracts abroad.

You will find here below a list of the most important contracts awarded to the Parent Company in 2004:

**RAILWAY WORK – MILAN-LECCO RAILWAY LINE -
Euro/thousands 100,768**

Double track - Carnate Usmate – Airuno section

Client: RFI SpA

**LINE B1 - UNDERGROUND RAILWAY OF ROME (RISALTO
CONSORTIUM) Euro/thousands 96,215 (our share)**

Construction of the Bologna – Conca d’Oro section

Client: Municipality of Rome

ROME – FIUMICINO – Euro/thousands 61,723

Additional road network to the Rome-Fiumicino Airport motorway – 1st
lot

Client: Anas SpA

**PROJECT FINANCING TERNI – Euro/thousands 51,119 (Group
share)**

Corso del Popolo - Construction and management concession as per art.
37-bis Law 109/94 (Todini spa share 50%, Ediltevere Spa share 20%)

Among the new activities of the subsidiaries Ediltevere (Umbria) and Cgs
(Friuli) we note what follows:

Project Financing Municipality of Marsciano (EDILTEVERE)

Concession awarded to implement the urban road network as provided for in the General Town Planning Scheme as well as construct and manage a fuel station.

Project financing Municipality of Grado (CGS)

Cgs promotes the construction and management project of a parking area. The Contract Portfolio of the Parent Company as of 31 December 2004 was Euro/millions 739, of which 22% concerned contracts abroad, with an increase of about 150 Euro/millions in comparison with the previous year.

A few weeks ago, a new contract has been awarded to us, concerning the construction of a road in Azerbaijan (Euro/millions 31.5), which for the Company represents the entering of a new and promising market.

The group contract portfolio as of 31 December 2004 was about 800 Euro/millions.

To make this information as complete as possible, we here below list the main sectors in which your group works and is present:

- a) Civil building and territorial interventions
- b) Roads, motorways and airports
- c) Railway structures
- d) Hydraulic works
- e) Other specialist work

STATE OF PROJECTS IN ITALY AND ABROAD IN 2004

The main projects presently carried out are listed here below:

Construction sites in Italy – Direct Work

BARI – URBAN RAILWAY

Double-track urban railway junction between Bari-Lamasinata station on the Bari-Barletta railway line and the S. Paolo district: civil works, superstructure, electric traction – S.S.E., railway signalling and safety.

The work has been resumed, after the approval of the Project Change, and accomplished for thousands Euro 3,293 in the year.

The total work progress has reached 98%.

GROSSETO 1st LOT

SGC Grosseto – Fano Tronco Grosseto – Siena. Transformation into a four-lane motorway for km. 63+561,13 1st lot from km. 0+00 to km. 11+050.

Client: A.N.A.S. – General Directorate – Rome.

The approval of the Project Change took place in 2003 and allowed a work progress unencumbered from project problems and/or availability of areas; therefore, the production of the year has reached €thousand 15,253 with a 72% progress.

SA-RC – SALERNO

Modernisation and adjustment to 1/b type of CNR/80 regulations; Section 1; Stretch 1; Lot 1: from Km. 2+500 (junction with motorway connecting road to Avellino) to Km. 8+000 – 2nd portion.

Client ANAS General Directorate – Rome.

Arbitration is still under way to settle disputes.

NAPOLI - ALIFANA

Civil work on Piscinola – Secondigliano railway section from km.0+00

to km. 2+060 in the framework of the modernisation and strengthening of the Alifana railway.

Also this year, the construction site met serious problems of surface availability and therefore the progress achieved this year is limited and comes to €thousands 1,028 with a total progress of 9%.

Moreover, the above mentioned problems involved the settlement of further disputes amounting at €thousand 2,313.

The approval of a technical additional variation is underway.

CAGLIARI S.S. 125

Construction work for the new SS 125 between S. Priamo and Tertenia.

Lot no. 2 – Section no. 2.

Client: A.N.A.S. – General Directorate – Rome.

This contract was awarded in 2002; claims from competitors greatly slowed down its delivery, that took place in 2003, though partially and conditioned by polluted land and problems of expropriations.

These events have in part conditioned the production of this year and limited the value of production to €thousands 5,423 which represents a progress of 22 %.

The situation will lead to requests of damages to the client.

MENAGGIO SS 340 “REGINA”

Building work for the Menaggio road variant, 1st Lot – 2nd Section
Menaggio - Pastura

Client: A.N.A.S. – General Directorate – Rome.

This contract was awarded in 2002 and serious geological and project

problems delayed its immediate start-up.

The year 2004 has been also characterised by geological problems that prevented the completion of a pilot hole through driller and at the same time made it impossible the use of explosives in the excavation of the tunnel.

Due to the presence of particularly tough rock layers, progress was greatly affected and the production was limited to €thousands 3,693 with a total progress of 18%.

The situation will lead to requests of damages to the client.

MILANO MALPENSA

Construction of structures to complete the main structure of the passengers air terminal – Terminal 1 – Milano Malpensa Airport.

Client: SEA – Società Esercizi Aeroportuali S.p.A. - Milan

Problems arisen with the supplier of steel structural work have greatly slowed the production that this year has reached €thousands 7,832 with a total progress of 68%.

Construction sites in Italy – Group work

SPOLETO S.S. 3

“Via Flaminia” Construction of the road variant in the Spoleto (Eggi) – Foligno (S. Eraclio) stretch. Section: Spoleto – Foligno.

Client: A.N.A.S. – General Directorate – Rome.

The work has been completed during the year.

VERCELLI CAV.TO.MI.

Construction of overpasses in the Turin - Novara stretch of the Turin-

Milan high-speed railway line.

The work has been almost completed during the year.

Construction sites abroad – Direct work

KAZAKHSTAN Atyrau – Oral Road

Project of West Kazakhstan road network rehabilitation in the section between Atyrau and Oral: Contract Kaz P4/1.

Client: Republic of Kazakhstan – Ministry of Transport and Communication

This year work was carried out in the southern section, beside the stretch already delivered in 2003, and work was started in the northern section with a volume of production that reached €thousands 36,882, inclusive of price revisions.

The total progress reached 58%.

KAZAKHSTAN - Irrigation

Modernisation project of the irrigation and drainage system in Southern Kazakhstan (Oblast).

Client: Republic of Kazakhstan – Ministry of Agriculture

The work registered a progress not up to expectations due to organisation problems of subcontractors. The work carried out in the year reached €thousands 7,348 and a total progress of 80%.

TAJIKISTAN – Dushanbe Road

Dushanbe – Kurgan Tyube – Dangara – Kulyab road rehabilitation project

Client: Republic of Tajikistan – Ministry of Public Transport

This year work progressed exactly as expected and realised an income of €thousands 6,815 with a total progress of 78%. A Project Change is being prepared to increase contract amounts.

ROMANIA – Sibiu

Construction project of a by-pass road for the city of Sibiu

Client: Republic of Romania – National Administration of Road

The work was strongly affected by project problems and despite the full mobilisation of human and technical resources it was impossible to fully launch all activities.

The work completed comes to €thousands 2,983 and the total progress is of 6%.

The situation of this construction site will lead to many disputes.

Construction sites abroad – Joint-Venture Work

ALGERIA –Kramis Dam

Construction of an irrigation dam measuring 48 metres in height and 650 metres in length (volume of 3.8 millions of cubic metres) equipped with electromechanical plants.

Client: Ministère des Ressources en Eau – Agence National des Barrages

This year an additional document was signed to increase the value of the contract by 100%, €thousands 15,185.

The work was completed last December and a provisional delivery was made.

ALGERIA - Constantine

Construction of bridges and viaducts included in the construction of 11

Km. of motorway.

Client: Agence Nationale des Autoroutes

An additional report, whose approval was due for the beginning of last year, has been approved almost at the end of this year and this has prevented de facto any work start-up. Work will be continued during 2005.

ALGERIA - Bouira

Construction of bridges and viaducts included in the construction of the East/West motorway, Bouira – El Adjiba section.

Client: Agence Nationale des Autoroutes

The partial availability of areas and design problems on some structures limited the production of this building, which has anyway realised an income of €thousands 14,822 and reached a total progress of 33%.

GREECE – Athens – Ministry of Labour

Construction of group buildings for the Ministry of Labour and Social Security.

Client: Olympic Village 2004 S.A. – Athens

This year saw the completion of the structures envisaged to be used by athletes during the Olympic games.

Work was discontinued during the games and then resumed to bring the structures to their final configuration to be reached at the beginning of 2005.

The work realised was equal to €thousands 5,283 (share).

Among the work carried out by our subsidiaries in 2004 we list the following:

Roadwork (EDILTEVERE)

Junction SS 527 Bustese – SS 11 Padana Superiore with connection to A4 motorway – Euro/thousands 12,000 (our share)

Client: CO.MA.BO Scarl

Real Estate (EDILTEVERE)

Construction and sale of housing in the residential area of Ponte Rio di Todi (PG)

Environmental restoration work (CGS)

Construction of a 1st Category waste disposal basin for the controlled landfill plant at Basse di Stura (Turin)

Client: AMIAT-Azienda Multiservizi Igiene Ambientale Torino.

Restoration and adaptation of left bank side protection works of the Po River at Caselle Landi (Turin)

Client: AIPO-Azienda interregionale per il Fiume Po

Roadwork (CGS)

Road maintenance of the pavements of some sections of the A23 motorway in the Province of Udine

Client: Pavimental Spa

Relations with partners

Activities carried out by your company in relation with partners mainly concern the exchange of goods, rendering of services, supply and use of financial resources with subsidiaries and associated companies.

All these activities fall under day-to-day management and are carried out at normal market conditions.

Equity investments

The equity investments are analysed in detail in the notes to the financial statements and mainly concern consortium companies and consortia established together with other companies to collaboratively carry out projects awarded to group. Debt and credit relations existing with these companies concern the settlement of financial and trade transactions.

These relations are ruled at market conditions, and, more precisely:

- sales and purchases at prices set among independent operators
- interests at rates foreseen by bank practices.

