ASTALDI

QUARTERLY REPORT AS OF 31 DECEMBER 2005

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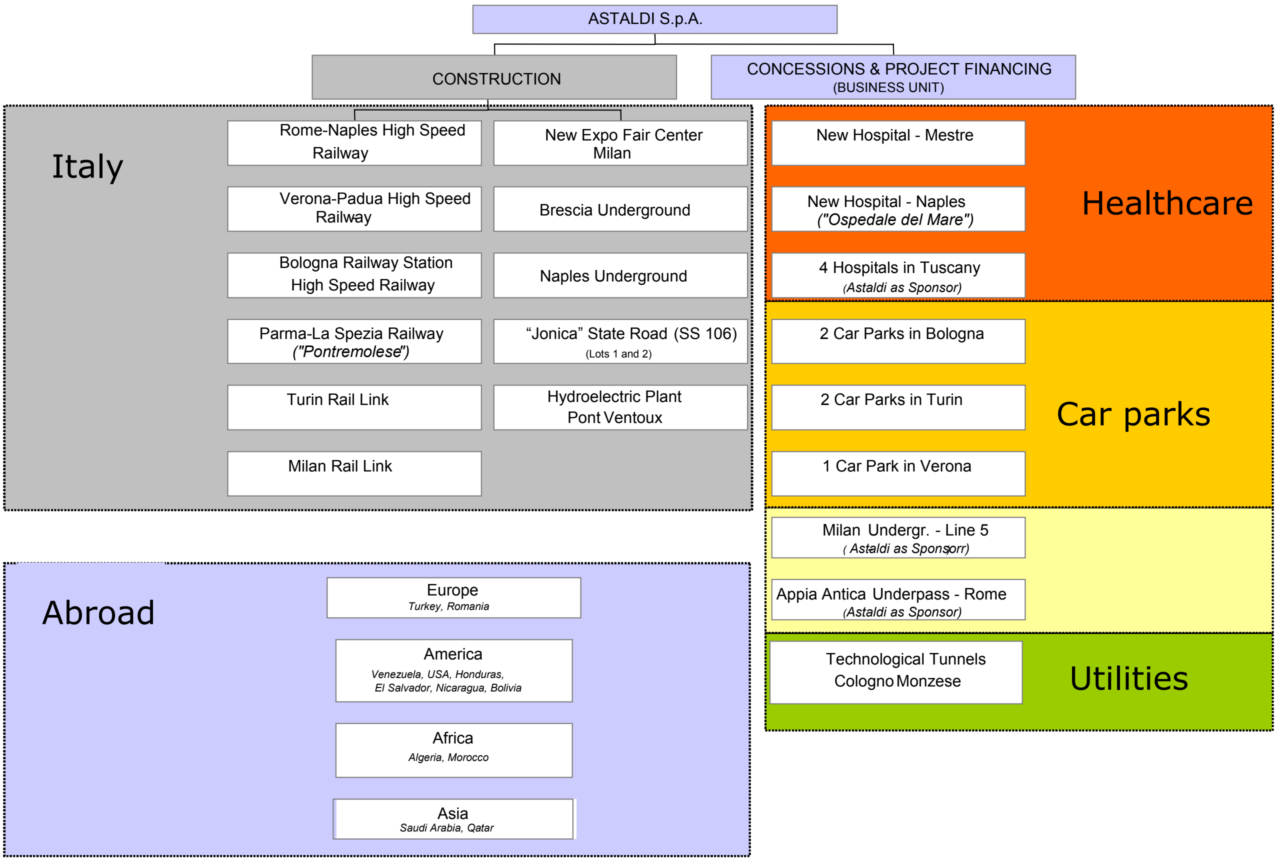
GROUP STRUCTURE



Corporate Bodies

Board of Directors

Chairman	Ernesto Monti
Deputy Chairman	Paolo Astaldi
Executive Deputy Chairman	Vittorio Di Paola
Chief Executive Officer	Stefano Cerri
Chief Executive Officer	Giuseppe Cafiero[1]
Directors	Caterina Astaldi
	Pietro Astaldi
	Luigi Guidobono Cavalchini
	Franco Grassini
	Mario Lupo
	Vittorio Mele
	Nicola Oliva
	Maurizio Poloni

Board of Statutory Auditors

Chairman	Eugenio Pinto
Statutory Auditors	Pierpaolo Singer
	Pierumberto Spanò
Substitute Auditors	Maurizio Lauri
	Antonio Sisca
	Marco Zampano

General Managers

International	Giuseppe Cafiero
Administration and Finance	Stefano Cerri
Domestic	Nicola Oliva

Deputy General Manager

Administration and Finance	Paolo Citterio

Auditing Company

Reconta Ernst & Young S.p.A.

[1] Appointed Chief Executive Officer during the Board Meeting of January 11, 2006.

CONSOLIDATION AREA

	Subsidiaries	%	
1	A.S.T.A.C. S.r.l.	100.00%	
2	AR.GI S.p.A.	99.99%	
3	Astaldi Algerie E.U.r.l.	100.00%	
4	Astaldi Arabia ltd	100.00%	
5	Astaldi Construction Corp. of Florida	99.80%	
6	Astaldi de Venezuela C.A.	99.80%	
7	Astaldi Finance S.A.	99.96%	
8	Astaldi International Inc.	100.00%	
9	Astaldi International Ltd	100.00%	
10	Astaldi-Astaldi International J.V.	100.00%	
11	Astaldi-Burundi Association Momentanée	100.00%	
12	Astaldi-Max Bogl-CCCF JV Srl	66.00%	
13	Astaldi-Sénégal Association en participation	100.00%	
14	Astur Construction and Trade A.S.	99.00%	
15	Bussentina Scrl in liquidation	78.00%	
16	C.O.MES. S.C.r.l.	55.00%	
17	CO.ME.NA. S.c.r.l.	70.43%	
18	CO.MERI S.p.A.	99.99%	
19	CO.NO.CO. S.c.r.l.	80.00%	
20	Consorzio Astaldi-C.M.B. Due in liquidation	99.95%	
21	Consorzio Olbia Mare in liquidation	72.50%	
22	Cospe Scrl	100.00%	
23	Consorcio Astaldi - C.B.I.	60.00%	
24	Diga di Arcichiaro Scrl in liquidation	100.00%	
25	DIP.A. Scrl in liquidation	100.00%	
26	Eco Po Quattro Scrl	80.00%	
27	Euroast S.r.l. in liquidation	100.00%	
28	Fiorbis Scrl in liquidation	99.98%	
29	Forum Scrl	59.99%	
30	I.F.C. Due Scrl in liquidation	99.99%	
31	I.T.S. S.p.A.	100.00%	
32	Italstrade S.p.A.	100.00%	
33	Italstrade Somet JV Rometro S.r.l.	51.00%	
34	Legnami Pasotti Italia I.C. S.r.l. in liquidation	80.00%	
35	Linea A Scrl in liquidation	100.00%	
36	Montedil-Astaldi S.p.A. (MONTAST) in liquidation	100.00%	
37	Mormanno Scrl in liquidation	74.99%	
38	Ospedale del Mare S.c.r.l.	60.00%	*
39	Palese Park Srl	99.00%	
40	Partenopea Finanza di Progetto S.p.A.	59.99%	
41	Portovesme S.c.r.l.	80.00%	
42	Quattro Venti S.c.r.l.	60.00%	
43	Redo-Association Momentanée	100.00%	
44	Romairport S.r.l.	99.26%	
45	Romstrade S.r.l.	51.00%	
46	S.Filippo Scrl in liquidation	80.00%	
47	Sartori Sud S.r.l.	100.00%	
48	SC Italstrade - CCCF JV Romis S.r.l.	51.00%	
49	S.P.T. Società Passante Torino S.c.r.l.	74.00%	
50	Seac S.p.a.r.l. in liquidation	100.00%	
51	Silva Srl in liquidation	99.00%	
52	Sugt s.a. Calarasi	99.12%	
53	Susa Dora Quattro S.c.r.l.	90.00%	
54	Todaro S.r.l. in liquidation	100.00%	
55	Toledo S.c.r.l.	90.39%	
56	Tri.Ace. S.c.r.l. in liquidation	80.00%	
57	Viadotto di Fadalro S.c.r.l. in liquidation	80.00%	

