



## 2010 Financial Statements

Astaldi Società per Azioni  
Registered Office/Head Office: Via Giulio Vincenzo Bona 65 - 00156 Rome (Italy)  
Registered with the Companies Register of Rome  
TIN.: 00398970582  
R.E.A. No. 152353  
VAT No.: 0080281001  
Share Capital: EUR 196,849,800.00 fully paid-in

## MISSION

### **A DREAM, A MISSION: “BUILDING FOR PROGRESS”**

*Satisfying customers' needs in the best way possible, achieving growth targets in order to increase company value and providing the market with a suitable response at all times: Astaldi has been committed to creating ongoing progress for more than 85 years.*

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**SHAREHOLDERS' MEETING RESOLUTIONS**

# **CORPORATE BODIES**

(Last update: 31 December 2010)

# Corporate Bodies

(Last update: 31 December 2010)

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## BOARD OF DIRECTORS <sup>1</sup>

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<i>Honorary Chairman</i>	Vittorio Di Paola <sup>2</sup>
<i>Chairman</i>	Paolo Astaldi
<i>Deputy Chairman</i>	Ernesto Monti
<i>Deputy Chairman</i>	Giuseppe Cafiero
<i>Chief Executive Officer</i>	Stefano Cerri
<i>Directors</i>	Caterina Astaldi
	Pietro Astaldi
	Luigi Guidobono Cavalchini Garofoli
	Giorgio Ciria
	Paolo Cuccia
	Mario Lupo
	Eugenio Pinto
	Maurizio Poloni

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## INTERNAL AUDIT COMMITTEE

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<i>Chairman</i>	Mario Lupo
<i>Committee Members</i>	Luigi Guidobono Cavalchini Garofoli
	Eugenio Pinto

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## REMUNERATION COMMITTEE

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<i>Chairman</i>	Ernesto Monti
<i>Committee Members</i>	Eugenio Pinto
	Maurizio Poloni

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<sup>1</sup> Appointed by the Shareholders' Meeting in the resolution passed on 23 April 2010 for the 2010-2012 three-year period, the Board of Directors shall remain in office until the date of approval of the 2012 annual financial statements.

<sup>2</sup> In the notification dated 25 February 2011, Cav. Lav. Vittorio Di Paola stepped down from the office of Company Director. He shall maintain the office of Honorary Chairman.

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**RELATED PARTIES COMMITTEE**

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<i>Committee Members</i>	Giorgio Ciria
	Eugenio Pinto
	Maurizio Poloni

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**BOARD OF AUDITORS**

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<i>Chairman</i>	Umberto Spanò
<i>Statutory Auditors</i>	Pierpaolo Singer
	Antonio Sisca
<i>Alternate Auditors</i>	Marco Rigotti
	Flavio Pizzini
	Massimo Tabellini

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**INDEPENDENT AUDITORS**

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<i>Independent Auditors</i>	Reconta Ernst & Young
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**GENERAL MANAGEMENT**

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<i>General Manager – Administration and Finance</i>	Paolo Citterio
<i>General Manager - International</i>	Rocco Nenna
<i>General Manager - International</i>	Cesare Bernardini
<i>General Manager - Domestic</i>	Luciano De Crecchio

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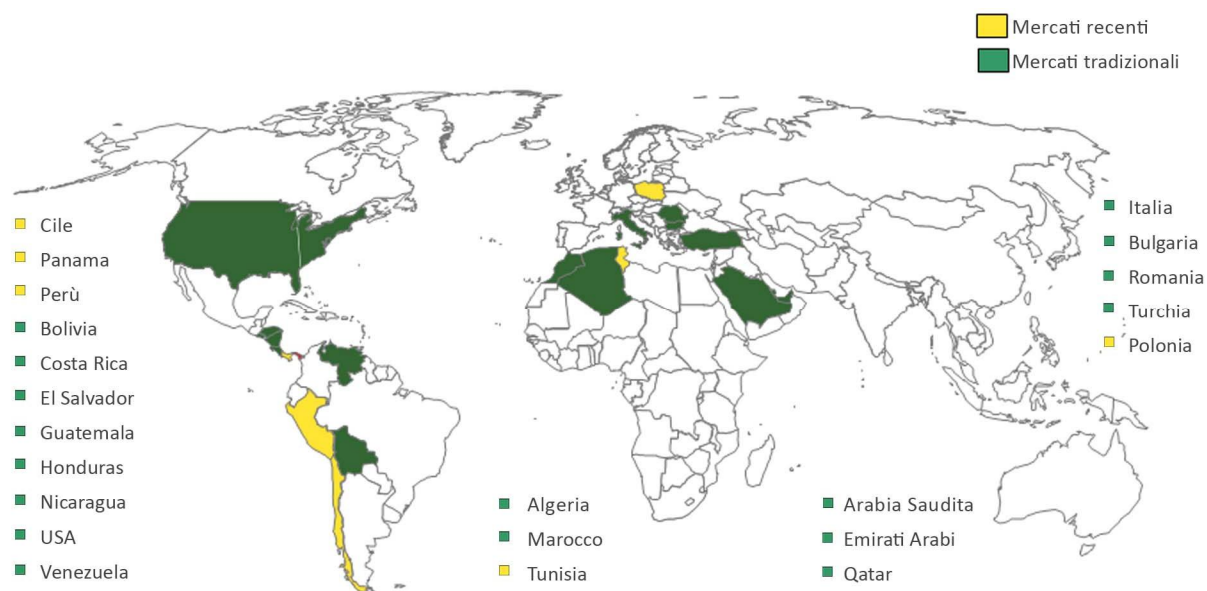
## SUMMARISED DATA

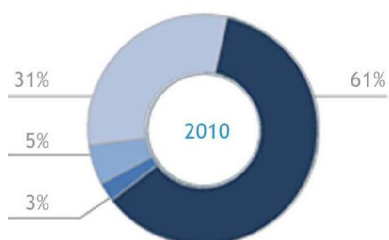
## Summarised data

Principali dati economici	€/milioni	2010	2009*
Totale ricavi		2.045	1.872
EBIT		174	158
EBIT/ Totale ricavi (%)		8,5%	8,4%
Utile netto		63	56
Utile netto/ Totale ricavi (%)		3,1%	3%

Principali dati patrimoniali	€/milioni	2010	2009*
Immobilizzazioni		435	450
Capitale investito netto		831	820
Posizione finanziaria netta (al netto delle azioni proprie)		(384)	(421)
Patrimonio netto		443	393

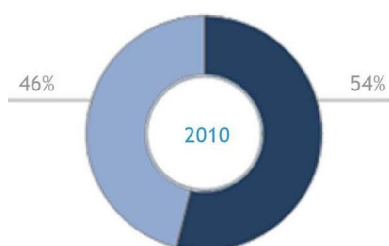
\* I dati riflettono il restatement dell'esercizio 2009 in applicazione dell'IFRIC-12.





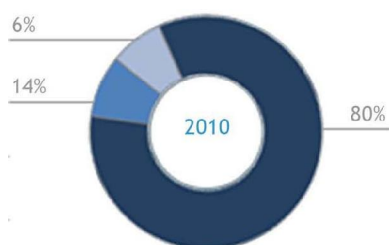
#### PORTAFOGLIO ORDINI PER LINEA DI BUSINESS \*

	2010	2009
Infrastrutture di trasporto	5.511	5.724
Lavori idraulici e impianti di produzione energetica	244	416
Edilizia civile ed industriale	499	422
Concessioni	2.760	2.469
Portafoglio ordini totale	9.014	9.031



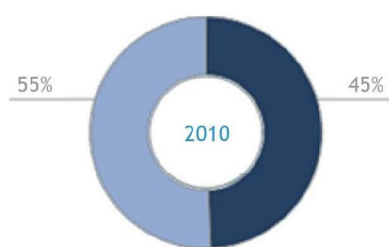
#### PORTAFOGLIO ORDINI PER AREA GEOGRAFICA \*

	2010	2009
Italia	4.855	4.647
Estero	4.159	4.384
Portafoglio ordini totale	9.014	9.031



#### RICAVI PER LINEA DI BUSINESS \*

	2010	2009
Infrastrutture di trasporto	1.540	1.434
Lavori idraulici e impianti di produzione energetica	259	149
Edilizia civile ed industriale	120	220
Totale ricavi	1.919	1.803



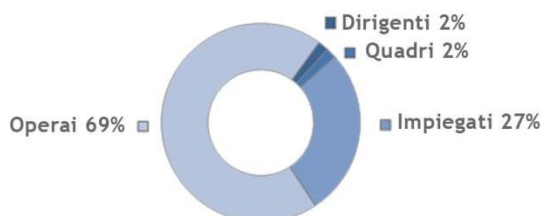
#### RICAVI PER AREA GEOGRAFICA \*

	2010	2009
Italia	860	809
Estero	1.059	994
Totale ricavi	1.919	1.803

\* Dati in milioni di euro

#### RISORSE UMANE

Totale 2010: 8.363



#### RISORSE UMANE PER AREA GEOGRAFICA



## **MAIN EVENTS OF 2010**

## Main events of 2010

### 6 February

Ceremony to **lay the first stone of the Piedmont Lombardy motorway** in Italy. Italy's Prime Minister attended the opening of the site, confirming the institutions' major commitment to this project.

### 2 March

Astaldi received the **Value Creators Award – Stock Exchange performance** during the Milano Finanza Company Awards 2010 ceremony targeted at Italian companies boasting the best performances in 2009.

### 7-9 March

Astaldi took part in the **Italian economic mission in Panama** to sound out new opportunities in the transport infrastructures sector in Central America.

### 22-23 March

Astaldi took part in the **economic mission in Turkey** promoted by ICE (Italy's National Institute for Foreign Trade), in relation to the South-Eastern Anatolia Project.

### 23 April

**One of the 6 TBMs (Tunnel Boring Machine)** used to dig the underground route **was extracted from the excavation shaft** at the worksites of Line C of the Rome underground. Excavation works for the Pozzo TBM Malatesta - Pozzo San Felice da Cantelice section were completed.



### 13 May

CIPE (Italy's Interdepartmental Committee for Economic Planning) approved EUR 11 billion on infrastructure investments in Italy; the project for the link road between **Ancona Port** and the surrounding road network was also approved.

### 21 May

Astaldi took part in the **Italian Chambers of Commerce's European Area Meeting**, organised in Istanbul, Turkey.

### 26-27 May

Astaldi took part in Caracas in the **meeting of the Italo-Venezuelan Cooperation Board**, an institutional meeting promoted by the Italian government to encourage economic, industrial and financial cooperation between the two countries. Important bilateral agreements in the infrastructures, healthcare, higher education and water management sectors were signed.



### **28 May**

Official opening of the Rio Lempa Bridge worksite in El Salvador. The President of the Republic of El Salvador attended the ceremony **to lay the first stone**.



### **8 June**

**Opening of Piazza della Cittadella car park in Verona** and start-up of the car park management phase.

### **16 June**

Astaldi was awarded a **USD 80 million contract in Saudi Arabia** to perform the Jubail Export Refinery Project.



### **18 June**

The Board of Directors of Astaldi resolved upon **the setting-up of Astaldi Concessioni**, a Group company dedicated to development of the concessions sector.

### **26 June**

**Laying of the first stone of Prato Hospital** in Italy. The project forms part of the project finance initiative to construct and subsequently manage hospitals in Tuscany.

### **July**

Astaldi Group gave its support to the **National Communications Campaign** entitled **“Together for safety”**, promoted by UIR (Rome’s Union of Manufacturers and Businesses), thus confirming the importance of occupational safety and accident prevention within the company.



### **12 July**

**The second TBM (Tunnel Boring Machine)** used to dig the tunnel for the Pozzo TBM Malatesta - Pozzo San Felice da Cantelice section **was extracted from the excavation shaft** at the worksites of Line C of the Rome underground.

### **22 July**

Go-ahead granted by CIPE (Interdepartmental Committee for Economic Planning) for **financing of the T3 section of Line C of the Rome underground** in Italy.



### 29 July

Awarding to Astaldi, as part of a joint venture, of **extension of the concession agreement for Line 5 of the Milan underground**, in Italy. The new section will link the Garibaldi Station/Repubblica area to San Siro stadium.



### 31 August

Astaldi moved up to **65<sup>th</sup> position at a global level** in the list of the Top 225 International Contractors drawn up by *Engineering News-Record*, a leading magazine in the construction sector.

### 20-24 September

Astaldi took part in the **Steel Structures Week Exposition** in Istanbul, an event of international importance organised by the European Convention for Constructional Steelwork (ECCS).

### 21-24 September

The vehicle for Line C of the Rome underground was shown at the **INNOTRANS 2010** International Fair held in Berlin, Germany.

### 23 September

Astaldi held its **annual meeting with the financial community** in Milan: the management presented the Business Plan approved for the 2010-2015 five-year period.

### 27 September

Official ceremony for **signing of the contract for the Gebze-Izmir motorway** in Turkey, attended by the Turkish Prime Minister and the Italian Ambassador in Turkey.

### 29 September

**Start-up of excavation using TBMs** of the odd-numbered track of the Pozzo TBM Malatesta - San Giovanni section at the worksites of Line C of the Rome underground.



### 26 October

**Start-up of excavation using TBMs** of the even-numbered track of the Pozzo TBM Malatesta - San Giovanni section at the worksites of Line C of the Rome underground.

### 28 October

Official opening of worksites for the Gebze-Izmir motorway in Turkey. The Turkish Prime Minister and the Italian Ambassador in Turkey attended to ceremony to **lay the first stone**.

### **31 October - 5 November**

Astaldi took part in the **3rd Annual Energy Sector Mission**, an international economic mission at the World Bank in Washington DC, USA.

### **5 November**

Astaldi **presented the best offer to purchase a 4.75% share in Concessionaria di Autostrada Serenissima**, in Italy, in relation to the public procedure called by the Municipality of Milan to dispose of its interest in the concessionaire company.

### **22 November**

Astaldi took part in the **institutional meeting of the President of the Italian Republic** with a delegation from Assonime, on the occasion of the 100<sup>th</sup> anniversary of the association's foundation.

### **December**

**Completion of works related to Università station** in Italy, a new “Art Station” built along Line 1 of the Naples underground.



### **13 December**

Astaldi, as part of a joint venture, was awarded the contract to construct the High-Speed stations at Jeddah and KAEC in Saudi Arabia.

### **17 December**

Milan's municipal council **resolved upon disposal of its 4.75% interest in Concessionaria di Autostrada Serenissima** and the sale of said interest within a public call for tenders where Astaldi submitted a tender which subsequently proved to be the best.

### **21 December**

The Ministry of the Infrastructures and the Ministry of Economy signed a decree in Italy which allocated **new funding for Brescia's light underground**.

### **22 December**

Astaldi was awarded a **new motorway contract in Florida, USA**.

### **27 December**

Astaldi, as part of a joint venture, was awarded a **new contract to construct the Saida–Tiaret railway** in Algeria.



# MANAGEMENT REPORT

## Introduction

Legislative Decree No. 32 of 2 February 2007 ("Implementation of Directive 2003/51/EC, which amends EEC Directive Nos. 78/660, 83/349, 86/635 and 91/674, regarding the annual accounts and consolidated accounts of some types of companies, banks and other financial institutes and insurance companies) amended, inter alia, Article 40 (Management Report) and 41 (Auditing of consolidated financial statements) of Legislative Decree No.127/1991.

Specifically, with regard to Article 40 of Legislative Decree No. 127/1991, it was envisaged that, as regards companies drafting consolidated financial statements, the management report for the consolidated financial statements and the parent company's statutory financial statements "may be presented in a single document, emphasising, where appropriate, the issues which are significant for all the companies included in the consolidation area".

Taking into account the Group's structure, the company opted to avail itself of said possibility and hence this management report (in relation to the 2010 annual financial statements) includes information previously provided in the management report for the consolidated financial statements and in the management report for the statutory financial statements of the parent company Astaldi S.p.A.

## Background scenario<sup>3</sup>

### CONSTRUCTION SECTOR

As regards 2010, the construction sector confirmed the positive effects resulting from the anti-cyclical value assigned to infrastructure investments in the majority of countries Astaldi operates in.

Despite the complex macroeconomic situation in general, said countries are not encountering any specific problems related to the relevant administrations' spending programmes. On the whole, the bodies commissioning works are proving to be able to support the regular progress of activities and, as a result of the crisis, seem to be even keener on optimising available resources and converting works for which sites have been set up or can be set up into direct benefits for employment levels in the short term.

However, the concerns voiced by all operators in this sector remain; concerns which are related to those countries that, like Italy, are experiencing major restrictions on public spending due to the structural lack of suitable financial resources.

Please find below a short analysis of the changes seen during the year in the construction sector within the main reference markets for the Group's activities.

**Italy**<sup>4</sup>. The mobilization of resources to fund infrastructure investments was identified, as from 2009, as one of the levers the Italian government planned to play on in order to encourage the country's economic recovery. This can be confirmed by examining the findings of the "*V Rapporto sullo stato di attuazione del Programma per le Infrastrutture Strategiche*

<sup>3</sup> Sources: "*Decisione di Finanza Pubblica per gli anni 2011-2013*", resolved upon by the Italian Government's Council of Ministers on 29 September 2010; "*Euro Compass Outlook 2011. The year of coming of age*", by Unicredit's Global Economics & FI/FX Research Team, December/January 2010; "*Il mercato delle costruzioni 2011. XVIII Rapporto congiunturale*", by CRESME Ricerche S.p.A., November 2010.

<sup>4</sup> Sources: CIPE, press releases issued during 2009 dated 15 and 31 July, 22 September, 6 November, 3 and 17 December; CIPE, press releases issued in 2010 dated 22 January, 13 and 20 May and 22 July.

della Legge Obiettivo<sup>5</sup>, a study-analysis of the status of implementation of Law No. 443/2001 presented to the Italian Parliament in July 2010. According to said study, the first part of 2010 saw an increase in the share of works started up as a direct consequence of the relevant administrations' major commitment to works already able to generate economic turnover for Italy. However at the same time, the main problem for Italy, which has come to light in recent years, was confirmed, in other words the drop in the percentage of new calls for tenders which is caused by the structural lack of sufficient financial resources. Therefore, the result is an overall problematic domestic scenario which cannot fail to cause concern, but in whose regard Astaldi Group is once again proving to know how to "react" thanks to the instruments it has acquired over the years, in other words: a well-balanced revenues structure, sufficient financial backing for contracts in progress and, in the medium-term, an average life of the construction order backlog of 3/5 years and considerable potential for developing partnerships as regards the concessions sector. It is also important to remember that, unlike the situation seen in the rest of the market, Astaldi Group's strategic decision to place its commercial focus solely on priority projects within the Italian government's development policies, has meant that in 2010, no late payments were made for contracts in progress by the traditional counterparties the company works with in Italy, i.e. ANAS and RFI. For the same reasons, many of the decisions regarding infrastructures taken by CIPE<sup>6</sup> in 2009 and 2010, concerned projects of interest for the company. CIPE approved, inter alia: the preliminary project for the road to link Ancona Port to the surrounding road network (project finance initiative for which Astaldi, as part of a joint venture, has already been appointed promoter) in the CIPE Resolution dated 13 May; the final design for the T3 San Giovanni - Colosseo section of Line C of the Rome underground (currently under construction by the General Contractor which Astaldi holds a significant stake in), accompanied by the allocation of new state funding, in the CIPE Resolution dated 22 July. In addition to these resolutions, there are the resolutions already passed by CIPE in 2009<sup>7</sup>. However, the fear of a further weakening of the country's capacity to create infrastructures remains, also following an analysis of the Public Funding Decision for 2011-2013 and the Stability Law Bill for 2011 – approved respectively by the Council of Ministers on 29 September and 14 October 2011. However, it is important to note that it is felt that the tendency to progressively reduce the cost components allocated for new infrastructures will mainly penalise the small-medium size projects, and as such, those which fall outside Astaldi Group's area of interest. While the need to counterbalance Italy's major backwardness as regards infrastructures, and hence encourage competitiveness, may serve to stimulate a concentration of available resources on infrastructures identified as priority projects within Italy's development policies (motorways, railways), also developed using the PPP formula (private-public partnership). Said formula will make it possible to carry out projects involving major towns and cities, as well as additional initiatives singled out in relatively new sectors for the domestic scene such as renewable energy production plants.

**Rest of Europe.** Astaldi Group has long been present in Romania, and for some years now, has examined with great interest the opportunities the sector has to offer in Poland. At the current moment, the Group is also present in Bulgaria where it is carrying out the remaining activities related to works in progress, but it is not performing any new commercial initiatives. Please find below some short observations regarding the countries of major interest for the Group in this area, in other words Poland, Romania and Turkey.

<sup>5</sup> The "V Rapporto sullo stato di attuazione del Programma per le Infrastrutture Strategiche della Legge Obiettivo" is a study-analysis presented to the Parliament in July 2010, ten years on from approval of Law No. 443/2001, by the "VIII Commissione Parlamentare - Ambiente, Territorio e Infrastrutture" ([www.camera.it](http://www.camera.it)).

<sup>6</sup> In short, CIPE (Interdepartmental Committee for Economic Planning) is the state body which formulates the national economic policy strategies in Italy.

<sup>7</sup> In July 2009, CIPE approved a three-year plan aimed at ensuring the systematic creation of infrastructures in Italy through investment totalling over EUR 28 billion, 64% of which is funded by private capital and the rest by FAS Funds (Funds for Under-Used Areas), the Objective Law and other state funding. Amongst the projects singled out, major focus has been given to undergrounds, with planned funding also for the lines under construction by Astaldi in Rome (Line C), Naples (Line 6) and Brescia, as well as for the extension of Line 5 of the Milan underground. Subsequently, in its resolution dated 6 November, CIPE approved: the final design for the Piedmont-Lombardy motorway (under construction by Astaldi as part of a joint venture); the final design of Line 4 of the Milan underground, for the Lot 2 Sforza/Policlinico – Linate section (currently being awarded), accompanied by the allocation of EUR 56.1 million from the Infrastructures Fund; the final design of Line 5 of the Milan underground for the Lot 2 Stazione FS Garibaldi - San Siro section (extending the section under construction by Astaldi, as part of a joint venture), accompanied by allocation of EUR 385 million from the Infrastructures Fund.

**Poland**<sup>8</sup>. The country, which boasts good fundamentals and is able to attract the trust of foreign investors, offers interesting opportunities in the construction sector. EU cohesion funds allocated to this area offer a unique opportunity to modernise the country – EUR 81 billion until 2013, EUR 25 billion of which for infrastructures alone (for upgrading of the railway network and waterways) -, but additional opportunities may arise from the investments expected during the run-up to the 2012 European Championships (transport infrastructures, sports facilities), as well as to develop the energy and environment sectors (renewable sources).

**Romania**. The area continues to play a strategic role in the development policies of Astaldi Group's activities. Despite a complex macroeconomic situation, the sustainability of numerous initiatives is guaranteed, from a financial viewpoint, by EU cohesion funds allocated to projects which the Group is performing on its own or together with leading European businesses in the sector. Additional opportunities are being looked at in the sectors traditionally covered in this geographical area (railway and motorway infrastructures) which, to date, benefit from dedicated European funding. In the medium/long-term, with the end of EU funding currently being used to complete works connected to the motorway and railway axis known as Corridor IV, additional opportunities may arise from the PPP Law approved in December 2010. Specifically, interesting partnerships may be set up in the concessions sector in relation to transport infrastructures and healthcare.

**Turkey**<sup>9</sup>. Major investments are underway in the country to improve the existing infrastructure system. Even if from a macroeconomic viewpoint, this country has not been spared of the effects of the global economic crisis, it is envisaged that approximately USD 30 billion, equal to over 26% of the total investments approved by the local government in relation to the 9<sup>th</sup> Development Plan (2007-2013), will be used over the coming years to improve the country's transport infrastructures. Indeed, in order to encourage the economic recovery, the Turkish government has planned to re-launch the public works sector, specifically motorway transport infrastructures and healthcare. Moreover, it is envisaged that three of the most interesting projects included in the plan will be carried out over the coming 6-7 years, in other words the Tekirdağ-Çanakkale-Balıkesir project (433 kilometres of motorway connecting the Aegean and Mediterranean regions with Europe, with a bridge over the Çanakkale Strait measuring 1,450 metres in length), the Gebze - Izmir project (awarded to Astaldi in 2009, but still to be included among the backlog pending approval of relative project financing), a third bridge over the Bosphorus to be performed using the B.O.T. model (Build-Operate-Transfer). As specifically regards 2011, the Turkish railway's budget provides for the allocation of over EUR 1.5 billion for investments in railway transport – approximately EUR 400 million will be used to modernize the existing line, EUR 430 million for high-speed transport, EUR 180 million to purchase and upgrade rolling stock and approximately EUR 150 million for signalling systems and electrification of the Turkish railway network. As regards long-term projects, note must be taken of the "2023 Targets" plan of action which identifies 26 key targets for the country's infrastructures to be performed in the run-up to the celebrations for the centenary of the birth of the Turkish Republic. Said targets include achieving the goal of over 25,000 kilometres of double-track railway line, of which more than 10,500 kilometres of high-speed line, 11,000 kilometres of traditional lines (already existing but in need of upgrading) and almost 4,000 of traditional lines to be built from scratch.

**The Maghreb**. Astaldi Group has traditionally been present in Algeria and, at the present time, is involved in a single project in Tunisia. Considering the unrest experienced in this area at the beginning of 2011 – which mainly concerns Tunisia, Egypt and Libya – it must be said that these events have not affected the activities in progress in the countries of interest for the Group. It must also be noted that the project in progress in Tunisia consists in an initiative involving the transport sector of a low contractual value, performed as a partnership with a local operator and in relation to which, no operating presence of Astaldi Group is required, but solely sharing of its management skills and know-how. Lastly, it must be stated that all the activities needed to complete the projects in progress in Morocco are gradually being carried out since the area is no longer considered of interest for the Group's commercial development policies given the scarce

<sup>8</sup> Sources: "POLONIA - Newsletter Fondi UE", by ICE – Italy's Institute for Foreign Trade, No. 11 January-February 2011.

<sup>9</sup> Sources: "International Newsletter" No. 7 of 26 January 2011 (by ANCE – Italy's National Association of Building Constructors).

resources and the small number of opportunities offered for the infrastructures sector. Please find below some more detailed observations regarding Algeria.

