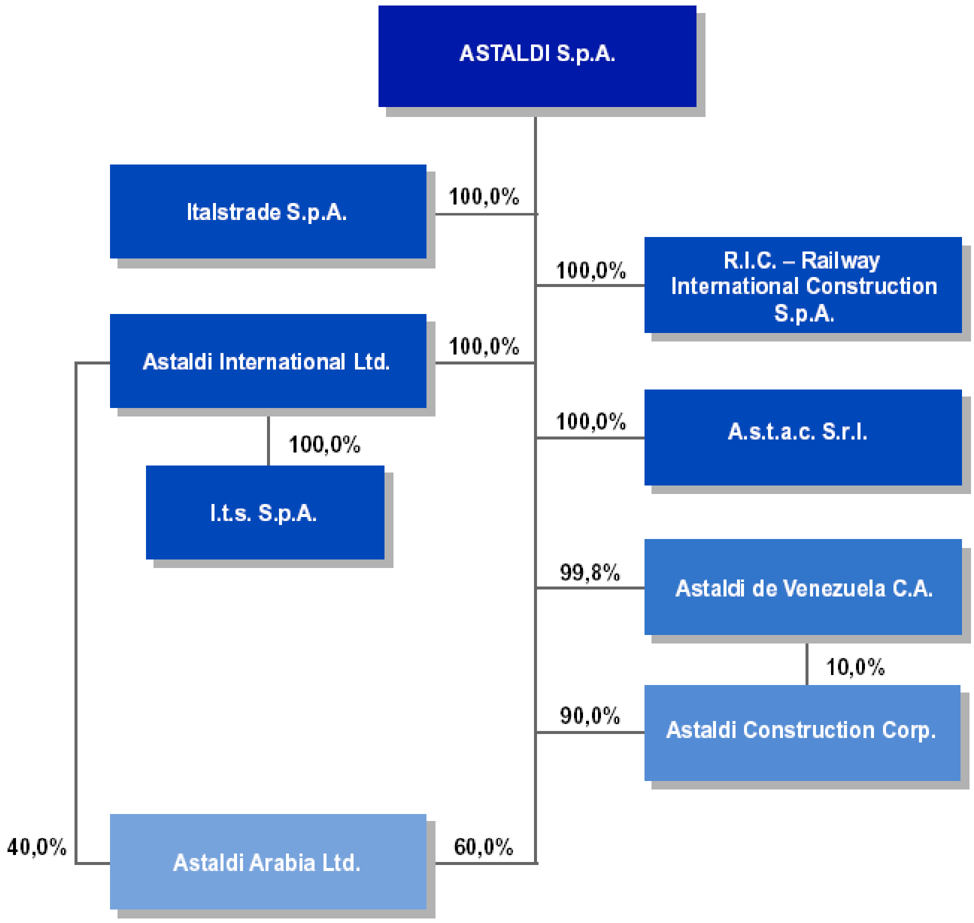
ASTALDI

THIRD QUARTER REPORT AS AT 30 SEPTEMBER 2003

CONTENTS

GROUP STRUCTURE

The table below shows the Group corporate structure in relation to its main operating companies.



