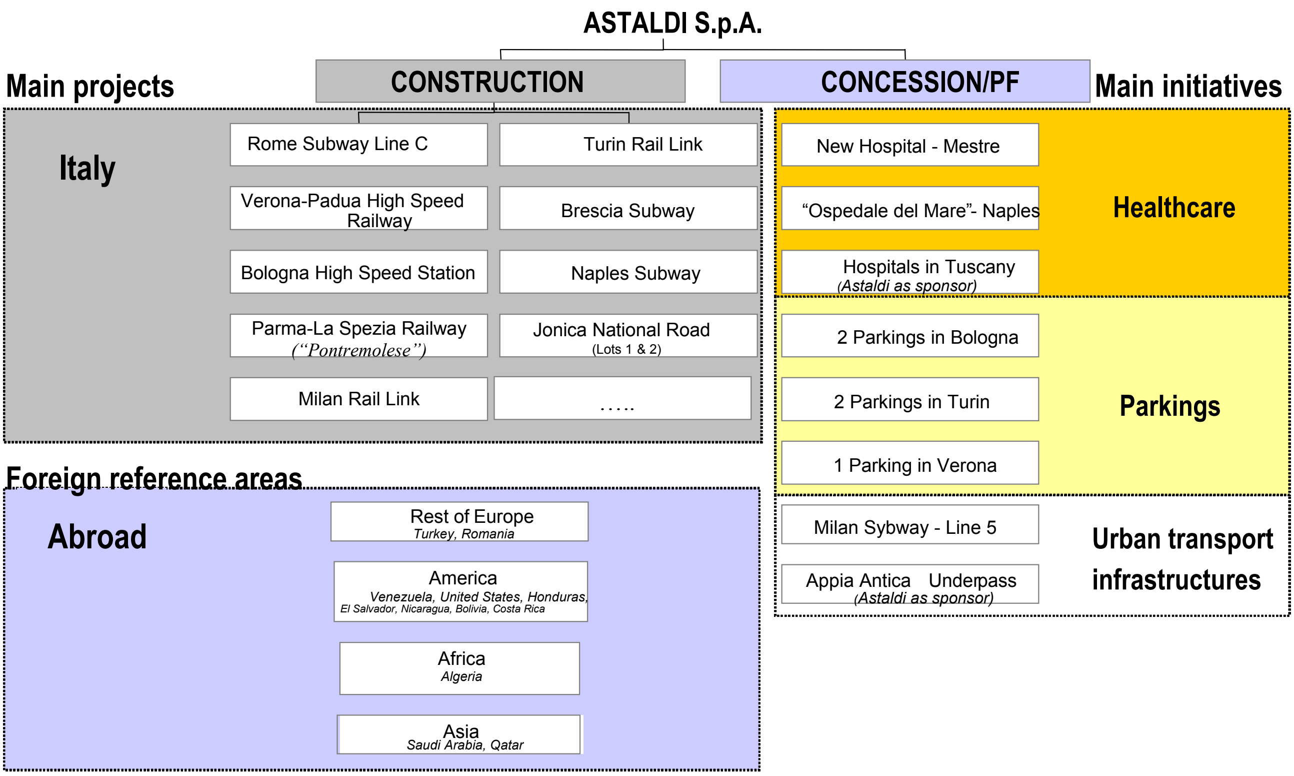
ASTALDI GROUP

QUARTERLY REPORT AT MARCH 31, 2006

CONTENTS

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
Directors	Caterina Astaldi
	Pietro Astaldi
	Luigi Guidobono Cavalchini
	Franco Grassini
	Mario Lupo
	Vittorio Mele
	Nicola Oliva
	Maurizio Poloni

Board of Auditors[1]

Chairman	Pierumberto Spanò
Statutory Auditors	Eugenio Pinto
	Pierpaolo Singer
Substitute Auditors	Maurizio Lauri
	Antonio Sisca
	Massimo Tabellini

General Managers

International	Giuseppe Cafiero
Administration and Finance	Stefano Cerri
Domestic	Nicola Oliva

Deputy General Manager

Administration and Finance	Paolo Citterio

Auditing Firm

Reconta Ernst & Young S.p.A.

[1] The Board of Auditors was appointed during the Shareholders' Meeting of April 28, 2006.

CONSOLIDATION AREA

	Subsidiaries	%	
1	A.S.T.A.C. S.r.l. in liquidation	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 Corporation	100.00%	
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	78.80%	
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	99.99%	
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 in liquidation	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	Messina Stadio S.c.r.l.	66.67%	*
37	Montedil-Astaldi S.p.A. (MONTAST) in liquidation	100.00%	
38	Mormanno Scrl in liquidation	74.99%	
39	Ospedale del Mare S.c.r.l.	60.00%	
40	Palese Park Srl	99.00%	
41	Partenopea Finanza di Progetto S.p.A.	59.99%	
42	Portovesme S.c.r.l.	80.00%	
43	Quattro Venti S.c.r.l.	60.00%	
44	Redo-Association Momentanée	100.00%	
45	Romairport S.r.l.	99.26%	
46	Romstrade S.r.l.	51.00%	
47	S.Filippo Scrl in liquidation	80.00%	
48	Sartori Sud S.r.l.	100.00%	
49	SC Italstrade - CCCF JV Romis S.r.l.	51.00%	
50	S.P.T. Società Passante Torino S.c.r.l.	74.00%	
51	Seac S.p.a.r.l. in liquidation	100.00%	
52	Silva Srl in liquidation	99.00%	
53	Sugt .a. Calarasi	99.12%	
54	Susa Dora Quattro S.c.r.l.	90.00%	
55	Todaro S.r.l. in liquidation	100.00%	
56	Toledo S.c.r.l.	90.39%	
57	Tri.Ace. S.c.r.l. in liquidation	80.00%	
58	Viadotto di Fadalto S.c.r.l. in liquidation	80.00%	

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

ACCOUNTING STANDARDS AND VALUATION CRITERIA

In compliance with current legislation, it must be noted that this quarterly report has been drafted in accordance with IASs/IFRSs 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 May 14, 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 IASs/IFRSs has not been included.

