Astaldi: the BoD approves the half-yearly report and proposed free share capital increase

- **Orders backlog of €7.1 billion (+28.1%)**
- **Total revenues for the six-month period of €510 million (-2.2%)**
- **EBIT for the six-month period of €39 million (+1.0%)**
- **Group net profit of €17.5 million (+1.9%)**
- **Approval of proposed merger by incorporation of Italstrade S.p.A.**

Rome - September 26, 2006 – The Board of Directors of Astaldi S.p.A., chaired by Ernesto Monti, has approved Astaldi Group's half-yearly report at June 30, 2006 which closed with a net profit of €17.5 million, in line with the last year's result for the same period.

The Board also approved the proposed free share capital increase and proposed merger by incorporation of the subsidiary Italstrade S.p.A. These decisions are aimed at consolidating and streamlining the Group structure, also in order to increase its competitive capability thus allowing it to better meet the needs of the domestic and foreign markets.

- The proposed change in Astaldi S.p.A.' share capital provides for a free increase from €98,424,900 to €196,849,800 by increasing the nominal share value from its current value of €1.00 to €2.00, this will be done mainly to better meet the tender's qualifying criteria required by the domestic and foreign markets the Group operates in.

- The proposed merger by incorporation of the 100%-owned subsidiary Italstrade S.p.A. into Astaldi S.p.A. is aimed at streamlining and optimising the Group's corporate structure and organisation. The merger will not only make it possible to limit costs, but also to reduce the splitting up of operating activities thus allowing for a more cohesive strategic and managerial policy.

Consolidated results at June 30, 2006

The economic performance of the first six months of the year showed figures in line with the forecasts contained in the 2006-2010 Business Plan. There was a partial change in the domestic scenario during the first half of the year after the new government took office, with a slowdown in activities due to redefinition of planned infrastructure investment priorities and a lack of resources for the sector.
However, taking into account the major increase in the Group's foreign activities during the period, with foreign revenues accounting for approximately 60% of the total for the first six months of the year, the forecast for the current year sees production levels and margins in line with those of the previous year.

Taking a closer look at the half-yearly results, *total revenues* for the period amounted to over €510 million, down by 2.2% on the €521 million recorded in the same period of 2005, mainly due to the delayed commencement of works on the “Jonica” National Road. The commencement of production activities for this project was put on hold for a few months following delays by the client regarding the approval of the executive designs conditioning the start-up of works.
Contract revenues totalled approximately €482 million (€483 million in the first six months of 2005), of which 40% was generated in Italy and 60% by foreign activities (Americas 27.8%, Europe and Turkey 22.8%, Africa 8.7% and Saudi Arabia and Qatar 0.6%).
The transport infrastructures sector confirmed its key role, accounting for 81.1% of production activities, followed by hydraulic works and energy production plants (10.6%) and civil and industrial construction (8.3%).

EBIT stood at €39.3 million, slightly up on the €38.9 million for the same period of last year (+1.0%).

The *EBIT margin* rose from 7.5% to 7.7% as a result of an acquisitions policy targeting high value contracts, able to offer a better earning profile.

The Group’s *net profit* totalled €17.5 million (€17.1 million in 2005), with the *net margin* rising from 3.3% at June 30, 2005 to 3.4%.

Net financial indebtedness at June 30, 2006, net of treasury shares, amounted to €324.9 million compared to €231.2 million at the end of 2005. This figure reflects the major investments made during the period to start up recently acquired key contracts. Hence the *debt/equity ratio* stood at 1.2 compared to 0.9 in December 2005.

Orders backlog

New contracts worth over €2 billion were acquired during the first six months of 2006 which brings the total value of the Group’s orders backlog to over €7.1 billion (showing an annual increase of 28.1%), of which over €5.4 billion refers to the construction sector and approximately €1.7 billion to the concessions sector. It must be noted that all domestic projects included in Astaldi Group’s orders backlog feature among the current government’s priorities.

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Listed on the STAR segment of the Italian stock exchange, Astaldi Group has been active for more than 75 years, in Italy and abroad, in designing and constructing large-scale civil engineering works.
The Group operates in the following areas of activity:

- *transport infrastructures (railways, undergrounds, roads, motorways, ports, and airports);*
- *hydraulic works and power production plants (dams, hydroelectric plants, water systems, oil pipelines, gas pipelines, and treatment plants);*
- *civil and industrial construction (hospitals, universities, airports, law courts, construction works for electrical and nuclear plants, car parks);*
- *concession of such works as car parks, remediation plants, etc.*

The Group is currently a General Contractor capable of promoting financial aspects and coordinating all resources and skills for the optimal development and management of complex and high-value public works.

For further information:

Astaldi S.p.A.
Tel. 06/41766389
Alessandra Onorati
Head IR & Corporate Communications
a.onorati@astaldi.com
www.astaldi.it

PMS Corporate Communications
Tel. 06/42020970
Giancarlo Frè Torelli
Andrea Lijoi

Reclassified Consolidated Balance Sheet

(Euro/000)	**1H 2006**	**2005**
Intangible assets	4,380	4,977
Tangible assets	158,409	129,299
Equity investments	96,243	34,430
Other fixed assets	31,874	44,420
Total net fixed assets (A)	***290,906***	***213,126***
Inventories	44,978	44,702
Works in progress	401,649	314,383
Trade receivables	403,133	384,085
Other assets	118,031	105,004
Tax receivables	55,283	58,932
Advances from customers	(112,888)	(116,989)
Subtotal	*910,186*	*790,117*
Payables to suppliers	(396,358)	(354,816)
Other liabilities	(150,828)	(88,929)
Subtotal	*(547,186)*	*(443,745)*
Working capital (B)	***363,000***	***346,372***
Employee benefits	(11,569)	(11,518)
Provisions for current risks and charges	(44,928)	(54,609)
Total funds (C)	***(56,497)***	***(66,127)***
Net invested capital (D=A+B+C)	**597,409**	**493,371**
Cash and cash equivalent	145,840	175,418
Current receivables from financial institution	59,556	44,472
Non current receivables from financial institution	2,285	2,759
Securities	25,434	14,665
Current financial payables	(261,707)	(212,756)
Non current financial payables (*)	(300,594)	(261,637)
Net financial payables / receivables (E)	**(329,186)**	**(237,079)**
Group net equity	268,391	257,072
Minority interests	(168)	(780)
Net equity (G=D+E)	**268,223**	**256,292**

