ASTALDI

CONSOLIDATED QUARTERLY REPORT AS AT 30 JUNE 2004

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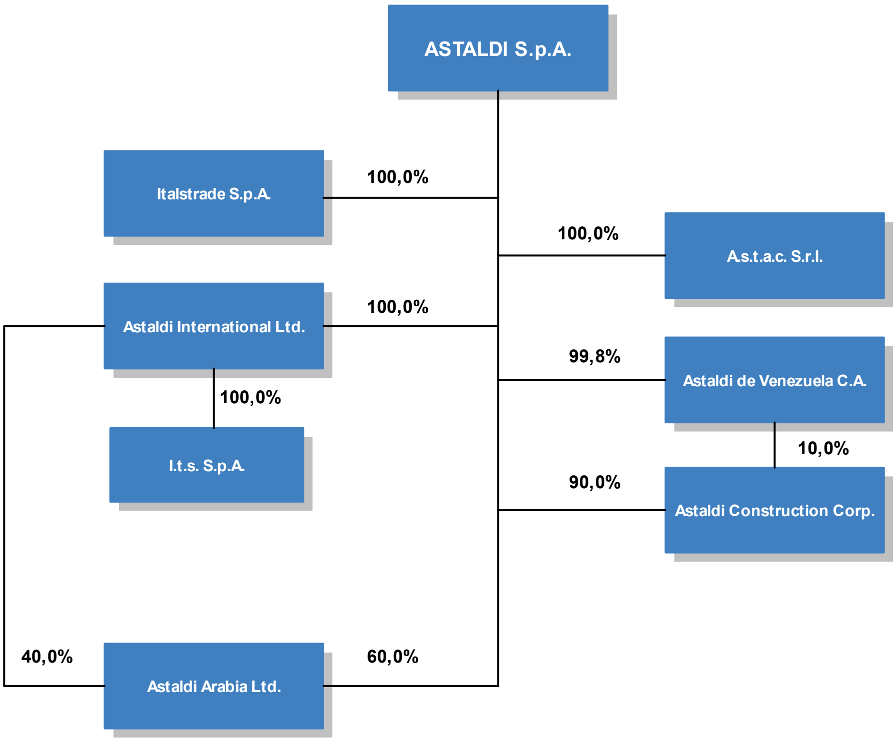
# Group Structure

The Group's structure, incorporating its principal operating companies, is outlined in the organisational chart below.

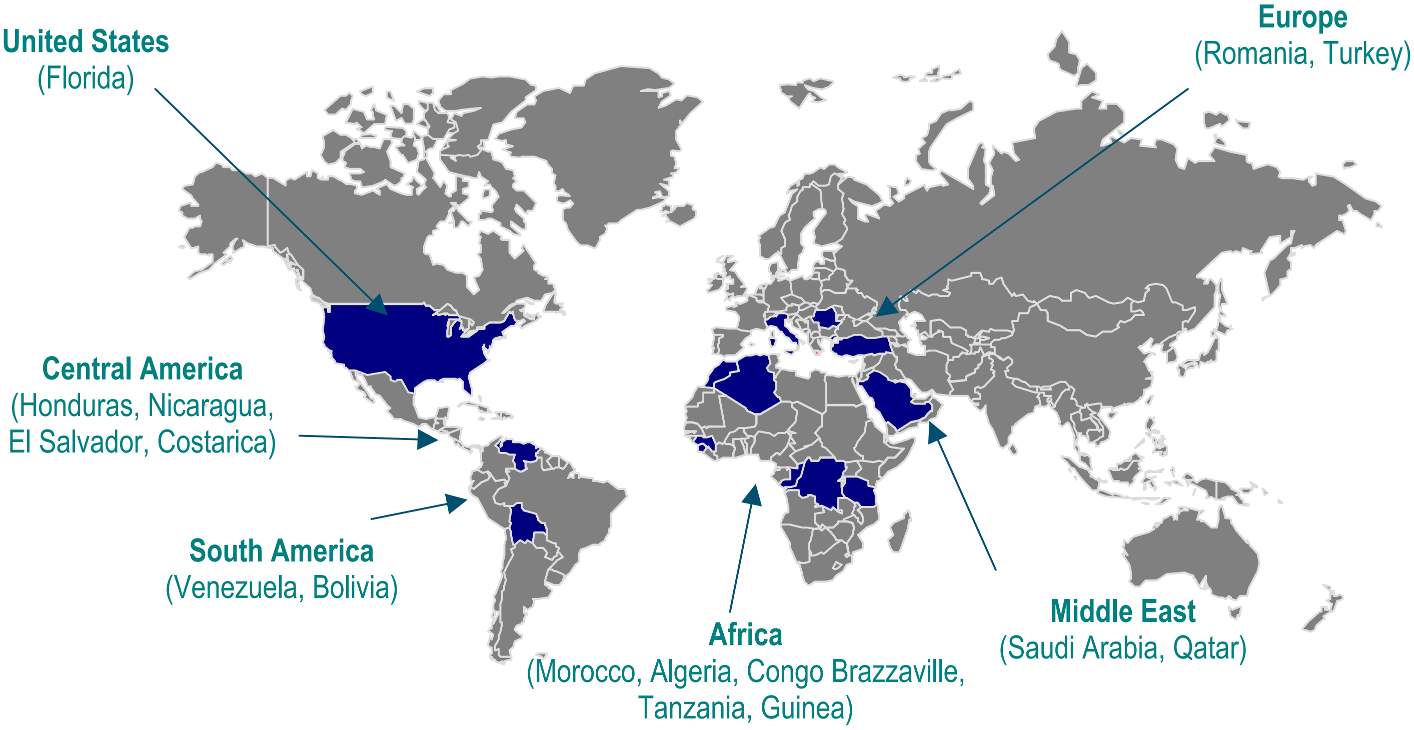



The Group's activities, which are undertaken in 17 different countries, involve furthermore 67 associate and consortium companies that operate predominantly in Italy and 4 special-purpose companies established for concession-oriented activities.