The companies marked with an * were subject to changes during the quarter

ACCOUNTING STANDARDS AND EVALUATION CRITERIA

In compliance with current legislation, it must be noted that this quarterly report has been drafted in accordance with the International Accounting Standards (IAS/IFRS) issued by the IASB and approved by the European Union, as provided for by Article 82 of the Issuers' Regulations No. 11971, issued by CONSOB on 14 May 1999 and subsequent amendments and additions. Specifically, this report has been drafted in accordance with Annex 3D of the aforementioned regulations hence the complete disclosure for interim reports provided for by the IAS/IFRS has not been included.

The fourth quarter's income statement and balance sheet are shown in a reclassified format and have been drawn up on the strength of account statements prepared on the same date by the Parent Company and companies included in the consolidation area. Adoption of IAS 27 has resulted in the inclusion of consortia and consortium companies set up to perform specific contracts in the consolidation area. Furthermore, all minorities previously entered using the equity method have been consolidated using the line by line method because they have been placed in liquidation.

The figures listed refer to the quarter in question and the progressive period which coincides with the period from the start of the year up to the close of the year. Said figures have also been compared to figures for the same periods of last year that have been restated in accordance with IAS/IFRS.

The accounting standards adopted have been consistently applied for all the periods listed with the exception of those regarding the valuation of financial instruments. In fact the Group availed itself of the exemption provided for by IFRS 1 which allowed for adoption of IAS 32 and IAS 39 as from 1 January 2005 without setting out comparative figures for the previous year for said standards. Therefore the standards adopted for the valuation of financial instruments in reports beginning 1 January 2004 and subsequent IFRS annual and interim reports for 2004 are the same as those used in previous years (national accounting standards). The effects of the adoption of IAS 32 and 39 are shown in the net financial position breakdown included under "Consolidated balance sheet and financial position".

For a detailed description of the accounting standards adopted by the Group, please refer to the "Notes to the Consolidated Half-Yearly Report" included in the Half-Yearly Report as of 30 June 2005, approved by the Board of Directors on 22 September 2005, filed with the Company and available at www.astaldi.com.

The main exchange rates used to convert financial statements shown in foreign currencies are as follows(source: U.I.C. ("Ufficio Italiano Cambi" - Italian Exchange Office)):

COUNTRIES	CURRENCY		Exchange rate 31.12.2005	Exchange rate 2005 average	Exchange rate 31.12.2004	Exchange rate 2004 average
Algeria	Algerian Dinar	DZD	86.566	90.703	95.955	87.915
Saudi Arabia	Saudi Riyal	SAR	4.447	4.664	5.021	4.658
Bolivia	Bolivian Peso	BOB	9.498	10.032	10.836	9.907
Central African Republic C.F.A	CFA Franc	XAF	655.950	655.952	655.957	655.957
Colombia	Colombian Peso	COP	2,701.810	2,890.740	3,262.240	3,295.820
Democratic Republic of Congo	Congolese Franc	CDF	523.254	585.921	578.199	485.349
Costa Rica	Costa Rica Colon	CRC	587.165	592.708	592.148	535.701
Croatia	Kuna	HRK	7.388	7.399	7.554	7.489
Denmark	Danish Krone	DKK	7.454	7.452	7.434	7.440
El Salvador	Salvadoran Colon	SVC	10.374	10.886	11.732	10.884
Japan	Japanese Yen	JPY	140.577	136.849	139.140	134.445
Guatemala	Quetzal	*GTQ*	9.034	9.544	10.563	9.982
Guinea	Guinean Franc	GNF	5,094.610	4,413.090	3,606.640	2,702.040
Honduras	Lempira	HNL	22.402	23.454	25.016	22.656
Libya	Libyan Dinar	LYD	1.601	1.634	1.743	1.627
Morocco	Moroccan Dirham	MAD	10.923	11.014	11.152	11.013
Mozambique	Metical	MZM	29,029.900	28,395.900	25,396.100	27,217.700
Nicaragua	Gold Cordoba	NIO	20.286	20.511	21.788	19.799
Norway	Norwegian Krone	NOK	7.974	8.009	8.221	8.370
Pakistan	Pakistani Rupee	PKR	70.936	74.146	79.804	72.625
Qatar	Qatari Riyal	QAR	4.316	4.528	4.880	4.528
United Kingdom	British Pound	GBP	0.679	0.684	0.695	0.679
Romania	New Leu	RON	3.659	3.581	3.870	4.051
United States	US Dollar	USD	1.186	1.244	1.341	1.244
South Africa	Rand	ZAR	7.544	7.918	7.685	8.009
Switzerland	Swiss Franc	CHF	1.548	1.548	1.536	1.544
Tanzania	Tanzanian Shilling	TZS	1,385.080	1,400.750	1,401.530	1,332.410
Tunisia	Tunisian Dinar	TND	1.611	1.611	1.621	1.546
Turkey	Turkish Lira	TRY	1.604	1.677	1.871	1.777
European Monetary Union	Euro	EUR	1.000	1.000	1.000	1.000
Venezuela	Bolivar	VEB	2,545.860	2,620.660	2,567.820	2,337.200

Please note that the exchange rate expresses the currency required to buy 1 euro.

RECLASSIFIED CONSOLIDATED INCOME STATEMENT

Euro / 000	31 December 2005	%	31 December 2004	%	Quarter 4 2005	%	Quarter 4 2004	%
Revenues	967,911	94.6%	1,004,756	95.0%	252,820	97.8%	270,870	96.8%
Other operating revenues	55,308	5.4%	52,779	5.0%	5,636	2.2%	9,045	3.2%
Total revenues	**1,023,219**	**100.0%**	**1,057,535**	**100.0%**	**258,456**	**100.0%**	**279,915**	**100.0%**
Production costs	(725,818)	(70.9%)	(784,209)	(74.2%)	(189,667)	(73.4%)	(202,782)	(72.4%)
Added value	**297,401**	**29.1%**	**273,326**	**25.8%**	**68,789**	**26.6%**	**77,133**	**27.6%**
Personnel costs	(146,283)	(14.3%)	(147,143)	(13.9%)	(35,272)	(13.6%)	(37,772)	(13.5%)
EBITDA	**151,118**	**14.8%**	**126,183**	**11.9%**	**33,517**	**13.0%**	**39,361**	**14.1%**
Amortisation and depreciation	(28,148)	(2.8%)	(25,673)	(2.4%)	(7,193)	(2.8%)	(6,880)	(2.5%)
Provisions	(16,100)	(1.6%)	(5,179)	(0.5%)	603	0.2%	(2,838)	(1.0%)
Write-downs	(4,287)	(0.4%)	(3,376)	(0.3%)	32	0.0%	(2,137)	(0.8%)
Other operating costs	(25,221)	(2.5%)	(22,422)	(2.1%)	(6,460)	(2.5%)	(3,218)	(1.1%)
(Capitalisation of internal construction costs)	457	0.0%	234	0.0%	340	0.1%	230	0.1%
EBIT	**77,819**	**7.6%**	**69,767**	**6.6%**	**20,839**	**8.1%**	**24,518**	**8.8%**
Net financial income and charges	(27,975)	(2.7%)	(32,012)	(3.0%)	(8,415)	(3.3%)	(12,080)	(4.3%)
Effects of valuation of investments using equity method	3,951	0.4%	3,937	0.4%	4,099	1.6%	349	0.1%
Pre-tax profit (loss)	**53,795**	**5.3%**	**41,692**	**3.9%**	**16,523**	**6.4%**	**12,787**	**4.6%**
Taxes	(22,167)	(2.2%)	(15,031)	(1.4%)	(8,006)	(3.1%)	(3,970)	(1.4%)
Profit (loss) for the period	**31,628**	**3.1%**	**26,661**	**2.5%**	**8,517**	**3.3%**	**8,817**	**3.1%**
(Profit) loss attributable to minority interests	628	0.1%	177	0.0%	(584)	(0.2%)	788	0.3%
Group net profit	**32,256**	**3.2%**	**26,838**	**2.5%**	**7,933**	**3.1%**	**9,605**	**3.4%**

