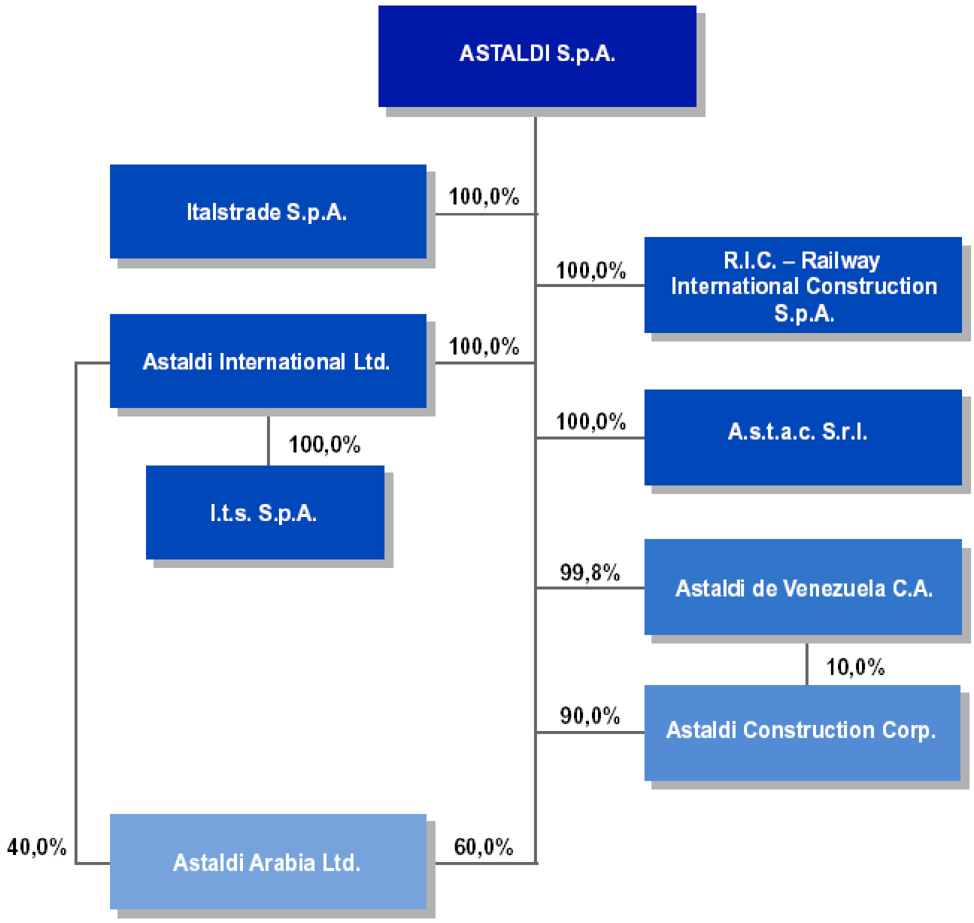
ASTALDI
THIRD QUARTER REPORT AS AT 30 SEPTEMBER 2003

