ASTALDI

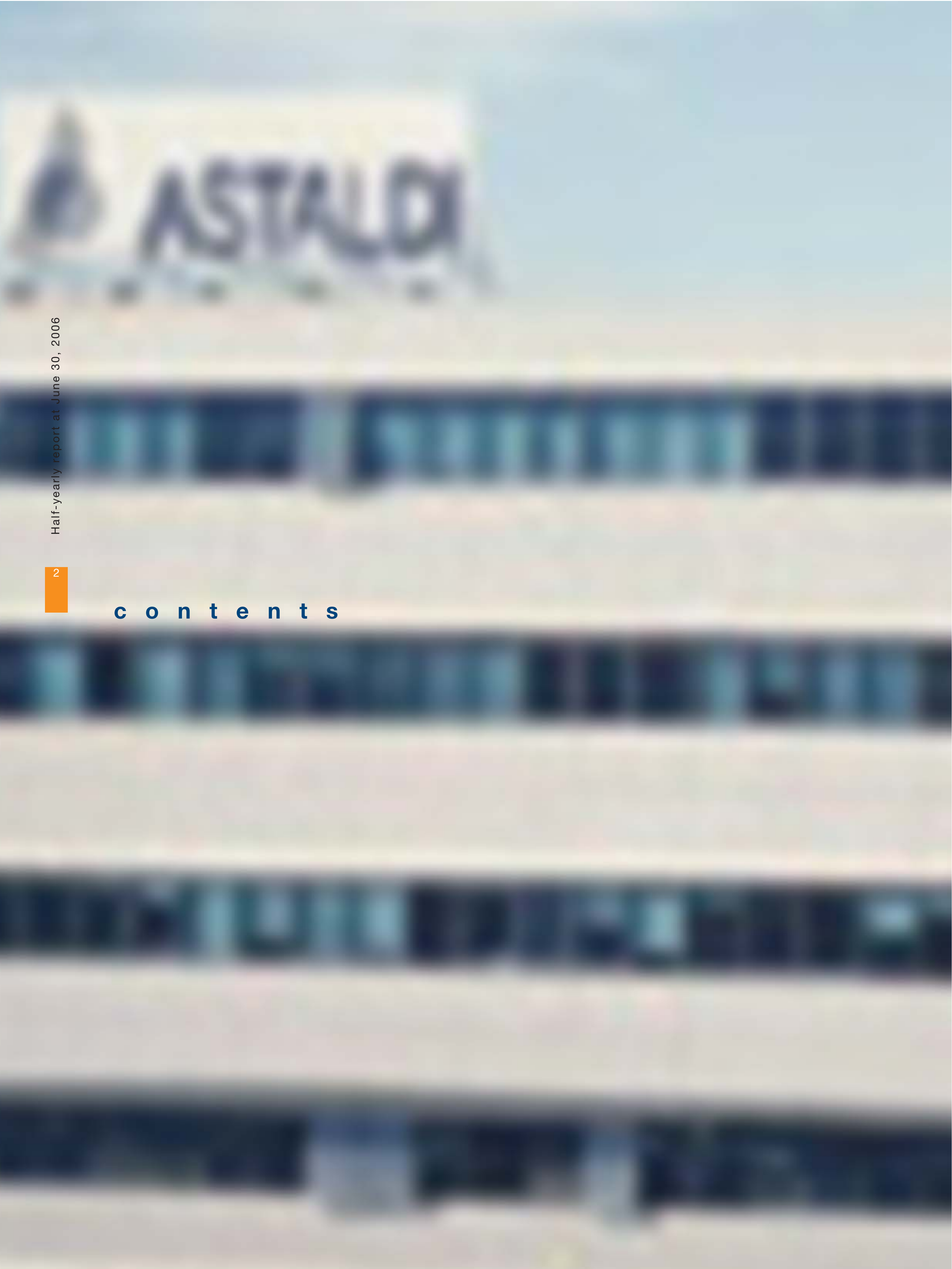
half-hearly report at june 30, 2006

half-hearly report at june 30, 2006

FROM LEFT TO RIGHT:

ITALY
Pont Ventoux Hydroelectric Power Plant
VENEZUELA
Puerto Cabello-La Encrucijada Railway
ITALY
New Hospital in Naples
ITALY
Rome-Naples High-Speed Railway
TURKEY
Anatolian Motorway

ASTALDI



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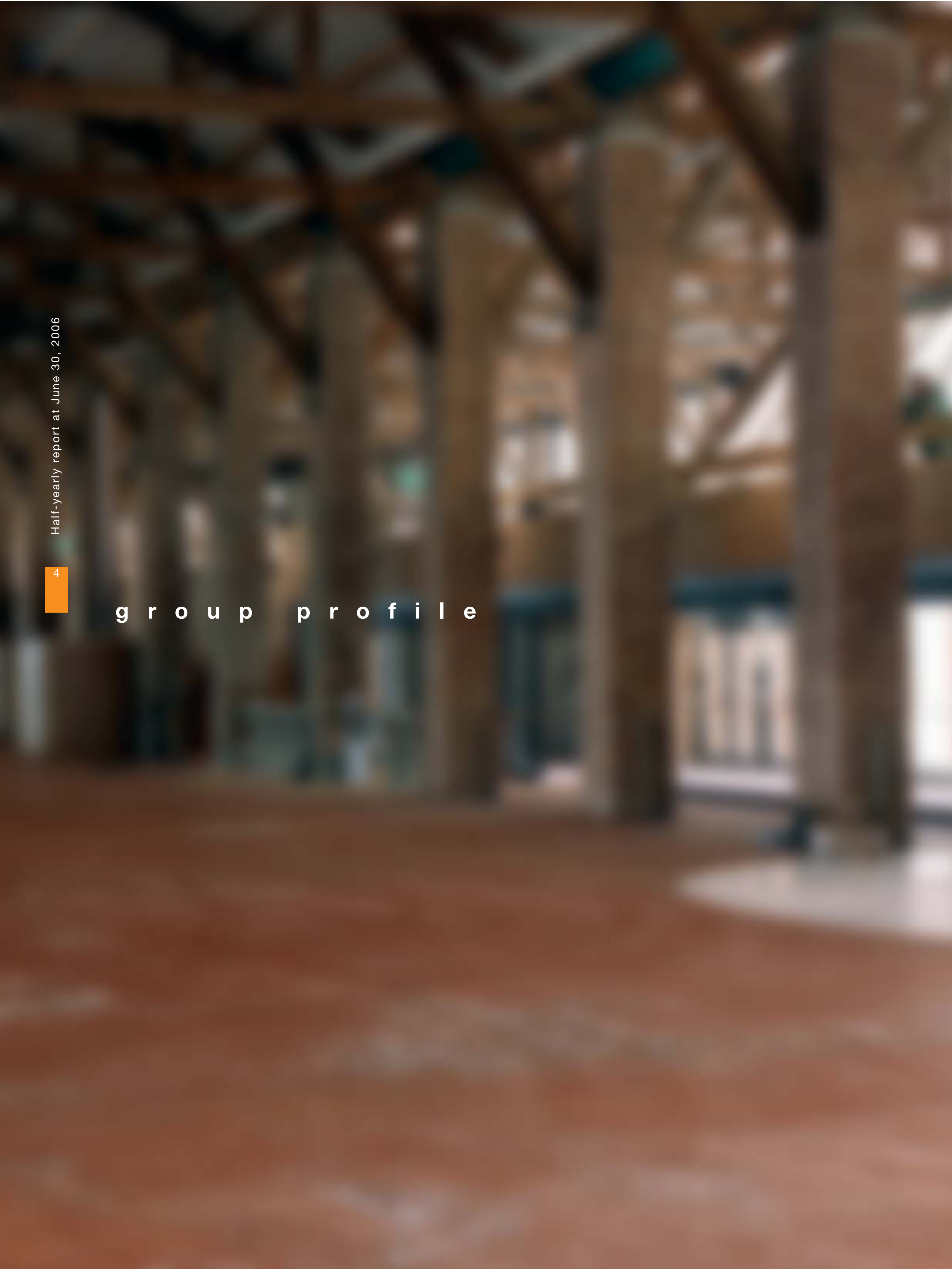


group profile

Corporate bodies

Board of Directors

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

Board of Auditors

Chairman	Pierumberto Spanò
Statutory Auditors	Eugenio Pinto[1]
	Pierpaolo Singer
Substitute Auditors	Maurizio Lauri
	Antonio Sisca
	Massimo Tabellini

General Managers

International	Giuseppe Cafiero
Administration & Finance	Stefano Cerri
Domestic	Nicola Oliva

Deputy General Manager

Administration & Finance	Paolo Citterio

Auditing Firm

Reconta Ernst & Young S.p.A.

[1] *Prof. Eugenio Pinto formalised his resignation from the position of statutory auditor on July 20, 2006, with immediate effect, and was replaced by the substitute auditor Mr. Antonio Sisca, pursuant to Article 25 of the company by-laws.*

Astaldi Group and its business sectors

Astaldi Group has been active for over 80 years in Italy and abroad in the design and construction of large-scale civil engineering works and is one of the most important construction companies on the international scene. It is a leading general contractor in Italy, boasting top-level management skills in the promotion of financial resources and coordination of all the professional resources needed to carry out and manage complex, high-value works in an optimal manner. In recent years, the Group has also consolidated its leading role as a sponsor of project finance initiatives, the latter being a sector in constant expansion in relation to the development of public works in Italy and abroad. Astaldi has made use of this instrument to promote major works currently underway such as the new Line 5 of the Milan underground – the first project finance initiative in the city transport sector to be carried out in Italy. New hospital in Mestre and new hospital in Naples ("Ospedale del Mare") fall into this specific business area, which Astaldi has placed special focus on by creating a specific business unit, as well as additional car park projects that are currently being carried out. Other projects in the healthcare facilities and city transport infrastructure sectors are also being developed.

FROM LEFT TO RIGHT:

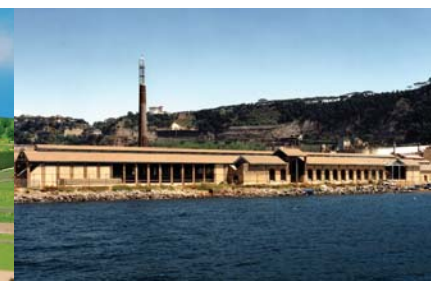
ITALY
Naples Underground
ITALY
Milan New Expo Fair Centre
ITALY
New Hospital in Naples

Established in the 1920s, Astaldi Group has promoted large-scale construction projects right from the very start, acquiring fame at an international level for its use of highly innovative construction techniques and linking its name to remarkable civil engineering works that have helped development in the countries where constructed.

Leading rail and motorway links, dams and aqueducts, ports and public buildings, built in Italy and abroad over the last eighty years, are all the work of Astaldi. Listed on the stock exchange since 2002, the Group currently has approximately 6,000 employees, involved in carrying out works in 14 different countries, mainly in the rail and road transport infrastructure sector, with an orders backlog of over 7 billion euros and a turnover of over 1 billion euros at December 31, 2005.

Transport infrastructures represent Astaldi Group's main area of business and currently account for over 60% of its orders backlog. The construction of railways, undergrounds, roads, airports and ports in Italy and abroad has allowed the Group to acquire high levels of technological know-how which place it among the global leaders in the infrastructures sector. As far as this sector is concerned, after having constructed the Rome-Naples section of the high speed railway, the undergrounds in Rome, Naples, Genoa, Milan, Caracas and Copenhagen, the ring road in Vicenza and the north-west road link in Rome, the Group is currently carrying out works such as the light rail transit system in Brescia, the high speed railway station in Bologna in Italy, the Anatolian motorway in Turkey and key railway links in Venezuela. Recently, in addition to the aforementioned contract to construct Line 5 of the Milan underground, Astaldi has also been awarded the contracts to construct Line C of the Rome underground, the second work to date, in terms of economic value and technical and executive content, awarded to a general contractor in Italy, the second phase of the project to construct the Turin rail junction, the doubling of the Parma-La Spezia railway line and new important road and rail projects in Algeria, Venezuela and Romania.





FROM LEFT TO RIGHT:

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

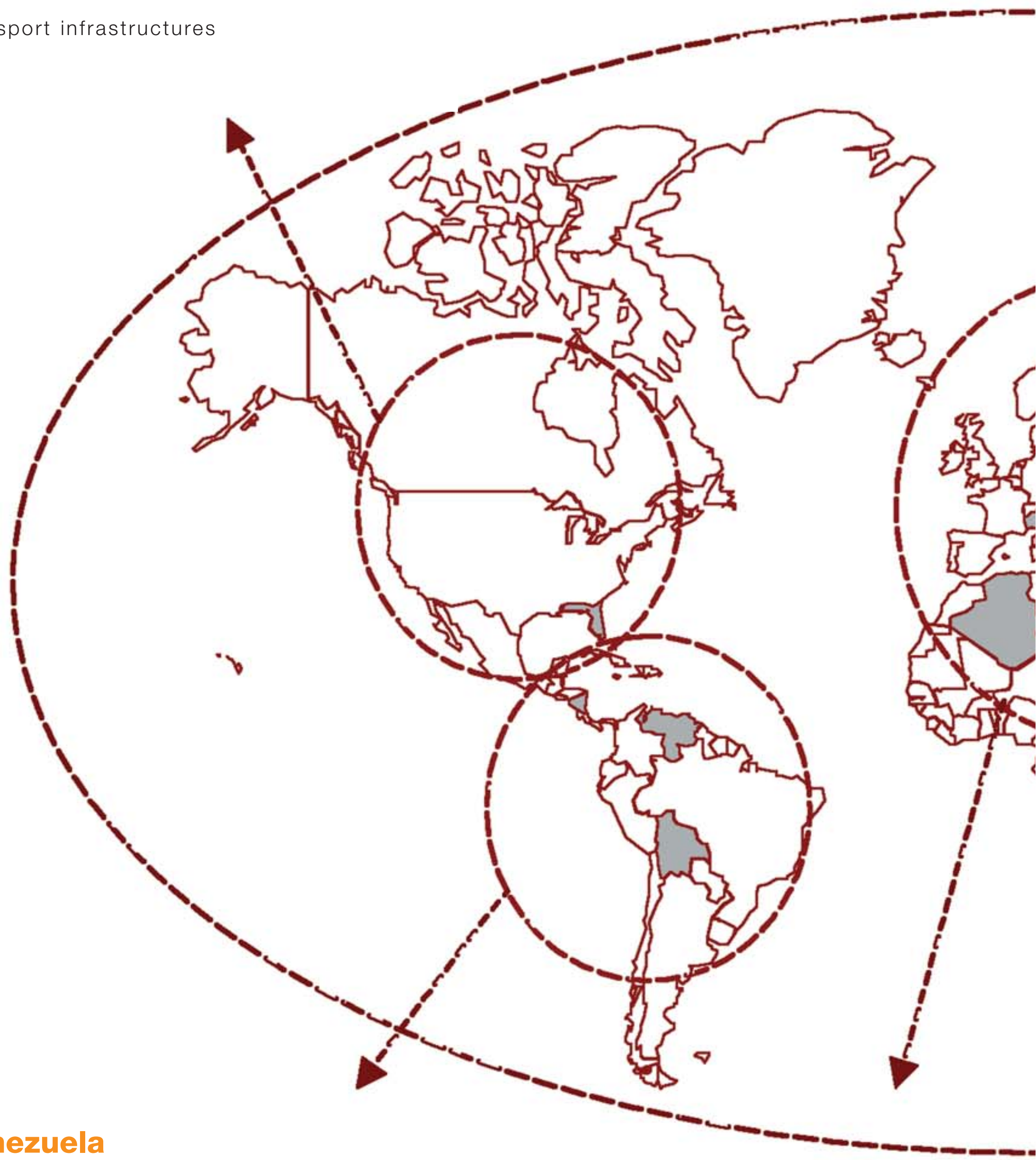
As far as the company’s other sectors are concerned, these include hydraulic works and energy production plants (dams, hydroelectric plants, aqueducts, oil and gas pipelines and treatment plants), civil and industrial construction (hospitals, universities, courts, building works related to electricity and nuclear plants and car parks) and, as already mentioned, management under concession of healthcare facilities, car parks and city transport infrastructures.

As regards the main civil and industrial construction projects, mention must be made of Milan’s new Expo Fair Center, the largest and most modern exhibition facilities in Europe and a leading example of what the Group is able to offer. While as regards energy production plants, mention must be made of the Pont Ventoux hydroelectric plant, one of the largest in Europe, as well as the nuclear energy plant in Montalto di Castro, the PEC plant in Brasimone and, as regards foreign projects, CERN’s LEP project in Geneva, the Nacaome aqueduct in Honduras, the Kramis dam in Algeria, the Sidi Said dam in Morocco, the Balambano dam in Indonesia and the Xiaolangdi dam in China. Given the opportunities the sector has to offer, important projects in the oil & gas sector, mainly in Saudi Arabia and Qatar, are currently being carried out.