The first 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, applying the same criterion to previous financial statements in order to make them comparable.

The figures listed refer to the quarter in question. Said figures have also been compared to figures for the same period of last year that have been restated in accordance with IASs/IFRSs.

For a detailed description of the accounting standards adopted by the Group, please refer to the consolidated financial statements at December 31, 2005 approved by the Shareholders' Meeting on April 28, 2006, filed at the Company's offices and available at www.astaldi.com .

The main exchange rates used to convert financial statements shown in foreign currencies are as follows (Source: I.E.O. - Italian Exchange Office):

COUNTRIES	CURRENCY		*March 31, 2006*	*2006 average*	*December 31, 2005*	*2005 average*
Algeria	Algerian Dinar	DZD	88.3280	88.0974	86.5655	90.7031
Saudi Arabia	Saudi Riyal	SAR	4.5079	4.5081	4.4465	4.6642
Bolivia	Bolivian Peso	BOB	9.6162	9.6163	9.4984	10.0320
Central African Republic C.F.A	CFA Franc	XOF	655.9500	655.9500	655.9500	655.9520
Colombia	Colombian Peso	COP	2,720.2800	2,721.5467	2,701.8100	2,890.7400
Democratic Republic of the Congo	Congolese Franc	CDF	525.2370	523.5430	523.2540	585.9210
Costa Rica	Costa Rica Colon	CRC	606.1080	602.5217	587.1650	592.7080
Croatia	Kuna	HRK	7.3300	7.3421	7.3882	7.3989
Denmark	Danish Krone	DKK	7.4612	7.4622	7.4541	7.4519
El Salvador	Salvadoran Colon	SVC	10.5175	10.5179	10.3741	10.8858
Japan	Japanese Yen	JPY	140.9600	140.5143	140.5770	136.8490
Guatemala	Quetzal	*GTQ*	9.1630	9.1574	9.0337	9.5436
Guinea	Guinean Franc	GNF	5,437.3400	5,362.9100	5,094.6100	4,413.0900
Honduras	Lempira	HNL	22.7118	22.7127	22.4019	23.4543
Libya	Libyan Dinar	LYD	1.6153	1.6132	1.6007	1.6340
Morocco	Moroccan Dirham	MAD	10.9536	10.9354	10.9228	11.0143
Nicaragua	Gold Cordoba	NIO	20.8176	20.7356	20.2856	20.5105
Norway	Norwegian Krone	NOK	7.9775	8.0245	7.9737	8.0092
Qatar	Qatari Riyal	QAR	4.3751	4.3751	4.3164	4.5283
United Kingdom	British Pound	GBP	0.6893	0.6861	0.6792	0.6838
Romania	New Leu	RON	3.5074	3.5639	3.6589	3.5806
United States	US Dollar	USD	1.2020	1.2021	1.1856	1.2441
South Africa	Rand	ZAR	7.5171	7.4020	7.5439	7.9183
Switzerland	Swiss Franc	CHF	1.5691	1.5588	1.5479	1.5483
Tanzania	Tanzanian Shilling	TZS	1,456.9700	1,433.1533	1,385.0800	1,400.7500
Tunisia	Tunisian Dinar	TND	1.6290	1.6220	1.6110	1.6113
Turkey	Turkish Lira	TRY	1.6071	1.6020	1.6038	1.6771
European Monetary Union	Euro	EUR	1.0000	1.0000	1.0000	1.0000
Venezuela	Bolivar	VEB	2,581.0500	2,581.1600	2,545.8600	2,620.6600

Please note that the exchange rate expresses the currency required to buy EUR1..

RECLASSIFIED CONSOLIDATED INCOME STATEMENT

€ / 000	March 31, 2006	%	March 31, 2005	%
Revenues	224,625	93.1%	224,177	93.8%
Other operating revenues	16,772	6.9%	14,732	6.2%
Total revenues	**241,397**	**100.0%**	**238,909**	**100.0%**
Production costs	(166,029)	(68.8%)	(169,177)	(70.8%)
Added value	**75,368**	**31.2%**	**69,732**	**29.2%**
Personnel costs	(43,427)	(18.0%)	(37,745)	(15.8%)
Other operating costs	(5,782)	(2.4%)	(4,606)	(1.9%)
EBITDA	**26,159**	**10.8%**	**27,381**	**11.5%**
Amortisation and depreciation	(6,363)	(2.6%)	(6,283)	(2.6%)
Provisions	(2,061)	(0.9%)	(5,269)	(2.2%)
Write-downs		0.0%	(126)	(0.1%)
(Capitalisation of internal construction costs)	215	0.1%	14	0.0%
EBIT	**17,950**	**7.4%**	**15,717**	**6.6%**
Net financial income and charges	(3,985)	(1.7%)	(4,719)	(2.0%)
Effects of valuation of investments using equity method	(1,063)	(0.4%)	1,009	0.4%
Pre-tax profit (loss)	**12,902**	**5.3%**	**12,007**	**5.0%**
Taxes	(5,289)	(2.2%)	(4,867)	(2.0%)
Profit (loss) for the period	**7,613**	**3.2%**	**7,140**	**3.0%**
(Profit) loss attributable to minority interests	510	0.2%	615	0.3%
Group net profit	**8,123**	**3.4%**	**7,755**	**3.2%**

The first quarter of 2006 confirms the good economic trend seen in the same period of 2005, with figures in line with forecasts contained in the new 2006-2010 Business Plan. The increasing focus in recent years on new contracts of significant amount, able to offer higher earnings in the general contracting sector, can be seen in the increase in EBIT compared to the same period of last year which went from 6.6% to 7.4%.

Total revenues for the first quarter equalled over EUR 241 million, slightly up on the same period of the previous year. Revenues for services and contracts amounted to approximately EUR 225

million, of which 44.4% referred to contracts in Italy, while the remaining 55.6% to foreign contracts in progress in the 14 countries the Group currently operates in.
Europe (Romania and Turkey) accounted for 18.2% of foreign total revenues and America for 30.2%, while the remaining 7% included production activities in Asia (Qatar) and Africa (Algeria). The latter will see a significant increase in production as from this year following the start-up and subsequent performance of important contracts that have recently been awarded.
As confirmed by the Group's most recent commercial successes, its presence abroad will be increasingly geared towards those countries where Astaldi traditionally features as a player and where the political and financial risk is considerably reduced as a result of financial backing by international organisations. These conditions combined with ongoing monitoring of invested capital and the monetary risk and suitable policies to hedge related risks, make the individual contracts independent from a financial viewpoint and able to generate sufficient cash flow.

