

ASTALDI  
FIRST QUARTER REPORT AS AT 31 MARCH 2003

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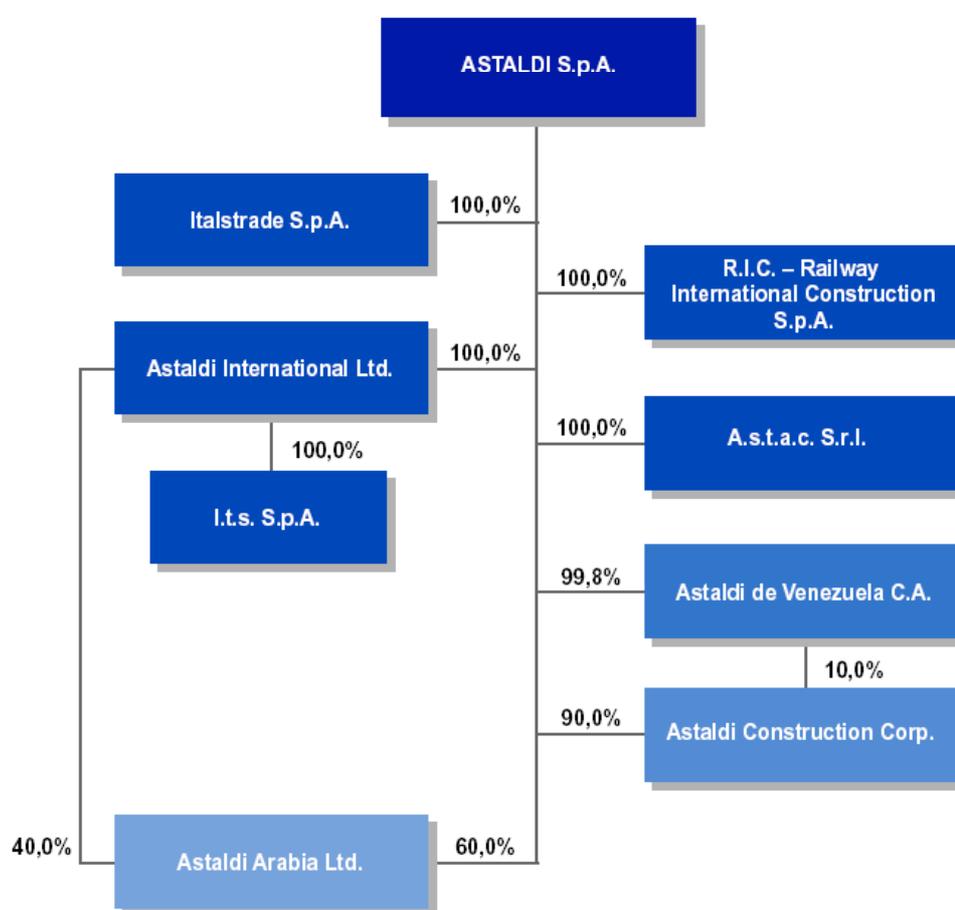
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## GROUP STRUCTURE

The table below shows the Group Astaldi corporate structure in relation to its main operating companies.