**Algeria**<sup>10</sup>. It is important to remember that Algeria is considered one of the main producers of gas at a global level. Therefore it boasts sufficient resources to cover the planned investments for this area with regard to the infrastructure sector which, inter alia, envisage the start-up of a series of projects aimed at increasing the percentage of the national transport system covered by railway transport from 5% to 20% by 2015. It must also be noted that at the draft date of this report, there are no signs such as to generate fear for the disruptive effects of the unrest seen in other countries in the Maghreb. Algeria continues to guarantee a suitable level of stability and the government in office has confirmed its commitment to the approved investment plans.

**Latin America**<sup>11</sup>. On the whole, Latin America has stood up well to the major crisis that has characterised world economies during the last two years, basically thanks to the stimulus guaranteed during the year by the Brazilian economy, followed by Uruguay, Chile, Peru and Mexico. Despite this, 2010 proved to be an extremely difficult year for Central America where the effects of the global financial crisis especially affected those countries whose economy is closely linked to the US economy. However, it must be noted that, compared to the previous year, 2010 saw an improvement largely due to the fact that the socio-political crisis in Honduras was resolved with the election of a new president. However, the anti-cyclical value lent to infrastructure investments in these areas offers goes to confirm the Group's interest in initiatives mainly related to the transport infrastructure and water sectors and funded by supranational organisations. Please find below some short, detailed observations regarding Venezuela.

**Venezuela**. Even though 2010 witnessed a planned slowdown in the contribution to production generated by this country (also as a result of devaluation of the Bolivar fuerte in January 2010 by the Venezuelan government), the country continues to be an area of interest in Astaldi's commercial development policies. In May 2010, a new "Economic Cooperation Agreement" was signed by the Italian and Venezuelan governments, which ratifies the local government's major commitment to infrastructure investments in progress in Venezuela, and aims to ensure the re-launch of said investments by studying and devising a new mechanism for funding works. The aim of the agreement is to speed up the construction of infrastructures of strategic interest for Venezuela, including those being performed by Astaldi that, it must be recalled, is one of the most "acknowledged" exporters of Italian products in this geographical area.

In light of what has mentioned, it is however important to note that the overall risk/country management policy adopted by Astaldi Group is aimed at guaranteeing suitable geographical diversification of activities. Therefore, however interesting the investment plans approved by individual governments may be, each individual commercial initiative is assessed with regard to an overall strategic framework approved while compiling the business plan, which tends to avoid pushing the concentration of risks linked to each individual area beyond set limits.

## CONCESSIONS SECTOR

There are interesting opportunities arising from application of the PPP formula (Private-Public Partnership) to the infrastructures sector. In Italy, but more generally in Europe, the increased difficulty in obtaining credit as a result of the financial crisis experienced by the international markets in recent years has generated greater use of alternative funding instruments such as the PFI (Private Finance Initiative) and the more general PPP (Private-Public Partnership). In Italy, the "*V Rapporto sullo stato di attuazione del Programma per le Infrastrutture Strategiche della Legge Obiettivo*"<sup>12</sup> shows how the local authorities tend to make increasing use of project financing to fund public works. The calls for tenders can be said to have tripled in two years (2008-2010). Specifically, sector studies show how the number of calls for tenders (for construction and management concession projects) doubled during the first eight months of 2010 compared to the

<sup>10</sup> Sources: "*Rapporto per il VI Laboratorio Euro-Mediterraneo*", by the Milan Chamber of Commerce.

<sup>11</sup> Sources: "*Almanacco latinoamericano*", by CeSPI Centro Studi di Politica Internazionale, 2010/2011.

<sup>12</sup> Please refer to Note No. 5 herein for more details.

same period of 2009. The public works sectors where project financing is most used are those of specific interest for the Group, in other words motorway and railway projects, undergrounds, energy production and healthcare. There is also an increase in the use of this instrument in sectors such as sport and entertainment, social and scholastic construction.<sup>13</sup> Similar trends can also be seen in some foreign areas which Astaldi is looking at with interest thanks to the possibility of being able to use the model applied for these initiatives in Italy for foreign projects as well. Specifically, in Europe, the European Commission is carrying out activities aimed at formulating a framework of PPP projects to satisfy current and future European investment requirements in the public services, infrastructures and research sectors.

## Analysis of the Group's economic, equity and financial results

### Comments on the year's operating performance

**As far as Astaldi Group is concerned, 2010 was a key year** which led to the achievement of important results from an operating, commercial and financial viewpoint – even given a macroeconomic situation which is still showing signs of recession.

The year's accounts allowed the management to **continue along the systematic growth path which has been marked out**, achieving **additional consolidation of the already solid financial and equity structure** and confirming **its ability to reach planned set targets**.

The Group's financial solidity and the quality of its order backlog have lent its business **the flexibility needed to manage the effects of the reduction in economies at a global level in a proactive manner**, making it possible to achieve a key target – **a turnover in excess of EUR 2 billion**.

The levels of production achieved – basically due to the intensification of activities in Italy and abroad and to the entry into full operation of some recently acquired major contracts – have, in turn, given a new boost to activities, increasing the Group's size and reputation and consequently helping its ability to develop its business and the financial sustainability of new commercial initiatives.

Indeed, the year's results include the positive effects of:

- **consolidation of the Group's role in traditional markets** able to guarantee good growth opportunities for the reference sector – Italy, Turkey, East Europe, Latin America, Algeria;
- **more effective selection of new markets and reference sectors** – Chile, Poland, Peru and, as regards sectors, concessions;
- **marked diversification as regards geographical areas and products**, a real competitive advantage for the Group's activities.

**Good levels of earnings were confirmed and were not affected by the increased competitive pressure** seen in reference markets as a result of the global crisis. Indeed, the commercial policy adopted in recent years has encouraged

<sup>13</sup> Source: "XXIII Rapporto: novembre 2009 - febbraio 2010", Osservatorio Regionale sulla Finanza di Progetto (Finlombarda – Lombardy Regional Authorities), March 2010; "Project, è boom di concessioni", Edilizia e Territorio dated 9 October 2010.



a level of quality of orders in progress and visibility of the overall backlog such as to allow the Group not to have to reason in terms of necessities when singling out projects of interest. Therefore, all decisions reflect a straightforward, thought-out market opportunity, which if successful, helps the Group's ability to maintain high levels of earnings.

There was a **significant improvement in the overall net financial position** with a drop in debt of 8.8% YOY against a 9.2% increase in production. Therefore, the strategic target – announced by the management during approval of the business plan – of keeping Astaldi Group's total exposure for the year below the limit of EUR 500 million was achieved.

## Group economic and operating results

Main consolidated economic results (€/000)	31-Dec-10	%	31-Dec-09	%	Annual diff. (%)
Total revenues	2,044,768	100.0%	1,872,087	100.0%	+9.2%
EBITDA	229,232	11.2%	206,201	11.0%	+11.2%
EBIT	173,611	8.5%	157,619	8.4%	+10.1%
Pre-tax profit	100,319	4.9%	90,795	4.8%	+10.5%
Group net profit	63,056	3.1%	55,902	3.0%	+12.8%

### PRODUCTION

**Total revenues increased to EUR 2,044.8 million** (+9.2%, compared to EUR 1,872.1 million in 2009).

Production was supported by the **positive trend of contracts in progress** in Italy (motorways, undergrounds) and in foreign countries where the Group is traditionally present (transport infrastructures, energy production plants), as well as by the **entry into full operation of new projects in recently acquired areas** (undergrounds, railways). While, on the other hand, the year saw a slowdown in some contracts in progress in Italy and abroad following contractual renegotiation or project changes in the process of being agreed upon with customers, as well as a drop in the volume of revenues expressed in Euros resulting from devaluation of the Bolivar fuerte in Venezuela and weakening of the Dollar against the Euro – phenomena which did not have any significant effect on margins thanks to the policies to hedge currency and economic risks adopted by the Group <sup>14</sup>.

It must be recalled that the income statement item expresses the contribution to production resulting from the construction sector and, as regards concessions, the revenues generated by car park management. While, it does not include revenues resulting from management of all the concession projects currently in the management phase, which are in the process of being transferred to the holding company Astaldi Concessioni – Mestre Hospital in Italy and the water project in San Pedro Sula in Honduras – insofar as the reference accounting standards do not allow for proportional consolidation of the companies linked to these projects.

**Operating revenues accounted for 93.8% of turnover, equal to EUR 1,918.9 million** (+6.5%, EUR 1,802.8 million in 2009). Specifically, the year paid witness to:

- marked intensification of activities for some contracts in progress such as Maxi Lot DG21 of the Jonica State Road in Italy and Otopeni International Airport in Bucharest, as well as other motorway projects in Romania, the Chacayes hydroelectric plant in Chile and the Istanbul underground in Turkey;

<sup>14</sup> For more information regarding the effects of devaluation of the Bolivar fuerte in January 2010, as well as weakening of the Dollar compared to Euro witnessed during the year, please refer to the Notes to the 2010 Financial Statements.

- resolving of some problems concerning the performance of works related to Max Lot DG22 and the consequent full start-up of relative construction activities;
- a more positive than expected trend for contracts in progress in Algeria;
- a more decisive start-up of the Warsaw underground in Poland.

**Other operating revenues accounted for 6.2% of turnover, equal to EUR 125.8 million** (+81.5%, EUR 69.3 million in 2009). The year-on-year increase is to be attributed to the contribution of activities which, even if linked to the large-scale works sector, consist in the supply of goods and services which cannot be identified with the Group's traditional activities (e.g. transfers of tangible assets, leases and rentals receivable, third-party services).

Breakdown of operating revenues according to geographical area (€/000,000)	31-Dec-10	%	31-Dec-09	%
<b>Italy</b>	<b>860</b>	<b>44.8%</b>	<b>809</b>	<b>44.8%</b>
<b>Abroad</b>	<b>1,059</b>	<b>55.2%</b>	<b>994</b>	<b>55.2%</b>
Europe	474	24.7%	258	14.3%
America	421	21.9%	501	27.8%
Asia	23	1.2%	114	6.3%
Africa (Maghreb)	141	7.3%	121	6.7%
<b>TOTAL OPERATING REVENUES</b>	<b>1,919</b>	<b>100.0%</b>	<b>1,803</b>	<b>100.0%</b>

Breakdown of operating revenues according to sector (€/000,000)	31-Dec-10	%	31-Dec-09	%
<b>Transport infrastructures</b>	<b>1,540</b>	<b>80.2%</b>	<b>1,434</b>	<b>79.5%</b>
Roads and motorways	413	21.5%	325	18.0%
Railways and undergrounds	1,067	55.6%	1,083	60.1%
Ports and airports	60	3.1%	26	1.4%
<b>Hydraulic works and energy production plants</b>	<b>259</b>	<b>13.5%</b>	<b>149</b>	<b>8.3%</b>
<b>Civil and industrial construction</b>	<b>120</b>	<b>6.3%</b>	<b>220</b>	<b>12.2%</b>
<b>TOTAL OPERATING REVENUES</b>	<b>1,919</b>	<b>100.0%</b>	<b>1,803</b>	<b>100.0%</b>

**The breakdown of production according to geographical area and sector shows suitable diversification of activities**, which is the result of a strategic approach aimed at maintaining the contribution of each individual area and sector at levels such as to ensure balanced and well-diversified growth of activities and a coherent level of invested capital.

**Italy continued to be the natural centre of activities** (44.8% of operating revenues, equal to EUR 860 million – compared to EUR 809 million in 2009), **but a major focus on foreign activities was also recorded** (55.2% of operating revenues, equal to EUR 1,059 million – compared to EUR 994 million in 2009). Specifically, Central Europe and Turkey increased their contribution while there was a drop in the Middle East's contribution where the entry into full operation of recent commercial successes still has to be recorded (High-Speed stations in Saudi Arabia). The Americas reflected the planned reduction of activities in Venezuela (partially offset by the increase in Chile and Peru).

**Transport infrastructures continued to be the sector of greatest specialisation** (80.2% of operating revenues, equal to EUR 1,540 million – compared to EUR 1,434 million in 2009), thanks to the already mentioned entry into full operation of the two lots of the Jonica State Road in Italy, the steady progress of railway and underground projects in



Italy, Venezuela, Turkey and Eastern Europe as well as the better than expected trend of contracts in Algeria. **The energy sector also experienced an increase** (EUR 259 million and 13.5% of operating revenues – compared to EUR 149 million in 2009) thanks to the positive trend of projects in Latin America and, specifically, thanks to the partnerships established in the concessions sector following the fast progress being made on the Chacayes hydroelectric plant in Chile. **There was a drop in the contribution from civil and industrial construction** (EUR 120 million and 6.3% of operating revenues – compared to EUR 220 million in 2009), basically as a result of the partial, albeit expected, slowdown in some projects in Italy (Police Officers' Academy [Scuola dei Brigadieri e dei Marescialli dei Carabinieri] in Florence and the new hospital [Ospedale del Mare] in Naples) which experienced technical-operating and procedural problems that have now been resolved or are in the process of being resolved. Said slowdown was offset in Italy by the positive trend of works related to the Tuscan Hospitals project which are going ahead as planned. The industrial sector also recorded a YOY reduction which can be explained by the intensification seen in 2009 as a result of completion of some projects in the Middle East.

## COSTS

**Total costs absorbed 88.8% of total revenues** (89% in 2009) and showed an increase in the contribution to production of domestic contracts – typically characterised by greater use of outsourcing and consortia to perform works, and hence, by a reduced incidence of personnel costs.

**Production costs totalled EUR 1,552.2 million** (+11.2%, EUR 1,396.1 million in 2009), also as a result of the increase in production, and accounted for 75.9% of total revenues (74.6% in 2009). **Personnel costs dropped to EUR 236.6 million** (-1.6%, EUR 240.5 million in 2009) and absorbed 11.6% of total revenues (12.8% in 2009). Other operating costs amounted to EUR 26.7 million (EUR 29.3 million in 2009).

## OPERATING INCOME

**The operating results confirmed the good levels of earnings of activities in progress**, thus confirming the increasingly high quality of the orders backlog.

**EBITDA increased by 11.2% to EUR 229.2 million** (EUR 206.2 million in 2009), with an **EBITDA margin of 11.2%**. **EBIT increased to EUR 173.6 million** (+10.1%, EUR 157.6 million in 2009), with an **EBIT margin of 8.5%**.

## FINANCIAL INCOME

**Net financial charges totalled EUR 77.7 million** (EUR 67.3 million in 2009) <sup>15</sup>. The increase in this item in absolute terms can be largely explained by the growing burden of sureties resulting from the increase in levels of turnover and backlog. The comparative figure also shows a lower level of financial income due to late payments by customers compared to the previous year, and the effects arising from devaluation of the Bolivar fuerte in Venezuela in January. In this regard, it must be remembered that no consequences on operating items were recorded as a result of devaluation of the Bolivar insofar as said consequences were already included in the overall project results.

## RESULTS

**Pre-tax profit increased by 10.5% to EUR 100.3 million** (EUR 90.8 million in 2009) resulting in a **net profit of EUR 63 million** (+12.8%, EUR 55.9 million in 2009), against taxes totalling EUR 36.8 million and a tax rate of 36.7%.

<sup>15</sup> When calculating and recording financial income and charges pursuant to IFRIC 12, the effects of discounting back of guaranteed cash flow and charges on financial debt related to direct concessions were taken into account, including at a comparative level.

## Financial results for the year

2010 saw a **significant improvement in the overall net financial position** which dropped to EUR 384 million (taking into account treasury shares on hand), compared to EUR 421.4 million at the end of the previous year, **showing a drop in debt of 8.8% YOY** – against an increase in production of 9.2%.

Main consolidated financial and equity results (€/000)	31-Dec-10	31-Dec-09
Total net fixed assets	434,814	449,618
Working capital	425,479	403,697
Total provisions	(28,602)	(33,364)
<b>Net invested capital</b>	<b>831,691</b>	<b>819,952</b>
<b>Net financial payables/receivables</b>	<b>(448,824)</b>	<b>(469,610)</b>
Receivables arising from concessions	60,363	43,046
<b>Total financial payables / receivables (*)</b>	<b>(388,461)</b>	<b>(426,564)</b>
<b>Equity</b>	<b>443,229</b>	<b>393,387</b>

(\*) Figure expressed inclusive of treasury shares which amounted to EUR 4.2 million at the end of 2010 and EUR 5.2 million at the end of 2009.

The equity and financial structure for the year **included the effects of consolidation of the Group's international positioning and the intensification of production** in Italy and abroad.

**Net fixed assets amounted to EUR 434.8 million** (EUR 449.6 million in 2009), showing how the Group's technical resources are able to support contracts in progress and, at the same time, the Group's great ability to generate self-financing. The technical investments made during the year totalled EUR 26 million (EUR 76 million for the whole of 2009). Said investments, made to support projects in progress in Italy and abroad, mainly referred to the Turin rail link in Italy, the Huanza hydroelectric plant in Peru and the Jubail Export Refinery Project in Saudi Arabia.

**Working capital amounted to EUR 425.5 million** (EUR 403.7 million at the end of 2009), showing a trend in line with that forecast in the business plan and, at the same time, reflecting excellent management of cash flow and the operating financial cycle. Specifically, the year saw intensification in certification levels, while the increase in production volumes led to an incidence of works in progress in keeping with that of 2009, with the same average days of collection and payment.

**Equity increased to EUR 443.2 million in 2010** (EUR 393.4 million in 2009) thanks to the combination of the year's result, distributed dividends and suspended economic items entered in the comprehensive income statement. The figure also includes the negative effect of approximately EUR 21 million of cash-flow hedge reserves resulting from fixed-rate hedging of financial debt, confirming the risk hedging policy adopted which tends to standardise medium-term results instead of "speculating" in the short-term on especially low interest rates. The common school of thought envisages an increase in rates, hence said policy does not represent a weak point.

## NET FINANCIAL POSITION

The total net financial position at 31 December 2010, drafted in accordance with the CESR model (*Committee European Securities Regulator*) and taking into account treasury shares, totalled EUR (384.3) million, showing an 8.8% drop YOY, even given the 9.2% increase in production.

Said reduction, which is the result of balanced financial planning over the years, was possible thanks to the excellent operating cash flow trend which saw a cash flow of approximately EUR 60 million from the construction sector, granting the Group the ability to cover investments in the concessions sector, achieving set targets a year ahead of when planned.

Please find below the changes in the structure of the financial debt and its components.

<b>Consolidated net financial position</b> (€/000)	<b>31-Dec-10</b>	<b>30-Sep-09</b>	<b>30-Jun-10</b>	<b>31-Mar-10</b>	<b>31-Dec-09</b>
Cash and cash equivalents	391,527	364,701	324,238	291,304	444,138
Securities held for trading	5,003	3,593	3,991	3,532	4,175
<b>Available funds</b>	<b>396,530</b>	<b>368,294</b>	<b>328,229</b>	<b>294,836</b>	<b>448,312</b>
<b>Financial receivables</b>	<b>38,889</b>	<b>38,006</b>	<b>41,347</b>	<b>29,481</b>	<b>24,461</b>
Current bank payables	(220,615)	(250,117)	(239,116)	(293,910)	(334,442)
Current share of non-current debt	(90,615)	(61,475)	(41,801)	(36,485)	(20,430)
Other current financial payables	(11,078)	(9,852)	(10,014)	(10,966)	(11,111)
<b>Current financial debt</b>	<b>(322,308)</b>	<b>(321,444)</b>	<b>(290,931)</b>	<b>(341,360)</b>	<b>(365,983)</b>
<b>Net current financial debt</b>	<b>113,111</b>	<b>84,856</b>	<b>78,645</b>	<b>(17,043)</b>	<b>106,790</b>
Non-current bank payables	(558,779)	(605,501)	(590,380)	(575,885)	(571,450)
Other non-current payables	(3,155)	(3,794)	(4,184)	(4,507)	(4,950)
<b>Non-current financial debt</b>	<b>(561,934)</b>	<b>(609,294)</b>	<b>(594,564)</b>	<b>(580,392)</b>	<b>(576,400)</b>
<b>Net financial debt</b>	<b>(448,824)</b>	<b>(524,438)</b>	<b>(515,919)</b>	<b>(597,435)</b>	<b>(469,610)</b>
<b>Receivables arising from concessions</b>	<b>60,363</b>	<b>59,596</b>	<b>55,064</b>	<b>49,703</b>	<b>43,046</b>
<b>Total financial debt</b>	<b>(388,461)</b>	<b>(464,842)</b>	<b>(460,855)</b>	<b>(547,733)</b>	<b>(426,564)</b>
Treasury shares on hand	4,168	4,190	4,383	4,382	5,172
<b>Total net financial position</b>	<b>(384,293)</b>	<b>(460,652)</b>	<b>(456,472)</b>	<b>(543,350)</b>	<b>(421,392)</b>
Debt/Equity ratio	0.87	1.11	1.11	1.30	1.07

The table above shows a debt structure which offers confirmation of the considerable improvement in the Group's financial profile over the year, with a cash flow margin which acquired greater flexibility, also thanks to structured supply transactions for individual projects, the repayment of which is guaranteed by the project's financial flows.

The debt structure remains focused on the medium/long-term, with the first major repayment deadline scheduled for 2013.

The debt/equity ratio – which compares the level of debt against equity, net of treasury shares, stood at 0.87 at the end of 2010. At the same date, the corporate debt/equity ratio – which excludes the share of debt related to concessions thanks to its self-liquidating nature – stood at 0.7. For more information regarding the share of debt related to project finance initiatives - which refers to equity put into projects related to the hospital and underground sectors, construction costs for car parks granted under concessions, and equity investment for concessions related to the Chacayes

hydroelectric plant in Chile – please refer to the section of this report detailing the performance of the holding company Astaldi Concessioni.

## Consolidated reclassified accounts

### CONSOLIDATED RECLASSIFIED INCOME STATEMENT

€/000	Note	31/12/10		31/12/09	
Revenues	1	1,918,969	93.8%	1,802,775	96.3%
Other operating revenues	2	125,799	6.2%	69,312	3.7%
<b>Total revenues</b>		<b>2,044,768</b>	<b>100.0%</b>	<b>1,872,087</b>	<b>100.0%</b>
Cost of production	3 - 4	(1,552,236)	-75.9%	(1,396,098)	-74.6%
<b>Added value</b>		<b>492,532</b>	<b>24.1%</b>	<b>475,989</b>	<b>25.4%</b>
Personnel costs	5	(236,574)	-11.6%	(240,458)	-12.8%
Other operating costs	7	(26,726)	-1.3%	(29,330)	-1.6%
<b>EBITDA</b>		<b>229,232</b>	<b>11.2%</b>	<b>206,201</b>	<b>11.0%</b>
Amortization and depreciation	6	(52,201)	-2.6%	(46,092)	-2.5%
Provisions	7	(744)	0.0%	(3,120)	-0.2%
Write-downs	6	(3,916)	-0.2%	(192)	0.0%
(Capitalization of internal costs)	8	1,241	0.1%	822	0.0%
<b>EBIT</b>		<b>173,611</b>	<b>8.5%</b>	<b>157,619</b>	<b>8.4%</b>
Net financial income and charges	9 - 10	(77,721)	-3.8%	(67,354)	-3.6%
Effects of valuation of equity investments using equity method	11	4,429	0.2%	530	0.0%
<b>Pre-tax profit (loss)</b>		<b>100,319</b>	<b>4.9%</b>	<b>90,795</b>	<b>4.8%</b>
Taxes	12	(36,796)	-1.8%	(33,336)	-1.8%
<b>Profit (loss) for the year</b>		<b>63,523</b>	<b>3.1%</b>	<b>57,460</b>	<b>3.1%</b>
Minority profit (loss)		(466)	0.0%	(1,557)	-0.1%
<b>Group net profit</b>		<b>63,056</b>	<b>3.1%</b>	<b>55,902</b>	<b>3.0%</b>

## CONSOLIDATED RECLASSIFIED BALANCE SHEET

€/000	Note	31 December 2010	31 December 2009
Intangible fixed assets	16	3,716	3,966
Tangible fixed assets	14 – 15	299,858	319,959
Equity investments	17	95,874	93,397
Other net fixed assets	12 - 18 – 19	35,366	32,297
<b>TOTAL Fixed assets (A)</b>		<b>434,814</b>	<b>449,618</b>
Inventories	20	86,466	90,316
Contracts in progress	21	845,877	648,626
Trade receivables	22	35,148	27,541
Accounts receivable	22	582,693	683,536
Other assets	18 – 19	210,257	157,581
Tax receivables	23	90,430	78,391
Advances from customers	21	(326,367)	(382,905)
<b>Subtotal</b>		<b>1,524,503</b>	<b>1,303,086</b>
Trade payables	19 - 29	(157,881)	(90,034)
Due to suppliers	19 - 29	(635,146)	(543,639)
Other liabilities	12 - 26 - 27 - 30	(305,998)	(265,716)
<b>Subtotal</b>		<b>(1,099,025)</b>	<b>(899,389)</b>
<b>Working capital (B)</b>		<b>425,479</b>	<b>403,697</b>
Employee benefits	28	(8,382)	(9,555)
Provisions for non-current risks and charges	31	(20,220)	(23,809)
<b>Total Provisions (C)</b>		<b>(28,602)</b>	<b>(33,364)</b>
<b>Net invested capital ( D ) = ( A ) + ( B ) + ( C )</b>		<b>831,691</b>	<b>819,952</b>
Cash and cash equivalents	24	391,527	444,138
Current financial receivables	18	20,371	22,043
Non-current financial receivables	18 - 19	18,518	2,418
Securities	18	5,003	4,175
Current financial liabilities	26	(322,308)	(365,983)
Non-current financial liabilities	26	(561,934)	(576,400)
<b>Net financial payables/receivables ( E )</b>		<b>(448,824)</b>	<b>(469,610)</b>
Receivables arising from concessions	18	60,363	43,046
<b>Total financial payables/receivables ( F )</b>		<b>(388,461)</b>	<b>(426,564)</b>
Group equity	25	(424,988)	(375,122)
Minority equity	25	(18,241)	(18,265)
<b>Equity ( G ) = ( D ) - ( F )</b>		<b>443,229</b>	<b>393,387</b>

## Reconciliation of equity and operating result between parent company's financial statements and the consolidated financial statements

(€/000)	Equity 31.12.2010	Operating result 31.12.2010	Equity 31.12.2009	Operating result 31.12.2009
Equity and operating result as shown in the parent company's financial statements	394,392	46,891	358,858	73,255
Reserves	(3,312)		16,444	
Elimination of book value of consolidated shareholdings:				
- difference between book value and pro-quota value of equity	9,303		9,303	
- pro-quota results of investee companies	(9,826)	(9,826)	33,390	33,390
- goodwill upon consolidation				
Elimination of effects of transactions performed between consolidated companies:				
- profit on intragroup transactions	(7,946)	(118)	(7,828)	(30)
- amortisation on intragroup sales	7,076	437	6,639	471
- allocation / (use) on consolidated companies	43,513	33,885	9,628	129
- hedging of losses of consolidated companies	(1,899)	(1,899)	6,097	6,097
- dividends from consolidated companies	(6,313)	(6,313)	(57,409)	(57,409)
Group equity and operating result	424,988	63,057	375,122	55,903
Minority capital and reserves	18,241	466	18,265	1,557
Equity and operating result as shown in consolidated financial statements	443,229	63,523	393,387	57,460

## Investments

For more information regarding the investments made in 2010, please refer to the Notes to the 2010 Financial Statements. We shall limit ourselves herein to recalling what has already been mentioned above, in other words:

- the **value of technical investments for 2010 amounted to EUR 26 million**, equal to 1.3% of total revenues, thus confirming the Group's levels of technical resources and its ability to optimise available technical resources. The figure makes it possible to forecast a lower level of investment by the Group for the coming years thanks to the intensification of investment programmes seen in past years. The investments carried out during the year were mainly related to support guaranteed to projects in progress in Italy and abroad (Turin rail link in Italy, Huanza hydroelectric plant in Peru, Jubail Export Refinery Project in Saudi Arabia);

- Astaldi **invested EUR 16 million in concession activities** over the whole year, against accrued revenues recorded for the year. Therefore investments in concessions as at 31 December 2010 – which consisted in the paying-in of Astaldi's shares of equity in the SPVs (Special Purpose Vehicle) set up to manage the individual projects in progress – amounted to approximately EUR 120 million, including financial receivables of EUR 60 million related to the current value of future financial flows expected from car park management activities.