The importance of foreign activities for Astaldi Group also satisfies the need, for the present and the future, to counterbalance the growth of the domestic market, characterised by major projects, the start-up of which is however deferred given the complex design activities specific to general contracting and project financing initiatives.

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

€/millions		March 31, 2006	%	March 31, 2005	%
Italy		**100**	**44.4%**	**124**	**55.4%**
Abroad		**125**	**55.6%**	**100**	**44.6%**
	Europe	41	18.2%	41	18.3%
	America	68	30.2%	41	18.3%
	Asia	3	1.3%	4	1.8%
	Africa	13	5.8%	14	6.3%
Total		**225**	**100.0%**	**224**	**100.0%**

The above figures show a growth in the contribution of foreign activities to total revenues. Specifically, there was a growth in the incidence of production activities in America with a major increase in total revenues in Venezuela. Indeed, the first quarter saw the first effects of the possibility of converting the significant increase in oil prices, of which Venezuela is a leading producer, into spending capacity. Therefore, greater spending capacity and the consequent speeding up of decision making processes regarding investments increased the development opportunities for Astaldi Group, looked on as one of the leading, firmly established players in the sector and perfectly integrated into the local production fabric. Therefore, there will be considerable opportunities as a result of the letter of intent signed by the Venezuelan and Italian governments in December 2005. Said agreements, aimed at encouraging cooperation between the two countries, shall serve to encourage development of the South American country and strengthen the presence of the Italian production model.

As regards the drop in activities in Italy, a temporary phenomenon, note should be taken of completion, in the first quarter of 2005, of activities related to construction of the New Expo Fair Centre in Milan, which had made a major contribution to total revenues in 2004.

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

€/millions	**March 31, 2006**	**%**	**March 31, 2005**	**%**
Transport infrastructures	182	80.9%	156	69.6%
Hydraulic works and hydroelectric plants	25	11.1%	25	11.2%
Civil and industrial buildings	18	8.0%	43	19.2%
Total	**225**	100.0%	**224**	100.0%

Transport infrastructures accounting for approximately 81% of turnover are Astaldi Group's key business area, both in terms of value of production and sector specialisation, confirming the Group's longstanding tradition. In this regard, a major contribution came from works currently underway in Venezuela (railway works), Turkey (motorway works) and Italy where construction of major railway works linked to subways in Brescia, Naples and Genoa and the Turin Rail Link are in progress.

Instead, there was a drop in the share of turnover related to civil construction since, as mentioned above, the value of production related to the completion of the Milan New Expo Fair Centre was still remarkable in the first quarter of 2005 while maintenance activities only are now being carried out. Works to construct the new hospital in Mestre are proceeding as planned and approximately 40% of said works have been completed, while by the end of the first half of the year in question, once the final design and expropriation phases have been terminated, works to construct the new hospital in Naples ("Ospedale del Mare") shall commence which will generate a considerable increase in its contribution to overall production levels.

Therefore, at a general level, there was an increase in the value of production which was limited during the quarter by the delay in the start-up of works regarding the two lots of the Jonica National Road (SS106). These works, carried out as a general contracting project and worth a total of over EUR 700 million, experienced a postponement of approximately six months with regard to the start-up of production activities as a result of the need to check some technical and design aspects.

A closer look at the income statement figures allows us to see the results of a careful policy to control costs and focus on increasing earning thanks to the improved quality of contracts in progress. As regards direct costs, there was a partial change in their composition. Personnel costs decreased compared to the same period of 2005, mainly as a result of the increase in the incidence of direct production phases, especially abroad in countries such as Algeria where the practice of outsourcing specific production phases is less common. In fact, conversely, there was a drop in production costs which include third party services such as subcontracting and works carried out through special purpose consortia.

In terms of results, the first quarter of 2006 saw EBIT of approximately EUR 18 million with an increase of 14.2% on the figure recorded at March 31, 2005 and an EBIT margin of 7.4% (compared to 6.6% for the same period of 2005).

Net profits at quarter end amounted to over EUR 8.1 million, showing an increase (+4.7%) on the same quarter of 2005. The net margin equalled 3.4% compared to 3.2% in 2005. Lastly, it should be remembered that the current tax rate of 41% reflects a conservative estimate. Indeed the Group has been working on an overall review for some time, aimed at optimising the tax effects of income produced abroad.

CONSOLIDATED BALANCE SHEET AND FINANCIAL POSITION

€ / 000	31/03/2006	31/12/2005	31/03/2005
Intangible fixed assets	4,841	4,977	4,879
Tangible fixed assets	143,732	129,299	125,534
Investments	36,905	34,430	33,096
Other net fixed assets	48,995	44,420	51,329
Total fixed assets (A)	**234,473**	**213,126**	**214,838**
Inventories	44,323	44,702	41,746
Contracts in progress	313,645	265,267	221,924
Trade receivables	340,114	384,085	440,818
Other assets	164,987	163,935	159,445
Advances from customers	(63,036)	(67,872)	(94,155)
Subtotal	**800,033**	**790,117**	**769,778**
Payables to suppliers	(346,842)	(354,816)	(373,184)
Other liabilities	(97,358)	(88,929)	(71,772)
Subtotal	**(444,200)**	**(443,745)**	**(444,956)**
Working capital (B)	**355,833**	**346,372**	**324,822**
Employee benefits	(11,205)	(11,518)	(14,338)
Provision for current risks and charges	(60,415)	(54,609)	(45,878)
Total provisions (C)	**(71,620)**	**(66,127)**	**(60,216)**
Net invested capital (D) = (A) + (B) + (C)	**518,686**	**493,371**	**479,444**
Cash and cash equivalents	184,512	175,418	111,035
Financial receivables and securities	81,640	61,895	34,725
Medium-long term financial payables	(274,252)	(261,637)	(169,249)
Short-term financial payables	(243,499)	(212,756)	(215,606)
Net financial payables/receivables (E)	**(251,599)**	**(237,080)**	**(239,095)**
Group equity	268,465	257,072	244,004
Minority interests	(1,377)	(780)	(3,655)
Net equity (G) = (D) - (E)	**267,088**	**256,292**	**240,349**

The figures at March 31, 2006 confirm the Group’s balanced financial and equity structure, a winning factor in its expansion in the general contracting and project financing market.