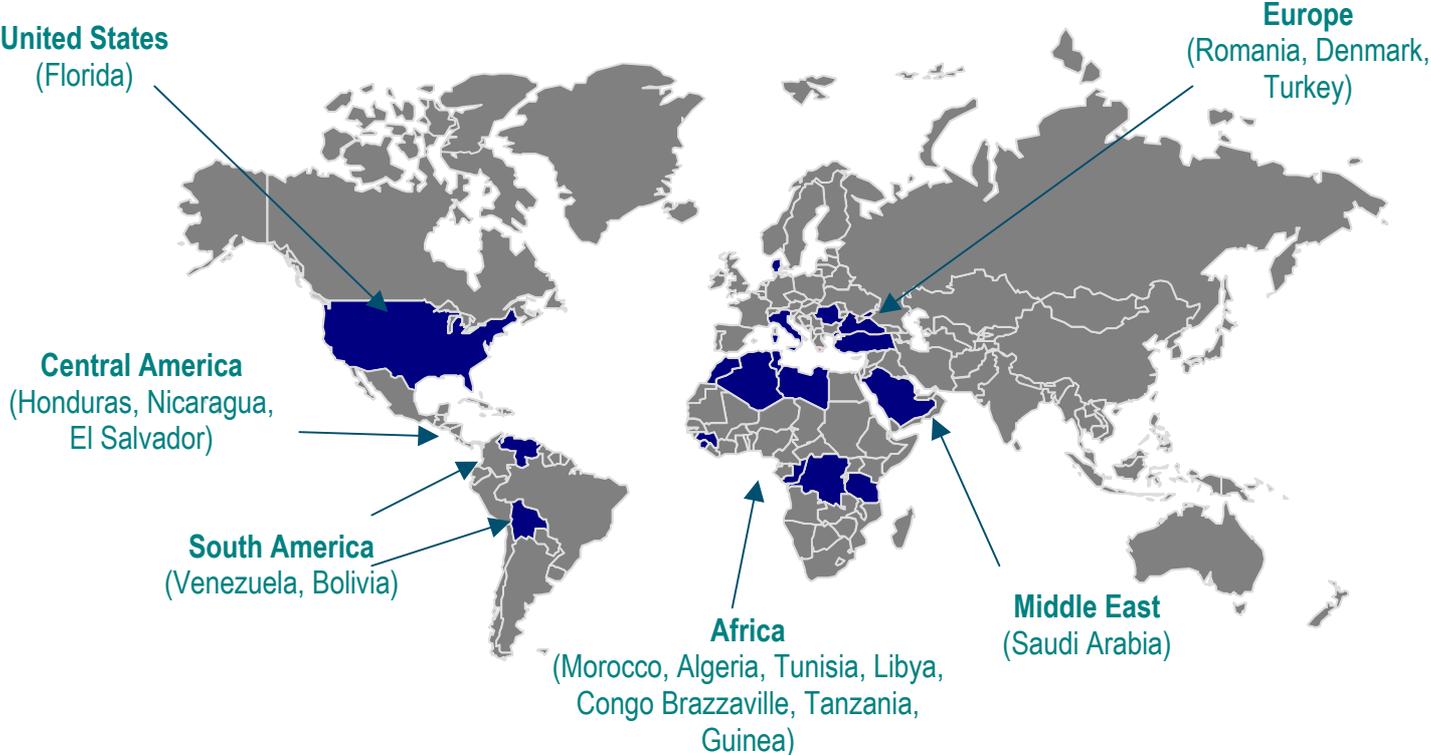


Group operations include more than 82 associate and consortium companies and four special purpose companies for licensed operations.

See the specific section for consolidation principles.

# GEOGRAPHICAL AREAS

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## COMPANY OFFICERS

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### **Board of Directors**

<b>Ernesto Monti</b>	<b>Chairman</b>
<b>Paolo Astaldi</b>	<b>Vice Chairman</b>
<b>Vittorio Di Paola</b>	<b>Managing Director</b>
<b>Pietro Astaldi</b>	<b>Board Member</b>
<b>Caterina Astaldi</b>	<b>Board Member</b>
<b>Stefano Cerri</b>	<b>Board Member</b>
<b>Enrico De Cecco</b>	<b>Board Member</b>
<b>Franco A. Grassini</b>	<b>Board Member</b>
<b>Luigi Guidobono Cavalchini</b>	<b>Board Member</b>
<b>Bruno Lecchi</b>	<b>Board Member</b>
<b>Lucio Mariani</b>	<b>Board Member</b>
<b>Giuseppe Marino</b>	<b>Board Member</b>
<b>Roberto Marraffa</b>	<b>Board Member</b>
<b>Vittorio Mele</b>	<b>Board Member</b>
<b>Nicoletta Mincato</b>	<b>Board Member</b>

