2007-2011 Business Plan

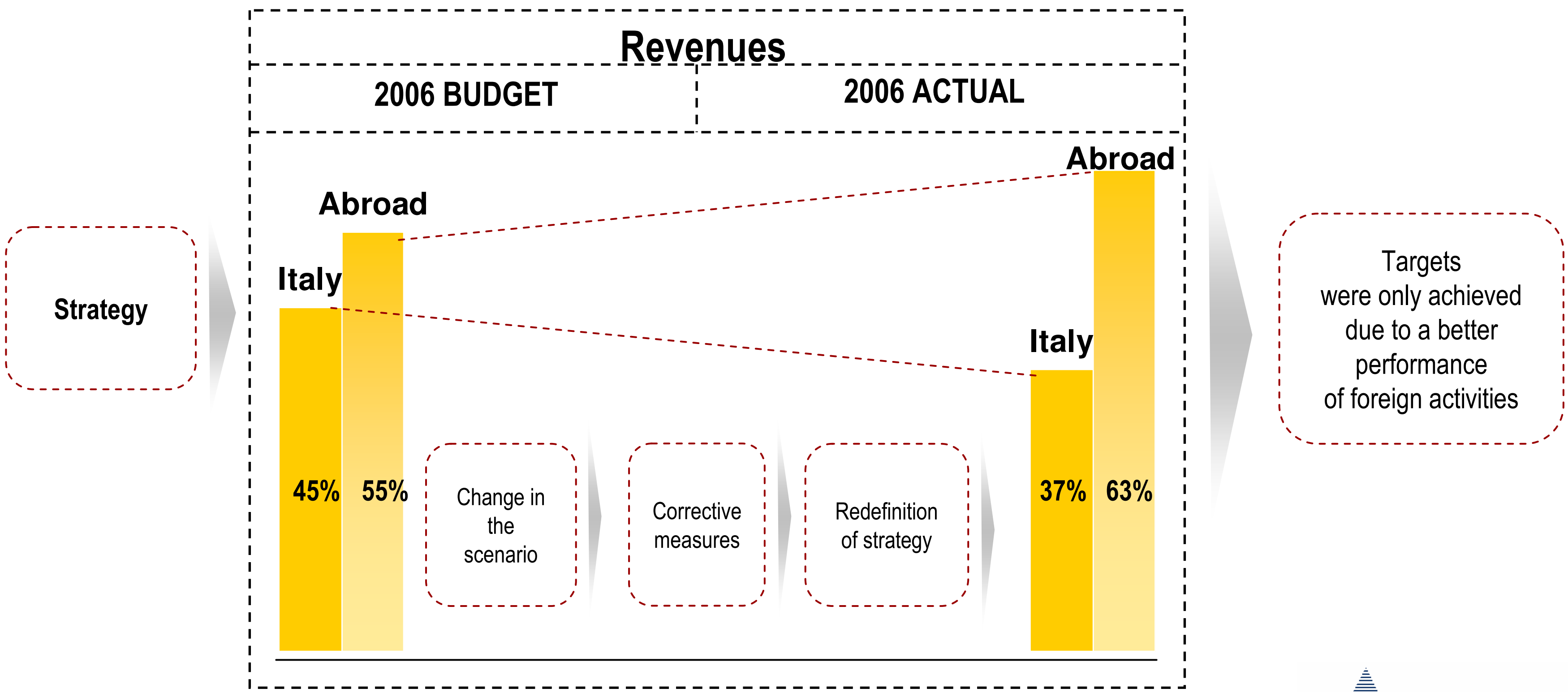
2007-2011 Business Plan: the scenario

The 2007-2011 Business Plan
takes account of changes in the domestic scenario, such as:

➔ Change in Italian Government and consequent redefinition of public expenditure priorities, causing a slowdown in construction sector activity which is expected to continue throughout 2007

➔ Shortage of financial resources for infrastructure investment, mainly at central Government, rather than at local government, level

➔ Cancellation of HS/HC Railway contracts (Verona-Padua, Genoa-Milan, Milan-Verona)