A review of the main items for the period shows the increase in fixed assets compared to the same figure at December 31, 2005 due to investments prior to the beginning of general contracting projects in Italy, and the procedures to acquire resources and suitable technical equipment which characterise the start-up phase of new contracts secured by foreign branches. 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, parking-related investments and the initial construction phase of the new hospital in Naples ("Ospedale del Mare") are included among investments and tangible fixed assets. It should be remembered that repayment of the capital invested in these projects is guaranteed by cash flow generated by said projects.

Generally, the consolidated balance sheet and financial position for the quarter showed the partial cyclical increase in net invested capital compared to December 31, 2005, linked to the typical process of certifying works and payments.

There was a change in equity, totalling over EUR 268 million, during the period which can be mostly attributed to profit for the period and the positive increase in reserves on transactions to hedge exchange and interest rate risks. Lastly it should be noted that the Shareholders' Meeting of April 28, 2006 to approve the 2005 financial statements, approved the distribution of dividends for a total amount of EUR 8.3 million.

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

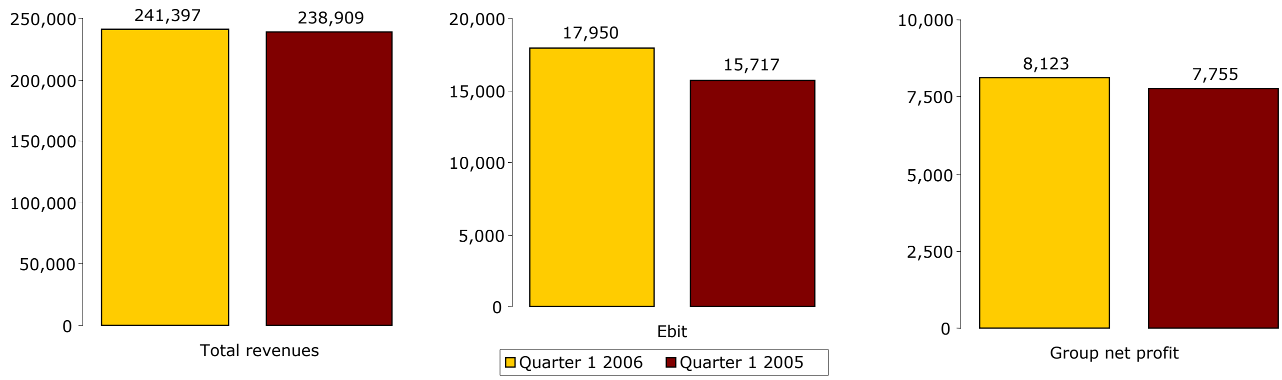
€ / 000	March 31, 2006	December 31, 2005	March 31, 2005
Short-term financial indebtedness	(235,905)	(207,885)	(211,726)
Medium and long-term financial indebtedness	(252,386)	(245,370)	(150,101)
Cash and cash equivalents	184,512	175,423	111,036
Total financial receivables and securities	81,640	61,896	34,725
Leasing	(29,460)	(21,138)	(23,024)
Bonded loan	0	0	
Net financial position	**(251,599)**	**(237,074)**	**(239,090)**
Treasury shares in portfolio	3,276	5,860	637
Total net financial position	**(248,323)**	**(231,214)**	**(238,453)**

The net financial position, equal to EUR 248 million net of treasury shares, was affected by the periodical and temporary support given in the quarter to production activities, which is typical of the seasonal trend and heavily linked to the economic cycle. The debt/equity ratio, equal to 0.93, including treasury shares entered among available funds, was lower than the unit and down on the ratio of 0.99 recorded at March 31, 2005. 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.

The current indebtedness structure, of which 50% refers to short-term sources, will undergo significant repositioning towards the long term during the first half of 2006 thanks to a EUR 200 million financing agreement of a duration of 5 up to 7 years. Said transaction will make it possible to considerably reduce the average costs of sources of financing.

COMMENTS ON OPERATING PERFORMANCE

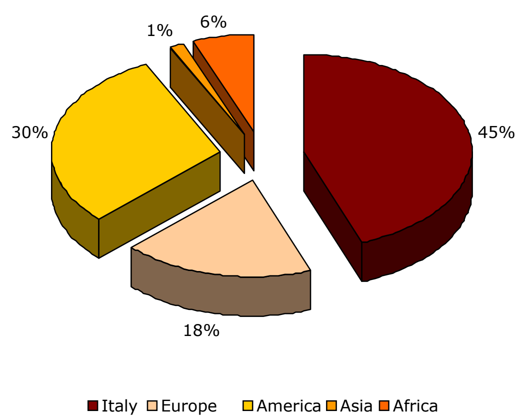
The first quarter of 2006 marked an important turning point for Astaldi Group's performance insofar as the growth guidelines set forth in previous business plans were actually realised thanks to major acquisitions and commercial developments. These saw the Group being awarded important general contracting and project financing contracts in Italy during the quarter as well as the conclusion of business agreements in Venezuela. The new contracts secured, worth a total of EUR 1.2 billion followed by the awarding of additional contracts subsequent to March 31, 2006, worth a further EUR 436 million, lay the foundations for Group growth on a stand alone basis, characteristic of the 2006-2010 Business Plan. In fact the plan's goals include an increase in the orders backlog not only from a quantitative viewpoint, but also and above all from a qualitative viewpoint, allowing for the achievement of increasingly better economic and equity targets whose effects started to be seen in the 2005 results and are confirmed by the figures related to the first quarter of 2006. An analysis of figures shows a turnover in line with 2005 (total revenues amounted to over EUR 241 million) and an improvement in operating results with EBIT of 7.4% and a 4.7% increase in net profit compared to March 31, 2005.