Geographical areas

United States

Transport infrastructures



Venezuela

Railway transport infrastructures

Central America

Transport infrastructures and hydraulic works

Algeria

Transport infrastructures and hydraulic works

Italy

Urban transport infrastructures and project finance initiatives in the healthcare facilities, car parks and city transport infrastructures sectors

Turkey

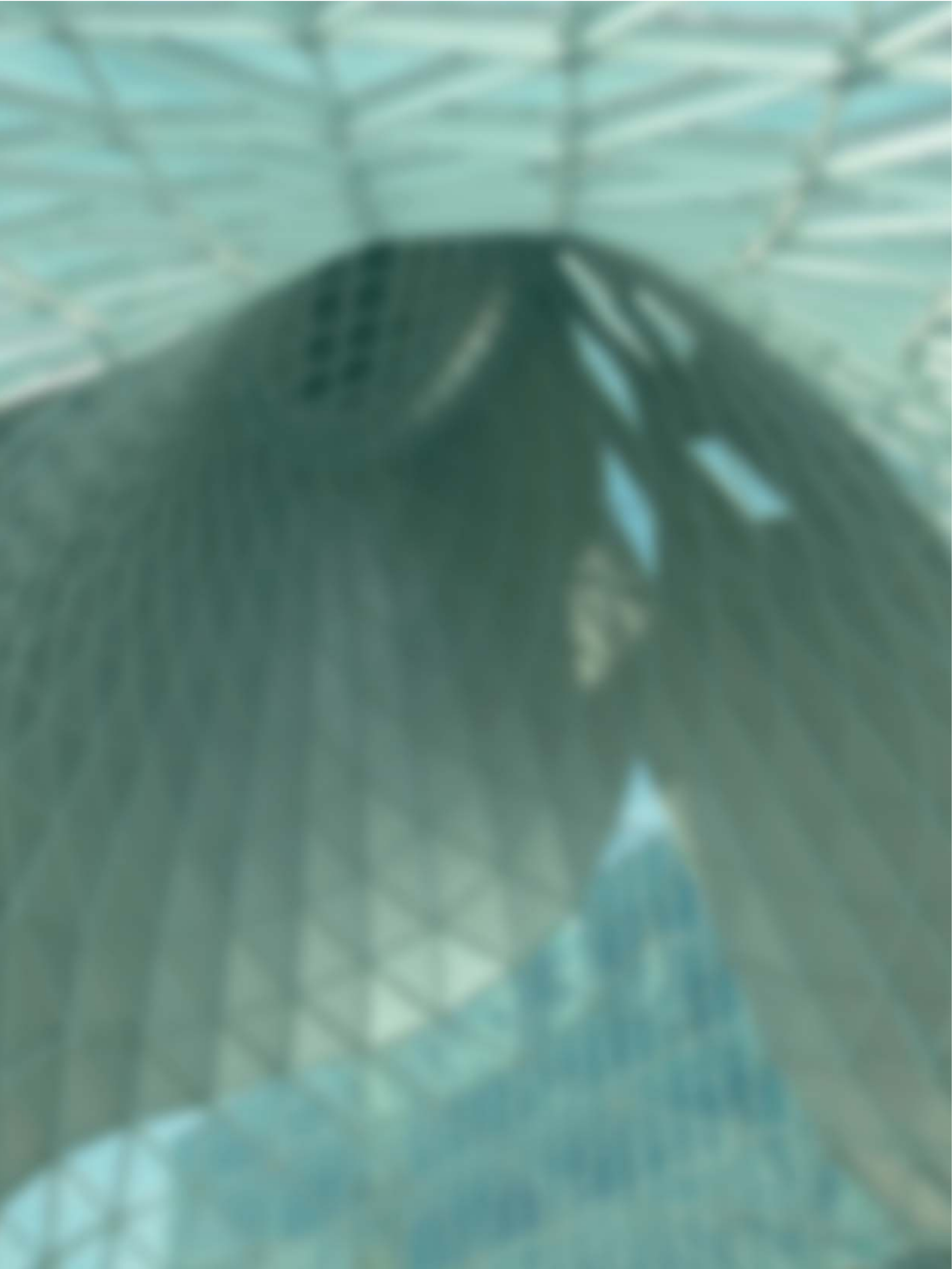
Transport infrastructures and promotion of PPP/project finance initiatives in the healthcare facilities and city transport infrastructures sectors

Eastern Europe

Transport infrastructures

Saudi Arabia and Qatar

Oil & Gas sector



Group structure

ASTALDI S.p.A.

construction

ITALY

ROME -NAPLES HIGH SPEED RAILWAY

VERONA-PADUA HIGH SPEED RAILWAY

BOLOGNA CENTRALE HIGH SPEED STATION

PARMA-LA SPEZIA RAILWAY
("Pontremolese")

TURIN RAIL JUNCTION

MILAN RAIL LINK

ROME UNDERGROUND - LINE C

BRESCIA UNDERGROUND

NAPLES UNDERGROUND

GENOA UNDERGROUND

JONICA NATIONAL ROAD (SS106)
(LOTS 1 & 2)

MO.S.E. PROJECT
(Venice)

ABROAD

REST OF EUROPE
Turkey, Romania

AMERICA
Venezuela, United States, Honduras,
El Salvador, Nicaragua, Bolivia, Costa Rica

AFRICA
Algeria, Morocco

ASIA
Saudi Arabia, Qatar

concessions & project financing (BUSINESS UNIT)

HEALTHCARE

NEW HOSPITAL - MESTRE

NEW HOSPITAL - NAPLES
("Ospedale del Mare")

TUSCAN HOSPITAL COMPLEX
(Astaldi sponsor)

CAR PARKS

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

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

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

CITY TRANSPORT INFRASTRUCTURES

MILAN UNDERGROUND - LINE 5

APPIA ANTICA UNDERPASS - ROME
(Astaldi sponsor)

UTILITIES

TECHNOLOGICAL TUNNELS
(Cologno Monzese)

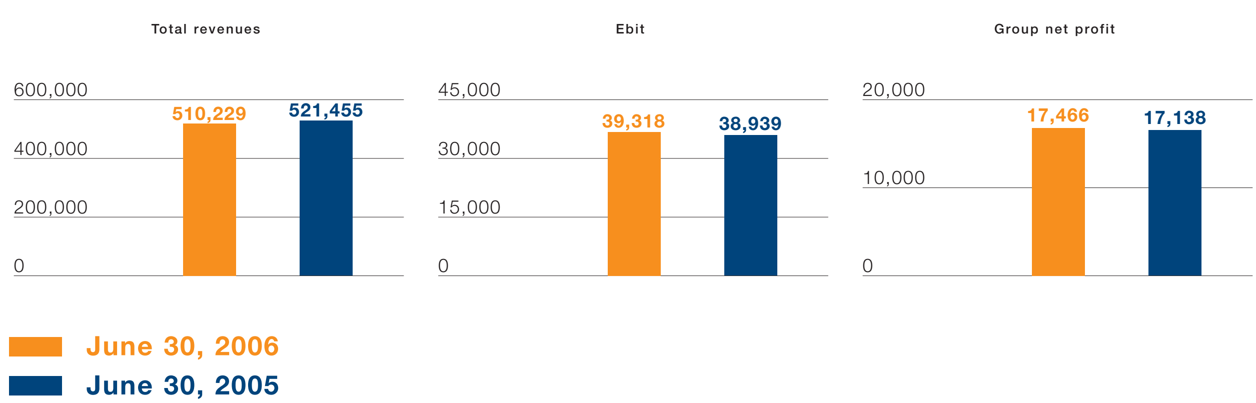
information on operations

Comments on the operating performance during the first half of the year

There was a partial change in the domestic scenario during the first half of the year subsequent to the new government taking office, which saw a review of economic policy and a change in investment priorities in the field of the infrastructures sector resulting in a slowdown in the financing and performance of works. However the projects included in Astaldi Group's orders backlog feature among the current government's priorities.
On the strength of this scenario, the first six months of 2006 confirm what was stated when presenting the 2006-2010 Business Plan. This year represents an important turning point for Astaldi Group insofar as growth guidelines set forth in previous business plans are actually being realised thanks to major acquisitions and commercial developments achieved during the first half of the year, with the awarding of major general contracting and project finance works in Italy as well as the signing of important contracts in Venezuela, Romania, Algeria and Central America.

The new contracts secured, worth a total of over EUR 2 billion followed by the awarding of additional contracts subsequent to June 30, 2006, worth a further EUR 125 million, lay the foundations for group growth along internal lines, as set forth in the 2006-2010 Business Plan. In fact one of the plan's goals is an increase in the orders backlog not only from a quantitative viewpoint, but also and above all from a qualitative viewpoint, allowing for the achievement of increasingly better economic, financial and equity targets. The effects of this policy started to be seen as from 2005 and are confirmed by the figures for the first half of 2006. Moreover, these results were achieved in a market context where only careful balance between the domestic and international sectors makes it possible to guarantee significant economic margins and financial and equity stability.

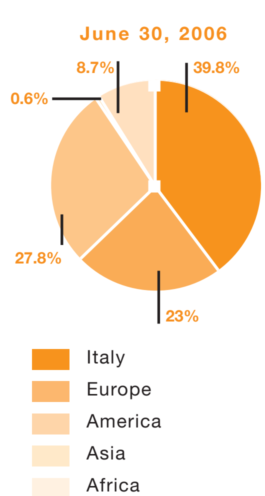
An analysis of figures shows how the economic results are in line with those reported for the same period of 2005. Total revenues at June 30 amounted to over EUR 510 million, EBIT stood at over EUR 39 million (with an EBIT margin of 7.7%) and net profit at approximately EUR 17.5 million.



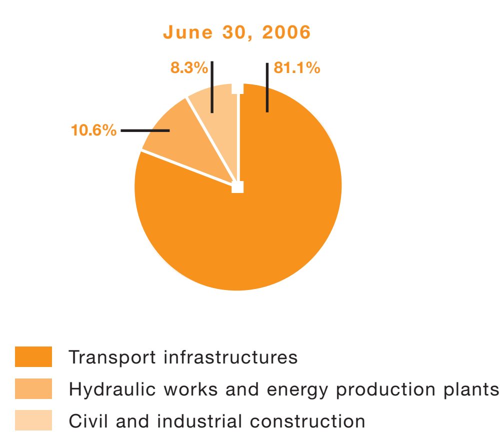
At June 30, 2006, revenues from works equalled approximately EUR 482 million, in line with the same period of the previous year.
The domestic sector accounted for 40% of revenues in the period while foreign activities (key railway and motorway projects) accounted for 60%. As regards South America, the excellent results achieved by the Group in Venezuela were confirmed. Works on the Caracas-Tuy Medio railway in Venezuela were largely completed and works on the Puerto Cabello-La Encrucijada railway and Los Teques underground are going ahead as planned. This country is set to remain one of the most important areas for the Group's foreign activities, also following the acquisition of two new important railway projects as well as the contract for the extension of the Puerto Cabello-La Encrucijada railway, currently being built. The awarding of these contracts to the Italian joint venture operating in the area, led by Astaldi with a 33.33% share, was recently made official.

In Algeria where Astaldi enjoys a reputation as one of the leading operators, commercial efforts resulted in the Group being awarded other important contracts in the sectors of transport infrastructures and dams and hydraulic works during the first half of the year. These are in addition to works secured in 2005 and will help to further and significantly increase the country's incidence in the Group's revenues as from the second half of 2006.
Lastly, mention must be made of the Central American area where Astaldi has been present for many years. A well-thought out commercial policy has made it possible to acquire new, major works during the first half of 2006 which will make it possible to further improve the Group's presence in these countries (El Salvador, Honduras, Nicaragua and Costa Rica) where it is one of the main operators in the sector.

Total revenues by geographical area



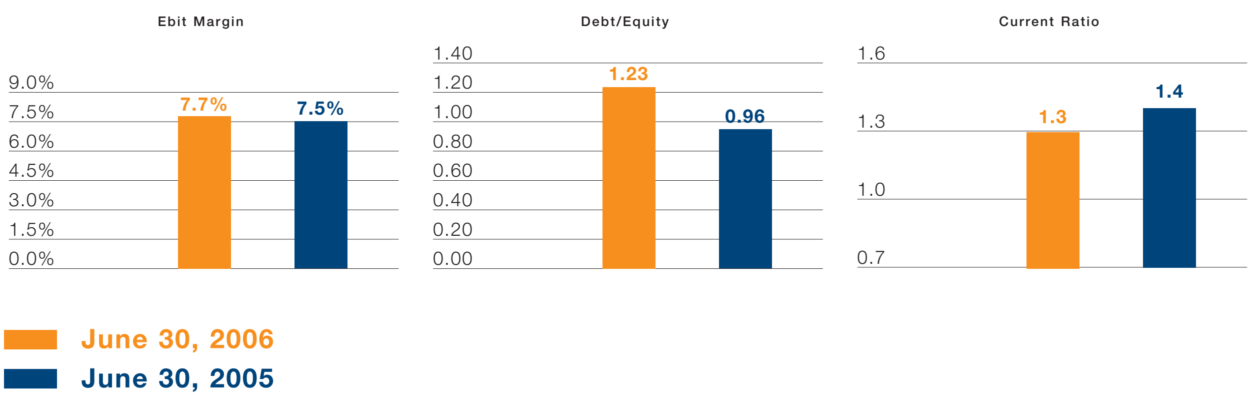
Total revenues by sector



As regards the contribution of individual business areas to revenues from works for the period, transport infrastructures accounted for 81%, hydraulic works and energy production plants for 11% and civil and industrial construction for the re-

maining 8%. Therefore, the transport infrastructures sector shows itself to be the key sector for the Group's activities as well as the one making the largest contribution in terms of revenues and margins achieved. It should be remembered that works such as railways and underground railways, roads and motorways and ports and airports all belong to this sector. The most important works currently in progress in this sector in Italy are the undergrounds in Brescia, Naples and Genoa, the Turin rail link, the High Speed station in Bologna, and in the future, the upgrading and construction of two lots of the Jonica national road (SS 106), Line C of the Rome underground and Line 5 of the Milan underground.
As regards foreign activities, an all-important contribution is provided by works carried out in Venezuela (railways and undergrounds) and Turkey (motorways), where the Group is involved in carrying out key infrastructure projects.

Net financial indebtedness at June 30, 2006 including treasury shares amounted to EUR 324.9 million compared to more than EUR 231.2 million at December 31, 2005 and EUR 233.4 million at June 30, 2005. As stated in the 2006-2010 business plan, this figure is affected by the Group's current efforts to start up recently acquired contracts entailing investments concentrated during the current year, and repayment of which will be guaranteed by cash flow from construction activities related to general contracting projects and from management activities related to concession projects. The debt/equity ratio, up on the same period of 2005, was higher than the unit.

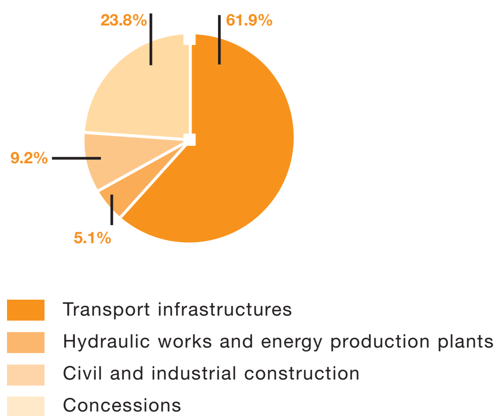


As regards the structure of financial indebtedness, the EUR 325 million financing transaction of a 5 to 7 year-duration means the Group is able to guarantee sound, stable financing for its operations. This is an all-important factor in supporting the growth programme which will experience a turning point in 2007 in terms of quantity.

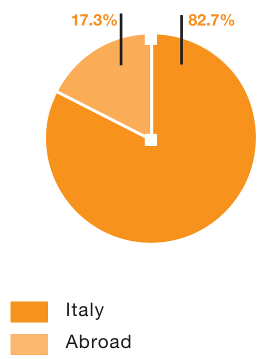
A closer look at the orders backlog, which is described in detail in the following paragraph, shows how new contracts worth a total of over EUR 2 billion were acquired during the first half of 2006, bringing the total value of the Group's backlog to more than EUR 7.1 billion, of which over EUR 5.4 billion related to the construction sector and over EUR 1.7 billion to the concessions sector.

Moreover, considering acquisitions subsequent to the end of the first six months, the current backlog amounts to approximately EUR 7.3 billion, considerably ahead of the previous business plan's goals which set said amount as the goal to be achieved by the end of 2007.

Orders backlog by sector



Orders backlog by geographical area



The orders backlog according to geographical area shows foreign activities accounting for 17.3% of the total. It must be remembered that, in accordance with company procedures regarding the inclusion of contracts in the backlog, contracts are only included when made official and financing obtained. This is the reason why the orders backlog at June 30, 2006 did not include the new railway infrastructure contracts in Venezuela, worth a total of approximately EUR 1 billion, since at the present time the company is awaiting receipt of the contractual advance payment and relative financial backing, scheduled to be obtained by the end of 2006. Should this amount be taken into consideration, the share related to foreign activities would increase to 27.4%.