The year just ended offered important confirmation for the Group of the growth seen during the last five years. Its orders backlog has been completely renewed, also from a quality viewpoint with a good balance between the international and domestic sectors. It must be noted from an analysis of 2005 results how the slight drop in revenues (-3.7%) compared to the 2004 figure can be attributed to a combined effect of various phenomena. On the one hand, the completion of key Italian contracts, the most important of which for Milan New Expo Fair Center, that made a major contribution to the 2004's production levels, and on the other, the fact that the Group has basically pulled out of Africa with the exception of Algeria, where complete commencement of works is scheduled from 2006, as well as the failure to commence important General Contractor projects recently acquired in Italy due to factors linked to the complexity of the works to be constructed.

The Group's role as General Contractor and consequent steering of the orders backlog towards higher value contracts with high technical, legal and managerial content has made it possible to achieve a marked increase in the Group's net profit, up by 20.2% compared to the same period of last year, despite the slight drop in total revenues. As a result of the structural changes in the orders backlog and the increasing complexity of production activities, the ongoing, constant focus on planning and control of contracts in progress and relative invested capital is proving to be a winning strategic factor in terms of the return obtained with a net margin that has increased to 3.2% compared to 2.5% in 2004.

Currently, the Group's activities in Italy are concentrated on the beginning of major contracts such as the sections of the Jonica State Road ("SS 106"), the Turin rail link and the laying of a second track of the Parma-La Spezia Railway ("Pontremolese"). The executive designs for said contracts are being completed and works will start shortly.

Total revenues for the fourth quarter of 2005 equalled over 258 million euros compared to approximately 280 million euros for the same period of last year. The drop recorded during the last quarter compared to forecasts was also due to extremely adverse weather conditions and postponement of the commencement of works acquired in Algeria during the current year. Said circumstance, as mentioned previously, did not affect earning capability given that the contracts characterised by increasing profitability play more and more a key role.

A more direct analysis of the production activities performed shows how domestic contracts account for 46.2% of activities, while 53.8% concerns works in progress abroad in the 14 countries where the Group currently operates.

Europe (Romania and Turkey) accounts for 28.9% of total revenues while the remaining 24.9% refers to countries in America, Asia and Africa.

The Group's policy is, and will be increasingly geared towards positioning itself in those countries where Astaldi traditionally features as a player and where the political and financial risk is considerably reduced as a result of total financial backing by high standing international organisations. These conditions combined with ongoing monitoring of invested capital and the monetary risk and suitable policies to cover related risks, make the individual contracts independent from a financial viewpoint and able to generate sufficient cash flow.

The table below shows a breakdown of the value of production by geographical area.

Euro/Millions	31 December 2005	%	31 December 2004	%	Quarter 4 2005	%	Quarter 4 2004	%
Italy	**447**	**46.2%**	**548**	**54.5%**	**115**	**45.5%**	**148**	**54.6%**
Abroad	**521**	**53.8%**	**457**	**45.5%**	**138**	**54.5%**	**123**	**45.4%**
Europe	280	28.9%	173	17.2%	79	31.2%	54	19.9%
America	191	19.7%	186	18.5%	48	19.0%	47	17.3%
Asia	11	1.1%	28	2.8%	2	0.8%	7	2.6%
Africa	39	4.0%	70	7.0%	9	3.6%	15	5.5%
Total	**968**	**100.0%**	**1005**	**100.0%**	**253**	**100.0%**	**271**	**100.0%**

As already mentioned at 30 September 2005, the year showed a growth in the value of foreign activities, in particular Europe which saw a speeding up of activities in Turkey. In this regard it should be noted that the Bolu tunnel was opened at the beginning of September which will shortly allow for completion of the motorway linking Istanbul and Ankara forming part of the Anatolian Motorway project.

While as far as the drop in the figure for Asia is concerned, it should be noted that Astaldi is present in Saudi Arabia and Qatar and is involved in the oil & gas sector projects inside partnerships with leading international operators. The drop in activities in this area can mainly be attributed to completion of the Yanbu Project in Saudi Arabia at the beginning of 2005. The SASOL project Astaldi is carrying out in Qatar is at an advanced stage and will result in the construction of a gas liquefaction plant due to be completed by Spring 2006. It must be pointed out that as part of its plan to increase its activities in this area offering considerable business opportunities, the Group is promoting new initiatives in the oil & gas sector which should be realized by the first half of 2006.

The following table describes the incidence of each line of business on the Group's overall turnover in greater detail.

Euro/Millions	**31 December 2005**	**%**	**31 December 2004**	**%**	**Quarter 4 2005**	**%**	**Quarter 4 2004**	**%**
Transport infrastructures	771	79.6%	641	63.8%	223	88.1%	170	68.0%
Hydraulic works and energy production plants	79	8.2%	144	14.3%	10	4.0%	42	16.8%
Civil and industrial construction	118	12.2%	220	21.9%	20	7.9%	59	23.6%
Total	**968**	100.0%	**1005**	100.0%	**253**	100.0%	**271**	100.0%

Transport infrastructures accounting for approximately 80% of turnover (88% in the quarter in question) are Astaldi key business area, both in terms of value of production and sector specialisation. In this regard, a major contribution comes from works currently underway in Venezuela (railway works), Turkey (motorway works) and Italy where construction of major railway works linked to the final phase of the Rome-Naples High Speed Railway line (put into operation in January 2006), underground railways in Brescia, Naples and Genoa and the Turin Rail link are in progress.

As mentioned above, there was a drop in the share of turnover related to civil construction insofar as construction of Milan New Expo Fair Center was completed during the year and maintenance activities have commenced. The production level generated by said contract, which saw its maximum contribution during the second half of 2004, has still not been replaced by other major contracts acquired during the latter part of 2004 and in 2005. Specifically, the general contracting jobs related to the construction of two lots of the Jonica State Road ("SS 106") must be noted and relative industrial activities will be commenced once the executive design and expropriation phases have been completed. It must also be noted that works related to the construction of the new hospitals in Mestre and Naples ("Ospedale del Mare") can be attributed to the civil and industrial construction sector and the relative contribution to production will increase as planned from 2006.

A closer look at the main cost items shows that the accounts reflect a careful policy to control costs the reduction of which, both in terms of absolute value and incidence on the value of production, can be seen on an annual and quarterly basis. This allowed for a marked increase in earnings in the period, also thanks to the improved quality of works in progress. Specifically, production costs were cut by 7.4% compared to the same period of 2004 (-14.9% compared to Q4 2004) and represented 70.9% of total revenues compared to 74.2% at 31 December 2004. This means that operating result amounted to 77.8 million euros with a 7.6% EBIT Margin on the value of production (20.8 million euros and 8.1% EBIT Margin in the quarter in question). The positive outcome of the Milan Expo Fair Center contract also contributed to this result, and following final delivery said contract made it possible to clarify the margin share previously set aside to cover risks which did not occur.