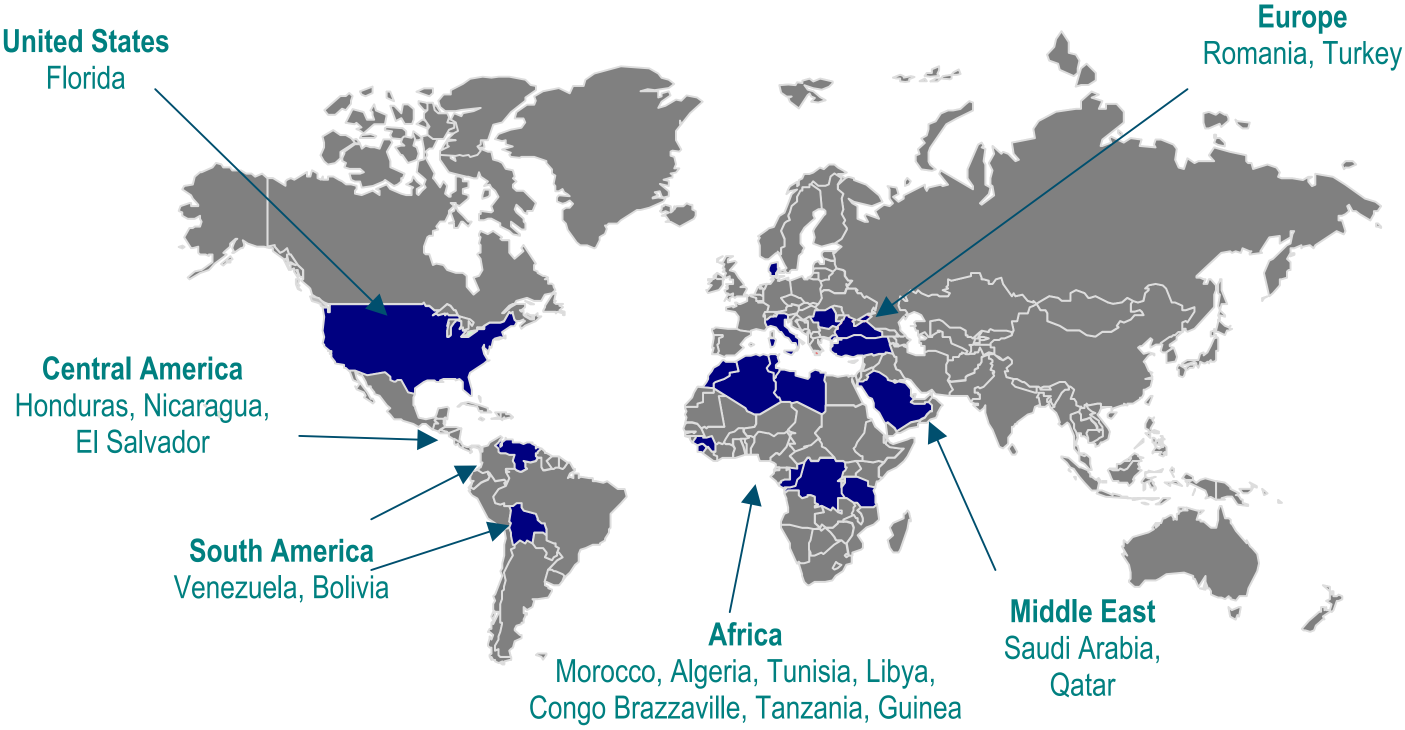
Group operations include 76 associate and consortium companies and 4 special purpose companies for licensed operations.

As part of the process of rationalization and reduction of operating costs, on the 30 July 2003 the Board of Directors has resolved to merge R.I.C. - Railway International Construction S.p.A, operating in the railway sector, into Italstrade S.p.A..

This operation enables the concentration on the activity of the subsidiary Italstrade S.p.A. working within the area of construction and maintenance of transport infrastructure (both road and railways) of medium size, the sector in which the same company has acquired a respected and autonomous position.

See the specific section for consolidation principles.

INTERNATIONAL POSITIONING



COMPANY OFFICERS

Board of Directors

Ernesto Monti	Chairman
Paolo Astaldi	Deputy Chairman
Vittorio Di Paola	Chief Executive Officer
Pietro Astaldi	Board Member
Caterina Astaldi	Board Member
Stefano Cerri	Board Member
Enrico De Cecco	Board Member
Franco A. Grassini	Board Member
Luigi Guidobono Cavalchini	Board Member
Bruno Lecchi	Board Member
Lucio Mariani	Board Member
Giuseppe Marino	Board Member
Roberto Marraffa	Board Member
Vittorio Mele	Board Member
Nicoletta Mincato	Board Member

Board of Statutory Auditors

Eugenio Pinto	Chairman
Pierpaolo Singer	Acting member
Pierumberto Spanò	Acting member
Domenico Franco Nalin (1)	Alternate member
Antonio Sisca	Alternate member
Maurizio Lauri	Alternate member

(1) died on 8 July 2003

General Managers

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

Vice General Manager

Paolo Citterio	Administration and Finance

Auditing Company

Reconta Ernst & Young S.p.A.

