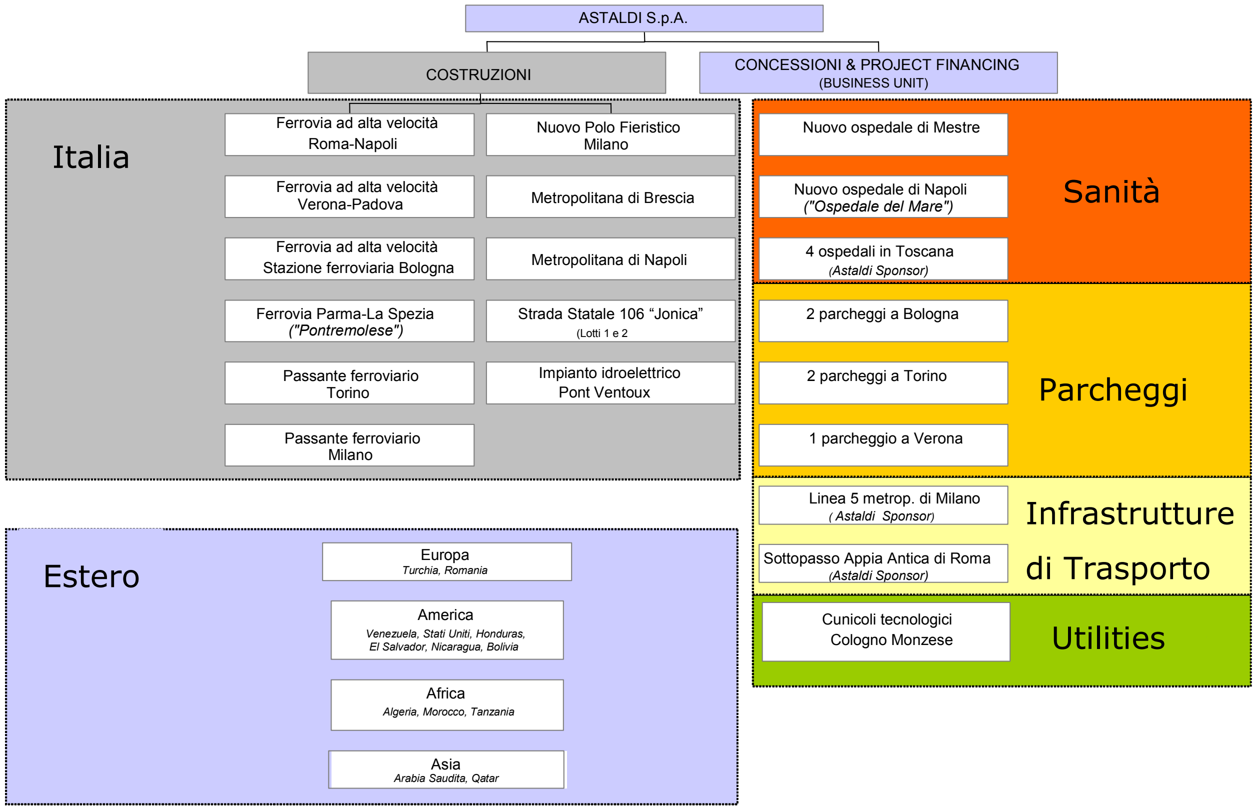
ASTALDI GROUP

FIRST HALF RESULTS AS OF 30 JUNE 2005

ASTALDI

TABLE OF CONTENTS

THE GROUP


ASTALDI S.p.A.
COSTRUZIONI
CONCESSIONI & PROJECT FINANCING (BUSINESS UNIT)
Italia
Ferrovia ad alta velocità Roma-Napoli
Nuovo Polo Fieristico Milano
Ferrovia ad alta velocità Verona-Padova
Metropolitana di Brescia
Ferrovia ad alta velocità Stazione ferroviaria Bologna
Metropolitana di Napoli
Ferrovia Parma-La Spezia ("Pontremolese")
Strada Statale 106 "Jonica" (Lotti 1 e 2
Passante ferroviario Torino
Impianto idroelettrico Pont Ventoux
Passante ferroviario Milano
Estero
Europa
Turchia, Romania
America
Venezuela, Stati Uniti, Honduras, El Salvador, Nicaragua, Bolivia
Africa
Algeria, Morocco, Tanzania
Asia
Arabia Saudita, Qatar
Nuovo ospedale di Mestre
Nuovo ospedale di Napoli ("Ospedale del Mare")
4 ospedali in Toscana (Astaldi Sponsor)
Sanità
2 parcheggi a Bologna
2 parcheggi a Torino
1 parcheggio a Verona
Parcheggi
Linea 5 metrop. di Milano (Astaldi Sponsor)
Sottopasso Appia Antica di Roma (Astaldi Sponsor)
Infrastrutture di Trasporto
Cunicoli tecnologici Cologno Monzese
Utilities

CORPORATE BODIES

Board of Directors

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

Board of Statutory Auditors

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

General Managers

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

Deputy General Manager

Administration and Finance	Paolo Citterio

Auditing Company

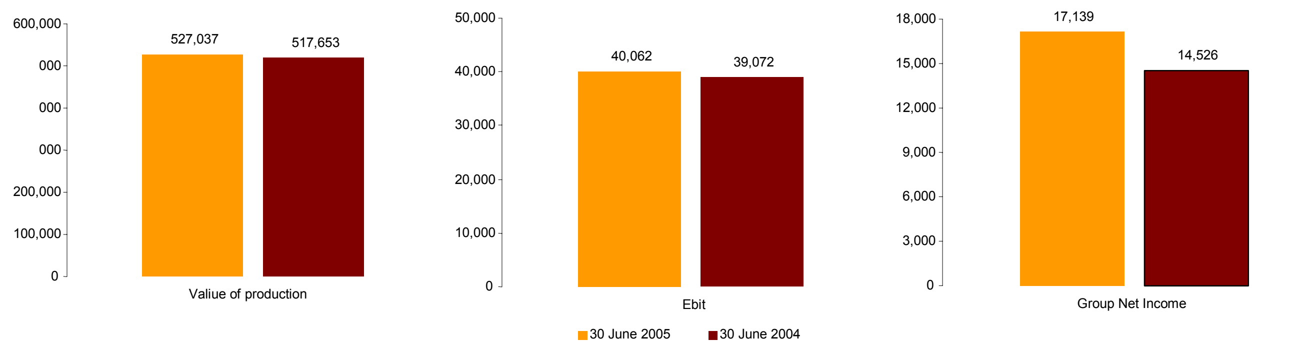
Reconta Ernst & Young S.p.A.

COMMENTS ON THE TREND OF OPERATIONS

In compliance with the regulations in force, these First Half Results have been prepared in accordance with the IAS/IFRS principles issued by the IASB and approved by the European Union, as provided for by art. 81 of Issuers' Regulation no. 11971, issued by CONSOB on 14 May 1999, as amended.
Attachments "C" and "D" set out the reconciliations provided for in the IFRS1 principle, accompanied by notes explaining the preparation criteria.

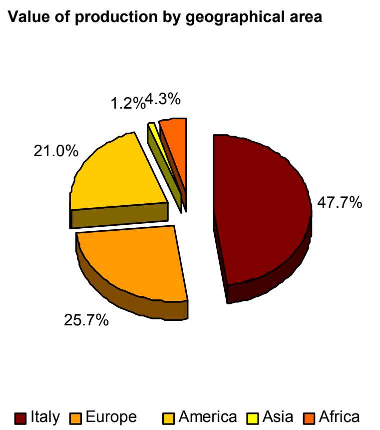
Examination of the main financial statement indicators show that the results achieved by the Astaldi Group in the first half of 2005 confirmed a strengthening of the asset and economic structure on the consolidated level, also following an orders backlog that continues to be marked by constant improvement in the quality of the contracts in progress.

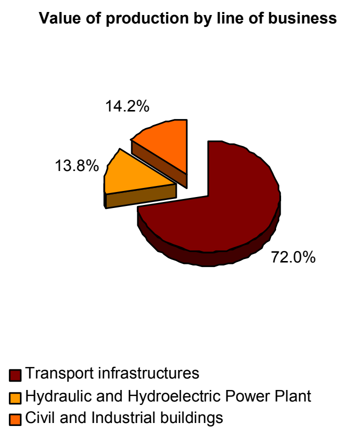
The continued attention placed in recent years on seeking projects with a higher technical, legal, and management content was a determining factor for achieving significant business volume and good operating results. Comparison between the period's data and expectations for the entire 2005 business year yields a trend in line with the objectives outlined in the 2005-2009 Industrial Plan.



In detail, in the first half of 2005, the contract revenues held stable in comparison with the same period the previous year. Of this result, 72% was due to transportation infrastructures (61% in the first half of 2004), 13.8% to hydraulic works and energy production plants (13.3% as of 30 June 2004), and the remaining 14.2% to civil and industrial building (25.7% in the first half of 2004).

Transportation infrastructure sector is thus the driving sector for the Group's activities, and the one making the greatest contribution in terms of total revenues and margins achieved. It should be pointed out that this segment includes such works as railways and undergrounds, roads and motorways, airports and seaports. As illustrated below in greater detail, the increase recorded in the sector during the period may be ascribed to important infrastructure works in Italy, such as the final phase of the Rome-Naples stretch of the High-Speed Railway Line, the Brescia Underground, and the Turin railway link. Also to be pointed out is the decisive contribution made by the activities carried out in Venezuela and Turkey, where the Group is involved in carrying out highly important infrastructure projects. Here, the Group is building the final section of the motorway link between Istanbul and Ankara. The project's importance is further proven by the upward review of the expense budget that the Turkish government has allocated for 2005. The top local authorities – led by the Prime Minister – attended the inauguration of the Bolu tunnel on 04 September 2005.





Domestic activities contributed about 47.7% of revenues (53.2% in the first half of 2004), and international activities, mainly in railway and motorway projects, accounted for 52.3% (46.8% as of 30 June 2004). In the South American area, the results obtained by the Group's activities have been confirmed, particularly in Venezuela. Here, mention must be made of the complete operativity of the US$ 30 million financing structured by Banca Nazionale del Lavoro and guaranteed by SACE (*Società di Assicurazione dei Crediti all'Esportazione,* "Company for Insurance on Export Credit") to cover the production of the railway projects in progress in that country.

In Algeria, where Astaldi is recognized as one of the most qualified companies, commercial efforts have resulted in winning important tenders, the start of which – slated for the second half of the financial year – will help increase this country's incidence on the Group's total revenues. On the other hand, the significant development of activities in this area had been planned to offset the reduced total revenues in Sub-Saharan Africa following the overall closure process.

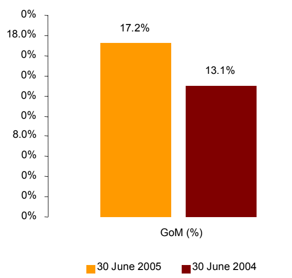
A mention, finally, to the Asian area where Astaldi has been present in the last two years in Saudi Arabia and Qatar. In the latter country, the Group is carrying out civil engineering work for the gas liquefaction plant "SASOL GTL Plant" on behalf of an international contractor specialized in oil plant construction. This positive experience has opened a new front of opportunities in a sector – that of Oil & Gas – in which infrastructure demand appears significant.

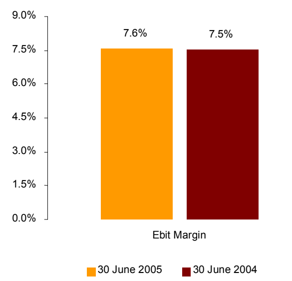
As for civil and industrial building, the lower contribution is due substantially to the completion of the construction activities for the New Milan Expo Fair Centre according to the schedule and inaugurated in March 2005.

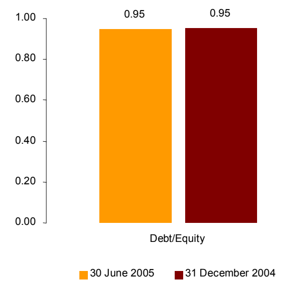
Overall, the value of production in the half recorded an increase equal to about 2% over 2004 and, as scheduled, the effects of consolidating the Group's role as general contractor are starting to be seen in the structure of the profit and loss accounts.

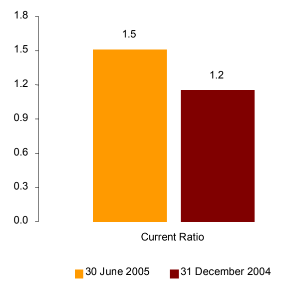
In fact, the first part of the year recorded a considerable increase in the gross operating margin, which climbed by 34.3% in comparison with the first half of 2004.

Contributing to this result was not only the albeit limited increase in revenues, but also the considerably reduced incidence of production costs, to be interpreted essentially as confirmation of the ability to manage the productive factors that the Group, in line with the provisions made in corporate planning, has shown that it knows how to govern.









Considerable benefits in margins are thus gained, as shown by an Ebitda margin that has grown to 17.2% as of 30 June 2005 (as against 13.1% for the first half of 2004), with positive effects in the self-financing components.

The EBIT, equal to approximately Euro 40.1 million (7.6% of total revenues), is equivalent to an increase of 2.5% compared to about Euro 39.1 million for the first half of 2004, even though the period raised a prudent risk funds allocation policy.

The consolidated net profit, amounting to more than Euro 17.1 million, has increased 18% compared to Euro 14.5 million for the first six months of 2004.

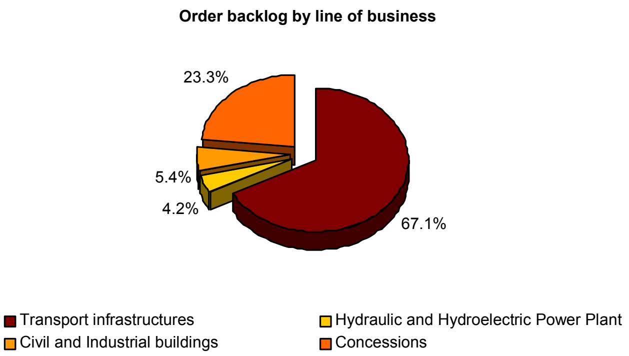
Net indebtedness at 30 June 2005 stands at about Euro 235.8 million, versus the Euro 226.3 million recorded as of 31 December 2004 (a value that takes into account the IAS effects for Euro 110.8 million): the slight increase for the period is due to the cyclical financial support, typical for this period, granted to contracts. The figure takes into account the effects on the financial position derived from the introduction of the IAS accounting principles (called “Derecognition”). This phenomenon is in line with the statements made at the presentation of the 2005-2009 Industrial Plan, thereby confirming a debt/equity ratio below one. The share of medium and long-term financing has increased considerably. In fact, the Group, in line with the plan’s objectives, has successfully completed its first step towards defining the new financial policy that has led to refinancing indebtedness from the short to the medium/long-term.

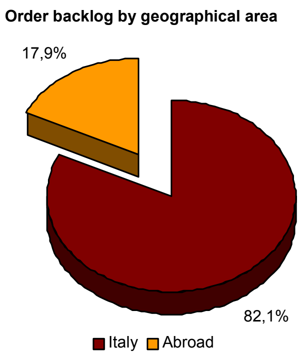
In fact, 9 February 2005 saw the repayment, through the Agent Bank BNP Paribas Luxemburg, of the debenture loan of Euro 150 million issued by the subsidiary Astaldi Finance S.A. followed by repayment to the subscribers on 11 February. It is worthwhile noting here that on 27 January 2005, the bank financing contract for Euro 100 million over five years, signed by a pool of leading Italian credit institutions and reimbursable in six-monthly instalments, became fully operative. This allows the Group to align the duration of the sources of financing with the average life of the contracts. This financing helps restore balance to the Group’s financial structure in the ratio between short-term and medium/long-term debt, by seizing the opportunities provided by the situation of low interest rates in this period on the market, and minimizing the cost of accessory financial charges at the same time.

With the same purpose, April 2005 saw the definition of a Euro 100 million financing operation with a 4-year duration, linked to the retirement of works-related credit items. This financing, subscribed by a pool of leading Italian banks, with Banca Popolare di Milano acting as the Agent Bank, makes it possible to streamline the backlog of technical reserves, while at the same time improving the cycle of working capital by relying on structured finance operations of this kind.

The total net equity, equal to approximately Euro 247.2 million, includes all the effects of the transition to the new international accounting principles as described in greater detail in attachments “C” and “D.”

Lastly, turning to discussion of the orders backlog, over the first six months of 2005 new works have been secured for approximately Euro 700 million, bringing the Group's overall orders backlog above Euro 5.2 billion, of which Euro 4 billion in construction and more than Euro 1.2 billion in management.





The following paragraphs of the document analyze in detail the main economic and financial elements that characterized the half.

RECLASSIFIED CONSOLIDATED PROFIT AND LOSS ACCOUNTS

(thousands of euro)	30 June 2005	%	30 June 2004	%
Contract revenues	486,195	92.3%	483,313	93.4%
Other revenue and income	40,842	7.7%	34,340	6.6%
Value of production	**527,037**	**100.0%**	**517,653**	**100.0%**
Costs of production	(363,035)	(68.9%)	(377,602)	(72.9%)
Added value	**164,002**	**31.1%**	**140,051**	**27.1%**
Labour costs	(73,270)	(13.9%)	(72,485)	(14.0%)
Gross operating margin	**90,732**	**17.2%**	**67,566**	**13.1%**
Amortisation, depreciation, and write-down	(23,333)	(4.4%)	(13,621)	(2.6%)
Other operating costs	(27,406)	(5.2%)	(15,048)	(2.9%)
Capitalised costs for internal productions	69	0.0%	174	0.0%
Operating result	**40,062**	**7.6%**	**39,072**	**7.5%**
Net financial income and charges	(12,180)	(2.3%)	(16,681)	(3.2%)
Effects of valuation of shares with the net equity method	(116)	(0.0%)	(676)	(0.1%)
Profit before taxes	**27,766**	**5.3%**	**21,715**	**4.2%**
Taxes	(10,763)	(2.0%)	(6,697)	(1.3%)
Net profit for the period	**17,003**	**3.2%**	**15,018**	**2.9%**
Minority interests (profit) loss for the period	136	0.0%	(492)	(0.1%)
Group net profit	**17,139**	**3.3%**	**14,526**	**2.8%**

As discussed above, the results of the first half of 2005 have confirmed the appreciable achievements in volume of business made in 2004. Income is on the rise also thanks to the role of general contractor and the great amount of attention given to planning and monitoring contracts, especially those greatest in value, whose technical, legal, and management-related content require particularly high skill levels.
In the first half of 2005, contract revenues topped Euro 486 million, in line with the figure for the same period in 2004.

Domestic projects contributed to 47.7% of the activity, while 52.3% regarded works being carried out in the 14 foreign countries where the Group operates.

The geographical distribution of production is as follows.

(millions of euro)		30 June 2005	%	30 June 2004	%
Italy		**232**	47.7%	**257**	53.2%
Abroad		**254**	52.3%	**226**	46.8%
	Europe	125	25.8%	70	14.5%
	America	102	21.0%	107	22.1%
	Asia	6	1.2%	11	2.3%
	Africa	21	4.3%	38	7.9%
Total		**486**	100.0%	**483**	100.0%

The following table describes the incidence of the various categories of work in the Group's overall business volume in the first quarter of 2005.

(millions of euro)	30 June 2005	%	30 June 2004	%
Transportation infrastructures	350	72.0%	295	61.0%
Hydraulic works and energy production plants	67	13.8%	64	13.3%
Civil and industrial building	69	14.2%	124	25.7%
Total	**486**	100.0%	**483**	100.0%

With 72% of the business volume, transportation infrastructures continue to represent the sector of activity of reference for Astaldi, in terms of both total revenues and specialization in the field. As already discussed, a strong contribution to this result comes from the activities under way in Venezuela (railway projects), Turkey (road projects) and Italy, where important railway construction projects are under way in connection with the final phase of the Rome-Naples High-Speed line, the Brescia underground, and the Turin railway link.

The building sector's share is falling, since the period in question saw the completion of the construction of the New Expo Fair Centre in Milan (begun in October 2002), which was inaugurated in March of the current financial year, in complete compliance with contractual deadlines. In this first part of the year, the construction of the New Hospital in Mestre continued on schedule.

Despite the basic stability of contract revenues, income has risen thanks to a careful policy of controlling the costs of production, whose percentage weight on the value of production dropped from 72.9% for the first half of 2004 to 68.9% in 2005. It follows that the Ebitda was Euro 90.7 million, with a 17.2% incidence on the value of production (respectively, Euro 67.6 million and a margin of 13.1% recorded in the same period in 2004).

The EBIT was approximately Euro 40.1 million and the Ebit margin represented 7.6% of the value of production. Both values show improvement over the first half of 2004.

The reduction in financial charges from Euro 16.7 million in 2004 to the current half's Euro 12.2 million may be attributed to the policy of refinancing from short-term to medium/long-term indebtedness, and the careful policy that has been adopted of covering rate and exchange risk.

The Group's net profits of Euro 17.1 million represented an 18% growth in comparison with the first half of the previous financial year, and a net margin of 3.3% (2.8% in 2004). The result is decisively appreciable in consideration of the increased incidence of taxes in comparison with the same period in 2004, with a tax rate at 38.8% on a six-month basis. In this regard, it should be kept in mind that the calculation of the half's tax effect did not take into account the possible savings derived from the profits produced abroad and tax-exempt income, whose effects will be included in the valuations at year's end.

CONSOLIDATED BALANCE SHEET

(thousands of euro)	30 June 2005	31 December 2004	30 June 2004
Non-current assets	242,584	252,271	262,222
Current assets	1,019,734	972,933	909,053
Total assets	**1,262,318**	**1,225,205**	**1,171,274**
Group net equity	-249,178	-238,111	-229,390
Net equity of minority interests	2,005	2,774	2,554
Total net equity	**-247,173**	**-235,337**	**-226,836**
Non-current liabilities	-302,533	-112,076	-116,214
Current liabilities	-712,613	-877,791	-828,224
Total liabilities	**-1,262,318**	**-1,225,205**	**-1,171,274**

The final account information at 30 June 2005 confirms a balanced asset and financial structure, a winning competitive factor in the Group's growth in the General Contracting market.

Examination of the main items during the period show a decrease in the fixed assets compared with the result on 31 December 2004, due to the effect of amortizations; the area of equity investments and intangible assets include initial investments in project financing activities, such as the establishment of the special purpose vehicle for building and managing the New Hospital in Mestre, the investments in the car park sector, and the initial phase of building the new hospital in Naples (the so-called "Ospedale del Mare"). In the projects underway with the project financing instrument, financing contracts have been signed for the construction and management of the New Hospital in Mestre between Veneta Sanitaria Finanza di Progetto (VSFP), ASTALDI S.p.A. as mandatary of a joint venture, as well as the shareholders in VSFP and the four Mandated Lead Arrangers ABN AMRO (Intercreditor Agent), Banca Antonveneta, Banca Intesa, and Interbanca, along with the European Investment Bank (EIB). This operation represents the first example in Italy of PPP (Public/Private Partnership) Project Financing funded with international standards in accordance with the scheme provided for by the "Merloni Law," and is an important benchmark for future infrastructural projects. To date the construction works for the hospital complex have reached more than 18% progress, in complete compliance with operating schedules.

Equalling approximately Euro 247.2 million, the net equity recorded a variation during the financial year, ascribable mainly to the profits for the period and the distribution of dividends for Euro 7.4 million, decided upon by the Shareholders General Meeting of 29 April 2005.

As far as the net financial position is concerned, the breakdown of the main data is given below.

(thousands of euro)	30 June 2005	31 December 2004
Short-term financial debt	(158,394)	(198,573)
Medium to long-term financial debt	(268,694)	(87,943)
Cash and cash equivalents	135,621	185,022
Long-term financial receivables	77,448	28,629
Leasing	(21,772)	(23,420)
Net debenture loans	0	(129,999)
Net financial position	**(235,790)**	**(226,285)**
IAS effects	0	110,818
Rectified net financial position	**(235,790)**	**(115,467)**

The net financial position is affected by the cyclical support afforded to the production activities during the half, typical of the seasonal performance connected with the economic cycle, rising from Euro 226.3 million in December 2004 to Euro 235.8 million for the first half of 2005. The average term of the debt is tending to lengthen: medium/long-term financial debts as of 30 June 2005 represent 63% of the total financial debts, as against 21% at the end of 2004.
The debt/equity ratio, equal to 0.95, is below one, despite the cyclical nature of the period and the effects of IAS derecognition.

The net financial indebtedness includes financing for project finance initiatives totalling about Euro 30 million. These investments will be repaid by future flows derived from management.

ORDERS BACKLOG BY LINE OF BUSINESS AND GEOGRAPHIC AREAS

During the first half of 2005, new contracts were secured for a sum of approximately Euro 700 million, which at 30 June 2005 bring the Group's overall orders backlog value to over Euro 5.2 billion – a 4.1% increase over the start of the year. The geographic distribution shows 82% of these activities located in Italy, mainly in the railway infrastructures sector, and 18% abroad, mainly in the American continent as well as in Romania, Turkey, and Algeria. It is important to stress that the further increase in the orders backlog above the exceptional levels achieved in 2004 confirms the expectations in the plan, based on an acquisition policy that favours the income objective.

In March, the Astaldi Group was awarded the project to double the Parma-La Spezia railway line, also known as the "Pontremolese" line. Amounting to approximately Euro 165 million, the contract involves for the executive design and execution of civil works, railway superstructure, electric traction system, and adjustment of safety and signalling systems. The main works are those for building and making safe a new double-track tunnel about 4,200 m in length, a new 440 m bridge over the Taro river, a 150 m viaduct, and two cut-and-cover tunnels to pass beneath the Parma-La Spezia motorway, respectively 160 m and 243 m in length.

In May, as mandatary and leader (70%) of a joint venture, Astaldi secured the contract for the works to complete the Turin railway junction. The work, valuing a total in excess of Euro 442 million, involves the executive design and execution of the works to complete and enlarge the railway line between Corso Vittorio Emanuele II and Corso Grosseto. The new stretch, connecting the Lingotto station to the Stura station, will extend for about 12 km, of which 7 km in a tunnel crossing the Dora Riparia river. The works are expected to have a total duration of about 6 years. It should be kept in mind that the project represents the completion of an initial project phase currently being completed by Astaldi, aimed at guaranteeing the achievement of an integrated transportation system in the city of Turin. The fact that the two projects are adjacent to one another will thus make it possible to achieve significant economies of scale, owing both to the efficient organization of work sites and technical equipment, and to the excellent commercial relations that have matured over the years through Astaldi's stable presence in Turin.

As regards the commercial successes abroad, mention must be made of the Group's raised standing in Algeria. During the first half, the Astaldi Group in fact secured the works to build a section of the East-West motorway, a link along the coastal stretch between Tunisia and Morocco, for a value of approximately Euro 45 million, as well as those for the construction of the aqueduct linking the cities of Akbou and Bejaia, in the area to the east of Algiers – a project in which Astaldi's share tops Euro 58 million. These projects bring the backlog in the area to Euro 157 million.

It is worth mentioning that the orders backlog as of 30 June 2005 does not take into account the projects for which the appointment as project developer has been formalized pursuant to art. 37 *bis* and following of the Merloni Law (Law no. 109/1994), as amended. In fact, based on Italy's project finance regulations, appointment as project developer gives the project developer the right of pre-emption to be exercised in the final performance of the tender. However, it is the Group's standing policy to enter into the orders backlog solely those projects that are definitively secured and wholly financed. It follows that these projects will be included in the backlog only when these conditions come to pass. Therefore, the backlog excludes not only the projects for the construction, under project financing, of Line 5 of the Milan Underground, of the Underpass of Appia Antica Park in Rome, and of an integrated system of 4 hospitals in Tuscany – all initiatives for which Astaldi has been named project developer – but also the projects in Venezuela for which financial coverage has yet to be formalized.