### **Board of Statutory Auditors<sup>1</sup>**

<b>Eugenio Pinto</b>	<b>Chairman</b>
<b>Pierpaolo Singer</b>	<b>Acting member</b>
<b>Pierumberto Spanò</b>	<b>Acting member</b>
<b>Domenico Franco Nalin</b>	<b>Alternate member</b>
<b>Antonio Sisca</b>	<b>Alternate member</b>
<b>Maurizio Lauri</b>	<b>Alternate member</b>

### **General Managers**

**Nicola Oliva**  
**Giuseppe Cafiero**  
**Stefano Cerri**

### **Vice General Manager**

**Paolo Citterio**

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<sup>1</sup> The Ordinary Shareholders' Meeting of 30 April 2003 nominated the Board of Statutory Auditors for the 2003-2005 period. It is pointed out that the members of the previous Board of Statutory Auditors were Eugenio Pinto (Chairman), Aldo Ramondelli (active member) and Pierpaolo Singer (active member).

## ***Auditing Company***

**Reconta Ernst & Young S.p.A.**

# SCOPE OF CONSOLIDATION

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## Scope of consolidation as at 31 March 2003

<b>Subsidiaries</b>		<b>%</b>	<b>Other equity investments</b>		<b>%</b>
✓	1 R.I.C. - Railway International Construction S.p.A.	100.00%	16	Consortio Metro Los Teques	30.00%
✓	2 A.S.T.A.C. S.r.l.	100.00%	17	Comet JV	15.00%
✓	3 Italstrade S.p.A.	100.00%			
✓	4 Astaldi International Ltd	100.00%			
✓	5 Astaldi de Venezuela C.A.	99.80%			
✓	6 Astaldi Construction Corp.Of Florida	99.80%			
✓	7 SC Italstrade - CCCF JV Romis S.r.l.	51.00%			
✓	8 Romstrade S.r.l.	51.00%			
✓	9 I.T.S. S.p.A.	100.00%			
✓	10 Italstrade Somet JV Rometro S.r.l.	55.00%			
✓	11 Sugt s.a. Calarasi	50.37%			
✓	12 Astaldi Arabia ltd	100.00%			
✓	13 Astaldi Finance S.A.	99.96%			
✓	14 Legnami Pasotti Italia I.C. S.r.l.	80.00%			
✓	15 Consortio Astaldi-Columbus - Nicaragua	98.00%			

**NB:** Companies marked with ✓ are consolidated according to the line-by-line method; the other companies are consolidated according to the proportional method.

### Changes in the scope of consolidation as at 31 March 2003

No changes occurred in the first quarter.

## ACCOUNTING PRINCIPLES AND EVALUATION CRITERIA

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The Astaldi consolidated quarterly report as at 31 March 2003 has been drawn up in accordance with CONSOB ruling no. 11971 of 14 May 1999, art. 82.

The first quarter financial statements are presented in a reclassified form consistent with the contents of the financial statements as at 31 December 2002. They have been drawn up on the basis of the accounting ledgers as at the same date prepared by the Parent company and the companies included in the scope of consolidation.

The data are compared with those of the same quarter in the previous financial year. However, since the latter were not approved within the framework required by regulations on listed companies, the data have been taken from the management accounts as shown in the listing prospectus ("selected financial data").

The most important accounting principles adopted by the Group are summarized below. It is pointed out that these are the same principles as those adopted in previous periods.

There have been no exemptions pursuant to articles 2423 and 2423 bis of the Italian Civil Code.

### Intangible fixed assets

Intangible fixed assets represent costs and expenses having multi-year application. They have been recorded and entered on the basis of effective cost, including directly-attributable accessory charges.

The amount is shown in the balance sheet net of accumulated depreciation reserves determined on the basis of potential residual use.

External costs generated by the listing procedure have been capitalized and will be amortized over five years.

### Tangible fixed assets

Tangible fixed assets, including those acquired through leasing, consist of real estate assets, plant, and machinery and equipment. They are shown on the basis of acquisition price and construction costs, including directly-attributable accessory charges.

Depreciation is calculated at a constant rate based on potential residual use, within the limits of the allowable rates considered representative of the estimated useful life of the assets.