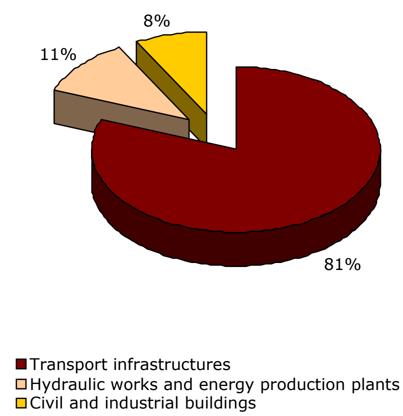
At March 31, 2006, contracts revenues equalled EUR 225 million, slightly up on March 31, 2005. The domestic sector accounted for 44.4% of revenues in the quarter while foreign activities, mainly railway and motorway projects, accounted for 55.6%. The excellent results achieved by the Group in South America were confirmed, especially in Venezuela where works on the Caracas-Tuy Medio were largely completed and works on the Puerto Cabello-La Encrucijada railway and Los Teques subway are going ahead as planned. This country is set to play a key role in foreign activities following stipulation of intergovernmental agreements between the Republic of Venezuela and

Italy, rendered official by the respective government representatives, which envisage the awarding of works on two important new railway sections to an Italian joint venture, led by Astaldi with a 33.33% share, as well as an additional option for the extension of the Puerto Cabello-La Encrucijada railway.

Value of production by geographical area – Quarter 1 2006



Value of production by sector – Quarter 1 2006



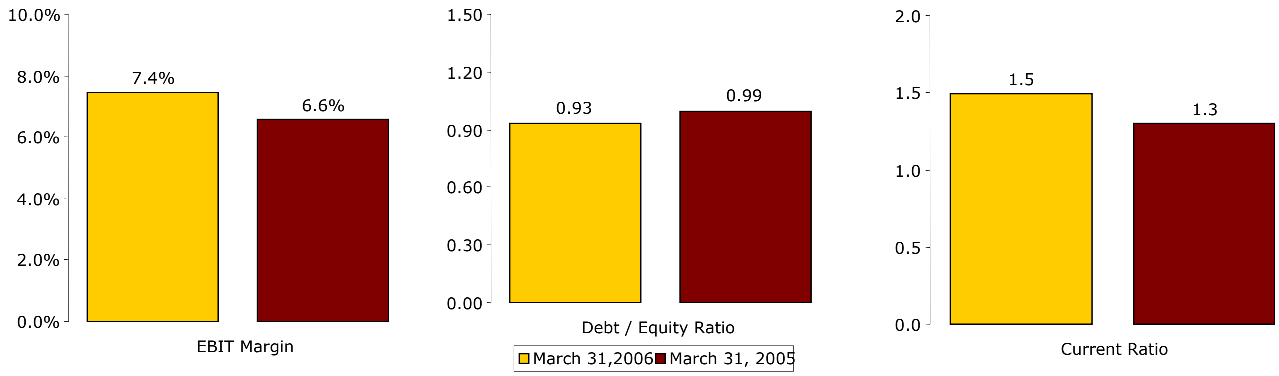
In Algeria, where Astaldi enjoys a reputation as one of the leading operators, commercial efforts resulted in the Group being awarded other important contracts in addition to those secured in 2005 that will significantly increase the country's incidence in the Group's value of production as from the second half of 2006.

Lastly, mention must be made of the central American area where Astaldi has been present for many years. A well-thought out commercial policy has made it possible to acquire new, major works in the first quarter of 2006 which will make it possible to further improve the Group's presence in these countries (El Salvador, Honduras, Nicaragua and Costa Rica) where it is one of the main operators in the sector.

Transport infrastructures accounted for 81% of contracts revenues for the quarter, hydraulic and energy works for 11% and civil and industrial buildings for the remaining 8%. 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 subways, roads and motorways and ports and airports all belong to this sector. The most important contracts currently in progress in this sector in Italy are the subways in Brescia, Naples and Genoa, the Turin rail link, the high-speed station in Bologna, and, the upgrading and construction of two lots of the Jonica National Road (106NR), the Line C of the Rome Subway and the Line 5 of the Milan Subway.

As regards foreign activities, an all-important contribution is provided by works carried out in

Venezuela (railways and subways) and Turkey (motorways), where the Group is involved in carrying out key infrastructure projects.

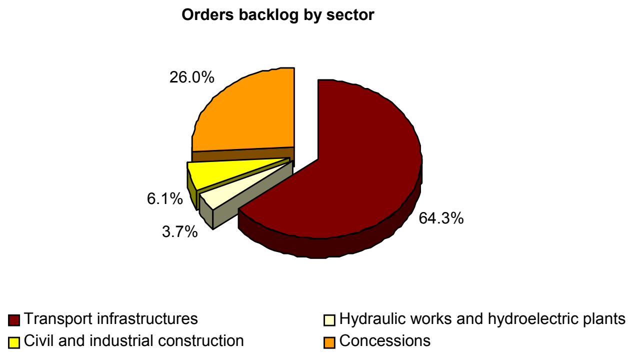


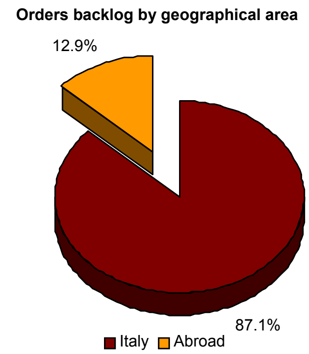
Net financial indebtedness at March 31, 2006 including treasury shares amounted to EUR 248.3 million compared to approximately EUR 231.2 million at December 31, 2005 and EUR 238.5 million in the first quarter of 2005. Said increase is in line with the contents of the 2006-2010 Business Plan, confirming a debt/equity ratio lower than the unit and down on the same period of 2005.

There was a considerable increase in the share of medium-long term loans compared to March 31, 2005. As already mentioned, in line with the above plan's aims, the Group is continuing to implement its new financial policy which has resulted in repositioning of financial indebtedness from the short-term to the medium-long term.

