



ASTALDI

a n n u a l r e p o r t 2 0 0 5





“To consolidate as leading

Italian General Contractor and

m i s s i o n

enhance value, progress

and well-being for the communities”

main ratios

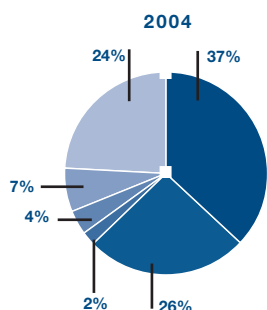
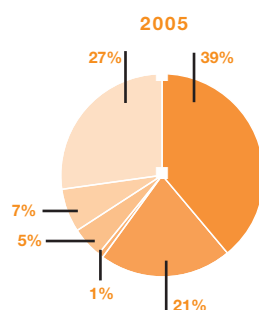
(million of euro)

	2005	2004	2003 ^(*)
economic items			
total revenues	1,021	1,054	923
ebit	78	71	66
profit before interests	55	43	29
net income	32	28	22
financial items			
gross self-financing margin	69	52	65
capital expenditure	47	50	60
% on total revenues			
total revenues	100.0%	100.0%	100.0%
ebit	7.6%	6.7%	7.2%
profit before interests	5.4%	4.1%	3.1%
net income	3.1%	2.7%	2.4%
balance sheet items			
total assets	1,311	1,211	1,142
total fixed assets	214	178	203
net invested capital	496	461	356
net debt	240	228	128
net equity	256	233	227

* 2003 figures are stated according to italian accounting standards.

order backlog by lines of business

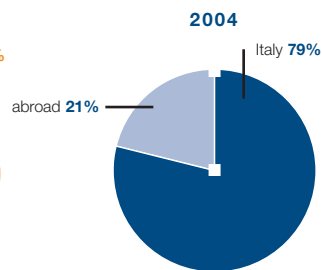
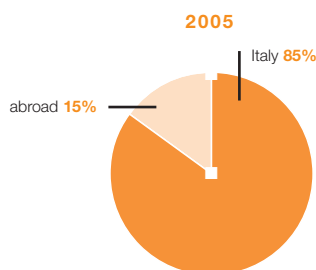
(million of euro)



	2005	2004
railways and subways	2,166	1,859
roads and motorways	1,156	1,283
seaports and airports	52	87
hydraulic and hydroelectric power plant	252	221
industrial and civil buildings	409	348
concessions	1,530	1,213
total order backlog	5,565	5,011

order backlog by geographical area

(million of euro)



	2005	2004
Italy	4,748	3,961
abroad	817	1,050
total order backlog	5,565	5,011

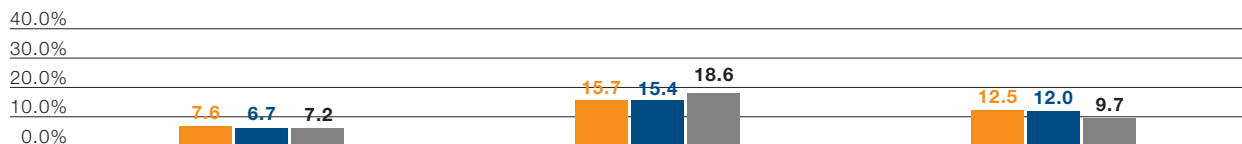
ratios

(percentage)

R.O.S.

R.O.I.

R.O.E.



2005 2004 2003

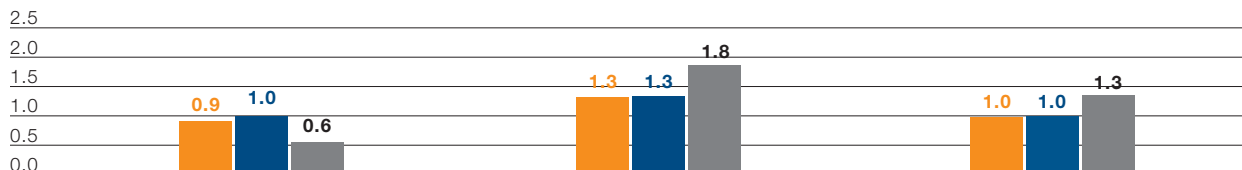
return on sales (R.O.S.) - operating income / total revenues
return on investment (R.O.I.) - operating income / net invested capital
return on equity (R.O.E.) - net income / net equity

(values)

GEARING RATIO

CURRENT RATIO

QUICK RATIO



2005 2004 2003

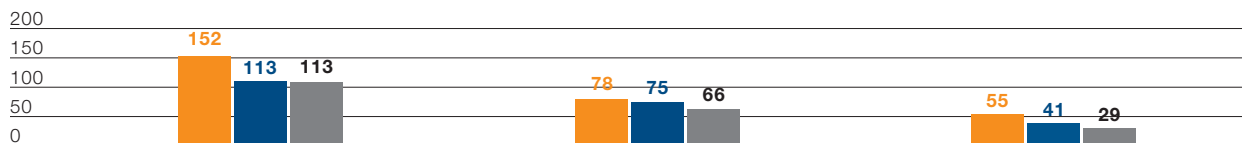
gearing ratio - net indebtedness / net equity
current ratio - short-term assets / short-term liabilities
quick ratio - total accounts receivables and cash / short-term liabilities

(million of euro)

EBITDA

EBIT

EBT



2005 2004 2003

EBITDA - earnings before interests, taxes, depreciation and amortization
EBIT - earnings before interests and taxes
EBT - earnings before taxes

net cash flow

(million of euro)

	2005	2004	2003
net income	32	28	22
depreciation, amortization and provisions	45	31	48
dividends	(8)	(7)	(5)
gross self-financing margin	69	52	65

turnover ratios

(percentage)

Assets turnover
(contract revenues/total assets)

Inventory turnover
(contract revenues/inventory)



2005 2004 2003

a n n u a l r e p o r t 2005



FROM LEFT TO RIGHT:

HONDURAS

El Cojolar Dam

ITALY

North-western Rome Road Link

ITALY

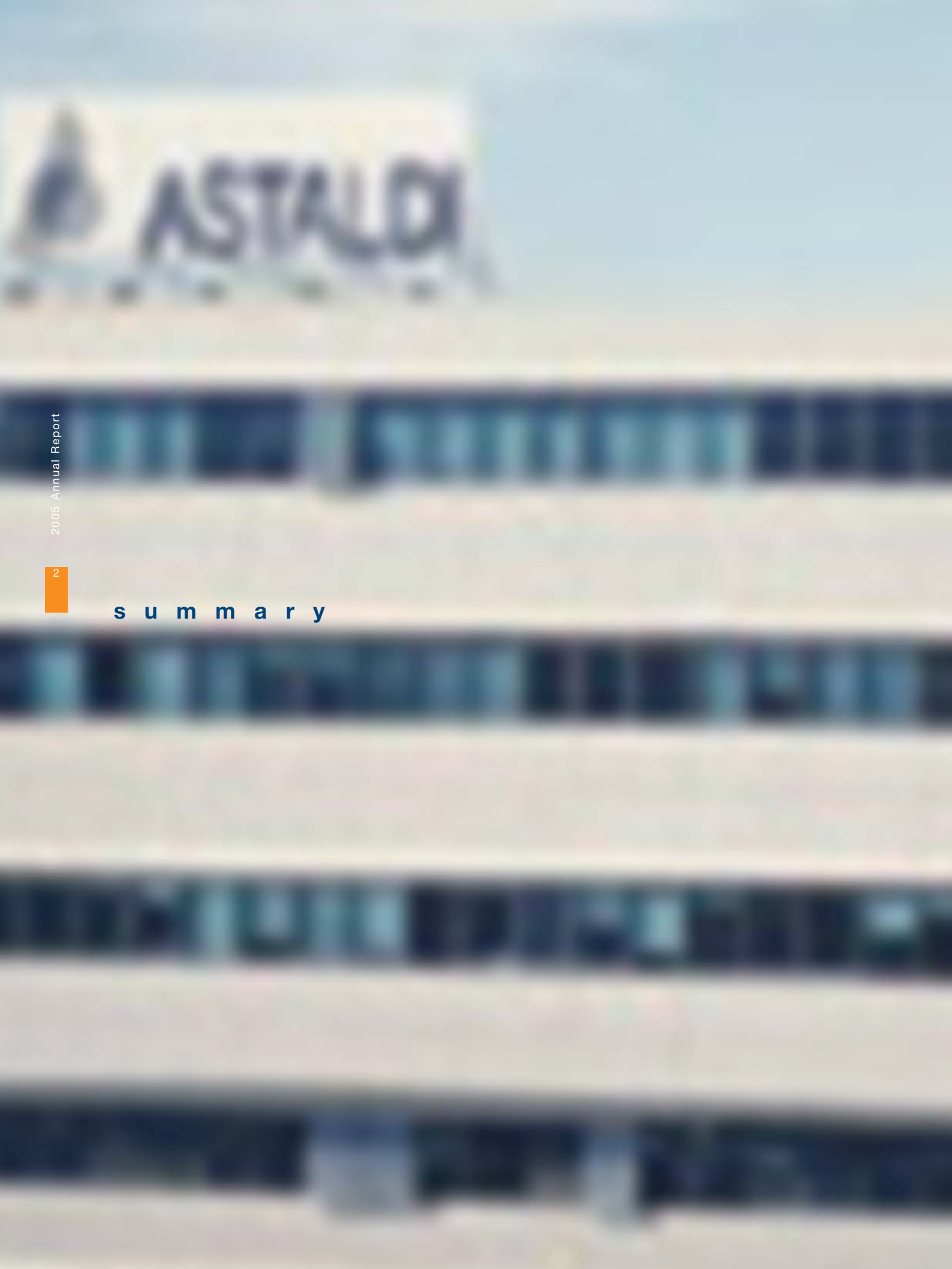
New Milan Expo Fair Centre

VENEZUELA

Puerto Cabello-La Encrucijada Railway

TURKEY

Anatolian Highway



s u m m a r y

Letter to Shareholders	4
Main events of 2005	8
Group Profile	12
Call of the Shareholders' Meeting	30
Consolidated financial statements	34
Parent company financial statements	192
Other information	296

l e t t e r t o s h a r e h o l d e r s

The Chairman's letter to Shareholders

The Chairman's letter to Shareholders

Dear Shareholders,

For your Company, 2005 ended with figures that confirmed the growth targets set for the last five years and that, at the same time, lay the foundations for further growth of the Company and improvement in the quality of contracts over the coming years. Management efforts were targeted towards improving the acquisitions policy, with the aim of increasing the orders backlog with the addition of contracts boasting a high managerial and technical content, and hence with greater earning potential compared to the traditional contracts characterising the sector.

The unquestionable success of the choices made can be seen from the achievement in advance of results that were set as the goal of the business plan in force during the year. Therefore the strategic approaches subsequently drawn up rightly paved the way for a growing commitment to consolidating the Group's role as General Contractor and presence in the concessions and project finance sector. In 2005, a quarter of new contracts were related to project finance works, but the Company's aim is to concentrate its efforts on increasing this segment's share to almost 36% of the orders backlog over the coming five years.



ERNESTO MONTI
Chairman of Astaldi S.p.A.

This year, balance sheet figures once again tell of the effectiveness of the Company's management which, with the help of all its employees and consultants, generated an increase in earnings despite a slight drop in total revenues. The latter saw a 3% drop compared to the previous year due to a delay in the start-up of some projects and final delivery of key works of economic importance as well. In any case, 2005 ended with a positive net result of EUR 32.5 million, up by approximately 16%, with a 22% increase in EBITDA, EBIT up to 10% and margins up to 15% and 7.6% respectively.

It is useful to recall some of the main works acquired – such as laying of the second track on the Parma-La Spezia railway line, the Turin rail junction, a section of the motorway linking Algeria and Tunisia and a new railway line in Algeria – and the major works opened during the year such as Milan's new Expo Fair Center, celebrated example of engineering and architecture, the Pont Ventoux hydroelectric plant and the first functional lot of the Rome-Naples section of the high speed line. These are only some of the important works through which your Company has shown its considerable business and industrial capacities which earned it the Samoter 2005 International Award for helping assert Italy's presence at a global level.

The Chairman
(Ernesto Monti)

m a i n e v e n t s o f 2 0 0 5



2005 events

January Kramis dam delivered in Algeria

March Astaldi was awarded the contract for the design and subsequent construction of the doubling of the Parma-La Spezia railway line, also known as the "Pontremolese" line

March The first functional lot of the New Milan Fair Centre inaugurated in Lombardy

April Financing contracts signed for the initiative under project financing for the construction and subsequent management of the New Hospital in Mestre

May In a joint venture, Astaldi was awarded the works in Algeria to build the connecting aqueduct between the cities of Akbou and Bejaia

May In a joint venture, Astaldi was awarded the contract for the design and subsequent construction of the Turin railway node



FROM LEFT TO RIGHT:

ITALY
New Milan Expo Fair Centre
ITALY
Rome-Naples High-Speed Railway
ITALY
New Hospital in Mestre

May State Council confirms Astaldi's appointment as sponsor for the initiative under project financing for the construction of an integrated system of four hospitals in Tuscany

May Astaldi was awarded the "Premio Internazionale Samoter 2005" prize for its contributions towards raising Italy's brand and standing worldwide

June Astaldi was awarded the works to construct a section of the East-West motorway linking Tunisia and Morocco

June Works completed for the construction of a gasification plant in Yambu, Saudi Arabia

June Development activities started for the design of the Turin railway node and the two lots of the Jonica national road awarded to Astaldi

June The first functional lot of the high-speed Futani-Centola road in the province of Salerno inaugurated in Campania

July Astaldi was awarded the works to build the Kerrada dam and the Jijel road tunnel in Algeria

August S.A.C.E. (Società per l'Assicurazione del Credito all'Esportazione, "Company for Insurance on Export Credit") issues a financing guarantee for important railway projects managed by Astaldi in Venezuela

September Elmalik tunnel inaugurated in Turkey, as part of the project to build the Istanbul-Ankara motorway, also known as the Anatolian motorway

November The Italian and Venezuelan governments sign three letters of intent aimed at the signing of new railway contracts to be carried out in Venezuela by Astaldi in a joint venture



November Astaldi was awarded the contract for building the new Mecheria-Redjem-Demouche railway line in Algeria

November Final design for the new hospital ("Ospedale del Mare") in Naples approved

December An initial functional lot of the Rome-Naples High-Speed Railway Line inaugurated

December Activities for the design of the Turin railway node completed

December Ministerial decree confirms state funding for the initiative under project financing for the construction and subsequent management of an integrated system of four hospitals in Tuscany

FROM LEFT TO RIGHT:

QATAR

SASOL GTL Plant Project

ITALY

Pont Ventoux Hydroelectric Power Plant

TURKEY

Anatolian Highway

g r o u p p r o f i l e

Corporate bodies	14
The Astaldi Group and its areas of activity	18
International positioning	20
The Group structure	22
The management team and human resources	23
Strategic guidelines	24
Information on corporate governance	25
Quality	27
Corporate citizenship	28
Communication and the stock exchange	29

Corporate bodies

Board of Directors

Chairman of the Board	Ernesto Monti
Deputy Chairman	Paolo Astaldi
Executive Deputy Chairman	Vittorio Di Paola

Chief Executive Officer¹	Giuseppe Cafiero
Chief Executive Officer¹	Stefano Cerri

Board Members	Caterina Astaldi
	Pietro Astaldi
	Luigi Guidobono Cavalchini
	Franco A. Grassini
	Mario Lupo
	Vittorio Mele
	Nicola Oliva
	Maurizio Poloni

¹ On 11 January 2006, the Astaldi Board of Directors appointed Giuseppe Cafiero as Chief Executive Officer dedicated to business activities, and confirmed as Chief Executive Officer Stefano Cerri, who will oversee the achievement of the Group's growth objectives and development of activities.

General Managers

International and Head Office Activities	Giuseppe Cafiero
Administration and Finance	Stefano Cerri
Domestic Activities	Nicola Oliva

Deputy General Manager

Administration and Finance	Paolo Citterio
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Board of Auditors²

Chairman	Eugenio Pinto
Statutory Auditors	Pierpaolo Singer
	Pierumberto Spanò ³
Substitute Auditors	Antonio Sisca
	Maurizio Lauri ³
	Marco Zampano

Auditing Firm

	Reconta Ernst & Young S.p.A.
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² Board of Auditors in office as of December 31, 2005.

³ Auditors designated by lists presented by the minority.

Vittorio Di Paola receives an Italian Knighthood

Public acknowledgement of the professional capacities of its employees and managers is an especially important event for a Company. Astaldi Group would proudly like to note that its Executive Deputy Chairman Vittorio Di Paola received the title of "Cavaliere dell'Ordine al Merito del Lavoro", an Italian Knighthood recognizing professional excellence.

The honour, awarded by the President of the Republic on an annual basis to 25 businesspeople whose work has a positive influence on the country's economy, is a reward for Di Paola's dedication to the company and his contribution to developing national infrastructures.

The new "Cavaliere dell'Ordine al Merito del Lavoro" has been employed for more than thirty years in Astaldi Group which he joined in 1972 after obtaining a classical high school diploma from Istituto Massimiliano Massimo and a degree in Civil Engineering from Rome's "La Sapienza" University.

In 1983 he was appointed Technical Manager of Astaldi S.p.A., in 1985 Operation Manager for domestic activities and in 1990 he became General Manager of the company. In 1995 he was appointed CEO of the company, accompanying its growth as the leading General Contractor in Italy and listing on the stock exchange in 2002. In 2005 he was appointed Executive Deputy Chairman of the Group.



VITTORIO DI PAOLA
Executive Deputy Chairman

During these years, Astaldi tripled its turnover, achieving a permanent position amongst the top 50 companies in the sector in Europe, and was responsible for some of Italy's most important infrastructures such as the Rome-Naples high speed railway line, the New Milan Expo Fair Center, the Naples, Genoa, Rome and Milan undergrounds, the link road to the north-east of Rome and the Pont Ventoux hydroelectric plant in Susa. During the same period, the company expanded its presence abroad, completing important works such as the Copenhagen underground, the Anatolian motorway in Turkey, the Puerto Cabello–La Encrucijada railway in Venezuela, Otopeni Airport in Bucharest and Xiaolanghdi dam in China.

Vittorio Di Paola's direct commitment to the company goes hand in hand with other, just as important activities in the world of arts (board member of Accademia Nazionale di Santa Cecilia), and at an institutional level (member of the advisory committee of SACE Spa (foreign trade insurance services), the management committee of ANCE (national association of building constructors) and the management committee of A.G.I. (association of general businesses)). He has also been responsible for associating the name of Astaldi with key cultural and social activities, with the Group being included among the founder members of Accademia di Santa Cecilia and support for institutions such as Società del Quartetto di Milano, FAI and Bambin Gesù Hospital.

The Astaldi Group and its areas of activity

For about eighty years, the Astaldi Group has been active in Italy and abroad in the sector of designing and building large-scale civil engineering works, and is one of the most important construction firms on the international landscape. As Italy's leading General Contractor, with its strong management capabilities it promotes financial resources and coordinates all the professional resources needed to carry out and optimally handle complex and high-value works.

In recent years, the Group has also consolidated its leadership as sponsor in initiatives under project financing – a constantly growing sector in public works development policy in Italy and abroad. With this instrument, Astaldi has promoted such important initiatives as an integrated hospital system in Tuscany, the Appia Antica Park underpass in Rome, and the new line 5 of the Milan underground, for which it won the contract in February 2006. This spe-



FROM LEFT TO RIGHT:

ITALY
Naples underground
ITALY
New Milan Expo Fair Centre
ITALY
New Hospital in Mestre

cific area of business – one to which Astaldi, with the creation of a specific business unit, has devoted special attention – includes the new hospital in Mestre and the new hospital (“Ospedale del Mare”) in Naples, plus additional initiatives developed and currently in progress in the car park sector.

Strengthened leadership as General Contractor and higher standing in the public works sector – also through project financing – are reflected by constant growth for the Group, whose activity has for some time gone far beyond the project construction phases.

Founded in the 1920s, the Astaldi Group has developed large-scale construction projects right from the very beginning, making a name for itself internationally by its use of the most innovative construction techniques.

Since its creation, it has built a strong presence throughout national territory, linking its name to important civil engineering projects that helped the country develop. Astaldi has left its mark on the major railway and motorway links, dams and aqueducts, ports and public buildings built in Italy over the past eighty years. After the War, the company ventured outside of Italy, becoming one of the country's most active and well-known enterprises abroad. Now, it has approximately 6,000 employees at work in 14 different countries, mainly in the sector of railway and road transport infrastructure.

Transport infrastructure is the Astaldi Group's main area of activity, currently accounting for more than 60% of its orders backlog. The high levels of tech-

nological knowledge achieved in building railways, undergrounds, roads, motorways, airports, and ports in Italy and abroad have ranked the Group among the world's leaders in the infrastructure field. In this area, after building the undergrounds in Rome, Naples, Genoa, Milan, and Copenhagen, the Vicenza ring road and the road link to the northwest of Rome, and the Rome-Naples section of the high-speed rail line, it is currently working on such large-scale projects as the Brescia light underground and the Bologna high-speed railway station in Italy, the Anatolian motorway in Turkey, and important railway links in Venezuela. Recently, in addition to the aforementioned contract for line 5 of the Milan underground, Astaldi has been awarded the works to modernize and build, under general contracting, two lots of the Jonica National Road (SS106), and those to build line C of the Rome underground – the number-two



project, in terms of economic value, technical investment, and commitment of work, yet awarded to a General Contractor in Italy. Also worthy of note are the second phase of the project to build the Turin railway node and the doubling of the Parma-La Spezia railway line in Italy, and the new projects acquired in Algeria and Venezuela, again in the sector of railway and road transport infrastructure.

The company's other fields of activity include hydraulic works and energy production plants (dams, hydroelectric plants, aqueducts, oil and gas pipelines, and treatment plants), civil and industrial construction (hospitals, universities, courthouses, construction works for electric and nuclear power plants, car parks) and, as already mentioned, the management of healthcare facilities, car parks, and urban transport infrastructure under concession.

Major civil and industrial construction projects include the New Expo Fair Center in Milan – Europe's largest and most modern exhibition space and a noteworthy example of the Group's construction capacity. In the specific field of energy, mention should be made of the Pont Ventoux (Turin) hydroelectric plant – one of Europe's largest – as well as the Montalto di Castro (Viterbo) nuclear plant, the PEC plant in Brasimone (Bologna), and, internationally, the CERN LEP project in Geneva, the Nacaome aqueduct in Honduras, the Kramis dam in Algeria, the Sidi Said dam in Morocco, the Balambano dam in Indonesia, and China's Xiaolangdi dam.

FROM LEFT TO RIGHT:

VENEZUELA
Puerto Cabello-La Encrucijada
Railway
ITALY
New Hospital in Mestre
ITALY
"City of Science" in Naples

International positioning

United States

Transport infrastructures sector

Central America

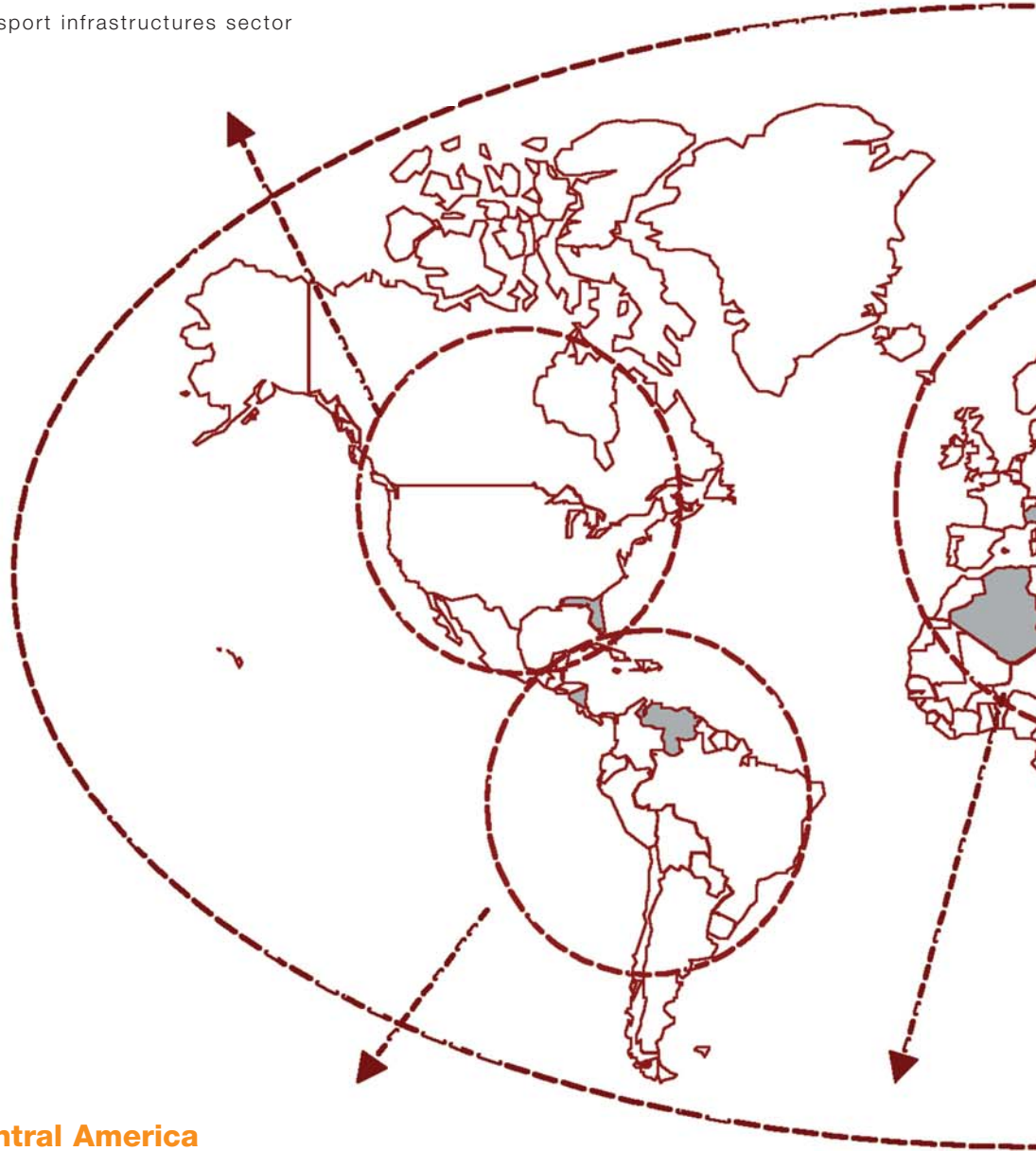
Hydraulic works and transport infrastructures sector

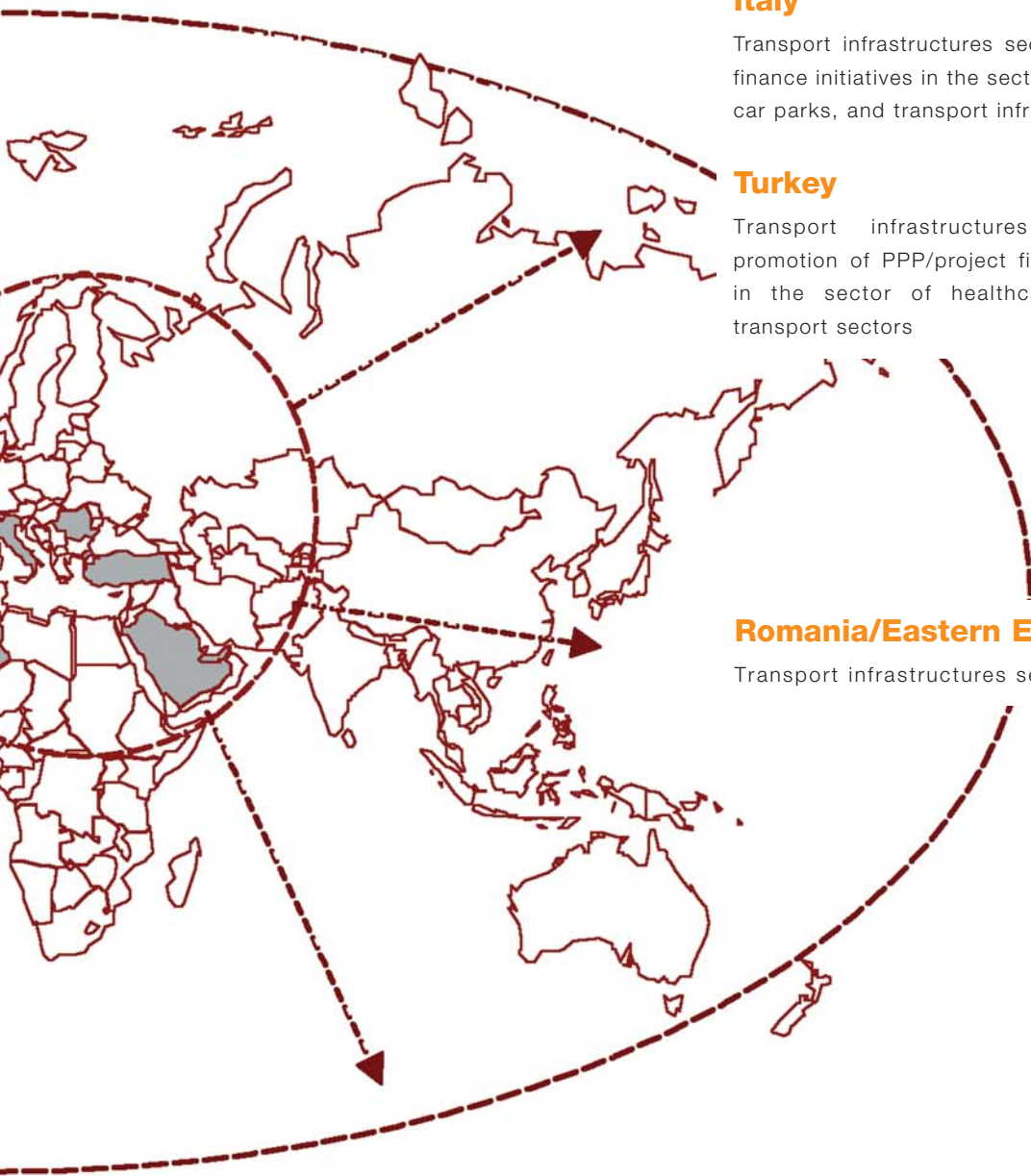
South America

Railway infrastructures sector

Algeria

Transport infrastructures sector and hydraulic works





Italy

Transport infrastructures sector and project finance initiatives in the sector of healthcare, car parks, and transport infrastructures

Turkey

Transport infrastructures sector and promotion of PPP/project finance initiatives in the sector of healthcare and urban transport sectors

Romania/Eastern Europe

Transport infrastructures sector

Saudi Arabia/Qatar

Oil and gas sector

The Group structure



ITALY

construction

HIGH SPEED RAILWAY LINE
ROME-NAPLES

HIGH SPEED RAILWAY LINE
VERONA-PADUA

HIGH SPEED RAILWAY BOLOGNA
STATION

PARMA-LA SPEZIA RAILWAY
LINE
("Pontremolese")

TURIN RAILWAY BY-PASS

MILAN RAILWAY BY-PASS

MILAN NEW EXPO FAIR CENTRE

BRESCIA UNDERGROUND

NAPLES UNDERGROUND

"JONICA" NATIONAL ROAD
(NR 106 - Lots 1 and 2)

HYDROELECTRIC POWER PLANT
Pont Ventoux

EUROPE

Turkey, Romania

AMERICA

Venezuela, United States, Honduras,
El Salvador, Nicaragua, Bolivia

AFRICA

Algeria, Morocco

ASIA

Saudi Arabia, Qatar

ABROAD

concession and project financing (BUSINESS UNIT)

NEW HOSPITAL IN MESTRE

NEW HOSPITAL IN NAPLES
("Ospedale del Mare")

4 HOSPITALS IN TUSCANY
(Astaldi Sponsor)

2 CAR PARKS IN BOLOGNA
("Piazza VIII Agosto", "Ex Manifattura Tabacchi")

2 CAR PARKS IN TURIN
("Porta Palazzo", "Corso Stati Uniti")

1 CAR PARK IN VERONA
("Piazza della Cittadella")

HEALTHCARE

CAR PARKS

MILAN UNDERGROUND LINE 5

APPIA ANTICA UNDERPASS IN ROME
(Astaldi Sponsor)

URBAN TRANSPORT
INFRASTRUCTURES

NETWORK OF MULTIPURPOSE UNDERGROUND
INFRASTRUCTURES
(Cologno Monzese)

UTILITIES

The management team and human resources

The Group's positive economic and business results are also the result of management's ability to translate its organizational and professional capabilities into technical, engineering, and financial solutions perfect for fully satisfying the Client's needs.



VITTORIO DI PAOLA
Executive Deputy Chairman



GIUSEPPE CAFIERO
General Manager, International
Activities and Headquarters



STEFANO CERRI
Chief Executive Officer



NICOLA OLIVA
General Manager,
Domestic Activities

Each new initiative is managed through a specially created structure always made up of very high-level personnel contributing on a daily basis, with choices inspired by the Group's values, towards determining the strategic objectives defined by the Company.

This decision-making structure, which translates into efficient operations, gives the strategic choices that flexibility, promptness, and dynamic nature that are the basis for all success.

The Company's organizational structure is crowned by its Board of Directors, which currently has 13 members. The Chairman of the Board of Directors, confirmed in office for this year as well, is Prof. Ernesto Monti, who also holds the chair in corporate finance at Rome's Università LUISS-Guido Carli. The Chairman coordinates the Board's activities, presides over the Shareholders' Meeting, and has powers of legal representation of the Company.

The strategic functions guiding corporate activity are the responsibility of the Executive Deputy Chairman Vittorio Di Paola, who has been in Astaldi since 1978, having previously been the Company's General Manager and, for ten years, Chief Executive Officer. On June 2, 2006, Vittorio Di Paola received the title of "Cavaliere dell'Ordine del Merito del Lavoro", an Italian Knighthood recognizing professional excellence, awarded by the President of Republic.

The Chief Executive Officers are given the powers to manage the company's activities. In particular, Stefano Cerri, who was Chief Financial Officer from 1998 to 2005, is in charge of pursuing the Group's growth objectives, while the management of business activities is entrusted to Giuseppe Cafiero, who has already held the offices of Technical Manager and General Manager at Astaldi, and was appointed Chief Executive Officer starting January 2006.

The Group's General Manager is Nicola Oliva, who is charged with General Management for domestic activities, on which the acquisition and management of national-level projects depend.

Monitoring and managing overseas projects is the responsibility of the General Management for international activities and head office, headed by Giuseppe Cafiero, who has been confirmed at that position. Stefano Cerri remains at the head of the General Management, Administration and Finance, in charge of all the Group's administrative, tax, and financial activities.

Management's capabilities are joined by the professional skills of Astaldi's employees and collaborators, who make important contributions to achieving good results on the market and high standards of work.

Astaldi's human resource recruitment policy has always been oriented towards objectives of acquiring professional figures with high growth potential – a line of behaviour pursued in 2005 as well. During the business year, investment in the sector had the dual purpose of attracting new resources to meet the requirements of high growth potential on the one hand, while on the other hand developing and capitalizing on the skills already present within the company. The Group currently has about 6,000 employees at work at more than 140 sites in Italy and abroad.

The resource recruitment activity was also strengthened by consolidating collaborations and exchanges with universities and institutions of higher learning. Collaboration took concrete shape in the activation of corporate internships to help introduce young people into the workplace, and management's involvement in specific qualified teaching initiatives.

Training programmes have also been activated, in which specific professional figures provide support to the sectors affected by such innovative project management models as general contracting and project financing.

Strategic guidelines

The most recent business year saw the Astaldi Group strengthen its leadership despite market conditions marked by major regulatory changes and consolidation processes in the public works and construction sector. This was also made possible by the operative capacities, solid financial structure, and high-level technical skills that are part of the Group's established assets.

It was in this setting that management made its choices in favour of orienting the orders backlog towards complexly structured projects managed under general contracting procedures, and towards works in concession to be performed under project financing. Therefore, as production develops over the coming months, we will be seeing a lower incidence of traditional contracts, and a greater concentration in the backlog of projects that are increasingly demanding in terms of the technical and management know-how required for their performance. Some of the works taken on of late, such as the Turin railway node, the underground lines recently acquired in Milan and Rome, the hospitals in Mestre and Naples, and the two lots of the Jonica national road 106, are indicative of the kind of works that Astaldi's management will be handling in the months to come.

Astaldi's assets and management style confirm its ability to take on the upcoming challenges as a highly qualified leader in a market characterized by more projects under general contracting for a growing unit amount. These projects require a contractor with a solid management and financial structure, capable of pre-financing a portion equalling 10-20% of the total value of the work.

The Group's sound asset structure is certainly an effective lever for raising its standing in the sector of works in concession and under project financing – instruments used increasingly by local bodies to give the territory the necessary infrastructures, even in cases where budgets, in the absence of such innovative instruments, would not always be able to handle the corresponding infrastructural needs. Moreover, the Company's current confidence in sustaining the acquired projects financially as well has led the Group to orient its activity towards exporting abroad its experience amassed domestically. In fact, many initiatives managed under project financing, in the sector of car parks, healthcare facilities, and urban transport infrastructure, are currently being examined in Italy and abroad.

As regards its activities on foreign markets, the Group is aiming to increase its backlog in countries where it has a solid presence, like Venezuela, Romania, and Turkey. At the same time, the objective is to focus efforts on deeper market penetration in Eastern Europe and the Middle East (Saudi Arabia and Qatar) and, by developing activities through public/private partnership, in those politically and financially stable countries that show suitable potential for infrastructural investment to develop.

Information on corporate governance

Astaldi is regulated by a corporate governance model constructed in accordance with the principles of the self-governance code prepared by Borsa Italiana S.p.A. for listed companies. Astaldi has about seven thousand shareholders with ordinary shares. Of these, the following direct shareholders have stakes in excess of 2% of the share capital: FIN.AST. S.r.l. with a 39.669% stake; Finetupar International S.A. with a 12.525% stake; and Fidelity International Limited with a 3.088% stake.

main shareholders:

FIN.AST. S.r.l.	39.669%
Finetupar International S.A.	12.525%
Fidelity International Limited	3.088%

The Board of Directors currently has 13 members, who will expire from office with the approval of the financial statements at 31 December 2006. Among the Board's prevailing tasks are approving the Company's strategic plans and operations of economic, asset-related, and financial importance; delegating and revoking powers to and from Chief Executive Officers and determining their emoluments; overseeing trends in corporate management; and checking the Company's general administrative and organizational arrangements.

In the Board of Directors, seven members are non-executive members – a number suitable for guaranteeing significant weight in the board's decision making, as required by the self-governance code. Moreover, in keeping with this code, the non-executive members include five independent members that are not conditioned by economic relations with the Company or major shareholding stakes, or by family relationships with executive members. During business year 2005, the Board of Directors met nine times.

The remuneration of the board members and top management is largely linked to the achievement of pre-set objectives, and to the Company's economic results. The incentive plan, which has also been extended to business year 2006, includes stock appreciation rights which pay the difference between the average price of the shares in the last month and the strike price established by the Board of Directors, upon consultation with the Remuneration Committee.

To ensure the monitoring of corporate processes, the Company has for some time had an Internal Auditing Service under the direct responsibility of the Internal Auditing Officer and placed on a staff position for the Chief Executive Officer with powers over the development of the Group's activities. In this area, the Integrated Internal Auditing System Project was started up on 18 May 2005, in order to streamline the monitoring and control activities carried out by the various company departments. The project led to the for-

malization of a common operating method and a single language for the internal auditing system.

Lastly, in March 2003, Astaldi implemented the company Code of Ethics, which establishes the principles and norms of behaviour with which employees and collaborators are called upon to comply both in carrying out their own business and in their dealings with shareholders, public administration, and all outside interlocutors. That same year, the Organization Model went into force to protect the Company from possible crimes committed by administrators, employees, and collaborators pursuant to legislative decree



FROM LEFT TO RIGHT:

ITALY
New Milan Expo Fair Centre
VENEZUELA
Puerto Cabello-La Encrucijada
Railway
ITALY
Turin Railway Link

no. 231/2001. Both the Organization Model and the Code of Ethics are constantly updated to include the latest legislative indications, such as the regulations on market abuse and the new accountability frameworks introduced by the savings law (law no. 262/2005).

Quality

2005 saw the consolidation of upgrades implemented as a result of the adoption of corporate management and organisation models in accordance with ISO 9001:2000 standards regarding quality systems and international OHSAS 18001:1999 technical standards regarding corporate occupational health and safety management systems.

Said updates concerned both the model of the Parent Company Astaldi S.p.A., and the subsidiary Italstrade S.p.A., the latter in particular as a result of the merger with R.I.C. - Railway International Construction S.p.A. on June 21, 2004. In fact Italstrade S.p.A.'s new organisational model was approved and implemented in March 2005.

The internal audits subsequently performed by the Quality Management Service as well as monitoring of the main corporate processes applied in Group contracts in Italy and abroad confirmed the results expected following said updates. It is also important to note during 2005 the positive outcome of audits directly performed by leading clients in relation to key contracts.

At the same time as the above, the DNV Certification Body, Det Norske Veritas proceeded to carry out specific audits, as an independent body, with the aim of confirming the validity of certifications issued to Astaldi S.p.A. and Italstrade S.p.A., with regard to their respective corporate quality management systems, as provided for in regulations.

Said audits, performed during the two halves of 2005, concerned some of the Group's main foreign contracts (East Europe – Romania – and South America – Venezuela), as well as its head offices in Rome.

Note should be taken of the adoption by DNV of a new methodological approach when performing audits called risk based certification. Said approach, aimed at helping the company achieve its goals by improving corporate processes, focuses attention on the link between strategic goals and operating processes for each area previously selected by the company's management, identifying the area's strong and weak points and relative opportunities for improvement.

It must also be noted that for some key projects started up during 2005, important examples of contract organisational models, in line with ISO 14001:2004 standards related to environmental management systems, were developed and incorporated into the existing model.

It remains to be pointed out that, as a result of the Group's strategic approach towards firmly establishing its general contractor role and involvement in the concessions/project finance sector, consolidation and updating of the whole organisational structure, which involved further redefinition of the corporate organisational model by separating traditional construction activities from concessions/project finance activities, was completed during the second half of 2005. To this end, the relevant bodies are carrying out a final review of the corporate processes in question, tasks, responsibilities and operating procedures needed for the aforementioned model to work efficiently and effectively.



Corporate citizenship

Astaldi pursues its policy of attention to the environment and support for culture in the conviction that striving for maximum corporate efficiency can be compatible with contributing to the social and cultural development of the countries in which the group operates. In this vein, during the business year the Company has further consolidated its close friendship with numerous institutions active in safeguarding Italian cultural heritage. Cultivated over time, these relationships are part and parcel of the traditional sensitivity to the world of art and culture that has distinguished the Company's management over the years, and was already present among its founders.

In the music world, Astaldi has for some years made its contribution as founding member supporting the activities of Accademia Nazionale di Santa Cecilia, one of the oldest and most qualified institutions internationally. Similar support is provided to Società del Quartetto di Milano, a noteworthy musical institution with which Astaldi initiated a sponsoring relationship a couple of years ago. For more than 140 years, Società del Quartetto di Milano has been a key figure in the field of major European symphonic music, and is one of the most dynamic musical institutions currently active in Italy.

The Group devotes special attention to bodies and institutions linked to the world of protecting Italy's cultural heritage, including FAI - Fondo per l'Ambiente Italiano (national trust for Italy) which traditionally has been widely appreciated for protecting, recovering, and safeguarding artistic and natural sites that would otherwise end up entirely degraded and abandoned. For some years, Astaldi has been a FAI Corporate Golden Donor.

Internationally, and in particular in countries where the Group has deep roots in the territory such as for example in Africa and Eastern Europe, Astaldi has supported many cultural and social initiatives that in certain cases have resulted in participation in educational programmes for children and youths in underprivileged areas, and in others have involved the establishment of study grants to foster the spread of specialist knowledge in developing areas as well.

Communication and the stock exchange

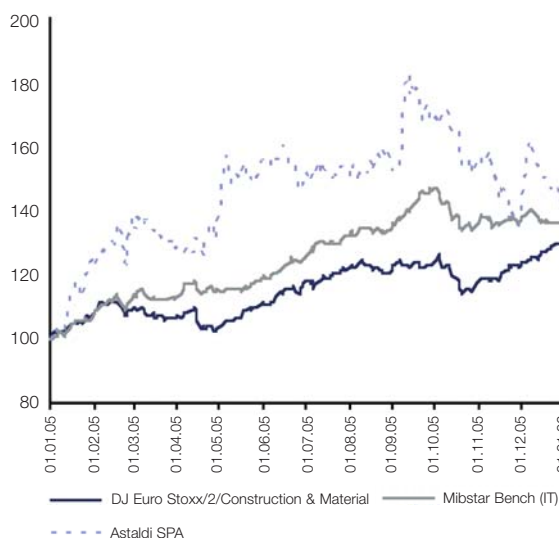
The importance that Astaldi places on communication does not respond merely to the need to comply with the regulations dictated by oversight bodies. It originates in essence from a deeply rooted conviction that a prerequisite for management's constant commitment to guaranteeing utmost transparency is a high capacity for monitoring corporate processes and dynamics, and over time this translates into consensus and appreciation shared by the various stakeholders and the financial community in general.

In addition to an internal procedure outlined specially to guarantee the disclosure of price sensitive data and information capable of altering the trends in the securities issued by the Company, Astaldi, in compliance with the provisions of the regulations in force, has for some years had a Code governing insider dealing. For well-defined subjects within the company, by virtue of their role (so-called "relevant persons"), this code entails the obligation to report any transactions involving securities issued by the Company, should these transactions be performed at particular moments in the company's life and/or exceed certain predetermined thresholds of relevance.

Aside from the regulatory obligations, and at all times with a view to guaranteeing the utmost transparency and suitable knowledge of corporate events, during 2005 the disclosure of facts of importance to the Company was accompanied by numerous meetings between management and the various representatives of the financial community and the press world. Audio and video conferences, presentations managed in house or by third parties within the context of important events, one-to-one meetings for more in-depth analysis, and numerous road shows on Italian and foreign financial markets have seen the constant commitment of management – as is now well-established practise – not only in the moments of importance in company life, but also in those periods which, regardless of the obligatory information required, communication may be a sound instrument for representing the Group's ability to generate value.

Mention should also be made of the considerable and increased interest shown by the financial and specialized press, at home and abroad, in the Group and the important initiatives developed in and out of Italy. This interest grew considerably during the business year, thanks also to the commercial and working successes achieved by Astaldi. Indeed, many leading international specialist journals have requested our management's collaboration towards specific presentations on initiatives managed by the Company in Italy and abroad. And given this increased interest, many visits to individual work sites and operative locations have been organized to provide an idea of the amount of human and technical resources that the Company can mobilize, and the considerable value of the works that it can consequently perform.

Lastly, it is worth mentioning that all information regarding the Group's life and activities is available on the Company's constantly and promptly updated website.



call of the shareholders' meeting

Call of the Shareholders' Meeting

An Ordinary Meeting of the Shareholders was called to be held, at the Company's registered office in Rome, Via Giulio Vincenzo Bona, 65, on the 28th of April, 2006, at 9.00 a.m. at first calling and, if necessary, at second calling on May 2, 2006, same place and time, to discuss and resolve upon the following *agenda*.

1. Approval of the Company's Financial Statements as of December 31, 2005, and resolutions connected therewith.
2. Appointment of the Board of Auditors for the three-year period 2006-2008, and resolutions connected therewith.
3. Issue of the new buy-back plan.

The Shareholders' Meeting may be attended by those Shareholders having the right to vote provided that the authorized broker will have sent the proper certification no later than two days before the date fixed for the Meeting.

In order to facilitate the verification of the entitlement to attend the Meeting, the Company invites the Shareholders to forward said documents evidencing such right to INFOMATH S.r.l. – Attn. Anna Raviele / Elisa Zaninelli – Via S.G. Bosco 3, 24126 Bergamo (Italy), by mail or by fax to No. +39-035.3840396, not

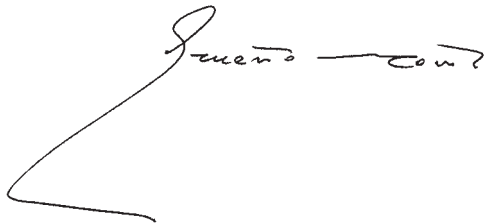
later than two days before the date fixed for the first calling Meeting.

As far as concerns the appointment of the Board of Auditors, it is hereby reminded that, under article 25 of the Company's Articles of Association, such appointment shall be made on the basis of the lists produced by the Shareholders who, individually or jointly, globally own a number of shares representing at least 1% (one percent) of the Company's capital entitled to vote at the Ordinary Meetings. The lists, together with comprehensive information on the personal and professional characteristics of the candidates, will have to be filed with the Company's registered office at least 10 (ten) days before the date fixed for the first calling Meeting, jointly with the declarations of acceptance of nomination, of inexistence of reasons for ineligibility or incompatibility, and of possession of the requirements necessary to hold office.

The documents relating to the topics of the agenda will be filed with the Company's registered office and with Borsa Italiana S.p.A. within the term provided for by the laws and rules in force. The Shareholders may obtain copies thereof at their own expenses.

Accredited experts, financial analysts and journalists desiring to attend the Shareholders' Meeting will have to file a proper application with Astaldi S.p.A. – *Attn. Investor Relations Department* – by e-mail to the address investor.relations@astaldi.com or by fax to the No. +39-06.41766713 – not later than two days before the date fixed for the first calling Meeting.

For the Board Of Directors
The Chairman
(Ernesto Monti)

A handwritten signature in black ink, appearing to read 'Ernesto Monti', with a long, sweeping horizontal line extending to the left.

c o n s o l i d a t e d f i n a n c i a l s t a t e m e n t s

Management Report on the consolidated financial statements	36
1. Macroeconomic background	36
2. Equity markets	37
3. The domestic market	38
4. The foreign market	40
5. Operating network	41
6. Economic, equity and financial trend of the Group	42
7. Investments	48
8. Quality	48
9. Research and development	49
10. Human resources	49
11. Orders backlog	50
12. Transactions with related parties	82
13. Main group companies	82
14. Treasury shares	83
15. Parent company shares held by subsidiaries	84
16. Corporate Governance	84
17. Programmatic document on safety	98
18. Adoption of international accounting standards	98
19. Subsequent events	98
20. Management forecast	99
21. Conclusions	101
 Consolidated financial statements	 102
Consolidated balance sheet	102
Consolidated net equity movements	104
Consolidated cash-flow statement	106
Total revenues	107
 Notes to the IFRS s consolidated financial statements	 110
 Transition to international accounting standards IFRSs	 174
 Attachments to the consolidated financial statements	 190
 Indipendent Auditors' Report	 196

Management Report on the Consolidated Financial Statements

Dear Shareholders,

The consolidated financial statements of Astaldi Group and its parent company Astaldi S.p.A. at December 31, 2005 are the first financial statements to be drafted in compliance with the IAS/IFRS (IFRS) approved by the European Commission.

1. Macroeconomic background

The international macroeconomic situation in 2005 was characterised by an upturn in the world's leading economies.

In the United States, the economy performed well with a 3.1% increase in GDP during the fourth quarter of 2005, slightly down on the previous quarters of the same year which saw a 3.6% annual growth rate. The confidence index trend was also positive in relation to both families and businesses; a factor which makes it possible to offer an optimistic forecast with regard to the dynamics of the USA's production activities over the coming months.

The same can be said of Japan where the indicators related to the trend of the economy were positive (2.8% growth in GDP during the third quarter of 2005, +2.7% in the second quarter).

As far as the Euro area is concerned, the signs of a turnaround are still weak even though they are tending to improve.

In fact, during the year there was a strengthening in the area's economic growth and the conditions which confirmed the positive trend, but there was still major concerns regarding the risks on prices increases due to the high cost of oil which is still subject to great pressure.

There was an increase in GDP (annual growth rate of 1.6%) which highlights a upturn in performance even if still rather limited when compared with that of the leading world economies, while consumer confidence index figures and the general feeling among businesses showed some first signs of recovery.

Specifically, December 2005 saw an improvement in the business confidence index, even if it still remained negative at -5.1 (from -6.5), with France going from -8.6 to -6.9, Germany from -9.4 to -7.1 and Italy from -2.5 to -0.8. There was also an improvement in the general confidence among consumers even if overall optimism proved to be on the increase in Germany (-7.5 from -11.7) and France (-15.6 from -16.2), while it held steady in Italy at -16.7.

If we move on to consider the cost of raw materials, it should be noted that the IPE's Crude Oil Index reached an average price of USD 57.4 per barrel of crude oil in December, showing a 41.6% annual growth rate. While the Goldman Sachs Commodity Index reported a 38% annual growth rate in December and the price of the shelter good par excellence, i.e. gold, saw a 15.4% increase compared to the average price recorded in December 2004 (Gold Bullion Index).

As far as consumer prices are concerned, there was a 2.3% annual growth rate according to Eurostat figures, with a 2.4% inflation rate for Italy, 1.8% for France and 2.3% for Germany.

Lastly, with regard to the foreign exchange market, 2005 was characterised by an 11.5% depreciation of the euro compared to the US dollar and a 2.3% depreciation compared to the British pound, while there was a 0.9% appreciation compared to the Japanese yen.

Lastly, thanks to Astaldi Group's major presence in Venezuela, it should be noted that during 2005, the macroeconomic trend in Venezuela served to confirm the decidedly positive trend seen during the first months of the year. The effective growth in GDP (+9.1% for the first nine months of 2005), driven by the trend in oil revenues, was actually encouraged by the major boost the increase in government spending gave to the aggregate domestic demand for consumer goods and investment. The latter, in turn, resulted in major growth in various sectors of national economic activities, and a considerable increase in imports and planned investments in public infrastructures.



2. Equity markets

2005 was characterised by a positive performance on all the main international stock exchange indexes. The Standard&Poor's 500 (S&P 500), related to the performance of the 500 main stocks in the US area, increased by 3%; Japan's Nikkei 225 saw a 40.2% increase, while the Dow Jones Euro Stoxx 100 (DJ Euro Stoxx 100), which comprises the 100 main stocks in the euro area in terms of capitalisation, recorded a 22.5% increase.

The same goes for the main European stock exchange indexes which boasted a markedly positive trend in 2005. In Italy the S&P/Mib increased by 15.5%, in Germany the DAX 30 increased by 27.1%, in Spain the CAC 40 recorded a 23.4% increase, while in England the FTSE 100 increased by 16.7%.

A positive trend was also seen in the new economy sector with the Mib Tech Star increasing by 46.5% and the Tech Dax by 14.7%, while France's technological index reported a 14.3% increase and the Nasdaq, a 1.4% increase.

As far as equity markets in the euro area are concerned, the total value of stock exchange capitalisation as of December 2005 stood at EUR 4,877 billion (+23.5% annual growth rate); Italy accounted for 13.5% of said result, France for 28.9% and Germany for 20.9%.

In particular, in Italy, the Mib, which ended 2005 with a value of 26,056 (+13.9% annual growth rate), showed a total capitalisation of EUR 677 billion with bank stocks accounting for 31.6% of said total, insurance stocks for 12.1% and stocks belonging to the industrial sector for 25.8%.

FROM LEFT TO RIGHT:

MOROCCO

Sidi Said Dam

ITALY

New Milan Expo Fair Centre

ITALY

New Hospital in Naples

Lastly, if we breakdown the figures for Italy on a sector basis, we can see that in 2005 the industrial sector recorded a 27.3% increase, equal to 28.6% if reference is made solely to construction sector stocks; while financial stocks increased by 25.98% (30.66% for bank stocks alone and 17.06% for insurance stocks). Instead, the service sector showed a drop with an annual growth rate of -8.88% being recorded.

With specific reference to the trend of small and medium capitalization STAR stocks, which also comprise Astaldi stock, the STAR index recorded a 31.04% increase during 2005, while the ALL STAR (which also comprises technological stocks) saw a 32.87% increase.

3. The domestic market

The growth of the construction sector during the last five years has clearly out-paced the growth in GDP (+19.1% compared to +8.5% in 2004) and the growth rate for employees in the sector was more than double that of the economic system as a whole. If we compare the figures for the first six months of 1999 and the same period of 2005, the number of employees in the construction sector increased by 21.6% against an overall 9% increase in employment. These figures show the supporting role the construction sector plays for the economy; this sector is the only one which has substantially contributed to the country's wealth and development within the weak framework of the general economic cycle.

2005 was characterised as a year in which there was downsizing of the total sums



FROM LEFT TO RIGHT:

ALGERIA

Kramis Dam

HONDURAS

El Cojolar Dam

ITALY

New Hospital in Naples

("Ospedale del Mare")

allocated to the construction sector, partly offset by greater use of residual liabilities from past years.

After approval of the so-called "Legge Obiettivo" – Strategic Infrastructure Act – (Law No. 443/2001), the carrying out of general contracting tenders has turned companies characterized by a solid capital asset structure, a high level of project management know-how and considerable capability in accessing the credit system into key players in the market.

During 2005, general contracting tender procedures commenced for construction of Line C of the Rome underground, two maxi lots of the Civitanova Marche-Foligno and Perugia-Ancona road links comprising the hinterland quadrilateral scheme (also called I and II Marche Quadrilateral Scheme), and two maxi lots of the Salerno-Reggio Calabria motorway (called "DG 39" and "DG 48").

There was also an increase in the use of project finance and concessions as per Article 19 of the Merloni Law (Law No. 109/1994); the healthcare construction and

transport infrastructure sectors were especially active in this regard, which was also due to the central government and local administrations' need to minimise the cost impact of public works on the level of indebtedness, as provided for in the recent Finance Act.

While developing the opportunities offered by this reference scenario, Astaldi Group further consolidated its leadership as a general contractor and sponsor of project finance initiatives during 2005.

In spite of the central government's cuts in spending by bodies commissioning public works, it is felt that said trend can be confirmed for 2006, also following approval of regulations determining the qualification system for general contractors which place Astaldi Group in the highest qualification bracket.

The opportunities that may arise in the project finance and concession sectors are not to be overlooked. Given that said sectors favour the use of private capital, they are proving to be the solution increasingly opted for in order to construct large-scale works at a national and international level.

In Italy in particular, the central government and local Autonomies are caught between the need to promote investment in order to meet the society's requirements and facilitate the country's internal development, and the need to deal with a situation of limited resources and financial pressure. Project finance and concessions start to represent the logical, methodological and working approach model to obtain resources needed to carry out projects, both in the interests of the community and in compliance with the economic, financial and equity stability of local public concerns and private individuals, insofar as they favour the involvement of private capital and know how in public investment policies.

In fact the private-public partnership (PPP) market has seen an increase in the number of works put out to tender as project finance initiatives in the last three years.

In December 2005, in Italy, there were 120 calls for tenders for public-private partnership initiatives to be carried out in the domestic market, for a total turnover of EUR 1.6 billion, and a continuous growth trend emerged from a comparison with previous years. On the whole, the record values of 2004 were exceeded during the year: 1,699 projects worth a total EUR 16.9 billion in 2005 compared to 1,478 projects worth a total EUR 13 billion in 2004. Said figures can be translated into a lower growth rate than in 2004, but nevertheless a significant one. The number of projects increased by 15% (+44% in 2004) and total investments by 26% (+73% in the previous year).

In percentage terms, the share of PPP tenders, excluding pre-selection pursuant to Article 37bis of the Merloni Law (Law No. 109/1994), related to the overall market of public works tenders recorded by CRESME's Project Financing National Observatory, amounted to 28% compared to 15% in 2004.

Therefore, it is a business area of great interest which the Group will continue to focus its attention on, concentrating specifically on the healthcare, transport infrastructure and car park sectors.

Moreover, the considerable potential that the Group sees in this sector is undoubtedly confirmed by the recent setting up of a dedicated business unit.

In fact, as part of a strategically planned, wide-reaching process, all the services provided by said unit have been designed and organised in order to cover all areas included in the preliminary and final studies and inspections for each project

without overlooking interfacing with the head office's services. Said unit has also been assigned the task of risk management aimed at monitoring possible business risks.

4. The foreign market

The international scenario is characterized by greater dynamism compared to that of the previous year, and observers agree that, even though a gradual reduction in the growth rates of many economies is expected, 2006 should



FROM LEFT TO RIGHT:

TURKEY
Anatolian Highway
ITALY
Salerno-Reggio Calabria Highway
HONDURAS
El Cojolar Dam

prove to be a year of further growth for the international economy, with a growth in global GDP of approximately 4.3%.

In the United States, despite the higher federal deficit, the positive trend in the construction market continues in terms of work volume, with forecasts for growth in 2006 and subsequent years. Specifically, the demand for residential constructions is expected to continue but with a slightly lower percentage value than in previous years. This will have a knock-on effect on public road works and urban services — sectors where Astaldi Construction Corporation, an Astaldi Group subsidiary that manages and develops activities in the United States, is especially active. A further boost for the road and motorway works sector will undoubtedly be provided by the renewal of TEA-21, the federal framework act regulating financing of the construction and maintenance of said works in the next six years. In fact Bill Act 360, approved by the US senate in September 2005, provided for a major increase in funding, and specifically funding for Florida, a state where Astaldi Construction Corporation is traditionally active.

The scenario in Latin America is decidedly more complex and uneven due to the major structural differences of its various countries. After a three-year standstill in production, the area's major economies are starting to expand once again at an elevated pace. According to International Monetary Fund estimates, growth of the area's economy should settle at around 3.8% in 2006. This forecast is further supported by a series of factors such as the low level of interest rates, which should bring unquestionable benefits to those countries making use of the financial market (excluding Argentina), as well as the increase in the price of oil (of which Venezuela is a leading producer).

As far as the African market is concerned, the lack of interesting prospects

supported Astaldi S.p.A.'s decision to close down activities in countries within the Sub-Saharan area, already initiated in previous years. Completion of residual activities in Congo is forecast for 2006.

With regards to the euro area, the forecast economic development in Eastern Europe seems to confirm the growth resulting from the more competitive cost of labour on a European level, the increase in the cost of raw materials and, for those countries which recently joined the EU, planned funding for infrastructure upgrading.

In this context, the Astaldi Group has continued to focus on markets where its consolidated presence over the years can guarantee greater stability for the future, and where there are favourable development opportunities such as the United States, Central America, Venezuela, Romania, Turkey, the Maghreb and the Middle East (Saudi Arabia and Qatar).

In Europe, the Group's production activities have considerably increased compared with the same period of the previous year. This is due to the continuation of full activities in Turkey as well as the good progress being made in Romania.

As far as Venezuela is concerned, the stability of the Group's activities is confirmed, and the projects currently among its orders backlog, which are of primary importance for the country, represent the key initiatives underway in this area where the Group plans to increase its presence thanks to the country's major potential spending on transport infrastructures. With regard to Latin America, in 2005, additional commercial activities were in any case undertaken in other countries such as Bolivia, Costa Rica, Honduras, Nicaragua and El Salvador.

During 2005, the diversification strategy in the Middle East continued. Astaldi has been present in this area for several years in the industrial plant sector, in partnerships with large international operators. Specifically, a gas liquefaction plant – the SASOL Gas to Liquid (GTL) Plant – is being completed in Qatar. The Group is constructing the plant in the industrial district of Ras Laffan on behalf of one of the most important international firms operating in the petroleum plant sector. It is felt that in this market, where large investments are planned, further market shares may be acquired within a reasonable period of time.

5. Operating network

During 2005, the Group's operating network developed through the activity of 25 foreign branches (operating as sub-offices) and 178 companies located in Italy and abroad, 69 of which are consortium companies that are being wound up voluntarily, and 58 of which are subject to a dominant influence exercised by the Parent Company.

It should be noted that there were numerous managerial, financial and economic relations between the Parent Company and the legally and financially autonomous operating units belonging to the Group, which normally characterize the various periods when the dominating influence is exercised. Relations of a specific nature, significance or scope have been detailed in the Notes and commented upon in the description of the operating units, which follows.

6. Economic, equity and financial trend of the Group

For Astaldi Group, the past year's results offer important confirmation of the growth seen during the last five years, combined with a constantly expanding orders backlog which also improved from a quality viewpoint, with results achieved in both the domestic and international sectors.

The table below shows the key figures for the Group.

key figures		
(millions of euros)	2005	2004
total revenues	1,021	1,054
fixed assets	214	207
net financial indebtedness	240	228
operating result	78	71
pre-tax result	55	43
taxation	(23)	(15)
net profit	32	28
self-financing (profit + depreciation and amortisation + provisions)	77	59

The constant attention over the years to contracts with more complex technical and managerial content was critical in ensuring the significant turnover recorded in 2005 (total revenues amounted to over EUR 1 billion) and the clear improvement in operating results (+9.8% at EBIT level, + 15.9% at net result level compared to December 31, 2004).

However, it must be noted that foreign joint ventures were valued using the equity method, in compliance with the transition to international accounting standards. As far as said joint ventures are concerned, this resulted in exclusion of total revenues and relative costs from the consolidated financial statements, and consequent entry of the year's result under "Income from equity investments". Therefore, in light of the above, the volume of production and operating margin do not benefit from said effects that are standardised at a net result level.

Having said that, it should be noted that total revenues at December 31, 2005 amounted to approximately EUR 1,021 million, slightly down on the result at December 31, 2004 for the combined effect of a number of factors. On the one hand, several major Italian projects were completed during 2005 – the most important of these being the New Expo Fair Center in Milan – which, in 2004, had made a major contribution to the recorded levels of production; on the other, the closure of activities in Africa, with the exception of Algeria, not offset by the start-up of important general contracting projects recently secured in Italy and still to be fully operational.

Against a slight drop in total revenues, consolidation of the Group's general contractor role and the orders backlog's consequent focus on contracts of greater value and more complex technical, legal and managerial content, nevertheless, made it possible to achieve a marked increase in the Group's net profit which recorded a 15.9% increase compared to the same period of the past year. The structural changes made to the orders backlog and the grow-

ing complexity of production activities in turn generated the need to pay even more stringent attention to planning and control of contracts underway and the relative invested capital; said attention is proving to be strategic and rewarding in terms of the levels of earning attained, as can be seen from the net margin which went from 2.7% in 2004 to 3.2% in 2005.

If we take a more direct look at the production activities carried out during the year, we can see that contracts performed in Italy accounted for 46.1% of said activities, while the remaining 53.9% referred to works being carried out abroad in the 14 countries where the group operates. Europe (Romania and Turkey) accounted for 29% of the total revenues with countries located in America, Asia and Africa generating the remaining 24.9%.

As far as the Group's geographical positioning is concerned, it must be recalled that it is the company's established policy to operate in those areas where it is traditionally present and where the political and financial risks are limited as a result of complete financial backing of projects, guaranteed by international bodies. These conditions combined with constant monitoring of invested capital and monetary risk as well as suitable policies regarding backing of related areas, encourage the generation of sufficient cash flow in order to make the individual foreign contracts independent from a financial viewpoint.

During 2005 there was also a major increase in economic margins. Specifically, EBIT, equal to approximately EUR 77.9 million (7.6% of total revenues) increased by 9.8% compared to approximately EUR 71 million in 2004.

Consolidated net profit, equal to approximately EUR 32.4 million, increased by 15.9% compared to EUR 28 million in 2004.

As far as assets are concerned, the figures at December 31, 2005 confirm the balanced asset and financial structure which, to date, has proved to be fundamental for the Group's growth in the general contracting market.

Specifically, going through the main line items it appears a slight increase in fixed assets compared to December 31, 2004, due to investments correlated to the start-up of general contracting projects. It must be noted that initial investments in project finance activities are included among intangible fixed assets and equity investments, such as the formation of a special purpose vehicle to construct and manage Mestre Hospital and investments linked to the car park sector and initial construction phase of the new hospital in Naples ("Ospedale del Mare").

With regard to project finance activities, it must be noted that, during 2005, financing agreements related to the construction and subsequent management of Mestre Hospital were signed between Veneta Sanitaria Finanza di Progetto - V.S.F.P. S.p.A. (VSFP), Astaldi S.p.A. in its capacity as leader of a joint venture, VSFP shareholders and the four mandated lead arrangers – ABN Amro Bank (intercreditor agent), Banca Antonveneta, Banca Intesa and Interbanca –, together with the European Investment Bank (EIB). The transaction, the first example in Italy of project finance applying the PPP (public-private partnership) formula, financed with international standards based on the models provided for in the Merloni Law (Law No. 109/1994), represents an important precedent and will be a valid benchmark for the development of future infrastructure projects.

With regard to the net financial position, the following table presents a breakdown of the key figures.

consolidated net financial position		
(thousands of euros)	2005	2004
short-term financial indebtedness	(207,945)	(199,983)
bonded loan	–	(129,999)
total short-term financial indebtedness	(207,945)	(329,982)
medium and long-term financial indebtedness	(246,700)	(86,634)
cash and cash equivalents	175,418	185,370
total financial receivables and securities	60,618	26,915
leasing	(21,137)	(23,421)
net financial position	(239,746)	(227,752)
treasury shares in hand	5,860	898
ias effects and change in consolidation area	–	111,387
total net financial position	(233,886)	(115,467)

(*) The figure refers to the balance sheet as per Legislative Decree No. 127/1991.

Net financial indebtedness at December 31, 2005, including treasury shares, amounted to EUR 233.9 million compared to approximately EUR 226.9 million (including treasury shares) at December 31, 2004. The aforementioned figure includes the effects on the financial position resulting from the introduction of new international accounting standards (so-called derecognition) and is in line with the content of the 2005-2009 Business Plan, confirming a debt/equity ratio lower than the unit.

With regard to the structure of indebtedness from a time viewpoint, it is important to note the considerable increase in the share of medium-long term loans compared to those at December 31, 2004. In fact, in keeping with the plan's goals, the Group successfully completed the first step towards repositioning financial indebtedness from the short to the medium-long term.

On February 9, 2005 has been repaid, through the Agent Bank BNP Paribas Luxembourg, the EUR 150 million debenture loan issued by the subsidiary Astaldi Finance S.A., followed by payment to subscribers on February 11, 2005.

Moreover, from January 27, 2005, the bank financing agreement for EUR 100 million, with a pool of leading Italian financial institutions and repayable in 5 semi-annual instalments, could be utilized. This agreement allows the Group to correlate the duration of sources of financing with the average duration of contracts. It helps to improve the Group's financial structure in the short-medium/long-term debt ratio, seizing the opportunity granted by the market's current low interest rates and to minimize the burden of ancillary financial charges.

In the month of April 2005, for the same purpose as above, has been defined a four-year loan transaction for EUR 100 million connected to working capital. Such loan, granted by a pool of leading Italian banks with Banca Popolare di Milano as the Agent Bank, makes it possible to streamline the technical reserves portfolio while, at the same time, improves the working capital cycle by using this type of structured finance transaction.

Even though affected by IAS derecognition policy, the debt/equity ratio was nevertheless lower than the unit (0.90 if we include the value of treasury shares in hand among cash and cash equivalents), and down on the 0.97 ratio at December 31,

2004. Said ratio is even lower if we consider that net financial indebtedness includes loans related to project finance investments, repayment of which is guaranteed by future cash flow from operations.

Equity, equal to over EUR 256 million, reported a clear change during the year resulting from the profit for the year (EUR 32.5 million), the distribution of dividends approved by the Shareholders' Meeting of April 29, 2005 (EUR 7.4 million) and the decrease resulting from treasury shares in hand (EUR 5.9 million)

The reclassified consolidated income statement, reclassified consolidated balance sheet and consolidated cash flow statement are shown below. The values are expressed in thousands of euros.

reclassified consolidated income statement				
(thousands of euros)				
	2005	%	2004	%
revenues	968,898	94.9%	1,004,756	95.3%
other operating revenues	51,833	5.1%	49,739	4.7%
total revenues	1,020,730	100.0%	1,054,495	100.0%
production costs	(722,438)	(70.8%)	(784,782)	(74.4%)
added value	298,293	29.2%	269,713	25.6%
personnel costs	(146,552)	(14.4%)	(145,957)	(13.8%)
other operating costs	(25,620)	(2.5%)	(18,810)	(1.8%)
ebitda	126,121	12.4%	104,946	12.4%
amortisation and depreciation	(28,264)	(2.8%)	(25,673)	(2.4%)
provisions	(16,100)	(1.6%)	(5,179)	(0.5%)
write-downs	(4,287)	(0.4%)	(3,376)	(0.3%)
(capitalisation of internal construction costs)	457	0.0%	234	0.0%
ebit	77,926	7.6%	70,951	6.7%
net financial income and charges	(27,459)	(2.7%)	(32,012)	(3.0%)
effects of valuation of investments using equity method	4,117	0.4%	3,937	0.4%
pre-tax profit (loss) of ongoing operations	54,585	5.3%	42,875	4.1%
taxes	(22,734)	(2.2%)	(15,031)	(1.4%)
profit (loss) of ongoing operations for the period	31,851	3.1%	27,845	2.6%
profit (loss) related to discontinued operations		0.0%		0.0%
profit (loss) for the period	31,851	3.1%	27,845	2.6%
(profit) loss attributable to minority interests	628	0.1%	177	0.0%
group net profit	32,479	3.2%	28,021	2.7%

reclassified consolidated balance sheet

(thousands of euros)

	31/12/2005	01/01/2005 ^(*)	31/12/2004
intangible fixed assets	4,977	5,176	5,176
tangible fixed assets	129,299	125,467	125,467
investments	34,430	33,238	33,238
other net fixed assets	45,749	13,925	42,620
total fixed assets (a)	214,455	177,806	206,501
inventories	44,702	44,867	44,867
contracts in progress	265,267	177,142	142,823
trade receivables	384,085	472,692	395,237
other assets	166,513	166,435	138,330
advances from customers	(67,872)	(73,880)	(73,880)
subtotal	792,695	787,256	647,377
payables to suppliers	(354,816)	(381,200)	(381,200)
other liabilities	(90,170)	(74,156)	(74,395)
subtotal	(444,986)	(455,356)	(455,595)
working capital (b)	347,709	331,900	191,782
employee benefits	(11,518)	(11,122)	(11,122)
provision for current risks and charges	(54,609)	(37,370)	(37,370)
total provisions (c)	(66,127)	(48,492)	(48,492)
net invested capital (d) = (a) + (b) + (c)	496,037	461,214	349,791
cash and cash equivalents	175,418	185,370	185,370
financial receivables and securities	60,618	26,915	98,256
medium-long term financial payables	(262,966)	(104,988)	(88,702)
short-term financial payables	(212,815)	(335,050)	(309,784)
net financial payables/receivables (e)	(239,745)	(227,753)	(114,860)
group equity	257,072	236,446	237,916
minority interests	(780)	(2,985)	(2,985)
equity (g) = (d) - (e)	256,292	233,461	234,931

(*) The figure refers to balance sheet items at December 31, 2004 adjusted according to IAS 32 and 39

consolidated cash flow statement

(thousands of euros)

	2005	2004
a - cash flow from operating activities:		
result of the group and minority interests for the period	31,851	27,845
<i>adjustments to reconcile net profit (loss) with cash flow generated (used) by operating activities:</i>		
deferred taxes	3,557	1,272
amortisation, depreciation and write-downs	38,214	37,406
provision for risks and charges	16,100	5,179
costs for employee severance indemnity and defined benefit plans	2,919	2,930
costs for employee incentive plans	1,840	5,540
losses on disposals of non-current assets	3,732	2,118
effects of valuation using equity method	(4,117)	(3,937)
gains on disposals of non-current assets	(3,441)	(1,158)
subtotal	58,804	49,350
<i>differences in operating assets and liabilities (working capital):</i>		
trade receivables	88,607	(28,739)
inventories and contracts in progress	(87,960)	(34,554)
trade payables	(26,384)	83,656
provision for risks and charges	(4,622)	23,190
advances from customers	(6,008)	(34,444)
other operating assets	(47,206)	(16,587)
other operating liabilities	12,034	2,407
payments of employee severance indemnity and defined benefit plans	(2,523)	(4,895)
subtotal	(74,062)	(9,966)
cash flow from discontinued operations	–	–
total cash flow from operating activities	16,593	67,229
b - cash flow from investment activities:		
purchases in investment property	–	–
investment in intangible fixed assets	(3,118)	(178)
investment in tangible fixed assets	(42,104)	(24,817)
sale (purchase) of other interests net of acquired cash, hedging of non-consolidated company losses and other changes in consolidation area	2,531	(3,842)
collections from sale of tangible and intangible fixed assets and investment property	15,384	7,747
difference in financing of investments	(2,354)	2,885
contributions received	2,019	–
net effect of change in consolidation area	(1,053)	
cash flow from discontinued operations	–	–
total cash flow from investment activities	(28,695)	(18,205)
c - cash flow from financing activities:		
capital increases in payment	–	–
dividends paid	(7,375)	(6,306)
registration (repayment) of non-current borrowing net of commissions	157,966	(24,679)
net change in current financial payables (including leasing)	7,764	23,402
loan repayment to astaldi finance	(129,989)	–
net change in financial assets	(16,987)	7,652
sale (purchase) of securities/bonds and treasury shares	(9,099)	(20,011)
net effect of change in consolidation area		
cash flow from discontinued operations	–	–
total cash flow from financing activities	2,280	(19,942)
d - exchange rate differences on cash and cash equivalents	(130)	(152)
net increase (reduction) in cash and cash equivalents	(9,952)	28,930
cash and cash equivalents at start of year	185,370	156,440
cash and cash equivalents at end of year	175,418	185,370

N.B. Comparison figures for 2004 are not shown insofar as they are not drafted in accordance with IAS 32 / 39 and therefore cannot be compared with the figures at December 31, 2005.