As far as the earnings trend in the foreign sector is concerned, there were further improvements in the excellent results already seen during the first half of the year for works in progress in Turkey and Venezuela. However said results must be set against the costs incurred in Morocco for completion of the Sidi Said dam which have not been acknowledged by the client to date and charges related to works in progress in the USA, generated by bad weather conditions encountered in the middle of the year as well as operational problems. The financial and equity effects of the aforementioned situations have been fully entered into this quarterly report.

A closer analysis shows how 2005 represented a turning point for the Group's activities in the United States insofar as the complete organisational set-up was reviewed and restructured with expansion of the engineering, planning and control processes. Said change proved necessary following the negative results for the period, especially in the utilities sector. Indeed projects in progress in this sector were characterised by low unitary values as well as major territorial dispersion which generated diseconomies in managing procurement and technical resources, and more generally the logistics of individual production units. In light of this, activities were concentrated on medium-scale contracts in the transport infrastructures sector.

There was a drop in the result achieved in Romania during the quarter in question compared to budget figures, related to the appreciation of the local currency (RON as from 1 July 2005) which generated an increase in production costs in relation to which, acknowledgement of the currently unrecorded price review is being looked at.

Net profit at 31 December 2005 totalled approximately 32.3 million euros, a considerable improvement (+20.2%) on the same period of 2004. The net margin stood at 3.2% compared to 2.5% in 2004. Said positive result is even more to be praised considering the greater incidence of taxes during the year, ascribable to the tax assets of some foreign holdings accrued during the year but not taken into account in the present situation for prudential reasons.

CONSOLIDATED BALANCE SHEET AND FINANCIAL POSITION[2]

	31/12/2005	30/09/2005	31/12/2004
Intangible fixed assets	4,977	5,371	5,174
Tangible fixed assets	129,413	124,671	125,467
Investments	34,424	31,155	38,065
Other net fixed assets	48,423	39,821	43,518
Total fixed assets (A)	**217,237**	**201,018**	**212,224**
Inventories	44,702	42,511	44,867
Contracts in progress	258,264	274,058	142,823
Trade receivables	382,749	329,355	395,237
Other assets	163,368	180,794	138,330
Advances from customers	(67,872)	(56,340)	(73,880)
Subtotal	**781,211**	**770,378**	**647,377**
Payables to suppliers	(354,817)	(356,777)	(381,200)
Other liabilities	(86,266)	(74,060)	(71,676)
Subtotal	**(441,083)**	**(430,837)**	**(452,876)**
Working capital (B)	**340,128**	**339,541**	**194,501**
Employee benefits	(15,162)	(14,770)	(15,026)
Provision for current risks and charges	(47,118)	(44,472)	(42,197)
Total provisions (C)	**(62,280)**	**(59,242)**	**(57,223)**
Net invested capital (D) = (A) + (B) + (C)	**495,085**	**481,317**	**349,502**
Cash and cash equivalents	175,418	186,576	185,370
Financial receivables and securities	60,618	54,139	97,358
Medium-long term financial payables	(262,966)	(280,565)	(88,702)
Short-term financial payables	(212,815)	(192,121)	(309,784)
Net financial payables/receivables (E)	**(239,745)**	**(231,971)**	**(115,758)**
Group equity	256,120	252,225	236,728
Minority interests	(780)	(2,879)	(2,985)
Equity (G) = (D) - (E)	**255,340**	**249,346**	**233,743**

The figures at 31 December 2005 confirm the Group's balanced financial and equity structure, a winning factor in its expansion in the general contracting market.

A review of the main items for the period shows a slight increase in fixed assets compared to the same figure at 31 December 2004 due to investments prior to the beginning of general contracting

[2] The standards adopted to evaluate financial instruments in reports starting 1 January 2004 and subsequent IFRS annual and interim reports for 2004 are the same used in previous years (national accounting standards). The consequences of adoption of IAS 32 and 39 are shown in the net financial position table.

projects. Initial investments in project finance activities such as setting up of the special purpose vehicle to carry out and manage the new hospital in Mestre, car park-related investments and the initial construction phase of the new hospital in Naples (“Ospedale del Mare”) are included among investments and intangible fixed assets. It must be noted that, with regard to project finance initiatives in progress, financing contracts related to the construction and management of the new hospital in Mestre have been signed during 2005 between Veneta Sanitaria Finanza di Progetto (“VSFP”), ASTALDI S.p.A. as joint venture leader, VSFP partners and the four mandated lead arrangers, ABN AMRO (Intercreditor Agent), Banca Antonveneta, Banca Intesa and Interbanca together with the European Investment Bank (EIB). Said operation represents the first example in Italy of Project Financing/ PPP (Public-Private Partnership) financed with international standards in accordance with the model provided for by the Merloni Law, and is an important benchmark for future infrastructure projects. To date, over 27% of the hospital complex has been constructed in full compliance with operational schedules.

There was a change in equity, totalling 255 million euros, during the period which can be mostly attributed to the profit for the period and distribution of dividends for a total 7.4 million euros, approved by the Shareholders’ Meeting of 29 April 2005.

As far as the net financial position is concerned, a breakdown of figures is shown below.

Euro / 000	31 December 2005	30 September 2005	31 December 2004
Short-term financial indebtedness	(207,945)	(186,881)	(199,982)
Medium and long-term financial indebtedness	(246,700)	(263,818)	(86,635)
Cash and cash equivalents	175,418	186,576	185,370
Total financial receivables and securities	60,618	54,139	26,017
Leasing	(21,137)	(21,988)	(23,420)
Bonded loan	0	0	(129,999)
Net financial position	**(239,746)**	**(231,972)**	**(228,650)**
Treasury shares in portfolio	5,860	3,107	898
IAS effects and change in consolidation area	0	0	112,285
Total net financial position	**(233,886)**	**(228,865)**	**(115,467)** (*)

(*) The figure refers to the balance sheet as per Legislative Decree No. 127

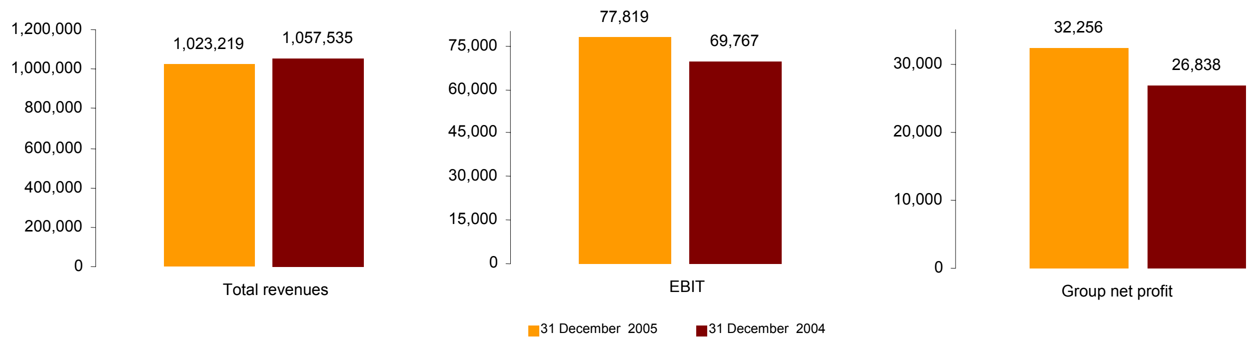
Compared to 30 September 2005, there was a slight increase in the net financial position which amounted to 233.9 million euros. The figure is worthy of praise also in consideration of the fact that a major share of receivables from the Anatolian Motorway contract in Turkey, due to be collected in December 2005, were actually collected at the beginning of 2006 and therefore were not entered into the accounts shown here. The debt/equity ratio, equal to 0.90, including treasury shares entered among available funds, was lower than the unit despite being affected by IAS derecognition and down on the ratio of 0.97 recorded at 31 December 2004. Said ratio is further reduced if we consider that net financial indebtedness includes loans related to project finance investments, repayment of which is ensured by future management-related cash flow hence without recourse to the Company's guarantees.