It should be pointed out that the amounts shown for the first quarter 2002 refer to data generated from the management accounting system since the Company at that time, before it was listed on the regulated market, was not required to prepare infra-annual statements.

#### Equity investments

Equity investments in subsidiary and affiliated companies outside the scope of consolidation are valued according to the net equity method, if relevant.

The other equity investments are valued according to the cost method, including directly-attributable accessory charges, written down to reflect any permanent losses in value.

Companies in liquidation are valued at cost, written down to take estimated liquidation charges into account.

Losses on equity investments exceeding book value and for which there is a balancing commitment are recorded in the equity investment risk reserve (after having annulled the book value).

#### Receivables and payables in foreign currencies

Receivables and payables denominated in currencies other than the unit of account are entered at the exchange rate prevailing on the entry date.

#### Currency translation of foreign company and foreign stable organization financial statements

The financial statements of foreign companies and of foreign stable organizations (whose books are kept according to a multiple currency accounting system), are translated according to the following criteria: assets and liabilities at the exchange rate prevailing at period-ending; the income statement items by applying the average exchange rate for the accounting period; the net equity components at the exchange rate prevailing during the corresponding period of formation.

#### Work-in-progress on order

The valuation of work-in-progress on order is determined with specific reference to the actual physical progress of work not yet audited as at the period-ending date (according to the physical measurement method), but identified with reasonable certainty and through the effective calculation of contractually agreed payments.

## Income statement

The revenue and expense components of the income statement are shown according to the accrual accounting method.

Revenues from the sale of goods are recorded upon delivery of the good, while revenues from services are recorded upon effective performance of the service and in accordance with the corresponding contracts.

The major exchange rates used in translating financial statements drawn up in foreign currencies are listed in the following table (Source U.I.C. - Italian Foreign Exchange Office):

COUNTRY	CURRENCY		EXCHANGE RATE	AVERAGE	EXCHANGE RATE	AVERAGE
			31.03.2003	EXCHANGERATE1Q2003	1.12.2002	EXCHANGERATE2002
Algeria	Dinaro Algerino	DZD	84.721	83.681	79.116	73.277
Angola	Readjustado Kwarza	AOA	71.994	67.383	57.026	38.979
Saudi Arabia	Saudi Riyal	SAR	4.047	4.020	3.813	3.542
Bolivia	Boliviano	BOB	8.182	8.093	7.555	6.763
Burundi	Burundi Franc	BIF	1,124.120	1,115.603	1,052.680	861.814
The Caribbean	Caribbean Dollar	XCD	2.910	2.887	2.740	15.282
Central African Republic C.F.A	CFA Franc	XAF	655.957	655.957	655.957	655.957
Chile	Chilean Peso	CLP	802.096	791.235	715.892	652.850
Colombia	Colombian Peso	COP	3,195.860	3,096.443	2,847.300	2,371.570
Congo Democratic Republic	Congolese Franc	CDF	439.219	433.635	379.717	325.957
Croatia	Kuna	HRK	7.662	7.587	7.410	7.395
Denmark	Danish Krone	DKK	7.427	7.430	7.427	7.431
Dominican Republic	Dominican Peso	DOP	24.015	23.388	19.882	16.465
El Salvador	El Salvador Colon	SVC	9.456	9.392	8.910	8.273
Gibuti	Gibuti Franc	DJF	192.053	190.760	180.964	168.047
Guinea	Guinean Franc	GNF	2,130.500	2,112.430	2,006.980	1,853.200
Honduras	Lempira	HNL	18.516	18.304	17.189	15.606
Indonesia	Rupiah	IDR	9,628.230	9,548.043	9,079.340	8,775.550
Libya	Libyan Dynar	LYD	1.295	1.292	1.249	1.156
Morocco	Moroccan Dirham	MAD	10.717	10.699	10.577	10.382
Mozambique	Metical	MZM	24,855.700	24,700.733	23,598.900	21,782.200
Nicaragua	Cordoba Oro	NIO	16.126	15.927	14.934	13.515
Pakistan	Pakistani Rupee	PKR	62.500	62.284	59.476	56.331
United Kingdom	British Pound Sterling	GBP	0.683	0.670	0.642	0.629
Romania	Leu	ROL	35,831.400	35,591.200	34,251.400	31,269.700
Rwanda	Rwandan Franc	RWF	550.122	545.350	505.879	443.268
Singapore	Singapore Dollar	SGD	1.895	1.873	1.786	1.691
United States	US Dollar	USD	1.0807	1.0734	1.018	0.946
South Africa	Rand	ZAR	8.697	8.955	9.104	9.907
Switzerland	Swiss Franc	CHF	1.469	1.466	1.468	1.467
Taiwan	Taiwan Dollar	TWD	37.461	37.189	35.434	32.380
Thailand	Baht	THB	46.175	45.923	44.086	40.615
Tanzania	Tanzanian Shilling	TZS	1,115.000	1,086.897	993.248	910.868
Tunisia	Tunisian Dinar	TND	1.421	1.414	1.384	1.339
Turkey	Turkish Lira	TRL	1,804,143.000	1,777,876.333	1,619,050.000	1,439,680.000
Euro Zone	Euro	EUR	1.000	1.000	1.000	1.000
Venezuela	Bolivar	VEB	1,724.720	1,812.040	1,342.650	1,112.710
Zambia	Kwacha	ZMK	5,468.530	5,176.727	4,842.130	4,153.380