7. Investments

The cash flow statement shown above clearly highlights how investments made during the year at a consolidated level totalled EUR 47 million, net of changes in the consolidation area.

Said investments may be broken down as follows.

n e t i n v e s t m e n t s	
(millions of euros)	
tangible fixed assets	42
intangible fixed assets	3
minority interests	2

2005 was characterized by an increase in profit from both domestic and foreign production activities. This was the result of careful restructuring of minority interests combined with successful planning of investments for the purpose of increasing the Group structures' technical and operating equipment.

As a result of this, 2005 saw an increase in investments related to the study and design of general contracting initiatives and the development of investments in project finance activities.

In fact, payment of equity in Partenopea Finanza di Progetto S.p.A., the special purpose vehicle set up to construct and subsequently manage the new hospital in Naples ("Ospedale del Mare"), was completed during the year.

The major investments in tangible fixed assets were due to the start-up of contracts recently secured in Italy and Algeria. Indeed, the latter saw a significant investment made to provide production sites with the necessary technical and operating equipment.

The investments made in initial and ongoing training of the Group's human resources, in order to consolidate the attained leadership position, took on increasing importance.

Lastly, it is important to note the disinvestment activities carried out in all those areas no longer considered strategic for the Group; these activities will be definitively completed during 2006.

8. Quality

2005 saw the consolidation of upgrades implemented as a result of the adoption of corporate management and organisation models in accordance with ISO 9001:2000 standards regarding quality systems and international OHSAS 18001:1999 technical standards regarding corporate occupational health and safety management systems.

Said updates concerned both the model of the Parent Company Astaldi S.p.A., and the subsidiary Italstrade S.p.A., the latter in particular as a result of the merger with R.I.C. - Railway International Construction S.p.A. on June 21, 2004. In fact Italstrade S.p.A.'s new organisational model was approved and implemented in March 2005.

The internal audits subsequently performed by the Quality Management Service as

well as monitoring of the main corporate processes applied in Group contracts in Italy and abroad confirmed the results expected following said updates. It is also important to note during 2005 the positive outcome of audits directly performed by leading clients in relation to key contracts.

At the same time as the above, the DNV Certification Body, Det Norske Veritas proceeded to carry out specific audits, as an independent body, with the aim of confirming the validity of certifications issued to Astaldi S.p.A. and Italstrade S.p.A., with regard to their respective corporate quality management systems, as provided for in regulations.

Said audits, performed during the two halves of 2005, concerned some of the Group's main foreign contracts (East Europe – Romania – and South America – Venezuela), as well as its head offices in Rome.

Note should be taken of the adoption by DNV of a new methodological approach when performing audits called risk based certification. Said approach, aimed at helping the company achieve its goals by improving corporate processes, focuses attention on the link between strategic goals and operating processes for each area previously selected by the company's management, identifying the area's strong and weak points and relative opportunities for improvement.

It must also be noted that for some key projects started up during 2005, important examples of contract organisational models, in line with ISO 14001:2004 standards related to environmental management systems, were developed and incorporated into the existing model.

It remains to be pointed out that, as a result of the Group's strategic approach towards firmly establishing its general contractor role and involvement in the concessions/project finance sector, consolidation and updating of the whole organisational structure, which involved further redefinition of the corporate organisational model by separating traditional construction activities from concessions/project finance activities, was completed during the second half of 2005. To this end, the relevant bodies are carrying out a final review of the corporate processes in question, tasks, responsibilities and operating procedures needed for the aforementioned model to work efficiently and effectively.

9. Research and development

The Group did not incur costs for research and development activities.

10. Human resources

Astaldi Group, which has always been committed to attracting and developing excellent professional profiles, confirmed said commitment during 2005 by investing, on the one hand, in searching for and recruiting human resources with high potential and, on the other hand, in managing and developing the skills that are fundamental to its success.

Recruitment was stepped up and the partnerships and exchanges with the university net work has been consolidated and encouraged through the signing of MoUs which provide for the of company internships programs designed to foster the entrance of young people in the workforce. Said agreements also help get the management directly involved in specific projects by holding workshops and promoting

qualified teaching staff. Recruitment activities are set to be further improved during 2006 with the implementation of a job opportunities area inside the Group's institutional website which will help to increase the number of contacts in between "supply and demand".

Integration of recruited resources was encouraged by developing various insertion schemes to guarantee knowledge of the main corporate processes and divisions which have the greatest interaction with the professional sector the newly hired employees belong to. Acquisition of the skills required by the designated position and for future career steps is facilitated by means of a job rotation plan, managed by a company tutor that is documented on a bi-annual basis and monitored by the top management.

With regard to the safekeeping of corporate skills and know-how, which has always represented an ethical commitment and strategic tool for the Group, procedures aimed at making information flows between corporate bodies more fluid and rapid were defined, thereby fostering fair and equal management of internal mobility, and strengthening the relationship of trust between human resources and the Group itself.

Skills development was promoted through training schemes involving a variety of relevant sectors, also in view of the legislative and structural changes implemented in the sector in question which, by providing for the introduction of innovative contract management models (general contracting and project finance), promoted new, more qualified professional figures.

11. Orders backlog

During 2005, the orders backlog saw an increase of EUR 1.523 billion. Therefore the Group's total orders backlog as of December 31, 2005 amounted to EUR 5.565 billion, recording an 11.1% annual growth rate. Said increase was mainly due to the new contracts acquired in the transport infrastructure and energy production plant sectors as well as the effects of a change in the consolidation area as a result of the introduction of new international accounting standards.

A geographical analysis of the orders backlog shows that 85% of contracts refer to the domestic market, mainly in the rail infrastructure sector, while the remaining 15% refer to foreign contracts, mainly on the American continent as well as Romania, Turkey and Algeria.

Foreign activities

As regards the results of commercial activities during 2005, note should be taken of the good results achieved by the Group in those countries, such as Venezuela and Algeria, where Astaldi is traditionally present and where it is currently involved in the management of key projects mostly related to the transport infrastructure sector.

Specifically, as far as Venezuela is concerned, it is important to note that the units operating in this area are currently involved in working on the agreements set forth in the letters of intent signed by the Italian and Venezuelan governments in December 2005 regarding the construction of new railway stretches. The purpose of said activity is the signing of an agreement between I.A.F.E. (Venezuela's independent

state railway body) and an Italian joint venture in which Astaldi is the leader with a 33.33% share, worth a total USD 4 billion. Not only does the importance of this project, which will be included among the Group's orders backlog subsequent to signing of the relative agreements and obtainment of financial backing, testify the standing the Group has acquired over the years, but it also offers proof of its capability to develop profitable partnerships with a country like Venezuela, where considerable efforts are being made to close the existing infrastructure gap, in the knowledge that infrastructures can represent a strategic driving force for promoting economic growth and social development.

Indeed, the stretches of railway the agreement refers to form part of much larger project to improve Venezuela's railway infrastructures, in which Astaldi Group is already playing a key role through the major projects to construct two railway lines – Puerto Cabello-La Encrucijada and Caracas-Tuy Medio – as well as an underground line – Los Teques.

In order to comply with the criterion adopted by Astaldi regarding the inclusion of contracts in the orders backlog solely when secured and complete financial backing obtained, the above projects as well as those provided for in the aforementioned letters of intent have still to be fully included in the total value of the orders backlog insofar as inclusion is done on an annual and pro quota basis in relation to their inclusion in the state budget.

Therefore, during 2005 an additional tranche of works related to the Puerto Cabello-La Encrucijada railway line project, worth approximately EUR 45 million, was included among the orders backlog subsequent to financing by the local government. Works totalling EUR 515 million will be included among the orders backlog once the relative funding has been entered in the state budget.

The Group's intensive commercial activity in Algeria offers proof of the key role played by the area where, during the second half of the year, Astaldi was also awarded contracts for the construction of the Kerradà Dam and Jijel road tunnel which are worth a total EUR 76 million (EUR 51 million corresponded to Astaldi's share in the venture). While the first half of 2005 saw awarding of works to construct a section of the East-West motorway connecting the coastal stretch between Tunisia and Morocco, and works to construct the aqueduct linking the cities of Akbou and Bejaia to the east of Algiers.

Domestic activities

A look at the results of commercial activities in Italy shows how, during 2005, there was an increase in the share of the orders backlog related to the transport infrastructure sector.

In May 2005, Astaldi, in its capacity as agent and leader (74%) of the joint venture in question, secured the integrated contract to construct the Turin railway junction. The contract, of over EUR 442 million, provides for the design and subsequent construction works aimed to complete and enlarge a section of the line between Corso Vittorio Emanuele II and Corso Grosseto. The new line will link Lingotto station to Stura station and run for approximately 12 km, 7 km of which in a tunnel undercrossing the Dora Riparia river. The planned duration of the works is approximately 6 years. It should be noted that this specific project represents the completion of the first phase of a broader project currently being completed by

Astaldi. Such project is aimed at ensuring the existence of an integrated transportation system in Turin. The fact that the two projects are adjacent to one another, and that are to be carried out at the same time, will make it possible to achieve significant economies of scale linked to both the more efficient organization of work sites and technical equipment, and to the excellent commercial relations established over the years through Astaldi's permanent presence in Turin.

In March 2005, Astaldi Group was also awarded the integrated contract to double the Parma-La Spezia railway line, also known as the "Pontremolese" line. The con-



FROM LEFT TO RIGHT:

ROMANIA
Bucharest-Constanta Highway
ITALY
Porto Torres Trading Port
USA
PGA Boulevard

tract value is approximately EUR 165 million and provides for the blueprint and subsequent the construction of civil works, railway superstructure, electric traction system and updating of safety and signalling systems. The main works concern the construction of and installation of safety devices along a new double-track tunnel measuring 4,200 m in length, a new 440 m bridge across the Taro river, a 150 m viaduct, and two cut-and-cover tunnels running under the Parma-La Spezia motorway, respectively 160 m and 243 m in length.

With regard to said contracts, it must be noted that in recent years, projects of a high unitary value, managed using the general contracting formula or as concessions/project finance activities, are increasingly replacing traditional contracts. Said tendency is the result of an acquisitions policy aimed at focusing the Group's commercial efforts on projects with a high technological and managerial content, able to guarantee higher earning capacity. However, integrated contracts are a sector where the Group still plans to operate, concentrating its activities in specific and niche sectors that are traditionally the company's strong point.

In any case, if we are to mention just a few of the contracts which the Group's technological, managerial and production efforts will be focused on over the coming months, the orders backlog includes works such as the Naples and Brescia undergrounds, Bologna's new high speed station, the two stretches of the Jonica state road (SS106), the Turin rail link and doubling of the Parma-La Spezia railway line as well as the new hospitals in Mestre and Naples ("Ospedale del Mare"), the Caracas-Tuy Medio railway line and Los Teques underground in Venezuela, Bucharest's underground and international airport, the Bucharest-Constanta motorway in Romania and the Istanbul-Ankara motorway in Turkey. All of which are works with a high technological and managerial profile, able to make optimal use of the Group's skills and know-how and maintain a suitable level of earnings with regard to each individual project. It is also important to note the Group's involvement in key infrastructure projects being developed in Italy such as the Verona-

Padua high speed line and the construction of a mobile barrier system, known as the Mose System, in Venice's lagoon.

Lastly, it is worth mentioning that in order to comply with the aforementioned criterion for including contracts in the backlog, the orders backlog as of December 31, 2005 does not take into account projects for which appointment as sponsor has been formalized pursuant to art. 37 bis of the Merloni Law (Law no. 109/1994), as amended. In fact, based on Italy's project finance legislation, appointment as sponsor gives the sponsor the right of pre-emption to be exercised in final performance of the tender. Therefore, the backlog at December 31, 2005 excludes not only projects for the construction, under project financing, of Line 5 of the Milan underground – secured by Astaldi Group in February 2006 –, of an integrated system of 4 hospitals in Tuscany and of the Appia Antica Park Underpass in Rome – all initiatives for which Astaldi has been appointed sponsor –, but also, as mentioned above, the tranches of the Puerto Cabello-La Encrucijada projects under construction in Venezuela for which financial backing by the local government has yet to be formalized.

Concerning Line 5 of the Milan underground, the project value amounts to approximately EUR 502 million, of which EUR 190 million will be covered by the Concessionaire and financing banks, while the remaining amount will come from public contributions. The project calls for the design, construction, and subsequent management of a stretch of underground between Porta Garibaldi station and Via Bignami, on the eastern outskirts of Milan, along a 5.6 km underground route with 9 stations and double track tunnels.

The new line, which will take the form of a driverless underground line with fully automated rail system, foresees a maximum capacity of 26,000 passengers per hour in each direction and will guarantee interchange with the existing underground and railway lines, favouring considerable expansion of the integrated transport system planned for Milan. The planned duration of the works including the design phase is 5 years, followed by 27 years of management. As mentioned above, the outcome of the tender procedure and subsequent awarding of the contract, expected during the first quarter of 2006, was announced in February 2006 with the contract being secured by the joint venture led by Astaldi in its capacity as leader and mandatory, and which will be looked at more closely further on.

As regards the project finance proposal submitted by Astaldi Group for the construction and subsequent management of an integrated system of four hospitals in Tuscany (Prato, Pistoia, Lucca, and Massa), it should also be kept in mind that the State Council, with its decision of 10 May 2005, confirmed the joint venture led by Astaldi as sponsor for the initiative in question. The proposal, amended pursuant to current legislation whose content had already been approved by Tuscany's regional authorities through special decision, was submitted to the Client in December 2005. The call for tenders is expected for the first quarter of 2006 on the basis of the planned award procedure, following which Astaldi will take part in the negotiated procedure, availing itself of the right of pre-emption in its capacity as appointed sponsor, as mentioned above. The project value amounts to EUR 364 million for investment activities – EUR 120 million of which will be put up by private parties – and EUR 1.5 billion for the concession. The new hospital facilities will make 1,700 new beds available, located in the various areas of reference. It is worth remembering that the hospital building procedure calls for a single, financ-

ing measure by the Ministry and a single concession agreement so as to allow the four hospitals to be constructed at the same time, and in December 2005 the project secured state financing with the issue of a Ministerial Decree.

As for the project finance initiative regarding construction of the Appia Antica Park Underpass, Rome's city authorities have already formalized Astaldi's appointment as sponsor. The project is worth a total of approximately EUR 390 million, of which EUR 190 million will be covered by the Concessionaire and the remaining share will be funded by the City authorities. The thirty-year concession for management of the underpass will grant the contractor revenues of more than EUR 800 million inclusive of concession costs. The preliminary design submitted by Astaldi provides for the construction of a double lane road in both directions connecting the southern part of the city to the eastern one, measuring approximately 9 km in length, of which about 7 km in tunnels. The concession contract will be signed after completion of the tender and negotiated procedure, in which the sponsor Astaldi shall enjoy the right of pre-emption. This project, whose relative traffic analysis was completed in October, will prove to be extremely useful for city traffic as well as being the first city road network project carried out in Rome using the project finance formula.

As regards the Puerto Cabello-La Encrucijada railway line project currently underway in Venezuela, it must be noted, for the purpose of offering complete information, that, with the agreement already signed, works totalling EUR 515 million still have to be financed, which will be included among the backlog by project tranche and on an annual basis once funding has been obtained from the government.

The table below shows the performance of the orders backlog by business area during 2005. These figures do not take into account the aforementioned initiatives where the criteria for inclusion in the orders backlog are not met (in other words initiatives still to be definitively awarded or not yet financed and those in which Astaldi acts as sponsor pursuant to article 37 bis and following of the Merloni Law).

growth trend of the orders backlog by business area

(millions of euros)

	beginning period 01/01/2005	increments	decrements for production	ending period 31/12/2005
transport infrastructures	3,229	917	(772)	3,374
of which:				
<i>railways and undergrounds</i>	1,859	718	(411)	2,166
<i>roads and motorways</i>	1,283	195	(322)	1,156
<i>airports and ports</i>	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	(969)	5,565

The increase in the concessions area includes integral consolidation of the new hospital ("Ospedale del Mare") project in Naples in which Astaldi holds a 60% controlling interest.

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

growth trend in orders backlog by geographical area				
(millions of euros)				
	beginning period 01/01/2005	increments	decrements for production	ending period 31/12/2005
italy	3,961	1,236	(449)	4,748
abroad	1,050	287	(520)	817
total orders backlog	5,011	1,523	(969)	5,565

It should be remembered that the foreign orders backlog does not include new railway projects in Algeria and Romania, worth a total of approximately 300 million euros, for which the Group was still awaiting the final award procedures as of December 2005. The same also applies for commercial initiatives in Italy, the outcome of which was made public during the first months of 2006, i.e. Line C of the Rome underground and, as mentioned above, Line 5 of the Milan underground, which will be looked at in greater detail in the section dedicated to subsequent events. A closer look at the commercial activities currently being examined shows how, during 2005, the Group's focus in the domestic market was mainly on general contracting and project finance/concession initiatives, chiefly concerning the transport infrastructure, car park and civil and healthcare construction sectors, in line with the decisions taken during planning.

The outcome of tender procedures is awaited for some of these initiatives while for others the relative prequalification, checking and awarding procedures are currently being carried out.

Specifically, as regards general contracting projects, the Group is awaiting the outcome of the tender procedure for the construction of a maxi lot of approximately 30 km of the Salerno-Reggio Calabria motorway – a project also known as “DG48” –, worth approximately EUR 790 million.

If we take a closer look at concession/project finance initiatives, we can see that during 2005 a proposal was submitted to construct, under project financing, a proton therapy centre at Mestre's New Hospital, with construction of the latter already awarded to a special purpose vehicle – Veneta Sanitaria Finanza di Progetto - V.S.F.P. S.p.A. – in which Astaldi is the major shareholder.

Other concession/project finance initiatives in the civil and healthcare construction and car park sectors are currently being reviewed along with other projects related to the traditional transport infrastructure sector (railways, motorways and ports).

As far as foreign activities are concerned, a number of commercial projects are currently underway, aimed at consolidating the Group's standing in countries where Astaldi is a firmly established player (Turkey, Romania, Venezuela and Algeria), but also at developing new markets characterised by a high economic-commercial potential such as the Middle East (Saudi Arabia and Qatar) where the Group is currently investing.

Specifically, the outcome of the tender to construct accesses to the new Bosphorus railway crossing (the “Marmaray project”) in Turkey is expected for the first half of

2006. The project involves carrying out civil works worth a total in excess of EUR 400 million, and sees Astaldi taking part together with a group of qualified international operators.

Other projects developed in the road and rail infrastructure sector in Algeria, Romania and the USA are also being studied with the outcome being made known during 2006.

The main projects included in the current orders backlog are described in the following section.

11.1. The domestic scenario

11.1.1. Transport infrastructures – railways and undergrounds

Parma-La Spezia railway line (also called the “Pontremolese” railway line)

This contract, secured during 2005, involves the realization of the blueprint and subsequent performance of civil works, railway superstructure, electric traction system and updating of safety systems as part of the works to double the Parma-La Spezia railway line, also known as the “Pontremolese” railway line.

The new section, which will run from the existing station in Solignano (Parma) to Osteriazza (a locality in Forno Val di Taro), will extend for the first 5 km along an alternative route to the existing one and for the following 7 km alongside the present track. Given the technical characteristics, the works can be split into two main sections. The first section will include a double-track tunnel measuring approximately 4.2 km in length followed by a new 440 m viaduct across the River Taro. The second section will run almost completely alongside the existing line and include a 150 m viaduct, and two cut-and-cover tunnels running under the Parma-La Spezia motorway, respectively 160 m and 243 m in length.

The value of the contract amounts to approximately EUR 165 million and the



FROM LEFT TO RIGHT:

ITALY
Salerno-Reggio Calabria Highway
ITALY
Brescia Underground
ITALY
North-western Rome Road Link

planned duration of works is just over 6 years with partial delivery approximately 5 years following delivery of the works by the Client subsequent to completion of the design phase. Considering that the blue printsweres submitted to the Client, Italferr, on November 30, 2005, delivery of the works and the start-up of activities is expected for March 2006 subsequent to the Client's approval.

Production activities carried out during the past year totalled approximately EUR 1.8 million.

Milan rail link

The contract concerns construction of the subgrade, superstructure and relative facilities for the Milan railway link between the stations of Porta Venezia, Porta Vittoria, Rogoredo and the Lambro junction. This will total approximately 4 km of double-track railway line development.

The project has been broken down into two lots with separate delivery dates: Lot 20 related to the stretch between Porta Vittoria station and Lambro junction, and



Lot 30 which links up with Rogoredo station.

As regards Lot 20, on December 12, 2004 the stretch was inaugurated and opened to the general public ahead of the planned date, while as far as Lot 30 is concerned, works are still being carried out and are expected to be completed during the first half of 2007.

Production activities carried out during 2005 totalled EUR 8.8 million.

FROM LEFT TO RIGHT:

ITALY
Turin Railway Link
VENEZUELA
Puerto Cabello-La Encrucijada
Railway
ITALY
Brescia Underground

Turin rail link – Lot 1 (Susa-Dora Quattro S.c.r.l.)

During 2005, Susa-Dora Quattro S.c.r.l., a company in which Astaldi S.p.A. holds a 90% share, continued works to upgrade the Turin rail hub along the Corso Vittorio Emanuele II-Dora Riparia river stretch, completing approximately 90% of said works.

Over the course of the year, construction of the structures of the new underground station of Porta Susa were completed along with works to construct the end cap, waterproofing, foundation slab and railway tunnel lining.

The rest of the works are expected to be completed by June 2006.

The value of production for the year was EUR 18.9 million.

It should also be noted that an agreement, pursuant to Article 31 bis of Law No. 109/1994 as amended, regarding settlement of a dispute with the Client was signed on December 13, 2005, with the sum of approximately EUR 21 million being awarded.

Turin rail link – Lot 2 (S.P.T. - Società Passante Torino S.c.r.l.)

The contract, secured in May 2005, involves the realization of the executive design performance of works to complete and expand the stretch of railway between Corso Vittorio Emanuele II and Corso Grosseto.

The new line will link Lingotto station to Stura station and run for approximately 12 km, of which 7 km in tunnels to guarantee the route running under the River Dora Riparia.

The integrated contract, which aims to ensure further improvement of the Turin railway junction, was awarded to a joint venture, of which Astaldi is the leader with a 74% share, and is worth a total of more than EUR 442 million, of which EUR 6 million concerns design activities.

Design activities were started in June 2005 and completed as per contractual provisions in December 2005. It is expected that the designs will be approved by March 2006.

At the same time as drafting of the executive design, preliminary activities were started to set up construction sites, divert conflicting public utilities, clear any wartime devices and install the base camp.

S.P.T. - Società Passante Torino S.c.r.l., in which Astaldi holds a 74% share, was formed in order to perform the aforementioned works.

High Speed Railway – Bologna Centrale Station

The contract involves construction of the high-speed Bologna Centrale Station



FROM LEFT TO RIGHT:

ITALY
Rome-Naples High-Speed Railway
TURKEY
Anatolian Highway
ITALY
Brescia Underground

which falls within Bologna's urban stretch of the Milan-Naples high-speed railway (Lot 11), and works for its commissioning (Lot 50).

The total contract value is EUR 289 million.

As regards production activities, commencement on October 25, 2004 by Bologna's city authorities of authorisation proceedings as per Ministerial Decree 471/1999, in relation to some polluted sites, together with the continuation of archaeological investigations by Emilia Romagna's Archaeological Service and consequent restrictions imposed by the city authorities, seriously hindered production activities.

Therefore, during 2005, production activities chiefly consisted of works to divert the conflicting public utilities, clear wartime devices and archaeological investigations, with partial construction of the Fioravanti and Carracci underpasses and the external bulkhead.

Production activities carried out during the year amounted to EUR 12.2 million. Lastly, it should be noted that during May, the Client Italferr commenced proceedings as per Article 31 bis of Law No. 109/1994 (and subsequent amendments as per Law No. 166/2002) to settle the dispute entered on June 30, 2005. The proceedings are expected to be completed by April 2006.

High Speed Railway – Rome-Naples section

During 2005, the General Contractor Consorzio Iricav Uno, in which Astaldi S.p.A. holds a 27.91% share, re-negotiated revision of the current contractual documents with the Client.

The negotiations were concluded on September 7, 2005 with the stipulation of an integrative document amending the agreement signed on December 22, 2004.

The new agreement proved necessary in order to take into account the needs voiced by the parties involved in the management, operation and use of the railway line, with regard to installation of the systems to put the first lot into operation, using different procedures from those provided for in the agreement of December 22, 2004.

Indeed, the aforementioned integrative document redefined the completion deadline for the first operational lot, which taking into account partial inspection activities, was set at September 7, 2005. Consorzio Iricav Uno's activities were also remodelled from a time viewpoint, and on the basis of the agreed timeframe, activities which could be postponed until after September 7 in so far as not necessary for the start-up of the pre-operation phase planned for September 12, 2005, were identified. Moreover, the start-up of commercial operation of this first lot was de-



finied for December 11, 2005, with the final inspection set for December 10, 2005. Said activities were carried out in accordance with the agreed deadlines.

The contractual arrangements set forth in the agreement dated December 22, 2004 regarding the second operational lot remain unchanged.

Production activities carried out in 2005 by Consorzio Iricav Uno totalled approximately EUR 36.8 million in relation to the share held by Astaldi.

In addition, Pegaso S.c.r.l., sub contractor of Consorzio Iricav Uno, carried out works amounting to approximately EUR 8.1 million in relation to the share held by Astaldi.

While as far as the works at the Cassino and Ferentino sites are concerned, the total works performed during 2005 amounted to approximately EUR 6.6 million.

FROM LEFT TO RIGHT:

ITALY
Rome-Naples High-Speed Railway
ITALY
North-western Rome Road Link
EL SALVADOR
Paquete III High-Speed Roadway

Brescia underground

The contract includes the executive design, construction and start-up, two-year technical management and seven-year routine and extraordinary maintenance of a driverless underground line with fully automated rail system.

The works will be carried out in association with Ansaldo Trasporti Sistemi Ferroviari,

Ansaldo Breda and the Spanish company Acciona. Ansaldo Trasporti Sistemi Ferroviari and Ansaldo Breda will be responsible for designing and producing the system facilities and rolling stock, while Astaldi and Acciona will design and produce the electrical and mechanical systems, superstructure and all the civil works.



FROM LEFT TO RIGHT:

ITALY
North-western Rome Road Link
VENEZUELA
Puerto Cabello-La Ecrucijada
Railway
ITALY
Futani-Centola State Highway

During 2004, work was started on the first section – Prealpino-Sant'Eufemia – which extends for 13.8 km and runs through the centre of the city from north to south, turning eastwards as far as Sant'Eufemia Station. This section will be characterised by 1.8 km of viaducts, 4 km of cut-and-cover tunnels, 6 km of driven tunnels, 1.8 km of embankments and cuttings and 18 stations, 14 of which underground.

The contract, worth a total EUR 611 million, initially provided for a EUR 300 million share for Astaldi in relation to the design and construction of civil works. Said amount was subsequently reviewed. On October 4, 2005 an agreement was signed which resulted in the approval of some significant technical amendments to the initial project which comprised the construction of stations with solutions and finishings similar to those adopted for the light rail transit system in Copenhagen, some changes in the line layout and an extension of the contract deadlines to 187 months.

Approval of said contractual changes meant a EUR 21.5 million increase in the value of the works to be carried out by Astaldi, bringing Astaldi's share of the contract value to EUR 303.3 million. As regards production activities carried out during 2005, there was a slowdown in works, chiefly due to long delays in delivering the areas where works are to be carried out, specific municipal restrictions and changes in the project design requested by the Client Brescia Mobilità S.p.A., but which still have to be defined.

In any case, tunnel excavation works were started, with the aid of a TBM (Tunnel Boring Machine). Works are also underway to construct the depot and Volta, Lamarmora, Brescia 2 and Europa stations as well as the tunnel between Europa and Mompiano stations, and Mompiano and Casazza stations. Works to divert conflicting utilities at San Polo 2 station, the state railway station and along Via Triumplina are also being carried out.

Production activities performed by Astaldi during 2005 amounted to EUR 23.2 million.

Naples underground

Astaldi is currently working on two lots of the new underground line in Naples, one

of which was awarded to CO.ME.NA. S.c.r.l. (subsequently split into Lots 1 and 2), and the other to Toledo S.c.r.l.

An additional lot has recently been added to these two lots which will be looked at in greater detail further on. During January 2006, M.N. Metropolitana di Napoli S.p.A., in which Astaldi is the relative majority shareholder with a 22.6% stake, secured the concession for an extension of Line 1 of the Naples Underground (Centro Direzionale-Capodichino section) from the city authorities. The final design of a first section, worth approximately EUR 563 million, has already been submitted to Naples' city authorities for relative approval, and it is expected to be forwarded to C.I.P.E., (Interministerial Committee for Economic Planning), by the end of March 2006.

Naples underground – Lots 1 and 4 (CO.ME.NA. S.c.r.l.)

CO.ME.NA. S.c.r.l., in which Astaldi S.p.A. holds a 70.43% share, was formed to perform Lot 1, corresponding to the Piscinola-Vanvitelli section, and Lot 4, corresponding to the Vanvitelli - Piazza Dante operational section.

The works relating to Lot 1 were completed in 2003.

With regard to the works relating to Lot 4, works relating to the surface finishing of Piazza Cavour continued during 2005 in compliance with the works schedule. Such works were completed in December 2005.

Production generated during the year, in proportion to Astaldi S.p.A.'s share, equalled approximately EUR 6.4 million.

Naples underground – Piazza Dante-Centro Direzionale section (Toledo S.c.r.l.)

Toledo S.c.r.l., in which Astaldi S.p.A. holds a 90.394% share, was set up to perform works on the Piazza Dante-Centro Direzionale section.

The works in question amount to approximately EUR 117 million and include the construction of two underground stations, Università and Toledo, complete with all systems and finishings as well as the railway superstructure for the Piazza Dante-Centro Direzionale section.

It should be noted that production activities slowed down during 2005 due to failure to transmit the designs for underground works at Toledo station, and because of a delay in defining the action needed to protect the buildings overlooking the excavation area of the station tunnels.

Production generated during 2005, despite the forced slow-down, amounted to approximately EUR 9.2 million (calculated in relation to Astaldi S.p.A.'s share).

Genoa underground

2005 saw the completion of all the works related to the last two awarded sections — Le Grazie-Sarzano and Sarzano-De Ferrari — which, in addition to the Principe-Caricamento-Le Grazie section, already operational since 2003, bring Genoa's new underground line as far as Piazza De Ferrari.

The last two stretches are expected to be delivered by March 2006 subsequent to completion of the remaining works on the Sarzano station exit.

Negotiations were also concluded with Genoa's city authorities regarding awarding of the final lot of the concession, i.e. the lot linking the underground line to Brig-

nole railway station. Preliminary activities to set up construction sites and divert conflicting public utilities are already underway.

The works were awarded to the consortium company Metrogenova S.c.r.l., in which Astaldi holds a 21.81% share.

11.1.2. Transport infrastructures – roads and motorways

Jonica National Road (NR 106) – Lots 1 and 2

Two separate contracts, awarded to Astaldi S.p.A. in its capacity as general contractor in December 2004, involve the construction of two lots of the new Jonica National Road (NR 106), for a total value of over EUR 790 million.

As regards the first lot, the Astaldi-Ferrari joint venture was awarded the contract to upgrade the SS106 for the section between Ardore and Marina di Gioiosa Jonica (Reggio Calabria).

The 17 km dual carriageway involves the construction of 4 junctions, 12 viaducts and 7 double-tube tunnels, the longest of which is approximately 1.8 km.

On June 14, 2005, Astaldi S.p.A., mandatory, signed the contract with ANAS S.p.A. worth a total EUR 310 million.

Subsequently, on June 16, the special purpose vehicle, AR.GI S.p.A., in which Astaldi holds a 99.99% share, was set up and works commenced which are expected to be completed by September 2008.

To date, the design phase is currently underway, which has been extended due to unforeseen, unexpected events (topographical and cartographical problems, requests for changes by various bodies and the Client). Delivery of the design to ANAS S.p.A. is expected for the first half of 2006.

During 2005, the key topographical activities were carried out along with geognostic surveys, and activities to prepare the sites were started together with expropriation procedures, clearing of wartime devices and assessment of the archaeological risk.

The second lot, worth a total EUR 480 million, involves the construction of approximately 17.2 km of the E90 – the stretch of the SS106 between Squillace junction (km 178+500) and Simeri Cricchi junction (km 191+500) – and a 5.2 km extension of the 280 state road (also called the “two seas state road”) between San Sinato junction and Germaneto junction. The planned duration of the works is 34 months. During 2005, the special purpose vehicle, CO.MERI S.p.A. was set up which, in relation to the activities provided for in the contract, allocated to its partner Astaldi S.p.A., via a project management agreement, all the activities required to fulfil contractual obligations except works supervision and obligations related to the acquisition of areas for which the special purpose vehicle was appointed to act on behalf of the Client.

June 2005 saw the begin of the realization of the blueprint, handled by Astaldi S.p.A. together with geognostic surveys and detailed tachymetric surveys of the areas involved in the works. The executive design was submitted to the Client for approval at the end of 2005, slightly behind the contractually agreed deadline due to the need to make changes to the project.

Preliminary activities to prepare the construction sites, divert conflicting public utilities and clear wartime devices were started up in anticipation of the start-up of works during the coming year.

Lastly, it should be noted that following the project changes requested, the company has asked for an extension of the project and works deadlines, with acknowledgement of an increase in the contract value in relation to the increase in the works to be carried out. The preliminary phase will allow for the definition of new contract amounts that will have to be incorporated into an supplementary document of the contract.

Futani-Centola (SA) high-speed roadway

During 2005, the works involving the Futani-Centola high-speed roadway in Salerno province were completed with the road being opened to traffic in February 2006. The final opening followed the opening of a preliminary operational section in June 2005.

During 2005, an add-on on the original works was made following the need to to prop up a slope in the process of collapsing, but also in consideration of a



request coming from the provincial administration's to adopt a series of measures to improve the road's safety (anti-fog lighting, pavement drainage system, and the like).

The contract value subsequently increased to a total of approximately EUR 60 million.

FROM LEFT TO RIGHT:

ITALY

A30 Highway

USA

Palmetto Highway

ITALY

Salerno-Reggio Calabria Highway

"Centrale Sicula" state road (SS117)

The works involve upgrading of a 3 km stretch of the SS117 in the vicinity of Nicosia, in Enna province.

The section of road follows an almost completely alternative layout to the existing one and comprises 2 driven tunnels measuring approximately 2 km in length and a 140 m viaduct.

The extremely poor quality of the ground where the works are to be performed, especially where the two tunnels are to be built, means that progress has been very slow to date, with the need for constant design updates by the Client, ANAS S.p.A.

During 2005, based on a new, more in-depth geognostic survey campaign, an additional technical variation and supplementary report was drafted which, once approved by ANAS S.p.A., most likely during 2006, will allow for the works to be completed.

11.1.3. Transport infrastructures – ports and airports

MOSE Mobile Barrier System (Venice Lagoon)

In order to safeguard the city of Venice, the government, through the Ministry of Infrastructures – Venice Water Authority, has awarded a series of works in concession to Consorzio Venezia Nuova (in which Astaldi holds a share), including the project to construct a mobile barrier system (MOSE System) to protect the city from flooding.

The mobile barriers consist of a series of floodgates installed in formation on the seabed of each of the three port inlets (Lido, Malamocco and Chioggia) connecting the sea to the lagoon. During normal tidal conditions, the floodgates remain full of water and positioned in the slot structures created on the lagoon bed. But when the tide rises above 100 cm, the floodgates are emptied by injecting compressed air which allows them to rise to the surface. This system makes it possible to temporarily isolate the lagoon from the sea, blocking the tidal flow.

Construction of the MOSE System was awarded by Consorzio Venezia Nuova to the consortium members. With particular regard to the Lido Treporti inlet, the works were awarded to a joint venture, of which Astaldi S.p.A. is the leader and mandatory with a 35% share, on the basis of a general undertaking agreement executed on December 15, 2003, worth approximately EUR 333 million. It should be noted that procedures for performing the works provide for said works to be completed on an operational section basis, subject to formalisation of specific deeds



FROM LEFT TO RIGHT:

TURKEY

Anatolian Highway

ITALY

Porto Torres Trading Port

ROMANIA

Bucharest-Constanta Highway

implementing the aforementioned undertaking agreement. Stipulation of said deeds is in turn subject to the actual availability of financing. The associated firms have set up a consortium company named Mose-Treporti S.c.r.l. for the purpose of common management of activities.

During 2005, preliminary activities to clear the area of wartime devices and remains and to construct the Lido Treporti shelter port (Phase 1) continued. Contracts related to the above activities were awarded during 2004 and were worth a total of approximately EUR 55 million, of which EUR 19.4 million corresponded to Astaldi's share. Additional progress made during the year brought the total production activities to approximately EUR 25 million, of which EUR 8.7 million corresponded to Astaldi's share.

During the year, further works worth a total of approximately EUR 26 million (of which EUR 1.9 million corresponded to Astaldi's share) were awarded to said joint venture led by Astaldi. The economic spin-off of said works is expected as from 2006 and the works will be carried out by Mose-Treporti S.c.r.l.

Porto Torres Trading Port (Sassari) – West breakwater

The works currently being carried out involve demolition of the west wharf of Porto Torres trading port (Sassari), as well as reconstruction of the new wharf, recycling materials from the demolition, and construction of a new wharf with draught of approximately 10 m for a length of approximately 900 m.

In May 2005, the Ministry of Transport and Infrastructure approved the second supplementary variation report which confirmed the contract value of EUR 21.15 million, allocating the amounts set aside for yard paving to excavation of the seabed where an unexpected and unforeseeable amount of hard rock was identified.

During 2005, work on constructing the wharves was virtually completed and excavation of the seabed commenced, as well as additional urgent works to install safety devices in the port area (waterworks, fire prevention and lighting systems). The total value of said works amounted to EUR 2.5 million and were awarded to Astaldi by the Extraordinary Commissioner for Emergencies at Porto Torres Port in December 2004.

Production activities in 2005 totalled approximately EUR 6.9 million.

Porto Torres Trading Port (Sassari) – Wharf realignment

Works, awarded to the company by the Extraordinary Commissioner for Emergencies at Porto Torres Port in December 2004, are currently included among the Ministry of Transport and Infrastructure's routine management activities and involve the construction of a caisson wharf in order to adjust the current alignment of the trading port's southern wharves.

The works, worth EUR 15 million, were delivered at the beginning of 2005 and during the year excavation of the hard rock seabed was carried out along with the prefabrication of 25 of the 27 planned concrete cellular caissons, and installation of 13 of said caissons.

A large part of the former lighthouse wharf was also demolished and drawn up, with the material being re-used to fill the caissons.

Production activities during 2005 amounted to approximately EUR 6.5 million.

Pozzuoli Port (Naples)

Works to expand and upgrade Pozzuoli Port were awarded under Agreement No. 30 of May 8, 2002, stipulated with the President of Campania's Regional Council - Liquidator Commissioner pursuant to Law No. 887/84.

The above works include extension of Molo Caligoliano and renovation of the former Circomare building. Renovation of the former Circomare building was completed during 2004 and inspection activities are currently underway.

While works to extend Molo Caligoliano by approximately 360 m involve the creation of breakwater to protect Pozzuoli Port.

The relative works were started in May 2004 and planned to be completed on a section basis.

Works were held up following the delays accumulated by Campania's regional review committee in approving the various projects designed.

The consortium company Infraclegrea S.c.r.l. (in which Astaldi holds a 50% share) was set up for the purpose of performing the works in question.

11.1.4. Hydraulic works and power production plants

Pont Ventoux hydroelectric plant (Turin)

The last phases of construction of the Pont Ventoux hydroelectric plant in Piedmont, the most important under construction in Europe, were carried out during 2005.

With 158 MW of installed power, a production capacity of over 400 million kWh per year and designed according to the most state-of-the art working models ensuring respect for the environment and production efficiency, the new plant will allow for annual saving of 86,000 t.o.e and the non-emission of 258,000 tons/per year of CO². The plant features a pumping system which makes it possible to transfer water from the downstream tank to the upstream reservoir during the low-cost power hours, thus maximising power production during the moments of peak demand. To date, both the civil and plant engineering works have substantially been completed, since almost 100% of activities have been performed. The overall production activities carried out amount to approximately EUR 348 million, of which EUR 34.5 million during 2005.

The main works carried out during 2005 involved a series of preliminary activities prior to the start-up of operations and temporary management of the plant. Specifically, start-up of the ternary unit centrifugal pump was carried out along with some testing and inspections of minor systems (ventilation, fire prevention and management software).

As for the major dispute underway with the grantor – AEM Torino –, it should be noted that in July 2005 AEM Torino and Astaldi reached a settlement on all the points of debate related to construction of the Pont Ventoux hydroelectric plant. The settlement provides for acknowledgement by AEM Torino of an amount inclusive of all payments made to Astaldi to date, up to an all-inclusive sum of EUR 353.8 million, for the greater quantity of works carried out as a result of the unexpected geological problem. This occurred subsequent to settlement of all the existing problems related to the variation in the layout of the headrace tunnel, as well as the changed position of the Venaus plant and certain administrative defaults that are attributable to the awarding authority.

Said agreement provides for delivery of works by Astaldi in Spring 2006 and waiving of all other claims by the parties.

The plant shall be delivered to AEM Torino with no liability for its management, while Astaldi shall only retain the responsibilities provided for in the agreement up to the administrative technical inspection scheduled for October 2006, and charges connected to the performance of some improvements and changes requested by AEM Torino in January 2006 and paid for using the cost plus fee method.

The agreement also provides for the possibility of accessing a performance bonus for advance start-up of the plant's ternary unit pump.

The consortium company, Pont Ventoux S.c.r.l., (in which Astaldi holds a 56.25% share) was set up for the purpose of performing the works in question.

Gimigliano dam on the River Melito (Catanzaro)

During 2005, progress was heavily affected by a number of problems including a delay by the Client in the issue of the Decree of Public Utility of the Works, which meant it was impossible to use some key areas involving works that are necessary for the performance of production activities, partial suspension of works in the dam's location area, with the exception of geognostic surveys, and the poor geological characteristics of the areas involved which caused numerous problems and a consequent delay in excavation of the hydraulic drainage system.

The series of technical and administrative problems, which had a negative effect on work progress, resulted in a major technical-economic dispute with the Client which is seriously affecting the continuation of works. Settlement of said dispute shall be referred to an arbitration board.

The value of works carried out during 2005 amounted to approximately EUR 8.2 million.

11.1.5. Civil and industrial construction

Mestre Hospital

Venice's local health unit (ULSS 12) awarded construction, under project financing, of Mestre's new hospital to Veneta Sanitaria Finanza di Progetto – V.S.F.P. S.p.A. (VSFP), in which Astaldi S.p.A. is the majority shareholder with a 31% stake.

The purpose of the concession involves the design, construction and management of the new hospital. Said management will consist of specific hospital and commercial services as well as the supply and management of specific services for the new Eye Bank.

The concessionaire, VSFP, in turn awarded the hospital design and construction works to a joint venture formed of the same partners which distributed the works



in accordance with their respective areas of expertise and specialization. Specifically, C.O.MES. S.c.r.l., a consortium company in which Astaldi S.p.A. holds a 55% share, was set up for the purpose of carrying out the civil works and supplying electromedical equipment and furnishings.

During the year, work on the hospital building, car park, administration building, morgue and Eye Bank got underway in accordance with work schedules.

With specific regard to the main building – the hospital –, the structures in steel and concrete were completed as far as the seventh floor (which corresponds to the

FROM LEFT TO RIGHT:

SAUDI ARABIA
Yambu Acetic Acid Plant
ITALY
New Milan Expo Fair Centre
ITALY
New Hospital in Naples

penultimate floor) and works on the hospital interior (masonry works, foundations, plasterwork and plasterboard partitions) were commenced at the same time. As far as all the other buildings are concerned, all the structures were completed and works on the interiors of said buildings are currently being carried out. On the whole, production activities carried out by C.O.MES. S.c.r.l. during 2005 amounted to approximately EUR 28.8 million, of which EUR 15.8 million corresponded to Astaldi's share.

Naples Hospital ("Ospedale del Mare")

On August 31, 2004, Naples' ASL 1 local health unit (ASL NA1) awarded the concession for the construction, under project financing, of the new hospital in Naples ("Ospedale del Mare") to the joint venture in which Astaldi S.p.A. is the principal shareholder and leader with a 59.99% share. The concession has a duration of 29 years (including 4 years for construction and 25 years for management) and was entered into on October 21, 2004.

The new hospital complex will be built in an area in the east of the city and will boast a total surface area of over 145,000m².

The project, which will make available 501 new hospital beds, foresees the construction of four main buildings. Once works have been completed there will be a clinic facility formed of two buildings linked by a hall to be used for commercial purposes, reception facilities with 50 beds for minor care patients, a block for administrative and management activities, which will include the ASL NA1's administrative and healthcare head offices, a building housing the various plants and systems needed to run the complex (heating, electricity, water plants and similar) and other areas to be used as offices and storerooms.

On May 23, 2005, the special purpose vehicle, Partenopea Finanza di Progetto S.p.A., was set up, which, in accordance with the law, took over as concessionaire from the joint venture awarded the concession, for all effects and purposes. Subsequent to approval of the final design by the grantor, on November 15, 2005, executive design and construction activities and supply of electromedical equipment were awarded turnkey, according to the EPC (Engineering-Procurement-Construction) formula, to a joint venture, of which Astaldi is the mandatory, for the total sum of EUR 165.6 million. The joint venture set up a consortium company, Ospedale del Mare S.c.r.l., for the purpose of carrying out the contracted works as a single job.

As regards production activities, all expropriation activities were carried out during the year along with preliminary works to set up construction sites, clear wartime devices and install the base camp, and at the same time as design activities.

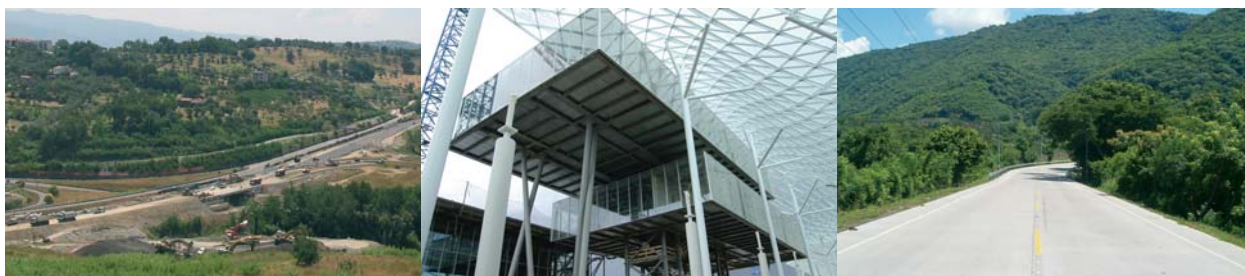
As far as financing is concerned, due diligence activities preliminary to the organisation of said financing were largely concluded during 2005, and said organisation is expected to be completed by September 2006.

New Expo Fair Centre - Rho-Pero (Milan)

During 2005, construction of the New Milan Expo Fair Centre, also known as the New Rho-Pero Expo Fair Centre, was completed in record time, as provided for by the contract.

The general contractor, N.P.F. (Nuovo Polo Fieristico S.c.r.l.), a consortium company of which Astaldi S.p.A. is the leader with a 50% share along with Vianini Lavori S.p.A. (25%) and Impresa Pizzarotti & C. S.p.A. (25%), completed all the civil and plant engineering works, attaining a 100% state of progress in relation to the contract.

The New Milan Expo Fair Center – designed by the joint venture led by Astaldi S.p.A. together with the architect, Massimiliano Fuksas, of Studio Altieri and Studio Marzullo – is the largest trade fair facility in Europe. The period of time in which said facility was completed represents a valid example of Astaldi Group's consolidated ability to operate as a general contractor, constructing works with



complex technological and managerial content. Construction of the facility in record time required considerable ability to coordinate the numerous human and technical resources involved.

The new expo fair center comprises eight exhibition pavilions (two of which on two levels) with a display area of 350,000 m², and a service centre which serves as a multifunctional building consisting of four office towers, a hall seating 800, four 250-seat congress halls, areas used for public offices and commercial enterprises, and an ecumenical centre.

Public access to the exhibition pavilions is guaranteed by a 1.3 km central route which extends along the east-west axis of the complex inside a 60 m wide strip featuring 32 minor buildings used as offices, conference rooms, show rooms, restaurants and bars for visitors and exhibitors.

Delivery of the works to the Client, Fondazione Fiera Milano, and subsequent opening to the public took place during 2005 on an individual operational lot basis, as provided for in the contract. The first lot was delivered to the Client on March 29 and opened to the public on April 1, while delivery of the second lot took place on June 27 with subsequent opening to the public in mid-September.

Works maintenance and management activities also got underway and will be concluded by June 2010, as provided for in the contract.

During the year, some works not provided for in the initial contract and aimed at helping the new expo fair center operate more efficiently, as well as some additional assistance services for fair participants, were awarded by the Client to N.P.F. - Nuovo Polo Fieristico S.c.r.l. These resulted in an increase in the contract value which, initially set at EUR 553 million, amounted to EUR 685 million (of which EUR 648 million for construction and EUR 37 million for 5 years of maintenance and management activities). Signing of the provisional works acceptance report by the Client is expected during the coming year with the consequent release of 70% of performance bond.

FROM LEFT TO RIGHT:

ITALY

Salerno-Reggio Calabria Highway

ITALY

New Milan Expo Fair Centre

EL SALVADOR

Paquete III High-Speed Roadway

“Università degli Studi Roma Tre” – New Department of Educational Sciences

During 2005, production activities experienced a considerable hold-up following the request by the Client, Università degli Studi Roma Tre, to make some major layout and functional changes to the design as a result of the building in question being transformed from the Department of Educational Sciences to the Department of Economics. Therefore, on September 16, 2005 the submission document related to the third supplementary variation report was signed for the additional net sum of EUR 3.4 million, bringing the total contract value to EUR 19.7 million which, taking into account the value of additional requested improvements, works not covered by the contract and acknowledged reserves, brings the total amount to EUR 22.6 million. The new deadline for completion of the works was also defined which provide for



FROM LEFT TO RIGHT:

ITALY
New Hospital in Naples
HONDURAS
El Cojolar Dam
ITALY
“City of Science” in Naples

them to be completed by June 2006.

Production activities carried out as of the end of 2005 amounted to EUR 18.9 million. Production activities carried out during the year totalled approximately EUR 6.3 million.

Assemini site (Cagliari)

Works to make safe the external area of the Assemini site (Cagliari) were awarded to Astaldi by Syndial S.p.A., a company managed by ENI S.p.A. Said works involve the construction of a plastic barrier measuring 2 km in length and 45 m in average depth to mark out the area to be cleared, waterproof covering of all the marked out area measuring approximately 24 hectares and a system to depress the area inside the barrier.

The contract value is EUR 28 million.

All the site plants were installed during 2005 and works started-up. However, following the discovery of considerable amounts of dioxins in most of the areas involved, works were suspended for approximately six months pending measures to be adopted to safeguard workers' health.

The extra works and acknowledgement of damages resulting from the suspension of works led to Adjustment No. 1 to the contract for an additional amount of EUR 1.4 million in November 2005.

Production activities during the year amounted to approximately EUR 2.3 million and mainly refer to the performance of extra works as per Adjustment No.1. The actual start-up of activities provided for in the main contract is expected for the start of 2006.

11.1.6. Concessions

With regard to concession/project finance initiatives currently being carried out by Astaldi Group, it should be noted that to date, the company has focused on the healthcare construction, urban transport infrastructure and car park sectors.

The individual projects being developed by the Group are detailed below.

Healthcare

There are two projects currently underway in this sector – the Mestre Hospital project and the Ospedale del Mare project in Naples.

The Mestre Hospital project, the first example in Italy of a project finance initiative developed using the PPP (private-public partnership) formula, was acknowledged as the best PPP in the hospital sector at a European level during 2005. Said acknowledgement undoubtedly confirms Astaldi Group's position as one of the key operators in the healthcare project finance initiatives in Italy.

It should be recalled that the special purpose vehicle for this initiative is Veneta Sanitaria Finanza di Progetto - V.S.F.P. S.p.A. (VSFP), in which Astaldi is the major shareholder.

The concession is valid for 28.5 years (including 4.5 years for construction and subsequent 24 years for management), starting from December 4, 2002, the date when the right to use the area came into effect.

The investment, equal to approximately EUR 220 million, of which EUR 200 million for the design and construction of the hospital and for electromedical supplies (Astaldi share: 38%), is about 40% financed by public contributions, while the overall revenues expected for the whole duration will exceed EUR 1 billion in nominal terms.

The hospital is currently under construction and, in accordance with the works schedule, delivery of the entire hospital complex to the grantor, Venice's local health unit ULSS 12, is expected by the end of 2007, and for it to be operational by January 2008.

In relation to this initiative, VSFP signed a loan agreement for approximately EUR 130 million with an international pool of banks on April 19, 2005. Said pool of banks which granted the loan include ABN Amro Bank, Banca Antonveneta, Banca Intesa and Interbanca, together with the EIB (European Investment Bank).

With regard to the project to construct and manage the new hospital ("Ospedale del Mare") in Naples, the contract involves the final and executive design, performance of the works, supply of electromedical equipment and furnishings, and management of specific hospital and commercial services in exchange for the payment of rates and fees for a 29-year period (4 years for construction and 25 years for management).

The investment, valued at approximately EUR 187 million Euro, of which EUR 162 million for construction and supplies (Astaldi share: approximately 60%), is about 56.5% financed by public contributions, while the overall revenues expected for the management period will be approximately EUR 1 billion in nominal terms.

Mobility sector – Car parks under construction

“Piazza Cittadella” Car Park – Verona

The construction phase is expected to last 430 days at the end of which the management phase, expected to last for a period of 30 years, will commence.

The car park comprises three underground levels offering a total 750 parking spaces for a total surface area of approximately 8,000 m² (the initial project put out to tender called for a two level car park offering 446 parking spaces). 16 spaces will be allocated for people with disabilities, a further 25 will be left available for use by the city's administrative authority while a percentage of no greater than 30% of the remaining spaces can be allocated to residents and individuals working in the areas surrounding Piazza Cittadella.

Subsequent to submission by the concessionaire of the final design (February



ITALY
“City of Science” in Naples
QATAR
Yanbu Acetic Acid Plant
ITALY
New Hospital in Mestre

3, 2005), utility operators (Telecom Italia S.p.A. and AGSM Verona S.p.A., the municipality-controlled company that manages the gas, water, sewer, remote heating and electricity networks inside the municipality of Verona) were asked to provide quotations for diversion of the conflicting utilities, preliminary to drafting of the final design for said activities. This phase was marked by a number of problems, not envisaged by Verona's municipal authorities when formulating the project put out to tender. Said problems were due to both the objective complexity of the works and the operators' lack of familiarity with the underground location of the networks they manage. Therefore the final design for diversion of the utilities in question was presented on December 22, 2005 and involves a financial undertaking of approximately EUR 3 million, a higher amount than the one provided for in the initial project put out to tender (EUR 1.3 million).

The concessionaire proposed to finance diversion of utilities by asking, in exchange, for the possibility to manage the existing car park in Piazza Cittadella (150 surface parking spaces and 100 underground parking spaces), which will be demolished once the utilities have been diverted to make room for the new car park. Said management would last for the period needed to carry out preliminary activities and would represent an attempt to re-balance the concession's financial-economic situation.

The grantor, the municipality of Verona, found the proposal to be of great interest and sponsored a series of meetings with the concessionaire that are still underway.

“Ex Manifattura Tabacchi” Car Park – Bologna

On February 18, 2003, the joint venture involving Astaldi S.p.A. (leader and mandatory) and APCOA Parking S.p.A., was awarded the thirty-year concession for the construction and management of the public car park known as “Ex Manifattura Tabacchi”.

The car park, which will make available 550 new parking spaces, is currently under construction. It should be noted that as from 2004, there was a considerable delay in production activities following the discovery of archaeological remains and unexpected works to demolish underground foundations. In May 2005, the works were suspended pending a final decision by the Architectural Heritage Service



which should allow the works to be resumed in the near future.

In any case, the joint venture took steps to recover the greater expenses resulting from the various delays and increased costs resulting from suspension of works, in accordance with the concession agreement which provides for an extension of the contract and concession duration.

Total production activities during 2005 amounted to approximately EUR 1.2 million.

FROM LEFT TO RIGHT:

VENEZUELA
Caracas-Tuy Railway
QATAR
SASOL GTL Plant
MOROCCO
Sidi Said Dam

Mobility sector – Managed car parks

Concessions related to three car parks located in Bologna and Turin are currently in operation. Construction of the “Piazza VIII Agosto” car park in Bologna, operational from 2001, has made available nearly 1,000 parking spaces and envisages a 60-year duration.

The concession contract for the “Porta Palazzo” car park in Turin, operational from 1999, provides for 874 parking spaces and the concession duration is of 80 years.

The same concession period applies for the “Corso Stati Uniti” car park in Turin, operational since 2001, whose concession involved the creation of approximately 500 parking spaces and management of 450 parking spaces.

Utilities sector

In June 2004, the concession related to the construction, under project financing, of a network of multipurpose underground infrastructures in the city centre, was entered into with the municipality of Cologno Monzese.

The final design stage will be started during 2006 subsequent to the approval of

the General Urban Subservices Plan, submitted to the Client in 2005, which is expected to occur during the current year.

11.2. The foreign scenario

Streamlining of the Group's international presence continued during 2005.

In particular, the Group secured its presence in Algeria, especially as a result of key acquisitions during the year which involved wide-reaching consolidation of management and control units in the area.

Growth prospects in Romania and Eastern European countries are promising, especially in the field of concessions and PPPs (public-private partnerships), and in light of these countries' imminent entry into the EU.

Large-scale investments are planned in the oil, gas, power and transport infrastructure sectors in Saudi Arabia and Qatar by joint ventures involving state bodies and some of the leading multinationals. The approach characterizing the operations of these companies, which are normally highly reliable in both timing and availability of financing, makes the new initiatives that could develop in the area very interesting. A large amount of attention is focused on operational and security-related factors in the aforementioned countries, given the tension which characterizes the entire Persian Gulf region.

The main contracts in progress are illustrated below, divided by geographical area.

11.2.1. The Americas

Venezuela

The Group's presence in Venezuela has been confirmed over the years.

The Group is present in the transport infrastructure sector through the current construction of two railway lines, Caracas-Tuy Medio and Puerto Cabello-La Encrucijada, and an underground system, Los Teques, all of which are of considerable importance for the country.

The Client for the Caracas-Tuy Medio railway is I.A.F.E. (Venezuela's independent state railway body). During 2005, construction works continued on a regular basis with the tracks being laid, in compliance with schedules which envisage inauguration of the line by the end of 2006.

Production activities during 2005 amounted to EUR 20 million for the share held by Astaldi.

With regard to the contract for the Puerto Cabello-La Encrucijada railway line, the line is 108 km long and Consorcio Grupo Contuy-Proyectos y Obras de Ferrocarriles, of which Astaldi S.p.A. is the leader with a 33.33% share, is responsible for its construction. The overall value of the contract is EUR 1.200 billion, EUR 240 million of which is included in the backlog as Astaldi's share.

Works in the mountain lot, begun during 2002, continued during the year with the excavation of 3 tunnels, one of which was completed and another lined. In addition, the piers of the first viaduct were completed and work on the foundations of the second and third viaducts commenced. Earthworks continued in the plain lot and activities to divert conflicting utilities (electricity, water and gas), which will allow for construction of the viaducts to be commenced during 2006, were started.

Production activities equalled EUR 60 million.

Consorcio Metro Los Teques, in which Astaldi S.p.A. holds a 30% share, was set up to perform the contract to construct the Los Teques underground line.

The contract, relating to the construction of a 9 km light rail transit system connecting Caracas and Los Teques, is worth approximately EUR 324 million following the new changes.

During the year, works related to the contract to construct 5 km of tunnels worth a total EUR 120 million, managed by Astaldi, proceeded at a steady pace: 5 km of excavation works were completed while a 1 km tunnel, resulting from a contractual change, remains to be lined.

Production activities related to the light rail transit system amounted to EUR 27 million.

The civil works, carried out directly by the consortium, continued at the same time and are expected to be completed by the end of 2006.

In 2005, total production activities related to this contract amounted to approximately EUR 60 million, of which EUR 18 million corresponded to Astaldi's share.

As already mentioned, new initiatives were developed during the year, one of which resulted in the signing of three letters of intent between the Italian and Venezuelan governments in November 2005. The letters of intent provides for a contract to be entered , within 90 days, between I.A.F.E. and the Italian joint venture, of which Astaldi is the leader with a 33.33% share, for the construction of a total of 560 km of railways worth a total US\$ 4 billion.

Bolivia

During 2005, Astaldi completed the projects underway and carried out commercial activities aimed at identifying new initiatives.

Specifically, Astaldi was involved in design of the above ground rail line in La Paz ("el Tren de La Paz"). With regard to its construction, under concession, the city of La Paz has put out a call for international tenders which will take place during the second half of 2006. A group of local backers, interested in taking part in this project, asked Astaldi for its availability to act as general contractor with regard to the civil works.

Moreover, Cooperazione Italiana confirmed the granting of an aid loan to the Bolivian government to construct the 56 km Toledo-Ancaravi road. Assessment of the environmental impact is currently being completed and the call for tenders should take place during the second half of 2006.

The Italian government also confirmed its intention to grant an aid loan in order to complete the Misicuni dam.

United States

Construction activities in the United States are carried out by Astaldi Construction Corporation, a U.S. corporation that is 100% owned, both directly and indirectly, by Astaldi S.p.A.

The geographical area it operates in is southern Florida, along both the eastern (Miami, Fort Lauderdale, West Palm Beach, Stuart and Port St. Lucie) and western (Naples, Tampa) coasts.

The types of works currently being carried out can be broken down into two main categories: road works for the Florida Department of Transportation and works related to utilities (piping for drinking water, sewer systems, drains, water filtering and treatment etc.) on behalf of municipalities and counties. The orders backlog for these projects totals USD 67 million.

At the end of 2005, Astaldi Construction Corporation had a workforce of 468 individuals (4 expatriates, 464 locals), including managers, executives and workers, and its own heavy machinery, equipment and various vehicles for an overall purchase value of USD 13.9 million.

In 2005 the company's turnover decreased from USD 78.2 million in 2004 to USD 69.8 million in 2005, without additional acquisitions.

With regard to the economic trend, the year 2005 result was affected by a negative effects caused by a variety of unforeseen additional costs, whose recovery is only partly linked to the outcome of requests for additional compensation and disputes that are underway with various clients. Such costs are in relation to the following factors:



TURKEY
Anatolian Highway

- extension of the time needed to close down some projects that performed badly, especially in relation to the utilities sector;
- higher indirect costs resulting from expansion of the organisation, needed in order to develop some activities (engineering, contract management, project control), in anticipation of a new growth in the orders backlog;
- especially adverse meteorological conditions during the summer, characterised by a succession of hurricanes and tropical storms;
- increase in the cost of raw materials, especially steel and oil-related products.

All of the above, in addition to some site organisation problems caused by the high turnover of local staff and difficulty in recruiting suitable technical executives, generated wide-reaching inefficiency which resulted in a change in the area's management.

However, an improvement in results is forecast for 2006 thanks to the completion of projects showing a negative trend, increased earnings from the remaining projects and recovery of part of the costs incurred as a result of settlement of disputes with some clients. A major upturn in the company's efficiency is also expected during 2006 as a result of streamlining and implementation of the company's organisation and management model.

There are reasons to suppose that 2006 will see greater stability of the main industrial prices together with adjustment of tender estimates of various design-

ers to fit market costs. These factors should result in improvements in industrial margins of works and reduce the risk level of new bids.

Therefore, the strategy for 2006 is centred on controlled growth of turnover, improved effectiveness of monitoring activities, assistance and support provided by the Davie office to the various sites, and organizational improvement of operating activities in individual projects. These objectives are attainable thanks to corporate restructuring which has already been started up.

Additionally, a marked increase in the current orders backlog, expiring in 2007, is also forecast thanks to the development of new business sectors, including through local involvement in joint ventures, partnerships with Group partners already operating in the USA in the construction and concession sectors, and the acquisition of representation and commercial use rights for some national imported technological products and of interest on the local market.

The company's firmly established presence will be maintained both in the road sector, through the acquisition of a smaller number of projects than in the past but of greater value, and in the utilities sector, with the goal of favouring where possible integrated projects (including the supply and installation of treatment technology) that may lead to the Group acquiring requisites in the environmental and water treatment fields.

Despite the strong competition in the public works sector and the difficulties encountered in 2005, the southern Florida market continues to be highly attractive for the opportunities it offers in terms of the volume and value of contracted works.

Central America and the Caribbean

2005 reported revenues of EUR 22 million in the area, down on the previous year. Nevertheless the Group was able to guarantee its presence in the area with production activities in Honduras, El Salvador and Nicaragua. In this way it succeeded in creating a solid base for re-launching activities in the countries in question from the start of 2006, given the vast opportunities said markets have to offer. Commercial efforts also continued in Costa Rica and preliminary commercial investigations were carried out in Mexico, a neighbouring country offering greater potential in the infrastructure sector.

Honduras

Works to construct the Nacaome Valley Regional Aqueduct, financed by Cooperazione Italiana, were completed.

The Taulabe-La Barca road project, worth approximately EUR 18 million was also acquired and the relative works started during the first half of 2005.

Lots 2 and 3 of the Tegucigalpa waste water project were acquired by the consortium set up with Galva, with the contract value corresponding to Astaldi's share amounting to approximately EUR 7 million.

Production activities in Honduras during 2005 totalled EUR 10.1 million.

El Salvador

In 2005 Astaldi acquired the Prolongacion Boulevard Orden de Malta road project

which was carried out during the year. It also acquired the Prolongacion 75 Avenida Norte road project, work on which will be completed in the first quarter of 2006.

Production activities in El Salvador generated a total EUR 8.6 million.

Nicaragua

The Managua waste water project generated EUR 2.1 million during 2005.

11.2.2. Europe

Turkey

The Group has been present in Turkey for several years, working on the construction of the so-called Anatolian Motorway linking Istanbul and Ankara, which forms part of the Trans European Motorway.

During 2005, works on Lot 2, an Apennine section measuring 25 km in length, continued on all fronts with completion of retrofitting of Viaduct 1 (seriously damaged by the 1999 earthquake), launching of the concrete and corten steel girders, as well as minor works and stabilization of excavation slopes. In addition, excavation of the Elmalik tunnel (inaugurated by the Turkish prime minister in September 2005) was completed and work on the road pavement commenced. Cut-and-cover works were also completed along with sheet piling of the tunnel portal on the Ankara side continued.

The first half of the year saw all the works in question being carried at full pace in order to be able to guarantee completion by December 2006, as provided for by the contract, even if the funds allocated to the project in the government's budget were insufficient. Works went ahead on the strength of a number of repeated requests by the Turkish government that, during the second half of 2005, had undertaken to allocate the funds that were lacking. Given that said funds were not forthcoming, works were limited to the most important activities as from September 2005, in order to limit financial exposure, in such a way as to avoid totally compromising the possibility of completing the works by the deadline.

In spite of this, production activities exceeded forecasts with a better economic result being achieved.

Astaldi also successfully completed the pre-qualification stage for awarding of the project to construct access routes to the new Bosphorus rail crossing (Marmaray Project), together with Ansaldo S.T.S. and local and international subcontractors and partners such as Scott Wilson. Astaldi was also called upon by Istanbul's city authorities to take part in the tender for the design, financing, performance and management of an underground line. Both projects involve civil works in excess of EUR 400 million. Participation in the tender procedures will take place by the end of 2006, subject to a positive outcome of the pre-qualification stage.

Romania

Despite the especially rainy summer which resulted in all the country being subject to flooding, the forecast levels of production were maintained during 2005, with

work on already acquired contracts going ahead, the most important of which are the construction of Lots 4 and 5 of the Bucharest-Constanta motorway, the city of Pitesti's motorway bypass and Line 3 of the Bucharest underground. Modernisation of Bucharest's international airport, carried out by the subsidiary Romairport S.r.l. continued.

The Group's turnover in the area exceeded EUR 100 million. The contract margins were negatively affected by an unexpected appreciation of the local currency on the euro, the effect of which was limited by adopting suitable operational measures.

With regard to new acquisitions, for the most part expected, the change in the coalition in power following the result of the political elections at the end of 2004, led to a standstill in the market, at least during the first 8 months of 2005.

As for commercial activities in Romania, Astaldi Group was classified in first position in the procedure to award works to upgrade two separate lots of the Bucharest-Constanta railway line, worth approximately EUR 168 million for the Group. Final awarding of the contract is expected. Commercial activities in Bulgaria, aimed at sounding out new business opportunities, continued.

Denmark

The consortium, Copenhagen Metro Construction Group J.V. (COMET), in which Astaldi S.p.A. holds a 15% share, completed its works some time ago and the new underground line has been open to the public since October 2002, working to the full satisfaction of passengers and Client alike.

The contract provides for a maintenance period of 5 years, effective as of June 27, 2002 for the main works (Phase 1), and as of January 27, 2003 for the ancillary works (Phase 2A).

The Client recognized the validity of the Consortium's claims for an amount greater than two-thirds of the contractual amount. Since an agreement was not reached with the Client on the final value of the works, COMET initiated arbitration on April 30, 2004, as provided for by the contract.

Croatia

The arbitration proceedings with the Republic of Croatia, initiated by Astaldi S.p.A. at the Vienna Chamber of Commerce regarding interruption of the Zagreb-Gorican motorway project, proved to be extremely complicated from a procedural standpoint as well as very detailed with regard to the structure of the project finance involved.

On June 18, 2004, the Arbitration Board unanimously awarded a reimbursement to Astaldi for the works and activities carried out, lost income and accrued interests.

The effects of the ruling were prudently appraised by allocating a part of the amounts to a "Depreciation fund for interest on arrears" in the financial statements at December 31, 2005. This was done, taking into account the recognition procedure for the ruling used by the Croatian court and impugment of said ruling before the Court of Vienna by the Republic of Croatia, also given the significant amount involved and the country's economic conditions.

11.2.3. Africa

The Magreb – Algeria

Consorzio A.F.T., led by Astaldi S.p.A. with a 33% share, completed final delivery activities for the Taksebt dam.

Consorzio A.F.T. Kramis, led by Astaldi S.p.A. with a 50% share, defined the remaining inspection activities for the Kramis dam for which the two-year contract maintenance period went into effect as from January 1, 2005.

As regards commercial activities in Algeria, the Group attained excellent results during the year following the awarding of various contracts in the large infrastructures sector. These include, in the first half of the year, the contract for the construction of a lot (worth EUR 45 million) of the East-West motorway connecting the coastal stretch between Tunisia and Morocco, and works to construct the aqueduct linking the cities of Akbou and Bejaia to the east of Algiers (worth a total EUR 114 million). While the second half of the year saw the awarding of the contract to build the Kerradà dam worth a total EUR 76 million (of which EUR 51 million corresponds to Astaldi's share), and the Jijel road tunnel worth approximately EUR 10 million.

Lastly, in November 2005, Astaldi was preliminary assigned a contract with SNTF, (the Republic of Algeria's national rail company) for the construction of the new Mecheria-Redjem-Demouche railway line, for a total of approximately EUR 166 million. Final awarding of the contract in March 2006 went to the Astaldi-ETRHB Hadad joint venture, of which Astaldi is leader with a 51% share, and provides for the design and subsequent construction of a 140 km railway line linking the cities of Mecheria and Redjem Demouche located in the south-west of Algeria. The planned duration of the works is 22 months.

Total production activities during 2005 were lower than the forecasts due the problems related to the start-up of new works, which should begin by the end of 2006.

The Magreb – Morocco

Astaldi is present in Morocco through its subsidiary Italstrade S.p.A.

Construction of the "Rocade Méditerranéenne" road

Work on constructing the road which runs along the coast in the north of the country continued during the year. Site activities were more intensive in 2005 compared to the difficult start-up period in 2004.

At December 31, 2005, the percentage of works performed equalled 67% of the whole contractual amount for a total of EUR 27 million.

Shortcomings in the design and geological analyses, which failed to reflect the real situation encountered while performing the works, resulted in the filing of a complaint with the relevant judiciary authority.

Meknés Railway – Doubling of track

Following the proceedings initiated in 2003 after unilateral termination of the contract decided by the Client, and given that the Client failed to acknowledge due compensation, a claim petition was filed with Casablanca administrative court.

Surveying operations by the technical consultant appointed by the designated judge were started during 2005 and should be completed in the first half of 2006.

Sidi Said Dam

During the year, all the works for the construction of the Sidi Said dam in RCC (roller compacted concrete) were completed as well as traditional concrete works. Installation of auscultation equipment and some finishing works still have to be completed.

Provisional acceptance should be obtained during the first quarter of 2006.

With regard to the lawsuit brought against the Client currently being handled by Rabat administrative court, technical consultancy has been ordered by the court. Start-up of surveying operations is expected during the first quarter of 2006.

Central Africa

Congo

Restructuring of the Bouansa-Moukoulou road continued through 2005, albeit with limited production levels due to the constant lack of funding by the Client. Production activities during the year totalled EUR 4.3 million.

Guinea Conakry

After the conclusion of all activities in the area, procedures to transfer all the Group's assets continued following the closure of all operations in the country. It should be noted that the audit carried out by the European Union attributed to the company, in first resort, a part of the costs and additional time spent on the two works relating to the Fatah bridge and Kankan-Djelibakoro road. Negotiations are underway with the Client to try and obtain acknowledgement of the higher costs incurred as a result of an extension of the contractual period and of the additional works carried out for the bridge foundations.

Tanzania

The sole road project of Mwanza, for which environmental problems in carrying out the works within the city had caused an extension of the work period and additional unexpected charges, was completed during the year.

Given the impossibility to reach a settlement with the Client, in October 2005 Astaldi submitted a request for arbitration for the acknowledgement of the increased charges due to irregular, delayed progress of works. The arbitration board should be appointed during the first months of 2006.

11.2.4. Middle East

In this period, the Group has opted to limit its activity, through the subsidiary Astaldi Arabia Ltd., to Saudi Arabia and Qatar due to the interesting programme of investments in the infrastructure and energy sectors.

After completing works on the project to construct an acetic acid production plant (Yambu Acetic Acid Plant) in Yambu, in Saudi Arabia, 2005 saw the successful completion of the civil and electrical works related to the project to construct a gas liquefaction plant, SASOL Gas to Liquid (GTL) Plant, in Ras Laffan. With regard to mechanical assembly works (structures and piping), the works were delivered on February 2006, in compliance with the obligation with the Client.

Production activities during 2005 totalled EUR 11 million, largely resulting from project management activities and coordination of the project for the assembly works.

Planned commercial activities, which are expected to offer their first results in 2006, were started during the last quarter of 2005, at the same time as construction activities. They were prompted by the satisfying trend of operations in the area, in terms of product quality and compliance with contract deadlines, with a positive return of image and interest shown by leading EPC Contractors to avail themselves of the company's cooperation. This in turn led to the Group confirming its intention to continue to expand activities in the Arabian peninsula during 2006, both in the civil-structural and plant engineering-industrial sectors.

12. Transactions with related parties

Transactions between Astaldi and related parties mainly concern the exchange of goods, the supply of services, and the sourcing and use of financial resources with subsidiary and associated companies and other companies it holds shares in. Said relations form part of the company's everyday management activities and are regulated at normal market conditions, i.e. the conditions that would be applied between two independent parties. All the transactions were carried out in the interest of the Group. The overall value of the transactions of a commercial, financial and other nature with related parties, as well as descriptions of the more significant transactions are provided in the Notes to the financial statements.

13. Main Group companies

13.1. Italstrade S.P.A.

The company, 100% owned by Astaldi S.p.A., operated through five permanent establishments and through holdings in companies and consortia set up with Italian and local partners to acquire and perform individual works.

Production activities related to services and contracts during the twelve months of the year recorded a volume of approximately EUR 45 million.

96% of activities were carried out abroad (mainly in Morocco, Turkey and Venezuela and only secondarily in Albania and Romania), while the remaining part refers to works performed in Italy.

From an equity viewpoint, the reduction in indebtedness to the parent company, Astaldi, should be noted. This was mainly due to the positive trend of works in Turkey and Venezuela which made it possible to repay approximately EUR 10 million of the loan granted by the parent company.

The operating profit of approximately EUR 0.5 million (2004 saw an operating loss of EUR 2.9 million) was due to the fact that the positive trend of production activities in Turkey and Venezuela was almost completely cancelled out by the difficul-

ties experienced in relation to the Sidi Said dam under construction in Morocco. The subsidiary extended its areas of production through the addition of railway superstructures in 2004. It is evident that the subsidiary intends to focus its activity in the area of construction and maintenance of medium size transport infrastructures (roads and railways), a sector where the company has acquired a commendable standing over the years.

The Italian market is a prime objective for Italstrade. Specifically, its commercial efforts will be aimed at re-evaluating its specialist skills and know-how in the rail sector in order to compete, either directly or together with the parent company, Astaldi, in the new reserved sectors being created within the national plan to upgrade Italy's state railways. In order to do so, the parent company will start to partially assign some projects underway in Italy, likewise confirming its cooperation on the international market, especially in those countries (Romania, Turkey and Venezuela) where the company already operates.

13.2. Astaldi Finance S.A.

Astaldi Finance S.A., 100% owned by Astaldi S.p.A., was set up under the law of Luxembourg in 2002, the year in which it issued a three-year 150 million Eurobond with a 6.5% deferred coupon for the investor. In line with current international market practice, said loan was guaranteed by Astaldi S.p.A.