As regards Line 5 of the Milan Underground, the project's value amounts to about Euro 504 million, of which Euro 193 million will be charged to the Concessionaire and the financing banks, while the remaining Euro 311 million will come from public contributions. The initiative calls for the design, completion, and subsequent management of a 5.6 km stretch of underground between the Porta Garibaldi station and Via Bignami, bordering on the eastern outskirts of Milan. The corresponding concession contract will be signed after completion of the tender and negotiated procedure, in which Astaldi, the leading company in a joint venture, will as project developer enjoy the right of pre-emption. Including the design phase, the works are expected to have a duration of 5 years, to be followed by 27 years of management. Following the publication of the tender this past 15 April, the outcome is expected for the end of 2005, and the C.I.P.E." (Interministerial Committee for Economic Planning) has already allocated the funds needed to support the initiative.

As for the initiative regarding the construction, under project financing, of the Underpass of Appia Antica Park, the Municipality of Rome has already formalized the appointment of Astaldi as project developer. The overall value of the project is approximately Euro 390 million, of which Euro 190 million will be charged to the Concessionaire and the remaining share will be funded by the Municipality. The thirty-year concession for the management of the work will grant the contractor a revenue of more than Euro 800 million inclusive of management costs. The preliminary design presented by Astaldi envisages the construction of a road with double lanes in both directions, connecting the southern part of the city to the eastern one, with a length of about 9 km, of which about 7 km in tunnels. The concession contract will be signed after completion of the tender and negotiated procedure, in which the project developer Astaldi shall enjoy the right of pre-emption. Of extreme utility for urban traffic, the project is the first transportation project implemented in Rome through the project financing instrument.

It should also be kept in mind that by its decision of 10 May 2005, the State Council confirmed the joint venture led by Astaldi as project developer for the initiative under project financing for the construction and subsequent management of an integrated system of four hospitals in Tuscany (Prato, Pistoia, Lucca, and Massa). This decision overturns the previous decision by the T.A.R. (Regional Administrative Court) of Tuscany, which had annulled the tender in which the Astaldi-led joint venture had been appointed project developer for the complex operation. Consequently, the operation may get underway, and an initiative having a total value of Euro 330 million for the construction portion – Euro 88 million of which charged to private parties – and Euro 1.5 billion for the concession, may be implemented. 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, overall ministerial financing and a single tender procedure, with the four hospitals being constructed at the same time. The concession contract will be signed after the completion of the tender and the negotiated procedure, in which the project developer Astaldi will enjoy the right of pre-emption. The tender call is expected for the end of 2005.

The table below shows the performance of the orders backlog by line of business in the first half of 2005. These figures do not take into account the above mentioned initiatives in which Astaldi is acting as project developer pursuant to article *37 bis* et seq. of the Merloni law (law no. 109/1994) as amended.

(millions of euro)	**Start of period 01 Jan. 05**	**New contracts**	**Production**	**End of period 30 June 05**
Transportation infrastructures, of which;	3,229	621	(350)	3,500
Railways and undergrounds	1,859	483	(161)	2,181
Roads and motorways	1,283	138	(171)	1,250
Airports and seaports	87	0	(18)	69

Hydraulic works and hydroelectric power plants	221	65	(67)	219
Civil and industrial buildings	348	5	(69)	284
Concessions	1,213	-	-	1,213
Total backlog	**5,011**	**691**	**(486)**	**5,216**

The orders backlog by geographical area is broken down as follows:

(millions of euro)	**Start of period 01 Jan. 05**	**New contracts**	**Production**	**End of period 30 June 05**
Italy	3,961	553	(232)	4,282
Abroad	1,050	138	(254)	934
Total backlog	**5,011**	**691**	**(486)**	**5,216**

As concerns the commercial activities that are being studied, in the first half of 2005 the Group's commercial activity has been oriented towards initiatives in general contracting and project financing, mainly in the transportation infrastructures and healthcare construction sectors.

Further bids have been tendered in these sectors, also relating to the large transportation infrastructures foreseen by the Strategic Infrastructure Act, the so-called "*Legge Obiettivo*" (law no. 443/2001), for which the prequalification, verification, and awarding procedures are still underway, and the tender outcome is still pending.

Initiatives whose outcome is pending include that for the construction, under general contracting, of the Bridge over the Strait of Messina, and those for building a maxi-lot of the Salerno-Reggio Calabria motorway.

With reference to the structured bid for the Bridge over the Strait of Messina, it is to be pointed out that Astaldi is the leading company in a joint venture of international companies. The tender outcome is expected before the year is out.

Mention should also be made that the initiative, under general contracting, for the design and subsequent construction of Line C of the Rome Underground is currently under study. The proposal currently being studied envisages the design of an underground stretch, approximately

25.5 km in length, along the axis linking the Clodio/Mazzini stations and Pantano. The project will include approximately 30 stations along a route extending for about 18 km underground. The tender is expected by the end of 2005, with outcomes expected for the second quarter of 2006.

As regards international activities, a number of commercial initiatives are being studied, aimed not only at raising the Group's standing in those countries where Astaldi is traditionally well established (Turkey, Romania, Venezuela, and Algeria), but also at developing new, high-potential markets, such as the countries in the Middle East (Qatar and Saudi Arabia). Special attention has been devoted to the potentials that the Eastern European market can offer. With the support of an international network, an initial study phase has been completed, through which the number of potentially interested countries has been winnowed down. Currently, the potential objectives are being verified, to be assessed through a detailed risk analysis.

It should also be pointed out that the outcome is pending of the tender for building the accesses to the new Bosphorus railway crossing (the "Marmaray project"). The project involves carrying out civil works for an amount in excess of Euro 400 million, and Astaldi is taking part in a group of qualified international operators. The tender outcome for this initiative is expected for the end of 2005.

SUBSEQUENT EVENTS

In July, confirming its operating capacity recorded in Algeria in the first half of 2005, Astaldi further raised its standing by securing new and important projects for Euro 157 million. The Group was in fact awarded the works for building the Kerrada dam and the Jijel road tunnel, for a total value of Euro 76 million.

That same month, AEM Torino and Astaldi, the leading company with 56.25% of the joint venture, amicably settled all disputes related to the construction of the Pont Ventoux hydroelectric plant in Val di Susa in Piedmont. By the terms of the settlement, for the greater works performed following the "unforeseen geological events," and to close out all the existing divergences, AEM Torino will pay to the joint venture – in addition to that already agreed upon and paid as a provisional item – the sum of Euro 46 million, the economic and financial effects of which were already valuated in previous financial statements. Currently being completed, the Pont Ventoux hydroelectric plant, with its 158 MW of installed power and a yearly production capacity in excess of 400 million kWh, will be inaugurated this coming November.

As already discussed, in August, S.A.C.E. (*Società per l'Assicurazione del Credito all'Esportazione*, "Company for Insurance on Export Credit"), issued a financing guarantee to Astaldi for the realization of three important projects that the Group is implementing in the central region of Venezuela. The financing, for an amount equal to US$ 30 million, will in fact cover the production of the Caracas-Tuy, Puerto Cabello-La Encrucijada, and Caracas-Los Teques railway projects which, taken together, will ensure the achievement of an integral system of links within the country.

Emphasis must be placed on the Group's considerable productive effort in the months following the close of the half, which made it possible to achieve important milestones in major projects, such as that for building the Anatolian motorway. In fact, the month of July saw the drilling of the final diaphragm of the second roadway of the Bolu tunnel, which will make it possible to complete the motorway link between the cities of Istanbul and Ankara.

MANAGEMENT FORECAST

The results achieved in the first half of 2005 confirm the Group's operating and financial capacity upon which the strategic lines outlined in the industrial plan are based, and which are translated into excellent orders backlog quality and a solid asset and financial structure.

Moreover, the first months of 2005 have seen the completion – in record time – of such major contracts as the New Milan Expo Fair Centre, the acceleration of activities for such projects as the Anatolian motorway in Turkey, as well as the management of the start-up phase of new projects that are extremely demanding for corporate management, such as the High-Speed Railway Station in Bologna and the Brescia Underground. All this is no more than an expression of that operating and managerial capacity that the Group has for some time adopted as a distinctive, value-added element in its activity.

It follows that the coming months will see Astaldi involved in projects of ever increasing importance from the standpoint of technical and management know-how. The Turin railway junction, the Mestre hospital, the Ospedale del Mare hospital in Naples, as well as the two lots of the Jonica state road 106 (SS 106) are just some of the new challenges that the Company's management will have to face in coming months. Important objectives for the second part of 2005 will also include the final delivery of the Pont-Ventoux hydroelectric plant, in Piedmont.

As for commercial activities, the Group's choices will be aimed increasingly at guiding the orders backlog towards initiatives managed in concession or under general contracting or project financing procedures. The main initiatives for which Astaldi has already been appointed project developer are certainly the projects on which much of the company's resources will be focused.

As for international activities, the Group aims to capitalize on the results achieved thus far. Coming months will thus see a consolidated standing on traditional markets in order to ensure their further development. Commercial penetration will also be strengthened from Eastern Europe to the Middle East (Qatar and Saudi Arabia), and PPP (Public/Private Partnership) and structured finance activities will be expanded to some foreign countries that to date have shown political and financial stability as well as potential in the infrastructure sectors.

From the asset and financial standpoint, the company aims to guarantee further strengthening of sources. After having implemented the first actions aimed at refinancing debt towards the medium/long term, the sources dedicated to the individual business units (construction, general contracting, and concession) were separated.

It should be pointed out that the strengthened role of general contractor and leading operator in the project finance sector will certainly be fostered by the new organizational model implemented over the course of the year. In fact, in order for the domestic market to develop the growing potentials of the concessions and project finance sector, construction activities have been materially separated from concession activities, with the identification of resources dedicated to developing initiatives from both the managerial and financial standpoint.

ASTALDI Società per Azioni

Registered Office - Via Giulio Vincenzo Bona no. 65 – Rome

Share Capital € 98,424,900 - fully paid up

Rome Company Register 00398970582 (tax number)

(formerly entered in Rome Company Register under no. 847/50 – Court of Rome)

R.E.A. (Economic and Administrative Index) 152353

VAT no. 00880281001

Profit and Loss Account

Amounts expressed in thousands of Euro

	NOTES	*30/06/2005*	*31/12/2004*	*30/06/2004*
Revenues	1	486,195	1,013,587	483,313
Other operating revenues	2	40,842	58,461	34,340
Total revenues		527,037	1,072,048	517,653
Costs for purchases	3	95,805	188,591	94,978
Costs for services	4	267,230	606,490	282,624
Personnel costs	5	73,270	146,165	72,485
Amortization and depreciation	6	23,333	29,037	13,621
Other operating costs	7	27,406	27,338	15,048
Total costs		487,044	997,621	478,754
(Capitalized costs for internal constructions)	8	69	234	174
Operating result		40,063	74,661	39,072

Net financial income (charges)	9	-12,180	-30,751	-16,681
Impact of measurement of investments under equity method	10	-116	-1,038	-676
Profit (loss) before taxation of ongoing operations		27,766	42,872	21,716
Taxation	11	10,763	15,006	6,697
Profit (loss) of ongoing operations		17,003	27,866	15,018
Profit (loss) connected with discontinued operations	12	0	0	0
Profit (loss) for the period		17,003	27,866	15,018
- Group		17,139	28,031	14,527
- Minority interests		-136	-165	492
Profit per share:	13			
- Profit per base share		0	0	0
- Profit per base share from ongoing operations		17.43%	14.97%	28.83%
- Diluted profit per share		0	0	0
- Diluted profit per share from ongoing operations		17.43%	14.97%	28.83%

Balance sheet

		30/06/2005	31/12/2004	30/06/2004
ASSETS				
Non-current assets				
Property, plant and equipment	14	124,424	125,257	130,225
Investment property	15	204	204	204
Intangible assets	16	6,194	5,174	6,203
Investments in minority interests valuated with the equity method	17	27,355	28,277	28,187
Investments in non-current minority interests valuated at cost	18	4,427	4,053	4,107
Non-current financial assets valuated at fair value	19			

Other non-current financial assets	20	15,838	16,135	17,660
Other non-current assets	21	46,210	54,783	55,811
Deferred tax assets	11	17,933	18,389	19,825
Total non-current assets		**242,584**	**252,271**	**262,222**
Current assets				
Inventories	22	44,872	44,746	35,075
Contracts in progress	23	245,466	142,823	135,561
Trade receivables	24	392,632	405,609	432,359
Current investments valuated at cost	18			
Current financial assets valuated at fair value	19	11,326		
Tax receivables	25	49,474	47,861	58,680
Current financial assets			29,595	17,500
Other current assets	21	140,343	117,278	95,067
Cash and cash equivalents	26	135,621	185,022	134,811
Total current assets		**1,019,734**	**972,933**	**909,053**
Non-current assets held for sale	27			
Total assets		**1,262,318**	**1,225,205**	**1,171,274**
Equity				
Share capital	28	98,230	98,425	98,425
Reserves				
- Legal reserve		9,383	7,819	7,819
- Extraordinary reserve		58,965	26,741	26,741
- Share premium reserve		67,836	67,836	67,836
- Profit (loss) carried forward		-234	2,378	4,914
- Other reserves	29	-2,140	6,881	9,128
Total Reserves		**133,809**	**111,656**	**116,438**

Profit (loss) for the period		17,139	28,031	14,527
Equity of the Group		**249,178**	**238,111**	**229,390**
Reserves	29	-1,869	-2,609	-3,045
Profit (loss) for the period		-136	-165	492
Equity of minority interests		**-2,005**	**-2,774**	**-2,554**
Total equity		**247,172**	**235,337**	**226,836**
LIABILITIES				
Non-current liabilities				
Non-current financial liabilities	30	285,624	90,620	87,964
Other non-current liabilities	31	2,718	7,645	7,164
Employee benefits	32	14,153	13,773	13,432
Fund for non-current risks and charges	33			
Deferred tax liabilities		39	39	7,655
TOTAL non-current liabilities		**302,533**	**112,076**	**116,214**
Current liabilities				
Advances from customers	23	46,263	75,718	62,877
Trade payables	34	400,267	390,058	366,135
Current financial liabilities	30	163,845	308,374	298,634
Tax payables	35	11,453	17,937	19,492
Funds for current risks and charges	33	39,746	37,007	38,462
Other current liabilities	31	51,038	48,697	42,625
TOTAL current liabilities		**712,613**	**877,791**	**828,224**
Liabilities directly associable with non-current assets held for sale	27			
Total liabilities		**1,015,146**	**989,867**	**944,438**
Total equity and liabilities		**1,262,318**	**1,225,205**	**1,171,274**

Schedule of movements of equity in the first half of 2004

Amounts expressed in thousands of euros

	Attribution to the shareholders of the Parent Company						
	Share capital	*Other reserves*	*Retained earnings*	*Profit for the period*	*Total*	**Minority Interest**	**Total Equity**
Balance as of 31 December 2003 in accordance with Italian accounting standards	98,425	103,767	2,535	22,395	227,122	158	227,280
Reclassifications		4,853	(4,853)		0		0
Adoption of IAS/IFRS standards		(5,684)			(5,684)	(2,488)	(8,172)
Balance as of 31 December 2003, IAS/IFRS	98,425	102,936	(2,318)	22,395	221,438	(2,330)	219,108
Modifications in accounting criteria/correction of errors							
Balance as of 1 January 2004, IAS/IFRS adjusted	98,425	102,936	(2,318)	22,395	221,438	(2,330)	219,108
Movements of equity in the first half of 2004							
Exchange differences from conversion		998			998	168	1,166
Net income (charges) recorded directly in the equity		998			998	168	1,166
Profit for the first half of 2004				14,527	14,527	492	15,019
Dividends				(6,306)	(6,306)		(6,306)
Fund pursuant to art.27				(90)	(90)		(90)
Capital increases							0
Other movements		7,589	7,232	(15,998)	(1,177)	(883)	(2,060)
Balances as of 30 June 2004, IAS /IFRS	**98,425**	**111,523**	**4,914**	**14,528**	**229,390**	**(2,553)**	**226,837**

Schedule of movements of equity in the first half of 2005

Amounts expressed in thousands of euros

	Attribution to the shareholders of the Parent Company						
	Share capital	*Other reserves*	*Retained earnings*	*Profit for the period*	*Total*	**Minority Interest**	**Total Equity**
Balance as of 31 December 2004 in accordance with Italian accounting standards	98,425	106,024	11,633	27,608	243,690	91	243,781
Reclassifications		9,255	(9,255)		0		
Adoption of IAS/IFRS standards		(6,003)		424	(5,579)	(2,865)	(8,444)
Balance as of 31 December 2004, IAS/IFRS	98,425	109,276	2,378	28,032	238,111	(2,774)	235,337
Adoption of IAS 32 and 39 standards	(400)	(1,070)			(1,470)	0	(1,470)
Balance as of 1 January 2005, IAS/IFRS adjusted	98,025	108,206	2,378	28,032	236,641	(2,774)	233,867
Movements of equity in the first half of 2005							
Cash flow hedge reserve		(792)			(792)		(792)
Exchange differences from conversion		1,535			1,535	41	1,576
Treasury shares	205	639			844		844
Taxes on minority interests ascribed directly to equity		261			261		261
Net income (charges) recorded directly in the equity	205	1,643	0	0	1,848	41	1,889
Profit for the first half of 2005				17,139	17,139	(136)	17,003
Dividends				(7,375)	(7,375)		(7,375)
Fund pursuant to art.27				(235)	(235)		(235)
Other movements		24,193	(2,612)	(20,422)	1,159	864	2,023
Balance as of 30 June 2005, IAS/IFRS	**98,230**	**134,042**	**(234)**	**17,139**	**249,177**	**(2,005)**	**247,172**

Consolidated cash flow statement

	1st half 2005	1st half 2004
A – CASH FLOW FROM ONGOING OPERATIONS:		
Result for the period of the Group and Minority Interests	**17,003**	**15,018**
Adjustments to reconcile the net profit (loss) with the cash flow generated (used) by the ongoing operations:		
Income taxes	10,763	6,697
Amortization and depreciation	23,333	13,621
Provisions for risk and charge fund	15,294	-
Costs for employee severance indemnity and for the defined benefit plans	2,918	2,384
Costs for employee incentive plans	691	1,350
Gains on disposals of non-current assets	(2,076)	(391)
Loss on disposals of non-current assets	1,035	186
Effects of equity valuations	116	677
Subtotal	***52,074***	***24,524***
Fluctuations in operating assets and liabilities (working capital)		
Trade Receivables	90,432	(65,861)
Inventories and contracts in progress	(71,887)	(5,802)
Commercial Payables	10,209	68,592
Provisions for risks and charges	(14,823)	23,536
Advances from customers	(25,721)	(45,447)
Other assets	(10,108)	(9,031)
Other liabilities	(16,724)	6,510
Payments of employee severance indemnity and defined benefit plans	(2,939)	2,064
Interest paid	(6,029)	(9,666)
Interest collected	3,320	4,394
Taxes paid	(9,739)	(8,950)
Subtotal	***(54,009)***	***(39,661)***
Net effect, fluctuation of consolidation area		
Cash flows from discontinued operations		
	15,068	**(119)**
B – CASH FLOW FROM INVESTMENT ACTIVITIES:		
Purchases in investment property	-	-
Investment in intangible fixed assets	(2,883)	(12,820)
Investment in tangible fixed assets	(14,880)	(8,582)
Purchase of other interests net of the acquired cash, hedging of non-consolidated company losses, and other fluctuations of the consolidation area	-	(2,520)
Collections from the sale of tangible and intangible fixed assets and investment property	7,179	2,507
Cash flows from discontinued operations		
	(10,584)	**(21,415)**
C – CASH FLOW FROM FINANCING ACTIVITIES:		
Capital increases in payment	-	-
Dividends paid	(7,375)	(6,306)
Non-current borrowing net of commissions	197,037	43,326
Net fluctuation of current financial debt (including leasing)	(58,115)	(29,551)
Repayment of debenture loan	(150,000)	-
Net fluctuation of financial assets	(31,251)	-
Net effect, fluctuation of consolidation area		
Cash flows from discontinued operations	-	-
	(49,704)	**7,469**
D – EXCHANGE DIFFERENCES:	**(4,181)**	**(857)**
NET INCREASE (DECREASE) OF CASH FLOW	**(49,401)**	**(14,922)**
CASH FLOW AT START OF PERIOD	**185,022**	**149,733**
CASH FLOW AT END OF PERIOD	**135,621**	**134,811**

NOTES TO THE CONSOLIDATED IAS/IFRS INTERIM REPORT AS OF 30 JUNE 2005

FORM AND CONTENT

In application of the European Community Regulation no. 1606/2002 of 19 July 2002, the consolidated financial statements of the Astaldi Group and of Parent Company Astaldi S.p.A. as of 31 December 2005 will be the first financial statements prepared in compliance with the IAS/IFRS (IFRS) international accounting standards approved by the European Commission. The consolidated 2005 interim report has been prepared – as provided for by art. 81 of the modified issuers' regulations no. 11971/99 as subsequently emended - in compliance with IAS 34 "Interim Financial Reporting," issued by the International Accounting Standard Board (IASB) and with IFRS 1 "First-Time Adoption of International Financial Reporting Standards," as approved on the date of these consolidated interim report.

The standards used are those approved by the EU and contained in EU Regulations as adopted by the Italian State.

The valuation policies used by the Group until the preparation of the consolidated financial statements as of 31 December 2004 were in compliance with the provisions of the Italian Civil Code, interpreted and supplemented, where necessary, by the Accounting Standards issued by the National Councils of Professional Accountants and Bookkeepers (C.N.D.C. E R.), and by the interpretative document OIC 1, *I principali effetti della Riforma del Diritto Societario sulla redazione del bilancio di esercizio* (The Chief Effects of the Reform of Corporate Law on the Preparation of Financial Statements) prepared by OIC (Organismo Italiano di Contabilità, the Italian accounting body). At the first-time application of the international IFRS accounting standards for the preparation of the consolidated interim report for 2005, it was necessary, for comparison purposes, to modify the 2004 data to reflect any changes generated by the introduction of the new accounting standards of reference. The reconciliation and description of the effects of the transition from national accounting standards to IAS/IFRS and provided for by the international accounting standard IFRS1 are reported in the document "Transition to international accounting standards (IAS/IFRS)" attached at the bottom of the interim report.

The schedules on the Parent Company contained in the interim report were prepared in accordance with IAS/IFRS international accounting standards.

The IFRS international accounting standards used to prepare the interim reports that are the object of consolidation were integrated with the IFRIC (International Financial Reporting Interpretations Committee) interpretations in force as of July 2005. For some aspects, as of the date of preparation hereof, the activities of adjustment and interpretation by the official bodies charged with this task, as well as the process of approval by the European

Commission, are still in progress. It follows that additional modifications or supplements to these standards and interpretations cannot be excluded, which could require or entitle the Astaldi Group to modify the accounting, valuation, and classification criteria adopted in the preparation hereof.

The accounting standards indicated hereunder were consistently applied for the periods presented for comparison, except for those regarding the valuation of financial instruments. In fact, the Group made use of the exemption provided for by IFRS 1, which allowed IAS 32 and IAS 39 to be adopted starting 1 January 2005 without setting out, for these standards, the comparative information from the previous period. Therefore, the standards adopted for valuating the financial instruments in the beginning reports as of 1 January 2004 and in the subsequent IFRS annual and interim reports for 2004 are the same used for the previous financial years (national accounting standards). The effects of the adoption of IAS 32 and 39 are set out in the reconciliation table illustrated in attachment "C".

All the values are in thousands of euros unless otherwise indicated. Therefore, in some statements the total amounts may be slightly different from the sum of the amounts due to them being rounded off.

The consolidated interim report as of 30 June 2005 and the accounting schedules of the Parent Company, prepared in accordance with IAS/IFRS standards, are subject to limited auditing by Reconta Ernst Young S.p.A.

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<u>FIRST-TIME ADOPTION OF IFRS</u>

This interim report is the first report submitted by the Astaldi Group in accordance with the new IAS/IFRS international accounting standards. Therefore, it includes the attachment "Transition to international accounting standards (IAS/IFRS)," the reconciliation schedules, the criteria used, and the comment notes as required by the international standard of reference (IFRS1).

In particular, <u>*the reconciliation of the equity*</u> regards:

- the beginning financial statements as of 1 January 2004, the date of the first-time application of IAS/IFRS, compared with the closing as of 31 December 2003 made in compliance with Italian accounting standards;
- the close of the 2004 financial year, already done in accordance with Italian accounting standards, prepared in compliance with IAS/IFRS;
- the close already done pursuant to Italian accounting standards with reference to 30 June 2004, applying IAS/IFRS.

The <u>*reconciliation of the profit and loss account*</u> regards:

- determination of the profit (loss) for the year closing as of 31 December 2004 in compliance with Italian accounting standards, applying IAS/IFRS;

- determination of the profit (loss) for the first half closing as of 30 June 2004, presented in accordance with Italian accounting standards, in compliance with IAS/IFRS.

Moreover, as the Group had opted for the exemption from the modification of the comparative periods for 2004, by the effect of the adoption, starting on 1 January 2005, of IAS 32 and 39, the reconciliations also include that regarding the effects of said standards on the financial position and on the equity as of 1 January 2005.

The following is a summary of the reconciliations presented:

Equity and beginning balance sheet	Equity and profit and loss account	Financial position, equity, and profit and loss account	Financial position and equity for adoption of IAS 32 and 39
01.01.2004	30.06.2004	31.12.2004	01.01.2005
Attachment C	Subsequent section	Attachment C	Attachment C

The reconciliations of the equity and of the balance sheet as of 1 January, 31 December 2004 and 1 January 2005, and of the result and of the profit and loss account as of 31 December 2004, are shown in Attachment C “Transition to international accounting standards (IAS/IFRS),” to which reference is to be made. However, the reconciliation of the equity and of the result as of 30 June 2004 is shown hereunder, in the following section.

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Schedule of reconciliation of the equity as of 30 June 2004 and of the result closing as of 30 June 2004

The differences emerging from application of the IAS/IFRS standards in comparison with Italian accounting standards, as well as the choices made by Astaldi in the context of the accounting options provided for by IAS/IFRS as illustrated above, required reprocessing the comparative accounting data (balance sheet as of 30 June 2004 and profit and loss account for the period closing as of 30 June 2004) in accordance with the previous Italian standards.

The following is the reconciliation of the Group equity as of 30 June 2004, and of the result closing as of 30 June 2004, between the report prepared based on the Italian accounting standards and that prepared in accordance with IAS/IFRS. Moreover, solely for the sake of comparison, the reconciliation of the equity as of 1 January 2004 illustrated in attachment C "Transition to international accounting standards (IAS/IFRS)" is reported:

Amounts, in thousands of Euros	Note	Equity, 1 January 2004	Net profit first half 2004	Equity 30 June 2004
Consolidated equity		227,280	18,490	236,398
Minus: minority interests share		(158)	(809)	(726)
Group equity and result in accordance with Italian standards		227,122	17,681	235,672
Consolidation area and investment valuated with the equity method	A	6,395	(3,595)	5,283
Intangible assets	B	(14,229)	2,897	(11,332)
Tangible assets	C	10,005	(62)	9,943
Cash-settled share-based	D	(3,053)	(945)	(3,998)

payments and employee benefits				
Adjustment to the method of the cost incurred for projects valuated with the physical measurements method	E	(3,350)	(1,260)	(4,610)
Other minor adjustments		(1,452)	(189)	(1,568)
Total IAS/IFRS adjustments		(5,684)	(3,154)	(6,282)
Group equity and result in accordance with IAS/IFRS standards		221,438	14,527	229,390

Notes to the equity reconciliation schedule as of 30 June 2004 and the result of the period closing as of 30 June 2004

The following are the comments on the main IAS/IFRS adjustments (whose content was outlined above):

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A. **Consolidation area and investment valuated with the equity method:**

The adoption of IAS 27 led to the inclusion in the consolidation area of consortia and consortium companies established pursuant to and to the effects of the specific regulations in the sector to carry out specific contracts.