You will find here below further information on the main direct and indirect subsidiaries:

EDILTEVERE S.p.A. (stake: 70%)

This company deals with constructions and production of aggregates and cement and bituminous concrete. Its activities are mainly carried out in Umbria and Central Italy.

The value of production carried out comes to a total of €thousands 19,403 in comparison with €thousands 20,990 of last year, with a decrease of about 8%. This decrease refers mainly to the production of work carried out and is due to a less number of tenders in the region where the company usually operates.

The plant production, on the contrary, has increased also due to the use – started in October 2004 - of a production plant to manufacture bituminous

concrete in Rome, Magliana district, plant for which a rental contract was entered.

This plant is located in a strategic position to use its products in the road enlargement work for the Grande Raccordo Anulare (ring road) of Rome.

In 2004 the company invested about €thousands 688, of which about €thousands 490 in technical fixed assets, made to maintain its structures efficient and technologically updated.

Moreover, the company continued to develop and enlarge its production structures to carry out the innovative manufacture of “slurry seal.”

The year just ended showed a net profit of €thousands 6, after amortizations for €thousands 487 and provisions of €thousands 293 for current, deferred and anticipated taxation.

C.G.S. S.p.A. (stake: 76%)

Like Ediltevere S.p.A. also this company deals with constructions and production of aggregates, and cement and bituminous concrete. Its activities are mainly carried out in the Friuli and Triveneto regions.

The value of production carried out totals €thousands 18,289 in comparison with €thousands 14,240 of last year, with an increase of about 28%.

This is the third consecutive year in which a considerable increase in the value of production was recorded and the net financial standing remained positive.

In 2004, the company decided a distribution of dividends for

Euro/thousands 223 (our share) and invested about €thousands 376 in technical fixed assets.

The year just ended showed a net profit of €thousands 418 after amortizations for €thousands 343 and provisions of €thousands 444 for current, deferred and anticipated taxation.

LITOIDE S.r.l. (stake: 59.5%, indirectly controlled through the subsidiary Ediltevere S.p.A.)

This company deals with constructions and production of aggregates and concrete in Umbria.

The value of production carried out totalled €thousands 8,229 against €thousands 7,405 of last year, with an increase of about 11%.

In 2004 the company invested about €thousands 238 in technical fixed assets.

The year just ended showed a net profit of €thousands 249 after amortizations for €thousands 220 and provisions of €thousands 284 for current and anticipated taxation.

- **CONSORZIO RISALTO** (stake: 33.33%)

Formed by the companies Rizzani de Eccher, Salini Costruttori and Todini Costruzioni Generali in 2002, the Consorzio Stabile RISALTO in 2003 was awarded the important project to build the main tunnel of the Variante di Valico on the A1 motorway along the Sasso Marconi – Barberino del Mugello section (Lots 9 and 11), for a total net amount of

Euro/thousands 498,533 and in February 2004 the work was delivered.

In September, the Board of Directors of the Consorzio decided to assign to its Consortium Members, as a group, the carrying out of all activities and performances concerning the above project; to this end, the Consortium Company “Variante di Valico Scarl” was established and, to date, has not yet replaced the Consorzio in the carrying out the above mentioned project due to the different interpretations arisen with the Client Autostrade, and for this reason the Consorzio still carries out this work.

In March 2004 the Consorzio, as “Mandatar” appointed together with the Mandators Maire Engineering (Designer), Maire Lavori Scarl, I.CO.P. SpA and T.P.M Srl, submitted a bid for the call for tender announced by the Municipality of Rome, to build the B1 Line of the Underground Railway of Rome, and the basic price for the tender was Euro/thousands 379,071.

On 28 July 2004, the above mentioned group of companies was informed by the Municipality of Rome that it had been preliminarily awarded the contract.

In October 2004 two consortium companies were established between the Consorzio and the other group of companies to carry out the work of the integrated contract awarded by the Municipality of Rome, and precisely:

- Metro B1 Scarl, to carry out the designing and the coordinated and joint construction of the work under the general categories as well as

some special work, with a 80.7% stake by the Consorzio Rialto;

- RI.MA.TI. Scarl, to jointly and coordinately carry out the work under the specific category OS21, with a 80% stake by the Consorzio Rialto;

On 26 November 2004 the work was definitely awarded and a contract signed for a net amount of €thousands 358,723, and on that same day the delivery of the designing work took place, designing for whose realisation 240 natural and consecutive days of work have been envisaged and whose completion is expected within other 1800 days from that date.

The Consorzio has an organisation structure up to the challenges awaiting for it and will continue to shape this structure according future needs, with a focus on market opportunities in contracts exceeding 250 million Euros, also with the support of qualified foreign partners.

The consortium members will continue to act also separately, both at international and national level.

As concerns the carrying out and situation of work on the Variante di Valico Contract, we note what follows:

- since the first months of activities, some difficulties have emerged, both of environmental and contractual nature, that have prevented the regular and profitable course of the activities; such difficulties have subsequently been increased by the landslide of the Discenderia, occurred in November in the Roncobilaccio area, which caused the interruption of activities foreseen in that place;
- such problems, together with other difficulties not due to the

Consortium, have determined delays and schedule divergences and conditioned the progress of work, which therefore was remarkably below expectations;

- it was therefore necessary to define again all activities, both from the point of view of the design and time schedule, and this led to discussions with the Client, also regarding the problems connected with the choices that the Client will make when it adopts the necessary project variations and integrations;
- the damages suffered by the Consorzio, in the light of what above, were promptly expressed to the Client through the customary and timely suitable reserves.

In the first months of this year, discussions with the Client on the issues at hand have continued and their results, expected within the first semester, will inevitably lead to a new work schedule, as already underlined, with consequent adjustment of previously programmed production forecasts.

In 2005, the first part of the project for the “Underground Railway of Rome – B1 Line” will be concluded. It refers to the executive design. At the same time, all necessary mobilisation activities following the delivery of the construction work will be determined and implemented.

- **CEDIV S.p.A.** (stake: 93.33%)

In 2004 discussions with the Municipality of Venice continued on the request of variation to the Detailed Plan in force (approved by deliberation of the Municipal Council no. 63 of 18 March 1996),

concerning the future housing units to be built on the municipal land at Via Paolucci in Marghera (province of Venice). This discussion with the Municipal Council aims at finding the best profitable solution from the development of this area and led to the Municipal Council deliberation no. 139 of 21 October 2004 that adopted the change in the technical specifications enclosed in art. 58 of N.T.A. of the General Town Development Plan approved by DRGV no. 531/98; this should soon lead to the adoption of a Variation to the detailed plan in force by the Municipal Council.

The actions till now undertaken constitute the essential phases to obtain, after all needed administrative steps, the approval of the Variation that remains the essential and preliminary condition to the continuation of the activities.

Within this financial management, in order to find the financial resources to shift the indebtedness of the company from short to middle/long term, and in keeping with the financial flows coming from this initiative, on 15 December 2004 the company entered a one-year contract of financing with a pool of Banks for an amount of €15,000,000.00, preliminary to the granting of a landed-property loan to finance the start-up of the real estate initiative.

The cash obtained has also allowed to extinguish all the indebtedness towards the “Parent Company”;

- **TODEDIL S.c.a.r.l.** (stake 95.5%)

This consortium company is a no-profit company and acts only on behalf and in the exclusive interest of the consortium members/partners Todini and Ediltevere, to implement the building work of the S.S. 3 Flaminia road variant in the Spoleto (Eggi)–Foligno (S.Eraclio) section. The work was completed in September 2004 and the final testing should take place during this year.

- **SCAV S.c.a.r.l.** (stake 91.6%)

The company's purpose is the joint implementation of the activities of the consortium members that have established a temporary association of companies to carry out the work pertaining to the overpasses and the adaptation of the external road network for the new Turin-Milan high-speed railway line and the A4 motorway as explained above.

Work was completed in the first quarter of this year and its ordinary surveillance and maintenance were undertaken awaiting the testing that is expected to take place within this year.

- **TODIR S.c.a.r.l.** (stake: 80%)

The company's purpose is the joint coordination and performance of the activities of the consortium members that have established a temporary association of companies to carry out the reinforcement of the foundations of the headquarters of "Cassa Depositi e Prestiti di Roma" on Via Goito and Via XX Settembre.

Work was completed in November 2004 and tested without remarks on

15 December 2004.

Since the company's purpose was realised in this year, we foresee to implement all needed operations for the company's liquidation.

- **MARMORE S.c.a.r.l.**(stake: 88.49%)

The company's purpose is the joint coordination and performance of the activities of the consortium members that have established a temporary association of companies to carry out the work pertaining to reclamation of the landslide in the Cascata delle Marmore area, the functional completion of the Belvedere Alto and the construction of the 9th shaft and completion of safety work of the ridge at "Campacci".

On 4 February 2004 work was started to build the 9th well and complete the safety work of the ridge at "Campacci", that have reached a progress of almost 35% and whose completion is expected within this year.

We also inform you that in February of this year the company "**Corso del Popolo S.p.A.**" with an 80% stake of the Parent Company in its share capital and Ediltevere Spa with a 20% stake has been established; after the contract award in compliance with art. 37 bis Law 109/94, the company has been established to take over the concession procedures between Municipality of Terni – Grantor - and the Temporary Association of Companies TODINI COSTRUZIONI GENERALI S.p.A. and EDILTEVERE S.p.A., whose purpose is the "completion of Corso

del Popolo as implementation of the Detailed Plan – area of Corso del Popolo - of the Municipality of Terni”.

Awaiting the concession agreement, in January 2005 an “*advising*” agreement was signed with the bank “Monte dei Paschi di Siena – Banca per l’Impresa” to finance these activities and select and find financing banks on the market.

The group companies see this initiative as the most important starting point to obtain and manage contracts in “*project financing*”.