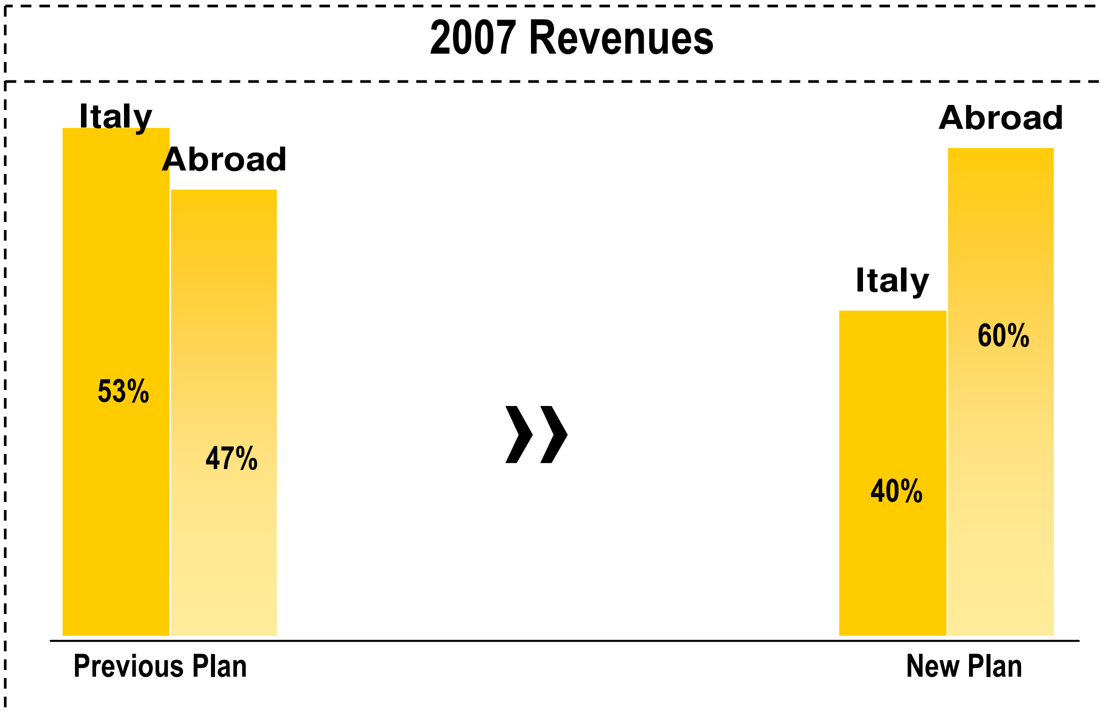


2007-2011 Business Plan: the scenario

The changes in the scenario have also affected 2007

New evaluation of reference markets/scenarios

In order to guarantee the consistency with the previous business plan, the 2007 budget has been revised to take into account both the slowdown of the Italian market and our stronger acquisition power in foreign markets vs. the estimates of the previous plan



THEREFORE, MEDIUM-TERM STRATEGIC GUIDELINES INCLUDE:

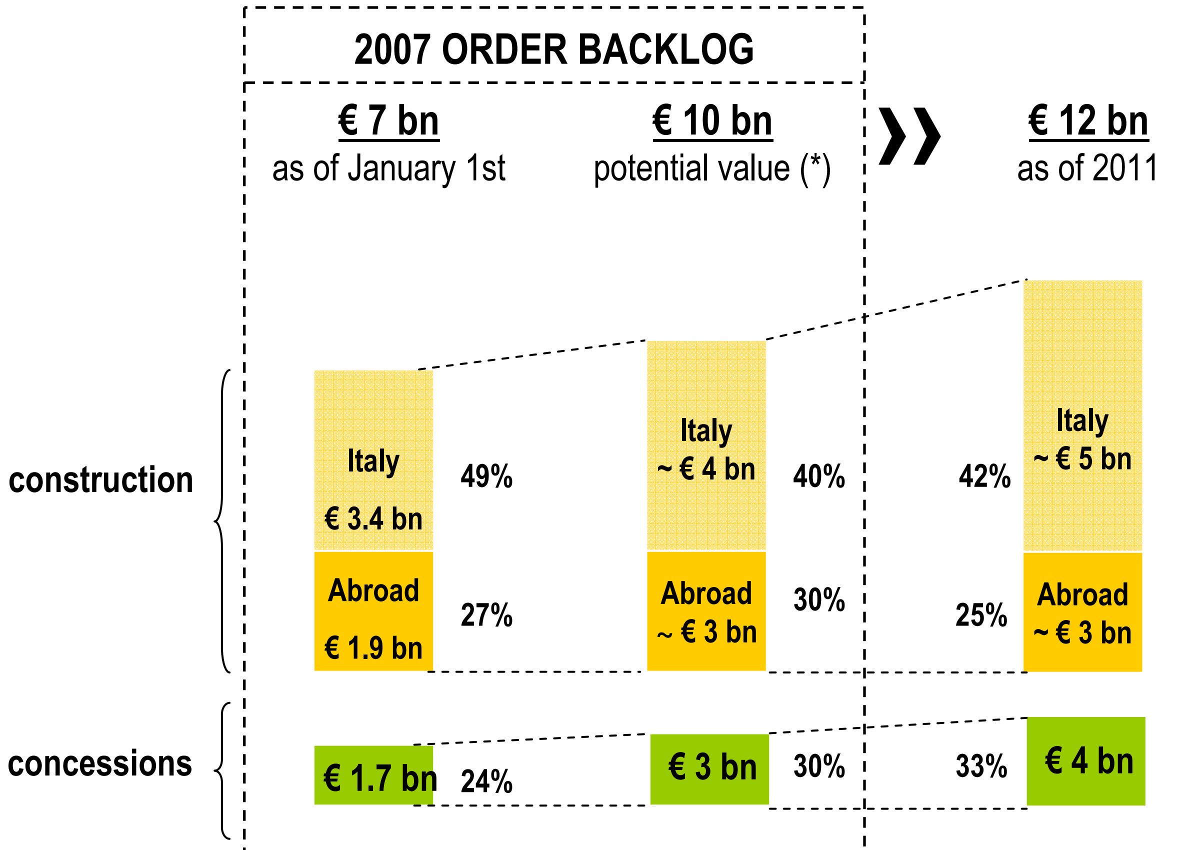
➔ Further development of **PF/concession activities in Italy** to offset the shortage of new “construction” contracts