Moreover, the line by line method was used to consolidate some minority control interests previously recorded with the equity method because they are in liquidation. For the valuation with the equity method, consideration was made of the equities, and the individual entities suitably adjusted in accordance with international accounting standards.

The above resulted in the following:

- *as of 30 June 2004*, an increase in the equity equal to Euro 5,283 which reflects, with respect to the increase as of 1 January 2004, a negative fluctuation equal to Euro 1,112 derived from the effects of the valuations of some investments with the equity method on the result of the half, and from the fluctuation of the consolidation area equal to Euro 2,483.

B. <u>Intangible assets:</u>

IAS 38 does not permit capitalization of certain cases of what are referred to as "multi-year charges"; this has led to the following:

- *as of 1 January 2004*, a decrease in the equity for Euro 14,229, net of the corresponding positive tax effect for Euro 7,710; in particular, cancellations were made of the formation and start up costs in relation to the Parent Company's stock exchange quotation for Euro 3,530 and transactions on the capital of other group companies (Euro 1,072), the financial charges capitalized in the previous financial years for Euro 6,194 and that can no longer be capitalized due to the Group's adoption of the accounting treatment of reference provided for by IAS 23, as well as other intangible fixed assets for Euro 3,433, which as of the transition date did not have the requirements provided for by IAS 38.

- *As of 30 June 2004*, a decrease in equity for Euro 11,332, net of the positive tax effect for Euro 6,008, which reflects, with respect to the reduction as of 1 January 2004, the cancellation of the amortizations made in the half, calculated on the intangible assets eliminated at the transition date.

C. <u>Tangible assets:</u>

The Group decided to adopt the option provided for by IFRS1 to valuate, as of the transition date, the property at fair value and to use this value as a substitute for the cost as of that date.

The above resulted in the following:

- *as of 1 January 2004*, an increase in the equity equal to Euro 10,005, net of the negative tax effect for Euro 7,654;
- *as of 30 June 2004*, an increase in the equity equal to Euro 9,943, net of the tax effect for Euro 7,617, which in comparison with 1 January 2004, fell due to the greater amortizations, equal to Euro 62, calculated on the revaluated value of the property.

D. <u>Cash-settled share-based payments and employee benefits:</u>

Italian standards required recording the liabilities for the employee severance indemnity based on the debt accrued in accordance with the civil law provisions in force as of the closing date of the financial year; in accordance with IAS/IFRS, the 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 the benefits that may be paid at severance, which the employees had accrued at the date of the financial statements. For the purposes of IAS/IFRS, all the actuarial profits and losses were recorded as of the transition date.

The Group also opted for early application, as of the transition date, of the IFRS2 international accounting standard, measuring the goods and services and the liabilities taken on, with respect to the synthetic options assigned to employees, at fair value.

The above resulted in the following:

- *as of 1 January 2004*, a reduction in equity for Euro 3,053, net of the positive tax effect for Euro 1,460;
- *as of 30 June 2004*, a reduction in equity for Euro 945, with respect to the initial decrease, derived from the update of the fair value of the liabilities to employees, and from the adjustment of the employee severance indemnity calculated based on the actuarial rules.

E. Adjustment to the cost incurred method for projects,

valuated with the physical measurements method:

The valuation of the contracts in progress, in accordance with the standards previously adopted by the Group, was performed with specific reference to the physical progress of the works not certified at the end of the financial year (so-called physical measurements method).

In adopting the international accounting standards, the Group, in applying the "incurred cost" method in accordance with IFRS (cost to cost), included in the contracts in progress the work site installation costs, which in previous financial years were recorded in the intangible fixed assets as provided for by Italian accounting standards, and are no longer classifiable as such according to international accounting standards.

The above resulted in the following:

- *as of 1 January 2004*, a reduction of the equity for Euro 3,350, net of the positive tax effect for Euro 1,650;
- *as of 30 June 2004*, a reduction of the equity for Euro 4,610 net of the positive tax effect for Euro 2,390.

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ACCOUNTING STANDARDS ADOPTED

The most significant accounting standards and valuation policies adopted for the preparation of the consolidated first half report are indicated below.

Consolidation area and consolidation principles

The Group's consolidated first half report includes, as of 30 June 2005, the interim reports of the companies included in the consolidation area (hereafter, "consolidated companies") prepared in accordance with the accounting standards of the Astaldi Group's IAS/IFRS. Attached to these notes is a list of the companies included in the consolidation area, and the corresponding percentages of direct or indirect shareholding by the Group.

In particular, the line by line method was used to consolidate the companies in which Astaldi exercises control by virtue of direct or indirect shareholding of the majority of votes that may be exercised, or has the power to determine the companies' financial and management choices, thus obtaining their relative benefits, apart from the shareholding relationships.

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

All the subsidiary companies are included in the consolidation area starting on the date on which control is transferred to the Group. The companies are excluded from the consolidation area starting on the date on which the Group yields control.

The values derived from relations between the consolidated companies are elided, and in particular those derived from payables and receivables in existence at the end of the period, the costs, and the revenue, as well as the charges and financial and other income entered in their profit and loss accounts. Also elided are the profits and losses made between the consolidated companies with the correlated tax adjustments.

The companies included in the consolidation area as per the attached schedules all close their financial years on 31 December. The interim report is prepared based on the reports closed as of 30 June.

The interests held in companies on which a considerable influence is exercised, generally accompanied by a percentage of ownership between 20% and 50%, are valuated in accordance with the equity method or fair value. In the event of application of the equity method, the value of the interest is aligned with the adjusted equity, where necessary, to reflect the application of IAS/IFRS, and includes the entry of the goodwill (net of impairment) as may be identified at the moment of acquisition, in addition to the effects of the adjustments required by the standards on preparing the consolidated financial statements. Therefore, the profits and losses between the consolidated companies in accordance with the equity method and other Group consolidated companies are eliminated.

Any impairment in excess of the book value are accounted for in the Provision for losses in equity investments.

Segment reporting

The Group accounting standards consider as "primary" the scheme for geographical area where the Group's activity is marked by operating in different countries or in different geographical areas, and as "secondary" the scheme of representation by segment, where the business risks and benefits are influenced by differences in the types of work.

Conversion of entries and translation of financial statements into foreign currency

The balances included in the interim reports of each company/group body are entered in the currency of the primary economic environment in which the body operates (functional currency). The Astaldi Group's consolidated interim report is prepared in euros – the Parent Company's functional currency.

The elements expressed in a currency other than the functional currency, whether monetary (Cash and cash equivalents, assets and liabilities payable or receivable with amounts of pre-established or determinable money, etc.) or otherwise (advances to suppliers of goods and/or services, goodwill, intangible assets etc.) are initially recorded at the exchange rate in force on the date on which the transaction is made. Subsequently, the monetary elements are converted into functional currency based on the exchange rate on the date of the closing of the financial statements, and the differences derived from the conversion are ascribed to the profit and loss account. The non-monetary elements are maintained at the conversion exchange rate of the operation except in the case of persistent unfavourable trends in the exchange rate of reference. The differences follow the accounting treatment (profit and loss account or translation reserves) established for the value fluctuations of these elements.

The rules for converting financial statements expressed in a foreign currency into functional money (except for the situations in which the currency is that of a hyperinflationary economy) are as follows:

- the assets and liabilities in the submitted reports, even for the sole purposes of comparison, are converted at the exchange rate as of the date of close of the financial year;
- the costs and revenues, charges and incomes included in the submitted reports, even for the sole purposes of comparison, are converted at the average exchange rate for the period being presented, or at the exchange rate as of the date of the transaction should this rate differ significantly from the average rate;
- the "translation reserve" covers both the exchange differences generated by converting the economic magnitudes at a rate differing from the closing rate, and those generated by converting the opening equities at an exchange rate different from that of the close of the financial year.

At the first-time adoption of the IFRS, the cumulative conversion differences generated by the consolidation of companies/bodies outside the euro zone were set to zero, as permitted by IFRS 1; therefore, only the conversion differences accrued and recorded after 1 January 2004 will go towards determining the gains and losses derived from their transfer of said companies/bodies, where applicable.

Property, plant and equipment

The tangible assets are valuated at the purchase or production costs, net of the accrued amortizations and any impairment. For the first-time adoption (1 January 2004), the group opted, with reference to the valuation of certain land and buildings, to apply the revaluated cost to replace the original historic cost.

The cost includes all expenses directly incurred for preparing the assets for use, as well as any dismantling and removal cost that will be necessary to restore the site to its original conditions.

The charges incurred for routine and/or cyclical maintenance and repairs are ascribed directly to the profit and loss account in the financial year in which they are incurred. The costs related to enlarging, modernizing, or improving the structural elements owned or used by third parties are capitalized exclusively within the limits in which they respond to the requirements for being separately classified as an asset or part of an asset. The financial charges incurred for purchasing and/or building the assets are not capitalized.

The value of an asset is adjusted by systematic amortization, calculated with respect to the residual possibility of its use based on its useful life. The amortization starts from the moment the asset becomes available for use. The useful life estimated by the Group for the various classes of assets is as follows:

	Years
Buildings	20-33
Plant and machinery	5-10
Equipment	3-5
Other assets	5-8

Land, including that pertaining to the buildings, is not amortized.

Should the asset that is the object of the amortization be composed of distinctly identifiable elements whose useful life differs significantly from that of the other parts composing the fixed asset, the amortization is performed separately for each of the parties composing the asset, in application of the component approach policy.

The profits and losses derived from the sale of assets or groups of assets are determined by comparing the sale price with the net book value.

The tangible assets held by financial leasing agreements through which all the risks and benefits of ownership are transferred substantially to the Group, are recognized as Group assets at their current value or, if less, at the current value of the minimum payments owed for the leasing, including the sum to be paid for exercising the purchase option. The corresponding liabilities to the lessor are represented in the financial statements among the financial payables.

If there is no reasonable certainty that ownership of the asset is acquired at the end of the leasing agreement, the assets in financial leasing are amortized 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 profit and loss accounts in the financial years of the duration of the leasing agreement.

Intangible assets

Intangible assets are non-monetary elements having no physical consistency, and clearly identifiable and suited for generating future economic benefits for the company. These elements are recorded in the financial statements at the purchase cost and/or production cost, including expenses that may be attributed directly in the asset preparation phase, to bring it into operation, net of the accrued amortizations (except for the assets with an undefined useful life) and any impairment. Amortization begins when the asset is available for use, and is divided systematically with respect to the residual possibility for its use, which is to say based on its useful life. In the financial year in which the intangible asset is recorded for the first time, a rate taking its actual use into account is employed.

Patents and rights to use patents of others are entered at the acquisition cost net of the amortizations and impairments accrued over time.

Amortization is performed starting from the financial year in which the acquired right is available for use, and takes the corresponding useful life into account.

Concessions, licenses, and similar rights are entered at cost net of the amortizations and impairments accrued over time.

Amortization is performed starting from the financial year in which the rights are acquired, with respect to their duration.

The goodwill entered among the intangible assets is connected with company combination operations and represents the positive difference between the cost incurred for acquiring a business or a line of business and the Group's shareholding in the current value of these assets and liabilities composing the capital of that business or line of business. Instead the negative difference if any is reported in the profit and loss account at the moment of the purchase. The goodwill following the initial recording is not subject to amortization, but to depreciation due to impairment.

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

At the first-time adoption of the IFRS, the Group opted not to apply IFRS 3 (Business combinations) retroactively to the company acquisitions taking place prior to 1 January 2004; consequently, the goodwill generated for acquisitions prior to the date of transition to IFRS was maintained (except for any effects derived from the application of the new standards) at the previous value determined in accordance with Italian accounting standards, subject to verification of its recoverability.

Investment property

An investment property is reported as an asset when it represents a property owned with the purpose of gaining rents 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 gained by the company. They are valuated at the purchase or production cost augmented by any ancillary costs net of the accrued amortizations and of any impairment.

The useful life of the property belonging to the following item is between 20 and 33 years.

Impairments of tangible and intangible assets (impairment of assets)

The assets with an undefined useful life are not subject to amortization, but are subjected at least annually to an impairment test, which verifies the recoverability of the value entered in the financial statements.

For the assets subject to amortization, the possible presence of indicators leading to the supposition of an impairment is evaluated: in the event of a positive response, the recoverable amount of the asset is estimated, with any surplus ascribed to the profit and loss account.

Should the prerequisites for the depreciation previously performed be lacking, the book value of the asset is restored to within the limits of the net book value: the restoration of value is also recorded in the profit and loss account. However, in no case is the value of previously depreciated goodwill 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 is either the fair value net of the sale costs or its value in use, whichever is greater. To determine an asset's value in use, the current value of the estimated future financial flows was calculated, gross of taxes, by applying a pre-tax actualization rate reflecting the current market valuations of the pro-rata temporis value of the money and of the specific risks of the activity. An impairment is entered if the recoverable amount is less than the book value. When an impairment of assets other than goodwill later shrinks or disappears, the book value of the asset or of the cash generating unit is increased until the new estimate of the recoverable amount, but may not exceed the value that would have been determined if no impairment had been recorded. The restoration of an impairment is immediately entered in the profit and loss account.

Investments

Investments in companies other than subsidiaries, associates, and joint ventures (generally with a stake under 20%) are classified, at the moment of purchase, among "non-current investments valuated at cost" or among non-current financial assets valued at fair value.

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

Inventories

Inventories are entered at the cost or the market value, whichever is less. The cost determining method selected as a Group principle is the *weighted average cost.*

Contracts in progress

Contracts in progress are reported in accordance with the progress stage (or completion percentage) of the works, according to which the costs, revenues, and margin are recognized based on the progress of the productive activity. The policy adopted by the Group is that of the completion percentage determined by applying the "incurred cost" (cost to cost) criterion.

The valuation reflects the improved estimate of the contracts made as of the reporting date. Periodically, the assumptions underlying the evaluations were updated. Any economic effect is recorded in the financial year in which the updates were made.

The contract revenues include the payments agreed upon by contract, work changes, price revision, incentives, and any claims, to the extent in which these are likely to be reliably valuated. In particular, the valuation of the claims, as understood by the regulation implementing the outline law regarding public works, as well as international regulations, these being economic demands different from those to which the contractor is entitled by virtue of provisions of law or contract, was guided, based on certain technical and legal analyses, towards the positive results that could reasonably be achieved from disputes with the customers.

The contract costs include all the costs that refer directly to the project, the costs that may be attributed to the contract activity in general and that may be allocated to said project, in addition to any other cost that may be specifically charged to the customer based on the contractual clauses. The contract costs also include the pre-operative costs, which is to say the costs incurred in the initial phase of the contract before the construction activity is begun (costs of preparing tenders, design costs, costs for organization and start-up of production, construction site installation costs) and the post-operative costs that are incurred after the contract is closed (removal of the construction site, return of plant/equipment to base, etc.).

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

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

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

Should the final losses fund for the individual contract exceed the value of the work entered in the assets, this excess is classified in the provision for risks and charges.

Contracts with payments denominated in a currency other than the functional currency (euros for the Group) are valuated by converting the accrued share of payments determined based on the completion percentage method, at the exchange rate ending the period that is the object of the report. The same method is applied for costs expressed in foreign currency.

Accounts receivable and financial assets

The Group classifies financial assets in the following categories:

- assets at fair value with offset to the profit and loss account;
- accounts receivable and loans;
- financial assets held until term;
- available-for-sale financial assets.

The classification depends on the motivations for which the asset was acquired, the nature thereof, and the valuation made by management as of the date of purchase or, with reference to the transition to IAS/IFRS, as of the date of adoption of IAS 39.

For the comparative data on the previous periods, in compliance with the forecasts of IFRS 1, the financial assets and liabilities were recorded based on Italian accounting standards; financial assets were recorded among the current and non-current assets based on the term and/or use as of the date of preparation of the financial statements. The investments and stakes entered among the current assets are recorded at the purchase cost, accurately determined, or at the market value if lower. The investments entered among non-current assets (for stakes, see the specific paragraph) are recorded at the purchase cost, adjusted as necessary to take impairment losses into account.

Financial assets at fair value with offset to the profit and loss account

This category includes the financial assets acquired for the purposes of short-term negotiation or those thus designated by management, in addition to the derivative instruments, for which reference is to be made to the following paragraph. These instruments' fair value is determined by making reference to the market value (bid price) as of the ending date of the period being reported. In the event of non-quoted instruments, it is determined with commonly used financial valuation techniques. The fair value variations of the instruments belonging to this category are immediately recorded to the profit and loss account.

Accounts receivable and loans

This category includes the assets not represented by derivative instruments and not quoted in an asset market, from which fixed or determinable payments are expected. These assets are valuated at the amortized cost based on the method of the actual interest rate. Any impairment determined through the impairment test is recorded to the profit and loss account. 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 until term

These assets are those, unlike the derivative instruments, with a pre-established term, and that the Group intends and is able to maintain in its portfolio until term. These assets are valuated at the amortized cost based on the method of actual interest rate. Classified under current assets are those whose contractual term is expected within the 12 months thereafter. Any impairment determined through the impairment test is recorded to the profit and loss account.

Available-for-sale financial assets

This category includes the financial assets, not represented by derivative instruments, designated specially as coming under this category or not classified in any of the previous categories. They are valuated at the fair value determined with reference to the market prices as of 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 available-for-sale financial assets"). This provision is booked in the profit and loss account only at the time in which the financial asset is actually transferred or, in the case of negative fluctuations, when it is shown that the impairment already recorded in equity cannot be recovered. Classification as current or non-current assets depends on management's intentions and on the real negotiability of the investment: recorded among the current assets are those whose realization is expected in the subsequent 12 months.

Derivatives

The derivative instruments are always considered as assets held for the purpose of negotiation and valuated at fair value with offset to the profit and loss account, except where they are instruments suitable for hedging and effective in neutralizing the risk of underlying assets or liabilities or commitments taken on by the Group.

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

The effectiveness of the hedging operations is documented both from the start of the operation and periodically (at least at every date of publication of the financial statements or of the 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 complicated instruments, through statistical analyses based on the risk fluctuation.

For the comparative data on the previous periods, in compliance with IFRS 1 forecasts, 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 to financial income/expense; the cost of the forward contracts (difference between spot exchange at the start of the contract and forward exchange) is prorated to the profit and loss account.
In the event of forward operations, the differential attributable to premiums or discounts is prorated where applicable among the financial income/expense and among the other current assets or liabilities.

Fair Value Hedge

The fluctuations of value of the derivatives designated as fair value hedge and qualified as such are recorded to the profit and loss account, similarly to what is done with reference to the fair value fluctuations of hedged assets or liabilities attributable to the risk neutralized by the hedging operation.

Cash Flow Hedge

The fair value fluctuations of the derivatives designated as cash flow hedge and that are qualified as such are recorded, limited only to the “effective” part, in a specific equity reserve (“cash flow hedge reserve”), which is then carried over to the profit and loss account at the moment of the economic manifestation of the underlying object of hedging. The fair value fluctuation referable to the ineffective portion is immediately recorded to the period’s profit and loss account. 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 recorded to the profit and loss account.

Determination of the fair value

The fair value of the instruments quoted on public markets is made with reference to the quotations (bid price) as of the date of reference of the period being recorded. The fair value of non-quoted instruments is measured with reference to financial valuation techniques: in particular, the fair value of the interest rate swap is measured by actualizing the expected cash flows, while the fair value of the forwards on exchanges is determined based on the market exchange rates as of the date of reference, and the rate differentials among the affected currencies.

The Group made some assignments of assets with recourse, booked in compliance with Italian accounting principles, but later adjusted, effective 1 January 2005, pursuant to and to the effects of

IAS 39 with reference to eliminating these assets from the financial statements.

Therefore, the assigned assets, as well as the connected liabilities, remain entered in the balance sheet.

For the comparative data for previous periods, in compliance with IFRS 1 forecasts, the assets assigned with recourse in the comparative financial positions are recorded 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 by the Parent Company. The costs strictly related to issuing the shares are classified as reducing the share capital when these are costs directly attributable to capital transaction.

Treasury shares

Treasury shares are entered as a reduction of equity. In particular, the nominal value of treasury shares is booked as a reduction of the issued share capital, while the excess of the purchase value with respect to the nominal value is carried to reduce the other reserves. Therefore, profits or losses for the purchase, sale, issuance, or cancellation of treasury shares are not recorded to the profit and loss account.

For the comparative data regarding previous periods, in compliance with IFRS 1 forecasts, treasury shares in the comparative capital asset 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 portion not distributed nor allocated to reserve (in the case of profit) or settled (in the case of losses).

Other reserves

These are capital reserves with a specific assignment for the Parent Company. Among others, they include the fair value reserve for the entries booked with this criterion with equity offset.

Payables and other liabilities

The payables and other liabilities are initially recorded in the financial statements at their fair value net of the transaction costs. Subsequently they are valuated at their amortized cost.
Any difference between the sum received (net of the transaction costs) and the nominal value of the payable is recorded to the profit and loss account by applying the method of the actual interest rate.
Payables are classified as current liabilities, unless the Group has the contractual right to fulfil its obligations at least beyond 12 months after the date of the financial statements.
For comparative periods, the payables defined as obligations to pay amounts derived from the purchase of products, goods, and services at a pre-established date, and the other financial liabilities are entered at their nominal value.

<u>Deferred taxes</u>

Deferred taxes are calculated based on the temporary differences that are generated between the value of the assets and liabilities included in the company's accounting report and the value for tax purposes that is attributed to said asset/liability. The deferred tax assets and liabilities are valuated by applying the rate in force at the moment in which the temporary differences are recorded. The deferred tax assets are recorded to the extent in which the existence, in the financial years in which the relative temporary differences are recorded, of a taxable income at least equal to the amount of the differences to be cancelled out, is deemed likely.

Employee benefits

Employee severance indemnity fund

The employee severance indemnity fund, obligatory for Italian companies pursuant to law no. 297/1982, is considered a defined benefit plan, and is based, among other things, on the working life of the employees and on the pay earned by the employee over the course of a pre-established term of service.

The value of the employee severance indemnity is determined by independent actuaries using the projected unit credit method. At the first-time adoption of IFRS, the Astaldi Group has decided to enter all the accrued actuarial profits and losses (as of 1 January 2004), and in current financial years to use the "corridor method," in the accounting of actuarial profits and losses, which makes it possible to dilute the effect derived from the change in certain parameters valuated over a number of financial years. In compliance with this 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 in service of the plan at the same date divided by the remaining working life of the employees, whichever is higher, is recorded to the profit and loss account for each financial year.

Cash-settled share-based payments

The Group pays additional benefits to Group managers and cadres through cash-settled share-based payments. For these operations, in accordance with the provisions of IFRS 2 both the goods and services acquired and the liabilities taken on are valuated at the fair value of the liability. Until the liability is paid up, the fair value is re-determined for each financial statement ending date and on the regulation date, all the fair value fluctuations are recorded to the profit and loss account.
The Group has applied the provisions of IFRS 2 since 1 January 2004.

Provisions for risks and charges

The provisions for risks and charges regard the costs and charges of a determinate nature and of certain or likely existence, that as of the ending date of the period of reference are indeterminate in the amount or in the date of contingency. The allocations are recorded when there is a current obligation (legal or implicit) that derives from a past event, should a disbursement of resources to satisfy the obligation be likely, and a reliable estimate as to the amount of the obligation can be made.
The allocations are entered at the value representing the best estimate of the amount that the company would pay to settle the obligation or to transfer it to third parties on the period's ending date. If the effect of actualization of the money is significant, the allocations are determined by actualizing the future expected

financial flows at a pre-tax discount rate that reflects the current market valuation of the cost of money over time. If the liability regards tangible assets, the provision is recorded in offset to the asset to which the recording of the charge refers. When actualization is performed, the increase in the allocation due to the passage of time is recorded as a financial charge to the profit and loss account.

Revenues other than contracts in progress

The revenues are valuated at the *fair value* of the payment received, taking into account any discounts and reductions linked to quantities.

The revenues regarding the sale of goods are recognized when the company has transferred to the acquirer the significant risks and benefits connected with ownership of the assets, which in many cases coincides with transferring ownership or possession to the acquirer, or when the value of the revenue may be reliably determined.

The revenues from services rendered are recorded, when they may be reliably estimated, based on the completion percentage method.

Payments

Payments, when there is a formal decision for making them, are recorded by area in direct correlation with the costs incurred. In particular, payments into the plant account are accredited in direct relation to the amortization process to which the goods/projects refer, and brought to direct reduction of said amortization.

Financial charges

Interest is recorded by area on the basis of the actual interest method, that is by using the interest rate that makes financially equivalent all the incoming and outgoing flows (including premiums, discounts, commissions, etc.) that compose a given transaction. Financial charges are never capitalized among assets.

Dividends

Dividends are recorded when the right arises for shareholders to receive the payment that normally corresponds to the Shareholders' Meeting dividend distribution decision.

The distribution of dividends to shareholders is recorded as a liability in the financial statements in the period in which the distribution thereof is approved by the Shareholders' Meeting.

Costs

Costs are recorded in compliance with the accrual basis, and with an outlook to the continuation of the corporate activity of the Group companies.

Current taxes

In the interim financial statements of the companies, the income taxes are estimated by applying the expected annual tax rate in effect as of the interim result before taxes. The consolidated financial statements thus represent the aggregation of calculated values.

Profit per share

The base profit per share is calculated by dividing the share of Group economic result attributable to the ordinary shares by the weighted average of ordinary outstanding shares, excluding treasury shares.

Use of estimates

The preparation of the consolidated interim report and its notes in application of IFRS requires management to make estimates and to advance hypotheses that have an effect on the values of assets and liabilities and on the information regarding potential assets and liabilities as of the date of the consolidated interim report. The results to be booked may differ from these estimates. The estimates are used to record the allocations for credit risks, for obsolescence and slow warehouse movement, amortizations, depreciations of assets, employee benefits, taxes, allocations, and provisions. The estimates and assumptions are periodically reviewed and the effects of each variation are immediately reflected in the profit and loss account.

Comment on the main balance sheet and profit and loss account items

1. Revenues

Euro 486,195

The revenues from works amount to a total of Euro 486,195, including the variation of inventories equal to Euro 156,230.

For greater analysis, see the attached schedule, as well as the note on interim management trends:

	30/06/2005	**30/06/2004**	**Variation**
Transportation infrastructures	349,462	295,654	53,808
Hydraulic works and power production plants	67,277	63,704	3,573
Civil and industrial building	69,456	123,955	-54,499
Total	**486,195**	**483,313**	**2,882**

2. Other operating revenue

Euro 40,842

The other revenue, equal to Euro 40,842, is represented by items not directly related to the production activity for Group projects, but are accessory to the core business and have a continuous character over time.

The breakdown of the item in question is as follows:

	30/06/2005	*30/06/2004*	Variation
- Revenue from sales of goods	4,958	1,513	3,445
- Services provided to third parties	13,687	10,631	3,056
- Sponsorship	2,459	2,308	151
- Rentals and leases receivable	3,260	1,258	2,002
- Other	16,478	18,631	-2,153
Total	**40,842**	**34,340**	**6,502**

The aggregate in question shows an overall increase of Euro 6,502 over the corresponding period in the previous financial year. This variation may be ascribed substantially as follows:

- for Euro 3,445, to sales of goods to third parties carried out mainly by the Parent Company's stable organizations operating in Latin American countries, as well as in the countries of Eastern Europe and Sub-Saharan Africa – the latter being, as provided for in the corporate plans, affected by an intense liquidation activity;
- for Euro 3,056, to services provided, prevalently by the Parent Company, to third parties and non-consolidated Group companies;
- for Euro 2,002, to the leasing services of company assets, provided by the Parent Company's stable foreign

organizations operating in Latin American countries, as well as in the countries of Eastern Europe.