COMMENTS ON OPERATING PERFORMANCE

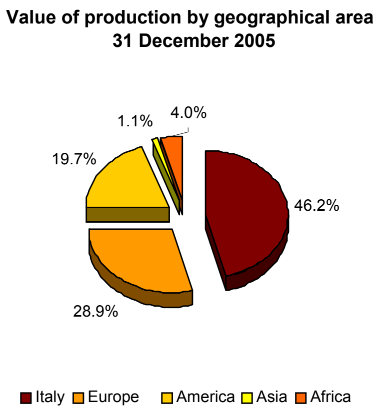
Astaldi Group's 2005 results confirm the increase in the equity and financial structure at a consolidated level, also as a result of an orders backlog that continues to stand out for the constant improvement in the quality of the works in progress.

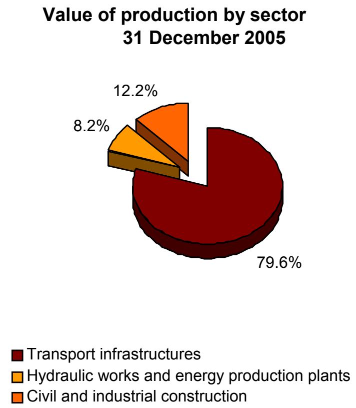
The ongoing focus over the years on the quest for contracts with a higher technical and managerial content has been all-important in achieving the high level of turnover (total revenues amount to over 1 billion euros) and clear improvement in operating results (with EBIT up by 11.5% and a 20.2% increase in net profit compared to 31 December 2004).

It must be noted that as regards the transition to International Accounting Standards, the method used to consolidate foreign joint ventures has switched from the proportional criteria to the equity method. This has meant exclusion of the value of production and relative consolidated balance sheet costs for said joint ventures, and consequent entering of the period's result under the heading "Results of equity investments". Therefore, in light of this, the volume of production and operating margin do not benefit from said effects that are in any case normalised at a net result level.

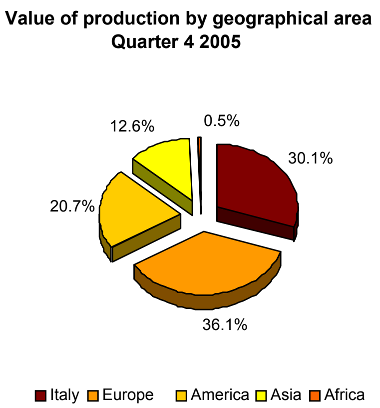


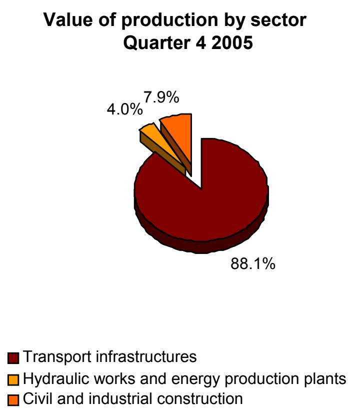
Revenues from works at 31 December 2005 totalled approximately 968 million euros, slightly down on the result at 31 December 2004. Said stability is also to be interpreted in relation to completion of construction of Milan New Expo Fair Center which recorded its maximum level of production in 2004.





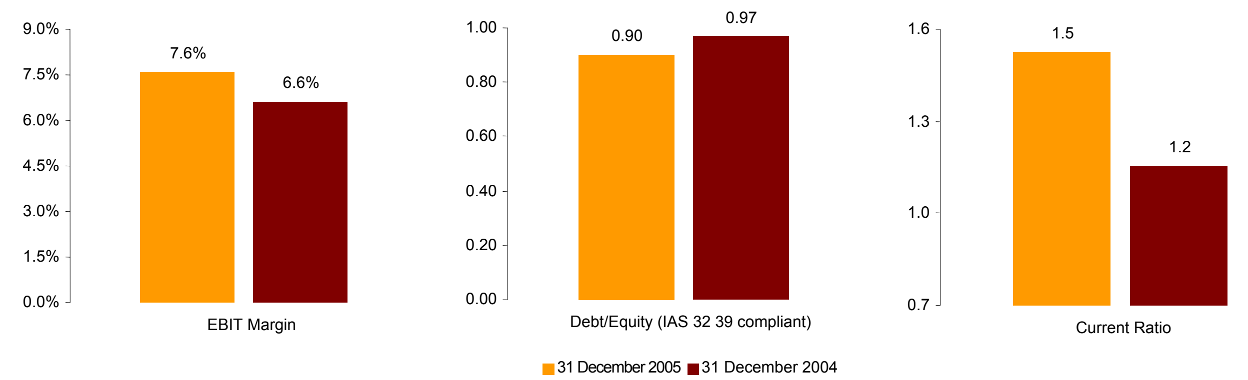
The domestic sector accounted for 46.2% of revenues in 2005 (45.5% of revenues in Q4). Foreign activities, mainly railway and motorway projects, accounted for 53.8% of the value of production in 2005 (54.5% in Q4). The excellent results achieved by the Group in South America were repeated, especially in Venezuela. In this regard we must note the full effectiveness of the 30 million USD loan structured by Banca Nazionale del Lavoro and guaranteed by SACE ("Società di Assicurazione dei Crediti all'Esportazione" - Company for Insurance on Export Credit) used to cover production of railway projects in progress in Venezuela.



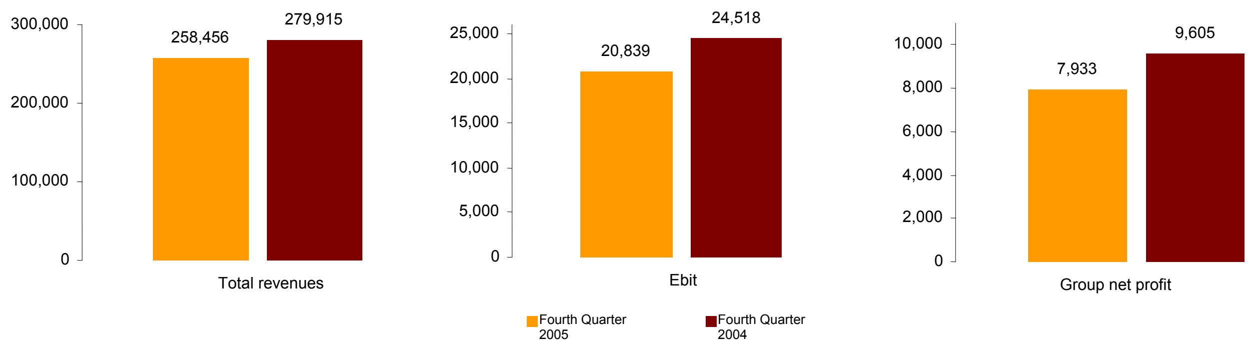


In Algeria where Astaldi enjoys a reputation as one of the leading operators, commercial efforts resulted in the Group being awarded other important contracts that will help increase the country's incidence in the Group's value of production. On the other hand, major development of activities in this area was planned in order to offset the drop in the value of production in Sub-Saharan Africa following the shutting down of all activities in the countries in question.