The main joint ventures abroad are the following:

Romania - Olimpia Servicii Internazionale S.r.l. (stake: 100%)

This company, established at the end of 2003, aims at developing initiatives in the real estate market. It presently owns two pieces of land for industrial use: one is located at Sibiu and presently rented to Todini Branch to be used for construction site installations; the other is located at Km 73 of the Bucharest-Pitesti motorway and is being studied in close contact with Agip and other oil companies as possible solution for their uses. Moreover, the negotiations for the purchase of a building in central Bucharest are making good progress and the purchase should be finalised in 2005.

Kazakhstan - Todini Central Asia T.O.O. (stake: 100%)

This company, established in Kazakhstan in 2004, was created to participate – as alternative to the Branch – in local tenders, and especially

in initiatives linked to mining and oil extraction activities. Negotiations are underway with the ENI Group to sign an agreement for the construction of a road stretch in the Aktobe area, a work worth about US\$ 20 millions.

Algeria – Groupement Todini Enaler (stake: 84%)

In 2003 this Groupement, established in 2003 between Todini Algerian Branch and the Algerian Enaler, obtained a contract to build the road section and relevant work of the Autoroute Est-Ouest Bouira – El Adjiba for a total amount of €thousands 74,353. This Groupement has in turn subcontracted this work to its partners. As of 31 December 2004 the work progress was about 33%.

Algeria – Groupement SCI Sonatro (stake: 60%)

This Groupement, which Todini entered in 2002 by the acquisition of the Algerian line of business of SCI Costruzioni S.p.A., is the contractor of a tender to build 11 km on the Autoroute Est-Ouest nearby Constantine. Work should be finished during 2005.

Algeria – G.R.T.A. (stake: 47%)

This Groupement, which Todini entered in 2002 by the acquisition of the Algerian line of business of the SCI Costruzioni S.p.A., is the contractor of constructions pertaining to the building of 11 km on the Autoroute Est-Ouest nearby Constantine. Work has been completed and awaits the final

testing.

Greece – J.V. Aktor A.T.E. - Todini (stake: 55%)

During the year a Joint Venture agreement was signed with the Greek Aktor A.T.E. company to build Athens Underground Railway.

Todini has a 55% stake in this Joint Venture. The work carried out during 2004 amounts to €thousands 5,386.

Greece – Consorzio Todini - Aktor (stake: 60%)

In 2003 Todini was awarded – through the Todini Aktor Consortium of which it has a 60% stake – the contract to construct a building complex for the Ministry of Labour and Social Welfare. In the year, the work completed amounted to €thousands 8,229. All work is expected to be completed within 2005.

Important events concerning corporate responsibility

In 2004 the Parent Company provided itself with an Ethical Code confirming principles and standards of transparency and fair behaviour to be applied by the Company in its relations with clients, suppliers, institutions, employees, collaborators and third parties.

This Code and its sanction system was made known to the above mentioned subjects.

In compliance with Legislative Decree 231/01, an organisation and management model has been subsequently prepared and implemented and

an external Supervisory Body has been appointed to carry out its supervisory functions in full autonomy and independence.

Another initiative worth of mention is the creation of a company's day nursery, in line with the engagements undertaken by the Parent Company when joining the UN "Global Compact" Project mentioned in last year's Annual Report.

This project was realised in 2004, after a three-year preparation in which a series of problems (building not belonging to Company and strict requirements foreseen by regulations on children's structures) had to be met and solved.

For this initiative the Parent Company requested and obtained a public subsidy (though not yet given) of € 125,000.00, 50% of which without security, to cover about two-thirds of the investment.

This Day Nursery will be inaugurated at the end of May and will be run by a specialised company with which Todini signed an agreement. It will have a surface of about 600 sq.m. (including outdoor spaces) and will house up to 50 children aged from 3 months to 3 years.

The space available will allow to house the children of Parent Company's employees and collaborators as well as those of other companies having their offices in the building or close to it. Some places could be reserved for the municipal nursery lists and in this way our initiative will have further social value.

Important events occurred after year end

Distinguished Shareholders, following the bankruptcy of Gico Costruzioni Spa (court order of 15 December 2004), besides the debt

write-off reported in the notes to the financial statements, the Parent Company made a petition of participation in the bankruptcy liabilities and subsequently sent to the Trustee in bankruptcy a formal take-over bid for Gico's Algerian line of business formed by the entire participation (99.99%) in the GICO-Todini Consortium, holder of the project to "build the Algier's intercity drain trunk line" - (Client: Ministry of Water Resources), as well as other contracts, such as Lots 1, 2, 3 of "El Harrach" (Client: Ministry of Water Resources) and the "Piazza I Maggio" project (subcontracted by Groupement Engoa – Sapt).

Envisaged management evolution

The Planning 2005-2007 worked out by the Parent Company foresees the achievement of an average Value of production of about €millions 340 between 2005-07, with a ROE and a progressively improved ratio between net financial standing and equity in these three years.

Other information

In compliance with art. 40, Legislative Decree no.127/1991, we inform you that:

- during 2004, Group companies have not carried out any research and development activity except those already mentioned and carried out by Ediltevere Spa;
- the Parent Company Todini Spa does not hold company's own shares, neither directly nor by means of trust companies or third parties;
- no share of the Parent Company is held by subsidiaries.

On behalf of the BOARD OF DIRECTORS

The Chairman (Luisa Todini)

TODINI COSTRUZIONI GENERALI S.p.A.

Rome - Via del Serafico 200

Share Capital Euro 31,705,620

Entered in the Rome Company Register under Tax Code no. 08105460581

Rome R.E.A. (Economic and Administrative Index) no. 644647

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CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2004

(amounts in thousand Euro)

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STATEMENT OF ASSETS AND LIABILITIES

ASSETS	31 Dec. 2004	31 Dec. 2003
A) SUBSCRIBED CAPITAL UNPAID	0	0
B) FIXED ASSETS:		
<i>I. Intangible fixed assets:</i>		
1) Start up and formation costs	11	8
2) Research and development costs	0	0
3) Patents and intellectual property rights	102	248
4) Concessions, licences, trademarks and similar rights	42	20
5) Goodwill	3,162	3,614
6) Fixed assets in progress and advances	0	197
7) Other	13,206	9,711
Total B-I	16,523	13,798

II. Tangible fixed assets:

1) Land and buildings	8,596	8,712
2) Plant and machinery	4,475	3,947
3) Industrial and commercial equipment	1,519	1,802
4) Other tangible fixed assets	4,849	3,806
5) Fixed assets in progress and advances	217	61
Total B-II	19,656	18,328

III Financial fixed assets:

1) Equity investments in:		
a) subsidiaries	173	62
b) associated companies	1,882	897
d) other companies	331	412
	2,386	1,371
2) Receivables:		
a) Due from subsidiaries beyond 12 months	162	0
b) due from associated companies:		
- within 12 months	0	120
- beyond 12 months	1,636	968
	1,636	1,088
c) due from parent company	13	2
d) due from others:		
- within 12 months	39	35
- beyond 12 months	1,485	1,506
	1,524	1,541
e) Other investments	6	0

Total B-III	5,727	4,002
TOTAL FIXED ASSETS (B)	41,906	36,128
C) CURRENT ASSETS		
I Inventories:		
1) Raw materials and consumables	10,655	7,607
2) Work in progress and semi-finished goods	34,367	32,145
3) Contract work in progress	98,613	76,372
4) Finished products and goods	117	168
5) Advances	60	56
Total C-I	143,812	116,348
II Receivables:		
1) Due from clients:		
- within 12 months	59,746	70,908
- beyond 12 months	1,103	209
	60,849	71,117
2) Due from subsidiaries		
- within 12 months	2,438	737
- beyond 12 months	0	0
	2,438	737
3) Due from associated companies		
- within 12 months	3,310	7,660
- beyond 12 months	46	0
	3,356	7,660

4) Due from parent companies:	112	16
4bis) Due from tax authorities		
- within 12 months	6,170	3,954
- beyond 12 months	64	0
	6,234	3,954
4ter) Advanced tax receivables		
- within 12 months	363	0
- beyond 12 months	22	0
	385	0
5) Due from other:		
- within 12 months	37,853	41,026
- beyond 12 months	992	665
	38,845	41,691
Total C-II	112,219	125,175
III <i>Financial assets not held as fixed assets:</i>		
5) Other investments	8	7
Total C-III	8	7
IV <i>Cash:</i>		
1) Bank and post office deposits	23,204	15,875
3) Cash on hand	244	201
Total C-IV	23,448	16,076
TOTAL CURRENT ASSETS (C)	279,489	257,606

D) ACCRUED INCOME AND PRE-PAID EXPENSES

a)	Accrued income	202	34
b)	Pre-paid expenses	2,538	1,637
		2,740	1,671
	TOTAL ASSETS	324,135	295,405
	LIABILITIES	31 Dec. 2004	31 Dec. 2003
A)	EQUITY:		
I.	Share capital	31,706	29,206
II.	Share premium reserve	0	0
III.	Revaluation reserves	1,035	1,034
IV.	Legal reserve	804	779
V.	Reserve for own shares in portfolio	0	0
VI.	Statutory reserves	0	0
VII.	Other reserves	2,679	2,216
VIII.	Profit (loss) brought forward	3,060	383
IX.	Group profit (loss) for the year	4,520	3,394
	Total Group Equity	43,804	37,012
	MINORITY INTERESTS	5,228	4,267
	MINORITY INTERESTS PROFIT (LOSS) FOR THE YEAR	602	1,441
	Total minority interests equity	5,830	5,708
	Total consolidated equity	49,634	42,720
B)	PROVISIONS FOR RISKS AND CHARGES:		
2)	Tax provisions	3,380	1,786
3)	Other	7,247	5,880
	Total	10,627	7,666

C) EMPLOYEES SEVERANCE INDEMNITY	3,604	3,547
D) PAYABLES:		
1) Payables to financing partners		
- within 12 months	0	0
- beyond 12 months	187	0
	187	0
3) Borrowings from banks		
- within 12 months	51,636	70,408
- beyond 12 months	30,735	11,968
	82,371	82,376
4) Amounts due to other financiers:		
- within 12 months	379	2,579
- beyond 12 months	5,073	322
	5,452	2,901
5) Advances:		
- within 12 months	38,288	29,491
- beyond 12 months	9,816	21,761
	48,104	51,252
Trade:		
6)		
- within 12 months	87,923	69,621
- beyond 12 months	156	3
	88,079	69,624
7) Notes Payables:		
- within 12 months	0	14