3. Costs for purchases

Euro 95,805

The costs for the purchase of raw materials, subsidiary materials and consumables, net of the warehouse inventories, amount to a total of Euro 95,805 (as of 30 June 2004, Euro 94,978) – a net increase of Euro 827 over the previous period.

The costs for purchases are composed as follows:

	30/06/2005	30/06/2004	Variation
- Costs for purchases	96,324	86,511	9,813
- Variation in the inventories of raw materials, subsidiary materials, consumables and goods	-520	8,467	-8,986
Total	95,805	94,978	827

The variation in the inventories for Euro –520 refers to the balance of net inventories introduced into the productive cycle.

4. Costs for Services

Euro 267,230

The costs for services amount to Euro 267,230 (as of 30 June 2004, Euro 282,624), a Euro 15,394 decrease from the previous financial year.

The breakdown of the costs for services, net of the cost for use of assets owned by others shown in greater detail in the corresponding table, is as follows:

	30/06/2005	30/06/2004	Variation
- Consortium costs	97,616	114,168	-16,552
- Subcontracts and other services	122,878	126,328	-3,450
- Technical, administrative, and legal consulting	17,000	19,279	-2,279
- Others	22,885	11,819	11,066
Total	**260,379**	**271,594**	**-11,215**

The most significant decrease, equal to Euro 16,552, recorded in consortium costs, is a consequence of the substantial completion of the works to build the New Milan Expo Fair.

The costs for the use of assets owned by others, equal to Euro 6,850 (as of 30 June 2004, Euro 11,029) are broken down as follows:

	30/06/2005	30/06/2004	Variation
- Leases and other costs	5,469	9,214	-3,746
- Rentals and condominial expenses	1,274	1,512	-239
- Maintenance costs on third-party goods	108	303	-195
Total	**6,850**	**11,029**	**-4,179**

5. Personnel costs

Euro 73,270

The personnel costs, equal to Euro 73,270 (Euro 72,485 in 2004) consist of:

	30/06/2005	30/06/2004	Variation
- Wages and salaries	52,058	52,037	21
- Social security charges	12,861	12,167	694
- Other costs	5,443	5,709	-266
- Other benefits after the labour relationship	2,908	2,572	336
Total	**73,270**	**72,485**	**785**

The average number of employees during the reference period, broken down by category, is as follows:

- Managers 107
- Cadres 34
- Clerks 1,404
- Workers 4,280

6. Amortization, depreciation and write down

Euro 23,333

The amortization, depreciation and write down item is composed of the following:

	30/06/2005	30/06/2004	Variation
- Intangible amortizations	1,868	1,264	604
- Tangible amortizations	11,396	11,113	284
- Bad and doubtful debts	10,069	1,244	8,825
Total	**23,333**	**13,621**	**9,713**

The item in question refers for Euro 11,396 (Euro 11,113 as of 30 June 2004) to the amortizations ascribed to corporate assets, and only residually to the category of intangible assets; for Euro 10,069 it refers to the value adjustment made to the receivables entered in the current assets, in order to represent their presumed realizable amount, ascribable in part to the activities performed in Italy, and in part abroad.

7. Other operating costs

Euro 27,406

The other operating costs item consists of the following:

	30/06/2005	30/06/2004	Variation
- Allocations for risks and charges	14,915	0	14,915
- Other operating costs	12,491	15,048	-2,557
Total	**27,406**	**15,048**	**12,359**

The allocation for risks and charges, totalling Euro 14,915, represents the prudent allocation covering the presumed charges expected in projects both in Italy and abroad, for which the activities and liquidation phase are being completed.

The other operating costs total Euro 12,491, a Euro 2,557 decrease over the previous financial year, and include the following items:

	30/06/2005	30/06/2004	Variation
- Extraordinary charges and non-existent liabilities due to value adjustments	5,008	4,025	983
- Fiscal charges	1,812	2,039	-226
- Other administrative costs	5,671	8,984	-3,313
Total	**12,491**	**15,048**	**-2,557**

For the sake of clarity, it is specified that the extraordinary charges and non-existent liabilities due to value adjustments include the book effects of the charges made by consortium companies on the services rendered by in the previous financial year prevalently in the Parent Company's favour.

The fiscal charges refer mainly to such indirect taxes as customs charges, stamp duty, I.C.I. (local property tax), government concessions and registration tax incurred both in Italy and abroad.

The other administrative costs refer mainly to capital losses on sales of capital goods, association contributions, and miscellaneous administrative expenses; the latter item records a significant reduction, also thanks to the cost control and streamlining implemented by the Group.

8. Capitalized costs for internal productions

Euro 69

The increases in the fixed assets for internal constructions equalled Euro 69, and identify the costs capitalized in the half in question for the contract for the construction in project financing of technological tunnels in the municipality of Cologno Monzese.

9. Net financial income (charges)

Euro (12,180)

The financial income, equal to Euro 36,784, shows a Euro 4,484 decrease from the same period in financial year 2004. The following table shows their composition, comparing it with the previous financial year:

	30/06/2005	30/06/2004	Variation
- Income from subsidiaries	49	114	-64
- Income from associated companies	432	104	328
- Income from other investments	0	0	0
- Income from financial transactions with credit institutions	977	809	167
- Commissions on guarantees	207	237	-29
- Exchange rate gains	33,357	17,414	15,943
- Other financial income	1,762	22,591	-20,829
Total	**36,784**	**41,268**	**-4,484**

The income from subsidiaries for Euro 49 refers to the distribution of the capital net of liquidation by companies having the nature of consortium, as determined on the occasion of the discontinuance of business.

The income from associated companies for Euro 432 is from special purpose vehicles operating in Latin American countries, that have substantially concluded their activities.

As regards the other financial income, it should be pointed out that the decrease that was found in comparison with the same period in 2004 is to be ascribed to the booking during said period of the interest receivable related to the definition of the arbitration award for the construction of the Zagreb-Gorizan motorway in Croatia and the indemnities related to the war in Ethiopia, already allocated in the depreciations of the financial assets.

The profits recorded with regard to the fluctuation in the exchange rates for the various currencies in which the Group operates, equal to Euro 33,357, compensate the charges of the same nature, for Euro 27,765, thus making evident the effects of the careful currency control implemented by the Group. The significant difference recorded in the individual absolute values, compared with the same period in the previous financial year, is a consequence of the accounting technique adopted for the conversion of the entries in currency, in application of IFRS. This has in fact led to the "*open balance*" recording of the exchange differences realized and valuated at the end of the reference period. On the contrary, during the past financial year, Italian accounting standards allowed the recording of exchange differences using the multi-currency accounting method, in a single equity item – "*Reserve (Deficit) for currency transaction adjustment*" – in this way highlighting only the "*net effect*." The consolidated accounting report as of 30 June 2004, prepared in accordance with IFRS in order to make it comparable with these financial statements, records to the profit and loss account the effects of the conversion of the entries in currency determined in compliance with the new standard.

Interest and other financial charges for the financial year, equal to Euro 47,863, increased by Euro 10,491 over the same period in the previous financial year. The following table details their composition:

	30/06/2005	30/06/2004	Variation
- Interest on debenture loan	1,031	4,875	-3,844
- Commissions on guarantees	4,164	4,091	73
- Charges from financial relations with credit institutions	9,906	6,179	3,727
- Exchange rate losses	27,765	17,437	10,328
- Other financial charges	4,998	4,791	207
Total	**47,863**	**37,372**	**10,491**

Write-down and revaluations of financial assets show a negative balance of Euro 1,101 (Euro 20,577 in 2004), broken down as follows:

	30/06/2005	30/06/2004	Variation
- Revaluations of investments	473	0	473
- Write-down of equity	-563	-1,352	789
- Write-down of investments, and bad and doubtful debts	-1,000	-19,224	18,224
- Losses on equity	-11	-1	-10
Total	**-1,101**	**-20,577**	**19,476**

The negative variation of Euro 19,476 may be attributed almost entirely to the "write-down of investments, and bad and doubtful debts" item. During the previous financial year, this item allocated:

- Euro 11,991 for interest paid to the Parent Company following the definition of the arbitration award for the construction of the motorway in Croatia.
- Euro 6,289 for the indemnities paid to the Parent Company by the Ministry of the Treasury with reference to the war damage suffered during the performance of works in Ethiopia.

The revaluation of investments for Euro 473 refers to the difference between the entry values of the investments in the financial statements and their fair value valuation in application of IAS 39.

As for the write-down of equity for Euro 563, this item, which amounted to Euro 1,352 in the previous financial year, fell by Euro 789 and represents the losses derived from equity investments balanced for Euro 283, as well as the write-downs on equity investments for a total of Euro 280, referring entirely to the allocation to the provision for losses in equity investments.

10. Effects of the valuation of the investments with the equity method

Euro (116)

The effects of the valuation of the investments with the equity method show a negative balance equal to Euro 116 (as of 30 June 2004, negative for Euro 677). The composition and comparison with the previous business year are shown in the following table:

	30/06/2005	30/06/2004	Variation
Revaluation of investments:			
S.E.I.S. SP.A.	3	91	-88
Astaldi Ferrocemento JV	31	0	31
Write-down of equity			
Astaldi Ferrocemento JV	0	-64	64

Astaldi-Max Bogl-CCCF JV S.r.l.	-12	0	-12
Copenhagen Metro Construction Group J.V. (COMET)	-35	-663	628
Yellow River Constractors	-103	-41	-62
Total	**-116**	**-677**	**561**

11. Income taxes

Euro 10,763

The total amount of the taxes for the period, referring to the Parent Company and to the companies included in the consolidation area, is equal to Euro 10,763 (Euro 6,697 as of 30 June 2004). The increased tax rate (39% as against 31% in 2004) is to be basically ascribed to the reduced level of tax-exempt revenues recorded by the Parent Company during the first half of 2005, compared with the same period of the previous financial year, while to an extent lower to the prepaid taxes booked in 2004 by Italstrade SpA.

The current taxes equal Euro 9,739 and are valuated based on objective elements measured as of the reference date. This valuation is of a provisional nature in consideration of the particular sector in which the Group operates.

The charge derived from calculation of the Group's deferred taxes equals a total of Euro 1,024, broken down as follows:

- Euro 1,518 as an overall charge "*connected with turning back the temporary differences derived from previous financial years, as well as for deferred tax liabilities of the financial year*" for the Parent

Company;

- Euro (600) as total income booked by the subsidiary Italstrade SpA;
- Euro (75) as total income booked by the subsidiary Sartori Sud Srl;
- Euro 181 as total charge *"connected with turning back the temporary differences derived from previous financial years"* for the subsidiary operating in the United States, Astaldi Construction Corporation.

The residual credit for prepaid taxes of the group amounts to a total of Euro 17,933 to be recovered in subsequent financial years, and is substantially ascribable 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 adjustments of a civil law nature made in implementing the new IAS/IFRS accounting standards.

13. Profit per share

The profit per base share is determined at Euro 0.1743. The following is a summary of the calculation procedure:

	First half 2005	*First half 2004*	*31 December 2004*
Numerator (in thousands of Euro)			
Profit (loss) attributable to Parent Company ordinary shareholders in the ongoing operations	17,139	14,527	28,031
Profit (loss) attributable to Parent Company ordinary shareholders in the discontinued operations	-	-	-
Profit of Parent Company ordinary shareholders	**17,139**	**14,527**	**28,031**
Denominator (in units)			
Weighted average of shares (all ordinary)	98,424,900	98,424,900	98,424,900
Weighted average of treasury shares	(93,398)	(1,406,141)	(1,188,893)
Weighted average of shares to be used for the purposes of calculating the profit per base share	**98,331,502**	**97,018,759**	**97,236,007**
Profit (loss) per base share of ongoing operations	**0.1743**	**0.1497**	**0.2883**
Profit (loss) per base share of discontinued operations	**-**	**-**	**-**
	0.1743	**0.1497**	**0.2883**

In the absence of shares subject to option, the diluted profit per share coincides with the base profit.

Paid and proposed dividends

Euro 7,375

During 2005, dividends were paid for Euro 7,375, (Euro 6,306 in 2004).

The dividend decided on by the Shareholders' Meeting of 29 April 2005, for Euro 0.075 per share, was paid with actual detachment of the coupon on 9 May 2005.

The number of shares benefiting from the dividend is 98,336,744 out of a total of 98,424,900 and net of treasury shares, equal to Euro 88,156.

<u>14. Property, plant and equipment</u>

Euro 124,424

The value of the property, plant and equipment amounts, as of 30 June 2005, to Euro 124,424 (Euro 125,257 as of 31 December 2004). The main variations taking place during the financial year refer to new investments made, in particular in Romania, to the normal asset renewal process, to the disposals made in the countries in the liquidation phase, in particular Sub-Saharan Africa, as well as to the variation in the consolidation area.

The most significant variations are shown in the following table:

	Land and buildings	Specific and general plant	Excavators, power shovels, and heavy equipment	Miscellaneous equipment and machinery	Fixed assets in progress and advance	Total
Value as of 31/12/2004, net of amortizations (1)	41,234	41,404	27,562	12,805	2,252	125,257
Increments						
- derived from acquisitions	0	5,060	5,458	1,667	2,696	14,880
	41,234	**46,464**	**33,020**	**14,472**	**4,948**	**140,138**
Amortizations	**-474**	**-4,175**	**-4,938**	**-1,809**		-11,396
Other disposals	0	-3,179	-2,992	-484	-524	-7,179
Variation of consolidation perimeter	283	475	392	1,129	0	2,278
Reclassifications	-3	27	-15	-89	0	-80
Exchange differences	308	-19	398	-24	0	663
Value as of 30.06.2005 net of amortizations (2)	**41,349**	**39,592**	**25,865**	**13,195**	**4,424**	**124,425**
(1) of which						
- Cost	42,254	80,167	72,240	30,565	2,252	227,478
- Amortization fund	-1,019	-38,763	-44,678	-17,759		-102,220
Net value	**41,234**	**41,404**	**27,562**	**12,805**	**2,252**	**125,257**
(2) of which						
- Cost	42,919	76,685	69,606	31,954	4,424	225,588
- Amortization fund	-1,570	-37,093	-43,740	-18,759		-101,163
Net value	**41,349**	**39,592**	**25,865**	**13,195**	**4,424**	**124,425**

The value of the property, plant and equipment includes assets in leasing for Euro 42,587; for greater clarity, it is specified that this amount includes the effect of the fair value valuation of the land and buildings for Euro 16,428 as detailed in the following table:

	Land and buildings	*Specific and general plant*	*Excavators, power shovels, and heavy*	*Miscellaneous equipment and machinery*	*Total*

	Land and buildings	Specific and general plant	Excavators, power shovels, and heavy equipm.	Miscellaneous equipm. and machinery	Total
Value as of 30.06.2005, net of amortizations	30,610	8,067	3,109	801	42,587
of which					
- Cost	31,599	14,124	12,181	2,580	60,484
- Amortization fund	-989	-6,057	-9,072	-1,779	-17,897

15. Investment property

Euro 204

The investment property, equal to Euro 204 (Euro 204 as of 31 December 2004) underwent no variations during the financial year.

The breakdown is as follows:

	Buildings
V alue as of 31/12/2004, net of amortizations (2)	**204**
Increments	
	204
Value as of 30/06/2005, net of amortizations (2)	**204**
(1) of which	
- Cost	204
Net Value	**204**
(2) of which	
- Cost	204
Net Value	**204**

16. Intangible assets

Euro 6,194

The balance of the intangible assets is represented mainly by the value of the contractual rights acquired with reference to the contracts in progress in Italy and abroad. The item in question underwent a Euro 1,020 increase in comparison with 31 December 2004 (balance of Euro 5,174). For examination, see the following schedule:

	Rights to use patents	*Concessions, licences, trademarks, and rights*	*Total*
Value as of 31/12/2004, net of amortizations (1)	994	4,181	5,175
Increments			
- derived from acquisitions	453	2,430	2,883
	1,447	**6,611**	**8,058**
Amortizations	-328	-1,536	-1,864
Value as of 30/06/2005, net of amortizations (2)	**1,119**	**5,075**	**6,194**
(1) of which			
- Cost	2,243	5,745	7,988
- Amortization fund	-1,249	-1,564	-2,813
Net Value	**994**	**4,181**	**5,175**
(2) of which			
- Cost	2,702	8,140	10,842
- Amortization fund	-1,583	-3,065	-4,648
Net Value	**1,119**	**5,075**	**6,194**

Among the most significant variations taking place in comparison with the individual items in the 2004 financial year, mention must be made of the Euro 2,380 increase for the "concessions, licences,

trademarks, and rights" item regarding the acquisition from third parties of the contractual rights as to entrusting, as General Contractor, the works to adjust the SS 106 Jonica state road, – Palizzi Caulonia and Squillace Simeri sections.
The total value of the intangible assets does not include the assets in leasing.

<u>17. Equity investments valuated with the equity method</u>

Euro 27,355

The value of the equity investments valuated with the equity method, substantially in line with the value of the previous financial year (Euro 28,277 as of 31 December 2004), refers to the equity investments in associated companies and Joint Ventures.
For further details see the schedule attached to this note.

<u>18. Equity investments valuated at cost</u>

Non-current equity investments

Euro 4,427

The value of the non-current equity investments entered in the financial statements amounts to Euro 4,427, substantially in line with the previous financial year (Euro 4,053 as of 31 December 2004), and is represented, net of the depreciation fund, for Euro 1,457.

For further details see the schedule at the bottom of this note.

19. Financial assets valuated at Fair Value

Current financial assets valuated at fair value

Euro 11,326

This item, previously classified among the other current financial assets, starting from the financial year in progress has been classified in this category in compliance with the provisions of IAS 39. The economic effects of the fair value valuation were recorded to the profit and loss account under the item "revaluation of investments" included among the financial income.

The balance refers exclusively to investments in the portfolio.

20. Other non-current financial assets

Euro 15,838

This item (Euro 16,135 as of 31 December 2004) refers exclusively to the credits towards subsidiaries, associated companies, and other investments; the item, in comparison with the previous financial year, has undergone a net decrease of Euro 297.

These receivables substantially express the interventions of a financial nature made by the Parent Company to support, in particular, the contracts in progress, mainly abroad, as well as the loans granted to the companies in liquidation.

For examination of the composition of the financial receivables, see the schedule attached to this note, regarding relations with the related parties.

21. Other assets

The balance of the other non-current assets, equal to Euro 46,210, shows a Euro 8,573 decrease from 31 December 2004 (Euro 54,783), while the other current assets, equal to Euro 140,343, show an increase of Euro 23,066 in comparison with 2004 (Euro 117,278).

The following items are illustrated in detail:

	30/06/2005	*31/12/2004*	*Variation*
Other non-current assets			
- financial institutions	34,871	45,170	-10,299
- taxes	5,809	2,537	3,272
- other assets	5,529	7,075	-1,546
Total non-current assets	**46,210**	**54,783**	**-8,573**

Other current assets	*30/06/2005*	*31/12/2004*	*Variation*
- to subsidiaries	6,553	7,724	-1,171
- to associated companies	14,903	12,291	2,612
- to other companies	230	645	-415
- financial institutions for export credits	31,251	26,288	4,963
- other assets	87,406	70,329	17,077
Total other current assets	**140,343**	**117,278**	**23,066**

The "other non-current assets" item includes:

- financial receivables regarding the difference between the nominal value of the assigned receivables and the advance received from the financial institutions for € 31,682, as well as the amount of the credit from the Emilia Romagna Region (pursuant to the Tognoli law) for Euro 3,189. The Euro 10,299 decrease from 31 December 2004 is to be attributed to the receivables already assigned through specific structured finance transactions;
- tax receivables, referring prevalently to refund credits requested from the financial administrations, Euro 2,581 for direct taxes, and Euro 3,227 for indirect taxes;
- other assets referring to receivables for advances to suppliers and subcontractors, guarantee deposits, and accrued income.

The "other current assets" item includes:

- Receivables from subsidiaries, associated companies, and other non-consolidated equity investments for a total of Euro 21,686. For examination of the composition of the financial receivables, see the schedule attached to this note, regarding relations with the related parties.
- Receivables from financial institutions for export credits for Euro 31,251, as against Euro 26,288 as of

31 December 2004. It is specified that the balance in the financial year in progress refers to the financing granted to the Turkish government by international level financial institutions and in part by SACE (company for insurance on export credit), for the works to construct the Anatolian motorway.

22. Inventories

Euro 44,872

The following is the detail of inventories:

	30/06/2005	*31/12/2004*	*Variation*
Raw materials, subsidiary materials and consumables	35,341	34,755	586
- Products in progress and semi-finished products	2,866	1,674	1,191
- Finished goods and goods for resale	164	404	-241
- Assets and materials in transit	6,502	7,913	-1,411
Total	**44,872**	**44,746**	**126**

The net increase over the previous financial year is equal to Euro 126. The most significant elements that composed the net total variation may be ascribed to:

- increase in the raw materials, subsidiary materials and consumables item for Euro 586;
- increase in products in progress and semi-finished products for Euro 1,191, referring to works to build

the underground car park of the former Manifattura Tabacchi in the municipality of Bologna;

- Euro 241 decrease in the finished goods and goods for resale item;
- Euro 1,411 decrease referring to the assets and materials in transit item, with highlighting that for the Parent Company's stable organization in Venezuela.

23. Contracts in progress and advances from customers

Euro 199,203

The contracts in progress, net of the advances received, show a positive balance of Euro 245,466 (Net contracts in progress) and a negative balance of Euro 46,263 (Net advances from customers); the composition is as follows:

	30/06/2005	*31/12/2004*	*Variation*
- Contracts in progress	269,360	157,553	111,807
- Depreciation fund for final losses	-18,840	-9,034	-9,806
- Works in progress	250,519	148,519	102,001
- Advances from customers	-5,053	-5,697	644
Net contracts in progress	**245,466**	**142,822**	**102,645**
- Contracts in progress	43,430	37,708	5,722
- Depreciation fund for final losses	0	0	0

- Works in progress	43,430	37,708	5,722
- Advances from customers	-89,693	-113,426	23,733
Net advances from customers	**-46,263**	**-75,718**	**29,455**

The advances received and compensated with the contracts in progress equal Euro 5,053 (Euro 5,697 as of 31 December 2004).

With reference to 31 December 2004, the balance of the advances underwent a net decrease of Euro 24,377.

The following are the financial operations implemented with reference to a selected portfolio of technical reserves assigned with recourse for which the accounting made in compliance with the Italian accounting standards was maintained since they were made prior to 31 December 2003:

	original receivable	advanced amount	residual receivable
- Various works, Italy	54,987	23,333	31,654
Total	**54,987**	**23,333**	**31,654**

24. Trade receivables

Euro 392,632

The trade receivables are represented by:

	30/06/2005	*31/12/2004*	*Variation*
- Receivables from customers	358,317	362,578	-4,260
- Receivables from subsidiaries	7,371	7,365	5
- Receivables from associated companies	55,552	59,019	-3,467
- Receivables from parent companies	30	24	6
- Receivables from other equity investments	1,335	1,042	293
- Depreciation funds	-29,973	-24,419	-5,554
Total	**392,632**	**405,609**	**-12,977**

The decrease in absolute value for Euro 12,977, including the variation in the receivables and interest on arrears depreciation funds directly reducing the receivables from customers, shows the following variations in comparison with the previous financial year:

- Euro 4,260 decrease referring to receivables from customers;
- net Euro 3,163 decrease referring to receivables from non-consolidated group companies. For a more in-depth analysis, see the schedule of the relations with the related parties attached at the bottom of this note;
- net Euro 5,554 increase referring to the allocation to the allowance for bad and doubtful debts.

Allowances for trade receivables and other assets

The allowances for trade receivables and the interest on arrears fund have undergone the following movements during the period:

	31 December 2004	*Allocations*	*Uses*	*Absorptions*	*Exchange diff.*	*30 June 2005*
Receivables from customers:						
- allowance for bad and doubtful debts	*-12,150*	*-4,262*	*0*	*0*	*-292*	*-16,704*
- interest on arrears fund	*-12,269*	*-1,000*	*0*	*0*	*0*	*-13,269*
Other assets*:*						
- allowance for bad and doubtful debts	*-7,004*	*-5,807*			*-718*	*-13,529*
	-31,423	***-11,069***	***0***	***0***	***-1,010***	***-43,502***

25. Tax receivables

Euro 49,474

The value of the tax receivables has undergone an increase of Euro 1,613 during the period (balance of Euro 47,861 as of 31 December 2004), referring prevalently to:

- receivables for direct income taxes for Euro 16,163 net of the allowance for bad and doubtful debts of Euro 198;
- receivables for indirect V.A.T. taxes for Euro 33,311, referring to contracts in progress in Italy and abroad, which will be absorbed by progressive billing of the works in progress.

26. Cash and cash equivalents

Cash and cash equivalents, whose absolute value has shown a Euro 49,401 decrease also following effective treasury management, consist of:

	30/06/2005	*31/12/2004*	*Variation*
- Bank and postal current account	135,072	183,113	-48,041
- Cash on hand	512	350	162
- Cheques	37	1,559	-1,522
Total	**135,621**	**185,022**	**-49,401**

Cash and cash equivalents consist of current account for Euro 135,072, cash on hand for Euro 512, and cheques for Euro 37. The items have undergone the following variations:

- Current account, a Euro 48,041 decrease;
- Cash on hand, a Euro 162 increase;
- Cheques, a Euro 1,522 decrease.

The cash and cash equivalents are geographically distributed in the following manner:

GEOGRAPHICAL BREAKDOWN OF CASH AND CASH EQUIVALENTS	TOTAL
ITALY	102,234
UNITED STATES	11,323
ROMANIA	10,661
VENEZUELA	5,602
OTHER	5,801
TOTAL	135,621

28. Share capital and reserves

Euro 98,230

The share capital is represented by 98,424,900 ordinary shares having a par value of 1 Euro each. Treasury shares, whose value is Euro 195 as of the date of reference hereof, was carried to the direct reduction of the share capital. The number of shares held equals 195,126.

As of 30 June 2005, according to the stock ledger, supplemented by the communication received pursuant to art. 120 of D.Lgs 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, are the following:

- Fin.Ast. S.r.l. holds 39,083,033 shares, equal to 39.708%;
- Finetupar International S.A. – Luxembourg - (formerly Finetupar S.A) holds 12,327,967 shares, equal to 12.525%;
- Gartmore Investment Management PLC holds 4,702,726 shares, equal to 4.778%;
- Fidelity Investments holds 2,302,347 shares, equal to 2.339%;
- Deutsche Asset Management Ltd holds 2,155,681 shares, equal to 2.190%;
- JP Morgan Fleming Asset Management (UK) Ltd holds 2,095,175 shares, equal to 2.129%.

The other reserves item, for Euro 133,809, consists of:

-	Legal reserve	Euro 9,383
-	Extraordinary reserve	Euro 58,965
-	Share premium reserve	Euro 67,836
-	Profit carried forward	Euro (234)
-	Other reserves	Euro (2,140)

The movement of share capital and reserves is illustrated in the "Schedule of equity movement."

30. Financial liabilities

Prior to commenting on this item, it should be specified that 9 February 2005 saw the repayment, through the Agent Bank BNP Paribas Luxemburg, of the Euro 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 starting 28 January 2005, the bank financing contract for Euro 100 million, subscribed by a pool of leading Italian credit institutions and repayable in 5 half-year instalments, became fully operational, allowing the Group to bring the duration of the sources of financing in line with the average life of the contracts. This financing helps restore balance to the Group'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, while also minimizing the cost of the ancillary financial charges.

With the same purpose, April 2005 saw a financing transaction defined for an amount of Euro 100 million with a four-year duration, connected with the transfer of work-related credit items. This financing, 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, thereby improving the cycle of circulating capital through reliance on this kind of structured finance operations.