## CONSOLIDATED BALANCE SHEET

RECLASSIFIED CONSOLIDATED BALANCE SHEET	31-Mar-03	31-Mar-02	31-Dec-02
<b>Euro/000</b>			
Net intangible fixed assets	52,483	37,370	58,292
Net tangible fixed assets	94,737	66,505	93,725
Equity investments	31,688	32,206	33,909
Other net assets	15,030	41,502	14,398
<b>Total net fixed assets (A)</b>	<b>193,938</b>	<b>177,583</b>	<b>200,324</b>
Inventories	40,188	31,662	40,620
Work-in-progress	214,179	223,302	198,343
Trade receivables	271,037	265,304	236,738
Other assets	203,395	261,750	224,869
Advance payments	(118,682)	(92,816)	(133,362)
<b>Subtotal</b>	<b>610,117</b>	<b>689,202</b>	<b>567,208</b>
Due to suppliers	(195,301)	(136,697)	(195,154)
Other liabilities	(143,502)	(256,794)	(144,453)
<b>Subtotal</b>	<b>(338,803)</b>	<b>(393,491)</b>	<b>(339,607)</b>
<b>Working capital (B)</b>	<b>271,314</b>	<b>295,711</b>	<b>227,601</b>
Employees' indemnity	(11,619)	(10,545)	(11,970)
Contractual risks reserve	(48,397)	(71,045)	(50,650)
Other reserves	(22,640)	(33,781)	(23,855)
<b>Total reserves (C)</b>	<b>(82,656)</b>	<b>(115,371)</b>	<b>(86,475)</b>
<b>Net invested capital (D) = (A) + (B) + (C)</b>	<b>382,596</b>	<b>357,923</b>	<b>341,450</b>
Cash and short-term financial receivables	142,863	181,900	171,875
Financial receivables included in fixed assets	41,778	8,170	39,785
Medium/long-term financial debt	(214,001)	(238,354)	(212,594)
Short-term financial debt	(137,857)	(139,216)	(118,205)
<b>Net financial assets/liabilities</b>	<b>(167,217)</b>	<b>(187,500)</b>	<b>(119,139)</b>
<b>Convertible bond (F)</b>	<b>0</b>	<b>(36,152)</b>	<b>0</b>
<b>Consolidated net equity</b>	<b>215,233</b>	<b>134,146</b>	<b>222,004</b>
Minority interest	146	125	307
<b>Net equity (G) = (D) - (E) - (F)</b>	<b>215,379</b>	<b>134,271</b>	<b>222,311</b>
Personal guarantees	1,574,397	1,518,183	1,653,148
Other memorandum accounts	185,539	84,759	192,258
Real guarantees	0	0	0
Third-party bank guarantees in our favor	42,408	21,520	21,932
<b>Total commitments and guarantees</b>	<b>1,802,344</b>	<b>1,624,462</b>	<b>1,867,338</b>

An analysis of the balance sheet shows an around 40 million euro increase in net invested capital as compared to 31 December 2002.