	- beyond 12 months	0	0
		0	14
8)	Due to subsidiaries		
	- within 12 months	3,546	904
	- beyond 12 months	0	0
		3,546	904
9)	Due to associated companies		
	- within 12 months	958	6,067
	- beyond 12 months	101	0
		1,059	6,067
10)	Due to parent companies	0	0
11)	Due to tax authorities	6,267	10,394
12)	Due to social security and welfare institutions	1,463	1,306
13)	Due to others:		
	- within 12 months	22,644	15,172
	- beyond 12 months	10	166
		22,654	15,338
	TOTAL PAYABLES	259,182	240,176
E) ACCRUED EXPENSES AND DEFERRED INCOME:			
1)	Accrued expenses	1,033	1,046
2)	Deferred income	55	250
	Total	1,088	1,296
	TOTAL LIABILITIES	324,135	295,405

MEMORANDUM ACCOUNTS

1)	Guarantees issued by third parties on our behalf	183,734	233,156
2)	Guarantees in favour of subsidiary companies	7,339	14,740
3)	Guarantees in favour of associated companies	2,377	0
4)	Guarantees issued by third parties in our favour	14,713	9,316
	Total guarantees	208,163	257,212
	Risk of recourse		
1)	Risk of recourse from factors	5,000	0
	Total risk of recourse	5,000	0
	Commitments		
1)	Purchase commitments	40,480	25,480
2)	Sales commitments	738,774	539,134
3)	Third party assets in leasing	20,617	10,113
4)	Other	103,184	96,022
	Total Commitments	903,055	670,749
	Total memorandum accounts	1,116,218	927,961

CONSOLIDATED PROFIT AND LOSS ACCOUNT**31 Dec. 2004 31 Dec. 2003****A) VALUE OF PRODUCTION:**

1)	Revenues from sales and services	228,644	175,450
2)	Changes in inventories of work in progress, semi-finished and finished products	1,806	2,294
3)	Changes in contract work in progress	21,308	(16)
4)	Work performed for own purposes and capitalized	5,136	7,479

5) Other revenues and income		
a) Sundry	6,327	6,572
b) contributions for the year	23	8
	6,350	6,580

Total value of production	263,244	191,787
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B) COSTS OF PRODUCTION

6) Raw materials, consumables and goods	68,571	53,012
7) Services	109,868	72,091
8) Leases and rentals	15,566	14,369
9) Personnel:		
a) salaries and wages	25,813	21,011
b) social security charges	8,516	7,110
c) severance indemnities	1,265	1,234
d) Pensions	2	0
e) Other costs	1,411	712
	37,007	30,067
10) Amortization, depreciation and write-down:		
a) Amortization of intangible fixed assets	6,948	5,206
b) Depreciation of tangible fixed assets	3,614	3,096
d) Allowances for doubtful debtors included in current assets and other accounts included in cash at bank and in hand	596	345

		11,158	8,647
11)	Changes in inventories of raw materials, consumable and goods	(3,070)	(3,288)
12)	Provisions for risks	1,591	5,112
14)	Sundry overhead charges	8,114	5,839
	TOTAL COSTS OF PRODUCTION	248,805	185,849
	DIFFERENCE BETWEEN THE VALUE AND COSTS OF PRODUCTION (A-B)	14,439	5,938

C) FINANCIAL INCOME AND EXPENSES:

15)	Income from equity investments:		
	c) - Other	0	0
		0	0
16)	Other financial income:		
	a) Receivables held as fixed assets from:		
	1- Subsidiary companies	0	5
	2- Associated companies	0	0
	3) Parent companies	0	0
	c) From investments held as current assets	0	0
	d) Income other than the above from:		
	2) Associated companies	4	5
	3) Parent companies	0	0
	4) Other	1,400	1,198
		1,404	1,208
17)	Interests and other financial expenses from:		

b) - Associated companies	0	0
c) - Parent companies	0	3
d) - Other	4,545	7,331
17 bis) Exchange rate profits and losses		
- Profits	1,392	4,174
- Losses	2,809	2,001
Total (15+16-17+-17 bis)	(4,558)	(3,953)
D) VALUE ADJUSTMENTS TO FINANCIAL ASSETS:		
18) Revaluation of:		
a) Equity investments	700	111
	700	111
19) Write-downs of:		
a) Equity investments	776	958
	776	958
TOTAL ADJUSTMENTS (18-19)	(76)	(847)
E) EXTRAORDINARY INCOME AND EXPENSES:		
20) Income:		
- disposal gains	0	29,433
- sundry	428	8,272
	428	37,705
21) Expenses:		
- disposal losses	33	13
- taxes related to previous years	0	1,402
- sundry	392	26,983

	425	28,398
Total extraordinary items (20-21)	3	9,307
PROFIT (LOSS) BEFORE TAXES (A-B+-C+-D+-E)	9,808	10,445
22) Income taxes for the year	(4,686)	(5,610)
PROFIT (LOSS) FOR THE YEAR	5,122	4,835
MINORITY INTERESTS (PROFIT) / LOSS FOR THE YEAR	(602)	(1,441)
GROUP PROFIT (LOSS) FOR THE YEAR	4,520	3,394

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31
DECEMBER 2004**

1 GENERAL ASPECTS

The consolidated financial statements as of 31 December 2004 have been prepared according to the provisions set out in the Legislative Decree no. 127 of 9 April 1991 in pursuance of the EEC directive no. VII.

Attached to the present notes you will find 9 detailed statements of which they are an integral part.

The data included in the statement of assets and liabilities, profit and loss account and in the present notes are in thousands of euros.

2 GROUP ACTIVITY

The Group activity evolves around the construction sector and related.

3 AREAS OF CONSOLIDATION

The consolidated financial statements as of 31 December 2004 include the financial statements of the Parent Company Todini Costruzioni Generali S.p.A. and of all the companies regularly controlled by it.

Within the companies included in the consolidation area, the Parent Company holds, directly or indirectly, over 50% of shares or stakes representing the company's capital.

Also enclosed are the financial statements of the companies controlled by the Parent Company jointly with other partners, in accordance with mutual agreements and in this case the inclusion in the consolidation takes place according to pro-rata method.

With regards to the period 2003, included in the consolidation area are:

- Consorzio CPR 3
- Todini Central Asia
- Consorzio Todini Aktormetro

Annex 1 lists the companies included in the consolidation area (art. 38 clause 2 letters a) and c) of Legislative Decree no. 127/91).

In respect to previous year, the investment in T.D. Tecnodir S.r.l. has been consolidated with the equity method rather than with the line by line method, following a transfer of 31% of shares during 2004.

In accordance with art. 28 of Legislative Decree no. 127/91, subsidiary companies of negligible size and subsidiary companies in liquidation have been excluded from the consolidation area.

The reference date of the consolidated financial statements coincides with the closing date of the Parent Company Financial Statements. The financial statements of the companies included in the consolidation are those ending on 31 December 2004, approved by the Shareholders' General Meetings or by their Board of Directors.

In the drawing up of the consolidated financial statements entries of assets and liabilities and incomes and charges of the companies included in the consolidation in line with global integration method, are reported in full. With regards to companies included in the consolidation in accordance with pro-rata integration method, the entries previously mentioned are taken up in proportion to their holding.

The book value of holdings included in the consolidation area is eliminated with the corresponding fractions of the equity.

The positive difference emerging, at the time of purchase, from wiping off the purchasing costs of holdings against the relative shares of the equity is due to the specific entries on the assets on the basis of the valuation made at the time of purchase.

The residue not allocated, if any, is entered under “Consolidation reserve” up to the amount of the same and if need be under “Difference due to consolidation”.

The negative residue, if any, is entered under “Consolidation fund for future risks and charges” if ascribable to a forecast of negative financial outcome; otherwise it is entered under the item “Consolidation reserve”.

The amount of the share capital and reserves of subsidiaries corresponding to third party shares is entered under an item of the equity called “Minority interests”; the part of the consolidated economic result corresponding to third party shares is entered under “Minority interests (profit) loss for the year”.

Payables and receivables, charges and incomes from transactions between companies included in the consolidation area, if relevant, are annulled. Shares pertaining to subsidiaries and associated companies, excluded from the consolidation area, are assessed by the equity method.

4. VALUATION CRITERIA

We follow with the main valuation criteria adopted in drawing up the consolidated financial statements:

4.1 Intangible fixed assets

These represent costs against which we can identify a plurennial profit and have been accounted and reported according to their actual cost, except for the entry “Concessions,

licenses, trademarks and similar rights” to which has been ascribed part of the negative difference of consolidation resulting from the valuation of our equity in Litoide S.r.l. the total sum of which, as of 31 December 2004 has been fully amortized.

Their total sum is shown in the financial statements free of direct amortizations systematically calculated in relation to their possible future use.

The balance of the item “Other intangible fixed assets” include:

- a) Costs of design and setting up the construction site, and the acquisition of contractual rights, amortized in line with the progressing of each job to which these costs relate;
- b) the costs relating to the information system of the company, amortized in three years.

The goodwill is amortized in 10 years. As to the goodwill amortization criteria of 4,518 thousands Euro gained from the merger through incorporation of SCI Costruzioni S.p.A. into the Parent Company Todini Costruzioni Generali S.p.A. which took place on 23 December 2002 with notary deed No. 110453 effective at administrative and accounting level from 1 January 2002, please note that the original registration of the aforementioned goodwill at the time of the line of business into the incorporated SCI Costruzioni S.p.A. is a result of a particularly motivated positive valuation. It is in fact necessary to underline that the company situation was and is much more complex and current than that presented by the surveyor, having its *raison d’être* in the consolidated presence of the Company on the Algerian market and in its disposition to acquire new and interesting work opportunities, as has happened during the period 2002 and followed by the acquisition of the contract “Bouira-El Adjiba East-West Motorway” and we believe that this will also be possible in future, and for a period well above the next five years.