## Order backlog

**Astaldi Group's order backlog totalled over EUR 9 billion** at 31 December 2010, with EUR 6.2 billion referring to the construction sector and mainly to general contracting projects, and EUR 2.8 billion to the concessions/project finance sector. The year as a whole saw the acquisition of approximately EUR 2 billion of contractual increases and new orders in Italy and abroad – mainly regarding transport infrastructures (railways and undergrounds) and using the general contracting or concession formulas.

On the whole, the order backlog's structure was characterised by suitable balancing of activities between Italy and abroad, as well as the increasing importance – while still remaining complementary to construction activities – of the concessions sector (which amounted to EUR 2.8 billion compared to EUR 2.5 billion at the end of 2009).

**Domestic activities accounted for 54% of the orders backlog** (equal to EUR 4,855 million), while the remaining 46% (EUR 4,159 million) referred to foreign projects, mainly in Turkey, Eastern Europe, Algeria and Latin America.

**Construction activities continued to be the Group's reference sector** (69% of the total order backlog, equal to EUR 6,254 million), but **there was an increase in concession and project finance initiatives which accounted for 31% of total orders** (27% at the end of 2009), thanks to new acquisitions in the transport and energy sectors. As regards projects in progress, general contracting initiatives with a high technological content and average duration of 3/5 years continued to prevail among the backlog. While as far as concessions are concerned, it must be noted that in order to ensure suitable representation of orders in progress, the initiatives are included among the backlog presuming a standard duration of the relative management phases, even if the Group is able to boast initiatives with perpetual rights of use – as is the case of the Chacayes plant in Chile – or in excess of 80 years – as is the case of its car parks.

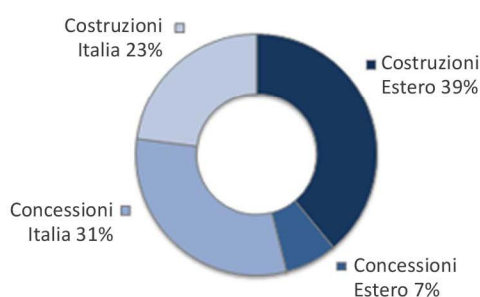
**Transport infrastructures continued to be the Group's sector of greatest specialisation** and accounted for 66% of total orders, equal to EUR 5,954 million, EUR 5,511 million of which refer to the value of contracts in progress and the remaining EUR 443 million to management revenues connected to concession projects. The water and energy sector (in other words energy production plants) continued to play a significant role, accounting for 10% of the backlog (EUR 908 million, EUR 244 million of which refers to the projects in progress and EUR 664 million to related management shares). The remaining 24% of orders refer to civil and industrial construction projects which amount to EUR 2,152 million, EUR 499 million of which to construction activities and EUR 1,653 million to management activities.

Order backlog (€/000,000)	At 01/01/2010	Increases	Decreases for production	At 31/12/2010
<b>CONSTRUCTION</b>	<b>6,562</b>	<b>1,611</b>	<b>(1,919)</b>	<b>6,254</b>
Transport infrastructures	5,724	1,327	(1,540)	5,511
Water and energy	416	87	(259)	244
Civil and industrial construction	422	197	(120)	499
<b>CONCESSIONS</b>	<b>2,469</b>	<b>291</b>	<b>-</b>	<b>2,760</b>
<b>Order backlog</b>	<b>9,031</b>	<b>1,902</b>	<b>(1,919)</b>	<b>9,014</b>

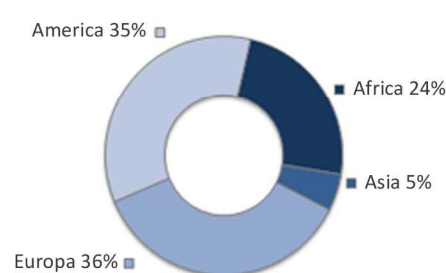
Order backlog (€/000,000)	At 01/01/2010	Increases	Decreases for production	At 31/12/2010
<b>ITALY</b>	<b>4,647</b>	<b>1,068</b>	<b>(860)</b>	<b>4,855</b>
<b>ABROAD</b>	<b>4,384</b>	<b>834</b>	<b>(1,059)</b>	<b>4,159</b>
Europe	1,667	58	(474)	1,251
America	2,124	195	(421)	1,898
Africa (Maghreb)	591	383	(141)	833
Asia	2	198	(23)	177
<b>Order backlog</b>	<b>9,031</b>	<b>1,902</b>	<b>(1,919)</b>	<b>9,014</b>

*Breakdown of order backlog according to geographical area and sector*

#### Portafoglio Costruzioni-Concessioni



#### Portafoglio Estero Costruzioni



In order to provide complete information, the most significant orders recorded in 2010 were as follows:

- *USD 80 million for the Jubail Export Refinery Project in Saudi Arabia* (civil works related to the construction of an oil refinery in the Jubail industrial district);
- *EUR 417 million (Astaldi has a 60% stake) for the Saida-Tiaret, railway in Algeria* (design and construction of 153 kilometres of new railway line with 4 stations and 9 interchanges);
- *USD 37 million for upgrading and expansion of the motorway junction located on the SR-862/I-595 in Florida (USA);*



- USD 1.24 billion (Astaldi has a 15% stake) for the construction of two major railway stations in Jeddah and KAEC along the Mecca-Medina high speed line in Saudi Arabia (the contract forms part of the larger infrastructure project for the area called the "Haramain High Speed Rail Project");
- EUR 446 million (Astaldi's stake) for construction activities related to extension of the concession to construct and subsequently manage Line 5 of the Milan underground in Italy (civil works related to an additional 7 kilometres of line and 10 new stations along the Stazione Garibaldi /Repubblica – San Siro section). The contract, an extension of the existing contract currently being performed by Astaldi, envisages a planned duration of works of 57 months. Once the works have been completed, there will be a planned management period of 25 years and 7 months, with revenues of EUR 1,300 million (Astaldi has 24% stake). Considering the forthcoming deadlines related to EXPO 2015, the production activities related to said contract have already been started-up at the draft date of this report;
- EUR 221 million (Astaldi's stake) for management activities related to extension of the concession to construct and subsequently manage Line 5 of the Milan underground in Italy;
- Contractual increase of EUR 100 million (Astaldi's stake) resulting from approval of the remaining part of funding for the T3 San Giovanni-Colosseo section of Line C of the Rome underground in Italy. The section forms part of the larger project to construct Line C of the Rome underground, currently being carried out by the General Contractor, Metro C S.c.p.a. which Astaldi holds a 34.5% stake in. The T3 section alone refers to the part of the route running from San Giovanni to the Colosseum as well as 2 stations (Amba Aradan, Colosseo/Fori Imperiali);
- EUR 96 million for the EPC contract to construct the international terminal of the Milas-Bodrum Airport in Turkey. The works will occupy a total surface area measuring 100,000 m<sup>2</sup> which is expected to accommodate the transit of 1,000,000 passengers per year. Additional commercial developments are expected for this project, to be completed during 2011. In this regard, please refer to the section regarding the foreseeable development of operations included herein;
- additional less important projects and contractual increases recorded during the year for projects involving the transport infrastructures and water sectors (Italy, Latin America, the Maghreb and Eastern Europe).

It must be recalled that the value of the order backlog at 31 December 2010 does not include amendments related to orders for which the contracts have been signed, but which are still to be financed, at the draft date of this report.

Therefore, on the basis of conservative criteria adopted by the Group regarding the inclusion of new orders in the backlog, the amounts related to the following still have to be entered among the new acquisitions:

- (i) awarding as part of a joint venture of the Turkish motorway concession for construction and subsequent management of the Gebze-Izmir motorway which took place in 2010 and for which project finance funding is pending;
- (ii) appointment as promoter for the project finance initiative regarding construction and subsequent management of the link road between Ancona Port and the surrounding road network pending the final outcome of the award procedure in Italy;
- (iii) possible developments regarding railway projects in progress in Venezuela (also in light of the new "Economic Cooperation Agreement" signed in May 2010 between the Italian and Venezuelan governments);
- (iv) possible synergies resulting from consolidation of the partnership with Pacific Hydro related to the water development project in the Alto Cachapoal valley in Chile (exclusivity agreements);
- (v) additional foreign projects for which the relative contracts have still to be made official (transport infrastructures and concessions (renewable energy));

(vi) new initiatives for which Astaldi holds the number one position in award procedures in Italy and abroad (Central Europe, Middle East).

Numerous concessions projects are also under development at a domestic and international level, in the various sectors of interest; specifically, tenders have been submitted in the healthcare, energy and transport sectors which shall result in an additional increase in production levels.

## **Trend of operations according to geographical area and sector**

### **Italy**

Italy represents the natural centre of the activities of the Group which is a corporate organisation with a major international focus.

At 31 December 2010, the domestic market generated 44.8% of revenues from works and accounted for 54% of the overall backlog.

The order backlog, as regards Italy, - which totals EUR 4,855 million – consists in EUR 2.7 billion of activities linked to the construction sector (transport infrastructures, civil and industrial construction, water and energy), while the remaining EUR 2.1 billion refer to concession projects (transport infrastructures, hospital facilities, car parks).

From a sector viewpoint, transport infrastructures continued to be the core business for the Group's activities at a domestic level. Indeed, projects boasting a high technological content such as the general contracting project to construct Line C of the Rome underground and the project finance initiative to construct and subsequently manage Line 5 of the Milan underground are already underway, as well as Bologna Centrale High-Speed station and the Turin rail link, two maxi lots of the Jonica State Road and new underground lines in Naples, Genoa and Brescia. At the same time, the civil and industrial sector offered confirmation of its key role with major projects related to healthcare construction.

While, as regards concessions in progress in Italy, the order backlog currently includes projects linked to the transport infrastructures, healthcare construction and car parks sectors.

As regards the domestic share of operating revenues, which totalled EUR 860 million on the whole, transport infrastructures accounted for EUR 757 million, civil and industrial construction for EUR 70 million and energy production plants for the remaining EUR 33 million.

Please find below details of the main projects in progress in Italy, organised according to business sector.

### **Transport infrastructures: railways and undergrounds**

The railway and underground transport infrastructure sector is the sector where Astaldi Group can boast the greatest expertise and firmly-established leadership that is widely acknowledged at an international level.

At the present time, Astaldi is a key player in major projects in progress in Italy and abroad: as regards undergrounds alone, it is currently carrying out 8 projects worldwide (Line C of the Rome underground, Line 5 of the Milan

underground, new underground lines in Brescia, Genoa and Naples, as well as Istanbul, and Line 2 of the Warsaw underground and Line 5 of the Bucharest underground.

Please find below a brief description of the projects of major interest included among the backlog, which refer to railways and undergrounds in Italy, that were completed or in progress at 31 December 2010.

## ROME UNDERGROUND, LINE C

The project refers to the general contracting agreement awarded for the final and executive design, construction, works supervision, commissioning and supply of rolling stock for the new Line C of Rome's underground.

The works were awarded to Metro C S.c.p.A., the company operating in the capacity of General Contractor in which Astaldi holds a 34.5% stake.

The works were commissioned by Roma Metropolitane S.r.l., a company directly controlled by the Municipality of Rome, which is responsible for improving and upgrading the capital's underground network.



Line C is one of the most ambitious projects in progress to date as regards undergrounds, both because it will offer a considerable expansion of the public transport system the capital is able to offer, and because one of the major construction difficulties is the interference with archaeological remains located in the subsoil and the line's interaction with overlying historic and monumental buildings and monuments located inside the capital's historical centre (90% of the relative studies have already been completed). The trains will be driverless, in other words they will be driven and controlled by a remote integral automation system. An integral part of the agreement concerns construction of the Granite Depot – 75% of which has been completed – which will feature a completely automated warehouse.

The new line will result in expansion of the existing underground network from 36.5 to 78.7 kilometres. As regards the complete planned route (42.2 kilometres long, 42 stations), the so-called Basic Route (in turn split into sections) – measuring 25.5 kilometres in length and featuring 30 stations) is currently under construction.

During 2010, excavation activities and works were performed as planned, together with archaeological investigations along the Monte Compatri/Pantano - San Giovanni section (18 kilometres of line with 22 stations). Excavation using TBM (Tunnel Boring Machine) of the two single track tunnels running side by side along the Giardinetti - Pozzo San Felice da Cantalice - Pozzo TBM Malatesta section (approximately 7 kilometres of line) was completed, and excavation using TBM of the two single-track tunnels running side by side along the Pozzo TBM Malatesta - San Giovanni section (3 kilometres of line, of which approximately 400 linear metres have already been dug) was started up. Therefore, as regards this section, 60% of the overall works have been completed.

The overall value of the works stands at EUR 2.8 billion, EUR 986 million of which refers to Astaldi's stake. The figures shown include the difference recorded in 2010 as a result of allocated funding for the T3 section of the Basic Route, approved by CIPE (Interdepartmental Committee for Economic Planning) in July. It must be recalled that the T3 section refers to the part of the complete Basic Route running from San Giovanni to the Colosseum together with 2 stations – Amba Aradan, Colosseo/Fori Imperiali.

Lastly, it must be noted that on 11 March 2010, final design activities related to the T2 section were officially suspended by the customer, Roma Metropolitane, and instructions regarding the recommencement of activities are still pending. In the meantime, the joint venture responsible for constructing Line C is drawing up, as agreed with the customer, a project financing proposal for said section which will be submitted to the city's administrative authorities during the first half of 2011.

### MILAN UNDERGROUND, LINE 5 (Bignami - Stazione Garibaldi - San Siro)

The project finance initiative related to Line 5 of the Milan underground, as regards construction activities, refers to the design (final and executive) and performance of civil works for a new underground section which will run underground level along the Stazione Garibaldi - Bignami and Stazione Garibaldi - San Siro route (as an extension of the first section), in Milan.

The initiative, included among those labelled as being of leading national interest in relation to Law No. 443/2001, is managed by the SPV and concession holder, Metro 5 S.p.A., in which Astaldi holds a 24% stake (in the capacity of leader of the joint venture awarded the concession).



As regards this project, the performance of civil works was awarded to the consortium company Garbi S.c.r.l., in which Astaldi holds a 60% stake. In this regard, it must be noted that on 18 November 2010, the Court of Milan declared Torno Global Contracting bankrupt, and hence said company was excluded from the joint venture as well as from Garbi S.c.r.l.

As far as this project is concerned, activities to perform works related to the Bignami - Stazione Garibaldi section (6 kilometres of line, with 9 stations) went ahead as planned during 2010. Specifically, excavation of tunnels using TBM was completed and the testing of trains commenced in November. It must also be recalled that, as regards this section, some areas of the site were affected by flooding following overflow of the River Seveso in October 2010. In this regard, it must be stated that activities at all the sites concerned recommenced as normal in November and the insurance procedures needed to obtain compensation for damages incurred have been carried out. More than 85% of all works related to this section have been completed.

As regards the Stazione Garibaldi - San Siro extension (additional 7 kilometres, with 10 new stations), the sites for preliminary activities and the shifting of subservices were set up in August 2010 and executive design activities are currently underway. It must also be noted that in February 2011, Metro 5 S.p.A. finally formalised with the Municipality of Milan, the concession agreement related to this extension which had already been regulated by the award decree dated 29 July 2010. Considering the forthcoming deadlines related to EXPO 2015, the production activities related to this contract had already been started up at the draft date of this report.

As regards this project, the total investment – including design, civil and technological works and the variation for Stazione Garibaldi approved during works in progress – amounts to EUR 484 million for the Stazione Garibaldi – Bignami section and to EUR 872 million for the extension to San Siro stadium against total public funding of EUR 391 million. EUR 580 million will be invested for the whole route in order to carry out the civil works, to be performed by Astaldi.



**Stazione Garibaldi – Bignami section.** EUR 190 million of the total planned investment for this section is financed by Metro 5 S.p.A. and the remaining amount by public funding. The revenue arising from the 29 years of management provided for in the agreement, will amount to EUR 724 million (EUR 165 million refers to Astaldi's stake). The duration of the works, including the design phase, is 70 months.

**Stazione Garibaldi - San Siro section.** The total investment for this extension is funded in part by the Ministry of Infrastructures using the Infrastructures Fund (CIPE Resolution dated 6/11/2009), in part by the Municipality of Milan and in part by private funding. The contract provides for a duration of works of approximately 57 months. Once the works have been completed, there will be a management phase for the new section of 25 years and 7 months, with revenues of EUR 1,300 million (Astaldi has a 24% stake). It is planned for the works to be completed in time for the deadlines related to EXPO 2015 and, to this end, the use of 4 TBMs (Tunnel Boring Machine) and excavation activities on two fronts is envisaged in order to complete the line's tunnels.

For more information, please refer to the section of this report dedicated to concessions.

## NAPLES UNDERGROUND, LINE 1 and LINE 6

Astaldi is actively involved in the project to improve the underground transport system in the Municipality of Naples, with activities being performed directly along Lines 1 and 6.

Noteworthy examples of the works already carried out are the so-called "Art Stations" built along the Vanvitelli - Dante section of Line 1 of the underground, an example of how individual infrastructure projects can be transformed into exemplary upgrading of the surrounding environments.

**Naples underground, Line 1.** The concessionaire, M. N. Metropolitana di Napoli S.p.A. (in which Astaldi is the majority shareholder with a 22.62% stake) acquired from the granting authority, the Municipality of Naples, the concession agreement for the design, works supervision and construction of Line 1 of the Naples underground. As regards this line, construction of the section between Dante station and Centro Direzionale station is currently underway. The works are being performed by Toledo S.c.r.l., whose corporate purpose is performance of the works awarded by M. N. Metropolitana di Napoli S.p.A. to Consorzio TRA.DE.CI.V. and, by the latter to the joint venture in which Astaldi holds a 90.39% stake. Specifically, Università station and Toledo station are currently under construction along with the superstructure of the whole section. Works went ahead as planned during 2010 and in compliance with the timeframes approved with the granting authority. Specifically, as regards Toledo station, all the structures within the station shaft are being completed along with excavation of the corridor linking to the second exit on Largo Montecalvario and the station's civil plants are currently being performed. It must be noted with regard to Università station that all the contractual works have been completed as planned with the exception of part of the external facilities. Works for the railway superstructure of the whole Dante-Centro Direzionale section are also in progress. The total value of works amounts to EUR 249 million, including variations during works in progress. As at the end of 2010, 81% of works had been completed.

**Naples underground, Line 6.** The concessionaire, Ansaldo STS S.p.A, acquired from the granting authority, the Municipality of Naples, the concession agreement for the design, works supervision and construction of Line 6 of the Naples underground, for which works related to the section between Mergellina station and Municipio station are currently in progress. As regards said section, Astaldi operates through AS.M. S.c.r.l. – in which Astaldi holds a 75.91% stake – which was awarded performance of the civil works related to San Pasquale station. Activities during 2010 were



affected by the first phase of archaeological excavation of the station shaft. The overall value for this project amounts to EUR 65 million. As at the end of 2010, approximately 55% of activities had been completed.

## BOLOGNA CENTRALE HIGH-SPEED STATION

The project represents an all-important part of the urban penetration project for the Milan – Naples HS railway line with regard to the Bologna railway junction.

The purpose of the contract is construction of the new Bologna Centrale High Speed station (Lot 11) and works needed to make it possible to put the station into operation (Lot 50). The relative agreement was stipulated by Astaldi with TAV S.p.A. which was taken over by RFI Rete Ferrovie Italiana S.p.A. in 2008. The latter is a holding company of Gruppo Ferrovie dello Stato and is responsible for managing the national railway infrastructure. Italferr S.p.A., a Gruppo Ferrovie dello Stato company is responsible for design and works supervision.



The project involves the construction of a station of a large size and with structural complexities, to be built entirely under ground level below Platforms 12-17 of the “historic” Bologna Centrale station that are currently in disuse. The station is organised on several levels, the deepest of which - built at a depth of 25 metres – will be used for the transit of high speed trains, while the others will be used for railway transport-related services, commercial areas and car parks.

Works commenced in 2004 and once the problems which arose during the start-up phase of the contract were resolved and the 1<sup>st</sup> Additional Amendment signed in December 2007, activities went ahead as planned in the following years even if affected by some new activities introduced by the customer. In 2010, as a sign of partial acceptance of the requests advanced by Astaldi with regard to events involving Italferr which caused delays/slowdowns in activities, Italferr extended the contract performance times, introducing January 2013 as the last deadline for completion of works and activities, with interim milestones for partial completion of planned activities during 2012.

Most of the excavation activities related to the station concourse were performed during 2010 (80% of works have been completed), together with assembly of the metal struts which contrast with of the relative vertical structures (walls) (60% of which has been completed). Moreover, the underground floors of the heads (located on three levels) were constructed and approximately half of the foundation slab, and handling of the waste material from excavation at the Corticella site continued. 60% of the overall planned production activities have been completed.

As at 31 December, the total value of works amounted to EUR 388 million, including all the approved variations.

## TURIN RAIL LINK (Corso Vittorio Emanuele II - Corso Grosseto Lot)

The contract forms part of the activities in progress to improve the Turin Rail Junction and involves the executive design and performance of works to complete expansion of the underground railway line between Corso Vittorio Emanuele II and Corso Grosseto, crossing under the River Dora Riparia.

The works have been commissioned by Italferr S.p.A., in the name and on behalf of R.F.I. Rete Ferroviaria Italiana S.p.A.

The contract was awarded to a joint venture in which Astaldi is the leader and mandatary.



On the whole, the project consists in quadrupling and laying under ground level of the existing Turin – Milan railway line. Works are being performed by S.P.T. - Società Passante di Torino S.c.r.l., in which Astaldi holds a 74% stake. The executive design is being performed by Astaldi and Turner & Townsend Group Ltd. in equal shares.

The works are being performed within the urban area and in the vicinity of the existing railway line which shall continue to operation thanks to the splitting of works into two separate, sequential macro phases called Macro phase “West” and Macro phase “East” .

During 2010, following the start-up of Macro phase West in October 2009, activities to dispose of and demolish the “historical” Turin – Milan railway line which interfered with tunnel works for Macro phase East went ahead, and hence the relative construction works were able to get underway. On the whole, the works carried out mainly concerned the construction of reinforced concrete diaphragms as well as the railway tunnel’s bottom plug and foundation posts. At the same time, works to shift and divert the subservices and sewers interfering with the works were carried out along with construction of part of the structures related to Porta Susa and Rebaudengo stations. The works are scheduled to be completed by April 2013.

Approximately 80% of activities had been completed at 31 December 2010.

As regards this project, Astaldi’s stake amounts to EUR 350 million.

## BRESCIA UNDERGROUND

The contract, awarded to the temporary business association which Astaldi holds a 50% stake in, refers to construction of a light underground railway running on tracks, which is remotely powered and controlled by an integral automation system (driverless system) along the Prealpino - Santa Eufemia section in the municipality of Brescia.

The works have been commissioned by Brescia Mobilità S.p.A., a company owned by the Municipality of Brescia which is responsible for managing the city’s mobility system in addition to car parks and regulated parking.





The works are being performed by a joint venture comprising a group of companies, with whom a vertical division of activities has been agreed. As regards said division, it is envisaged that Astaldi performs all the civil works, railway superstructure, electrical mechanical systems not featured within the system, and special systems.

Specifically, the project involves the executive design, construction, technical management and routine and non-recurring maintenance of a first functional lot of the Brescia underground along the Prealpino - Santa Eufemia section. The line shall run for 14 kilometres and feature 4 kilometres of man-made tunnel, 6 kilometres of natural tunnel, 1.8 kilometres of viaducts, 17 stations (13 of which underground) and a workshop depot. In July 2010, the Ministry of Infrastructures approved a series of variations from an economic and technical viewpoint, aimed at approval by CIPE (Interdepartmental Committee for Economic Planning) which should make it possible to achieve positive resolution of the problems which have come to light in previous years.

All the structural works were completed during 2010 with the exception of Vittoria and San Faustino stations which encountered delays due to archaeological finds. Said works are expected to be completed in 2011. Moreover, works on the south section were completed and followed by the start-up of testing of plant and systems and vehicle trials. As regards the remaining section, the stations are currently being finished off together with the creation of non-system technological plants.

## GENOA UNDERGROUND

Activities related to this project are regulated by a framework agreement, split into several successive lots, for the construction of an underground line linking Genova Principe railway station to Brignole station.

The works are being carried out by the consortium company, Metrogenova S.c.r.l., which Astaldi holds a 21.81% stake in.

At 31 December 2010, the overall value of this contract amounted to EUR 220 million. At the same date, over 90% of works had been completed.

## PARMA - LA SPEZIA RAILWAY("Pontremolese Railway")

The project forms part of the programme to improve and modernise the Parma – La Spezia railway called the "Pontremolese" railway. As regards this project, Italferr S.p.A. – in the capacity of Principal in the name and on behalf of R.F.I. Rete Ferroviaria Italiana S.p.A. – awarded Astaldi the executive design and performance of works to widen the railway line for the section between Solignano and Osteriazza stations – along a section measuring a total of approximately 12.5 kilometres.