On February 9, 2005, Astaldi Finance S.A. proceeded to reimburse BNP Paribas, via the subsidiary, for the above-mentioned 150 million Eurobond, followed by reimbursement to the underwriters on February 11, 2005.

13.3. Astaldi Construction Corporation

Construction activities in the United States are carried out by Astaldi Construction Corporation, a company operating under U.S. law and 100% owned by Astaldi S.p.A., both directly and indirectly. The company currently operates in southern Florida, mainly in the road infrastructures and public utilities sectors.

During 2005 the company achieved revenues of USD 67 million.

It should be noted that 2005 represented a turning point for the Group's activities in the United States insofar as the entire corporate organisation was reviewed with an expansion of engineering, programming and control activities. Said change proved necessary following the negative results for the period, especially in the utilities sector. In fact projects underway in this segment were characterised by low unitary values as well as major territorial dispersion which generated diseconomies in the management of procurement and technical resources and more generally of the logistics of individual production units. In light of this, activity was concentrated on medium size contracts in the transport infrastructures sector.

14. Treasury shares

In accordance with the resolutions of the Shareholders' Meeting of November 9, 2004 regarding the Astaldi share buy-back plan, 3,943,642 shares were progressively purchased during 2005. Likewise, 2,820,686 shares were sold, realising gains of approximately EUR 0.75 million.

As of December 31, 2005, treasury shares in hand were valued at approximately EUR 5.859 million. The average acquisition price for the 1,122,956 shares on hand was approximately EUR 5.2181. As of March 27, there were 500,000 shares with a value of EUR 5.1985 for a total value of approximately EUR 2.6 million.

15. Parent company shares held by subsidiaries

No Parent Company shares are held by subsidiary companies.

16. Corporate governance

16.1. Introduction

The corporate governance model adopted by Astaldi S.p.A. is in line with the principles contained in the "Code of Self-Governance for Listed Companies" (hereinafter "Code of Self-Governance") – drawn up by Borsa Italiana S.p.A. in October 1999 and subsequently amended and supplemented –, with the relevant recommendations formulated by CONSOB, and more generally speaking with best practices at an international level.

In compliance with the instructions issued by Borsa Italiana S.p.A., the corporate governance model of Astaldi S.p.A. (hereinafter Astaldi S.p.A.) is described below, in light of the principles contained in the code in question, updated with main events subsequent to the close of 2005.

The corporate governance model is currently being updated in relation to enforcement of the new Self-Governance Code of March 2006.

16.2. The Company's shareholders

Astaldi's shareholder structure is made up of approximately 7,000 holders of ordinary shares.

According to the information contained in the Shareholders' Register, integrated with the statements received pursuant to Article 120 of Legislative Decree No. 58/1998 of February 24, 1998 and from other information at our disposal, the direct shareholders who, on March 27, 2006 are listed as owning more than 2% of the fully paid up share capital represented by shares with voting rights, are as follows:

main shareholders	
	% share
Fin.Ast. S.r.l.	39,699
Finetupar International S.A.	12,525
Fidelity International Limited	3,088

16.3. Board of Directors

16.3.1. Composition and length of term of office (Articles 1-5)

According to the provisions set forth in Astaldi's Company By-Laws, the Board of Directors can comprise any number of members from 9 to 15, appointed for a period of no more than three years, who can be re-instated upon the expiry of their terms of office.

The Board of Directors of Astaldi, appointed on April 30, 2004 and whose term of office expires upon approval of the financial statements for the year ending December 31, 2006, currently comprises thirteen members.

It must be specifically recalled that on January 11, 2006, the meeting of the Board of Directors of Astaldi S.p.A. – subsequent to the Extraordinary Shareholders' Meeting which approved some amendments to the Company By-Laws – provided for further strengthening of company management through the appointment of an additional CEO in the person of Mr. Giuseppe Cafiero, in line with the development goals set forth in the 2005-2009 Business Plan.

The names of the board members and their relevant characteristics in terms of independence and powers are listed below:

board of directors members	
name and surname (position)	independence powers
Ernesto Monti (chairman)	non-executive/independent
Paolo Astaldi (deputy chairman)	executive
Vittorio Di Paola (executive deputy chairman)	executive
Giuseppe Cafiero (ceo)	executive
Stefano Cerri (ceo)	executive
Caterina Astaldi (board member)	non-executive/non-independent
Pietro Astaldi (board member)	executive
Luigi Guidobono Cavalchini (board member)	non-executive/non-independent
Franco A. Grassini (board member)	non-executive/independent
Mario Lupo (board member)	non-executive/independent
Vittorio Mele (board member)	non-executive/independent
Nicola Oliva (board member)	executive
Maurizio Poloni (board member)	non-executive/independent

As required by the Self-Governance Code, non-executive board members, in terms of number and authority, must be such as to guarantee a significant weight in the decision-making of the board. In fact, non-executive board members bring their own specific expertise to the board, helping ensure that any decision taken is in the company's best interest.

Furthermore, in accordance with Art. 3.1 of the Self-Governance Code, a sufficient number of non-executive directors must be independent, in other words:

- they do not entertain, nor have they recently entertained, either directly, indirectly or on behalf of third parties, any economic relations with the company, its subsidiaries, executive members, the shareholder or group of shareholders who have control over the company, that are significant enough as to affect their independent judgement;
- they do not own either directly, indirectly, or on behalf of third parties, any

shareholding that is of such an amount as to enable them to exercise control or significant influence over the company, nor do they participate in agreements for the control of the company itself;

- they do not have any close family ties with the company's executive directors or with any individuals that find themselves in the situations described above.

In accordance with the provisions set forth in Art. 1.3 of the Self-Governance Code, the positions of either director or auditor held by each board member in other companies listed on regulated markets, in Italy and abroad, in financial, banking or insurance companies or other large size companies, are listed below:

notes pursuant to art 1.3 of the self-governance code

name and surname	other offices held pursuant to art 1.3 of the self-governance code
Ernesto Monti	Chairman of the Board of Directors of Gruppo Tosinvest S.p.A.; Board member of Enertad S.p.A., Fintecna S.p.A. and Finmeccanica S.p.A.
Paolo Astaldi	CEO of Fin.Ast S.r.l.
Vittorio Di Paola	–
Caterina Astaldi	Board member of Fin.Ast. S.r.l.
Pietro Astaldi	CEO of Fin.Ast. S.r.l.
Giuseppe Cafiero	Board member of Finetupar International S.A.
Luigi Guidobono Cavalchini	Deputy Chairman of Italstrade S.p.A.
Stefano Cerri	–
Franco A. Grassini	Chairman of the Board of Directors of Marche Capital S.p.A. and Medcap Investimenti S.p.A. Board member of BNL S.p.A. and Ifitalia S.p.A.
Mario Lupo	–
Nicola Oliva	–
Vittorio Mele	–
Maurizio Poloni	–

16.3.2. Role of the Board of Directors (Articles 1-5)

The Board of Directors plays a key role within the company's organization. It is responsible for the company's strategic and organizational policies, as well as for ensuring that the necessary checks are in place to monitor the performance of the company and the group.

In this context, on the strength of the provisions set forth in the Self-Governance Code and in relation to what is provided for by its own specific resolutions, the Board of Directors :

- examines and approves the company's strategic plans and the corporate structure of the Group;
- assigns and annul functions to the CEOs, defining limits and application procedures, as set forth in Art. 23 of the Company By-Laws, which, moreover, provides for appointed bodies to report to the board, at least on a quarterly basis, on the activities carried out in relation to the assigned functions;
- determines, on the basis of proposals put forward by the specifically appointed committee and having heard the Board of Auditors, the remuneration of the CEOs and of directors who perform specific functions;
- monitors Group performance, with particular reference to any situation where

conflicts of interest may arise, by using the information received from the CEOs and the Internal Auditing Committee and by verifying that the planned results have been achieved on a regular basis;

- examines and approves any transactions of major economic, equity and financial importance, especially if carried out with any related parties (see transactions with related parties);
- ensures that the general corporate and group organizational and administrative framework established by the CEOs is adequate;
- reports to shareholders at meetings.

To comply with the provisions set forth in the Company By-Laws – according to which the board is required to meet at least once every two months – nine board meetings were held during 2005, with a small number of absences that were all, nonetheless, justified.

With regard to 2006 and in accordance with stock exchange regulations on this matter, on November 9, 2005, the Board of Directors approved and subsequently forwarded to Borsa Italiana S.p.A., a schedule containing the dates of future board meetings for the approval of the draft financial statements, half-yearly report and quarterly reports.

The activities of the Board are coordinated by the Chairman. He calls the board meetings and provides guidance as to how these should be run, making sure that members are given with sufficient notice – except in cases of necessity or urgency – all the documentation and information needed for the board to express itself in an informed manner on the issues being examined. Furthermore, he chairs the Shareholders' Meeting and acts as the company's legal representative.

Lastly, the Chairman has no management functions.

It must be noted that the powers granted to the CEOs with the board resolution of January 11, 2006, provide for Mr. Stefano Cerri to focus on developing activities and pursuing the group's development goals, and for Mr. Giuseppe Cafiero to focus on business activities.

16.3.3. Appointment of directors (Article 7)

In accordance with Art. 7.1 of the Self-Governance Code, Article 16 of the Company By-Laws provides for the obligation to file at the company's registered office, at least ten days before the scheduled date on first-call of the Shareholders' Meeting, any nominations for the post of director, accompanied by information about the candidates' personal and professional background.

The board currently in office has deemed it unnecessary to set up a committee for the nominations for the post of director, there being no difficulty at present in arranging the candidatures to fill corporate positions.

16.3.4. Remuneration of directors (Article 8)

A major part of the remuneration of the directors and high-level executives of Astaldi consists of performance-related emoluments, in other words linked to the achievement of pre-set individual targets and/or economic results achieved by the company.

In this respect, it must be noted that on February 10, 2006, the Board of Directors resolved upon extending to 2006, the 2005 Incentive Plan, originally approved with resolutions passed on February 5 and 28, 2002.

In short, the plan in question provides for the annual assignment of synthetic options (stock appreciation rights which entitle holders to receipt of an emolument, but not to the purchase of shares) which pay in cash any difference between the price of the shares (calculated as the arithmetic average of the last month) and the strike price set by the Board of Directors after consulting with the Remuneration Committee. Said options will be assigned to top managers and a limited number of the group's consultants, subject to the attainment of pre-set corporate targets. The value of options can reach up to a maximum 150% of the annual gross salary.

In accordance with Art. 8 of the Self-Governance Code, the committee responsible for remuneration, stock option plans and share allocation, set up by the Board of Directors on February 5, 2002, has the following tasks:

- to put forward proposals to the Board, in the absence of those directly interested, regarding remuneration of the CEOs and individuals performing special functions, as well as determination of criteria for the remuneration of top-ranking company managers;
- to put forward proposals regarding any incentive plans reserved for directors, employees and consultants;
- to put forward proposals and ensure that any information disclosed to shareholders and the market guarantees the necessary transparency of the mechanisms used to determine the remuneration of company executives, in compliance with current regulations governing corporate information and, in any case, according to the best practice of financial markets;
- to express its opinions on the issues submitted from time to time by the Board of Directors regarding remuneration and all other inherent or related matters.

The Remuneration Committee currently comprises three board members, the majority of whom are non-executive, as per the table below:

r e m u n e r a t i o n c o m m i t t e e	
Ernesto Monti (Chairman)	non-executive/independent
Paolo Astaldi	executive
Vittorio Mele	non-executive/independent

The committee met three times during 2005 during which it performed consulting functions, specifically with regard to defining:

- the emolument, pursuant to Art. 2389, subsection 3 of the Italian Civil Code, to be paid to the CEO, Mr. Stefano Cerri;
- the beneficiaries of the synthetic options for 2004 and 2005;
- the corporate parameters whose achievement is subordinate to the assignment of synthetic options for 2005;
- the strike price of synthetic options for 2005.

Moreover, during its first meeting of 2006, said committee performed consulting functions with regard to defining the emolument, pursuant to Article 2389, subsection 3 of the Italian Civil Code, to be paid to the CEO, Mr. Giuseppe Cafiero.

The meetings were attended by the company's Executive Deputy Chairman in a guest capacity.

16.3.5. Internal auditing system (Articles 9-10)

The company has an Internal Auditing Service, managed by the Internal Auditing Officer who reports directly to the company's CEOs. The service is classified within the corporate organization chart as a staff unit reporting to the CEO, with the function of developing the group's activities in order to be able to grant the service the independence and authority needed to be able to properly carry out the assigned task of auditing.

Internal auditing is carried out on the basis of the national and international best practice with the aim of performing all the actions needed to control corporate processes, including direction, monitoring and assessment of critical areas and of opportunities to improve corporate organization.

On May 18, 2005, the company launched its Integrated Internal Auditing System project – aimed at streamlining, integrating and coordinating checks and auditing carried out by the various corporate departments involved in carrying out assurance activities – which has led to the standardisation of a shared working methodology and the creation of a common language related to the internal auditing system.

Activities are carried out on the basis of an annual audit programme which is shared with the Internal Auditing Committee and the top management. The findings of said audits are reported to the Internal Auditing Committee and Board of Auditors as well as the top management on a regular basis.

The company's internal audit system provides for the presence of an Internal Auditing Committee.

Said committee, set up by the Board of Directors on February 5, 2002, makes proposals and offers consulting services to the Board of Directors with regard to monitoring the general trend of the company's performance.

In keeping with the provisions contained in Art. 10 of the Self-Governance Code, the Internal Auditing Committee is responsible for:

- assisting the board in performing the tasks provided for in Art. 9.2 of the Self-Governance Code;
- assessing the work plan prepared by individuals in charge of internal auditing and receiving regular reports from them;
- assessing, together with the company's administrative managers and auditors, the suitability of the accounting standards adopted and their homogeneity for the purposes of drafting the consolidated financial statements;
- assessing proposals put forward by the auditing firm to obtain assignment of the relevant auditing job, as well as the work plan drawn up for the audit and the findings detailed in the report and letter of recommendations;
- reporting to the board, at least on a six month basis, on the occasion of approval of the financial statements and half-yearly report, on the activities carried out and the suitability of the internal auditing system;
- monitoring compliance with the Self-Governance Code;
- fulfilling any tasks it may be assigned by the Board of Directors, especially with regard to relations with the auditing firm.

The committee meetings are attended by the Chairman of the Board of Auditors or an auditor appointed by the former.

The committee currently comprises the following members:

i n t e r n a l a u d i t i n g c o m m i t t e e	
Mario Lupo (Chairman)	non-executive/independent
Luigi Guidobono Cavalchini	non-executive/non-independent
Franco A. Grassini	non-executive/independent
Maurizio Poloni	non-executive/independent

The committee held four meetings in 2005 during which it performed auditing activities and tackled a number of issues including the following which were of greatest interest:

- examination of the company's current activities in relation to the adoption of international accounting standards – in the presence and with the comparison of the auditing firm –, verifying the compliance of activities with law provisions;
- assessment of the Internal Auditing System – taking note of implementation of the "Integrated Internal Auditing System" – and definition of the 2005 Work Plan;
- checking of internal auditing planned and implemented during 2005 (audits of seven corporate processes, three of which for Italy and four for abroad, selected by the committee and carried out using the Integrated Internal Auditing System and subsequent updating of Risk Assessment in Italy and abroad);
- checking of the subsidiaries of significant importance and certification for the most important ones, voicing its own opinion with regard to the assignment of auditing jobs for 2005-2007, for the company and for its subsidiaries of significant importance;
- checking of current corporate activities in relation to Legislative Decree No. 196/2003 with specific reference to the Programmatic Document on Safety (DPS);
- acknowledgement of current corporate activities in relation to updating of the Organization, Management and Control Model pursuant to Legislative Decree No. 231/2001 subsequent to the introduction of Art. 25-sexies of said decree;
- acknowledgement of amendments introduced under Law No. 262/2005 of December 28, 2005 entitled "Provisions for the safeguard of savings and regulation of financial markets" (the so-called Savings Law), and of the impact with regard to corporate organization.

With reference to further actions taken to back up the governance system, it must be remembered that on March 18, 2003, the Board of Directors adopted the company's Code of Ethics (hereinafter "Code of Ethics") which establishes general principles and regulates, through rules of conduct, the activities of employees and consultants of the company and all the group companies, also with regard to relations with shareholders, the public administration, suppliers, contractors and sub-contractors.

Specifically, said Code of Ethics establishes:

- the general principles and reference values which Astaldi and the group companies must comply with when carrying out their activities;
- the rules of conduct that the representatives, managers and the employees of the Company must abide by in their relations with a series of commercial, entrepreneurial and financial parties;
- the main ways in which the Code itself must be implemented within the corporate structure.

Moreover, on July 2, 2003, the Board of Directors, within the activities set forth in Legislative Decree No. 231/2001, approved adoption of the Organization, Management and Control model pursuant to Legislative Decree No. 231/01 (hereinafter Organization Model as per Legislative Decree No. 231/2001) which, by identifying the areas and corporate activities most at risk with regard to the various criminal offences provided for by said decree, is designed to prevent unlawful behaviour on the part of directors, employees and consultants of the company should they commit the crimes set forth in Legislative Decree No. 231/2001.

Specifically, the model defines:

- ethical principles in relation to the conduct that may integrate the types of offences provided for by said decree;
- ‘sensitive’ corporate activities, that is to say those within which, by their very nature, the offences set forth in Legislative Decree No. 231/01 are more likely to be committed and hence must be analysed and monitored;
- ways in which the financial resources allocated to the prevention of offences must be managed;
- rules for identification of the Supervisory Body and assignment of specific functions to monitor correct functioning of the model;
- the flow of information to be provided to the Supervisory Body;
- information, awareness and distribution activities across all the Company’s ranks related to the rules of conduct and the procedures set up;
- responsibilities for the approval, integration, amendment and implementation of the model, in addition to ensuring that said model works and checking corporate behaviour with relevant regular updates.

It must be noted in this regard that the Code of Ethics and the Organization Model pursuant to Legislative Decree No. 231/01 have been updated to comply with current legislation and to regulate the flow of information provided to the Supervisory Body as well as implement the group’s activities related to Legislative Decree No. 231/2001. The Organization Model is currently being revised in order to implement the updates resulting from the introduction of Art. 25-sexies of the aforementioned decree (market abuse), as well as from the new responsibility systems introduced under Law No. 262/2005 of December 28, 2005 (so-called Savings Law).

A Supervisory Body has been set up for the purpose of preventing the risks/crimes provided for by Legislative Decree No. 231/2001, whose members possess the autonomy, independence and professionalism required by the aforementioned decree. Said members are as follows: Mr. Maurizio Poloni, non-executive/independent member of the Board of Directors and Mr. Marco Annoni, Mr. Giorgio Luceri and Ms. Nicoletta Mincato – the latter with the role of Chair of the Supervisory Body – as external experts. The body has a set of regulations and is classed as a top staff unit that reports directly to the CEOs.

The body avails itself of the services of the Internal Auditing Officer in order to perform its activities and ensure its resolutions are implemented by the corporate divisions concerned.

The Supervisory Body's activities, aimed at monitoring the functioning of and compliance with the Organization Model pursuant to Legislative Decree No. 231/2001, continued during 2005. The body met on ten occasions to carry out the activities summarised below:

- definition of suitable instruments to embark on widespread monitoring and of the criteria to carry out audits on the application of organisation protocols



FROM LEFT TO RIGHT:

ITALY
"City of Science" in Naples
ALGERIA
Kramis Dam
VENEZUELA
Puerto Cabello-La Encrucijada
Railway

adopted by corporate divisions to safeguard against the risks/crimes provided for by Legislative Decree No. 231/2001;

- start of checks on a sample of selected Italian and foreign contracts;
- examination of the findings of checks carried out and identification of corrective action to be taken to resolve the problems brought to light;
- staff training with regard to Legislative Decree No. 231/2001, carried out directly by the Supervisory Body or delegated to Italian and foreign outlying divisions;
- examination of the impact on the Organization Model of implementation of European Community Directive No. 2003/6/EC under Law No. 62/2005 regarding market abuse, as well as the enforcement of Law No. 262/2005 with the subsequent introduction of new responsibility systems and updating of the model;
- monitoring of activities carried out by the group companies to comply with the contents of Legislative Decree No. 231/01.

16.3.6. Transactions with related parties (Article 11)

With specific reference to relations with related parties as per international accounting standard no. 24, as well as per Consob announcements no. 97001574 of February 20, 1997 and no. 98015375 of February 27, 1998, on February 10, 2006, Astaldi's Board of Directors revised the previous board resolution on this matter, passed on April 23, 2002, for the purpose of updating it to the company's real operational activity and the more recent interpretative approaches in this regard.

It must be noted that when updating said resolution, it was taken into account that the group's structure, also in view of the specific nature of Italian legislation regarding public works, is characterised by a high number of companies (mainly temporary such as special purpose vehicles and consortium companies), consortia and joint ventures, all set up with other sector companies in order to perform spe-

cific contracts in Italy and abroad (so-called ad hoc companies) that, therefore, constitute mere working and organisation tools for corporate activities.

Therefore, with regard to relations with said companies and consortia, a procedure was maintained that takes into account said specific characteristics, especially in relation to everyday, routine transactions such as:

- financial assistance (granting of loans, balancing of costs, furnishment of guarantees, etc.);
- operational assistance (provision of technical, administrative, legal services, machinery hire, staff secondment, charging of own staff employed on contracts, etc.);
- all relations aimed at and exclusively connected with carrying out the public works that constitute the purpose of the temporary ad-hoc company (so-called *societas uni rei*), in other words with a duration limited to the construction and management of the works.

Therefore, in light of the above, during the aforementioned session, the board resolved as follows:

- a) with reference to transactions with related parties other than subsidiary or associated companies:
 - that said transactions are exclusive responsibility of the Board of Directors;
 - that said transactions are detailed in the management report;
- b) with reference to transactions with non-ad-hoc subsidiary and associated companies:
 - that said transactions are the exclusive responsibility of the Board of Directors should the individual transaction exceed 30 million euros;
 - that the relevant CEO reports to the board every six months, on the occasion of approval of the half-yearly report and draft financial statements, regarding transactions completed with the same counterparty whose value exceeds a total 50 million euros per six months;
 - that all transactions with non-ad-hoc subsidiary and associated companies, regardless of their value, are detailed in the management report;
- c) with reference to transactions with ad-hoc subsidiary and associated companies:
 - that the relevant CEO reports to the board every six months, on the occasion of approval of the half-yearly report and draft financial statements, regarding unusual and/or atypical transactions – this term refers to transactions not directly aimed at constructing and managing works or of a non-temporary nature – between Astaldi S.p.A. and the ad-hoc companies whose value exceeds the sum of 10 million euros per individual transaction. With regard to unusual and/or atypical transactions of a smaller amount, the CEO shall provide information according to the type of transaction and in aggregate form, at the same intervals as above;
 - that all transactions with the aforementioned companies, regardless of their value and nature (typical and atypical), are detailed in the management report.

Lastly, in the analysis of transactions with related parties, the Company complies with the provisions of Art. 11 of the Self-Governance Code, specifically as regards the dismissal of any Director holding a beneficiary interest in said transactions and the use of independent advisers in the case of the most significant transactions.

16.3.7. Handling of confidential information (Article 6)

Astaldi, in order to ensure correct internal management and timely external communication of any significant event taking place within the sphere of activity of the company and its subsidiaries and which, at least potentially, is capable of significantly affecting the price of the shares of the company itself (so-called 'price sensitive information'), makes use within the company of the Continuous Information Procedure, approved by the Board of Directors at the meeting held on November 12, 2002.

In short, the above procedure identifies within the company the times and methods for transmitting and diffusing such information and the involvement of the divisions concerned from time to time, providing for the resources most in contact with the aforementioned information to act as a link between their area of responsibility and the company's top management, so as to allow suitable assessment of such facts or events.

Moreover, the involvement of a specially set up Assessment Committee is provided for (comprising the Legal and Corporate Affairs Department, Investor Relator and the management concerned), as a subsequent step, in order to provide suitable assistance in the correct interpretation of the sector's regulations, and to formulate and disseminate all communications in question.

In order to comply with the provisions set forth in Art. 2.6.3 of the Regulations of markets organized and managed by Borsa Italiana S.p.A., it must be noted that the so-called 'Code of conduct with regard to insider dealing' is in force inside Astaldi. The code assigns to so-called 'relevant persons', the obligation to report to the Legal and Corporate Affairs Department any transactions on Astaldi stock exceeding certain specified amounts within a set period of time, in order to make any opportune statements to the market in compliance with the times and methods provided for by regulations.

In short, the Code in question provides for 'relevant persons' to report to the Legal and Corporate Affairs Department, for the aforementioned purposes:

- any transaction on Astaldi stock whose counter value is, either on its own or cumulatively, higher than EUR 25,000, within 3 stock market working days from the end of the relevant calendar quarter;
- any transaction on Astaldi stock whose counter value is, either on its own or cumulatively, higher than EUR 125,000, promptly, and in any case within 1 stock market working day from its execution.

Furthermore, the code establishes the so-called 'close periods', in other words, the periods of time close to events that are particularly significant, during which the 'relevant persons' may not carry out any transactions on company shares.

Specifically, said periods have been identified as follows:

- the 30 days preceding disclosure of the consolidated financial statements, draft financial statements and half-yearly report;
- the 15 days preceding disclosure of the quarterly report;
- the 15 days preceding issue of the first price sensitive statement related to transactions such as: take-over bids made by the company or on its financial instruments; mergers, spin-offs or acquisitions which Astaldi is part of; any other extraordinary transactions likely to influence the price of the company's financial instruments.

In this regard it must be noted that during the board meeting of February 10, 2006 it was resolved that the aforementioned code shall be updated as from April 1, 2006 in order to comply with the new provisions added to the Financial Services Act and CONSOB Regulation No. 11971/99 regarding market abuse, with specific references to lowering of the relevant threshold and reduction of the relative time limits regarding disclosure to the market of transactions performed by relevant persons.

16.3.8. Relations with institutional investors and shareholders (Articles 12-13)

The Company, also in light of its admission to listing on the STAR segment of the Telematic Stock Market, appointed Alessandra Onorati as head of investor relations (the so-called 'Investor Relator') back in 2002.

According to the provisions contained in Art. 13 of the Company By-Laws – according to which “the functioning of the Shareholders’ Meeting, both ordinary and extraordinary, is governed by a set of regulations approved by the Ordinary Shareholders’ Meeting and valid for all subsequent ones, until amended or replaced” – The Ordinary Shareholders’ Meeting of March 11, 2002 approved the ‘Shareholders’ Meeting Regulations’ which sets clear and univocal rules for orderly and functional running of Shareholders’ Meetings, without being, at the same time, prejudicial to each shareholder’s right to express his/her own opinion and to formulate requests for greater detail and explanations regarding the items put on the agenda for discussion.

The Board of Directors currently in office has decided not to present to the Shareholders’ Meeting any proposals for the reduction of the thresholds provided for by law, which, if exceeded, result in action being taken and prerogatives being exercised for the protection of minority interests.

Moreover, in order to promote dialogue with shareholders and the market, the company makes available on its website, all information both of an accounting nature (financial statements, half-yearly and quarterly reports) and of general interest to shareholders (such as, for example, press releases, the corporate Code of Ethics, the Organization and Control model pursuant to Legislative Decree No. 231/2001, Directors’ Reports on the items put on the agenda, etc.).

16.3.9. Auditors (Article 14)

The Board of Auditors currently in office comprises:

board of auditors	
Eugenio Pinto	Chairman
Pierpaolo Singer	Statutory auditor
Pierumberto Spanò (*)	Statutory auditor
Antonio Sisca	Acting auditor
Maurizio Lauri (*)	Acting auditor
Marco Zampano	Acting auditor

(*) Auditors appointed from lists put forward by the minority.

The Company By-Laws, provide for the list vote mechanism in order to guarantee the presence of representatives of minority shareholders in the Board of Auditors. In accordance with what is specifically provided for by the Company By-Laws, the lists, accompanied by information on the personal and professional background of the candidates, must be filed at the registered office at least 10 days before the day scheduled for the Shareholders' Meeting on first call. Together with each list, and within the same time limit, the statements in which the individual candidates accept their candidature must also be filed, stating, under their own responsibility, that there are no reasons for ineligibility for election and incompatibility, and that they possess all the requisites provided for by law to hold the position as Auditor.

Each Shareholder can present or contribute to the presentation of a single list and each candidate may be registered on a single list only, on penalty of becoming ineligible for election.

Individuals serving as Statutory Auditors on the boards of more than 4 companies with shares listed on Italian regulated markets are ineligible for election as Auditors.

Only shareholders who on their own or together with other shareholders represent at least 1% of shares with voting rights at the Ordinary Shareholders' Meeting are entitled to present lists.

Lastly, listed below are the other offices held by the Astaldi's Auditors, limited to the positions of director or auditor in other companies listed on Italian regulated markets:

other offices (as auditor or director) held by the company's auditors in other listed companies

Eugenio Pinto (Chairman)	Chairman of Board of Auditors of Enel S.p.A. Statutory Auditor of Alleanza S.p.A. and Mediobanca S.p.A.
Pierpaolo Singer	–
Pierumberto Spanò	Statutory Auditor of Snam Rete Gas S.p.A. Acting Auditor of Acea S.p.A.
Antonio Sisca	–
Maurizio Lauri	Statutory Auditor of Acea S.p.A.
Marco Zampanò	–

16.4. Shares held by directors, auditors and general managers

In compliance with the provisions of Article 79 of CONSOB resolution no. 11971/1999, as amended, the following table lists the shares held, directly or through subsidiaries, trust companies or third parties, by directors, auditors and general managers, as well as non-legally-separated spouses and minor children. This information is obtained from the shareholders' register, received correspondence and information acquired from the directors, auditors and general managers themselves.

All persons who held offices during 2005, even for parts of the year, are included.

s h a r e s h e l d b y d i r e c t o r s , a u d i t o r s a n d g e n e r a l m a n a g e r s					
name and surname	company shares held in	number of shares held at end 2004	number of shares purchased	number of shares sold	number of shares held at end 2005
Ernesto Monti		–	–	–	–
Paolo Astaldi	Astaldi S.p.A.	6,000	19,000	–	25,000
Vittorio Di Paola	Astaldi S.p.A.	2,203,000	40,000	1,040,000	1,203,000 (*)
Caterina Astaldi		–	–	–	–
Pietro Astaldi		–	–	–	–
Giuseppe Cafiero	Astaldi S.p.A.	10,000	–	–	115,000 (**)
Luigi Guidobono Cavalchini		–	–	–	–
Stefano Cerri	Astaldi S.p.A.	–	–	–	105,000 (***)
Franco A. Grassini		–	–	–	–
Mario Lupo		–	–	–	–
Vittorio Mele		–	–	–	–
Nicola Oliva	Astaldi S.p.A.	800	–	–	800
Maurizio Poloni		–	–	–	–
Eugenio Pinto		–	–	–	–
Pierpaolo Singer		–	–	–	–
Pierumberto Spanò		–	–	–	–

(*) of which 203,000 shares allocated as stock grant during 2002 and whose lock-up expired on May 14, 2005.

(**) of which 105,000 shares allocated as stock grant during 2002 and whose lock-up expired on May 14, 2005.

(***) stock grants allocated during 2002 and whose lock-up expired on May 14, 2005

17. Programmatic document on safety

It should be noted that in order to guarantee proper handling of personal data, and especially data classified as of a sensitive and legal nature, and in compliance with the provisions set forth in point 26 of the technical specifications as per Annex B of Legislative Decree No. 196/2003 of the Personal Data Protection Laws, the company has adopted the Programmatic Document on Safety, drafted in accordance with the provisions set forth in point 19 of the aforementioned Decree.

18. Adoption of international accounting standards

Following the enforcement of EU Regulation no. 1606/2002, issued by the European Parliament and European Council in July 2002, companies listed on the European stock markets are required, as from 2005, to present their consolidated financial statements in accordance with the international accounting standards (IAS/IFRS) issued by the International Accounting Standard Board (IASB) and approved by the European Union.

Pursuant to IFRS 1, qualitative and quantitative information regarding the effects of the transition to the new international accounting standards (IAS/IFRS) are detailed in the annex to the Notes entitled "Transition to the IFRS international accounting standards".

The company exercised the right to adopt the international accounting standards for the preparation of its separate financial statements, as provided for by Legislative Decree No. 38/2005 of February 28, 2005.

19. Subsequent events

Expansion activities in the domestic market went ahead and continue to do so.

As already mentioned in the section dealing with the orders backlog, Astaldi, in its capacity as leader and agent in a joint venture involving Vianini Lavori, Consorzio Cooperative Costruzioni and Ansaldo Trasporti Sistemi Ferroviari, was awarded the general contracting project to construct Line C of the Rome underground worth a total of approximately EUR 2.2 billion.

On February 22, the joint venture involving Torno, Ansaldo Trasporti, Ansaldo Breda, Alstom Trasporti and ATM (the city's transport company), of which Astaldi is the leader and mandatory, was awarded the project finance initiative for the design, construction and subsequent management of Line 5 of the Milan underground, worth a total of over EUR 500 million and with concession revenues in excess of EUR 700 million.

Other concessions and project finance proposals in the car parks and transport infrastructure sectors are currently under examination.

While as far as foreign commercial activities are concerned, it should be noted that Astaldi Group was finally awarded the contract with SNTF, (Algeria's national railway company) to construct the new Mecheria-Redjem Demouche railway line. The contract, awarded to the Astaldi-ETRHB Haddad joint venture, of which Astaldi is leader with a 51% share, involves the design and subsequent construction of an approximately 140 km stretch of railway linking the cities of Mecheria and Redjem Demouche, located in the south-west of the country. The planned duration of the

works is 22 months for a total of approximately EUR 158 million. At the same time in Romania, where the Group is an established player with major contracts that see it mainly involved in transport infrastructure projects, the company was ranked first in the procedure to award important railway projects worth a total EUR 170 million.

Lastly, receipt of USD 56 million related to amounts owed by the Turkish Ministry of Transport in relation to construction of the Anatolian motorway, must be noted.

20. Management forecast

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

The completion of major projects such as the New Expo Fair Center in Milan and the Pont Ventoux hydroelectric plant, acceleration of activities regarding projects such as the Anatolian motorway in Turkey and management of the start-up of new, highly demanding contracts for the group's management such as Bologna's high-speed station and the Brescia underground perfectly sum up the operating and managerial capacity which has long been the Group's hallmark and added value of its activities.

The changes in the orders backlog to focus more heavily on general contracting and concession/project finance initiatives, and the lesser incidence of traditional contracts, over the coming months will lead Astaldi Group to concentrate its production efforts on increasingly specialised projects from a technological and managerial viewpoint. The Turin railway junction, new hospitals in Mestre and Naples ("Ospedale del Mare"), and two lots of the Jonica state road (SS106) are just some of the projects included among the backlog that the company's management will be working on over the coming years.

New challenges and new projects that will allow the Group to make optimal use of the experience acquired over the years and grasp new opportunities offered by its target market, while maintaining lucrative margins.

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 capacities that 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 forecasting 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 back-

log 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 finance initiatives, Astaldi's 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.

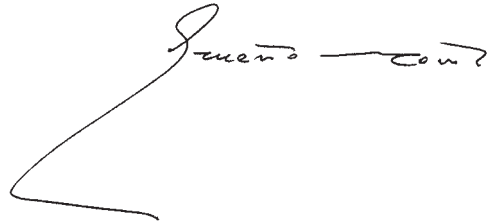
With regard to the foreign sector, the group's aim will continue to be capitalisation of the results achieved to date. Therefore the coming months will see a consolidation of the group's presence in traditional markets in order to guarantee further development. Furthermore consolidation is planned of commercial penetration of Eastern Europe and 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.

It should be also noted that the 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 during 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.

21. Conclusions

Shareholders, the consolidated financial statements show a net profit of EUR 32.5 million after amortization and depreciation, provisions and consolidation adjustments.

On behalf of the Board of Directors
The Chairman
(Ernesto Monti)

A handwritten signature in black ink, appearing to read "Ernesto Monti", with a long, sweeping horizontal line extending to the left.

Consolidated financial statements

INCOME STATEMENT

amounts shown in thousands of euros

	notes	2005	2004
Revenues	1	968,898	1,004,756
Other operating revenues	2	51,833	49,739
<i>Total revenues</i>		<i>1,020,730</i>	<i>1,054,495</i>
Purchase costs	3	194,565	185,987
Service costs	4	527,873	598,795
Staff costs	5	146,552	145,957
Amortisation, depreciation and write-downs	6	32,552	29,050
Other operating costs	7	41,720	23,989
<i>Total costs</i>		<i>943,261</i>	<i>983,778</i>
(Capitalisation of internal construction costs)	8	457	234
Operating result		77,926	70,951
Financial income	9	33,488	47,493
Financial charges	10	(60,947)	(79,505)
Effects of valuation of equity investments using the net equity method	11	4,117	3,937
<i>Pre-tax profit (loss) of current operations</i>		<i>54,585</i>	<i>42,875</i>
Taxation	12	22,734	15,031
Profit (loss) of current operations		31,851	27,845
Profit (loss) related to discontinued operations		–	–
Profit (loss) for the period		31,851	27,845
– attributable to the group		32,479	28,021
– attributable to minority interests		(628)	(177)
<i>Profit per share:</i>	13		
– Profit per basic share		–	–
– Profit per basic share from current operations		0.283	0.272
– Profit per diluted share		–	–
– Profit per diluted share from current operations		0.283	0.272

BALANCE SHEET		ASSETS	
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(thousands of euros)

	notes	2005	2004
ASSETS			
Non-current assets			
Buildings, plant and machinery	14	129,095	125,263
Real estate investments	15	204	204
Intangible assets	16	4,977	5,176
Equity investments	17	34,430	33,238
<i>of which:</i>			
Equity investments valued using the net equity method		31,511	30,666
Non-current financial assets	18	15,829	14,373
Other non-current assets	19	19,826	55,029
Pre-paid taxes	12	12,853	18,389
Total non-current assets		217,214	251,672
Current assets			
Inventories	20	44,702	44,867
Contracts in progress	21	265,267	142,823
Trade receivables	22	384,085	395,237
Current financial assets	18	13,388	27,879
Tax receivables	23	58,932	48,355
Other current assets	19	152,053	115,180
Cash and cash equivalents	24	175,418	185,370
Total current assets		1,093,845	959,712
Non-current assets held for sale	25		
Total assets		1,311,059	1,211,384

Consolidated financial statements at december 31 2005

BALANCE SHEET		NET EQUITY AND LIABILITIES	
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(thousands of euros)

	notes	2005	2004
NET EQUITY			
Share capital		97,302	98,425
Reserves			
– Legal reserve		9,383	7,819
– Extraordinary reserve		58,967	26,741
– Share premium reserve		67,836	67,836
– Profit (loss) carried forward		14,066	2,177
– Other reserves		(22,961)	6,897
Total capital and reserves	26	224,592	209,895
Profit (loss) for the period		32,479	28,021
Total group net equity		257,072	237,916
Reserves		(151)	(2,809)
Profit (loss) for the period		(628)	(177)
Minority net equity		(780)	(2,985)
Total net equity		256,292	234,931
LIABILITIES			
Non-current financial liabilities	27	263,564	89,313
Other non-current liabilities	28	14,936	7,648
Employee severance pay and other staff provisions	29	11,518	11,122
Deferred taxes	12	175	39
Total non-current liabilities		290,192	108,121
Current liabilities			
Client advances	21	67,872	73,880
Trade payables	30	354,816	381,200
Current financial liabilities	27	212,815	309,784
Tax payables	31	17,712	15,223
Provision for current risks and charges	32	54,609	37,370
Other current liabilities	28	56,750	50,875
Total current liabilities		764,575	868,332
Liabilities directly associated with non-current assets held for sale	25		
Total liabilities		1,054,767	976,453
Total net equity and liabilities		1,311,059	1,211,384

103

consolidated net equity movements

(thousands of euros)

	share capital	share premium reserve	legal reserve	attributable to group extraordinary reserve
balance at december 31 2003 in accordance with italian accounting standards	98,425	67,836	7,218	21,675
reclassification				
adoption of iass/ifrss				
balance at december 31 2003 IASs/IFRSs	98,425	67,836	7,218	21,675
amendments to accounting criteria/correction of errors				
balance at january 1 2004 iass/ifrss adjusted	98,425	67,836	7,218	21,675
net equity movements 2004				
exchange rate differences from conversion				
net income (charges) entered directly in net equity	–	–	–	–
profit for the year 2004				
dividends				
provision pursuant to article 27				
other movements			601	5,066
balances at december 31 2004 IASs /IFRSs	98,425	67,836	7,819	26,741
balance at december 31 2004 IASs/IFRSs	98,425	67,836	7,819	26,741
adoption of ias 32 and 39	(400)			
balance at january 1 2005 IASs/IFRSs adjusted	98,025	67,836	7,819	26,741
net equity movements 2005				
cash flow hedge reserve				
exchange rate differences from conversion				
company shares	(723)			
net income (charges) entered directly in net equity	(723)	–	–	–
profit for the year 2005				
dividends				
provision pursuant to article 27				
other movements			1,564	32,226
balance at december 31 2005 IASs/IFRSs	97,302	67,836	9,383	58,967

shareholders							
	other reserves	total	retained earnings	profit for the period	total	minority interests	total net equity
	7,038	202,192	2,535	22,395	227,122	158	227,280
	4,853	4,853	(4,853)		–		–
	(5,684)	(5,684)			(5,684)	(2,488)	(8,172)
	6,207	201,361	(2,318)	22,395	221,438	(2,330)	219,108
	6,207	201,361	(2,318)	22,395	221,438	(2,330)	219,108
	(3,746)	(3,746)			(3,746)		(3,746)
	(3,746)	(3,746)	–	–	(3,746)	–	(3,746)
	–			28,021	28,021		28,021
	–			(6,306)	(6,306)		(6,306)
	–			(90)	(90)		(90)
	4,436	10,103	4,495	(15,999)	(1,401)	(655)	(2,056)
	6,897	207,718	2,177	28,021	237,916	(2,985)	234,931
	6,897	207,718	2,177	28,021	237,916	(2,985)	234,931
	(1,070)	(1,470)			(1,470)		(1,470)
	5,827	206,248	2,177	28,021	236,446	(2,985)	233,461
	(423)	(423)			(423)		(423)
	(173)	(173)			(173)		(173)
	(3,736)	(4,459)			(4,459)		(4,459)
	(4,332)	(5,055)	–	–	(5,055)	–	(5,055)
	–			32,479	32,479	(628)	31,851
	–			(7,375)	(7,375)		(7,375)
	–			(235)	(235)		(235)
	(24,455)	9,335	11,889	(20,412)	812	2,833	3,645
	(22,960)	210,528	14,066	32,478	257,072	(780)	256,292

consolidated cash flow statement

(thousands of euros)

2005

2004

a - cash-flow from operating activities:

group result for the period	31,851	27,845
-----------------------------	--------	--------

adjustments to reconcile net profit (loss) with cash-flow generated (used) by operating activities:

deferred taxes	3,557	1,272
amortisation, depreciation and write-downs	38,214	37,406
provision for risks and charges	16,100	5,179
provision for employee severance pay and benefit plans	2,919	2,930
provision for employee incentive plans	1,840	5,540
losses on disposal of non-current assets	3,732	2,118
effects of valuation using net equity method	(4,117)	(3,937)
gains on disposal of non-current assets	(3,441)	(1,158)
subtotal	58,804	49,350

differences in operating assets and liabilities (working capital):

trade receivables	88,607	(28,739)
inventories and works in progress	(87,960)	(34,554)
trade payables	(26,384)	83,656
provision for risks and charges	(4,622)	23,190
client advances	(6,008)	(34,444)
other operating assets	(47,206)	(16,587)
other operating liabilities	12,034	2,407
payment of employee severance pay and benefit plans	(2,523)	(4,895)
subtotal	(74,062)	(9,966)

cash-flow from disposed assets

	-	-
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total cash-flow from operating activities	16,593	67,229
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b - cash-flow from investment activities:

real estate investments	-	-
investment in intangible fixed assets	(3,118)	(178)
investment in tangible fixed assets	(42,104)	(24,817)
sale (purchase) of other equity investments net of acquired cash-flow, coverage of non-consolidated company losses and other changes in consolidation area	2,531	(3,842)
sale of tangible and intangible fixed assets and real estate investments	15,384	7,747
difference in financing of equity investments	(2,354)	2,885
contributions received	2,019	-
net effect of change in consolidation area	(1,053)	

cash-flow related to disposed assets

	-	-
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total cash-flow from investment activities	(28,695)	(18,205)
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c - cash-flow from financing activities:

paid capital increases	-	-
paid dividends	(7,375)	(6,306)
registration (repayment) of non-current payables net of commission	157,966	(24,679)
net change in current financial payables (including leasing)	7,764	23,402
loan repayment to astaldi finance	(129,989)	-
net change in financial assets	(16,987)	7,652
sale (purchase) of securities/bonds and company shares	(9,099)	(20,011)
net effect of change in consolidation area		

cash-flow related to disposed assets

	-	-
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total cash-flow from financing activities	2,280	(19,942)
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d - exchange rate differences on cash and cash equivalents	(130)	(152)
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net increase (reduction) in cash and cash equivalents	(9,952)	28,930
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cash and cash equivalents at start of year	185,370	156,440
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cash and cash equivalents at end of year	175,418	185,370
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N.B. Comparison figures for 2004 are not shown insofar as they are not drafted in accordance with IAS 32 / 39 and therefore cannot be compared with the figures at December 31, 2005.

Total revenues

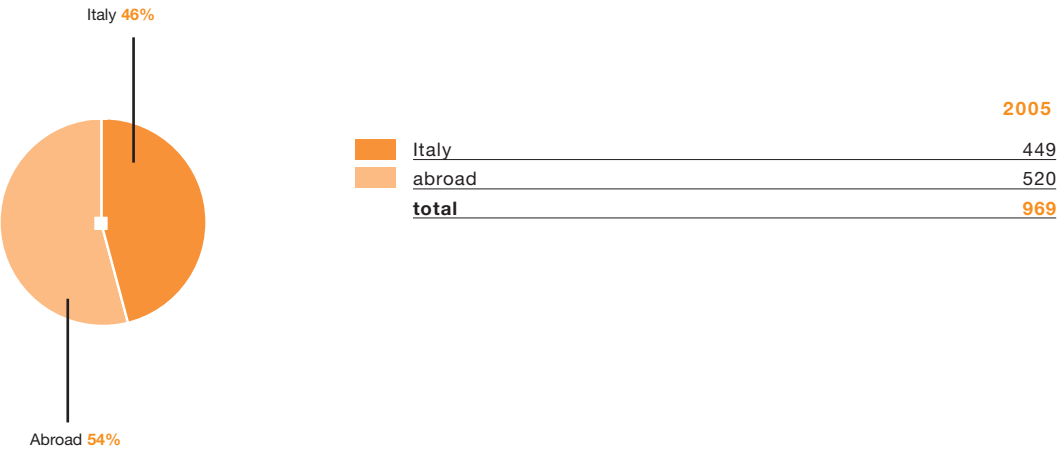
value of production

(millions of euro)



contract revenues by geographical area

(millions of euro)



Notes to the IFRSs consolidated financial statements

Form and content

Astaldi Group's consolidated financial statements at December 31, 2005 have been drafted in accordance with the International Financial Reporting Standards adopted by the European Union.

The consolidated financial statements comprise the financial statements of the parent company, Astaldi S.p.A. and of the Italian and foreign companies in which Astaldi holds the controlling interest, either directly or indirectly.

The financial statements approved by the Shareholders' Meeting or, if unavailable, the draft financial statements drafted by the Boards of Directors have been used to perform consolidation. The reference dates of the consolidated companies' financial statements coincide with that of the parent company. The financial statements included in consolidation are drafted in accordance with the parent company's accounting policies, adjusted where needed in order for them to be consistent with the aforementioned parent's policies.

The financial statements comprise the income statement, balance sheet, equity movements, cash flow statement and relative notes.

The income statement of Astaldi Group uses a classification of the individual items based on their nature. Said classification is in keeping with the management report methods used inside the Group, and is therefore considered more representative compared to presentation of items according to function, providing more reliable and more relevant information for the sector of origin.

As far as the balance sheet is concerned, it has been chosen to enter items, separating assets and liabilities into current and non-current assets and liabilities, in accordance with the provision contained in paragraph 51 and following of IAS 1.

The cash flow statement shows cash flow for the year, broken down into operating activities, investment activities and financial activities, and is drafted on the basis of the indirect method.

With regards to the segment disclosure, regulated by IAS 14, it must be noted that, taking into account the fact that the Group operates in various countries and various geographical areas, the primary reference model is the geographical one while information regarding business areas is secondary.

The valuation criteria used by the Group up to the drafting of the consolidated financial statements at December 31, 2004 were in compliance with the Italian Civil Code, interpreted and supplemented by the standards issued by the Italian Accounting Board (OIC) and by the National Councils of Professional Accountants and Bookkeepers. First-time adoption of the IFRSs to draft the 2005 consolidated financial statements made it necessary to adjust 2004 figures, for the purposes of comparison, in order to reflect any changes generated by the introduction of new reference accounting standards. The effects of first-time adoption of the IFRSs provided for in IFRS 1 are listed in the document "Transition to international accounting standards IFRSs)" attached to said notes. It must be noted that some changes have been introduced compared to figures published in the attachment to the consolidated half-yearly report. Said changes concerned the area of consolidation which, firstly, did not include some consortium compa-

nies and consortia, being voluntarily wound up and classed as non-significant. This produced a reduction of EUR 406 in the equity, and of EUR 21 in the 2004 consolidated result.

The IFRSs used to draft the accounts statements subject to consolidation have been integrated with the interpretations of the IFRIC (International Financial Reporting Interpretations Committee) and SIC (Standing Interpretations Committee) as at December 31, 2005.

The accounting standards listed below have been coherently applied for the compared periods with the exception of those concerning valuation of financial instruments. Indeed the Group availed itself of the exemption provided for by IFRS 1, which allowed for the adoption of IAS 32 and IAS 39 as from January 1, 2005, without listing comparative information from the previous year for said standards. Therefore, the accounting standards used to value financial instruments in the comparative information are the national standards. The effects of adoption of IAS 32 and 39 are shown in a specific reconciliation table, included and commented on subsequent to these notes.

All amounts are expressed in thousands of euros unless otherwise indicated. Consequently, the total amounts in some statements can differ slightly from the sum of the amounts comprising said totals due to rounding-up.

It should be noted that the IFRSs adopted by the European Union do not provide for specific account entry of concession services. IFRIC has produced three draft interpretations regarding the classification of assets (freely transferable assets), liabilities (recovery provisions), revenues and costs of concession services. Said interpretations should be applied as from the financial statements for the year ending December 31, 2006. Consequently, freely transferable assets, revenues and costs of concession services have been entered in compliance with the national accounting practice when drafting the financial consolidated statements at December 31, 2005. The disclosure provided for in SIC 29 – Disclosure – Service concession arrangements was also provided.

First-time adoption of IFRSs

The attachment “Transition to international accounting standards (IFRSs)” containing the reconciled statements, criteria used and relative notes, required by IFRS 1, was published as an attachment to the 2005 Half Yearly Report which represents the first report presented by Astaldi Group in accordance with the new international accounting standards (IFRSs). Said document has also been attached to the comment of these notes to the consolidated financial statements.

Specifically, reconciliation of equity concerns:

- the opening balance at January 1, 2004, the date of first application of the IFRSs, compared to the closing balance at December 31, 2003, calculated in accordance with Italian accounting standards;
- the closing balance of 2004, already calculated in accordance with Italian accounting standards, drafted in compliance with IFRSs.

While reconciliation of the income statement concerns:

- calculation of the operating result of the year ending December 31, 2004 in compliance with Italian accounting standards, applying IFRSs.

Moreover, due to the adoption of IAS 32 and IAS 39 beginning from January 1, 2005, the reconciliations also include reconciliation related to the effects of said standards on the financial position and equity at January 1, 2005.

The following table summarises the reconciled statements:

r e c o n c i l e d s t a t e m e n t s	
equity and opening balance sheet	01.01.2004
balance sheet, equity and income statement	31.12.2004
balance sheet and equity following adoption of IAS 32 and 39	01.01.2005

Reconciliation of equity and the balance sheet at January 1, 2004, December 31, 2004 and January 1, 2005, and of the result and income statement at December 31, 2004 are included in the attachment "Transition to international accounting standards (IFRSs)", which should be referred to.

Accounting standards adopted

The most important accounting standards and valuation criteria adopted to draw up the consolidated financial statements at December 31, 2005 are listed below.

Area of consolidation and consolidation standards

The Group's consolidated financial statements include the statements of the companies included in the area of consolidation (hereinafter "consolidated companies"), drafted in accordance with Astaldi Group's accounting standards (IFRSs). A list of the companies included in the area of consolidation and relative percentages held by the Group, either directly or indirectly, is attached to these notes.

Specifically, the companies where Astaldi has a controlling interest have been consolidated using the line by line method. Said controlling interest consists in holding the majority of shares with voting rights, either directly or indirectly, or the powers to determine the company's financial and managerial choices, obtaining the relative benefits, regardless of shareholder composition.

Investments in companies whose control is exercised jointly with third parties are consolidated using the equity method.

All the subsidiaries are included in the area of consolidation from the date when control is transferred to the Group. Companies are excluded from the area of consolidation from the date when the Group hands over control.

The values resulting from relations among consolidated companies, especially from existing receivables and payables at year end, costs and revenues as well as financial income and charges entered in the companies' accounts are cancelled. The profits and losses attained among consolidated companies with the related tax adjustments are likewise cancelled. With regard to capitalised internal constructions on freely transferable assets, the margins inside the Group are not reversed, either because works are awarded by grantors in accordance with the procedures provided for by law, based on market prices, or because the margins in terms of absolute amounts are insignificant. More-

over, said works, performed on behalf of third parties, will be freely transferred to the respective grantors upon expiry of the individual concessions. Investments in companies where a considerable influence is exercised, generally combined with a holding of between 20% and 50%, are valued in accordance with the equity method. In the event of application of the equity method, the value of the investment is aligned with equity, adjusted where necessary, to reflect application of IFRSs and includes goodwill (net of impairment) as identified at the moment of acquisition, as well as the effects of adjustments required by standards regarding the drafting of consolidated financial statements. Therefore, the profits and losses attained among consolidated companies in accordance with the equity method and other consolidated group companies are eliminated.

Any losses of value exceeding the entered book value are entered in the provision for risks on investments, solely in the measure in which the subsidiary has undertaken legal or implicit obligations or made payments on behalf of the companies.

The area of consolidation at December 31, 2005 is attached below:

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 Corporation of Florida	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 S.r.l.	66.00%
■ 13 Astaldi-Sénégal Association en participation	100.00%
■ 14 Astur Construction and Trade A.S.	99.00%
■ 15 Bussentina S.c.r.l. 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 S.c.r.l.	100.00%
■ 23 Consorzio Astaldi - C.B.I.	60.00%
■ 24 Diga di Arcichiaro S.c.r.l. in liquidation	100.00%
■ 25 DIP.A. S.c.r.l. in liquidation	100.00%
■ 26 Eco Po Quattro S.c.r.l.	80.00%
■ 27 Euroast S.r.l. in liquidation	100.00%
■ 28 Fiorbis S.c.r.l. in liquidation	99.98%
■ 29 Forum S.c.r.l.	59.99%
■ 30 I.F.C. Due S.c.r.l. 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 S.c.r.l. in liquidation	100.00%
■ 36 Montedil-Astaldi S.p.A. (MONTAST) in liquidation	100.00%
■ 37 Mormanno S.c.r.l. in liquidation	74.99%
■ 38 Ospedale del Mare S.c.r.l.	60.00%
■ 39 Palese Park S.r.l.	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 S.c.r.l. 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 S.r.l. 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 Fadalto S.c.r.l. in liquidation	80.00%

Conversion of items and translation of financial statements in foreign currency

Astaldi Group's financial statements have been drafted in euros which is the parent company's functional currency.

The balances of each group company included in the financial statements have been entered in the currency of the main economic environment the company works in (functional currency). The items expressed in a different currency from the functional currency, either monetary (cash and cash equivalents, assets and liabilities payable or receivable with pre-established or determinable sums of money, etc.) or non-monetary (inventories, contracts in progress, advances to suppliers of goods and/or services, goodwill, intangible assets etc.) are initially calculated at the exchange rate in force on the transaction date. The monetary items are subsequently converted into the functional currency at the exchange rate on the closing date of the financial statements and the resulting differences are entered in the income statement. The non-monetary items are kept at the conversion rate on the transaction date except in the case of an ongoing unfavourable trend in the reference exchange rate. The exchange rate differences related to non-monetary items are entered (income statement or equity) in the same way as the differences in the value of said items.

The rules for converting financial statements expressed in foreign currency into functional currency are as follows:

- assets and liabilities included in financial statements, even if for comparative purposes only, are converted at the exchange rate on the closing date of the financial year;
- costs and revenues, income and charges, included in financial statements, even if for comparative purposes only, are converted at the average exchange rate for the period in question, or at the exchange rate on the transaction date should this differ significantly from the average rate;
- the equity items, excluding profit for the period, are converted at historic exchange rates;
- the "translation reserve" includes both the exchange rate differences generated by the conversion of economic items at a different rate from the year end rate, and the differences generated by conversion of opening equity at a different exchange rate than the year end rate.

For first-time adoption of IFRSs, the total conversion differences generated by consolidation of companies/concerns outside the Euro area were set to zero, as allowed by IFRS 1; therefore, only the conversion differences accrued and entered subsequently to January 1, 2004, will be used to determine the gains and losses resulting from their assignment to said companies/concerns, where applicable.

Property, plant and equipment

Tangible assets are valued at purchase or production cost, net of accrued depreciation and impairment. The cost includes all expenses directly incurred for preparing assets for use, as well as any charges for dismantling and removals needed to restore the site to its original conditions.

Charges incurred for routine and/or cyclical maintenance and repairs are entered directly in the income statement in the financial year in which they are incurred. Costs related to enlarging, modernizing, or improving the facilities owned or used by third parties are capitalized exclusively within the limits in which they meet the

requirements for being separately classified as an asset or part of an asset. Financial charges incurred for acquiring and/or building assets are not capitalized. The value of an asset is adjusted by systematic depreciation, calculated in relation to the residual possibility of use based on its useful life. Depreciation starts from the moment the asset becomes available for use. The useful life estimated by the Group for the various classes of assets was as follows:

useful life of property, plant and equipment	
	years
property	20-33
plant and equipment	5-10
equipment	3-5
other assets	5-8

Land, including that pertaining to buildings, is not depreciated.

Should the asset subject to depreciation be composed of distinctly identifiable elements whose useful life differs significantly from that of the other components forming the fixed asset, depreciation is performed separately for each of the components forming the asset, in application of the component approach policy.

Profits and losses resulting from the sale of assets or groups of assets are calculated by comparing the fair value, net of sales costs, with the relative net book value.

Freely transferable assets are systematically depreciated in every financial year on the basis of their residual possibility of use, considered in relation to the duration of the concession or the asset's useful life if shorter. Any provision to cover the cost of restoring or replacing freely transferable assets is entered among the provision for risks and charges.

It should be noted that freely transferable assets refer to the following concessions:

concessions related to freely transferable assets			
grantor	purpose of concession	type of asset	expiry of concession
Turin city authorities	design, construction and management of a multi-storey car park	car parks	08/08/2076
Turin city authorities	design, construction and management of a multi-storey car park	car parks	24/02/2078
Bologna city authorities	design, construction and management of a multi-storey car park	car parks	07/07/2058

To further explain the table included above, it should be noted that the aforementioned concessions provide for obligations regarding extraordinary maintenance of the buildings.

Tangible assets owned through financial leasing agreements, which basically transfer all the risks and benefits of ownership to the Group, are entered as Group assets at their current value or, if lower, at the current value of the minimum payments due for the leasing agreement, including the sum to be paid for exercising the purchase option. The corresponding liabilities in the lessor's regard are entered among financial payables.

If there is no reasonable certainty that ownership of the asset shall be acquired at the end of the leasing agreement, the financially leased assets are depreciated over a period equal to the duration of the leasing agreement, or the useful life of said asset, whichever is shorter.

Leases in which the lessor substantially maintains all the risks and benefits of ownership of the assets are classified as operating leases. The fees referring to operating leases are recorded in the income statement in the financial years of the duration of the leasing agreement.

For first-time adoption (January 1, 2004), in compliance with IFRS 1, the revalued cost was applied as a replacement of the original historical cost in relation to the valuation of some land and buildings.

Intangible assets

Intangible assets are non-monetary items having no physical consistency, and clearly identifiable and suited to generating future economic benefits for the company. Said items are recorded in the financial statements at purchase and/or production cost, including expenses that may be directly attributed during the preparation phase to bring it into operation, net of accrued amortisation (with the exception of assets with an undefined useful life) and any impairment. Amortisation starts as of when the asset is available for use, and is divided systematically in relation to the residual possibility for its use, which is based on its useful life. A rate taking its actual use into account is employed in the financial year when the intangible asset is entered for the first time.

Industrial patent rights and rights to use intellectual works are entered at purchase cost, net of amortisation and impairment accrued over time.

Amortisation is performed as from the financial year in which the purchased right is available for use, and takes into account the corresponding useful life.

Concessions, licenses and similar rights are entered at cost, net of amortisation and impairment accrued over time.

Amortisation is performed as from the financial year in which ownership is acquired, in relation to their duration.

Goodwill entered among intangible assets is linked to business combination transactions and represents the positive difference between the cost incurred to acquire a business or line of business and the Group's stake in relation to the current value of the assets and liabilities forming the capital of said business or line of business. Purchased and identifiable potential assets and liabilities (including respective minority interests) are entered at their current value (fair value) at the purchase date. While the negative difference, if any, is entered in the income statement at the moment of purchase. Goodwill subsequent to initial entry is not subject to amortisation, but to depreciation due to impairment.

Annually, or more frequently if specific events or changed circumstances point to the possibility that it has been subject to impairment, goodwill is subjected to checks to identify any impairment, in accordance with the provisions of IAS 36 (Impairment of assets).

In this regard, it must be noted that no goodwill was recorded at December 31, 2005; consequently no information is provided with regard to the cash generating units it is allocated to.

Business combinations

The Group applies IFRS 3 to record business combinations for which contractual agreements refer to March 31, 2004 or later.

Moreover, at the moment of purchase, the Group values the purchased assets and liabilities at the fair value at the purchase date; this means that any minority interests in the acquired share must be re-expressed in proportion to the minority share of new fair values, net of said assets and liabilities.

For first-time adoption of IFRSs, the Group chose not to apply IFRS 3 (Business combinations) retroactively to companies acquired prior to January 1, 2004; consequently goodwill generated on acquisitions prior to transition to IFRSs was kept (without prejudice to any effects resulting from application of the new standards) at the previous value calculated according to Italian accounting standards, subject to checking its recoverability.

Acquisition of Sartori Sud Srl

In May 2005, Astaldi International Ltd acquired 100% of the voting rights of Sartori Sud S.r.l., a non-listed company operating in the sector of petrochemical factory maintenance.

A breakdown of the effects of entry of the acquisition of this investment is shown below:

effects of entry of the acquisition			
(thousands of euros)			
	value	fair value	book value
total non-current assets		1,576	1,576
total current assets		555	555
total non-current liabilities		(520)	(520)
total current liabilities		(1,411)	(1,411)
total net assets		200	200
percentage acquired	100%		
share of equity acquired		(200)	(200)
price paid plus ancillary charges		200	200
negative goodwill		-	-
revenues for the period	1,080		
profit (loss) for the period	(277)		

With reference to the price paid, a breakdown of said cost and cash flows related to the acquisition are shown below:

costs and cash-flow related to the acquisition	
(thousands of euros)	
shares issued at fair value	-
acquisition-related costs	200
total price	200

liquid assets used for acquisition	
(thousands of euros)	
net liquid assets of subsidiary	2
payments	200
net liquid assets used	198

Investment property

An investment property is entered as an asset when it represents a property owned with the purpose of receiving rent or appreciation of the invested capital, provided that the cost of the asset can be reliably established and the relative economic future benefits can be used by the company.

They are valued at purchase or production cost, augmented by any ancillary costs, net of accrued amortisation and of any impairment.

The useful life of property included under said item is between 20 and 33 years.

Investment property is eliminated from the financial statements when transferred or when the investment is unusable in the long-term and no economic benefits are expected from its transfer.

Impairment of tangible and intangible assets

Assets with an undefined useful life are not subject to amortisation, but are subjected at least annually to an impairment test, which checks the recoverability of the value reported in the financial statements.

For assets subject to amortisation, the possible presence of indicators of an impairment is valued: in the event of a positive response, the recoverable amount of the asset is estimated, with any surplus ascribed to the income statement.

Should the prerequisites for the previously performed depreciation cease to exist, the asset's book value is restored within the limits of the original book value: the restoration of value is also recorded in the income statement. However, in no case is the value of previously depreciated goodwill or intangible asset with an undefined useful life restored.

When the recoverable amount of an individual asset cannot be estimated, the Group estimates the recoverable amount of the cash generating unit to which it belongs.

The recoverable amount of an asset or cash generating unit is either the fair value, net of sale costs or its value in use, whichever is greater. To calculate the value in use of an asset or cash generating unit, the current value of estimated future financial flows is calculated, gross of taxes, by applying a pre-tax discounting back rate reflecting the current market valuations of the pro-rata temporis value of the money and of the specific risks of the asset. An impairment is entered if the recoverable amount is less than the book value. When an impairment of assets other than goodwill ceases to exist or gets smaller, the book value of the asset or of the cash generating unit is increased to the newly estimated recoverable amount, but may not exceed the value that would have been calculated if no impairment had been recorded. Restoration of an impairment is immediately entered in the income statement.

Investments

Investments in companies other than subsidiaries, associates, and joint ventures, for which the area of consolidation should be referred to (generally with a share of less than 20%) are classified, at the moment of purchase, among "investments".

They are valued at fair value or at cost in the case of non-quoted investments or investments for which the fair value is unreliable and cannot be calculated, adjusted for impairments as provided for by IAS 39.

Inventories

Inventories are entered at the cost or the net realizable amount, whichever is less. The method selected to calculate this cost, as a Group principle, is the *weighted average cost*.

The cost includes all charges related to purchase and transformation and all other costs incurred to bring inventories to the site where used and in the conditions to be employed in the production process.

Contracts in progress

Contracts in progress are entered on the basis of the progress method (or percentage of completion), according to which costs, revenues and the margin are acknowledged on the strength of production progress. The criterion adopted by the Group is that of the percentage of completion, calculated by applying the "incurred cost" (cost to cost) criterion.

Valuation reflects the best estimate of contracts carried out at the reporting date. The assumptions at the base of the valuations are updated at regular intervals. Any economic effects are recorded in the financial year in which the updates are made.

Contract revenues include:

payments agreed upon by contract, work changes, price reviews, and incentives, to the extent in which these are likely to be reliably valued. Specifically, valuation of the price review, as understood by the regulations implementing the framework act regarding public works as well as international regulations, was based on the positive results that could reasonably be obtained from disputes with clients, on the strength of contract clauses and specific technical and legal studies.

Contract costs include:

all costs that refer directly to the project, the costs that may be attributed to project activity in general and can be allocated to said project, as well as any other costs that may be specifically charged to the client on the basis of contract clauses.

Contract costs also include:

pre-operating costs, in other words the costs incurred during the initial phase of the contract prior to the start of construction activity (tender preparation costs, design costs, organization and production start-up costs, construction site installation costs), post-operating costs incurred after completion of the contract (removal of construction site, return of plant/equipment to base, etc.), as well as any costs for services to be performed after the completion of works (for example, regular maintenance, assistance and supervision during the first phase of operation of individual works).

Should completion of a project be forecast to generate a loss, this shall be recognized in its entirety in the financial year in which it may be reasonably expected.

When the result of a long-term project cannot be reasonably estimated, the value of the contracts in progress are calculated on the basis of costs incurred, when it is reasonably expected that they will be recovered, without assessment of the margin.

When favourable or unfavourable events attributable to existing situations at the financial statements reference date occur after said date, the amounts entered in the financial statements are adjusted to reflect the consequent economic, financial and equity effects.

Contracts in progress are set out net of the any depreciation funds and/or final losses, as well as advances for the contract being carried out.

Said analysis is carried out on a contract by contract basis. Should the differential be positive (due to contracts in progress greater than the amount of advances), the imbalance is classified among assets. On the other hand, should this differential be negative, the imbalance is classified among liabilities, under “advances from customers.”

Should the provision for final losses regarding each project exceed the contract value entered among assets, said excess is classified in the provision for risks and charges.

Accounts receivable and financial assets

The Group classifies financial assets in the following categories:

- assets at fair value with offset to the income statement;
- accounts receivable and loans;
- financial assets held to maturity;
- financial assets available for sale.

Classification depends on the reasons for which the asset was acquired, the nature thereof, and the valuation made by management as at the purchase date or, with reference to the transition to IFRSs, as at the date of adoption of IAS 39.

For comparative data regarding previous years, in compliance with IFRS 1 provisions, financial assets and liabilities are recorded in accordance with Italian accounting standards; financial assets are entered among current and non-current assets based on the term and/or use as at the date of the financial statements. Securities and investments entered among current assets are recorded at purchase cost, accurately calculated, or at market value if lower. Securities entered among non-current assets (for investment, please see the specific paragraph) are recorded at purchase cost, adjusted as necessary to take impairment into account.

Financial assets at fair value with offset to income statement

This category includes financial assets acquired for the purposes of short-term negotiation or financial assets thus designated by management, in addition to derivatives, for which reference should be made to the following paragraph. The fair value of said instruments is calculated by referring to the market value (bid price) as at the end date of the period in question. In the event of non-quoted instruments, the fair value is calculated with commonly used financial valuation techniques. The fair value variations of instruments in this category are immediately entered in the income statement.

Accounts receivable and loans

This category includes assets not represented by derivatives and for which an active public market does not exist, from which fixed or determinable payments are expected. Said assets are valued at the amortised cost based on the actual interest rate method. Any impairment calculated through the impairment test is entered in the income statement. These assets are classified as current assets, except for shares whose terms expire after more than 12 months, which are included among non-current assets.

Financial assets held to maturity

Unlike derivatives, these assets have a pre-established term and are the assets which the Group intends and is able to maintain in its portfolio until the maturity. These assets are valued at the amortised cost based on the actual interest rate method. Those whose contractual term is expected within the 12 months thereafter are classified under current assets. Any impairment calculated through the impairment test is entered in the income statement.

Financial assets available for sale

This category includes the financial assets, not represented by derivatives, designated specifically as falling under this category or not classified in any of the previous categories. They are valued at the fair value calculated with reference to the market prices as at the date of the financial statements, or by using financial valuation models and techniques, recording their fluctuations with an offset to a specific equity provision ("provision for financial assets available for sale"). This provision is booked in the income statement only at the time when the financial asset is actually transferred or, in the case of negative fluctuations, when it is clear that the impairment already recorded among equity cannot be recovered. Classification as current or non-current assets depends on the management's intentions and on the real negotiability of the security: assets whose realization is expected in the subsequent 12 months are recorded among current assets.

Derivatives

Derivatives are usually considered as instruments suitable for hedging and effective in neutralizing the risk of underlying assets or liabilities or Group undertakings, except when they are classed as assets held for the purpose of negotiation and valued at fair value with offset to the income statement.

Specifically, the Group uses derivatives within the context of hedging strategies aimed at neutralizing the risk of fair value fluctuations of assets or liabilities entered in financial statements, or resulting from contractually defined undertakings (fair value hedge) or of fluctuations in expected cash flows with regard to contractually defined or highly probable transactions (cash flow hedge).

The effectiveness of hedging operations is documented both from the start of the transaction and periodically (at least at every date of publication of financial statements or interim reports), and is measured by comparing the fair value fluctuations of the hedging instrument with those of the hedged element or, in the case of more complex instruments, through statistical analyses based on risk fluctuation.

For comparative figures regarding previous periods, in compliance with IFRS 1 provisions, the derivatives in comparative financial positions are entered in the financial statements in accordance with Italian accounting standards, or in the case of instruments not qualified as hedging, any negative differentials in value are recorded among costs and liabilities, while no entry is made in the case of positive market values. The interest differentials on interest rate swap ("IRS") contracts used for financing hedging are recorded on an accrual basis among financial income and charges; the cost of forward contracts (difference between spot exchange at the start of the contract and forward exchange) is entered in the income statement on a pro-rata temporis basis.

In the event of forward operations, the differential attributable to premiums or dis-

counts is entered where applicable among the financial income and charges and among other current assets or liabilities on a pro-rata temporis basis.

It should be noted that the Group does not stipulate derivative contracts for speculative purposes.

Fair Value Hedge

The fluctuations in value of derivatives designated as fair value hedges and qualified as such are entered in the income statement, similarly to what is done with regard to fair value fluctuations of hedged assets or liabilities attributable to the risk neutralized by the hedging operation.

The derivative is no longer entered as a fair value hedge in the following cases:

- the designation is revoked;
- the hedging no longer complies with hedge accounting requirements;
- the derivative expires or is sold, redeemed or exercised.

Cash-Flow Hedge

The fair value fluctuations of derivatives designated as cash flow hedges and qualified as such are recorded, with regard to the “effective” portion only, in a specific equity reserve (“cash flow hedge reserve”), which is then carried over to the income statement when the underlying object of hedging presents itself from an economic viewpoint. The fair value fluctuation referable to the ineffective portion is immediately entered in the period’s income statement. If the derivative instrument is transferred or is no longer qualified as an effective hedge against the risk for which the operation had been made, or the occurrence of the underlying operation is no longer considered highly probable, its portion of the “cash flow hedge” is immediately entered in the income statement.

Calculation of fair value

The fair value of instruments quoted on public markets is calculated with reference to the quotations (bid price) as at the reference date of the period in question. The fair value of non-quoted instruments is measured with reference to financial valuation techniques. Specifically, the fair value of interest rate swaps is measured by discounting back the expected cash flows, while the fair value of forwards on exchanges is calculated on the basis of market exchange rates as at the reference date, and the rate differentials among the currencies concerned.

Derecognition

The Group “assigns debts” through which it transfers contractual rights to receive the relative financial flows to third parties. These transactions can be characterised:

- (i) by the substantial transfer of risks and benefits resulting from ownership of the underlying financial asset;
- (ii) by maintenance inside the Group of a significant part, or of all the aforementioned risks and benefits.

In the first case, the Group eliminates the financial asset and enters separately among assets and liabilities, any rights and obligations resulting from or maintained subsequent to the transfer. In the second case, the Group continues to enter the financial asset in its statements.

For comparative figures regarding previous periods, in compliance with IFRS 1 provisions, assets assigned with recourse in the comparative financial positions are entered in the financial statements, in accordance with Italian accounting standards.

Cash and cash equivalents

These include money and deposits with banks or other credit institutions, available for current transactions, postal current accounts, and other equivalent securities, as well as investments with terms expiring within three months of the purchase date. Cash and cash equivalents are entered at fair value.

Equity

Share capital

The share capital is the capital subscribed and paid up of the parent company. Costs strictly related to share issue are classified as reducing the share capital when said costs are directly attributable to the capital transaction.

Treasury shares

Treasury shares are recorded as a reduction of equity. Specifically, the nominal value of treasury shares is entered as a reduction of the issued share capital, while the excess of the purchase value compared to the nominal value is carried over to reduce other reserves. Therefore, profits or losses for the purchase, sale, issue, or cancellation of treasury shares are not entered in the income statement.

For comparative figures regarding previous periods, in compliance with IFRS 1 provisions, treasury shares in comparative financial positions are entered in the financial statements, in accordance with Italian accounting standards.

Profit (loss) carried forward

This includes the economic results of the current period and of the previous financial years for the part not distributed or allocated to reserves (in the case of profit) or balanced (in the case of loss).

Other reserves

These are capital reserves with a specific assignment related to the parent company. They include the fair value reserve for entries booked with this criterion with equity offset.

Financial liabilities

Financial liabilities are initially entered in financial statements at their fair value, net of transaction costs. They are subsequently valued at their amortized cost. Any difference between the sum received (net of transaction costs) and the nominal value of the payable is entered in the income statement by applying the actual interest rate method.

They are classified as current liabilities, unless the Group has the contractual right to fulfil its obligations at least more than 12 months subsequent to the date of the financial statements.

For comparative periods, financial liabilities are entered at their nominal value.

Trade payables and other payables

Trade payables, whose term of expiry falls within standard commercial terms, are not discounted back and are entered at cost (identified by their nominal value).

*Income taxes**Current taxes*

Current taxes for the years and for the previous years are entered at the value expected to be paid to the tax authorities. The tax rates and legislation used to calculate the amount are those issued or largely issued at the closing date of the financial statements in the individual countries where the Group operates.

Deferred taxes

Deferred taxes are calculated by adopting the so-called liability method, applied to the temporary taxable or deductible differences between the value of assets and liabilities entered in the financial statements and the value attributed to these for tax purposes.

Deferred tax liabilities are entered against all temporary taxable differences, with the exception of when:

- deferred tax liabilities result from initial valuation of goodwill or an asset or liability in a transaction that is not a corporate business combination and that, at the moment of the transaction, does not affect the profit for the year, calculated for the financial statements, or the profit or loss calculated for tax purposes;
- with reference to temporary taxable differences connected to interests in subsidiaries, associates and joint ventures, rotation of the temporary differences can be checked and it is likely that it will not occur in the future.