Lastly, mention should be made of the Asian area where Astaldi has been present for approximately two years and more specifically in Saudi Arabia and Qatar. As far as Qatar is concerned, the Group has completed civil works for the SASOL GTL gas liquefaction plant on behalf of an international contractor specialising in oil plants. Said positive experience has opened a new front of opportunities in the oil & gas sector where there appears to be a major demand for infrastructures. In this regard, it is important to note that commercial projects are in progress in order to further develop this positive experience.



2005 saw a considerable increase in economic margins. Specifically, there was an 11.5% increase in EBIT which totalled over 77.8 million euros (7.6% of the value of production) compared to approximately 69.8 million euros for the same period of 2004.
Consolidated net profit, which amounted to over 32.3 million euros, increased by 20.2% compared to 26.8 million euros in 2004.



Specifically, in the fourth quarter of 2005, revenues for services and contracts amounted to 253 million euros, slightly down on the figure for the same period of last year due, as already mentioned, to the smaller share of works related to Milan Expo Fair Center which have still to be replaced by new general contracting jobs in Italy. Transport infrastructures accounted for 88.1% of this figure, hydraulic and energy works for 4% and civil and industrial construction for the remaining 7.9%. Therefore, the transport infrastructures sector shows itself to be the key sector for the

Group's activities as well as the sector making the largest contribution in terms of value of production and margins achieved. It should be remembered that works such as railways and underground railways, roads and motorways and ports and airports all belong to this sector. As shown below, the increase in this sector during the period in question can be attributed to the construction of major infrastructures in Italy such as the final phase of the Rome-Naples section of the High Speed Railway line (put into operation in January 2006), the underground in Brescia, Naples and Genoa and the Turin Rail link. Mention must also be made of the major contribution provided by works carried out in Venezuela and Turkey where the Group is involved in carrying out key infrastructure projects.

Net financial indebtedness at 31 December 2005 including treasury shares amounted to 233.9 million euros compared to approximately 228.7 million euros at 31 December 2004. Said figure takes into account the effects on the financial position arising from the introduction of IAS accounting standards (i.e. derecognition). Said increase is in line with the contents of the 2005-2009 Business Plan, confirming a debt/equity ratio lower than the unit.

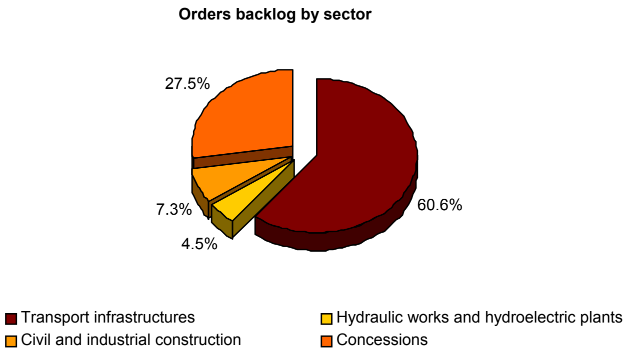
There was a considerable increase in the share of medium-long term loans compared to 31 December 2004. Indeed, in keeping with said plan's aims, the Group has successfully taken the first step towards defining its new financial policy which has resulted in repositioning of financial indebtedness from short term to medium-long term.

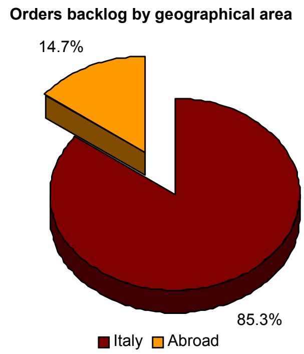
In fact, on 9 February 2005, the 150 million euro bonded loan issued by the subsidiary Astaldi Finance S.A. was redeemed through the agent bank BNP Paribas Luxemburg followed by reimbursement of underwriters on 11 February. In this regard it must be noted that the 100 million euro bank loan agreement undersigned by a pool of leading Italian banks, repayable in six-month instalments over 5 years, became fully effective as from 27 January 2005 and will allow the Group to align the duration of sources of finance to the average length of contracts. Said loan serves to redress the Group's financial structure with regard to the short term/medium-long term debt ratio, while at the same time taking advantage of the low interest rates on the market at the present moment in time and minimising the cost of additional financial charges.

In April 2005, a 4-year loan operation for the sum of 100 million euros connected to the working capital, was finalised with the same purpose as above. Said loan, underwritten by a pool of leading Italian banks with Banca Popolare di Milano as the agent bank, makes it possible to streamline the technical reserve portfolio, improving at the same time the working capital cycle by making use of this type of structured loan operation.

As far as total equity is concerned, which amounted to 255.3 million euros, this includes all the effects of the transition to the new international accounting standards as described in detail in the "Notes to the Half-Yearly Report".

A closer look at the orders backlog, which is described in detail in the following paragraph, shows how new orders worth a total of over 1.5 billion euros were acquired during 2005, bringing the total value of the Group's backlog to approximately 5.6 billion euros, over 4 billion euros of which are related to the construction sector and over 1.5 billion euros to the concessions sector.





ORDERS BACKLOG BY SEGMENTS AND GEOGRAPHICAL AREAS

New contracts worth 1,523 million euros were acquired during 2005. The overall value of the Group's orders backlog at 31 December 2005 amounted to 5,567 million euros, showing an 11.1% annual increase mainly due to new acquisitions in the transport infrastructures and energy production plants sectors, and the effects of the change in the consolidation area following introduction of the IAS.

An analysis of the orders backlog's geographical positioning shows that 85% of contracts in progress refer to the domestic market, chiefly the rail infrastructures sector, while the remaining 15% refers to foreign contracts, mainly in America as well as Romania, Turkey and Algeria.

A closer look at commercial activities in the last quarter of 2005 allows us to note the good results obtained by the Group in countries, such as Algeria and Venezuela, where Astaldi is a longstanding presence and where it currently manages key projects mainly related to the transport infrastructures sector.

Specifically, in Algeria in November, Astaldi Group was provisionally awarded the contract with SNTF (Algeria's national railway company) to construct the new Mecheria-Redjem Demouche railway line, worth approximately 166 million euros; given that said award has still to be finalised, it has not been included in the orders backlog for the moment. The contract awarded to the Astaldi-ETRHB Haddad joint venture led by Astaldi with a 51% holding, provides for the design and construction of a section of railway measuring approximately 140 km, linking the cities of Mecheria and Redjem Demouche located in the south-west of the country. The planned duration of said works is 22 months.

It must also be remembered that during the second half of the year the Group was awarded the contract to construct the Kerradà dam and Jijel road tunnel worth a total of 76 million euros (51 million euros for the works carried out by Astaldi). While the contract to construct a section of the East-West Motorway, running along the coast between Tunisia and Morocco, and the contract to construct the water system linking the cities of Akbou and Bejaia, to the east of Algiers, are to be attributed to the first half of 2005.

As far as Venezuela is concerned, it must be noted that at the present moment the operating units in the area are working on what is provided for in the letters of intent signed in December by the Italian and Venezuelan governments to construct three railway sections. The aim of said activity is the signing of a contract between I.A.F.E. (Venezuela's independent railway company) and an Italian consortium, which Astaldi holds a 33.33% share in, for a total value of 5 billion USD. This project will be included in the Group's orders backlog upon signing of the relative contracts and their financial backing.

The three railway sections involved in the agreement – Charallave Norte-La Encrucijada, La Encrucijada-San Fernando de Apure and Chaguaramas-Cabruta for a total of approximately 560 km – form part of a much wider project to improve Venezuela's railway infrastructures Astaldi Group is already very much involved in with major projects for the country's development.