➔ Development of **business opportunities abroad** (i.e. Chile, Panama, Abu Dhabi) in geographical areas where the Group has traditionally been active, by focusing also on potential project finance initiatives

➔ Selective development of **facility management and real estate**

2011 ORDER BACKLOG: € 12 bn

New orders have been reclassified to reflect the slowdown of orders acquired in the Italian market in the short-term and, in the medium-term, the cancellation of the HS/HC Verona-Padua contract, offset by stronger growth of activities abroad



(*) Potential value of order backlog

- **€ 1 bn** of new contracts and railway options in Venezuela, Romania and Middle East
- **€ 1.8 bn** corresponding to Astaldi share of new project finance initiatives where it has already been approved as sponsor

- The contract for the construction of Line C of the Rome Subway has recently been increased; a minimum further € 425 mn of financing is awaiting approval
- An increase in the contract for Line 5 of the Milan Subway is expected in the short/medium-term

2007-2011 Business Plan: main economic targets

2007-2011 Business Plan

(€ mn)	2006	2011	CAGR 06-11	2010 Previous Plan	2010 New Plan
Order backlog	**7,009**	**> 12,000**		**10 bn**	↗
of which under concession	1,700	≈ 4,000		> 3,200	↗
Total revenues	**1,072**	**> 2,100**	**15%**	**2,000**	**≈**
of which under concession	n.m.	> 130		> 100	≈
EBIT	**78**	**> 190**	**> 19%**	**170**	↗
Ebit margin	7.3%	8.8%		8.5%	↗
Net profit	**30**	**> 80**	**22%**	**75**	**≈**

➔ Due to the re-balancing between Italian and foreign business, the **targets** of the previous business plan **are not only confirmed, but surpassed**

➔ **Profitability is expected to increase** due to:

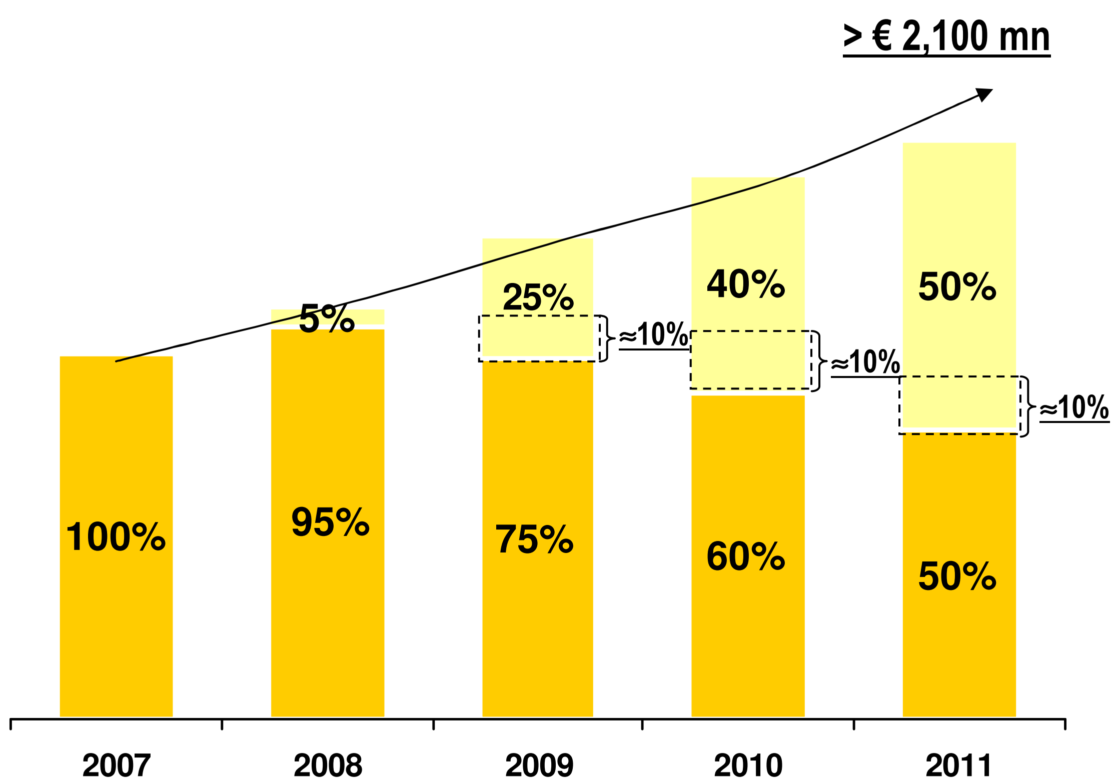
- ➔ a greater contribution from foreign activities
- ➔ the commencement of the operational phase of concessions
- ➔ the improved quality of the order backlog