These are the principal motivations behind the decision of the Parent Company to first acquire the entire holdings and then the incorporation of SCI itself, and these are the same motivations that lead us to the amortization of the item in question to the extent of 10% per year using the criteria according to art. 2426 1st clause p. 6 Civil Code and the Accounting Principle 24 item sub E.

4.2 Tangible fixed assets

Tangible fixed assets have been recorded at the acquisition costs, inclusive of all additional charges directly belonging to it, incremented, for some of them, by the revaluation made according to regulations no. 72 dated 19 March 1983, no. 413 dated 29 December 1991 and no. 342 dated 21 November 2000.

The Entry Land and Buildings includes 155 thousand Euro as allocation for the difference of consolidation of the subsidiary Litoide.

For each category of source of income we have detracted the amortization fund, accrued according to the residual possibilities of utilising the assets taking into account the actual deterioration and usage. For this reason the following rates indicate the estimated useful economic and technical life of the sources of income:

- Industrial buildings	3%
- Light constructions	12.5%
- General plants	10%
- Operating machinery and specific plants	15%
- Excavators and power shovels	20%
- Metal formworks and metal sheet-piling	25%
- Various small equipment and tools	40%
- Furniture ordinary machines and furniture	12%

- Electromechanical and electronic office equipment	20%
- Transport motor-vehicles	20%
- Cars and motor-vehicles	25%

In regards to goods acquired in the period, due to the limited use, amortization is calculated applying the reduced aforementioned rates of 50%.

4.3 *Financial fixed assets*

Investments in subsidiaries and associated companies not included in the consolidation area have been assessed by the equity method.

Investments in other companies are registered at cost.

All information regarding investments not consolidated are mentioned in the Annex No. 2 of the present notes.

Receivables of financial fixed assets are reported at their expected realizable amount.

4.4 *Receivables*

Receivables are held with the nominal value if eventually adjusted to take into account the expected realizable amount.

4.5 *Inventories of raw materials and consumables*

They are valued at the minimum between the purchasing cost calculated with the “Lifo” method and the realizable amount deducted from trends in the market.

4.6 *Final inventories of contract work in progress*

These represent work and services in progress.

The value of inventories of contract work in progress expresses:

- The valuation made specifically in reference to the physical progress of finished work not yet certified at the end of year – according to the “physical measurement” method – determined with reasonable certainty on the basis of that agreed by contract.

- The valuation of the so-called “reserves” (claims) as provided for and governed by the Regulation on implementation of the Framework Act concerning public works, and by the relevant international regulations, is carried out as in previous years, with strict caution, on the basis of the expected realizable amount, which has and can be determined with reasonable certainty by a detailed analysis of specific trends and connotations both legal and factual, taking into account the valuation made in this respect by legal and technical advisers assisting the company in the preparation, implementation and in the definition of dispute procedures deriving from the formulation of “reserves”.

In the light of the above-mentioned valuations, we have proceeded, with specific pluriennial projects, in the presence of estimated losses for work to be completed, to allocate the probable losses in the appropriate contractual risks fund of liabilities.

4.7 Final inventories of work in progress

These are valued according to the building cost inclusive of financial expenses directly linked to building work except the building area property of the subsidiary Cediv SpA, the value of which has been incremented by 3,869 thousand Euro with the attribution of the difference of consolidation, taking into account the objective market value.

4.8 Financial assets not held as fixed assets

Financial assets not held as fixed assets are reported at the minimum between the purchasing price and the possible realizable amount deducible from market trends. The cost is partially or totally restored if and when there is a change in the presuppositions at the basis of previous write downs.

4.9 Adjustment accounts

These have been determined by the application of economic and pro-tempore accrual basis and are about amounts of costs and revenues, common to two or more years, the sum total of which varies in time.

4.10 Severance indemnity

Severance indemnity reflects the charges for the employees severance indemnity accrued, at the end of the year, calculated on the basis of regulations and labour contracts in force, local regulations applicable for personnel of stable establishments abroad.

4.11 Other provisions for charges and risks

Reserves for risks and charges, in compliance with the principle of prudence, are intended to cover charges of a determined, real or probable nature, of which the date, the effective onset and the exact amount are not yet determined at the end of the year.

Problems relating to existing contractual relationships and the relative necessity of funding including derivative operations have been taken into account in the total valuation of risk funds, allocated in the liabilities of the Statement of Assets and Liabilities, and which have wide and general validity and for whose determination reference was made to anything allowed by tax regulations so as to benefit of the opportunities allowed for tax deductions.

4.12 Payables

Registered at the nominal value. As for payables and receivables deriving from financial advances obtained and granted in relation to work in progress, we have indicated the foreseeable time scheduled breakdown for the extinction of debts within and beyond the following year, with reference to the respective agreed time span for the execution of the contract.

4.13 Profit and loss account

Revenues, income, expenditure and charges are reported according to the prudence and accrual basis. In particular, revenues from contracts are entered in the books according to the works progress reports arranged in presence of the client.

4.14 Items in foreign currency

Short-term receivables and payables and cash in hands originally expressed in foreign currency are reported in the financial statements at the spot exchange rate in force at time of closing. Conversion earnings from short-term receivables and payables at the rate of exchange in force at the time of the financial statements, are included in the profit and loss account as components of revenues of financial nature under the item C 17 bis.

The net profit, if any, is allocated in a designated reserve not to be distributed until realization.

The transactions of stable establishments abroad, or branches, are converted on the basis of the monthly current exchanges and the accounting balances of current assets and liabilities are adjusted to the exchanges of the year's end.

The conversion in Euro of the statements expressed in the currency of the foreign shareholding companies is made applying the exchange rate at the year's end. The equity values of the foreign shareholding companies are converted to the historic exchange of the first consolidation. The exchange rates applied are as follows:

Foreign currency	<u>31 Dec. 2004</u>	<u>31 Dec. 2003</u>
1 Euro = Russian Rouble	37.8425	36.1445
1 Euro = Belarusian Rouble	2,292.56	2,647.49
1 Euro = Kazakh Tenge	177.009	178.13
1 Euro = USA Dollar	1.3621	1.22856

1 Euro = New Bulgarian Lev	1.9559	1.95334
1 Euro = Moldovan Leu	16.8219	15.9796
1 Euro = Argentine Peso	4.04597	3.63925
1 Euro = Algerian Dinar	97.5743	83.0055
1 Euro = Tajik Somoni	4.19663	3.78519
1 Euro = Tunisian Dinar	1.63111	n/a
1 Euro = Romanian Leu	39,390.00	40,572.6

n/a : not applicable, currency not used in previous year

4.15 *Income tax*

Current income tax for the year are based on regulations in force both in Italy and in countries in which the Group operates. The relevant sum payable is entered under “Due to tax authorities.”

Deferred taxes are determined by the difference between the equity values reported in the financial statements and the corresponding relevant fiscal values.

Deferred taxes are determined applying the rates currently in effect in the year in which the temporary differences originate; in following years this fund is updated in view of rate changes, if any, at the end of every year.

Advanced taxes are registered only in case of reasonable certainty of recouping them in the future. When this is in doubt, they are devalued.

Advanced taxes are found in the statement of assets and liabilities in the appropriate entry included in “Due from tax authorities”, while deferred taxes to pay are recorded under risks and charges provisions.

Liabilities and assets from deferred taxes are set-off when legally allowed.

4.16 *Commitments, guarantees and risks*

Personal guarantees, divided into endorsements, sureties and other personal guarantees are recorded for a sum equal to the effective commitment.

Amongst commitments, risks and other memorandum accounts are also registered operations not found in the financial statements and used only in case of risks of fluctuation in interest rates, converting the rates on all or part of the debt from variable to fixed.

The differential in interest incurred in the year are pointed out in the profit and loss account between the expenses and the financial income. Those which were accrued and not settled by the date of the financial statements or settled in advance in respect of the economic accrual basis or to be accrued, have been taken into account when determining the adjustment accounts and liabilities provisions.

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ASSETS

5 INTANGIBLE FIXED ASSETS – 16,523 thousand Euro (13,798 thousand Euro as of 31 December 2003)

The detailed statement No. 3 highlights the movements of intangible fixed assets and gives for each entry the elements required by art. 2427, item 2) of the Civil Code.

Intangible fixed assets, net of the rate of accrued amortization, are composed as follows (thousand euros):

	<u>2004</u>	<u>2003</u>
- Start up and formation costs	11	8
- Concessions, licences, trademarks and similar rights	42	20
- Patent and intellectual property rights	102	248
- Goodwill	3,162	3,614

- Fixed assets in progress and advances	-	197
- Other	<u>13,206</u>	<u>9,711</u>
	<u>16,523</u>	<u>13,798</u>

The goodwill comes out mainly from the merger through incorporation of SCI Costruzioni S.p.A. in the Parent Company Todini Costruzioni Generali S.p.A., as indicated in the valuation criteria, amortized in the measure of 10% p.a.

The negative variation of the entry “Goodwill” compared to the previous year is due to the amortization value.

The entry “Fixed assets in progress and advances” includes the costs of bidding for tenders.

The year’s decrement is due to the result of the tenders still pending at the end of the previous year. In particular, in the case of awarded contracts, we have proceeded with the reclassification of expenses through the pluriennial charges of the acquired contract, and vice versa, in the case of unsuccessful bids, the entire sum has been charged to the profit and loss account.

The entry “Other” includes mainly the setting up of construction site costs and other design expenses, net of the amortization carried out according to the work progress percentage. Such charges are mainly present in the financial statements of the Parent Company and are mainly represented by the final settlement of expenses incurred in the starting up process of new construction sites according to the following breakdown.

- 2,324 thousand Euro for the building of the section of road near Sibiu (Rumania);
- 3,180 thousand Euro for the rehabilitation of the Atjrau-Oral road system (Kazakhstan);

- 1,329 thousand Euro for the adaptation of the stretch of the Appennines crossing of the A1 motorway between Sasso Marconi and Barberino del Mugello;
- 905 thousand Euro for building work of the Menaggio road variant.