The balance of the non-current financial liabilities shows a Euro 195,004 increase over 31 December 2004 (balance of Euro 90,620), while the variation in the current liabilities shows a decrease to Euro 144,529 (balance of Euro 308,374 as of 31 December 2004). The items are as follows:

	30/06/2005	*31/12/2004*	*Variation*
Non-current financial liabilities			
- Payables to banks	268,694	71,657	197,037
- Financial leasing payables	16,321	18,352	-2,031
- Financial payables to associated companies	609	610	-1
Total	**285,624**	**90,620**	**195,004**
Current financial liabilities			
- Bonds	0	150,000	-150,000
- Payables to banks	154,775	141,208	13,567
- Payables to other financers	3,619	12,098	-8,479
- Payables for financial leasing	5,451	5,068	383
Total	**163,845**	**308,374**	**-144,529**

For greater clarity, it is specified that:

- The Euro 195,004 increase in the non-current financial liabilities is to be placed in direct correlation with the Euro 144,529 decrease recorded in the current financial liabilities, and referring to the signing of two financing contracts with the following characteristics:

1 - Euro 100,000 financing contract between the Parent Company Astaldi S.p.A. (as Mutuary) and Astaldi Finance S.A., MCC S.p.A. (as Agent), MCC S.p.A., Sanpaolo IMI S.p.A. and Efibanca S.p.A. (as financing banks), with the following characteristics:

- ✓ **date of disbursement:** 28 January 2005;
- ✓ **duration** 60 months from the date of disbursement;
- ✓ **repayment:** in 10 constant instalments, with the first due on 09 August 2005 and the others on 9 February and 9 August each year; the last instalment will be repaid on 09 February 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 margin of 1.85%;
  - ✓ **interest rate period:** the interest rate period will have a delayed half-year duration, effective from the date of issue.

  The due date for interest payment will coincide with the due date of the financing.

2 - Financing contract of Euro 100,000, between the Parent Company Astaldi S.p.A. (as the financed party) and Banca Popolare di Milano S.p.A. (as leader of a pool of financing banks), with the following characteristics:

- ✓ **date of disbursement:** 22 April 2005;
- ✓ **duration** 60 months from the date of disbursement;

- ✓ **repayment:** in 13 constant instalments, with the first due at the expiration of the twelfth month after the date of first disbursement in correspondence with the quarterly expirations of the interest rate periods, for constant equal shares of capital for the first 12, to 1/14th of the financing. The last instalment will be repaid 48 months after the first disbursement, which is to say on the day of expiration of the financing, and will be equal to 2/14th of the financing.
- ✓ **interest rate:** the applicable rate will be equal to the Euribor rate, variable quarterly based on the quarter of reference, calculated on an annual basis of 360 days, plus a margin of 1.25%;

  interest rate period: the interest rate period will have a delayed quarterly duration, effective from the date of issue.

Loans

The following are the main debts included in the balance assisted by guarantees of various nature, specifying the types for each:

- ■ MUTUO CARISBO 5,395

secured by a mortgage of Euro 18,076 on the building for the Bologna Piazza VIII Agosto car park.

- ■ MUTUO CARIPRPC 155

secured by a mortgage of Euro 2,789 on the building for the Turin car park (Porta Palazzo).

In accordance with corporate practice, rate risk hedging operations called “interest rate swaps” have been implemented.

Amounts due to other financiers

Amounts due to other financiers total Euro 3,619 and refer to the loans made by the United States subsidiary Astaldi Construction Corporation for the tangible fixed assets investments to be used in the normal productive process.

31. Other liabilities

The other non-current liabilities, equal to Euro 2,718, show a Euro 4,927 decrease from 31 December 2004 (Euro 7,645), while the other current liabilities amount to Euro 51,038 showing a 2,341 increase from financial year 2004 (Euro 48,697).

The following are the main items:

	30/06/2005	*31/12/2004*	*Variation*
Other non-current liabilities			
- Payables to personnel	0	7,625	-7,625
- Tax payables	2,708	0	2,708
- Other liabilities	10	20	-11
Total non-current liabilities	**2,718**	**7,645**	**-4,927**
Other current liabilities			
- Payables to subsidiaries	754	709	45
- Payables to associated companies	1,983	2,928	-945
- Payables to other companies	49	34	16

- Payables to personnel	23,041	11,892	11,149
- Other liabilities	25,211	33,135	-7,924
Total other current liabilities	**51,038**	**48,697**	**2,341**

For analysis of the current relations with the Group companies, see the schedule attached to this note.

32.Employee benefits

Euro 14,153

The employee benefits item is represented by the employee severance indemnity fund.

The variations taking place during the financial year are as follows:

	Value as of 31.12.04	Increase during the fin. year	Decrease during the fin. year	Exchange difference	Change in consolidation area	Value as of 30.06.05
employee severance indemnity	13,773	2,908	(2,939)	157	254	14,153

The employee benefits are represented by the employee severance indemnity fund (defined benefit plans), the net cost of which is shown in the following table:

	Defined benefit plans	
	30.06.2005	***30.06.2004***
- Social security cost for current work	*2,363*	*2,090*
- Net payable (receivable) interest	*545*	*482*
- Net actuarial losses (profits)	-	-
- Social security cost for past work	-	-
- Reductions and cancellations	-	-
Total	*2,908*	*2,572*

The assumptions made for the purposes of determining the obligation to employees for the employee severance indemnity are as follows:

- discount rate: 4.25%;
- expected pay increase rate: 4.50% for managers, 3% for cadres, clerks, and workers;
- annual inflation rate: 2%;
- frequency of advance of the employee severance indemnity: 3%;
- yearly turnover rate: 10% for all the companies, except for Comena and Toledo for which the rates used were 20% and 5% respectively.

Cash-settled share-based payments

A significant portion of the remuneration of the Group's administrators and top management consists of fees linked to the achievement of specific pre-set objectives and to the Group's economic, financial, and asset results.

In this regard, reference should be made to the *"incentives plan"* approved by the Board of Directors on 28 February 2002 for the

2002-2004 period, and also extended to financial year 2005 by Board decision of 10 February 2005.

In short, the Plan calls for, subordinately to achieving the pre-defined corporate objectives, the annual assignment of synthetic options (22 beneficiaries) – "stock appreciation rights" – which will provide a cash payment on the difference between the share price (calculated as an arithmetical average in the last month) and the exercise price established by the Board of Directors after consulting with the Remuneration Committee. The value of the options may not exceed 150% of the annual gross remuneration figure.

33.Provision for risks and charges

Euro 39,746

As of 30 June 2005, the provision for risks and charges amounts to Euro 39,746, and show the following movement over the course of the financial year:

	Contractual risks	***Risks on investments***	***Taxes***	***Pursuant to art. 27 of the by-laws***	***Other***	***Total***
Balance as of 31 December 2004	*17,477*	*18,501*	*900*	*128*	*0*	***37,006***
- of which current	*17,477*	*18,501*	*900*	*128*	*0*	***37,006***
- of which non-current	*0*	*0*	*0*	*0*	*0*	***0***
Allocations	*10,100*	*330*	*0*	*0*	*4,864*	***15,294***

Use	*0*	*-7*	*0*	*0*	*0*	***-7***
Absorption	*0*	*0*	*-427*	*0*	*0*	***-427***
Ascribing to contracts in progress	*-13,895*	*0*	*0*	*0*	*0*	***-13,895***
Allocation of profit for financial year 2004	*0*	*0*	*0*	*234*	*0*	***234***
Other	*0*	*0*	*0*	*0*	*1,541*	***1,541***
Balance as of 30 June 2005	***13,682***	***18,824***	***473***	***362***	***6,405***	***39,746***
- of which current	*13,682*	*18,824*	*473*	*362*	*6,405*	*39,746*
- of which non-current	*0*	*0*	*0*	*0*	*0*	*0*

Contractual risk funds

The fund, equal to Euro 13,682, includes the allocations made to cover the charges expected with reference to the projects for which the total costs are expected to exceed the total revenues.

The recorded decrease is made for the results accrued in the reference period for Italian and foreign projects whose economic effects were allocated in the previous financial years.

Provision for losses in investments

The allocations to the fund in question, equal to Euro 330, refer to the depreciation of the investments in excess of the respective book value, made in order to cover the losses, determined in nature, of certain or probable existence, but whose amount and contingency date are undetermined at the end of the financial year.

Fund for taxes

The fund in question includes the Euro 473 allocation for the charges to be made by the Parent Company following the judicial settlement signed, for the years 1997 and 1998, with the Rome 1 Office. This last act defined all the findings made known to the Parent Company by the tax police with the complaint report (P.V.C.) issued in 2001.

Fund pursuant to art. 27 of the By-Laws

The fund, established for liberality purposes, underwent a Euro 234 increase during this financial year following the allocation of a portion of the 2004 profit, as decided upon by the Shareholders' Meeting of 30 April 2005.

34. Trade payables

Euro 400,267

The trade payables, for a total of Euro 400,267 (as of 31 December 2004, Euro 390,058), underwent a total increase of Euro 10,209.

	30/06/2005	*31/12/2004*	*Variation*
- Payables to suppliers	274,353	263,974	10,380
- Payables to subsidiaries	3,976	4,323	-346
- Payables to associated companies	114,778	117,479	-2,702
- Payables to other investments	7,160	4,282	2,878
Total	**400,267**	**390,058**	**10,209**

The main debt positions refer to:

- payables to suppliers, for Euro 274,353; the item shows a net increase of Euro 10,380 linked to the trend in circulating capital in comparison with the figure recorded as of 31 December 2004. The variation of the consolidation area has yielded a negative variation of Euro 82;
- payables to associated companies, equal to Euro 114,778; the item shows a decrease equal to Euro 2,702. For examination of the composition of the payables, see the schedule attached hereto. This value may be ascribed substantially to the trade relations derived from overturning the costs from the consortium companies carrying out some important work in association;
- payables towards other equity investments, equal to Euro 7,160; the item shows a Euro 2,878 increase.

For examination of the composition of the payables, see the attachment hereto.

35. Tax payables

Euro 11,453

The tax payables show a decrease of Euro 6,484 from the balance as of 31 December 2004 (balance of Euro 17,937).

The balance refers to:

- Euro 1,957 for payables for indirect taxes (V.A.T.);
- Euro 2,037 for V.A.T. with deferred collectability;
- Euro 4,451 for direct taxes;
- Euro 3,008 for payables to the Treasury for withholding on employee income.

Commitments and risks

Personal guarantees

The total value of the guarantees made is Euro 1,463,838, and refers to the following cases:

1. guarantees for opening credit, in order to ensure the proper cash flow trend of individual projects, issued in the interest of subsidiaries, associated companies, and other non-consolidated equity investments, established for this purpose pursuant to the tax regulations in force, for a total amount of Euro 107,537;
2. guarantees for works issued on various grounds in the Group's interest by banking institutions and insurance companies, in favour of customers on behalf of subsidiaries, associated companies, and other equity investments, for the total amount of Euro 1,242,661;
3. other guarantees issued on various grounds for a total of Euro 113,640.

Guarantees by third parties in our favour

Recorded at Euro 30,827 were the guarantees issued by credit institutions and insurance bodies in the interest of Italian and foreign suppliers and subcontractors, with regard to the contractual obligations to us taken on by them.

Relations with related parties

Relations with related parties

In accordance with the provisions of Consob announcements no. 97001574 of 20 February 1997 and no. 98015375 of 27 February 1998, the following are the most important amounts derived from the relations of a financial and commercial nature implemented with the non-consolidated equity investments.

However, it should be specified that the relations held with the consortia and consortium companies (so-called "*special purpose vehicles*"), taking into account the particular sector in which the company operates, are to be correlated with the credit rights enjoyed from third parties – *entered in the Trade Receivables item (24)* – not summarized in the table attached hereto.

Managers with strategic responsibilities

The Group's managers with strategic responsibilities are the following:

NAME AND SURNAME	OFFICE HELD	DURATION
Ernesto Monti	Chairman	31/12/2006
Vittorio Di Paola	Executive Deputy Chairman	31/12/2006
Paolo Astaldi	Deputy Chairman	31/12/2006
Stefano Cerri	CEO and General Manager	31/12/2006
Giuseppe Cafiero	Director and General Manager	31/12/2006
Nicola Oliva	Director and General Manager	31/12/2006

The emoluments and other compensation to which the Group's managers with strategic responsibilities are entitled are summarized in the following table:

	30/06/2005	*30/06/2004*
Short-term benefits	*1,299*	*1,345*
Benefits after the labour relationship	*41*	*42*
Share-based payments	*489*	*213*
Total	***1,829***	***1,600***

Exchange rates applied for converting accounts in foreign currency

COUNTRIES	CURRENCY		30/06/2005	AVERAGE EXCHANGE 2005	30/06/2004	AVERAGE EXCHANGE 2004
Albania	Lek	ALL	123,629	125,489	124,507	129,320
Algeria	Algerian Dinar	DZD	89,390	92,964	85,473	85,637
Angola	Readjustado Kwanza	AOA	108,391	112,533	100,822	99,272
Saudi Arabia	Saudi Riyal	SAR	4,562	4,818	4,546	4,597
Bolivia	Bolivian Peso	BOB	9,843	10,389	9,651	9,693
Burundi	Burundi Franc	BIF	1,319,800	1,390,305	1,305,070	1,313,243
Caribbean	Caribbean Dollar	XCD	3,285	3,471	3,277	3,313
Central Africa, C.F.A. Repub.	CFA Franc	XAF	655,950	655,954	655,957	655,957
Chile	Chilean Peso	CLP	712,167	745,417	779,800	745,801
Colombia	Colombian Peso	COP	2,838,290	3,020,525	3,300,480	3,340,730

Democr. Republic of Congo	Congolese Franc	CDF	551,462	615,122	460,042	460,305
Costa Rica	Costa Rica Colon	CRC	579,660	598,780	521,541	520,564
Croatia	Kuna	HRK	7,317	7,423	7,373	7,514
Denmark	Danish Krone	DKK	7,445	7,445	7,434	7,444
Dominican Republic	Dominican Peso	DOP	35,137	36,193	56,604	56,129
El Salvador	Salvadoran Colon	SVC	10,644	11,248	10,621	10,741
Japan	Japanese Yen	JPY	132,216	136,240	132,861	133,076
Djibouti	Djibouti Franc	DJF	216,196	228,442	215,722	218,043
Guatemala	Quetzal	GTQ	9,271	9,922	9,980	10,008
Guinea	Guinean Franc	GNF	4,434,040	3,995,570	2,433,730	2,455,035
Honduras	Lempira	HNL	22,940	24,215	22,038	22,029
Indonesia	Indonesian Rupiah	IDR	11,716,300	12,097,150	11,386,300	10,710,617
Kenya	Kenyan Shilling	KES	93,271	98,241	96,093	95,288
Libya	Libyan Dinar	LYD	1,600	1,663	1,602	1,644
Malawi	Kwacha	MWK	147,859	142,767	129,894	130,672
Morocco	Moroccan Dirham	MAD	10,993	11,074	10,965	10,988
Mozambique	Metical	MZM	29,428,300	26,411,200	27,668,600	28,246,583
Nicaragua	Cordoba	NIO	19,887	21,046	19,298	19,248
Norway	Norwegian Krone	NOK	7,893	8,145	8,286	8,450
Pakistan	Pakistani Rupee	PKR	72,620	76,437	70,257	70,565
Qatar	Qatar Riyal	QAR	4,427	4,679	4,418	4,468
United Kingdom	British Pound	GBP	0,669	0,686	0,664	0,674
Romania	Leu	ROL	36,136,300	36,630,100	40,752,700	40,614,700
Rwanda	Rwandan Franc	RWF	677,240	715,850	685,072	686,860
Singapore	Singapore Dollar	SGD	2,034	2,117	2,079	2,085
United States	US Dollar	USD	1,216	1,285	1,214	1,228
South Africa	Rand	ZAR	8,219	7,978	7,811	8,218
Switzerland	Swiss Franc	CHF	1,539	1,546	1,519	1,553

Taiwan	Taiwan Dollar	TWD	38,148	40,415	40,793	40,935
Tanzania	Tanzanian Shilling	TZS	1,369,200	1,422,400	1,343,810	1,334,168
Thailand	Baht	THB	49,794	50,549	49,499	48,737
Tunisia	Tunisian Dinar	TND	1,595	1,612	1,532	1,527
Turkey	Turkish Lira	TRY	1,656	1,730	1,814,266,000	1,711,911,667
European Monetary Union	Euro	EUR	1,000	1,000	1,000	1,000
Venezuela	Bolivar	VEB	2,612,170	2,654,420	2,324,720	2,256,972
Zambia	Kwacha	ZMK	5,663,570	5,977,203	5,958,720	5,849,740

Source: Ufficio Italiano Cambi

Management of financial risk

Other than derivatives, the Astaldi Group's financial instruments include syndicated loans, loans in pooling, mortgages, financial leasing, and bank deposits, used for the purposes of collecting the financial resources needed to support and develop the Group's activities.
Moreover, taking into account the various areas in which it develops its own business, the Group makes transactions in foreign currency, thus exposing itself to possible additional financial risks.
With the objective of preserving corporate value, the Group has defined the guidelines within which to carry out the activity of controlling exposure to market risks (interest rates and exchange rate risk) and of managing said risks through derivatives, by

having a specially established Financial Risks Committee define the strategies to be adopted and monitor the hedged positions.

The main market risks to which the Group is exposed are "*interest rate risk,*" "*cash flow risk*," "*credit risk*" (or counterpart risk) and "*exchange risk*."

The risks hedged by derivative contracts are interest rate risk and exchange risk.

The current operations in derivatives are represented by Interest Rate Swaps (IRS), Collar or Cylinder, and Forward, made for the purpose of managing the interest rate and exchange risk generated by the Group's operations and by its sources of financing.

Interest rate risk

The Group's exposure to the market risk for interest rate fluctuations regards mainly the medium/long-term sources of financing. The Group's policy is to define an optimal mix of fixed-rate and variable-rate debt in order to reduce financial costs and the corresponding volatility; towards these ends, 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 in a predefined interval (Collar), and in any event guaranteeing a maximum risk exposure level (cap).

The following table indicates the Group's operations in derivatives in force as of 30 June 2005:

Description	Notional value	Fair value 30/06/2005
IRS operations (Step-Up) on an average share of short-term debt (equal to approximately Euro 50,000)	25,000	-213
Hedging operations with an expiration in June 2007 on pool financing of an original sum of Euro 60,000.	38,572	-268
Hedging operations with an expiration in April 2009 on pool financing of an original sum of Euro 100,000.	75,000	-308
Hedging operations with an expiration in February 2010 on a syndicated loan of an original sum of Euro 100,000.	68,000	-530
IRS operation with an expiration in December 2008 on a credit assignment operation for the original amount of Euro 25,000.	17,500	-218
IRS operation with an expiration in December 2010 on a mortgage for the original amount of about Euro 10,000.	4,949	-17
IRS (step-up) operation with an	12,716	-275

expiration in November 2010 on a financial leasing for an original sum of about Euro 18,100.		
Hedging operations on loans guaranteed by receivables from individual customers for works performed ("self-paying") for a total of about Euro 22,000.	10,815	-145
Total Derivatives	**252,552**	**-1.974**

Exchange risk

With reference to the exchange risk, the Group carries out hedging on cash flows for specific foreign projects, in order to neutralize or soften the effect of exchange rate oscillation on the value of their revenues. As of 30 June 2005, the current portfolio of derivatives on exchange rate amounted to a total of US$ 41 million, whose fair value valuation is negative for a total of about Euro 1,851.

Segment's Information Data

The Group's business operations are carried out both in Italy and abroad. The domestic sector accounts for approximately 50% of total revenues, whilst abroad the activity is mainly carried out in the American continent and Europe, with a stable presence in Turkey and Romania.

The following table reports the principal economic indicators broken down by geographical area. It should be noted that the data regarding Africa in this phase shows the results of the definitive closing of activities in some countries of the sub-Saharan region that are no longer considered strategic in the development programmes. The Asian area, represented by Saudi Arabia and Qatar, shows in the period under consideration a settlement phase resulting from the accomplishment of important projects awaiting launch of other ambitious initiatives that are believed realizable within the first part of the next financial year.

	Revenues from contracts and services	EBIT	Ebit margin	BACKLOG
		€/000		€/million
ITALY	**257,838**	**23,531**	**9.1%**	**4.282**
Europe and other countries	129,841	23,765	18.3%	198
America	114,193	12,974	11.4%	587
Africa	20,790	(3,707)	n/m	141
Asia	6,304	(360)	n/m	8
ABROAD	**271,128**	**32,671**	**12.1%**	**934**
SUB TOTAL	**528,966**	**56,202**	**10.6%**	**5.216**
Corporate, other revenues and proceeds net of consolidation/elision entries	**(1,929)**	**(16,141)**	**-3.1%**	

REVENUES/CONSOLIDATED EBIT	**527,037**	**40,062**	**7.6%**
Financial income and charges		(12,296)	
Taxes		(10,763)	
Minority interests (profit) / loss		136	
Revenues/Group net profit	**527,037**	**17,139**	**3.3%**

Events after the date of the financial statements

During the month of July, confirming the operating capacity recorded in Algeria during the first half of 2005, Astaldi additionally increased its standing there by securing new and important contracts for Euro 157,000. The Group was in fact awarded the works for building the Kerrada dam and the Jijel road tunnel for a total value of Euro 76,000.

That same month, AEM Torino and Astaldi, the leading company with 56.25% of the joint venture, amicably settled all disputes related to the construction of the Pont Ventoux hydroelectric plant in Val di Susa in Piedmont. By the terms of the settlement, for the greater works performed following the "unforeseen geological events," and to close out all the existing divergences, AEM Torino will pay to the joint venture – in addition to that already agreed upon and paid as a provisional item – the sum of Euro 46 million, the economic and financial effects of which were already valuated in previous financial statements. Currently being completed, the

Pont Ventoux hydroelectric plant, with its 158 MW of installed power and a yearly output in excess of 400 million kWh, will be inaugurated this coming November.

As already discussed, in August, S.A.C.E. (Società per l'Assicurazione del Credito all'Esportazione, "Company for Insurance on Export Credit"), issued a financing guarantee to Astaldi for the realization of three important projects that the Group is implementing in the central region of Venezuela. The financing, for an amount equal to US$ 30 million, will in fact cover the production of the Caracas-Tuy, Puerto Cabello-La Encrucijada, and Caracas-Los Teques railway projects which, taken together, will ensure the achievement of an integral system of links within the country.

Emphasis must be placed on the Group's considerable productive effort in the months following the close of the half, which made it possible to achieve important milestones in major projects, such as that for building the Anatolian motorway. In fact, the month of July saw the drilling of the final diaphragm of the second roadway of the Bolu tunnel, which will make it possible to complete the motorway link between the cities of Istanbul and Ankara.

Astaldi S.p.A. - Consolidated Financial Statements as of 30 June 2005

Consolidation Area as of 30 June 2005

		Subsidiary Companies	%
■	1	A.S.T.A.C. S.r.l.	100,00%
■	2	AR.GI S.p.A.	99,99%
■	3	Astaldi Arabia ltd	100,00%
■	4	Astaldi Construction Corp.of Florida	99,80%
■	5	Astaldi de Venezuela C.A.	99,80%
■	6	Astaldi Finance S.A.	99,96%
■	7	Astaldi International Inc.	100,00%
■	8	Astaldi International Ltd	100,00%
■	9	Astaldi-Astaldi International J.V.	100,00%
■	10	Astaldi-Burundi Association Momentanée	100,00%
■	11	Astaldi-Max Bogl-CCCF JV Srl	50,00%
■	12	Astaldi-Sénégal Association en participation	100,00%
■	13	Astur Construction and Trade A.S.	99,00%
■	14	C.O.MES. S.C.r.l.	55,00%
■	15	CO.ME.NA. S.c.r.l.	70,43%
■	16	CO.MERI S.p.A.	99,99%
■	17	CO.NO.CO. S.c.r.l.	80,00%
■	18	Consorcio Astaldi - C.B.I.	60,00%
■	19	Euroast S.r.l. in liquidation	100,00%
■	20	I.T.S. S.p.A.	100,00%
■	21	Italstrade S.p.A. (Ex Place Moulin S.p.A.)	100,00%
■	22	Italstrade Somet JV Rometro S.r.l.	51,00%
■	23	Legnami Pasotti Italia I.C. S.r.l. in liquidation	80,00%
■	24	Montedil-Astaldi S.p.A. (MONTAST) in liquidation	100,00%
■	25	Partenopea Finanza di Progetto S.p.A.	59,99%
■	26	Portovesme S.c.r.l.	80,00%
■	27	Quattro Venti S.c.r.l.	60,00%
■	28	Redo-Association Momentanée	100,00%
■	29	Romairport S.r.l.	99,26%
■	30	Romstrade S.r.l.	51,00%
■	31	Sartori Sud S.r.l.	100,00%
■	32	SC Italstrade - CCCF JV Romis S.r.l.	51,00%
■	33	Seac S.p.a.r.l. in liquidation	100,00%
■	34	Sugt s.a. Calarasi	99,12%
■	35	Susa Dora Quattro S.c.r.l.	90,00%
■	36	Toledo S.c.r.l.	90,39%

companies of Astaldi group

(as of 30 June 2005)