➔ The prospective figures given do not include positive economic and financial effects deriving from the Verona-Padua HS/HC railway contract included in the previous business plan

Contract revenues

The recent important contracts acquired ensure steady growth for the coming years

- Line C Rome Subway (Italy)
- "Jonica" National Road - Lots 1 & 2 (Italy)
- HS Railway Station in Bologna (Italy)
- San Juan de Los Morros Railway (Venezuela)
- Puerto Cabello Railway (Venezuela)
- Turin Railway Hub (Italy)
- Chaguaramas-Cabruta Railway (Venezeula)
- Redjem Demouche-Mecheria Railway (Algeria)
- Bucharest-Costanza Railway (Romania)
- Caracas-Cua Railway (Venezuela)
- New railway options in Venezuela
- ……………………………



- Production assured by existing contracts
- Production from other initiatives
- Contribution to production expected from Verona-Padua HS/HC Railway contract which has not been included in this plan, but attributed to new contracts

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Domestic market: strategies

STRATEGIC GUIDELINES - ITALY

➔ **Priority attributed to the execution of contracts in order backlog**, all financed and classified as priority-contracts in the new infrastructure construction plan approved by the Italian Government

➔ Development of **growth opportunities in the concession/project finance market, selectively at regional level**

➔ All the most important projects are in a start-up phase; the quality of the order backlog ensures good levels of profitability in line with targets

status of existing contracts

Projects	Type of project	Total Value (€ '000)	Astaldi share (%)	Order Backlog value (€ '000)	Progress	End year
Line C Rome Subway	Railways & subways	2,180,000	34.50%	752,100	0.00%	2010 - 2012
Line 5 Milan Subway (*construction*)	Railways & subways	513,734	23.30%	119,700	0.00%	> 2010
Jonica National Road (NR106) - Lot 1	Highways	480,180	100.00%	465,415	3.07%	2010
Turin Railway Hub	Railways & subways	402,568	74.00%	273,490	8.19%	> 2010
Brescia Subway	Railways & subways	314,343	100.00%	234,223	25.49%	2009
Jonica National Road (NR106) - Lot 2	Highways	310,270	100.00%	300,269	3.22%	2010
HS/HC Railway Station "Bologna Centrale"	Railways & subways	308,798	100.00%	278,232	9.90%	2009
"Scuola dei Marescialli e dei Carabinieri" in Florence	Civil buildings	261,600	100.00%	260,139	0.56%	> 2010
Other initiatives				741,537	≈ 70.00%	
TOTAL CONSTRUCTION ORDER BACKLOG - ITALY				**3,425,105**		

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Domestic market: execution of order backlog

<u>The planned production appears to be feasible</u>
<u>consequently to the completion of preparation activities and to the beginning of the works on important contracts</u>

Main contracts at start-up phase	*Value (€ mn)*	2005	2006				2007				2008		2009	2010	> 2010
			1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1H	2H			
Rome Subway - Line C	**752**														
Design															
Start-up															
Beginning of the works															
Jonica National Road - Lot 1	**465**														
Design															
Start-up															
Beginning of the works															
Turin Railway Hub (Phase 2)	**273**														
Design															
Start-up															
Beginning of the works															
"Scuola dei Marescialli e dei Carabinieri" in Florence	**262**														
Design															
Start-up															
Beginning of the works															

Foreign markets: strategies

STRATEGIC GUIDELINES - ABROAD

- ➔ **Consistent development of activities in traditional foreign markets** to extend and capitalize on the territorial knowledge and *know-how* already acquired
- ➔ Expansion into neighbouring countries (i.e. Chile, Panama, Emirates, Bulgaria) and to new sectors of activity
- ➔ Seeking business opportunities abroad also in the concession sector
- ➔ Strengthening of **risk management and control** processes
- ➔ Consolidation of the operations of the subsidiary in Florida and diversification of the activities towards Group integrated services in the field of procurement

- ➔ At present, the foreign order backlog has grown considerably grown (+€ 2 bn of new orders in 2006) and has good prospects for further growth in the medium-term due to new business initiatives with a value of more than € 1 bn
- ➔ The stronger presence in traditional foreign markets (Venezuela, Algeria, Romania, Turkey) ensures better management of resources, cash-flow and risks
- ➔ All on-going projects show **profitability that, on average, is higher than that expected from the domestic market**
- ➔ The **strategic importance of foreign activities is confirmed**; their fast growth has offset the domestic market slowdown