The amortization rates of the entry are calculated on the percentage of completion of the relative projects.

The entry of the year is divided as follows (Thousand Euro):

	<u>2004</u>	<u>2003</u>
Balance as of 1 January	13,798	9,828
- Increments due to capitalizations	9,944	10,639
- Changes in the consolidation area	(20)	(726)
- Decrements	(251)	(737)
- Amortizations	<u>(6,948)</u>	<u>(5,206)</u>
Balance as of 31 December	<u>16,523</u>	<u>13,798</u>

6 TANGIBLE FIXED ASSETS – 19,656 thousand Euro (18,328 thousand Euro as of 31 December 2003)

Detailed statement No. 4 highlights movements during the year and summarised hereinbelow (thousand Euro):

	<u>2004</u>	<u>2003</u>
Balance as of 1 January	18,328	16,809
- Increments due to purchases and capitalizations	6,030	5,195
- Changes in the consolidation area	(40)	(270)
- Reclassification and other entries	(18)	-
- Disposals	(1,030)	(310)
- Amortizations	<u>(3,614)</u>	<u>(3,096)</u>

Balance as of 31 December	<u>19,656</u>	<u>18,328</u>
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Tangible fixed assets do not include, as explained in paragraph 30 of these notes, the financed value of assets kept as leasing. The effect of this set up is recorded in paragraph 30 of these notes.

Regarding entries included in the tangible fixed assets, we report the following:

Land and buildings – 8,596 thousand Euro (8,712 thousand Euro as of 31 December 2003)

The entry mainly represents property in Italy.

Plant and machinery – 4,475 thousand Euro (3,947 thousand Euro as of 31 December 2003)

This item consists of the assets used for the realization of the business activity of the Group.

Industrial and commercial equipment – 1,519 thousand Euro (1,802 thousand Euro as of 31 December 2003)

This item consists of a vast and diversified series of elements which complete the functional capabilities of plant and machinery.

Other assets – 4,849 thousand Euro (3,806 thousand Euro as of 31 December 2003).

This item includes office machines, electronic equipment and tangible fixed assets not for inclusion in previous entries.

Fixed assets in progress and advances – 217 thousand Euro (61 thousand Euro as of 31 December 2003).

Include mainly charges borne by the stable organisation of the Parent Company in Romania for the construction of an industrial building used for workshops and warehouse to be used by the Sibiu construction site for 154 thousand Euro.

7 FINANCIAL FIXED ASSETS – 5,727 thousand Euro (4,002 thousand Euro as of 31 December 2003)

This item consists of the following (thousand Euro):

	<u>2004</u>	<u>2003</u>
<i>Equity investments</i>		
Equity investments in non-consolidated subsidiaries	173	62
Equity investments in associated companies	1,882	897
Equity investments in other companies	<u>331</u>	<u>412</u>
	<u>2,386</u>	<u>1,371</u>
<i>Other non-current receivables</i>		
Receivables due from subsidiaries	162	-
Receivables from associated companies	1,636	1,088
Receivables due from parent companies	13	2
Receivables from others	1,524	1,541
Other securities	<u>6</u>	-
Total financial assets	<u>5,727</u>	<u>4,002</u>

Equity investments

The main changes of the year relating to equity investments and the information required by art. 38, clause 2, letters c) and d) of Legislative Decree no. 127/91 are reported in the detailed statement No. 2 .

Other non-current receivables

The increase of the entry “Receivables due from associated companies” is mainly due to an increase in the financing from the Parent Company to these companies.

8 INVENTORIES – 143,812 thousand Euro (116,348 thousand Euro as of 31 December 2003)

	<u>2004</u>	<u>2003</u>
Raw materials and consumables	10,655	7,607
Work in progress and finished products	34,367	32,145
Contract work in progress	98,613	76,372
Finished products and goods for resale	117	168
Advances	<u>60</u>	<u>56</u>
	<u>143,812</u>	<u>116,348</u>

Raw materials and consumables – 10,655 thousand Euro (7,607 thousand Euro as of 31 December 2003)

Represented by available stock of materials and spares used in production.

The increase in this entry compared to the previous year is due to the purchase of raw materials made by the Romania-Sibiu and Kazakhstan-Atyrau foreign branches of the Parent Company for the sum of about 1,401 thousand Euro.

Work in progress – 34,367 thousand Euro (32,145 thousand Euro as of 31 December 2003)

This refers to inventories relating to a Parent Company project regarding a real estate initiative in the Rome province to the sum of 6,666 thousand Euro, and also to the project of the subsidiary Cediv SpA, for the real estate initiative taking place in Marghera (Venice) for the sum of 24,998 thousand Euro, for which we are expecting the new detailed plan.

Contract work in progress – 98,613 thousand Euro (76,372 thousand Euro as of 31 December 2003), this entry refers to:

- 57,612 thousand Euro, the valuation that has been made referring specifically to the physical progress of work completed but not yet certified at the end of the year;
- 41,001 thousand Euro, the valuation of the so-called “reserves” raised by the Parent Company and addressed to clients in Italy and abroad.

In valuation criteria we explain the prudential principles taken when valuing reserves.

To these ends and only for explanatory purposes in order to provide useful elements for comparison, we list below a comparative summary of the reserves flows in the last two years for the Parent Company only.

	<u>2004</u>	<u>2003</u>
Reserves as of 1 January	21,725,095	23,564,813
Year's increases	21,986,874	4,001,981
Year's decreases	(3,772,745)	(5,841,699)
Reserves as of 31 December	39,939,224	21,725,095

As previously underlined, within the provisions included in the liabilities of the Statement of Assets and Liabilities of the Parent Company is registered the contractual risk provision to the sum of 5,193,051, which includes the amount prudently set aside to meet possible losses on pluriennial projects still in progress.

Advances – 60 thousand Euro (56 thousand Euro as of 31 December 2003)

Represented mainly by advances to suppliers for contractual services.

9 RECEIVABLES– 112,220 thousand Euro (125,175 thousand Euro as of 31 December 2003)

Receivables due from clients

Receivables due from clients, to the sum of 60,849 thousand Euro (71,117 thousand Euro as of 31 December 2003), derive mainly from the corresponding amount not yet received for work done for third parties, inclusive of receivables from pending invoices.

Receivables due from clients are shown net of the provision for doubtful debtors of 750 thousand Euro (817 thousand Euro as of 31 December 2003).

Receivables due from non-consolidated subsidiaries

Receivables due from non-consolidated subsidiaries are in the order of 2,438 thousand Euro (thousand Euro 737 as of 31 December 2003). They are composed as follows:

<u>Subsidiary companies</u>	<u>Thousand Euro</u>
- Cogeca Srl	1
- Consorzio FAT	1,154
-Consorzio Solaio	37
-G.R.T.A.	102
-GMTI	474
-Maver Scarl	72
-Nobiallo Scarl	21
-Riga Scarl	1
-Malpensa Scarl	48
-Metro B1	211
-Rimati Scarl	109
- Other minor receivables due from other subsidiary companies	<u>208</u>
	<u>2,438</u>

Receivables due from associated companies

Receivables due from associated companies, to the sum of 3,356 thousand Euro (7,660 thousand Euro as of 31 December 2003), are represented by receivables due mainly from consortium companies in Italy and abroad:

<u>Associated companies</u>	<u>Thousand Euro</u>
- TD Tecnodir	20
- Bata 91	150
-Irrigazione Furore	17
- Consorzio Kallidromo	481
- Rupe di Orvieto	112
- Colle Todi	255
- Alburni	172
- Tormini	27
-Coteco	3
-Edilmi	2
-Valico	437
-Follonica	2
-Consorzio Nucleo Balvano	140
-Consorzio Solaso	69
-Consorzio A.F.T.	1,086
-A. Constr. JV Kallidromo	383
	<u>3,356</u>

Receivables due from tax authorities – 6,234 thousand Euro (3,954 thousand Euro as of 31 December 2003).

The variation is mainly due to receivables due from the public treasury for VAT and from advance withholding taxes on interest receivables accrued on current accounts.

Advanced tax receivables – 385 thousand Euro (- thousand Euro as of 31 December 2003).

This entry refers mainly to 225 thousand Euro for advanced taxes taken over by the Parent Company.

Other receivables

Other receivables totalling 38,845 thousand Euro are composed as follows:

	<u>2004</u>	<u>2003</u>
Social security and welfare institutions	179	214
From company personnel	17	36
From Pizzarotti & C.	-	27,199
Advances to suppliers	62	2,537
Sundry receivables due from third parties	<u>38,587</u>	<u>11,705</u>
	<u>38,845</u>	<u>41,691</u>

The decreasing variation of 2,846 thousand Euro is due to the difference between the variation in the decrease of receivables of the Parent Company from Pizzarotti & C., cashed in total in 2004 and relative to the transfer of the “Alta Velocità” line of business for the sum of 27,199 thousand Euro, and the variation in increase of receivables registered in the financial statements of consolidated consortia with the pro-rata method, relative to the share pertaining to third parties not cancelled in the consolidation process.

There are no receivables expiring beyond five years.

10 FINANCIAL ASSETS NOT HELD AS FIXED ASSETS - 8 thousand Euro (7 thousand Euro as of 31 December 2003)

Include:

	<u>2004</u>	<u>2003</u>
Other equity investments	-	-
Other investments	<u>8</u>	<u>7</u>
Total	<u>8</u>	<u>7</u>

11 CASH – 23,448 thousand Euro (16,076 thousand Euro on 31 December 2003)

This entry represents 23,205 thousand Euro deposits in banks and 244 thousand Euro in cash in headquarters of companies and construction sites, in Italy and abroad. Compared to the previous year the item in question has seen an increase of 7,372 thousand Euro due mainly to the Parent Company incomes near the end of year.