Lastly it must be remembered that at the moment the Group is already working in the area on projects related to the construction of two railway lines – Puerto Cabello-La Encrucijada and Caracas-Tuy – and an underground – Los Teques.

In the aim to comply with the criteria adopted by Astaldi regarding the inclusion of contracts in its backlog only after said contracts have been acquired and fully backed, the above projects, just as those provided for in the aforementioned letters of intent, have not yet been included in the orders backlog's overall value.

While a further *tranche* of works equal to approximately 45 million euros, related to the Puerto Cabello-La Encrucijada Railway line project in Venezuela, was included during the year in the backlog following the obtainment of financial backing.

As far as Italy is concerned, 2005 saw an increase in the share of its orders backlog related to the transport infrastructures sector.

Astaldi, as leader of a joint venture with a 74% stake, was awarded the contract for the completion of the Turin Rail junction. The contract, worth a total of over 442 million euros, provides for the executive design and performance of works to complete and extend the railway line between Corso Vittorio Emanuele II and Corso Grosseto. The new section will link Lingotto Station to Stura Station and run for approximately 12 km, 7 km of which in a tunnel crossing the River Dora Riparia. The total planned duration of the works is approximately 6 years. It should be noted that the works represent the end of the first phase of an Astaldi project currently being completed, aimed at guaranteeing the construction of an integrated transport system in Turin. The physical and temporal contiguity of the two contracts will make it possible to make major savings both with regard to efficient site organisation and technical equipment, and excellent commercial relations acquired over the years thanks to its ongoing presence in the Turin area.

In March Astaldi was also awarded the contract to lay the second track of the Parma-La Spezia Railway line, also called the "Pontremolese". The contract is worth a total of approximately 165 million euros and provides for the executive design and performance of civil works, railway structure, electric traction system and modernisation of safety and signalling systems. The main works consist in the construction and safety arrangements of a new double track tunnel measuring approximately 4,200 metres, a new 440 metre bridge over the River Taro, a 150 metre viaduct and two cut-and-cover tunnels measuring 160 metres and 243 metres respectively which will run under the Parma-La Spezia Motorway.

The general contracting projects related to the Jonica State Road ("SS 106") worth a total of approximately 800 million euros provide important examples of Astaldi design and production capacities, but also offer proof of the lucrative changes in the Group's orders backlog over the past years.

In recent years, high unitary value projects handled as general contracting projects or as concessions or as project finance initiatives are increasingly replacing traditional contracts. Said tendency undoubtedly reflects an acquisition policy which focuses on projects with a high technological and managerial profile and able to guarantee greater earning capability. However, the Group will continue to operate in the contracts sector, concentrating its activities in sectors that are traditionally Astaldi strong points.

Therefore, if mention is to be made of just some of the contracts which the Group's production, technological and managerial efforts shall be focused on over the coming months, the orders backlog includes works such as the underground in Brescia and Naples, Bologna High Speed Station, the two lots of the Jonica State Road ("SS 106"), completion of Turin Rail junction, laying of a second track on the Parma-La Spezia Railway line as well as the new hospitals in Naples ("Ospedale del Mare") and Mestre, the Caracas-Tuy Railway line and Los Teques Underground in Venezuela, Bucharest Underground and international airport, the Bucharest-Constanta Motorway in Romania and the Istanbul-Ankara Motorway in Turkey. All of which are works with financial backing and a high technological/managerial profile able to optimise the Group's various areas of expertise and maintain a sufficient return for each individual project. The Group's involvement in the key infrastructure projects being developed in Italy such as the Verona-Padua High Speed Railway line and construction of the MOSE mobile dams in Venice's lagoon must also be remembered.

It must also be noted that the orders backlog at 31 December 2005 did not include all those initiatives for which Astaldi appointment as Sponsor, pursuant to Article 37 bis and following amendments of the Merloni Law (Italian Law No. 109/1994), has been made official. On the strength of legislation in force in Italy with regard to project finance, appointment as Sponsor grants the latter the right of pre-emption to be exercised during final performance of the tender. Nevertheless, as mentioned above, the Group adopts a policy of solely including finalised, fully backed projects in its orders backlog. This means that these contracts shall only be included in its orders backlog when said conditions are met. Therefore not only are the projects regarding construction of Line 5 of Milan Underground, an integrated 4-hospital system in Tuscany and the Appia Antica Park underpass in Rome – all projects in which Astaldi has already been appointed Sponsor – left out of the orders backlog, but also projects in Venezuela for which relative financial backing has still to be finalised.

As regards Line 5 of Milan Underground, the project is worth approximately 500 million euros. The project provides for the design, construction and subsequent management of a 5.6 km stretch of the underground between Porta Garibaldi Station and Via Bignami in the eastern suburbs of Milan. The forecast duration of the works, including the design stage, is 5 years followed by 27 years of management. The relative concession agreement shall be signed upon completion of the award procedure which got underway on 23 January 2006. It should be noted that following publication of the call for tenders on 15 April, a tender to carry out the works in question was submitted by a competing joint venture at the end of October. Said tender was admitted by the awarding committee to the negotiated procedure during which Astaldi may exercise the right of pre-emption as Sponsor that grants the Group the right to choose to match the competing tender and be awarded the contract. The outcome of the negotiated procedure and consequent awarding of the contract is expected during the first quarter of 2006.

Another project financing proposal submitted by Astaldi, which provides for a similar award procedure, regards the construction and management of an integrated system of four hospitals in Tuscany (Prato, Pistoia, Lucca and Massa). In this case it should be pointed out that with the decision taken on 10 May 2005, the Council of State confirmed the joint venture led by Astaldi as the Sponsor for said project. The proposal, which had been amended pursuant to current legislation and whose content had already been approved by the region of Tuscany through special decision, was submitted to the client in December. The call for tenders is scheduled for the first quarter of 2006 and once this phase has been completed, Astaldi will take part in the negotiated procedure, availing itself also in this case of the right of pre-emption provided for by law. The project is worth a total of 364 million euros as far as investment is concerned – of which 120 million euros will be put up by private individuals – and 1.5 billion euros of total concession revenues. The new hospital facilities shall offer 1,700 new beds located in the various areas of reference. It must be remembered that the contract foresees a single all-inclusive ministerial financing and a single concession contract so as to be able to go ahead with building the four hospitals contemporaneously.

While, as regards the project finance initiative for construction of the Appia Antica Park underpass, Rome city authorities have already formalised Astaldi appointment as Sponsor. The works are worth a total of approximately 390 million euros, 190 million of which shall be put up by the concessionaire and the remaining amount as public contribution. The thirty-year concession for management of the works shall provide the contractor with operating revenues of over 800 million euros gross of operating costs. The preliminary design submitted by Astaldi provides for the construction of a two-lane road in both directions linking the south of the city to the east measuring approximately 9 km, 7 km of which shall be in a tunnel. The concession agreement shall be signed subsequent to completion of the award procedure and negotiated procedure during which the Sponsor Astaldi shall enjoy the right of pre-emption. The infrastructure's traffic study was completed in October, the results of which confirm the forecasts forming the base of the project's business plan. The works in question shall be of great service to city traffic and stand out insofar as they are the first transport works in Rome to be carried out using project finance.

The table below shows the trend in the orders backlog in 2005, split into the main business areas. The figures shown do not take into account the projects listed above for which the criteria regarding inclusion in the Group's backlog (i.e. awarded contracts that still have to obtain financial backing and projects in which Astaldi is the Sponsor pursuant to Article 37 bis and following of the Merloni Law) still have to be met.