Foreign markets: order backlog

Country	Projects	Type of project	Total value (€ '000)	Astaldi share (%)	Order Backlog value (€ '000)	Progress	End year
Venezuela	Puerto Cabello-La Encrucijada Railway (*1st tranche*)	Railways and subways	2,268,161	33.00%	515,182	31.17%	> 2010
Venezuela	S. Juan de Los Morros-S. Fernando de Apure Railway	Railways and subways	1,132,727	33.00%	367,278	1.74%	> 2010
Venezuela	Chaguaramas-Cabruta Railway	Railways and subways	508,788	33.00%	162,524	3.20%	> 2010
Romania	Bucharest-Costanza Railway	Railways and subways	176,900	100.00%	176,900	0.00%	> 2007
Turkey	Anatolian Highway	Highways	587,020	100.00%	59,367	89.89%	2007
Algeria	Redjem Demouche-Mecheria Railway	Railways and subways	203,725	51.00%	94,484	9.06%	2008
Algeria	Akbou-Bejaia Water Pipeline	Hydraulic works	114,314	51.00%	45,001	22.81%	2008
Algeria	Kerrada Dam	Hydraulic works	77,315	68.68%	27,341	48.51%	2009
Algeria	East-West Highway (Troncon-Quedda section)	Highways	59,400	100.00%	23,261	60.84%	2009
Algeria	Hamma Water Pipeline	Hydraulic works	56,400	100.00%	48,014	14.87%	2007
Costa Rica	Pirris Dam	Hydraulic works	85,000	100.00%	84,110	1.05%	2010
	Other projects				281,700		
TOTAL CONSTRUCTION ORDER BACKLOG - ABROAD					**1,885,162**		

Additional new orders for a value of € 1 bn are expected in the medium-term
in Venezuela, Romania, Algeria taking the foreign market order backlog to approx. € 3 bn

2007-2011 Business Plan: main financial targets

(€ mn)	2006	2011	CAGR 06-11
Net invested capital	**566**	**≈ 1,060**	**13.5%**
in construction activities	508	≈ 610	**3.6%**
in concession activities	58	≈ 450	**51.0%**
Net debt	**(285)**	**≈ (530)**	**n.s.**
in construction activities	(227)	≈ (150)	
in concession activities	(58)	≈ (380)	
Net equity	**281**	**> 530**	**13.8%**
Debt/equity ratio	**1**	**1**	**--**

CAPEX

- Construction activities: approx. 4% of annual revenues throughout the period of the plan
- Concession activities: approx. € 320 mn of investments during the 5 years (net of third-party share)

DEBT STRUCTURE

- Increasingly long-term, in order to align financial commitments to the average duration of ongoing contracts

OTHER ASSUMPTIONS

- 30% pay-out ratio
- This plan does not take into account the advance payment relating to the Verona-Padua HS/HC railway contract
- Sale without recourse of receivables from *general contracting* initiatives

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ORDER BACKLOG OF CONCESSIONS SECTOR IN 2011: € 4 bn

➔ Increase in and continuous commitment to the concession/project finance sector, mainly in the domestic market at regional level, in urban transport infrastructures, health care and parking sectors

➔ Search for business opportunities in motorway concessions and in sectors permitting further development of the construction business

➔ The increase in the concession order backlog from € 1.7 bn to € 4 bn in 2011 is consistent with the Group’s capacity to support the necessary investments, and is already partially guaranteed by the initiatives for which the Group has been formally approved sponsor

➔ Starting in 2008, concession activities will contribute to revenues and margins

➔ The target is to increase recurring revenues and profitability. Revenues from concessions will contribute more than € 130 mn to total revenues in 2011

➔ The capital invested by the Group (net of third-party share) in concessions amounts to € 320 mn over 5 years

➔ Expected minimum level of pre-tax IRR ranging from 12% to 16%, depending upon sector of activity