12 ACCRUED INCOME AND PRE-PAID EXPENSES – 2,740 thousand Euro (1,671 thousand Euro as of 31 December 2003)

	<u>2003</u>	<u>2003</u>
Pre-paid expenses	2,538	1,637
Accrued income	<u>202</u>	<u>34</u>
Total	<u>2,740</u>	<u>1,671</u>

The balance of pre-paid expenses is made up mainly of insurance premiums and financial charges, while the balance of accrued income is made up of interests receivables. Further details in detailed statement No. 7.

* * *

EQUITY:

13 PARENT COMPANY SHARE – 43,804 thousand Euro (37,012 thousand Euro as of 31 December 2003)

In the detailed statement No. 8bis we find the variations in the equity taken place in the course of the year.

The detailed statement no. 8 shows the reconciliation between the equity of the Parent Company and the consolidated equity as of December 2004.

As of 31 December 2004, the equity of the Parent Company, to the sum of 43,804 thousand Euro, is composed as follows:

- The share capital, equal to 31,706 thousand Euro, is made up of 6,144,500 ordinary shares with nominal value of 5.16 Euro each. There are no dividend-bearing shares and other securities issued by the Parent Company. There is an increase in the share capital equal to 2,500 thousand Euro as a direct result of the increase of the share capital of the Parent Company, as per meeting's resolution of 14 January 2004.
- Revaluation reserve equal to 1,035 thousand Euro.
- The legal reserve equal to 804 thousand Euro, increases by 25 thousand Euro due to the allocation of profit reported in the Parent Company financial statements as of 31 December 2003.
- The entry other reserves, equal to 2,679 thousand Euro, includes 324 thousand Euro of reserves deriving from the merger through incorporation of Sci Costruzioni SpA and 1,982 thousand Euro of extraordinary reserve.
- The balance of profits and losses brought forward equal to 3,600 thousand Euro ensues from how the profit of the previous year was allocated and from the variation of the consolidation area.

- The year profit is equal to 4,520 thousand Euro (3,394 thousand Euro on 31 December 2003).

14 MINORITY INTERESTS – 5,830 thousand Euro (5,708 thousand Euro as of 31 December 2003)

	<u>2004</u>	<u>2003</u>
Minority interests	5,228	4,267
Minority interests profit (loss)	<u>602</u>	<u>1,441</u>
	<u>5,830</u>	<u>5,708</u>

* * *

LIABILITIES

15 PROVISIONS FOR RISKS AND CHARGES – 10,627 thousand Euro (7,666 thousand Euro as of 31 December 2003)

Provisions for risks and charges are divided as follows (thousand Euro):					
	Values as of 31 Dec. 2003	Variations Cons. areas. reclassification	Allowance	Use	Values as of 31 Dec. 2004
Tax provisions	1,786	3	1,591		3,380
Other funds	<u>5,880</u>	<u>2,078</u>		<u>-711</u>	<u>7,247</u>
Total	<u>7,666</u>	<u>2,081</u>	<u>1,591</u>	<u>-711</u>	<u>10,627</u>

The Tax provisions refer to deferred fiscal losses and reserves from previous years made for possible tax liabilities resulting from inspections, verifications or disputes in Italy or abroad.

In the year 2004 the fund relating to the Parent Company possible tax risks has been partially utilized while we can notice an increase equal to 1,137 thousand Euro as regards to recording of deferred tax payables emerging from the temporary difference

between the non-consolidated result and the taxable income determined according to tax regulations in force.

The other provisions for charges and risks include the following funds:

The risks fund for legal disputes equal to 221 Euro set up to offset possible losses ensuing from current litigations.

The fund for contractual risks equal to 5,853 Euro has been set up in previous years and maintained also in this year for the specific purposes indicated in the valuation criteria.

During the year 2004 the most important increase relates to the Parent Company reserve of around 1,184 thousand Euro.

The equity investments liabilities reserve equal to 1,172 Euro reflects mainly the debit balance of the equity of non-consolidated subsidiaries and associated companies valued according to the equity method, and also the risks of possible losses of some associated companies, as reported in detailed statement No. 2.

At the time of the financial statements there are some disputes and risks of a different nature apart from those relating to work in progress or finished. For some of these, the possible future outcome is difficult to determine objectively and therefore the registration of the possible charges, as in the past, and in line with the accountancy principle used, takes place only in the presence of sufficient and circumstantial elements for an estimate and the loss can be defined as “probable”.

16 SEVERANCE INDEMNITY – 3,604 thousand Euro (3,547 thousand Euro as of 31 December 2003)

Increased, compared to the previous year, by 57 thousand Euro, net of the year set aside amounts.

The following table underlines the year’s movements:

	<u>2004</u>	<u>2003</u>
Value as of 1 January	3,547	3,502
- Liquidations and advances	(1,208)	(1,189)
- Provisions	<u>1,265</u>	<u>1,234</u>
- Value as of 31 December	<u>3,604</u>	<u>3,547</u>

PAYABLES

Detailed statement No. 6 highlights the composition of payables by deadline. There are no residual debts lasting beyond five years.

17 BORROWING FROM BANKS – 82,371 thousand Euro (82,376 thousand Euro as of 31 December 2003)

This entry includes both the nominal value of current accounts with credit institutions and the principal to repay of expired and nearly expired instalments relative to mortgages and mid-term financing received, the total sum of which has been divided between current rates (within 12 months) and rates over 12 months.

	<u>2004</u>	<u>2003</u>
- Borrowings from banks falling due within 12 months	51,636	70,408
- Borrowings from banks falling due beyond 12 months	<u>30,735</u>	<u>11,968</u>
	<u>82,371</u>	<u>82,376</u>

The entry “Borrowings from banks falling due beyond 12 months” relates to the share of medium and long-term financing contracted by the Parent Company with Efibanca for 5,000 thousand Euro, with Monte dei Paschi di Siena for 2,500 thousand Euro, with Banca Antonveneta for 2,500 thousand Euro, with Banca Popolare di Sondrio for 2,043 thousand Euro, with Banca Popolare di Spoleto for 1,500 thousand Euro and by the subsidiary Cediv with Banca Nazionale del Lavoro for 15,000 thousand Euro.

18 AMOUNTS DUE TO OTHER FINANCIERS – 5,452 thousand Euro (2,901 thousand Euro as of 31 December 2003)

The entry in question increases in respect to the previous year following a transfer operation “to be paid” of receivables due to the Parent Company from Anas and Ferrotranviaria.

19 ADVANCES – 48,103 thousand Euro (51,252 thousand Euro as of 31 December 2003)

Represented by advances from awarding authorities against ongoing projects (thousand Euro):

	<u>2004</u>	<u>2003</u>
- Advances for work exceeding the year		
within the year	38,288	29,491
- Advances for work exceeding the year		
beyond the year	<u>9,816</u>	<u>21,761</u>
	<u>48,104</u>	<u>51,252</u>

20 TRADE – 88,079 thousand Euro (69,624 thousand Euro as of 31 December 2003)

The balance is increased by 18,456 thousand Euro compared to the previous year and is due mainly to an increase in business volume for the Parent Company and the starting of the project “Variante di Valico”.

21 PAYABLES DUE TO NON-CONSOLIDATED SUBSIDIARIES – 3,546 thousand Euro (904 thousand Euro as of 31 December 2003)

Mainly represented by payables ensuing from the setback of costs borne by consortium companies.

Main Payables as of 31 December 2004:

	<u>Euro/000</u>
-Malpensa scarl	1,089
-Consorzio FAT	940
-Maver Scarl	603
-Metro B1	341
-Nobiallo scarl	152
-Consorzio Costral	15
-Ri.ga scarl	45
-Glicos	15
-Edilfi Scarl	7
-Other non-consolidated companies	339
	<u>3,546</u>

22 PAYABLES DUE TO ASSOCIATED COMPANIES – 1,059 thousand Euro

(6,067 thousand Euro as of 31 December 2003)

Mainly represented by payables ensuing from the setback of costs borne by consortium companies.

Payables as of 31 December 2004:

CONSORZIO KALLIDROMO	38
IRRIGAZIONE FURORE	578
BATA 91	80
CONSORZIO LA FENICE	6
RUPE DI ORVIETO	5
COLLE TODI	1

ALBURNI	222
TORMINI	14
EDILMI	62
VALICO	43
FOLLONICA	7
OTHERS	3
Total	<u>1,059</u>

23 PAYABLES DUE TO PARENT COMPANIES – 0 thousand Euro as of 31 December 2004 (0 thousand Euro as of 31 December 2003)

24 PAYABLES DUE TO TAX AUTHORITIES – 6,267 thousand Euro (10,394 thousand Euro as of 31 December 2003)

The decrease concerns mainly the Parent Company for 2,039 thousand Euro.

25 PAYABLES DUE TO SOCIAL SECURITY AND WELFARE INSTITUTIONS – 1,463 thousand Euro (1,306 thousand Euro as of 31 December 2003)

This entry represents money due to social security and welfare institutions such as INPS, Inpdai, Cassa Edile, Inail, Previndai and also foreign Social Funds. The increase compared to the previous year is equal to 157 thousands Euro.

26 PAYABLES DUE TO OTHERS – 22,654 thousand Euro (15,338 thousand Euro as of 31 December 2003)

The balance is as follows:

	<u>2004</u>	<u>2003</u>
Due to employees	2,598	1,209
Due relative to corporate bodies	81	93
Others	<u>19,975</u>	<u>14,036</u>

Total 22,654 15,338

This variation is due to an increase in payables due to consortium companies consolidated with the pro-rata method for minority interests not annulled at the time of consolidation.

27 ACCRUED EXPENSES AND DEFERRED INCOME – 1,088 thousand Euro
(1,296 thousand Euro as of 31 December 2003)

Accrued expenses equal to 1,033 thousand Euro and deferred income for 55 thousand Euro. More details can be seen in the detailed statement No 7.