SCOPE OF CONSOLIDATION

	Subsidiaries	%
1	R.I.C. - Railway International Construction S.p.A.	100.00%
2	A.S.T.A.C. S.r.l.	100.00%
3	Italstrade S.p.A.	100.00%
4	Astaldi International Ltd	100.00%
5	Astaldi de Venezuela C.A.	99.80%
6	Astaldi Construction Corp.Of Florida	99.80%
7	SC Italstrade - CCCF JV Romis S.r.l.	51.00%
8	Romstrade S.r.l.	51.00%
9	I.T.S. S.p.A.	100.00%
10	Italstrade Somet JV Rometro S.r.l.	55.00%
11	Sugt s.a. Calarasi	50.37%
12	Astaldi Arabia ltd	100.00%
13	Astaldi Finance S.A.	99.96%
14	Legnami Pasotti Italia I.C. S.r.l.	80.00%
15	Romairport S.r.L.	63.89%

	Other equity investments	%
16	Consorcio Metro Los Teques	30.00%
17	Comet JV	15.00%

NB: **Companies marked with** **are consolidated according to the line-by-line method; the other companies are consolidated according to the proportional method.**

Changes in the scope of consolidation

Equity investments excluded from the scope of consolidation	%
Consorcio Astaldi-Columbus (Nicaragua)	98.00%

Equity investments included in the scope of consolidation	%
Romairport S.r.L.	63.89%

ACCOUNTING PRINCIPLES AND EVALUATION CRITERIA

The Group quarterly report as at 30 September 2003 has been drawn up in accordance with CONSOB regulation no. 11971 of 14 May 1999, art. 82.

The third quarter balance sheet and income statement are presented in a reclassified form consistent with the contents of the financial statements as at 31 December 2002 and drawn up on the basis of the financial statements as at the same date prepared by the Parent Company and the companies included in the scope of consolidation.

The operating performance data refer to the third quarter and to the period between the beginning of the year and the period-ending date. The statements also show comparisons with the corresponding date for the same periods in the previous financial year.

The most important consolidated accounting principles adopted are summarized below.

Intangible fixed assets

Intangible fixed assets represent costs and expenses with multi-year use shown according to the effective cost incurred, including directly-assessable accessory charges.

The amounts are shown in the balance sheet net of amortization, determined according to the remaining useful life of the assets.

Charges for the listing are capitalized and amortized over five years.

Tangible fixed assets

Tangible fixed assets, including leased assets, include real estate, plant, machinery and equipment. These assets are shown according to purchase price and construction cost, including directly-assessable accessory charges.

Depreciation is calculated on a straight-line basis according to the remaining useful life of the asset up to the tax allowable limit considered representative of the estimated useful life.

Equity investments

Equity investments in subsidiary and affiliated companies not included in the scope of consolidation are shown according to the net equity method if significant.

The other equity investments are shown according to the cost method, including directly-assessable accessory charges and any write-downs to reflect permanent losses in value.

Companies up for liquidation are shown at original cost and written down to take liquidation costs into account.
Losses on equity investments exceeding book value and for which there is a commitment to balance are shown in the reserve for risks on equity investments after the book value has been written-off.

Receivables and payables in foreign currency

Receivables and payables denominated in currencies other than the euro are shown at the exchange rate prevailing on entry date.

Translation of the financial statements of foreign companies and stable foreign organizations

The financial statements of foreign companies and stable foreign organizations (accounting is done according to a multi-currency accounting system) are translated according to the following criteria: assets and liabilities at the exchange rate prevailing at the period-ending date; income statement items at the average exchange rate for the period; balance sheet items at the exchange rate at the time of formation.