A - Companies consolidated with the line by line method

		currency	Per value for share capital	% owned directly	% owned indirectly	entity holding indirect investment
AR.GI S.p.A.	Via G.V. Bona, 65 - Rome - Italy	EUR	35.000.000,00	99,990%	0,000%	
Assistenza Sviluppo e Tecnologie Ausiliarie alle Costruzioni (A.S.T.AC.) S.r.l.	Via G.V. Bona, 65 - Rome - Italy	EUR	46.800,00	100,000%	0,000%	
Astaldi Arabia Ltd.	P.O. Box 58139 - Riad - Saudi Arabia	SAR	5.000.000,00	60,000%	40,000%	Astaldi International Ltd.
Astaldi Construction Corporation	8220 State Road 85 Davie - Florida - U.S.A.	US$	4.290.000,00	90,000%	10,000%	Astaldi de Venezuela
Astaldi de Venezuela C.A.	C.C. C.T. 1ra Etapa Piso 6 Of. 620 - Caracas - Venezuela	VEB	110.300.000,00	99,804%	0,000%	
Astaldi Finance S.A.	Boulevard du Prince Henri 19-21 - Luxembourg	EUR	250.000,00	99,960%	0,000%	
Astaldi International Inc.	Bank of Liberia Building P.O. Box 660 - Monrovia - Liberia	US$	3.000.000,00	0,000%	100,000%	Astaldi International Ltd.
Astaldi International Ltd.	34-36 Gray's Inn Road - London - United Kingdom	GBP	2.000.000,00	100,000%	0,000%	
Astaldi-Astaldi International J.V.	R. Armando Tivane, 466 - Matola Maputo - Mozambique	US$	10.000,00	0,000%	100,000%	Astaldi International Ltd.
Astaldi-Burundi Association Momentanée	Avenue de l'O.U.A. B.P. 325 - Bujumbura - Burundi	US$	50.000,00	0,000%	100,000%	Astaldi International Ltd.
Astaldi-Max Bogl-CCCF JV S.r.l.	Str.Carol Davilla n°70 - Bucharest - Romania	EUR	10.000,00	66,000%	0,000%	
Astaldi-Sénégal Association en participation	Avenue Roume Dakar, 16 4ème G. S. - Dakar - Senegal	XOF	50.000.000,00	0,000%	100,000%	Astaldi International Ltd.
Astur Construction and Trade A.S.	Aydinpinar Cad. Kucukmehmetler Koyu - Ankara - Turkey	TRL	23.790.610.000,00	99,000%	0,000%	
C.O.MES. S.C.r.l.	Via G.V.Bona, 65 - Rome - Italy	EUR	20.000,00	55,000%	0,000%	
CO.ME.NA. S.c.r.l.	Via Morghen, 36 - Naples - Italy	EUR	20.658,00	70,432%	0,000%	
CO.MERI S.p.A.	Via G.V. Bona, 65 - Rome - Italy	EUR	35.000.000,00	99,990%	0,000%	
CO.NO.CO. S.c.r.l.	Via G.V. Bona, 65 - Rome - Italy	EUR	25.500,00	80,000%	0,000%	
Consorcio Astaldi - C.B.I.	Av. Iturralde 1308 Esquina San Salvador - La Paz - Bolivia	US$	100.000,00	60,000%	0,000%	
Euroast S.r.l. in liquidation	Via G.V. Bona, 65 - Rome - Italy	EUR	15.300,00	100,000%	0,000%	
Italstrade CCCF JV Romis S.r.l.	Piata Pache Protopopescu, 9 - Bucharest - Romania	LEI	5.400.000.000,00	0,000%	51,000%	Italstrade S.p.A.
Italstrade S.p.A.	Via Agrigento, 5 - Rome - Italy	EUR	25.563.340,00	100,000%	0,000%	
Italstrade Somet JV Rometro S.r.l.	Str. Cap. Av. A. Serbanescu, 49 Sector 1 - Bucharest - Romania	LEI	22.000.000,00	0,000%	51,000%	Italstrade S.p.A.
Legnami Pasotti Italia I.C. S.r.l. in liquidation	Via Agrigento, 5 - Rome - Italy	EUR	51.000,00	0,000%	80,000%	Italstrade S.p.A.
Montedil-Astaldi S.p.A. (MONTAST) in liquidation	Via G.V. Bona, 65 - Rome- Italy	EUR	408.000,00	100,000%	0,000%	
Partenopea Finanza di Progetto S.p.A.	Via Galileo Ferraris 113-B - Naples - Italy	EUR	9.300.000,00	59,990%	0,000%	
Portovesme S.c.r.l.	Via G.V. Bona, 65 - Rome - Italy	EUR	25.500,00	80,000%	0,000%	
Quattro Venti S.c.r.l.	Via G.V. Bona, 65 - Rome - Italy	EUR	51.000,00	60,000%	0,000%	
Redo-Association Momentanée	B.P. 8734 - Dem. Rep. of Congo	ZRZ	50.000,00	75,000%	25,000%	Astaldi International Ltd.
Romairport S.r.l.	Via G.V. Bona, 65 - Rome - Italy	EUR	500.000,00	0,000%	99,260%	Italstrade S.p.A.
Romstrade S.r.l.	Piata Pache Protopopescu, 9 - Bucharest - Romania	LEI	10.000.000.000,00	0,000%	51,000%	Italstrade S.p.A.
S.U.G.C.T. S.A. Calarasi	Varianta Nord, 1 - Calarasi - Romania	LEI	13.618.975.000,00	0,000%	99,118%	Italstrade S.p.A.
Sartori Sud S.r.l.	Via Filomeno Consiglio no.20		0,00	0,000%	100,000%	Astaldi International Ltd.
Seac S.p.a.r.l. in liquidation	Avenue des Fleurs - Kinshasa/Gombe - Dem. Rep. of Congo	ZRZ	200.000.000,00	0,000%	100,000%	Astaldi International Ltd.
Servizi Tecnici Internazionali - I.T.S. S.p.A.	Via G.V. Bona, 65 - Rome - Italy	EUR	232.200,00	0,000%	100,000%	Astaldi International Ltd.
Susa Dora Quattro S.c.r.l.	Via G.V. Bona, 65 - Rome - Italy	EUR	51.000,00	90,000%	0,000%	
Toledo S.c.r.l.	Via Morghen, 36 - Naples - Italy	EUR	50.000,00	90,394%	0,000%	

C - Companies consolidated with the equity method

		currency	Per value for share capital	% owned directly	% owned indirectly	entity holding indirect investment
Adduttore Ponte Barca S.c.r.l. in liquidation	Via di Pietralata, 140 - Rome - Italy	EUR	45.900,00	24,330%	0,000%	
Almo S.c.r.l. in liquidation	Via privata D. Giustino, 3/A - Naples - Italy	EUR	46.481,00	35,000%	0,000%	
Alosa Immobiliare S.p.A. in liquidation	Via G.V. Bona, 65 - Rome - Italy	EUR	10.320.000,00	50,000%	0,000%	
Association en participation SEP Astaldi-Somatra-Bredero	Tunisia	TND	0,00	40,000%	0,000%	
Astaldi Bayindir J.V.	Ilkadim Sokak, 19 Gaziomanpasa- Ankara - Turkey	----	0,00	50,000%	0,000%	
Astaldi-Ferrocemento J.V.	10-Ha Khayaban-E-Shujat - Karachi - Pakistan	US$	50.000,00	50,000%	0,000%	
Avola S.c.r.l. in liquidation	Via G.V. Bona, 65 - Rome - Italy	EUR	10.200,00	50,000%	0,000%	
Blufi 1 S.c.rl. in liquidation	Zona Industriale - Agrigento - Italy	EUR	25.823,00	32,000%	0,000%	
C.F.M. S.c.r.l. in liquidation	Via privata D. Giustino , 3/A - Naples - Italy	EUR	41.317,00	50,000%	0,000%	
Carnia S.c.r.l. in liquidation	Via G.V. Bona, 65 - Rome - Italy	EUR	45.900,00	33,000%	0,000%	
Cogital S.c.r.l. in liquidation	Viale Italia, 1 - Milan - Italy	EUR	60.044,00	50,000%	0,000%	
Consorcio Astaldi-ICE	Av. Libertador Bolivar, 1842 - Cochabamba - Bolivia	----	0,00	50,000%	0,000%	
Consorcio Contuy Medio	Avida Andres Bello, Ed. Atlantic Piso 7, Of. 1-7 - Venezuela	US$	40.000,00	28,300%	0,000%	
Consorcio DEI	Via San Nazaro, 19 - Genoa - Italy	EUR	26.000,00	0,000%	35,000%	I.T.S. S.p.A.
Consorcio Grupo Contuy - Proyectos y Obras de Ferrocarriles	CCC T. 1ra Etapa Piso 6 Of. 620 Chuao - Caracas - Venezuela	VEB	0,00	32,330%	0,000%	
Consorcio Metro Los Teques	Caracas - Venezuela	VEB	0,00	30,000%	0,000%	
Consorzio A.F.T.	Via G.V. Bona, 65 - Rome - Italy	EUR	46.481,00	33,330%	0,000%	
Consorzio A.F.T. Kramis	Via G.V. Bona, 65 - Rome - Italy	EUR	100.000,00	49,995%	0,000%	
Consorzio Bonifica Lunghezza - C.B.L.	Via Calderon de la Barca, 87 - Rome - Italy	EUR	10.000,00	49,000%	0,000%	
Consorzio Brundisium	Via Caboto n°1 - Corsico - Milan - Italy	EUR	12.000,00	33,333%	0,000%	
Consorzio C.I.R.C. in liquidation	Via G.V. Bona, 65 - Rome - Italy	EUR	51.000,00	25,000%	0,000%	
Consorzio Carnia in liquidation	Via G.V. Bona,65 - Rome - Italy	EUR	51.646,00	33,000%	0,000%	
Consorzio Co.Fe.Sar.	Viale Liegi, 26 - Rome - Italy	EUR	51.646,00	30,000%	0,000%	
Consorzio Cogitau S.c.n.c. in liquidation	Via G.V. Bona, 65 - Rome - Italy	EUR	61.975,00	38,100%	0,000%	
Consorzio CONC.I.L. in liquidation	Via Passeggiata di Ripetta, 35 - Rome - Italy	EUR	10.329,00	0,000%	50,000%	I.T.S. S.p.A.
Consorzio Consarno	Via Napoli, 329 - Castellammare di Stabia (NA) - Italy	EUR	20.658,00	25,000%	0,000%	

companies of Astaldi group

(as of 30 June 2005)

		currency	Per value for share capital	% owned directly	% owned indirectly	entity holding indirect investment
Consorzio Consavia S.c.n.c. in liquidation	Via G.V. Bona, 65 - Rome - Italy	EUR	20.658,00	25,000%	0,000%	
Consorzio Dipenta S.p.A. - Ugo Vitolo in liquidation	Via Chiatamone, 57 - Naples - Italy	EUR	2.582,00	50,000%	0,000%	
Consorzio Europeo Armamento Alta Velocità - C.E.A.A.V.	Via G.V. Bona, 65 - Rome - Italy	EUR	206.583,00	0,000%	25,000%	Italstrade S.p.A.
Consorzio Ferrofir in liquidation	Via F.Tovaglieri, 17- Rome - Italy	EUR	30.987,00	66,666%	0,000%	
Consorzio Gi.It. in liquidation	Via privata D. Giustino, 3/A - Naples - Italy	EUR	2.582,00	50,000%	0,000%	
Consorzio Iricav Due	Via F. Tovaglieri, 413 - Rome - Italy	EUR	510.000,00	32,990%	0,000%	
Consorzio Iricav Uno	Via F. Tovaglieri, 413 - Rome - Italy	EUR	520.000,00	27,910%	0,000%	
Consorzio Ital.Co.Cer.	Piazza Buenos Aires, 5 - Rome - Italy	EUR	51.600,00	30,000%	0,000%	
Consorzio Italvenezia	Via Salaria, 1039 - Rome - Italy	EUR	77.450,00	25,000%	0,000%	
Consorzio L.A.R. in liquidation	Via Palestro, 30 - Rome - Italy	EUR	206.583,00	29,410%	0,000%	
Consorzio Metrofer	Viale Liegi, 26 - Rome - Italy	EUR	25.823,00	33,320%	0,000%	
Consorzio Novocen	Via Oraz, 143 - Naples - Italy	EUR	51.640,00	40,760%	0,000%	
Consorzio Ponte Stretto di Messina	Via G.V.Bona, 65 - Rome - Italy	EUR	100.000,00	24,740%	0,000%	
Consorzio Qalat	Corso Carlo Marx, 19 - Misterbianco (CT) - Italy	EUR	10.327,00	40,000%	0,000%	
Consorzio Recchi S.p.A.- Astaldi S.p.A.	Via Salaria, 1039 - Rome - Italy	EUR	51.646,00	50,000%	0,000%	
Consorzio Tre Fontane Nord in liquidation	Via G.V. Bona, 65 - Rome - Italy	EUR	15.494,00	33,333%	0,000%	
Copenhagen Metro Construction Group J.V. (COMET)	Refshaleoen, 147 P.O. Box 1920 - Copenhagen - Denmark	DKK	0,00	0,000%	15,000%	Astaldi International Ltd.
Diga di Blufi S.c.r.l.	Via G.V. Bona, 65 - Rome - Italy	EUR	45.900,00	50,000%	0,000%	
Ecosarno S.c.r.l.	Viale Italia, 1 - Sesto S. Giovanni (MI) - Italy	EUR	50.490,00	33,334%	0,000%	
Fosso Canna S.c.r.l. in liquidation	Via G.V. Bona, 65 - Rome - Italy	EUR	25.500,00	32,000%	0,000%	
Groupement Cir S.p.A.	Via Agrigento, 5 - Rome - Italy	EUR	156.000,00	0,000%	33,330%	Italstrade S.p.A.
Groupement Eurolep	Shifflandestrasse, 35 - Aaran 5000 - Switzerland	CHF	100.000,00	22,000%	0,000%	
Groupement Italgisas	Angle Boulevard de la Resistance et Rue de Puissesaux - Casablanca - Morocco	MAD	207.014.000,00	0,000%	40,000%	Italstrade S.p.A.
Holding Eléctrica Centroamericana S.p.A. - (Heca S.p.A.) in liquidation	Via G.V. Bona, 65 - Rome - Italy	EUR	100.000,00	50,000%	0,000%	
Infraflegrea S.c.r.l.	Via privata D. Giustino, 3/A - Naples - Italy	EUR	46.600,00	50,000%	0,000%	
Isclero S.c.r.l. in liquidation	Via G.V. Bona, 65 - Rome - Italy	EUR	12.000,00	31,170%	0,000%	
Italsagi Sp. Zo. O.	Ul. Powstancow - Katowice - Poland	PLN	100.000.000,00	0,000%	34,000%	Italstrade S.p.A.
M.N. Metropolitana di Napoli S.p.A.	Via Galileo Ferraris, 101 - Naples - Italy	EUR	3.655.397,00	22,620%	0,000%	
Marsico Nuovo S.c.r.l. in liquidation	Via Dora, 2 - Rome - Italy	EUR	10.200,00	25,000%	0,000%	
Max Bogl-Astaldi-CCCF Asocierea JV S.r.l.	Blv.Eroi Sanitar,49 - Bucharest - Romania	EUR	10.000,00	25,000%	0,000%	
ME.SA. S.c.r.l. in liquidation	Via della Cooperazione, 30 - Bologna - Italy	EUR	40.800,00	25,000%	0,000%	
Messina Stadio S.c.r.l.	Via G.V. Bona, 65 - Rome - Italy	EUR	45.900,00	33,330%	0,000%	
Metrogenova S.c.r.l.	Via IV Novembre snc -Spianata Acquasola - 16121 Genoa - Italy	EUR	25.500,00	21,810%	0,000%	
Metroveneta S.c.r.l.	Piazza Castello, 16 - Padua - Italy	EUR	25.500,00	50,000%	0,000%	
Monte Vesuvio S.c.r.l. in liquidation	Viale Italia, 1 - Sesto S. Giovanni (MI) - Italy	EUR	45.900,00	50,000%	0,000%	
Mose-Treporti S.c.r.l.	Via C.Battisti n°2 - Venice - Mestre - Italy	EUR	10.000,00	35,000%	0,000%	
N.P.F. - Nuovo Polo Fieristico S.c.r.l.	Via G.V. Bona, 65 - Rome - Italy	EUR	40.000,00	50,000%	0,000%	
Nova Metro S.c.r.l. in liquidation	Via Montello, 10 - Rome - Italy	EUR	40.800,00	24,100%	0,000%	
Pegaso S.c.r.l.	Via F. Tovaglieri, 17 - Rome - Italy	EUR	260.000,00	43,750%	0,000%	
Piana di Licata S.c.r.l. in liquidation	Via G. V. Bona, 65 - Rome - Italy	EUR	10.200,00	43,750%	0,000%	
Piceno S.c.r.l. in liquidation	Viale Italia, 1 - Sesto S. Giovanni (MI) - Italy	EUR	10.200,00	50,000%	0,000%	
Pont Ventoux S.c.r.l.	Via G.V. Bona, 65 - Rome - Italy	EUR	51.000,00	56,250%	0,000%	
Principe Amedeo S.c.r.l. in liquidation	Via G.V. Bona, 65 - Rome - Italy	EUR	10.200,00	50,000%	0,000%	
Priolo Siracusa S.c.r.l.	Piazza Velasca, 4 - Milan - Italy	EUR	11.000,00	20,000%	0,000%	
Raggruppamento Astaldi-Vianini in liquidation	S.P. per Fisciano Km.1 - Fisciano (SA) - Italy	EUR	25.823,00	50,000%	0,000%	
S.A.A.L.P. S.n.c. in liquidation	Via Boncompagni, 47 - Rome - Italy	EUR	51.646,00	30,000%	0,000%	
S.A.C.E.S. S.r.l. in liquidation	Via G.V. Bona, 65 - Rome - Italy	EUR	26.000,00	37,000%	0,000%	
S.E.I.S. S.p.A.	Via Monte Santo, 1 - Rome - Italy	EUR	3.877.500,00	48,330%	0,000%	
Sa.Di.Pe. S.c.r.l. in liquidation	Via della Dataria, 22 - Rome - Italy	EUR	40.800,00	49,950%	0,000%	
Salgit S.r.l.	Via della Dataria, 22 - Rome - Italy	EUR	10.200,00	0,000%	33,000%	Italstrade S.p.A.
Santangelo S.c.r.l. in liquidation	Via G.V. Bona, 65 - Rome - Italy	EUR	51.000,00	45,000%	0,000%	
SO.GE.DEP. S.r.l. in liquidation	Via dell'Astronomia, 9 - Rome - Italy	EUR	20.400,00	22,840%	0,000%	
Tangenziale Seconda S.c.r.l. in liquidation	Via G.V. Bona, 65 - Rome - Italy	EUR	45.900,00	42,730%	0,000%	
Transeuropska Autocesta d.o.o	Maksimirska 120/III 10000 - Zagreb - Croatia	HRK	49.019.600,00	49,000%	0,000%	
Truncu Reale S.c.r.l.	Via G.V. Bona, 65 - Rome - Italy	EUR	30.600,00	34,000%	0,000%	
V.A.S.CO. Imprese Riunite	Via Montello, 10 - Rome - Italy	EUR	51.646,00	29,000%	0,000%	
Val Pola S.c.r.l. in liquidation	Viale Sarca, 336 - Milan - Italy	EUR	46.481,00	35,000%	0,000%	
Valle Caudina S.c.r.l.	Via G.V. Bona, 65 - Rome - Italy	EUR	50.000,00	52,240%	0,000%	
Veneta Sanitaria Finanza di Progetto - V.S.F.P. S.p.A.	Via Cesare Battisti, 2 - Mestre - VE	EUR	20.500.000,00	31,000%	0,000%	
Vesuviana Strade S.c.r.l.	Via G.V. Bona, 65 - Rome - Italy	EUR	45.900,00	30,000%	0,000%	
Yellow River Contractors	P.O. Box 073 - Luoyang - People's Republic of China	US$	999.336,00	0,000%	14,000%	Italstrade S.p.A.

D - Companies carried at cost

A.M.P. S.c.r.l. in liquidation	Viale Caduti di tutte le guerre, 7 - Bari - Italy	EUR	25.822,00	0,010%	0,000%	
Aguas de San Pedro S.A. de C.V.	Departamento de Cortes - San Pedro Sula - Honduras	HNL	98.000.000,00	15,000%	0,000%	
Astaldi Africa S.p.A. in liquidation	Addis Ababa - Ethiopia	EUR	1.033,00	100,000%	0,000%	

companies of Astaldi group

(as of 30 June 2005)

		currency	Per value for share capital	% owned directly	% owned indirectly	entity holding indirect investment
Astaldi-Caldart AS.CAL. S.c.r.l. in liquidation	Via Giovanni Pacini, 12 - Palermo - Italy	EUR	46.800,00	60,000%	0,000%	
Astaldi-Sarantopulos J.V.	Athens - Greece	----	0,00	14,000%	0,000%	
Bocca di Malamocco S.c.r.l.	Via Salaria,1039 - Rome - Italy	EUR	30.987,00	0,010%	0,000%	
Bussentina S.c.r.l. in liquidation	Via G.V. Bona, 65 - Rome - Italy	EUR	25.500,00	78,800%	0,000%	
C.F.C. S.c.r.l.	Via privata D. Giustino, 3/A - Naples - Italy	EUR	45.900,00	0,010%	0,000%	
Co.Sa.Vi.D. S.c.r.l.	Carini - Contrada Foresta Z.I. - Palermo - Italy	EUR	25.500,00	0,010%	0,000%	
Colli Albani S.c.r.l. in liquidation	Via G.V. Bona, 65 - Rome - Italy	EUR	25.500,00	60,000%	0,000%	
Consorzio Asse Sangro in liquidation	Via della Fonte di Fauno, 2/A bis - Rome - Italy	EUR	464.811,00	4,762%	0,000%	
Consorzio Astaldi-C.M.B. Due in liquidation	Via G.V. Bona, 65 - Rome - Italy	EUR	10.329,00	99,995%	0,000%	
Consorzio Centro Uno	C.so Vittorio Emanuele, 130 - Naples - Italy	EUR	154.937,00	2,000%	0,000%	
Consorzio Ferroviario Vesuviano	Via Argine, 425 - Naples - Italy	EUR	154.937,00	0,004%	0,000%	
Consorzio Groupement Lesi-Dipenta	Via Indonesia, 100 - Rome - Italy	EUR	258.228,00	0,010%	0,000%	
Consorzio Olbia Mare in liquidation	Via G.V. Bona, 65 - Rome - Italy	EUR	15.494,00	72,500%	0,000%	
Consorzio Tagliamento	Via G.V. Bona, 101/C - Rome - Italy	EUR	154.937,00	15,000%	0,000%	
Consorzio Team	Viale Sarca, 336 - Milan - Italy	EUR	45.900,00	11,111%	0,000%	
Consorzio TRA.DE.CI.V.	Via G. Verdi, 35 - Naples - Italy	EUR	154.937,00	17,727%	0,000%	
Cospe S.c.r.l.	Via G.V. Bona, 65 - Rome - Italy	EUR	10.200,00	100,000%	0,000%	
Costruttori Romani Riuniti Grandi Opere S.p.A.	Via P. Stanislao Mancini, 2 - Rome - Italy	EUR	5.164.568,00	1,000%	0,000%	
Diga di Arcichiaro S.c.r.l. in liquidation	Via G.V. Bona, 65 - Rome - Italy	EUR	35.700,00	100,000%	0,000%	
DIP.A. S.c.r.l. in liquidation	Via G.V. Bona, 65 - Rome - Italy	EUR	10.200,00	100,000%	0,000%	
DP 2M S.c.r.l. in liquidation	Via G.V. Bona, 65 - Rome - Italy	EUR	10.200,00	72,000%	0,000%	
Eco Po Quattro S.c.r.l.	Via G.V. Bona, 65 - Rome - Italy	EUR	25.500,00	80,000%	0,000%	
Fiorbis S.c.r.l. in liquidation	Viale Sarca, 336 - Milan - Italy	EUR	46.481,00	99,980%	0,000%	
Fondazione Accademia Nazionale di S. Cecilia	Via Vittoria, 6 - Rome - Italy	EUR	0,00	0,001%	0,000%	
Fondazione Filarmonica Arturo Toscanini	Strada della Repubblica, 57 - Parma- Italy	EUR	0,00	0,001%	0,000%	
Forum S.c.r.l.	Via G.V. Bona, 65 - Rome - Italy	EUR	51.000,00	59,990%	0,000%	
Fusaro S.C.r.l.	Via privata D. Giustino, 3/A - Naples - Italy	EUR	10.200,00	0,010%	0,000%	
G.G.O. S.c.r.l. in liquidation	Zona Industriale - Agrigento - Italy	EUR	25.500,00	10,000%	0,000%	
Groupement Astaldi SpA - Astaldi International Ltd.	B.P. 4230 - Djibouti	US$	0,00	60,000%	40,000%	Astaldi International Ltd.
I.F.C. Due S.c.r.l. in liquidation	Via G. V. Bona, 65 - Rome - Italy	EUR	45.900,00	99,990%	0,000%	
I.F.C. S.c.r.l. in liquidation	Via G. V. Bona, 65 - Rome - Italy	EUR	45.900,00	66,660%	0,000%	
Imprese Riunite Genova S.c.r.l. in liquidation	Via A. Gramsci, 20 - Genoa - Italy	EUR	25.500,00	16,100%	0,000%	
Imprese Riunite Genova Seconda S.c.r.l. in liquidation	Via Serra, 2/9 - Genoa - Italy	EUR	25.000,00	16,100%	0,000%	
Irimuse S.c.r.l.	Via Salaria, 1039 - Rome - Italy	EUR	619.745,00	0,100%	0,000%	
Italstrade CCCF JV Bucuresti S.r.l.	Gheorghe Manu, 20 Sector 1 - Bucharest - Romania	LEI	2.000.000,00	0,000%	1,000%	Italstrade S.p.A.
Linea A S.c.r.l. in liquidation	Via G.V. Bona, 65 - Rome - Italy	EUR	25.500,00	100,000%	0,000%	
M.N.6 S.C.r.l.	Via G.Ferraris no.101 - Naples - Italy	EUR	51.000,00	1,000%	0,000%	
Mormanno S.c.r.l. in liquidation	Via G.V. Bona, 65 - Rome - Italy	EUR	10.200,00	74,990%	0,000%	
Napoli Porto S.c.r.l. in liquidation	Via G. Verdi, 35 - Naples - Italy	EUR	10.328,00	15,000%	0,000%	
NO.VI.F.IN. Nova Via Festinat Industrias S.c.r.l.	Riviera di Chiaia, 72 - Naples - Italy	EUR	10.329,00	0,010%	0,000%	
Palese Park S.r.l.	Via G.V. Bona, 65 - Rome - Italy	EUR	1.020.000,00	99,000%	0,000%	
Pantano S.c.r.l.	Via Montello, 10 - Rome - Italy	EUR	40.800,00	10,000%	0,000%	
Pavimental S.p.A.	Piazza Ferdinando De Lucia, 15 - Rome - Italy	EUR	4.669.132,00	1,303%	0,000%	
Platamonas Sarantopulos J.V.	Athens - Greece	----	0,00	14,450%	0,000%	
Plus S.r.l.	Via del Tritone, 53 - Rome - Italy	EUR	765.000,00	11,640%	0,000%	
Roma Lido S.c.r.l.	Via Carlo Pesenti, 121/123 - Rome - Italy	EUR	10.200,00	19,115%	0,000%	
S. Filippo S.c.r.l. in liquidation	Via G.V. Bona, 65 - Rome - Italy	EUR	10.200,00	80,000%	0,000%	
S. Leonardo S.c.r.l. in liquidation	Via G.V. Bona, 65 - Rome - Italy	EUR	10.200,00	51,000%	0,000%	
Silva S.r.l. in liquidation	Via Monte Santo, 1 - Rome - Italy	EUR	15.300,00	99,000%	0,000%	
Skiarea Valchiavenna S.p.A.	Via del Crotto, 52 - Campodolcino - Italy	EUR	7.419.680,00	0,710%	0,000%	
Sociedad Concesionaria BAS S.A.	Santiago de Chile - Chile	P.s.C.	8.876.340.000,00	0,100%	0,000%	
TE.CRO. S.c.r.l. in liquidation	Via G.V. Bona, 65 - Rome - Italy	EUR	10.200,00	100,000%	0,000%	
Todaro S.r.l. in liquidation	Via Giovanni Pacini, 12 - Palermo - Italy	EUR	233.580,00	0,000%	100,000%	Italstrade S.p.A.
Tri.Ace S.c.a.r.l. in liquidation	Via G.V. Bona, 65 - Rome - Italy	EUR	45.900,00	80,000%	0,000%	
Viadotti di Courmayeur S.c.r.l.	Via G.V. Bona, 65 - Rome - Italy	EUR	10.200,00	66,670%	0,000%	
Viadotto Fadalto S.c.r.l. in liquidation	Viale Sarca , 336 - Milan - Italy	EUR	51.129,00	80,000%	0,000%	