Reclassified Consolidated Income Statement

reclassified consolidated income statement

(thousands of euros)

	Model Statement reference	hy1 2006	%	hy1 2005	%
revenues	*a*	481,764	94.4%	483,010	92.6%
other operating revenues	*b*	28,465	5.6%	38,445	7.4%
total revenues		**510,229**	**100.0%**	**521,455**	**100.0%**
production costs	*c*	(353,889)	(69.4%)	(360,223)	(69.1%)
added value		**156,340**	**30.6%**	**161,232**	**30.9%**
personnel costs	*d*	(82,350)	(16.1%)	(73,035)	(14.0%)
other operating costs	*e*	(10,540)	(2.1%)	(11,086)	(2.1%)
ebitda		**63,450**	**12.4%**	**77,111**	**14.8%**
amortisation and depreciation	*f*	(13,511)	(2.6%)	(13,257)	(2.5%)
provisions	*e*	(5,815)	(1.1%)	(14,915)	(2.9%)
write downs	*f*	(5,300)	(1.0%)	(10,069)	(1.9%)
(capitalisation of internal construction costs)	*g*	494	0.1%	69	0.0%
ebit		**39,318**	**7.7%**	**38,939**	**7.5%**
net financial income and charges	*h*	(9,266)	(1.8%)	(11,369)	(2.2%)
effects of valuation of equity investments using net equity method	*i*	1,468	0.3%	198	0.0%
pre-tax profit (loss)		**31,520**	**6.2%**	**27,768**	**5.3%**
taxes	*l*	(13,349)	(2.6%)	(10,766)	(2.1%)
profit (loss) for the period	***m***	**18,171**	**3.6%**	**17,002**	**3.3%**
(profit) loss attributable to minority interests	*n*	(705)	(0.1%)	136	0.0%
group net profit	***o***	**17,466**	**3.4%**	**17,138**	**3.3%**

The Group's overall economic trend during the first half of 2006 offered confirmation of the global situation already seen in the same period of 2005, with figures in line with forecasts contained in the 2006-2010 Business Plan. It must be remembered that this plan forecasts a slight growth for the whole year compared to 2005, concentrated in the second half of 2006, as a direct result of the start-up of some major projects in Italy and abroad.

The increasing focus in recent years on acquiring high value contracts, able to offer higher earnings in the general contracting sector, can be seen in the increase in EBIT compared to the same period of last year which rose from 7.5% to 7.7%.

Total revenues for the first six months equalled over EUR 510 million, slightly down on the same period of the previous year. This drop was mainly due to the delay in the approval procedure, still underway, regarding the executive design for works on the Jonica national road (SS106). As a result, revenues for services and contracts amounted to over EUR 482 million, with a prevalence of foreign works in progress in the 14 countries where the Group currently operates. Nevertheless, it should be noted that the production forecasts contained in the 2006 Business Plan will be met during the second half of the year.

Europe (Romania and Turkey) accounted for 38.1% of foreign revenues for the period and America for 46.4%; the remaining 15.5% included production activities in Africa, mainly in Algeria. As forecast, Algeria is experiencing a significant increase in production following the start-up and subsequent implementation of major contracts recently acquired in this country.

Therefore, the Group's policy confirms its foreign presence in those countries

where Astaldi traditionally features as a player and where the political and financial risk is considerably reduced as a result of sufficient financial backing by international organisations. These conditions combined with ongoing monitoring of invested capital and the monetary risk and suitable policies to cover related risks, make the individual contracts independent from a financial viewpoint and able to generate sufficient cash flow. These characteristics accentuate the strategic value of these activities, in a market situation where only careful balance between the domestic and international sectors makes it possible to ensure appreciable economic margins and levels of equity and financial stability.
In fact the importance the foreign sector has for Astaldi Group also satisfies the need to diversify activities and relative risks, and to balance, over time, the growth in the orders backlog. The latter is characterised by high value projects which, by their very nature and thanks to their complexity, entail lengthy, detailed preparatory activities from both design and operational viewpoints, these characteristics being specific to general contracting and project finance activities.

The table below shows a breakdown of revenues from works by geographical area.

contract revenues by geographical area

(millions of euros)

	HY1 2006	%	HY1 2005	%
Italy	193	40.0%	232	48.0%
abroad	289	60.0%	251	52.0%
Europe	110	22.8%	125	25.9%
America	134	27.8%	99	20.5%
Asia	3	0.6%	6	1.2%
Africa	42	8.7%	21	4.3%
total	**482**	**100.0%**	**483**	**100.0%**

As already mentioned, the above figures show a constant growth in the contribution of foreign activities to revenues. Specifically, there was an increase in the incidence of production activities in America, thanks also to the major increase in revenues achieved in Venezuela. Indeed, the period saw the first effects in Venezuela of the ability to convert increased cash flow from high oil prices, of which Venezuela is a leading producer, into investments in infrastructures. These conditions led to the signing of important agreements for the construction of key railway infrastructures, which will be described in greater detail further on, whose economic effects will start to become evident as from the second half of 2006. These agreements go to confirm Astaldi Group's role in this area where it has been looked on for some time as one of the leading players in the sector, perfectly integrated into the local production fabric and a key exporter of the Italian production model.

As far as domestic activities are concerned, as extensively detailed in the Group's business plans, 2006 is paying for the start-up of major general contracting projects for which, as forecast, technical activities are being completed prior to the start-up of construction sites.

The following table offers a breakdown of the incidence of the various categories of works on the Group's overall turnover.

contract revenues by line of business

(millions of euros)

	HY1 2006	%	HY2 2006	%
transport infrastructures	391	81.1%	350	72.5%
hydraulic works and energy production plants	51	10.6%	69	14.3%
civil and industrial construction	40	8.3%	64	13.3%
total	**482**	**100.0%**	**483**	**100.0%**

Transport infrastructures accounting for 81% of turnover are the Group's key business area, both in terms of revenues and sector specialisation, confirming Astaldi's longstanding tradition. In this regard, a major contribution came from works currently underway in Venezuela (railway works), Turkey (motorway works) and Italy where the construction of major railway works linked in particular to underground railways in Brescia and Naples and the Turin rail junction is in progress, in addition to the start up in the immediate future of works to construct Line C of the Rome underground and Line 5 of the Milan underground.
While, as already mentioned, there was a drop in the share of turnover related to civil construction insofar as the contribution made by works to construct Milan's New Expo Fair Center was still significant at June 30, 2005, while at the present moment maintenance activities only are being carried out. Works to construct the new hospital in Mestre are going ahead as planned with over 42% of the works completed. Works to construct the new hospital in Naples ("Ospedale del Mare") will go ahead during the second half of the year (4% of these works have been completed to date), once the executive design and expropriation phases have been terminated, with an increase in its contribution to Astaldi Group production levels during the coming six months.
Therefore, at a general level, there was sizeable stability in revenues with growth during the first half of the year being limited by the already-mentioned delay in commencement of works regarding the two lots of the Jonica national road (SS106). These works, to be carried out as a general contracting project and worth a total of over EUR 800 million, have experienced a hold-up of several months with regard to production activities as a result of delays by the client in the procedure to approve the executive designs prior to the commencement of works.

Another look at the income statement figures shows a partial change in the composition of direct costs which satisfies the different characteristics related to the nature of the works in progress. Indeed, there was an increase in personnel costs compared to the same period of 2005, mainly due to the increase in the incidence of direct production phases, especially in countries such as Algeria where the practice of outsourcing specific production phases is less common. On the contrary, there was a drop in production costs which include third party services such as subcontracting and works carried out through special purpose consortia.

In terms of results, the first half of 2006 saw EBIT of over EUR 39 million with an EBIT margin of 7.7%, up on the 7.5% margin reported at June 30, 2005.
Net profits for the period amounted to EUR 17.5 million with a net margin of 3.4% (compared to 3.3% at June 30, 2005).
The tax rate of 42% still fails to reflect any valuation aimed at balancing the tax burden at a consolidated level.

Reclassified Consolidated Balance Sheet and Financial Position

reclassified consolidated balance sheet and financial position

(thousands of euros)

	Model Statement reference	June 30, 2006	December 31, 2005
intangible fixed assets	*b*	4,380	4,977
tangible fixed assets	*a*	158,409	129,299
shareholdings	*c*	96,243	34,430
other net fixed assets	*d*	31,874	44,420
totale immobilizzazioni (a)		**290,906**	**213,126**
inventories	*e*	44,978	44,702
works in progress	*f*	401,649	314,383
trade receivables	*g*	403,133	384,085
other assets	*i*	118,031	105,004
tax receivables	*z*	55,283	58,932
advances from customers	*r*	(112,888)	(116,989)
subtotal		**910,186**	**790,117**
payables to suppliers	*s*	(396,358)	(354,816)
other liabilities	*v*	(150,828)	(88,929)
subtotal		**(547,186)**	**(443,745)**
working capital (b)		**363,000**	**346,372**
employee benefits	*t*	(11,569)	(11,518)
provision for current risks and charges	*u*	(44,928)	(54,609)
total provisions (c)		**(56,497)**	**(66,127)**
net invested capital (d) = (a) + (b) + (c)		**597,409**	**493,371**
cash and cash equivalents	*l*	145,840	175,418
current receivables from financial institutions	*i*	59,556	44,472
non-current receivables from financial institutions	*d*	2,285	2,759
securities	*h*	25,434	14,665
current financial liabilities	*q*	(261,707)	(212,756)
non-current financial liabilities *	*p*	(300,594)	(261,637)
net financial payables/receivables (e)		**(329,186)**	**(237,079)**
group equity	*m*	268,391	257,072
minority interests equity	*n*	(168)	(780)
equity (g) = (d) - (e)	***o***	**268,223**	**256,292**
* Does not include loans payable from group companies totalling €	*v*	1,698	597

An analysis of the figures for the first half of 2006 shows the first effects of the planned investment policy for the coming five years, presented in the 2006-2010 Business Plan. Specifically, the major boost given to the general contracting and project financing sectors has led, in recent months, to the start-up of production activities related to the construction of Line C of the Rome underground and Line 5 of the Milan underground. The share capital of two spe-

cial purpose vehicles, totalling approximately EUR 56 million, was subscribed for both projects with payment of the first *tranche* equal to 25% of the total amount. As regards foreign activities, the first part of 2006 saw the full start-up of various sites in Algeria. 2005 and 2006 represented a turning point in Algeria where the Group is traditionally present in the dam sector, also following final closure of all activities in the rest of Africa. By concentrating all its activities in Algeria, the Group is able to exploit the vast investment opportunities in the infrastructures sector mainly resulting from the price trend of energy materials which has offered the local government high spending capacity. As a result, Astaldi undertook to streamline its activities by setting-up a company under Algerian law, owned entirely by the group, and launching a programme to invest in specific technical equipment, which has virtually been completed, with investments totalling approximately EUR 13 million.
In light of the above, a review of the main balance sheet items shows the increase in fixed assets compared to last year due to investments prior to the start-up of project financing and general contracting projects in Italy, and procedures to acquire resources and suitable technical equipment which characterise the start-up phase of new contracts in Algeria and Italy. As stated previously, equity investments and tangible fixed assets also include initial investments in project financing activities such as investment costs related to the construction and management of Naples' new hospital which, at June 30, 2006, totalled approximately EUR 22 million, car park-related investments, equity to construct the new hospital in Mestre as well as payment of the first *tranche* of share capital of the new special purpose vehicle set up to construct Line 5 of the Milan underground. It should be remembered that repayment of the capital invested in these projects is guaranteed by cash flow generated by these projects.
As regards the working capital trend, it must be remembered that works in progress and trade receivables include amounts totalling USD 74 million related to works carried out in Turkey to construct the Anatolian motorway, collection of which, initially planned for June 2006, was credited to the company's accounts on August 4, 2006. Moreover, still with regard to receivables, there was an increase in the share related to activities in Venezuela linked to the interim physiological trend. During July, the Venezuelan government approved planned spending on projects generating relative payments.
The increase in other liabilities is mainly due to entry of the remaining amounts still to be paid for the share capital of the special purpose vehicle set up to construct the new underground lines in Rome and Milan. These amounts will be paid over the coming years on the basis of estimates contained in the individual projects' economic and financial plans.
The period saw a change in equity, equal to over EUR 268 million, which can be attributed to profit for the period, a positive increase in reserves on transactions to hedge interest and exchange rate risks, distribution of dividends totalling EUR 8.3 million approved by the Shareholders' Meeting on April 28, 2006 and a change in treasury shares.
A breakdown of the net financial position is shown below:

net financial position

(thousands of euros)	june 30, 2006	december 31, 2005
short-term financial indebtedness	(261,707)	(212,756)
medium and long-term financial indebtedness	(300,594)	(261,636)
cash and cash equivalents	145,840	175,418
total financial receivables and securities	87,275	61,895
net financial position	**(329,186)**	**(237,079)**
treasury shares in portfolio	4,302	5,860
total net financial position	**(324,884)**	**(231,219)**

The net financial position, equal to EUR 324.8 million net of treasury shares, was affected by the investment programme mentioned above and by temporary support given to production activities which is typical of the seasonal trend and heavily linked to the economic cycle. It must be noted how the major efforts being made by the Group to start up new projects also affects the figures shown in the net financial position at June 30, 2006. Moreover, the balance at this date is paying for the aforementioned delay in collection of trade receivables accrued in Turkey. In light of this, the debt/equity ratio equalled 1.2, including treasury shares among cash and cash equivalents, and was up on the ratio of 0.9 recorded at December 31, 2005. This ratio is further reduced if we consider that net financial indebtedness includes loans related to project finance investments, repayment of which is ensured by future cash flow resulting from the management of contracts.
Lastly, it should be noted that the current indebtedness structure, of which 50% refers to short-term sources, will undergo significant repositioning towards the long term during the second half of 2006 thanks to a EUR 325 million financing transaction of a duration of 5 to 7 years. EUR 80 million of this amount will be repaid all in one go, while the remaining EUR 245 million will be made available as a stand by facility that can be activated and repaid with the same terms and conditions in relation to working needs. This transaction will make it possible to considerably reduce the average costs of sources of financing.

The table below offers a summary of the cash flow statement.

cash flow statement

(thousands of euros)	June 30, 2006	June 30, 2005
cash flow from operating activities	(49,118)	(98,898)
cash flow from investment activities	(52,496)	(10,456)
cash flow from financing activities	71,999	59,725
exchange rate differences on cash and cash equivalents	37	17
net increase (decrease) in cash and cash equivalents	(29,578)	(49,612)
cash and cash equivalents at start of period	175,418	185,370
cash and cash equivalents at end of period	145,840	135,758

Orders backlog by sectors and geographical areas

The orders backlog increased by over EUR 2 billion during the first six months of 2006. Therefore, the overall value of the Group's orders backlog at June 30, 2006 amounted to over EUR 7.1 billion, showing a 28.1% annual increase mainly due to new acquisitions in the transport infrastructures sector in Italy, Algeria, Romania and Central America.
As mentioned previously, if we consider contracts secured subsequent to the end of the first half of the year, the Group was awarded additional works worth a total of over EUR 125 million which allow the Group's orders backlog to achieve a total value of approximately EUR 7.3 billion.
An analysis of the orders backlog's geographical positioning shows that 62% of contracts in progress refers to the domestic market, chiefly the rail infrastructures sector, 14% refers to foreign contracts, mainly in America, Algeria, Romania, and Turkey and 24% to concession projects. This value does not take into account the various foreign contracts and options that will be included among the backlog when officially awarded and relative financial backing obtained.

The following is a breakdown of the results of business activities in Italy and abroad during the first six months of 2006.
In February 2006, Astaldi, in its capacity as mandatory and leader of a joint venture, was awarded the general contracting project to construct the new Line C of the Rome underground worth a total EUR 2.2 billion, of which over EUR 751 million refers to Astaldi's share. The project involves the construction of a new driverless underground section with fully automated rail system, which will run across the city of Rome linking the northern area of Piazzale Clodio/Mazzini with the south-eastern area of Torrenova/Pantano, taking in the areas around Piazza Venezia and San Giovanni. The line will run along a 27 km route comprising 30 stations and total maximum transportation capacity of 24,000 passengers per hour in each direction. The underground line will also guarantee interconnection with existing underground lines, thus doubling the extension of the current underground network. Works commenced, as planned, during the second quarter of 2006 – the first stone was laid on May 16, 2006 – and a first section (San Giovanni-Alessandrino) is expected to be operational by 2010.
Also in February, Astaldi, leader and mandatory of a joint venture including Ansaldo Trasporti, Ansaldo Breda, Alstom, ATM Azienda Trasporti Milanesi and Torno was awarded the project finance contract to construct and subsequently manage the new Line 5 of the Milan underground. The works, the first in the underground transport sector in Italy to be carried out using the project finance formula, will take the form of a light driverless underground with fully automated rail system. The new line will link Garibaldi Station to Via Bignami, on the eastern outskirts of the city of Milan, along an underground route approximately 5.6 km long, providing for the construction of 9 stations and double track tunnels. The line will provide for a maximum transportation capacity of 26,000 passengers per hour in each direction and will guarantee interchange with the existing underground and railway lines, favouring a considerable improvement in the integrated transport system envisaged for the city of Milan. The overall value of the investment, including design, civil and technological works, amounts to approximately EUR 502 million, of which

approximately EUR 190 million will be covered by the concessionaire and financing banks while the remaining amount will come from public contributions. The contract provides for a share of EUR 115 million for Astaldi as regards construction activities, and EUR 724 million as regards concession revenues, of which 23.3% refers to Astaldi's share. The planned duration of the works including the design phase is 58 months, followed by 27 years of management under concession. The contract was signed on June 14, 2006.
In April, Astaldi, as leader of a joint venture, secured a contract worth a total of EUR 262 million to construct the new School for Italian Police Officers ("Scuola dei Marescialli e dei Brigadieri dell'Arma dei Carabinieri") in Florence.
It must also be noted that in compliance with the criterion regarding inclusion in the backlog adopted by the Group, all contracts for which Astaldi has been appointed as sponsor, pursuant to Article 37-bis and following of the Merloni Law (Law No. 109/1994) have not yet been included among new orders. It must be remembered that, on the strength of legislation in force in Italy, appointment as sponsor grants the latter the right of pre-emption to be exercised during awarding of the contract. To date, two initiatives can be linked to the above case insofar as Astaldi has been officially appointed as sponsor for the construction of hospitals in Tuscany and the Appia Antica Park underpass in Rome.
Specifically, the project concerning the construction of hospitals in Tuscany involves construction and management of an integrated system of four hospitals in Tuscany, located in Prato, Pistoia, Lucca and Massa. Following the decision taken on May 10, 2005 in which the Council of State confirmed the joint venture led by Astaldi as the sponsor for this project, the proposal, amended pursuant to current legislation was submitted to the client in December. The relative award procedure is still underway, which Astaldi will take part in, availing itself of the right of pre-emption provided for by law, and the result is expected to be completed by the end of 2006. The project is worth a total of EUR 364 million as far as investment is concerned – of which EUR 120 million will be put up by private individuals – and EUR 1.5 billion of concession revenues. The new hospital facilities will offer over 1,700 new beds located in the various areas of reference. It must be remembered that the contract foresees a single all-inclusive ministerial financing and a single concession contract so as to be able to go ahead with building the four hospitals contemporaneously.
While, as regards the project finance initiative for construction of the Appia Antica Park underpass, the relative concession agreement will be signed subsequent to completion of the award procedure and negotiated procedure during which the sponsor Astaldi shall enjoy the right of pre-emption. However, the award procedures for this project appear to be rather lengthy.
EUR 705 million of new orders secured abroad can also be attributed to the first half of the year, with excellent commercial results recorded in Romania, Venezuela and Central America.
Specifically, in Romania, the Group was awarded new rail and road projects worth a total EUR 283 million for the share referring to Astaldi. The most significant new contracts include construction of the "Basarab Road Overpass" in Bucharest – a project worth over EUR 113 million, carried out together with the Spanish FCC with Astaldi as leader with a 50% stake – and modernisation of the Bucharest-Constanta railway line worth a total of EUR 178 million.