Orders in progress

Orders in progress are valued with specific reference to the non-certified physical progress made on work to date (the so-called physical measure method), but identified with reasonable certainty and through the application of contractually agreed payments.

Income statement

Income and expense items are shown on an accrual accounting basis.
Revenues from the sale of goods are booked upon delivery, revenues from services at the time the service is performed, in accordance with respective contracts signed.
To provide a better representation of the operating performance data, we have shown drawdowns from the contract risk reserve among the self-financing items (i.e. depreciation and amortization, provisions, and uses), likewise reclassifying them for the previous periods.

The following major exchange rates have been used to convert financial statements expressed in foreign currency.

COUNTRY	CURRENCY		EXCHANGE RATE 30.09.2003	AVERAGE EXCHANGE RATE 2003	EXCHANGE RATE 30.09.2002	AVERAGE EXCHANGE RATE 2002
Algeria	Algerian Dinar	DZD	85.912	85.951	75.948	71.740
Saudi Arabia	Saudi Riyal	SAR	4,203	4,162	3,673	3,471
Bolivia	Boliviano	BOB	8,639	8,459	7,132	6,545
Central African Republic C.F.A	CFA Franc	XAF	655.957	655.957	655.957	655.957
Colombia	Colombian Peso	COP	3,295.330	3,228.817	2,659.280	229.910
Congo Democratic Republic	Congolese Franc	CDF	443.537	453.029	347.699	307.607
Croatia	Kuna	HRK	7.496	7.537	7.333	7.383
Denmark	Danish Krone	DKK	7.427	7.429	7.427	7.431
El Salvador	El Salvador Colon	SVC	9.819	9.725	8.582	8.106
Japan	Japan Yen	JPY	128.944	131.464	118.380	116.595
Guinea	Guinean Franc	GNF	2,232.510	2,197.330	1,915.760	1,812.280
Honduras	Lempira	HNL	19.829	19.247	16.405	15.173
Kenya	Shilling	TZS	87.390	83.912	77.240	72.664
Libya	Libyan Dinar	LYD	1.560	1.381	1.210	1.132
Morocco	Moroccan Dirham	MAD	10.794	10.773	10.478	10.331
Nicaragua	Cordoba Oro	NIO	17.014	16.612	14.125	13.145
Norvey	Krone	NOK	8.195	7.925	7.362	7.574
United Kingdom	British Pound Sterling	GBP	0.697	0.690	0.631	0.626
Romania	Leu	ROL	37,918.000	36,807.340	32,472.900	30,503.310
United States	US Dollar	USD	1.122	1.111	0.981	0.926
Sudan	Rand	ZAR	8.214	8.705	10.399	9.993
Switzerland	Franc	CHF	1.547	1.510	1.465	1.467
Tanzania	Tanzanian Shilling	TZS	1,171.850	1,144.240	950.798	887.970
Tunisia	Tunisian Dinar	TND	1.451	1.440	1.359	1.327
Turkey	Turkish Lira	TRL	1,546,627.000	1,688,161.440	1,620,238.000	1,375,950.660
EU	Euro	EUR	1.000	1.000	1.000	1.000
Venezuela	Bolivar	VEB	1,790.980	1,806.760	1,426.050	1,020.700

N.B. *The exchange rate shown expresses the quantity of foreign currency needed to buy 1 euro.*