Euro/millions	**Beginning Period 01/01/2005**	**Increments**	**Decrements for production**	**Ending Period 31/12/2005**
Transport infrastructures of which:	3,229	917	(770)	3,376
railways and undergrounds	*1,859*	*718*	*(409)*	*2,168*
roads and motorways	*1,283*	*195*	*(322)*	*1,156*
ports and airports	*87*	*4*	*(39)*	*52*
Hydraulic works and hydroelectric plants	221	110	(79)	252
Civil and industrial construction	348	179	(118)	409
Concessions	1,213	317	-	1,530
Total orders backlog	**5,011**	**1,523**	**(967)**	**5,567**

The increase in concessions includes full consolidation of the new hospital in Naples ("Ospedale del Mare") project in which Astaldi is the majority shareholder (60%).
The following table shows the contribution of the individual geographical areas to the orders backlog.

Euro/millions	Beginning Period 01/01/2005	Increments	Decrements for production	Ending Period 31/12/2005
Italy	*3,961*	*1,236*	*(447)*	*4,750*
Abroad	*1,050*	*288*	*(520)*	*818*
Total orders backlog	**5,011**	**1,523**	**(967)**	**5,567**

It must be remembered that the new railway projects in Algeria and Romania worth a total of approximately 300 million euros are not included in the foreign orders backlog insofar as the Group is still waiting to be definitively awarded said contracts.
As regards commercial activities under consideration in the domestic market, the Group has focused on general contracting and project finance initiatives mainly related to the transport infrastructures and healthcare facilities sectors, in keeping with Corporate planning. The Group is currently awaiting the outcome of award procedures with regard to some initiatives, while for others the relative prequalification, verification and award procedures are still underway.
Specifically, the Group is awaiting the outcome of some award procedures in general contracting in the motorway sector including the works contract for construction of a lot of Salerno-Reggio Calabria Motorway, and in the railway-underground sector, the contract for the design and construction of Line C of Rome Underground. Said project provides for the construction of a section, approximately 25.5 km in length, connecting the Clodio/Mazzini stations and Pantano. Said section will comprise approximately 30 stations placed along a route which will run for 18 km underground.
Other project finance initiatives in the car parks and healthcare facilities sectors are currently under consideration along with projects involving the traditional transport infrastructures sector (railways, motorways and ports). In addition to participation in the negotiated procedure for Line 5 of Milan Underground, a tender for the construction and concession of a new hospital in Como was submitted at the end of January.

With regard to foreign activities, a large number of commercial projects are currently underway, aimed not only at consolidating the Group's presence in countries where Astaldi is already firmly established (Turkey, Romania, Venezuela and Algeria), but also at developing those new markets characterised by high economic and commercial potential such as the Middle East (Qatar and Saudi Arabia).

It must also be remembered that the call for tenders related to construction of entrances to the new railway crossing on the Bosporus ("Marmaray Project") is currently in progress. The project provides for the performance of civil works worth a total of more than 400 million euros and sees Astaldi's participation as part of a joint venture of leading international operators. The contract is expected to be awarded by February 2006.

SUBSEQUENT EVENTS

Development activities on the domestic market also continued to go ahead. In this regard and as already stated above, it must be noted that the negotiated procedure for the contract for construction of Line 5 of Milan Underground is under way; it is scheduled for the first quarter of 2006. A tender for the design, construction, management and funding of a new hospital in Como was submitted on 30 January. Investment costs are equal to approximately 140 million euros, 110 million euros of which will be covered by public contribution and 30 million by private funds, and the total concession revenues will be just over 500 million euros. Still in the concessions and project finance sector, car park and transport infrastructure-related proposals are currently under consideration.

As far as foreign commercial activities are concerned, it must be noted that Astaldi Group is top of the list in the award procedure regarding major railway projects currently being awarded in Romania and Algeria, worth a total of 300 million euros for the Group.

In fact in Romania, a country where the Group is traditionally present with major contracts that see it mainly involved in key projects regarding transport infrastructures such as Line 3 of Bucharest Underground, the Otopeni international airport and further road projects including the construction of various sections of the Bucharest-Constanta Motorway, the Group is awaiting final awarding of the works contract regarding modernisation of two separate lots of the Bucharest-Constanta railway line.

Likewise, in Algeria, Astaldi is top of the list in the award procedure and awaiting final awarding of the project to construct the Redjem-Demouche Mecheria railway line.

Lastly, payment of 56 million dollars of receivables from the Turkish Ministry of Transport for the project involving construction of the Anatolian Motorway, must be noted.

FORECAST DEVELOPMENT OF OPERATIONS

The results achieved during 2005 confirm the Group's operating and financial capability, which forms the base for the strategies decided on during industrial planning, and equal excellent quality of the orders backlog and a well-founded equity and financial structure.

Completion of major contracts such as Milan New Expo Fair Center and the Pont Ventoux hydroelectric plant, speeding up of activities regarding projects such as the Anatolian Motorway in Turkey as well as handling of the start up of new, highly demanding contracts for the Group's management such as Bologna High Speed Station and Brescia Underground, perfectly sum up the operating and managerial capability that the Group has made the hallmark and added value of activities carried out.

The changes in the orders backlog, which mainly focuses on general contracting and concession/project finance initiatives, and the lesser incidence of traditional contracts, will lead the Group to concentrate its production efforts contracts characterized by an increasingly high technical/managerial know-how over the coming months. The Turin Rail junction, the new hospital in Mestre, the new hospital in Naples ("Ospedale del Mare") as well as two lots of the Jonica State Road ("SS 106") are just some of the projects included in the backlog which the Company's management will be involved in over the coming months.

New challenges and new projects which will allow the Group to optimise expertise acquired over the years and grasp additional opportunities that will present themselves in its target market while maintaining a good level of profitability.

Subsequent to changes in legislation and consequent market consolidation processes, the sector is experiencing a phase during which Astaldi Group undoubtedly holds a leadership position which depends not only on its operating capabilities, which can be identified in its satisfaction of General Contractor requisites, but also on other important factors such as its financial structure and the know how it can boast.

Indeed a solid managerial, equity and financial structure becomes all-important and strategic in a situation where the unitary value of contracts continues to increase and current legislation provides for an advance payment by the General Contractor that can range from 10% to 20% of the value of the investment.

And one of Astaldi Group's strong points lies in said solid structure along with its ability to design and carry out works.

In recent years we have seen a repositioning of the Group's indebtedness towards the medium/long term which reflects the management's sound planning ability and is in keeping with Corporate planning. Said repositioning has been carried out in order to guarantee the complete financial independence of contracts in its backlog and greater correspondence of sources of finance to the specific needs of individual business units (construction, general contracting and concession).

In a market situation where limits on public authorities' spending could serve to boost the development of project financing initiatives, Astaldi acknowledged solidity from an equity viewpoint is undoubtedly a lever to act on in order to consolidate its presence in a sector such as concessions which is characterised by good opportunities and sufficient levels of return.

As regards the foreign sector, the Group's aim will continue to be capitalisation of the results achieved to date. Therefore the coming months will see a consolidation of the Group's presence in traditional markets in order to guarantee further development. Furthermore consolidation is planned of commercial penetration of Eastern Europe and an area of the Middle East (Qatar and Saudi Arabia), as well as an increase in PPPs (Public-Private Partnership) and structured finance activities including in some foreign countries which, to date, can boast political and financial stability combined with suitable potential in the infrastructure sectors.

Lastly it should be noted that consolidation of its role as a General Contractor and leading operator in the project finance sector will most definitely be favoured by the new organisational model adopted over the year. In fact construction activities have been separated from concession activities in order to develop, in the domestic market, the growing potential offered by the concession and project finance sectors in Italy and abroad, with the identification of resources dedicated to developing initiatives both from a managerial and financial viewpoint.