Significant business activities were also developed inside the American continent which saw further consolidation of the Group's presence in Venezuela.
In June, Astaldi as leader of a joint venture with a 33.33% stake, signed two agreements worth a total of USD 2.2 billion with I.A.F.E. (Venezuela's independent railway company). These agreements involve the construction of two new railway lines, the San Juan de los Morros-San Fernando de Apure line which will run for 252 km and the Chaguaramas-Cabruta line which will measure just over 200 km in length. Therefore the project provides for the construction of 452 km of new railway lines, of which 15 km of tunnels and 12 km of bridges and viaducts, and includes the design and installation of the railway superstructure, 13 stations, 3 freight villages and a maintenance workshop. The planned duration of works is 76 months. The two agreements also provide for options worth a total of USD 1 billion related to the design, supply and installation of the railway system (signalling, control, telecommunications, electrification and rolling stock) that will be subject to further negotiations.
The signing of contracts forms part of the intergovernmental agreements entered into in December by representatives of the Venezuelan and Italian governments, aimed at promoting economic, industrial and financial cooperation between the two countries and supporting development of the central and southern areas of Venezuela. The key role played by Astaldi in the projects underway confirms acknowledgement of the perfect integration between the activities performed by the Group and the local production fabric within which it is widely recognised as a leading exporter of the Italian production model.
The agreements entered into with the Venezuelan government have also led to additional works worth USD 1.5 billion related to the contract for the Puerto Cabello-La Encrucijada railway line, which is already under an advanced construction stage by the same Italian joint venture. This option is an addition to the Puerto Cabello-La Encrucijada contract and involves the design and construction of new stations and freight villages, as well as a new section - Puerto Cabello station–Sea Terminal – which will guarantee interconnection between the various railway lines under construction and the country's main sea access. In order to provide complete information, it should be noted that exertion by IAFE of a part of this option led to the signing in July of an additional agreement worth USD 825 million between IAFE and the joint venture of which Astaldi is the leader. For further information regarding this agreement, please see the section dealing with events subsequent to June 30, 2006.

Significant business activities were also developed in Central America, an area subject to intensive commercial penetration which resulted in the contract to construct the Pirris dam in Costa Rica worth a total of approximately EUR 76 million, as well as two other contracts in Nicaragua which provide for the construction of new road works and an environmental upgrading project for Lake Managua.

The first six months also saw consolidation of activities in Algeria where, in April, Astaldi Group acquired the contract to construct the Hamma aqueduct near the city of Algiers. The contract is worth a total of EUR 56 million and the planned duration of works is 12 months.

During the first quarter of 2006, Astaldi was officially awarded the contract with SNTF (Algeria's national railway company) to construct the new Mecheria-Redjem Demouche railway line, worth approximately EUR 158 million. The contract awarded to the Astaldi-ETRHB Haddad joint venture led by Astaldi with a 51% holding, provides for the design and construction of a new section of railway measuring approximately 140 km, linking the cities of Mecheria and Redjem Demouche located in the south-west of the country. Works commenced during the second quarter of 2006 and the planned duration is 22 months.
Therefore, the strategic value of Algeria is confirmed thanks to the company's consolidated presence in the area and the additional important opportunities arising from the major infrastructural projects underway in the country, funded by resources from the oil & gas sector.
Significant, interesting infrastructural programmes are also underway in countries such as Saudi Arabia and Qatar where the punctuality and quality of works recently carried out by the Group – consignment of the Ras Laffan gas liquefaction plant in Qatar at the beginning of June, and completion of the Yambu acetic acid production plant in Saudi Arabia at the end of 2005 – have generated further development opportunities in the oil and gas sector, favouring the acquisition of a new contract in Qatar for the design and construction of civil works related to a petrochemical plant in the industrial area of Ras Laffan referred to as the "RasGas Project".

The table below shows the trend in the orders backlog during the first six months of 2006, split into the main business areas. The figures shown do not take into account the projects listed above for which the criteria regarding inclusion in the Group's backlog (i.e. awarded contracts that still have to be officially signed and/or that still have to obtain financial backing and projects in which Astaldi is the sponsor pursuant to Article 37-bis and following of the Merloni Law) still have to be met. Moreover, the table does not include the value of contracts acquired subsequent to the end of the period which, as already mentioned, totals EUR 125 million.

orders backlog

(millions of euros)

	at 01/01/2006	increments	decrements for production	at 30/06/2006
transport infrastructures	3,376	1,428	(391)	4,413
of which:				
railways and undergrounds	*2,168*	*1,257*	*(193)*	*3,231*
roads and highways	*1,156*	*159*	*(187)*	*1,129*
ports and airports	*52*	*12*	*(11)*	*53*
hydraulic works and hydroelectric plants	252	163	(51)	364
civil and industrial construction	409	285	(40)	653
concessions	1,530	169	–	1,699
orders backlog at june 30, 2006	**5,567**	**2,045**	**(482)**	**7,130**
contracts subsequently acquired		125		125
proforma backlog at july 31, 2006	**5,567**	**2,170**	**(482)**	**7,255**

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

orders backlog

(millions of euros)

	at 01/01/2006	increments	decrements for production	at 30/06/2006
Italy	4,749	1,340	(193)	5,896
abroad	817	705	(289)	1,233
orders backlog at june 30, 2006	**5,567**	**2,045**	**(482)**	**7,130**
contracts subsequently acquired		125		125
proforma backlog at july 31, 2006	**5,567**	**2,170**	**(482)**	**7,255**

Lastly, it must be noted that the contracts acquired subsequent to June 30, 2006 refer to road works to be performed in Bolivia and a new *tranche* of the Puerto Cabello-La Encrucijada project currently being carried out, which was entered among the backlog following obtainment of backing.

As regards commercial activities under consideration, in keeping with strategic planning, the Group's focus has been placed on general contracting and project financing initiatives mainly linked to the transport infrastructures, civil and healthcare construction and car-parks. The Group is currently awaiting the outcome of award procedures with regard to some initiatives, while for others the relative prequalification, verification and award procedures are still underway. Projects related to the traditional transport infrastructures sector (railways, high speed, motorways and ports) and non-residential construction in Italy and abroad are also being examined.
Specifically, project financing activities in Italy related to Line D of the Rome underground and Line 4 of the Milan underground are of extreme interest.
As regards the new underground line to be built in Rome (Line D), it must be remembered that on June 30, 2006, Astaldi, that has already been awarded the general contracting project to construct Line C, submitted a tender as part of a joint venture involving Impregilo and leading operators in the rail infrastructures sector such as Ansaldo Trasporti Sistemi Ferroviari, Ansaldo Breda, Sirti and Atm. The total planned tender investment amounts to approximately EUR 3 billion and the sponsor is expected to be appointed in 2007.
With regard to foreign activities, a number of business initiatives are currently underway aimed at further consolidating the Group's presence in countries where Astaldi is a firmly established player and which offer considerable development opportunities (Turkey, Romania, Venezuela and Algeria). The focus is also being placed on developing new markets boasting high economic and business potential such as Qatar and Saudi Arabia and Central America. The target sectors are the traditional transport infrastructures sector (railways, high speed and motorways) and the energy production plant sector.
Initiatives being developed in Algeria are worthy of special note given that opportunities in the high speed railway lines sector are being examined thanks to the experience the Group has acquired in the domestic market. In fact, Astaldi has recently submitted a bid to construct two of the three lots of the high speed railway line which is to be built in Algeria. Awarding of these works is expected for the second half of the year.

Subsequent events

Development activities on the domestic and foreign markets continued to go ahead in the period subsequent to the end of the first half of the year.

Specifically, the operating units in Venezuela are currently working on the content of the agreements reached in December 2005 between the Italian and Venezuelan governments to construct new major railway projects. As part of these agreements, Astaldi, as leader of an Italian joint venture with a 33.33% stake, signed a contract with the I.A.F.E. (Venezuela's independent railway company) in July 2006. The contract worth USD 825 million involves the design and construction of 7 railway stations, 2 freight villages, 2 vehicle maintenance workshops and laying of tracks for the Puerto Cabello-La Encrucijada line, which is already at an advanced stage and being performed by the same joint venture. The new agreement is the result of the exertion by the Venezuelan client of part of the USD 1.5 billion contractual option agreed in June 2006, related to the Puerto Cabello-La Encrucijada project. With regard to this project, it must be noted that backing of a further *tranche* of works worth EUR 67 million was obtained with them consequently being included among the Group's orders backlog. In fact, it must be remembered, as mentioned previously, that all the projects in Venezuela entail financing in *tranches* by the local government. The result is that, in order to maintain the criterion adopted by Astaldi which provides for the inclusion of new contracts only when fully backed, works on the Puerto Cabello-La Encrucijada railway worth an additional EUR 223 million still have to be included in the backlog; this amount does not take into account actual and potential developments resulting from recent agreements with clients in Venezuela.

Additional works were secured in Bolivia in July. The new contract worth EUR 58 million involves the construction of a section of road linking the cities of El Tinto and San José, measuring approximately 82 km and featuring 15 bridges. With regard to this new contract, it should be noted that an advance payment of 10% of the contract value was received in September and, consequently, preliminary activities prior to the start of works have commenced as planned.

It must also be noted that in July, Astaldi signed an EUR 325 million financing agreement with two leading banks, MCC S.p.A. (Capitalia Group) and The Royal Bank of Scotland Plc., in the capacity of mandated lead arrangers and joint bookrunners, and with a pool of national and international banks. The loan, which includes a new EUR 245 million revolving credit facility and an EUR 80 million bullet loan, has an overall duration of 5 years with possible extension to 7 years. The transaction allows Astaldi to further align the duration of sources of financing with the average duration of contracts in progress, hence helping rebalance the Group's financial structure. At the same time it allows the Group to obtain the benefits arising from a favourable market situation thus minimising financial charges.

On August 4, 2006, the sum of USD 74 million was credited to the company's accounts following receipt of accounts receivable related to activities carried out in Turkey to construct the Anatolian motorway.

Forecast development of operations

The results achieved during the first half of 2006 and the quality of new contracts acquired in recent months in Italy and abroad offer proof of the Group's commercial, operating and management skills, the soundness and effectiveness of strategic approaches adopted in recent years and the ability to react to unforeseen events, such as for example limitation of spending of traditional counterparties in the domestic market, with unexpected diversification of activities.

The coming years will see the Group involved in increasingly complex challenges which will allow it to consolidate its leadership in the general contracting and project finance sectors by acquiring works which already entail a major change in its backlog and management procedures.

Diversification of activities, including focusing on foreign countries offering the greatest development opportunities and where the Group is a well-established player, will, in the middle term, represent a further lever to play on to counterbalance the complex planning required by recently secured contracts, especially in Italy. These contracts by their nature and inherent complexity entail longer planning and start-up phases compared to those for traditional works. The result is that 2006 will see the Group involved in implementing major contracts which, to date, form part of the orders backlog. It will also see an increase in the commercial penetration process in those foreign countries (Venezuela, Algeria, Turkey, Romania, Qatar and Saudi Arabia) offering greater development opportunities thanks to programmes involving major investments in new infrastructures.

As the early months of the year have already shown, further business opportunities could arise in Algeria and Venezuela which represent well-established commercial channels for the Group. These countries are characterised by better spending capacity thanks to the greater ability to transform the sizeable increases in oil and gas prices into investments. The same goes for Saudi Arabia and Qatar where, in view of the Group's recent success in the area, further development opportunities in the oil and gas sector are taking shape in light of both countries' recently approved investment programmes totalling over USD 20 billion.

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

Therefore, with a view to diversifying the country risk, commercial penetration activities in Central America will continue, especially in Costa Rica, Mexico, Honduras and Nicaragua that offer opportunities in the transport infrastructures and water supply sectors, without excluding the addition of new countries in this area should they be able to offer interesting development opportunities.

Therefore, new challenges and new projects in Italy and abroad which will contribute to Astaldi Group's planned growth, even in the face of the spending limits of traditional counterparties in the domestic market and maintaining profitable margins.

A solid managerial, equity and financial structure becomes all-important and strategic in a situation where the unitary value of contracts continues to increase and current legislation provides for an advance payment by the General Contrac-

tor that can range from 10% to 20% of the value of the investment. And one of Astaldi Group's strong points can be found in this solid structure, as well as in its ability to design and carry out works.
In recent years, to accompany the growth process, we have seen a repositioning of the Group's indebtedness towards the medium/long term which reflects the management's sound planning ability and is in keeping with corporate planning. This repositioning has been carried out in order to guarantee the complete financial independence of contracts in its backlog and greater correspondence of sources of financing to the specific needs of individual business units (construction, general contracting and concessions). In a market situation where limits on public authorities' spending could serve to boost the development of project finance initiatives, Astaldi's acknowledged solidity from an equity viewpoint is undoubtedly a lever to act on. This can be done in order to consolidate its presence in a sector such as the concessions sector, which is characterised by good opportunities and sufficient levels of return, indirectly ensuring additional diversification, already seen at an international level.
To conclude, and on the strength of what has been stated above in relation to the slowdown in the domestic infrastructures sector and the parallel increase in foreign activities, the current year will see production levels and margins in line with those of the previous year.

summarized interim consolidated financial statements

Consolidated account schedules

INTERIM CONSOLIDATED INCOME STATEMENT

(thousands of euros)

	Reclassified model reference	30/06/2006	30/06/2005
Revenues	*A*	481,764	483,010
Other operating revenues	*B*	28,465	38,445
Total revenues		*510,229*	*521,456*
Purchase costs	*C*	101,389	95,805
Service costs	*C*	252,499	264,418
Personnel costs	*D*	82,350	73,035
Amortisation, depreciation and write-downs	*F*	18,811	23,327
Other operating costs	*E*	16,355	26,001
Total costs		*471,405*	*482,585*
(Capitalisation of internal construction costs)	*G*	494	69
Operating result		**39,319**	**38,939**
Financial income	*H*	39,344	36,984
Financial charges	*H*	(48,610)	(48,353)
Effects of valuation of equity investments using equity method	*I*	1,468	198
Pre-tax profit (loss) of continued operations		*31,521*	*27,769*
Taxation	*L*	13,349	10,766
Profit (loss) of continued operations		18,172	17,003
Profit (loss) related to discontinued operations		–	–
Profit (loss) for the period	***M***	**18,172**	**17,003**
– Attributable to the Group	*O*	17,467	17,139
– Attributable to minority interests	*N*	705	(136)
Profit per share:			
– *Profit per basic share*		–	–
– *Profit per basic share from continued operations*		*0.170*	*0.179*
– *Diluted profit per share*		–	–
– *Diluted profit per share from continued operations*		*0.170*	*0.179*

INTERIM CONSOLIDATED BALANCE SHEET

(thousands of euros)

	Reclassified model reference	30/06/2006	31/12/2005
ASSETS			
Non-current assets			
Property, plant and equipment	*A*	158,208	129,095
Investment property	*A*	201	204
Intangible assets	*B*	4,380	4,977
Equity investments	*C*	96,243	34,430
of which:			
Equity investments valued using the equity method		93,275	31,511
Non-current financial assets	*D*	9,386	15,829
Other non-current assets	*D*	13,498	18,496
Deferred tax assets	*D*	11,274	12,853
Total non-current assets		**293,191**	**215,884**
Current assets			
Inventories	*E*	44,978	44,702
Contracts in progress	*F*	401,649	314,383
Trade receivables	*G*	403,342	384,085
Current financial assets	*H*	25,434	14,665
Tax receivables	*Z*	55,283	58,932
Other current assets	*I*	177,379	149,475
Cash and cash equivalents	*L*	145,840	175,418
Total current assets		**1,253,905**	**1,141,661**
Non-current assets held for sale		–	–
Total assets		**1,547,096**	**1,357,545**