Deferred tax assets are entered against all deductible temporary differences and for tax losses carried forward, to the extent in which sufficient future tax profits that can make its use applicable is likely, except when the deferred tax asset linked to the temporary deductible differences results from initial valuation of an asset or liability in a transaction that is not a corporate business combination and that, at the moment of the transaction, does not affect the profit for the year, calculated for the financial statements, or the profit or loss calculated for tax purposes.

The value of deferred tax assets to be entered in the financial statements is reviewed at each closing date of the financial statements and reduced to the extent in which sufficient future tax profits are no longer likely, in order to allow all or part of the credit to be used. Deferred tax assets that are not entered are reviewed on an annual basis at the closing date of the financial statements, and are entered to the extent in which it is likely that the tax profit is sufficient to allow said deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured on the basis of tax rates expected to be applied for the period in which said assets are realised or said liabilities discharged, considering the rates in force and those already issued or largely issued at the closing date of the financial statements.

Deferred tax assets and liabilities are offset in the event of a legal right to offset current tax assets with current tax liabilities and when the deferred taxes refer to the same tax body and same tax authority.

Income taxes (deferred and current) related directly to equity items are directly attributed to equity and not to the income statement.

Employee benefits

Provision for employee severance indemnity

The provision for employee severance indemnity, obligatory for Italian companies pursuant to Law No. 297/1982, is considered a defined benefit plan, according to IFRSs, and is based on the working life of employees and on the pay earned by an employee over the course of a pre-established term of service.

The value of employee severance indemnity is calculated by independent actuaries using the projected unit credit method. For first-time adoption of IFRSs, Astaldi Group decided to enter all accrued actuarial profits and losses (at January 1, 2004), and in current financial years to use the "corridor method," to record actuarial profits and losses, which makes it possible to dilute the effect derived from the change in certain evaluation parameters over a number of financial years. In compliance with said method, any share of net actuarial profits and losses that at the end of the prior period exceeds 10% of the current value of the obligation or 10% of the fair value of any assets used by the plan at the same date, divided by the remaining working life of the employees, whichever is higher, is entered in the income statement for each financial year.

Cash-settled share-based payments

The parent company pays additional benefits to top managers and consultants through cash-settled share-based payments. For these operations, in accordance with the provisions of IFRS 2, both the goods or services acquired and the liabilities undertaken are valued at the fair value of the liability. The fair value is re-calculated for the closing date of each financial statements until the liability is paid up, and on the settlement date, all fair value fluctuations are entered in the income statement. The Group has applied the provisions set forth in IFRS 2 since January 1, 2004.

Provision for risks and charges

The provisions for risks and charges are entered when, at the reference date, there is a current obligation (legal or implicit) resulting from a past event, should a disbursement of resources to satisfy the obligation be likely, and a reliable estimate of the obligation can be made.

The amounts allocated are entered at the value representing the best estimate of the amount the company would pay to settle the obligation or to transfer it to third parties at the closing date of the period. If the effect of discounting back the money is significant, the amounts allocated are calculated by discounting back the future expected financial flows at a pre-tax discount rate that reflects the current market valuation of the cost of money over time. When discounting back is performed, the increase in the amount allocated resulting from the passage of time is entered as a financial charge in the income statement.

Revenues other than contracts in progress

The revenues are valued at the fair value of the payment received, taking into account any discounts and reductions linked to quantities.

Revenues regarding the sale of goods are recognized when the company has transferred the significant risks and benefits connected with ownership of the assets to the buyer, which in many cases coincides with transferring ownership or possession to the buyer, or when the value of the revenue may be reliably calculated. Revenues from services rendered are recorded, when they may be reliably estimated, on the basis of the percentage of completion method.

Contributions

Public contributions are recorded when there is reasonable certainty that they will be received and all the relative conditions are satisfied. When the contributions are related to cost items, they are recorded as revenues, but are systematically distributed over the years so that they are in proportion to the costs they should offset. Should the contribution be linked to an asset, the fair value is entered as a reduction of the asset. It is suspended among liabilities should the asset it is linked to not be in operation or be under construction.

Financial charges

Interest is recorded on accrual basis according to actual interest method, in other words by using the interest rate that makes all the incoming and outgoing flows (including premiums, discounts, commissions, etc.) that make up a given transaction financially equivalent. Financial charges are not capitalized among assets.

Exchange rate profit and loss

Profits and losses on exchange rates are entered among financial income and charges.

Dividends

Dividends are recorded when the right arises for shareholders to receive the payment that normally corresponds to the dividend distribution approved by the Shareholders' Meeting.

The distribution of dividends to shareholders is entered as a liability in the financial statements in the period in which the distribution thereof is approved by the Shareholders' Meeting.

Costs

Costs are entered on an accrual basis and with a view to continuation of the corporate activity of the Group companies.

Profit per share

The basic earnings per share are calculated by dividing the share of the Group's economic result attributable to ordinary shares by the weighted average of ordinary outstanding shares, excluding treasury shares.

Use of estimates

Drafting of the financial statements and notes in compliance with IFRSs requires the Group to make estimates and assumptions that affect the values of assets and liabilities and the information regarding potential assets and liabilities. The estimates are used to record amounts allocated for credit risks, contracts in progress, amortisation, depreciation of assets, employee benefits, taxes, other amounts al-

located, and provisions. The results achieved may differ from said estimates. The estimates and assumptions are periodically reviewed and the effects of each variation are reflected in the income statement in the period when the variation took place.

New accounting standards and interpretations adopted by the European Union but still not in force

The possible impact on the consolidated financial statements of the new standards and new interpretations in force subsequently to December 31, 2005 are outlined below:

- IAS 19 – Employee benefits: the amendment issued in December 2004 will come into effect as at January 1, 2006. Said amendments adopted by the European Union provide for the option to enter actuarial profits and losses immediately in the year they occur, not in the income statement but directly in a specific equity item. Astaldi Group does not intend to avail itself of this option.
- IAS 39 – Financial instruments: a first amendment was issued in April 2005. The IASB then issued two amendments: one in June 2005 and another in August 2005 which will come into effect from January 1, 2006. With regard to said amendments adopted by the European Union and referred to the fair value option and application of hedge accounting, it is felt that these will not generate any consequences.
- IFRS 7 – Financial instruments: disclosure. Said disclosure issued in August 2005 will come into effect from January 1, 2007. Said standard adopted by the European Union implements the additional information contained in IAS 32 (Financial instruments: disclosure and presentation) albeit amended and integrated. The title of IAS 32 has consequently been amended to “Financial instruments: presentation”. The Group feels that adoption of IFRS 7 will lead to the inclusion in the notes of a more detailed disclosure regarding financial instruments.
- IAS 1 – Presentation of financial statements: capital disclosures. The standard issued in August 2005 will come into effect from January 1, 2007. Said amendments adopted by the European Union refer to the capital disclosure. The Group feels that said amendment will not affect the consolidated financial statements.
- IFRIC 4 – Determining whether an arrangement contains a lease. The standard issued in December 2004 will come into effect from January 1, 2006. Said interpretation, adopted by the European Union, provides for arrangements that do not have the legal format of a lease but which contain a lease to be classified as a financial or operating lease, in accordance with the provisions of IAS 17. The Group is currently examining the situation to determine the possible impact on its financial statements of the amendments made to this standard.

Comment on the main income statement and balance sheet items

1. Revenues EUR 968,898

Revenues from works totalled EUR 968,898.

It must be noted that total revenues at December 31, 2005 totalled EUR 968,898 and were slightly down on the total at December 31, 2004 due to the combined ef-

fect of a number of events. In fact, on the one hand, 2005 saw the completion of major Italian contracts – the most important being the one for the New Expo Fair Center in Milan – which, in 2004, contributed significantly to the achievement of said levels of production. And on the other, 2005 saw the Group abandoning the African area, with the exception of Algeria. These events were not offset by the commencement of important general contracting projects recently secured in Italy. For more detailed information, please see the specific section in the sector disclosure.

2. Other operating revenues: EUR 51,833

Other revenues, totalling EUR 51,833, comprised items not directly related to the Group's production activity, but nevertheless secondary to the core business and of a lasting nature.

The following is a breakdown of the item in question:

other operating revenues			
(thousands of euros)	31/12/2005	31/12/2004	change
revenue from sales of goods	7,243	6,866	377
services provided to third parties	15,479	8,242	7,237
sponsorship	4,717	5,889	(1,172)
rentals and leases receivable	4,193	5,105	(913)
net gains from transfer of tangible assets	3,441	1,158	2,283
other	16,760	22,478	(5,718)
total	51,833	49,739	2,094

The aggregate in question showed an overall increase of EUR 2,094 compared to the previous year. Said variation can be mainly ascribed as follows:

- EUR 377 to the increase in sales of goods to third parties, mainly by the parent company's permanent establishments in Latin America as well as Eastern Europe and Sub-Saharan Africa, the latter being affected by intensive liquidation, as detailed in corporate plans;
- EUR 7,237 to the increase in services rendered, mainly by the parent company, to third parties and non-consolidated Group companies;
- EUR 2,283 to the increases in value accrued on the transfer of tangible assets.

It should be noted that the "Other" item, totalling EUR 16,760, comprised the use of provisions for risks, results in excess of the requirement of future resources needed to satisfy any obligations resulting from past events of EUR 3,796, contingent assets and non-existent liabilities of EUR 5,206, discounts and allowances of EUR 942, insurance indemnities of EUR 774 and other various revenues for the remaining part.

It should be noted that the sum of EUR 5 in the rentals and leases receivable item referred to payments received from investment property.

3. Purchase costs EUR 194,565

The costs for the purchase of raw materials, subsidiary materials and consumables, net of warehouse inventories, amounted to EUR 194,565 (EUR 185,987 at December 31, 2005), showing a net increase of EUR 8,578 compared to the previous period.

Purchase costs were as follows:

purchase costs

(thousands of euros)	31/12/2005	31/12/2004	change
purchase costs	195,140	181,970	13,170
variation in the inventories of raw materials, subsidiary materials, consumables and goods	(575)	4,017	(4,592)
total	194,565	185,987	8,578

The EUR -575 variation in inventories referred to the balance of net inventories entered into the production cycle.

The increase in purchase costs of raw materials is to be directly related to the increase in activities carried out directly, especially in Romania.

4. Service costs: EUR 527,873

Service costs amounted to EUR 527,873 (EUR 598,795 at December 31, 2004), decreasing by EUR 70,922 compared to the previous year.

The breakdown of service costs, net of the cost for leased assets which is shown in greater detail in the corresponding table, was as follows:

service costs

(thousands of euros)	31/12/2005	31/12/2004	change
consortium costs	155,008	257,523	(102,515)
subcontracts and other services	258,950	263,968	(5,018)
technical, administrative and legal consulting	50,227	38,138	12,089
insurance	19,385	7,926	11,459
others	26,258	19,878	6,380
total	509,828	587,432	(77,604)

The most significant decrease, equal to EUR 102,515, referable to consortium costs, was the result of substantial completion during the first part of 2005 of works to construct the New Expo Fair Center in Milan, which recorded maximum production levels in 2004.

The increase in insurance costs can be attributed to the higher costs incurred to cover risks resulting from natural events, referred to the parent company's permanent establishment in Turkey, as well as the start-up of major general contracting projects in Italy.

The costs for leased assets, equal to EUR 18,045 (EUR 11,363 at December 31, 2004) was as follows:

costs for leased assets

(thousands of euros)	31/12/2005	31/12/2004	change
leases and other costs	15,065	8,389	6,676
rent and running expenses	2,739	2,675	63
maintenance costs on leased assets	241	298	(57)
total	18,045	11,363	6,682

5. Personnel costs EUR 146,552

Personnel costs, equal to EUR 146,552 (EUR 145,957 in 2004) were as follows:

p e r s o n n e l c o s t s			
(thousands of euros)	31/12/2005	31/12/2004	variation
wages and salaries	100,976	99,734	1,242
social security charges	25,988	23,261	2,727
other costs	14,829	14,492	337
other benefits subsequent to employment	2,919	2,930	(11)
cost of share-based payments	1,840	5,540	(3,700)
total	146,552	145,957	594

The average number of employees during the reference period, according to category, was as follows:

a v e r a g e n u m b e r o f e m p l o y e e s		
	31/12/2005	31/12/2004
managers	111	104
executives	37	32
clerical workers	1,462	1,442
workers	4,328	5,527

The major decrease in the number of workers was largely due to the completion of works in Guinea Conakry and El Salvador.

6. Amortisation, depreciation and write-downs EUR 32,552

Amortisation, depreciation and write-downs were as follows:

a m o r t i s a t i o n , d e p r e c i a t i o n a n d w r i t e - d o w n s			
(thousands of euros)	31/12/2005	31/12/2004	variation
intangible amortisation	3,313	2,520	793
tangible depreciation	24,951	23,153	1,798
bad debts	4,287	3,376	911
total	32,552	29,050	3,502

The item in question can be broken down as follows:

- EUR 24,951 (EUR 23,153 at December 31, 2004) for depreciation of corporate assets, EUR 3,313 for amortisation of intangible assets;
- EUR 4,287 for value adjustments regarding receivables entered among current assets in order to represent the estimated realizable amount.

7. Other operating costs EUR 41,720

Other operating costs were as follows:

o t h e r o p e r a t i n g c o s t s			
(thousands of euros)	31/12/2005	31/12/2004	variation
provision for risks and charges	16,100	5,179	10,921
other operating costs	25,620	18,810	6,811
total	41,720	23,989	17,731

The provision for risks and charges, totalling EUR 16,100, represented the setting aside of probable charges to be incurred in relation to activities in progress in Italy and abroad, for which a reliable estimate can be made within the more general policy of valuing contracts on the basis of the “whole life” result.

Other operating costs totalled EUR 25,620, showing an increase of EUR 6,811 compared to the previous year, and were as follows:

other operating costs			
(thousands of euros)	31/12/2005	31/12/2004	variation
contingent and non-existent liabilities			
due to value adjustments	5,214	4,271	943
fiscal charges	3,894	4,135	(241)
other administrative costs	16,512	10,404	6,109
total	25,621	18,810	6,811

In compliance with the specific accounting standard adopted, contingent and non-existent liabilities for value adjustments included the differences on estimated costs in the previous year, and represented the covering of expenses, losses and charges against revenues and other proceeds that went to form income in other years.

Fiscal charges mainly referred to indirect taxes such as customs charges, stamp duties, local property taxes, government duties and registration taxes incurred in Italy and abroad.

Other administrative costs mainly referred to losses from the sale of capital goods, association contributions, other administrative expenses and losses on accounts receivable.

The increase compared to the previous year, equal to EUR 6,109, was mainly due to the non-payment of accounts receivable by the Client to the parent company's permanent establishment in Turkey, for already completed works. To safeguard its interests, the parent company has instituted arbitration proceedings aimed at the acknowledgement in its favour of the sum illegally not paid by the Client.

8. Capitalisation of internal construction costs EUR 457

The increase in fixed assets for internal construction, referring to project finance initiatives, equalled EUR 457 (EUR 234 at December 31, 2004) and referred to the costs capitalised over the year in question by the subsidiary Partenopea Finanza di Progetto S.p.A. (EUR 296) as part of the Ospedale del Mare project in Naples. While EUR 161 can be attributed to capitalisation by the parent company in relation to the construction of technological tunnels in the municipality of Cologno Monzese.

9. Financial income EUR 33,488

Financial income totalled EUR 33,488 and also included revaluations totalling EUR 397 that are commented on together with write-downs for reasons of better comparability.

Financial income, equal to EUR 33,091, showed a decrease of EUR 12,857 compared to the same period of 2004. A breakdown of the item, together with a comparison with the previous year, can be found below:

financial income			
(thousands of euros)	31/12/2005	31/12/2004	variation
income from subsidiary companies	72	741	(669)
income from associated companies	432	193	239
income from financial transactions with other credit institutes	2,331	2,652	(321)
exchange rate profit	22,826	19,037	3,789
income from derivatives - hedging	227	–	227
income from derivatives - ineffective hedging	375	–	375
other financial income	6,828	23,325	(16,497)
total	33,091	45,948	(12,857)

Income from subsidiaries totalling EUR 72 referred to the distribution of capital, net of liquidation, by consortium companies, as determined on the occasion of suspension of activity.

Income from associated companies totalling EUR 432 referred to income from special purpose vehicles operating in Latin America that largely completed their activities.

Income from transactions with credit institutes mainly referred to current bank account interest and gains on trading of securities.

As regards other financial income, it is useful to point out that the decrease noted when compared to the same period of 2004, can be attributed to the entry over the last year of interest receivable in relation to the arbitration award regarding construction of the Zagreb-Goričan motorway in Croatia, and indemnities regarding the war in Ethiopia that have already been allocated in the depreciation of financial assets.

Profits recorded with regard to the fluctuation in exchange rates of the various currencies the Group operates in, equal to EUR 22,826, offset charges of the same nature totalling EUR 15,580 thus highlighting the effects of the currency control policy implemented by the Group. The significant difference in individual absolute values, compared to the same period of the previous year, is the consequence of the physiological trend in exchange rates.

As far as income from derivatives is concerned, it should be noted that in compliance with the provisions of IAS 39, the company recorded income totalling EUR 227 during the year which referred to hedging transactions on the interest and exchange rate risks and EUR 375 referred to other transactions.

10. Financial charges EUR (60,947)

Financial charges entered in the financial statements totalling EUR (60,947) also included write-downs for EUR (6,058) which are commented on together with revaluations, for the purposes of better comparability.

Financial charges totalled EUR (54,888) and showed a decrease of EUR 14,719 compared to the previous financial year. The table below shows a breakdown of said charges:

financial charges			
(thousands of euros)	31/12/2005	31/12/2004	variation
interest on bonded loan	1,031	9,750	(8,719)
charges from financial transactions with credit institutes	21,103	15,221	5,882
exchange rate losses	15,580	24,098	(8,518)
charges from derivatives - hedging	74	–	74
charges from derivatives - ineffective hedging	99	–	99
other financial charges	17,001	20,538	(3,537)
total	54,888	69,607	(14,719)

Specifically, charges from financial transactions with credit institutes mainly referred to interest payable on bank loans (EUR 16,855) and current account interest payable (EUR 3,263), while the remaining amount referred to accrued charges owed to the institutes.

Exchange rate losses totalling EUR 15,580 are to be directly related to profits of the same nature as detailed above.

As regards charges on derivatives, it must be noted that in compliance with the provisions of IAS 39, the Group recorded over the year charges totalling EUR 74 referred to hedging transactions and EUR 99 to other transactions.

Note should be taken of the decrease in financial charges mainly due to shifting short-term indebtedness to the medium-long term, with consequent savings on interest rates and on conditions for credit facilities. This item, then, includes EUR 6,685 for surety commissions.

Write-downs and revaluations of financial assets are entered in the income statement among financial charges and income. They showed a negative balance of EUR 5,662 (EUR 8,356 in 2004) as follows:

write-downs and revaluations of financial assets			
(thousands of euros)	31/12/2005	31/12/2004	variation
– revaluation of securities	397	1,544	(1,146)
– write-down of investments	(689)	(1,265)	575
– write-down of securities and bad debts	(5,369)	(8,635)	3,265
total	(5,662)	(8,356)	2,694

The positive variation of EUR 2,694 can be mainly attributed to the reduction of the amount entered for “write-down of securities and bad debts” which went from EUR 8,635 in 2004 to EUR 5,369 in 2005. During the previous year, said item included the provision of EUR 7,491 to protect interest recognised to the parent company following definition of the arbitration award regarding motorway construction in Croatia.

Revaluation of securities for EUR 397 referred to the difference between the value entered in financial statements and their valuation at fair value in compliance with IAS 39.

Write-down of investments for EUR 689, which amounted to EUR 1,265 in the previous year, decreased by EUR 575 and included losses resulting from investments in companies (EUR 542), as well as write-down of investments in other companies for a total of EUR 13 and amounts allocated to the provision for risks on investments totalling EUR 134.

Among the losses resulting from investments in companies totalling EUR 542, it should be noted that the most significant referred to companies wound up during 2005, including Consorzio Cogitau (EUR 284), Tecro S.c.r.l. (EUR 20) and AS.CAL. S.c.r.l. (EUR 37).

Write-down of securities and bad debts, equal to EUR 5,369, referred to prudent allocation of arrears interest accrued with reference to specific settled litigation within foreign projects, especially Croatia for EUR 4,500.

11. Effects of valuation of investments using the equity method: EUR 4,117

The effects of valuation of investments using the equity method showed a positive

balance of EUR 4,117 (positive for EUR 3,937 at December 31, 2004). The composition and comparison with the previous business year are shown in the table below:

effects of valuation of investments using the equity method			
(thousands of euros)	31/12/2005	31/12/2004	variation
revaluation of investments:			
Consorcio Metro Los Teques	4,083	5,247	(1,164)
S.A.C.E.S. S.r.l. in liquidation	459	–	459
M.N. Metropolitana di Napoli S.p.A.	286	–	286
Transeuropiska Autocesta d.o.o	46	44	2
Max Bogl-Astaldi-CCCF Asocierea JV S.r.l.	10	7	3
Astaldi Ferrocemento JV	3	–	3
Alosa Immobiliare S.p.A. in liquidation	–	12	(12)
Cogital S.c.r.l. in liquidation	–	4	(4)
S.E.I.S. S.p.A.	–	105	(105)
V.A.S.CO. Imprese Riunite	–	5	(5)
others of minor amount	2	–	2
write-down of investments			
Copenhagen Metro Construction Group J.V. (COMET)	(400)	(917)	517
Alosa Immobiliare S.p.A. in liquidation	(70)	–	(70)
Yellow River Contractors	(98)	(3)	(95)
S.E.I.S. S.p.A.	(95)	–	(95)
Consorzio Recchi S.p.A. - Astaldi S.p.A.	(31)	–	(31)
Holding Eléctrica Centroamericana S.p.A. - (Heca S.p.A.) in liquidation	(18)	(3)	(15)
Veneta Sanitaria Finanza di Progetto - V.S.F.P. S.p.A.	(16)	(8)	(8)
Avola S.c.r.l. in liquidation	(13)	(22)	9
Carnia S.c.r.l. in liquidation	(11)	(11)	–
Santangelo S.c.r.l. in liquidation	(1)	(1)	–
Astaldi Ferrocemento JV	–	(148)	148
Groupement Italgisas	–	(10)	10
Isclero S.c.r.l. in liquidation	–	(42)	42
M.N. Metropolitana di Napoli S.p.A.	–	(74)	74
Consorzio Novocen	–	(38)	38
S.A.A.L.P. S.n.c. in liquidation	–	(153)	153
S.A.C.E.S. S.r.l. in liquidation	–	(29)	29
Others of minor amount	(19)	(28)	9
total effects of valuation using equity method	4,117	3,937	180

12. Income taxes: EUR 22,734

The total amount of the taxes for the period, referred to the parent company and companies included in the area of consolidation, is equal to EUR 22,734 (EUR 15,031 at December 31, 2004). The increased tax rate (41.65% compared to 35.05% in 2004) is mainly to be attributed to the reduced level of tax-exempt revenues recorded by the parent company during 2005, compared with the same period of the previous financial year, and to a lesser extent to the prepaid taxes entered in 2004 by the subsidiary Italstrade SpA. In this regard, it should be noted that the difference between the real tax rate and the actual tax rate can be attributed to the permanent increases resulting from amounts allocated to non-deductible provisions and permanent reduction resulting from tax-exempt revenues and non-taxable investment profits.

Current taxes, equal to EUR 19,176, are valued on the basis of objective elements measured at the reference date. Fiscal charges for 2005 totalled EUR 22,734, of which EUR 3,558 resulting from calculation of deferred taxes as follows:

- EUR 4,099 as overall charges “*connected to the reversal of temporary differences from previous years as well as for deferred tax assets and liabilities for the year*” pertaining to the parent company;
- EUR (161) as overall income entered by the subsidiary Sartori Sud S.r.l.;
- EUR (380) as overall income entered by the subsidiary Astaldi-Max-Bogl-CCCF JV S.r.l.

The following table shows reconciliation with the income statement of current and deferred taxes at December 31, 2005 and December 31, 2004:

current and deferred taxes			
(thousands of euros)	31/12/2005	31/12/2004	variation
current taxes	19,176	13,759	5,417
deferred taxes	7,275	3,203	4,072
related to occurrence and repayment of temp. differences	(3,718)	(1,931)	(1,787)
total	22,733	15,031	7,702

Residual credit for prepaid taxes of the Group amounted to EUR 12,678 to be recovered in subsequent financial years, and can be mainly attributed to:

- residual tax credits (Astaldi Construction Corporation and Italstrade SpA);
- funds of a civil and tax law nature that were not deducted and not utilized for tax purposes in their respective years of accrual;
- other temporary taxation differences pertaining to the civil law adjustments made when implementing the new IFRSs.

The following is a summary of deferred taxes at December 31, 2005 compared to December 31, 2004:

deferred taxes				
(thousands of euros)	31/12/2005		31/12/2004	
balance sheet	ires	irap	ires	irap
a) deferred tax assets and liabilities resulting from:	29,296	891	36,282	1,590
1) provisions for taxed risks	12,404	768	16,048	1,034
2) provision for taxed arrears interest risks	4,340		2,849	
3) exchange rate differences	1,852			
4) charges on share-based payments	627		2,516	
5) export credit financial charges			2,035	262
6) fiscal losses	8,961		10,348	
7) other minor taxes	1,112	123	2,486	294
b) deferred tax liabilities resulting from:	(16,253)	(1,256)	(18,111)	(1,385)
8) financial leasing	(2,090)	(269)	(1,626)	(209)
9) buildings entered at fair value as cost substitute	(4,905)	(631)	(4,961)	(639)
10) provisions for deducted contractual risks	(4,675)	(356)	(7,150)	(537)
11) arrears interest to be collected	(4,363)		(4,335)	
12) other minor taxes	(220)		(39)	
c) net deferred tax assets (liabilities) a) - b)	13,043	(365)	18,171	205
d) deferred taxes for the period charged to income statement	(2,986)	(571)	(1,638)	366

Taxes entered directly in equity totalled EUR 322 and referred to the following:

Taxes on items entered directly in equity:

- deferred taxes on net losses related to cash flow hedge transactions (EUR 75);
- current taxes on gains from sale of treasury shares (EUR 247).

13. Profit per share

The profit per basic share was calculated at EUR 0.2826. A table summarising the calculation methods is shown below:

profit per share calculation method		
	december 31, 2005	december 31, 2004
numerator		
– profit (loss) attributable to parent company's ordinary shareholders for continued operations	27,683	26,442
– profit (loss) attributable to parent company's ordinary shareholders for discontinued operations	–	–
profit of parent company's ordinary shareholders	27,683	26,442
denominator (in units)		
– Weighted average of shares (all ordinary)	98,424,900	98,424,900
– Weighted average of treasury shares	(451,267)	(1,188,893)
– Weighted average of shares to be used for the purposes of calculating profit per basic share	97,973,633	97,236,007
Profit (loss) per basic share for continued operations	0.2826	0.2719
Profit (loss) per basic share for discontinued operations	–	–
	0.2826	0.2719

In the absence of stock option plans, profit per diluted share is the same as the basic.

Paid and proposed dividends: EUR 7,375

Dividends totalling EUR 7,375, (EUR 6,306 in 2004) were paid during 2005.

The dividend decided on by the Shareholders' Meeting of April 29, 2005, of EUR 0.075 per share, was paid with detachment of the coupon on May 9, 2005.

The number of shares benefiting from said dividend was 98,336,744 out of a total of 98,424,900 and net of treasury shares, equal to EUR 88,156.

14. Property, plant and equipment: EUR 129,095

The value of the property, plant and equipment amounted to EUR 129,025 at December 31, 2005 (EUR 125,263 at December 31, 2004). The main variations during the year referred to new investments made to the normal asset renewal process, especially in Romania, to disposals made in countries in the liquidation phase, especially Sub-Saharan Africa, as well as changes in the area of consolidation.

The most important variations are shown in the table below:

variations in property, plant and equipment

(thousands of euros)

	land and buildings	specific and general plant	excavators, power shovels and heavy equipment	various equipment and machinery	fixed assets in progress and advance	total
value at 31/12/2004, net of depreciation ⁽¹⁾	41,234	41,401	27,562	12,814	2,252	125,263
<i>increases</i>						
from acquisitions	–	14,538	10,433	7,323	9,809	42,104
	41,234	55,939	37,995	20,137	12,062	167,367
depreciation	(907)	(8,892)	(10,693)	(4,459)		(24,951)
other disposals	(57)	(9,760)	(3,168)	(1,519)	(876)	(15,381)
variation in consolidation perimeter	261	174	175	442	–	1,053
reclassification and transfers	–	(54)	325	(271)	–	–
exchange rate differences	382	63	590	(28)	–	1,007
value at 31.12.2005, net of depreciation (2)	40,913	37,471	25,224	14,302	11,185	129,095
⁽¹⁾ of which						
– cost	42,254	80,260	72,330	30,757	2,252	227,854
– provision for depreciation	(1,019)	(38,860)	(44,768)	(17,944)		(102,591)
net value	41,234	41,401	27,562	12,814	2,252	125,263
⁽²⁾ of which						
– cost	42,946	73,564	67,101	34,187	11,185	228,983
– provision for depreciation	(2,032)	(36,094)	(41,877)	(19,885)		(99,888)
net value	40,913	37,471	25,224	14,302	11,185	129,095

The value of property, plant and equipment included leased assets totalling EUR 42,523; for greater clarity, it should be noted that said amount included the effect of valuation of land and buildings for EUR 16,428, for which the Group adopted the revalued costs to replace the original historical costs for first-time adoption of IFRSs (January 1, 2004).

A breakdown of the leased assets is shown in the table below:

leased assets

(thousands of euros)

	land and buildings	specific and general plant	excavators, power shovels and heavy equipment	equipment and machinery	total
value at 31.12.2005, net of depreciation	30,281	7,165	3,643	1,434	42,523
<i>of which</i>					
– cost	31,599	12,900	9,857	2,953	57,309
– provision for depreciation	(1,318)	(5,735)	(6,214)	(1,519)	(14,786)

Lastly, it must be noted that the gross book value of property, plant and equipment, completely depreciated and still in use amounted to EUR 44,940.

15. Investment property EUR 204

Investment property, equals to EUR 204 underwent no variations during the year.

16. Intangible assets EUR 4,977

The balance of intangible assets is mainly represented by the value of contractual

rights acquired with reference to contracts in progress in Italy and abroad. The item in question underwent a EUR 199 decrease in comparison with December 31, 2004 (balance of EUR 5,176). Please see the following table for a breakdown:

i n t a n g i b l e a s s e t s			
(thousands of euros)			
	right to use patents	concessions, licenses, trademarks, rights	total
value at 31/12/2004, net of amortisation⁽¹⁾	994	4,181	5,176
<i>increments</i>			
– from acquisitions	738	2,380	3,118
	1,732	6,561	8,294
amortisation	(605)	(2,708)	(3,313)
disposals	(3)	–	(3)
exchange rate differences	(2)	–	(2)
value at 31/12/2005, net of amortisation⁽²⁾	1,123	3,854	4,976
<i>⁽¹⁾ of which</i>			
– cost	2,249	5,745	7,994
– provision for amortisation	(1,255)	(1,564)	(2,819)
net value	994	4,181	5,176
<i>⁽²⁾ of which</i>			
– cost	2,980	8,055	11,035
– provision for amortisation	(1,856)	(4,202)	(6,058)
net value	1,123	3,854	4,977

Among the most significant variations compared with the individual items in 2004, mention must be made of the EUR 2,380 increase for “concessions, licences, trademarks, and rights” regarding acquisition from third parties of the contractual rights regarding awarding, as General Contractor, of works to modernise the SS 106 Jonica national road, – Palizzi Caulonia and Squillace Simeri sections. The total value of intangible assets did not include leased assets.

17. Investments EUR 34,430

Investments, equal to EUR 34,430 (EUR 33,238 at December 31, 2004) increased by EUR 1,192.

A breakdown of the item is shown below:

i n v e s t m e n t s			
(thousands of euros)			
	31/12/2005	31/12/2004	variation
investments valued with equity method	31,511	30,666	844
investments valued at cost	2,919	2,572	347
Total	34,430	33,238	1,192

The value of investments valued with the equity method, totalling EUR 31,511, (EUR 30,666 at December 31, 2004) referred to investments in associated companies and joint ventures.

Please see the table attached to these notes for a summary of the main financial statement figures of associated companies and joint ventures including total assets, liabilities, revenues and results for the period.

The table below shows the value of the most significant investments:

value of the most significant investments			
(thousands of euros)			
company	value at 31/12/2005	value at 31/12/2004	variation
S.E.I.S. S.p.A.	14,896	15,376	(480)
Veneta Sanitaria Finanza di Progetto - V.S.F.P. S.p.A.	6,986	6,341	645
Transeuropska Autocesta d.o.o	3,178	3,057	121
Consorcio Metro Los Teques	2,106	1,549	557
M.N. Metropolitana di Napoli S.p.A.	1,709	1,423	286

The value of the non-current investments entered in financial statements at cost amounted to EUR 2,919, largely in line with the previous financial year (EUR 2,572 at December 31, 2004), and were represented, net of the provision for depreciation fund, for EUR 5.

These are mainly consortium companies for which calculation and entry at fair value was not significant, even through valuation techniques.

For further details, please refer to the table attached to these notes.

18. Financial assets

Non-current financial assets: EUR 15,829

Non-current financial assets totalling EUR 15,829 (EUR 14,273 at December 31, 2004) showed a EUR 1,456 increase.

These items referred to "other non-current financial assets" and represented loans to associated companies and other companies. Said receivables mainly referred to assistance of a financial nature, lent by the parent company to support works in progress, chiefly abroad, as well as loans granted to companies in liquidation. For a breakdown of the item in question, please refer to the regarding related parties, attached to these notes.

Current financial assets: EUR 13,388

Current financial assets totalling EUR 13,388 (EUR 27,879 at December 31, 2004) showed a net decrease of EUR 14,491.

The breakdown was as follows:

current financial assets			
(thousands of euros)			
	31/12/2005	31/12/2004	variation
current financial assets valued at fair value **	13,388	26,797	(13,409)
other financial assets	–	1,082	(1,082)
total	13,388	27,879	(14,491)

** Item included in net financial position

Current financial assets, valued at fair value, referred exclusively to the securities portfolio. Valuation at fair value is generally representative of the quotation on regulated markets. The economic effects of valuation at fair value were entered in the income statement under "revaluation of securities", included among financial income.

The balance referred exclusively to the following securities on hand:

current financial assets			
(thousands of euros)	31/12/2005	31/12/2004	variation
Astaldi Finance S.A. bonds	–	20,001	(20,001)
Futher Credit - Arner fund	3,752	3,379	373
BMP bond fund	5,037	–	5,037
Nextra Team1 fund	2,009	–	2,009
Gefin Comm.Union fund	1,057	1,022	35
Fineco bond fund	946	908	38
BNL property fund	298	254	44
other minor investments	289	1,233	(944)
Total	13,388	26,797	(13,409)

19. Other assets

The balance of other non-current assets, equal to EUR 19,826, showed a decrease of EUR 35,203 compared to December 31, 2004 (EUR 55,029), while other current assets, equal to EUR 152,053, showed an increase of EUR 36,873 compared to 2004 (EUR 115,180).

A breakdown of the main items was as follows:

other assets			
(thousands of euros)	31/12/2005	31/12/2004	variation
other non-current assets			
– financial receivables**	2,759	45,171	(42,413)
– tax receivables	7,851	2,691	5,160
– other assets	9,217	7,166	2,050
total other non-current assets	19,826	55,029	(35,203)
other current assets			
– loans to associated companies	18,760	15,029	3,731
– loans to other companies	486	1,448	(962)
– financial receivables**	44,472	26,288	18,184
– derivatives	1,277	–	1,277
– other assets	87,057	72,415	14,642
total current other assets	152,053	115,180	36,873

** Item included in the net financial position.

“Other non-current assets” include:

- financial receivables totalling EUR 2,759 formed almost exclusively of the sum owed to the parent company by Emilia Romagna’s regional authority (pursuant to the Tognoli law) and attributable to the Piazza VIII Agosto car park built in Bologna. Said law provides for the payment of a contribution to construct and manage car parks built in the external underground areas pertaining to buildings, for the purpose of favouring decongestion of town and city centres;
- tax receivables mainly referred to tax refunds requested from financial administrations for direct taxes (EUR 3,054) and indirect taxes (EUR 4,797); said item increased by EUR 5,160 during the year;

- other assets mainly referred to receivables for advances to suppliers and sub-contractors (EUR 976), guarantee deposits (EUR 955) and other deferred liabilities (EUR 7,286).

"Other current assets" include:

- loans to associated companies and other non-consolidated companies totalling EUR 19,246. For a breakdown of the receivables in question, please refer to the table attached to these notes regarding related parties;
- receivables totalling EUR 44,472, of which EUR 33,475 was due to the difference between the nominal value of receivables transferred prior to December 31, 2003 and the amounts collected, and EUR 10,997 to accounts receivable by the subsidiary Partenopea Finanza di Progetto S.p.A. from A.S.L. Napoli 1 (Naples' local health authority) and referable to the part of the contribution, provided for by the concession with A.S.L. NA 1, by virtue of Article 19, subsection 2 of Law No. 109/94 (Merloni law), accrued and not settled. Said contribution, granted for a total amount of EUR 118,403, as set forth in Article 6, point 2 of the act of acknowledgement entered into A.S.L. Napoli 1 on December 20, 2005, accrued:
 - EUR 8,000, allocated to expropriations;
 - the remaining part, on the basis of achievement of milestones detailed in the aforementioned act of acknowledgement;
- derivatives totalling EUR 1,277, for which in the *Financial risk management* section which follows these notes is reported the information regarding their nature and composition;
- other assets totalling EUR 87,057, mainly referred to receivables for advances to suppliers and subcontractors (EUR 27,478), other accounts receivable for the transfer of goods and services (subcontractor services, transfer of equipment and goods, transfer of property) (EUR 40,664), social security receivables (EUR 1,140), loans to employees (EUR 986) and receivables for advances to members of the arbitration board set up in relation to specific disputes with clients, receivables from liquidators as well as various other receivables (EUR 16,789).

20. Inventories: EUR 44,702

The breakdown of inventories was as follows:

inventories			
(thousands of euros)	31/12/2005	31/12/2004	variation
raw materials, subsidiary materials and consumables	35,187	34,875	311
products in progress and semi-finished products	3,405	1,674	1,731
finished products and goods	69	404	(336)
goods and materials in transit	6,042	7,913	(1,871)
total	44,702	44,867	(165)

The net decrease compared to the previous year amounted to EUR 165. The most significant items comprising the total net variation can be attributed to:

- increase in raw material, subsidiary materials and consumables of EUR 311;
- increase in products in progress and semi-finished products of EUR 1,731,

referring to works to construct the former Manifattura Tabacchi underground car park in Bologna;

- decrease of EUR 336 in finished products and goods;
- decrease of EUR 1,871 in goods and materials in transit, mainly relating to the parent company's permanent establishments in Turkey and Venezuela.

21. Contracts in progress and advances from customers EUR 197,395

Contracts in progress, entered in accordance with the percentage of completion and net of actual or estimated losses at the reference date and of invoices issued according to work progress reports, showed a positive balance of EUR 265,267 (Contracts in progress) and a negative balance of EUR 67,872 (Advances from customers).

The composition of contracts in progress, split into works with positive balance and works with negative balance, was as follows:

c o n t r a c t s i n p r o g r e s s			
(thousands of euros)	31/12/2005	31/12/2004	variation
contracts in progress	293,503	169,254	124,249
depreciation fund for final losses	(4,305)	(9,033)	4,728
contracts in progress	289,198	160,221	128,978
advances from customers	(23,932)	(17,398)	(6,534)
contracts in progress	265,267	142,823	122,444
works in progress	24,935	5,259	19,676
advances from customers	(92,807)	(79,139)	(13,669)
advances from customers	(67,872)	(73,880)	6,007

Advances received and offset with works in progress equalled EUR 23,932 (EUR 17,398 at December 31, 2004). With reference to December 31, 2004, the balance of advances showed a net increase of EUR 20,203, mainly due to the acquisition of new contracts in Italy and abroad, including the Puerto Cabello railway works being carried out by the parent company's permanent establishment in Venezuela. The total cost incurred including profits (net of losses) at December 31, 2004 amounted to EUR 955,198.

The following were the financial operations implemented with reference to a selected portfolio of price review requests, assigned with recourse, for which entry in compliance with Italian accounting policies was maintained given that said operations were performed prior to December 31, 2003:

d o m e s t i c w o r k s	
(thousands of euros)	
accounts receivable	53,475
advances	20,000
residual receivable	33,475

The value of retention money for contracts in progress totalled EUR 17,169.

Works in progress and relative revenues are shown in the table below according to geographical area:

contracts in progress and revenues by geographical area

(thousands of euros)

geographical area	contracts in progress			revenues		
	31/12/2005	31/12/2004	variation	31/12/2005	31/12/2004	variation
italy	185,795	96,469	89,326	447,054	547,632	(100,578)
europa	35,278	17,997	17,281	281,202	173,283	107,919
america	20,650	13,963	6,687	191,156	185,506	5,650
africa	22,266	14,038	8,228	38,511	70,485	(31,974)
asia	1,278	356	922	10,975	27,850	(16,875)
total	265,267	142,823	122,444	968,898	1,004,756	(35,858)

The increase in contracts in progress in Italy can be mainly attributed to:

- different accounting of price review requests transferred with recourse to-talling EUR 34,320 (valuation at December 31, 2004), which were entered in compliance with Italian accounting policies in 2004;
- the Pont Ventoux contract (EUR 12,157);
- works to construct the Rome-Naples high speed line (EUR 8,130);
- works to construct the Naples underground (EUR 8,027);
- new works to modernise the Jonica national road (EUR 3,409);
- railway works in Veneto region (EUR 6,173).

22. Trade receivables EUR 384,085

Trade receivables were as follows:

trade receivables

(thousands of euros)

	31/12/2005	31/12/2004	variation
receivables from customers	381,584	358,096	23,488
receivables from associated companies	33,847	57,370	(23,523)
receivables from parent companies	36	24	12
receivables from other investment companies	1,378	4,167	(2,789)
provisions for bad debts	(32,760)	(24,419)	(8,341)
total	384,085	395,237	(11,153)

The decrease in absolute value of EUR 11,153 compared to the previous year, including the variation in the provision for bad debts and arrears interest to directly reduce receivables from customers, comprised the following variations: increase of EUR 23,488 referred to receivables from customers; net decrease of EUR 26,300 referred to receivables from parent companies and non-consolidated group companies. For a more in-depth analysis, please refer to the table of relations with related parties attached to the following comment; net increase of EUR 8,341 referred to the provision for bad debts.

The following table shows trade receivables according to geographical area:

trade receivables by geographical area

(thousands of euros)	31/12/2005	31/12/2004	variation
Italy	157,172	206,875	(49,703)
Europe	119,716	66,950	52,766
America	44,147	43,174	973
Africa	59,762	72,300	(12,538)
Asia	3,288	5,938	(2,650)
total	384,085	395,237	(11,152)

The increase in receivables in relation to Europe referred to EUR 47,745 for works in progress in Turkey. It must be noted in this regard that during the first months of 2006, EUR 46,798 was received as the counter value of the contractual amount of USD 56,023.

Provisions for bad debts – trade receivables and other receivables

The provision for bad debts and the provision for arrears interest underwent the following movements during the year:

provisions for bad debts, trade receivables and other receivables

(thousands of euros)	31/12/2004	allocation	use	absorption	exchange rate differences	31/12/2005
receivables from customers:						
– provision for bad debts	(12,150)	(4,287)	–	1,100	(43)	(15,380)
– provision for arrears interest	(12,269)	(5,369)	179	79	–	(17,380)
other receivables						
– provision for bad debts	(7,004)	–	–	1	(886)	(7,889)
total	(31,423)	(9,656)	179	1,180	(929)	(40,649)

23. Tax receivables: EUR 58,932

The value of tax receivables increased by EUR 10,577 over the year (balance of EUR 48,355 at December 31, 2004) and mainly referred to:

- receivables for direct income taxes totalling EUR 20,814, net of the provision for bad debts of EUR 198;
- receivables for indirect VAT taxes totalling EUR 38,117, referring to contracts in progress in Italy and abroad, which will be absorbed by progressive billing of works in progress.

The following table shows the breakdown of the items in question including the values previously expressed in *other non-current assets*:

tax receivables breakdown

(thousands of euros)	Italy		abroad	
	refunded	brought forward	refunded	brought forward
direct income taxes	2,735	16,408	320	4,406
Europe			317	481
America			3	3,395
Africa				530
VAT	595	19,247	4,201	18,870
Europe			4,201	7,599
America				7,404
Africa				3,867
total	3,330	35,655	4,521	23,276

24. Cash and cash equivalents

Cash and cash equivalents whose absolute value recorded a decrease of EUR 9,952, comprised the following:

c a s h a n d c a s h e q u i v a l e n t s			
(thousands of euros)	31/12/2005	31/12/2004	variation
bank and post office **	174,965	183,443	(8,478)
cash on hand **	454	368	86
cheques **	–	1,559	(1,559)
total	175,418	185,370	(9,952)

** Items included in net financial position.

Cash and cash equivalents consisted of bank deposits totalling EUR 174,965 and cash on hand totalling EUR 454.

The items underwent the following variations:

- a decrease of EUR 8,478 in bank deposits;
- an increase of EUR 86 in cash on hand;

The geographical breakdown of cash and cash equivalents was as follows:

g e o g r a p h i c a l d i s t r i b u t i o n o f c a s h a n d c a s h e q u i v a l e n t s	
(thousands of euros)	total
Italy	135,365
United States	16,098
Romania	8,584
Venezuela	4,828
other	10,543
total	175,418

At December 31, 2005, the Group had unused lines of credit totalling EUR 358,411 (EUR 250,767 at December 31, 2004).

25. Non-current assets held for sale

The consolidated financial statements did not include any non-current assets held for sale or liabilities that could be directly associated with said assets.

26. Share capital and reserves EUR 224,592

The share capital, subscribed and fully paid up, is represented by 98,424,900 ordinary shares of a nominal value of EUR 1 each. Treasury shares, whose nominal value was EUR 1,123 at the date of reference hereof, were entered to directly reduce the share capital. The number of shares held, at the end of the year in question equalled 1,122,956, of which 722,956 purchased during the year.

At December 31, 2005, according to the stock ledger, together with correspondence received pursuant to Article 120 of Legislative Decree No. 58/1998 and other available information, the direct shareholders holding more than 2% of the company's share capital fully paid up and represented by shares with voting rights, were the following:

- Fin.Ast. S.r.l. with 39,152,199 shares equal to 39.778%;

- Finetupar International S.A. – Luxembourg - (formerly Finetupar S.A.) with 12,327,967 shares equal to 12.525%;
- Gartmore Investment Management PLC with 4,944,079 shares equal to 5.023%;
- Fidelity Investments with 3,039,298 shares equal to 2.128%.

Other reserves totalling EUR 127,290 were as follows:

other reserves	
(thousands of euros)	
legal reserve	9,383
extraordinary reserve	58,967
share premium reserve	67,836
profits carried forward	14,066
other reserves	(22,961)

The movement of share capital and reserves is detailed in the “Equity movements” schedule.

Nature, purpose and composition of reserves

Legal reserve

The legal reserve amounted to EUR 9,383 and was formed in accordance with the provisions of Article 2430 of the Italian Civil Code.

Extraordinary reserve

The extraordinary reserve amounted to EUR 58,967 and was credited or charged in accordance with resolutions passed by the Shareholders' Meeting.

Share premium reserve

The share premium reserve amounted to EUR 67,836 and was formed on the occasion of conversion of the convertible bonded loan, as well as issue of new shares by the parent company to coincide with stock exchange listing.

Profits (losses) carried forward

Profits totalled EUR 14,066 and included the economic effects of application of IFRSs, from consolidation of investments in subsidiaries and application of the equity method to value associated companies and joint ventures, to profits remaining among the available funds of shareholders of the Group's individual companies.

Other reserves

The item in question showed a negative value of EUR (22,961). It serves to adjust equity and included the following:

1. the effects determined during first-time adoption of the international accounting standards (01/01/2004 – 01/01/2005 for IAS 32/39) amounting to a negative value of EUR 2,119;
2. the effects resulting from conversion of the financial statements of foreign permanent establishments as well as investments in other companies, which showed a negative value of EUR 23,599 at the date of transition to IFRSs;

3. exchange rate differences resulting from the translation of the financial statements of foreign subsidiaries, which showed a negative value of EUR 2,968;
4. the negative value of EUR 4,234 for treasury shares on hand for the part exceeding the nominal value of said shares totalling EUR 1,123, already allocated to decrease the share capital;
5. consolidation reserve of EUR 9,049;
6. other reserves for a value of EUR 910.

27. Financial liabilities

Prior to commenting on this item, it should be specified that February 9, 2005 saw repayment, through the Agent Bank BNP Paribas Luxembourg, of the EUR 150 million debenture loan issued by the subsidiary Astaldi Finance S.A., followed by the payment to subscribers on 11 February. In this regard, it should be pointed out that the EUR 100,000 loan agreement, subscribed by a pool of leading Italian banks and repayable over 5 years in six-monthly instalments, became fully operational as from January 28, 2005. Said loan allows the Group to bring the duration of the sources of financing in line with the average life of contracts and helps restore balance to the Group's financial structure in the short and medium/long-term debt ratio, while at the same time seizing the opportunity granted by the market's low interest rates during this period and minimizing the cost of ancillary financial charges.

April 2005 saw the definition, for the same purpose, of a EUR 100,000 loan transaction with a four-year duration connected to the transfer of work-related credit items. Said loan, subscribed by a pool of leading Italian banks with Banca Popolare di Milano as the Agent Bank, makes it possible to streamline the price review requests portfolio, thereby improving the working capital cycle through reliance on this kind of structured finance transaction.

The balance of non-current financial liabilities showed a EUR 174,251 increase compared to December 31, 2004 (balance of EUR 89,313), while the variation in current liabilities showed a decrease of EUR 96,969 (balance of EUR 309,784 at December 31, 2004). The items were as follows:

financial liabilities			
(thousands of euros)	31/12/2005	31/12/2004	variation
non-current financial liabilities			
– due to banks **	241,509	64,670	176,839
– non-current amount of loans**	5,191	5,680	(489)
– financial leasing payables **	16,266	18,352	(2,086)
– due to associated companies	597	610	(13)
total	263,564	89,313	174,251
current financial liabilities			
– bonds **	–	150,000	(150,000)
– due to banks **	203,306	141,619	61,687
– current amount of loans**	1,024	999	25
– due to other financers **	3,614	12,098	(8,484)
– financial leasing payables **	4,870	5,068	(198)
total	212,815	309,784	(96,969)

** Items included in net financial position

For greater clarity, it must be noted that:

– The EUR 174,251 increase in non-current financial liabilities is to be directly linked to the EUR 96,969 decrease in current financial liabilities, and referred to the signing of two medium and long-term loan agreements, already looked at in part, with the following characteristics:

1– EUR 100,000 loan agreement between the parent company Astaldi S.p.A. (borrower) and Astaldi Finance S.A., MCC S.p.A. (Agent), MCC S.p.A., Sanpaolo IMI S.p.A. and Efibanca S.p.A. (lending banks), with the following characteristics:

- **Disbursement date:** January 28, 2005;
- **Duration:** 60 months from disbursement date;
- **Repayment:** 10 fixed instalments, the first falling due on August 9, 2005 and the other on February 9 and August 9 of each year with the last instalment being repaid on February 9, 2010;
- **Interest rate:** the applicable rate will be equal to the six-month EURIBOR rate, calculated on an annual basis of 360 days, plus a 1.85% margin;
- **Actual interest rate:** the actual interest rate applicable is 5.3874%;
- **Interest period:** the interest period will have a six-month deferred duration as from the disbursement date.

The interest due date will coincide with the loan due date.

2– EUR 100,000 loan agreement between the parent company Astaldi S.p.A. (borrower) and Banca Popolare di Milano S.p.A. (leader of a pool of lending banks) with the following characteristics:

- **Disbursement date:** April 22, 2005;
- **Duration:** 60 months from disbursement date;
- **Repayment:** 13 fixed capital contributions, equal to 1/14 of the loan, for the first 12 instalments.

The first instalment is repaid on the due date of the 12th month following the disbursement date, corresponding to the quarterly due dates of the interest periods. The last instalment will be repaid 48 months subsequent to the disbursement date, i.e. to coincide with the loan expiry date and will be equal to 2/14 of the loan.

- **Interest rate:** the applicable rate will be equal to the three-month EURIBOR rate, variable in relation to the reference quarter, calculated on an annual basis of 360 days, plus a 1.25% margin;
- **Actual interest rate:** the actual interest rate applicable is 4.3947%;
- **Interest period:** the interest period will have a deferred three-month duration as from the disbursement date.

Financial Covenants on Medium/Long-term loans

The following are the main covenants on medium/long-term loans:

1) EUR 100,000 loan by pool of banks: Agent Bank MCC S.p.A.

The company undertakes to comply with the following financial parameters for the entire duration of the agreement:

a) net financial position

(thousands of euros)

applicability	half-yearly max nfp (eur/millions)	annual max nfp (eur/millions)
until 31.12.04	340	310
from 01.01.05	350	320
from 01.01.06	390	350
from 01.01.07	400	360

b) net financial position/equity - "nfp/e"

applicability	nfp/e
until 31.12.04	<1.30
from 01.01.05	<1.25
from 01.01.06	<1.20
from 01.01.07	<1.15

c) net financial position/gross operating margin - "nfp/gom"

applicability	nfp/gom
until 31.12.04	<3.0
from 01.01.05	<2.7
from 01.01.06	<2.4

2) EUR 100,000 loan by pool of banks: Leading bank Banca Popolare di Milano
(aided by channelling of revenues from price reviews)

- Net financial indebtedness and Group equity ratio less than or equal to 1.3
- Operating income and Net financial charges ratio greater than or equal to 1.5
- Net financial indebtedness and EBITDA ratio less than or equal to 3.5
- Equity greater than or equal to EUR 180,000

3) EUR 60,000 loan by pool of banks: Leading bank - Unicredit Banca d'Impresa
(aided by channelling of revenues from price reviews)

- Net financial indebtedness and Group equity ratio less than or equal to 1.2
- Operating income and Net financial charges ratio greater than or equal to 1.3
- EBITDA and Total revenues ratio greater than or equal to 10%
- Equity greater than or equal to EUR 180,000.

It should be noted that the covenants listed above are parameterised on the basis of model financial statements drafted in compliance with Civil Code provisions.

Loans

The following are the main debts included in the balance assisted by guarantees of various nature, specifying the type for each loan:

■ **MUTUO CARISBO**: EUR 4,950

secured by a mortgage of EUR 18,076 on the building for the Piazza VIII Agosto car park in Bologna.

■ **MUTUO CARIPRPC**: EUR 136

secured by a mortgage of EUR 2,789 on the building for the Porta Palazzo car park in Turin.

In accordance with the company's practise, suitable interest rate swaps were performed to hedge the interest rate risk.

Due to other financiers

Amounts due to other financiers totalled EUR 3,614 and referred to loans taken out by the US subsidiary, Astaldi Construction Corporation, for investments in tangible assets to be employed in the standard production process.

28. Other liabilities

Other non-current liabilities, equal to EUR 14,936, showed an EUR 7,288 increase compared to December 31, 2004 (EUR 7,648), while other current liabilities amounted to EUR 56,750 showing an EUR 5,876 increase on 2004 (EUR 50,875). The following are the main items:

other liabilities			
(thousands of euros)	31/12/2005	31/12/2004	variation
other non-current liabilities			
– due to personnel	1,899	7,625	(5,726)
– tax payables	–	3	(3)
– other liabilities	13,037	20	13,017
total other non-current liabilities	14,936	7,648	7,288
other current liabilities			
– due to associated companies	2,434	2,928	(494)
– due to other companies	46	33	12
– due to personnel	18,367	14,650	3,717
– derivatives	1,242	–	1,242
– other liabilities	34,661	33,263	1,398
total other current liabilities	56,750	50,875	5,876

Due to personnel

Current payables to personnel entered in the financial statements totalled EUR 18,367 (EUR 14,650 at December 31, 2004) and included the cash-settled share-based payment plan. In this regard, reference must be made to the “*Incentive Plan*” approved by the Board of Directors on February 28, 2002 for the 2002-2004 period and extended to 2005 under the board resolution of February 10, 2005.

In short, the plan in question provides for the annual assignment (for approximately 22 beneficiaries) of synthetic options – “*stock appreciation rights*” subject to achievement of previously set corporate targets. Said options are characterised by payment in cash of the difference between the share price (calculated as the arithmetical average of the last month) and the exercise price established by the Board of Directors with the assistance of the Remuneration Committee. The value of the options can reach a maximum of 150% of annual gross salary.

The following table shows the number and average exercise price of the options for each of the following option groups:

options

(amounts in EUR units)

	31/12/2005		31/12/2004	
	no. options	average exercise price	no. options	average exercise price
not exercised at the start of year	2,755,000	2.8800	2,800,000	2.2600
assigned during the year	2,090,000	4.7000	2,090,000	3.1000
cancelled during the year	–	–	–	–
exercised during the year	2,722,500	2.8753	2,135,000	2.2866
expired during the year	–	–	–	–
not exercised at year end	2,090,000	4.7000	2,090,000	3.1000
exercisable at year end	32,500	3.1000	665,000	2.1800

The weighted average duration of existing options at December 31, 2005 was 1.4 years.

The weighted average fair value of options granted over the year was EUR 1,496.

The interval of exercise prices of existing options at the year end was EUR unit 3.10 and 4.70.

The method used to calculate fair value related to 2005 is shown below:

fair value calculation method

31/12/2005

forecast dividends (%)	–
forecast volatility (%)	–
historical volatility (%)	0.328
interest rate with no risk (%)	2.83
forecast duration of option (years)	1.4
average weighted share price (eur)	4.86

It must be noted that valuation of the aforementioned options was calculated using the binomial model based on the *Montecarlo* simulation method.

Due to associated companies and other companies

Please see the table attached to these notes for a breakdown of current relations with Group companies.

29. Employee severance indemnity and other personnel provisions EUR 11,518

The employee benefits item comprised employee severance indemnity set aside in compliance with current legislation.

The variations during the year were as follows:

employee severance indemnity

(thousands of euros)

value at 31/12/2004	11,122
increase during year	2,919
decrease during year	(2,790)
delta exchange	7
change in area of consolidation	260
value at 31/12/2005	11,518

The overall cost of the increase during the year was shown in the table below:

defined benefit plans		
(thousands of euros)	31.12.2005	31.12.2004
social security cost for current employment	2,502	2,510
net interest payable (receivable)	417	420
net actuarial losses (profits)	–	–
social security cost for past employment	–	–
reductions and discharges	–	–
total	2,919	2,930

The total current value of the liability regarding the provision for employee severance indemnity equalled EUR 11,518; actuarial profits and losses accumulated at the reference date of these financial statements totalled EUR 420, EUR 101 of which referring to the year in question.

The assumptions used for the purpose of calculating the liability towards employees with regard to employee severance indemnity were the following:

- annual discounting back rate: 4%;
- annual salary increase rate (including inflation): 4.50% for managers, 3% for executives, clerical workers and workers;
- annual inflation rate: 2%;
- frequency of advance payments of employee severance indemnity: 3%;
- annual turnover rate: 10% for all companies.

It must also be noted that the total amount of defined contribution plans for the current year totalled EUR 620.

30. Provision for risks and charges EUR 54,609

At December 31, 2005, the provision for risks and charges amounted to EUR 54,609 (EUR 37,370 at December 31, 2004) and the relative movements during the year were as follows:

provisions for risks and charges						
(thousands of euros)	provision for final losses/charges on contracts	investment risks	taxes	pursuant to art. 27 of by-laws	other	total
balance at december 31, 2004	17,477	18,108	900	128	758	37,371
– of which current	17,477	18,108	900	128	758	37,371
– of which non-current	–	–	–	–	–	–
allocation	13,700	134	–	–	2,400	16,234
use	(5,095)	(5)	–	–	–	(5,100)
absorption	–	–	(427)	–	–	(427)
allocated to works in progress	(3,375)	–	–	–	–	(3,375)
allocated to advances	(250)	–	–	–	–	(250)
allocated for reclassification	5,370	–	–	–	–	5,370
allocation of profit for 2004	–	–	–	234	–	234
other	(1)	3	–	–	4,550	4,552
balance at december 31, 2005	27,826	18,240	473	362	7,708	54,609
– of which current	27,826	18,240	473	362	7,708	54,609
– of which non-current	–	–	–	–	–	–

Provision for final losses/charges on contracts

The provisions totalling EUR 27,826 included sums set aside to cover expected charges referring to contracts for which total costs are expected to exceed total revenues.

The recorded decrease was carried out in relation to the results accrued during the reference period for Italian and foreign projects whose economic effects were allocated in previous financial years. It must also be noted that the “allocated for re-classification” item mainly included the provision set aside to cover the probable charges that the parent company must incur in relation to works performed by the permanent establishment in Colombia.

Provision for investment risks

This provision totalled EUR 18,240 and included the effects of valuation of non-consolidated investments using the equity method. The most significant of these, equal to EUR 14,532, can be attributed to Comet J.V. in charge of constructing the Copenhagen underground, now completed, as well as liquidation charges set aside for individual companies in the process of winding up voluntarily.

The amounts allocated to the provision in question, equal to EUR 134, referred to the depreciation of other investments, in excess of the corresponding book value, carried out in order to cover losses of a specific nature and certain or probable existence, but whose value and contingency date were unknown at the year end.

Provision for taxes

The provision in question included the sum of EUR 473 allocated to cover charges to be incurred by the parent company following the judicial settlement entered into with the Rome 1 tax office in reference to 1997 and 1998. Said settlement cleared up all the objections notified to the parent company by the Tax Police with the complaint report (P.V.C.) dated 2001.

The table below offers a complete picture of the outcome of the objections notified by the Tax Police in its complaint report (P.V.C.) dated July 21, 2001:

outcomes of objections		
(thousands of euros)	amounts disputed	cost of settlement
contractor's reserves	122,965	1,223
investment losses	32,283	116
other minor observations	185	102
total	155,433	1,441

It should be noted that it was decided to settle the matter out-of-court without this meaning acceptance by the parent company of the objections raised, but for the sole purpose of shortening settlement times and cutting costs related to legal assistance, consultancy and defence.

Provision pursuant to Article 27 of the By-laws

The provision, equal to EUR 362, established for the purposes of donations, increased by EUR 234 over the year following allocation of a portion of the 2004 profits, as resolved by the Shareholders' Meeting on April 30, 2005. On January

11, 2006, the Shareholders' Meeting approved an increase of the portion of net profits to be allocated for this purpose to 1.5%.

31. Trade payables EUR 354,816

Trade payables totalling EUR 354,816 (EUR 381,200 at December 31, 2004) decreased by EUR 26,384.

trade payables			
(thousands of euros)	31/12/2005	31/12/2004	variation
due to suppliers	257,115	258,183	(1,068)
due to associated companies	91,260	114,721	(23,461)
due to investments in other companies	6,440	8,296	(1,856)
total	354,816	381,200	(26,384)

The main debt items refer to:

- amounts due to suppliers totalling EUR 257,115; the item saw a net decrease of EUR 1,068 compared to December 31, 2004;
- amounts due to associated companies totalling EUR 91,260; the item saw a decrease of EUR 23,461; please see the table attached to these notes for a breakdown of payables. This value can be largely attributed to commercial relations resulting from reversal of costs by consortium companies performing some major works in partnerships;
- amounts due to other companies totalling EUR 6,440; the item saw a EUR 1,856 decrease; please refer to the table attached to these notes for a breakdown of payables.

32. Tax payables EUR 17,712

Tax payables showed an increase of EUR 2,489 compared to the balance at December 31, 2004 (balance of EUR 15,223).

The balance refers to:

- EUR 2,210 for indirect tax payables (VAT);
- EUR 2,274 for VAT with deferred payability;
- EUR 10,568 for direct taxes;
- EUR 2,260 for Treasury payables for taxes withheld on employee income.

Undertakings and risks

Personal guarantees

The value of guarantees furnished totalled EUR 1,670,117 and referred to the following:

1. guarantees for opening credit facilities, to be used to ensure proper cash flow in relation to individual projects, issued in favour of associated companies and other non-consolidated companies, set up for this purpose pursuant to current tax legislation for a total of EUR 64,934;
2. guarantees for works, issued in the Group's interest by banks and insurance companies, in favour of clients on behalf of subsidiaries, associated companies and other companies, for the total amount of EUR 1,473,820;
3. other guarantees, issued for various purposes, for a total EUR 131,363.

Guarantees furnished by third parties in our favour

These refer to guarantees totalling EUR 26,592 issued by banks and insurance companies, in the interest of Italian and foreign suppliers and subcontractors in relation to contractual obligations undertaken by the latter in our regard.

Undertakings related to financial leasing agreements

During the year the Group signed financial leasing agreements totalling EUR 5,363 of an average duration of 30/60 months. The agreements exclusively concerned tangible assets regarding the tax category of plant and equipment; said agreements include a clause regarding the redemption option. The following table shows the amount of future financial leasing instalments and the current value of said instalments:

value of leasing instalments				
(thousands of euros)				
	31/12/2005		31/12/2004	
	instalments	current value of instalments	instalments	current value of instalments
within a year	6,040	4,870	6,437	5,068
over a year and within five years	18,123	16,267	13,622	11,701
over five years	–	–	7,185	6,651
total leasing instalments	24,163		27,244	
financial charges	3,026		5,248	
current value of leasing instalments	21,137	21,137	21,996	23,420

Relations with related parties

In accordance with IAS 24 as well as CONSOB announcements no. 97001574 of February 20, 1997 and no. 98015375 of February 27, 1998, the following are the totals of existing transactions and balances resulting from financial and commercial relations entered into with non-consolidated companies.

Transactions with related parties were carried out at similar conditions to those applied for free transactions.

However, it should be noted that relations with consortia and consortium companies (so-called “*special purpose vehicles*”), taking into account the specific sector the company operates in, are to be correlated with receivables owed by third parties – entered among *Trade Receivables (24)* – not summarised in the table attached to these notes.

Managers with strategic responsibilities

The following table shows the fees due to the parent company's directors, auditors and general managers for the performance of their duties, also in other subsidiary companies:

remuneration to directors, auditors and general managers

	description of office held	duration of office	emoluments for office held	non monetary benefits	bonuses and other incentives	other fees
Monti Ernesto **	Chairman	31/12/2006	26,000 (a)			210,000 (1) (a)
						750 (6) (a)
Astaldi Paolo **	Deputy Chairman	31/12/2006	26,000 (a)			200,000 (1) (a)
						750 (6) (a)
						264,765 (4) (a)
						19,624 (9) (b)
Di Paola Vittorio **	Executive Deputy Chairman	31/12/2006	26,000 (a)			800,000 (1) (a)
Astaldi Pietro	Director	31/12/2006	26,000 (a)			209,492 (4) (a)
						10,500 (3) (a)
						3,000 (2) (a)
						16,070 (9) (b)
Astaldi Caterina	Director	31/12/2006	26,000 (a)			79,043 (4) (a)
						5,209 (9) (b)
Cerri Stefano **	CEO and General Manager	31/12/2006	26,000 (a)		573,704 (5) (e)	301,555 (4) (a)
						49,333 (1) (a)
						10,000 (3) (a)
						19,116 (9) (b)
Cafiero Giuseppe **	CEO and General Manager	31/12/2006	26,000 (a)		613,654 (5) (e)	348,701 (4) (a)
						16,090 (2) (a)
						9,406 (3) (a)
						22,980 (9) (b)
Grassini Franco	Director	31/12/2006	26,000 (a)			1,000 (7) (a)
Guidobono						
Cavalchini Luigi	Director	31/12/2006	26,000 (a)			1,000 (7) (a)
Lupo Mario	Director	31/12/2006	26,000 (a)			1,000 (7) (a)
Mele Vittorio	Director	31/12/2006	26,000 (a)			750 (6) (a)
Oliva Nicola **	Director and General Manager	31/12/2006	26,000 (a)		642,854 (5) (e)	299,138 (4) (a)
						18,808 (9) (b)
Poloni Maurizio	Director	31/12/2006	26,000 (a)			1,000 (7) (a)
						15,000 (8) (a)
Pinto Eugenio	Chairman of Board of Auditors	30/04/2005	53,040 (a)			
Singer Pierpaolo	Auditor	30/04/2005	35,360 (a)			
Spanò Pierumberto	Auditor	30/04/2005	35,360 (a)			

** Managers with strategic responsibility

(1) Fees for offices held pursuant to Article 2389, subsection 3 of the Italian Civil Code;

(2) Fees for offices held in subsidiary companies pursuant to Article 2389, subsection 3 of the Italian Civil Code;

(3) Director's fee for subsidiary companies;

(4) Salaries;

(5) Free assignment of synthetic options;

(6) Fees received as member of Remuneration Committee;

(7) Fees received as member of Internal Auditing Committee;

(8) Fees received as member of Supervisory Body;

(9) Benefits subsequent to employment (employee severance indemnity);

(a) Short-term benefits;

(b) Benefits subsequent to employment;

(e) Share-based payments.

exchange rates applied to convert financial statements expressed in foreign currency

country	currency		31/12/2005	2005 average	31/12/2004	2004 average
Albania	Lek	ALL	122.571	124.025	126.251	127.269
Algeria	Algerian Dinar	DZD	86.566	90.703	95.955	87.915
Angola	Readjustado Kwarza	AOA	95.931	108.441	115.363	103.607
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
Burundi	Burundi Franc	BIF	1,181.840	1,321.120	1,445.120	1,334.440
Caribbean	Caribbean Dollar	XCD	3.201	3.359	3.620	3.356
Central African Republic C.F.A	CFA Franc	XAF	655.950	655.952	655.957	655.957
Chile	Chilean Peso	CLP	609.549	697.002	769.904	756.958
Colombia	Colombian Peso	COP	2,701.810	2,890.740	3,262.240	3,295.820
Democratic Republic of the 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
Dominican Republic	Dominican Peso	DOP	39.209	36.830	35.672	49.891
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
Djibouti	Djibouti Franc	DJF	210.708	221.091	238.279	220.350
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
Indonesia	Indonesian Rupiah	IDR	11,675.400	12,071.200	12,368.500	11,117.800
Kenya	Kenyan Shilling	KES	86.672	93.984	106.695	98.413
Libya	Libyan Dinar	LYD	1.601	1.634	1.743	1.627
Malawi	Kwacha	MWK	146.849	145.811	142.667	132.470
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	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	Qatar Riyal	QAR	4.316	4.528	4.880	4.528
United Kingdom	British Pound	GBP	0.679	0.684	0.695	0.679
Romania	Leu	RON	3.659	3.581	3.870	4.051
Rwanda	Rwandan Franc	RWF	655.532	690.988	741.977	696.109
Singapore	Singapore Dollar	SGD	1.986	2.070	2.201	2.102
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
Taiwan	Taiwan Dollar	TWD	39.493	39.982	43.135	41.506
Tanzania	Tanzanian Shilling	TZS	1,385.080	1,400.750	1,401.530	1,332.410
Thailand	Baht	THB	48.731	50.063	52.559	50.052
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
Zambia	Kwacha	ZMK	4,026.490	5,508.780	6,073.100	5,917.130

Source: Italian Exchange Office (Ufficio Italiano Cambi).

Financial risk management

Astaldi Group avails itself of financial instruments such as bilateral loans, pooling loans, mortgages and financial leasing agreements for the purpose of obtaining the financial resources needed to support and develop its business activities.

Moreover, taking into account the various areas it operates in, the Group performs transactions in foreign currency thereby exposing itself to possible additional financial risks.

In order to maintain corporate value, the Group has drawn up guidelines used to control its exposure to market risks and management of said risks through derivatives, assigning the definition of strategies to be adopted and monitoring of hedged positions to a Financial Risks Committee set up for this purpose.

The main market risks the Group is exposed to are “*interest rate risk*”, “*cash flow risk*”, “*credit risk*” (or counterparty risk) and “*exchange rate risk*”.

The risks hedged by derivative contracts are the interest rate risk and exchange risk.

Current derivative transactions are represented by Interest Rate Swaps (IRS), Collar or Cylinder, and Forward, performed for the purpose of managing the interest rate and exchange rate risk generated by the Group's operations and its sources of financing.

Interest rate risk

The Group's exposure to the market risk for interest rate fluctuations regards mainly short and medium/long-term variable rate sources of financing. The Group's philosophy, set down in a specific management policy, is to define an optimal mix of fixed rate and variable-rate debt in order to reduce financial costs and corresponding volatility. To this end, it operates through simple (“plain vanilla”) derivative instruments that involve transforming the variable rate into a fixed rate (IRS), or permit the rate's oscillation within a preset interval (Collar), and in any event guaranteeing a maximum risk exposure level (Cap).

The following table shows the book value, according to expiry, of the Group's financial instruments exposed to interest rate risk:

risk linked to financial flows:							
(thousands of euros)	within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	over 5 years	total
bank loans	1,024	1,254	1,291	1,314	1,332	–	6,215
financial leasing	4,870	3,134	3,134	3,134	6,865	–	21,137
bank credit facilities	206,920	83,452	70,595	56,785	25,357	5,320	448,429
total	212,814	87,840	75,020	61,233	33,554	5,320	475,781

Financial instruments not included in the table above are not interest-bearing and therefore are not subject to interest rate fluctuations.

At December 31, 2005, the notional value of derivative hedge assets totalled approximately EUR 233,585, equal to approximately 49% of the aforementioned variable-rate debt.

The following tables describe the aforementioned transactions, split between effective and ineffective cash flow hedge transactions:

cash flow hedge derivatives (effective)

(thousands of euros)

	notional value	fair value 31/12/2005
interest rate swap expiring in june 2007 on pool loan originally totalling eur 60,000.	15,000	(17)
interest rate swap expiring in april 2009 on pool loan originally totalling eur 100,000.	75,000	491
hedge transactions expiring in february 2010 on syndicated loan originally totalling eur 100,000.	18,000	183
irs transaction expiring in december 2008 on factoring of original amount of eur 25,000.	15,000	15
fixed-rate swap expiring in december 2010 on mortgage originally totalling eur 10,000 approx.	4,496	61
total cash flow hedge derivatives (effective)	127,496	733

The aforementioned cash flow hedging was considered highly successful and led to a non-realised profit of EUR 867 being entered in equity, together with the correlated effect for deferred taxes of EUR (286). The breakdown of cash flow hedging entered directly in the income statement at December 31, 2005 is shown below:

cash flow hedge derivatives (ineffective)

(thousands of euros)

	notional value	fair value 31/12/2005
irs transaction on an average share of short-term indebtedness (equal to eur 50,000 approx.)	25,000	185
irs transaction expiring in november 2010 on financial leasing agreement originally totalling eur 18,100 approx.	11,651	(157)
hedging transactions on loans guaranteed by receivables from customers for works performed (self-liquidating) of a total eur 22,000 approx.	9,438	(61)
collar expiring in june 2007 on pool loan originally totalling eur 60,000.	15,000	1
collar expiring in february 2010 on syndicated loan originally totalling eur 100,000.	45,000	(213)
total cash flow hedge derivatives (ineffective)	106,089	(245)

With regard to said transactions, it should be noted that, even if for hedging purposes and performed using simple derivatives, the variations in value of the relative fair value were not suspended among equity, mainly because of the nature of the underlying financing.

The basic rate parameter (3-month EURIBOR) on short-term loans ("hot money") is set through the first category of transactions, two separate fixed-rate IRSs; nevertheless the category of said loans is such that the financial flows linked to their use and relative interest payable are not perfectly aligned with the hedge flows which exchange the interest differentials at the end of the quarter. Moreover, the parameter established with the bank, 3-month EURIBOR, does not exactly match the parameter actually paid on the loan in question, in so far as the latter is established on the basis of the individual duration of use. These factors are such as to make said hedges ineffective, while formulating ex-post effectiveness tests, for which it was agreed to directly enter the effects in the income statement.

As far as financial leasing is concerned, hedging was performed through a derivative which provides for switching from a variable rate (6-month EURIBOR) to

a fixed rate (3.22%) as from November 2006. Nevertheless the underlying loan provides for the payment of a fixed instalment, calculated on the basis of an initially agreed fixed rate, with the exception of subsequently recalculating ex-post the actual instalment through an indexing formula which leads to the drawing up of a credit or debit note.

Lastly, with reference to derivatives taken out against so-called self-liquidating loans, similarly to short-term loans, the nature of said loans makes it impossible to envisage with a high level of probability, the relative repayment plan insofar as this is linked to the schedule of payments by the client.

As regards Collar transactions, at the present moment, the rate curve does not allow for the possibility of reaching the maximum levels of protection set by hedging contracts (Caps), for which the market value of said instruments is entered in the income statement.

Exchange rate risk

With regard to the exchange rate risk, Astaldi Group performs cash flow hedges for specific foreign contracts, with the purpose of neutralising or softening the effect of exchange rate oscillation on the value of relative costs or revenues in currency.

At December 31, 2005 the portfolio of derivate assets on exchange rates comprised solely forward transactions performed against the Turkish branch's forecast revenues, all of which can be designated as cash flow hedges. The total of said transactions amounted to USD 70,000 and the relative valuation at fair value (compared to the exchange rate fixing of 31/12/2005, equal to 1.1797) was negative for approximately EUR 642.