CONTENTS

GROUP STRUCTURE

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



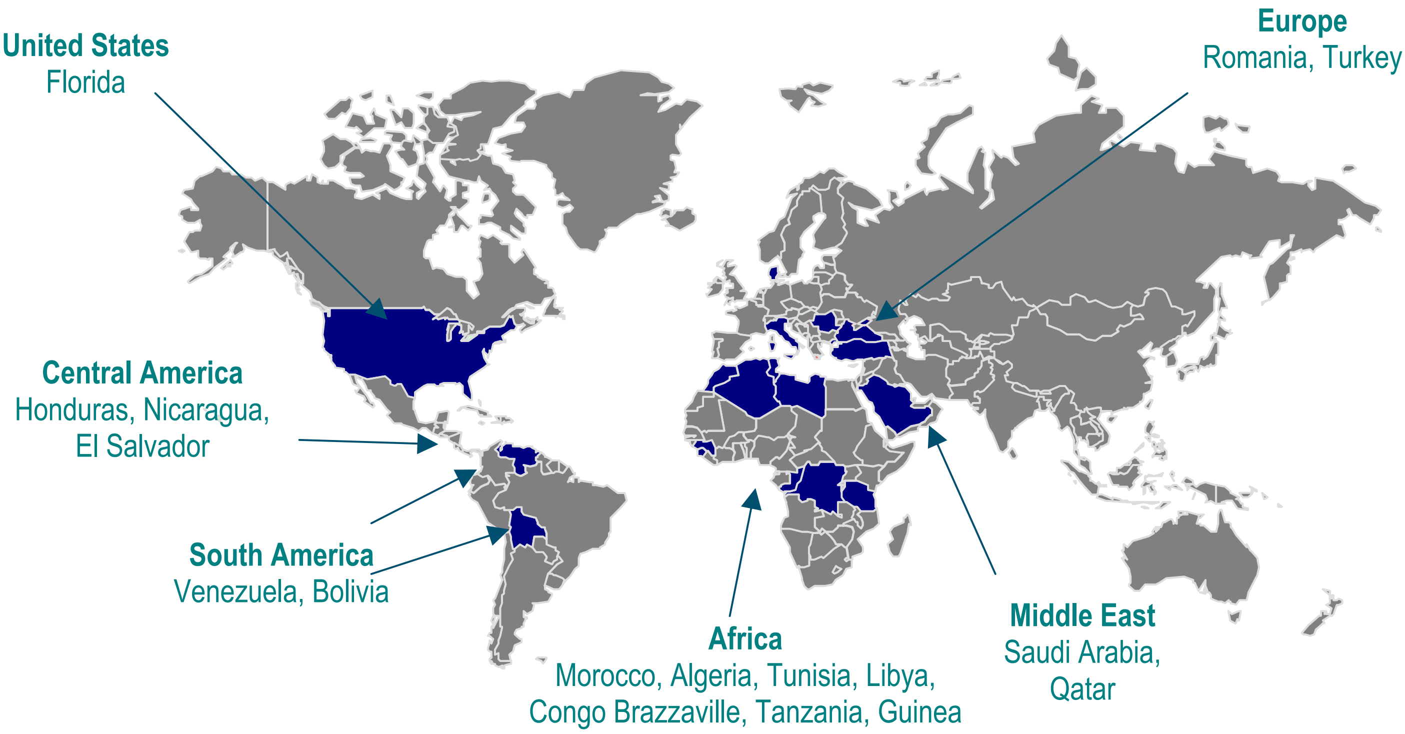
Group operations include 76 associate and consortium companies and 4 special purpose companies for licensed operations.

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		Equity investments included in the scope of consolidation	
Consorcio Astaldi-Columbus (Nicaragua)	98.00%	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.

RECLASSIFIED CONSOLIDATED INCOME STATEMENT

(Million of euro)	**9M 2003**	%	**9M 2002**	%	**3Q 03**	%	**3Q 02**	%
Contract revenues	623,887	93.3%	550,492	91.0%	224,487	93.0%	190,318	89.8%
Other revenues	44,878	6.7%	54,364	9.0%	16,979	7.0%	21,617	10.2%
Total revenues	**668,765**	**100.0%**	**604,856**	**100.0%**	**241,466**	**100.0%**	**211,935**	**100.0%**
Costs of production	(477,512)	(71.4%)	(456,829)	(75.5%)	(182,942)	(75.8%)	(158,300)	(74.7%)
Value added	191,253	28.6%	148,027	24.5%	58,524	24.2%	53,635	25.3%
Labour costs	(89,247)	(13.3%)	(77,702)	(12.8%)	(30,054)	(12.4%)	(29,598)	(14.0%)
Gross operating profit	**102,006**	**15.3%**	**70,325**	**11.6%**	**28,470**	**11.8%**	**24,037**	**11.3%**
Other charges	(14,541)	(2.2%)	(12,477)	(2.1%)	(6,474)	(2.7%)	(5,664)	(2.7%)
Ebitda	**87,465**	**13.1%**	**57,848**	**9.6%**	**21,996**	**9.1%**	**18,373**	**8.7%**
D&A	(33,988)	(5.1%)	(24,958)	(4.1%)	(8,336)	(3.5%)	(14,515)	(6.8%)
Provisions and write-downs	(23,069)	(3.4%)	(22,427)	(3.7%)	(3,289)	(1.4%)	(3,791)	(1.8%)
Use of risk fund	17,091	2.6%	34,003	5.6%	5,259	2.2%	15,000	7.1%
Ebit	**47,499**	**7.1%**	**44,466**	**7.4%**	**15,630**	**6.5%**	**15,067**	**7.1%**
Interest charges	(17,942)	(2.7%)	(17,920)	(3.0%)	(6,565)	(2.7%)	(6,039)	(2.8%)
Equity write-downs	(1,902)	(0.3%)	(7,232)	(1.2%)	(411)	(0.2%)	(5,664)	(2.7%)
Extraordinary income (charges)	(2,801)	(0.4%)	(2,940)	(0.5%)	(994)	(0.4%)	(972)	(0.5%)
Profit before taxes	**24,854**	**3.7%**	**16,374**	**2.7%**	**7,660**	**3.2%**	**2,392**	**1.1%**
Income taxes	(8,987)	(1.3%)	(6,684)	(1.1%)	(6,713)	(2.8%)	(1,650)	(0.8%)
Prepaid taxes	3,732	0.6%	-	n.m.	3,242	1.3%	-	n.m.
Net income for the period	**19,599**	**2.9%**	**9,690**	**1.6%**	**4,189**	**1.7%**	**742**	**0.4%**
Net (profit) loss for minorities	(415)	(0.1%)	120	n.m.	(767)	(0.3%)	(248)	(0.1%)
Group net income	**19,184**	**2.9%**	**9,810**	**1.6%**	**3,422**	**1.4%**	**494**	**0.2%**