In particular, fixed assets did not change significantly as compared to year-end 2002 since there are no major investments planned in 2003 unlike the case in the previous financial year which included the engineering and design projects and the Company's stock market listing.

Working capital increased by 43 million euro as compared to year-end 2002, due to the seasonal effect of the business cycle. In contrast, the comparison with the first quarter 2002 shows a decrease in working capital, which is even more significant when taking into account the rise in output achieved in the first quarter 2003.

In April 2003, the Company received a 25 million USD contract payment from the Turkish client KGM (Highway Ministry) in relation to the first stage of work in progress. Though the payment is partial, it is a start towards the full payment for the work completed in 2002; full settlement of the account is expected during the course of this year as the export financing expected in the second half becomes activated.

It is also important to point out that Astaldi received payment for outstanding amounts due from the job order Tuy Medio in Venezuela and that the Company has sold its entire portfolio of Venezuelan government securities held as at year-end 2002.

The statement of change in net financial position is shown below:

(Euro/000)	31/03/2003	31/03/2002	31/12/2002
Short-term financial indebtedness	(134,884)	(134,902)	(75,763)
Medium/long-term financial indebtedness	(40,858)	(72,121)	(78,164)
Cash, short-term securities and financial receivables	142,863	181,900	171,875
Financial receivables included among financial fixed assets	41,778	8,170	39,785
<b>Total ordinary financial position</b>	<b>8,899</b>	<b>(16,953)</b>	<b>57,733</b>
Eurobond	(150,000)	(150,000)	(150,000)
Leasing	(26,116)	(20,547)	(26,872)
<b>Total net financial position</b>	<b>(167,217)</b>	<b>(187,500)</b>	<b>(119,139)</b>

As illustrated above concerning the change in working capital, the net financial position was

affected by the temporary support generated by first quarter operations, typical of the business cycle this time of the year. In any case, the Group financial structure remains strong, as reflected in the debt/equity ratio which is well below unity.

Net equity amounted to 215 million euro. The figure includes earnings for the period, a negative change in the translation reserve mostly due to the weakness of the US dollar (expected to be temporary), and the effects of the translation of fixed assets converted at exchange rates prevailing as at the end of the period.