The new railway line runs for the first 5 kilometres along a different route to the current route – indeed, said section will see performance of the most significant works included in the contract such as the natural tunnel called Marta Giulia Tunnel measuring approximately 4.2 kilometres in length, a 450 metre-long viaduct running over the River Taro and the viaduct over the Galgana torrent. The remaining 7.5 kilometres of overall route will run along the railway line currently in use.

During 2010, design activities related to project variations approved during works in progress went ahead, and activities to construct the Taro and Galgana viaducts proceeded as planned. The other works performed also included progress





on excavation of the Marta Giulia tunnel (at 31 December 2010, 523 linear metres from the Solignano side and 73 linear metres from the Fornovo side had been excavated. The deadline for completion of works has been set for in 2015.

At 31 December 2010, the value of this agreement, including variations and amendments approved during works in progress amounted to EUR 200 million. At the same date, 42% of the overall planned production activities had been completed.

## Transport infrastructures: roads and motorways

Astaldi is able to boast vast experience and a number of important projects in this sector in Italy. At the present moment, the most important work is the Jonica State Road where Astaldi is responsible for the construction of two maxi-lots.

Please find below a brief description of the projects of greatest interest included among the backlog, involving the road and motorway sector in Italy, completed or in progress at 31 December 2010.

### JONICA STATE ROAD (Maxi-lot 2/"DG21" - Catanzaro)

The general contracting project involves the executive design and construction of a new road link along the Jonica ridge in Calabria.

The works have been commissioned by ANAS S.p.A., the organisation in charge of managing the Italian road and motorway network of national interest.

The corporate body responsible for performing activities related to this contract is CO.MERI S.p.A. which has the role of general contractor representing the joint venture awarded the contract in which Astaldi is the mandatary with a 99.99% stake.



On the whole, the works will result in construction of the E-90 State Road - for the stretch of the SS 106 between Squillace junction and Simeri Crichi junction - as well as extension of the SS 280 from San Sinato junction to Germaneto junction, with considerable benefits for travel times and road safety (thanks to the elimination of junctions in highly developed urban areas).

The total route measuring approximately 23 km in length, will involve the construction of 11 twin-bore tunnels (for a total of approximately 13 km), 10 viaducts, 2 bridges and 8 junctions.

As regards this project, 2010 saw a significant intensification of construction activities. At the end of the year, 85% of natural tunnels had been completed, along with 80% of viaducts, 70% of road works and 55% of minor works. Activities related to finishes and technological systems were also started up during the year and expropriation procedures, resolving of interferences, environmental monitoring and third-phase archaeological investigations went ahead as planned.

From a contractual viewpoint, an agreement was reached with the customer in May 2010 regarding settlement of the disputes in course as of 2008 which led to the stipulation of an out-of-court agreement with ANAS.

Moreover, a third technical variation analysis was forwarded to ANAS in December regarding various types of activities needed to complete the project, as well as new activities needed for the early opening to traffic of a functional 12-kilometre stretch which should take place, as agreed in the summer of 2011. Said analysis is currently under preliminary examination by ANAS.

73.4% of production as set forth in the contract had been completed at 31 December 2010.

### JONICA STATE ROAD (Maxi-lot 1/“DG22”)

The general contracting project involves the executive design and performance of works to upgrade the Jonica State Road (SS 106) in the section between Palizzi and Caulonia (lots 6-7-8), including Marina di Gioiosa Jonica junction.

The works have been commissioned by ANAS S.p.A., the organisation in charge of managing the Italian road and motorway network of national interest.

The corporate body responsible for performing activities related to this contract is AR.GI S.p.A. which has the role of general contractor representing the joint venture awarded the contract in which Astaldi is the mandatary with a 99.99% stake. The special purpose vehicle was transformed into a Head Corporation as from 1 January 2010 under the resolution passed by the shareholders of AR.GI S.p.A. on 26 October 2009.

From a technical viewpoint, the route of the new motorway measures approximately 17 km in length, 19% of which consists in viaducts and 37% in man-made and natural tunnels. The works were split into two sections, with the approval of a preliminary analysis, known as the Functional Lot (works to be performed immediately) and the Marginal Lot (works not to be performed immediately).

Some problems concerning the performance of works related to this maxi-lot were resolved during 2010, and the excavation of tunnels and construction of viaducts along almost the whole route got underway. Moreover, considering the specific operating difficulties encountered while carrying out works – geological and geotechnical problems, waste located in site and line areas, dragging out of archaeological investigations – the organisation of production activities underwent changes during the year aimed at limiting work



performance times as far as possible, providing for 18 fronts for natural tunnel excavation to be in operation at the same time (16 of which were in operation in December 2010), against the 12 fronts provided for in the contract.

Even if said changes have not made it possible to definitively resolve the problems which have arisen while performing works, they have, in any case, made it possible to achieve progressive production which corresponds to 21% of works completed as at the end of December 2010. The overall value of the contract amounts to EUR 354 million, reformulated with approval of the analysis into EUR 282 million for the Functional Lot and EUR 72 million for the Marginal Lot. It must be noted that as regards the marginal lot, the General Contractor asked the customer for the final payment due to the continuance of causes hindering works which resulted in the delay. In compliance with the criteria used by the Group, the effects of said payment, have already been included in the value of the order backlog at 31 December 2010.

## PIEDMONTANA LOMBARDA MOTORWAY

The general contracting project refers to the design (final and executive) and construction of the 1<sup>st</sup> lot of the Como ring road, the 1<sup>st</sup> lot of the Varese ring road and the link road between the A8 and A9 motorways (from Cassano Magnago to Lomazzo – a section labelled A for the Piedmont Lombardy Motorway).

The works form part of a larger, more complex project aimed at linking 5 provinces (Bergamo, Monza, Milan, Como and Varese) through the construction of 67 kilometres of motorway (which forms the main road from Cassano Magnago to Osio Sotto), 20 kilometres of ring road (split into the Varese and Como ring roads measuring 11 km and 8 km in length respectively) and 80 kilometres of connected road works.

The contract, awarded to Astaldi as part of the joint venture, involves the design and construction of approximately 47 kilometres of motorways and secondary roads, with 13 kilometres of tunnels and approximately 1.7 kilometres of bridges and viaducts.

As regards this section, the necessary paperwork has been completed which resulted in signing of the Additional Agreement No. 1 on 4 February 2010. Design activities also continued during the year. In September 2010, the granting authority, CAL (Concessioni Autostradali Lombarde S.p.A.), approved the executive design. Following this, pending drafting of the Additional Agreement No.2, provided for in the contract, an Addendum to the Additional Agreement No. 1 was signed in December 2010 in relation to the early commencement of some critical activities in order to comply with the works deadline provided for in the contract (December 2013).

The early performance of some works provided for in the Additional Agreement No.1 resulted in the start-up of works as from 2010. Indeed, the ceremony to lay the first stone was held on 6 February 2010 and attended by national and local political authorities, thus confirming the administrations' major commitment to this project.

The overall value of the works amounts to EUR 898 million, with Astaldi holding a 24% stake.

## ACTIVITIES INVOLVING THE URBAN NETWORK WITHIN THE MUNICIPALITY OF NAPLES

Infralegrea Progetto S.p.A. is the company in which Astaldi holds a 51% stake, set up in 2006 to perform the concession contract regarding various activities aimed at streamlining the complete transport system in the Phlegrean area, by upgrading and improving existing infrastructures (roads, railway, port, pedestrian zones) with the aim of achieving total intermodality within a network comprising various, already existing transport systems and communication systems.

The granting administration is Campania's regional authority and in brief, the works involve construction of the Montesantangelo rail link for the section from Soccavo to Mostra d'Oltremare, with relative intermediate stations and interchange junctions (Application Document No. 15), as well as works to extend and upgrade Pozzuoli port (Application Document No. 12), construction of a multi-storey car park with related access road and upgrading of Parco della Cava Regia and areas of the former Capuchin Convent (Application Document No. 13) and upgrading of Lungomare Sandro Pertini and the urban road network in Pozzuoli (Application Document No. 14).

Activities to perform all four of the Application Documents continued throughout 2010. Specifically, the works related to Pozzuoli Port and Lungomare Sandro Pertini were completed, while the works connected to the multi-storey car park are in the process of being completed. As regards activities related to Application Document No.15, it must be noted that the natural tunnel connecting Montesantangelo station to Università station has largely been completed. As regards said works (Lot 1, phase 2), approximately 28% of the works, which have already been financed, have been completed.

On the whole, the value of the works comprising this project totals EUR 171 million.

Approximately 63% of works had been completed at December 31 2010.

Lastly, it must be noted that with regard to Application Document No. 15, the CIPE Resolution was published in January 2010 which allocates funding for completion of Lot 3, phase 1 (corresponding to the Parco San Paolo – Terracina section). The total value of the works to be performed amounts to approximately EUR 95 million.

## **Transport infrastructures: ports and airports**

Ports and airports represent a sector where numerous, interesting projects have been developed in the past at a domestic level.

At the present time as regards this sector, the Group is mainly operating abroad. Indeed, works in progress in Italy are limited to projects developed in the port activities sector and, specifically, the so-called MOSE project in progress to safeguard Venice Lagoon, details of which are provided below.

### **ACTIVITIES RELATED TO THE MOSE SYSTEM**

Astaldi is involved in the project to construct the MOSE system, designed to regulate tides in Venice's lagoon. The project as the whole involves the construction of a system of mobile barriers installed on each of the port's three outlets (Lido, Malamocco and Chioggia), which represent the points linking the sea and the lagoon.

The performance of works related to the MOSE system is regulated by a contract stipulated between the state represented by the Magistrate for the Waters of Venice and Consorzio Venezia Nuova, which was granted the concession to perform the works in question. Consorzio Venezia Nuova in turn awarded the works, split into operational phases, to the joint ventures set up by its members to perform the works in question. In this regard, Astaldi operates in the capacity of leader and mandatary of a joint venture which set up the consortium company, Mose-Treporti S.c.r.l., to perform works related to Bocca di Lido Treporti.

The total value of the works for which the Astaldi joint venture is responsible amounts to EUR 415 million, EUR 306 million of which have already been awarded. Over 75% of the total works had been performed at 31 December 2010.

## **Energy production plants and hydraulic works**

Energy production plants and hydraulic works represent a sector where Astaldi is currently carrying out a large number of projects, mainly abroad. While this sector's contribution at a domestic level is practically non-existent - even if, as regards past years, there is no lack of examples of dams, aqueducts and water treatment plants as well as projects related to major nuclear power stations and energy production plants. Therefore, please refer to the section of this report dealing with the performance of foreign operations for more detailed information regarding the contributions provided by the water/energy sector.



## PONT VENTOUX HYDROELECTRIC PLANT

The contract, performed by the consortium company, Pont Ventoux S.c.r.l., in which Astaldi holds a 56.25% stake, involved the construction in Val di Susa, Piedmont, of an hydroelectric power plant with 158 MW of installed power.

The plant, whose central operating unit was built completely underground, boasts an annual production capacity of over 400 GWh.

The plant was consigned to the customer, Iride Energia S.p.A., in February 2008, which then took on its complete management. Technical and administrative testing of the works continued throughout 2009. The final test certificate was issued by the technical-administrative inspector and approved by the granting authority on 22 April 2010. In this regard, some accounting items still have to be defined with said granting authority, linked to objections raised in relation to malfunction of the hydraulic equipment and attributable to the plant's sub-suppliers.



## Civil and industrial construction

Astaldi Group has acquired and developed vast know-how in the field of civil and industrial construction, especially in relation to the construction of healthcare facilities. As regards foreign projects, as will be detailed further on, it has also acquired significant experience in the industrial construction sector, with activities related to the construction of industrial plants in the petrochemical sector.

The projects of greatest interest in the backlog and related to this sector at a domestic level that were completed or in progress during 2010, are detailed below.

### TUSCAN HOSPITALS

The project finance initiative for the construction and subsequent management of an integrated system of four hospitals in Tuscany involves the construction of four hospital complexes situated in Lucca, Massa, Pistoia and Prato. The new facilities will occupy a total surface area of over 200,000 m<sup>2</sup> and make available over 1,700 hospital beds, 52 operating theatres, 134 dialysis units and 103 new cots..

The project involves a total investment of EUR 365 million for design and construction activities (with public funding of 55%) and EUR 1.2 billion in nominal terms for management activities (in which Astaldi has a 35% stake).

The duration of the concession is 22 years and 9 months, of which 3 years and 9 months for design and construction activities and 19 years for management of plants and works as well as non-healthcare services. Said duration applies as from signing of the agreement which took place on November 19 2007.

On said date, the local health authorities (USL 1 - Massa e Carrara, USL 2 - Lucca, USL 3 - Pistoia and USL 4 – Prato) awarded as a concession to SAT S.p.A, which Astaldi holds a 33.3% stake in, the construction of four new hospitals using the project finance formula. The purpose of the relative agreement is final and executive design, performance of works and management of the new hospitals, as well as of some hospital and commercial services.



Design and construction activities were awarded by the concession holder to a joint venture established by two of its partners. The consortium company CO.SAT S.c.r.l., in which Astaldi holds a 50% stake, was set up to perform works.

All the hospitals feature a main 5-floor building with 1 basement level and an additional 4-floor building with 1 underground level. While there are differences between the hospitals as regards the surface area occupied and the number of hospital beds made available.

*Massa Hospital* – The hospital will occupy a surface area of 80,430 m<sup>2</sup>, with a total volume of 175,000 m<sup>3</sup>, 22,500 m<sup>2</sup> of car parks and a similar number of square metres of green areas. Construction of the complex will make available 360 hospital beds, 30 dialysis units, 12 hospital beds for short-term observation and 24 cots.

*Lucca Hospital* - The works involve a total surface area of 72,250 m<sup>2</sup>. The total volume is 184,300 m<sup>3</sup> with 25,700 m<sup>2</sup> of outdoor car parks and 13,400 m<sup>2</sup> of green areas. 410 hospital beds will be made available along with 38 dialysis units, 20 hospital beds for short-term observation and 24 cots.

*Pistoia Hospital* – Once this complex is fully operational, 400 hospital beds will be made available together with 26 dialysis units, 20 hospital beds for short-term observation and 20 cots. The hospital will occupy a total surface area of 86,800 m<sup>2</sup>, with 25,000 m<sup>2</sup> of outdoor car parks and 31,000 m<sup>2</sup> of green areas.

*Prato Hospital* – The hospital in Prato is the largest of the four planned complexes. The total surface area involved is 99,000m<sup>2</sup>, with a volume of 208,900 m<sup>3</sup>, 33,750 m<sup>2</sup> of outdoor car parks and 31,800 m<sup>2</sup> of green areas. The project will make available 540 hospital beds, 40 beds for haemodialysis, 20 beds for short-term observation and 35 cots.

As regards said projects, it should be noted that, following final approval of the designs for the four complexes, the Additional Agreements were made official in May 2010 along with the statements of consignment and start of works for the hospitals in Prato, Pistoia and Lucca. Approval of said Additional Agreements meant that all the changes made to the executive design by the customer were made official. Said changes were made as a result of new requirements which came to light subsequent to stipulation of the contract, mainly attributable to amendments to legislation (such as new laws regarding fire prevention, electrical systems and arrangements for renewable energy sources), which caused an increase in the initial value of the works.

As regards the hospitals in Prato, Pistoia and Lucca, it was possible to commence construction activities immediately and, at 31 December 2010, said construction activities were at an advanced stage with regard to structural works (Prato - 85%, Pistoia - 78% and Lucca - 40%).

While, as regards the hospital complex in Massa, it was agreed to schedule consignment of the areas in question for September 2010 during signing of the Additional Agreement as a result of the delays caused by the need to clear the areas in question. At the present moment, the removal of generic waste has been completed, and procedures to define the removal of polluted soil are currently underway which has meant postponing construction activities until 2011.

For more information regarding this initiative, please refer to the section of this report dealing with concession-related projects included among the backlog.

## NEW HOSPITAL [Ospedale del Mare] - NAPLES

The project involves the final and executive design and construction in accordance with the “turnkey” formula, as well as the supply of furnishings and electromedical equipment for a new hospital complex called Ospedale del Mare, located in the eastern suburbs of Naples.

The works are being performed by the special purpose vehicle, Partenopea Finanza di Progetto S.p.A., owned by Astaldi and awarded the concession contract to perform this project using the project finance formula in 2005.

The consortium company, OS.MAR S.c.r.l., in which Astaldi has a 60% stake, was set up to perform the works.

The administration granting the concession is Naples' local health authority (ASL Napoli 1).

The new facility will make available 450 new hospital beds, with 50 beds for low care patients and 15 operating theatres, occupying a total surface area of 145,800 m<sup>2</sup>.

From an operating viewpoint, activities to perform the secondary works requested by the concession holder were carried out during 2010, pending definition of a new EPC.

From a contractual viewpoint, it must be noted that, in June 2009, following serious default by the granting authority and, specifically, failure to pay the price, the concession holder PFP availed itself of the cancellation clause set forth in the Acknowledgement Clause. As a result of this, a statement was drafted pursuant to law defining the state of progress of the works carried out and identifying the checks, protection and making safe of the works carried out, which were ordered to be performed. An agreement was signed between the granting authority and concession holder on 22 July 2009 which temporarily suspended the effects of cancellation of the contract and set up a Negotiating Table to resolve the problems related to the concession. The concession holder, on its part, undertook to perform the works not affected by the problems which resulted in the suspension of works. Lastly, it must be noted that, in order to implement performance requirements subsequent to cancellation of the contract and to acknowledge the project given the new decisions resulting from the Negotiating Table, an Additional Agreement to the original contract was made official between the concession holder and the temporary business association performing the works in January 2010.

During 2010, in order to implement the agreements reached by the granting authority and concession holder during the Negotiating Table, the company also proceeded to formulate the preliminary and final design for the hospital complex, at the concession holder's request, in compliance with the content of the new regional health plan, and to assist the concession holder during the procedure resulting in approval of said design. It also completed works regarding protection, making safe and reconditioning of the complex, as requested by the granting authority and ordered by the Works Supervisor.

The performance of works at 31 December 2010 corresponded to 50% of the total investment, as defined by the Negotiating Table of 22 July 2009.

For more information regarding this project, please refer to the section of this report dealing with concession projects.

Lastly it must be noted that in October 2009, the Public Prosecutor's Office in Naples, in relation to a criminal investigation regarding some directors and/or professional operating in the area, notified the conclusion of preliminary investigations regarding the previous Chairman of the Board of Directors of Società Partenopea Finanza di Progetto S.p.A. (PFP) and regarding PFP itself pursuant to Legislative Decree No. 231/2001. PFP is cooperating fully with the





judicial authorities. In January 2011, the Public Prosecutor's Office in Naples sent notification of an investigation to said parties. To date, no preliminary hearing has been held.

## POLICE OFFICERS' ACADEMY [Scuola dei Brigadieri e dei Marescialli dei Carabinieri] – FLORENCE

The contract is being performed by the consortium company S.CAR. S.c.r.l, in which Astaldi holds a 61.4% stake, and involves construction of the new Police Officers' Academy in Florence.

The works have been commissioned by the Ministry of Infrastructures.

The works occupy a large area comprising four functional centres: the sports centre entails construction of a football and athletics stadium, covered swimming pool, tennis courts and gym (Centre 1); a centre dedicated to student housing with approximately 10 buildings to accommodate 1,500 students (Centre 2); a logistics centre with an auditorium, teaching rooms, canteen and kitchens, clubs, infirmary, command offices, cadre housing, shooting range and technological plates (Centre 3); a centre for cadre residences to be used to house academy workers and their families (Centre 4).

As regards this project, it must be noted that the contract was suspended in advance in February 2010 for reasons linked to the customer and not dependent on the company. However, in March 2010, in light of the legal observations made by the General Prosecutor of the State, the administration changed its mind and did not exercise the right of withdrawal, showing its intention to maintain the contractual relationship with partial re-consignment of Lot A - Centres 1, 2 and 3 and total re-consignment of Lot B – Centre 4, allowing for works to recommence immediately. At the present moment, approximately 40% of works are still suspended, the re-consignment of which, in light of the Ministry's new findings, is subject to the drafting of a variation analysis which may reduce the current contractual amount, with consequent scrapping of works.

Approximately 40% of works had been completed at 31 December 2010, with substantial completion of works related to Lot B – Centre 4.

## Concessions

As far as Astaldi Group is concerned, concessions represent a sector to be developed as complementary and not as an alternative to the traditional construction sector, in other words it represents an opportunity to continue to apply the high levels of specialisation the Group can boast with regard to project management and engineering and financial management of projects, using different methods.

In order to optimise the opportunities and contributions arising from projects developed in this sector, a company owned entirely by Astaldi S.p.A., called Astaldi Concessioni, was set up within the Astaldi Group during 2010. For more information regarding the industrial and strategic reasons and procedures used to set up this company, as well as details regarding foreign projects carried out in this sector (Latin America), please refer to the section of this report dealing with the company in question, as well as the sections dealing with countries of interest for this sector (Chile, Honduras).

It is considered appropriate to point out that Astaldi Group's focus in the concessions sector continues to remain on projects regarding the following areas:

- healthcare construction – the Group plans to maintain its leadership in the sector acquired thanks to the Mestre Hospital project and consolidated through the works in progress in Tuscany and Naples - projects which, as a whole, make Astaldi the operator with the largest network of hospitals to date in Italy using the PPP formula;
- mobility and transport infrastructures (undergrounds, car parks, motorways);

- renewable energies – there are interesting opportunities on the horizon in this area, especially as regards hydroelectric, wind and photovoltaic energy, as well as energy production plants in Italy and abroad where Astaldi is able to boast significant involvement in the major water development project regarding the Alto Cachapoal valley in Chile.

Moreover, it should be recalled that Astaldi Group's strategic interest in this sector is focused on projects in Italy and abroad which are able to guarantee a suitable risk/return ratio. This is backed up by the fact that all the concession projects currently included in the backlog meet the following requisites – state funding, guaranteed minimum fees or take or pay clauses – and hence the return on investment in this sector is based on guaranteed cash flows resulting from said requisites.

Please find below a brief summary of the projects carried out in this sector in Italy.

### NEW HOSPITAL [Ospedale dell'Angelo] - MESTRE

The project is managed by Veneta Sanitaria Finanza di Progetto S.p.A., the special purpose vehicle holding the concession in which Astaldi is the leader with a 31% stake.

The administration granting the concession is Venice's local health authority (ULSS 12).

The agreement involves the final and executive design and construction (already completed), as well as the supply of electromedical equipment and furnishings and management of the non-healthcare and commercial services of a highly specialised hospital complex, offering 680 hospital beds in 350 rooms, 22 operating theatres, 25 dialysis units and 20 cots on a site measuring 150,000 m<sup>2</sup>. Construction of the facility housing Veneto's Eye Bank, the first in Europe for the number of corneas collected and distributed, and the Centre for research on epithelial staminal cells, was also performed within the hospital complex.



The concession has a duration of 29 years and 11 months, 24 years and 7 months of which refer to the management phase.

From a financial viewpoint, the structured operation provides for non-recourse financing of EUR 107 million, with 20/80 financial leverage and consequent contribution of own resources (share capital + loan) of approximately EUR 28 million, as well as a loan for VAT amounting to EUR 15 million.

The total investment for works and the supply of furnishings and equipment including indirect charges amounts to EUR 239 million (excluding VAT and financial charges), against which the granted authority disbursed public capital account funding of approximately EUR 120 million (excluding VAT), disbursed on the basis of progress of works.

Estimated revenues from management for the special purpose vehicle for provision of the above services amount to approximately EUR 50 million per year, of which EUR 15.5 million refers to Astaldi's stake.

Management activities, which, it must be recalled, commenced in April 2008, went ahead as planned during 2010 and in compliance with the service requirements set forth in contractual documentation. In order to achieve this, a service control system has been set up which provides ongoing monitoring of the quality of services provided by supervising the information system created to manage and control the various services, and through regular inspections and checking of the Service Provider's activities. No changes to the procedures used to perform the services provided to the health authority were recorded.

It must also be noted that various additional agreements to the original agreement were reached with the local health authority in order to regulate the performance of additional minor works requested by the granting authority, as well as to define various amendments to the existing services, made necessary due to legislative and technological changes which the health authority must take into account. Lastly, it must be recalled that the total final investment for works, supply of furnishings and equipment and indirect charges, including variations during works in progress, was largely in compliance with estimates and amounted to EUR 250 million (excluding VAT), EUR 120 million (excluding VAT) of which in the form of public capital account funding disbursed on the basis of progress of works. All the works awarded by the granting authority to the company were completed and commissioned as planned, with the exception of those regarding updating of the stamina cells laboratory located within the Eye Bank, the completion of which is scheduled by the first half of 2011.

Lastly, it must be remembered that, as regards this project, the return on investment is based on guaranteed cash flow resulting from the inclusion of guaranteed minimum fee clauses, in keeping with the concession development policies pursued by the company's management.

## TUSCAN HOSPITALS

The project is managed by the special purpose vehicle, S.A.T. S.p.A., set up in February 2008 in which Astaldi holds a 35% stake.

The local health authorities granting the concessions are U.S.L. 1 - Massa e Carrara, U.S.L. 2 - Lucca, U.S.L. 3 - Pistoia and U.S.L. 4 - Prato.

The agreements signed in November 2007 are four in number, one for each of the local health authorities concerned, but are based on the principle of unitariness of the four projects and economic-financial planning for the projects.



The purpose of these agreements is the final and executive design, construction and management of the relative non-healthcare and commercial services, of new highly-specialised hospital complexes in Massa, Lucca, Pistoia and Prato which, all together, will make available a total of 1,710 new hospital beds occupying a surface area of approximately 200,000 m<sup>2</sup>. The supply of electromedical equipment and furnishings is excluded.

The duration of the concession is 22 years and 9 months, of which 19 years of management activities.

Further to the economic-financial review of 26 May 2010, from a financial viewpoint, the operation is currently structured on the basis of non-recourse financing of approximately EUR 161 million, with 18/82 financial leverage which entails a contribution of own resources (share capital + loan) of approximately EUR 33 million. Total public funding of approximately EUR 242 million (excluding VAT) is envisaged, (EUR 231 million to be paid on the basis of progress of works and a final amount of EUR 10 million upon commissioning) against a total investment for the SPV of approximately EUR 398 million (excluding VAT and financial charges).