Milan Subway Line 5

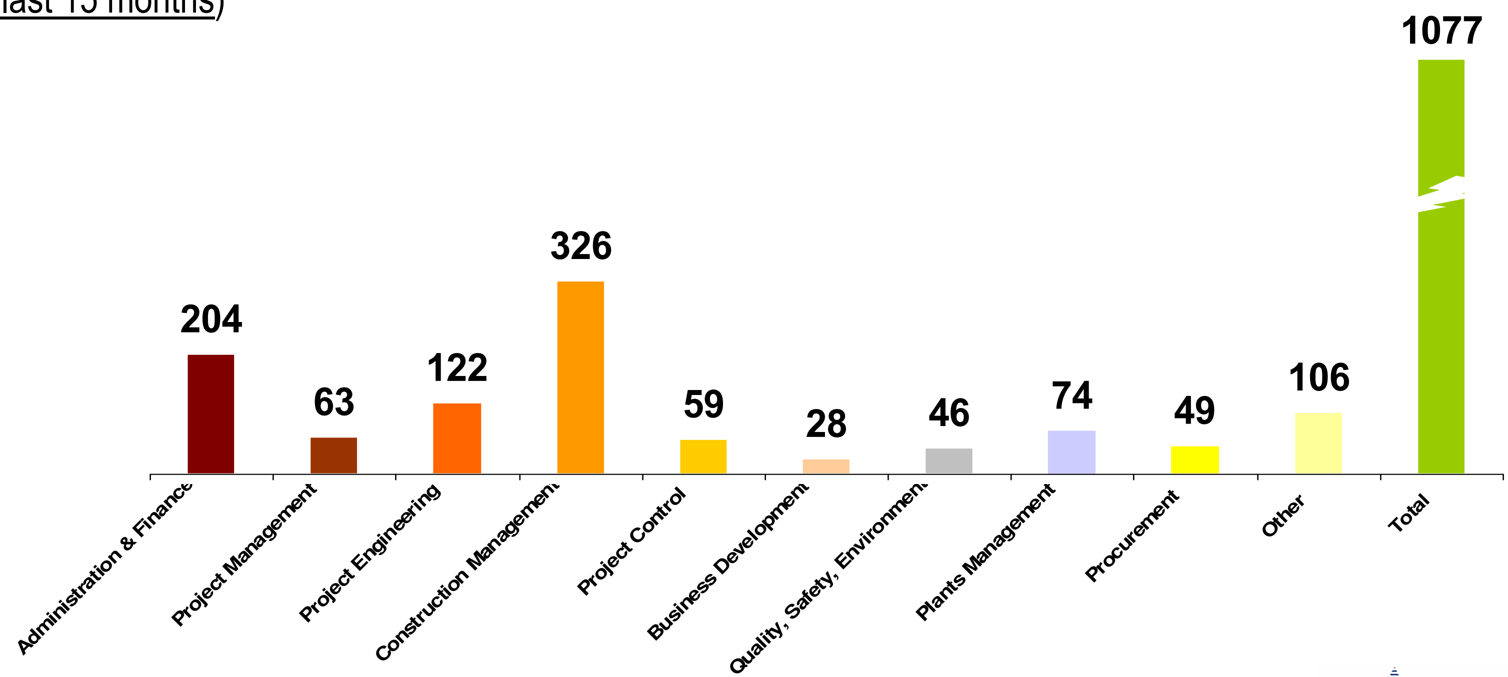
New Hospital in Mestre

New Hospital in Naples

Car parks

Human resources: supporting Group growth

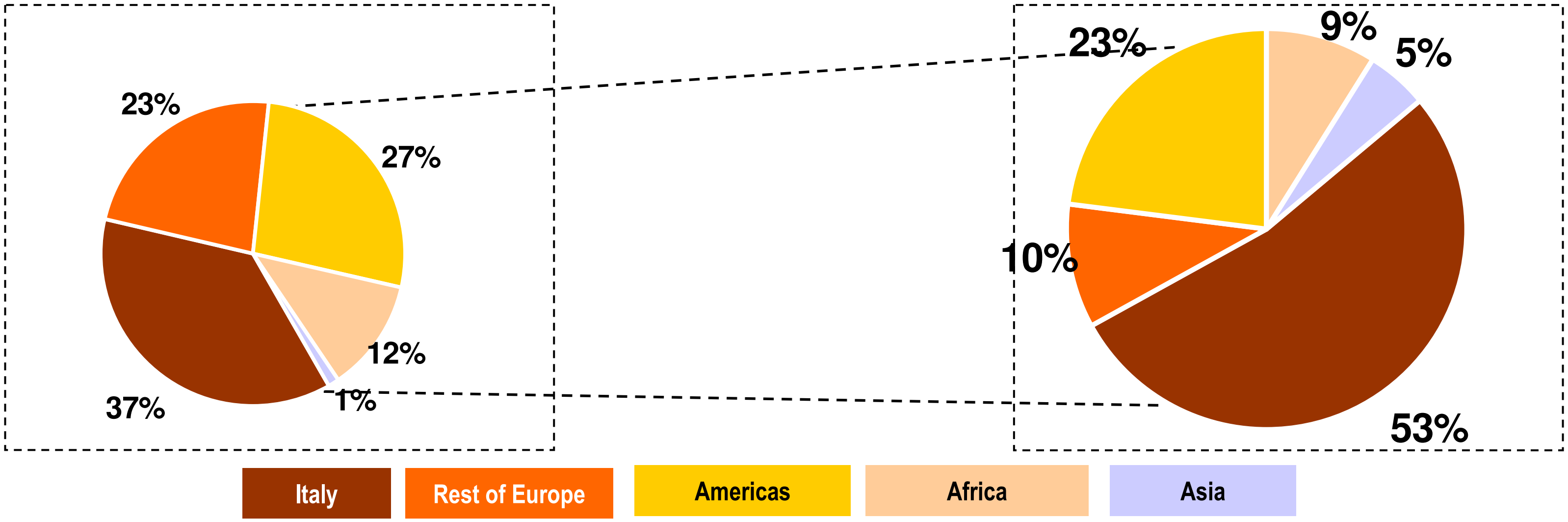
- **Strengthening the resources devoted to the planning and management** of initiatives, which will make a strong contribution to added value
- **Ongoing training process**, aimed at specialization and orientation of resources towards specific corporate management processes (planning, control, financial planning)
- Bonus/Incentive programs aimed at linking operating structures to the achievement of corporate targets
- During the period of the plan, new qualified professionals, from Italian and foreign Universities, will be employed, ensuring satisfactory staff rotation and average annual net growth of 10% (250 new employees have been taken on in the last 15 months)