## RECLASSIFIED INCOME STATEMENT

<b>Euro/000</b>	<b>31 Mar 2003</b>	<b>%</b>	<b>31 Mar 2002</b>	<b>%</b>	<b>31 Dec 2002</b>	<b>%</b>
Revenues from services and contracts	189,151	89.5 %	173,204	85.8 %	757,418	88.3 %
Other revenues and proceeds	22,241	10.5 %	28,554	14.2 %	100,555	11.7 %
<b>Production value</b>	<b>211,392</b>	<b>100.0 %</b>	<b>201,758</b>	<b>100.0 %</b>	<b>857,973</b>	<b>100.0 %</b>
Production costs	(146,728)	(69.4) %	(150,153)	(74.4) %	(585,613)	(68.3) %
<b>Added value</b>	<b>64,664</b>	<b>30.6 %</b>	<b>51,605</b>	<b>25.6 %</b>	<b>272,360</b>	<b>31.7 %</b>
Payroll expenses	(29,761)	(14.1) %	(22,882)	(11.3) %	(108,201)	(12.6) %
<b>Gross operating margin</b>	<b>34,903</b>	<b>16.5 %</b>	<b>28,723</b>	<b>14.2 %</b>	<b>164,159</b>	<b>19.1 %</b>
Other operating expenses	(5,262)	(2.5) %	(4,569)	(2.3) %	(33,420)	(3.9) %
<b>Ebitda</b>	<b>29,641</b>	<b>14.0 %</b>	<b>24,154</b>	<b>12.0 %</b>	<b>130,739</b>	<b>15.2 %</b>
Depreciation and amortization	(9,722)	(4.6) %	(7,061)	(3.5) %	(36,080)	(4.2) %
Provisions and write-downs	(4,948)	(2.3) %	(4,178)	(2.1) %	(30,617)	(3.6) %
<b>Operating income</b>	<b>14,971</b>	<b>7.1 %</b>	<b>12,915</b>	<b>6.4 %</b>	<b>64,042</b>	<b>7.5 %</b>
Net financial income (charges)	(5,674)	(2.7) %	(6,573)	(3.3) %	(25,072)	(2.9) %
Write-ups (write-downs) on equity investments	874	0.4 %	(1,292)	(0.6) %	(6,610)	(0.8) %
Extraordinary gains (charges)	(2,639)	(1.2) %	(146)	(0.1) %	(6,149)	(0.7) %
<b>Income before taxes</b>	<b>7,532</b>	<b>3.6 %</b>	<b>4,904</b>	<b>2.4 %</b>	<b>26,211</b>	<b>3.1 %</b>
Income taxes	(2,693)	(1.3) %	(1,802)	(0.9) %	(8,861)	(1.0) %
Advance taxes	0	0.0 %	0	0.0 %	(1,839)	(0.2) %
<b>Net income for the period</b>	<b>4,839</b>	<b>2.3 %</b>	<b>3,102</b>	<b>1.5 %</b>	<b>15,511</b>	<b>1.8 %</b>
Minority interest	208	0.1 %	334	0.2 %	(442)	(0.1) %
<b>Consolidated net earnings</b>	<b>5,047</b>	<b>2.4 %</b>	<b>3,436</b>	<b>1.7 %</b>	<b>15,069</b>	<b>1.8 %</b>

With approx. 5,000 employees, the Group operates in 18 countries as at 31 March 2003. Production value in the first quarter amounted to around 211 million euro. Operations in Italy accounted for 49.21% of revenues from services and contracts, while foreign operations accounted for the remaining 50.79%.

The table below shows the turnover ratios for the Company's various sectors of operation, compared with the financial year 2002:

(millions of euro)	31 Mar 03	%	31 Dec 02	%
Transport infrastructure	146	77.25%	643	84.94
Hydraulic works and hydroelectric plants	24	12.70%	50	6.61
Civil and industrial buildings	19	10.05%	64	8.45
<b>Total</b>	<b>189</b>	<b>100.00%</b>	<b>757</b>	<b>100.00%</b>

The following table shows the breakdown by geographical area, including a comparison with the first quarter 2002.

(millions of euro)	31 Mar 03	%	31 Mar 02	%	31 Dec 02	%
<b>Italy</b>	<b>93</b>	<b>49.21%</b>	<b>85</b>	<b>49.13%</b>	<b>339</b>	<b>44.78%</b>
<b>Abroad</b>	<b>96</b>	<b>50.79%</b>	<b>88</b>	<b>50.87%</b>	<b>418</b>	<b>55.22%</b>
Europe	9	4.76%	34	19.65%	131	17.31%
Americas	71	37.56%	39	22.55%	208	27.47%
Asia	1	0.53%	0	0.00%	0	0.00%
Africa	15	7.94%	15	8.67%	79	10.44%
<b>Total</b>	<b>189</b>	<b>100.00%</b>	<b>173</b>	<b>100.00%</b>	<b>757</b>	<b>100.00%</b>

In the first quarter 2003, contract revenues increased 9.2% as compared to the year-earlier period. The increase was attributable to both the good performance in the foreign sector, especially in Venezuela, the United States and El Salvador, and the start of construction activities at the Nuovo

Polo Fieristico in Milan, generating around 12 million euro for the period, bringing the work-in-progress in line with the planned schedule.