	Other non-current financial assets	Trade receivables	Other current assets	Total receivables	Non-current financial liabilities	Trade payables	Other current liabilities	Total payables	Revenues	Costs	Financial charges	Financial income
Parent Companies												
FIN. AST. SPA		30	11	41					5			
Total Parent Companies		**30**	**11**	**41**					**5**			
Subsidiaries												
Astaldi-Caldart AS.CAL. S.c.r.l. in liquidation	1			1								
Bussentina S.c.r.l. in liquidation		481	360	840		72		72	0			2
Colli Albani S.c.r.l. in liquidation	7	43	777	826		355		355				
Cons.A.R.Z.ASTALDI.-R.I.C.ZAIRE in liquidation												49
Consorzio Astaldi-C.M.B.Due in liquidation			2,191	2,191		7	42	49				
Consorzio IRSA		2		2								
Consorzio Olbia Mare in liquidation	3		145	148								
Cospe S.c.r.l.		185	87	272		6		6	4	35		
Diga di Arcichiaro Scrl in liquidation		236	63	299		179		179				
DIP.A. S.c.r.l. in liquidation						153		153				
DP 2M S.c.r.l. in liquidation	44		1	46		25		25				
Eco Po Quattro S.c.r.l.		806	40	845		194		194	401	4		2
Fiorbis S.c.r.l. in liquidation						5		5				
Forum S.c.r.l.		983	43	1,027		937		937	1	15		
I.F.C. Due S.c.r.l. - in liquidation	41	1,866		1,907		97		97				30
I.F.C. S.c.r.l. - in liquidation		2	229	231								3
Linea A S.c.r.l. in liquidation		41	15	56		293		293	2,000	6		
Mormanno S.c.r.l. in liquidation	64	2		66		2		2				
Palese Park Srl			1	1			709	709	638			
Passo Campalto S.c.r.l.						3		3				
S. Filippo S.c.r.l. in liquidation		1,322	5	1,327		89		89	6			
S. Leonardo S.c.r.l. in liquidation		90	2,540	2,630		808		808				
Silva S.r.l. in liquidation	21	12	16	49								
TE.CRO. S.c.r.l. in liquidation	776	132	15	923		114		114	14			
Todaro srl in liquidation		1		1		3		3	0			
Tri.Ace. S.c.a.r.l. in liquidation		556	5	561		451		451		36		
Varzo II S.c.r.l. in liquidation						2		2				
Viadotti di Courmayeur S.c.r.l.		558	20	578		55		55		1		
Viadotto Fadalto S.c.r.l. in liquidation		42		42								
Others	9	10		19		127	3	130				
Total Subsidiaries	**966**	**7,371**	**6,553**	**14,891**		**3,976**	**754**	**4,730**	**3,064**	**97**		**85**
Associated Companies												
Adduttore Ponte Barca S.c.r.l.	5			5		256		256				
Almo S.c.r.l. in liquidation		10		10		17		17				
Alosa Immobiliare S.p.A. in liquidation	1,145	11	2	1,158		11		11	3			
Ass.en part.SEP-ASTALDI-SOMATRA-BREDE						34		34				
Astaldi - Ferrocemento JV	261	684	168	1,113		33	3	36				
Astaldi Baydnir J.V.		155	5,807	5,962		234		234		214		

Avola S.c.r.l. in liquidation		529	41	570		46		46				
Blufi 1 S.c.r.l. in liquidation			48	48								
C.F.M. S.c.r.l. in liquidation		96	31	126		235		235				1
Carnia S.c.r.l. in liquidation		170		170		13		13	24			
Cogital S.p.A. in liquidation		140	7	147		3		3	4			
Columbus de Costr. Honduras S.A. de C.V.						1		1				
Consorcio Contuy Medio		441		441		1,287		1,287		1,316		
Consorcio DEI		9		9		4		4				
Consorcio Grupo Contuy Proyectos y Obras		768	67	835		887		887	103	276		
Consorcio Metro Los Teques			363	363		391		391	11,926			
Consorzio A.F.T.		84		84					8			
CONSORZIO A.F.T. - ALGERIAN BRANCH		2	1,448	1,450	-12	21		32		34		
Consorzio AFT Kramis		716		716								
Consorzio AFT Kramis - Algerian branch		24,126	433	24,559		16,269	414	16,683	5,791	3,811		3
Consorzio Astaldi-ICE		417		417								
Consorzio Bonifica Lunghezza - C.B.L.						4		4				
Consorzio Brundisium						5		5				
Consorzio C.E.A.A.V.	697	329		1,026		1,563		1,563	1,244	1,063		
Consorzio C.I.R.C.		10	1	10		674		674		2		
CONSORZIO C.O.N.C.I.L. in liquidation			1	1								
Consorzio Carnia			2	2		5		5				
Consorzio Co.Fe.Sar.		263	4	267		185		185	4	24		
Consorzio Cogitau S.c.n.c. in liquidation		176	281	457		1		1				
Consorzio Consarno	227	35		263		148		148				
Consorzio Consavia S.c.n.c. in liquidation		62		62		4		4				
Consorzio Dipenta S.p.A. U Vitolo in liquidation						2		2				
Consorzio Ferrofir		94	1	95		4,933		4,933	24			
Consorzio Gi.It. in liquidation						216		216				
Consorzio Iricav Due		170		170		2,306		2,306	64	260		
Consorzio Iricav Uno		599	126	726		21,275		21,275	1,852	12,648		
Consorzio Ital.Co.Cer.			8	8		133		133	0			
Consorzio Italvenezia						86		86				
Consorzio L.A.R. in liquidation	1,779	181		1,960		1,839		1,839				
Consorzio Ponte sullo Stretto		1,513	1	1,514		1,724	57	1,781	1,105	2,347		
Consorzio Qalat		5		5		1,144		1,144				
Consorzio Recchi S.p.A.- Astaldi S.p.A.		69		69			185	185				
Consorzio Rocca d'Evandro						0		0				
Consorzio Tre Fontane Nord in liquidation						1		1				
Diga di Blufi S.c.r.l.		4,121	636	4,757		2,071		2,071		1		1
Ecosarno S.c.r.l.	118	126		244		1,603		1,603		510		
Feraspi S.c.p.A.												
Fosso Canna S.c.r.l. in liquidation	204	180	6	390		117		117				5
Groupement Cir S.p.A.			18	18								
Groupement Italgisas		87	866	953		10		10				
HECA		95		95					21			
Infraflegrea Scrl		281	2	283		1,747		1,747	21	804		
Isclero Scrl in liquidation	1,518	108	91	1,717		1,592		1,592				
Italsagi sp zo.o		1	368	369								
Italstrade CCCF JV Bucaresti Srl			3	3								

M.N. Metropolitana di Napoli S.p.A.		12	12	23					5		3	
Marsico Nuovo S.c.r.l. in liquidation	30			30								
Max Bogl-Astaldi-CCCF Asocierea JV Srl		3		3					47			3
ME.SA. S.c.r.l. in liquidation						4		4	500			
Messina Stadio S.c.r.l.	2,508	1,946	673	5,127		1,418		1,418	10	18		1
Metro Veneta S.c.r.l.		1,320	151	1,471		3,048		3,048	1	151		5
Monte Vesuvio S.c.r.l.		646		646		207		207	1	1		
Mose - Treporti S.c.r.l.		271		271		5,426		5,426	75	4,576		
N.P.F - Nuovo Polo Fieristico S.c.r.l.		1,935	20	1,955		11,940		11,940	952	44,792		
Nova Metro S.c.r.l.						49		49				
Pegaso S.c.r.l.		173	2,191	2,364		2,095		2,095	106	5,013		0
Piana di Licata S.c.r.l. in liquidation		179	297	475		139		139				
Piceno S.c.r.l. in liquidation		448		448		92		92				
Pont Ventoux S.c.r.l.		9,012	135	9,147		23,334		23,334	3,531	7,213		16
Principe Amedeo S.c.r.l. in liquidation	1	399	113	513		232		232				
Priolo Siracusa S.c.r.l.						185		185				
Raggruppamento Astaldi-Vianini in liquidation			80	80								
S.A.A.L.P. S.n.c. in liquidation	325	83		408			179	179				
S.A.C.E.S. S.r.l. in liquidation					-597		1,100	1,697				
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		25		25				0
SO.GE.DEP. S.r.l. in liquidation	271	34	239	544		263	22	285				3
So.Gr.Es. S.c.p.a. in liquidation									18			
Tangenziale Seconda S.c.r.l. in liquidation		114	4	118		10		10				1
Transeuropska Autocesta d.o.o		12		12								
Truncu Reale S.c.r.l.		155	16	171		4		4	0	5		1
V.A.S.CO. Imprese Riunite		491		491		0		0				
Val Pola S.c.r.l. in liquidation		22		22								
Valle Caudina S.c.r.l.	119	923	7	1,050		2,494		2,494		45		24
Veneta Sanitaria di Progetto SpA		120	114	234		290		290	18			100
Vesuviana Strade S.c.r.l.		348	8	356		393		393	167	1,076		4
Other of a lower amount							22	22				
Total Associated Companies	**9,489**	**55,552**	**14,903**	**79,944**	**-609**	**114,778**	**1,982**	**117,369**	**27,625**	**86,201**	**3**	**168**
Other Investments												
A.M.P. S.c.r.l. in liquidation						1		1				
Aguas de San Pedro S.A. de C.V.		40		40								
Bocca di Malamocco S.c.r.l.						73		73				
C.E.A.-COMPAGNIA EUROPEA APPAL						1		1				
C.F.C. S.c.r.l.		-21		-21		0	33	33				1
Comet JV	3,667			3,667		0		0				
Consorzio Asse Sangro in liquidation		-17		-17		7		7				
Consorzio Centro Uno		52		52		0		0				
CONSORZIO F.A.T.- FEDERICI - A			1	1								
CONSORZIO FAT - ROMANIAN BRANCH			5	5								
Consorzio Tagliamento		1	26	27		4		4	0			
Consorzio Team			24	24					1	18	11	
Consorzio TRA.DE.CI.V.		9	3	12		39		39	27	16		

Fusaro S.c.r.l.		12		12		58		58				
Imprese Riun. GE Seconda S.c.r.l. in liquidation		1		1								
Imprese Riunite Genova S.c.r.l. in liquidation						195		195				
Metrogenova S.c.r.l.		1,061	160	1,222		3,751	17	3,768	69	1,112		
Napoli Porto S.c.r.l. in liquidation	2	102		104		2		2				
NO.VI.F.IN. Nova Via Festin.Ind.S.c.r.l.						0		0				
Pantano S.c.r.l.						2,206		2,206	463	883		
Plus S.r.l.	1,441			1,441								
Roma Lido S.c.r.l.	274			274		820		820		20		
Salini-Italstrade JV Scarl in liquidation		2		2								
Yellow River Contractor JV		92		92		1		1				
Total Other Investments	**5,383**	**1,335**	**219**	**6,937**		**7,160**	**50**	**7,210**	**560**	**2,050**	**11**	**1**
Grand Total	**15,838**	**64,288**	**21,687**	**101,812**	**-609**	**125,914**	**2,786**	**129,309**	**31,254**	**89,579**	**14**	**254**

TRANSITION TO INTERNATIONAL ACCOUNTING STANDARDS (IAS/IFRS)

ATTACHMENT C

INTRODUCTION

Following the entry into force of European Regulations no. 1606/2002 issued by the European Parliament and the European Council in the month of July 2002, the companies with securities admitted to negotiations in a market regulated by the European Union Member States must, starting 2005, prepare their consolidated financial statements in compliance with the international accounting standards (IAS/IFRS) issued by the International Accounting Standard Board (IASB) and approved in a European-Community setting.
The Astaldi Group, taking advantage of the option contained in Consob Decision no. 14990 of 14 April 2005, opted for the publication of the consolidated interim reports prepared in compliance with international accounting standards starting from the interim report as of 30 June 2005.
Therefore, in compliance with IFRS 1 requirements, the following is the quantitative and qualitative information regarding the effects of the transition to IAS/IFRS.
In particular, attached are the explanatory notes, reconciliation schedules between the consolidated equity expressed in accordance with previous accounting standards and that determined in accordance with IAS/IFRS as of 1 January 2004, the transition date, as well as the reconciliation schedules between the consolidated equity and the economic result prepared in accordance with Italian accounting standards and those prepared in application of the new accounting standards as of 31 December 2004.
Also highlighted are the effects as of 1 January 2005 derived from adoption of IAS 32 and 39, starting from that date.

The IAS/IFRS balance sheets and the IAS/IFRS profit and loss accounts were obtained by introducing to the consolidated booked data prepared in accordance with Italian law the appropriate IAS/IFRS adjustments and reclassifications to reflect the modifications in the presentation, recording, and valuation policy required by IAS/IFRS.

These schedules have been prepared solely for the purpose of the transition plan for the preparation of the first complete consolidated financial statements in accordance with the IFRS approved by the European Commission, and are without the comparative data and necessary explanatory notes that would be required for a complete representation of the Astaldi Group’s consolidated asset and financial position and economic result in compliance with IFRS.

It should also be kept in mind that they have been prepared in compliance with the International Financial Reporting Standards (IFRS) currently in force, including the IFRS recently adopted by the International Accounting Standards Board (IASB), the International Accounting Standards (IAS), and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and of the Standing Interpretations Committee (SIC). These standards are those that it is assumed will be in force as of 31 December 2005. However, these standards may possibly fail to coincide with those in force as of 31 December 2005 due to the effect of the European Commission’s new orientations as to their approval, as well as of the issuance of new standards or interpretations by the competent bodies. Therefore, the data as presented may undergo changes as regards use as comparative data of the first complete consolidated financial statements prepared in compliance with IFRS.

It is pointed out that the balances in these reconciliations have been audited by Reconta Ernst & Young S.p.A.

The accounting standards and valuation policy of greatest significance used in preparing the reconciliation schedules are set out below.

Consolidation area and consolidation principles

The consolidation area includes the Parent Company Astaldi S.p.A. and the companies in which it directly or indirectly exercises control through the majority of voting rights (even potential rights).

The subsidiaries are consolidated starting from the date on which control is actually transferred to the Group and cease being consolidated starting from the date on which control is transferred outside the Group.

Investments held in companies over which a considerable influence is exercised, generally accompanied by an ownership percentage between 20% and 50%, are valuated in accordance with the equity method. Moreover, the investments in companies whose control is exercised jointly with third parties are also consolidated with the equity method.

In the case of application of the equity method, the value of the investment is in line with the adjusted equity, where necessary, to reflect the application of IAS/IFRS, and includes the entry of the goodwill (net of impairment) that may be identified at the time of acquisition, and of the fair value of the assets/liabilities of the acquired company, as well as for the effects of the adjustments required by the standards as regards the preparation of the consolidated financial statements.

The financial statements of the subsidiaries, associated companies, and joint ventures are prepared adopting, for each accounting closure, the same accounting standards as the Parent Company; consolidation adjustments, if any, are introduced to make uniform the items that are influenced by application of differing accounting standards. All the balances and transactions within the Group, including any unrealized profits derived from relations between Group companies, are completely eliminated. The unrealized profits and losses with subsidiaries, associated companies, and joint ventures are eliminated for the part pertaining to the Group. The unrealized losses are eliminated except for the case in which they represent impairment losses.

<u>Conversion of items and translation of financial statements in foreign currency</u>

The balances included in the financial statements of each Group company/body are entered in the currency of the primary economic environment in which the body operates (functional currency). The Astaldi Group's consolidated financial statements are prepared in euros – the Parent Company's functional currency.

The elements expressed in a currency other than the functional currency, whether monetary (cash and cash equivalents, assets and liabilities receivable or payable with amounts of pre-established or determinable money, etc.) or otherwise (advances to suppliers of goods and/or services, goodwill, intangible assets etc.) are initially recorded at the exchange rate in force on the date on which the transaction is made. Subsequently, the monetary elements are converted into functional currency based on the exchange rate on the date of the ending of the financial statements, and the differences derived from the conversion are ascribed to the profit and loss account. The non-monetary elements are maintained at the conversion exchange rate of the operation except in the case of persistent unfavourable trends in the exchange rate of reference. The differences follow the accounting treatment (profit and loss account or translation reserves) established for the value fluctuations of these elements.

The rules for converting financial statements expressed in a foreign currency into functional money (except for the situations in which the currency is that of a hyperinflationary economy) are as follows:

- the assets and liabilities in the submitted reports, even for the sole purposes of comparison, are converted at the exchange rate as of the date of close of the financial year;
- the costs and revenues, charges and incomes included in the submitted reports, even for the sole purposes of comparison, are converted at the average exchange rate for the period being presented, or at the exchange rate as of the date of the transaction should this rate differ significantly from the average rate;
- the "translation reserve" covers both the exchange differences generated by converting the economic magnitudes at a rate differing from the closing rate, and those generated by converting the opening equities at an exchange rate different from that of the close of the financial year.

At the first-time adoption of the IFRS, the cumulative conversion differences for all the bodies held abroad (companies and branches) outside the euro zone were set to zero, as permitted by IFRS 1; therefore, only the conversion differences accrued and recorded after 1 January 2004 will go towards determining the gains and losses derived from the transfer of said companies/bodies, where applicable.

<u>Property, plant and equipment</u>

The tangible assets are valuated at the purchase or production costs, net of the accrued amortizations and any impairment. The cost includes all expenses directly incurred for preparing the assets for use, as well as any dismantling and removal cost that will be necessary to restore the site to its original conditions. The costs incurred following the purchase are capitalized only if they increase the future economic benefits inherent in the asset to which they refer. All the other costs are recorded to the profit and loss account when incurred.

The financial charges incurred for purchasing and/or building the assets are not capitalized.

The charges incurred for routine and/or cyclical maintenance and repairs are ascribed directly to the profit and loss account in the financial year in which they are incurred. Maintenance costs of an incrementative nature are attributed to the assets to which they refer and amortized with respect to the residual possibilities for their use.

The value of an asset is adjusted by systematic amortization, calculated with respect to the residual possibility of its use based on its useful life. Amortization starts at the moment in which the asset becomes available for use.

The useful life estimated by the Group for the various classes of assets is as follows:

	Years
Buildings	20-33
Plant and equipment	5-10
Equipment	3-5
Other assets	5-8

Land, including that pertaining to the buildings, is not amortized.

Should the asset that is the object of the amortization be composed of distinctly identifiable elements whose useful life differs significantly from that of the other parts composing the fixed asset, the amortization is performed separately for each of the parties composing the asset, in application of the component approach.

The profits and losses derived from the sale of assets or groups of assets are determined by comparing the sale price with the net book value.

The tangible assets held by financial leasing agreements through which all the risks and benefits of ownership are transferred substantially to the Group, are recognized as Group assets at their current value or, if less, at the current value of the minimum payments owed for the leasing, including the sum to be paid for exercising the purchase option. The corresponding liabilities to the lessor are represented in the financial statements among the financial payables.

If there is no reasonable certainty that ownership of the asset is acquired at the end of the leasing agreement, the assets in financial leasing are amortized 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 profit and loss account in the financial years of the duration of the leasing agreement.

Intangible assets

Intangible assets are non-monetary elements having no physical consistency, and clearly identifiable and suited for generating future economic benefits for the company. These elements are recorded in the financial statements at the purchase cost and/or production cost, including expenses that may be attributed directly in the asset preparation phase, to bring it into operation, net of the accrued amortizations (except for the assets with an undefined useful life) and any impairment. Amortization begins when the asset is available for use, and is divided systematically with respect to the residual possibility for its use, which is to say based on its useful life. Patents and rights to use patents of others are entered at the acquisition cost net of the amortizations and impairments accrued over time.

Concessions, licenses, and similar rights are entered at cost net of the amortizations and impairments accrued over time.

Amortization is performed starting from the financial year in which the rights are acquired, with respect to their duration.

The goodwill entered among the intangible assets is connected with business combination operations and represents the difference between the cost incurred for acquiring a business or a line of business and the fair value, at the time of acquisition, attributed to the individual assets and liabilities composing the capital of that business or line of business.

Goodwill, after initial recording, is not subject to amortization but where applicable to depreciation for impairment. Annually, or more frequently if specific events or changed circumstances point to the possibility that it has undergone an impairment, goodwill is subjected to verifications to identify any reductions in value, in accordance with the provisions of IAS 36 (Impairment of assets).

Investment Property

An investment property is recorded as an asset when it represents a property held for the purpose of earning rental fees or for appreciation of the invested capital, under the condition that the cost of the asset may be reliably determined and that the corresponding future economic benefits may be enjoyed by the company.

They are valuated at the purchase or production cost augmented by any additional costs net of the accrued amortizations and of any impairment.

Impairment of assets

The assets with an undefined useful life are not subject to amortization, but are subjected at least annually to an impairment test, which verifies the recoverability of the value entered in the financial statements.

For the assets subject to amortization, the possible presence of indicators leading to the supposition of an impairment is evaluated: in the event of a positive response, the recoverable amount of the asset is estimated, with any surplus ascribed to the profit and loss account.

Should the prerequisites for the depreciation previously performed be lacking, the book value of the asset is restored to within the limits of the net book value: the restoration of value is also recorded in the profit and loss account. However, in no case is the value of previously depreciated goodwill 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 is either the fair value net of the sale costs or its value in use, whichever is greater. To determine an asset's value in use, the current value of the estimated future financial flows was calculated, gross of taxes, by applying a pre-tax actualization 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 for assets other than goodwill later shrinks or disappears, the book value of the cash generating unit is increased until the new estimate of the recoverable amount, but may not exceed the value that would have been determined if no impairment loss had been recorded. The restoration of an impairment is immediately entered in the profit and loss account.

Investments

Investments in companies other than subsidiaries, associated companies, and joint ventures (generally with a stake under 20%) are classified, at the moment of purchase, among "non-current investments valuated at cost." The above investments are valuated with the reduced cost method for impairment losses.

Inventories

Inventories are entered at the cost or the market value, whichever is less. The cost determining method selected as a Group principle is the weighted average cost.

Contracts in progress

Contracts in progress are reported in accordance with the progress stage (or completion percentage) of the works, according to which the costs, revenues, and margin are recognized based on the progress of the productive activity. The policy adopted by the Group is that of the completion percentage determined by applying the "incurred cost" (cost to cost) criterion.

The valuation reflects the improved estimate of the contracts made as of the reporting date. Periodically, the assumptions underlying the evaluations were updated. Any economic effect is recorded in the financial year in which the updates were made.

The contract revenues include the payments agreed upon by contract, work changes, price revision, incentives, and any claims, to the extent in which these are likely to be reliably valuated. In particular, the valuation of the claims, as understood by the regulation implementing the outline law regarding public works, as well as international regulations, these being economic demands different from those to which the contractor is entitled by virtue of provisions of law or contract, was guided, based on certain technical and legal analyses, towards the positive results that could reasonably be achieved from disputes with the customers.

The contract costs include all the costs that refer directly to the project, the costs that may be attributed to the contract activity in general and that may be allocated to said project, in addition to any other cost that may be specifically charged to the customer based on the contractual clauses. The contract costs also include the pre-operative costs, which is to say the costs incurred in the initial phase of the contract before the construction activity is begun (costs of preparing tenders, design costs, costs for organization and start-up of production, construction site installation costs) and the post-operative costs that are incurred after the contract is closed (removal of the construction site, return of plant/equipment to base, etc.).

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

The contracts in progress are set out net of the any allowance for bad and doubtful debts and/or final losses, as well as the advances for the contract being carried out.

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

Should the final losses fund for the individual contract exceed the value of the work entered in the assets, this excess is classified in the provision for risks and charges.

Contracts with payments denominated in a currency other than the functional currency (euros for the Group) are valuated by converting the accrued share of payments determined based on the completion percentage method, at the exchange rate ending the period that is the object of the report. The same method is applied for costs expressed in foreign currency.

Provisions for risks and charges

The provisions for risks and charges regard the costs and charges of a determinate nature and of certain or likely existence, that as of the ending date of the period of reference are indeterminate in the amount or in the date of contingency. The allocations are recorded when there is a current obligation (legal or implicit) that derives from a past event, should a disbursement of resources to satisfy the obligation be likely, and a reliable estimate as to the amount of the obligation can be made.

The allocations are entered at the value representing the best estimate of the amount that the company would pay to settle the obligation or to transfer it to third parties on the period's ending date. If the effect of actualization of the money is significant, the allocations are determined by actualizing the future expected financial flows at a pre-tax discount rate that reflects the current market valuation of the cost of money over time. If the liability regards tangible assets, the provision is recorded in offset to the asset to which the recording of the charge refers. When actualization is performed, the increase in the allocation due to the passage of time is recorded as a financial charge to the profit and loss account.

Financial charges

The Group has chosen the accounting treatment of reference provided for by IAS 23; financial charges are recorded as a cost in the financial year in which they are incurred. Financial charges are never capitalized among assets.

Interest is recorded on an accrual basis according to the actual interest method, that is by using the interest rate that makes financially equivalent all the incoming and outgoing flows (including premiums, discounts, commissions, etc.) that compose a given transaction.

Employee benefits

Employee severance indemnity fund

The employee severance indemnity fund (*Fondo Trattamento di Fine Rapporto* – TFR), obligatory for Italian companies pursuant to law no. 297/1982, is considered a defined benefit plan, and is based, among other things, on the working life of the employees and on the pay earned by the employee over the course of a pre-established term of service.

The value of the employee severance indemnity is determined by independent actuaries using the projected unit credit method as required by IAS 19.

The Astaldi Group has decided to use the "corridor method" in recording actuarial profits and losses. In accordance with this method, the share of net actuarial profits and losses at the end of the prior period exceeding 10% of the current value of the obligation or 10% of the fair value of any assets in service of the plan at the same date divided by the remaining working life of the employees, whichever is higher, is recorded to the profit and loss account.

Cash-settled share-based payments

The Group pays additional benefits to Group managers and cadres through cash-settled share-based payments. For these operations, in accordance with the provisions of IFRS 2 both the goods and services acquired and the liabilities taken on are valuated at the fair value of the liability. Until the

liability is paid up, the fair value is re-determined for each financial statement ending date, and on the settlement date all the fair value fluctuations are recorded to the profit and loss account.
The Group has applied the provisions of IFRS 2 since 1 January 2004.

Financial assets and receivables

The Group will adopt IAS 32 and 39 starting 1 January 2005. Therefore, in compliance with IFRS 1, the financial assets and liabilities are recorded based on Italian Accounting Standards; the financial assets are recorded among current and non-current assets, based on the expiration and/or use as of the date of preparation of the financial statements. The investments and stakes entered among the current assets are recorded at the purchase cost, accurately determined, or at the market value if lower. The investments entered among non-current assets (for stakes, see the specific paragraph) are recorded at the purchase cost, adjusted as necessary to take impairment loss into account.
The Group has implemented certain assignments of assets with recourse, they eliminated in compliance with the Italian accounting standards. These operations will later be adjusted, effective 1 January 2005, due to the provisions of IAS 39 with reference to eliminating these assets from the financial statements. In compliance with IFRS 1, the assets assigned with recourse in the balance sheets as of 1 January 2004 and 31 December 2004 are recorded in the financial statements in accordance with Italian accounting standards.

Derivatives

As discussed above, the Group will adopt IAS 32 and 39 starting 1 January 2005. Therefore, in compliance with IFRS 1, the derivative instruments in the balance sheets as of 1 January 2004 and 31 December 2004 are recorded based on Italian accounting standards, or, in the case of instruments not qualified as hedging, any negative differentials of value are recorded among the costs and liabilities, while no recording is made in the case of positive market values. The interest differentials on interest rate swap (“IRS”) contracts used to hedge financing are recorded on an accrual basis among the financial income and charges, while the cost of forward contracts (difference between the spot rate at the inception of the contract and the forward exchange) is stated in the profit and loss account on pro-rata temporis basis. In the event of forward transactions, the differential attributable to premiums or discounts is prorated on an accrual basis among financial income/expense and among the other pro-rata temporis current assets or liabilities.

MAIN EFFECTS DERIVED FROM APPLICATION OF IAS/IFRS

The Astaldi Group has adopted the International Accounting Standards starting from financial year 2005, with 1 January 2004 the date of transition to IFRS.

For the first-time application of IAS/IFRS, the Group has applied IFRS 1, relying on the following optional chief exemptions:

- the Astaldi Group took advantage of the opportunity not to apply IFRS 3 retroactively; therefore, the data on the acquisitions of businesses, lines of business, and investments taking place prior to 1 January 2004, the date of transition to IAS/IFRS, were not reprocessed;
- the Astaldi Group took advantage of the power to use the fair value criterion as a substitute for the historical cost criterion as of 1 January 2004, selectively for certain assets recorded among the property, plant and equipment;
- definition as of 1 January 2005 of the transition date for the first-time adoption of IAS 32 and IAS 39, as regards the recording and valuation of the financial instruments;
- recognition, as regards employee benefits, of all the accrued actuarial profits or losses in existence as of 1 January 2004;
- in preparing the consolidated IAS/IFRS balance sheet as of 1 January 2004, the accrued conversion differences were presumed to equal zero; only those arising after that date will be recorded.

The Group, in not taking advantage of the exemption permitted by IFRS 1 on the share-based payments, applied IFRS 2 to all the plans in existence as of 1 January 2004.