INTERIM CONSOLIDATED BALANCE SHEET — EQUITY AND LIABILITIES

(thousands of euros)

	Reclassified model reference	30/06/2006	31/12/2005
EQUITY			
Share capital		97,608	97,302
Reserves			
– Legal reserve		10,767	9,383
– Extraordinary reserve		76,443	58,967
– Share premium reserve		67,836	67,836
– Profit (loss) carried forward		19,461	14,066
– Other reserves		(21,191)	(22,961)
Total capital and reserves		**250,924**	**224,592**
Profit (loss) for the period		17,467	32,479
Total Group equity	***M***	**268,391**	**257,072**
Reserves		(872)	(151)
Profit (loss) for the period		705	(628)
Minority interest equity	*N*	(168)	(780)
Total equity	***O***	**268,224**	**256,292**
LIABILITIES			
Non-current liabilities	*P*	302,291	262,234
Non-current financial liabilities	*V*	23,215	14,936
Employee severance indemnity and other personnel provisions	*T*	11,569	11,518
Deferred tax liabilities	*V*	159	175
Total non-current liabilities		**337,235**	**288,862**
Current liabilities			
Advances from customers	*R*	112,888	116,989
Trade payables	*S*	396,358	354,816
Current financial liabilities	*Q*	261,707	212,756
Tax payables	*V*	20,958	17,712
Provision for current risks and charges	*U*	44,928	54,609
Other current liabilities	*V*	104,798	55,509
Total current liabilities		**941,637**	**812,391**
Liabilities directly associated with non-current assets held for sale		–	–
Total liabilities		**1,278,872**	**1,101,253**
Total equity and liabilities		**1,547,096**	**1,357,545**

summarized schedule of changes in consolidated equity

(thousands of euros)

	share capital	share premium reserve	legal reserve	extraordinary reserve
balance at january 1, 2005, IAS/IFRS adjusted	**98,025**	**67,836**	**7,819**	**26,741**
equity movements hy1 2005				
cash flow hedge reserve				
exchange rate differences from conversion				
treasury shares	205			
taxes related to items entered directly among equity				
net income (charges) entered directly among equity	205	–	–	–
dividends				
provision pursuant to article 27				
other movements			1,564	32,226
profit at june 30, 2005				
ias/ifrs balance at june 30, 2005	**98,230**	**67,836**	**9,383**	**58,967**
IAS/IFRS balance at january 1, 2006	**97,302**	**67,836**	**9,383**	**58,967**
equity movements hy1 2006				
cash flow hedge reserve				
exchange rate differences from conversion				
treasury shares	306			
net income (charges) entered directly among equity	306	–	–	–
dividends				
provision pursuant to article 27				
other movements			1,384	17,476
profit at june 30, 2006				
IAS/IFRS balance at june 30, 2006	**97,608**	**67,836**	**10,767**	**76,443**

other reserves	subtotal	retained earnings	profit for the period	total	minority interests	total equity
5,811	**206,232**	**2,378**	**28,032**	**236,642**	**(2,774)**	**233,868**
(792)	(792)			(792)		(792)
1,535	1,535			1,535	41	1,576
639	844			844		844
261	261					261
1,643	1,848	–	–	1,848	41	1,889
	–		(7,375)	(7,375)		(7,375)
	–		(235)	(235)		(235)
(9,594)	24,196	(2,612)	(20,422)	1,162	864	2,026
	–		17,139	17,139	(136)	17,003
(2,140)	**232,276**	**(234)**	**17,139**	**249,181**	**(2,005)**	**247,172**
(22,960)	**210,528**	**14,066**	**32,478**	**257,072**	**(780)**	**256,288**
1,654	1,654			1,654		1,654
(1,684)	(1,684)			(1,684)		(1,684)
1,801	2,107			2,107		2,107
1,771	2,077	–	–	2,077	–	2,077
	–		(8,324)	(8,324)		(8,324)
	–		(415)	(415)		(415)
(3)	18,857	5,394	(23,739)	512	(92)	420
	–		17,467	17,467	705	18,172
(21,192)	**231,462**	**19,460**	**17,467**	**268,389**	**(167)**	**268,224**

interim consolidated cash flow statement

(thousands of euros)	30.06.2006	30.06.2005
a – cash flow from operating activities:		
result for the period of the group and minority interests	18,172	17,003
adjustments to reconcile net profit (loss) to cash flow generated (used) by operating activities:		
deferred taxes	2,578	722
amortisation, depreciation and write-downs	18,811	23,327
provision for risks and charges	5,815	14,915
costs for employee severance indemnity and defined benefit plans	1,501	2,908
costs for employee incentive plans	1,945	–
losses on disposal of non-current assets	806	1,036
effects of valuation using equity method	(1,468)	(425)
gains on disposal of non-current assets	(1,092)	(1,599)
subtotal	**28,896**	**40,884**
changes in operating assets and liabilities (working capital):		
trade receivables	(24,557)	10,652
inventories and contracts in progress	(87,542)	(157,915)
trade payables	41,542	8,016
provision for risks and charges	(15,495)	(14,174)
advances from customers	(4,101)	24,006
other operating assets	(17,678)	(18,194)
other operating liabilities	13,094	(9,653)
payment of employee severance indemnity and defined benefit plans	(1,450)	120
subtotal	**(96,186)**	**(157,142)**
cash flow related to discontinued operations		
	(49,118)	**(99,255)**
b – cash flow from investment activities:		
purchase of investment property	3	–
investment in intangible fixed assets	(479)	(2,847)
investment in tangible fixed assets	(52,116)	(14,861)
sale (purchase) of other equity investments net of acquired cash flow, hedging of non-consolidated company losses and other changes in the area of consolidation	(17,164)	3,166
income from sale of tangible fixed assets, intangible fixed assets and investment property	10,817	6,834
income from sale of equity investments and portfolio assets		
change in financing of equity investments	6,443	(550)
net effect of change in area of consolidation		(2,198)
cash flow related to discontinued operations		
	(52,496)	**(10,456)**
c – cash flow from financing activities:		
capital increases on payment		
dividends paid + other movements	(6,241)	(7,375)
opening (repayment) of non-current loans net of commission	40,057	198,417
net change in current financial payables (including leasing agreements)	48,952	(147,261)
repayment of astaldi finance loan		
net change in financial assets	–	1,082
sale (purchase) securities/bonds and treasury shares	(10,769)	15,219
net effect of change in area of consolidation		
cash flow related to discontinued operations		
	71,999	**60,082**
d – exchange rate differences on cash and cash equivalents	**37**	**17**
net increase (decrease) in cash and cash equivalents	**(29,578)**	**(49,612)**
cash and cash equivalents at start of period	**175,418**	**185,370**
cash and cash equivalents at end of period	**145,840**	**135,758**

Notes

Introduction

The consolidated half-yearly report has been drafted in compliance with International Financial Reporting Standards (IASs/IFRSs) and the provisions contained in Article 81 of Issuer Regulations No. 11971/1999, as amended by CONSOB ruling No. 14990 of April 14, 2005 and subsequent amendments and additions.
The form and content comply with the requirements of the international accounting standard regarding interim financial statements (IAS 34).
The Group has chosen to present its interim financial statements in a concise format, taking into account the information already contained in the quarterly reports for the 1st and 2nd quarters of 2006, which should be referred to. Therefore, this report does not include all the information normally contained in the consolidated financial statements and should be read in conjunction with the Group's annual financial statements at December 31, 2005.
Specifically, the summarized interim financial statements comprise the following:
1. income statement;
2. balance sheet;
3. schedule of changes in equity;
4. cash flow statement;
5. notes.

The accounting standards adopted to draft the summarized interim consolidated financial statements are coherent with and do not differ from those used to draft the Group's annual financial statements for the year ending December 31, 2005. The same standards are to be applied when drafting the 2006 financial statements. However, it should be noted that these standards may not coincide with the provisions of the IASs/IFRSs in force at December 31, 2006 as a result of future European Commission policies regarding the standardisation of international accounting standards, or of the issue of new standards, interpretations or implementation guidelines by the International Accounting Standards Board (IASB) or International Financial Reporting Interpretation Committee (IFRIC).
All amounts are expressed in thousands of euros unless otherwise indicated. Consequently, the total amounts in some statements can differ slightly from the sum of the amounts comprising said totals due to rounding-up.
Some balance sheet and income statement items and components have been reclassified, for comparative purposes, to allow better representation.
The Group's consolidated financial statements and relative notes summarise a series of estimated items in order to present corporate operations in a truthful and correct manner.
Estimates take into account assessments based on the most recent information made available to company managers when drafting the financial statements, hence without affecting their reliability.
An estimate may need to be adjusted in the event of additional information being obtained that can significantly change the circumstances on which this estimate was previously based.
Estimates are used by the Group to calculate:
1. employee benefits;

2. amortisation and depreciation;
3. write-downs and provisions;
4. overall project costs and relative state of progress;
5. taxes.

More specifically, taking into account the Group's specific reference sector, which provides for part payment of individual projects upon awarding of the contracts, it should be noted that the margins on these contracts, charged to the income statement on the basis of systematic calculation criteria, may undergo changes with regard to the original estimates. This is in relation to the probable recoverability of the increased costs incurred while carrying out works.

These summarized interim consolidated financial statements have been subject to limited auditing by Reconta Ernst & Young S.p.A.

Area of consolidation

The following is a list of the subsidiaries included in the area of consolidation:

area of consolidation

subsidiaries	%
■ Assistenza Sviluppo e Tecnologie Ausiliarie alle Costruzioni S.r.l. - (A.S.T.A.C.)	100.00%
■ Astaldi Algerie E.U.r.l.	100.00%
■ Astaldi Arabia Limited	100.00%
■ Astaldi Construction Corporation	100.00%
■ Astaldi International Inc.	100.00%
■ Astaldi International Limited	100.00%
■ Astaldi-Astaldi International J.V.	100.00%
■ Astaldi-Burundi Association Momentanée	100.00%
■ Astaldi-Sénégal Association en participation	100.00%
■ Cospe S.C.r.l.	100.00%
■ Diga di Arcichiaro S.C.r.l. in liquidation	100.00%
■ DIP.A. S.C.r.l. in liquidation	100.00%
■ Euroast S.r.l. in liquidation	100.00%
■ Italstrade S.p.A.	100.00%
■ Linea A S.C.r.l. in liquidation	100.00%
■ Montedil-Astaldi S.p.A. (MONTAST) in liquidation	100.00%
■ Redo-Association Momentanée	100.00%
■ Sartori Sud S.r.l.	100.00%
■ Seac S.p.a.r.l. in liquidation	100.00%
■ Servizi Tecnici Internazionali - I.T.S. S.p.A.	100.00%
■ Todaro S.r.l. in liquidation	100.00%
■ AR.GI S.p.A.	99.99%
■ CO.MERI S.p.A.	99.99%
■ Consorzio Astaldi-C.M.B. Due in liquidation	99.99%
■ I.F.C. Due S.C.a.r.l. in liquidation	99.99%
■ Astaldi Finance S.A.	99.96%
■ Astaldi de Venezuela C.A.	99.80%
■ Romairport S.r.l.	99.26%
■ Sugt s.a. Calarasi	99.12%
■ Astur Construction and Trade A.S.	99.00%
■ Palese Park S.r.l.	99.00%
■ Silva S.r.l. in liquidation	99.00%
■ Toledo S.C.r.l.	90.39%
■ Susa Dora Quattro S.C.r.l.	90.00%
■ CO.N.O.C.O. S.C.r.l.	80.00%
■ Eco Po Quattro S.C.r.l. in liquidation	80.00%
■ Legnami Pasotti Italia I.C. S.r.l. in liquidation	80.00%
■ Portovesme S.C.r.l.	80.00%
■ S.Filippo S.C.r.l. in liquidation	80.00%
■ Tri.Ace. S.C.a.r.l. in liquidation	80.00%
■ Bussentina S.C.r.l. in liquidation	78.80%
■ Mormanno S.C.r.l. in liquidation	74.99%
■ S.P.T. Società Passante Torino S.C.r.l.	74.00%
■ Consorzio Olbia Mare in liquidation	72.50%
■ CO.ME.NA. S.C.r.l.	70.43%
■ Messina Stadio S.C.r.l.	66.67%
■ Astaldi-Max Bogl-CCCF J.V. S.r.l.	66.00%
■ Consorcio Astaldi - C.B.I.	60.00%
■ Ospedale del Mare S.C.r.l.	60.00%
■ Quattro Venti S.C.r.l.	60.00%
■ Forum S.C.r.l.	59.99%
■ Partenopea Finanza di Progetto S.p.A.	59.99%
■ C.O.MES. S.C.r.l.	55.00%
■ Italstrade Somet J.V. Rometro S.r.l.	51.00%
■ Romstrade S.r.l.	51.00%
■ SC Italstrade - CCCF JV Romis S.r.l.	51.00%

There were no significant changes in the area of consolidation.

Analysis of the main changes in income statement and balance sheet items

Revenues

Revenues from traditional operations at June 30, 2006 totalled EUR 481,764, largely in line with the same period of last year.
For a breakdown of the item in question, please refer to *Comments on the operating performance during the first half of the year* as well as the specific note below on *Revenues and results by geographical area*.

Other operating revenues

other operating revenues			
(thousands of euros)	30/06/2006	30/06/2005	variation
revenues from sales of goods	3,092	4,958	(1,866)
services provided to third parties	10,661	12,612	(1,951)
sponsorship	863	2,458	(1,595)
rentals and leases receivable	4,428	3,260	1,168
net gains from transfer of tangible assets	1,141	1,599	(458)
other	8,280	13,558	(5,278)
total	**28,465**	**38,445**	**(9,980)**

Other revenues, totalling EUR 28,465 comprised items not directly related to the Group's production activity, but nevertheless ancillary to the core business and of a lasting nature.
The aggregate in question, when compared to the same period of 2005, showed a drop of EUR 9,980 attributable to the reduced use of provisions, reduced sales of goods, especially in Africa, where activities have already been wound up, and Romania, and a drop in services provided to third parties by the parent company and other subsidiaries.

Purchase costs

purchase costs			
(thousands of euros)	30/06/2006	30/06/2005	variation
purchase costs	99,096	96,324	2,772
variation in inventories of raw materials, subsidiary materials, consumables and goods	2,293	(520)	2,813
total	**101,389**	**95,805**	**5,585**

During the period in question, purchase costs increased by a total EUR 5,585, mainly due to the greater costs incurred in relation to the start-up of new important projects in Algeria and Romania.

Service costs

Service costs, which totalled EUR 252,499 (EUR 264,418 at June 30, 2005) are summarised in the table below.

service costs			
(thousands of euros)	30/06/2006	30/06/2005	variation
consortium costs	32,942	96,695	(63,753)
subcontracts and other services	156,761	121,206	35,555
technical, administrative and legal consulting	29,910	15,903	14,007
directors' and auditors' fees	1,045	878	167
utilities	3,004	2,797	207
travel and transfers	1,177	930	247
costs for leased assets	14,031	6,850	7,181
insurance	7,129	11,223	(4,094)
other	6,500	7,936	(1,436)
totale	**252,499**	**264,418**	**(11,919)**

The total decrease of EUR 11,919 can be attributed to:

– the reduction in services supplied to the parent company by consortium companies, especially with regard to works to construct Milan's New Expo Fair Center;
– the increase in costs for subcontracts and technical, administrative and legal consulting, mainly as a result of the increase in production activities in Venezuela, Algeria and Romania.

Personnel costs

personnel costs			
(thousands of euros)	30/06/2006	30/06/2005	variation
– wages and salaries	56,766	51,255	5,511
– social security charges	13,521	12,708	813
– other costs	8,617	5,444	3,173
– other benefits subsequent to employment	1,501	2,908	(1,407)
– cost of share-based payments	1,945	720	1,225
total	**82,350**	**73,035**	**9,315**

The increase in personnel costs was due to some specific production phases carried out directly in Algeria, the United States and Romania.
The average number of employees during the period in question, according to category, was as follows:

average number of employees	
Managers	115
Executives	51
Clerical workers	1.633
Workers	4.314

Amortisation, depreciation and write-downs

amortisation, depreciation and write-downs			
(thousands of euros)	30/06/2006	30/06/2005	variation
– amortisation of intangible assets	1,076	1,868	(791)
– depreciation of tangible assets	12,435	11,390	1,045
– bad debts	5,300	10,069	(4,769)
total	**18,811**	**23,327**	**(4,515)**

The item in question can be broken down as follows:
- EUR 12,435 (EUR 11,390 at June 30, 2005) for depreciation of corporate assets, EUR 1,076 for amortisation of intangible fixed assets;
- EUR 5,300 for value adjustments to receivables entered among current assets to reflect their estimated realizable amount, with specific reference to projects being completed in Italy.

Other operating costs

other operating costs (thousands of euros)	30/06/2006	30/06/2005	variation
provisions for risks and charges	5,815	14,915	(9,100)
other operating costs	10,540	11,086	(546)
total	**16,355**	**26,001**	**(9,646)**

The provision for risks and charges, totalling EUR 5,815, represents the prudent setting aside of probable charges to be incurred in relation to contracts in progress in Italy and abroad, for which operating activities are being completed and final payments made.