A closer look at the orders backlog, which is described in detail in the following paragraph, shows how new contracts worth a total of EUR 1.2 billion were acquired in the first quarter of 2006, bringing the total value of the Group's backlog to over EUR 6.5 billion, of which over EUR 4.2 billion are related to the construction sector and approximately EUR 1.7 billion to the concessions sector.

Moreover, considering the acquisitions subsequent to the quarter end, the current backlog amounts to EUR 7 billion, considerably ahead of the previous business plan's goals which set said amount as the goal to be achieved by the end of 2007.


Orders backlog by sector
26.0%
64.3%
6.1%
3.7%
Transport infrastructures
Hydraulic works and hydroelectric plants
Civil and industrial construction
Concessions


Orders backlog by geographical area
12.9%
87.1%
Italy
Abroad

ORDERS BACKLOG BY SECTORS AND GEOGRAPHICAL AREAS

During the first quarter of 2006, the orders backlog increased by EUR 1.2 billion. The overall value of the Group's orders backlog at March 31, 2006 amounted to over EUR 6.5 billion, showing a 17.5% annual increase mainly due to new acquisitions in the transport infrastructures sector in Italy, Algeria and Central America. At the approval date of this quarterly report, the Group had been awarded additional works worth over EUR 430 million which allow the Group's orders backlog to achieve a value of EUR 7 billion.

An analysis of the orders backlog's geographical positioning shows that 86% of contracts in progress refer to the domestic market, chiefly the rail infrastructures sector, while the remaining 14% refers to foreign contracts, mainly in America as well as Algeria, Romania and Turkey. Said value does not take into account the various foreign contracts and options that will be included among the backlog when officially awarded and relative financial backing obtained.

A closer look at the result of commercial activities in Italy and abroad in the first quarter of 2006 shows the excellent results achieved at a domestic level in the urban transport infrastructures sector.

Specifically, in February 2006, Astaldi, as mandatory and leader of a joint venture including Vianini Lavori, Consorzio Cooperative Costruzioni and Ansaldo Trasporti Sistemi Ferroviari, was awarded the general contracting project to construct the new Line C of the Rome subway worth a total EUR 2.2 billion, of which over EUR 751 million refers to Astaldi's share. The project involves the construction of a new driverless underground line with fully automated rail system which will run across the city of Rome linking the northern area of Piazzale Clodio/Mazzini with the south-eastern area of Torrenova/Pantano, taking in the areas around Piazza Venezia and San Giovanni. The line will run along a 27 km route comprising 30 stations and total maximum transportation capacity of 24,000 passengers per hour in each direction. The underground line will also guarantee interconnection with existing underground lines, thus doubling the extension of the current underground network. Works are expected to be commenced in the second quarter of 2006 – the first stone shall be laid on May 16, 2006 – and a first section (San Giovanni-Alessandrino) is expected to be operational by 2010.

Also in February, Astaldi, leader and mandatory of a joint venture including Ansaldo Trasporti, Ansaldo Breda, Alstom, ATM Azienda Trasporti Milanesi and Torno was awarded the project finance contract to construct and subsequently manage the new Line 5 of the Milan subway, worth a total EUR 502 million for construction activities and EUR 724 million for concession revenues. The works, the first in the underground transport sector in Italy to be carried out using the project finance formula, will take the form of a driverless light underground line with fully automated rail system. The new section will link Garibaldi Station to Via Bignami, on the eastern outskirts of the city of Milan, along an underground route approximately 5.6 km long, providing for the construction of 9 stations and double track tunnels. The line provides for a maximum transportation capacity of 26,000 passengers per hour in each direction and will guarantee interchange with the existing underground and railway lines, favouring a considerable improvement in the integrated transport system envisaged for the city of Milan. The overall value of the investment, including design, civil and technological works, amounts to approximately EUR 502 million, of which approximately EUR 190 million will be covered by the concessionaire and financing banks while the remaining amount will come from public contributions. The contract provides for a share of EUR 119 million for Astaldi as regards construction activities, and EUR 724 million as regards concession revenues, of which 23.3% refers to Astaldi's share. The planned duration of the works including the design phase is 58 months, followed by 27 years of management and signing of the relative concession agreement is expected in the second quarter of 2006.

As regards the results of foreign commercial activities, the positive trend of activities in Algeria and Central America must be noted.

In detail, as regards activities in Algeria, the Group saw an increase in the managed orders backlog of approximately EUR 111 million during the first quarter of 2006, thus confirming its leadership position in the area.

Specifically, in the quarter in question, Astaldi was officially awarded the contract with SNTF (Algeria's national railway company) to construct the new Mecheria-Redjem Demouche railway line, worth approximately EUR 158 million. 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 new railway section 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, with start-up of works expected for the second quarter of 2006.

Therefore, the strategic value of Algeria is confirmed thanks to the Company's consolidated presence in the area and the additional important development opportunities arising from the major infrastructural projects underway in the country.

While as far as activities in Central America are concerned, which saw new orders totalling EUR 30 million during the quarter, the new initiatives mainly refer to the transport infrastructures sector. The acquisition of these new contracts offers proof of the Group's interest in Central America (Nicaragua, Honduras, El Salvador and Costa Rica) which provides interesting development opportunities in the transport infrastructures and hydraulic works sectors.

Lastly, as regards projects already included in the backlog, on March 29, 2006, C.I.P.E. (Interministerial Committee for Economic Planning) approved the technical aspects of the project related to construction of the Verona-Padua section of the high-speed railway line. Said approval, which precedes the start-up of final design activities, makes it possible to schedule the start-up of works as from the second half of 2008, as forecast in the Company's plans. It must be recalled that Astaldi holds the position of leader in this project with a 33% share in the consortium which will carry out the works worth a total of approximately EUR 2.6 billion.

It must also be noted that in compliance with the criterion regarding inclusion in the backlog adopted by the Group, all initiatives for which Astaldi's appointment as sponsor, pursuant to Article 37-*bis* and following of the Merloni Law (Italian Law No. 109/1994) or where it has been classified as first in the relative award processes, have not been included among new orders. Specifically, as regards contracts where its appointment as sponsor has already been made official, it must be remembered that, on the strength of legislation in force in Italy, appointment as sponsor grants the latter the right of pre-emption to be exercised during final performance of the tender.