CONSOLIDATED BALANCE SHEET AND FINANCIAL POSITION

(Million of euro)	**9M 2003**	**1H 2003**	**2002**	**9M 2002**
Net intangible fixed assets	51,059	48,996	58,292	44,172
Net tangible fixed assets	106,902	101,918	93,725	85,718
Equity investments	31,831	31,841	33,909	26,130
Other net assets	16,837	18,284	14,398	25,493
Total net fixed assets	**206,629**	**201,039**	**200,324**	**181,513**
Inventories	43,367	41,576	40,620	35,612
Work in progress	251,005	224,125	198,343	286,065
Trade receivables	256,995	249,959	236,738	180,585
Other assets	204,727	218,609	224,869	198,919
Advance payments	(116,320)	(124,789)	(133,362)	(107,276)
Subtotal	*639,774*	*609,480*	*567,208*	*593,905*
Due to suppliers	(221,653)	(209,116)	(195,154)	(170,912)
Other liabilities	(153,923)	(136,061)	(144,453)	(157,352)
Subtotal	*(375,576)*	*(345,177)*	*(339,607)*	*(328,264)*
Working capital	**264,198**	**264,303**	**227,601**	**265,641**
Employees' indemnity fund	(12,101)	(11,745)	(11,970)	(11,844)
Contractual risks reserve	(53,796)	(55,498)	(50,650)	(50,680)
Other reserves	(14,258)	(16,034)	(23,855)	(20,067)
Total reserves	**(80,155)**	**(83,277)**	**(86,475)**	**(82,591)**
Net invested capital	**390,672**	**382,065**	**341,450**	**364,563**
Cash and short-term financial receivables	173,489	159,449	171,875	136,346
Financial receivables included in fixed assets	65,755	39,009	39,785	25,545
Medium/long-term financial debt	(261,851)	(271,781)	(212,594)	(211,420)
Short-term financial debt	(142,539)	(87,282)	(118,205)	(97,854)
Net financial assets/liabilities	**(165,146)**	**(160,605)**	**(119,139)**	**(147,383)**
Consolidated net equity	224,718	221,466	222,004	216,387
Minority interest	808	(6)	307	793
Net equity	**225,526**	**221,460**	**222,311**	**217,180**
Personal guarantees	1,345,372	1,651,819	1,653,148	1,494,176
Risk of recourse from factors	84,244	128,584	164,806	123,453
Other memorandum accounts	27,452	27,452	27,452	0
Real guarantees	43,969	43,969	0	0
Third-party bank guarantees in our favour	22,226	42,219	21,932	17,772
Total commitments and guarantees	**1,523,263**	**1,894,043**	**1,867,338**	**1,635,401**

The consolidated balance-sheet situation and financial position reflect substantial stability in terms of invested capital, even though activities underwent a marked increase.

During the period under review, the increases undergone by fixed assets were negligible, given in the previous year sizeable investments were made, in keeping with the Group's Industrial Plan. Indeed, the principal variations witnessed during the period may be attributed to investments made by the subsidiary Astaldi Construction Corporation to bolster activities in the United States. This policy was defined following the impressive results achieved during the year in terms of order backlog growth.

Long-term investments include the Company's own shares to the order of 3 million euro, following its buy-back plan, approved by the Shareholders Meeting on 5 March 2003. The 1,626,538 shares held in treasury were acquired at an average cost of 1.845 euro.

Working capital is in line with the figure seen the previous year, and is a notable achievement if regarded in relation to the rise in contract revenues, which compared with 2002 were up by 17.9% QoQ and up by 13.3% on a progressive annual basis.

It is also worthwhile remembering that the trend followed by invoicing and the collection of receivables during the year has been affected by delays that are usually made good by the end of the year, as a result of measures taken to get contracts presently underway certified by Public Administration offices for end-of-year purposes.

During the quarter under review, most of the receivables accrued during the execution of the Istanbul-Ankara Motorway project in Turkey also continued to be collected.
This result was achieved thanks to the extremely solid commitment that Astaldi management infused during the closing months of 2002 and 2003, the purpose of which was to make a complete review of the contractual arrangements in place with the client concerned.

Still on the subject of the above contract, the first nine months of the current year saw around 60 million USD collected in respect of the work carried out, to which the collection of a further 15 million USD or so in early October should be added. Outstanding receivables presently amount to approximately 36 million USD, the most of which will be received by the year 2003.

Turning to work that is still to be carried out, 29 September 2003 was the signing of an export credit facility and loan that will provide the Turkish Government with the financial resources needed in order to complete the project. To be more precise, this transaction, which is managed by MCC and West L.B., comprises a 217 million USD export credit and an 88 million USD commercial loan, both of which will come into force by the end of the current year.