As can be seen in the table above, revenues decreased significantly in Europe, though mainly in connection with the ongoing order in Turkey as was expected. This decrease, illustrated in detail in the report on operations for the financial year 2002, is the result of a policy to contain invested capital, leading the Company to scale down its operations in Turkey as the time-to-collection for receivables has become longer.

Moreover, as already mentioned above, the situation is about to be resolved, and a sizable payment of around 25 million euro was made in April. Further payments will follow, within the framework of the renewal of the export financing scheme, allowing full operations to resume.

The good performance in the first quarter is highlighted by the around 16% increase in EBIT as compared to the year-earlier period, reaching 7.1% of total revenues, resulting from good contracts profitability and the rigorous control of general expenses.

## ORDERS PORTFOLIO BY OPERATING SECTOR AND GEOGRAPHICAL AREA

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The Company acquired new orders in the first quarter 2003 worth 212 million euro, lifting the Group total portfolio value to 3,462 million euro, a slight increase as compared to 1 January 2003.

Worthy of note is the financing issued by the Venezuelan government for the second stage of the Puerto Cabello – La Encrucijada railway project, increasing Astaldi's share of the order by 70 million euro. In addition, the acquisition of new orders in the United States and Central America has been proceeding at a good pace, confirming planned targets.

Likewise in the first quarter 2003, marketing operations also achieved appreciable results in Romania, where the Group is present as one of the major foreign companies through the acquisition of some of the biggest contracts awarded in the country.

As for the Italian market, it is pointed out that several contract bid procedures for works included in the so-called Legge Obiettivo program have not yet been concluded, except for the license for the design, construction, financing and operation of the Milan-Brescia highway, awarded to Promotore Brebemi S.p.A.

In any case, it is reasonable to expect that the first work orders will be awarded starting in the second half of the year.

The table below sets out the changes in the orders portfolio in the first quarter 2003 by major operating sector.

<b>(millions of euro)</b>	<b>Portfolio as at 1/1/2003</b>	<b>Acquisitions</b>	<b>Production</b>	<b>Portfolio as at 31/03/2003</b>
Railways and underground train systems	905	70	(86)	889
Roads and highways	808	47	(53)	802
Airports and ports	82	17	(6)	93

Hydraulic works and hydro-electric plants	346	0	(24)	322
Civil and industrial building	543	78	(20)	601
Operations	755	0	0	755
<b>PORTFOLIO TOTAL</b>	<b>3,439</b>	<b>212</b>	<b>(189)</b>	<b>3,462</b>

The geographical breakdown of the portfolio is as follows:

(millions of euro)	Portfolio as at 1/1/2003	Acquisitions	Production	Portfolio as at 31/03/2003
ITALY	2,219	54	(93)	2,180
ABROAD	1,221	158	(96)	1,283
<b>TOTAL</b>	<b>3,439</b>	<b>212</b>	<b>(189)</b>	<b>3,462</b>

## COMMENTS ON THE FOURTH QUARTER OPERATING PERFORMANCE

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Total revenues in the first quarter 2003 increased around 5% as compared to the year-before period, reaching 211 million euro despite the decline of the US dollar and other dollar-area currencies.

It should be pointed out that the groundwork for starting production for structured-finance initiatives already acquired in 2002 was begun or concluded in the first quarter.

In detail, the start of construction work on the Nuovo Polo Fieristico of Milan, through use of the highly skilled project management, engineering and logistics team, has already achieved good early results as measured by major contract milestones.

In addition, concerning the underground train system construction contract for Brescia, the preparatory work for the start of operations was completed; at the same time, concerning the construction and management contract for the new hospital in Mestre, operations necessary for structuring the project financing deal were also brought to a conclusion. As a result, actual construction work for both projects is expected to begin in the second half of the year.

As for foreign markets, in addition to what has already been mentioned concerning Turkey, the Company is also carefully monitoring operations in Venezuela. The labor strike in the early part of 2003 did not cause production delays or have any significant impact on results for the first quarter; in fact, revenues amounted to around 36 million euro and the customers settled a large enough portion of the accounts payable to allow Astaldi to meet its objective of containing the level of capital invested in the country.