As regards this project, management revenues for the SPV of approximately EUR 52 million per year are estimated in relation to provision of non-healthcare (cleaning, maintenance, sterilisation, laundry, catering, etc.) and commercial services.

As far as the project is concerned, 2010 saw approval of the executive designs related to the four complexes, definition of some variations requested by the granting authorities and consequent review of the project's economic-financial plan

accompanied by performance of the construction activities described in more detail in the section dealing with civil and industrial construction, which should be referred to.

From a financial viewpoint, legal and technical due diligence activities prior to financing were started up in 2010.

Lastly, it must be remembered that, as regards this project, the return on investment is based on guaranteed cash flow resulting from the inclusion of guaranteed minimum fee clauses, in keeping with the concession development policies pursued by the company's management.

### NEW HOSPITAL [Ospedale del Mare] – NAPLES

The project is managed by Partenopea Finanza di Progetto S.p.A. (PFP), the special purpose vehicle in which Astaldi holds a 59.99% stake.

The administration granting the concession is Naples' local health authority (ASL Napoli 1 Centro).

The signed agreement involves the final and executive design, construction and management of related non-healthcare and commercial services of a new, highly specialised, hospital complex in the eastern area of Naples which will make available 450 hospital beds (as well as 50 hospital beds for low care patients) within a total surface area of 145,800 m<sup>2</sup>. The supply of electromedical equipment and furnishings is also included.



The timeframe provided for in 2005 – at the agreement signature date – envisaged a duration of the concession of 345 months, 45 month of which for design and performance of works, with the hospital coming into full operation as from 2010.

The operation was structured on the basis of non-recourse financing of approximately EUR 78 million, with 20/80 financial leverage which entails a contribution of own resources (share capital + loan) of approximately EUR 20 million and total public funding of approximately EUR 108 million (excluding VAT), to be disbursed on the basis of progress of works, against a total investment of approximately EUR 188 million (excluding VAT and financial charges).

For more information regarding the construction activities in progress for this project, please refer to the section of this report dealing with projects related to the civil and industrial construction sector.

### MILAN UNDERGROUND, LINE 5 (Bignami - Stazione Garibaldi - San Siro)

The project is managed by Metro 5 S.p.A., in which Astaldi holds an approximately 24% stake.

The authority granting the concession is the Municipality of Milan.

The original agreement, signed in June 2006, involves the final and executive design, construction and subsequent management of the Bignami – Stazione Garibaldi section of the new Line 5 of the Milan underground which will be driverless, in other words completely automated – driven and controlled by a remote integral automation system with no driver on board. The agreement includes the supply of rolling stock.



As regards this project, it must be remembered that in February 2011, Metro 5 S.p.A. signed a definitive concession agreement with the granting authority, the Municipality of Milan, regarding extension of Line 5 along the Stazione Garibaldi - San Siro section, already awarded on 29 July 2010.

The project on the whole will involve the construction of 6.1 kilometres of line and 9 stations along the Bignami - Stazione Garibaldi section (taking into account the route changes approved in 2007) and of 7 kilometres of line and 10 stations along the Stazione Garibaldi - San Siro extension.



For more information regarding the performance of works related to this project, please refer to the section of this report dealing with transport infrastructures. It is deemed appropriate to provide further information herein regarding the project's financial structure.

**Stazione Garibaldi – Bignami section.** As regards this section, the revenues from the 29 years of management provided for in the agreement shall amount to EUR 724 million (EUR 165 million refers to Astaldi's stake). From a financial viewpoint, the structured operation for this project provides for non-recourse financing of approximately EUR 183 million, with 18/82 financial leverage and consequent contribution of own resources (share capital + loan) of approximately EUR 40 million. Total public funding of approximately EUR 296.6 million excluding VAT (of which EUR 62.6 million from the Municipality and the rest from the state) is envisaged against a total investment of approximately EUR 484 million (excluding VAT and financial charges). Management revenues of approximately EUR 26 million (real value) per year are forecast for the special purpose vehicle.

**Stazione Garibaldi - San Siro section.** The overall investment for this extension is partly funded by the Ministry of Infrastructures using the Infrastructures Fund (CIPE Resolution of 6/11/2009), partly by the Municipality of Milan and partly by private financing. The contract provides for a duration of works approximately 57 months. Once the works have been completed, a management period of 25 years and 7 months is envisaged for the new section, with revenues of EUR 1,300 million (Astaldi has an approximately 24% stake).

Lastly, it must be remembered that, as regards this project, the return on investment is based on guaranteed cash flow resulting from the inclusion of guaranteed minimum fee clauses, in keeping with the concession development policies pursued by the company's management.

## CAR PARKS

All five of the concession projects in which Astaldi Group is currently involved in the mobility and car parks sector were operational at 31 December 2010. Indeed, the management phase for "Piazza della Cittadella" car park in Verona got underway during 2010, details of which shall be provided below.

The total revenues resulting from car park management, which ensure the return on investment made during the relative construction phase, total approximately EUR 6.1 million per year, excluding VAT (as at 31 December 2010), 50% of which refers to Astaldi's stake.

Astaldi has established a partnership with APOCA Group, one of the leading operators at an international level in the car park management sector, for all the projects in progress in this area.

Lastly, it must be remembered that, as regards this project, the return on investment is based on guaranteed cash flow resulting from the inclusion of guaranteed minimum fee clauses, in keeping with the concession development policies pursued by the company's management.

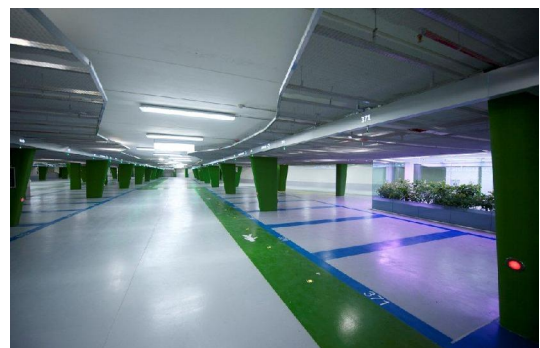
**“Piazza VIII Agosto” car park (Bologna).** The concession, awarded in 1998 to the joint venture in which Astaldi is leader and mandatary, involved the design, construction and subsequent management of a new underground car park in Piazza VIII Agosto in Bologna. The authority granting the concession is the Municipality of Bologna. The car park, constructed by Astaldi, is organised on three underground levels and offers approximately 979 parking spaces and is currently in the management phase. The duration of the concession is 60 years, of which 57 years and 10 months refer to management activities. The project was financed in part by public funding of EUR 9 million, in part by a private loan taken out by Astaldi and in part by revenues from the sale of 279 parking spaces.

**“Riva Reno” car park (Bologna).** The concession, awarded in 2003 to the joint venture in which Astaldi is leader and mandatary, involved the design and construction (completed in February 2009), as well as the subsequent management – currently in progress - of a public underground car park called “Riva Reno” located in the former tobacco production area in Bologna. The authority granting the concession is the Municipality of Bologna. The car park comprises three underground levels offering a total of 543 parking spaces as well as a two-storey service building which acts as the main entrance and three additional areas for pedestrian access. Vehicle access to the three underground levels is provided via a two-way spiral ramp. The operation was financed in full by a private loan taken out by Astaldi, the repayment of which is guaranteed by car park management revenues. Management activities commenced in March 2009. The concession will expire on December 31 2040.

**“Corso Stati Uniti” car park (Turin).** The concession, awarded in 1999 to the joint venture in which Astaldi is leader and mandatary, involved the design and construction, as well as the management – currently in progress – of a new underground car park in Corso Stati Uniti in Turin. The authority granting the concession is the Municipality of Turin. The car park is organised on two underground levels and offers 500 parking spaces. The duration of the concession is 80 years (as from February 1999), of which 77 years and 5 months refer to management activities. The works were completed in July 2001, and the car park became operational as from October 2001 following commissioning. The project was financed in part by public funding of EUR 4.7 million, in part by a private loan taken out by Astaldi and in part by revenues from the sale of 46 parking spaces.

**“Porta Palazzo” car park (Turin).** The concession, awarded in 1996 to the joint venture in which Astaldi is leader and mandatary, involved the design and construction, already completed, as well as the management – currently in progress - of a new underground car park at Porta Palazzo in Turin. The authority granting the concession is the Municipality of Turin. The car park is organised on six levels, two of which are underground and four of which are above ground level, for a total of approximately 850 parking spaces. The duration of the concession is 80 years (as from August 1996), of which 77 years and 8 months refer to management activities. The works were completed in December 1998, and the car park became operational as from January 1999 following commissioning. The project was financed in part by public funding of approximately EUR 6.3 million, in part by a private loan taken out by Astaldi and in part by revenues from the sale of 90 parking spaces.

**“Piazza della Cittadella” car park (Verona).** The concession regarding Piazza della Cittadella car park in Verona, awarded to Astaldi as part of a joint venture, involved the executive design, construction and subsequent management of an underground car park in Piazza della Cittadella with urban upgrading of the area. The authority granting the concession is the Municipality of Verona. The car park, built by Astaldi, was completed and opened to the public in June 2010 with subsequent start-up of management of the complete facility which made available 750 parking spaces distributed over



three underground levels and occupying a total area of 7,500 m<sup>2</sup>. The duration of the concession is 30 years, of which 27 years and 6 months refer to management activities. The project was financed in part by a private loan - taken out by Astaldi Concessioni and counter-guaranteed by Astaldi S.p.A. – repayment of which is guaranteed by revenues from car park management and the sale of 35 parking spaces.

## Foreign activities

Astaldi Group presents itself to the market as a company with a major international focus.

There are continents where Astaldi has operated for more than 50 years, but at the present time, the Group's areas of activity can be organised into 5 macro areas: Europe comprising Italy, Poland, Romania and Bulgaria; Turkey and the Middle East (Saudi Arabia, United Arab Emirates and Qatar); the Maghreb comprising Algeria and Tunisia; Latin America comprising Brazil, Chile, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Panama and Peru; USA.

As the end of 2010, foreign activities accounted for 55% of revenues from works, in other words EUR 1,059 million, EUR 474 of which produced in Europe (excluding Italy), EUR 421 million in America, EUR 23 million in Asia and the remaining EUR 141 million in Africa (the Maghreb). At the same date, foreign projects represented 46% of the Group's total backlog, in other words EUR 4,159 million, mainly referring to projects involving the traditional transport infrastructures sector, but also to projects in the water and renewable energy sectors where the Group has acquired consolidated, wide-ranging expertise. Projects developed in the concessions sector, mainly related to water and renewable energy initiatives, are a more recent, but none the less important addition.

For more information regarding the opportunities offered by individual countries, please refer to the section of this report dealing with background scenarios. Please find below a brief description regarding the foreign market of each country the Group operates in at 31 December 2010.

### EASTERN EUROPE (Poland, Romania, Bulgaria)

Astaldi Group is present in Eastern Europe, exclusively in Poland, Romania and Bulgaria.

Poland represents one of the most recently acquired markets for Astaldi Group. The Group's decision to undertake operations in this country, which is able to offer a largely stable socio-political and legislative framework and interesting opportunities for the infrastructures sector, is to be taken as a sign of Astaldi management's intention to diversify the position achieved in Eastern Europe in the past. At the moment, the Group is active in Poland solely in relation to priority projects (transport infrastructures) in the country's development policies, financed through dedicated EU funds.

As regards Romania, even if strategic diversification in the surrounding areas has been pursued in recent years, this country continues to have an important strategic value for the Group insofar as it is still able to guarantee new commercial opportunities which Astaldi will continue to examine with great interest. Indeed, the local offices have continued to monitor the opportunities on offer in Romania, taking part during the year in various calls for tenders put out by local authorities and striving to achieve, where possible, greater diversification of contracts.

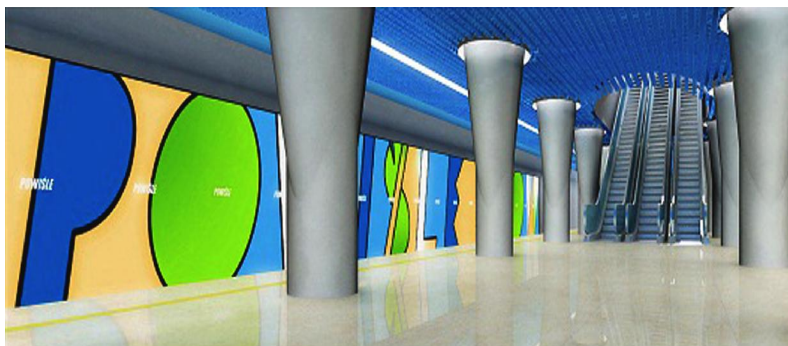
As far as Bulgaria is concerned, at the present time Astaldi Group is involved in a single project in the transport infrastructures sector and does not intend to take into consideration other initiatives to be performed in the country due to the lack of opportunities on offer for the infrastructures sector.



Please find below a description of the main projects acquired and performed during 2010 in each area of interest.

#### POLAND – WARSAW UNDERGROUND, Line 2 (Rondo Daszynskiego - Dworzec Wilenski section)

The project involves the construction of a central section of Line 2 of the Warsaw underground in Poland worth a total of PLN 3.375 billion, equivalent to approximately EUR 800 million (Astaldi has a 45% stake and is the project leader).



The project forms part of the “Infrastructure and Environment” Operating Programme, the most important project planned in Poland in relation to the national development policy funded by the UE, insofar as it forms part of the operating plan for planned investments for the 2007-2013 five-year period – specifically, Line 2 of the Warsaw underground is part of the “Environmental Transport” axis for which investment totalling approximately EUR 8 billion is planned.

The works have been commissioned by the Municipality of Warsaw.

The project involves the design and construction of approximately 6 kilometres of new underground line along the route between Rondo Daszynskiego and Dworzec Wilenski, with 7 stations, 6 sections of twin-bore tunnel for a total of 4.5 kilometres, a single-track tunnel linking to the existing line and 3 buildings for train deposit and maintenance. The route will run mainly underground and also include passage under the River Vistula. 3 TBMs (Tunnel Boring Machine) will be used to dig the tunnel sections.

Design activities related to this project continued during 2010 and excavation of the TBM start shafts is underway. The works are expected to be consigned in 2013.

#### POLAND – NR-8 NATIONAL ROAD (Piotrków Tribunalnski - Rawa Mazowiecka section)

The contract refers to the design and performance of works to upgrade the NR-8 National Road to fast-flowing, dual carriageway standards with regard to the Piotrków Tribunalnski - Rawa Mazowiecka section (approximately 62 kilometres).

This project, the same as Line 2 of the Warsaw underground, forms part of the “Infrastructure and Environment” Operating Programme financed using EU cohesion funds - specifically, the project is part of the “TEN-T road and air transport network” for which investment totalling EUR 8.8 billion is planned.

The contract has a total value of PLN 1.4 billion, equivalent to EUR 350 million (Astaldi has a 40% stake and is project leader) and, specifically, involves the design and upgrading with transformation to fast-flowing, dual carriageway standards of 62 kilometres of the NR-8 National Road, with regard to the section running from Piotrków Tribunalnski to Rawa Mazowiecka. The construction of 14 split-level junctions and 59 large-scale works (overpasses, bridges and viaducts) is also planned.

The works have been commissioned by Poland’s National Roads and Motorways Department and the planned duration of works is 33 months, 12 months of which for design activities.

Design activities were completed during 2010 and earth movement works got underway subsequent to obtainment of all the authorisation and permits needed under Polish law.

#### POLAND - Minsk Mazowiecki RING ROAD

The contract, worth a total of EUR 124 million (Astaldi has a 30% stake), involves the construction of a motorway ring road to the east of Warsaw in Poland.

The project on the whole entails the construction of 20 kilometres of ring road boasting motorway standards along State Road No. 2, for the section between Choszczowka and Ryczolek, as well as a series of works to interconnect the local road network, including 16 viaducts and bridges.

The works have been commissioned by Warsaw's National Roads and Motorways Department.

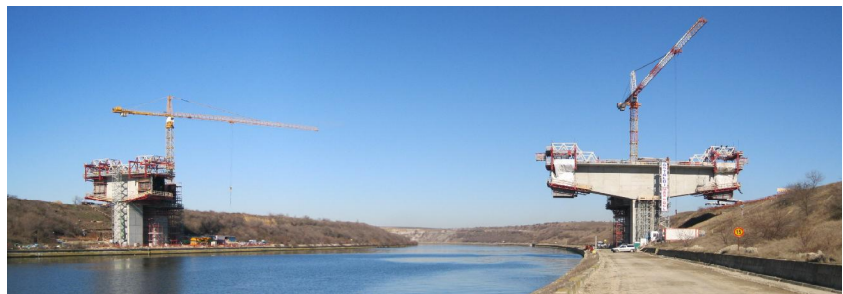
The works were started up in 2009 and have a planned duration of just over 27 months.

### ROMANIA - BUCHAREST – CONSTANTA MOTORWAY (Medgida – Constanta section)

The contract worth a total of EUR 169 million (Astaldi has a 60% stake) involves construction of the Bucharest – Constanta motorway with regard to the section between Medgida and Constanta, in Romania.

The contract entails the design and construction of 32 kilometres of motorway with 4 overpasses, 2 viaducts, 2 bridges and 1 junction.

The works have been commissioned by Romania's National Roads and Motorways Department.



25% of the works are financed by EU cohesion funds and the remaining 75% by a EIB (European Investment Bank) loan.

The works commenced during the first half of 2009, and are expected to be completed by the end of 2011.

During 2010, despite the delays caused by the customer's failure to complete expropriation procedures, production activities were focused on construction of the bridges included along the route. A plan to speed up activities is currently under negotiation as a result of the customer's need to guarantee a connection between the motorway and port prior to Summer 2011.

### ROMANIA - ARAD – ORADEA NATIONAL ROAD

The contract to be performed using the general contracting formula is worth approximately EUR 75 million and involves the design and upgrading of 103 kilometres of the DN-79 National Road, with regard to the section between the cities of Arad and Oradea. The project will entail, inter alia, the upgrading and construction of 13 bridges, 46 culverts and approximately 80 kilometres of drainage system.

The works have been commissioned by Romania's National Roads and Motorways Department. 30% of the works are financed by the Romanian government and the remaining 70% by a EIB (European Investment Bank) loan.

The works were started during the first half of 2009, and are expected to be completed by the end of 2011.

2010 saw, among other things, the demolition and reconstruction of 4 bridges.

## ROMANIA - BUCHAREST – CONSTANTA RAILWAY (Section 2 - Lots 1 and 2, Section 3/4 - Lot 2 )

The project involve the performance, using the general contracting formula, of works to upgrade the Bucharest – Constanta railway, with regard to the section identified as Section 2, Lots 2, 3 and 4.

The works have been commissioned by Romania's State Railways and consist, in brief, in upgrading of the railway platform and complete replacement of ballasts, sleepers and tracks.

The total value of the contract is approximately EUR 180 million.



**Section 2 - Lot 2.** The performance of works related to Lot 2 involves, inter alia, the upgrading of an existing railway viaduct measuring approximately 340 linear metres (Mostistea Bridge) and the construction of a new railway viaduct measuring 235 linear metres (Saluresti Bridge) along the Fundulea – Lehliu route. As regards this lot, works to upgrade Mostistea Bridge were largely completed during 2010 and, following the resolution of some contractual problems, piling and most of the foundations for Saluresti Bridge were completed. The works are expected to be completed by the end of 2011.

**Section 2 - Lot 2.** The performance of works related to Lot 2 involves, inter alia, the upgrading of approximately 28 kilometres of the Bucharest – Constanta railway line with regard to the section between Fundulea and Lehliu stations. The aim of the project is to increase the technical travelling speed of passenger trains from the current 120 km/h to 160 km/h, with a maximum speed of 200 km/h. The works are expected to be completed by the end of 2011.

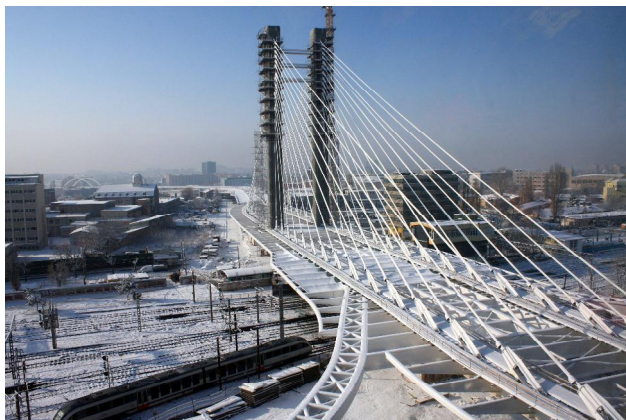
**Section 3/4 - Lot 2.** The works related to this lot consist in upgrading of approximately 78 kilometres of the Bucharest – Constanta railway line with regard to the section between Lehliu and Fetesti stations. The aim of the project is to increase the technical travelling speed of passenger trains to 160 km/h, with a maximum speed of 200 km/h. Some delays in production were recorded during 2010 as a result of extremely harsh weather conditions during the first half of the year, as well as problems regarding the supply of ballasts which can be attributed to the customer and which have now been resolved. The works are expected to be completed by the end of 2011.

## ROMANIA - BASARAB OVERPASS PROJECT

The Basarab Overpass project, performed by Astaldi as part of a joint venture (Astaldi has a 50% stake and is the project leader), involves the design and construction in Bucharest of an urban viaduct with motorway features measuring approximately 2 kilometres in length, on which tram lines also have to be installed.

The works have been commissioned by the Municipality of Bucharest.

The works also involves the construction of a cable stayed bridge measuring approximately 300 metres in length and with a maximum height of 80 metres, and an arched concrete and steel bridge measuring 120 metres in length, as well as approximately 2 kilometres of road and tram viaducts and an intermodal station (tram, underground, road network).





Works went ahead as planned during 2010 and basically consisted in the performance of road works (80% of which have been completed) and completion of assembly of the metal structure and cables of the cable stayed bridge.

The value of this project at 31 December 2010 amounted to approximately EUR 170 million, including variations approved during works in progress, with consignment of the project scheduled by the end of 2011.

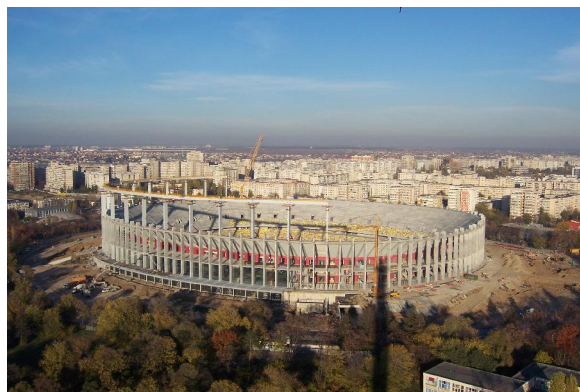
### ROMANIA - "LIA MANOLIU" NATIONAL STADIUM (Bucharest)

The contract related to the "Lia Manoliu" national stadium involves demolition of the existing national stadium as well as the design and on-site construction of a new, modern sports facility.

The project's contractual value amounts to approximately EUR 140 million, 40% of which refers to Astaldi's stake.

The works have been commissioned by the Municipality of Bucharest.

The new stadium will have an arena-type layout with 58,000 covered seats and will meet all current UEFA requisites (qualified as Category 1 for concurrence and compliance with international regulations).



Virtually all of the arena structure was completed during 2010, works related to the installation of internal plants and finishings are at an advanced stage, and assembly of the mobile roof's steel girders got underway. The works are expected to be completed by mid 2011.

The contract value at the end of 2010, including the addendum approved while works were being carried out, amounts to approximately EUR 165 million.

### ROMANIA - ARAD – TIMISOARA MOTORWAY

The contract, worth EUR 138 million (in which Astaldi has a 50% stake), involves the construction of 31.5 kilometres of motorway in the western part of Romania with 4 lanes in each direction, 2 hard shoulders, one junction and 16 bridges.

The works will be performed by a joint venture involving Astaldi and the Spanish firm FCC Construcción S.A. (Astaldi holds a 50% stake).

The project has been commissioned by Romania's National Motorway and National Roads Company.

Works were commenced during the first part of 2009 and, despite the difficulties encountered as a result of failed expropriation procedures and project shortcomings that cannot be attributed to Astaldi, activities went ahead at a regular pace during the whole of 2010. The planned duration of works is 36 months.

### ROMANIA – CONSTANTA RING ROAD

The project involves the design and construction of the motorway link between the future A-2 motorway from Bucharest and the maritime port of Constanta on the Black Sea, as well as the DN-2 state road towards the Ukrainian border to the north and the Bulgarian border to the south.

The contract, awarded to Astaldi in 2008 as part of a joint venture with the Spanish company, FCC Construcción S.A., is worth EUR 120 million (Astaldi has a 50% stake).

The project forms part of the European plan to develop a sea-road transport infrastructure network to link Europe with Asia and, as a whole, will entail the construction of 22 kilometres of motorway to link the A2 to the city of Ovidiu and to Gate No. 9 of the maritime port of Constanta (Agigia), 5 junctions and 21 overpasses and bridges. The motorway will have 4 lanes for a total width of 26 metres, including 2 hard shoulders.

The project has been commissioned by Romania's National Motorway and National Roads Company.

The works, started up during the first half of 2009, continued during 2010. The planned duration of works is 36 month, but the definition of a plan to speed up activities is currently under negotiation with the customer given the country's need to guarantee a link between the motorway network and the sea.

### ROMANIA - "HENRI COANDA" INTERNATIONAL AIRPORT - BUCHAREST (Phase 3)

The initiative refers to the performance, using the general contracting formula, of a third phase of the project to develop and modernise "Henri Coanda" International Airport (formerly Otopeni) in Bucharest.

The works have been commissioned by C.N.A.I.H.B. (*Compania Nationala Aeroportul Internationale Henri Coanda Bucuresti*), in the name and on behalf of Romania's Ministry of Transport.

Astaldi, which has already successfully completed the first two phases of this project, will perform the civil works and plants aimed, inter alia, at extending the passenger arrivals and departures terminals, reorganising passenger traffic and building a new ground level car park.



Construction works went ahead during 2010 and almost all of the works were completed.

The contractual value of the project, including the addenda approved during works in progress, amounts to EUR 150 million.

### BULGARIA - PLOVDIV – SVILENGRAD RAILWAY

The project involves the design and construction of a new railway line along the Plovdiv – Svilengrad section.

The works have been commissioned by Bulgaria's Ministry of Transport which, through this project, aims to improve the quality of the national railway system by integrating it with the European system – indeed the new stretch forms part of the Trans-European Corridor 4.