Working capital includes receivables relating to activities undertaken in Venezuela in respect of railway contracts. It should be pointed out that last September, SACE (Italian Institute for Foreign Trade Insurances) reopened credit to Venezuela. Such positive developments led, on the one hand, to the collection of 30 million euro of receivables in November and, on the other hand, to the speeding-up of the closure of the export credit facility for the Puerto Cabello-La Encrucijada contract. This financial transaction, managed by Société Générale and Banca Intesa and in respect of which SACE has issued a 165 million USD promise of guarantee, should come into force by the end of the current year.

The Group’s financial set-up is geared to support operational activities by way of project finance transactions. Indeed, the trend followed by financial flows involves keeping the cash generated within the projects embarked. The decision to operate in this manner means that the Group net financial position does not incorporate the net liquidity found within the various purpose companies that are not included in its consolidated accounts, such as for example the Consortium that is managing the construction activities at the New Expo Fair Centre in Milan, in respect of which Astaldi share of liquid assets amounts to about 25 million euro.

Figures for the consolidated net financial position are analysed below.

(Euro/000)	30/09/2003	30/06/2003	31/12/2002	30/09/2002
Short-term financial indebtedness	(137,406)	(84,309)	(114,251)	(93,874)
Medium/long-term financial indebtedness	(87,962)	(98,526)	(39,675)	(44,469)
Cash, short-term securities and financial receivables	173,489	159,450	171,875	136,346
Financial receivables included among financial fixed assets	65,755	39,009	39,785	25,545
Total ordinary financial position	**13,876**	**15,624**	**57,734**	**23,548**
Eurobond	(150,000)	(150,000)	(150,000)	(150,000)
Leasing	(29,022)	(26,229)	(26,872)	(20,931)
Total net financial position	**(165,146)**	**(160,605)**	**(119,138)**	**(147,383)**

As already mentioned, the growth undergone by revenues in 2003 has been accompanied by the close monitoring of invested capital. In particular, during the first half of 2003, the important contracts being realised in Venezuela required financial backing that will be recouped in the fourth quarter from receivables collected (actually collected in October) and other receivables, to be collected before the end of the year. This inflow of cash will enable receivables to return to their ordinary contractual values. It is also worthwhile noting that assets – made up of liquid assets and loans payable over the short/medium term (within 24 months) – are constantly improving if compared with the like-for-like figure produced for 2002, which is even more appreciable considering the rise in production achieved.

Against this backdrop, the aim of keeping the Debt/Equity ratio below 1 is being comfortably observed, even during a period when the commercial efforts made by the Company (in terms of developing new ventures, especially project finance deals, and investing in the qualitative growth of resources) have been extremely important.

It would also seem opportune to point out that net indebtedness includes loans and debt arising from project finance initiatives: worthy of special mention are the four car-parking facilities being operated in Italy to the tune of approximately 8 million euro, as well as the 6 million euro equity investment made in the SPV dedicated to the construction and operation of the New Mestre Hospital. Also getting off the ground during the quarter under review was the first stage of investment in project financing (to the order of around 2 million euro) for the realisation and operation of “Technological Tunnels” in the Cologno Monzese area. Repayment of these investments is guaranteed by future flows originating from operation activities, meaning that there will be no recourse to the Group’s guarantees.

Net equity, amounting to around 226 million euro (representing a rise as a result of the earnings realised for the period), includes a conversion reserve that – notwithstanding the US dollar’s growing weakness – has remained flat on the previous quarters of 2003, thanks to the conservative policy adopted to cover exchange-rate risk. It is important to note that the currency translation procedure followed involves converting items at the exchange rate recorded on the reporting date, said process therefore being affected by the US dollar’s current weakness. This policy, devised to manage the variable represented by exchange rates, is an effective one, also considering that the Group realises one-third of sales volumes in US dollars or in currencies pegged to it.