To date, two initiatives can be linked to the above case insofar as Astaldi has been officially appointed as sponsor for the construction of four hospitals in Tuscany and the Appia Antica Park underpass in Rome. Specifically, the project concerning the construction of four hospitals in Tuscany involves construction and management of an integrated system of four hospitals in Tuscany, located in Prato, Pistoia, Lucca and Massa. Following the decision taken on May 10, 2005 in which the Council of State confirmed the joint venture led by Astaldi as the sponsor for said project, the proposal, amended pursuant to current legislation, was submitted to the Client in December. The award procedure provides for the submission of prequalification requests by June 2006 to be followed by the call for and submission of bids and subsequently the relative negotiated procedure which Astaldi will take part in, availing itself of the right of pre-emption provided for by law. The tender and award procedures are expected to be completed by the end of 2006. The project is worth a total of EUR 364 million as far as investment is concerned – of which EUR 120 million will be put up by private individuals – and EUR 1.5 billion for 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, the relative 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 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.

It must also be remembered that in Romania, a country where Astaldi is traditionally present and active in the transport infrastructures sector, Astaldi was classified first in the award procedure for important railway projects. Final awarding, which would lead to the inclusion of additional railway contracts worth EUR 190 million, is expected for the first half of 2006.

The table below shows the trend in the orders backlog during the first quarter of 2006, 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. The value of contracts acquired subsequent to the quarter end is also shown.

€/millions	**Beginning Period 01/01/2006**	**Increases**	**Decreases for production**	**Ending Period 31/03/2006**
Transport infrastructures	3,376	1,011	(182)	4,205
of which:				
Railways and undergrounds	*2,168*	*956*	*(97)*	*3,027*
Roads and motorways	*1,156*	*54*	*(77)*	*1,134*
Airports and ports	*52*	*0*	*(8)*	*44*
Hydraulic works and hydroelectric plants	252	12	(25)	239
Civil and industrial buildings	409	8	(18)	399
Concessions	1,530	169	-	1,699
Orders backlog at March 31, 2006	**5,567**	**1,200**	**(225)**	**6,542**
Contracts acquired subsequently		436		436
Proforma orders backlog at May 12, 2006	**5,567**	**1,636**	**(225)**	**6,978**

The following table shows the contribution of the individual geographical areas to the orders backlog.

€/millions	Beginning Period 01/01/2006	Increases	Decreases for production	Ending Period 31/03/2006
Italy	*4,749*	*1,053*	*(106)*	*5,696*
Abroad	*817*	*148*	*(119)*	*846*
Orders backlog at March 31, 2006	**5,567**	**1,200**	**(225)**	**6,542**
Contracts acquired subsequently		436		436
Proforma orders backlog at May 12, 2006	**5,567**	**1,636**	**(225)**	**6,978**

It must be remembered that new railway projects in Venezuela, that can be referred to the letters of intent signed by the Italian and Venezuelan governments in December 2005, have not been included in the foreign backlog. Indeed, we must recall that operating units in the area are currently working on the agreements reached last December, details of which can be found in the part dedicated to subsequent events.

With the aim of offering complete information, it must also be remembered that, in order to comply with the criterion adopted by Astaldi regarding the inclusion of orders in the backlog, reserved as already mentioned for secured, fully backed contracts, additional *tranches* related to the Puerto Cabello-La Encrucjada railway project underway in Venezuela have not yet been included in the calculation of the total value of the orders backlog. In fact, with regard to said project and with an already signed agreement, EUR 300 million of works still have to be financed, which will be entered in the backlog by project *tranche* and on an annual basis once government funding has been obtained.

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, civil construction, healthcare and parking sectors, in keeping with corporate strategic 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.

Projects related to the traditional transport infrastructures sector (railways, high-speed, motorways and ports) and non-residential construction are also being examined.

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 and which offer considerable opportunities (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). The sectors of reference are the traditional transport infrastructures sector (railways, high-speed and motorways) and the energy production plants sector, also developed by lending abroad experience acquired in the domestic market in the concessions and project finance sector.

SUBSEQUENT EVENTS

Development activities on the domestic and foreign markets continued and are continuing to go ahead.

Specifically, as already mentioned, the operating units in Venezuela are currently working on the content of the letters of intent signed in December 2005 between the Italian and Venezuelan governments regarding the carrying out of new railway projects. These activities led to an intergovernmental agreement in April, finalised with the signing of a contract between I.A.F.E. (Venezuela's independent railway company) and an Italian joint venture, of which Astaldi is the leader with a 33.33% share, worth a total of USD 2.2 billion. This project, which will be included among the Group's orders backlog upon signing of the relative contracts and obtainment of financial backing, involves works to construct two new railway sections – the San Juan de los Morros-San Fernando de Apure line which will run for 252 km and the Chaguaramas-Cabruta line which will just over 200 km long. The planned duration of works for the two lines is 76 months and the contract is expected to be signed by 2006. In addition, the agreement provides for further options worth USD 1 billion regarding the design, supply and assembly of the railway system (signalling, control, telecommunications, electrification and rolling stock) for which subsequent negotiation will take place.

On the whole, the project, aimed at supporting the development of the centre and south of Venezuela, involves the construction of 453 km of new railway lines, of which 15 km of tunnels and 12 km of bridges and viaducts, and includes the design and installation of the railway superstructure, 13 stations, 3 freight villages and a maintenance workshop.

The agreements entered into with the Venezuelan government also led to additional works worth USD 1.5 billion related to the contract for the Puerto Cabello-La Encrucijada railway line, which is already under advanced construction by the same Italian joint venture. This option is an addition to the Puerto Cabello-La Encrucijada contract and involves the design and construction of new stations and freight villages, as well as a new section – Puerto Cabello station-Sea Terminal – which will guarantee interconnection between the various railway lines under construction and the country's main sea access.

It should be remembered that on April 27, 2006, the new five-year Business Plan for 2006-2010 was approved by the Board of Directors and subsequently presented by the management to the financial community.