As regards this project, it must be noted that a review of the contractual amounts related to the project was agreed upon with the customer during 2010. This was basically due to some technical-economic problems encountered by the customer while works were being carried out – loss of some financial backing by supranational organisations and problems encountered while performing expropriation procedures and obtaining environmental authorisation and permits. The effects of said review were included in the value of the order backlog at 31 December 2010.

The contract currently in progress provides for the electrification and reconstruction of 32 kilometres of existing railway to link the municipalities of Parvomai and Dimitrograd.

As regards this section, earth movement works continued during 2010 as well as installation of superstructure from 209+400 km to 230+500 km and laying of the new track between Parvomai and 216+800 km. Hydraulic works (culverts, siphons and railway bridges) were carried out at the same time, and work commenced to construct 4 overpasses. The last part of the year also saw the start of activities to construct two railway stations and two stops.

78% of works (taking into account the new contractual values) had been completed at 31 December 2010.

## TURKEY

Astaldi has been operating in Turkey for over 20 years and was involved in construction of a major stretch of the Anatolian Motorway, one of the best examples of what the Group is able to achieve in the area of motorway transport infrastructures.

The Group continued to consolidate its position on the local market during 2010, and is involved to date in the performance of important projects in the transport infrastructures sectors, in economic terms and as regards technological content, which will be described in detail below.

At the same time, it also achieved significant commercial success (still to be included in accounts) as regards concessions with awarding of the concession for the Gebze – Izmir motorway, for which formalization of the relative funding using the project finance formula is pending. For more details regarding this project, please refer to the section of this report dealing with the order backlog. While please find below information regarding the characteristics and technical specifications of the projects currently in progress in Turkey.

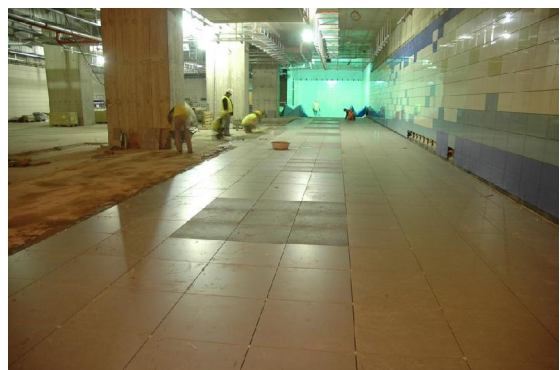
### ISTANBUL UNDERGROUND (Kadiköy - Kartal – Kaynarka section)

The project refers to construction of a new section of the Istanbul underground using the general contracting formula.

Astaldi, in its capacity as leader of a joint venture, was awarded the relative contract with an initial value of EUR 751 million (in which Astaldi has a 42% stake).

The contract involves construction of a double-track line which will run through a tunnel approximately 21 kilometres long with 16 stations, and includes the supply of electromechanical and signalling systems in addition to civil works.

The new line as a whole will run across Istanbul's Anatolian shore and the transportation of 70,000 passengers per hour in each direction is envisaged, with an operating speed of 80 km/h.



This contract was subject to a contract extension in 2009 related to extension of the new line in the direction of Pendik as far as Kaynarka station – for an additional 4.8 kilometres of tunnel to be dug.

The planned duration of works is 3 years and works were started up during 2008.

This project recorded extremely good progress during 2010. The excavation of tunnel for the first stretch was virtually completed (94% of excavation of natural tunnel and 100% of excavation using TBM has been performed), and design activities for the line extension were started up.

The project's total value at 31 December 2010, including the extension and variations approved during works in progress, amounts to EUR 901 million (Astaldi has a 42% stake).



## ISTANBUL – GOLDEN HORN BRIDGE (Halic Bridge)

The project refers to the contract to construct the Golden Horn Bridge, also known as Halic Bridge, worth a total EUR 147 million (Astaldi has a 51% stake).

Halic Bridge will run across the inlet on the European side of the Bosphorus, known as the Golden Horn, linking Topkapi to Galata. The route will measure approximately one kilometre and will allow the new Unkapanı-Yenikapı line of the Istanbul underground to run along it.



The new structure will also involve construction of a steel cable bridge measuring 387 metres in length, as well as a 120-metre swing bridge which will open to allow boats to pass through.

The works have been commissioned by the Municipality of Istanbul. Astaldi's local partner in performing the works is Gülermak, one of the companies Astaldi is already working with to construct the Istanbul underground.

Works commenced during 2009 and archaeological investigations and design activities are currently being carried out, also in light of the variations requested by the customer. Laying of the bridge's foundations has also been started up.

## MILAS-BODRUM AIRPORT

The project consists in an EPC contract for construction of the international terminal of Milas-Bodrum airport in Turkey. The works will involve a surface area measuring 100,000 m<sup>2</sup> which is expected to witness the transit of at least 1,000,000 passengers per year.

As regards this project, which is scheduled for completion in 2011, additional commercial developments are expected hence please refer to the section of this report dealing with the foreseeable trend of operations.

The value of Astaldi's stake in this project at 31 December 2010 amounted to EUR 96 million.

## THE MAGHREB

Astaldi Group is a firmly-established player in Algeria, and at the present time is involved in a single project in Tunisia.

Considering the unrest witnessed in this area at the start of 2011 – which mainly concerns Tunisia, Egypt and Libya – it is deemed important to note that, at the draft date of this report, the activities in progress in this area are not being affected by the difficult socio-political situation currently being experienced in the Maghreb.

It is also considered important to note that the initiative in progress in Tunisia refers to a single project in the motorway sector, of a low contractual value, developed together with a local partner and for which the Group's operating presence is not required, but only sharing of its managerial skills and know-how.

Lastly, it must be remembered that all the activities needed to complete projects in progress were gradually carried out during 2010 given that the country is no longer looked on as of interest in Astaldi Group's commercial development policies due to the lack of resources and opportunities on offer for the infrastructures sector.

Please find below a description of the main works in progress in Algeria at 31 December 2010.

## ALGERIA – SAIDA – TIARET RAILWAY

The contract, awarded to Astaldi as part of joint venture at the end of 2010, involves the design and construction of a new railway line from Saida to Tiaret in Algeria, worth EUR 417 million (Astaldi has a 60% stake).

The works have been commissioned by Algeria's Ministry of Transport through the *Agence Nationale d'Etude et du Suivi de la Réalisation des Investissements Ferroviaires* (ANESRIF).

The contract involves the executive design and construction of 153 kilometres of single-track railway line which will feature 41 railway bridges and viaducts, 35 road overpasses as well as 4 main stations (2 of which will be passenger stations while the other 2 will serve as a freight village and maintenance depot) and 9 interchange stations.

The route, which will run along the “*Rocade des Hauts Plateaux*” to link up with the Bechar - Mecheria – Oran line, is the natural continuation of the railway line linking Saida and Moulay-Slissen which is already under construction by Astaldi.

The start-up of works for this new project is scheduled for the first part of 2011, with a total duration of 36 months.

## ALGERIA – SAIDA - MOULAY SLISSEN RAILWAY

The project refers to construction of a section of railway linking Saida and Moulay Slissen, which measures approximately 120 kilometres. The project forms part of Algeria's plan to create an integrated infrastructure network comprising road and rail transport. Specifically, this initiative forms part of the “*Rocade des Hauts Plateaux*”, which stretches from East to West in the northern part of the high ground.

The works have been commissioned by ANESRIF (*Agence Nationale d'Etudes et Suivi de la Réalisation d'Investissements Ferroviaires*), in the name and on behalf of Algeria's Ministry of Transport.



The project consists in the design and construction of a new single-track railway line, not electrified but able to include a second track. The route stretches over 120 kilometres and includes bridges, viaducts, overpasses, underpasses and 4 stations. The contract also provides for the installation of signalling, telecommunications and energy systems.

Works got underway during the third quarter of 2008, with a total duration of 46 months.

As regards this project, activities went ahead better than planned during 2010 and mainly concerned earth movement works and activities related to the construction of viaducts.

Approximately 20% of works had been performed at 31 December 2010.

## ALGERIA - MECHERIA - REDJEM DEMOUCHE RAILWAY

The contract, awarded by SNTF, Algeria's national railway company and subsequently handed over to ANESRIF, entails design and construction of the new Mecheria - Redjem Demouche railway line.

The construction of this railway line forms part of the project to create a railway corridor between the coastal cities of Oran and Bechar in the south-west of Algeria. The stretch of railway will run for approximately 140 kilometres, connecting the two cities of Mecheria and Redjem Demouche, located in the south-west of the country. The new line will be mainly used to transport freight and will guarantee a maximum operating speed of 160 km/h.

Construction activities continued during 2010 and mainly concerned railway works and activities related to the signalling and telecommunications systems.



From a contractual viewpoint, a series of variations were agreed on during the year which provide for new quantities and consequent reformulation of consignment timeframes.

As regards this project, activities have virtually been completed. Activities related to installation of the signalling system still have to be completed.

## ALGERIA –HAMMA AQUEDUCT

The project, completed during 2010, involved the construction of 4 lots of an aqueduct inside the city of Algiers, starting with a desalination unit.

The project, of primary importance with regard to the water supply project for the city of Algiers, consisted in the performance of four different lots (A, B, C and D) and initially involved the executive design and construction of a supply system from the Hamma desalination unit to three reservoirs (of which two already existed (Telemly and Garidi) and one had to be built (Kouba)) and relative connection to the existing drinking water network. The impossibility of using a proposed layout for Lot D, as provided for in the preliminary design, entailed substantial changes to the definition of said lot. Therefore the works related to the new Lot D formed the purpose of specific contractual addendum which led to the construction of a new reservoir, called HARCHA, which supplies Lot D instead of the Telemly reservoir.

## MIDDLE EAST (Qatar, Saudi Arabia, United Arab Emirates)

The Middle East (which for Astaldi means Qatar, Saudi Arabia and the United Arab Emirates) represents a recently-acquired area, but one where Astaldi has already succeeded in acquiring a certain expertise thanks to partnerships established and consolidated with the leading EPC contractors operating at an international level in the oil&gas sector (industrial plant design applied to the raw material extraction sector). While the new projects in the high-speed railway sector (Jeddah and KAEC HS stations in Saudi Arabia) are more recent acquisitions.

All Astaldi Group's activities within the Middle East are developed by Astaldi Arabia Ltd. which is owned entirely by Astaldi S.p.A. Please refer to the section of this report dealing with said company for more information regarding activities performed in this area.

## VENEZUELA

Astaldi has operated for over 30 years in Venezuela where it has already worked on important projects, especially in the railway transport infrastructure sector.

Astaldi currently plays a key role in the "*Plan de Desarrollo Nacional*" approved by the local government – a project to improve all of the local railway network which is based on the creation of 5 main axes which, by running across the country from top to bottom and side to side, aim to generate the conditions needed to promote economic growth. Specifically, it is currently involved in constructing three new railway lines under the aegis of an intergovernmental agreement between Italy and Venezuela aimed at promoting economic and industrial cooperation between the two countries. As regards these three projects – which all together aim to provide the central-southern areas of Venezuela with a suitable transport system to promote and support economic development projects drawn up at a national level – Astaldi Group is involved in all three as part of a permanent group of Italian companies in which the individual shareholders each have a 33.3% stake. Within said group, the projects are developed in accordance with a system of splitting activities which sees each member being allocated a section corresponding to one third of the whole project. Therefore, each company is totally responsible for the section allocated, which it develops in accordance with its own managerial and operating models, therefore guaranteeing splitting of the project into independent yet adjoining sections.

As regards these projects, it is important to note that even given the planned slowdown in activities in Venezuela – aimed at keeping Latin America's contribution to total production under the limits set on the basis of risk management policies defined at a Group level – construction activities related to projects in progress continued during 2010. Moreover, in the run-up to the next election dates, scheduled for the end of 2012, the initiatives Astaldi is currently involved in undoubtedly represent projects for which the government is showing a major commitment..

Lastly, it must be recalled that, in order to comply with the criterion adopted by Astaldi as regards inclusion in the order backlog – reserved solely for contracts that have been secured and fully financed -, the projects in progress, just as the additional developments expected in relation to the aforementioned intergovernmental agreement, are not included in full in the Group's order backlog insofar as they are included in the backlog on a tranche, pro quota and annual basis, against inclusion of the stipulated contracts in the state's budget. Said procedure which has been adopted for several years with regard to this country, and the procedures adopted at a global level to monitor and manage the country-risk associated to each foreign area the Group operates in, have allowed Astaldi to tackle the devaluation of the Bolivar seen at the start of 2010 with great calm.

Please find below details of the individual projects currently in progress in Venezuela.

### PUERTO CABELLO - LA ENCRUCIJADA RAILWAY LINE

The contract involves the construction of a double-track railway line running along the Puerto Cabello - La Encrucijada stretch for approximately 108 kilometres, with 33 km of tunnels, 21 km of viaducts and 10 stations.

Consorcio Grupo Contuy-Proyectos y Obras de Ferrocarriles, in which Astaldi holds a 33.33% stake, is responsible for construction of the line.

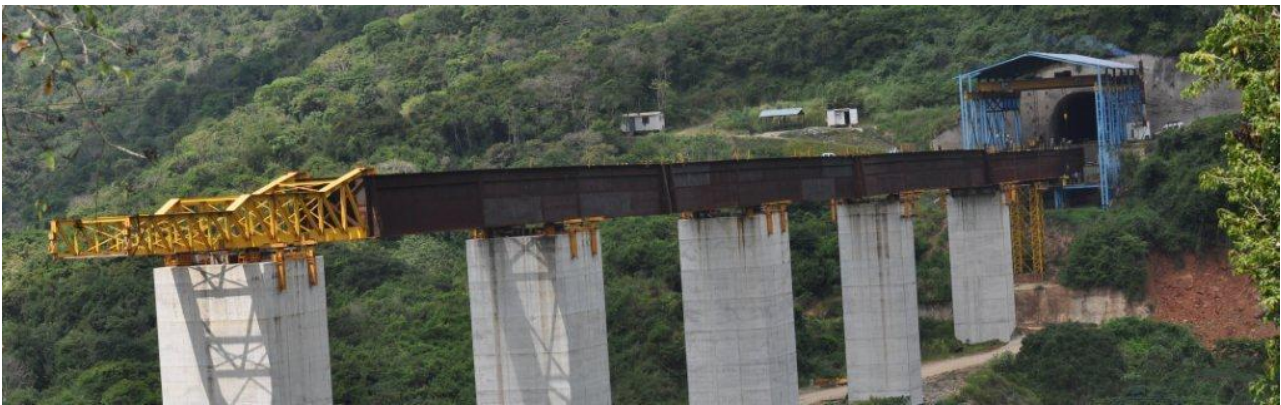


The total value of the contract amounts to approximately EUR 3,000 million (including “Option 10” signed in 2006, which entails the construction of stations and freight villages), one third of which refers to Astaldi’s stake.

The works have been commissioned by I.F.E (*Instituto de Ferrocarriles del Estado*), the independent organisation responsible for managing Venezuela’s railway transport infrastructures.

The works for which Astaldi is responsible, started during 2002, are split into two lots, one situated in the mountains and one in the plains.

Despite the planned slowdown in activities, works related to this project continued to go ahead during 2010, generating an extremely positive trend. Specifically, lining of the tunnels (100% of which have been dug) was performed along with construction of the viaducts contained in the plain lot (60% of works have been completed in total).



## SAN JUAN DE LOS MORROS - SAN FERNANDO DE APURE AND CHAGUARAMAS – CABRUTA RAILWAYS

The contracts for the two projects in question - resulting from the Italo-Venezuelan intergovernmental agreements of 2005 aimed at ensuring cooperation between the two countries as mentioned above - were signed in June 2006.

The two projects involve the construction of a total of 452 km of new railway lines, of which 15 km of tunnels and 12 km of bridges and viaducts, and include design and installation of the railway superstructure, 13 stations, 3 freight villages and a maintenance workshop.

The works have been commissioned by I.F.E (*Instituto de Ferrocarriles del Estado*), the independent organisation responsible for managing Venezuela’s railway transport infrastructures.

**San Juan de Los Morros - San Fernando de Apure railway.** The contract provides for construction of a new railway line running along a route measuring approximately 252 kilometres, with 17 kilometres of tunnels and 6.3 kilometres of viaducts, 7 stations and 3 maintenance areas. The contractual value of the works amounts to EUR 1,218 million, a third of which corresponds to Astaldi’s stake. Tunnel excavation works related to this project continued during 2010, with 16% of total activities completed and a good overall result achieved.

**Chaguaramas – Cabruta railway.** The new railway line runs for 201 kilometres and includes 6 stations and a maintenance area. The contractual value of the works amounts to EUR 573 million, a third of which corresponds to Astaldi’s stake. It is important to note that the area involved in the project is characterised by logistic difficulties (distance from residential areas) and technical difficulties (performance of works in areas subject to flooding). Despite this, the project trend achieved during 2010 was decent with 20% of works completed.

## CHILE

Astaldi's activities in Chile respond to the Group's need and desire to diversify its operations in Latin America and to offset the planned slowdown of activities in Venezuela.

Indeed, the country represents an opportunity for geographical and sector diversification thanks to the socio-political and economic stability it is able to offer along the validity of its legislative framework, and to the important opportunities to be offered in the concessions sector, especially in relation to renewable energy.

Astaldi has established a profitable partnership with Pacific Hydro – a leading Australian group in the renewable energy sector, holder of the concession to develop water in the Alto Cachapoal valley in Chile. Pacific Hydro is currently involved in developing four more hydroelectric projects in the same valley, worth a total of USD 1 billion, which will result in the performance of 4 EPC contracts to construct new hydroelectric plants. Therefore, it is felt that said partnership may generate interesting synergies in the future, with regard to the concessions sector, but also with regard to the construction sector.

Please find below a brief summary of the projects in progress in Chile at 31 December 2010.

### CHACAYES HYDROELECTRIC PLANT

The project, secured in 2008, represented the first step taken by Astaldi Group to consolidate the strategic partnership subsequently established in the renewable energy sector with the Australian group, Pacific Hydro.

The works have been commissioned by Pacific Hydro, one of the most important operators worldwide in the energy production plant and renewable energy sector.

The project involves performance of the EPC contract to construct one of the biggest hydroelectric plants in Chile - two intake plants (Chacayes and Cipreses), a water supply system comprising channels (7 kilometres) and tunnels dug using traditional methods (3.5 kilometres) and (2.5 kilometres), a regulating reservoir of approximately 200,000 m<sup>3</sup>, a clearing and reserve basin of 800,000 m<sup>3</sup>, a surface-level plant with 2 55MW turbines. The contract also includes the supply, assembly and commissioning of electromechanical components (turbines, generators and flood gates).



Performance of the works has been awarded to the EPC Contractor Astaldi-Fe Grande, in which Astaldi holds a 95% stake.

Once completed, the Chacayes hydroelectric plant will have an installed power of 111MW and will produce approximately 557Gwh/anno. The plant is located in the Alto Cachapoal valley, at a distance of 20 kilometres from Rancagua and 200 kilometres from Santiago del Chile.

The planned duration of works is approximately 26 months, with works started up during the first half of 2009. Therefore the works are scheduled to be completed by the end of 2011.

As regards this project, an overall positive trend was recorded in 2010, with completion of tunnel excavation activities using both the traditional method and TBM and over 90% of construction of the channels and intake plants was completed. 80% of total construction activities were completed.

The contractual value of this project amounts to USD 282 million (Astaldi as a 95% stake) at tender exchange rates.



## PACIFIC HYDRO CHACAYES S.A.

Pacific Hydro Chacayes S.A. is the SPV (Special Purpose Vehicle) holding the concession for the private project performed using the project finance formula for the design and subsequent management of the Chacayes hydroelectric plant in Alto Cachapoal valley in Chile.

In 2009, Astaldi acquired a 27.3% stake in the SPV from the Australian group, Pacific Hydro which already held the concession in question.

Said stake makes Astaldi a partner in the project finance initiative with an investment value of approximately USD 450 million for management of the Chacayes hydroelectric plant currently being built by Astaldi, as detailed above.



The new plant will have an installed capacity of 111MW and will produce approximately 557 GWh per year.

The planned investment is approximately USD 463 million (excluding VAT) and is financed through a non-recourse bank loan of USD 200 million (subscribed with Calyon, Société Generale, WestLB and DnB), with 45/55 financial leverage which entails a contribution of own resources (equity + contingent equity) of approximately USD 263 million. As regards the share of own resources to be contributed, Astaldi set up an SPV regulated by Chilean law in which SIMEST (Società Italiana per le Imprese all'Estero) subscribed 40% of the relative share capital.

The plant is scheduled to be put into operation by the start of the last quarter of 2011. The SPV holding the concession will start up the management phase in the capacity of owner of the unlimited rights related to relative use of the water. It is already planned, through a long-term sales agreement, that 60% of the energy produced shall be sold on the Chilean energy market while the remaining 40% shall be allocated to the spot market.

For more information regarding progress related to construction activities, please refer to previous section dealing with the relative EPC contract.

While from a financial viewpoint, it must be noted that payment by shareholders of equity and semi-equity was completed during 2010 and the first three debts were drawn for a total of USD 150 million, closing all the conditions precedent with banks provided for in the loan contract.

## BOLIVIA

Works related to the Quimone – San José road project in Bolivia were completed during the year and final consignment of the works carried out is pending. At the draft date of this report, site dismantling activities are being completed.

It must also be noted that at the draft date of this report, the company does not consider the promotion of new commercial projects in this area to be of interest given the lack of opportunities related to the infrastructures sector.

## PERU

Astaldi's activities in Peru, just as in Chile, respond to the Group's need and desire to diversify its operations in Latin America, offsetting the planned slowdown of activities in Venezuela. At the present moment, the Group is involved in a single project only in Peru, details of which are provided below.

### HUANZA HYDROELECTRIC PROJECT

The contract, worth an equivalent of USD 116 million (Astaldi has a 60% stake and is the project leader), involves the performance of civil works related to Huanza hydroelectric plant in Peru.

The project consists in the construction of a hydroelectric plant with a nominal power of 90MW, making use of the water provided by the Rio Pallca. Construction of this plant will involve, inter alia, the construction of a 34,000 m<sup>3</sup> barrier in RCC (roller-compacted concrete), a 10-kilometre tunnel, a penstock, a hydroelectric plant and a switchyard.

The works have been commissioned by Minera Buenaventura, one of the leading mining operators in Peru.

The project was acquired during 2009 and, site installation activities were started up during the same year. The works are expected to be completed within 29 months.

## COSTA RICA

Installation of the electromechanical works and completion of the Pirris hydroelectric plant, built by Astaldi, are currently underway in Costa Rica. At the draft date of this report, dismantling of the site's industrial plants had almost been completed.

## EL SALVADOR

The projects developed in El Salvador are mainly related to the energy production plant and healthcare construction sectors.

Activities related to construction of the two hospital complexes (Ilopango Hospital and San Miguel Hospital) were completed during 2010, and the contract to construct Nuevo Eden Bridge and its twin Nombre de Jesus Bridge (smaller in size than Nuevo Eden) was secured. As regards this project, the worksite was officially opened in 2010, and the ceremony was attended by the El Salvador's President. The works are scheduled to be completed by the first half of 2012.

Please refer to the section below for details regarding the project involving the El Chaparral hydroelectric plant.

### EL CHAPARRAL HYDROELECTRIC PLANT

The contract, awarded to Astaldi Group in 2008, has a contractual value of USD 220 million (equivalent to EUR 160 million at tender exchange rates) and involves construction of the El Chaparral hydroelectric plant in El Salvador.

The contract consists in the design and construction of a new hydroelectric plant in RCC (roller-compacted concrete) with an installed power of 66MW, as well as construction of a substation. The plant is located in the north-east of the

country, in the low part of the hydrographic basin of the River Tarola (in the municipalities of San Luis La Reina and Carolina) which stretches as far as the municipality of San Antonio del Masco in San Miguel Department. The contract also involves the final design of civil and electromechanical works and operational testing of the plant.

The works have been commissioned by CEL (Rio Lempa Hydroelectric Executive Commission), El Salvador's electricity company. The project is financed by the BCIE (Central American Bank for Economic Integration) and by the local government.

Works were started up during the last quarter of 2008, with a total duration of 50 months. The works are scheduled to be completed by February 2012.

Geological problems related to this project were encountered during 2010 which resulted in a partial delay in activities. The delay, which affected only a part of the works in progress, did not make it impossible to perform construction activities, but created the conditions for re-definition of some project aspects, currently under assessment by the customer.

## HONDURAS

Honduras witnessed gradual resolution of the political crisis during the year with the election of a new President. This lends the country greater stability, and 2011 is expected to see consolidation of international acknowledgement of the new government in office, as well as the arrival of important funding for the infrastructures sector which could generate new, interesting opportunities.

The activities carried out in Honduras during 2010 mainly concerned the completion of works related to construction of the basic infrastructures for the Bahía de Tela project (concluded during the year) and road projects with a low contractual value. Works connected to the La Barca – Pimenta Road still have to be completed, and the project which was started up in November 2010 is expected to be completed by June 2011.

Commercial activities aimed at acquiring new projects, mainly in the transport infrastructures sector, also went ahead.

## NICARAGUA

As regards Nicaragua, the activities developed during the year mainly concerned the “*Carretera Empalme de Lóvago - Empalme Pajaro Negro*” road project. The contract, worth EUR 18 million, involves upgrading of two lots of the Empalme de Lóvago - Empalme Pajaro Negro road. The first lot (Tramo I.1) refers to the 30-kilometre section between Empalme de Lóvago and Puente Niscala, while the second lot (Tramo I.2) refers to the following 31-kilometre stretch linking Puente Niscala to Empalme Pajaro Negro. The works have been commissioned by Nicaragua's Ministry of Transport and Infrastructures and funding by the BID (Inter-American Development Bank) is expected to perform the project.

As regards commercial projects carried out in the area, it is important to note that Astaldi Group, as part of a consortium with a Brazilian company, is currently negotiating the acquisition of a major hydroelectric project (253MW of installed power) as part of a larger project finance initiative currently being finalised by a group of Brazilian companies.

## UNITED STATES OF AMERICA

All Astaldi Group's activities within the United States are performed by Astaldi Construction Corp., a company subject to US law and owned entirely, both directly and indirectly, by Astaldi S.p.A.

Therefore, please refer to the section of this report dealing with the above company for more information regarding activities performed in the United States.