The beginning balance sheet as of 1 January 2004 reflects the following differences in treatment in comparison with the consolidated financial statements as of 31 December 2003, prepared in accordance with Italian accounting standards:

- all the assets and liabilities whose entry is required by IFRS, including those not provided for in application of Italian accounting standards, were recorded and valuated in accordance with IFRS;
- all the assets and liabilities whose entry is required by Italian accounting standards but not admitted by IFRS were eliminated;
- some financial statement items were reclassified in accordance with the provisions of IFRS.

The effects of the adjustments were recognized directly in the beginning equity, net of the corresponding tax effect recorded to the deferred taxes fund, or in the assets for pre-paid taxes, as of the date of first-time application of IFRS (1 January 2004).

The following are the reconciliation schedules between the values indicated earlier in accordance with Italian accounting standards and IAS/IFRS:

- reconciliation of equity as of 1 January 2004 and as of 31 December 2004 and of the net profit of financial year 2004;
- reconciliation to IFRS of the balance sheet as of 1 January 2004;
- reconciliation to IFRS of the balance sheet as of 31 December 2004;
- reconciliation to IFRS of the 2004 profit and loss account.

The reconciliation schedules show, for each item, in individual columns:

- the values in accordance with Italian accounting standards reclassified in accordance with the schemes and classifications required by IAS/IFRS, and in particular by IAS 1 and IAS 11;
- the variation of the consolidation area derived from its expansion due to the adoption of IAS 27;
- adjustments to IAS/IFRS standards that have impacted the equity and the operating results;
- the values in accordance with IAS /IFRS.

ATTACHMENT C

Reconciliation schedule of the equity as of 1 January and 31 December 2004 and of the 2004 result

The differences emerging from application of IAS/IFRS as compared with Italian accounting standards, as well as the choices made by Astaldi in the area of the accounting options provided for by IAS/IFRS as illustrated above, involve re-processing the accounting data prepared in accordance with the earlier Italian regulations governing financial reporting with effects on equity, which may be summarized as follows:

Equity as of 1 January 2004

	Italian Standards	Adjustments	IAS/IFRS
Equity			
• **Group share**	227,122	(5,684)	221,438
• **Minority interests**	158	(2,488)	(2,330)
Total	**227,280**		**219,108**

Equity as of 31 December 2004

	Italian Standards	Adjustments	IAS/IFRS
Equity			
• **Group share**	243,690	(5,579)	238,111
• **Minority interests**	91	(2,865)	(2,774)
Total	**243,781**		**235,337**

The detail of adjustments, net of the relative tax effect on the group's equity, is reported in the following table, while the adjustments for the minority interests may be ascribed mainly to the variation of the consolidation area pertaining to minority interests.

The following is the reconciliation of the group's equity as of 1 January and 31 December 2004, as well as the result as of 31 December 2004, between the report prepared based on Italian accounting standards and that prepared in accordance with IAS/IFRS:

Amounts in thousands of euros	Notes	Equity as of 1 January 2004	Equity as of 31 December 2004	Net profit, 2004 financial year
Consolidated equity		**227,280**	**243,781**	**28,114**
minus: minority interests		(158)	(91)	(507)
Group equity and results in accordance with Italian standards		**227,122**	**243,690**	**27,607**
Consolidation area and investments valuated with the equity method.	A	6,395	5,990	(86)
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 the method of costs incurred for contracts valuated with the physical measurements method	F	(3,350)	(6,267)	(2,917)
Other minor adjustments		(1,452)	(1,144)	308
Total IAS/IFRS adjustments		**(5,684)**	**(5,579)**	**424**
Group equity and results in accordance with IAS/IFRS		**221,438**	**238,111**	**28,031**

ATTACHMENT C

Notes on the reconciliation schedule of the equity as of 1 January and as of 31 December 2004 and of the 2004 result

The following are the comments on the main IAS/IFRS adjustments (whose content was outlined above):

A. Consolidation area and investments valuated with the equity method: The adoption of IAS 27 led to the inclusion in the consolidation area of consortia and consortium companies established pursuant to and to the effects of the specific regulations in the sector to carry out specific contracts.

Moreover, the line by line method was used to consolidate some minority interests already recorded with the equity method because they are in liquidation.

For the valuation with the equity method, consideration was made of the equities of the individual entities suitably adjusted in accordance with international accounting standards.

The above resulted in the following:

- *as of 1 January 2004*, an increase in the equity equal to Euro 6,395 ascribable to the negative effect on the equity equal to Euro 3,925 deriving from the enlargement of the consolidation area and to the positive adjustments derived from the valuations with the equity method rectified in accordance with international accounting standards for Euro 10,320. In particular, this greater value may be attributed mainly to revaluations of property at fair value made by associated companies at the transition date;
- *as of 31 December 2004*, an increase in the equity equal to Euro 5,990, ascribable to the increase registered as of 1 January 2004, decreased by the adjustments on the investments valuated with the equity method introduced to the 2004 result for Euro 86, and to the negative effect, for

Euro 320, derived from the enlargement of the consolidation area as of 31 December 2004.

B. Intangible assets: some types of multi-year charges cannot be capitalized in accordance with IAS 38.

The above resulted in the following:

- *as of 1 January 2004*, a decrease in the equity for Euro 14,229, net of the relative positive tax effect for Euro 7,710; in particular, cancellations were made of formation and start up costs in relation to the Parent Company's stock exchange quotation (Euro 3,530) and transactions on the capital of other group companies (Euro 1,072), the financial charges capitalized in the previous financial years (Euro 6,194) and that can no longer be capitalized due to the Group's adoption of the accounting treatment of reference provided for by IAS 23, as well as other intangible assets (Euro 3,433), which as of the transition date did not have the requirements provided for by IAS 38.
- *as of 31 December 2004*, a reduction in the equity for Euro 9,056, net of the relative positive tax effect for Euro 4,789, resulting from the eliminations made as of 1 January 2004 (Euro 14,229); from the effect of the adjustments of the amortizations (Euro 6,732) on the 2004 result, for the intangible assets eliminated as of 1 January 2004, and from the charge to the profit and loss account of the capitalizations made in the 2004 financial year (Euro 1,559).

C. Tangible assets: the Group decided to adopt the option provided for by IFRS1 to valuate, as of the transition date, some land and buildings at fair value and to use these values as a substitute for the cost as of that date.

The above resulted in the following:

- *as of 1 January 2004*, an increase in the equity equal to Euro 10,005, net of the negative tax effect for Euro 7,654;

- *as of 31 December 2004*, an increase in the equity equal to Euro 9,787, net of the relative negative tax effect for Euro 7,690, which in comparison with 1 January 2004, fell due to the greater amortizations, equal to Euro 218, calculated on the revaluated value of the property.

D. Cash-settled share-based payments: the Group opted for early application, as of the transition date, of the IFRS2 international accounting standard, measuring on the transition date the goods and services and the liabilities taken on at fair value. The Group redetermined the liabilities at fair value as of the ending date of the financial statements as of 31 December 2003 with regard to the incentive plan which calls for the gratuitous annual assignment of synthetic options (cash-settled share-based payments**)** to certain employees, adjusting the 2004 result for the fair value variations taking place between the transition date and the date of closure of the financial statements as of 31 December 2004.

The above resulted in the following:

- *as of 1 January 2004*, a reduction in the equity for Euro 2,963, net of the relative positive tax effect for Euro 1,490;
- *as of 31 December 2004*, an additional reduction in the equity for Euro 2,145 derived from the update of the fair value of the liabilities vis-à-vis employees (equal to Euro 5,108, net of the relative positive tax effect for Euro 2,517, as of 31 December 2004).

E. Employee benefits: Italian standards require recording the liabilities for the employee severance indemnity based on the debt accrued in accordance with the civil law provisions in force as of the ending date of the financial year; in accordance with IAS/IFRS, the 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 the benefits that may be paid at severance, which the employees had accrued at the date of the financial statements.

The Group decided to record all the actuarial profits and losses accrued as of the transition date.

The above resulted in the following:

- *as of 1 January 2004*, a decrease in the equity for Euro 90;
- *as of 31 December 2004*, an increase in the equity for Euro 219.

F. Adjustment to the method of costs incurred for projects, valuated with the physical measurements method: the valuation of the contracts in progress, in accordance with the standards previously adopted by the Group, was performed with specific reference to the physical progress of the works not certified at the end of the financial year (so-called physical measurements method).

In adopting the international accounting standards, the Group, in applying the "incurred cost" method in accordance with IFRS (cost to cost), included in the contracts in progress the work site installation costs, recorded in the intangible assets with the Italian accounting standards, and no longer classifiable as such according to international accounting standards. The adoption of the incurred cost in place of the physical measurements method, along with the inclusion of the work site installation costs, resulted in the following:

- *as of 1 January 2004*, a decrease in the equity for Euro 3,350, net of the positive tax effect for Euro 1,650;
- *as of 31 December 2004*, a decrease in the equity for Euro 6,267, net of the positive tax effect for Euro 3,838.

ATTACHMENT C

CONSOLIDATED IAS/IFRS BALANCE SHEETS AS OF 1 JANUARY 2004 AND AS OF 31 DECEMBER 2004, CONSOLIDATED IAS/IFRS PROFIT AND LOSS ACCOUNT FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2004

Supplementing the reconciliation schedules of the equity as of 1 January 2004 and as of 31 December 2004 and of the profit of the 2004 financial year are the attached schedules of the balance sheets as of 1 January 2004 and as of 31 December 2004 and by the profit and loss account of the 2004 financial year, which show, for each item, in individual columns:

- the values in accordance with Italian standards reclassified in accordance with the IAS/IFRS schemes adopted by the Group, as well as the reclassifications required by the international accounting standards that had no effect on equity and on the result of the financial year;
- the variation of the consolidation area derived from the enlargement of the consolidation area by adoption of IAS 27;
- the adjustments for transition to IAS/IFRS that had an effect on the equity and on the result of the financial year;
- the total of the effects as the sum of the adjustments and of the variation of the consolidation area;
- the values in accordance with IAS/IFRS.

Reconciliation of the beginning balance sheet as of 1 January 2004

	01 January 2004					
Amounts in thousands of euros	**Reclassified Italian accounting standards**	**Variation in consolidation area**	**Adjustments**	**Effects of IAS/IFRS conversion**	**Notes**	**IAS/IFRS standards**
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 in minority interests valuated with the equity method	17,874		10,320	10,320	**3**	28,194
Investments in non-current minority interests valuated at cost	4,124					4,124
Non-current financial assets valuated at fair value						
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 minority interests valuated at cost	1					1
Current financial assets valuated at fair value						
Tax receivables	41,835	3,436		3,436		45,271
Current financial assets	9,655					9,655
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
Equity of minority interests	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
Fund for non-current risks and charges	6,613	915		915		7,528
Liabilities for deferred taxes	1					1
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
Funds 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 directly associable 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 as of 31 December 2004

	31 December 2004					
Amounts in thousands of euros	**Reclassified Italian accounting standards**	**Variation in consolidation area**	**Adjustments**	**Effects of IAS/IFRS conversion**	**Notes**	**IAS/IFRS standards**
ASSETS						
Non-current assets						
Property, plant and equipment	99,817	7,139	18,301	25,440	1	125,257
Investment property	204					204
Intangible assets	33,073	2	(27,901)	(27,899)	2	5,174
Investments in minority interests valuated with the equity method	18,244		10,033	10,033	3	28,277
Investments in non-current minority interests valuated at cost	4,053					4,053
Non-current financial assets valuated at fair value						
Other non-current financial assets	16,135					16,135
Other non-current assets	54,501	282		282		54,783
Deferred tax assets	13,981		4,408	4,408	4	18,389
Total non-current assets	**240,008**	**7,423**	**4,841**	**12,264**		**252,272**
Current assets						
Inventories	42,612	1,914	220	2,134		44,746

Contracts in progress	126,181	13,078	3,564	16,642	5	142,823
Trade receivables	386,336	20,101	(828)	19,273		405,609
Current minority interests valuated at cost						
Current financial assets valuated at fair value						
Tax receivables	42,792	5,069		5,069		47,861
Current financial assets	29,595					29,595
Other current assets	114,380	2,693	205	2,898		117,278
Cash and cash equivalents	174,839	10,182		10,182		185,021
Total current assets	**916,735**	**53,037**	**3,161**	**56,198**		**972,933**
Non-current assets held for sale						
Total assets	**1,156,743**	**60,460**	**8,002**	**68,462**		**1,225,205**
Group equity	243,690	(4,043)	(1,536)	(5,579)		238,111
Equity of minority interests	91	(2,865)		(2,865)		(2,774)
EQUITY	**243,781**	**(6,908)**	**(1,536)**	**(8,444)**		**235,337**
LIABILITIES						
Non-current liabilities						
Non-current financial liabilities	87,151	2,869	600	3,469		90,620
Other non-current liabilities	20	-	7,625	7,625	6	7,645

Employee benefits	13,662	330	(219)	111	7	13,773
Fund for non-current risks and charges						
Liabilities for deferred taxes			39	39	8	39
Total non-current liabilities	**100,833**	**3,199**	**8,045**	**11,244**		**112,077**
Current liabilities						
Advances from customers	72,084	3,634		3,634		75,718
Trade payables	346,487	42,539	1,032	43,571		390,058
Current financial liabilities	300,411	7,766	197	7,963		308,374
Tax payables	14,403	3,534		3,534		17,937
Funds for current risks and charges	36,968	39		39		37,007
Other current liabilities	41,776	6,657	264	6,921		48,697
Total current liabilities	**812,129**	**64,169**	**1,493**	**65,662**		**877,791**
Liabilities directly associable with non-current assets held for sale						
Total liabilities	1,156,743	60,460	8,002	68,462		1,225,205

Reconciliation of the 2004 profit and loss account

Amounts in thousands of euros	2004 Profit and Loss Account				
	Reclassified Italian accounting standards	**Variation in consolidation area**	**Adjustments**	**Effects of IAS/IFRS conversion**	**IAS/IFRS standards**
Revenues	999,001	13,769	817	14,586	1,013,587
Other operating revenues	51,883	7,168	(590)	6,578	58,461
Total revenues	**1,050,884**	**20,937**	**227**	**21,164**	**1,072,048**
Costs for purchases	(184,591)	(3,947)	(53)	(4,000)	(188,591)
Costs for services	(601,665)	(4,523)	(302)	(4,825)	(606,490)
Personnel costs	(139,023)	(4,249)	(2,893)	(7,142)	(146,165)
Amortizations and depreciations	(33,422)	(4,469)	8,854	4,385	(29,037)
Other operating costs	(21,151)	(1,537)	(4,650)	(6,187)	(27,338)
Total costs	(979,852)	(18,725)	956	(17,769)	(997,621)
(Capitalized costs for internal constructions)	234				234
Operating result	**71,266**	**2,212**	**1,183**	**3,395**	**74,661**
Net financial income (charges)	(28,727)	(1,262)	(762)	(2,024)	(30,751)
Effects of the valuation of investments with equity method	(751)		(287)	(287)	(1,038)
Profit (loss) before taxation of operating activities	**41,788**	**950**	**134**	**1,084**	**42,872**
Taxation	(13,674)	(1,421)	89	(1,332)	(15,006)
Profit (loss) of operating activities	**28,114**	**(471)**	**223**	**(248)**	**27,866**

Profit (loss) connected with discontinued operations					
Profit (loss) for the period	**28,114**	**(471)**	**223**	**(248)**	**27,866**
- Group	27,607	201	223	424	28,031
- Minority interests	507	(672)	0	(672)	(165)

Comments on the main variations in the balance sheet

The following are brief comments on the main variations in the items on the balance sheet. For each item, reference is made to the corresponding note on the above pages.

1) Property, plant and equipment

The increase in the item, both as of 1 January 2004 and 31 December 2004, may be ascribed chiefly – in addition to the variation of the consolidation area – to the adoption, as of 1 January 2004, of the cost revaluated as substitute of the cost (**see note C**)

2) Intangible assets

The item's decrease, both as of 1 January 2004 and 31 December 2004, may be ascribed to the elimination of the formation and start up costs (Euro 6,697 as of 1 January 2004 and Euro 4,303 as of 31 December 2004), which may be referred mainly to the quotation costs of the Parent Company; to the elimination of the financial charges capitalized in the previous financial years (Euro 9,872 as of 1 January 2004 and Euro 6,167 as of 31 December 2004) following adoption by the Group of the accounting treatment of reference provided for by IAS 23; to the elimination of other intangible assets that, as of the transition date, did not have the requirements provided for by IAS 38 (Euro 5,370 as of 1 January 2004 and Euro 3,389 as of 31 December 2004) (**see note B**). Moreover, the determination of the contracts in progress included the work site installation costs (Euro 11,154 as of 1 January 2004 and Euro 14,042 as of 31 December 2004), entered in the intangible assets in accordance with the previous Italian accounting standards.

3) Investments in minority interests valuated with the equity method

The increase in the item may be ascribed to the positive adjustments to the book value of the investments (Euro 10,320 as of 1 January 2004 and Euro 10,033 as of 31 December 2004) derived from the effects of IAS/IFRS adopted by the Group on the equities adjusted by the associated companies (**see note A**).

4) Deferred tax assets

The increase in the item (Euro 4,321 as of 1 January 2004 and Euro 4,408 as of 31 December 2004) reflects the equity offset of the tax effects in the reconciliations items. It is specified that the balance is set out net of the relative deferred liability (equal to Euro 7,654 both as of 1 January 2004 and as of 31 December 2004) that may be legally compensated.

5) Contracts in progress

The increase in the item (Euro 4,423 as of 1 January 2004 and Euro 7,625 as of 31 December 2004) may be ascribed, beyond the variation in the consolidation area, to the effect of the inclusion in the final costs of the work site installation costs previously classified among the intangible fixed assets in accordance with Italian accounting standards, and to the valuation in accordance with the incurred cost method, as compared with the physical measurements method, of the contracts in progress (**see note F and note 2**).

6) Other non-current liabilities

The increase in the item may be ascribed to the accounting of the liabilities at fair value (Euro 4,423 as of 1 January 2004 and Euro 7,625 as of 31 December 2004) for the incentive plan which calls for the gratuitous annual assignment of synthetic options (cash-settled share-based payments) to employees (**see**

note D).

7) Employee benefits

The negative adjustments, for Euro 90 as of 1 January 2004 and positive for Euro 219 as of 31 December 2004, refer to the application of the actuarial methodologies to the employee severance indemnity (**see note E)**.

Effects on the financial reporting as of 31 December 2004

The reconciliation schedule of the consolidated financial report is not presented, since the effects derived from application of IAS/IFRS have had no significant impacts.

FIRST-TIME ADOPTION OF IAS 32 AND IAS 39

Introduction

The Group defined 1 January 2005 as the transition date for the first-time adoption of IAS 32 and IAS 39 accounting standards with regard to recording and valuating the financial instruments.
This document illustrates the policy and impacts derived from the adoption of IAS 32 and IAS 39 as of 1 January 2005.

Accounting standards and valuation policy

Accounts receivable and financial assets

The Group classifies financial assets in the following categories:

- assets at fair value with offset to the profit and loss account;
- accounts receivable and loans;
- financial assets held until term;
- available-for-sale financial assets.

The classification depends on the motivations for which the asset was acquired, the nature thereof, and the valuation made by management as of the date of purchase or, with reference to the transition to IAS/IFRS, as of the date of adoption of IAS 39.

Financial assets at fair value with offset to the profit and loss account.

This category includes the financial assets acquired for the purposes of short-term negotiation or those thus designated by management, in addition to the derivative instruments, for which reference is to be made to the following paragraph. These instruments' fair value is determined by making reference to the market value (bid price) as of the ending date of the period being reported. In the event of non-quoted instruments, it is determined with commonly used financial valuation techniques. The fair value variations of the instruments belonging to this category are immediately recorded to the profit and loss account.

Accounts receivable and loans

This category includes the assets not represented by derivatives and not quoted in an asset market, from which fixed or determinable payments are expected. These assets are valuated at the amortized cost based on the method of the actual interest rate. Any impairment determined through the impairment test is recorded to the profit and loss account. 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 until term

These assets are those, unlike the derivatives, with a pre-established term, and that the Group intends and is able to maintain in its portfolio until term. These assets are valuated at the amortized cost based on the method of actual interest rate. Classified under current assets are those whose contractual term is expected within the 12 months thereafter. Any impairment determined through the impairment test is recorded to the profit and loss account.

Available-for-sale financial assets

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

Derivatives

The derivative instruments are always considered as assets held for the purpose of negotiation and valuated at fair value with offset to the profit and loss account, except where they are instruments suitable for hedging and effective in neutralizing the risk of underlying assets or liabilities or commitments taken on by the Group.

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

The effectiveness of the hedging operations is documented both from the start of the operation and periodically (at least at every date of publication of the financial statements or of the 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 complicated instruments, through statistical analyses based on the risk fluctuation.

Fair Value Hedge

The fluctuations of value of the derivatives designated as fair value hedge and qualified as such are recorded to the profit and loss account, similarly to what is done with reference to the fair value fluctuations of hedged assets or liabilities attributable to the risk neutralized by the hedging operation.

Cash Flow Hedge

The fair value fluctuations of the derivatives designated as cash flow hedge and that are qualified as such are recorded, limited only to the “effective” part, in a specific equity reserve (“cash flow hedge reserve”), which is then carried over to the profit and loss account at the moment of the economic manifestation of the underlying object of hedging. The fair value fluctuation referable to the ineffective portion is immediately recorded to the period’s profit and loss account. If the derivative 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 recorded to the profit and loss account.

Determination of the fair value

The fair value of the instruments quoted on public markets is made with reference to the quotations (bid price) as of the date of reference of the period being recorded. The fair value of non-quoted instruments is measured with reference to financial valuation techniques: in particular, the fair value of the interest rate swap is measured by actualizing the expected cash flows, while the fair value of the forwards on exchanges is determined based on the market exchange rates as of the date of reference, and the rate differentials among the affected currencies.

<u>Cash and Cash Equivalents</u>

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.

Factoring operations

The Group has implemented some assignments of assets with recourse eliminated in compliance with Italian accounting standards, but later adjusted, effective 1 January 2005, pursuant to and to the effects of the provisions of IAS 39 with reference to eliminating these assets from the financial statements. Therefore, the assigned assets as well as the related liabilities remain entered in the balance sheet.

Starting 1 January 2004, the Group scheduled the application of the provisions of IAS 39 with regard to eliminating a financial asset and liability from the books. This means that all the operations carried out prior to that date remain booked in accordance with Italian standards, while all the operations performed after that date are booked in accordance with IAS 39.

Reconciliation schedule of the equity as of 1 January 2005, and notes

The Group has chosen to adopt IAS 32 and IAS 39 starting 1 January 2005. The following are the adjustments to the balance sheet as of 1 January 2005 derived from adoption of IAS 32 and IAS 39.

			Effects of IAS 32 and 39		
Amounts in thousands of euros	*Note*	1 January 2005, before IAS 32 and 39	Reclassifications	Adjustments	1 January 2005
ASSETS					
Non-current assets					
Property, plant and equipment		125,257			125,257
Investment property		204			204
Intangible assets		5,174			5,174
Investments in minority interests valuated with the equity method		28,277			28,277
Investments in non-current minority interests valuated at cost		4,053			4,053
Non-current financial assets valuated at fair value		-			
Other non-current financial assets	D	16,135		(898)	15,237
Other non-current assets	B	54,783	(28,078)		26,705
Deferred tax assets	A	18,389		281	18,670
Total non-current assets		**252,272**	**(28,078)**	**(617)**	**223,577**
Current assets					
Inventories		44,746			44,746
Contracts in progress	B	142,823	34,319		177,142
Trade receivables	B	405,609	77,455		483,064

ATTACHMENT C

Current minority interests valuated at cost		-			
Current financial assets valuated at fair value	C	-	28,512		28,512
Tax receivables		47,861			47,861
Current financial assets	A/C	29,595	(28,512)	1,830	2,913
Other current assets	A/B	117,278	(23,368)	(1,697)	92,213
Cash and cash equivalents		185,021			185,021
Total current assets		**972,933**	**88,406**	**133**	**1,061,472**
Non-current assets held for sale					
Total assets		**1,225,205**	**60,328**	**(484)**	**1,285,049**
Cash Flow Hedge Reserve	A			350	350
Capital and other reserves	A/D	235,337		(1,820)	233,517
EQUITY		**235,337**		**(1,470)**	**233,867**
LIABILITIES					
Non-current liabilities					
Non-current financial liabilities	B	90,620	16,286		106,906
Other non-current liabilities		7,645			7,645
Employee benefits		13,773			13,773
Fund for non-current risks and charges		-			
Liabilities for deferred taxes		39			39
Total non-current liabilities		**112,077**	**16,286**		**128,363**
Current liabilities					
Advances from customers		75,718			75,718
Trade payables		390,058			390,058

Current financial liabilities	A/B	308,374	44,042	1,225	353,641
Tax payables		17,937			17,937
Funds for current risks and charges		37,007			37,007
Other current liabilities	A	48,697		(239)	48,458
Total current liabilities		**877,791**	**44,042**	**986**	**922,819**
Liabilities directly associable with non-current assets held for sale					
Total liabilities		**1,225,205**	**60,328**	**(484)**	**1,285,049**

The following schedule summarizes the variations taking place in the equity as of 1 January 2005 due to the adoption of IAS 32 and IAS 39.

Equity as of 1 January 2005 IFRS/IAS prior to IAS 32 and IAS 39	Note	235,337
Adjustments derived from adoption of IAS 32 and IAS 39		
Derivative financial instruments	*A*	*(853)*
Taxes	*A*	*281*
Treasury shares	*D*	*(898)*
Total		*(1,470)*
Equity as of 1 January 2005 IAS/IFRS		**233,867**

A- Derivative financial instruments: to face 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.

As of 31 December 2004, only derivatives to hedge rates ("IRS") were in existence. In particular, for derivatives ("IRS") hedging the risks of variability of future financial flows attributed to financial liabilities (Cash Flow Hedge), the main impacts were as follows:

- increase in the equity assets, in the financial assets item, for Euro 1,830, for the positive fair value of the derivatives;
- increase in the equity liabilities, in the financial liabilities item, for Euro 1,225, for the negative fair value of the derivatives;
- entry of the effective portion of the hedges on rates ("IRS") in the Cash flow hedge, equal to Euro 350;
- entry of the ineffective portion of the hedges in the other reserves item, equal to 1,203;
- entry of deferred tax assets equal to Euro 281, ascribable to the tax effects of the adjustments;
- elimination of the accrued income (Euro 1,697) and liabilities (Euro 239) with regard to the interest differentials on the Interest Rate Swaps ("IRS") accrued as of 31 December 2004, as they are included in the fair value of the financial instruments.

B- Credit assignment: The Group has implemented some recourse factoring operations that had been eliminated by the financial statements with entry into the memorandum accounts of the risk of recourse in accordance with Italian accounting standards; these operations do not satisfy the requirements established for elimination (derecognition) of financial assets and liabilities as provided for by IAS 39. Therefore, the liabilities in existence as of 1 January 2005 and the corresponding assets previously eliminated and not yet collected were entered. The equity impacts are as follows:

- reclassification from other non-current assets, for Euro 28,078, and from other current assets, for Euro 23,368, into the Trade Receivables and Contracts in Progress items of the receivable from the factoring company;
- entry of the advance received from the factoring company and not yet refunded as of 1 January 2005 for Euro 44,042 in the current financial liabilities, and for Euro 16,286 in the non-current financial liabilities,

and of the cancelled assets, in accordance with Italian accounting standards, in the Trade Receivables and Contracts in Progress items.

C- Financial assets at fair value: the amounts regard the securities valuated at fair value which, starting 1 January 2005, must be classified in the "financial assets at fair value" item, while under the previous accounting standards they had been classified in the other financial assets item.

D- Treasury shares: treasury shares, entered at cost for Euro 898, are brought to the reduction of the equity.