As at 30 September 2003, the Group was committed to contracts in some 18 different countries, said contracts predominantly being in the railway infrastructure sector. Total revenues for the third quarter amounted to about 241 million euro. Contract revenues amounted to about 224 million euro, with 45.3% relating to activities carried out in Italy and the remaining 54.7% to activities carried out abroad.

The table below breaks down the Group's total revenues for operating year 2003 by the different types of work carried out.

(millions of euro)	Sept. 30 2003	%	Sept. 30 2002	%	3rd Quarter 2003	%	3rd Quarter 2002	%
Transport infrastructure	452	72.4%	466	84.6%	153	68.0%	160	83.8%
Hydraulic works and hydroelectric plants	78	12.5%	40	7.3%	29	12.9%	8	4.2%
Civil and industrial buildings	94	15.1%	45	8.2%	43	19.1%	23	12.0%
Total	**624**	**100.0%**	**551**	**100.0%**	**225**	**100.0%**	**191**	**100.0%**

As may be seen from the figures reported, transport infrastructures continue to constitute Astaldi key area of activity, in terms of both business volumes and sector specialisation. In this regard, we should stress that the majority of projects relating to the so-called "Legge Obiettivo" are within this particular sector.

The share held by industrial construction projects has increased, thanks to the significant contribution from the contract relating to the New Expo Fair Centre in Milan (which got underway in October of last year). As at 30 September, this share had increased by more than 20%. This particular project is expected to making a growing contribution during the last quarter of this year and over the next year as well.

Revenues may be broken down by geographical area as follows:

(millions of euro)	Sept. 30 2003	%	Sept. 30 2002	%	3rd Quarter 2003	%	3rd Quarter 2002	%
Italy	**296**	**47.4%**	**258**	**46.8%**	**102**	**45.3%**	**89**	**46.6%**
Abroad	**328**	**52.6%**	**293**	**53.2%**	**123**	**54.7%**	**102**	**53.4%**
Europe	57	9.1%	103	18.7%	33	14.7%	31	16.2%
Americas	215	34.5%	130	23.6%	71	31.6%	44	23.0%
Asia	3	0.5%	0	0.0%	1	0.4%	0	0.0%
Africa	53	8.5%	60	10.9%	18	8.0%	27	14.1%
Total	**624**	**100.0%**	**551**	**100.0%**	**225**	**100.0%**	**191**	**100.00%**

During the period under review, contract revenues increased by more than 17% on the third quarter of 2002, evidencing further the encouraging trend registered on a progressive annual basis for 2003. As already mentioned, the first nine months of 2003 saw a positive development in construction activities at the New Expo Fair Centre in Milan, which – in keeping with the objectives set during industrial planning activities – has helped to increase the incidence of domestic projects in Astaldi civil and industrial construction activities.

The results achieved by activities in America were also impressive, particularly as regard those in Venezuela, where the Caracas-Tuy Medio and Puerto Cabello-La Encrucjiada Railway projects are making progress without encountering any specific problems and where the contract won for the Los Teques Underground System is generating high revenues and margins. These encouraging trends will continue into the fourth quarter, thanks in part to the significant proceeds foreseen.