Financial income and charges

Financial income totalled EUR 39,344, with an increase of EUR 2,833 compared to the same period of last year. The table below offers a breakdown of the item:

financial income and charges (thousands of euros)	30/06/2006	30/06/2005	variation
income from subsidiary companies	–	49	(49)
income from associated companies	230	432	(202)
income from financial transactions with credit institutes	1,051	977	74
surety fees	261	193	67
exchange rate profit	28,697	33,117	(4,421)
income from derivatives	1,656	–	1,656
other financial income	7,450	1,742	5,707
total	**39,344**	**36,511**	**2,833**

The income entered with regard to the fluctuation in exchange rates of the various currencies the Group operates in, totalling EUR 28,697, offset charges of the same nature amounting to EUR 21,532, thus highlighting the effects of the currency control policy implemented by the Group.
There was a net increase of EUR 5,707 in Other financial income compared to the same period of last year, mainly due to the entry of interest receivable on late payment related to construction of the Zagreb-Goriçan motorway in Croatia.

Interest and other financial charges

Financial charges entered in the financial statements totalling EUR (48,610) also included write-downs for EUR (5,127) which are commented on together with revaluations, for the purposes of better comparability.

Financial charges totalled EUR (43,483) and showed a decrease of EUR 3,654 compared to the previous financial year. The table below shows a breakdown of these charges:

interest and other financial charges			
(thousands of euros)	30/06/2006	30/06/2005	variation
interest on bonded loan	–	1,031	(1,031)
surety fees	4,376	4,164	212
charges from financial transaction with credit institutes	13,234	9,907	3,327
exchange rate losses	21,532	27,053	(5,521)
charges from derivatives	395	–	395
financial charges on leasing agreements	558	–	558
other financial charges	3,389	4,982	(1,593)
total	**43,483**	**47,137**	**(3,654)**

Specifically, charges from financial transactions with credit institutes mainly referred to interest payable on bank loans (EUR 9,815) and interest payable on current accounts (EUR 1,951), while the remaining amount referred to various accrued charges owed to the institutes.

Exchange rate losses totalling EUR 21,532 are to be directly related to profits of the same nature as detailed above, in compliance with the specific provisions contained in IAS 21.

Write-downs and revaluations of financial assets

write-downs and revaluations of financial assets			
(thousands of euros)	30/06/2006	30/06/2005	variation
revaluation of securities	–	473	(473)
write-down of equity investments	(64)	(205)	141
write-down of securities and bad debts	(5,063)	(1,000)	(4,063)
losses on equity investments	–	(11)	11
total	**(5,127)**	**(743)**	**(4,383)**

Write-down of securities and bad debts referred almost completely (EUR 4,935) to the prudent allocation of arrears interest accrued in relation to specific litigation concerning works carried out in Croatia.

Effects of valuation of equity investments using the equity method

The effects of valuation of equity investments using the equity method showed a positive balance of EUR 1,468 (EUR 198 at June 30, 2005), mainly referred to the Metro Los Teques consortium operating in Venezuela. A breakdown and comparison with the previous business year are shown in the table below:

effects of valuation of equity investments using the equity method			
(thousands of euros)	30/06/2006	30/06/2005	variation
revaluation of equity investments:			
consorcio metro los teques	3,960	542	3,418
others	1,289	34	1,255
write-down of equity investments			
copenhagen metro construction group j.v. (comet)	(886)	(35)	(851)
s.a.c.e.s. s.r.l. in liquidation	(1,556)		(1,556)
others	(1,339)	(343)	(996)
total effects of valuation using equity method	**1,468**	**198**	**1,270**

Taxes

The Group's tax burden at June 30, 2006 amounted to EUR 13,349, up by EUR 2,583 on the same period of last year with approximately a 3.6 percentage point increase in the tax rate, but nevertheless in line with the final figure of the previous year. The increase in the item in question is to be mainly attributed to the valuation of prepaid taxes of the Group's US subsidiary, which has already been seen in previous years.
Taxes included in the interim financial statements were allocated using the tax rate deemed applicable for the forecast annual results.
The following table offers a breakdown of the item:

taxes			
(thousands of euros)	30/06/2006	30/06/2005	variation
current taxes	10,489	10,003	486
net deferred (prepaid) taxes	2,578	722	1,856
taxes related to previous years	282	41	241
total	**13,349**	**10,766**	**2,583**

Property, plant and equipment

The Group invested EUR 52,116 in technical equipment during the half year ending June 30, 2006 (EUR 14,880 at June 30, 2005).
During the period in question, assets of a net book value of EUR 10,001 were disposed of (EUR 7,179 at June 30, 2005), resulting in a net gain from disposals of EUR 684 (EUR 562 at June 30, 2005).

property, plant and equipment

(thousands of euros)	land and buildings	specific and general plant	excavators, power shovels and vehicles	various equipment and machinery	fixed assets in progress and advances	total
value at 31/12/2005, net of depreciation (1)	**40,913**	**37,471**	**25,224**	**14,302**	**11,185**	**129,095**
increases						
– from acquisitions	5	18,196	12,973	6,723	14,218	52,116
	40,918	**55,667**	**38,197**	**21,025**	**25,403**	**181,211**
depreciation	(454)	(4,052)	(5,510)	(2,415)		(12,432)
other disposals	–	(8,396)	(1,450)	(175)	–	(10,021)
variation in area of consolidation	–	1	–	–	–	1
reclassification and transfers	–	(198)	233	(36)	(1)	(1)
exchange rate differences	(185)	(76)	(243)	(4)	–	(508)
other movements	–	(11)	(31)	–	–	(42)
value at 30,06,2006, net of depreciation (2)	**40,279**	**42,935**	**31,195**	**18,395**	**25,402**	**158,206**
(1) *of which*						
– costs	42,946	73,564	67,101	34,187	11,185	228,983
– provision for depreciation	(2,032)	(36,094)	(41,877)	(19,885)		(99,888)
net value	**40,913**	**37,471**	**25,224**	**14,302**	**11,185**	**129,095**
(2) *of which*						
– costs	42,735	78,627	74,615	39,270	25,402	260,649
– provision for depreciation	(2,456)	(35,692)	(43,420)	(20,874)		(102,442)
net value	**40,279**	**42,935**	**31,195**	**18,395**	**25,402**	**158,206**

It should be noted that the increase in tangible fixed assets totalling EUR 52,116 is to be attributed to the investment programme related to the infrastructures sector (Algeria, Romania and Venezuela), general contracting projects and new initiatives in the concessions sector. For more information regarding investments, please refer to the notes on the reclassified consolidated balance sheet and financial position included in the more general information on operations.

Equity investments

The value of equity investments at June 30, 2006 amounted to EUR 96,243 (EUR 34,430 at December 31, 2005), showing an increase of EUR 61,813 compared to the previous year. A breakdown of the item is shown below:

equity investments

(thousands of euros)	30/06/2006	31/12/2005	variation
equity investments valued with equity method	93,275	31,511	61,764
equity investments valued at cost	2,968	2,919	49
total	**96,243**	**34,430**	**61,813**

The significant increase in equity investments in associated companies and joint ventures, valued using the equity method, is shown in the table below:

(thousands of euros) company	value at 30/06/2006	value at 31/12/2005	variation
Metro C S.p.A.	51,750	–	51,750
S.E.I.S. S.p.A.	14,903	14,896	7
Veneta Sanitaria Finanza di Progetto - V.S.F.P. S.p.A.	7,250	6,986	264
Metro 5 S.p.A.	5,825	–	5,825
Consorcio Metro Los Teques	5,822	2,106	3,716
Transeuropska Autocesta d.o.o	3,238	3,178	60
M.N. Metropolitana di Napoli S.p.A.	2,282	1,709	573

The most significant changes can be attributed to the setting up of Metro C SpA, the special purpose vehicle set up pursuant to specific legislation dealing with general contractors, to construct Line C of the Rome underground, as well as Metro 5 SpA, the special purpose vehicle set up to construct Line 5 of the Milan underground using the project finance formula.

The value of non-current equity investments, entered in the financial statements at cost, amounted to EUR 2,968, largely in line with December 31, 2005 (EUR 2,919). These are mainly consortium companies for which calculation and entry at fair value, including through valuation techniques, is not significant.

Other current and non-current assets

other current and non-current assets

(thousands of euros)	30/06/2006	31/12/2005	variation
other non-current assets			
– receivables from financial institutions	2,285	2,759	(474)
– tax receivables	3,471	7,851	(4,380)
– other assets	7,742	7,887	(145)
total other non-current assets	**13,498**	**18,496**	**(4,998)**
other current assets			
– receivables from associated companies	19,885	18,760	1,124
– receivables from other companies	459	486	(27)
– receivables from financial institutions	59,556	44,472	15,085
– other assets	97,479	85,757	11,722
total other current assets	**177,379**	**149,475**	**27,904**

“Other non-current assets” includes:

– receivables from financial institutions totalling EUR 2,285 formed almost exclusively of the sum owed to the parent company by Emilia Romagna’s regional authority (pursuant to the Tognoli law) and attributable to the Piazza VIII agosto car park built in Bologna using the project finance formula;

– tax receivables totalling EUR 3,471 referred to tax refunds requested from financial administrations for direct taxes (EUR 2,579) and indirect taxes (EUR 892);

– other assets totalling EUR 7,742, referred to receivables for advances to suppliers and subcontractors (EUR 977), guarantee deposits (EUR 1,128), accrued income for sureties (EUR 190), accrued income for insurance (EUR 5,363) and various accrued income (EUR 84).

"Other current assets" includes:

– receivables from associated companies and other non-consolidated investee companies totalling EUR 20,344. For a breakdown of the receivables in question, please refer to the table regarding relations with related parties;
– receivables from financial institutions totalling EUR 59,556, of which EUR 53,549 due to the difference between the nominal value of debts assigned prior to December 31, 2003 and the amounts collected, and EUR 6,007 to accounts receivable by the subsidiary Partenopea Finanza di Progetto S.p.A. from A.S.L. Napoli 1 (Naples' local health authority) and referable to the part of the contribution paid to the expenses account, provided for by the concession with A.S.L. Napoli 1 by virtue of Article 19, subsection 2 of Law No. 109/94 (Merloni law), accrued and still to be settled;
– other assets totalling EUR 97,687, mainly referred to receivables for advances to suppliers and subcontractors (EUR 30,984), other accounts receivable for the transfer of goods and services (subcontractor services, transfer of equipment and goods, transfer of real estate) (EUR 50,054), social security receivables (EUR 1,435), loans to employees (EUR 1,160) and various other receivables.

Deferred tax assets

Deferred tax assets decreased by net EUR 1,579 and were entered in the financial statements for a total EUR 11,274.
The decrease is mainly due to:

– entry in the income statement of the prepaid taxes of the US subsidiary - Astaldi Construction Corporation totalling EUR (2,464);
– entry of the parent company's prepaid tax receivables totalling EUR 850;
– entry of prepaid taxes by the subsidiary Sartori Sud Srl totalling EUR 411.

Contracts in progress and advances from customers

The following table shows the total amount for contracts in progress, entered in accordance with the percentage of completion, net of estimated losses at the references date and the value of completed phases.

contracts in progress and advances from customers

(thousands of euros)	30/06/2006	31/12/2005	variation
contracts in progress	904,970	757,257	147,713
depreciation fund for final losses	(5,549)	(5,503)	(46)
contracts in progress	**899,421**	**751,754**	**147,667**
advances from customers	(497,772)	(437,371)	(60,401)
net contracts in progress	**401,649**	**314,383**	**87,266**
advances from customers	**(112,888)**	**(116,989)**	**4,101**

The item – Advances from customers – entered in the balance sheet among current liabilities for a total EUR 112,888, comprised EUR 107,573 referring to the amount paid by individual customers by way of advances on works to be performed, and EUR 5,315 referring to the amount paid by customers and calculated according to

a contractual criterion that does not take into account the state of progress of the individual contracts.
Works in progress are shown in the table below according to geographical area.

contracts in progress by geographical area			
(thousands of euros)	30/06/2006	31/12/2005	variation
Italy	226,989	199,345	27,644
Europe	80,498	54,038	26,460
America	52,479	38,217	14,262
Africa	40,335	21,475	18,860
Asia	1,348	1,307	40
total	**401,649**	**314,383**	**87,266**

Trade receivables

trade receivables			
(thousands of euros)	30/06/2006	31/12/2005	variation
receivables from customers	413,663	381,584	32,079
receivables from associated companies	31,887	33,847	(1,959)
receivables from parent companies	42	36	6
receivables from other investee companies	934	1,378	(444)
provisions for bad debts	(43,185)	(32,760)	(10,425)
total	**403,342**	**384,085**	**19,257**

The increase in trade receivables was mainly due to
- activities carried out in Turkey: collection of USD 74,000 for these activities initially scheduled by the end of June took place subsequent to the closing date of these financial statements;
- activities carried out by the subsidiary Astaldi-Max Bogl-CCCF JV S.r.l in Romania;
- the increase in the share of receivables related to Venezuela, which were mostly collected subsequent to the reference date of these financial statements.

Current financial assets – non-current financial assets

Current financial assets amounting to EUR 25,434 (EUR 14,665 at December 31, 2005) referred to securities on hand, valued at fair value for a total EUR 19,287 and derivatives for a total EUR 6,147. Please refer to the section dealing with financial risk management for a more detailed description. It must also be noted that the effects of fair value valuation were entered in the income statement under “revaluation of securities”, included among financial income.
Non-current financial assets which totalled EUR 9,386 decreased by EUR 6,443 and referred exclusively to loans granted to associated companies and other companies not included in the area of consolidation. For more detailed information, please refer to the table regarding relations with related parties.

Cash and cash equivalents

Cash and cash equivalents, of use also for the purposes of drafting the summarized interim consolidated cash flow statement, were as follows:

cash and cash equivalents			
(thousands of euros)	30/06/2006	31/12/2005	variation
bank and post office	145,099	174,965	(29,866)
cash on hand	741	454	288
total	**145,840**	**175,418**	**(29,578)**

It must be noted that the decrease in cash and cash equivalents is due to normal operations. Indeed, during the period in question, specific financial support was given to activities in progress in Italy, Turkey and Venezuela which made a significant contribution from the viewpoint of operations to total revenues for the period. Please refer to the section entitled *Information on operations* for further information regarding the Group's financial position.
The table below shows a breakdown of cash and cash equivalents according to geographical area:

geographical breakdown of cash and cash equivalents	
(thousands of euros)	total
Italy	110,743
Venezuela	8,402
United States	7,569
Central Americal (Costa Rica, El Salvador, other countries)	6,454
Romania	4,863
Algeria	3,008
others	4,801
total	**145,840**

Financial liabilities

Please refer to the section entitled *Information on operations* for more detailed information regarding financial liabilities.

financial liabilities			
(thousands of euros)	30/06/2006	31/12/2005	variation
non-current financial liabilities			
– due to banks	274,499	240,179	34,320
– non-current amount of loans	4,258	5,191	(933)
– financial leasing payables	21,836	16,266	5,570
– due to associated companies	1,698	597	1,100
total	**302,291**	**262,234**	**40,057**
current financial liabilities			
– due to banks	245,875	202,006	43,869
– current amount of loans	66	1,024	(958)
– due to other financers	5,473	3,614	1,858
– financial leasing payables	7,857	4,870	2,986
– derivatives	2,437	1,242	1,195
total	**261,707**	**212,756**	**48,951**

For greater clarity, it must be noted that on April 20, 2006 the Group obtained a medium-long term multi-tranche loan for the sum of EUR 200,000, arranged and subscribed by MCC – Capitalia Group and Royal Bank of Scotland. The loan, which does not provide for real guarantees but rather compliance with financial covenants, can be repaid in a single instalment upon expiry. The initial duration is 5 years from subscription of the loan with a double option of a year's extension bringing it to a possible duration of 7 years. The interest rate payable is equal to the EURIBOR increased by a spread of 1.25% for the first year and subsequently adjusted on an annual basis (from 0.75% to 1.50%) on the basis of the NFP/EBITDA parameter. At June 30, 2006, EUR 125,000 of the above loan had been used, of which EUR 80,000 for advance repayment of an EUR 100,000 loan subscribed in 2004 with MCC S.p.A. (Agent) and San Paolo IMI and Efibanca (lending banks), and the remaining sum to support the Group's general needs.

On July 18, 2006 subsequent to successful checking of the aforementioned loan on the banking market, the amount of this loan was increased to EUR 325,000, with the terms and conditions remaining unaltered.

The following are the financial covenants agreed for the loan in question:

- Net financial position/Group equity ratio, lower than or equal to 1.3 at year end and lower than or equal to 1.5 at the end of the first six months;
- Net financial position/EBITDA ratio, lower than or equal to 3.0 at year end and lower than or equal to 3.25 at the end of the first six months (applying EBITDA calculated on an annual basis).

The increase in financial payables related to leasing agreements, both among current and non-current liabilities, should be directly related to the increase in technical investments made using the financial leasing formula.

The Group has also taken out the following loans:

1) EUR 100,000 loan agreement (with a residual debt of EUR 92,857 at June 30, 2006) between the parent company Astaldi S.p.A. (Borrower) and Banca Popolare di Milano S.p.A. (leader of a pool of lending banks) with the following characteristics:
    - Disbursement date: April 22, 2005;
    - Duration: 60 months from disbursement date;
    - Repayment: 13 fixed capital contributions, equal to 1/14 of the loan for the first 12 instalments, the first of which is repaid on the due date of the 12th month following the disbursement date, and equal to 2/14 of the loan for the last instalment.
    - Interest rate: the applicable rate will be equal to the three-month EURIBOR rate, variable in relation to the reference quarter, calculated on an annual basis of 360 days, plus a 1.25% margin;
    - Actual interest rate: the actual interest rate applicable is 4.3947%;
    - Interest period: the interest period will have a deferred three-month duration as from the disbursement date.