The 2006-2010 Business Plan is based on major acceleration of the process of acquiring new contracts, already seen during the last fifteen months, which not only makes it possible to create value on the basis of a significantly large orders backlog, but also to adopt a more selective approach as regards acquisition opportunities.

Even if based solely on possible internal growth, said business plan confirms the goals already set in the previous plan and provides for further generation of value as a result of increased concession and project financing activities.

Advance achievement of acquisition goals and the major increase in the share of the orders backlog relating to general contracting projects and concession/project financing activities, make it possible to confirm the soundness and effectiveness of the strategic approaches, already set down in the previous plan, for the next five years.

Therefore, the strategic approaches for the next five years, as regards the domestic market, see the Group's growing involvement in complex contracts with a high level of technological and managerial content, adopting the general contracting and concession/project financing formulas, especially in the transport infrastructures, healthcare and parking sectors, providing for a change in the make up of the backlog and a major increase in the share of concession/project financing contracts. While, as far as the foreign market is concerned, a further increase in general contracting, concessions and project financing activities is planned in those foreign countries where Astaldi Group is a firmly-established player (Venezuela, Algeria, Turkey, Romania and Qatar) that offer interesting development opportunities thanks to the infrastructural programmes being carried out by the local governments.

On April 20, 2006, Astaldi signed a EUR 200 million bullet loan agreement with two leading banks, MCC S.p.A. and The Royal Bank of Scotland plc.

The purpose of the 5-year loan, which can be extended up to 7 years, with a bullet final repayment, is to refinance an existing medium-term loan and to provide additional finance to support the Company's medium-long term investments.

FORECAST DEVELOPMENT OF OPERATIONS

The results achieved during the first quarter of 2006, but more generally the quality of new contracts acquired over the last fifteen months, not only confirm the Group's commercial capability, but above all the soundness and effectiveness of the strategic approaches adopted in recent years.

Moreover, the major acceleration in the acquisition process means an excellent quality of current orders backlog and a solid financial and equity structure, generating additional value and making available resources to invest in new projects, especially in the concessions and project finance sectors.

Therefore, the high quality backlog has activated a sort of virtuous circle which guarantees growth over the next five years. In fact, the current orders backlog makes it possible to already cover a large part of turnover estimated for the coming years, with a consequent improvement in the Group's risk profile which in turn means greater visibility of margins and cash flow generated by projects.

Therefore, the coming year will see the Group's management involved in fully performing the key contracts in its current orders backlog. Extremely complex contracts such as Line 5 of the Milan subway and Line C of the Rome subway, the Verona-Padua section of the high-speed line and the laying of a second track on the Parma-La Spezia railway line as well as the Turin rail link, Bologna high-speed station and two large lots of the Jonica National Road (106NR) are just some of the contracts to be performed over the coming years which the Group's production efforts will be concentrated on. Important works such as the hospitals in Mestre and Naples, the Turin rail link and the subways in Brescia and Naples still have to be completed which shall, where provided for, lead to the subsequent management phase with a further increase in the concession sector's contribution to the overall turnover.

Therefore, new challenges and new projects which will allow Astaldi to make optimal use of the expertise it has acquired over the years, and grasp the additional opportunities which will arise in the target market, while maintaining profitable margins.

But the Group's strength does not just lay in its operational and managerial skills, but also in its solid financial and equity structure and the know how it boasts.

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 can be found in said solid structure as well as 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 financing to the specific needs of individual business units (construction, general contracting and concessions).

In a market situation where limits on public authorities' spending could serve to boost the development of project finance 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, indirectly ensuring additional diversification of the counterparty risk.

The Group's growth will not only be attributable to domestic activities, but also foreign activities, especially in those countries (Venezuela, Algeria, Turkey, Romania, Qatar and Saudi Arabia) where Astaldi Group is a firmly-established player and where there are interesting opportunities with regard to infrastructures.

In fact, an improved ability to transform the sizeable increases in oil and gas prices into investments has accelerated the spending capacity of countries such as Algeria and Venezuela, which represent tried and tested commercial channels for the Group.

The punctuality and quality of works recently carried out in Saudi Arabia and Qatar – delivery of the Ras Laffan gas liquefaction plant in Qatar is planned for the beginning of June, and the Yambu acetic acid production plant in Saudi Arabia was successfully completed in 2005 – have generated further development opportunities in the oil and gas sector, also in light of investment plans worth over USD 20 billion for both countries.

It goes without saying that the development of foreign activities will always be pursued, taking into account financial sustainability and control of the relative country risk in order to guarantee sufficient, satisfactory levels of earnings, including through possible partnerships with leading international operators.

Therefore, commercial penetration activities in Central America, especially Costa Rica, Mexico, Honduras and Nicaragua, that offer opportunities in the transport infrastructures and water supply sectors, will continue with a view to diversifying the country risk.

It remains to be said that consolidation of the Group's role as a General Contractor and leading operator in the project finance sector, will undoubtedly be favoured by the new organisational model introduced in 2005. In fact, in order to fully develop in the domestic market the growing potential of the concession and project finance sectors in Italy and abroad, construction activities

were separated from concession activities, with the identification of dedicated resources for developing initiatives from a managerial and financial viewpoint.
The excellent acquisition ability shown in recent months also guarantees the resources needed for new investments in the future. Over the last fifteen months, Astaldi has acquired EUR 2.8 billion of new works. Full implementation of the production activities related to said new contracts over the coming years allows for a further increase in future margins and revenues, guaranteeing as from now approximately 60% of the EUR 2 billion plus of revenues forecast for 2010. Important contracts, currently included among the backlog, will enter into full production as from 2007, such as Line C of the Rome subway, Line 5 of the Milan subway, the two lots of the Jonica National Road (106NR) and the Parma-La Spezia railway line, as well as those already under construction such as the Turin rail link and Bologna high-speed station.
To conclude, 2006 will be marked by the efforts to start up important works in the Group’s backlog which will start to make a significant contribution to production levels as from 2007. In any case, the current year should guarantee the excellent results seen in 2005 in terms of volumes with a further margin of improvement of results.