## The main Group companies

### Astaldi S.p.A. (Parent company)

#### ECONOMIC PERFORMANCE

<i>EUR/000</i>	Note	31/12/10		31/12/09	
Revenues	1	1,551,075	92.6%	1,449,025	95.4%
Other operating revenues	2	124,325	7.4%	69,494	4.6%
<b>Total revenues</b>		<b>1,675,400</b>	<b>100.0%</b>	<b>1,518,519</b>	<b>100.0%</b>
Cost of production	3 – 4	(1,309,549)	-78.2%	(1,180,641)	-77.7%
<b>Added value</b>		<b>365,851</b>	<b>21.8%</b>	<b>337,878</b>	<b>22.3%</b>
Personnel costs	5	(154,543)	-9.2%	(168,506)	-11.1%
Other operating costs	7	(19,432)	-1.2%	(23,926)	-1.6%
<b>EBITDA</b>		<b>191,876</b>	<b>11.5%</b>	<b>145,446</b>	<b>9.6%</b>
Amortisation and depreciation	6	(36,435)	-2.2%	(35,235)	-2.3%
Provisions	7	(744)	0.0%	(3,120)	-0.2%
<b>EBIT</b>		<b>154,697</b>	<b>9.2%</b>	<b>107,091</b>	<b>7.1%</b>
Net financial income and charges	8 – 9	(81,182)	-4.8%	(5,407)	-0.4%
<b>Pre-tax profit (loss)</b>		<b>73,516</b>	<b>4.4%</b>	<b>101,684</b>	<b>6.7%</b>
Taxes	10	(26,624)	-1.6%	(28,429)	-1.9%
<b>Profit (loss) for the year</b>		<b>46,891</b>	<b>2.8%</b>	<b>73,255</b>	<b>4.8%</b>
<b>Group net profit</b>		<b>46,891</b>	<b>2.8%</b>	<b>73,255</b>	<b>4.8%</b>

The parent company, Astaldi S.p.A.'s income statement shows an improvement in the top line values thus reflecting the good performance recorded, especially as regards activities in progress in Italy, with direct consequences on the interim margins up to the operating level.

In absolute and relative terms, 2010 witnesses a significant improvement in both EBITDA and EBIT (respectively up by 31.9% to EUR 191.2 million and up by 44.5% to EUR 154.7 million).



While the pre-tax result was affected by the item regarding write-down of equity investments and by the negative consequences, as already mentioned, of the activities carried out by Astaldi Arabia Ltd. For more information, please refer to the Notes to the 2010 Financial Statements.

## REVENUES

**Astaldi S.p.A.'s revenues at the end of 2010 amounted to EUR 1,551.1 million**, showing a 7% increase compared to EUR 1,449 million at the end of 2009, thanks above all to the contribution from the domestic and European areas. Said results were achieved thanks to the positive trend recorded in relation to the project to construct Line C of the Rome underground and maxi lot DG21 of the Jonica State Road, the complete start-up of activities related to maxi lot DG22 of said Jonica State Road and, as regards foreign activities, the better than expected start-up of works on the Warsaw underground in Poland and the positive trend of Otopeni Airport in Bucharest and other motorway projects in Romania as well as the Istanbul underground in Turkey.

From a geographical viewpoint, Italy accounted for 49.1% of revenues, while as regards foreign activities (50.9% of revenues), the European area's contribution stands out, more than offsetting the planned slowdown of activities in America. All of this goes to prove the validity of Astaldi's geographical mix which makes it possible to deal with possible organisational or currency problems (such as, for example, the devaluation of the Bolivar fuerte in January 2010). In percentage terms, the contribution from the Maghreb (Africa) remains unvaried even though there was an increase of approximately 15% in absolute terms.

Transport infrastructures continue to be the company's reference sector, accounting for 87.9% of revenues (86.8% in 2009), followed by energy production plants with 7.1% (7.4% in 2009) and civil and industrial construction with 5% (5.8% in 2009).

### *Breakdown of operating revenues according to geographical area and sector*

<b>Breakdown of operating revenues according to geographical area</b> (EUR/000,000)	<b>31-Dec-10</b>	<b>%</b>	<b>31-Dec-09</b>	<b>%</b>
<b>Italy</b>	<b>762</b>	<b>49.1%</b>	<b>683</b>	<b>47.1%</b>
<b>Abroad</b>	<b>789</b>	<b>50.9%</b>	<b>766</b>	<b>52.9%</b>
Europe	399	25.8%	233	16.1%
America	253	16.3%	414	28.6%
Africa (The Maghreb)	137	8.8%	119	8.2%
<b>Total</b>	<b>1,551</b>	<b>100.0%</b>	<b>1,449</b>	<b>100.0%</b>

<b>Breakdown of operating revenues according to sector</b> (EUR/000,000)	<b>31-Dec-10</b>	<b>%</b>	<b>31-Dec-09</b>	<b>%</b>
Transport infrastructures	1,363	87.9%	1,257	86.8%
Hydraulic works and energy production plants	110	7.1%	107	7.4%
Civil and industrial construction	78	5.0%	84	5.8%
<b>Total</b>	<b>1,551</b>	<b>100.0%</b>	<b>1,449</b>	<b>100.0%</b>

Other revenues amounted to EUR 124.3 million, showing a marked increase of 79%. The increase in the item in question – which basically refers to activities that are complementary to the company's core business and of a lasting nature – can be attributed to: Turkey as regards operations with individual subcontractors, Romania as regards hire and rentals and Poland and Bolivia as regards the provision of services.

**Total revenues amounted to EUR 1,675.4 million**, showing a 10.3% increase compared to EUR 1,518.5 million in 2009.

## COSTS

**Total costs represented 88.5%** of total revenues (90.4% in 2009) and were characterised by greater use of outsourcing, thus highlighting a lower incidence of personnel costs and a more flexible direct product cost structure.

**The cost of production totalled EUR 1,309.5 million**, with a largely unvaried YOY incidence equal to 78.2% (77.7% in 2009).

**Personnel costs amounted to EUR 154.5 million** (-8.3% compared to 2009), with an incidence which dropped from 11.1% (2009) to 9.2%.

**Other operating costs remained largely unvaried** as regards their percentage incidence on revenues (2.2% in 2010 and 2.3% in 2009) and mainly comprised other operating costs related to the performance of the company's individual activities.

Depreciation of technical fixed assets and investment properties amounted to EUR 36.4 million and, combined with the costs on exposures, went to determine an **operating result of EUR 154.7 million** equal to a margin of 9.2 % (compared to EUR 107.1 million and 7.1% in 2009).

## FINANCIAL OPERATIONS

**Net financial charges amounted to EUR 81.1 million** (EUR 5.4 million in 2009). The increase in absolute terms in said item can be largely explained by the write-down performed with regard to the investee company in Arabia and by the increasing burden of bonds and sureties resulting from the increase in turnover and the order backlog. Moreover, on a year-on-year basis, the comparative figures show less financial income due to late payment by customers compared to the previous year. As regards exchange rate differences, the 2010 financial statements showed a negative difference compared to the previous year, also as a result of the already mentioned devaluation of the Bolivar fuerte which affected financial items. While as regards the consequences of devaluation of the Bolivar on operating items, said consequences were already provided for in the overall contract results, also taking into account exchange rate hedging.

## RESULTS

**Pre-tax profit amounted to EUR 73.5 million**, showing a decrease compared to EUR 101.7 million in 2009 as a result of the aforementioned dynamics.

**Net profit totalled EUR 46.9 million** (equal to 2.8% of total revenues, compared to EUR 73.2 million and 4.8% in 2009), with an estimated tax rate of 36.2% which takes into account the different incidence of the various tax rates applied in the countries the Group operates in.

## FINANCIAL RESULTS

EUR/000	Note	31 December 2010	31 December 2009
Intangible fixed assets	14	3,015	3,941
Tangible fixed assets	12 - 13	135,627	170,255
Equity investments	15	157,414	128,293
Other net fixed assets	10 - 16 - 17	99,578	62,866
<b>TOTAL fixed assets (A)</b>		<b>395,635</b>	<b>365,355</b>
Inventories	18	75,676	81,706
Works in progress	19	780,812	604,091
Trade receivables	20	93,654	70,620
Accounts receivable	20	524,273	587,205
Other assets	16 - 17	226,392	167,694
Tax receivables	21	54,274	56,279
Advances from customers	19	(292,176)	(344,999)
<b>Subtotal</b>		<b>1,462,905</b>	<b>1,222,596</b>
Trade payables	17 - 27	(356,064)	(216,940)
Due to suppliers	17 - 27	(363,099)	(333,476)
Other liabilities	10 - 24 - 25 - 28	(184,580)	(138,293)
<b>Subtotal</b>		<b>(903,743)</b>	<b>(688,709)</b>
<b>Working capital (B)</b>		<b>559,162</b>	<b>533,888</b>
Employee benefits	26	(5,820)	(6,654)
Provisions for non-current risks and charges	29	(66,927)	(18,721)
<b>Total Provisions (C)</b>		<b>(72,747)</b>	<b>(25,375)</b>
<b>Net invested capital ( D ) = ( A ) + ( B ) + ( C )</b>		<b>882,050</b>	<b>873,868</b>
Cash and cash equivalents	22	233,580	289,383
Current financial receivables	17		2,672
Non-current financial receivables	16 - 17	4,154	2,418
Securities	16	4,789	3,964
Current financial liabilities	24	(277,362)	(343,048)
Non-current financial liabilities	24	(452,819)	(513,444)
<b>Net financial payables / receivables ( E )</b>		<b>(487,658)</b>	<b>(558,055)</b>
Receivables arising from concessions	16		43,046
<b>Total financial payables / receivables ( F )</b>		<b>(487,658)</b>	<b>(515,010)</b>
Group equity	23	(394,392)	(358,858)
<b>Equity ( G ) = ( D ) - ( F )</b>		<b>394,392</b>	<b>358,858</b>

**Astaldi S.p.A.'s net fixed assets** at 31 December 2010 **amounted to EUR 395.6 million** (EUR 365.4 million in 2009), especially thanks to the increase in the value of equity investments as a consequence of the investments made by the company in relation to new activities undertaken.

**Working capital amounted to EUR 559.2 million** (EUR 533.9 million at the end of 2009). Said figure shows a trend in line with that forecast in the business plan and, at the same time, reflects the increase in turnover recorded for the year, without however causing the equity structure to become unstable; indeed the latter continues to be well-balanced.

**Equity increased to EUR 394.4 million** (EUR 358.9 million in 2009), as a combined effect of the year's result, dividend distribution and suspended economic items entered in the comprehensive income statement. In this regard, it must be noted that the cash-flow hedge reserves generated a negative impact of approximately EUR 11 million as a result of fixed-rate hedging of financial debt, thus confirming the risk hedging policy adopted which tends to standardise medium-term results rather than "speculating" in the short-term on especially low interest rates. The common school of thought envisages an increase in rates, hence said policy does not represent a weak point.

## NET FINANCIAL POSITION

		31/12/10	31/12/09
A	Cash and cash equivalents	233,580	289,383
B	Securities held for trading	4,789	3,964
<b>C</b>	<b>Available funds (A+B)</b>	<b>238,369</b>	<b>293,347</b>
<b>D</b>	<b>Financial receivables</b>	<b>4,154</b>	<b>5,090</b>
E	Current bank payables	(186,950)	(314,280)
F	Current share of non-current debt	(86,362)	(18,814)
G	Other current financial payables	(4,051)	(9,954)
<b>H</b>	<b>Current financial debt (E+F+G)</b>	<b>(277,362)</b>	<b>(343,048)</b>
<b>I</b>	<b>Net current financial debt (H+D+C)</b>	<b>(34,839)</b>	<b>(44,611)</b>
J	Non-current bank payables	(449,917)	(509,078)
K	Other non-current payables	(2,902)	(4,366)
<b>L</b>	<b>Non-current financial debt (K+J)</b>	<b>(452,819)</b>	<b>(513,444)</b>
<b>M</b>	<b>Net financial debt (L+I)</b>	<b>(487,658)</b>	<b>(558,055)</b>
<b>N</b>	<b>Receivables arising from concessions</b>		<b>43,046</b>
<b>O</b>	<b>Total financial debt (M+N)</b>	<b>(487,658)</b>	<b>(515,010)</b>
	Treasury shares on hand	4,168	5,172
	<b>Total net financial position</b>	<b>(483,490)</b>	<b>(509,838)</b>

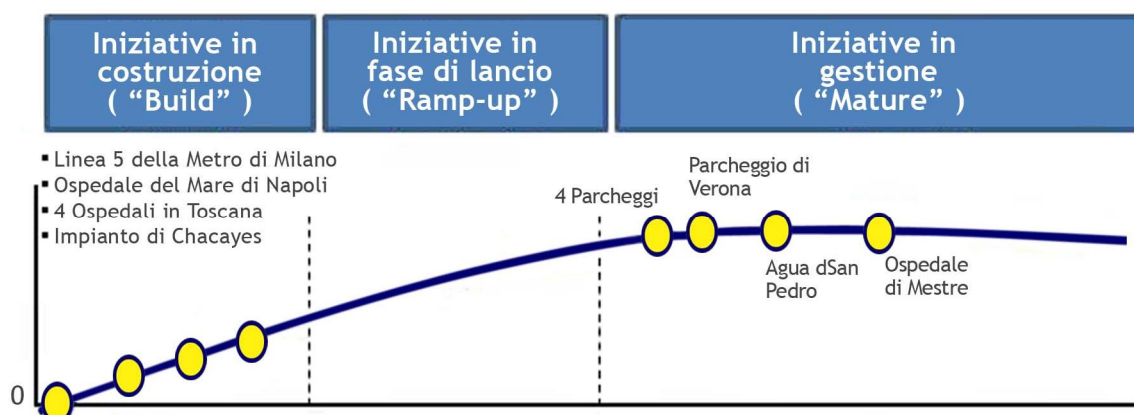
The company's debt structure remains focused on the long-term with the first significant deadline scheduled for 2013. The company has therefore achieved a significant growth as regards turnover, while still maintaining a necessary financial equilibrium.

## Astaldi Concessioni S.r.l.

Astaldi Group's involvement in the concessions sector consists in the **performance of projects in Italy and abroad in the following sectors: healthcare construction (6 hospitals for a total of 2,380 hospital beds), transport infrastructures (1 underground for a total of 14.1 km of line), car parks (5 projects for a total of 3,700 parking spaces) and water and energy (2 projects, 110MW)**. Two motorways are also under development, in relation to which the concession agreement has already been signed (Gebze - Izmir in Turkey, road network surrounding Ancona Port in Italy) as well as additional projects in the hydroelectric sector (Latin America).

7 out of the 11 projects in progress are already operational – Mestre Hospital, “Riva Reno” and “Piazza VIII Agosto” car parks in Bologna, “Corso Stati Uniti” and “Porta Palazzo” car parks in Turin and “Piazza della Cittadella” car park in Verona as regards Italy and a project in the water sector in San Pedro Sula in Honduras. As far as the other projects are concerned – Tuscan hospitals, Ospedale del Mare – Naples and Line 5 of the Milan underground in Italy and the Chacayes hydroelectric plant in Chile – the management phase will be started-up subsequent to the completion of construction activities which are currently being carried out.

*State of progress of concession projects currently included among backlog*



Sector	Projects	Details
<b>Car parks</b>	Porta Palazzo, Turin Corso Stati Uniti, Turin Riva Reno, Bologna Piazza VIII Agosto, Bologna Piazza della Cittadella, Verona	5 projects 3,700 parking spaces (5 car parks)
<b>Healthcare construction</b>	Mestre Hospital Ospedale del Mare - Naples Four Tuscan hospitals	3 projects 2,830 hospital beds (6 hospital complexes)
<b>Transport</b>	Line 5 of Milan underground	1 project 14.1 km of line 19 stations
<b>Water and energy</b>	Chacayes plant, Chile Agua de San Pedro Sula, Honduras	2 projects 110MW (Chile)



**Astaldi S.p.A. invested EUR 16 million in the concessions sector** over the whole year against the revenues recorded for the year. Therefore, the investments made to date in the concessions sector – in the form of payment of Astaldi's quotas of equity in the SPVs (Special Purpose Vehicles) set up to manage the individual projects in progress – amounted to EUR 120 million at 31 December 2010, including financial receivables totalling EUR 60 million related to the current value of forecast financial flows from car park management.

Lastly, it must be remembered that “Astaldi Concessioni” – a company owned entirely by Astaldi which all the concession activities will gradually be transferred to – was set up on 30 July 2010, in light of the increasing importance of concession activities and the major expansion planned for the future which will see **concession activities accounting for one third of the value of Astaldi's total backlog by 2015.**

By performing this operation, Astaldi wanted to:

- **define a new organisational structure which makes it possible to capitalise experience accrued**, creating a suitable “knowledge centre” for the Group's development strategies;
- **make the most of managed assets**, highlighting their strategic value;
- **vest the concessions sector with a legal, economic and financial identity**;
- **optimise the system of sources of finance**, so as to bring deadlines into line with the economic and financial cycle of projects.

The company will have the strategic role of developing the projects in progress and consolidating the Group's presence in this sector, both in Italy and abroad. Therefore, it represents a management operating instrument to be used to further consolidate the role of contractor assumed to date by Astaldi that will continue to perform the activities it has always performed done, employing its characteristic high level of knowledge, even if in a different form, in other words the construction of large-scale works and infrastructures.

For more information concerning the technical content and value of the individual contracts, please refer to the section of this report dealing with the performance of activities according to sector and geographical area.

#### *Reclassified income statement*

(EUR/000)	31/12/2010	
Revenues	4,618	99.3%
Other operating revenues	32	0.7%
<b>Total revenues</b>	<b>4,650</b>	<b>100.0%</b>
Cost of production	(1,272)	-27.4%
<b>Added value</b>	<b>3,378</b>	<b>72.6%</b>
Personnel costs	(177)	-3.8%
Other operating costs	(162)	-3.5%
<b>EBITDA</b>	<b>3,040</b>	<b>65.4%</b>
Amortisation and depreciation	(4)	-0.1%
<b>EBIT</b>	<b>3,035</b>	<b>65.3%</b>
Net financial income and charges	1,008	21.7%
<b>Pre-tax profit (loss)</b>	<b>4,043</b>	<b>86.9%</b>
Taxes	(1,492)	-32.1%
<b>Profit (loss) for the year</b>	<b>2,551</b>	<b>54.8%</b>

*Reclassified balance sheet*

<i>(EUR/000)</i>	<b>31/12/2010</b>
Intangible fixed assets	651
Equity investments	18,724
Other net fixed assets	13,039
<b>TOTAL fixed assets (A)</b>	<b>32,414</b>
Trade receivables	146
Tax receivables	86
Other assets	1.540
<b>Subtotal</b>	<b>1,773</b>
Trade payables	(551)
Due to suppliers	(3,534)
Other liabilities	(12,891)
<b>Subtotal</b>	<b>(16,977)</b>
<b>Working capital (B)</b>	<b>(15,204)</b>
Employee benefits	(16)
<b>Total provisions (C)</b>	<b>(16)</b>
<b>Net invested capital ( D ) = ( A ) + ( B ) + ( C )</b>	<b>17,194</b>
Cash and cash equivalents	661
Current financial liabilities	(4,370)
Non-current financial liabilities	(32,763)
<b>Net financial payables / receivables ( E )</b>	<b>(36,473)</b>
Receivables arising from concessions	60,363
<b>Total financial payables / receivables ( F )</b>	<b>23,890</b>
<b>Equity ( G ) = ( D ) - ( F )</b>	<b>41,084</b>

## Astaldi Construction Corp.

Astaldi Construction Corporation is the company operating under U.S. law, based in Davie (Broward County, Florida) and owned entirely by Astaldi S.p.A. which handles the Group's activities in the USA.

The reference geographical area is the south of Florida, both the east coast (Miami, Fort Lauderdale), and the west coast (Naples, Tampa), with additional real possibilities of expansion in the adjacent areas of Orlando and Jacksonville.

Astaldi Construction Corp. is currently involved in projects in two business areas: traditional construction activities and procurement activities on the US market which the company performs for both its own operating units and on behalf of other Astaldi Group areas located outside the USA, to support the local procurement facility.

The procurement division avails itself of a network of accredited suppliers located throughout North America as far as Canada. The activities performed by said division have made it possible to carry out widespread monitoring of the opportunities offered by the local market, allowing for the consolidation of relations with leading US manufacturers and dealers (these include, among others, firmly-established relations with Caterpillar International), with consequent benefits at a Group level too.

As regards the construction of infrastructures, Astaldi Construction Corporation is accredited with several public authorities including the Florida Department of Transportation (FDOT), the South Florida Water Management District (SFWMD), the US Army Corps of Engineers, as well as various local administrations (counties and cities).

The company has also been registered since 2008 with the USGBC (United States Green Building Council), a no-profit organisation dedicated to developing and making known sustainable design and construction methods (green building). The USGBC has also developed the so-called LEED rating system (Leadership in Energy and Environmental Design), in accordance with which Astaldi Construction Corporation has undertaken to certify some of its employees in order to create an internal LEED Team, able to support operating units with regard to future green projects, a sector which is expected to experience major growth and expansion in the near future.

In keeping with the above, the company has developed and defined over the year, commercial agreements with local partners working in the renewable energy sector in order to explore possible photovoltaic-related projects in North America, also making use of the partnerships generated through procurement activities.

Lastly, in 2010, Astaldi Construction Corporation also obtained acknowledgement of the level achieved in developing and implementing its own occupational health and safety management system, which has always been looked on as a priority in order to safeguard employees, and was awarded the Silver Level Step Award by ABC (Associated Builders & Contractors Inc.).

Works currently in progress (or recently completed) mainly refer to road infrastructure works, performed on behalf of the Florida Department of Transportation, which has always been one of Astaldi's strategic customers in Florida, and on behalf of local administrations.

During 2010, despite the efforts made by the US Administration to pursue the investment plan set forth in the ARRA (American Recovery and Reinvestment Act), the company continued to have to face a difficult market due to continuation of the effects of the major economic-financial crisis. Said crisis has reduced the number of projects put out to tender on the one hand, while on the other the number of competitors has considerably increased compared to past years, with the majority originating from sectors other than large-scale infrastructures.

Despite this, Astaldi Construction Corporation was awarded two contracts with the Florida Department of Transportation (FDOT) during the year, worth a total of USD 68.6 million.

The SR-93 (I-75) contract was acquired in January 2010 related to the widening and rebuilding of a section of the I-75 in Sarasota County (FL), on the west coast south of Tampa. The works, which have a duration of 625 days, have been started up and are currently in progress. The contract is worth USD 31.7 million.

In December 2010, Astaldi Construction Corporation was awarded an additional contract worth USD 36.9 million for the performance of civil works for the rebuilding and widening of a highway junction located on the SR-862/I-595, in Broward County (FL), at the eastern end of the I-595 between Port Everglades, Fort Lauderdale Airport and the US-1. Works are planned to be started up by the first half of 2011 with a planned duration of 920 days.

Said contract consolidates the Group's position in Florida, especially in Broward County where Astaldi has been active since the beginning of the 1990s and where it has already performed various projects for the FDOT. The project acquires additional strategic importance thanks to the location of the works between the I-595, Fort Lauderdale Airport and Port Everglades where major infrastructure investments are planned as from 2011.

The projects in progress also include another contract with the FDOT to construct and widen State Road 823 (NW 57th Avenue) in Hialeah, in Miami-Dade County. The contractual value amounts to USD 14.3 million and the planned duration of works is 696 days.

Astaldi Construction Corporation also completed the Santa Barbara Boulevard Extension in Collier County on the west coast during the second half of the year. The contract, worth a total of USD 13.7 million, involved the construction from scratch of a section of road and widening from 2 to 6 lanes of an existing road for a total of 3.3 kilometres.

Astaldi Construction Corporation's residual order backlog at 31 December 2010 amounted to approximately USD 60.8 million, mainly related to the three road projects mentioned above, and showed an increase compared to USD 20.6 million in 2009. The company ended the year with a profit and achieved a turnover of USD 28.8 million compared to USD 24.2 million in 2009. As regards 2011, an acquisition plan has been drawn up which should make it possible to increase annual production levels and which is mainly based on the transport infrastructures sector (highways and railways), also in light of the recent USD 50 billion investment plan presented by the US Administration in September 2010.

## **Astaldi Arabia Ltd.**

Astaldi Arabia Ltd. is the Astaldi Group company, owned entirely by Astaldi S.p.A., which handles and monitors all the Group's working and commercial activities in the Middle East (Qatar, Saudi Arabia, United Arab Emirates)

As far as Astaldi is concerned, the Middle East is a recently-acquired area, yet one where the Group has acquired expertise thanks to the partnerships established and consolidated with the leading EPC contractors at an international level in industrial plant design applied to the raw material extraction sector. While the new projects in the high-speed railway sector (Jeddah and KAEC HS stations in Saudi Arabia) are more recent acquisitions.

At the present moment Astaldi Group's role in the area can be considered stable and aimed at developing opportunities singled out not only in the already tried and tested oil&gas sector (Qatar – Ras Laffan industrial district), but also in the more traditional transport infrastructures and civil construction sectors (Saudi Arabia, United Arab Emirates). It must be recalled that Astaldi is not interested in performing works in the residential (real estate) sector, at least not for the moment.

Lastly, it is important to note that, following the conclusion of some projects in progress in the country – still not offset by the entry into full operation of more recently-acquired contracts - Astaldi Arabia Ltd. ended 2010 with a drop in production and negative economic results due to an increase in costs linked to the closure of sites, and to the lack of absorption of structure costs as a result of the decrease in production.

## SAUDI ARABIA - Jubail Export Refinery Project

The project, awarded during 2010, has a contractual value of USD 80 million and refers to the performance of civil works to construct an oil refinery in the Jubail industrial district ("Jubail Export Refinery Project"), in Saudi Arabia.

The works have been commissioned by TECHNIP and will be performed by Astaldi Arabia Ltd., the company owned entirely by Astaldi S.p.A. which handles the Group activities in the Middle East.

The works are already being performed at the date of this report, and the planned duration is 30 months.

## SAUDI ARABIA–JEDDAH AND KAEC HIGH-SPEED RAILWAY STATIONS

The contract was acquired by Astaldi Group , as part of a joint venture, at the end of 2010.