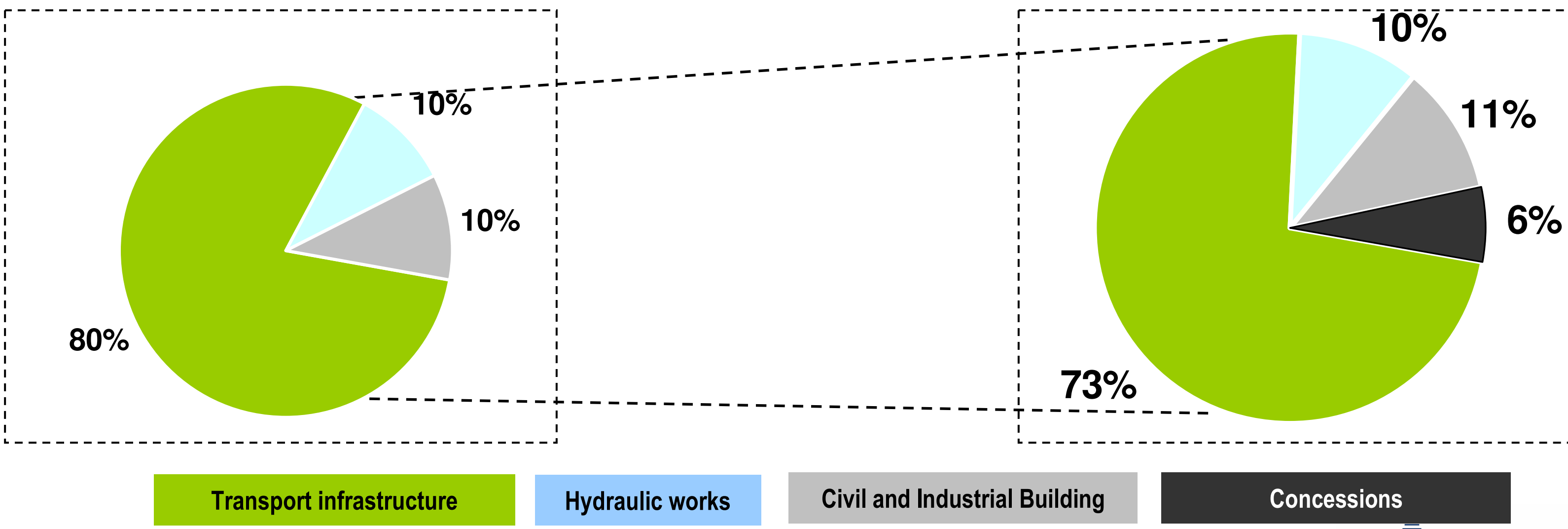


Appendix

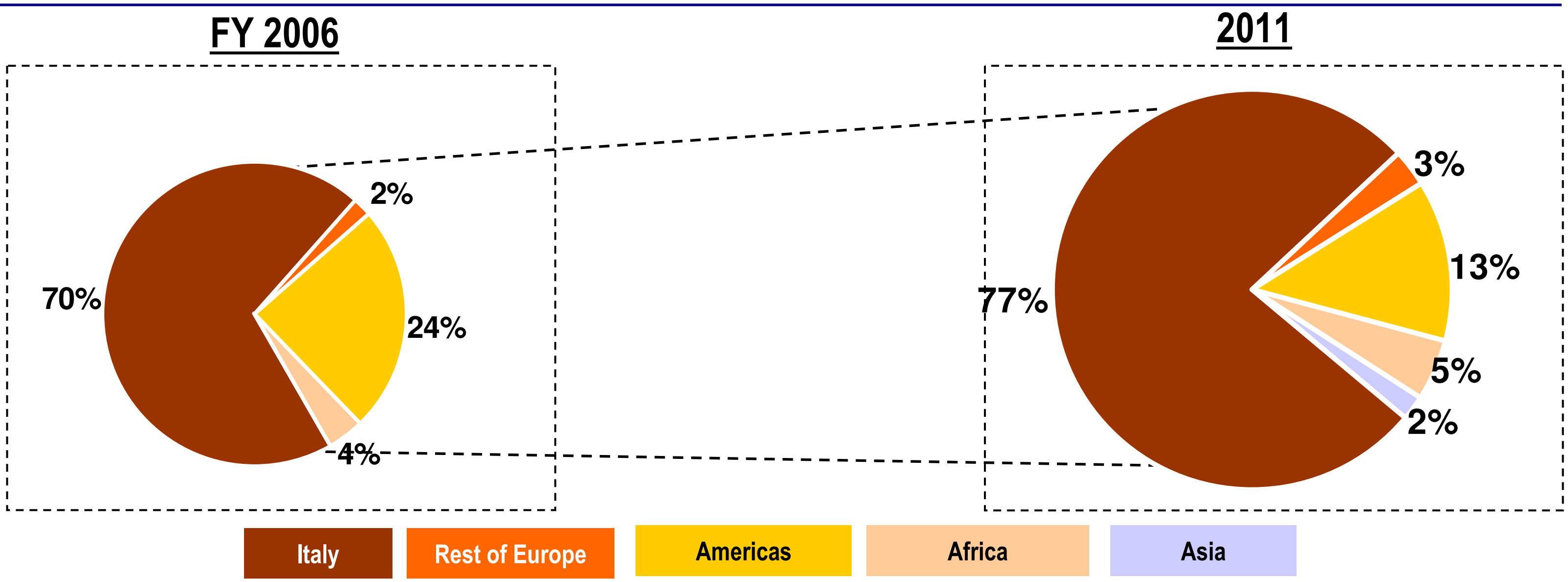
Revenues

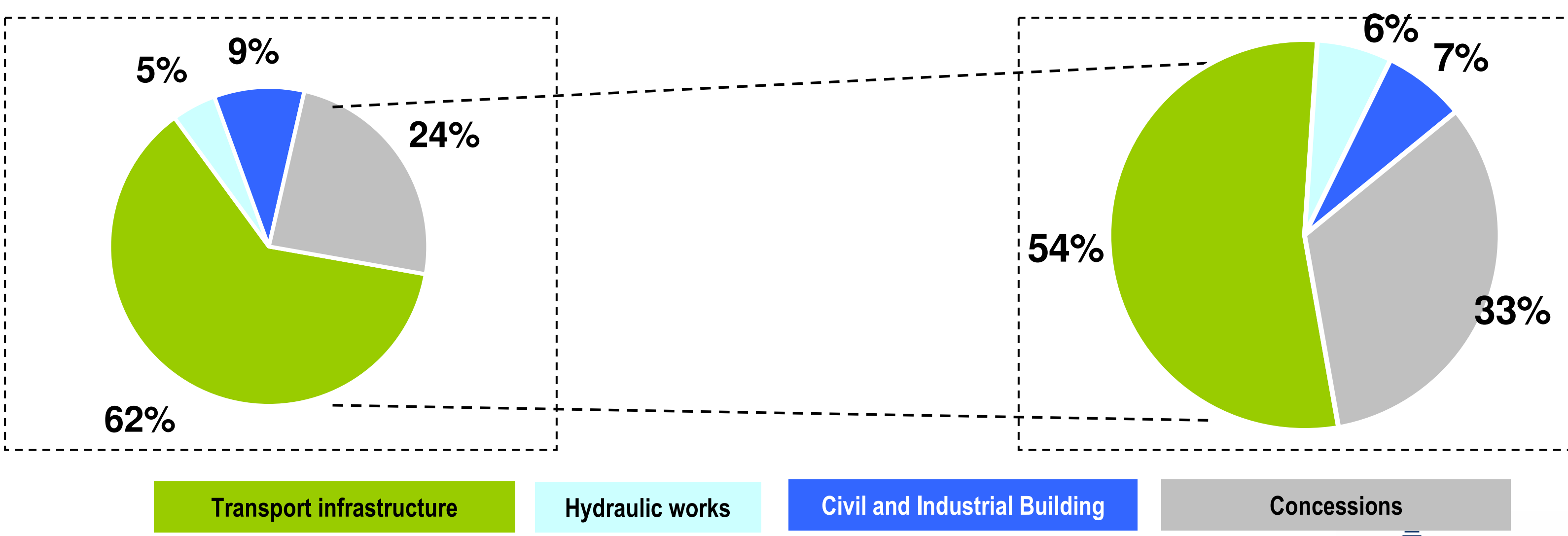
FY 2006 | 2011





Order Backlog





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Consolidated Income Statement

CONSOLIDATED INCOME STATEMENT	2006	2011	CAGR 2006-2011
€ mn			
Total revenues	**1,072**	**> 2.100**	**15%**
EBITDA	**116**	**≈ 261**	**17%**
EBITDA margin	*11%*	*12%*	
EBIT	**78**	**> 190**	**> 19%**
EBIT MARGIN	***7.3%***	***8.8%***	
Pre-tax profit	**61**	**> 130**	
TAX RATE	***49.3%***	***37.0%***	
Net profit	**30**	**> 80**	**22%**
NP/TR	2.8%	3.7%	

Consolidated Balance Sheet

CONSOLIDATED BALANCE SHEET	2006	2011
€ mn		
Total net fixed assets (A)	331	> 762
Working Capital (B)	277	> 358
Total Funds (C)	(43)	≈ (56)
Net invested capital (D)=(A)+(B)+(C)	566	≈ 1060
NIC/TR	*53%*	*49%*
Construction	*-227*	*-146*
Concessions	*-58*	*-381*
Net Financial Position (E)	(285)	≈ (530)
Net equity (G)=(D)-(E)-(F)	281	> 530
DEBT/EQUITY RATIO	1	1
DEBT/EBITDA	2.44	*2.02*

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Consolidated Cash flow

CONSOLIDATED CASH FLOW	2006	2011
€ mn		
A - Gross operating cash flow	46	> 145
B - Total (Increase)/Decrease in working capital	11	≈ (20)
C=A+B - Current operating cash flow	56	> 125
D - Total (Increase)/Decrease in fixed assets	(99)	> (66)
E=C+D - Operating cash flow	(42)	≈ 59
F - Increase/Decrease in equity/dividends	(5)	≈ (31)
G=E+F - Available cash flow	(48)	≈ 28

COVERAGE:		
(Increase)/Decrease in cash from construction activities	23	≈ (13)
(Increase)/Decrease in cash from project financing activities	25	> (14)
TOTAL	48	≈ (28)