Financial covenants:

- Net financial indebtedness/Group equity ratio, lower than or equal to 1.3;
- Operating income/net financial charges ratio, greater than or equal to 1.5 on an annual basis;
- Net financial indebtedness/EBITDA ratio, lower than or equal to 3.5 on an annual basis;

Equity, greater than or equal to EUR 180,000.

2) EUR 60,000 loan agreement (with a residual debt of approximately EUR 21,400 at June 30, 2006) between the parent company Astaldi S.p.A. (Borrower) and Unicredit Banca d'Impresa (leader of a pool of lending banks) with the following characteristics:
   - Disbursement date: June 25, 2003;
   - Duration: 48 months from disbursement date;
   - Repayment: 13 fixed capital contributions, equal to 1/14 of the loan for the first 12 instalments, the first of which was repaid 12 months following the disbursement date, June 25, 2004, and equal to 2/14 of the loan for the last instalment.
   - Interest rate: the applicable rate will be equal to the three-month EURIBOR rate, variable in relation to the reference quarter, calculated on an annual basis of 360 days, plus a 1% margin;
   - Actual interest rate: the actual interest rate applicable is 3.7269%;
   - Interest period: the interest period will have a deferred three-month duration as from the disbursement date.

Financial covenants:
- Net financial indebtedness/Group equity ratio, lower than or equal to 1.2 on an annual basis;
- Operating income/net financial charges ratio, greater than or equal to 1.3 on an annual basis;
- EBITDA/total revenues ratio, greater than or equal to 10% on an annual basis;
- Equity, greater than or equal to EUR 180,000.

Trade payables

trade payables			
(thousands of euros)	30/06/2006	31/12/2005	variation
due to suppliers	305,721	257,115	48,606
due to associated companies	86,262	91,260	(4,998)
due to other investee companies	4,374	6,440	(2,066)
total	**396,358**	**354,816**	**41,542**

The increase in trade payables is to be directly related to the stepping up of production activities, as mentioned previously, mainly in Algeria, Turkey, Venezuela and Romania.

Other liabilities

other liabilities (thousands of euros)	30/06/2006	31/12/2005	variation
other non-current liabilities			
– due to personnel	–	1,899	(1,899)
– other liabilities	23,215	13,037	10,178
total other non-current liabilities	**23,215**	**14,936**	**8,279**
other current liabilities			
– due to associated companies	44,465	2,434	42,031
– due to other companies	175	46	129
– due to personnel	20,715	18,367	2,348
– other liabilities	39,442	34,661	4,781
total other current liabilities	**104,798**	**55,509**	**49,290**

The increase in Other liabilities was mainly due to the amount still to be paid for the share capital of the special purpose vehicles set up to construct the Rome and Milan undergrounds. These amounts will be paid over the coming years on the basis of the forecasts contained in the business plans for the individual projects.

Share-based payments

No options were assigned to executive managers during the six-month period in question.

Financial risk management

The main financial risks the Group is exposed to are the "*interest rate risk*" and "*exchange rate risk*".

Interest rate risk

The Group's exposure to the market risk for interest rate fluctuations regards mainly short and medium/long-term variable rate sources of financing.
The notional value of current hedge derivatives at June 30, 2006 amounted to a total of EUR 317,092.
The aforementioned transactions are shown in the table below:

interest rate hedge transactions	notional value	fair value 30/06/2006
hedge transactions hedge transactions expiring in june 2007 on pool loan originally totalling €60,000.	€ 21,429	€ 24
hedge transactions expiring in april 2009 on pool loan originally totalling €100,000	€ 69,642	€ 864
fixed-rate swap transactions expiring in april 2013 on multi-tranche facility of €200,000.	€ 125,000	€ 690
irs transaction expiring in december 2008 on factoring transaction originally totalling €25,000	€ 12,500	€ 118
fixed-rate swap transaction expiring in december 2010 on mortgage originally totalling approx. €10,000	€ 4,496	€ 107
irs transaction on average share of short-term indebtedness (equal to approx. €50,000)	€ 65,000	€ 445
irs transaction expiring in november 2010 on financial leasing agreements originally totalling approx. €18,100	€ 11,097	€ 19
hedge transaction on loans guaranteed by accounts receivable for works carried out (self-liquidating) totalling approx. €22,000	€ 7,928	€ 27
total interest rate hedges	**€ 317,092**	**€ 2,294**

Exchange rate risk

At June 30, 2006, the Group's exchange rate hedges comprised forward sales of US dollars, related to forecast foreign currency revenues to be collected in 2006, and forward purchases of Turkish lire, related to forecast costs in local currency to be incurred by the Turkish branch. All the transactions can be classified as cash flow hedging.
A breakdown is shown in the table below:

cash flow hedges for foreign contracts	forward exchange rate	expiry date	notional value	fair value 30/06/2006
forward sale usd v eur	1.2035	14-jul-06	$ 10,000	€ 427
forward sale usd v eur	1.2024	14-jul-06	$ 10,000	€ 439
forward sale usd v eur	1.1976	14-jul-06	$ 10,000	€ 463
forward sale usd v eur	1.2103	29-sep-06	$ 15,000	€ 663
forward sale usd v eur	1.2122	27-oct-06	$ 15,000	€ 663
forward sale usd v eur	1.2210	30-nov-06	$ 5,000	€ 199
forward sale usd v eur	1.2204	30-nov-06	$ 5,000	€ 201
forward sale usd v eur	1.2211	30-nov-06	$ 5,000	€ 199
forward sale usd v eur	1.2223	20-dec-06	$ 5,000	€ 199
forward sale usd v eur	1.2218	20-dec-06	$ 5,000	€ 201
forward sale usd v eur	1.2224	20-dec-06	$ 5,000	€ 199
total hedge			**$ 90,000**	**€ 3,854**

cash flow hedges for foreign currency costs	forward exchange rate	expiry	notional value	fair value 30/06/2006
forward purchase try v usd	1.4105	21-jul-06	$ 4,500	€ (395)
forward purchase try v usd	1.4105	25-aug-06	$ 4,500	€ (439)
forward purchase try v usd	1.4000	22-sep-06	$ 2,500	€ (279)
forward purchase try v usd	1.4620	22-sep-06	$ 1,000	€ (81)
forward purchase try v usd	1.4077	26-oct-06	$ 2,500	€ (290)
forward purchase try v usd	1.4620	26-oct-06	$ 1,000	€ (90)
forward purchase try v usd	1.4140	24-nov-06	$ 2,500	€ (300)
forward purchase try v usd	1.4620	24-nov-06	$ 1,000	€ (97)
forward purchase try v usd	1.4200	22-dec-06	$ 2,500	€ (310)
forward purchase try v usd	1.4620	22-dec-06	$ 1,500	€ (155)
total hedges			**$ 23,500**	**€ (2,437)**

Revenues and results by geographical area

The table below shows the total revenues and operating result according to geographical area.

details by geographical area

(thousands of euros)

		June 30, 2006							
		Italy	Europe	America	Africa	Asia	other (*)	adjustments and cancellations	consolidated total
total revenues	(a)	246,558	124,247	142,836	46,099	3,091	2,318	(54,921)	510,229
operating result	(b)	21,332	12,695	23,762	2,614	(448)	(20,380)	(257)	39,319
ebit margin	**(b)/(a)**	**8.7%**	**10.2%**	**16.6%**	**5.7%**	**n.m.**	**n.m.**	**n.m.**	**7.7%**

(*) the "other" segment includes all assets such as "corporate" costs, not directly attributable to production units.

Paid dividends

Dividends totalling EUR 8,324 (EUR 7,375 in 2005) were paid during 2006.
The dividend approved by the Shareholders' Meeting of April 28, 2006 of EUR 0.085 per share (EUR 0.075 in 2005) was paid with coupon detachment on May 8 and 11, 2006.
The number of shares that benefited from the dividend was 97,924,900 (98,336,744 at December 31, 2005) out of a total of 98,424,900 shares and net of the amount related to treasury shares equal to EUR 500,000.

Changes in potential assets or liabilities since the date of the most recent annual financial statements - Provisions for current risks and charges

The following are the existing provisions for liabilities at June 30, 2006.

provisions for liabilities						
(thousands of euros)	final losses on contracts	equity investment risks	taxes	pursuant to article 27 of by-laws	other	total
balance at december 31, 2005	**27,826**	**18,240**	**474**	**362**	**7,707**	**54,609**
– of which current	*27,826*	*18,240*	*474*	*362*	*7,707*	*54,609*
– of which non-current	–	–	–	–	–	–
allocation	2,054	8	–	–	3,761	5,823
use	(1,510)	(7)	–	–	–	(1,517)
absorption	(3,685)	(13,268)	(474)	(112)	(757)	(18,296)
allocated to works in progress	1,510	–	–	–	–	1,510
allocated to tenders	2,208	–	–	–	–	2,208
allocation of profit for 2005	–	–	–	415	–	415
other	–	–	–	–	177	177
balance at june 30, 2006	**28,403**	**4,973**	**–**	**665**	**10,888**	**44,929**
– of which current	*28,403*	*4,973*	–	*665*	*10,888*	*44,929*
– of which non-current	–	–	–	–	–	–

Provision for final losses on contracts

The provision, equal to EUR 28,403, included sums set aside to cover expected charges referring to contracts for which total costs are expected to exceed total revenues.

Provision for equity investment risks

This provision amounted to EUR 4,973 and included the effects of valuation of non-consolidated equity investments using the equity method.
It should be noted that the absorption of EUR 13,268 referred to financial coverage of the equity deficit of our investee company in Denmark, already set aside in past years.

Provision pursuant to Article 27 of the company by-laws

The provision, equal to EUR 665, established for the purpose of donations, increased by net EUR 303 during the period in question following an increase of EUR 415 resulting from allocation of a share of 2005 profits and a decrease of EUR 112 resulting from allocation to various associations as donations.

Undertakings and risks

Personal guarantees

The value of guarantees furnished totalled EUR 1,737,743 and referred to the following:

1. guarantees for opening credit facilities, to be used to ensure proper cash flow in relation to individual projects, issued in favour of associated companies and other non-consolidated investee companies, set up for this purpose pursuant to current tax legislation for a total of EUR 41,167;
2. guarantees for works, issued in the Group's interest by banks and insurance companies, in favour of clients on behalf of subsidiaries, associated companies and other investee companies, for the total amount of EUR 1,599,466;
3. other guarantees, issued for various purposes, for a total EUR 97,110.

Guarantees furnished by third parties in our favour

These refer to guarantees totalling EUR 29,247 issued by banks and insurance companies, in the interest of Italian and foreign suppliers and subcontractors in relation to contractual obligations undertaken by the latter in our regard.

Relations with related parties

The totals of existing transactions and balances resulting from financial and commercial relations with non-consolidated investee companies are shown in the table below.

Transactions with related parties were carried out at similar conditions to those applied with regard to free transactions.

However, it should be noted that relations with consortia and consortium companies (special-purpose vehicles), taking into account the specific sector the company operates in, must be correlated to the receivables from third parties (entered under trade receivables) that are not summarised in the table attached to these notes.

The following table shows the total values of transactions with related parties at June 30, 2006:

list of related parties at june 30, 2006

(thousands of euros)

	other financial and non-current assets	trade receivables	other current assets	total receivables	non-current financial liabilities
parent company					
FIN. AST. S.r.l.		42	12	54	
total parent company		**42**	**12**	**54**	
associated companies					
Adduttore Ponte Barca S.c.r.l. in liquidation	5			5	
Almo S.c.a.r.l. in liquidation		10		10	
Alosa Immobiliare S.p.A. in liquidation	1,145	19	2	1,165	
Astaldi Bayindir J.V.		155	5,402	5,557	
Astaldi Ferrocemento J.V.	311	716	141	1,169	
Astaldi-Maroc S.A.					
Avola S.c.r.l. in liquidation		543	125	669	
Blufi 1 S.c.r.l. in liquidation		–	48	48	
C.F.M. S.c.a.r.l. in liquidation		150	31	181	
Carnia S.c.r.l. in liquidation		146		146	
Cogital S.c.r.l. in liquidation		43		43	
Colli Albani S.c.r.l. in liquidation		43	777	819	
Columbus de Costr. Honduras S.A. de C.V.					
Cons. Bonifica Lunghezza - C.B.L. in liquidation					
Cons. Grupo Contuy-Proyectos y Obras de Ferrocarr		455	564	1.018	
Consorcio Contuy Medio			553	553	
Consorcio DEI	–	9	–	9	
Consorzio A.F.T. Kramis Algerian branch		3,652	393	4,044	
Consorzio A.F.T. Algerian branch		2	1,078	1,080	
Consorzio Astaldi Federici Todini		103		103	
Consorzio Astaldi-ICE		417		417	
Consorzio Brundisium			–	–	
Consorzio C.E.A.A.V.	697	522		1,219	

trade payables	other current liabilities	total payables	total revenues	total cost of production	interest and other financial charges	interest and other financial income
			(5)			
			(5)			
(258)		(258)		2		
(17)		(17)				
(11)		(11)	(3)			
(29)		(29)	(0)			
	(3)	(3)				
	(3)	(3)				
(162)		(162)	(12)			
(347)		(347)	(1)	112		(1)
(13)		(13)	(6)			
(343)	(5)	(349)				
(1)		(1)				
(5)		(5)		1		
(364)		(364)		187		
(637)		(637)				
(4)		(4)				
(135)	(108)	(243)	(86)	929	–	(57)
(49)	(825)	(873)		(24)		
	(0)	(0)	(8)			
(2)		(2)				
(644)		(644)	(231)	209		

list of related parties at june 30, 2006

(thousands of euros)

	other financial and non-current assets	trade receivables	other current assets	total receivables	non-current financial liabilities
Consorzio C.I.R.C. in liquidation		10	1	10	
CONSORZIO C.O.N.C.I.L.in liquidation			1	1	
Consorzio Co.Fe.Sar.		178	4	182	
Consorzio Consarno	227	35		263	
Consorzio Consavia S.c.n.c. in liquidation		58		58	
Consorzio Dipenta S.p.A. Ugo Vitolo in liquidation					
Consorzio Ferrofir in liquidation		74	14	89	
Consorzio Gi.It. in liquidation					
Consorzio Iricav Due		244		244	
Consorzio Iricav Uno		614	1,497	2,111	
Consorzio Ital.Co.Cer.			9	9	
Consorzio Italvenezia					
Consorzio L.A.R. in liquidation	1,779	181		1,960	
Consorzio Ponte sullo Stretto di Messina		1,753	1	1,754	
Consorzio Qalat		5		5	
Consorzio Recchi S.p.A.- Astaldi S.p.A.		69		69	
Diga di Blufi S.c.r.l.		4,125	2,405	6,530	
DP 2M S.c.r.l. in liquidation	20		1	21	
Ecosarno S.c.r.l.	118			118	
Fosso Canna S.c.r.l. in liquidation	204	192	6	402	
Groupement Cir S.p.A.			18	18	
Groupement Eurolep					
Groupement Italgisas		87	870	957	
Infraflegrea S.c.r.l.		445	6	451	
Isclero S.c.r.l. in liquidation	1,518	114	91	1,723	
Italsagi sp zo.o		14	368	382	
Italstrade CCCF J.V. Bucaresti S.r.l.			3	3	
M.N. Metropolitana di Napoli S.p.A.		12	12	24	
Marsico Nuovo S.c.r.l. in liquidation	30			30	
Max Bogl-Astaldi-CCCF Asocierea J.V.		211		211	
ME.SA. S.c.a.r.l. in liquidation		–		–	
Messina Stadio S.c.r.l.					
Metro 5 S.p.A.		3		3	
Metro C S.p.A.		100		100	
Metroveneta S.c.r.l.		3		3	
Monte Vesuvio S.c.a.r.l.in liquidation		655		655	
Mose - Treporti S.c.r.l.		247		247	
N.P.F - Nuovo Polo Fieristico S.c.r.l.		61	1,142	1,203	
Nova Metro S.c.r.l. in liquidation					
Pegaso S.c.r.l.		404	334	738	
Piana di Licata S.c.r.l. in liquidation		179	297	475	
Pont Ventoux S.c.r.l.		11,789	147	11,935	
Principe Amedeo S.c.a.r.l. in liquidation	1	336	113	450	
Priolo Siracusa S.c.r.l.					
Raggruppamento Astaldi-Vianini in liquidation			80	80	
S. Leonardo S.c.r.l. in liquidation		90	2,540	2,630	
S.A.A.L.P. S.n.c. in liquidation	172	82	205	459	
S.A.C.E.S. S.r.l. in liquidation					(1,698)
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	

trade payables	other current liabilities	total payables	total revenues	total cost of production	interest and other financial charges	interest and other financial income
(698)		(698)		22		
(243)		(243)		(16)		
(218)		(218)		63		
(0)		(0)				
(2)		(2)				
(5,304)		(5,304)		1		
(217)		(217)		2		
(5,935)		(5,935)	(31)	218		
(20,518)		(20,518)	(59)	7,178		
(124)		(124)		27		
(92)		(92)		5		
(2,313)		(2,313)		475		
(1,726)		(1,726)	(281)	42		
(1,144)		(1,144)				
	(185)	(185)				
(3,841)		(3,841)		1		(1)
(1,939)		(1,939)		230		
(79)		(79)		9		(6)
	(19)	(19)				
(12)		(12)				
(1,660)		(1,660)	(58)	749		
(1,592)		(1,592)	(5)			
(0)		(0)	(0)		5	
			(43)			(6)
(3)		(3)		(1)		
				(1)		
	(4,369)	(4,369)	(3)			
	(38,813)	(38,813)	(99)			
(198)		(198)	(1)	74		
(264)		(264)				
(6,418)		(6,418)	(94)	6,573		
(263)		(263)	(32)	3,876		
(14)		(14)		3		
(1,238)		(1,238)	(103)	6,091		(1)
(139)		(139)				
(23,834)		(23,834)	(1,116)	3,308		(1)
(232)		(232)				
(16)		(16)		16		
(808)		(808)				
		(1,698)				
(46)	(0)	(46)	(0)	16		(0)