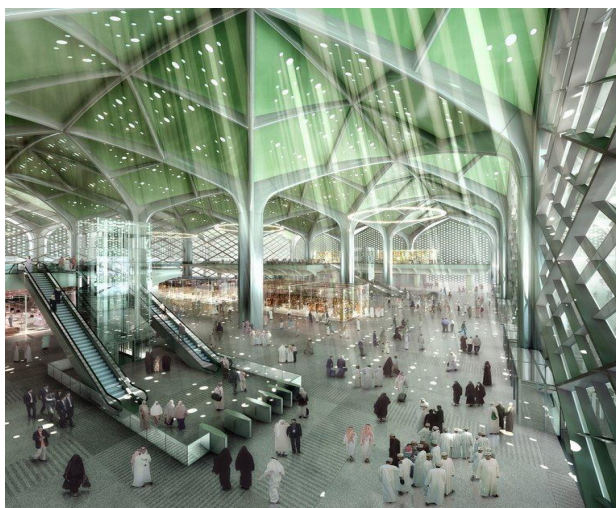
The project refers to the construction of two major railway stations, Jeddah and KAEC (King Abdullah Economic City), along the Mecca – Medina high-speed line (forming part of the "Haramain High Speed Rail Project" – the railway network expansion programme approved by the Saudi government).

The total value of the works is USD 1.24 billion (Astaldi has a 15% stake).

The works have been commissioned by the Saudi Railways Organization.

Designed by Norman Foster and Buro Happold, the two stations are characterised by their large dimensions: Jeddah, the larger station, will occupy a total surface area of over 111,000 m<sup>2</sup> – equivalent to approximately 14 football pitches – while KAEC will occupy a total surface area of approximately 64,000 m<sup>2</sup>. More than 200,000 m<sup>3</sup> of concrete and 74,000 tons of steel will be used to construct the stations that will feature 58 lifts and 116 escalators.

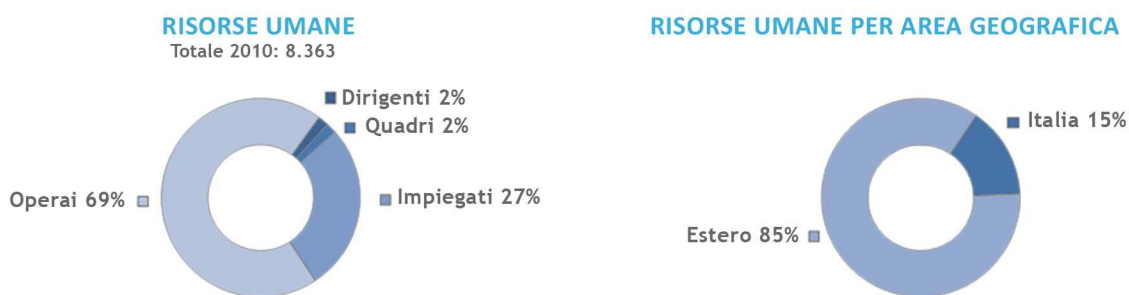
Works are scheduled to commence by the first half of 2011, with a duration of approximately 2 years.



## Human resources and organisation

Astaldi Group avails itself of the services of 8,363 employees, 15% of whom are employed in Italy, and the remaining 85% abroad in the 23 countries the Group operates in.





From an organizational viewpoint, 2010 saw the introduction of important changes which completed the model launched in previous years, aimed at anticipating and supporting the development of business activities and expansion in size Astaldi Group is pursuing as from 2010.

Specifically, in May, the company's organisation chart was updated in order to take on board splitting of the company's General Management into four divisions (one for domestic activities, two for international activities and one for administration and finance) and the setting up of an Industrial Services Division which brings together the Engineering, Project Scheduling, Procurement and Capital Assets and Tenders and Prequalification departments. The aim of said bringing together of the aforementioned technical skills and know-how into a single division at a corporate level is to encourage more effective and integrated management and sharing of know-how and methods, which goes to benefit contracts in progress and production activities in general. All of this responds and arises from application of a matrix management model where, without prejudice to the project manager's complete responsibility as regards economic and production results of the contracts he/she is responsible for, staff support for projects is guaranteed, managed in accordance with a transversal logic which ensures homogeneity and compliance with operating standards, as well as long-term management of specialist skills and resources.

A Corporate Risk Management department was also officially set up in order to ensure stricter control of the risks related to the activities performed and to provide the general management in charge of production and management with an instrument to optimise project management.

The last part of the review of the organisational structure consisted in the setting-up at the end of July of "Astaldi Concessioni", a company owned entirely by Astaldi S.p.A. dedicated to developing business and projects in progress in the concessions sector. The industrial reasons behind the setting-up of said initiative include the desire to vest the concessions sector with a legal, economic and financial identity, but also to define an organisational structure able to capitalise on the experience acquired in this sector by creating a suitable "knowledge centre" for the Group's development strategies. For more information regarding this new company and its relative organisation, please refer to the section of this report dealing with the main Group companies.

In keeping with the organisational model described above and with the development of activities, 2010 witnessed continuation of the search for and hiring of suitable professional profiles to reinforce the Italian and foreign project structure and, at a corporate level, to ensure gradual, balanced generational turnover which sees new entries with various profiles and skills working alongside resources with vast experience. In total, more than 100 resources were hired during 2010, equally split between Italian and foreign contracts, of which more than 40 with technical-engineering qualifications and approximately 10 with legal and economic qualifications.

2010 also saw major focus being given to the hiring of young graduates who formed a group of approximately 25 resources, mainly with a technical background (approximately 90% have a degree in engineering and architecture).

As regards training – excluding obligatory training provided for by law and training of local staff in foreign locations – more than 4,000 hours were provided in 2010 for Italian management and administrative staff in relation to occupational safety issues, information systems, foreign languages, engineering and design, internal auditing, administration and financial statements, personnel management, asset management and so forth.

Lastly, it must be noted that a process re-engineering programme was carried out during the year by introducing software for the management and development of human resources and planning of contract and office requirements.

## Quality, safety and environment

As regards Astaldi Group, 2010 was the year when maturity was achieved in relation to the voluntary use of corporate quality, safety and environmental management systems as an key instrument for the overall improvement of performance and individual corporate processes.

In keeping with the targets set in 2009, some important corporate projects were fully implemented at last. Said projects concerned, among other things, improvement of the quality of the HSE performance planning process as an integral part of the more general process of formulating the company's business plan.

Therefore, during the corporate meetings prior to formulation of the new business plan, new, more challenging goals for the near future were defined together with the management more directly involved in project management activities. The achievement of said goals is considered by the top management to provide an important sign of continuity of the policy voluntarily adopted years ago, testifying to the company's commitment as regards socially responsible issues such as those related to the health and safety of workers and the environment they work in.

The Group continues to focus on the health and safety of workers, which is looked on as a strategic variable of the company's business, adopting a "zero accidents" approach. Said approach forms the basis of the strategy for starting-up and developing all projects where corporate activities such as training, internal assessment and monitoring of performance are aimed at sharing and making known the top management's commitment, also taking into account the customers' and stakeholders' expectations.

At the same time, from July 2010 to October 2010, some key Group projects in progress in Italy and abroad were subject to auditing by independent third parties, by DNV – *Det Norske Veritas* –, in order to maintain the validity of the Group's certification.

The Group's definitive adoption of an organisational structure based on the matrix management model completed the company's management system-related activities. Said model is considered instrumental in achieving the growth targets set down in the business plan and considered more suitable for companies such as Astaldi which operate within a project management logic.

Complete redefinition of the management system, which is currently being validated by the relevant corporate facilities, was carried out during 2010 on the basis of said vision.

Lastly, it must be noted that the following important acknowledgements were obtained during 2010:

- for the fifth year running, the subsidiary, Astaldi Construction Corporation, obtained acknowledgement of the level achieved with regard to development and implementation of its own occupational health and safety management

system, which has always been looked on as a priority for safeguarding employees, and received the Silver Level Step Award from ABC (Associated Builders & Contractors Inc.);

- the investee company, Veneta Sanitaria Finanza di Progetto S.p.A., holder of the concession granted by Venice's local health authorities (Azienda Sanitaria ULSS 12 Veneziana) to perform and manage services at the new hospital in Mestre, obtained certification from DNV - *Det Norske Veritas*, of its quality management system which complies with UNI EN ISO 9001:2008 as regards management of concessions services.

## Privacy safeguard and protection

This is to make known that the company has updated the Programmatic Document on Safety, drafted in accordance with the provisions contained in point 19 of Legislative Decree No. 196/2003 (the so-called Personal Data Protection Code), in order to ensure correct processing of personal data, and especially data defined as sensitive and judicial, and to implement the content of point 26 of technical regulations as per Annex B to the aforementioned legislative decree.

## Corporate Governance Report

The governance model adopted by Astaldi S.p.A. is in keeping with the principles contained in the “Self-Regulation Code for listed companies” – drawn up by Borsa Italiana S.p.A. in October 1999 and subsequently amended and added to –, with the recommendations formulated by CONSOB in this regard and, more generally with international best practice.

As regards the information requested by Article 123-bis of the Finance Consolidation Act, please refer to the “Annual Report on Corporate Governance and Shareholder Structure” drafted in compliance with current legislation and published together with this report.

The Annual Report on Corporate Governance and Shareholder Structure” is available for consultation [www.astaldi.it, Governance/Document Archive section](http://www.astaldi.it/Governance/Document Archive section)

## Subsequent events

In February 2011, Metro 5 S.p.A. – the SPV which Astaldi holds an approximately 24% stake in and which is linked to the concession project regarding Line 5 of the Milan underground – signed an agreement with the Municipality of Milan concerning extension of said Line 5, which has been mentioned above in the section detailing the content of the order backlog.

In the same month, Astaldi, in partnership with a Turkish company, was the preferred bidder in the procedure to award the international contract for upgrading of St Petersburg's Pulkovo Airport, the number four airport in Russia for the number of transit passengers. The outcome of the tender procedure is expected for early 2011.

Still with regard to February, Astaldi was awarded the contract, as part of a joint venture, to construct Line 5 of the Bucharest underground (Lot 1, Doamenei Station-PS Opera section), worth a total EUR 215 million (Astaldi, the project leader, holds a 40% stake). The contract involves the design and construction of structural works related to 6 kilometres of new underground line, all below ground level, to be performed using a TBM (Tunnel Boring Machine) along the Drumul Taberei – Pantelimon section, and featuring 9 stations. The start-up of works is scheduled by the first half of 2010, with a planned duration of 25 months. The project has been commissioned by METROREX S.A., which is responsible for managing the Municipality of Bucharest's underground network which reports to the local Ministry of Transport and Infrastructures. The joint venture comprising Astaldi (leader with a 39% stake), the Spanish company FCC S.A. and two local companies will be responsible for performing the works.

As regards commercial activities in Italy, it must be noted that the bid submitted by the Astaldi-Impregilo joint venture (Astaldi is the project mandatary with a 60% stake) proved to be the best bid submitted in the procedure to award the general contracting project to perform Lot DG41 (Mega lot 3) of the Jonica national road (SS-106) in Italy. The amounts relating to Astaldi shall be entered in the Group's order backlog following final awarding of the contract.

Lastly, it must be noted that Astaldi Group, together with the Turkish company Ozkar Insaat, has been awarded a contract worth OMR 125 million – equivalent to approximately USD 324 million (Astaldi has a 51% stake). The project involves the construction of 42 kilometres of new road and refers to the first phase (Lot 1 – Package 1A) of the project to widen the BidBid – Sur road, one of the main sections of Oman's road network which links the capital to the country's eastern regions. The start-up of works is scheduled for the coming months, with a duration of just over three years. The project has been commissioned by Oman's Ministry of Transport and Communications.

## Foreseeable development of operations

The overall results for 2010 make it possible to confirm the growth targets established by the management during approval of the Business Plan for the coming five years.

The year's figures have confirmed the ability to continue along the growth path already mapped out, consolidating an already solid financial and equity structure despite the extremely difficult macroeconomic situation. The setting up of Astaldi Concessioni, the entry into full operation of some projects such as the recently-acquired underground projects in Italy and abroad, as well as the finalisation of major projects such as the Gebze-Izmir motorway and development of the energy sector in Latin America will ensure additional growth capacity for the immediate future.

Therefore, in keeping with the targets already set, a further growth is expected over the coming years and will be pursued by playing on:

- **further consolidation of the market positioning of the Group and its core business – construction** – which will be boosted by the major projects currently in progress in Italy and abroad, and will find new satisfaction in the results of the commercial strategies implemented in recent year. Specifically, as regards Italy, a renewed boost may come from the selective identification of opportunities currently being studied – priority projects in the country's development policies (motorways, railways), also developed using the PPP (public-private partnership) formula. This will allow for possible projects involving major urban centres as well as

additional initiatives singled out in relatively new sectors for the domestic scenario such as renewable energy production plants. As regards foreign activities, Eastern Europe, Turkey and Algeria will see an increase in the contribution from the transport infrastructures sector; the Middle East will experience a new development phase with the expansion of transport infrastructures (railways, high speed); Latin America will benefit from the implementation of major existing contractual options related to contracts in progress in Venezuela (railways) and Chile (energy);

- **expansion of the range of action to take in new geographical areas**, able to offer interesting infrastructure investment opportunities with dedicated resources in the construction sector as well as in the concessions sector. Areas where already present such as Peru, the USA and Brazil are proving to be areas of renewed interest (also to be developed through partnerships with local operators), and new commercial targets such as India and Canada, in keeping with the Group's commercial approach methods, will be the subject of careful, in-depth study which, if the findings are positive, will lead to the identification of new development opportunities. The strategic goal of keeping each area where present below a standard limit of 10% of total revenues remains unvaried;
- **strengthening of industrial partnerships** built up by the Group over the years. Stable industrial relations with leading partners in areas that are complementary to those the Group operates in will guarantee partnerships able to promote an additional growth in activities or easier access to markets singled out as of interest in the Group's commercial development strategies, with consequent sharing of the capital contribution and risk related to the management of activities.

The outcome of the offer submitted on 5 November by Astaldi Concessioni to purchase a 4.75% stake (or the smaller stake left unopted) in Autostrada Brescia-Verona-Vicenza-Padova S.p.A., concession holder of the Serenissima motorway, put up for sale by the Municipality of Milan, is also pending. In December 2010, the Municipality's relevant bodies voiced a favourable opinion with regard to the offer, but the actual size of the stake will be calculated following preliminary exercise of the right of pre-emption by shareholders and by the concession holder on the shares not taken up by shareholders.

As regards the Gebze-Izmir motorway, the Turkish government's major commitment to the project, which is a priority for the economic development of the areas involved in the 442 kilometres of planned route, can be confirmed. The preliminary special surveys and project design activities have been performed as scheduled and the relative funding procedures are going ahead as planned. Once these have been completed, the project amounts related to Astaldi's stake in the initiative will be entered in the order backlog.

Also as far as Turkey is concerned, acquisition of a stake in the SPV, which is already concession holder of the project to design, build and subsequently manage the international terminal of Milas-Bodrum Airport, is currently being made official. In compliance with agreements already entered into, Astaldi will sign the deed of purchase of shares, which is subordinate to the positive opinion of the local antitrust authority, subsequent to the signing of shareholder agreements and amendment of the SPV's articles of association.

Lastly, it should be noted that, at the present time, the activities in progress in the Maghreb area, and specifically in Algeria, are not being affected by difficult socio-political situation being experienced in Tunisia and Egypt.



## Specific risks and uncertainties

The business model adopted by Astaldi Group is based, inter alia, on constant monitoring of the risks connected with business management.

In order to provide additional instruments to mitigate said risks, the Corporate Risk Management department was recently made official within the company. The aim of said department is to help all the management with the decision-making process, striving to “neutralise” unwanted and unsustainable risk situations during the whole corporate business cycle and in the various contractual areas (traditional contracts, general contracting projects, concessions and project finance initiatives).

The ERM (Enterprise Risk Management) model adopted is three-dimensional, in other words split according to the type of risk (operational financial, strategic and compliance), level (corporate, country, contract) and project phase (development, performance, management).

Risk management is considered a “focal” element, especially in the planning process which defines the business plan’s key risks and the general risk management procedures. Said model implies that Enterprise Risk Management activities and responsibilities (identification, assessment, management and monitoring) must be attributed to the organisation’s various levels on the basis of the type of risk in question and the time phase during which said risk arises.

As regards current legislation regulating “description of main risks and uncertainties”, it must be pointed out that, at the present moment, there are no specific situations that may have a significant impact on the Group’s economic and financial performance.

Please find below a description of the areas in relation to which the Group performs close monitoring by applying targeted procedures and other mitigation instruments, taking into account the reference macroeconomic scenario and sector the company operates in.

*Country risk* – The Group is exposed to risks that are typical of international activities (for example, risks related to unstable political situations and local economies and the risks related to changes in the macroeconomic, fiscal or legislative situation). Therefore, the identification of new Group projects in foreign countries is accompanied by preliminary, in-depth assessment of said risks which are constantly monitored through to completion of the projects. Moreover, it is important to note that foreign activities performed by the Group are concentrated solely in countries (i) offering development opportunities for long-term infrastructure investment plans, (ii) that consider the works of interest for the Group as priorities in local investment policies, (iii) for which international insurance cover is guaranteed or in whose regard there are bilateral agreements between the Italian and local governments, (iii) with a certain reference legislative framework.

*Use of estimates* – A major part of activities are performed on the basis of contracts which provide for a specific amount upon awarding in the sector the Group operates in. The greater charges and/or costs which the Group may encounter and/or incur while performing said contracts must be covered by the Group and can be recovered from the customer in accordance with legislation regulating the contract and/or agreed contractual terms and conditions. Consequently, the margins achieved on contracts of this type can vary with regard to the original estimates as a result of the recoverability of the aforementioned greater charges and/or costs.

*Risks related to the trend in infrastructure investments* - The main area of the Group’s activities is currently represented by the performance of large-scale and complex works, especially for public customers, and is therefore seriously affected by planned investment in infrastructures in the various countries. Said investments are affected by the economic cycle trend whose main variables are the growth of the GDP, inflation rate changes, interest rate trends, consumer

dynamics and exchange rate dynamics. In the light of said variables, the Group has opted to operate solely in situations where infrastructure works are considered priorities in the investment policies of individual countries.

*Risks related to capital markets* – The current situation of the financial markets highlights critical phenomenon in terms of limitation of credit and fluctuation in the cost of money. The Group has undertaken, as from previous years, to bring into line its debt structure and position it in the medium/long-term, curbing variations in the cost of money through an interest risk hedging policy.

*Risks related to currency market* – The current situation of currency markets can bring to light some extremely volatile situations. The Group has already undertaken to control said risk, as from previous years, through suitable direct and indirect hedging transactions.

*Risk related to the price trend of raw materials* – The fluctuation, in some cases considerable, in the price of some raw materials can entail an increase in the costs of production which the Group tends to neutralise through diversified procurement policies, framework agreements with strategic suppliers, contractual price review clauses and the use of ad hoc action by local governments aimed at mitigating the financial consequences.

Lastly, it must be noted that in order to optimise the complete risk management process, the Corporate Risk Management department intends for the ERM Programme to become fully operational during 2011 – in accordance with an approach focused on value creation – concentrating on the main categories of risk able to jeopardise the Group's targets and strategies. The involvement of top and senior management is envisaged which will help:

- development of risk measurement and aggregation methods;
- definition of a risk analysis and risk responses on selected risks;
- preliminary aggregation and reporting of results ;
- updating of the Group's ERM policy;
- definition of the IT features needed to make the ERM process repetitive in the future.

## Other information

### Information on transactions with related parties

As regards transactions with related parties, it must be remembered that this form part of the Group's normal corporate activities and are regulated at market conditions. For information regarding said relations, please refer to Note 26 of Astaldi's consolidated financial statements at 31 December 2010.

The transactions performed by Astaldi with related parties mainly concern the exchange of goods, supply of services and the supply and employment of financial resources with its subsidiaries, associates and other investee companies as well as optimisation of the Group's cash management.

Said relations form part of the company's ordinary operations and are regulated at market conditions, i.e. at the conditions which would be applied between two independent parties.

All the transactions performed were in the Group's interest.

Please refer to details contained in the notes to the financial statements for quantification of the total amount of commercial, financial and other relations with related parties as well as a description of the type of most important transactions.

## Treasury shares

It must be noted that, in relation to the Astaldi share buy-back plan implemented during the year, 511,516 shares were gradually acquired during 2010 while 681,286 shares were sold.

Treasury shares on hand at 31 December 2010 amounted to 821,979 with a nominal value of EUR 2.

## Parent company shares held by subsidiaries

No parent company shares are held by subsidiaries.

## Astaldi S.p.A. shares held by company directors, auditors and managers with strategic responsibility at 31 December 2010

*Annex 3C - Model 3 CONSOB Issuers Regulation No11971/99*

*Shares held by directors at 31 December 2010*

Board of Directors	Investee company	No. shares held at end of 2009	No. shares purchased in 2010	No. shares sold in 2010	No. shares held at end of 2010
Ernesto Monti	-	0	0	0	0
Vittorio Di Paola	Astaldi S.p.A.	1,500,000	100,000	590,000	1,010,000 <b>(a)</b>
Paolo Astaldi	Astaldi S.p.A.	49,426	13,500	0	62,926
Giuseppe Cafiero	Astaldi S.p.A.	125,000	71,800 <b>(b)</b>	0	196,800
Stefano Cerri	Astaldi S.p.A.	100,000	55,000 <b>(c)</b>	5,000	150,000
Caterina Astaldi	-	0	10,700	0	10,700
Pietro Astaldi	-	0	0	0	0
Luigi Guidobono Cavalchini	-	0	0	0	0
Giorgio Cirila (in office from 23 April 2010)		0	0	0	0
Paolo Cuccia (in office from 23 April 2010)		0	0	0	0
Franco A. Grassini (in office until 23 April 2010)	-	0	0	0	0
Mario Lupo	-	0	0	0	0
Nicola Oliva (in office until 23 April 2010)	Astaldi S.p.A.	105,000	62,000 <b>(c)</b>	61,835	105,165
Eugenio Pinto (in office from 23 April 2010)		0	0	0	0
Maurizio Poloni	-	0	0	0	0
Gian Luigi Tosato (in office until 23 April 2010)	-	0	0	0	0

*(a) Shares held by Famifin S.p.A.*

*(b) Shares resulting from the free stock grants allocated pursuant to the company's Incentive Scheme approved by the Shareholders' Meeting of 27 June 2007 and pursuant to the Shareholders' Meeting's resolution of 5 November 2010 regarding the extraordinary end-of-career bonus.*

*(c) Of which 50,000 shares resulting from the free stock grants allocated pursuant the company's Incentive Scheme approved by the Shareholders' Meeting of 27 June 2007.*

### Shares held by auditors at 31 December 2010

Board of Auditors	Investee company	No. shares held at end of 2009	No. shares purchased	No. shares sold	No. shares held at end of 2010
Pierumberto Spanò	-	0	0	0	0
Pierpaolo Singer	-	0	0	0	0
Antonio Sisca	-	0	0	0	0

### Shares held by managers with strategic responsibilities at 31 December 2010

Managers with strategic responsibilities	Investee company	No. shares held at end of 2009	No. shares purchased	No. shares sold	No. shares held at end of 2010
Paolo Citterio	Astaldi S.p.A.	13,000	6,000	0	19,000
Rocco Nenna	-	0	0	0	0
Cesare Bernardini	Astaldi S.p.A.	7,500	11,000	0	18,500
Luciano De Crecchio	-	0	0	0	0

## “Non-GAAP” alternative performance indicators

Astaldi’s management assesses the economic and financial performance of the Group and business segments on the basis of some indicators not provided for in IFRSs. Please find below, as required by Communication CESR/05 – 178b, a description of the components of each of said indicators:

EBIT (net operating result): is equal to the result pre-tax and prior to financial income and charges, without any adjustments. Income and charges resulting from the management of non-consolidated shareholdings and securities are also excluded from EBIT together with the results of any transfers of consolidated shareholdings, included under the heading of “financial income and charges” in balance sheet statements, or under the heading of “effects of valuation of equity investments using the equity method” for the results of equity investments valued using the equity method;

EBITDA: is obtained by eliminating the following elements from EBIT, as described above: (i) amortisation and depreciation of intangible and tangible assets, (ii) write-downs and provisions, (iii) capitalisation of internal construction costs.

Treasury margin: the treasury margin refers to the available funds resulting from cash holdings and available lines of credit.

Debt/Equity ratio: said indicator is provided by the ratio between the net financial position – drafted in accordance with the CESR model (Committee European Securities Regulators) – as numerator and equity as denominator, excluding treasury shares on hand.

ROI (Return On Investment): said indicator is calculated at the ratio between EBIT (net operating result) and average invested capital for the period.

Current ratio: this indicator is calculated as the ratio between short-term assets and short-term liabilities.

## Research and development

The Group did not incur any costs for research and development during the year.

## Atypical or unusual operations

No atypical or unusual operations were performed during the year.

## Conclusions

Dear Shareholders,

The consolidated financial statements show a net profit of EUR 63 million, excluding amortisation, depreciation, provisions and consolidation adjustments.

On behalf of the Board of Directors

(The Chairman)

Paolo Astaldi



## Statement as per Article 36 of CONSOB Regulation No. 16191/07 (“Market Regulation”)

Astaldi S.p.A. hereby declares that its internal procedures are in line with the provisions as per Article 36, letters a), b) and c) of the Market Regulation (“Conditions for listing of shares of companies controlling companies set up and regulated by laws of non-EU states”), issued in order to implement Article 62, paragraph 3-bis of Legislative Decree No. 58/1998.

Specifically, Astaldi S.p.A. makes known that:

- the parent company, Astaldi S.p.A., has ongoing access to the articles of association and composition of the corporate bodies of all non-EU subsidiary companies of importance as per Article 36, paragraph 2 of the Issuers Regulation, with highlighting of the corporate offices held;
- the parent company Astaldi S.p.A. makes available to the public, inter alia, the accounts of all non-EU subsidiary companies of importance as per Article 36, paragraph 2 of the Issuers Regulation, formulated for the purpose of drafting the consolidated financial statements, including at least the balance sheet and income statement;
- the administrative-accounting and reporting procedures currently in use by Astaldi Group are suitable for transmitting to the parent company’s management and auditors at regular intervals, the economic, equity and financial information of the non-EU subsidiary companies of importance as per Article 36, paragraph 2 of the Issuers Regulation, needed to draft the consolidated financial statements;

As regards checking by the parent company of the information provided to the central auditors, needed to perform auditing of the parent company’s annual and interim accounts, it is felt that the current procedures used to communicate with the auditing firm, implemented at various levels of the corporate auditing chain throughout the whole year, are effective in this regard.

The area of application concerns 3 subsidiaries based in 3 countries not belonging to the European Union, which are of importance as per paragraph 2 of the aforementioned Article 36.