In the first nine months of 2003, the Group's activities in the United States, undertaken by way of subsidiary company Astaldi Construction Corporation, successfully achieved a number of important objectives on both the revenues and commercial front, with approximately 120 million USD of business being won and 50 million USD of revenues being realised. In this regard, measures aimed at beefing up the Group's US structure (in terms of human resources, production facilities and financial capacity) successfully continued.

To end, as may be gleaned from the geographical breakdown of activities, on a progressive basis productive activities in Europe underwent a noticeable decrease on the previous year, which is essentially related to the contract being realised in Turkey, which as mentioned previously is now in the process of gathering speed. Said downturn, foreseen however in annual business plans, should be partially made good during the last quarter of the year, thanks to the fresh financial resources now available to the Turkish Government, ensuring that there are the resources needed to complete the project. Romania has remained one of the most stable countries in terms of revenues and results, while the main contracts underway in Africa are in the process of being completed and provide confirmation of the Sub-Sahara region's loss of significance.

The sound economic performance witnessed during the quarter is highlighted by the Group's gross operating margin and EBITDA both being considerably higher than they were in the first nine months of the previous year; EBIT posted – equal to 7.1% of total revenues – has allowed a progressive net result for the year to date of 19.2 million euro (compared with 9.8 million euro in 2002). With regard to this, we should add that the net result posted for the period to 30 September 2002 was before tax. In the current comparative version, said result incorporates the fiscal effect (based on the average tax rate applied to year-end results in operating year 2002).

During the first nine months of the current year, depreciation and amortisation charges underwent a notable increase because of charges relating to the IRICAV DUE contract, incurred in the realisation of the Verona-Venice section of the High-Speed Railway Line, being charged to the income statement. (An arbitration award eventually acknowledged the expenses borne.)

ORDERS PORTFOLIO BY LINE OF BUSINESS AND GEOGRAPHICAL AREA

In the first nine months of the year 2003 Astaldi acquired new orders worth 1.808 billion euro, raising the global value of the Group's orders portfolio to 4.623 billion euro as at 30 September 2003: a notable increase on the level seen as at 1 January 2003. New orders relating only to the third quarter amounted to 427 million euro.

Reporting on the first nine months of operating year 2003, the table below outlines the trends followed by the orders portfolio in the Group's principal areas of activity.

(millions of euro)	Beginning of period 01/01/2003	Acquisitions	Production	End of period 30/09/2003
Railways and underground train systems	905	1,312	(247)	1,970
Roads and highways	808	167	(191)	784
Airports and ports	82	17	(14)	85
Hydraulic works and hydro-electric plants	346	76	(78)	344
Civil and industrial building	543	121	(94)	570
Concession	755	115	0	870
TOTAL ORDER BACKLOG	**3,439**	**1,808**	**(624)**	**4,623**

The orders portfolio may be broken down by geographical area as follows:

(millions of euro)	Beginning of period 01/01/2003	Acquisitions	Production	End of period 30/09/2003
ITALY	*2,218*	*1,395*	*(296)*	*3,316*
ABROAD	*1,221*	*414*	*(328)*	*1,307*
TOTAL	**3,439**	**1,808**	**(624)**	**4,623**

The current orders portfolio, amounting to about 4.6 billion euro (with 72% based in Italy, primarily within the railway infrastructures sector) marks the early attainment of the target stated in strategic planning exercises.

As far as winning new contracts during the quarter is concerned, we should highlight that in August the Company was awarded a 289 million euro contract for the realisation of the Bologna Centrale High-Speed Railway Station. This contract, which will span 4.5 years, is further evidence of Astaldi ability as a leading general contractor, boasting necessary technical, management and financial skills to the highest standard.

As referred to extensively in this report, the arbitration proceedings pertaining to the Verona-Venice section of the High-speed Railway Line recently ended positively for the Company.

The arbitration award in favour of the IRICAV DUE Consortium, in which the Company holds a 32.99% interest, has given the Consortium the right to claim back the costs incurred, as well as awarded it the job of carrying out some of the original section (i.e. Verona-Padua). Indeed, it will be remembered that the Padua-Venice section was the subject of a previous ordinary tender contracted-out by TAV S.p.A..
Recent estimates put Astaldi share of the work involved in the Verona-Padua section at approximately 868 million euro.