list of related parties at june 30, 2006

(thousands of euros)

	other financial and non-current assets	trade receivables	other current assets	total receivables	non-current financial liabilities
SO.GE.DEP. S.r.l. in liquidation	271	43	239	553	
Tangenziale Seconda S.c.a.r.l. in liquidation		116	4	120	
Transeuropska Autocesta d.o.o		12		12	
Truncu Reale S.c.r.l.		162	12	174	
V.A.S.CO. Imprese Riunite		269		269	
Valle Caudina S.c.r.l.		761	7	768	
Veneta Sanitaria Finanza di Progetto S.p.A.	616	47		663	
Vesuviana Strade S.c.a.r.l.		533	308	841	
Viadotti di Courmayeur S.c.r.l. in liquidation		548	20	568	
total associated companies	**7,394**	**31,887**	**19,884**	**59,165**	**(1,698)**
other investee companies					
A.M.P. S.c.r.l. in liquidation					
Aguas de San Pedro S.A. de C.V.		10		10	
C.F.C. S.c.a.r.l.					
Consorcio Metro Los Teques		8	110	118	
Consorzio Asse Sangro in liquidation		(17)		(17)	
Consorzio Centro Uno		52		52	
Consorzio Ferroviario Vesuviano			–	–	
Consorzio Tagliamento		1	26	27	
Consorzio TEAM			24	24	
Consorzio TRA.DE.CI.V.		27	96	123	
Copenhagen Metro Construction Group J.V. (COMET)		–		15,299	
Fusaro S.c.r.l.		12		12	
G.G.O. S.c.r.l. in liquidation		1	–	1	
Imprese Riun. GE Seconda S.c.r.l. in liquidation		1	–	1	
Imprese Riunite Genova Seconda S.c.r.l. in liquidation					
Irimuse S.c.a.r.l.					
Metrogenova S.c.a.r.l.		646	185	831	
Napoli Porto S.c.r.l. in liquidation	2	100	–	102	
NO.VI.F.IN. Nova Via Festinat Industrias S.c.r.l.					
Pantano S.c.r.l.					
Plus S.r.l.	1,717			1,717	
Roma Lido S.c.r.l.	274			274	
Salini-Italstrade JV Scarl in liquidation		2		2	
Yellow River Contractors J.V.		92	–	92	
total other investee companies	**1,992**	**934**	**441**	**18,667**	

trade payables	other current liabilities	total payables	total revenues	total cost of production	interest and other financial charges	interest and other financial income
(268)	(22)	(290)				(5)
(13)		(13)	(0)	2		(1)
(4)		(4)		1		(1)
(1)		(1)				
(612)		(612)	(0)	66		(0)
(63)	(114)	(177)	(17)			(69)
(1,050)		(1,050)	(87)	196		(2)
(101)		(101)		1		
(86,262)	**(44,465)**	**(132,425)**	**(2,375)**	**30,641**	**5**	**(151)**
(1)		(1)				
(21)	(33)	(55)		–		
(2)	(0)	(2)	(36)			
(7)		(7)				
(0)		(0)				
(0)		(0)				
(7)		(7)		3		
(19)		(19)			11	
(22)		(22)	(8)	239		
(0)		(0)				
(63)		(63)				
(1)		(1)				
(240)		(240)		61		
(1)		(1)		1		
(714)	(142)	(855)	(45)	815		
				–		
(1)		(1)		–		
(2,443)		(2,443)		(105)		
(794)		(794)		1		
(1)		(1)				
(4,338)	**(175)**	**(4,513)**	**(89)**	**1,017**	**11**	

Parent company account schedules

INTERIM INCOME STATEMENT OF THE PARENT COMPANY

(thousands of euros)

	30/06/2006	30/06/2005
Revenues	385,521	403,420
Other operating revenues	25,484	31,726
Total revenues	*411,005*	*435,146*
Purchase costs	65,597	60,665
Service costs	220,071	241,983
Personnel costs	55,010	48,585
Amortisation, depreciation and write-downs	15,171	19,232
Other operating costs	13,762	26,858
Total costs	*369,611*	*397,324*
(Capitalisation of internal construction costs)	85	69
Operating result	**41,479**	**37,891**
Financial income	47,111	40,215
Financial charges	(63,835)	(51,807)
Pre-tax profit (loss) of continued operations	*24,756*	*26,299*
Taxes	8,069	8,648
Profit (loss) for the period	**16,687**	**17,651**

INTERIM BALANCE SHEET OF THE PARENT COMPANY

(thousands of euros)

	30/06/2006	31/12/2005
ASSETS		
Non-current assets		
Property, plant and equipment	110,798	93,446
Investment property	201	204
Intangible assets	4,365	4,964
Equity investments	193,099	133,525
Non-current financial assets	60,345	48,299
Other non-current assets	9,284	14,333
Deferred tax assets	4,746	3,891
Total non-current assets	**382,838**	**298,663**
Current assets		
Inventories	38,657	36,682
Contracts in progress	354,518	234,703
Trade receivables	370,330	351,883
Tax receivables	39,474	42,157
Current financial assets	24,568	14,378
Other current assets	171,281	147,077
Cash and cash equivalents	94,703	134,996
Total current assets	**1,093,530**	**961,875**
Non-current assets held for sale	–	–
Total assets	**1,476,368**	**1,260,538**

INTERIM BALANCE SHEET OF THE PARENT COMPANY — EQUITY AND LIABILITIES

(thousands of euros)

	30/06/2006	31/12/2005
EQUITY		
Share capital	97,608	97,302
Reserves		
– Legal reserve	10,767	9,383
– Extraordinary reserve	73,200	55,640
– Share premium reserve	67,836	67,836
– (Profit) loss carried forward	(4,830)	(4,830)
– Other reserves	(5,289)	(8,743)
Total capital and reserves	**239,292**	**216,587**
Profit (loss) for the period	16,687	27,683
Total equity	**255,979**	**244,270**
LIABILITIES		
Non-current financial liabilities		
Other non-current liabilities	299,583	269,427
Employee severance indemnity and other personnel provisions	19	1,907
Tfr ed altri fondi relativi al personale	9,921	9,685
Deferred tax liabilities		
Total non-current liabilities	**309,523**	**281,020**
Current liabilities		
Advances from customers	104,082	64,531
Trade payables	352,715	309,756
Current financial liabilities	238,014	193,431
Tax payables	14,542	12,890
Provisions for current risks and charges	45,858	34,413
Other current liabilities	155,655	120,227
Total current liabilities	**910,867**	**735,248**
Liabilities directly associated to non-current assets held for sale	–	–
Total liabilities	**1,220,389**	**1,016,268**
Total equity and liabilities	**1,476,368**	**1,260,538**

summarized schedule of changes in parent company equity

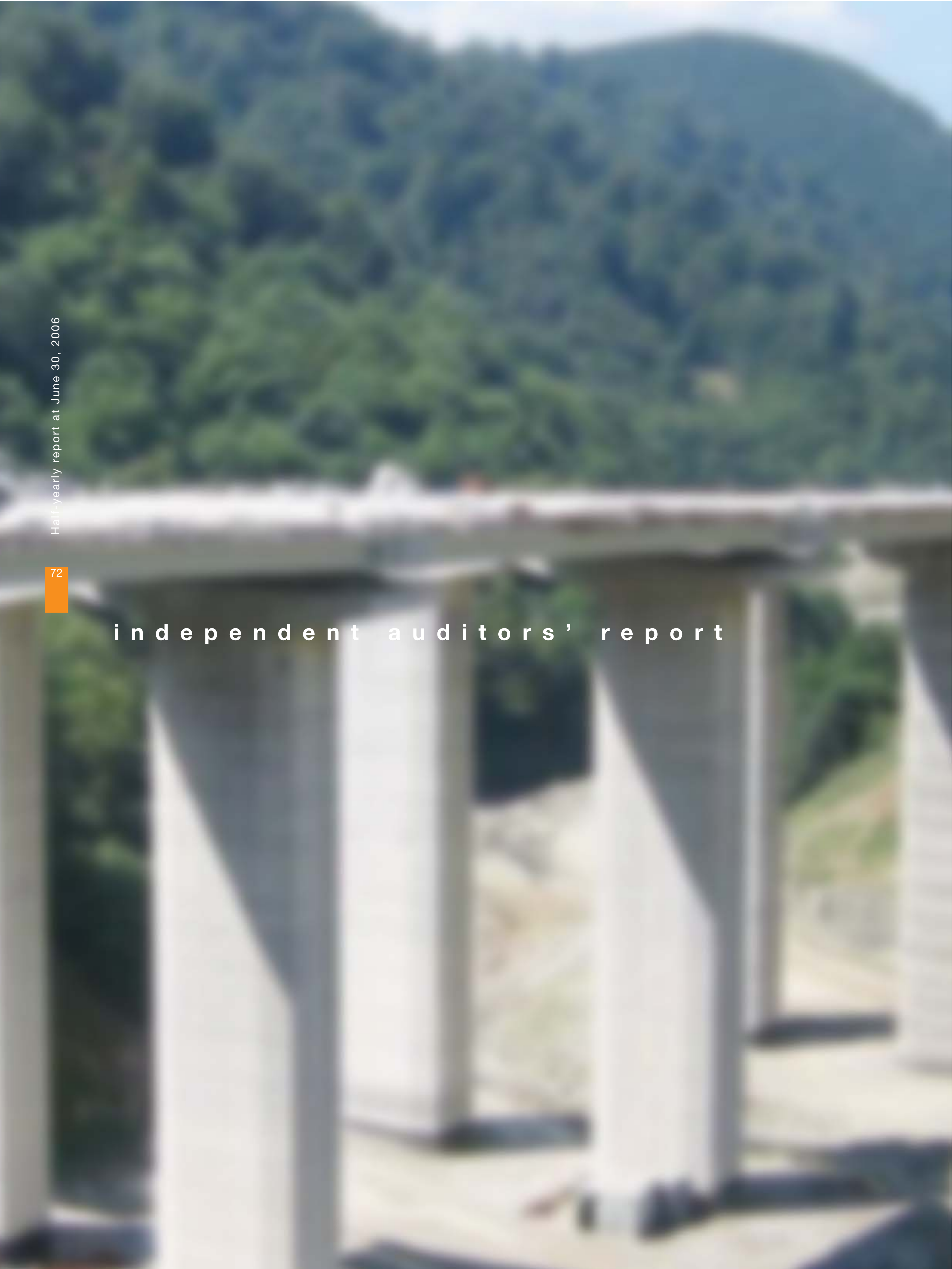
(thousands of euros)

	share capital	share premium reserve
IAS/IFRS balance at january 1, 2005	**98,025**	**67,836**
equity movements hy1 2005		
cash flow hedge reserve		
treasury shares	205	
net income (charges) entered directly among equity	205	–
dividends		
provision pursuant to article 27		
other movements		
profit at june 30, 2005		
IAS/IFRS balance at june 30, 2005	**98,230**	**67,836**
IAS/IFRS balance at january 1, 2006	**97,302**	**67,836**
equity movements hy1 2006		
cash flow hedge reserve		
treasury shares	306	
net income (charges) entered directly among equity	306	–
dividends		
provision pursuant to article 27		
other movements		
profit 2006		
IAS/IFRS balance at june 30, 2006	**97,608**	**67,836**

legal reserve	extraordinary reserve	other reserves	total	retained earnings	profit for the period	total
7,819	**23,866**	**5,077**	**202,624**	**(8)**	**26,442**	**232,029**
		(2,262)	(2,262)			(2,262)
		900	1,105			1,105
–	–	(1,362)	(1,157)			(1,157)
					(7,375)	(7,375)
					(234)	(234)
1,564	22,104	(4,835)	18,833		(18,833)	–
					17,311	17,311
9,383	**45,970**	**(1,120)**	**220,300**	**(8)**	**17,311**	**240,574**
9,383	**55,640**	**(8,743)**	**221,417**	**(4,830)**	**27,683**	**244,270**
		1,654	1,654			1,654
		1,801	2,107			2,107
–	–	3,455	3,761	–	–	3,761
					(8,324)	(8,324)
					(415)	(415)
1,384	17,560		18,944		(18,944)	–
					16,687	16,687
10,767	**73,200**	**(5,288)**	**244,122**	**(4,830)**	**16,687**	**255,979**

interim cash flow statement of the parent company

(thousands of euros)	30.06.2006	30.06.2005
a – cash flow from operating activities:		
result for the period	16,687	17,651
adjustments to reconcile net profit (loss) to cash flow		
generated (used) by operating activities:		
deferred taxes	(39)	1,216
amortisation, depreciation and write-downs	15,171	19,232
provision for risks and charges	5,815	14,915
costs for employee severance indemnity and defined benefit plans	1,143	2,407
costs for employee incentive plans	1,945	–
losses on disposal of non-current assets	468	901
gains on disposal of non-current assets	(909)	(1,460)
subtotal	**23,594**	**37,211**
changes in operating assets and liabilities (working capital):		
trade receivables	(23,747)	(7,547)
inventories and contracts in progress	(121,790)	(97,505)
trade payables	42,959	(5,160)
provision for risks and charges	5,630	(14,189)
advances from customers	39,552	(27,820)
other operating assets	(17,326)	(30,775)
other operating liabilities	(9,895)	93,510
payment of employee severance indemnity and defined benefit plans	(907)	279
subtotal	**(85,526)**	**(89,207)**
cash flow from discontinued operations		
	(45,245)	**(34,345)**
b - cash flow from investment activities:		
purchase of investment property		
investment in intangible fixed assets	(471)	(2,843)
investment in tangible fixed assets	(33,842)	(10,040)
sale (purchase) of other equity investments net of acquired cash flow	(16,393)	(75,466)
income from sale of tangible fixed assets, intangible fixed assets and investment property	8,134	5,067
change in financing of equity investments	(12,046)	4,200
cash flow from discontinued operations		
	(54,619)	**(79,082)**
c - cash flow from financing activities:		
capital increases on payment		
dividends paid + other movements	(4,978)	(9,106)
opening (repayment) of non-current loans net of commission	30,155	189,703
net change in current financial payables (including leasing agreements)	44,584	(146,150)
net change in financial assets	–	42
sale (purchase) of securities/bonds and treasury shares	(10,190)	15,427
cash flow from discontinued operations		
	59,571	**49,916**
d – exchange rate differences on cash and cash equivalents		**(22)**
net increase (decrease) in cash and cash equivalents	**(40,292)**	**(63,533)**
cash and cash equivalents at start of period	**134,996**	**153,706**
cash and cash equivalents at end of period	**94,703**	**90,173**



independent auditors' report

Independent auditors' report

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Independent Auditors' Report on the limited review of interim financial statement reporting for the six month period ended 30 June 2006 prepared in accordance with Article 81 of CONSOB Regulation approved by Resolution No. 11971 of 14 May 1999 and subsequent amendments and integrations

To the Shareholders of
Astaldi S.p.A.

1. We have performed a limited review of the consolidated interim financial statements consisting of balance sheet, income statement, statement of changes in Shareholders' equity and cash flows (hereinafter "accounting statements") and related explanatory and supplementary notes included in the interim financial reporting of Astaldi S.p.A. for the six months period ended at 30 June 2006. The interim financial reporting is the responsibility of Astaldi S.p.A.'s Directors. Our responsibility is to issue this report based on our limited review. We have also checked the part of the notes related to the information on operations for the sole purpose of verifying the consistency with the remaining part of the interim financial reporting.

2. Our work was conducted in accordance with the criteria for a limited review recommended by the National Commission for Companies and the Stock Exchange ("CONSOB") with Resolution No. 10867 of 31 July 1997. The limited review consisted principally of inquiries of Company personnel about the information reported in the interim financial reporting and about the consistency of the accounting principles utilised therein ad well as the application of analytical review procedures on the data contained in the interim financial reporting. The limited review excluded certain auditing procedures such as compliance testing and verification or validation tests of the assets and liabilities and was therefore substantially less in scope than an audit performed in accordance with generally accepted auditing standards. Accordingly, unlike the audit on the annual consolidated financial statements, we do not express a professional audit opinion on the interim financial reporting.
As to the comparative data of the prior year consolidated financial statements, and of the prior year consolidated interim financial reporting presented in the accounting statements, reference should be made, respectively, to our reports dated 12 April 2006 and dated 17 October 2005.

3. Based on our review, no significant changes or adjustments came to our attention that should be made to the consolidated accounting statements and related explanatory and supplementary notes, identified in paragraph No. 1 of this report, in order to make them consistent with the international accounting standards IAS 34 and with the criteria for the preparation of interim financial reporting established by Article 81 of the CONSOB Regulation approved by Resolution No. 11971 of 14 May 1999 and subsequent amendments and integrations.

Rome, October 6, 2006

Reconta Ernst & Young S.p.A.
Roberto Tabarrini
(Partner)

This report has been translated into the English language solely for the convenience of international readers.

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