28 MEMORANDUM ACCOUNTS – 1,116,218 thousand Euro (927,961
thousand Euro as of 31 December 2003)

	<u>Year</u> <u>2004</u>	<u>Year</u> <u>2003</u>	<u>Change</u>
Guarantees			
1			
) Guarantees issued by third parties on our behalf	183,734	233,156	-49,422
2			
) Guarantees in favour of subsidiary companies	7,339	14,740	-7,401
3			
) Guarantees in favour of associated companies	2,377	0	2377
4			
) Guarantees issued by third parties in our favour	14,713	9,316	5,397
Total guarantees	208,163	257,212	-49,049
Risk of recourse			
1			
) Risk of recourse from factors	5,000	0	5000
Total risk of recourse	5,000	0	5000
Commitments			
1			
) Purchase commitments	40,480	25,480	15,000
2			
) Sales commitments	738,774	539,134	199,640
3			
) Third party assets in leasing	20,617	10,113	10,504

4				
) Other	103,184	96,022	7,162	
Total commitments	903,055	670,749	232,306	
Total memorandum accounts	1,116,218	927,961	188,257	

Personal guarantees received from third parties

These are guarantees issued by third parties in favour of suppliers as guaranty of their punctuality in carrying out their contractual obligations.

Third parties assets in leasing

Includes, for current leasing contracts accounted according to the equity method, the amount of hire charges still to pay in addition to that of the price for the redemption of assets.

Other commitments – Derivatives

Includes the notional amount equal to 85,218 thousand Euro (84,075 thousand Euro as of 31 December 2003), relating to the effectiveness of derivatives on contracts existing as of 31 December 2004, aiming at hedging risks deriving from the interest rate fluctuation as shown in “Valuation criteria”.

During the year 2004, management of the interest rate risk has resulted in operations on derivatives, through contracts of Interest rate swap, on short, medium and long term debts, in view of converting the rates from variable to fixed.

The notional value as of 31 December 2004 of such contracts, last term of which is the year 2006, do not constitute a measure of the exposure credit risks, the risk being limited to the value of interest fluctuation accruing over time.

* * *

PROFIT AND LOSS ACCOUNT

29 VALUE OF PRODUCTION – 263,244 thousand Euro (191,787 thousand Euro as of 31 December 2003)

Value of production results composed of the following main entries:

Revenues from sales and services, including change in contract work in progress, which coincide with the number of work contracted amount to 249,952 thousand Euro (175,450 thousand Euro as of 31 December 2003), and have been obtained in the following areas:

	<u>2004</u>	<u>2003</u>
- Italy	115,517	57,893
- Europe (excluding Italy)	19,710	15,098
- Latin America		340
- Africa	63,121	70,934
- Asia	<u>51,604</u>	<u>31,169</u>
	<u>249,952</u>	<u>175,434</u>

The turnover in the year 2004 includes for the Parent Company itself also the amounts deriving from the favourable outcome of disputes with clients for the sum of 3,622 thousand Euro against reserves recorded in the financial statements of previous years.

The positive change in the inventories of semi-finished and finished products of 1,806 thousand Euro is detailed the previous paragraph 8.

The change in contract work in progress highlights a net decrease totalling 21,308 thousand Euro; the entries in the previous paragraph 8 contribute to this decrease.

The work performed for own purposes and capitalized equal to 5,136 thousand Euro, refers mainly to expenses for construction sites set up and other charges on contract work in progress.

30 COSTS OF PRODUCTION FOR THE PURCHASE OF GOODS AND SERVICES AND COSTS FOR PERSONNEL – 248,805 thousand Euro (185,849 thousand Euro as of 31 December 2003)

Include:

Costs for raw materials and consumables, amounting to 68,571 thousand Euro.

Services costs amounting to 109,868 thousand Euro, are so composed:

	<u>2004</u>	<u>2003</u>
Subcontracts and supplies	20,564	25,097
Services	70,595	35,452
Maintenance	294	995
Advice	4,092	5,423
Agency	279	40
Compensation to board members and auditors	1,153	675
Insurance	1,511	693
Other various services	<u>11,380</u>	<u>3,716</u>
	<u>109,868</u>	<u>72,091</u>

Compensation to board members and auditors are equal to 1,153 thousand Euro.

Compensation to board members and auditors relating exclusively to the Parent Company Todini Costruzioni SpA, included in the entry “compensation to board members and auditors”, amounts to about 824 thousand Euro and about 32 thousand Euro respectively.

Costs for leases and rentals totalling 15,566 thousand Euro refer mainly to rentals received and leasing charges pertaining to the year.

Costs for personnel are divided as follows:

	<u>2004</u>	<u>2003</u>
Salaries and wages	25,813	21,011
Social security charges	8,516	7,110

Severance indemnities	1,265	1,234
Other costs	<u>1,413</u>	<u>712</u>
	<u>37,007</u>	<u>30,067</u>

The average number of employees of the Group in the year 2004 has been of about 2,424 units (1,718 units in 2003) of which 33 managers, 352 employees and 2,039 workers. The increase is due mainly to an increase of the workers of the Parent Company particularly in the Rumanian and Kazakhstan branches.

31 AMORTIZATION, DEPRECIATION AND WRITE-DOWN – 11,158 thousand Euro (8,647 thousand Euro as of 31 December 2003)

Include:

- Amortization of intangible fixed assets for a sum total of 6,948 thousand Euro, reported in detailed statement No. 3.;
- Depreciation of tangible fixed assets for a sum total of 3,614 thousand Euro as shown in detailed statement No. 4. This increase in respect of the previous year (balance as of 31 December 2003 equal to 3,096 thousand of Euro) is essentially connected to purchases made in 2004;
- Direct allowances for doubtful debtors included in current assets and transfer to provision for bad debt for a sum total of 596 thousand Euro.

32 CHANGES IN INVENTORIES OF RAW MATERIALS AND CONSUMABLES – (3,070) thousand Euro (-3,288 thousand Euro as of 31 December 2003)

Inventories of raw materials and consumables show an increase of 218 thousand Euro compared to the previous year.

33 PROVISIONS FOR RISKS AND OTHERS – 1,591 thousand Euro (5,112 thousand Euro as of 31 December 2003)

Provisions for risks, made in special liabilities funds, are explained in paragraph 15 of these notes.

34 SUNDRY OVERHEAD CHARGES – 8,114 thousand Euro (5,839 thousand Euro as of 31 December 2003)

Include:

	<u>2004</u>	<u>2003</u>
Contingent liabilities resulting from estimates	89	272
Duty and tax	2,187	1,663
Administration services	2,156	226
Other overhead charges	<u>3,682</u>	<u>3,678</u>
	<u>8,114</u>	<u>5,839</u>

35 FINANCIAL INCOME AND EXPENSES – Net financial charges for 4,558 thousand Euro (net financial charges for 3,953 thousand Euro as of 31 December 2003)

Financial income is composed as follows:

Financial income:

	<u>2004</u>	<u>2003</u>
From equity investments	-	-
From non-consolidated companies of the Group	4	10
From investments held as current assets other than shareholdings		
From parent companies	-	-
From others and various income	<u>2,792</u>	<u>5,372</u>

2,796 5,382

The balance of interests and various charges includes (in thousand Euro):

	<u>2004</u>	<u>2003</u>
Interest receivable from banks	81	41
Interest receivable from clients and on state bonds	1,319	310
Exchange rate profits	1,392	4,174
Other interests and commissions	<u>0</u>	<u>847</u>
	<u>2,792</u>	<u>5,372</u>

The exchange rate profits derive from activities carried out by foreign branches of the Parent Company.

Financial charges are so composed:

	<u>2004</u>	<u>2003</u>
Interests and commissions due to non-consolidated subsidiaries		
Interests and commissions due to associated companies	-	-
Interests and commissions due to parent companies	-	3
Interests and commissions to others and various charges	<u>7,354</u>	<u>9,332</u>
	<u>7,354</u>	<u>9,335</u>

The balance of interests and commissions to others and various charges, for thousand Euro, includes (in thousand Euro):

	<u>2004</u>	<u>2003</u>
Interests due to banks and other financiers	4,496	4,119
Interests on other payables and suppliers	0	25
Exchange rate losses	2,809	2,001

Other interests and commissions	<u>49</u>	<u>3,187</u>
	<u>7,354</u>	<u>9,332</u>

Profits/losses on the currency exchange of the year refer to the exchange fluctuation taken place in the course of the year and determined as shown in point No. 15.

36 VALUE ADJUSTMENTS TO FINANCIAL ASSETS

– Net charges for 76 thousand Euro (847 net charges for thousand Euro as of 31 December 2003)

Revaluation and write-downs reflect changes in the equity of non-consolidated subsidiaries and associated companies, the possible losses deriving from their activities and the permanent changes in value of the other financial fixed assets held in the consolidated assets.

The write-downs and revaluation of equity investments are shown in detailed statement No. 2 of these notes.

37 EXTRAORDINARY INCOME AND EXPENSES – Net income of 3 thousand Euro (net income of 9,307 thousand Euro as of December 2003)

Composed as follows:

Extraordinary income:

	<u>2004</u>	<u>2003</u>
Disposal gains	-	29,433
Contingent and non-existent assets	<u>428</u>	<u>8,272</u>
	<u>428</u>	<u>37,705</u>

In the contingent and non-existent assets are included mainly an insurance refund on motor-vehicles of the subsidiary Ediltevere for 81 thousand Euro and disposal gains of sources of income of the subsidiary Ediltevere for 143 thousand Euro.

Extraordinary expenses:

	<u>2004</u>	<u>2003</u>
Disposal losses	33	13
Taxes related to previous years	-	1,402
Other extraordinary expenses	<u>392</u>	<u>26,983</u>
	<u>425</u>	<u>28,398</u>

In the entry “Other extraordinary expenses “ are included mainly contingent liabilities of the Parent Company for 225 thousand Euro.

38 INCOME TAX– 4,686 thousand Euro (5,610 thousand Euro as of 31 December 2003)

The entry “current, deferred and advanced taxes” totalling 4,686 thousand Euro, includes the total amount of current taxes for the year for the sum of 3,404 thousand Euro, the provision of deferred taxes for 1,691 thousand Euro and the taking over of advanced taxes of 409 thousand Euro.

p.p. THE BOARD OF DIRECTORS

The Chairman

(Luisa Todini)