The breakdown is shown below:

c a s h f l o w h e d g e d e r i v a t i v e s				
	forward exchange rate	derivative expiry date	notional value	fair value 31/12/2005
forward sale	1.1936	03/03/2006	\$ 10,000	€ (70)
forward sale	1.1970	31/03/2006	\$ 10,000	€ (80)
forward sale	1.2057	31/03/2006	\$ 10,000	€ (140)
forward sale	1.2035	30/06/2006	\$ 10,000	€ (83)
forward sale	1.2103	29/09/2006	\$ 15,000	€ (135)
forward sale	1.2122	27/10/2006	\$ 15,000	€ (134)
total cash flow hedge derivatives			\$ 70,000	€ (642)

The aforementioned cash flow hedging was considered effective and led to a non-realised loss of EUR 642 being entered in equity, together with the correlated effect for deferred tax assets of EUR 212.

Fair value

For instruments not valued at fair value, the following table offers a comparison between the value entered in financial statements and the value that would have resulted from application of fair value:

(thousands of euros)

	31/12/2005 book value	31/12/2005 fair value	31/12/2004 book value	31/12/2004 fair value
financial receivables	15,829	15,829	14,373	14,373
other assets	734,449	734,449	616,404	616,404
trade receivables	384,085	384,085	395,237	395,237
cash and cash equivalents	175,418	175,418	185,370	185,370
financial payables:				
bonds	–	–	150,000	150,000
due to banks	454,645	454,645	225,066	225,066
due to associated companies	597	597	610	610
financial leasing payables	21,137	21,137	23,420	23,420
trade payables	354,816	354,816	381,200	381,200
other assets	820,251	820,251	810,352	810,352

Segment disclosure

The following table shows figures related to revenues, results and information regarding some assets and liabilities linked to the Group's business sectors, for the years ending on December 31, 2005 and December 31, 2004.

Primary disclosure

Information as per IAS 14, regarding the geographical areas the Group operates in, is listed below:

primary disclosure (IAS 14) at december 31, 2005

(thousands of euros)

	italy 31/12/2005	europa 31/12/2005	america 31/12/2005	africa 31/12/2005	asia 31/12/2005	other (*) 31/12/2005	adjustments and cancellations 31/12/2005	consolidated total 31/12/2005
revenues								
revenues	494,468	294,509	205,204	44,313	10,975		(80,572)	968,898
results								
ebit	51,338	49,593	20,077	(5,044)	(454)	(38,143)	558	77,926
unallocated costs								
profit/loss prior to taxation and financial income/charges								77,926
net financial charges								(27,459)
shares of operating result of associated companies	492	(343)	4,066	(2)	(96)			4,117
profit/(loss) prior to taxation and minority interests								54,585
income taxes								22,734
net profit for the year								32,479
assets and liabilities								
sector assets	926,744	280,489	211,537	114,744	6,699		(570,464)	969,749
of which investments in associated companies						151,070	(116,640)	34,430
unallocated assets								341,310
total assets								1,311,059
sector liabilities	(605,903)	(258,984)	(168,376)	(133,961)	(6,372)		518,649	(654,948)
unallocated liabilities								(399,819)
total liabilities								(1,054,767)
other sector information								
tangible fixed assets	45,057	15,585	25,106	6,881	235	36,596	(366)	129,095
intangible fixed assets	3,527	1,138	309	3				4,977
depreciation of tangible assets	9,052	4,536	7,839	3,706	76		(258)	24,951
amortisation of intangible assets								
provisions	6,300	5,800	1,600	2,400				16,100

primary disclosure (IAS 14) at december 31, 2004

(thousands of euros)

	italy 31/12/2004	europa 31/12/2004	america 31/12/2004	africa 31/12/2004	asia 31/12/2004	other (*) 31/12/2004	adjustments and cancellations 31/12/2004	consolidated total 31/12/2004
revenues								
revenues	598,741	178,409	194,375	70,485	27,850	163	(65,268)	1,004,756
results								
ebit	47,969	38,817	12,208	(6,559)	244	(24,497)	2,769	70,951
unallocated costs								
profit/loss prior to taxation and financial income/charges								70,951
net financial charges								(32,012)
shares of operating result of associated companies	(274)	(866)	5,244	(15)	(151)			3,937
profit/(loss) prior to taxation and minority interests								42,875
income taxes								15,031
net profit for the year								28,021
assets and liabilities								
sector assets	1,199,914	369,231	225,574	123,153	12,462		(1,020,063)	910,270
of which investments in associated companies						75,899	(42,661)	33,238
unallocated assets								301,113
total assets								1,211,383
sector liabilities	(1,069,567)	(359,136)	(195,633)	(142,955)	(11,616)		987,210	(791,696)
unallocated liabilities								(184,757)
total liabilities								(976,453)
other sector information								
tangible fixed assets	44,879	16,225	30,435	13,240	182	20,660	(358)	125,263
intangible fixed assets	1,132	3,528	516	2			(2)	5,176
depreciation of tangible assets	4,966	2,856	8,244	3,674	60		3,354	23,153
amortisation of intangible assets								
provisions	4,650	529						5,179

Secondary disclosure

Information regarding the business segments which the Group operates in is summarised in the table below.

secondary disclosure - 2005							
(thousands of euros)							
	dams and hydraulic works	civil and industrial construction	transport infrastructures	concessions	other (*)	cancellations	total
revenues	115,606	123,249	810,614	–	–	(80,571)	968,898
sector assets	169,665	180,882	1,189,667	–	–	(570,464)	969,749
of which investments in associated companies					151,070	(116,640)	34,430
unallocated assets							341,310
total assets							1,311,059
investments:							
tangible fixed assets	10,234	10,902	71,729	–	36,596	(366)	129,095
intangible fixed assets	4,972	5	–	–	–	–	4,977

secondary disclosure - 2004							
(thousands of euros)							
	dams and hydraulic works	civil and industrial construction	transport infrastructures	concessions	other (*)	cancellations	total
revenues	155,474	237,545	677,004	–	–	(65,268)	1,004,756
sector assets	280,477	428,534	1,221,322	–	–	(1,020,063)	910,270
of which investments in associated companies					75,899	(42,661)	33,238
unallocated assets							301,113
total assets							1,211,383
investments:							
tangible fixed assets	15,981	16,951	72,029	–	20,660	(358)	125,263
intangible fixed assets	5,175	3	–	–	–	(2)	5,176

(*) The segment entitled "Other" includes all assets, such as the cost of the offices in Rome, corporate financial charges, etc., not directly attributable to production units.

Subsequent events

Publication of the financial statements was authorised by the parent company's Board of Directors on March 27, 2005.

The Board of Directors reserves the right to make formal amendments and supplements within the filing date, pursuant to Article 2429 of the Italian Civil Code.

Please refer to the Management Report for information regarding events subsequent to the reference date of the financial statements.

Investment in associated companies and joint ventures

associated companies and joint ventures valued at equity

	book value of investment at december 31, 2005	share pertaining to results of investee company at december 31, 2005
Adduttore Ponte Barca S.c.r.l. in liquidation	11	
Almo S.c.r.l. in liquidation	16	
Alosa Immobiliare S.p.A. in liquidation	–	(70)
Association en participation SEP Astaldi-Somatra-Bredero	–	(1)
Astaldi-Ferrocemento J.V.	–	3
Avola S.c.r.l. in liquidation	–	(13)
Blufi 1 S.c.r.l. in liquidation	–	
C.F.M. S.c.a.r.l. in liquidation	21	
Carnia S.c.r.l. in liquidation	–	(11)
Cogital S.c.r.l. in liquidation	34	
Colli Albani S.c.r.l. in liquidation	2	(1)
Consorzio Contuy Medio	1	
Consorzio DEI	9	
Consorzio Metro Los Teques	2,106	4,083
Consorzio A.F.T.	15	
Consorzio A.F.T. Kramis	–	
Consorzio Bonifica Lunghezza - C.B.L.	5	
Consorzio Brundisium	4	
Consorzio C.I.R.C. in liquidation	13	
Consorzio Co.Fe.Sar.	15	
Consorzio Consarno	5	
Consorzio Consavia S.c.n.c. in liquidation	5	
Consorzio Dipenta S.p.A. - Ugo Vitolo in liquidation		
Consorzio Europeo Armamento Alta Velocità - C.E.A.A.V.	52	
Consorzio Ferrofir in liquidation	357	
Consorzio Gi.It. in liquidation	1	
Consorzio Iricav Due	170	
Consorzio Iricav Uno	145	
Consorzio Ital.Co.Cer.	15	
Consorzio Italveneziana	19	(1)
Consorzio L.A.R. in liquidation	61	
Consorzio Metrofer	9	1
Consorzio Novocen	413	
Consorzio Ponte Stretto di Messina	52	
Consorzio Qalat	4	
Consorzio Recchi S.p.A. - Astaldi S.p.A.	–	(32)
Diga di Blufi S.c.r.l.	23	
DP 2M S.c.r.l. in liquidation	–	(1)
Ecosarno S.c.r.l.	17	
Fosso Canna S.c.r.l. in liquidation		(3)
Groupement Cir S.p.A.	45	
Groupement Eurolep	8	
Groupement Italgisas	–	
Holding Eléctrica Centroamericana S.p.A. - (Heca S.p.A.) in liquidation	–	(18)
Infraclegrea S.c.r.l.	23	
Isclero S.c.r.l. in liquidation	–	(2)
M.N. Metropolitana di Napoli S.p.A.	1,709	286

net equity at december 31, 2005	total assets at december 31, 2005	net financial position at december 31, 2005	total revenues at december 31, 2005	profit (loss) for the period
14	849	1		
46	106	5		
(21,046)	15,681	(2,412)	9	(140)
(3)	91		1	
(354)	1,661	(72)	140	6
(122)	1,059	83		(25)
(71)	57	15		
41	623	(302)		
(169)	396	36	2	(33)
68	421	348		
3	835	5		(1)
2	2			
		44		
7,022	45,874	17,150	62,418	13,611
45	5,947	2,103		
(721)	18,518	(3,255)	10,394	
10	10	2	1	
	3			
52	3,354	885	11	
52	1,339	154		
21	7,261	(309)		
20	253	230		(1)
207	6,406	928		
535	12,143	(546)	1,019	
3	441	9		
516	75,692	21,183		
444	3,117,962	23,542		
52	5,025	1		
75	253			(2)
207	8,935	(1,900)		
28	96	19	4	3
1,013	77,202	(68)		
72	5,969	304	8,979	
6	4,480	488		
(11)	1,432	5		(63)
30	10,709	(3,871)	6	
(31)	68	44		(1)
51	3,592	(111)		
1	546	2	27	(9)
136	192	175		(1)
(2,715)	390	36		
(130)	57	28		(37)
30	5,933	(924)	5,379	
(210)	6,628	7		(6)
7,556	1,330,320	(1,977)	79,337	1,265

associated companies and joint ventures valued at equity

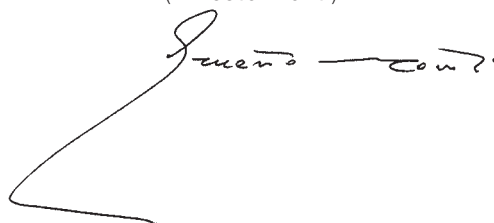
	book value of investment at december 31, 2005	share pertaining to results of investee company at december 31, 2005
Marsico Nuovo S.c.r.l. in liquidation	–	
Max Bogl-Astaldi-CCCF Asocierea JV S.r.l.	24	10
ME.SA. S.c.r.l. in liquidation	10	
Messina Stadio S.c.r.l.	15	
Metrogenova S.c.r.l.	6	
Metroveneta S.c.r.l.	13	
Monte Vesuvio S.c.r.l. in liquidation	23	
Mose-Treporti S.c.r.l.	4	
N.P.F. - Nuovo Polo Fieristico S.c.r.l.	20	
Nova Metro S.c.r.l. in liquidation	8	
Pegaso S.c.r.l.	114	
Piana di Licata S.c.r.l. in liquidation	–	
Pont Ventoux S.c.r.l.	29	
Principe Amedeo S.c.r.l. in liquidation	–	(3)
Priolo Siracusa S.c.r.l.	16	
Raggruppamento Astaldi-Vianini in liquidation	8	(1)
S. Leonardo S.c.r.l. in liquidation	–	(4)
S.A.A.L.P. S.n.c. in liquidation	15	
S.A.C.E.S. S.r.l. in liquidation	638	459
S.E.I.S. S.p.A.	14,896	(95)
Sa.Di.Pe. S.c.r.l. in liquidation	16	(2)
Santangelo S.c.r.l. in liquidation	9	(1)
SO.GE.DEP. S.r.l. in liquidation	4	
Tangenziale Seconda S.c.r.l. in liquidation	20	
Transeuropiska Autocesta d.o.o	3,178	46
Truncu Reale S.c.r.l.	11	
V.A.S.CO. Imprese Riunite	–	
Val Pola S.c.r.l. in liquidation	14	
Valle Caudina S.c.r.l.	27	
Veneta Sanitaria Finanza di Progetto - V.S.F.P. S.p.A.	6,986	(16)
Vesuviana Strade S.c.r.l.	14	
Viadotti di Courmayeur S.c.r.l.	7	
	31,511	4,613

net equity at december 31, 2005	total assets at december 31, 2005	net financial position at december 31, 2005	total revenues at december 31, 2005	profit (loss) for the period
(15)	141	(62)		
71	71		31	31
41	64	47	1	
46	9,276	607	128	
26	11,137	2,798	10,104	
26	2,013	(84)	1,166	
30	1,386	366		
10	5,593	91	20,485	
40	19,167	6,033	117,944	
41	1,045	655		
260	26,263	2,515	30,057	
(250)	363			(1)
52	42,364	(16,859)	27,233	
(164)	893	324		(7)
78	3,210	969		
17	234	78		(2)
(40)	3,004	(67)		(7)
52	1,437	(1,281)		
1,723	3,500	3,120	1,563	1,241
30,822	51,652	(2,754)	2,054	(196)
32	55	2		(5)
20	415	50	46	(1)
15	1,886	4		
45	113	15	4	
6,487	135,537	55	274	93
31	266	126	23	
(107)	1,097	(70)		
40	63	20		
52	1,530	(84)	623	
22,537	54,356	(9,631)	387	(53)
46	4,011	(1,008)	5,433	
10	714	8	97	
54,849	5,161,667	38,068	385,380	15,659

For the Board Of Directors

The Chairman

(Ernesto Monti)



Transition to international accounting standards (IFRSs)

Introduction

Following the enforcement of European Regulations no. 1606/2002, issued by the European Parliament and the European Council in July 2002, companies with securities admitted to trading on markets regulated by European Union Member States must prepare their consolidated financial statements in compliance with the international accounting standards (IFRSs) issued by the International Accounting Standard Board (IASB) and adopted by the European Union, as from 2005.

Therefore, in compliance with IFRS 1 requirements, the quantitative and qualitative information regarding the effects of the transition to IFRSs is listed below.

The effects of the transition to IFRSs are the result of the adoption of different accounting standards. As provided for in IFRS 1, the resulting effects are reflected on the opening equity at the transition date (January 1, 2004). The transition to IFRSs involved maintaining the estimates previously formulated in accordance with Italian accounting standards unless adoption of the IFRSs required the formulation of estimates in accordance with different methods.

Specifically, the schedules reconciling consolidated equity expressed in accordance with the previous accounting standards and equity calculated in accordance with IFRSs at the date of transition (January 1, 2004), and the schedules reconciling consolidated equity and the economic result drafted in accordance with Italian accounting standards, and those drafted in compliance with the new accounting standards as December 31, 2004, are attached together with respective notes.

The effects at January 1, 2005 of adoption of IAS 32 and 39 as from said date are also highlighted.

Indeed, as already mentioned, Astaldi Group availed itself of the exemption which provided for postponement, until January 1, 2005, of adoption of IAS 32 (Financial Instruments: Disclosure and Presentation) and IAS 39 (Financial Instruments: Recognition and Measurement) to recognise and assess financial instruments.

The differences emerging from the application of IFRSs compared to Italian accounting standards, together with the Group's choices regarding the accounting options provided for in the IFRSs, require adjustments and reclassifications to financial statement figures, drafted in compliance with provisions contained in the Italian Civil Code regulating drafting criteria, whose effects on consolidated equity and the consolidated economic result are summarised in the schedules below.

It must also be noted that said schedules have been drafted in compliance with the International Financial Reporting Standards adopted by the European Union.

The accounting standards and valuation criteria used to draft reconciliation schedules are listed in the drafting standards and criteria of the comments to the financial statements.

Main effects resulting from application of IFRSs

Astaldi Group adopted the International Accounting Standards as from 2005, with the date of transition to IFRS being January 1, 2004.

For first-time adoption of IFRSs, the Group applied IFRS 1, taking advantage of the following main optional exemptions:

- Astaldi Group took advantage of the opportunity not to apply IFRS 3 retroactively; therefore, the figures regarding acquisitions of businesses, lines of business, and investments taking place prior to January 1, 2004 were not reprocessed;
- Astaldi Group took advantage of the faculty to use the fair value criterion as a substitute for the historical cost criterion from January 1, 2004, selectively for some assets entered among property, plant and equipment;
- definition of January 1, 2005 as the transition date for first-time adoption of IAS 32 and IAS 39 concerning the recognition and valuation of financial instruments;
- recognition, as regards employee benefits, of all existing accrued actuarial profits or losses at January 1, 2004;
- when preparing the consolidated IFRSs balance sheet at January 1, 2004, the accrued conversion differences were presumed to equal zero; only those arising after said date will be recorded.

The Group opted not to take advantage of the exemption permitted by IFRS 1 regarding share-based payments, applying IFRS 2 to all existing plans at January 1, 2004.

At the date of transition to IFRSs (January 1, 2004), a balance sheet was drafted which:

- included all assets and liabilities considered such on the basis of the new standards;
- entered assets and liabilities at the values which would have been calculated should the new standards have always been applied, with the exception of exemptions/options permitted by IFRS 1;
- entered all adjustments resulting from first-time application of IFRSs with offset to equity, taking into account the relative fiscal effect to be entered in the provision for deferred taxes or among assets under the heading prepaid taxes;
- reclassified items entered in financial statements in accordance with methods other than those of the IFRSs.

In the following analysis, this document highlights:

- schedules reconciling consolidated equity and the consolidated economic result in accordance with Italian accounting standards with those drafted in accordance with IFRSs used for first-time adoption, together with the relative notes:
 - at January 1, 2004, the date of transition to IFRSs;
 - at December 31, 2004;
- breakdowns of the IFRSs consolidated balance sheets at January 1, 2004 and December 31, 2004 and the consolidated income statement for the year

ending December 31, 2004, listing the adjustments made for the purpose of representation in accordance with IFRSs, with the exception of IASs 32 and 39 which Astaldi Group opted to adopt from January 1, 2005;

- the consolidated equity reconciliation schedule at January 1, 2005, the date of transition to IASs 32 and 39;
- breakdown of the IFRSs consolidated balance sheet at January 1, 2005 showing the adjustments made in compliance with IAS 32 and 39.

Reconciliation schedule of equity at January 1 and December 31, 2004 and 2004 result

The differences emerging from application of IFRSs compared with Italian accounting standards, as well as the choices made by Astaldi Group with regard to the accounting options provided for by the IFRSs as illustrated above, involve reprocessing accounts prepared in accordance with previous Italian legislation regulating financial reporting with effects on equity, which may be summarized as follows:

equity at january 1, 2004			
(thousands of euros)	italian standards	adjustments	IASs/IFRSs
equity			
• group	227,122	(5,684)	221,438
• minority interests	158	(2,488)	(2,330)
total	227,280		219,108

equity at december 31, 2004			
(thousands of euros)	italian standards	adjustments	IASs/IFRSs
equity			
• group	243,690	(5,774)	237,916
• minority interests	91	(3,076)	(2,985)
total	243,781		234,931

The breakdown of adjustments, net of the relative tax effect, to the group's equity, is shown in the following table, while the adjustments for minority interests may be ascribed mainly to the change in the area of consolidation area pertaining to minority interests.

The following is the reconciliation of the group's equity at January 1 and December 31, 2004 and the result at December 31, 2004, between the statement drafted as per Italian accounting standards and the one drafted in accordance with IFRSs:

equity at december 31, 2004

(thousands of euros)

	notes	equity at january 1, 2004*	equity at december 31, 2004*	net profit 2004*
consolidated equity		227,280	243,781	28,114
minus: minority interests		(158)	(91)	(507)
group equity and result in accordance with italian accounting standards		227,122	243,690	27,607
area of consolidation and investments valued using the equity method	a	6,395	5,795	(96)
intangible assets	b	(14,229)	(9,056)	5,173
tangible assets	c	10,005	9,787	(218)
cash-settled, share-based payments	d	(2,963)	(5,108)	(2,145)
employee benefits	e	(90)	219	309
adjustment to cost method incurred in relation to contracts valued with physical measurements method	f	(3,350)	(6,267)	(2,917)
other minor adjustments		(1,452)	(1,144)	308
total IFRSs adjustments		(5,684)	(5,774)	414
group equity and result in accordance with IFRSs		221,438	237,916	28,021

* Amounts net of relative fiscal effect

Notes to the reconciliation schedule of equity at January 1 and December 31, 2004 and 2004 result

The following are the comments on the main IFRSs adjustments (whose content has been outlined above):

A. Area of consolidation and investments valued with equity method: the adoption of IAS 27 led to the inclusion in the area of consolidation of consortia and consortium companies established pursuant to and for the effects and purposes of sector regulations, to carry out specific contracts.

Moreover, the line by line method was used to consolidate some controlling interests previously entered with the equity method, because they are in liquidation. For valuation with the equity method, the equities of individual concerns were taken into account, suitably adjusted in accordance with international accounting standards.

The above resulted in:

- *at January 1, 2004* an increase of EUR 6,395 in equity which can be attributed to the negative effect on equity equal to EUR 3,925 resulting from enlargement of the area of consolidation, and to the positive adjustments resulting from valuations with the equity method, adjusted in accordance with international accounting standards for EUR 10,320. Specifically, this greater value may be attributed mainly to revaluations of property at fair value made by associated companies at the transition date
- *at December 31, 2004* an increase of EUR 5,795 in equity which can be attributed to the increase at January 1, 2004, decreased by adjustments to investments valued with the equity method made to the 2004 result, and to the negative effect resulting from enlargement of the area of consolidation area at December 31, 2004.

B. Intangible assets: some types of multi-year charges cannot be capitalized in accordance with IAS 38.

The above resulted in:

- *at January 1, 2004* a decrease of EUR 14,229 in equity, net of the relative positive tax effect for EUR 7,710; specifically, formation and start up costs in relation to the parent company's stock exchange listing (EUR 3,530) and transactions on the capital of other group companies (EUR 1,072), financial charges capitalized in previous financial years (EUR 6,194) and that can no longer be capitalized due to the Group's adoption of the accounting procedure provided for by IAS 23, as well as other intangible assets (EUR 3,433), which as of the transition date did not have the requirements provided for by IAS 38, were cancelled.
- *at December 31, 2004* a decrease of EUR 9,056 in equity, net of the relative positive tax effect for EUR 4,789, resulting from eliminations made at January 1, 2004 (EUR 14,229), from the effect of amortisation adjustments to the 2004 result regarding intangible assets eliminated at January 1, 2004 (EUR 6,732), and from charging to the income statement of capitalizations made in 2004 (EUR 1,559).

C. Tangible assets: the Group decided to adopt the option provided for by IFRS 1 to value, at the transition date, some land and buildings at fair value and to use said values as a substitute for the cost at that date.

The above resulted in:

- *at January 1, 2004* an increase of EUR 10,005 in equity, net of the negative tax effect for EUR 7,654;
- *at December 31, 2004* an increase of EUR 9,787 in equity, net of the relative negative tax effect for EUR 7,690, which in comparison with January 1, 2004, decreased due to greater amortisation, equal to EUR 218, calculated on the revalued value of property.

D. Cash-settled share-based payments: the Group opted for early application, at the transition date, of IFRS2, valuing at the transition date the goods and services and liabilities taken on at fair value. The Group recalculated liabilities at fair value at the closing date of the financial statements (December 31, 2003) with regard to the incentive plan which calls for gratuitous annual assignment of synthetic options (cash-settled share-based payments) to some employees, adjusting the 2004 result for the fair value variations that took place between the transition date and the closing date of the financial statements (December 31, 2004).

The above resulted in:

- *at January 1, 2004* a reduction of EUR 2,963 in equity, net of the relative positive tax effect for EUR 1,490;
- *at December 31, 2004* an additional reduction of EUR 2,145 in equity resulting from updating of the fair value of liabilities vis-à-vis employees (equal to EUR 5,108, net of the relative positive tax effect for EUR 2,517, at December 31, 2004).

E. Employee benefits: Italian standards require liabilities for employee severance indemnity to be entered on the basis of the debt accrued in accordance with

the civil law provisions in force at the closing date of the financial year; in accordance with IFRSs, employee severance indemnity is included in the type of defined benefit plans subject to actuarial valuation (mortality, predictable pay variations, etc.) to express the current value of benefits that may be paid upon termination of employment, which employees have accrued at the date of the financial statements.

The Group decided to record all the actuarial profits and losses accrued at the transition date.

The above resulted in:

- *at January 1, 2004* a decrease of EUR 90 in equity;
- *at December 31, 2004* an increase of EUR 219 in equity.

F. Adjustment to the incurred cost method with regard to projects valued with the physical measurements method: valuation of contracts in progress, in accordance with the standards previously adopted by the Group, was performed with specific reference to the physical progress of works not certified at the end of the financial year (so-called physical measurements method).

When adopting the international accounting standards, in order to apply the “incurred cost” method (cost to cost) in accordance with IFRSs, the Group included work site installation costs, entered among intangible assets with Italian accounting standards and no longer classifiable as such according to international accounting standards, in contracts in progress. The adoption of the incurred cost method in place of the physical measurements method, along with the inclusion of the work site installation costs, resulted in:

- *at January 1, 2004* a decrease of EUR 3,350 in equity, net of the positive tax effect of EUR 1,650;
- *at December 31, 2004* a decrease of EUR 6,267 in equity, net of the positive tax effect of EUR 3,838.

Breakdown of IFRSs consolidated balance sheet at January 1, 2004 and at December 31, 2004, IFRSs consolidated income statement for the year ending December 31, 2004

To supplement the reconciliation schedules of equity at January 1, 2004 and December 31, 2004 and profit for 2004, the schedules of the balance sheets at January 1, 2004 and December 31, 2004 and the 2004 income statement are attached, which show the following for each item, in individual columns:

- the values in accordance with Italian standards, reclassified in accordance with the IFRS models adopted by the Group, as well as reclassifications required by international accounting standards that had no effect on equity and the year's result;
- the change in the area of consolidation resulting from enlargement of the area of consolidation following adoption of IAS 27;
- the adjustments for transition to IFRSs that had an effect on equity and the year's result;
- the total of the effects as the sum of adjustments and the change in the area of consolidation;
- the values in accordance with IFRSs.

reconciliation of the opening balance sheet at January 1, 2004

(thousands of euros)

	reclassified italian accounting standards	change in area of consolidation	january 1, 2004 adjustments	effects of conversion to IASs/IFRSs	notes	IASs/IFRSs
assets						
non-current assets						
property, plant and equipment	105,101	9,645	18,456	28,101	1	133,202
investment property	204					204
intangible assets	34,707		(33,093)	(33,093)	2	1,614
investments	21,998		10,320	10,320	3	32,318
other non-current financial assets	18,149	3,659		3,659		21,808
other non-current assets	73,577	371		371		73,948
deferred tax assets	5,221		4,321	4,321	4	9,542
total non-current assets	258,957	13,675	4	13,679		272,636
current assets						
inventories	39,190	4,407		4,407		43,597
contracts in progress	89,413	27,030	4,794	31,824	5	121,237
trade receivables	357,552	9,167	(221)	8,946		366,498
current financial assets	9,656					9,656
tax receivables	41,835	3,436		3,436		45,271
other current assets	83,412	14,479	10	14,489		97,901
cash and cash equivalents	149,733	6,707		6,707		156,440
total current assets	770,791	65,226	4,583	69,809		840,600
non-current assets held for sale						
total assets	1,029,748	78,901	4,587	83,488		1,113,236
group equity	227,122	(3,925)	(1,759)	(5,684)		221,438
minority interest equity	158	(2,488)		(2,488)		(2,330)
equity	227,280	(6,413)	(1,759)	(8,172)		219,108
liabilities						
non-current liabilities						
non-current financial liabilities	258,143	5,248	600	5,848		263,991
other non-current liabilities	33	2,707	4,423	7,130	6	7,163
employee benefits	12,190	807	90	897	7	13,087
provision for non-current risks and charges	6,614	915		915		7,529
total non-current liabilities	276,980	9,677	5,113	14,790		291,770
current liabilities						
advances from customers	102,638	5,686		5,686		108,324
trade payables	261,139	35,373	1,032	36,405		297,544
current financial liabilities	110,254	25,927	201	26,128		136,382
tax payables	21,670	849		849		22,519
provision for current risks and charges	1,473					1,473
other current liabilities	28,314	7,802		7,802		36,116
total current liabilities	525,488	75,637	1,233	76,870		602,358
liabilities that can be directly associated with non-current assets held for sale						
total liabilities	1,029,748	78,901	4,587	83,488		1,113,236

reconciliation of the balance sheet at December 31, 2004

(thousands of euros)

december 31, 2004

	reclassified italian accounting standards	change in area of consolidation	adjustments	effects of conversion to IASs/IFRSs	notes	IASs/IFRSs
assets						
non-current assets						
property, plant and equipment	99,817	7,145	18,301	25,446	1	125,263
investment property	204					204
intangible assets	33,073	4	(27,901)	(27,897)	2	5,176
investments	22,297	908	10,033	10,941	3	33,238
non-current investments valued at cost						
other non-current financial assets	16,135	(1,762)		(1,762)		14,373
other non-current assets	54,501	528		528		55,029
deferred tax assets	13,981		4,408	4,408	4	18,389
total non-current assets	240,008	6,823	4,841	11,664		251,672
current assets						
inventories	42,612	2,035	220	2,255		44,867
contracts in progress	126,181	13,078	3,564	16,642	5	142,823
trade receivables	386,336	9,729	(828)	8,901		395,237
current financial assets	29,595	(1,716)		(1,716)		27,879
tax receivables	42,792	5,564		5,564		48,356
other current assets	114,380	595	205	800		115,180
cash and cash equivalents	174,839	10,531		10,531		185,370
total current assets	916,735	39,816	3,161	42,977		959,712
non-current assets held for sale						
total assets	1,156,743	46,639	8,002	54,641		1,211,384
group equity	243,690	(4,238)	(1,536)	(5,774)		237,916
minority interest equity	91	(3,076)		(3,076)		(2,985)
equity	243,781	(7,314)	(1,536)	(8,850)		234,931
liabilities						
non-current liabilities						
non-current financial liabilities	87,151	1,561	600	2,161		89,312
other non-current liabilities	20	3	7,625	7,628	6	7,648
employee benefits	13,662	(2,321)	(219)	(2,540)	7	11,122
deferred tax liabilities			39	39	8	39
total non-current liabilities	100,833	(757)	8,045	7,288		108,121
current liabilities						
advances from customers	72,084	1,796		1,796		73,880
trade payables	346,487	33,681	1,032	34,713		381,200
current financial liabilities	300,411	9,176	197	9,373		309,784
tax payables	14,403	820		820		15,223
provision for current risks and charges	36,968	402		402		37,370
other current liabilities	41,776	8,835	264	9,099		50,875
total current liabilities	812,129	54,710	1,493	56,203		868,332
liabilities that can be directly associated with non-current assets held for sale						
total liabilities	1,156,743	46,639	8,002	54,641		1,211,384

reconciliation of the income statement at December 31, 2004

(thousands of euros)

	2004 income statement				IASs/IFRSs
	reclassified italian accounting standards	change in area of consolidation	adjustments	effects of conversion to IASs/IFRSs	
revenues	999,001	4,938	817	5,755	1,004,756
other operating revenues	51,883	(1,554)	(590)	(2,144)	49,739
total revenues	1,050,884	3,384	227	3,611	1,054,495
purchase costs	(184,591)	(1,343)	(53)	(1,396)	(185,987)
service costs	(601,665)	3,172	(302)	2,870	(598,795)
personnel costs	(139,023)	(4,041)	(2,893)	(6,934)	(145,957)
amortisation, depreciation and write-downs	(33,422)	(4,482)	8,854	4,372	(29,050)
other operating costs	(21,151)	1,812	(4,650)	(2,838)	(23,989)
total costs	(979,852)	(4,882)	956	(3,926)	(983,778)
(capitalisation of internal construction costs)	234				234
operating result	71,266	(1,498)	1,183	(315)	70,951
net financial income and charges	(28,727)	(2,523)	(762)	(3,285)	(32,012)
effects of valuation of investments with equity method	(751)	4,975	(287)	4,688	3,937
pre-tax profit (loss) of continued operations	41,788	954	134	1,088	42,876
taxation	(13,674)	(1,446)	89	(1,357)	(15,031)
profit (loss) of continued operations	28,114	(492)	223	(269)	27,845
profit (loss) connected to discontinued operations					
profit (loss) for the period	28,114	(492)	223	(269)	27,845
– attributable to the group	27,607	191	223	414	28,021
– attributable to minority interests	507	(684)	–	(684)	(177)

Transition to international accounting standards (IFRSs)

Comments on the main variations in the balance sheet

The following are brief comments on the main variations in balance sheet items, shown in the adjustments column. For each item, reference is made to the corresponding note found in the above pages.

1) Property, plant and equipment

The increase in the item, both at January 1, 2004 and December 31, 2004, may be chiefly ascribed – in addition to the change in the area of consolidation – to the adoption, from January 1, 2004, of the revalued cost as a substitute of the cost (**see note C**).

2) Intangible assets

The decrease in the item, both at January 1, 2004 and December 31, 2004, may be ascribed to the elimination of formation and start up costs (EUR 6,697 at January 1, 2004 and EUR 4,303 at December 31, 2004), which may be referred mainly to the parent company's listing charges; to the elimination of financial charges capitalized in previous financial years (EUR 9,872 at January 1, 2004 and EUR 6,167 at December 31, 2004) following adoption by the Group of the accounting procedure provided for in IAS 23; to the elimination of other intangible assets that, at the transition date, did not have the requirements provided for in IAS 38 (EUR 5,370 at January 1, 2004 and EUR 3,389 at December 31, 2004) (**see note B**). Moreover, calculation of contracts in progress included work site installation costs (EUR 11,154 at January 1, 2004 and EUR 14,042 at December 31, 2004), entered among intangible assets in accordance with previous Italian accounting standards.

3) Investments in equity investments valued with the equity method

The increase in the item may be ascribed to positive adjustments to the book value of equity investments (EUR 10,320 at January 1, 2004 and EUR 10,033 at December 31, 2004) derived from the effects of IFRSs adopted by the Group on equities adjusted of the associated companies (**see note A**).

4) Deferred tax assets

The increase in the item (EUR 4,321 at January 1, 2004 and EUR 4,408 at December 31, 2004) reflects the equity offset of tax effects on reconciled items. It must be noted that the balance is set out net of the relative deferred liability (equal to EUR 7,654 both at January 1, 2004 and December 31, 2004) that may be legally compensated.

5) Contracts in progress

The increase in the item (EUR 4,423 at January 1, 2004 and EUR 7,625 at December 31, 2004) may be ascribed, in addition to the change in the area of consolidation, to the effect of inclusion in the final costs of work site installation costs previously classified among intangible fixed assets in accordance with Italian accounting standards, and to valuation of contracts in progress in accordance with the incurred cost method, as compared with the physical measurements method (**see note F and note 2**).

6) Other non-current liabilities

The increase in the item may be ascribed to entry of liabilities at fair value (EUR 4,423 at January 1, 2004 and EUR 7,625 at December 31, 2004) for the incentive plan which calls for gratuitous annual assignment of synthetic options (cash-settled share-based payments) to employees (**see note D**).

7) Employee benefits

Negative adjustments totalling EUR 90 at January 1, 2004 and positive adjustments totalling EUR 219 at December 31, 2004, refer to the application of actuarial methodologies to employee severance indemnity (**see note E**).

Effects on cash flow statement at December 31, 2004

The reconciliation schedule of the consolidated cash flow statement is not presented insofar as the effects resulting from application of IFRSs did not have any significant impact.

First-time adoption of IAS 32 and 39

Introduction

The Group set January 1, 2005 as the transition date for first-time adoption of IAS 32 and IAS 39 with regard to recognition and valuation of financial instruments. This document illustrates the criteria and consequences resulting from adoption of IAS 32 and 39 at January 1, 2005.

It must be noted that the Group transferred some assets with recourse, eliminated in compliance with Italian accounting standards, but subsequently adjusted, as from January 1, 2005, pursuant to and for all the effects and purposes of the provisions contained in IAS 39 with reference to elimination from financial statements of said assets. Therefore, the transferred assets and related liabilities continue to be entered in the balance sheet.

The Group applied the provisions set forth in IAS 39 regarding elimination of a financial asset or liability as from January 1, 2004. This means that all transactions carried out prior to said date, continue to be entered in accordance with Italian standards, while all transactions carried out subsequent to said date are entered in accordance with IAS 39.

Reconciliation schedule of equity at January 1, 2005 and relative notes

The Group chose to adopt IAS 32 and IAS 39 from January 1, 2005. The following are the adjustments to the balance sheet at January 1, 2005, resulting from adoption of IAS 32 and IAS 39.

reconciliation of equity at january 1, 2005				
(thousands of euros)				
	note	january 1, 2005 before ias 32 and 39	effects of ias 32 and 39 reclassifications adjustments	january 1, 2005
assets				
non-current assets				
property, plant and equipment		125,263		125,263
investment property		204		204
intangible assets		5,176		5,176
investments		33,238		33,238
other non-current financial assets		14,373		14,373
other non-current assets	b	55,029	(28,078)	26,951
deferred tax assets	a	18,389	281	18,670
total non-current assets		251,672	(28,078)	223,875
current assets				
inventories		44,867		44,867
contracts in progress	b	142,823	34,319	177,142
trade receivables	b	395,237	77,455	472,692
current financial assets	a/c/d	27,879	(22,001)	6,810
tax receivables		48,356		48,356
other current assets	a/b	115,180	(23,368)	90,115
cash and cash equivalents		185,370		185,370
total current assets		959,712	66,405	1,025,352
non-current assets held for sale				
total assets		1,211,384	38,327	1,249,227
cash flow hedge reserve	a		235	235
share capital and other reserves	a/c	234,931	(1,705)	233,226
equity		234,931	(1,470)	233,461
liabilities				
non-current liabilities				
non-current financial liabilities	b	89,312	16,286	105,598
other non-current liabilities		7,648		7,648
employee benefits		11,122		11,122
deferred tax liabilities		39		39
total non-current liabilities		108,121	16,286	124,407
current liabilities				
advances from customers		73,880		73,880
tax payables		381,200		381,200
current financial liabilities	a/b/d	309,784	22,041	333,050
tax payables		15,223		15,223
provision for current risks and charges		37,370		37,370
other current liabilities	a	50,875	(239)	50,636
total current liabilities		868,332	22,041	891,359
liabilities that can be directly associated with non-current assets held for sale				
total liabilities		1,211,384	38,327	1,249,227

The following schedule summarises the variations in equity at January 1, 2005 due to adoption of IAS 32 and 39.

IFRSs / IASs equity at January 1, 2005 prior to IAS 32 and 39		
	notes	
adjustments resulting from adoption of IAS 32 and 39		235,337
derivatives	a	(853)
taxes	a	281
treasury shares	c	(898)
total		(1,470)
IFRSs equity at January 1, 2005		233,867

A- Derivatives: To tackle the risk of oscillating interest rates and exchange rates, derivatives contracts are signed for specific operations. IAS 39 establishes specific rules for recording these derivatives, which differ from those provided for by Italian accounting standards.

At December 31, 2004, only rate hedge derivatives ("IRS") were in existence. Specifically, for hedge derivatives ("IRS") regarding the risks of variability of future cash flows attributed to financial liabilities (Cash Flow Hedge), the main impacts were as follows:

- increase of EUR 1,830 in equity assets, entered among financial assets, regarding the positive fair value of derivatives;
- increase of EUR 1,225 in equity liabilities, entered among financial liabilities, regarding the negative fair value of derivatives;
- entry of the effective portion of rate hedges ("IRS") in the cash flow hedge reserve equal to EUR 350;
- entry of the ineffective part of hedges in other reserves, equal to EUR 1,203;
- entry of deferred tax assets totalling EUR 281, attributable to the fiscal effects of adjustments;
- elimination of accrued income (EUR 1,697) and liabilities (EUR 239) with regard to interest differentials on Interest Rate Swaps ("IRS") accrued at December 31, 2004 insofar as included in the financial instruments' fair value.

B- Assignment of debt: The Group has implemented factoring operations with recourse that were eliminated from financial statements, with entry into memorandum accounts of the risk of recourse in accordance with Italian accounting standards. Said operations do not satisfy the requirements established for elimination (derecognition) of financial assets and liabilities as provided for by IAS 39. Therefore existing liabilities at January 1, 2005 and assets previously eliminated and not yet collected were entered in the financial statements. The equity impacts were as follows:

- reclassification of receivables from the factoring company from other non-current assets of EUR 28,078, and other current assets of EUR 23,368 to Trade Receivables and Contracts in Progress;
- entry of the advance received from the factoring company and not yet refunded at January 1, 2005 of EUR 44,042 in current financial liabilities,

and of EUR 16,286 in non-current financial liabilities, and of cancelled assets among Trade Receivables and Contracts in Progress, in accordance with Italian accounting standards.

C- Treasury shares: treasury shares entered at cost totalling EUR 898 were entered to reduce equity.

Attachments to the consolidated financial statements

non consolidated companies

(thousands of euros)

	other non-current financial assets	trade receivables	current financial assets	other current assets	total receivables
parent companies					
FIN. AST. S.r.l.		36		11	47
total parent companies		36		11	47
associated companies					
Adduttore Ponte Barca S.c.r.l. in liquidation	5				5
Adedicia Costruzioni S.r.l. in liquidation					
Almo S.c.a.r.l. in liquidation		10			10
Alosa Immobiliare S.p.A. in liquidation	1,145	15		2	1,162
Astaldi - Ferrocemento J.V.	296	716		139	1,151
Astaldi Bayindir J.V.		155		5,797	5,952
Astaldi-Caldart AS.CAL. S.c.r.l. in liquidation					
Astaldi-Maroc S.A.					
Avola S.c.r.l. in liquidation		529		157	686
Blufi 1 S.c.r.l. in liquidation		–		48	48
C.F.M. S.c.a.r.l. in liquidation		147		31	178
Carnia S.c.r.l. in liquidation		170			170
Cogital S.c.r.l. in liquidation		143			143
Colli Albani S.c.r.l. in liquidation	7	43		777	826
Columbus de Constr. Honduras S.A. de C.V.					
Consorcio Contuy Medio				666	666
Consorcio DEI		9		–	9
Consorcio Grupo Contuy-Proyectos y Obras de Ferrocarriles		273		300	574
Consorzio A.F.T.		94			94
CONSORZIO A.F.T. BRANCH IN ALGERIA		2		1,046	1,048
Consorzio AFT Kramis		4,388		366	4,754
Consorzio Astaldi-ICE		417			417
Consorzio Bonifica Lunghezza - C.B.L.					
Consorzio Brundisium				–	–
Consorzio Europeo Armamento Alta Velocità-C.E.A.A.V.	697	451			1,149
Consorzio C.I.R.C. in liquidation		10		1	10
CONSORZIO C.O.N.C.I.L. in liquidation				1	1
Consorzio Carnia in liquidation					
Consorzio Co.Fe.Sar.		264		4	268
Consorzio Consarno	227	35			263
Consorzio Consavia S.c.n.c. in liquidation		58			58
Consorzio Dipenta S.p.A. U Vitolo in liquidation					
Consorzio Ferrofir in liquidation		98		1	99
Consorzio Gi.It. in liquidation					
Consorzio Iricav Due		207			207
Consorzio Iricav Uno		543		119	662
Consorzio Ital.Co.Cer.					
Consorzio Italvenezia					
Consorzio L.A.R. in liquidation	1,779	181			1,960
Consorzio Novocen		–			–
Consorzio Ponte sullo Stretto di Messina		1,465		1	1,465
Consorzio Qalat		5			5
Costruzione Invaso Vetto S.c.r.l. in liquidation					

non-current financial liabilities	trade payables	current financial liabilities	other current liabilities	total payables	total revenues	total production costs	interest and other financial charges	interest and other financial income
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(10)
(10)

(256)				(256)				
(17)				(17)				
(11)				(11)	(6)			
			(3)	(3)				
(395)				(395)		214		
					(1)			
			(3)	(3)				
(162)				(162)				
(235)				(235)	(40)		1	(5)
(13)				(13)	(24)			
					(4)			
(350)			(5)	(355)				
(1)				(1)				
(550)				(550)		649		
(4)				(4)				
(272)				(272)	(218)	675		
					(16)			
(19)			(849)	(868)	(12)	63		
(135)			(69)	(204)	(5,706)	3,895		(8)
(4)				(4)		1		
(2)				(2)				
(599)				(599)	(396)	1,778		
(676)				(676)		4		
						1		
(346)				(346)	(4)	24		
(148)				(148)				
(2)				(2)				
(5,506)				(5,506)	(24)	564		
(216)				(216)				
(5,434)				(5,434)	(95)	3,388		(14)
(26,841)				(26,841)	(508)	32,638		
(147)				(147)		19		
(86)				(86)				
(1,839)				(1,839)				
(1,697)				(1,697)	(1,032)	2,469		
(1,144)				(1,144)				

n o n c o n s o l i d a t e d c o m p a n i e s

(thousands of euros)

	other non-current financial assets	trade receivables	current financial assets	other current assets	total receivables
Diga di Blufi S.c.r.l.		4,123		2,405	6,529
DP 2M S.c.r.l. in liquidation	20			1	21
Ecosarno S.c.r.l.	118				118
Feraspi S.c.p.A.					
Fosso Canna S.c.r.l. in liquidation	204	185		6	396
Groupement Cir S.p.A.				18	18
Groupement Eurolep					
Groupement Italgisas		87		866	953
HECA S.p.A. in liquidation		95			95
Infraclegrea S.c.r.l.		358		2	360
Isclero S.c.r.l. in liquidation	1,518	108		91	1,717
Italsagi sp zo.o		14		368	382
Italstrade CCCF JV Bucaresti S.r.l.				3	3
M.N. Metropolitana di Napoli S.p.A.		12		12	24
Marsico Nuovo S.c.r.l. in liquidation	30				30
Max Bogl-Astaldi-CCCF Asocierea JV		7			7
ME.SA. S.c.r.l. in liquidation		-			-
Messina Stadio S.c.r.l.	2,508	2,271		1,135	5,914
Metro Romolo S.c.r.l.					
Metroveneta S.c.r.l.		857		148	1,005
Monte Vesuvio S.c.a.r.l. in liquidation		655			655
Mose - Treporti S.c.r.l.		202			202
N.P.F - Nuovo Polo Fieristico S.c.r.l.		159		368	527
Nova Metro S.c.r.l.					
Pegaso S.c.r.l.		283		1	284
Piana di Licata S.c.r.l. in liquidation		179		297	475
Piceno S.c.a.r.l. in liquidation					
Pont Ventoux S.c.r.l.		10,549		136	10,685
Principe Amedeo S.c.a.r.l. in liquidation	1	409		113	523
Priolo Siracusa S.c.r.l.					
Romstrade S.r.l.					
S.A.A.L.P. S.n.c. in liquidation	325	82			407
S.A.C.E.S. S.r.l. in liquidation					
S.E.I.S. S.p.A.	125				125
Sa.Di.Pe. S.c.r.l. in liquidation				15	15
SO.GE.DEP. S.r.l. in liquidation	271	37		239	547
So.Gr.Es. S.c.p.a. in liquidation					
SUGCT S.A. Calarasi					
Tangenziale Seconda S.c.r.l. in liquidation		115		4	119
Transeuropska Autocesta d.o.o		12			12
Truncu Reale S.c.r.l.		161		13	174
Val Pola S.c.r.l. in liquidation		22			22
Veneta Sanitaria di Progetto SpA	219	92		114	425
Vesuviana Strade S.c.r.l.		413		305	718
Ass.en part.SEP-ASTALDI-SOMATRA-BREDE					
Consorzio Recchi S.p.A.- Astaldi S.p.A.		69			69

non-current financial liabilities	trade payables	current financial liabilities	other current liabilities	total payables	total revenues	total production costs	interest and other financial charges	interest and other financial income
	(3,840)			(3,840)		3		(3)
	(1,625)			(1,625)		607		
	(117)			(117)				(10)
	(12)		(19)	(19)				
				(12)				
					(21)			
	(2,246)			(2,246)	(106)	2,686		
	(1,592)			(1,592)				
					(14)			
					(6)		3	
					(47)			(7)
	(4)			(4)				
	(1,948)			(1,948)	(32)	85		(3)
	(1,149)			(1,149)	(1)	1,197		(5)
	(264)			(264)	(22)	1		
	(1,858)			(1,858)	(223)	7,170		
	(191)			(191)	(1,168)	54,605		
	(49)			(49)				
	(1,046)			(1,046)	(207)	11,712		(1)
	(139)			(139)				
	(24,688)			(24,688)	(2,259)	14,728		(32)
	(232)			(232)	(9)			
			(178)	(178)				
(597)			(1,100)	(1,698)				
	(268)		(22)	(290)				(7)
					(18)			
	(11)			(11)		1		(1)
	(4)			(4)	(4)	8		(2)
	(290)			(290)	(106)			(107)
	(880)			(880)	(251)	1,629		(13)
	(41)			(41)		37		
			(185)	(185)				

non consolidated companies

(thousands of euros)

	other non-current financial assets	trade receivables	current financial assets	other current assets	total receivables
Consorzio Rocca d'Evandro					
Consorzio Tre Fontane Nord in liquidation					
Raggruppamento Astaldi-Vianini in liquidation				80	80
Roma Informatica S.c.r.l.					
S. Leonardo S.c.r.l. in liquidation		90		2,540	2,630
Santangelo S.c.r.l. in liquidation	156	41			197
V.A.S.CO. Imprese Riunite		269			269
Valle Caudina S.c.r.l.	119	912		6	1,037
Viadotti di Courmayeur S.c.r.l. in liquidation		548		20	568
total associated companies	9,769	33,847		18,760	62,376

other investee companies

A.M.P. S.c.r.l. in liquidation					
Aguas de San Pedro S.A. de C.V.		10			10
C.F.C. S.c.r.l.	–	(21)			(21)
Comet JV	4,280	–			4,280
Consorzio Metro Los Teques		2		140	142
Consorzio Asse Sangro in liquidation		(17)			(17)
Consorzio Centro Uno		52			52
Consorzio Ferroviario Vesuviano				–	–
Consorzio Groupement Lesi-Dipenta					
Consorzio Tagliamento		1		26	27
Consorzio Team				24	24
Consorzio TRA.DE.CI.V.		18		119	137
Fusaro S.c.r.l.		12			12
G.G.O. S.c.r.l. in liquidation		1		–	1
Imprese Riun. GE Seconda S.c.r.l. in liquidation		1		–	1
Imprese Riunite Genova S.c.r.l. in liquidation					
Irimuse S.c.r.l.					
Metrogenova S.c.r.l.		1,124		160	1,284
Napoli Porto S.c.r.l. in liquidation	2	102			104
NO.VI.F.IN. Nova Via Festin.Ind.S.c.r.l.					
Pantano S.c.r.l.					
Plus S.r.l.	1,505				1,505
Roma Lido S.c.r.l.	274				274
Salini-Italstrade JV Scarl in liquidation		2			2
Yellow River Contractor JV		92		–	92
total other investee companies	6,060	1,378		470	7,908

other group companies

CONSORZIO C.O.N.C.I.L. Branch in Honduras					
CONSORZIO F.A.T. - FEDERICI - Astaldi - Todini		–		1	1
CONSORZIO FAT BRANCH IN ROMANIA				5	5
total other group companies		–		6	6
grand total at december 31, 2005	15,829	35,261		19,247	70,337

non-current financial liabilities	trade payables	current financial liabilities	other current liabilities	total payables	total revenues	total production costs	interest and other financial charges	interest and other financial income
---	-------------------	-------------------------------------	---------------------------------	-------------------	-------------------	------------------------------	--	--

(41)

(808)

(808)

(39)

(39)

14

(1)

(1)

(814)

(814)

(90)

276

(122)

(100)

(100)

57

(597)

(91,360)

(2,434)

(94,392)

(12,708)

141,198

5

(339)

(1)

(1)

(19)

(33)

(34)

(2)

(2)

(197)

(7)

(7)

(4)

(4)

(19)

(19)

(1)

34

11

(36)

(36)

(34)

87

(63)

(63)

(1)

(1)

(179)

(179)

(2,691)

(12)

(2,703)

(118)

2,178

(2)

(2)

(2,639)

(2,639)

(463)

1,546

(793)

(793)

20

(1)

(1)

(6,439)

(46)

(6,485)

(833)

3,866

11

(597)

(97,800)

(2,480)

(100,877)

(13,552)

145,064

15

(339)

Independent Auditors' Report



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INDEPENDENT AUDITORS' REPORT pursuant to article 156 of Legislative Decree of February 24, 1998, n. 58 (Translation from the original Italian text)

To the Shareholders of
Astaldi S.p.A.

1. We have audited the consolidated financial statements as of and for the year ended December 31, 2005, comprising the balance sheet, the statements of income, changes in shareholders' equity and cash flows and the related explanatory notes of Astaldi S.p.A. and its subsidiaries (Astaldi Group). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. These consolidated financial statements represent the first consolidated financial statements prepared by Astaldi S.p.A. in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.
2. We conducted our audit in accordance with auditing standards and procedures recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards and procedures, we planned and performed our audit to obtain the information necessary to determine whether the consolidated financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, as well as assessing the appropriateness and correct application of the accounting principles and the reasonableness of the estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

For comparative purposes, the consolidated financial statements include the corresponding information for the prior year prepared in accordance with consistent accounting principles except for the effects of IAS 32 and IAS 39 which have been applied from January 1^o 2005 in accordance with the exemption allowed by IFRS 1. In addition, Appendix "Transition to International Accounting Principles (IFRSs)" of the consolidated financial statements explains the effects of transition to IFRS as adopted by the European Union and includes the reconciliation statements required by IFRS 1, which were approved by Board of Directors and published as an attachment to the half-year interim financial statements as of June 30, 2005 and which have been audited by us. Reference should be made to our audit report dated October 13, 2005.

Reconta Ernst & Young S.p.A.
Sede Legale: 00196 Roma - Via G.D. Romagnosi, 18/A
Capitale Sociale € 1.259.500,00 i.v.
Iscritta alla S.O. del Registro delle Imprese presso la C.C.I.A.A. di Roma
Codice fiscale e numero di iscrizione 00434000584
P.I. 00891231003
(vecchio numero R.I. 6697/89 - numero R.E.A. 250904)

3. In our opinion, the consolidated financial statements present clearly and give a true and fair view of the financial position, the result of operations, the changes in shareholders' equity and the cash flows of Astaldi Group as of December 31, 2005, and for the year then ended in accordance with IFRS as adopted by the European Union.

Rome, April 12, 2006

Reconta Ernst & Young S.p.A.
Signed by: Roberto Tabarrini (Partner)

p a r e n t c o m p a n y f i n a n c i a l s t a t e m e n t s

Management Report on the Parent Company financial statements	192
Economic, asset and financial trend of the Parent Company	192
Investments	201
Conclusions	201
Parent Company financial statements	202
Balance sheet	202
Profit and loss	203
Net equity movements	204
Cash flow statement	206
Notes to the IFRSs Parent Company's financial statements	207
Transition to international accounting standards IFRSs	258
Attachment to statutory financial statements	272
Independent Auditors' Report	294

Management report on the parent company's financial statements at december 31, 2005

Dear Shareholders,

The consolidated financial statements of Astaldi Group and its parent company Astaldi S.p.A. at December 31, 2005 are the first financial statements to be drafted in compliance with the IASs/IFRSs (IFRSs) approved by the European Commission.

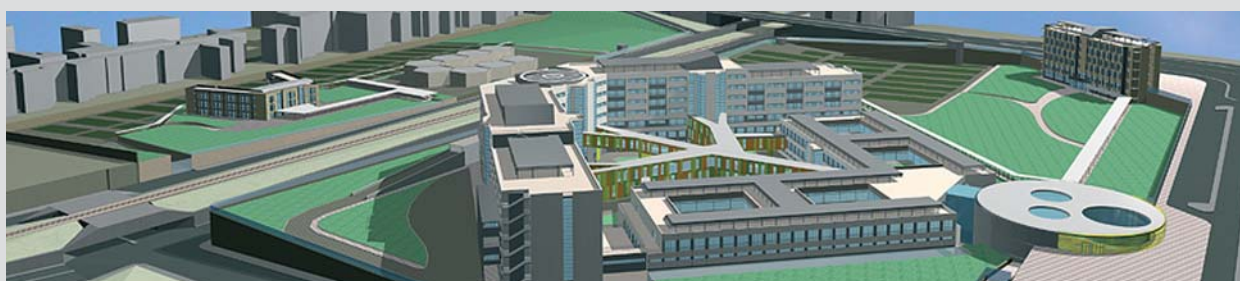
This report is an extract of the filed report. Therefore, for further explanations, please refer to the Management Report on the consolidated financial statements, drafted in compliance with the provisions of Legislative Decree No. 127/91, which includes the same information as the Parent Company's financial statements.

1. Economic, equity and financial trend

For Astaldi, the past year's results offer important confirmation of the growth seen during the last five years, combined with a constantly expanding orders backlog which has also improved from a quality viewpoint, with balance being achieved between the domestic and international sectors.

The table below shows the key figures for the company.

key figures		
(millions of euros)	2005	2004
total revenues	840	861
fixed assets	297	231
net financial indebtedness	(264)	(227)
operating result	83	69
pre-tax result	48	42
taxation	(20)	(16)
net profit	28	26
self-financing (profit + depreciation and amortisation + provisions)	64	49



ITALY
New Hospital in Naples

The constant focus on the orders backlog comprising contracts with more complex technical, legal and managerial content was critical in confirming the significant turnover recorded in 2005 and the clear improvement in operating results (+20.5% at EBIT level, + 4.7% at net result level compared to December 31, 2004).

At December 31, 2005 total revenues amounted to approximately EUR 840 mil-

lion, slightly down on the result at December 31, 2004 for the combined effect of a number of factors. On the one hand, several major Italian projects were completed during 2005 – the most important of these being the New Expo Fair Center in Milan – which, in 2004, had made a major contribution to the record levels of production; on the other, the closure of activities in Africa, with the exception of Algeria, not offset by the start-up of important general contracting projects recently secured in Italy and still to become fully operational. Against a slight drop in total revenues, consolidation of the general contractor role



FROM LEFT TO RIGHT:

ITALY

Sassari University

ITALY

New Milan Expo Fair Centre

VENEZUELA

S. Agatón Hydroelectric Power Plant

and the orders backlog's consequent focus on contracts of greater value and more complex technical, legal and managerial content, nevertheless, made it possible to achieve an increase in net profit which was up by 4.7% on the same period of the past year. The structural changes made to the orders backlog and the growing complexity of production activities in turn generated the need to pay even more stringent attention to planning and control of contracts underway and the relative invested capital; said attention is proving to be strategic and rewarding in terms of the levels of earning attained, as can be seen from the net margin which went from 3.1% in 2004 to 3.3% in 2005.

Contracts performed in Italy accounted for 52.8% of said activities, while the remaining 47.2% referred to works being carried out abroad in the 11 countries where the company operates.

Europe (Romania and Turkey) accounted for 26.7% of the total revenues with countries located in America and Africa generating the remaining 20.4%.

As far as Astaldi S.p.A.'s geographical positioning is concerned, it must be recalled that it is the company's established policy to operate in those areas where it is traditionally present and where the political and financial risks are limited as a result of complete financial backing of projects, guaranteed by international bodies. These conditions combined with constant monitoring of invested capital and monetary risk as well as suitable policies regarding backing of related areas, encourage the generation of sufficient cash flow in order to make the individual foreign contracts independent from a financial viewpoint.

During 2005 there was also a major increase in economic margins. Specifically, EBIT, equal to approximately EUR 82.9 million (9.9% of total revenues), increased by 20.5% compared to approximately EUR 69 million in 2004.

Net profit, equal to approximately EUR 28 million, increased by 4.7% compared to EUR 26 million in 2004.

As far as assets are concerned, the figures at December 31, 2005 confirmed the

balanced asset and financial structure which, to date, has proved to be all-important for the company's growth in the general contracting market.

Specifically, an examination of the main items shows a marked increase in fixed assets compared to the figure at December 31, 2004, due to investments made prior to the start-up of general contracting projects. It must be noted that intangible fixed assets and equity investments include initial investments both in project finance activities such as the setting up of a special purpose vehicle to construct and manage Mestre Hospital and investments linked to the car park sector and initial construction phase of new hospital in Naples ("Ospedale del Mare"), and general contracting activities such as the special purpose vehicles that are responsible for the design, first phase of funding and construction of two lots of the SS 106 "Jonica" national road.

As regards the net financial position, a breakdown of the key figures is shown below.

net financial position		
(euro / thousands)	december 31, 2005	december 31, 2004
short-term financial indebtedness	(189,495)	(176,759)
medium and long-term financial indebtedness	(246,061)	(83,662)
cash and cash equivalents	134,998	153,706
short-term financial receivables and securities	46,576	29,548
medium and long-term financial receivables and securities	2,733	17,092
total financial receivables and securities	49,309	46,640
leasing	(18,662)	(19,099)
bonded loan	–	(148,250)
net financial position	(269,911)	(227,424)
treasury shares in hand	5,860	898
IAS effects		118,871
total net financial position	(264,051)	(107,655)^(*)

(*) The figure refers to the balance sheet as per legislative decree no. 127/1991

Net financial indebtedness at December 31, 2005, including treasury shares, amounted to EUR 264.1 million compared to EUR 226.5 million (including treasury shares) at December 31, 2004. Said figure takes into account the effects on the financial position resulting from the introduction of new international accounting standards (IAS) (so-called derecognition).

With regard to the structure of indebtedness from a time viewpoint, it is important to note the considerable increase in the share of medium-long term loans compared to those at December 31, 2004. In fact, in keeping with the plan's goals, the company successfully completed the first step towards repositioning financial indebtedness from the short to the medium-long term.

February 9, 2005 saw repayment, through the Agent Bank BNP Paribas Luxembourg, of the EUR 150 million debenture loan issued by the subsidiary Astaldi Finance S.A., followed by payment to subscribers on February 11, 2005.

Moreover, from January 27, 2005, the bank financing agreement for EUR 100 million, subscribed by a pool of leading Italian credit institutions and repayable in 5 half-year instalments, became fully operational. Said agreement allows Astaldi to bring the duration of sources of financing in line with the average duration of con-

tracts and helps restore balance to the company's financial structure in the short-medium/long-term debt ratio, while at the same time seizing the opportunity granted by the market's low interest rates during this period and minimizing the cost of ancillary financial charges.

April 2005 saw the definition, for the same purpose as above, of a four-year loan transaction for EUR 100 million connected to working capital. Said loan, subscribed by a pool of leading Italian banks with Banca Popolare di Milano as the Agent Bank, makes it possible to streamline the technical reserves portfolio while at the same time improving the working capital cycle by using this type of structured finance transaction.

Due to the effects of IAS derecognition, the debt/equity ratio was slightly higher than the unit (1.08 if we include the value of treasury shares in hand among cash and cash equivalents), and slightly up on the 0.98 ratio at December 31, 2004. Said ratio is lower and drops below the unit if we consider that net financial indebtedness includes loans related to project finance investments, repayment of which is guaranteed by cash flow from future management contracts.



Equity, equal to over EUR 244 million, reported a clear change during the year resulting from the profit for the year (approximately EUR 27.7 million), the distribution of dividends approved by the Shareholders' Meeting of April 29, 2005 (EUR 7.4 million) and the decrease resulting from treasury shares in hand (approximately EUR 5.9 million).

The reclassified consolidated income statement, reclassified consolidated balance sheet and consolidated cash flow statement are shown below. The values are expressed in thousands of euros.

FROM LEFT TO RIGHT:

ITALY

New Milan Expo Fair Centre

EL SALVADOR

Paquete III High-Speed Roadway

VENEZUELA

Caracas Subway

reclassified income statement

(thousands of euros)

	2005	%	2004	%
contract revenues	790,510	94.1%	810,074	94.1%
other revenues	49,847	5.9%	50,600	5.9%
total revenues	840,356	100.0%	860,673	100.0%
costs of production	(602,080)	(71.6%)	(655,787)	(76.2%)
added value	238,276	28.4%	204,887	23.8%
personnel costs	(93,232)	(11.1%)	(98,100)	(11.4%)
other operating costs	(22,005)	(2.6%)	(13,488)	(1.6%)
ebitda	123,039	14.6%	93,298	10.8%
amortisation and depreciation	(19,878)	(2.4%)	(18,044)	(2.1%)
provisions	(16,100)	(1.9%)	(4,650)	(0.5%)
write-downs	(4,287)	(0.5%)	(2,000)	(0.2%)
(capitalisation of internal construction costs	161	0.0%	234	0.0%
ebit	82,935	9.9%	68,838	8.0%
net financial income and charges	(34,768)	(4.1%)	(26,793)	(3.1%)
impact of valuation of investments at equity method	–	0.0%	–	0.0%
profit (loss) of ongoing operations before taxes	48,167	5.7%	42,045	4.9%
taxes	(20,484)	(2.4%)	(15,603)	(1.8%)
profit (loss) of ongoing operations	27,683	3.3%	26,442	3.1%
profit (loss) related to discounted operations		0.0%		0.0%
profit (loss) for the period	27,683	3.3%	26,442	3.1%

reclassified balance sheet

(thousands of euros)

	31/12/2005	31/12/2004
intangible fixed assets	4,964	5,165
tangible fixed assets	93,650	94,680
investments	133,525	59,895
other net fixed assets	65,120	70,815
total fixed assets (a)	297,259	230,555
inventories	36,682	37,403
contracts in progress	234,703	119,006
trade receivables	351,883	357,947
other assets	158,274	138,459
advances from customers	(64,531)	(70,680)
subtotal	717,011	582,135
payables to suppliers	(309,756)	(357,361)
other liabilities	(146,234)	(65,451)
subtotal	(455,990)	(422,812)
working capital (b)	261,021	159,323
employee benefits	(9,685)	(9,510)
provision for current risks and charges	(34,413)	(22,954)
total provisions (c)	(44,098)	(32,464)
net invested capital (d) = (a) + (b) + (c)	514,182	357,414
cash and cash equivalents	134,996	153,706
financial receivables and securities	49,309	97,054
medium-long term financial payables	(260,790)	(82,864)
short-term financial payables	(193,426)	(293,282)
net financial payables/receivables (e)	(269,911)	(125,386)
group equity	244,270	232,029
minority interests	–	–
equity (g) = (d) - (e)	244,271	232,028

consolidated cash flow statement

(thousands of euros)

2005

2004

a - cash flow from operating activities:

result for the period	27,683	26,442
-----------------------	--------	--------

adjustments to reconcile net profit (loss)

with cash flow generated (used) by operating activities:

deferred taxes	4,098	6,810
amortisation, depreciation and write-downs	38,872	21,664
provision for risks and charges	16,571	4,650
costs for employee severance indemnity and defined benefit plans	2,197	2,235
costs for employee incentive plans	1,840	5,540
losses on disposals of non-current assets	3,150	419
gains on disposals of non-current assets	(2,585)	(1,126)

subtotal	64,143	40,192
-----------------	---------------	---------------

differences in operating assets and liabilities (working capital):

trade receivables	74,860	(3,709)
inventories and contracts in progress	(80,657)	(19,397)
trade payables	(47,605)	67,478
provision for risks and charges	(11,274)	11,389
advances from customers	(6,149)	(31,785)
other operating assets	(41,583)	(27,641)
other operating liabilities	80,326	(5,263)
payments of employee severance indemnity and defined benefit plans	(2,022)	(4,312)

subtotal	(34,104)	(13,240)
-----------------	-----------------	-----------------

cash flow from discontinued operations

-	-
---	---

total cash flow from operating activities	57,722	53,394
--	---------------	---------------

b - cash flow from investment activities:

purchases in investment property	-	-
investment in intangible fixed assets	(3,103)	(5,457)
investment in tangible fixed assets	(23,303)	(23,596)
(*) sale (purchase) of other investments	(87,525)	(2,580)
collections from sale of tangible and intangible fixed assets and investment property	7,870	6,120
difference in financing of investments	2,978	(3,308)
contributions received		
contributions received		

cash flow from discontinued operations	-	-
---	----------	----------

total cash flow from investment activities	(103,083)	(28,821)
---	------------------	-----------------

c - cash flow from financing activities:

capital increases in payment	-	-
dividends paid	(7,375)	(6,306)
registration (repayment) of non-current borrowing net of commissions	160,495	(160,942)
net change in current financial payables	(137,392)	192,321
net change in financial assets	1,872	(2,937)
sale (purchase) of securities/bonds and treasury shares	9,210	(20,919)

cash flow from discontinued operations	-	-
---	----------	----------

total cash flow from financing activities	26,810	1,217
--	---------------	--------------

d - exchange rate differences on cash and cash equivalents	(159)	(145)
---	--------------	--------------

net increase (reduction) in cash and cash equivalents	(18,710)	25,645
--	-----------------	---------------

cash and cash equivalents at start of year	153,706	128,061
--	---------	---------

cash and cash equivalents at end of year	134,996	153,706
--	---------	---------

(*) Value including investments in s.p.v. for general contracting and project finance projects, consolidated with the line by line method within the group's financial statements.

N.B. Comparison figures for 2004 are not shown insofar as they are not drafted in accordance with IAS 32 / 39 and therefore cannot be compared with the figures at december 31, 2005.

2. Investments

The cash flow statement shown above clearly highlights how investments made during the year at a consolidated level totalled EUR 114 million. Said investments may be broken down as follows.

n e t i n v e s t m e n t s	
(millions of euros)	
tangible fixed assets	23
intangible fixed assets	3
minority interests	88

2005 was characterized by an increase in profit from both domestic and foreign production activities. This was the result of careful restructuring of minority interests combined with successful planning of investments for the purpose of increasing the corporate structures' technical and operating equipment.

As a result of this, 2005 saw a marked increase in investments related to the study and design of general contracting initiatives and the development of investments in project finance activities. In fact, payment of equity in Partenopea Finanza di Progetto S.p.A., the special purpose vehicle set up to construct and subsequently manage Naples' Ospedale del Mare, was completed during the year. 2005 also saw the setting up and share capital formation of two special purpose vehicles, established to design, finance and construct two lots of the "Jonica" National Road (NR 106).

The major investments in tangible fixed assets were due to the start-up of contracts recently secured in Italy and Algeria. Indeed, the latter saw a significant investment made to provide production sites with the necessary technical and operating equipment.

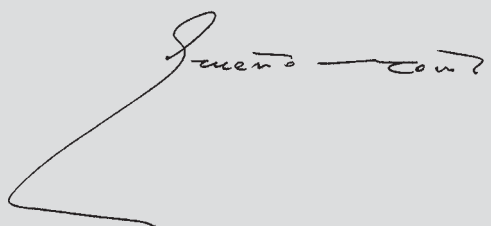
The investments made in initial and ongoing training of human resources, in order to consolidate the attained leadership position, took on increasing importance.

Lastly, it is important to note the disinvestment activities carried out in all those areas no longer considered strategic; these activities, already commenced in previous years, will be definitively completed during 2006.

3. Conclusions

Following the detailed, wide-reaching examination carried out and on the basis of observations regarding the activities performed, we feel that the profits for 2005, equal to EUR 27,683,065.00, make it possible to envisage a dividend of EUR 0.085 per share.

On behalf of THE BOARD OF DIRECTORS
The Chairman
(Ernesto Monti)



Parent Company's financial statements at December 31, 2005

INCOME STATEMENT

(amounts shown in euros)

	notes	31/12/2005	31/12/2004
revenues	1	790,509,834	810,073,772
other operating revenues	2	49,846,573	50,599,663
<i>total revenues</i>		<i>840,356,407</i>	<i>860,673,435</i>
purchases costs	3	113,729,958	118,338,796
service costs	4	488,350,211	537,448,083
personnel costs	5	93,231,688	98,100,202
amortisation, depreciation and write-downs	6	24,165,349	20,043,901
other operating costs	7	38,105,352	18,137,996
<i>total costs</i>		<i>757,582,558</i>	<i>792,068,978</i>
(capitalisation of internal construction costs)	8	160,974	233,501
operating result		82,934,823	68,837,958
financial income	9	33,735,926	43,146,360
financial charges	10	(68,504,165)	(69,939,561)
<i>pre-tax profit (loss) of continued operations</i>		<i>48,166,584</i>	<i>42,044,757</i>
taxation	11	20,483,519	15,602,970
profit (loss) for the period		27,683,065	26,441,787
<i>profit per share</i>	12		
– <i>profit per basic share</i>		–	–
– <i>profit per basic share from continued operations</i>		0.283	0.2719
– <i>profit per diluted share</i>		–	–
– <i>profit per diluted share from continued operations</i>		0.283	0.2719

BALANCE SHEET

ASSETS

(amounts shown in euros)

	notes	31/12/2005	31/12/2004
ASSETS			
Non-current assets			
Property, plant and equipment	13	93,446,267	94,476,298
Investment property	14	203,954	203,954
Intangible assets	15	4,964,381	5,164,508
Investments	16	133,524,842	59,895,417
Non-current financial assets	17	48,298,999	53,677,356
Other non-current assets	18	15,662,877	54,266,390
Deferred tax assets	11	3,891,425	8,041,300
Total non-current assets		299,992,745	275,725,223
Current assets			
Inventories	19	36,682,391	37,403,225
Contracts in progress	20	234,702,545	119,005,890
Trade receivables	21	351,882,976	357,947,444
Tax receivables	22	42,157,031	32,550,064
Current financial assets	17	13,100,790	26,565,921
Other current assets	18	149,591,766	131,227,540
Cash and cash equivalents	23	134,995,648	153,706,001
Total current assets		963,113,147	858,406,085
Total assets		1,263,105,892	1,134,131,308

BALANCE SHEET

EQUITY AND LIABILITIES

(amounts shown in euros)

	notes	31/12/2005	31/12/2004
EQUITY			
Share capital		97,301,944	98,424,900
Reserves			
– Legal reserve		9,382,529	7,818,668
– Extraordinary reserve		55,640,232	23,866,384
– Share premium reserve		67,836,096	67,836,096
– (Profit) loss carried forward		(4,830,125)	(8,283)
– Other reserves		(8,743,325)	7,649,457
Total capital and reserves	24	216,587,351	205,587,222
Profit (loss) for the period		27,683,065	26,441,787
Total equity		244,270,416	232,029,009
LIABILITIES			
Non-current liabilities			
Non-current financial liabilities	25	270,757,361	93,976,283
Other non-current liabilities	26	1,907,399	7,633,513
Employee severance indemnity and other personnel provisions	27	9,684,971	9,509,599
Total non-current liabilities		282,349,731	111,119,395
Current liabilities			
Advances from customers	20	64,530,788	70,679,796
Trade payables	29	309,756,486	357,361,436
Current financial liabilities	26	193,426,486	293,282,281
Tax payables	30	12,889,931	7,165,896
Provision for current risks and charges	28	34,413,112	22,953,674
Other current liabilities	26	121,468,942	39,539,820
Total current liabilities		736,485,745	790,982,903
Total liabilities		1,018,835,476	902,102,298
Total equity and liabilities		1,263,105,892	1,134,131,308

e q u i t y m o v e m e n t s a t d e c e m b e r 3 1 , 2 0 0 4

	share capital	share premium reserve
balance at december 31, 2003 in accordance with italian accounting standards	98,424,900	67,836,096
adoption of IASS/IFRSS		
balance at january 1, 2004 IASS/IFRSS adjusted	98,424,900	67,836,096
mequity movements 2004		
net income (charges) entered directly in equity	-	-
profit for the year 2004		
dividends		
provision pursuant to article 27		
other movements		
balances at december 31, 2004 IASS/IFRSS	98,424,900	67,836,096

e q u i t y m o v e m e n t s a t d e c e m b e r 3 1 , 2 0 0 5

	share capital	share premium reserve
balance at december 31, 2004 IAS/IFRS	98,424,900	67,836,096
adoption of IAS 32 and 39	(400,000)	
balance at january 1, 2005 IASS/IFRSS adjusted	98,024,900	67,836,096
equity movements 2005		
cash flow hedge reserve		
treasury shares	(722,956)	
net income (charges) entered directly in equity	(722,956)	-
profit for year 2005		
dividends		
provision pursuant to article 27		
other movements		
balance at december 31, 2005 IASS/IFRSS	97,301,944	67,836,096

legal reserve	equity movements at december 31, 2004			retained earnings	profit for the period	total
	extraordinary reserve	other reserves	total			
7,217,824	18,846,679	14,238,292	206,563,791	5,309	12,016,875	218,585,975
		(6,602,000)	(6,602,000)			(6,602,000)
7,217,824	18,846,679	7,636,292	199,961,791	5,309	12,016,875	211,983,975
-	-	-	-	-	-	-
			-		26,441,787	26,441,787
			-		(6,306,000)	(6,306,000)
			-		(90,753)	(90,753)
600,844	5,019,705	13,165	5,633,714	(13,592)	(5,620,122)	-
7,818,668	23,866,384	7,649,457	205,595,505	(8,283)	26,441,787	232,029,009

legal reserve	equity movements at december 31, 2005			retained earnings	profit for the period	total
	extraordinary reserve	other reserves	total			
7,818,668	23,866,384	7,649,457	205,595,505	(8,283)	26,441,787	232,029,009
		(2,572,000)	(2,972,000)			(2,972,000)
7,818,668	23,866,384	5,077,457	202,623,505	(8,283)	26,441,787	229,057,009
		(423,000)	(423,000)			(423,000)
		(3,736,000)	(4,458,956)			(4,458,956)
-	-	(4,159,000)	(4,881,956)	-	-	(4,881,956)
			-		27,683,065	27,683,065
			-		(7,353,000)	(7,353,000)
			-		(234,702)	(234,702)
1,563,861	31,773,848	(9,661,782)	23,675,927	(4,821,842)	(18,854,085)	-
9,382,529	55,640,232	(8,743,325)	221,417,476	(4,830,125)	27,683,065	244,270,416

c a s h f l o w s t a t e m e n t

(thousands of euros)

	2005	2004
a - cash flow from operating activities:		
result for the period	27,683	26,442
<i>adjustments to reconcile net profit (loss)</i>		
<i>with cash flow generated (used) by operating activities:</i>		
deferred taxes	4,098	6,810
amortisation, depreciation and write-downs	38,872	21,664
provision for risks and charges	16,571	4,650
costs for employee severance indemnity and defined benefit plans	2,197	2,235
costs for employee incentive plans	1,840	5,540
losses on disposals of non-current assets	3,150	419
gains on disposals of non-current assets	(2,585)	(1,126)
subtotal	64,143	40,192
<i>differences in operating assets and liabilities (working capital):</i>		
trade receivables	74,860	(3,709)
inventories and contracts in progress	(80,657)	(19,397)
trade payables	(47,605)	67,478
provision for risks and charges	(11,274)	11,389
advances from customers	(6,149)	(31,785)
other operating assets	(41,583)	(27,641)
other operating liabilities	80,326	(5,263)
payments of employee severance indemnity and defined benefit plans	(2,022)	(4,312)
subtotal	(34,104)	(13,240)
cash flow from discontinued operations	–	–
total cash flow from operating activities	57,722	53,394
b - cash flow from investment activities:		
purchases in investment property	–	–
investment in intangible fixed assets	(3,103)	(5,457)
investment in tangible fixed assets	(23,303)	(23,596)
(*) sale (purchase) of other interests, net of acquired cash	(87,525)	(2,580)
collections from sale of tangible and intangible		
fixed assets, and investment property	7,870	6,120
difference in financing of investments	2,978	(3,308)
contributions received		
cash flow from discontinued operations	–	–
total cash flow from investment activities	(103,083)	(28,821)
c - cash flow from financing activities:		
capital increases in payment	–	–
dividends paid	(7,375)	(6,306)
registration (repayment) of non-current borrowing net of commissions	160,495	(160,942)
net change in current financial payables	(137,392)	192,321
net change in financial assets	1,872	(2,937)
sale (purchase) of securities/bonds and treasury shares	9,210	(20,919)
cash flow from discontinued operations	–	–
total cash flow from financing activities	26,810	1,217
d – exchange rate differences on cash and cash equivalents	(159)	(145)
net increase (reduction) in cash and cash equivalents	(18,710)	25,645
cash and cash equivalents at start of year	153,706	128,061
cash and cash equivalents at end of year	134,996	153,706

(*) Value including investments in s.p.v. for general contracting and project finance projects, consolidated with the line by line method within the group's financial statements.