As far as foreign markets are concerned, mention should be made of the funding provided by the Venezuelan Government for the second phase of the Puerto Cabello-La Encrucijada Railway, which has increased Astaldi share in the contract by 70 million euro, compared with the signed agreement, which includes a further 270 million euro or thereabout that has yet to be financed. The Group continues to meet the targets it has set itself with its successful contract-winning activities in the United States and Central America, as highlighted previously.

COMMENTS ON THE THIRD QUARTER OPERATING PERFORMANCE

In the quarter under review, total revenues were more than 14% higher than in the same period of operating year 2002, increasing to 241 million euro, despite the weakness shown by the US dollar and other currencies pegged to it, which reduced progressive revenues for the year to date by about 30 million euro, compared with the same value calculated by using exchange rates prevailing at the beginning of the year.

The significant rise in the net income posted for the quarter takes on greater importance if we consider that the result registered as at 30 June 2003 already incorporated the effects arising from the conclusion of the arbitration award relating to IRICAV DUE on 17 July 2003. The dispute, party to which were the IRICAV DUE Consortium (in which Astaldi has a 32.99% interest) and TAV S.p.A., related to the realisation of the High-Speed Railway link between Verona and Venice, reached an end with both the acknowledgement of the design activities undertaken and the costs already borne, and the increase in the orders portfolio after the Consortium was awarded the contract for the Verona-Padua Railway link. Last August, the IRICAV DUE Consortium received its share of the advance payment provided for by the underlying agreement of around 47 million euro. The way in which these funds might be utilised in favour of the Consortium's partners are presently being evaluated.

All the important contracts won over the 2002 reached the production stage of procedures. Specifically, while steps were taken to expropriate the necessary areas for the Brescia Underground project, work to set up the building site for the construction of the New Mestre Hospital was completed.

Turning to the Group's activities in Venezuela, July saw the approval by Corporacion Andina de Fomento (CAF) of a loan to finance the additional share of work needing to be carried out on the Los Teques Underground System. On 8 September, this institution went on to approve the granting of 100 million USD in favour of Astaldi Venezuelan client IAFE, for the completion of work relating to the Caracas-Tuy Medio Railway project.
To end, as intimated previously, we should add that, after a period of uncertainty ridden with strikes and social pressures and thanks to the country's political and economic normalisation process getting off the ground, on 11 September last SACE reopened its credit to Venezuela, which

together with the definition of loan agreements should enable the export credit for the Puerto Cabello-La Encrucijada contract to be set in motion by the end of the year.

To conclude, the results achieved during the first nine months of 2003 give extra strength to the prospect of the Group's targets being met. Its outstanding performance on the new orders front means that forecasts that business volumes and the year's result will be higher than the previous year's results have been confirmed, laying the foundations for further development in the years ahead.

Playing an especially important role in operations is the quality of the Group's current orders portfolio, made up of contracts with extremely high unitary values and considerable technological content, which are mainly related to contracts within Italy's transport infrastructure sector.

SUBSEQUENT EVENTS

On 4 November 2003, the Municipality of Milan formalised our appointment as Promoter of the group of companies led by Astaldi S.p.A. for the realisation, by way of project finance, of the Milan Underground System's New Line 5.

The construction part of the project is worth about 504 million euro, with 193 million euro of this to be met by the Licensee and lending banks, and the remaining 311 million euro coming from public grants.

The licensing agreement is expected to be signed by the end of the year 2004, after the completion of the tender and negotiated procedures, which will grant a pre-emption right to Astaldi as Promoter. The job itself, including the design stage of procedures, is expected to span five years, which will be followed a 27-year operation period.

The preliminary project submitted by Astaldi, as mandatee of an industrial group assuming the role of general contractor, involves realising a completely automated driverless underground line, based on the model adopted by Astaldi when constructing the Copenhagen system, which has just been opened. The Milan Underground's new line will extend over more than five kilometres and will link Garibaldi Station to Via Bignami, moving towards the northern border of the Municipality of Milan.

This will be the first urban transport project to be realised in Italy by way of project finance, a sector in which the Group – after being awarded the contract for the realisation and operation of the New Mestre Hospital – has become an ever stronger leader in Italy: evidence of the validity of the strategy adopted by the Company with a view to making a serious commitment towards new ventures involving structured finance. In this regard, it is worthwhile remembering that Astaldi has also submitted bids involving project finance in both the road construction sector (the Appia Antica Underpass in Rome) and the health sector (construction and operation of hospitals in four provinces of Tuscany), the outcome of which is awaited at present.