(*) Does not include loans to Group companies, amounting to 1,698 --

Reclassified Consolidated Income Statement

(€/000)	June 30, 2006	% on rev.	June 30, 2005	% on rev.
Contract revenues	481,764	94.4%	483,010	92.6%
Other revenues	28,465	5.6%	38,445	7.4%
Total revenues	**510,229**	**100.0%**	**521,455**	**100.0%**
Costs of production	(353,889)	(69.4%)	(360,223)	(69.1%)
Added value	**156,340**	**30.6%**	**161,232**	**30.9%**
Labor costs	(82,350)	(16.1%)	(73,035)	(14.0%)
Other operating costs	(10,540)	(2.1%)	(11,086)	(2.1%)
Ebitda	**63,450**	**12.4%**	**77,111**	**14.8%**
Ebitda margin	*12.4%*	--	*14.8%*	--
Depreciations and amortisations	(13,511)	(2.6%)	(13,257)	(2.5%)
Provisions for contractual risks	(5,815)	(1.1%)	(14,915)	(2.9%)
Write-downs	(5,300)	(1.0%)	(10,069)	(1.9%)
(Capitalization of internal construction costs)	494	0.1%	69	0.0%
Ebit	**39,318**	**7.7%**	**38,939**	**7.5%**
Ebit margin	*7.7%*	--	*7.5%*	--
Interest charges	(9,266)	(1.8%)	(11,369)	(2.2%)
Impact of measurement of investments under equity method	1,468	0.3%	198	0.0%
Profit before taxes	**31,520**	**6.2%**	**27,768**	**5.3%**
Taxes	(13,349)	(2.6%)	(10,766)	(2.1%)
Tax rate	*42.4%*	--	*38.8%*	--
Net income	**18,171**	**3.6%**	**17,002**	**3.3%**
Minorities	(705)	(0.1%)	136	0.0%
Net income	**17,466**	**3.4%**	**17,138**	**3.3%**

Consolidated Cash-flow

(Euro/000)	30.06.2006	30.06.2005
A - CASH FLOW FROM OPERATING ACTIVITIES:		
Result of the Group and minority interests for the period	*18,172*	*17,003*
Adjustments to reconcile net profit (loss) with cash flow generated(used) by operating activities:		
Deferred taxes	2,578	722
Amortisation, depreciation and write-downs	18,811	23,327
Provision for risks and charges	5,815	14,915
Costs for employee severance indemnity and defined benefit plans	1,501	2,908
Costs for employee incentive plans	1,945	0
Losses on disposals of non-current assets	806	1,036
Effects of valuation using equity method	(1,468)	(425)
Gains on disposals of non-current assets	(1,092)	(1,599)
Subtotal	*28,896*	*40,884*
Differences in operating assets and liabilities (working capital):	--	--
Trade receivables	(24,348)	10,652
Inventories and contracts in progress	(87,542)	(157,915)
Trade payables	41,542	8,016
Provision for risks and charges	(15,495)	(14,174)
Advances from customers	(4,101)	24,006
Other operating assets	(17,886)	(18,194)
Other operating liabilities	13,094	(9,653)
Payments of employee severance indemnity and defined benefit plans	(1,450)	120
Subtotal	*(96,186)*	*(157,142)*
Cash flow from discontinued operations	--	--
Total cash flow from operating activities	**(49,118)**	**(99,255)**
B - CASH FLOW FROM INVESTMENT ACTIVITIES:		
Purchases in investment property	3	-
Investment in intangible fixed assets	(479)	(2,847)
Investment in tangible fixed assets	(52,116)	(14,861)
Sale (purchase) of other interests net of acquired cash, hedging of non-consolidated Company losses and other changes in consolidation area	(17,164)	3,166
Collections from sale of tangible and intangible fixed assets and investment property	10,817	6,834
Difference in financing of investments	6,443	(550)
Net effect of change in consolidation area		(2,198)
Cash flow from discontinued operations		
Total cash flow from investment activities	**(52,496)**	**(10,456)**
C - CASH FLOW FROM FINANCING ACTIVITIES:		
Capital increases in payment	--	--
Dividends paid + other movements	(6,241)	(7,375)
Registration (repayment) of non-current borrowing net of commissions	40,057	198,417
Net change in current financial payables (including leasing)	48,952	(147,261)
Net change in financial assets	0	1,082
Sale (purchase) of securities/bonds and treasury shares	(10,769)	15,219
Net effect of change in consolidation area		
Cash flow from discontinued operations		
Total cash flow from financing activities	**71,999**	**60,082**
D – EXCHANGE RATE DIFFERENCES ON CASH AND CASH EQUIVALENTS	**37**	**17**
NET INCREASE (REDUCTION) IN CASH AND CASH EQUIVALENTS	**(29,578)**	**(49,612)**
CASH AND CASH EQUIVALENTS AT START OF PERIOD	**175,418**	**185,370**
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**145,840**	**135,758**