N.B. Comparison figures for 2004 are not shown insofar as they are not drafted in accordance with IAS 32 / 39 and therefore cannot be compared with the figures at december 31, 2005.

Notes to the ifrss parent company's financial statements at december 31, 2005

Form and content

With regard to the accounting standards adopted to draft the financial statements, it must be noted that, pursuant to Article 4 of Legislative Decree No. 38 of February 28, 2005 regulating application of the options provided for in Article 5 of Community Regulation No. 1606/2002 concerning International Accounting Standards, Astaldi S.p.A. exercised the right to voluntarily use the IFRSs adopted by the European Union to draft its financial statements as from the year ending December 31, 2005. Consequently, in keeping with the provisions of IFRS 1, the date of transition to the IFRSs adopted by the European Union is January 1, 2004.

Astaldi S.p.A.'s financial statements at December 31, 2005 are the first financial statements drafted in accordance with the International Financial Reporting Standards adopted by the European Union.

The financial statements comprise the income statement, balance sheet, equity movements and cash flow statement, expressed in euros. The relative notes are also expressed in thousands of euros unless otherwise stated; as a result, the total amounts in some schedules may differ slightly from the sum of the individual items forming said totals due to rounding.

The income statement is presented using a classification of individual items based on their nature. Said classification is in keeping with the management report methods used inside the company, and is therefore considered more representative compared to presentation of items according to function, providing more reliable and more relevant information for the sector of origin.

As far as the balance sheet is concerned, it has been chosen to present items, separating assets and liabilities into current and non-current assets and liabilities, in accordance with the provision contained in paragraph 51 and following of IAS 1.

The cash flow statement shows cash flow for the year, broken down into operating activities, investment activities and financial activities, and is drafted on the basis of the indirect method.

With regards to the segment disclosure, regulated by IAS 14, it must be noted that, taking into account the fact that the company operates in various countries and various geographical areas, the primary reference model is the geographical one while information regarding business areas is secondary.

The valuation criteria used to draft the financial statements at December 31, 2004 were in compliance with the Italian Civil Code and the standards issued by the Italian Accounting Board (OIC) and by the National Councils of Professional Accountants and Bookkeepers. First-time adoption of the IFRSs to draft the 2005 financial statements made it necessary to adjust 2004 figures, for the purposes of comparison, in order to reflect any changes generated by the introduction of new reference accounting standards. The effects of first-time adoption of the IFRSs provided for in IFRS 1 are listed in the document "Transition to international accounting standards IFRSs)" attached to said notes.

The IFRSs used have been integrated with the interpretations of the IFRIC (International Financial Reporting Interpretations Committee) and SIC (Standing Interpretations Committee) at December 31, 2005.

The accounting standards listed below have been coherently applied for the compared periods with the exception of those concerning valuation of financial instruments. Indeed, the exemption provided for by IFRS 1 was taken advantage of, which allowed for the adoption of IAS 32 and IAS 39 as from January 1, 2005, without listing comparative information from the previous year for said standards. Therefore, the accounting standards used to value financial instruments in the comparative information were the national standards. The effects of adoption of IAS 32 and 39 are shown in a specific reconciliation table, included and commented on subsequent to these notes.

It should be noted that the IFRSs adopted by the European Union do not provide for specific account entry of concession services. IFRIC has produced three draft interpretations regarding the classification of assets (freely transferable assets), liabilities (recovery provisions), revenues and costs of concession services. Said interpretations should be applied as from the financial statements for the year ending December 31, 2006. Consequently, freely transferable assets, revenues and costs of concession services have been entered in compliance with the national accounting practice when drafting the financial statements at December 31, 2005. The disclosure provided for in SIC 29 – Disclosure – Service concession arrangements was also provided.

First-time adoption of IFRSs

The attachment “Transition to international accounting standards (IFRSs)” containing the reconciliation schedules, criteria used and relative notes, required by IFRS 1, has been included in the notes to these financial statements.

Specifically, *reconciliation of equity* concerns:

- the opening balance at January 1, 2004, the date of first application of the IFRSs, compared to the closing balance at December 31, 2003, calculated in accordance with Italian accounting standards;
- the closing balance of 2004, already calculated in accordance with Italian accounting standards, drafted in compliance with IFRSs.

While *reconciliation of the income statement* concerns:

- calculation of the operating result of the year ending December 31, 2004 in compliance with Italian accounting standards, applying IFRSs.

Moreover, due to the adoption of IAS 32 and IAS 39 beginning from January 1, 2005, the reconciliations also include reconciliation related to the effects of said standards on the financial position and equity at January 1, 2005.

The following table summarises the reconciled statements:

reconciled statements	
equity and opening balance sheet	01.01.2004
balance sheet, equity and income statement	31.12.2004
balance sheet and equity following adoption of IAS 32 and 39	01.01.2005

Reconciliation of equity and the balance sheet at January 1, 2004, December 31, 2004 and January 1, 2005, and of the result and income statement at December 31, 2004 are included in the attachment "Transition to international accounting standards (IFRSs)", which should be referred to.

Accounting standards adopted

The most important accounting standards and valuation criteria adopted to draw up the financial statements at December 31, 2005 are listed below.

Conversion of items in foreign currency

Astaldi S.p.A.'s financial statements have been drafted in euros which is its functional currency.

The balances of all foreign operations included in the financial statements have been entered in the currency of the main economic environment the company works in (functional currency).

The items expressed in a different currency from the functional currency, either monetary (cash and cash equivalents, assets and liabilities payable or receivable with pre-established or determinable sums of money, etc.) or non-monetary (inventories, works in progress, advances to suppliers of goods and/or services, goodwill, intangible assets etc.) are initially recognised at the exchange rate in force on the transaction date. The monetary items are subsequently converted into the functional currency at the exchange rate on the closing date of the financial statements and the resulting differences are entered in the income statement. The non-monetary items are kept at the conversion rate on the transaction date except in the case of an ongoing unfavourable trend in the reference exchange rate. The exchange rate differences related to non-monetary items are entered (income statement or equity) in the same way as the differences in the value of said items.

Property, plant and equipment

Tangible assets are valued at purchase or production cost, net of accrued depreciation and impairment. The cost includes all expenses directly incurred for preparing assets for use, as well as any charges for dismantling and removals needed to restore the site to its original conditions.

Charges incurred for routine and/or cyclical maintenance and repairs are entered directly in the income statement in the financial year in which they are incurred. Costs related to enlarging, modernizing, or improving the facilities owned or used by third parties are capitalized exclusively within the limits in which they meet the requirements for being separately classified as an asset or part of an asset. Financial charges incurred for acquiring and/or building assets are not capitalized.

The value of an asset is adjusted by systematic depreciation, calculated in relation to the residual possibility of use based on its useful life. Depreciation starts from the moment the asset becomes available for use. The estimated useful life for the various categories of assets is as follows:

estimated useful life for the assets

	years
property	20-33
plant and equipment	5-10
equipment	3-5
other assets	5-8

Land, including that pertaining to buildings, is not depreciated.

Should the asset subject to depreciation be composed of distinctly identifiable elements whose useful life differs significantly from that of the other components forming the fixed asset, depreciation is performed separately for each of the components forming the asset, in application of the component approach policy.

Profits and losses resulting from the sale of assets of groups of assets are calculated by comparing the fair value, net of sales costs, with the relative net book value.

Freely transferable assets are systematically depreciated in every financial year on the basis of their residual possibility of use, considered in relation to the duration of the concession or the asset's useful life, if shorter. Any provision to cover the cost of restoring or replacing freely transferable assets is entered among the provision for risks and charges. It should be noted that freely transferable assets refer to the following concessions:

freely transferable assets referred to the following concessions

grantor	purpose of concession	type of asset	expiry of concession
turin city authorities	design, construction and management of a multi-storey car park	car parks	08/08/2076
turin city authorities	design, construction and management of a multi-storey car park	car parks	24/02/2078
bologna city authorities	design, construction and management of a multi-storey car park	car parks	07/07/2058

To further explain the table included above, it should be noted that the aforementioned concessions provide for obligations regarding extraordinary maintenance of the buildings.

Tangible assets owned through financial leasing agreements, which basically transfer all the risks and benefits of ownership, are entered as assets at their current value or, if lower, at the current value of the minimum payments due for the leasing agreement, including the sum to be paid for exercising the purchase option. The corresponding liabilities in the lessor's regard are entered among financial payables.

If there is no reasonable certainty that ownership of the asset shall be acquired at the end of the leasing agreement, the financially leased assets are depreciated over a period equal to the duration of the leasing agreement, or the useful life of said asset, whichever is shorter.

Leases in which the lessor substantially maintains all the risks and benefits of ownership of the assets are classified as operating leases. The instalments referring to operating leases are recorded in the income statement in the financial years of the duration of the leasing agreement.

For first-time adoption (January 1, 2004), in compliance with IFRS 1, the revalued

cost was applied as a replacement of the original historical cost in relation to the valuation of some land and buildings.

Intangible assets

Intangible assets are non-monetary items having no physical consistency, and clearly identifiable and suited to generating future economic benefits for the company. Said items are recorded in the financial statements at purchase and/or production cost, including expenses that may be directly attributed during the preparation phase to bring it into operation, net of accrued amortisation (with the exception of assets with an undefined useful life) and any impairment. Amortisation starts as of when the asset is available for use, and is divided systematically in relation to the residual possibility for its use, which is based on its useful life. A rate taking its actual use into account is employed in the financial year when the intangible asset is entered for the first time.

Industrial patent rights and rights to use intellectual works are entered at purchase cost, net of amortisation and impairment accrued over time.

Amortisation is performed as from the financial year in which the purchased right is available for use, and takes into account the corresponding useful life.

Concessions, licenses and similar rights are entered at cost, net of amortisation and impairment accrued over time.

Amortisation is performed as from the financial year in which ownership is acquired, in relation to their duration.

Goodwill entered among intangible assets is linked to business combination transactions and represents the positive difference between the cost incurred for the acquisition and the current value of the acquired assets and liabilities. While the negative difference, if any, is entered in the income statement at the moment of purchase. Goodwill subsequent to initial entry is not subject to amortisation, but to depreciation due to impairment.

Annually, or more frequently if specific events or changed circumstances point to the possibility that it has been subject to impairment, goodwill is subjected to checks to identify any impairment, in accordance with the provisions of IAS 36 (Impairment of assets).

In this regard, it must be noted that no goodwill was recorded at December 31, 2005; consequently no information is provided with regard to the cash generating units it is allocated to.

Business combinations

IFRS 3 is applied to record business combinations for which contractual agreements refer to March 31, 2004 or later.

At the moment of purchase, purchased assets and liabilities are valued at their fair value at the purchase date.

For first-time adoption of IFRSs, the company chose not to apply IFRS 3 (Business combinations) retroactively to companies acquired prior to January 1, 2004.

Investment property

An investment property is entered as an asset when it represents a property owned with the purpose of receiving rent or appreciation of the invested capital, provided

that the cost of the asset can be reliably established and the relative economic future benefits can be used by the company.

They are valued at purchase or production cost, augmented by any ancillary costs, net of accrued amortisation and of any impairment.

The useful life of property included under said item is between 20 and 33 years.

Investment property is eliminated from the financial statements when transferred or when the investment is unusable in the long-term and no economic benefits are expected from its transfer.

Impairment of tangible and intangible assets

Assets with an undefined useful life are not subject to amortisation, but are subjected at least annually to an impairment test, which checks the recoverability of the value reported in the financial statements.

For assets subject to amortisation, the possible presence of indicators of an impairment is valued: in the event of a positive response, the recoverable amount of the asset is estimated, with any surplus ascribed to the income statement.

Should the prerequisites for the previously performed depreciation cease to exist, the asset's book value is restored within the limits of the original book value: the restoration of value is also recorded in the income statement. However, in no case is the value of previously depreciated goodwill or intangible asset with an undefined useful life restored.

When the recoverable amount of an individual asset cannot be estimated, the recoverable amount of the cash generating unit to which it belongs is estimated.

The recoverable amount of an asset or cash generating unit is either the fair value, net of sale costs or its value in use, whichever is greater. To calculate the value in use of an asset or cash generating unit, the current value of estimated future financial flows is calculated, gross of taxes, by applying a pre-tax discounting back rate reflecting the current market valuations of the temporal value of the money and of the specific risks of the asset. An impairment is entered if the recoverable amount is less than the book value. When an impairment of assets other than goodwill ceases to exist or gets smaller, the book value of the asset or of the cash generating unit is increased to the newly estimated recoverable amount, but may not exceed the value that would have been calculated if no impairment had been recorded. Restoration of an impairment is immediately entered in the income statement.

Investments

Investments in subsidiaries, associated companies and joint ventures are classified among "investments" and valued at cost.

Investments in companies other than subsidiaries, associated companies, and joint ventures (generally with a share of less than 20%) are classified, at the moment of purchase, among "investments" and valued at fair value or at cost. Specifically, they are valued at cost in the case of non-quoted investments or investments for which the fair value is unreliable and cannot be calculated, adjusted for impairments as provided for by IAS 39.

Inventories

Inventories are entered at cost or the net realizable amount, whichever is less. The

method selected to calculate costs, as a principle, is the *weighted average cost*. The cost includes all charges related to purchase and transformation and all other costs incurred to bring inventories to the site where used and in the conditions to be employed in the production process.

Contracts in progress

Contracts in progress are entered on the basis of the progress method (or percentage of completion), according to which costs, revenues and the margin are acknowledged on the strength of production progress. The criterion adopted is that of the percentage of completion, calculated by applying the "incurred cost" (cost to cost) criterion.

Valuation reflects the best estimate of contracts carried out at the reporting date. The assumptions at the base of the valuations are updated at regular intervals. Any economic effects are recorded in the financial year in which the updates are made.

Contract revenues include:

payments agreed upon by contract, work changes, price reviews, and incentives, to the extent in which these are likely to be reliably valued. Specifically, valuation of the price review, as understood by the regulations implementing the framework act regarding public works as well as international regulations, was based on the positive results that could reasonably be obtained from disputes with clients, on the strength of contract clauses and specific technical and legal studies.

Contract costs include:

all costs that refer directly to the project, the costs that may be attributed to project activity in general and can be allocated to said project, as well as any other costs that may be specifically charged to the client on the basis of contract clauses.

Contract costs also include:

pre-operating costs, in other words the costs incurred during the initial phase of the contract prior to the start of construction activity (tender preparation costs, design costs, organization and production start-up costs, construction site installation costs), post-operating costs incurred after completion of the contract (removal of construction site, return of plant/equipment to base, etc.), as well as any costs for services to be performed after the completion of works (for example, regular maintenance, assistance and supervision during the first phase of operation of individual works).

Should completion of a project be forecast to generate a loss, this shall be recognized in its entirety in the financial year in which it may be reasonably expected.

When the result of a long-term project cannot be reasonably estimated, the value of the contracts in progress is calculated on the basis of costs incurred, when it is reasonably expected that they will be recovered, without assessment of the margin.

When favourable or unfavourable events attributable to existing situations at the financial statements reference date occur after said date, the amounts entered in the financial statements are adjusted to reflect the consequent economic, financial and equity effects.

Contracts in progress are set out net of the any depreciation funds and/or final losses, as well as advances for the contract being carried out.

Said analysis is carried out on a contract by contract basis. Should the differential be positive (due to contracts in progress greater than the amount of advances),

the imbalance is classified among assets. On the other hand, should this differential be negative, the imbalance is classified among liabilities, under “advances from customers.”

Should the provision for final losses regarding each project exceed the contract value entered among assets, said excess is classified in the provision for risks and charges.

Accounts receivable and financial assets

Financial assets are classified in the following categories:

- assets at fair value with offset to the income statement;
- accounts receivable and loans;
- financial assets held to maturity;
- financial assets available for sale.

Classification depends on the reasons for which the asset was acquired, the nature thereof, and the valuation made by management as at the purchase date or, with reference to the transition to IFRSs, as at the date of adoption of IAS 39.

For comparative data regarding previous years, in compliance with IFRS 1 provisions, financial assets and liabilities are recorded in accordance with Italian accounting standards; financial assets are entered among current and non-current assets based on the term and/or use as at the date of the financial statements. Securities and investments entered among current assets are recorded at purchase cost, accurately calculated, or at market value if lower. Securities entered among non-current assets (for investment, please see the specific paragraph) are recorded at purchase cost, adjusted as necessary to take impairment into account.

Financial assets at fair value with offset to income statement

This category includes financial assets acquired for the purposes of short-term negotiation or financial assets thus designated by management, in addition to derivatives, for which reference should be made to the following paragraph. The fair value of said instruments is calculated by referring to the market value (bid price) as at the end date of the period in question. In the event of non-quoted instruments, the fair value is calculated with commonly used financial valuation techniques. The fair value variations of instruments in this category are immediately entered in the income statement.

Accounts receivable and loans

This category includes assets not represented by derivatives and for which an active public market does not exist, from which fixed or determinable payments are expected. Said assets are valued at the amortised cost based on the actual interest rate method. Any impairment calculated through the impairment test is entered in the income statement. These assets are classified as current assets, except for shares whose terms expire after more than 12 months, which are included among non-current assets.

Financial assets held to maturity

Unlike derivatives, these assets have a pre-established term and are the assets which the company intends and is able to maintain in its portfolio until the maturity. These assets are valued at the amortised cost based on the actual interest rate

method. Those whose contractual term is expected within the 12 months thereafter are classified under current assets. Any impairment calculated through the impairment test is entered in the income statement.

Financial assets available for sale

This category includes the financial assets, not represented by derivatives, designated specifically as falling under this category or not classified in any of the previous categories. They are valued at the fair value calculated with reference to the market prices as at the date of the financial statements, or by using financial valuation models and techniques, recording their fluctuations with an offset to a specific equity provision ("provision for financial assets available for sale"). This provision is booked in the income statement only at the time when the financial asset is actually transferred or, in the case of negative fluctuations, when it is clear that the impairment already recorded among equity cannot be recovered. Classification as current or non-current assets depends on the management's intentions and on the real negotiability of the security: assets whose realization is expected in the subsequent 12 months are recorded among current assets.

Derivatives

Derivatives are usually considered as instruments suitable for hedging and effective in neutralizing the risk of underlying assets or liabilities or company undertakings, except when they are classed as assets held for the purpose of negotiation and valued at fair value with offset to the income statement.

Specifically, derivatives are used within the context of hedging strategies aimed at neutralizing the risk of fair value fluctuations of assets or liabilities entered in financial statements, or resulting from contractually defined undertakings (fair value hedge) or of fluctuations in expected cash flows with regard to contractually defined or highly probable transactions (cash flow hedge).

The effectiveness of hedging operations is documented both from the start of the transaction and periodically (at least at every date of publication of financial statements or interim reports), and is measured by comparing the fair value fluctuations of the hedging instrument with those of the hedged element or, in the case of more complex instruments, through statistical analyses based on risk fluctuation.

For comparative figures regarding previous periods, in compliance with IFRS 1 provisions, the derivatives in comparative financial positions are entered in the financial statements in accordance with Italian accounting standards, or in the case of instruments not qualified as hedging, any negative differentials in value are recorded among costs and liabilities, while no entry is made in the case of positive market values. The interest differentials on interest rate swap ("IRS") contracts used for financing hedging are recorded on an accrual basis among financial income and charges; the cost of forward contracts (difference between spot exchange at the start of the contract and forward exchange) is entered in the income statement on a pro-rata temporis basis.

In the event of forward operations, the differential attributable to premiums or discounts is entered where applicable among the financial income and charges and among other current assets or liabilities on a pro-rata temporis basis.

It should be noted that Astaldi S.p.A. does not stipulate derivative contracts for speculative purposes.

Fair Value Hedge

The fluctuations in value of derivatives designated as fair value hedges and qualified as such are entered in the income statement, similarly to what is done with regard to fair value fluctuations of hedged assets or liabilities attributable to the risk neutralized by the hedging operation.

The derivative is no longer entered as a fair value hedge in the following cases :

- the designation is revoked;
- the hedging no longer complies with hedge accounting requirements;
- the derivative expires or is sold, redeemed or exercised.

Cash Flow Hedge

The fair value fluctuations of derivatives designated as cash flow hedges and qualified as such are recorded, with regard to the “effective” portion only, in a specific equity reserve (“cash flow hedge reserve”), which is then carried over to the income statement when the underlying object of hedging presents itself from an economic viewpoint. The fair value fluctuation referable to the ineffective portion is immediately entered in the period’s income statement. If the derivative instrument is transferred or is no longer qualified as an effective hedge against the risk for which the operation had been made, or the occurrence of the underlying operation is no longer considered highly probable, its portion of the “cash flow hedge” is immediately entered in the income statement.

Calculation of fair value

The fair value of instruments quoted on public markets is calculated with reference to the quotations (bid price) as at the reference date of the period in question. The fair value of non-quoted instruments is measured with reference to financial valuation techniques. Specifically, the fair value of interest rate swaps is measured by discounting back the expected cash flows, while the fair value of forwards on exchanges is calculated on the basis of market exchange rates as at the reference date, and the rate differentials among the currencies concerned.

Derecognition

“Assignment of debts” were implemented through which contractual rights to receive the relative financial flows were transferred to third parties. These transactions can be characterised:

- (i) by the substantial transfer of risks and benefits resulting from ownership of the underlying financial asset;
- (ii) by maintenance of a significant part, or of all the aforementioned risks and benefits.

In the first case, financial asset is eliminated and any rights and obligations resulting from or maintained subsequent to the transfer are entered separately among assets and liabilities. In the second case, the financial asset continues to be entered.

For comparative figures regarding previous periods, in compliance with IFRS 1 provisions, assets assigned with recourse in the comparative financial positions are entered in the financial statements, in accordance with Italian accounting standards.

Cash and cash equivalents

These include money and deposits with banks or other credit institutions, available for current transactions, postal current accounts, and other equivalent securities, as well as investments with terms expiring within three months of the purchase date. Cash and cash equivalents are entered at fair value.

Equity

Share capital

The share capital refers to the subscribed, paid up capital. Costs strictly related to share issue are classified as reducing the share capital when said costs are directly attributable to the capital transaction.

Treasury shares

Treasury shares are recorded as a reduction of equity. Specifically, the nominal value of treasury shares is entered as a reduction of the issued share capital, while the excess of the purchase value compared to the nominal value is carried over to reduce other reserves. Therefore, profits or losses for the purchase, sale, issue, or cancellation of treasury shares are not entered in the income statement.

For comparative figures regarding previous periods, in compliance with IFRS 1 provisions, treasury shares in comparative financial positions are entered in the financial statements, in accordance with Italian accounting standards.

Profit (loss) carried forward

This includes the economic results of the current period and of the previous financial years for the part not distributed or allocated to reserves (in the case of profit) or balanced (in the case of loss).

Other reserves

These are specifically assigned capital reserves. They include the fair value reserve for entries booked with this criterion with offset to equity.

Financial liabilities

Financial liabilities are initially entered in financial statements at their fair value, net of transaction costs. They are subsequently valued at their amortized cost.

Any difference between the sum received (net of transaction costs) and the nominal value of the payable is entered in the income statement by applying the actual interest rate method.

They are classified as current liabilities, unless the company has the contractual right to fulfil its obligations at least more than 12 months subsequent to the date of the financial statements.

For comparative periods, financial liabilities are entered at their nominal value.

Trade payables and other payables

Trade payables, whose term of expiry falls within standard commercial terms, are not discounted back and are entered at cost (identified by their nominal value).

Income taxes

Current taxes

Current taxes for the year and for the previous years are entered at the value expected to be paid to the tax authorities. The tax rates and legislation used to calculate the amount are those issued or largely issued at the closing date of the financial statements in the individual countries where the company operates.

Deferred taxes

Deferred taxes are calculated by adopting the so-called liability method, applied to the temporary taxable or deductible differences between the value of assets and liabilities entered in the financial statements and the value attributed to these for tax purposes. Deferred tax liabilities are entered against all temporary taxable differences, with the exception of when:

- deferred tax liabilities result from initial valuation of goodwill or an asset or liability in a transaction that is not a corporate business combination and that, at the moment of the transaction, does not affect the profit for the year, calculated for the financial statements, or the profit or loss calculated for tax purposes;
- with reference to temporary taxable differences connected to interests in subsidiaries, associates and joint ventures, rotation of the temporary differences can be checked and it is likely that it will not occur in the future.

Deferred tax assets are entered against all deductible temporary differences and tax losses carried forward, to the extent in which sufficient future tax profits that can make the use of deductible temporary differences and tax losses carried forward applicable is likely, except when the deferred tax asset linked to the temporary deductible differences results from initial valuation of an asset or liability in a transaction that is not a corporate business combination and that, at the moment of the transaction, does not affect the profit for the year, calculated for the financial statements, or the profit or loss calculated for tax purposes.

The value of deferred tax assets to be entered in the financial statements is reviewed at each closing date of the financial statements and reduced to the extent in which sufficient future tax profits are no longer likely, in order to allow all or part of the credit to be used. Deferred tax assets that are not entered are reviewed on an annual basis at the closing date of the financial statements, and are entered to the extent in which it is likely that the tax profit is sufficient to allow said deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured on the basis of tax rates expected to be applied for the period in which said assets are realised or said liabilities discharged, considering the rates in force and those already issued or largely issued at the closing date of the financial statements.

Deferred tax assets and liabilities are offset in the event of a legal right to offset current tax assets with current tax liabilities and when the deferred taxes refer to the same tax body and same tax authority.

Income taxes (deferred and current) related directly to equity items are directly attributed to equity and not to the income statement.

Employee benefits

Provision for employee severance indemnity

The provision for employee severance indemnity, obligatory for Italian companies pursuant to Law No. 297/1982, is considered a defined benefit plan, according to IFRSs, and is based on the working life of employees and on the pay earned by an employee over the course of a pre-established term of service.

The value of employee severance indemnity is calculated by independent actuaries using the projected unit credit method. For first-time adoption of IFRSs, all accrued actuarial profits and losses (at January 1, 2004), were entered while for subsequent years it was chosen to use to the "corridor method" to record actuarial profits and losses. Said method makes it possible to dilute the effect derived from the change in certain evaluation parameters over a number of financial years. In compliance with said method, any share of net actuarial profits and losses that at the end of the prior period exceeds 10% of the current value of the obligation or 10% of the fair value of any assets used by the plan at the same date, divided by the remaining working life of the employees, is entered in the income statement for each financial year.

Cash-settled share-based payments

The top management and consultants of Astaldi S.p.A. received additional benefits in the form of cash-settled share-based payments. For these operations, in accordance with the provisions of IFRS 2, both the goods or services acquired and the liabilities undertaken are valued at the fair value of the liability. The fair value is re-calculated for the closing date of each financial statements until the liability is paid up, and on the settlement date, all fair value fluctuations are entered in the income statement.

The provisions set forth in IFRS 2 have been applied since January 1, 2004.

Provision for risks and charges

The provisions for risks and charges are entered when, at the reference date, there is a current obligation (legal or implicit) resulting from a past event, should a disbursement of resources to satisfy the obligation be likely, and a reliable estimate of the obligation can be made.

The amounts allocated are entered at the value representing the best estimate of the amount the company would pay to settle the obligation or to transfer it to third parties at the closing date of the period. If the effect of discounting back the money is significant, the amounts allocated are calculated by discounting back the future expected financial flows at a pre-tax discount rate that reflects the current market valuation of the cost of money over time. When discounting back is performed, the increase in the amount allocated resulting from the passage of time is entered as a financial charge in the income statement.

Revenues other than contracts in progress

The revenues are valued at the fair value of the payment received, taking into account any discounts and reductions linked to quantities.

Revenues regarding the sale of goods are recognized when the company has transferred the significant risks and benefits connected with ownership of the assets to

the buyer, which in many cases coincides with transferring ownership or possession to the buyer, or when the value of the revenue may be reliably calculated.

Revenues from services rendered are recorded, when they may be reliably estimated, on the basis of the percentage of completion method.

Contributions

Public contributions are recorded when there is reasonable certainty that they will be received and all the relative conditions are satisfied. When the contributions are related to cost items, they are recorded as revenues, but are systematically distributed over the years so that they are in proportion to the costs they should offset. Should the contribution be linked to an asset, the fair value is entered as a reduction of the asset. It is suspended among liabilities should the asset it is linked to not be in operation or be under construction.

Financial charges

Interest is recorded on accrual basis according to actual interest method, in other words by using the interest rate that makes all the incoming and outgoing flows (including premiums, discounts, commissions, etc.) that make up a given transaction financially equivalent. Financial charges are not capitalized among assets.

Exchange rate profit and loss

Profits and losses on exchange rates are entered among financial income and charges.

Dividends

Dividends are recorded when the right arises for shareholders to receive the payment that normally corresponds to the dividend distribution approved by the Shareholders' Meeting.

The distribution of dividends to shareholders is entered as a liability in the financial statements in the period in which the distribution thereof is approved by the Shareholders' Meeting.

Costs

Costs are entered on an accrual basis and with a view to continuation of the corporate activity of the company's concerns.

Profit per share

The base profit per share is calculated by dividing the share of the company's economic result attributable to ordinary shares by the weighted average of ordinary outstanding shares, excluding treasury shares.

Use of estimates

Drafting of the financial statements and notes in compliance with IFRSs requires estimates and assumptions that affect the values of assets and liabilities and the information regarding potential assets and liabilities. The estimates are used to record amounts allocated for credit risks, contracts in progress, amortisation, depreciation of assets, employee benefits, taxes, other amounts allocated, and provisions. The results achieved may differ from said estimates. The estimates and assumptions are

periodically reviewed and the effects of each variation are immediately reflected in the income statement in the period when the variation took place.

New accounting policies and interpretations adopted by the European Union but still not in force

The possible impact on the financial statements of the new standards and new interpretations in force subsequent to December 31, 2005 are outlined below:

- IAS 19 – Employee benefits. The amendment issued in December 2004 will come into effect as at January 1, 2006. Said amendments adopted by the European Union provide for the option to enter actuarial profits and losses in the year they occur, not in the income statement but directly in a specific equity item. Astaldi S.p.A. does not intend to avail itself of this option.
- IAS 39 – Financial instruments: a first amendment was issued in April 2005. The IASB then issued two amendments: one in June 2005 and another in August 2005 which will come into effect from January 1, 2006. With regard to said amendments adopted by the European Union and referred to the fair value option and application of hedge accounting, it is felt that these will not generate any consequences.
- IFRS 7 – Financial instruments: disclosure. Said disclosure issued in August 2005 will come into effect from January 1, 2007. Said standard adopted by the European Union implements the additional information contained in IAS 32 (Financial instruments: disclosure and presentation) albeit amended and integrated. The title of IAS 32 has consequently been amended to “Financial instruments: presentation”. The company feels that adoption of IFRS 7 will lead to the inclusion in the notes of a more detailed disclosure regarding financial instruments.
- IAS 1 – Presentation of financial statements: capital disclosures. The standard issued in August 2005 will come into effect from January 1, 2007. Said amendments adopted by the European Union refer to the capital disclosure. The company feels that said amendment will not affect the financial statements.
- IFRIC 4 – Determining whether an arrangement contains a lease. The standard issued in December 2004 will come into effect from January 1, 2006. Said interpretation, adopted by the European Union, provides for arrangements that do not have the legal format of a lease but which contain a lease to be classified as a financial or operating lease, in accordance with the provisions of IAS 17. The company is currently examining the situation to determine the possible impact on its financial statements of the amendments made to this standard.

Comment on the main income statement and balance sheet items

1. Revenues EUR 790,510

Revenues from works totalled EUR 790,510 and were slightly down on the total at December 31, 2004 due to the combined effect of a number of events. In fact, on the one hand, 2005 saw the completion of major Italian contracts – the most important being the one for the New Expo Fair Center in Milan – which, in 2004, contributed significantly to the achievement of said levels of production. And on the other, 2005 saw the company abandoning the African area, with the exception of Algeria. These events were not offset by the commencement of important general contracting projects recently secured in Italy.

For more detailed information, please see the specific section in the sector disclosure.

2. Other operating revenues EUR 49,847

Other revenues, totalling EUR 49,847, comprised items not directly related to the company's production activity, but nevertheless secondary to the core business and of a lasting nature.

The following is a breakdown of the item in question:

other operating revenues			
(thousands of euros)	31/12/2005	31/12/2004	variation
revenue from sales of goods	5,717	9,730	(4,013)
services provided to third parties	18,186	10,413	7,773
sponsorship	6,306	6,052	254
rentals and leases receivable	6,572	6,536	36
net gains from transfer of tangible assets	2,647	1,126	1,521
other	10,420	16,743	(6,323)
total	49,847	50,600	(753)

The aggregate in question showed an overall decrease of EUR 753 compared to the previous year.

Among the increases, the items of greatest interest were:

- EUR 7,773 for the increase in services rendered to third parties and investee companies;
- EUR 1,521 to the increases in value accrued on the transfer of tangible assets.

Among the decreases, the items of greatest interest were:

- EUR 4,013, for sales of goods to third parties, mainly referable to the completion of some activities by the permanent establishment in Venezuela and completion of works by the permanent establishment in Guinea;
- EUR 6,323 for the "Other" item, mainly referred to the use of the provision for bad debts by the permanent establishment in Croatia, in excess of the need for future resources to meet any obligations resulting from past events.

It should be noted that the sum of EUR 5 in the rentals and leases receivable item referred to payments received from investment property.

3. Purchase costs EUR 113,730

The costs for the purchase of raw materials, subsidiary materials and consumables, net of warehouse inventories, amounted to EUR 113,730 (EUR 118,339 at December 31, 2004), showing a net decrease of EUR 4,609 compared to the previous period.

Purchase costs were as follows:

purchase costs			
(thousands of euros)	31/12/2005	31/12/2004	variation
purchase costs	113,490	114,449	(959)
variation in the inventories of raw materials, subsidiary materials, consumables and goods	240	3,890	(3,650)
total	113,730	118,339	(4,609)

The EUR 240 variation in inventories referred to the balance of net inventories entered into the production cycle.

The decrease in the use of raw materials is to be directly related to the completion of some foreign projects.

4. Service costs EUR 488,350

Service costs amounted to EUR 488,350 (EUR 537,448 at December 31, 2004), decreasing by EUR 49,098 compared to the previous year.

The breakdown of service costs, net of the cost for leased assets, was as follows:

service costs			
(thousands of euros)	31/12/2005	31/12/2004	variation
consortium costs	204,200	308,347	(104,148)
subcontracts and other services	195,845	170,470	25,375
technical, administrative and legal consulting	44,303	32,099	12,204
insurance	16,415	6,128	10,287
others	18,208	12,636	5,572
total	478,971	529,681	(50,710)

The most significant variations referred to:

- decrease of EUR 104,148, referable to consortium costs, resulting from completion of works to construct the New Expo Fair Center in Milan, which recorded maximum production levels in 2004;
- increase of EUR 25,375 in subcontracts and other services, chiefly attributable to activities carried out by permanent establishments in Venezuela, Romania and Turkey;
- increase of EUR 12,204 in technical, administrative and legal consulting costs;
- increase of EUR 10,287 referable to insurance costs incurred to cover risks resulting from natural events, referred to the permanent establishment in Turkey, as well as the start-up of major general contracting projects in Italy.

The costs for leased assets, equal to EUR 9,380 (EUR 7,767 at December 31, 2004) was as follows:

costs for leased assets			
(thousands of euros)	31/12/2005	31/12/2004	variation
leases and other costs	7,242	5,685	1,557
rent and running expenses	2,007	1,838	170
maintenance costs on leased assets	130	244	(114)
total	9,380	7,767	1,612

5. Personnel costs: EUR 93,232

Personnel costs, equal to EUR 93,232 (EUR 98,100 as of December 31, 2004) were as follows:

personnel costs			
(thousands of euros)	31/12/2005	31/12/2004	variation
wages and salaries	59,448	61,688	(2,240)
social security charges	18,019	16,727	1,292
other costs	11,728	11,909	(181)
other benefits subsequent to employment	2,197	2,236	(39)
cost of share-based payments	1,840	5,540	(3,700)
total	93,232	98,100	(4,869)

The item decreased by EUR 4,869 during the year.

The average number of employees during the reference period, according to category, was as follows:

average number of employees		
	2005	2004
managers	90	85
executives	33	28
clerical workers	983	981
workers	2,426	3,639

The major decrease in the number of workers was largely due to the completion of works in Guinea Conakry and El Salvador.

6. Amortisation, depreciation and write-downs EUR 24,165

Amortisation, depreciation and write-downs were as follows:

amortisation, depreciation and write-downs			
(thousands of euros)	31/12/2005	31/12/2004	variation
intangible amortisation	3,304	2,505	798
tangible depreciation	16,574	15,539	1,036
bad debts	4,287	2,000	2,287
total	24,165	20,044	4,121

The item in question can be broken down as follows:

- EUR 16,574 (EUR 15,539 at December 31, 2004) for depreciation of corporate assets, EUR 3,304 for amortisation of intangible assets;
- EUR 4,287 for value adjustments regarding receivables entered among current assets in order to represent the estimated realizable amount.

7. Other operating costs EUR 38,105

Other operating costs were as follows:

other operating costs			
(thousands of euros)	31/12/2005	31/12/2004	variation
provision for risks and charges	16,100	4,650	11,450
other operating costs	22,005	13,488	8,517
total	38,105	18,138	19,967

The provision for risks and charges, totalling EUR 16,100, represented the setting aside of probable charges to be incurred in relation to activities in progress in Italy and abroad, for which a reliable estimate can be made within the more general policy of valuing contracts on the basis of the "whole life" result.

Other operating costs totalled EUR 22,005 showing an increase of EUR 8,517 compared to the previous year, and were as follows:

other operating costs			
(thousands of euros)	2005	2004	variation
contingent and non-existent liabilities due to value adjustments	4,805	2,997	1,809
fiscal charges	2,508	2,835	(328)
other administrative costs	14,692	7,656	7,036
total	22,005	13,488	8,517

In compliance with the specific accounting standard adopted, contingent and non-existent liabilities for value adjustments included the differences on estimated costs in the previous year, and represented the covering of expenses, losses and charges against revenues and other proceeds that went to form income in other years.

Fiscal charges mainly referred to indirect taxes such as customs charges, stamp duties, local property taxes, government duties and registration taxes incurred in Italy and abroad.

Other administrative costs mainly referred to losses from the sale of capital goods, association contributions, other administrative expenses and losses on accounts receivable.

The increase compared to the previous year, equal to EUR 7,036, was mainly due to the non-payment of accounts receivable by the Client to the permanent establishment in Turkey, for already completed works. Furthermore, to safeguard our interests, arbitration proceedings have been instituted, aimed at the acknowledgement in our favour of the sum illegally not paid by the Client.

8. Capitalisation of internal construction costs EUR 161

The increase in fixed assets for internal construction equalled EUR 161 (EUR 234 at December 31, 2004) and referred to the costs capitalised over the year in relation to the project finance initiative to construct technological tunnels in the municipality of Cologno Monzese.

9. Financial income EUR 33,736

Financial income totalled EUR 33,736 and also included revaluations totalling EUR 372 that are commented on together with write-downs for reasons of better comparability.

Financial income, equal to EUR 33,364, showed a decrease compared to the same period of 2004.

A breakdown of the item, together with a comparison with the previous year, can be found below:

financial income

(thousands of euros)

	2005	2004	variation
income from subsidiary companies	88	1,726	(1,639)
income from associated companies	4,519	193	4,325
income from other investee companies	–	5,540	(5,540)
income from financial transactions with other credit institutes	1,774	1,918	(143)
surety commissions	1,040	765	274
exchange rate profit	19,773	9,446	10,327
income from derivatives - hedging	227	–	227
income from derivatives - ineffective hedging	375	–	375
other financial income	5,568	22,014	(16,445)
total	33,364	41,603	(8,239)

Income from subsidiaries totalling EUR 88 referred to interest (EUR 81) and the distribution of capital, net of liquidation, by consortium companies (EUR 7).

Income from associated companies totalling EUR 4,519 referred to distribution of dividends from the following companies:

- Metro Los Teques EUR 4,115;
- S.E.I.S. S.p.A. EUR 385;
- V.A.S.C.O. Imprese Riunite EUR 5.

Income from transactions with credit institutes mainly referred to current bank account interest and gains on trading of securities.

As regards other financial income, it is useful to point out that the decrease noted when compared to the same period of 2004, can be attributed to the entry over the last year of interest receivable in relation to the arbitration award regarding construction of the Zagreb-Goričan motorway in Croatia, and indemnities regarding the war in Ethiopia that have already been allocated in the depreciation of financial assets.

Profits recorded with regard to the fluctuation in exchange rates of the various currencies the company operates in, equal to EUR 19,773, offset charges of the same nature totalling EUR 12,343 thus highlighting the effects of the currency control policy implemented by the company. The significant difference in individual absolute values, compared to the same period of the previous year, is the consequence of the physiological trend in exchange rates.

As far as income from derivatives is concerned, it should be noted that in compliance with the provisions of IAS 39, the company recorded income totalling EUR 227 during the year which referred to hedging transactions on the interest and exchange rate risks and EUR 375 referred to other transactions.

10. Financial charges: EUR (68,132)

Financial charges totalling EUR (68,132) included write-downs and revaluations of financial assets for EUR (19,291), which are commented on in the dedicated paragraph.

Interest and other financial charges for the year totalling EUR (49,014) showed a decrease of EUR 10,671 compared to the previous financial year.

The table below shows a breakdown of said charges:

breakdown of financial charges

(thousands of euros)	31/12/2005	31/12/2004	variation
surety commissions	6,343	5,229	1,114
charges from financial transactions with credit institutes	20,304	24,413	(4,109)
exchange rate losses	12,343	16,752	(4,409)
charges from derivatives - hedging	74	–	74
charges from derivatives - ineffective hedging	99	–	99
other financial charges	9,679	13,291	(3,612)
total	48,841	59,685	(10,844)

In relation to the above table, it should be noted that the major decrease in financial charges is due, on the one hand, to redemption of the loan with Astaldi Finance S.A. which generated an annual saving of approximately EUR 7,082, and on the other to shifting of short-term indebtedness to the medium/long-term, with consequent saving on interest rates and better negotiation of conditions for short-term credit facilities.

Exchange rate losses totalling EUR 12,343 are to be directly related to profits of the same nature as detailed above.

As regards charges on derivatives, it must be noted that in compliance with the provisions of IAS 39, the company recorded over the year charges totalling EUR 74 referred to hedging transactions and EUR 99 to other transactions.

Write-downs and revaluations of financial assets showed a negative balance of EUR 19,291 (EUR 8,711 in 2004) as follows:

write-downs and revaluations of financial assets

(thousands of euros)	31/12/2005	31/12/2004	variation
revaluation of securities	372	1,544	(1,171)
write-down of investments	(15,079)	(1,620)	(13,458)
write-down of securities and bad debts	(4,584)	(8,635)	4,050
total	(19,291)	(8,711)	(10,580)

The item in question comprised EUR 13,761 for write-down of the holding of the US subsidiary, Astaldi Construction Corporation, EUR 752 for losses resulting from investments in companies, as well as EUR 496 for the write-down of investments, of which EUR 471 via allocation to the provision for investment risks, divided as follows:

- EUR 302 from subsidiaries (EUR 730 in 2004);
- EUR 144 from associated companies (EUR 410 in 2004);
- EUR 25 from other investee companies (EUR 180 in 2004).

Write-down of securities and bad debts referred almost entirely to sums allocated to the provision for arrears interest over the year in the permanent establishment in Croatia.

Revaluation of securities for EUR 372 referred to the valuation at fair value of securities entered in compliance with IAS 39.

11. Income taxes EUR 20,484

The total amount of the taxes for the period, referred to the company and its permanent establishments abroad equalled EUR 20,484 (EUR 15,603 at December 31,

2004). The increased tax rate, including the effects of IRAP (regional business tax) (42.53% compared to 37.11% in 2004) can mainly be attributed to the reduced level of tax-exempt revenues recorded by the company during 2005, compared with the same period of the previous financial year.

Current taxes, equal to EUR 16,385, were valued on the basis of objective elements measured at the reference date and represented the total taxes which can be broken down into IRES (company tax) (EUR 13,385) and IRAP (EUR 3,000).

Fiscal charges for 2005 totalled EUR 20,483, of which EUR 4,098 resulting from calculation of deferred taxes as follows:

fiscal charges			
(thousands of euros)			
income statement	31/12/2005	31/12/2004	variation
current taxes - i.r.e.s.	13,385	6,076	7,309
deferred taxes - i.r.e.s.	3,529	6,486	(2,957)
current taxes - i.r.a.p.	3,000	2,723	277
deferred taxes - i.r.a.p.	569	318	251
total	20,483	15,603	4,880

Residual credit for prepaid taxes of the company amounted to EUR 3,893 (EUR 8,041 in 2004) to be recovered in subsequent financial years.

The following is a summary of prepaid taxes at December 31, 2005:

summary of prepaid taxes				
(thousands of euros)				
balance sheet	2005 ires	2005 irap	2004 ires	2004 irap
a) deferred tax assets resulting from:	20,291	891	25,934	1,590
1) provisions for taxed risks	12,404	768	16,048	1,034
2) provision for taxed arrears interest risks	4,340		2,849	
3) exchange rate differences	1,852			
4) charges on share-based payments	627		2,516	
5) export credit financial charges			2,035	262
6) other minor taxes	1,068	123	2,486	294
b) deferred tax liabilities resulting from:	(16,033)	(1,256)	(18,073)	(1,386)
7) financial leasing	(2,090)	(269)	(1,626)	(209)
8) buildings entered at fair value as cost substitute	(4,905)	(631)	(4,961)	(639)
9) provisions for deducted contractual risks	(4,675)	(356)	(7,150)	(537)
10) arrears interest to be collected	(4,363)		(4,335)	
c) net deferred tax assets (liabilities) a) - b)	4,258	(365)	7,861	204
d) deferred taxes for the period to be charged to income statement	(3,529)	(569)	(6,486)	(318)

Taxes entered directly in equity totalled EUR 322 and referred to the following:

Taxes on items entered directly in equity:

- deferred taxes on net losses related to cash flow hedge transactions (EUR 75);
- current taxes on gains from sale of treasury shares (EUR 247).

Reconciliation, for the sole purpose of IRES, between the entered taxes (current and deferred) and the theoretical taxes resulting from application of the tax rate in force for the years ending December 31, 2004 and December 31, 2005 to pre-tax profit, is as follows:

taxes - reconciliation

(thousands of euros)	2004	2005
applicable standard rate	33.00%	33.00%
final variations (increases)		
– income from interests in partnerships	0.00%	0.16%
– general employee expenses	0.05%	0.04%
– interest payable	0.39%	0.00%
– capital losses and contingent items	5.46%	0.00%
– depreciation and entertainment expenses	0.25%	0.09%
– allocations to non-deductible provisions and losses	1.15%	10.17%
– provision for bad debts	0.24%	0.00%
– other taxes	0.97%	0.27%
– other variations (increases)	0.55%	0.51%
– foreign tax difference not recovered	0.00%	0.13%
final variations (decreases)		
– non-taxable profit from investee companies	(5.12%)	(2.94%)
– exempt extraordinary income	(2.56%)	0.00%
– exempt revenues	(9.00%)	(4.53%)
– use of provision for write-down of securities	(1.21%)	(0.25%)
– losses related to partnerships	0.00%	(0.15%)
– tax credit difference	(0.04%)	(0.15%)
– bad debts	0.00%	(1.24%)
actual ires rate	24.13%	35.12%

12. Profit per share

The profit per basic share was calculated at EUR 0.2826. A table summarising the calculation methods is shown below:

profit per share - calculation method

december 31, 2005 december 31, 2004

numerator

profit (loss) attributable to parent company's ordinary shareholders		
for continued operations	27,683	26,442
profit (loss) attributable to parent company's ordinary shareholders		
for discontinued operations	–	–
profit of parent company's ordinary shareholders	27,683	26,442
<i>denominator (in units)</i>		
weighted average of shares (all ordinary)	98,424,900	98,424,900
weighted average of treasury shares	(451,267)	(1,188,893)
weighted average of shares to be used for the purposes		
of calculating profit per basic share	97,973,633	97,236,007
profit (loss) per basic share for continued operations	0.2826	0.2719
profit (loss) per basic share for discontinued operations	–	–
	0.2826	0.2719

In the absence of stock option plans, profit per diluted share is the same as the basic.

Paid and proposed dividends: EUR 7,375

Dividends totalling EUR 7,375 (EUR 6,306 in 2004) were paid during 2005.

The dividend decided on by the Shareholders' Meeting of April 29, 2005, of EUR 0.075 per share, was paid with detachment of the coupon on May 9, 2005.

The number of shares benefiting from said dividend was 98,336,744 out of a total of 98,424,900 and net of treasury shares, equal to EUR 88,156.

13. Property, plant and equipment EUR 93,446

The value of the property, plant and equipment amounted to EUR 93,446 at December 31, 2005 (EUR 94,476 at December 31, 2004). The main variations during the year referred to new investments made, especially in Romania, and the normal asset renewal process.

The most important variations are shown in the table below:

main variations referred to new investments						
(thousands of euros)	land and buildings	specific and general plant	excavators, power shovels and heavy equipment	various equipment and machinery	fixed assets in progress and advance	total
value at 31/12/2004, net of depreciation (1)	37,652	28,317	16,292	10,040	2,175	94,476
<i>increases</i>						
– from acquisitions	–	10,034	7,112	6,132	162	23,440
subtotal	37,652	38,350	23,404	16,172	2,338	117,917
depreciation	(814)	(5,822)	(6,614)	(3,324)		(16,574)
other disposals	(71)	(5,122)	(1,094)	(783)	(799)	(7,870)
reclassification and transfers	–	(158)	321	(190)	–	(26)
exchange rate differences	–	–	–	–	–	–
value at 31.12.2005, net of depreciation (2)	36,767	27,248	16,018	11,875	1,538	93,446
<i>(1) of which</i>						
– cost	38,538	58,829	46,864	22,995	2,175	169,401
– provision for depreciation	(886)	(30,512)	(30,572)	(12,955)		(74,925)
net value	37,652	28,317	16,292	10,040	2,175	94,476
<i>(2) of which</i>						
– cost	38,467	59,451	45,594	26,211	1,538	171,262
– provision for depreciation	(1,700)	(32,202)	(29,577)	(14,337)		(77,816)
net value	36,767	27,248	16,018	11,875	1,538	93,446

The value of property, plant and equipment included leased assets totalling EUR 39,943; for greater clarity, it should be noted that said amount included the effect of valuation of buildings for EUR 14,169 for which the company adopted the revalued costs to replace the original historical costs for first-time adoption of IFRSs (January 1, 2004).

A breakdown of the leased assets is shown in the table below:

leased assets					
(thousands of euros)	land and buildings	specific and general plant	excavators, power shovels and heavy equipment	equipment and machinery	total
value at 31.12.2005, net of depreciation	30,281	4,907	3,321	1,434	39,943
<i>of which</i>					
– cost	31,599	9,745	9,400	2,953	53,697
– provision for depreciation	(1,318)	(4,838)	(6,079)	(1,519)	(13,754)

Lastly, it must be noted that the gross book value of property, plant and equipment, completely depreciated and still in use amounted to EUR 36,652.

14. Investment property EUR 204

Investment property, equal to EUR 204 (EUR 204 at December 31, 2004) underwent no variations during the year.

15. Intangible assets EUR 4,964

The balance of intangible assets is mainly represented by the value of contractual rights acquired with reference to contracts in progress in Italy and abroad. The item in question underwent a EUR 200 decrease in comparison with December 31, 2004 (balance of EUR 5,164). Please see the following table for a breakdown:

i n t a n g i b l e a s s e t s			
(thousands of euros)			
	rights to use intellectual works	concessions, licenses, trademarks and rights	total
value at 31/12/2004, net of amortisation (1)	983	4,182	5,165
<i>increments</i>			
– from acquisitions	723	2,380	3,103
subtotal	1,706	6,562	8,268
amortisation	(596)	(2,708)	(3,304)
exchange rate differences	–	–	–
value at 31/12/2005, net of amortisation (2)	1,111	3,854	4,964
<i>(1) of which</i>			
– cost	2,227	5,746	7,973
– provision for amortisation	(1,245)	(1,564)	(2,808)
net value	983	4,182	5,165
<i>(2) of which</i>			
– cost	2,951	8,055	11,006
– provision for amortisation	(1,840)	(4,202)	(6,042)
net value	1,111	3,854	4,964

Among the most significant variations compared with the individual items in 2004, mention must be made of the EUR 2,380 increase for “concessions, licences, trademarks, and rights” regarding acquisition from third parties of the contractual rights regarding awarding, as General Contractor, of works to modernise the SS 106 Jonica national road, – Palizzi Caulonia and Squillace Simeri sections.

The total value of intangible assets did not include leased assets.

16. Investments EUR 133,525

Investments, equal to EUR 133,525 (EUR 59,895 at December 31, 2004) increased by EUR 73,629.

A breakdown of the item is shown below:

	31/12/2005	31/12/2004	variation
investments valued at cost	133,525	59,895	73,629
total	133,525	59,895	73,629

The increase is mainly due to:

- subscription of share capital of special purpose vehicles to carry out works to upgrade the Jonica national road (SS 106) equal to EUR 69,992;

- subscription of share capital of special purpose vehicle to construct and manage the new hospital in Naples ("Ospedale del Mare") equal to EUR 5,579;
 - decrease in the overall value of the share held in Astaldi Construction Corporation equal to EUR (2,371);
 - subscription of share capital of Astaldi Algerie Eurl set up to carry out the new projects in Algeria equal to EUR 564;
 - decrease due to transfer of share in Hydro Honduras S.a. equal to EUR 520.
- For further details, please see the table attached to these notes.

17. Non-current financial assets EUR 48,299

The item in question (EUR 53,677 at December 31, 2004) refers exclusively to loans to subsidiary, associated and other investee companies; the item showed a net decrease of EUR 5,378 compared to last year.

Said receivables mainly referred to assistance of a financial nature to support works in progress in particular.

For a breakdown of the item in question, please refer to the table regarding related parties, attached to these notes.

Current financial assets EUR 13,101

Current financial assets, valued at fair value, referred exclusively to the securities portfolio. Valuation at fair value is generally representative of the quotation on regulated markets. The economic effects of valuation at fair value were entered in the income statement under "revaluation of securities", included among financial income.

The balance referred exclusively to the following securities on hand:

current financial assets			
(thousands of euros)	31/12/05	31/12/04	variation
Astaldi Finance bonds	–	20,001	(20,001)
Futher Credit - Arner fund	3,752	3,379	373
BMP bond fund	5,037	–	5,037
Nextra Team1 fund	2,009	–	2,009
Gefin Comm.Union fund	1,057	1,022	35
Fineco bond fund	946	908	38
BNL property fund	298	254	44
other minor investments		958	(958)
Acer bonds 10% 1990/2002	2	2	–
total	13,101	26,524	(13,423)

The economic effects of valuation at fair value were entered in the income statement under financial income.

18. Other assets

The balance of other non-current assets, equal to EUR 15,663, showed a decrease of EUR 38,604 compared to December 31, 2004 (EUR 54,266), while other current assets, equal to EUR 149,592, showed an increase of EUR 18,364 compared to 2004 (EUR 131,228).

A breakdown of the main items was as follows:

other assets			
(thousands of euros)	31/12/2005	31/12/2004	variation
other non-current assets			
– financial receivables**	2,733	45,170	(42,437)
– tax receivables	6,782	2,335	4,447
– other assets	6,147	6,761	(614)
total non-current other assets	15,663	54,266	(38,604)
other current assets			
– loans to subsidiary companies	34,983	36,613	(1,630)
– loans to associated companies	17,515	11,435	6,080
– loan to other companies	486	845	(358)
– financial receivables (**)	33,475	25,361	8,114
– derivatives	1,277	–	1,277
– other assets	61,855	56,975	4,880
total other current assets	149,592	131,228	18,364

The items marked (**) are included in the net financial position.

“Other non-current assets” include:

- financial receivables totalling EUR 2,733 formed of receivables from Emilia Romagna's regional authority (pursuant to the Tognoli law). Said law provides for the payment of a contribution to construct and manage car parks built in the external underground areas pertaining to buildings, for the purpose of favouring decongestion of town and city centres;
- tax receivables mainly referred to tax refunds requested from financial administrations for direct taxes (EUR 1,817) and indirect taxes (EUR 4,377); said item increased by EUR 4,447 during the year, of which EUR 4,201 referred to VAT refunds requested by the permanent establishment in Turkey;
- other assets mainly referred to receivables for advances to suppliers and subcontractors (EUR 918), guarantee deposits (EUR 633) and other deferred liabilities (EUR 4,595).

“Other current assets” include:

- loans to subsidiaries, associated companies and other investee companies totalling EUR 52,984. For a breakdown of the receivables in question, please refer to the table attached to these notes regarding related parties;
- receivables totalling EUR 33,475 due to the difference between the nominal value of receivables transferred prior to December 31, 2003 and the amounts collected by finance institutes;
- derivatives totalling EUR 1,277, for which in the *Financial risk management* section which follows these notes is reported the information regarding their nature and composition;
- other assets totalling EUR 61,855, mainly referred to receivables for advances to suppliers and subcontractors (EUR 18,760), other accounts receivable for the transfer of goods and services (subcontractor services, transfer of equipment and goods, transfer of property) (EUR 23,480), social security receivables (EUR 629), loans to employees (EUR 681), deferred liabilities (EUR 4,894) and receivables for advances to members of the arbitration board set up in relation to specific disputes with clients, receivables from liquidators as well as various other receivables (EUR 13,527).

19. Inventories EUR 36,682

The items showed a decrease of EUR 721 compared to the previous year. The breakdown of inventories was as follows:

i n v e n t o r i e s			
(thousands of euros)	31/12/2005	31/12/2004	variation
raw materials, subsidiary materials and consumables	27,423	27,822	(399)
products in progress and semi-finished products	3,405	1,674	1,731
finished products and goods	69	404	(336)
goods and materials in transit	5,785	7,502	(1,717)
total	36,682	37,403	(721)

Raw materials, subsidiary materials and consumables referred to Italian sites (EUR 3,169) and foreign permanent establishments (EUR 24,254), especially Turkey, Venezuela, Romania and Honduras.

Products in progress expressed the value of inventories related to the former *Manifattura Tabacchi* car park under construction in Bologna.

The decrease in goods and materials in transit mainly referred to the permanent establishments in Turkey and Venezuela.

20. Contracts in progress and advances from customers EUR 234,703

Contracts in progress, entered in accordance with the percentage of completion and net of actual or estimated losses at the reference date and of invoices issued according to work progress reports, showed a positive balance of EUR 234,703 (Contracts in progress) and a negative balance of EUR 64,531 (Advances from customers); the composition of works in progress, split into works with positive balance and works with negative balance, was as follows:

c o n t r a c t i n p r o g r e s s			
(thousands of euros)	31/12/2005	31/12/2004	variation
<i>initial contracts in progress</i>	<i>255,036</i>	<i>142,332</i>	<i>112,704</i>
<i>depreciation fund for final losses</i>	<i>(4,305)</i>	<i>(5,928)</i>	<i>1,623</i>
contracts in progress	250,731	136,404	114,327
advances from customers	(16,028)	(17,398)	1,370
works in progress	234,703	119,006	115,697

a d v a n c e s f r o m c u s t o m e r s			
(thousands of euros)	31/12/2005	31/12/2004	variation
contracts in progress	26,335	4,576	21,759
advances from customers	(90,866)	(75,256)	(15,610)
advances from customers	(64,531)	(70,680)	6,149

Advances received and offset with works in progress equalled EUR 16,028 (EUR 17,398 at December 31, 2004).

With reference to December 31, 2004, the balance of advances showed a net increase of EUR 14,240, mainly due to the acquisition of new contracts in Italy and abroad, including the contract related to Puerto Cabello railway works being carried out by the permanent establishment in Venezuela.

The total cost incurred including profits (net of losses) at December 31, 2004 amounted to EUR 774,410.

The following were the financial operations implemented with reference to a selected portfolio of price review requests, assigned with recourse, for which entry in compliance with Italian accounting policies was maintained given that said operations were performed prior to December 31, 2003:

details referred to various domestic works in progress

(thousands of euros)

accounts receivable	53,475
advances	20,000
residual receivable	33,475

The value of retention money for contracts in progress totalled EUR 9,538.

Works in progress and relative revenues are shown in the table below according to geographical area:

works in progress and relative revenues by geographical area

(thousands of euros)

	contracts in progress			revenues		
	31/12/05	31/12/04	variation	31/12/05	31/12/04	variation
Italy	182,352	96,225	86,127	417,481	529,060	(111,579)
Europe	31,152	10,241	20,911	211,395	112,959	98,436
America	6,001	5,853	148	137,123	118,925	18,198
Africa	15,197	6,687	8,510	24,511	49,129	(24,618)
total	234,702	119,006	115,696	790,510	810,073	(19,563)

The increase in contracts in progress in Italy can be mainly attributed to:

- different accounting of price review requests transferred with recourse totalling EUR 34,320 (valuation at December 31, 2004), which had been eliminated in 2004 in compliance with Italian accounting policies in 2004;
- the Pont Ventoux contract (EUR 12,157);
- works to construct the Rome-Naples high speed line (EUR 8,130);
- works to construct the Naples underground (EUR 8,027);
- new works to modernise the Jonica National Road (EUR 7,452);
- railway works in Veneto region (EUR 6,173).

21. Trade receivables EUR 351,883

Trade receivables were as follows:

trade receivables

(thousands of euros)

	31/12/2005	31/12/2004	variation
receivables from customers	312,391	284,409	27,983
receivables from subsidiaries	31,994	32,402	(408)
receivables from associated companies	33,360	56,853	(23,493)
receivables from parent companies	36	24	12
receivables from other investments companies	1,287	2,783	(1,496)
provisions for bad debts	(27,185)	(18,523)	(8,662)
total	351,883	357,947	(6,064)

The decrease in absolute value of EUR 6,064 compared to the previous year, including the variation in the provisions for bad debts and arrears interest to directly reduce receivables from customers, comprised the following variations:

- increase of EUR 27,983 referred to receivables from customers;
- net decrease of EUR 25,385 referred to receivables from parent, subsidiary, associated and other companies. For a more in-depth analysis, please refer to the table of transactions with related parties attached to the following comment;
- net increase of EUR 8,662 referred to the provision for bad debts.

The following table shows trade receivables according to geographical area:

trade receivables by geographical area			
(thousands of euros)	31/12/05	31/12/04	variation
italy	164,430	213,614	(49,183)
europa	110,794	61,767	49,027
america	32,016	34,270	(2,253)
africa	44,642	48,297	(3,655)
total	351,883	357,947	(6,064)

The increase in receivables in relation to Europe referred to EUR 47,745 for works in progress in Turkey. It must be noted in this regard that during the first months of 2006, EUR 46,798 was received as the counter value of the contractual amount of USD 56,023.

Provisions for bad debts, trade receivables and other receivables

The provision for bad debts and the provision for arrears interest underwent the following movements during the year:

provisions for bad debts, trade receivables and other receivables						
(thousands of euros)	31/12/2004	allocation	use	absorption	exchange rate differences	2005
receivables from customers:						
– provision for bad debts	(6,246)	(4,288)	–	–	(49)	(10,583)
– provision for arrears interest	(12,269)	(4,584)	179	80	–	(16,594)
other receivables						
– provision for bad debts	(8)	–	–	–	–	(8)
total	(18,523)	(8,872)	179	80	(49)	(27,185)

22. Tax receivables EUR 42,157

The value of tax receivables increased by EUR 9,607 over the year (balance of EUR 32,550 at December 31, 2004) and mainly referred to:

- receivables for direct income taxes totalling EUR 16,327, net of the provision for bad debts of EUR 198; the amount comprises:
 - a) IRES (corporate tax) credit formed during calculation of 2005 taxes (EUR 12,403);
 - b) credit for taxes paid abroad, for the part that can be recovered in compliance with Article 165 of the new amalgamated tax laws, as well as international agreements against dual taxation.

– receivables for indirect VAT taxes totalling EUR 25,830, referring to contracts in progress in Italy (EUR 14,589) and abroad (EUR 11,241). It should be noted that a refund application for a total EUR 12,000 was submitted in Italy in the first months of 2006.

The following table shows the breakdown of the items in question including the values previously expressed in *other non-current assets*:

(thousands of euros)		
	refunded	brought forward
direct income taxes	1,157	15,170
italy	570	12,206
europe	–	60
america	303	2,794
africa	285	110
vat	6,142	19,688
italy	3	14,587
europe	–	2,213
america	6,139	1,163
africa	–	1,725
total	7,299	34,858

23. Cash and cash equivalents EUR 134,996

Cash and cash equivalents whose absolute value recorded a decrease of EUR 18,710, even following efficient management of available funds, comprised the following:

cash and cash equivalents			
(thousands of euros)	31/12/2005	31/12/2004	variation
bank and post office **	134,736	151,951	(17,215)
cash on hand **	259	196	64
cheques **	–	1,559	(1,559)
total	134,996	153,706	(18,710)

** Items included in net financial position.

The geographical breakdown of cash and cash equivalents was as follows:

geographical distribution of cash and cash equivalents	
(thousands of euros)	total
Italy	104,135
United States	15,700
Romania	3,067
Venezuela	4,342
others	7,752
total	134,996

24. Share capital and reserves EUR 216,587

The share capital, subscribed and fully paid up, is represented by 98,424,900

ordinary shares of a nominal value of EUR 1 each. Treasury shares, whose nominal value was EUR 1,123 at the date of reference hereof, were entered to directly reduce the share capital. The number of shares held equalled 1,122,956, of which 722,956 purchased during the year.

At December 31, 2005, according to the stock ledger, together with correspondence received pursuant to Article 120 of Legislative Decree No. 58/1998 and other available information, the direct shareholders holding more than 2% of the company's share capital fully paid up and represented by shares with voting rights, were the following:

- Fin.Ast. S.r.l. with 39,152,199 shares equal to 39.778%;
- Finetupar International S.A. – Luxembourg (formerly Finetupar S.A) with 12,327,967 shares equal to 12.525%;
- Gartmore Investment Management PLC with 4,944,079 shares equal to 5.023%;
- Fidelity Investments with 3,039,298 shares equal to 2.128%.

Other reserves totalling EUR 119,285 were as follows:

other reserves	
(thousands of euros)	
legal reserve	eur 9,383
extraordinary reserve	eur 55,640
share premium reserve	eur 67,836
profits carried forward	eur (4,830)
other reserves	eur (8,743)

The movement of share capital and reserves is detailed in the "Equity movements" schedule.

Nature, purpose and composition of reserves

Legal reserve

The legal reserve amounted to EUR 9,383 and was formed in accordance with the provisions of Article 2430 of the Italian Civil Code.

Extraordinary reserve

The extraordinary reserve amounted to EUR 55,640 and was formed and credited or charged in accordance with resolutions passed by the Shareholders' Meeting.

Share premium reserve

The share premium reserve amounted to EUR 67,836 and was formed on the occasion of conversion of the convertible bonded loan, as well as issue of new shares by the company to coincide with stock exchange listing.

Profits (losses) carried forward

These totalled EUR (4,830) and referred to the economic effects of application of IFRSs.

Other reserves (deficits)

The item in question equalled EUR (8,743). It serves to adjust equity and included the following:

1. the increase in equity (EUR 9,581), net of the related tax effect entered in a specific reserve, due to entry, at the date of transition to IFRSs, of tangible assets (land and buildings) at fair value instead of cost;
2. the balance of the differences in value of assets and liabilities (EUR 18,632), at the date of transition to IFRSs, (01/01/2004 – 01/01/2005 for the effects of IASs 32 and 39), other than those listed in point 1;
3. the effects resulting from conversion of the financial statements of foreign permanent establishments, at the date of transition to IFRSs, totalling EUR (10,712);
4. reserve for merger loss (EUR 14,930);
5. the value of treasury shares on hand (EUR (4,234)) for the part exceeding the nominal value of said shares totalling EUR 1,123, already allocated to decrease the share capital;
6. other reserves of residual value (EUR 326).

25. Financial liabilities

Prior to commenting on this item, it should be specified that January 2005 saw repayment of the EUR 148 million loan to the subsidiary Astaldi Finance S.A. In this regard, it should be pointed out that the EUR 100 million loan agreement, subscribed by a pool of leading Italian banks and repayable over 5 years in six-monthly instalments, became fully operational as from January 28, 2005. Said loan allows the Company to bring the duration of the sources of financing in line with the average life of contracts and helps restore balance to the Company's financial structure in the short medium/long-term debt ratio, while at the same time seizing the opportunity granted by the market's low interest rates during this period and minimizing the cost of ancillary financial charges.

April 2005 saw the definition, for the same purpose, of a EUR 100 million loan transaction with a four-year duration connected to the transfer of work-related credit items. Said loan, subscribed by a pool of leading Italian banks with Banca Popolare di Milano as the Agent Bank, makes it possible to streamline the price review requests portfolio, thereby improving the working capital cycle through reliance on this kind of structured finance transaction.

The balance of non-current financial liabilities showed a EUR 176,781 increase compared to December 31, 2004 (balance of EUR 93,976), while the variation in current liabilities showed a decrease of EUR 99,568 (balance of EUR 293,282 at December 31, 2004). The items were as follows:

financial liabilities

(thousands of euros)

	31/12/2005	31/12/2004	variation
non-current financial liabilities			
– due to banks **	241,483	62,300	179,183
– non-current amount of loans **	4,577	5,075	(498)
– due to other financers **	–	–	–
– financial leasing payables **	14,729	15,489	(760)
– financial payables due to subsidiary companies **	9,370	10,502	(1,131)
– financial payables due to associated companies	597	610	(13)
total	270,757	93,976	176,781
current financial liabilities			
– due to banks **	188,541	129,174	59,367
– current share of loans **	954	933	20
– due to other financers **	–	9,115	(9,115)
– financial payables due to subsidiary companies	–	150,450	(150,450)
– financial payables due to investee companies	–	–	–
– financial leasing payables **	3,932	3,610	322
total	193,426	293,282	(99,856)

** Items included in net financial position.

For greater clarity, it should be noted that the increase of EUR 179,183 in the amounts due to banks, entered among non-current financial liabilities, is directly linked to the decrease in the amounts due to subsidiary companies (EUR 148,450), entered among current financial liabilities, following the aforementioned repayment of the loan taken out with Astaldi Finance S.a.

The following are the main characteristics of the two loan agreements, partly commented above:

1 - EUR 100,000 loan agreement between Astaldi S.p.A. (Borrower) and Astaldi Finance S.A., MCC S.p.A. (Agent), MCC S.p.A., Sanpaolo IMI S.p.A. and Efibanca S.p.A. (lending banks), with the following characteristics:

- **Disbursement date:** January 28, 2005;
- **Duration:** 60 months from disbursement date;
- **Repayment:** 10 fixed instalments, the first falling due on August 9, 2005 and the other on February 9 and August 9 of each year with the last instalment being repaid on February 9, 2010;
- **Interest rate:** the applicable rate will be equal to the six-month EURIBOR rate, calculated on an annual basis of 360 days, plus a 1.85% margin;
- **Actual interest rate:** the actual interest rate applicable is 5.3874%;
- **Interest period:** the interest period will have a six-month deferred duration as from the disbursement date.

The interest due date will coincide with the loan due date.

2- EUR 100,000 loan agreement between Astaldi S.p.A. (borrower) and Banca Popolare di Milano S.p.A. (leader of a pool of lending banks) with the following characteristics:

- **Disbursement date:** April 22, 2005;
- **Duration:** 60 months from disbursement date;
- **Repayment:** 13 fixed capital contributions, equal to 1/14 of the loan, for the first 12 instalments.

The first instalment is repaid on the due date of the 12th month following the disbursement date, corresponding to the quarterly due dates of the interest

periods. The last instalment will be repaid 48 months subsequent to the disbursement date, i.e. to coincide with the loan expiry date and will be equal to 2/14 of the loan.

- **Interest rate:** the applicable rate will be equal to the three-month EURIBOR rate, variable in relation to the reference quarter, calculated on an annual basis of 360 days, plus a 1.25% margin;
- **Actual interest rate:** the actual interest rate applicable is 4.3947%;
- **Interest period:** the interest period will have a deferred three-month duration as from the disbursement date.

Financial Covenants on Medium/Long term loans

The following are the main covenants on medium/long term loans:

1) EUR 100 million loan by pool of banks: Agent Bank MCC S.p.A.

The company undertakes to comply with the following financial parameters for the entire duration of the agreement:

a) net financial position		
<i>(million of euros)</i>		
applicability	half-yearly max nfp (eur/millions)	annual max nfp (eur/millions)
until 31.12.04	340	310
from 01.01.05	350	320
from 01.01.06	390	350
from 01.01.07	400	360

b) net financial position/equity - "nfp/e"	
applicability	nfp/e
until 31.12.04	<1.30
from 01.01.05	<1.25
from 01.01.06	<1.20
from 01.01.07	<1.15

c) net financial position/gross operating margin - "nfp/gom"	
applicability	nfp/gom
until 31.12.04	<3.0
from 01.01.05	<2.7
from 01.01.06	<2.4

2) EUR 100 million loan by pool of banks: Leading bank Banca Popolare di Milano

(aided by channelling of revenues from price reviews)

- Net financial indebtedness and Group equity ratio less than or equal to 1.3
- Operating income and Net financial charges ratio greater than or equal to 1.5
- Net financial indebtedness and EBITDA ratio less than or equal to 3.5
- Equity greater than or equal to EUR 180,000

3) EUR 60 million loan by pool of banks: Leading bank - Unicredit Banca d'Impresa

(aided by channelling of revenues from price reviews)

- Net indebtedness and Group equity ratio less than or equal to 1.2
- Operating income and Net financial charges ratio greater than or equal to 1.3
- Total revenues and EBITDA ratio greater than or equal to 10%
- Equity greater than or equal to EUR 180,000.

It should be noted that the covenants listed above are parameterised on the basis of model financial statements drafted in compliance with Civil Code provisions.

Loans

The following are the main debts included in the balance assisted by guarantees of various nature, specifying the type for each loan:

■ *MUTUO CARISBO* EUR 5,394

secured by a mortgage of EUR 18,076 on the building for the Piazza VIII Agosto car park in Bologna.

■ *MUTUO CARIPRPC* EUR 136

secured by a mortgage of EUR 2,789 on the building for the Porta Palazzo car park in Turin.

In accordance with the company's practise, suitable interest rate swaps were performed to hedge the interest rate risk.

26. Other liabilities

Other non-current liabilities, equal to EUR 1,907, showed an EUR 5,726 decrease compared to December 31, 2004 (EUR 7,634), while other current liabilities amounted to EUR 121,469 showing an EUR 81,929 increase on 2004 (EUR 39,540).

The following are the main items:

other liabilities			
(thousands of euros)	31/12/2005	31/12/2004	variation
other non-current liabilities			
– due to personnel	1,899	7,625	(5,726)
– other liabilities	9	9	–
total other non-current liabilities	1,907	7,634	(5,726)
other current liabilities			
– due to subsidiary companies	75,787	7,622	68,165
– due to associated companies	2,606	2,919	(313)
– due to other companies	46	33	12
– due to personnel	13,927	12,079	1,848
– derivatives	1,242	–	1,242
– other liabilities	27,861	16,887	10,974
total other current liabilities	121,469	39,540	81,929

Please refer to the table attached to these notes for a breakdown of the company's current business relations.

Due to personnel

Payables to personnel included the cash-settled share-based payments.

In this regard, reference must be made to the *"Incentive Plan"* approved by the Board of Directors on February 28, 2002 for the 2002-2004 period and extended to 2005 under the board resolution of February 10, 2005.

In short, the plan in question provides for the annual assignment (for approximately 22 beneficiaries) of synthetic options – “*stock appreciation rights*” – subject to achievement of previously set corporate targets. Said options are characterised by payment in cash of the difference between the share price (calculated as the arithmetical average of the last month) and the exercise price established by the Board of Directors with the assistance of the Remuneration Committee. The value of the options can reach a maximum of 150% of annual gross salary.

The following table shows the number and average exercise price of the options for each of the following option groups:

options				
(amounts in eur units)	31/12/2005 no. options	31/12/2005 average exercise	31/12/2004 no. options	31/12/2004 average exercise
not exercised at the start of year	2,755,000	2.8800	2,800,000	2.2600
assigned during the year	2,090,000	4.7000	2,090,000	3.1000
cancelled during the year	–	–	–	–
exercised during the year	2,722,500	2.8753	2,135,000	2.2866
expired during the year	–	–	–	–
not exercised at year end	2,090,000	4.7000	2,090,000	3.1000
exercisable at year end	32,500	3.1000	665,000	2.1800

The weighted average duration of existing options at December 31, 2005 was 1.4 years.

The weighted average fair value of options granted over the year was EUR 1,496.

The interval of exercise prices of existing options at the year end was EUR unit 3.10 and 4.70.

The fair value of granted share-based options is estimated taking into account the terms and conditions of assignment. The following table shows the possibilities for the year in question:

	31/12/05
forecast dividends (%)	–
forecast volatility (%)	–
historical volatility (%)	0.328
interest rate with no risk	2.83%
forecast duration of option	1.4 years
average weighted share price	4.86

It must be noted that valuation of the aforementioned options was calculated using the binomial model based on the *Montecarlo* simulation method.

27. Employee severance indemnity and other personnel provisions EUR 9,685

The employee benefits item comprised employee severance indemnity.

The variations during the year were as follows:

employee severance indemnity

(thousands of euros)

value at 31/12/2004	9,510
increase during year	2,197
decrease during year	(2,023)
value at 31/12/2005	9,684

Employee benefits comprised the provision for employee severance indemnity (defined benefit plans), whose net cost is shown below:

defined benefit plans

(thousands of euros)

	31/12/05	31/12/04
social security cost for current employment	1,789	1,827
net interest payable (receivable)	408	409
net actuarial losses (profits)	–	–
social security cost for past employment	–	–
reductions and discharges	–	–
total	2,197	2,236

The total current value of the liability regarding the provision for employee severance indemnity equalled EUR 9,684; actuarial profits and losses accumulated at the reference date of the financial statement totalled EUR 418, of which EUR 100 referring to the year in question.

The assumptions used for the purpose of calculating the liability towards employees with regard to employee severance indemnity were the following:

- annual discounting back rate: 4%;
- annual salary increase rate (including inflation): 4.50% for managers, 3% for executives, clerical workers and workers;
- annual inflation rate: 2%;
- frequency of advance payments of employee severance indemnity: 3%;
- annual turnover rate: 10%.

It must also be noted that the total amount of defined contribution plans for the current year totalled EUR 595.

28. Provision for risks and charges EUR 34,413

At December 31, 2005, the provision for risks and charges amounted to EUR 34,413 and the relative movements during the year were as follows:

provisions for risks and debts

(thousands of euros)

	final losses/ charges on contracts	investment risks	taxes	pursuant to art. 27 of by-laws	other	total
balance at december 31, 2004	19,159	2,767	900	128	–	22,954
– of which current	19,159	2,767	900	128	–	22,954
– of which non-current	–	–	–	–	–	–
allocation	13,700	471	–	–	2,400	16,571
use	(5,096)	(1,447)	–	–	–	(6,543)
absorption	–	–	(426)	–	–	(426)
allocated to works in progress	(4,305)	–	–	–	–	(4,305)
charged from works in progress	5,928	–	–	–	–	5,928
allocation of profit for 2004	–	–	–	234	–	234
balance at december 31, 2005	29,386	1,791	474	362	2,400	34,413
– of which current	29,386	1,791	474	362	2,400	34,413
– of which non-current	–	–	–	–	–	–

Provisions for final losses/charges on contracts

The provision totalling EUR 29,386 included sums set aside to cover expected charges referring to contracts for which total costs are expected to exceed total revenues.

The recorded decrease was carried out in relation to the results accrued during the reference period for Italian and foreign projects whose economic effects were allocated in previous financial years.

Provision for investment risks

The amounts allocated to the provision in question, equal to EUR 1,791 (EUR 2,767 in 2004), referred to the depreciation of other investments, in excess of the corresponding book value, carried out in order to cover losses of a specific nature and certain or probable existence, but whose value and contingency date were unknown at the year end. A use equal to EUR 976 to cover losses incurred by investee companies was recorded during the year.

Provision for taxes

The provision in question included the sum of EUR 474 allocated to cover charges relating to the judicial settlement entered into with the Rome 1 tax office in reference to 1997 and 1998. The relative payment was made on January 30, 2006.

Said payment settled all the objections notified to the company by the Tax Police with the complaint report (P.V.C.) dated 2001.

The table below offers a complete picture of the outcome of the objections notified by the Tax Police in its P.V.C. dated July 2001 and related to the following tax years: 1995 – 1996 – 1997 – 1998 and 1999:

outcome of objections

(thousands of euros)

	amounts disputed	cost of settlement
contractor's reserves	122,965	1,223
investment losses	32,283	116
other minor observations	185	102
total	155,433	1,441

It should be noted that it was decided to settle the matter out-of-court without this meaning acceptance by the company of the objections raised, but for the sole purpose of shortening settlement times and cutting costs related to legal assistance, consultancy and defence.

Provision pursuant to Article 27 of the By-laws

The provision established for the purposes of donations, increased by EUR 234 over the year following allocation of a portion of the 2004 profits, as resolved by the Shareholders' Meeting on April 30, 2005.

On January 11, 2006, the Shareholders' Meeting, during an extraordinary session, approved an increase of the portion of net profits to be allocated for this purpose to 1.5%.

29. Trade payables EUR 309,756

Trade payables totalling EUR 309,756 (EUR 357,361 at December 31, 2004) decreased by EUR 47,605.

t r a d e p a y a b l e s			
(thousands of euros)	31/12/2005	31/12/2004	variation
due to suppliers	171,806	169,398	2,408
due to subsidiary companies	40,479	67,155	(26,677)
due to associated companies	91,133	116,968	(25,834)
due to other investments companies	6,338	3,840	2,498
total	309,756	357,361	(47,605)

The main debt items refer to:

- amounts due to suppliers which saw a net decrease of EUR 2,408 compared to December 31, 2004, linked to the trend of working capital;
- amounts due to subsidiary companies which saw a decrease of EUR 26,677, largely due to commercial relations resulting from reversal of costs by consortium companies performing some major works in partnerships;
- amounts due to associated companies which saw a decrease of EUR 25,834, largely due to commercial relations resulting from reversal of costs by consortium companies performing some major works in partnerships;
- amounts due to other companies which saw an increase of EUR 2,498.

Please refer to the table attached to these notes for a breakdown of amounts due to subsidiary, associated and investee companies.

30. Tax payables: EUR 12,890

Tax payables showed an increase of EUR 5,724 compared to the balance at December 31, 2004 (balance of EUR 7,166). The balance refers to:

- EUR 1,939 for indirect tax payables (VAT);
- EUR 1,826 for VAT with deferred payability;
- EUR 6,953 for direct taxes;
- EUR 2,172 for Treasury payables for taxes withheld on employee income.

Undertakings and risks

Personal guarantees

The value of guarantees furnished totalled EUR 1,724,794 and referred to the following:

- guarantees for opening credit facilities, to be used to ensure proper cash flow in relation to individual projects, issued in favour of subsidiary, associated companies and other investee companies, set up for this purpose pursuant to current tax legislation for a total of EUR 118,044;
- guarantees for works, issued in the company's interest by banks and insurance companies, in favour of clients on its own behalf and in the interest of subsidiaries, associated companies and other companies, for the total amount of EUR 1,455,042;
- other guarantees, issued for various purposes, for a total EUR 151,708.

Guarantees furnished by third parties in our favour

These refer to guarantees totalling EUR 26,592 issued by banks and insurance companies, in the interest of Italian and foreign suppliers and subcontractors in relation to contractual obligations undertaken by the latter in our regard.

Undertakings related to financial leasing agreements

During the year the company signed financial leasing agreements totalling EUR 5,137 of an average duration of 30/60 months. The agreements exclusively concerned tangible assets regarding the tax category of plant and equipment; said agreements include a clause regarding the redemption option. The following table shows the amount of future financial leasing instalments and the current value of said instalments:

future financial instalments and their current value				
(thousands of euros)	31/12/2005 instalments	31/12/2005 current value of instalments	31/12/2004 instalments	31/12/2004 current value of instalments
within a year	5,024	4,071	4,680	3,610
over a year and within five years	17,063	14,590	11,159	8,837
over five years		–	7,176	6,651
total leasing instalments	22,087		23,015	
financial charges	3,426		3,917	
current value of leasing instalments	18,661	18,661	19,098	19,098

Transactions with related parties

In accordance with IAS 24 as well as CONSOB announcements no. 97001574 of February 20, 1997 and no. 98015375 of February 27, 1998, the following are the totals of existing transactions and balances resulting from financial and commercial relations entered into with non-consolidated investee companies.

Transactions with related parties were carried out at similar conditions to those applied for free transactions.

However, it should be noted that relations with consortia and consortium companies (so-called "*special purpose vehicles*"), taking into account the specific sector

the company operates in, are to be correlated with receivables owed by third parties – *entered among Trade Receivables (24)* – not summarised in the table attached to these notes.

Managers with strategic responsibilities

The following table shows the fees due to the company's directors, auditors and general managers for the performance of their duties:

name and surname	description office held	duration of office	emoluments for office held	non monetary benefits	bonuses and other incentives	other fees
Monti Ernesto **	Chairman	31/12/2006	26,000 (a)			210,000 (1) (a)
						750 (4) (a)
Astaldi Paolo **	Deputy Chairman	31/12/2006	26,000 (a)			200,000 (1) (a)
						750 (4) (a)
						264,765 (2) (a)
						19,624 (7) (e)
Di Paola Vittorio **	Executive Deputy Chairman	31/12/2006	26,000 (a)			800,000 (1) (a)
Astaldi Pietro	Director	31/12/2006	26,000 (a)			209,492 (2) (a)
						16,070 (7) (b)
Astaldi Caterina	Director	31/12/2006	26,000 (a)			79,043 (2) (a)
						5,209 (7) (b)
Cerri Stefano **	CEO and General Manager	31/12/2006	26,000 (a)		573,704 (5) (e)	301,555 (2) (a)
						49,333 (1) (a)
						19,116 (7) (b)
Cafiero Giuseppe **	CEO and General Manager	31/12/2006	26,000 (a)		613,654 (5) (e)	348,701 (2) (a)
						22,980 (7) (b)
Grassini Franco	Director	31/12/2006	26,000 (a)			1,000 (5) (a)
Guidobono						
Cavalchini Luigi	Director	31/12/2006	26,000 (a)			1,000 (5) (a)
Lupo Mario	Director	31/12/2006	26,000 (a)			1,000 (5) (a)
Mele Vittorio	Director	31/12/2006	26,000 (a)			750 (4) (a)
Oliva Nicola **	Director and General Manager	31/12/2006	26,000 (a)		642,854 (5) (e)	299,138 (2) (a)
						18,808 (7) (b)
Poloni Maurizio	Director	31/12/2006	26,000 (a)			1,000 (5) (a)
						15,000 (6) (a)
Pinto Eugenio	Chairman of Board of Auditors	30/04/2005	53,040 (a)			
Singer Pierpaolo	Auditor	30/04/2005	35,360 (a)			
Spanò Pierumberto	Auditor	30/04/2005	35,360 (a)			

**** Managers with strategic responsibility.**

(1) Fees for offices held pursuant to Article 2389, subsection 3 of the Italian Civil Code;

(2) Salaries

(3) Free assignment of synthetic options;

(4) Fees received as member of Remuneration Committee;

(5) Fees received as member of Internal Auditing Committee;

(6) Fees received as member of Supervisory Body;

(7) Benefits subsequent to employment (employee severance indemnity);

(a) short-term benefits;

(b) benefits subsequent to employment;

(e) share-based payments.

exchange rates applied to convert financial statements expressed in foreign currency

country	currency		31/12/2005	2005 average	31/12/2004	2004 average
Albania	Lek	ALL	122.571	124.025	126.251	127.269
Algeria	Algerian Dinar	DZD	86.566	90.703	95.955	87.915
Angola	Readjustado Kwarza	AOA	95.931	108.441	115.363	103.607
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
Burundi	Burundi Franc	BIF	1,181.840	1,321.120	1,445.120	1,334.440
Caribbean	Caribbean Dollar	XCD	3.201	3.359	3.620	3.356
Central African Republic C.F.A	CFA Franc	XAF	655.950	655.952	655.957	655.957
Chile	Chilean Peso	CLP	609.549	697.002	769.904	756.958
Colombia	Colombian Peso	COP	2,701.810	2,890.740	3,262.240	3,295.820
Democratic Republic of the 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
Dominican Republic	Dominican Peso	DOP	39.209	36.830	35.672	49.891
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
Djibouti	Djibouti Franc	DJF	210.708	221.091	238.279	220.350
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
Indonesia	Indonesian Rupiah	IDR	11,675.400	12,071.200	12,368.500	11,117.800
Kenya	Kenyan Shilling	KES	86.672	93.984	106.695	98.413
Libya	Libyan Dinar	LYD	1.601	1.634	1.743	1.627
Malawi	Kwacha	MWK	146.849	145.811	142.667	132.470
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	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	Qatar Riyal	QAR	4.316	4.528	4.880	4.528
United Kingdom	British Pound	GBP	0.679	0.684	0.695	0.679
Romania	Leu	RON	3.659	3.581	3.870	4.051
Rwanda	Rwandan Franc	RWF	655.532	690.988	741.977	696.109
Singapore	Singapore Dollar	SGD	1.986	2.070	2.201	2.102
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
Taiwan	Taiwan Dollar	TWD	39.493	39.982	43.135	41.506
Tanzania	Tanzanian Shilling	TZS	1,385.080	1,400.750	1,401.530	1,332.410
Thailand	Baht	THB	48.731	50.063	52.559	50.052
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
Zambia	Kwacha	ZMK	4,026.490	5,508.780	6,073.100	5,917.130

1° Currency per EUR 1.

Source: Italian Exchange Office ("Ufficio Italiano Cambi")

Financial risk management

Astaldi avails itself of financial instruments such as bilateral loans, pooling loans, mortgages and financial leasing agreements for the purpose of obtaining the financial resources needed to support and develop its business activities.

Moreover, taking into account the various areas it operates in, the company performs transactions in foreign currency thereby exposing itself to possible additional financial risks.

In order to maintain corporate value, it has drawn up guidelines used to control its exposure to market risks and management of said risks through derivatives, assigning the definition of strategies to be adopted and monitoring of hedged positions to a Financial Risks Committee set up for this purpose.

The main market risks the company is exposed to are *"interest rate risk"*, *"cash flow risk"*, and *"exchange rate risk"*.

The risks hedged by derivative contracts are the interest rate risk and exchange risk.

Current derivative transactions are represented by Interest Rate Swaps (IRS), Collar or Cylinder, and Forward, performed for the purpose of managing the interest rate and exchange rate risk generated by the company's operations and its sources of financing.

Interest rate risk

The company's exposure to the market risk for interest rate fluctuations regards mainly short and medium/long-term variable rate sources of financing. The company's philosophy, set down in a specific management policy, is to define an optimal mix of fixed rate and variable-rate debt in order to reduce financial costs and corresponding volatility. To this end, it operates through simple ("plain vanilla") derivative instruments that involve transforming the variable rate into a fixed rate (IRS), or permit the rate's oscillation within a preset interval (Collar), and in any event guaranteeing a maximum risk exposure level (Cap).

The following table shows the book value, according to expiry, of the company's financial instruments exposed to interest rate risk:

risk linked to financial flows							
(thousands of euros)	within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	over 5 years	total
bank loans	954	1,100	1,138	1,161	1,178	–	5,531
financial leasing	3,932	4,270	2,034	1,601	6,824	–	18,661
bank credit facilities	188,540	83,271	70,595	56,785	25,357	5,476	430,024
total	193,426	88,641	73,767	59,547	33,359	5,476	454,216

Financial instruments not included in the table above are not interest-bearing and therefore are not subject to interest rate fluctuations.

At December 31, 2005, the notional value of derivative hedge assets totalled approximately EUR 233,600, equal to approximately 51% of the aforementioned variable-rate debt.

The following tables describe the aforementioned transactions, split between effective and ineffective cash flow hedge transactions :

cash flow hedge derivatives (effective)		
(thousands of euros)	notional value	fair value 31/12/2005
interest rate swap expiring in june 2007 on pool loan originally totalling eur 60,000.	15,000	(17)
interest rate swap expiring in april 2009 on pool loan originally totalling eur 100,000.	75,000	491
hedge transactions expiring in february 2010 on syndicated loan originally totalling eur 100,000.	18,000	183
irs transaction expiring in december 2008 on factoring of original amount of eur 25,000.	15,000	15
fixed-rate swap expiring in december 2010 on mortgage originally totalling eur 10,000 approx.	4,496	61
total cash flow hedge derivatives (effective)	127,496	733

The aforementioned cash flow hedging was considered highly successful and led to a non-realised profit of EUR 867 being entered in equity, together with the correlated effect for deferred taxes of EUR (286). The breakdown of cash flow hedging entered directly in the income statement at December 31, 2005 is shown below:

cash flow hedge derivatives (ineffective)		
(thousands of euros)	notional value	fair value 31/12/2005
irs transaction on an average share of short-term indebtedness (equal to eur 50,000 approx.)	25,000	185
irs transaction expiring in november 2010 on financial leasing agreement originally totalling eur 18,100 approx.	11,651	(157)
hedging transactions on loans guaranteed by receivables from customers for works performed (self-liquidating) of a total eur 22,000 approx.	9,438	(61)
collar expiring in june 2007 on pool loan originally totalling eur 60,000.	15,000	1
collar expiring in february 2010 on syndicated loan originally totalling eur 100,000.	45,000	(213)
total cash flow hedge derivatives (ineffective)	106,089	(245)

With regard to said transactions, it should be noted that, even if for hedging purposes and performed using simple derivatives, the variations in value of the relative fair value were not suspended among equity, mainly because of the nature of the underlying financing.

The basic rate parameter (3-month EURIBOR) on short-term loans ("hot money") is set through the first category of transactions, two separate fixed-rate IRSs; nevertheless the category of said loans is such that the financial flows linked to their use and relative interest payable are not perfectly aligned with the hedge flows which exchange the interest differentials at the end of the quarter. Moreover, the parameter established with the bank, 3-month EURIBOR, does not exactly match the parameter actually paid on the loan in question, in so far as the latter is established on the basis of the individual duration of use. These factors are such as to make said hedges ineffective, while formulating ex-post effectiveness tests, for which it was agreed to directly enter the effects in the income statement.

As far as financial leasing is concerned, hedging was performed through a derivative which provides for switching from a variable rate (6-month EURIBOR) to a fixed rate (3.22%) as from November 2006. Nevertheless the underlying loan provides for the payment of a fixed instalment, calculated on the basis of an initially

agreed fixed rate, with the exception of subsequently recalculating ex-post the actual instalment through an indexing formula which leads to the drawing up of a credit or debit note.

Lastly, with reference to derivatives taken out against so-called self-liquidating loans, similarly to short-term loans, the nature of said loans makes it impossible to envisage with a high level of probability, the relative repayment plan insofar as this is linked to the schedule of payments by the client.

As regards Collar transactions, at the present moment, the rate curve does not allow for the possibility of reaching the maximum levels of protection set by hedging contracts (Caps), for which the market value of said instruments is entered in the income statement.

Exchange rate risk

With regard to the exchange rate risk, Astaldi performs cash flow hedges for specific foreign contracts, with the purpose of neutralising or softening the effect of exchange rate oscillation on the value of relative costs or revenues in currency.

At December 31, 2005 the portfolio of derivative assets on exchange rates comprised solely forward transactions performed against the Turkish branch's forecast revenues, all of which can be designated as cash flow hedges. The total of said transactions amounted to USD 70 million and the relative valuation at fair value (compared to the exchange rate fixing of 31/12/2005, equal to 1.1797) was negative for approximately EUR 642.

The breakdown is shown below:

c a s h f l o w h e d g e d e r i v a t i v e s				
	forward exchange rate	derivative expiry date	notional value	fair value 31/12/2005
forward sale	1.1936	03/03/2006	\$ 10,000	€ (70)
forward sale	1.1970	31/03/2006	\$ 10,000	€ (80)
forward sale	1.2057	31/03/2006	\$ 10,000	€ (140)
forward sale	1.2035	30/06/2006	\$ 10,000	€ (83)
forward sale	1.2103	29/09/2006	\$ 15,000	€ (135)
forward sale	1.2122	27/10/2006	\$ 15,000	€ (134)
total cash flow hedge derivatives			\$ 70,000	€ (642)

The aforementioned cash flow hedging was considered effective and led to a non-realised loss of EUR 642 being entered in equity, together with the correlated effect for deferred tax assets of EUR 212.

Fair value

For instruments not valued at fair value, the following table offers a comparison between the value entered in financial statements and the value that would have resulted from application of fair value:

details referred to instruments not valued at fair value

(thousands of euros)

	31/12/2005 book value	31/12/2005 fair value	31/12/2004 book value	31/12/2004 fair value
financial receivables	48,299	48,299	53,677	53,677
other assets	726,651	726,651	568,801	568,801
trade receivables	351,883	351,883	357,947	357,947
cash and cash equivalents	134,996	134,996	153,706	153,706
financial payables:				
due to banks	435,555	435,555	206,598	206,598
financial payables due to subsidiaries	9,370	9,370	160,952	160,952
financial payables due to associated companies	597	597	610	610
financial leasing payables	18,661	18,661	19,099	19,099
trade payables	309,756	309,756	357,361	357,361
other assets	798,922	798,922	746,592	746,592

Segment disclosure

The following table shows figures related to revenues, results and information regarding some assets and liabilities linked to the company's business sectors, for the years ending on December 31, 2005 and December 31, 2004.

Primary disclosure

Information as per IAS 14, regarding the geographical areas the company operates in, is listed below:

information as per IAS 14 - december 31, 2005

(thousands of euros)

	italy 31/12/2005	europa 31/12/2005	america 31/12/2005	africa 31/12/2005	asia 31/12/2005	other (*) 31/12/2005	adjustments and cancellations 31/12/2005	consoli- dated total 31/12/2005
revenues								
revenues	408,680	211,395	140,122	30,313				790,510
results								
ebit	51,887	41,342	25,481	2,393		(38,143)	(25)	82,935
net result	31,468	29,206	24,853	1,602		(59,447)		27,683
unallocated costs								
profit/loss prior to taxation and financial income/charges								82,935
net financial charges								(34,768)
profit/(loss) prior to taxation and minority interests								48,167
income taxes								20,484
net profit for the year								27,683
assets and liabilities								
sector assets	745,539	192,631	156,528	79,481			(241,481)	932,698
of which investments in associated companies						144,314	(10,790)	133,524
unallocated assets								330,408
total assets								1,263,106
sector liabilities	(454,240)	(185,632)	(126,798)	(83,038)			230,692	(619,016)
unallocated liabilities								(399,819)
total liabilities								(1,018,835)
other sector information								
tangible fixed assets	28,832	7,675	14,847	5,326		36,767		93,446
intangible fixed assets	3,519	1,133	309	3				4,964
depreciation of tangible assets	7,547	2,899	4,285	1,844				16,574
amortisation of intangible assets								
impairment (reinstatement) entered in income instatement								
write-down on investment property								
provisions	6,300	5,800	1,600	2,400				16,100

information as per IAS 14 – december 31, 2004

(thousands of euros)

	italy 31/12/2004	europa 31/12/2004	america 31/12/2004	africa 31/12/2004	asia 31/12/2004	other (*) 31/12/2004	adjustments and cancellations 31/12/2004	consoli- dated total 31/12/2004
revenues								
revenues	528,897	112,959	118,925	49,129		163		810,074
results								
ebit	47,278	32,532	12,204	292		(24,494)	1,027	68,838
net result	39,091	25,344	4,866	(1,244)		(41,896)	280	26,442
unallocated costs								
profit/loss prior to taxation and financial income/charges								68,838
net financial charges								(26,793)
profit/(loss) prior to taxation and minority interests								42,045
income taxes								15,603
net profit for the year								26,442
assets and liabilities								
sector assets	1,068,717	142,207	158,529	74,399			(588,858)	854,994
<i>of which investments in associated companies</i>						70,617	(10,722)	59,895
unallocated assets								279,137
total assets								1,134,131
sector liabilities	(936,368)	(140,446)	(141,737)	(78,343)			584,383	(712,510)
unallocated liabilities								(189,592)
total liabilities								(902,102)
other sector information								
tangible fixed assets	39,616	9,275	18,085	5,077		20,828	1,595	94,476
intangible fixed assets	1,127	3,521	516	2			(2)	5,165
depreciation of tangible assets	3,383	1,744	4,474	2,555			3,382	15,539
amortisation of intangible assets								
impairment (reinstatement)								
entered in income instatement								
write-down on investment property								
provisions	4,650							4,650

Secondary disclosure

Information regarding the business segments which the company operates in is summarised in the table below.

secondary disclosure - december 31, 2005							
(thousands of euros)							
	dams and hydraulic works	civil and industrial construction	transport infra- structures	2005 other (*)	total	cancellations	total
revenues	58,388	91,951	640,171	–	790,510	–	790,510
sector assets	86,726	136,579	950,874	–	1,174,179	(241,481)	932,698
<i>of which investments in associated companies</i>				144,314		(10,790)	133,524
unallocated assets							330,408
total assets							1,263,106
investments:							
tangible fixed assets	4,186	6,593	45,900	36,767	56,679	–	93,446
intangible fixed assets	367	577	4,020	–	4,964	–	4,964

(*) The segment entitled "Other" includes all assets, such as the cost of the offices in Rome, corporate financial charges, etc., not directly attributable to production units. .

secondary disclosure - december 31, 2004							
(thousands of euros)							
	dams and hydraulic works	civil and industrial construction	transport infra- structures	2004 other (*)	total	cancellations	total
revenues	59,391	191,309	559,374	–	810,074	–	810,074
sector assets	105,857	340,984	997,012	–	1,443,852	(588,858)	854,994
<i>of which investments in associated companies</i>				70,617		(10,722)	59,895
unallocated assets							279,137
total assets							1,134,131
investments:							
tangible fixed assets	3,575	11,407	57,071	20,828	48,301	1,595	94,476
intangible fixed assets	379	1,220	3,567	–	5,166	(2)	5,164

(*) The segment entitled "Other" includes all assets, such as the cost of the offices in Rome, corporate financial charges, etc., not directly attributable to production units.

Subsequent events

Publication of the financial statements was authorised by Astaldi S.p.A. Board of Directors on March 27, 2005.

The Board of Directors reserves the right to make formal amendments and supplements within the filing date, pursuant to Article 2429 of the Italian Civil Code.

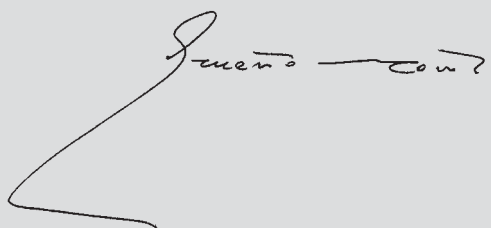
Please refer to the Management Report for information regarding events subsequent to the reference date of the financial statements.

These financial statements are real and truthful.

On behalf of the Board of Directors

The Chairman

Ernesto Monti

A handwritten signature in black ink, appearing to read "Ernesto Monti", with a long, sweeping horizontal stroke extending to the left.

Transition to international accounting standards (IFRSs)

Introduction

Following the enforcement of European Regulations no. 1606/2002, issued by the European Parliament and the European Council in July 2002, companies with securities admitted to trading on markets regulated by European Union Member States must prepare their consolidated financial statements in compliance with the international accounting standards (IFRSs) issued by the International Accounting Standard Board (IASB) and adopted by the European Union, as from 2005. In this regard, it must be noted that, pursuant to Article 4 of Legislative Decree No. 38 of February 28, 2005 regulating application of the options provided for in Article 5 of Community Regulation No. 1606/2002 concerning International Accounting Standards, Astaldi S.p.A. exercised the right to voluntarily use the IFRSs adopted by the European Union to draft its financial statements as from the year ending December 31, 2005. Consequently, in keeping with the provisions of IFRS 1, the date of transition to the IFRSs adopted by the European Union is January 1, 2004.

Therefore, in compliance with IFRS 1 requirements, the quantitative and qualitative information regarding the effects of the transition to IFRSs is listed below.

The effects of the transition to IFRSs are the result of the adoption of different accounting standards. As provided for in IFRS 1, the resulting effects are reflected on the equity at the transition date (January 1, 2004). The transition to IFRSs involved maintaining the estimates previously formulated in accordance with Italian Accounting Standards unless adoption of the IFRSs required the formulation of estimates in accordance with different methods.

Specifically, the schedules reconciling statutory equity expressed in accordance with the previous accounting standards and equity calculated in accordance with IFRSs at the date of transition (January 1, 2004), and the schedules reconciling statutory equity and the economic result drafted in accordance with Italian accounting standards, and those drafted in compliance with the new accounting standards at December 31, 2004, are attached together with respective notes.

The effects at January 1, 2005 of adoption of IAS 32 and 39 as from said date are also highlighted.

Indeed, as already mentioned, Astaldi S.p.A. availed itself of the exemption which provided for postponement, until January 1, 2005, of adoption of IAS 32 (Financial Instruments: Disclosure and Presentation) and IAS 39 (Financial Instruments: Recognition and Measurement) to recognise and assess financial instruments.

The differences emerging from the application of IFRSs compared to Italian accounting standards, together with the company's choices regarding the accounting options provided for in the IFRSs, require adjustments and reclassifications to financial statement figures, drafted in compliance with provisions contained in the Italian Civil Code regulating drafting criteria, whose effects on equity and the economic result are summarised in the schedules below.

It must also be noted that said schedules have been drafted in compliance with the International Financial Reporting Standards adopted by the European Union.

The accounting standards and valuation criteria used to draft reconciliation sched-

ules are listed in the drafting standards and criteria of the comments to the statutory financial statements.

It must be noted that all the amounts shown are expressed in thousands of euros.

Main effects resulting from application of IFRSs

Astaldi adopted the International Accounting Standards as from 2005, with the date of transition to IFRS being January 1, 2004.

For first-time adoption of IFRSs, the company applied IFRS 1, taking advantage of the following main optional exemptions:

- the company took advantage of the opportunity not to apply IFRS 3 retroactively; therefore, the figures regarding acquisitions of businesses, lines of business, and investments taking place prior to January 1, 2004 were not reprocessed;
- the company took advantage of the faculty to use the fair value criterion as a substitute for the historical cost criterion from January 1, 2004, selectively for some assets entered among property, plant and equipment;
- definition of January 1, 2005 as the transition date for first-time adoption of IAS 32 and IAS 39 concerning the recognition and valuation of financial instruments;
- recognition, as regards employee benefits, of all existing accrued actuarial profits or losses at January 1, 2004;
- when preparing the consolidated IFRSs balance sheet at January 1, 2004, the accrued conversion differences were presumed to equal zero; only those arising after said date will be recorded.

The company opted not to take advantage of the exemption permitted by IFRS 1 regarding share-based payments, applying IFRS 2 to all existing plans at January 1, 2004.

At the date of transition to IFRSs (January 1, 2004), a balance sheet was drafted which:

- included all assets and liabilities considered such on the basis of the new standards;
- entered assets and liabilities at the values which would have been calculated should the new standards have always been applied, with the exception of exemptions/options permitted by IFRS 1;
- entered all adjustments resulting from first-time application of IFRSs with offset to equity, taking into account the relative fiscal effect to be entered in the provision for deferred taxes or among assets under prepaid taxes;
- reclassified items entered in financial statements in accordance with methods other than those of the IFRSs.

In the following analysis, this document highlights:

- schedules reconciling consolidated equity and the consolidated economic result in accordance with Italian accounting standards with those drafted in accordance with IFRSs used for first-time adoption, together with the relative notes:
 - at January 1, 2004, the date of transition to IFRSs;
 - at December 31, 2004;

- breakdowns of the IFRSs consolidated balance sheets at January 1, 2004 and December 31, 2004 and the consolidated income statement for the year ending December 31, 2004, listing the adjustments made for the purpose of representation in accordance with IFRSs, with the exception of IASs 32 and 39 which Astaldi Group opted to adopt from January 1, 2005;
- the consolidated equity reconciliation schedule at January 1, 2005, the date of transition to IASs 32 and 39.
- breakdown of the IFRSs consolidated balance sheet at January 1, 2005 showing the adjustments made in compliance with IASs 32 and 39.

Reconciliation schedule of equity at January 1 and December 31, 2004 and 2004 result

The differences emerging from application of IFRSs compared with Italian accounting standards, as well as the choices made by Astaldi with regard to the accounting options provided for by the IFRSs as illustrated above, involve reprocessing accounts prepared in accordance with previous Italian legislation regulating financial reporting with effects on equity, which may be summarized as follows:

e q u i t y			
(thousands of euros)	italian standards	adjustments	IFRSs
equity at january 1, 2004	218,586	(6,602)	211,984
equity at december 31, 2004	238,736	(6,707)	232,029

-

The following is the reconciliation of the equity at January 1 and December 31, 2004 and the result at December 31, 2004, between the statement drafted as per Italian accounting standards and the one drafted in accordance with IFRSs:

equity and net profit				
(thousands of euros)	notes	equity at january 1, 2004*	equity at december 31, 2004*	net profit 2004*
equity and result according to italian standards		218,586	238,736	31,277
intangible assets	a	(12,989)	(8,072)	4,917
tangible assets	b	13,582	13,908	326
cash-settled share-based payments	c	(2,963)	(5,108)	(2,145)
employee benefits	d	(90)	195	283
adeguamento al metodo del costo sostenuto				
adjustment to cost method incurred in relation to contracts valued with physical measurements method	e	(3,350)	(6,267)	(2,917)
exchange rate standardisation				(5,179)
other minor adjustments		(792)	(1,363)	(120)
total IFRSs adjustments		(6,602)	(6,707)	(4,835)
equity and result according to IFRSs		211,984	232,029	26,442

* Amounts net of relative fiscal effect.

Notes to the reconciliation schedule of equity at January 1 and December 31, 2004 and 2004 result

The following are the comments on the main IFRSs adjustments (whose content has been outlined above):

A. Intangible assets: some types of multi-year charges cannot be capitalized in accordance with IAS 38.

The above resulted in:

- *at January 1, 2004* a decrease of EUR 12,989 in equity, net of the relative positive tax effect for EUR 7,710; specifically, formation and start-up costs in relation to the company's stock exchange listing (EUR 3,530), financial charges capitalized in previous financial years (EUR 6,194) and that can no longer be capitalized due to the company's adoption of the accounting procedure provided for by IAS 23, as well as other intangible assets (EUR 3,265) which as of the transition date did not have the requirements provided for by IAS 38, were cancelled.
- *at December 31, 2004* a decrease of EUR 8,072 in equity, net of the relative positive tax effect for EUR 4,789, resulting from eliminations made at January 1, 2004 (EUR 12,989), from the effect of amortisation adjustments to the 2004 result regarding intangible assets eliminated at January 1, 2004 (EUR 4,917), and from charging to the income statement of capitalizations made in 2004 (EUR 1,559).

B. Tangible assets: the company decided to adopt the option provided for by IFRS

1 to value, at the transition date, some land and buildings at fair value and to use said values as a substitute for the cost at that date.

The company also entered financial leasing agreements in compliance with IAS 17.

The above resulted in:

- *at January 1, 2004* an increase of EUR 13,582 in equity, net of the negative tax effect for EUR 7,654, of which EUR 9,581 can be attributed to revaluation of land and buildings and EUR 4,001 to application of IAS 17;
- *at December 31, 2004* an increase of EUR 13,908 in equity, net of the relative negative tax effect for EUR 7,438, which, in comparison with January 1, 2004, increased by EUR 326 which can be attributed to the following opposite effects: EUR 170 to greater amortisation calculated on the revalued value of property and EUR 496 to entry of financial leasing agreements as per IAS 17.

C. Cash-settled share-based payments: the company opted for early application, at the transition date, of IFRS2, valuing at the transition date the goods and services and liabilities taken on at fair value. The company recalculated liabilities at fair value at the closing date of the financial statements (December 31, 2003) with regard to the incentive plan which calls for gratuitous annual assignment of synthetic options (cash-settled share-based payments) to some employees, adjusting the 2004 result for the fair value variations that took place between the transition date and the closing date of the financial statements (December 31, 2004).

The above resulted in:

- *at January 1, 2004* a reduction of EUR 2,963 in equity, net of the relative positive tax effect for EUR 1,460;
- *at December 31, 2004* an additional reduction of EUR 2,145 in equity resulting from updating of the fair value of liabilities vis-à-vis employees (equal to EUR 5,108, net of the relative positive tax effect for EUR 2,517, at December 31, 2004).

D. Employee benefits: Italian standards require liabilities for employee severance indemnity to be entered on the basis of the debt accrued in accordance with the civil law provisions in force at the closing date of the financial year; in accordance with IFRSs, employee severance indemnity is included in the type of defined benefit plans subject to actuarial valuation (mortality, predictable pay variations, etc.) to express the current value of benefits that may be paid upon termination of employment, which employees have accrued at the date of the financial statements.

The company decided to record all the actuarial profits and losses accrued at the transition date.

The above resulted in:

- *at January 1, 2004* a decrease of EUR 90 in equity;
- *at December 31, 2004* an increase of EUR 195 in equity.

E. Adjustment to the incurred cost method with regard to projects valued with the physical measurements method: valuation of contracts in progress, in accordance with the standards previously adopted by the company, was performed with specific reference to the physical progress of works not certified at the

end of the financial year (so-called physical measurements method).

When adopting the international accounting standards, in order to apply the “incurred cost” method (cost to cost) in accordance with IFRSs, the company included work site installation costs, entered among intangible assets with Italian accounting standards and no longer classifiable as such according to international accounting standards, in contracts in progress. The adoption of the incurred cost method in place of the physical measurements method, along with the inclusion of the work site installation costs, resulted in:

- *at January 1, 2004* a decrease of EUR 3,350 in equity, net of the positive tax effect of EUR 1,650;
- *at December 31, 2004* a decrease of EUR 6,267 in equity, net of the positive tax effect of EUR 3,383.

Breakdown of IFRSs consolidated balance sheet at January 1, 2004 and at December 31, 2004, IFRSs consolidated income statement for the year ending December 31, 2004

To supplement the reconciliation schedules of equity at January 1, 2004 and December 31, 2004 and profit for 2004, the schedules of the balance sheets at January 1, 2004 and December 31, 2004 and the 2004 income statement are attached, which show the following for each item, in individual columns:

- the values in accordance with Italian standards, reclassified in accordance with the IFRS models adopted by the company, as well as reclassifications required by international accounting standards that had no effect on equity and the year's result;
- the adjustments for transition to IFRSs that had an effect on equity and the year's result;
- the values in accordance with IFRSs.

reconciliation of the opening balance sheet at january 1, 2004

(thousands of euros)

	reclassified italian accounting standards	adjustments	note	IFRSs
non-current assets				
property, plant and equipment	78,212	21,236	1	99,448
investment property	204			204
intangible assets	33,429	(31,815)	2	1,614
equity investments	57,548			57,548
non-current financial assets valued at fair value	–			–
other non-current financial assets	42,033			42,033
other non-current assets	74,911			74,911
deferred tax assets	7,655	4,320	3	11,975
total non-current assets	293,992	(6,259)		287,733
inventories	36,036			36,036
contracts in progress	98,360	2,616	4	100,976
trade receivables	354,238			354,238
current financial assets at fair value	–			–
tax receivables	34,444			34,444
current financial assets	11,046			11,046
other current assets	81,048			81,048
cash and cash equivalents	128,061			128,061
total current assets	743,233	2,616		745,849
total assets	1,037,225	(3,643)		1,033,582
equity	218,587	(6,602)		211,983
non-current financial liabilities	254,918			254,918
other non-current liabilities	9	4,423	5	4,432
employee benefits	11,497	90	6	11,587
provision for non-current risks and charges	5,442			5,442
deferred tax liabilities	7,655			7,655
total non-current liabilities	279,521	4,513		284,034
advances from customers	102,465			102,465
trade payables	290,991	(1,553)		289,438
current financial liabilities	100,961			100,961
tax payables	14,920			14,920
provision for current risks and charges	1,473			1,473
other current liabilities	28,307			28,307
total current liabilities	539,117	(1,553)		537,564
balance sheet liabilities	1,037,225	(3,643)		1,033,582

reconciliation of the balance sheet at december 31, 2004

(thousands of euros)

	reclassified italian accounting standards	adjustments	note	IFRSs
non-current assets				
property, plant and equipment	73,130	21,346	1	94,476
investment property	204			204
intangible assets	30,409	(25,244)	2	5,165
equity investments	59,896			59,895
other non-current financial assets	53,677			53,677
other non-current assets	54,266			54,266
deferred tax assets	3,635	4,406	3	8,041
total non-current assets	275,217			275,725
inventories	37,403			37,403
contracts in progress	119,773	(767)	4	119,006
trade receivables	357,947			357,947
current financial assets at fair value				
tax receivables	32,550			32,550
current financial assets	26,566			26,566
other current assets	131,228			131,228
cash and cash equivalents	153,706			153,706
total current assets	859,173			858,406
total assets	1,134,390	(259)		1,134,131
equity	238,738	(6,709)		232,029
non-current financial liabilities	93,976			93,976
other non-current liabilities	9	7,625	5	7,634
employee benefits	9,703	(193)	6	9,510
provision for non-current risks and charges	–			–
deferred tax liabilities	–			–
total non-current liabilities	103,688			111,120
advances from customers	70,680			70,680
trade payables	358,343	(982)		357,361
current financial liabilities	293,282			293,282
tax payables	7,166			7,166
provision for current risks and charges	22,954			22,954
other current liabilities	39,540			39,540
total current liabilities	791,164			790,983
balance sheet liabilities	1,134,131			1,134,131

reconciliation of the 2004 income statement

(thousands of euros)

	reclassified italian accounting standards	adjustments	IFRSs
revenues from sales and services	615,362		615,362
changes in products in progress, semi-finished products and finished products	6,105	(4,650)	1,455
changes in contracts in progress	193,256		193,256
total revenues	814,723	(4,650)	810,073
other operating revenues	50,599		50,599
value of production	865,332	(4,650)	860,673
purchase costs	(118,339)		(118,339)
service costs	(537,322)	(126)	(537,448)
personnel costs	(95,181)	(2,919)	(98,100)
amortisation, depreciation and write-downs	(29,498)	9,454	(20,044)
other operating costs	(18,138)		(18,138)
total costs	(798,478)	6,409	(792,069)
capitalisation of internal construction costs	234		234
operating result	67,079		68,838
net financial income and charges	(20,109)	(6,684)	(26,793)
pre-tax result	46,970	(6,684)	42,045
taxation	(15,689)	86	(15,603)
result for the period	31,281	(6,598)	26,442

Comments on the main variations in the balance sheet

The following are brief comments on the main variations in balance sheet items. For each item, reference is made to the corresponding note found in the above pages.

1) Property, plant and equipment

The increase in the item, both at January 1, 2004 and December 31, 2004, may be chiefly ascribed to the adoption, from January 1, 2004, of the revalued cost as a substitute of the cost (**see note B**).

2) Intangible assets

The decrease in the item, both at January 1, 2004 and December 31, 2004, may be ascribed to the elimination of formation and start-up costs (EUR 5,625 at January 1, 2004 and EUR 3,274 at December 31, 2004), which may be referred mainly to the parent company's listing charges; to the elimination of financial charges capitalized in previous financial years (EUR 9,872 at January 1, 2004 and EUR 6,167 at December 31, 2004) following adoption by the company of the reference accounting procedure provided for in IAS 23; to the elimination of other intangible assets that, at the transition date, did not have the requirements provided for in IAS 38 (EUR 5,202 at January 1, 2004 and EUR 3,420 at December 31, 2004) (**see note A**). Moreover, calculation of contracts in progress included work site installation costs (EUR 11,116 at January 1, 2004 and EUR 12,383 at December 31, 2004), entered among intangible assets in accordance with previous Italian accounting standards.

3) Deferred tax assets

The increase in the item (EUR 4,320 at January 1, 2004 and EUR 4,406 at December 31, 2004) reflects the equity offset of tax effects on reconciled items. It must be noted that the balance is set out net of the relative deferred liability (equal to EUR 7,654 both at January 1, 2004 and December 31, 2004) that may be legally compensated.

4) Contracts in progress

The item showed an increase of EUR 2,616 at January 1, 2004 and a decrease of EUR 767 at December 31, 2004. The variation may be ascribed to the effect of inclusion in the final costs of work site installation costs previously classified among intangible fixed assets in accordance with Italian accounting standards, and to valuation of contracts in progress in accordance with the incurred cost method, as compared with the physical measurements method. (**see note E and note 2**).

5) Other non-current liabilities

The increase in the item may be ascribed to entry of liabilities at fair value (EUR 4,423 at January 1, 2004 and EUR 7,625 at December 31, 2004) for the incentive plan which calls for gratuitous annual assignment of synthetic options (cash-settled share-based payments) to employees (**see note C**).

6) Employee benefits

Negative adjustments totalling EUR 90 at January 1, 2004 and positive adjustments totalling EUR 193 at December 31, 2004, refer to the application of actuarial methodologies to employee severance indemnity (**see note D**).

Effects on cash flow statement at December 31, 2004

The reconciliation schedule of the statutory cash flow statement is not presented insofar as the effects resulting from application of IFRSs did not have any significant impact.

First-time adoption of IASs 32 and 39

Introduction

The company set January 1, 2005 as the transition date for first-time adoption of IAS 32 and IAS 39 with regard to recognition and valuation of financial instruments.

This document illustrates the criteria and consequences resulting from adoption of IAS 32 and 39 at January 1, 2005.

The company applied the provisions set forth in IAS 39 regarding elimination of a financial asset or liability as from January 1, 2004. This means that all transactions carried out prior to said date, continue to be entered in accordance with Italian standards, while all transactions carried out subsequent to said date are entered in accordance with IAS 39.

Reconciliation schedule of equity at January 1, 2005 and relative notes

The company chose to adopt IAS 32 and IAS 39 from January 1, 2005. The following are the adjustments to the balance sheet at January 1, 2005, resulting from adoption of IAS 32 and IAS 39.

effects of IASs 32-39					
(amounts in thousands of euros)	note	january 1, 2005 pre- IASs 32-39	reclassi- fication	adjustment	january 1, 2005 IASs 32-39
non-current assets					
property, plant and equipment		94,476			94,476
investment property		204			204
intangible assets		5,165			5,165
equity investments		59,895			59,895
non-current financial assets valued at fair value		-			-
other non-current financial assets	d	53,677		(1,502)	52,175
other non-current assets	b	54,266	(28,078)		26,188
deferred tax assets	a	8,041		281	8,322
total non-current assets		275,725	(28,078)	(1,783)	246,426
inventories		37,403			37,403
contracts in progress	b	119,006	34,319		153,325
trade receivables	b	357,947	68,796		426,743
current financial assets at fair value			25,625		25,625
tax receivables		32,550			32,550
current financial assets	a/c	26,566	(25,625)	932	1,872
other current assets	a/b	131,228	(22,440)	(1,697)	107,091
cash and cash equivalents		153,706			153,706
total current assets		858,406	80,675	(765)	949,795
total assets		1,134,131	52,597	(1,986)	1,196,221
cash flow hedge reserve	a			350	350
capital and other reserves	a/c/d	232,029		(3,322)	228,707
equity		232,029		(2,972)	229,057
non-current financial liabilities	b	93,976	16,286		110,262
other non-current liabilities		7,634			7,634
employee benefits		9,510			9,510
provision for non-current risks and charges		-			-
deferred tax liabilities		-			-
total non-current liabilities		111,120	16,286		127,406
advances from customers		70,680			70,680
trade payables		357,361			357,361
current financial liabilities	a/b	293,282	36,311	1,225	330,818
tax payables		7,166			7,166
provision for current risks and charges		22,954			22,954
other current liabilities	a	39,540		(239)	39,301
total current liabilities		790,983	36,311	986	828,280
balance sheet liabilities		1,134,131	52,597	(1,986)	1,184,742

The following schedule summarises the variations in equity at January 1, 2005 due to adoption of IASs 32 and 39.

net equity reconciliation

(thousands of euros)

note

IFRSs/IASs equity at January 1, 2005 prior to IASs 32 and 39		232,029
<i>adjustments resulting from adoption of IASs 32 and 39</i>		
derivatives	a	(853)
taxes	a	281
treasury shares	c	(898)
discounting back of non-interest bearing loan	d	(1,502)
<i>total</i>		<i>(2,972)</i>
IFRSs equity at January 1, 2005		229,057

A - Derivatives: To tackle the risk of oscillating interest rates and exchange rates, derivatives contracts are signed for specific operations. IAS 39 establishes specific rules for recording these derivatives, which differ from those provided for by Italian accounting standards.

At December 31, 2004, only rate hedge derivatives ("IRS") were in existence. Specifically, for hedge derivatives ("IRS") regarding the risks of variability of future cash flows attributed to financial liabilities (Cash Flow Hedge), the main impacts were as follows:

- increase of EUR 1,830 in equity assets, entered among financial assets, regarding the positive fair value of derivatives;
- increase of EUR 1,225 in equity liabilities, entered among financial liabilities, regarding the negative fair value of derivatives;
- entry of the effective portion of rate hedges ("IRS") in the cash flow hedge reserve equal to EUR 350;
- entry of the ineffective part of hedges in other reserves, equal to EUR 1,203;
- entry of deferred tax assets totalling EUR 281, attributable to the fiscal effects of adjustments;
- elimination of accrued income (EUR 1,697) and liabilities (EUR 239) with regard to interest differentials on Interest Rate Swaps ("IRS") accrued at December 31, 2004 insofar as included in the financial instruments' fair value.

B - Assignment of debt: The Group has implemented factoring operations with recourse that were eliminated from financial statements, with entry into memorandum accounts of the risk of recourse in accordance with Italian accounting standards. Said operations do not satisfy the requirements established for elimination (derecognition) of financial assets and liabilities as provided for by IAS 39. Therefore existing liabilities at January 1, 2005 and assets previously eliminated and not yet collected were entered in the financial statements. The equity impacts were as follows:

- reclassification of receivables from the factoring company from other non-current assets of EUR 28,078, and other current assets of EUR 22,440 to Trade Receivables and Contracts in Progress;
- entry of the advance received from the factoring company and not yet refunded at January 1, 2005 of EUR 36,311 in current financial liabilities, and of EUR 16,286 in non-current financial liabilities, and of cancelled assets among Trade Receivables and Contracts in Progress, in accordance with Italian accounting standards.

C - Treasury shares: treasury shares entered at cost totalling EUR 898 were entered to reduce equity.

D - Non-interest bearing loan: the company granted the subsidiary Italstrade a non-interest bearing loan. The fair value of this loan, estimated at the current value of all planned payments, discounted back at a market rate, resulted in an adjustment to said financial asset with a corresponding reduction of EUR 1,502 in equity.

Attachments to statutory financial statements

relations with related parties

	other non-current financial assets	trade receivables	other current assets	total receivables	non-current financial liabilities
subsidiaries					
A.S.T.A.C. S.r.l.		137		137	
Amsar Burundi S.p.a.r.l.					
AR.GI. S.p.A.		1,642	1	1,643	
Astaldi Algerie EU r.l	36			36	
Astaldi Arabia Ltd		1		1	
Astaldi Arabia Ltd Branch in Qatar	296	304	654	1,254	
Astaldi Burundi Association Momentanée			649	649	(652)
Astaldi Costruction Corporation		164	1,322	1,486	
Astaldi de Venezuela C.A.			3,584	3,584	
Astaldi Finance S.A.					(75)
Astaldi Guinee Ass. en Partecip.					
Astaldi International Inc					
Astaldi International Ltd		3	2	5	(93)
Astaldi Malawi Astaldi Int. JV					
Astaldi Senegal Ass. en Partecipazione	181		2,173	2,355	
Astaldi Thailand Co. Ltd					
Astaldi-Astaldi Intern. JV Mozambique	1,649	7	5	1,661	
Astaldi-Max-Bogl-CCCF JV Srl		2,332		2,332	
Astur Construction and Trade A.S.		1	244	244	
Bussentina S.c.r.l. in liquidation	279	207	360	845	
C.O.MES. S.c.r.l.		950	27	976	
Cefalù S.c.r.l. in liquidation					
CO.ME.NA. S.c.r.l.		112	478	590	
CO.MERI. S.p.A.		2,339	1	2,340	
CO.NO.CO. S.c.r.l.		1,209	26	1,235	
Cons.A.R.Z.ASTALDI.-R.I.C.ZAIRE in liquidation					
Consorzio Astaldi - C.B.I.		611	4,310	4,921	
Consorzio Astaldi-C.M.B. in liquidation					
Consorzio Astaldi-C.M.B.Due in liquidation			2,191	2,191	
Consorzio Olbia Mare in liquidation	3		148	151	
Cospe S.c.r.l.		194	57	252	
Diga di Arcichiaro Scrl in liquidation		236	63	299	
DIP.A. S.c.r.l. in liquidation					
Eco Po Quattro S.c.r.l. in liquidation		913	40	953	
Euroast S.r.l. in liquidation	369	72	138	579	
Fiorbis S.c.a.r.l. in liquidation					
Forum S.c.r.l.		1,011	43	1,054	
I.F.C. Due S.c.a.r.l. - in liquidation	41	1,902		1,943	
I.F.C. S.c.a.r.l. - in liquidation					
I.T.S. S.p.A.		81	17	98	
Italstrade CCCF JV Romis Srl		174	27	201	
Italstrade S.p.A.	24,922	1,914	11,762	38,598	(8,550)
Italstrade S.p.A. - Branch in Venezuela		128	1,181	1,309	
Italstrade S.p.A. - Branch in Albania	258	131	36	426	
Italstrade S.p.A. - Branch in Morocco	414	1,001	104	1,519	
Italstrade S.p.A. - Branch in Romania		105	61	166	
Italstrade Spa - Branch in Turkey		962		962	
Legnami Pasotti Italia I.C. Srl		32	29	61	
Legnami Pasotti Branch in Libya			7	7	
Linea A S.c.r.l. in liquidation			16	16	

trade payables	other current liabilities	total payables	total revenues	total production costs	interest and other financial charges	interest and other financial income
			(517)	596		
	(26,247)	(26,247)	(1,109)			(84)
	(1)	(1)	–			
			(1)			
			(120)	3		
(13)	(29)	(694)				
	(3,375)	(3,375)	(51)			(237)
(831)	(554)	(1,384)		1,056		
		(75)			869	(65)
			(2)			
	(388)	(388)				
(14,037)	(1,511)	(15,641)	(16)	1,649		–
	(11)	(11)	(2)			
(57)	(203)	(260)	(1,752)	55		(151)
(167)		(167)				–
(536)		(536)	–			(6)
(3,426)	(170)	(3,597)	(596)	15,435		(28)
			–			
	(571)	(571)	(80)	2,433		
	(26,247)	(26,247)	(2,935)			(169)
(1,172)	–	(1,172)	(164)	2,850		(6)
	–	–	(6)			
(7)		(7)				
			(12)	64		
(111)		(111)				
(133)		(133)				
			(1)	(60)		(2)
(1)		(1)	(10)			(3)
(5)		(5)				
(913)		(913)	(2)	9		
(354)		(354)				(65)
			(50)			(25)
(405)	(50)	(455)	(62)	409		
(300)		(300)	(57)	26		(20)
(187)	(10,416)	(19,153)	(214)	396		(827)
			(2,266)	10,676		
(671)		(671)	(47)			
(378)		(378)	(59)	132		
(347)		(347)	(1,173)	9,722		
			–			
(290)		(290)		13		

(table follows)

relations with related parties

	other non-current financial assets	trade receivables	other current assets	total receivables	non-current financial liabilities
subsidiaries					
Mar Grande S.c.r.l. in liquidation					
Montedil-Astaldi S.p.A. (MONTAST) in liquidation	20		136	156	
Mormanno S.c.r.l. in liquidation	64	2		66	
Ospedale del Mare S.c.r.l.		464		464	
Palese Park S.r.l.		37	1	38	
Partenopea Finanza di Progetto S.p.A.		358	1	359	
Passo Campalto S.c.r.l.					
Portovesme S.c.r.l.		1,040	(42)	998	
Quattro Venti S.c.r.l.		2,323	327	2,650	
Redo Association Momentanée					
Romairport S.c.r.l.		1,134	49	1,182	
S. Filippo S.c.r.l. in liquidation		1,322	5	1,327	
S.P.T Società Passante Torino Srl		1,037		1,037	
Sartori Sud S.r.l.		3		3	
Seac S.p.a.r.l. in liquidation	4,615	1,079	3,673	9,367	
Silva S.r.l. in liquidation	21	12	16	49	
Susa Dora Quattro Srl		3,617	393	4,010	
TE.CRO. S.c.r.l. in liquidation					
Todaro srl in liquidation			1	1	
Toledo S.c.r.l.		94	661	755	
Tri.Ace. S.c.a.r.l. in liquidation		556	5	561	
Varzo II S.c.r.l. in liquidation					
Viadotto Fadalto S.c.a.r.l. in liquidation		42		42	
total	33,167	31,994	34,983	100,144	(9,370)
associated companies					
Adduttore Ponte Barca S.c.r.l. in liquidation	5			5	
Adedicia Costruzioni S.r.l. in liquidation					
Almo S.c.a.r.l. in liquidation		10		10	
Alosa Immobiliare S.p.A. in liquidation	1,145	15	2	1,162	
Ass.en part.SEP-ASTALDI-SOMATRA-BREDE					
Astaldi - Ferrocemento JV	296	716	139	1,151	
Astaldi Bayndir J.V.		155	5,797	5,952	
Astaldi-Caldart AS.CAL. S.c.r.l. in liquidation					
Astaldi-Maroc S.A.					
Avola S.c.r.l. in liquidation		529	157	686	
Blufi 1 S.c.r.l. in liquidation			48	48	
C.F.M. S.c.r.l. in liquidation		147	31	178	
Carnia S.c.r.l. in liquidation		170		170	
Cogital S.p.A. in liquidation		143		143	
Colli Albani S.c.r.l. in liquidation	7	43	777	826	
Columbus de Constr. Honduras S.A. de C.V.					
Consorcio Contuy Medio			666	666	
Consorcio Grupo Contuy Proyectos y Obras		273	300	574	
Consorzio A.F.T.		94		94	
CONSORZIO A.F.T. BRANCH IN ALGERIA		2	1,046	1,048	
Consorzio AFT Kramis Branch in Algeria		4,388	366	4,754	
Consorzio Astaldi-ICE		417		417	
Consorzio Bonifica Lunghezza - C.B.L.					
Consorzio Brundisium					
Consorzio C.E.A.A.V.		2		2	

trade payables	other current liabilities	total payables	total revenues	total production costs	interest and other financial charges	interest and other financial income
(55)		(55)				
(852)		(852)	(456)	852		
	(709)	(709)	(30)			(23)
	(4,184)	(4,184)	(334)			
			(3)			
(498)	68	(430)	(26)	853		(2)
(4,347)	(78)	(4,425)	(739)	8,245		(36)
	(569)	(569)				
(538)		(538)	(1,794)	51		–
(140)		(140)	(5)			
(870)		(870)	(57)	870		
(90)		(90)	(3)	85		
	(304)	(304)	–			
(8,262)	361	(7,901)	(824)	14,247		(36)
(1)		(1)	–			
(10)	(596)	(606)	(54)	6,225		(10)
(473)		(473)		58		
			(2)			
(40,479)	(75,787)	(125,636)	(15,636)	76,951	869	(1,797)
(256)		(256)				
(17)		(17)				
(11)		(11)	(6)			
(41)		(41)		37		
			–	–		
(395)	–	(395)		214		
			(1)			
	(3)	(3)				
(194)		(194)				
(235)		(235)	(40)		1	(5)
(44)		(44)	(24)			
			(4)			
(350)	(5)	(355)				
(1)		(1)				
(550)		(550)		649		
(272)		(272)	(218)	675		
	–	–	(16)			
(19)	(849)	(868)	(12)	63		
(135)	(69)	(204)	(5,706)	3,895		(8)
(4)		(4)		1		
(2)		(2)				
(11)		(11)	(34)	84		

(table follows)

relations with related parties

	other non-current financial assets	trade receivables	other current assets	total receivables	non-current financial liabilities
associated companies					
Consorzio C.I.R.C.		10	1	10	
CONSORZIO C.O.N.C.I.L.in liquidation			1	1	
Consorzio Carnia					
Consorzio Co.Fe.Sar.		264	4	268	
Consorzio Consarno	227	35		263	
Consorzio Consavia S.c.n.c. in liquidation		58		58	
Consorzio Dipenta S.p.A. U Vitolo in liquidation					
Consorzio Ferrofir		58	1	59	
Consorzio Gi.It. in liquidation					
Consorzio Iricav Due		207		207	
Consorzio Iricav Uno		543	119	662	
Consorzio Ital.Co.Cer.					
Consorzio Italvenezia					
Consorzio L.A.R. in liquidation	1,779	181		1,960	
Consorzio Novocen					
Consorzio Ponte sullo Stretto di Messina		1,465	1	1,465	
Consorzio Qalat		5		5	
Consorzio Recchi S.p.A.- Astaldi S.p.A.		69		69	
Consorzio Rocca d'Evandro					
Consorzio Tre Fontane Nord in liquidation					
Costruzione Invaso Vetto S.c.r.l. in liquidation					
Diga di Blufi S.c.r.l.		4,123	2,405	6,528	
DP 2M S.c.r.l. in liquidation	20		1	21	
Ecosarno S.c.r.l.	118			118	
Feraspi S.c.p.A.					
Fosso Canna S.c.r.l. in liquidation	204	185	6	396	
Groupement Eurolep					
Groupement Italgisas		3		3	
HECA		95		95	
Infrafflegrea Scrl		358	2	360	
Isclero Scrl in liquidation	1,518	108	91	1,717	
Italsagi sp zo.o		1		1	
M.N. Metropolitana di Napoli S.p.A.		12	12	24	
Marsico Nuovo S.c.r.l. in liquidation	30			30	
Max Bogl-Astaldi-CCCCF Asocierea JV Srl		7		7	
ME.SA. S.c.r.l. in liquidation					
Messina Stadio S.c.r.l.	2,508	1,976	1,135	5,619	
Metro Romolo S.c.r.l.					
Metroveneta S.c.r.l.		852	148	1,000	
Monte Vesuvio S.c.r.l.		655		655	
Mose - Treporti S.c.r.l.		184		184	
N.P.F - Nuovo Polo Fieristico S.c.r.l.		159	368	527	
Nova Metro S.c.r.l.					
Pegaso S.c.r.l.		283	1	284	
Piana di Licata S.c.r.l. in liquidation		179	297	475	
Piceno S.c.r.l. in liquidation					
Pont Ventoux S.c.r.l.		10,545	136	10,680	
Principe Amedeo S.c.r.l. in liquidation	1	409	113	523	
Priolo Siracusa S.c.r.l.					
Raggruppamento Astaldi-Vianini in liquidation			80	80	
Roma Informatica S.c.r.l.					

trade payables	other current liabilities	total payables	total revenues	total production costs	interest and other financial charges	interest and other financial income
(676)		(676)		4		
			–	1		
(346)		(346)	(4)	24		
(148)		(148)				
(2)		(2)				
(5,434)		(5,434)	(24)	564		
(216)		(216)				
(5,434)		(5,434)	(95)	3,388		(14)
(26,835)		(26,835)	(508)	32,638		
(147)		(147)	–	19		
(86)		(86)				
(1,839)		(1,839)				
(1,683)		(1,683)	(1,030)	2,455		
(1,144)		(1,144)				
	(185)	(185)				
–		–				
			(41)			
(3,840)		(3,840)		3		(3)
(1,625)		(1,625)		607		
(117)		(117)	–			(10)
	(19)	(19)				
			(21)			
(2,179)		(2,179)	(106)	2,619		
(1,592)		(1,592)				
			(6)		3	
			(47)			(7)
(4)		(4)				
(1,948)		(1,948)	(32)	85		(3)
(1,140)		(1,140)	(1)	1,197		(5)
(204)		(204)	(22)	1		
(1,858)		(1,858)	(223)	7,170		
(162)		(162)	(1,168)	54,599		
(49)		(49)				
(990)		(990)	(207)	11,712		(1)
(139)		(139)				
(24,611)		(24,611)	(2,254)	14,728		(32)
(306)		(306)	(9)			

(table follows)

relations with related parties

	other non-current financial assets	trade receivables	other current assets	total receivables	non-current financial liabilities
associated companies					
Romstrade Srl		71	9	80	
S. Leonardo S.c.r.l. in liquidation		90	2,540	2,630	
S.A.A.L.P. S.n.c. in liquidation	325	82		407	
S.A.C.E.S. S.r.l. in liquidation					(597)
S.E.I.S. S.p.A.	125			125	
Sa.Di.Pe. S.c.r.l. in liquidation			15	15	
Santangelo S.c.r.l. in liquidation	156	41		197	
SO.GE.DEP. S.r.l. in liquidation	271	37	239	547	
So.Gr.Es. S.c.p.a. in liquidation					
Tangenziale Seconda S.c.r.l. in liquidation		115	4	119	
Transeuropiska Autocesta d.o.o		12		12	
Truncu Reale S.c.r.l.		161	13	174	
V.A.S.CO. Imprese Riunite		269		269	
Val Pola S.c.r.l. in liquidation		22		22	
Valle Caudina S.c.r.l.	119	912	6	1.037	
Veneta Sanitaria Finanza di Progetto S.p.A.	219	92	114	425	
Vesuviana Strade S.c.r.l.		413	305	718	
Viadotti di Courmayeur S.c.r.l. in liquidation		548	20	568	
Others of smaller amount		363		363	
total	9,072	33,360	17,515	59,946	(597)
other investee companies					
A.M.P. S.c.r.l. in liquidation					
Aguas de San Pedro S.A. de C.V.		10		10	
C.F.C. S.c.r.l.	–	(21)		(21)	
Comet JV	4,280			4,280	
Consorzio Metro Los Teques		2	140	142	
Consorzio Asse Sangro in liquidation		(17)		(17)	
Consorzio Centro Uno		52		52	
Consorzio Ferroviario Vesuviano					
Consorzio Groupement Lesi-Dipenta		–		–	
Consorzio Tagliamento		1	26	27	
Consorzio Team			24	24	
Consorzio TRA.DE.CI.V.		18	119	137	
Fusaro S.c.r.l.		12		12	
G.G.O. S.c.r.l. in liquidation		1		1	
Imprese Riun. GE Seconda S.c.r.l. in liquidation		1		1	
Imprese Riunite Genova S.c.r.l. in liquidation					
Irimuse S.c.r.l.					
Metrogenova S.c.r.l.		1,124	160	1,284	
Napoli Porto S.c.r.l. in liquidation	2	102		104	
NO.VI.F.IN. Nova Via Festin.Ind.S.c.r.l.					
Pantano S.c.r.l.					
Plus S.r.l.	1,505			1,505	
Roma Lido S.c.r.l.	274			274	
Salini-Italstrade JV Scarl in liquidation		2		2	
total	6,060	1,287	470	7,817	
parent company					
Fin. Ast. S.r.l.		36	11	47	
total		36	11	47	
grand total	48,299	66,677	52,979	167,954	(9,968)

trade payables	other current liabilities	total payables	total revenues	total production costs	interest and other financial charges	interest and other financial income
(3)		(3)				
(808)		(808)				
	(178)	(178)				
	(1,100)	(1,698)				
(46)	–	(46)		21		–
(268)	(22)	(290)				(7)
			(18)			
(11)		(11)	–	1		(1)
(4)		(4)	(4)	8		(2)
(1)		(1)				
(814)	–	(814)	–	276		(122)
(290)		(290)	(106)			(107)
(880)		(880)	(251)	1.629		(13)
(100)		(100)		57		
(620)	(175)	(795)	(328)	83		
(91,133)	(2,606)	(94,337)	(12,565)	139,509	5	(339)
(1)		(1)				
			(19)			
–	(33)	(34)				
–		–				
(2)	–	(2)				
(7)		(7)				
–		–				
–		–				
(4)		(4)	–			
(19)		(19)	(1)	34	11	
(36)		(36)	(34)	87		
(63)		(63)				
(1)		(1)				
(179)		(179)				
–		–	–			
(2,591)	(12)	(2,603)	(118)	2,178		
(2)		(2)				
–		–				
(2,639)		(2,639)	(463)	1,546		
(793)		(793)		20		
(6,338)	(46)	(6,384)	(636)	3,866	11	
			(10)			
			(10)			
(137,950)	(78,439)	(226,357)	(28,847)	220,325	885	(2,136)

companies		a) share capital	b) equity
1 - Subsidiaries			
AR.GI S.p.A.	Via G.V. Bona, 65 - Rome - Italy	35,000,000,00	35,007,440,00
Assistenza Sviluppo e Tecnologie			
Ausiliarie alle Costruzioni (A.S.T.AC.) S.r.l.	Via G.V. Bona, 65 - Rome - Italy	46,800,00	(24,389,00)
Astaldi Africa S.p.A. in liquidation	Addis Ababa - Ethiopia	1,032,91	1,032,91
Astaldi Algerie - E.u.r.l.	25 Cité Mohamed Hadj Ahmed Hydra wilaya d'Alger - Algiers - Algeria	564,090,24	527,310,00
Astaldi Arabia Ltd.	P.O. Box 58139 - Riyadh - Saudi Arabia	995,817,57	326,419,00
Astaldi Construction Corporation	8220 State Road 85 Davie - Florida - U.S.A.	9,289,257,00	6,052,714,00
Astaldi de Venezuela C.A.	C.C. C.T. 1ra Etapa Piso 6 Of. 620 - Caracas - Venezuela	1,297,205,29	1,417,091,00
Astaldi Finance S.A.	Boulevard du Prince Henri 19-21 - Luxembourg	250,000,00	183,927,00
Astaldi International Ltd.	34-36 Gray's Inn Road - London - United Kingdom	2,945,508,10	5,536,291,00
Astaldi-Max Bogli-CCCF JV S.r.l.	Str.Carol Davilla n°70 - Bucharest - Romania	10,257,00	(1,542,961,00)
Astur Construction and Trade A.S.	Aydinpinar Cad. Kucukmehmetler Koyu - Ankara - Turkey	528,333,50	1,975,527,00
Bussentina S.c.r.l. in liquidation	Via G.V. Bona, 65 - Rome - Italy	25,500,00	(174,223,00)
C.O.MES. S.C.r.l.	Via G.V.Bona, 65 - Rome - Italy	20,000,00	20,000,00
CO.ME.NA. S.c.r.l.	Via Morghen, 36 - Naples - Italy	20,658,28	20,658,28
CO.MERI S.p.A.	Via G.V. Bona, 65 - Rome - Italy	35,000,000,00	35,012,812,00
CO.NO.CO. S.c.r.l.	Via G.V. Bona, 65 - Rome - Italy	25,500,00	25,822,84
Consorzio Astaldi - C.B.I.	Av. Iturralde 1308 Esquina San Salvador - La Paz - Bolivia	-	(6,381,513,00)
Consorzio Astaldi-C.M.B. Due in liquidation	Via G.V. Bona, 65 - Rome - Italy	10,329,14	3,208,00
Consorzio Olbia Mare in liquidation	Via G.V. Bona, 65 - Rome - Italy	15,493,71	(730,575,00)
Cospe S.c.r.l.	Via G.V. Bona, 65 - Rome - Italy	10,200,00	10,329,00
Diga di Archiario S.c.r.l. in liquidation	Via G.V. Bona, 65 - Rome - Italy	35,700,00	(70,586,00)
DIP.A. S.c.r.l. in liquidation	Via G.V. Bona, 65 - Rome - Italy	10,200,00	(33,852,00)
Eco Po Quattro S.c.r.l. in liquidation	Via G.V. Bona, 65 - Rome - Italy	25,500,00	25,823,00
Euroast S.r.l. in liquidation	Via G.V. Bona, 65 - Rome - Italy	15,300,00	(35,136,00)
Fiorbis S.c.r.l. in liquidation	Viale Sarca, 336 - Milan - Italy	46,481,12	18,848,43
Forum S.c.r.l.	Via G.V. Bona, 65 - Rome - Italy	51,000,00	51,646,00
I.F.C. Due S.c.r.l. in liquidation	Via G. V. Bona, 65 - Rome - Italy	45,900,00	(425,920,00)
Italstrade S.p.A.	Via Agrigento, 5 - Rome - Italy	25,563,340,00	20,560,727,00
Linea A S.c.r.l. in liquidation	Via G.V. Bona, 65 - Rome - Italy	25,500,00	25,822,84
Montedil-Astaldi S.p.A. (MONTAST) in liquidation	Via G.V. Bona, 65 - Rome - Italy	408,000,00	1,246,116,00
Mormanno S.c.r.l. in liquidation	Via G.V. Bona, 65 - Rome - Italy	10,200,00	(68,342,00)
Ospedale del Mare S.C.r.l.	Via G.V. Bona, 65 - Rome - Italy	50,000,00	50,000,00
Palese Park S.r.l.	Via G.V. Bona, 65 - Rome - Italy	1,020,000,00	947,454,00
Partenopea Finanza di Progetto S.p.A.	Via Galileo Ferraris 113-B - Naples - Italy	9,300,000,00	9,298,384,00
Portovesme S.c.r.l.	Via G.V. Bona, 65 - Rome - Italy	25,500,00	25,823,00
Quattro Venti S.c.r.l.	Via G.V. Bona, 65 - Rome - Italy	51,000,00	51,646,00
Redo-Association Momentané	B.P. 8734 - Dem. Rep. of the Congo	-	673,286,00
S. Filippo S.c.r.l. in liquidation	Via G.V. Bona, 65 - Rome - Italy	10,200,00	(62,922,00)
S.P.T. - Società Passante Torino S.C.r.l.	Via G.V. Bona, 65 - Rome - Italy	50,000,00	50,000,00
Silva S.r.l. in liquidation	Via Monte Santo, 1 - Rome - Italy	15,300,00	(34,076,00)
Susa Dora Quattro S.c.r.l.	Via G.V. Bona, 65 - Rome - Italy	51,000,00	51,646,00
Toledo S.c.r.l.	Via Morghen, 36 - Naples - Italy	50,000,00	50,000,00
Tri.Ace S.c.a.r.l. in liquidation	Via G.V. Bona, 65 - Rome - Italy	45,900,00	46,481,00
Viadotto Fadalto S.c.r.l. in liquidation	Viale Sarca, 336 - Milan - Italy	51,129,23	26,513,88

total 1) - subsidiaries

2 - jointly controlled companies

Colli Albani S.c.r.l. in liquidation	Via G.V. Bona, 65 - Rome - Italy	25,500,00	2,723,00
DP 2M S.c.r.l. in liquidation	Via G.V. Bona, 65 - Rome - Italy	10,200,00	(30,803,00)
S. Leonardo S.c.r.l. in liquidation	Via G.V. Bona, 65 - Rome - Italy	10,200,00	(36,096,00)
Viadotti di Courmayeur S.c.r.l. in liquidation	Via G.V. Bona, 65 - Rome - Italy	10,200,00	10,329,14

total 2) - jointly controlled companies

3 - associated companies

Adduttore Ponte Barca S.c.r.l. in liquidation	Via di Pietralata, 140 - Rome - Italy	45,900,00	46,481,12
Almo S.c.r.l. in liquidation	Via privata D. Giustino, 3/A - Naples - Italy	46,481,12	46,480,00

c) operating result	d)% held	e) book value	f) share of equity	i) distributed profits	h) balanced losses	g) allocation to provision for investment risks	l) equity as per art.2426 sub. 1 no. 4 it. civil code
7,440,00	99.990%	34,996,500,00	35,003,939,26	–	–	–	(7,439,26)
(78,008,00)	100.000%	–	(24,389,00)	–	–	24,389,00	–
–	100.000%	–	1,032,91	–	–	–	(1,032,91)
(36,780,00)	100.000%	564,090,24	527,310,00	–	–	–	36,780,24
(514,729,00)	60.000%	892,389,49	195,851,40	–	–	–	696,538,09
(10,520,276,00)	90.000%	5,447,442,60	5,447,442,60	–	–	–	–
449,873,00	99.804%	1,297,205,29	1,414,313,50	–	–	–	(117,108,21)
(226,648,00)	99.960%	249,900,00	183,853,43	–	–	–	66,046,57
1,752,820,00	100.000%	3,280,527,05	5,536,291,00	–	–	–	(2,255,763,95)
(1,561,948,00)	66.000%	6,600,00	(1,018,354,26)	–	–	–	1,024,954,26
532,552,00	99.000%	563,992,99	1,955,771,73	–	–	–	(1,391,778,74)
(58,352,00)	78.800%	–	(137,287,72)	–	–	137,286,94	0,78
–	55.000%	11,000,00	11,000,00	–	–	–	–
–	70.432%	14,549,62	14,550,04	–	–	–	(0,42)
12,812,00	99.990%	34,996,500,00	35,009,310,72	–	–	–	(12,810,72)
–	80.000%	11,620,28	20,658,27	–	–	–	(9,037,99)
–	60.000%	–	(3,828,907,80)	–	–	–	3,828,907,80
(2,003,00)	99.995%	3,207,84	3,207,84	–	–	–	–
(2,797,00)	72.500%	–	(529,666,88)	–	–	529,666,88	–
–	100.000%	5,681,03	10,329,00	–	–	–	(4,647,97)
(10,403,00)	100.000%	–	(70,586,00)	–	–	70,586,00	–
16,863,00	100.000%	–	(33,852,00)	–	–	33,852,00	–
–	80.000%	20,658,28	20,658,40	–	–	–	(0,12)
(20,144,00)	100.000%	–	(35,136,00)	–	–	35,136,00	–
(1,283,34)	99.980%	18,844,66	18,844,66	–	–	–	–
–	59.990%	30,982,25	30,982,44	–	–	–	(0,19)
(107,229,00)	99.990%	–	(425,877,41)	–	257,217,23	168,660,18	–
49,190,00	100.000%	24,954,786,81	20,560,727,00	–	–	–	4,394,059,81
–	100.000%	25,822,84	25,822,84	–	–	–	–
(23,517,00)	100.000%	650,735,69	1,246,116,00	–	–	–	(595,380,31)
(1,162,00)	74.990%	2,587,25	(51,249,67)	–	53,836,92	–	–
–	60.000%	30,000,00	30,000,00	–	–	–	–
(20,105,00)	99.000%	1,022,584,66	937,979,46	–	–	–	84,605,20
(1,616,00)	59.990%	5,579,070,00	5,578,100,56	–	–	–	969,44
–	80.000%	20,658,28	20,658,40	–	–	–	(0,12)
–	60.000%	30,987,41	30,987,60	–	–	–	(0,19)
(16,496,00)	75.000%	29,487,06	504,964,50	–	–	–	(475,477,44)
(1,237,00)	80.000%	413,71	(50,337,60)	–	50,751,31	–	–
–	74.000%	37,000,00	37,000,00	–	–	–	–
(1,060,00)	99.000%	–	(33,735,24)	–	–	33,735,25	(0,01)
–	90.000%	46,481,12	46,481,40	–	–	–	(0,28)
–	90.394%	45,197,00	45,197,00	–	–	–	–
–	80.000%	37,184,90	37,184,80	–	–	–	0,10
(1,374,22)	80.000%	21,211,10	21,211,10	–	–	–	–
		114,945,899,45	108,288,398,28	–	361,805,46	1,033,312,25	5,262,383,46
(1,246,00)	60.000%	1,633,80	1,633,80	–	–	–	–
(965,00)	72.000%	2,735,24	(22,178,16)	–	24,917,00	–	(3,60)
(6,873,00)	51.000%	–	(18,408,96)	–	–	18,408,96	–
–	66.670%	3,718,49	6,886,44	–	–	–	(3,167,95)
		8,087,53	(32,066,88)	–	24,917,00	18,408,96	(3,171,55)
–	24.330%	11,308,86	11,308,86	–	–	–	–
–	35.000%	16,268,39	16,268,00	–	–	–	0,39

(table follows)

companies

a) share
capital

b) equity

imprese collegate - continua

Alosa Immobiliare S.p.A. in liquidation	Via G.V. Bona, 65 - Rome - Italy	10,320,000,00	(41,520,980,00)
Association en participation SEP Astaldi-Somatra-Bredero	Tunisia	–	(2,782,00)
Astaldi Bayindir J.V.	Ilkadam Sokak, 19 Gaziomanpasa- Ankara - Turkey	–	–
Astaldi-Ferrocemento J.V.	10-Ha Khayaban-E-Shujat - Karachi - Pakistan	41,118,00	(354,133,00)
Avola S.c.r.l. in liquidation	Via G.V. Bona, 65 - Rome - Italy	10,200,00	(122,985,00)
Blufi 1 S.c.r.l. in liquidation	Zona Industriale - Agrigento - Italy	25,822,84	(70,913,00)
C.F.M. S.c.r.l. in liquidation	Via privata D. Giustino, 3/A - Naples - Italy	41,316,55	41,316,55
Carnia S.c.r.l. in liquidation	Via G.V. Bona, 65 - Rome - Italy	45,900,00	(169,418,00)
Cogital S.c.r.l. in liquidation	Viale Italia, 1 - Milan - Italy	60,044,00	67,978,00
Consorcio Contuy Medio	Avida Andres Bello, Ed. Atlantic Piso 7, Of. 1-7 - Venezuela	–	2,464,00
Consorcio Grupo Contuy - Proyectos y Obras de Ferrocarriles	CCC T. 1ra Etapa Piso 6 Of. 620 Chuao - Caracas - Venezuela	–	498,464,14
Consorcio Metro Los Teques	Caracas - Venezuela	–	7,021,648,00
Consorzio A.F.T.	Via G.V. Bona, 65 - Rome - Italy	46,481,12	46,481,12
Consorzio A.F.T. Kramis	Via G.V. Bona, 65 - Rome - Italy	100,000,00	720,822,00
Consorzio Bonifica Lunghezza - C.B.L.	Via Calderon de la Barca, 87 - Rome - Italy	10,000,00	10,000,00
Consorzio Brundisium	Via Caboto n°1 - Corsico - Milan - Italy	12,000,00	12,000,00
Consorzio C.I.R.C. in liquidation	Via G.V. Bona, 65 - Rome - Italy	51,000,00	51,646,00
Consorzio Co.Fe.Sar.	Viale Liegi, 26 - Rome - Italy	51,645,69	51,648,00
Consorzio Consarno	Via Napoli, 329 - Castellammare di Stabia (NA) - Italy	20,658,28	20,658,28
Consorzio Consavia S.c.n.c. in liquidation	Via G.V. Bona, 65 - Rome - Italy	20,658,28	20,153,00
Consorzio Dipenta S.p.A. - Ugo Vitolo in liquidation	Via Chiatamone, 57 - Naples - Italy	2,582,28	–
Consorzio Ferrofir in liquidation	Via F.Tovaglieri, 17 - Rome - Italy	30,987,41	534,800,45
Consorzio Gi.It. in liquidation	Via privata D. Giustino, 3/A - Naples - Italy	2,582,28	2,582,28
Consorzio Iricav Due	Via F. Tovaglieri, 413 - Rome - Italy	510,000,00	516,456,90
Consorzio Iricav Uno	Via F. Tovaglieri, 413 - Rome - Italy	520,000,00	520,000,00
Consorzio Ital.Co.Cer.	Piazza Buenos Aires, 5 - Rome - Italy	51,600,00	51,645,00
Consorzio Italveneziana	Via Salaria, 1039 - Rome - Italy	77,450,00	75,324,00
Consorzio L.A.R. in liquidation	Via Palestro, 30 - Rome - Italy	206,582,76	206,582,76
Consorzio Metrofer	Viale Liegi, 26 - Rome - Italy	25,822,84	28,469,00
Consorzio Novocen	Via Oraz, 143 - Naples - Italy	51,640,00	1,012,653,00
Consorzio Ponte Stretto di Messina	Via G.V.Bona n°65 - Rome - Italy	100,000,00	100,000,00
Consorzio Qalat	Corso Carlo Marx, 19 - Misterbianco (CT) - Italy	10,327,00	10,329,14
Consorzio Recchi S.p.A. - Astaldi S.p.A.	Via Salaria, 1039 - Rome - Italy	51,645,69	(11,164,00)
Diga di Blufi S.c.r.l.	Via G.V. Bona, 65 - Rome - Italy	45,900,00	46,481,00
Ecosarno S.c.r.l.	Viale Italia, 1 - Sesto S. Giovanni (MI) - Italy	50,490,00	51,129,00
Fosso Canna S.c.r.l. in liquidation	Via G.V. Bona, 65 - Rome - Italy	25,500,00	357,00
Groupement Eurolep	Shifflandestrassen, 35 - Aaran 5000 - Switzerland	62,127,39	56,334,78
Holding Eléctrica Centroamericana S.p.A. - (Heca S.p.A.) in liquidation	Via G.V. Bona, 65 - Rome - Italy	100,000,00	(130,419,00)
Infrafflegrea S.c.r.l.	Via privata D. Giustino, 3/A - Naples - Italy	46,600,00	46,600,00
Isclero S.c.r.l. in liquidation	Via G.V. Bona, 65 - Rome - Italy	12,000,00	(208,535,00)
M.N. Metropolitana di Napoli S.p.A.	Via Galileo Ferraris, 101 - Naples - Italy	3,655,397,00	7,555,532,00
Marsico Nuovo S.c.r.l. in liquidation	Via Dora, 2 - Rome - Italy	10,200,00	(15,343,00)
Max Bogl-Astaldi-CCCF Asocierea JV S.r.l.	Blv.Eroi Sanitar,49 - Bucharest - Romania	10,000,00	71,426,00
ME.SA. S.c.r.l. in liquidation	Via della Cooperazione, 30 - Bologna - Italy	40,800,00	41,316,55
Messina Stadio S.c.r.l.	Via G.V. Bona, 65 - Rome - Italy	45,900,00	46,481,00
Metrogenova S.c.r.l.	Via IV Novembre snc -Spianata Acquasola - 16121 Genoa - Italy	25,500,00	25,823,00
Metroveneta S.c.r.l. in liquidation	Piazza Castello, 16 - Padua - Italy	25,500,00	25,823,00
Monte Vesuvio S.c.r.l. in liquidation	Viale Italy, 1 - Sesto S. Giovanni (MI) - Italy	45,900,00	46,481,12
Mose-Treporti S.c.r.l.	Via C.Battisti n°2 - Venice - Mestre - Italy	10,000,00	10,001,00
N.P.F. - Nuovo Polo Fieristico S.c.r.l.	Via G.V. Bona, 65 - Rome - Italy	40,000,00	40,000,00
Nova Metro S.c.r.l. in liquidation	Via Montello, 10 - Rome - Italy	40,800,00	41,316,55
Pegaso S.c.r.l.	Via F. Tovaglieri, 17 - Rome - Italy	260,000,00	260,000,00
Piana di Licata S.c.r.l. in liquidation	Via G. V. Bona, 65 - Rome - Italy	10,200,00	(249,618,00)
Pont Ventoux S.c.r.l.	Via G.V. Bona, 65 - Rome - Italy	51,000,00	51,645,69
Principe Amedeo S.c.r.l. in liquidation	Via G.V. Bona, 65 - Rome - Italy	10,200,00	(164,056,00)
Priolo Siracusa S.c.r.l.	Piazza Velasca, 4 - Milan - Italy	11,000,00	77,648,24
Raggruppamento Astaldi-Vianini in liquidation	S.P. per Fisciano Km.1 - Fisciano (SA) - Italy	25,822,84	16,921,00
S.A.A.L.P. S.n.c. in liquidation	Via Boncompagni, 47 - Rome - Italy	51,646,00	51,646,00
S.A.C.E.S. S.r.l. in liquidation	Via G.V. Bona, 65 - Rome - Italy	26,000,00	1,723,392,00
S.E.I.S. S.p.A.	Via Monte Santo, 1 - Rome - Italy	3,877,500,00	4,320,983,00

c) operating result	d)% held	e) book value	f) share of equity	i) distributed profits	h) balanced losses	g) allocation to provision for investment risks	l) equity as per art.2426 sub. 1 no. 4 it. civil code
(139,631,00)	50.000%	—	(20,760,490,00)	—	20,474,546,82	228,338,00	57,605,18
(2,782,00)	40.000%	—	(1,112,80)	—	—	—	1,112,80
—	50.000%	—	—	—	—	—	—
6,179,00	50.000%	20,314,32	(177,066,50)	—	—	—	197,380,82
(25,220,00)	50.000%	—	(61,492,50)	—	31,682,07	29,809,93	0,50
—	32.000%	4,188,52	(22,692,16)	—	—	—	26,880,68
—	50.000%	20,658,28	20,658,28	—	—	—	—
(32,602,00)	33.000%	—	(55,907,94)	—	30,872,20	25,035,74	—
8,152,00	50.000%	33,989,00	33,989,00	—	—	—	—
—	28.300%	109,617,98	697,31	—	—	—	108,920,67
—	32.330%	—	161,153,46	—	—	—	(161,153,46)
13,611,403,00	30.000%	2,00	2,106,494,40	—	—	—	(2,106,492,40)
—	33.330%	15,493,71	15,492,16	—	—	—	1,55
—	49.995%	49,995,00	360,374,96	—	—	—	(310,379,96)
—	49.000%	4,900,00	4,900,00	—	—	—	—
—	33.333%	4,000,00	3,999,96	—	—	—	0,04
—	25.000%	12,911,42	12,911,50	—	—	—	(0,08)
—	30.000%	15,493,71	15,494,40	—	—	—	(0,69)
—	25.000%	5,164,57	5,164,57	—	—	—	—
(505,00)	25.000%	5,164,57	5,038,25	—	2,022,31	—	(1,895,99)
—	50.000%	—	—	—	—	—	—
—	66.666%	20,658,28	356,530,07	—	—	—	(335,871,79)
—	50.000%	1,291,14	1,291,14	—	—	—	—
—	32.990%	170,379,13	170,379,13	—	—	—	—
—	27.910%	145,132,00	145,132,00	—	—	—	—
—	30.000%	15,493,71	15,493,50	—	—	—	0,21
(2,145,00)	25.000%	19,367,13	18,831,00	—	—	—	536,13
—	41.660%	51,645,69	86,062,38	—	—	—	(34,416,69)
2,646,00	33.320%	8,607,62	9,485,87	—	—	—	(878,25)
(93,132,00)	40.760%	19,475,59	412,757,36	—	—	—	(393,281,77)
—	24.740%	24,740,00	24,740,00	—	—	—	—
—	40.000%	4,131,66	4,131,66	—	—	—	—
(62,810,00)	50.000%	25,822,84	(5,582,00)	—	—	—	31,404,84
—	50.000%	23,240,56	23,240,50	—	—	—	0,06
—	33.334%	17,043,08	17,043,34	—	—	—	(0,26)
(9,526,00)	32.000%	3,162,56	114,24	—	—	—	3,048,32
—	22.000%	8,087,51	12,393,65	—	—	—	(4,306,14)
(36,791,00)	50.000%	—	(65,209,50)	—	—	65,209,50	—
—	50.000%	23,300,00	23,300,00	—	—	—	—
(5,569,00)	31.170%	—	(65,000,36)	—	—	64,995,37	4,99
1,265,137,00	22.620%	3,298,708,14	1,709,061,34	—	—	—	1,589,646,80
(2,815,00)	25.000%	—	(3,835,75)	—	—	3,835,75	—
30,625,00	33.000%	3,398,91	23,570,58	—	—	—	(20,171,67)
—	25.000%	10,329,14	10,329,14	—	—	—	—
—	33.330%	15,493,71	15,492,12	—	—	—	1,59
—	21.810%	5,055,48	5,632,00	—	—	—	(576,52)
—	50.000%	12,911,42	12,911,50	—	—	—	(0,08)
—	50.000%	23,240,56	23,240,56	—	—	—	—
—	35.000%	3,500,00	3,500,35	—	—	—	(0,35)
—	50.000%	20,000,00	20,000,00	—	—	—	—
—	24.100%	8,263,31	9,957,29	—	—	—	(1,693,98)
—	43.750%	113,750,00	113,750,00	—	—	—	—
(887,00)	43.750%	—	(109,207,88)	—	—	109,207,88	—
—	56.250%	23,240,56	29,050,70	—	—	—	(5,810,14)
(6,984,00)	50.000%	—	(82,028,00)	—	73,306,57	8,721,43	—
—	20.000%	2,065,83	15,529,65	—	—	—	(13,463,82)
(1,922,00)	50.000%	8,460,50	8,460,50	—	—	—	—
—	30.000%	15,493,71	15,493,80	—	—	—	(0,09)
1,241,106,00	37.000%	9,554,45	637,655,04	—	—	—	(628,100,59)
29,506,00	48.330%	1,872,156,26	2,088,331,08	—	—	—	(216,174,82)

(table follows)

companies		a) share capital	b) equity
imprese collegate - continua			
Sa.Di.Pe. S.c.r.l. in liquidation	Via della Dataria, 22 - Rome - Italy	40,800,00	31,896,00
Santangelo S.c.r.l. in liquidation	Via G.V. Bona, 65 - Rome - Italy	51,000,00	19,983,00
SO.GE.DEP. S.r.l. in liquidation	Via dell'Astronomia, 9 - Rome - Italy	20,400,00	15,469,00
Tangenziale Seconda S.c.r.l. in liquidation	Via G.V. Bona, 65 - Rome - Italy	45,900,00	46,481,00
Transeuropska Autocesta d.o.o	Maksimska 120/III 10000 - Zagreb - Croatia	–	6,486,600,00
Truncu Reale S.c.r.l.	Via G.V. Bona, 65 - Rome - Italy	30,600,00	30,987,00
V.A.S.CO. Imprese Riunite	Via Montello, 10 - Rome - Italy	51,645,69	(106,902,00)
Val Pola S.c.r.l. in liquidation	Viale Sarca, 336 - Milan - Italy	46,481,12	40,436,93
Valle Caudina S.c.r.l. in liquidation	Via G.V. Bona, 65 - Rome - Italy	50,000,00	51,645,69
Veneta Sanitaria Finanza di Progetto - V.S.F.P. S.p.A.	Piazzetta Monsignor Olivotti, 9 - Mestre - VE	20,500,000,00	22,537,076,00
Vesuviana Strade S.c.r.l.	Via G.V. Bona, 65 - Rome - Italy	45,900,00	46,481,12
total 3) - associated companies			

4 - other investee companies

A.M.P. S.c.r.l. in liquidation	Viale Caduti di tutte le guerre, 7 - Bari - Italy	25,822,00	26,083,00
Agua de San Pedro S.A. de C.V.	Departamento de Cortes - San Pedro Sula - Honduras	3,997,441,64	4,152,182,76
Astaldi-Sarantopulos J.V.	Athens - Greece	–	–
C.F.C. S.c.r.l.	Via privata D. Giustino, 3/A - Naples - Italy	45,900,00	46,481,12
Co.Sa.Vi.D. S.c.r.l.	Carini - Contrada Foresta Z.I. - Palermo - Italy	25,500,00	22,351,00
Consorzio Asse Sangro in liquidation	Via della Fonte di Fauno, 2/A bis - Rome - Italy	464,811,21	464,811,21
Consorzio Centro Uno	C.so Vittorio Emanuele, 130 - Naples - Italy	154,937,07	154,937,07
Consorzio Ferroviario Vesuviano	Via Argine, 425 - Naples - Italy	154,937,07	154,937,07
Consorzio Groupement Lesi-Dipenta	Via Indonesia, 100 - Rome - Italy	258,228,00	258,228,45
Consorzio Tagliamento	Via G.V. Bona, 101/C - Rome - Italy	154,937,07	154,937,07
Consorzio Team	Viale Sarca, 336 - Milan - Italy	45,900,00	46,481,12
Consorzio TRA.DE.CI.V.	Via G. Ferraris, 101 - Naples - Italy	155,535,00	155,535,00
Costruttori Romani Riuniti Grandi Opere S.p.A.	Via P. Stanislao Mancini, 2 - Rome - Italy	5,164,568,00	3,422,810,00
Fondazione Accademia Nazionale di S. Cecilia	Via Vittoria, 6 - Rome - Italy	–	–
Fondazione Filarmonica Arturo Toscanini	Strada della Repubblica, 57 - Parma - Italy	–	–
Fusaro S.C.r.l.	Via privata D. Giustino, 3/A - Naples - Italy	10,200,00	10,200,00
G.G.O. S.c.r.l. in liquidation	Zona Industriale - Agrigento - Italy	25,500,00	25,822,84
I.S.V.E.UR. Istituto per lo Sviluppo Edilizio ed Urbanistico S.p.A.	Via Lungotevere de' Cenci n°9 - Rome - Italy	2,500,000,00	4,938,134,00
IGI - Istituto Grandi Infrastrutture	Via Ovidio,n°32 - Rome - Italy	–	–
Imprese Riunite Genova S.c.r.l. in liquidation	Via A. Gramsci, 20 - Genoa - Italy	25,500,00	25,822,84
Imprese Riunite Genova Seconda S.c.r.l. in liquidation	Via Serra, 2/9 - Genoa - Italy	25,000,00	(1,270,314,00)
Irimuse S.c.r.l.	Via Salaria, 1039 - Rome - Italy	619,745,00	619,748,00
M.N.6 S.C.r.l.	Via G.Ferraris n.101 - Naples - Italy	51,000,00	51,000,00
Napoli Porto S.c.r.l. in liquidation	Via Campania, 268 - Pozzuoli - Naples - Italy	10,328,00	10,329,14
NO.VI.FIN. Nova Via Festinat Industrias S.c.r.l.	Riviera di Chiaia, 72 - Naples - Italy	10,329,14	10,329,14
Pantano S.c.r.l.	Via Montello, 10 - Rome - Italy	40,800,00	41,316,55
Pavimental S.p.A.	Piazza Ferdinando De Lucia, 15 - Rome - Italy	4,669,132,00	10,299,392,00
Plus S.r.l.	Via del Tritone, 53 - Rome - Italy	765,000,00	2,380,732,00
Roma Lido S.c.r.l.	Via Carlo Pesenti, 121/123 - Rome - Italy	10,200,00	10,329,14
Skiarea Valchiavenna S.p.A.	Via del Crotto, 52 - Campodolcino - Italy	7,419,680,00	7,170,981,00
Sociedad Concesionaria BAS S.A.	Santiago de Chile - Chile	12,699,044,46	12,699,044,46
total 4) - other investee companies			

grand total

c) operating result	d)% held	e) book value	f) share of equity	i) distributed profits	h) balanced losses	g) allocation to provision for investment risks	l) equity as per art.2426 sub. 1 no. 4 it. civil code
(4,813,00)	49.950%	15,932,55	15,932,05	–	–	–	0,50
(1,194,00)	45.000%	2,242,35	8,992,35	–	–	–	(6,750,00)
–	22.840%	3,533,12	3,533,12	–	6,196,49	–	(6,196,49)
–	42.730%	16,268,35	19,861,33	–	–	–	(3,592,98)
93,391,00	49.000%	3,157,743,80	3,178,434,00	–	–	–	(20,690,20)
–	34.000%	10,535,72	10,535,58	–	–	–	0,14
–	29.000%	14,977,25	(31,001,58)	–	–	–	45,978,83
(161,73)	35.000%	14,152,93	14,152,93	–	–	–	–
–	52.240%	20,234,78	26,979,71	–	–	–	(6,744,93)
(52,759,00)	31.000%	6,355,000,00	6,986,493,56	–	–	–	(631,493,56)
–	30.000%	13,944,34	13,944,34	–	–	–	–
		15,981,236,00	(2,324,931,40)	–	20,618,626,46	535,153,60	(2,847,612,66)
11,379,00	0.010%	1,47	2,61	–	–	–	(1,14)
–	15.000%	1,419,957,65	622,827,41	–	–	–	797,130,24
–	14.000%	–	–	–	–	–	–
–	0.010%	4,65	4,65	–	–	–	–
–	0.010%	2,58	2,24	–	–	–	0,34
–	4.762%	22,133,87	22,134,31	–	–	–	(0,44)
–	2.000%	3,098,74	3,098,74	–	–	–	–
–	0.004%	6,20	6,20	–	–	–	–
–	0.010%	41,32	25,82	–	–	–	15,50
–	15.000%	23,240,56	23,240,56	–	–	–	–
–	11.111%	5,164,57	5,164,52	–	–	–	0,05
–	17.727%	27,571,13	27,571,69	–	–	–	(0,56)
(362,625,00)	1.000%	33,220,06	34,228,10	–	–	–	(1,008,04)
–	0.001%	5,164,57	–	–	–	–	5,164,57
–	0.001%	5,000,00	–	–	–	–	5,000,00
–	0.010%	1,03	1,02	–	–	–	0,01
–	10.000%	2,582,28	2,582,28	–	–	–	–
–	0.919%	7,333,69	45,381,45	–	–	–	(38,047,76)
–	0.001%	51,645,69	–	–	–	–	51,645,69
–	16.100%	4,157,48	4,157,48	–	–	–	–
(152,102,00)	16.100%	–	(204,520,55)	–	–	204,520,55	–
–	0.100%	619,75	619,75	–	–	–	–
–	1.000%	510,00	510,00	–	–	–	–
–	15.000%	1,549,37	1,549,37	–	–	–	–
–	0.010%	1,03	1,03	–	–	–	–
–	10.000%	4,131,66	4,131,66	–	–	–	–
–	1.303%	62,007,09	134,201,08	–	–	–	(72,193,99)
(100,946,00)	11.640%	877,832,28	277,117,20	–	–	–	600,715,08
–	19.115%	1,974,41	1,974,42	–	–	–	(0,01)
–	0.710%	17,838,66	50,913,97	–	–	–	(33,075,31)
–	0.100%	12,827,32	12,699,04	–	–	–	128,28
		2,589,619,11	1,069,626,05	–	–	204,520,55	1,315,472,51
		133,524,842,09	107,001,026,05	–	21,005,348,92	1,791,395,36	3,727,071,76

companies		currency	par value of share capital
1 - subsidiaries			
1 AR.GI S.p.A.	Via G.V. Bona, 65 - Rome - Italy	EUR	35,000,000,00
2 Assistenza Sviluppo e Tecnologie Ausiliarie alle Costruzioni (A.S.T.A.C.) S.r.l.	Via G.V. Bona, 65 - Rome - Italy	EUR	46,800,00
3 Astaldi Africa S.p.A. in liquidation	Addis Ababa - Ethiopia	EUR	1,033,00
4 Astaldi Algerie - E.u.r.l.	25 Cité Mohamed Hadj Ahmed Hydra wilaya d'Alger - Algiers - Algeria	DZD	50,000,000,00
5 Astaldi Arabia Ltd.	P.O. Box 58139 - Riyadh - Saudi Arabia	SAR	5,000,000,00
6 Astaldi Construction Corporation	8220 State Road 85 Davie - Florida - U.S.A.	US\$	4,290,000,00
7 Astaldi de Venezuela C.A.	C.C. C.T. 1ra Etapa Pliso 6 Of. 620 - Caracas - Venezuela	VEB	110,300,000,00
8 Astaldi Finance S.A.	Boulevard du Prince Henri 19-21 - Luxembourg	EUR	250,000,00
9 Astaldi International Inc.	Bank of Liberia Building P.O. Box 660 - Monrovia - Liberia	US\$	3,000,000,00
10 Astaldi International Ltd.	34-36 Gray's Inn Road - London - United Kingdom	GBP	2,000,000,00
11 Astaldi-Astaldi International J.V.	R. Armando Tivane, 466 - Matola Maputo - Mozambique	US\$	10,000,00
12 Astaldi-Burundi Association Momentanée	Avenue de l'O.U.A. B.P. 325 - Bujumbura - Burundi	US\$	50,000,00
13 Astaldi-Max Bogl-CCCC JV S.r.l.	Str.Carol Davilla n°70 - Bucharest - Romania	EUR	10,000,00
14 Astaldi-Sénégal Association en participation	Avenue Roume Dakar, 16 4ème G. S. - Dakar - Senegal	XOF	50,000,000,00
15 Astur Construction and Trade A.S.	Aydinpinar Cad. Kucukmehmetler Koyu - Ankara - Turkey	TRL	23,790,610,000,00
16 Bussentina S.c.r.l. in liquidation	Via G.V. Bona, 65 - Rome - Italy	EUR	25,500,00
17 C.O.MES. S.C.r.l.	Via G.V.Bona, 65 - Rome - Italy	EUR	20,000,00
18 CO.ME.NA. S.c.r.l.	Via Morghen, 36 - Naples - Italy	EUR	20,658,00
19 CO.MERI S.p.A.	Via G.V. Bona, 65 - Rome - Italy	EUR	35,000,000,00
20 CO.NO.CO. S.c.r.l.	Via G.V. Bona, 65 - Rome - Italy	EUR	25,500,00
21 Colli Albani S.c.r.l. in liquidation	Via G.V. Bona, 65 - Rome - Italy	EUR	25,500,00
22 Consorzio Astaldi - C.B.I.	Av. Iturralde 1308 Esquina San Salvador - La Paz - Bolivia	US\$	100,000,00
23 Consorzio A.R.Z. - Astaldi-R.I.C. - ZAIRE in liquidation	Via G.V. Bona, 65 - Rome - Italy	EUR	25,823,00
24 Consorzio Astaldi-C.M.B. Due in liquidation	Via G.V. Bona, 65 - Rome - Italy	EUR	10,329,00
25 Consorzio Olbia Mare in liquidation	Via G.V. Bona, 65 - Rome - Italy	EUR	15,494,00
26 Cospe S.c.r.l.	Via G.V. Bona, 65 - Rome - Italy	EUR	10,200,00
27 Diga di Arcichiaro S.c.r.l. in liquidation	Via G.V. Bona, 65 - Rome - Italy	EUR	35,700,00
28 DP 2M S.c.r.l. in liquidation	Via G.V. Bona, 65 - Rome - Italy	EUR	10,200,00
29 DIP.A. S.c.r.l. in liquidation	Via G.V. Bona, 65 - Rome - Italy	EUR	10,200,00
30 Eco Po Quattro S.c.r.l. in liquidation	Via G.V. Bona, 65 - Rome - Italy	EUR	25,500,00
31 Euroast S.r.l. in liquidation	Via G.V. Bona, 65 - Rome - Italy	EUR	15,300,00
32 Fiorbis S.c.r.l. in liquidation	Viale Sarca, 336 - Milan - Italy	EUR	46,481,00
33 Forum S.c.r.l.	Via G.V. Bona, 65 - Rome - Italy	EUR	51,000,00
34 I.F.C. Due S.c.r.l. in liquidation	Via G. V. Bona, 65 - Rome - Italy	EUR	45,900,00
35 I.F.C. S.c.r.l. in liquidation	Via G. V. Bona, 65 - Rome - Italy	EUR	45,900,00
36 Italstrade CCCF JV Romis S.r.l.	Piata Pache Protopopescu, 9 - Bucharest - Romania	LEI	5,400,000,000,00
37 Italstrade S.p.A.	Via Agrigento, 5 - Rome - Italy	EUR	25,563,340,00
38 Italstrade Somet JV Rometro S.r.l.	Str. Cap. Av. A. Serbanescu, 49 Sector 1 - Bucharest - Romania	LEI	22,000,000,00
39 Legnami Pasotti Italia I.C. S.r.l. in liquidation	Via Agrigento, 5 - Rome - Italy	EUR	51,000,00
40 Linea A S.c.r.l. in liquidation	Via G.V. Bona, 65 - Rome - Italy	EUR	25,500,00
41 Montedil-Astaldi S.p.A. (MONTAST) in liquidation	Via G.V. Bona, 65 - Rome - Italy	EUR	408,000,00
42 Mormanno S.c.r.l. in liquidation	Via G.V. Bona, 65 - Rome - Italy	EUR	10,200,00
43 Ospedale del Mare S.C.r.l.	Via G.V. Bona, 65 - Rome - Italy	EUR	50,000,00
44 Palese Park S.r.l.	Via G.V. Bona, 65 - Rome - Italy	EUR	1,020,000,00
45 Partenopea Finanza di Progetto S.p.A.	Via Galileo Ferraris 113-B - Naples - Italy	EUR	9,300,000,00
46 Portovesme S.c.r.l.	Via G.V. Bona, 65 - Rome - Italy	EUR	25,500,00
47 Quattro Venti S.c.r.l.	Via G.V. Bona, 65 - Rome - Italy	EUR	51,000,00
48 Redo-Association Momentanée	B.P. 8734 - Dem. Rep. of the Congo	ZRZ	50,000,00
49 Romairport S.r.l.	Via G.V. Bona, 65 - Rome - Italy	EUR	500,000,00
50 Romstrade S.r.l.	Piata Pache Protopopescu, 9 - Bucharest - Romania	LEI	10,000,000,000,00
51 S. Filippo S.c.r.l. in liquidation	Via G.V. Bona, 65 - Rome - Italy	EUR	10,200,00
52 S.P.T. - Società Passante Torino S.C.r.l.	Via G.V. Bona, 65 - Rome - Italy	Eur	50,000,00
53 S.U.G.C.T. S.A. Calarasi	Varianta Nord, 1 - Calarasi - Romania	LEI	13,618,975,000,00

total no. shares	no. shares held	book value at 31.12.2004	total increases	total decreases	reclassifications	book value at 31.12.2005	% owned directly	% owned indirectly	% total
-	-	-	34,996,500,00	-	-	34,996,500,00	99.990%	0.000%	99.990%
-	-	-	-	-	-	-	100.000%	0.000%	100.000%
-	-	-	-	-	-	-	100.000%	0.000%	100.000%
-	-	-	564,090,24	-	-	564,090,24	100.000%	0.000%	100.000%
5,000,00	3,000,00	892,389,49	-	-	-	892,389,49	60.000%	40.000%	100.000%
2,000,00	1,800,00	7,818,054,94	11,390,482,62	(13,761,094,96)	-	5,447,442,60	90.000%	10.000%	100.000%
110,300,00	110,083,00	1,297,205,29	-	-	-	1,297,205,29	99.804%	0.000%	99.804%
-	-	249,900,00	-	-	-	249,900,00	99.960%	0.000%	99.960%
300,000,00	276,000,00	-	-	-	-	-	0.000%	100.000%	100.000%
2,000,000,00	2,000,000,00	3,280,527,05	-	-	-	3,280,527,05	100.000%	0.000%	100.000%
-	-	-	-	-	-	-	0.000%	100.000%	100.000%
-	-	-	-	-	-	-	0.000%	100.000%	100.000%
-	-	-	1,600,00	-	5,000,00	6,600,00	66.000%	0.000%	66.000%
-	-	-	-	-	-	-	0.000%	100.000%	100.000%
2,379,061,00	2,355,270,00	563,992,99	-	-	-	563,992,99	99.000%	0.000%	99.000%
-	-	-	-	-	-	-	78.800%	0.000%	78.800%
-	-	11,000,00	-	-	-	11,000,00	55.000%	0.000%	55.000%
-	-	14,549,62	-	-	-	14,549,62	70.432%	0.000%	70.432%
-	-	-	34,996,500,00	-	-	34,996,500,00	99.990%	0.000%	99.990%
-	-	11,620,28	-	-	-	11,620,28	80.000%	0.000%	80.000%
-	-	5,514,00	-	-	(5,514,00)	-	60.000%	0.000%	60.000%
-	-	-	-	-	-	-	60.000%	0.000%	60.000%
-	-	192,22	-	(192,22)	-	-	1.000%	99.000%	100.000%
-	-	7,576,62	-	(4,368,78)	-	3,207,84	99.995%	0.000%	99.995%
-	-	-	-	-	-	-	72.500%	0.000%	72.500%
-	-	5,681,03	-	-	-	5,681,03	100.000%	0.000%	100.000%
-	-	-	-	-	-	-	100.000%	0.000%	100.000%
-	-	4,179,56	-	-	(4,179,56)	-	72.000%	0.000%	72.000%
-	-	-	-	-	-	-	100.000%	0.000%	100.000%
-	-	20,658,28	-	-	-	20,658,28	80.000%	0.000%	80.000%
-	-	-	-	-	-	-	100.000%	0.000%	100.000%
-	-	20,127,74	-	(1,283,08)	-	18,844,66	99.980%	0.000%	99.980%
-	-	30,982,25	-	-	-	30,982,25	59.990%	0.000%	59.990%
-	-	-	-	-	-	-	99.990%	0.000%	99.990%
-	-	15,493,71	-	(15,493,71)	-	-	66.660%	0.000%	66.660%
-	-	-	-	-	-	-	0.000%	51.000%	51.000%
5,112,668,00	5,112,668,00	24,954,786,81	-	-	-	24,954,786,81	100.000%	0.000%	100.000%
-	-	-	-	-	-	-	0.000%	51.000%	51.000%
-	-	-	-	-	-	-	0.000%	80.000%	80.000%
-	-	25,822,84	-	-	-	25,822,84	100.000%	0.000%	100.000%
800,000,00	360,000,00	650,735,69	-	-	-	650,735,69	100.000%	0.000%	100.000%
-	-	-	-	2,587,25	-	2,587,25	74.990%	0.000%	74.990%
-	-	-	30,000,00	-	-	30,000,00	60.000%	0.000%	60.000%
-	-	1,022,584,66	-	-	-	1,022,584,66	99.000%	0.000%	99.000%
-	-	-	5,579,070,00	-	-	5,579,070,00	59.990%	0.000%	59.990%
-	-	20,658,28	-	-	-	20,658,28	80.000%	0.000%	80.000%
-	-	30,987,41	-	-	-	30,987,41	60.000%	0.000%	60.000%
-	-	29,487,06	-	-	-	29,487,06	75.000%	25.000%	100.000%
-	-	-	-	-	-	-	0.000%	99.260%	99.260%
-	-	-	-	-	-	-	0.000%	51.000%	51.000%
-	-	-	-	413,71	-	413,71	80.000%	0.000%	80.000%
-	-	-	37,000,00	-	-	37,000,00	74.000%	0.000%	74.000%
-	-	-	-	-	-	-	0.000%	99.118%	99.118%

companies			currency	par value of share capital
subsidiaries				
54 Sartori Sud S.r.l.	Via Filomeno Consiglio n.20			–
55 Seac S.p.a.r.l. in liquidation	Avenue des Fleurs - Kinshasa/Gombe - Dem. Rep. of the Congo	ZRZ	200,000,000,00	
56 Servizi Tecnici Internazionali - I.T.S. S.p.A.	Via G.V. Bona, 65 - Rome - Italy	EUR	232,200,00	
57 Silva S.r.l. in liquidation	Via Monte Santo, 1 - Rome - Italy	EUR	15,300,00	
58 Susa Dora Quattro S.c.r.l.	Via G.V. Bona, 65 - Rome - Italy	EUR	51,000,00	
59 TE.CRO. S.c.r.l. in liquidation	Via G.V. Bona, 65 - Rome - Italy	EUR	10,200,00	
60 Todaro S.r.l. in liquidation	Via Giovanni Pacini, 12 - Palermo - Italy	EUR	233,580,00	
61 Toledo S.c.r.l.	Via Morghen, 36 - Naples - Italy	EUR	50,000,00	
62 Tri.Ace S.c.a.r.l. in liquidation	Via G.V. Bona, 65 - Rome - Italy	EUR	45,900,00	
63 Viadotti di Courmayeur S.c.r.l. in liquidation	Via G.V. Bona, 65 - Rome - Italy	EUR	10,200,00	
64 Viadotto Fadalto S.c.r.l. in liquidation	Viale Sarca, 336 - Milan - Italy	EUR	51,129,00	

total 1) - subsidiaries

2 - jointly controlled companies

1 Astaldi-Caldart AS.CAL. S.c.r.l. in liquidation	Via Giovanni Pacini, 12 - Palermo - Italy	EUR	46,800,00	
2 Colli Albani S.c.r.l. in liquidation	Via G.V. Bona, 65 - Rome - Italy	EUR	25,500,00	
3 DP 2M S.c.r.l. in liquidation	Via G.V. Bona, 65 - Rome - Italy	EUR	10,200,00	
4 S. Leonardo S.c.r.l. in liquidation	Via G.V. Bona, 65 - Rome - Italy	EUR	10,200,00	
5 Viadotti di Courmayeur S.c.r.l. in liquidation	Via G.V. Bona, 65 - Rome - Italy	EUR	10,200,00	

total 2) - jointly controlled companies

3 - associated companies

1 Adduttore Ponte Barca S.c.r.l. in liquidation	Via di Pietralata, 140 - Rome - Italy	EUR	45,900,00	
2 Almo S.c.r.l. in liquidation	Via privata D. Giustino, 3/A - Naples - Italy	EUR	46,481,00	
3 Alosa Immobiliare S.p.A. in liquidation	Via G.V. Bona, 65 - Rome - Italy	EUR	10,320,000,00	
4 Association en participation SEP				
Astaldi-Somatra-Bradero	Tunisia	TND	–	
5 Astaldi Bayindir J.V.	Ilkadir Sokak, 19 Gaziomanpasa- Ankara - Turkey	–	–	
6 Astaldi-Ferrocemento J.V.	10-Ha Khayaban-E-Shujat - Karachi - Pakistan	US\$	50,000,00	
7 Astaldi-Max Bogl-CCCF JV S.r.l.	Str.Carol Davilla n°70 - Bucharest - Romania	EUR	10,000,00	
8 Avola S.c.r.l. in liquidation	Via G.V. Bona, 65 - Rome - Italy	EUR	10,200,00	
9 Blufi 1 S.c.r.l. in liquidation	Zona Industriale - Agrigento - Italy	EUR	25,823,00	
10 C.F.M. S.c.r.l. in liquidation	Via privata D. Giustino, 3/A - Naples - Italy	EUR	41,317,00	
11 Carnia S.c.r.l. in liquidation	Via G.V. Bona, 65 - Rome - Italy	EUR	45,900,00	
12 Cogital S.c.r.l. in liquidation	Viale Italia, 1 - Milan - Italy	EUR	60,044,00	
13 Consorcio Astaldi-ICE	Av. Libertador Bolivar, 1842 - Cochabamba - Bolivia	–	–	
14 Consorcio Contuy Medio	Avida Andres Bello, Ed. Atlantic Piso 7, Of. 1-7 - Venezuela	US\$	40,000,00	
15 Consorcio DEI	Via San Nazaro, 19 - Genoa - Italy	EUR	26,000,00	
16 Consorcio Grupo Contuy - Proyectos y Obras de Ferrocarriles	CCC T. 1ra Etapa Piso 6 Of. 620 Chuao - Caracas - Venezuela	VEB	–	
17 Consorcio Metro Los Teques	Caracas - Venezuela	VEB	–	
18 Consorzio A.F.T.	Via G.V. Bona, 65 - Rome - Italy	EUR	46,481,00	
19 Consorzio A.F.T. Kramis	Via G.V. Bona, 65 - Rome - Italy	EUR	100,000,00	
20 Consorzio Bonifica Lunghezza - C.B.L.	Via Calderon de la Barca, 87 - Rome - Italy	EUR	10,000,00	
21 Consorzio Brundisium	Via Caboto n°1 - Corsico - Milan - Italy	EUR	12,000,00	
22 Consorzio C.I.R.C. in liquidation	Via G.V. Bona, 65 - Rome - Italy	EUR	51,000,00	
23 Consorzio Carnia in liquidation	Via G.V. Bona, 65 - Rome - Italy	EUR	51,646,00	
24 Consorzio Co.Fe.Sar.	Viale Liegi, 26 - Rome - Italy	EUR	51,646,00	
25 Consorzio Cogitau S.c.n.c. in liquidation	Via G.V. Bona, 65 - Rome - Italy	EUR	61,975,00	
26 Consorzio CONC.I.L. in liquidation	Via Passeggiata di Ripetta, 35 - Rome - Italy	EUR	10,329,00	
27 Consorzio Consarno	Via Napoli, 329 - Castellammare di Stabia (NA) - Italy	EUR	20,658,00	
28 Consorzio Consavia S.c.n.c. in liquidation	Via G.V. Bona, 65 - Rome - Italy	EUR	20,658,00	
29 Consorzio Dipenta S.p.A. - Ugo Vitolo in liquidation	Via Chiatamone, 57 - Naples - Italy	EUR	2,582,00	
30 Consorzio Europeo Armamento Alta Velocità - C.EAA.V.	Via G.V. Bona, 65 - Rome - Italy	EUR	206,583,00	

total no. shares	no. shares held	book value at 31.12.2004	total increases	total decreases	reclassifications	book value at 31.12.2005	% owned directly	% owned indirectly	% total
180,565,00	—	—	—	—	—	—	0.000%	100.000%	100.000%
—	—	—	—	—	—	—	0.000%	100.000%	100.000%
—	—	—	—	—	—	—	0.000%	100.000%	100.000%
—	—	—	—	—	—	—	99.000%	0.000%	99.000%
—	—	46,481,12	—	—	—	46,481,12	90.000%	0.000%	90.000%
—	—	—	—	—	—	—	100.000%	0.000%	100.000%
—	—	—	—	—	—	—	0.000%	100.000%	100.000%
—	—	45,197,00	—	—	—	45,197,00	90.394%	0.000%	90.394%
—	—	37,184,90	—	—	—	37,184,90	80.000%	0.000%	80.000%
—	—	3,718,49	—	—	(3,718,49)	—	66.670%	0.000%	66.670%
—	—	27,263,07	—	(6,051,97)	—	21,211,10	80.000%	0.000%	80.000%
		41,144,552,40	87,595,242,86	-13,785,483,76	-8,412,05	114,945,899,45			
—	—	—	—	—	—	—	60.000%	0.000%	60.000%
—	—	—	—	(3,880,20)	5,514,00	1,633,80	60.000%	0.000%	60.000%
—	—	—	—	(1,444,32)	4,179,56	2,735,24	72.000%	0.000%	72.000%
—	—	—	—	—	—	—	51.000%	0.000%	51.000%
—	—	—	—	—	3,718,49	3,718,49	66.670%	0.000%	66.670%
		0,00	0,00	(5,324,52)	13,412,05	8,087,53			
2,000,000,00	1,000,000,00	11,308,86	—	—	—	11,308,86	24.330%	0.000%	24.330%
—	—	16,268,39	—	—	—	16,268,39	35.000%	0.000%	35.000%
—	—	—	—	—	—	—	50.000%	0.000%	50.000%
—	—	—	—	—	—	—	40.000%	0.000%	40.000%
—	—	—	—	—	—	—	50.000%	0.000%	50.000%
—	—	20,314,32	—	—	—	20,314,32	50.000%	0.000%	50.000%
—	—	5,000,00	—	—	(5,000,00)	—	66.000%	0.000%	66.000%
—	—	—	—	—	—	—	50.000%	0.000%	50.000%
—	—	4,188,52	—	—	—	4,188,52	32.000%	0.000%	32.000%
—	—	20,658,28	—	—	—	20,658,28	50.000%	0.000%	50.000%
—	—	—	—	—	—	—	33.000%	0.000%	33.000%
—	—	29,913,00	—	4,076,00	—	33,989,00	50.000%	0.000%	50.000%
—	—	—	—	—	—	—	50.000%	0.000%	50.000%
—	—	109,617,98	—	—	—	109,617,98	28.300%	0.000%	28.300%
—	—	—	—	—	—	—	0.000%	35.000%	35.000%
—	—	—	—	—	—	—	32.330%	0.000%	32.330%
—	—	2,00	—	—	—	2,00	30.000%	0.000%	30.000%
—	—	15,493,71	—	—	—	15,493,71	33.330%	0.000%	33.330%
—	—	49,995,00	—	—	—	49,995,00	49.995%	0.000%	49.995%
—	—	4,900,00	—	—	—	4,900,00	49.000%	0.000%	49.000%
—	—	4,000,00	—	—	—	4,000,00	33.333%	0.000%	33.333%
—	—	12,911,42	—	—	—	12,911,42	25.000%	0.000%	25.000%
—	—	17,043,08	—	(17,043,08)	—	—	33.000%	0.000%	33.000%
—	—	15,493,71	—	—	—	15,493,71	30.000%	0.000%	30.000%
—	—	23,612,40	—	(23,612,40)	—	—	38.100%	0.000%	38.100%
—	—	—	—	—	—	—	0.000%	50.000%	50.000%
—	—	5,164,57	—	—	—	5,164,57	25.000%	0.000%	25.000%
—	—	5,164,57	—	—	—	5,164,57	25.000%	0.000%	25.000%
—	—	—	—	—	—	—	50.000%	0.000%	50.000%
—	—	—	—	—	—	—	0.000%	25.000%	25.000%

companies		currency	par value of share capital
associated companies			
31	Consorzio Ferrofir in liquidation	Via F.Tovaglieri, 17- Rome - Italy	EUR 30,987,00
32	Consorzio Gi.It. in liquidation	Via privata D. Giustino, 3/A - Naples - Italy	EUR 2,582,00
33	Consorzio I.R.S.A.	Via Argine, 425 - Naples - Italy	EUR -
34	Consorzio Iricav Due	Via F. Tovaglieri, 413 - Rome - Italy	EUR 510,000,00
35	Consorzio Iricav Uno	Via F. Tovaglieri, 413 - Rome - Italy	EUR 520,000,00
36	Consorzio Ital.Co.Cer.	Piazza Buenos Aires, 5 - Rome - Italy	EUR 51,600,00
37	Consorzio Italvenezia	Via Salaria, 1039 - Rome - Italy	EUR 77,450,00
38	Consorzio L.A.R. in liquidation	Via Palestro, 30 - Rome - Italy	EUR 206,583,00
39	Consorzio Metrofer	Viale Liegi, 26 - Rome - Italy	EUR 25,823,00
40	Consorzio Novocen	Via Oraz, 143 - Naples - Italy	EUR 51,640,00
41	Consorzio Ponte Stretto di Messina	Via G.V.Bona n°65 - Rome - Italy	EUR 100,000,00
42	Consorzio Qalat	Corso Carlo Marx, 19 - Misterbianco (CT) - Italy	EUR 10,327,00
43	Consorzio Recchi S.p.A. - Astaldi S.p.A.	Via Salaria, 1039 - Rome - Italy	EUR 51,646,00
44	Consorzio Tre Fontane Nord in liquidation	Via G.V. Bona, 65 - Rome - Italy	EUR 15,494,00
45	Diga di Blufi S.c.r.l.	Via G.V. Bona, 65 - Rome - Italy	EUR 45,900,00
46	Ecosarno S.c.r.l.	Viale Italia, 1 - Sesto S. Giovanni (MI) - Italy	EUR 50,490,00
47	Fosso Canna S.c.r.l. in liquidation	Via G.V. Bona, 65 - Rome - Italy	EUR 25,500,00
48	Groupement Cir S.p.A.	Via Agrigento, 5 - Rome - Italy	EUR 156,000,00
49	Groupement Eurolep	Shifflandestrasse, 35 - Aaran 5000 - Switzerland	CHF 100,000,00
50	Groupement Italgisas	Angle Boulevard de la Resistance et Rue de Puissesaux - Casablanca - Morocco	MAD 207,014,000,00
51	Holding Eléctrica Centroamericana S.p.A. - (Heca S.p.A.) in liquidation	Via G.V. Bona, 65 - Rome - Italy	EUR 100,000,00
52	Hydro Honduras S.A. (Hydro West y Asociados S.A.)	Ap.3199, Salida Norte Blvd. Fuerzas Armadas - El Carrizal - Tegucigalpa - Honduras	HNL 35,440,000,00
53	Infralegrea S.c.r.l.	Via privata D. Giustino, 3/A - Naples - Italy	EUR 46,600,00
54	Isclero S.c.r.l. in liquidation	Via G.V. Bona, 65 - Rome - Italy	EUR 12,000,00
55	Italsagi Sp. Zo. O.	Ul. Powstancow - Katowice - Poland	PLN 100,000,000,00
56	M.N. Metropolitana di Napoli S.p.A.	Via Galileo Ferraris, 101 - Naples - Italy	EUR 3,655,397,00
57	Marsico Nuovo S.c.r.l. in liquidation	Via Dora, 2 - Rome - Italy	EUR 10,200,00
58	Max Bogl-Astaldi-CCCF Asocierea JV S.r.l.	Blv.Eroi Sanitar,49 - Bucharest - Romania	EUR 10,000,00
59	ME.SA. S.c.r.l. in liquidation	Via della Cooperazione, 30 - Bologna - Italy	EUR 40,800,00
60	Messina Stadio S.c.r.l.	Via G.V. Bona, 65 - Rome - Italy	EUR 45,900,00
61	Metrogenova S.c.r.l.	Via IV Novembre snc -Spianata Acquasola - 16121 Genoa - Italy	EUR 25,500,00
62	Metroveneta S.c.r.l. in liquidation	Piazza Castello, 16 - Padua - Italy	EUR 25,500,00
63	Monte Vesuvio S.c.r.l. in liquidation	Viale Italia, 1 - Sesto S. Giovanni (MI) - Italy	EUR 45,900,00
64	Mose-Treporti S.c.r.l.	Via C.Battisti n°2 - Venice - Mestre - Italy	EUR 10,000,00
65	N.P.F. - Nuovo Polo Fieristico S.c.r.l.	Via G.V. Bona, 65 - Rome - Italy	EUR 40,000,00
66	Nova Metro S.c.r.l. in liquidation	Via Montello, 10 - Rome - Italy	EUR 40,800,00
67	Pegaso S.c.r.l.	Via F. Tovaglieri, 17 - Rome - Italy	EUR 260,000,00
68	Piana di Licata S.c.r.l. in liquidation	Via G. V. Bona, 65 - Rome - Italy	EUR 10,200,00
69	Piceno S.c.r.l. in liquidation	Viale Italia, 1 - Sesto S. Giovanni (MI) - Italy	EUR 10,200,00
70	Pont Ventoux S.c.r.l.	Via G.V. Bona, 65 - Rome - Italy	EUR 51,000,00
71	Principe Amedeo S.c.r.l. in liquidation	Via G.V. Bona, 65 - Rome - Italy	EUR 10,200,00
72	Priolo Siracusa S.c.r.l.	Piazza Velasca, 4 - Milan - Italy	EUR 11,000,00
73	Raggruppamento Astaldi-Vianini in liquidation	S.P. per Fisciano Km.1 - Fisciano (SA) - Italy	EUR 25,823,00
74	S.A.A.L.P. S.n.c. in liquidation	Via Boncompagni, 47 - Rome - Italy	EUR 51,646,00
75	S.A.C.E.S. S.r.l. in liquidation	Via G.V. Bona, 65 - Rome - Italy	EUR 26,000,00
76	S.E.I.S. S.p.A.	Via Monte Santo, 1 - Rome - Italy	EUR 3,877,500,00
77	Sa.Di.Pe. S.c.r.l. in liquidation	Via della Dataria, 22 - Rome - Italy	EUR 40,800,00
78	Salgit S.r.l.	Via della Dataria, 22 - Rome - Italy	EUR 10,200,00
79	Santangelo S.c.r.l. in liquidation	Via G.V. Bona, 65 - Rome - Italy	EUR 51,000,00
80	SO.GE.DEP. S.r.l. in liquidation	Via dell'Astronomia, 9 - Rome - Italy	EUR 20,400,00
81	So.Gr.Es. S.c.p.a. in liquidation	Via Molise, 11 - Rome - Italy	EUR 129,000,00
82	Tangenziale Seconda S.c.r.l. in liquidation	Via G.V. Bona, 65 - Rome - Italy	EUR 45,900,00
83	Transeuropska Autocesta d.o.o	Maksimirska 120/III 10000 - Zagreb - Croatia	HRK 49,019,600,00

total no. shares	no. shares held	book value at 31.12.2004	total increases	total decreases	reclassifications	book value at 31.12.2005	% owned directly	% owned indirectly	% total
-	-	20,658,28	-	-	-	20,658,28	66.666%	0.000%	66.666%
-	-	1,291,14	-	-	-	1,291,14	50.000%	0.000%	50.000%
-	-	-	-	-	-	-	0.000%	50.000%	50.000%
-	-	170,379,13	-	-	-	170,379,13	32.990%	0.000%	32.990%
-	-	145,132,00	-	-	-	145,132,00	27.910%	0.000%	27.910%
-	-	15,493,71	-	-	-	15,493,71	30.000%	0.000%	30.000%
-	-	19,367,13	-	-	-	19,367,13	25.000%	0.000%	25.000%
-	-	51,645,69	-	-	-	51,645,69	41.660%	0.000%	41.660%
-	-	8,607,62	-	-	-	8,607,62	33.320%	0.000%	33.320%
-	-	19,475,59	-	-	-	19,475,59	40.760%	0.000%	40.760%
-	-	-	24,740,00	-	-	24,740,00	24.740%	0.000%	24.740%
-	-	4,131,66	-	-	-	4,131,66	40.000%	0.000%	40.000%
-	-	25,822,84	-	-	-	25,822,84	50.000%	0.000%	50.000%
-	-	-	-	-	-	-	33.333%	0.000%	33.333%
-	-	23,240,56	-	-	-	23,240,56	50.000%	0.000%	50.000%
-	-	17,043,08	-	-	-	17,043,08	33.334%	0.000%	33.334%
-	-	3,509,44	-	(346,88)	-	3,162,56	32.000%	0.000%	32.000%
-	-	-	-	-	-	-	0.000%	33.330%	33.330%
-	-	8,087,51	-	-	-	8,087,51	22.000%	0.000%	22.000%
-	-	-	-	-	-	-	0.000%	40.000%	40.000%
100,000,00	50,000,00	-	-	-	-	-	50.000%	0.000%	50.000%
70,880,00	14,370,00	519,624,88	-	(519,624,88)	-	-	20.293%	0.000%	20.293%
-	-	23,300,00	-	-	-	23,300,00	50.000%	0.000%	50.000%
-	-	-	-	-	-	-	31.170%	0.000%	31.170%
-	-	-	-	-	-	-	0.000%	34.000%	34.000%
7,310,794,00	1,653,725,00	3,298,708,14	-	-	-	3,298,708,14	22.620%	0.000%	22.620%
-	-	-	-	-	-	-	25.000%	0.000%	25.000%
-	-	2,500,00	898,91	-	-	3,398,91	33.000%	0.000%	33.000%
-	-	10,329,14	-	-	-	10,329,14	25.000%	0.000%	25.000%
-	-	15,493,71	-	-	-	15,493,71	33.330%	0.000%	33.330%
-	-	5,055,48	-	-	-	5,055,48	21.810%	0.000%	21.810%
-	-	12,911,42	-	-	-	12,911,42	50.000%	0.000%	50.000%
-	-	23,240,56	-	-	-	23,240,56	50.000%	0.000%	50.000%
-	-	3,500,00	-	-	-	3,500,00	35.000%	0.000%	35.000%
-	-	20,000,00	-	-	-	20,000,00	50.000%	0.000%	50.000%
-	-	8,263,31	-	-	-	8,263,31	24.100%	0.000%	24.100%
-	-	113,750,00	-	-	-	113,750,00	43.750%	0.000%	43.750%
-	-	-	-	-	-	-	43.750%	0.000%	43.750%
-	-	-	-	-	-	-	50.000%	0.000%	50.000%
-	-	23,240,56	-	-	-	23,240,56	56.250%	0.000%	56.250%
-	-	-	-	-	-	-	50.000%	0.000%	50.000%
-	-	2,065,83	-	-	-	2,065,83	20.000%	0.000%	20.000%
-	-	10,557,50	-	(2,097,00)	-	8,460,50	50.000%	0.000%	50.000%
-	-	15,493,71	-	-	-	15,493,71	30.000%	0.000%	30.000%
-	-	9,554,45	-	-	-	9,554,45	37.000%	0.000%	37.000%
750,000,00	362,475,00	1,872,156,26	-	-	-	1,872,156,26	48.330%	0.000%	48.330%
-	-	18,999,48	-	(3,066,93)	-	15,932,55	49.950%	0.000%	49.950%
-	-	-	-	-	-	-	0.000%	33.000%	33.000%
-	-	10,821,60	-	(8,579,25)	-	2,242,35	45.000%	0.000%	45.000%
-	-	3,533,12	-	-	-	3,533,12	22.840%	0.000%	22.840%
-	-	32,278,56	-	(32,278,56)	-	-	25.000%	0.000%	25.000%
-	-	19,860,90	-	(3,592,55)	-	16,268,35	42.730%	0.000%	42.730%
-	-	3,157,743,80	-	-	-	3,157,743,80	49.000%	0.000%	49.000%

companies		currency	par value of share capital
associated companies			
84 Truncu Reale S.c.r.l.	Via G.V. Bona, 65 - Rome - Italy	EUR	30,600,00
85 V.A.S.CO. Imprese Riunite	Via Montello, 10 - Rome - Italy	EUR	51,646,00
86 Val Pola S.c.r.l. in liquidation	Viale Sarca, 336 - Milan - Italy	EUR	46,481,00
87 Valle Caudina S.c.r.l. in liquidation	Via G.V. Bona, 65 - Rome - Italy	EUR	50,000,00
88 Veneta Sanitaria Finanza di Progetto - V.S.F.P. S.p.A.	Piazzetta Monsignor Olivotti, 9 - Mestre - VE	EUR	20,500,000,00
89 Vesuviana Strade S.c.r.l.	Via G.V. Bona, 65 - Rome - Italy	EUR	45,900,00
total 3) - Associated companies			

4 - other investee companies

1 A.M.P. S.c.r.l. in liquidation	Viale Caduti di tutte le guerre, 7 - Bari - Italy	EUR	25,822,00
2 Aguas de San Pedro S.A. de C.V.	Departamento de Cortes - San Pedro Sula - Honduras	HNL	100,000,000,00
3 Astaldi-Sarantopulos J.V.	Athens - Greece	-	-
4 Bocca di Malamocco S.c.r.l.	Via Salaria, 1039 - Rome - Italy	EUR	30,987,00
5 C.F.C. S.c.r.l.	Via privata D. Giustino, 3/A - Naples - Italy	EUR	45,900,00
6 Co.Sa.Vi.D. S.c.r.l.	Carini - Contrada Foresta Z.I. - Palermo - Italy	EUR	25,500,00
7 Consorzio Asse Sangro in liquidation	Via della Fonte di Fauno, 2/A bis - Rome - Italy	EUR	464,811,00
8 Consorzio Centro Uno	C.so Vittorio Emanuele, 130 - Naples - Italy	EUR	154,937,00
9 Consorzio Ferroviario Vesuviano	Via Argine, 425 - Naples - Italy	EUR	154,937,00
10 Consorzio Groupement Lesi-Dipenta	Via Indonesia, 100 - Rome - Italy	EUR	258,228,00
11 Consorzio Tagliamento	Via G.V. Bona, 101/C - Rome - Italy	EUR	154,937,00
12 Consorzio Team	Viale Sarca, 336 - Milan - Italy	EUR	45,900,00
13 Consorzio TRA.DE.CI.V.	Via G. Verdi, 35 - Naples - Italy	EUR	154,937,00
14 Copenhagen Metro Construction Group J.V. (COMET)	Refshaleoen, 147 P.O. Box 1920 - Copenhagen - Denmark	DKK	-
15 Costruttori Romani Riuniti Grandi Opere S.p.A.	Via P. Stanislao Mancini, 2 - Rome - Italy	EUR	5,164,568,00
16 Fondazione Accademia Nazionale di S. Cecilia	Via Vittoria, 6 - Rome - Italy	EUR	-
17 Fondazione Filarmonica Arturo Toscanini	Strada della Repubblica, 57 - Parma - Italy	Eur	-
18 Fusaro S.C.r.l.	Via privata D. Giustino, 3/A - Naples - Italy	EUR	10,200,00
19 G.G.O. S.c.r.l. in liquidation	Zona Industriale - Agrigento - Italy	EUR	25,500,00
20 I.SV.E.UR. Istituto per lo Sviluppo Edilizio ed Urbanistico S.p.A.	Via Lungotevere de' Cenci n°9 - Rome - Italy	Eur	2,500,000,00
21 IGI - Istituto Grandi Infrastrutture	Via Ovidio, n°32 - Rome - Italy	Eur	-
22 Imprese Riunite Genova S.c.r.l. in liquidation	Via A. Gramsci, 20 - Genoa - Italy	EUR	25,500,00
23 Imprese Riunite Genova Seconda S.c.r.l. in liquidation	Via Serra, 2/9 - Genoa - Italy	EUR	25,000,00
24 Irimuse S.c.r.l.	Via Salaria, 1039 - Rome - Italy	EUR	619,745,00
25 Italstrade CCCF JV Bucuresti S.r.l.	Gheorghe Manu, 20 Sector 1 - Bucharest - Romania	LEI	2,000,000,00
26 M.N.6 S.C.r.l.	Via G.Ferraris n.101 - Naples - Italy	EUR	51.000,00
27 Napoli Porto S.c.r.l. in liquidation	Via G. Verdi, 35 - Naples - Italy	EUR	10,328,00
28 NO.VI.F.IN. Nova Via Festinat Industries S.c.r.l.	Riviera di Chiaia, 72 - Naples - Italy	EUR	10,329,00
29 Pantano S.c.r.l.	Via Montello, 10 - Rome - Italy	EUR	40,800,00
30 Pavimental S.p.A.	Piazza Ferdinando De Lucia, 15 - Rome - Italy	EUR	4,669,132,00
31 Plus S.r.l.	Via del Tritone, 53 - Rome - Italy	EUR	765,000,00
32 Roma Lido S.c.r.l.	Via Carlo Pesenti, 121/123 - Rome - Italy	EUR	10,200,00
33 Skiarea Valchiavenna S.p.A.	Via del Crotto, 52 - Campodolcino - Italy	EUR	7,419,680,00
34 Sociedad Concesionaria BAS S.A.	Santiago de Chile - Chile	Pesos Cileno	8,876,340,000,00
35 Yellow River Contractors	P.O. Box 073 - Luoyang - People's Rep. of China	US\$	999,336,00

total 4) - other investee companies

193 grand total

total no. shares	no. shares held	book value at 31.12.2004	total increases	total decreases	reclassifications	book value at 31.12.2005	% owned directly	% owned indirectly	% total
-	-	10,535,72	-	-	-	10,535,72	34.000%	0.000%	34.000%
-	-	14,977,25	-	-	-	14,977,25	29.000%	0.000%	29.000%
-	-	15,921,46	-	(1,768,53)	-	14,152,93	35.000%	0.000%	35.000%
-	-	20,234,78	-	-	-	20,234,78	52.240%	0.000%	52.240%
205,000,00	63,550,00	6,355,000,00	-	-	-	6,355,000,00	31.000%	0.000%	31.000%
-	-	13,944,34	-	-	-	13,944,34	30.000%	0.000%	30.000%
		16,568,531,15	25,638,91	(607,934,06)	(5,000,00)	15,981,236,00			
-	-	1,47	-	-	-	1,47	0.010%	0.000%	0.010%
-	14,700,000,00	1,046,472,78	373,484,87	-	-	1,419,957,65	15.000%	0.000%	15.000%
-	-	-	-	-	-	-	14.000%	0.000%	14.000%
-	-	3,10	-	(3,10)	-	-	0.010%	0.000%	0.010%
-	-	4,65	-	-	-	4,65	0.010%	0.000%	0.010%
-	-	2,58	-	-	-	2,58	0.010%	0.000%	0.010%
-	-	22,133,87	-	-	-	22,133,87	4.762%	0.000%	4.762%
-	-	3,098,74	-	-	-	3,098,74	2.000%	0.000%	2.000%
-	-	6,20	-	-	-	6,20	0.004%	0.000%	0.004%
-	-	41,32	-	-	-	41,32	0.010%	0.000%	0.010%
-	-	23,240,56	-	-	-	23,240,56	15.000%	0.000%	15.000%
-	-	5,164,57	-	-	-	5,164,57	11.111%	0.000%	11.111%
-	-	27,571,13	-	-	-	27,571,13	17.727%	0.000%	17.727%
-	-	-	-	-	-	-	0.000%	15.000%	15.000%
400,00	2,00	51,645,68	-	(18,425,62)	-	33,220,06	1.000%	0.000%	1.000%
-	-	5,164,57	-	-	-	5,164,57	0.001%	0.000%	0.001%
-	-	-	5,000,00	-	-	5,000,00	0.001%	0.000%	0.001%
-	-	1,03	-	-	-	1,03	0.010%	0.000%	0.010%
-	-	2,582,28	-	-	-	2,582,28	10.000%	0.000%	10.000%
2,500,00	5,00	-	7,333,69	-	-	7,333,69	0.919%	0.000%	0.919%
-	-	-	51,645,69	-	-	51,645,69	0.001%	0.000%	0.001%
-	-	4,157,48	-	-	-	4,157,48	16.100%	0.000%	16.100%
-	-	-	-	-	-	-	16.100%	0.000%	16.100%
-	-	619,75	-	-	-	619,75	0.100%	0.000%	0.100%
-	-	-	-	-	-	-	0.000%	1.000%	1.000%
-	-	510,00	-	-	-	510,00	1.000%	0.000%	1.000%
-	-	1,549,37	-	-	-	1,549,37	15.000%	0.000%	15.000%
-	-	1,03	-	-	-	1,03	0.010%	0.000%	0.010%
-	-	4,131,66	-	-	-	4,131,66	10.000%	0.000%	10.000%
35,916,399,00	468,029,00	62,007,09	-	-	-	62,007,09	1.303%	0.000%	1.303%
-	-	889,582,40	-	(11,750,12)	-	877,832,28	11.640%	0.000%	11.640%
-	-	1,974,41	-	-	-	1,974,41	19.115%	0.000%	19.115%
-	-	17,838,66	-	-	-	17,838,66	0.710%	0.000%	0.710%
990,00	169,00	12,827,32	-	-	-	12,827,32	0.100%	0.000%	0.100%
-	-	-	-	-	-	-	0.000%	14.000%	14.000%
		2,182,333,70	437,464,25	(30,178,84)	0,00	2,589,619,11			
		59,895,417,25	88,058,346,02	(14,428,921,18)	0,00	133,524,842,09			

Independent Auditors' Report



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INDEPENDENT AUDITORS' REPORT pursuant to article 156 of Legislative Decree of February 24, 1998, n. 58 (Translation from the original Italian text)

To the Shareholders of
Astaldi S.p.A.

1. We have audited the financial statements as of and for the year ended December 31, 2005, comprising the balance sheet, the statements of income, changes in shareholders' equity and cash flows and the related explanatory notes of Astaldi S.p.A.. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. These financial statements represent the first financial statements prepared by Astaldi S.p.A. in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.
2. We conducted our audit in accordance with auditing standards and procedures recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards and procedures, we planned and performed our audit to obtain the information necessary to determine whether the financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness and correct application of the accounting principles and the reasonableness of the estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

For comparative purposes, the financial statements include the corresponding information for the prior year prepared in accordance with consistent accounting principles except for the effects of IAS 32 and IAS 39 which have been applied from January 1^o 2005 in accordance with the exemption allowed by IFRS 1. In addition, Appendix "Transition to International Accounting Principles (IFRSs)" of the financial statements explains the effects of transition to IFRS as adopted by the European Union. The financial information and relative disclosures included in such appendix have been audited by us for our opinion on financial statements for the year ended December 31, 2005.

■ Reconta Ernst & Young S.p.A.
Sede Legale: 00196 Roma - Via G.D. Romagnosi, 18/A
Capitale Sociale € 1.259.500,00 i.v.
Iscritta alla S.O. del Registro delle Imprese presso la C.C.I.A.A. di Roma
Codice fiscale e numero di iscrizione 00434000584
P.I. 00891231003
(vecchio numero R.I. 6697/89 - numero R.E.A. 250904)

3. In our opinion, the financial statements present clearly and give a true and fair view of the financial position, the result of operations, the changes in shareholders' equity and the cash flows of Astaldi S.p.A. as of December 31, 2005, and for the year then ended in accordance with IFRS as adopted by the European Union.

Rome, April 12, 2006

Reconta Ernst & Young S.p.A.
Signed by: Roberto Tabarrini (Partner)

o t h e r i n f o r m a t i o n

Report of the Board of Statutory Auditors	298
Shareholders' Meeting Resolutions	300

Report of the Board of Statutory Auditors

Dear Shareholders,

During the course of 2005, the Board of Auditors performed the supervisory activities provided for by Legislative Decree No. 58/98 and this report has been drawn up in accordance with CONSOB guidelines.

Specifically:

1. We verified — by means of direct observation and meetings with department managers and with the audit company — compliance with the principles of correct management, as well as with the law and corporate by-laws;
2. We attended board meetings and obtained information from the Directors, on a minimum quarterly basis, regarding activities carried out and the main economic, financial and asset transactions of the company and its principal subsidiaries; we can reasonably assure you that the actions resolved upon and implemented comply with the law and the corporate by-laws and do not appear to be imprudent, risky, in potential conflict of interest or in contrast with the resolutions of the Meeting, or such as to compromise the integrity of corporate assets;
3. We acquired knowledge and verified — within our sphere of responsibility — the suitability of the company's organizational structure, as well compliance with the principles of correct management and the satisfactoriness of instructions given by the company to subsidiaries in accordance with Article 114, Sub-section 2 of Legislative Decree No. 58/98; this was achieved through the gathering of information from managers of the organizational department and meetings with the independent auditors in order to mutually exchange data and information, and we do not have any specific comments to make in this regard;
4. We have taken note that the audit company issued their own report on April 12, 2006 which does not contain any observations or informative reminders;
5. We checked that there were no charges filed under Article 2408 of Italian Civil Code, or claims by third parties;
6. We appraised and evaluated the suitability of the administrative-accounting system and its reliability in correctly representing management matters; this was done by obtaining information from managers of the respective departments, as well as by examining corporate documents and analyzing the results of the work carried out by the audit company;
7. We evaluated and verified the suitability of the internal audit system; internal auditing is carried out by a specially assigned unit which — also by coordinating and integrating audit activities and checks carried out by various corporate departments playing an assurance role — verified compliance with current legislation, Group guidelines and corporate procedures, as well as observance of proxies and correct conduct; this unit also proposed corrective actions or solutions aimed at improving the procedural and audit system;
8. We took part in the activities of the Internal Audit Committee during the year; the latter's activities are reported in the Annual Report under Corporate Governance, at your disposal;
9. We held meetings with the representatives of the audit company, in compliance

with Article 150, Sub-section 2 of Legislative Decree No. 58/98, and no significant data or details emerged;

10. We obtained information on activities implemented in accordance with Legislative Decree No. 231/2001 regarding the administrative responsibilities of bodies with regards to crimes against the public administration;
11. The Company complies with the Self-Governance Code of listed companies, established by Borsa Italiana S.p.A.; the internal structure is in keeping with the guidelines of said Code;
12. At the specific request of the Deputy Chief Financial Officer and confirmed by the audit company, the Board of Auditors noted that the audit company was assigned an additional task in 2005 regarding conversion to IFRS, and auditing of the comparative financial statements, for a fee of EUR 150,000.00, and the tasks listed below, assigned to individuals employed by the audit company are confirmed for the following fees:
 - a. due diligence aimed at acquiring the shares of a company in the construction sector for EUR 88,000.00;
 - b. assessment of areas at risk/crime in relation to updating of organisational model following the introduction of Article 25-sexies of Legislative Decree No. 231/01 for EUR 10,000.00.
13. As regards transactions with related parties and intragroup operations, the information provided by the Directors in the management report is suitable for describing the activities carried out in 2005; these activities were performed in compliance with the framework-resolution adopted by the Board of Directors and were carried out in the interests of your Company.

No atypical or unusual operations with respect to normal management, or conflicts of interest regarding Directors, were noted.

The aforementioned supervisory activities for 2005 were carried out at five Board of Auditors' Meetings and by attending nine meetings of the Board of Directors and four meetings of the Internal Audit Committee.

During the course of the supervisory activity, and according to information obtained from the independent auditors, no omissions and/or censurable facts and/or irregularities were noted — or in any case facts of such significance as to require their reporting to supervisory bodies or inclusion in this report.

In taking note of the results of the financial statements, the Board of Auditors, in accordance with Article 153, Sub-section 2 of Legislative Decree No. 58/98, asks you to approve them as prepared by the Board of Directors.

Rome - April 12, 2006

BOARD OF AUDITORS

(Eugenio Pinto)

(Pierpaolo Singer)

(Pierumberto Spanò)

Shareholders' Meeting Resolutions

The Shareholders' Meeting, held at first call on April 28, 2006, resolved upon the following:

- To approve the financial statements at December 31, 2005 and the Board of Directors' Report, drafted in accordance with Article 2428 of the Italian Civil Code, together with the allocation of profits proposed by the Board of Directors;
- To appoint the Board of Auditors for the three-year period 2006-2008 that will remain in office until approval of the financial statements at December 31, 2008, in the persons of Pierumberto Spanò, Chairman, Eugenio Pinto and Pierpaolo Singer, Statutory Auditors; Antonio Sisca, Maurizio Lauri and Massimo Tabellini, Alternate Auditors;
- To renew the plan to buy and sell treasury shares for an additional 18 months, in accordance with the procedures put forward by the Board of Directors.



Fully Paid Up Share Capital € 98,424,900.00
Listed in the Registry of Companies of Rome
Tax Number 00398970582
Registered with Chamber of Commerce under n. 152353
VAT n. 00880281001

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Miraflores
La Paz – Bolivia

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Bogotá – Colombia

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Pointe Noire – B.P. 1426
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mts. sur, 200 mts. este, Urbanización la Suiza 150 mts.
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