The Group has been implementing a program to streamline its operations and contain operating costs. As part of this program, the period under review saw the completion of the merger of R.I.C. S.p.A. with Italstrade S.p.A.. Following this deliberation, the Shareholders' Meeting of the two companies on 15 April 2004 approved actions and deliberations accordingly. As a result, the underlying merger agreement was formally stipulated on 21 June 2004.

The merger will allow Italstrade to strengthen its operations in the construction and maintenance of medium-sized transport infrastructures (specializing in both road and railway infrastructure).

## GEOGRAPHICAL AREAS



# EXECUTIVE OFFICERS

## Board of Directors [1]

| | |
|---|---|
| *Chairman of the Board* | Ernesto Monti |
| *Deputy Chairman* | Paolo Astaldi |
| *Deputy Executive Chairman and Chief Executive Officer* | Vittorio Di Paola |
| *Directors* | Caterina Astaldi |
| | Pietro Astaldi |
| | Luigi Guidobono Cavalchini |
| | Stefano Cerri |
| | Franco A. Grassini |
| | [2]Bruno Lecchi |
| | Mario Lupo |
| | Vittorio Mele |
| | Maurizio Poloni |

## Statutory Board of Auditors

| | |
|---|---|
| *Chairman of the Board* | Eugenio Pinto |
| *Permanent Auditors* | Pierpaolo Singer |
| | Pierumberto Spanò |
| *Alternate Auditors* | Maurizio Lauri |
| | Antonio Sisca |
| | [1] Marco Zampano |

## General Management

| | |
|---|---|
| *General Manager for International Activities* | Giuseppe Cafiero |
| *General Manager – Chief Financial Officer* | Stefano Cerri |
| *General Manager for Domestic Activities* | Nicola Oliva |

## Deputy General Manager

| | |
|---|---|
| *Deputy General Manager Finance* | Paolo Citterio |

## Audit Company

| |
|---|
| Reconta Ernst & Young S.p.A. |

[1] Nominated by the General Meeting of 30 April 2004.
2 Mr Bruno Lecchi formalised his resignation from duties as a Company Board Director by providing notice to this effect on 19 July 2004.

# SCOPE OF CONSOLIDATION

| | | Subsidiaries | % | | Other equity investments | % |
|---|---|---|---|---|---|---|
| v | 1 | A.S.T.A.C. S.r.l. | 100.00% | 15 | Consorcio Metro Los Teques | 30.00% |
| v | 2 | Italstrade S.p.A. (Ex Place Moulin S.p.A.) | 100.00% | | | |
| v | 3 | Astaldi International Ltd | 100.00% | | | |
| v | 4 | Astaldi de Venezuela C.A. | 99.80% | | | |
| v | 5 | Astaldi Construction Corp.Of Florida | 99.80% | | | |
| v | 6 | SC Italstrade - CCCF JV Romis S.r.l. | 51.00% | | | |
| v | 7 | Romstrade S.r.l. | 51.00% | | | |
| v | 8 | I.T.S. S.p.A. | 100.00% | | | |
| v | 9 | Italstrade Somet JV Rometro S.r.l. | 55.00% | | | |
| v | 10 | Sugt s.a. Calarasi | 50.53% | | | |
| v | 11 | Astaldi Arabia ltd | 100.00% | | | |
| v | 12 | Astaldi Finance S.A. | 99.96% | | | |
| v | 13 | Romairport S.r.l. ** | 99.26% | | | |
| v | 14 | Astaldi-Max Bogl-CCCF JV Srl | 50.00% | | | |

**Variations undergone by the Group's scope of consolidation**

| | Equity invest. excluded from scope of consolidation | | | | Equity invest. added to scope of consolidation | | |
|---|---|---|---|---|---|---|---|
| | **Company name** | % | | | **Company name** | % | |
| 1 | Comet JV | 15.00% | | 1 | Astaldi-Max Bogl-CCCF JV Srl | 50.00% | * |
| 2 | R.I.C. - Railway International Construction S.p.A. *** | 100.00% | * | | | | |
| 3 | Legnami Pasotti Italia I.C. S.r.l. in liquidation | 80.00% | * | | | | |

NB: Companies identified with v are consolidated on a line-by-line basis; other companies are consolidated on a proportional basis.
Companies identified with * have undergone variations during the quarter.

** Increase in stake (%) held during the quarter, from 63.89% to 99.26%
*** R.I.C. S.p.A. was removed from the Group's scope of consolidation following its merger with Italstrade S.p.A.
This situation has had no effect on the consolidated accounts

## ACCOUNTING PRINCIPLES AND EVALUATION CRITERIA

The Group quarterly report as at 30 June 2004 has been drawn up in accordance with CONSOB ruling no. 11971 of 14 May 1999, art. 82.

The balance sheet and profit and loss account for the second quarter are presented in reclassified format, so as to be in keeping with the content of the accounts as at 31 December 2003 and 30 June 2003, and have been prepared as per the accounting charts produced on same date by the Parent Company and other companies included in the scope of consolidation.

P&L figures are provided for the reporting quarter and the period running between the beginning of the year and the last day of the quarter. They are also compared with figures for the same periods of the previous year.

The most significant accounting standards adopted by the Group are described below.

Intangible assets

Intangible assets, made up of costs and expenses of long-term usefulness, have been computed and carried to reflect the charge actually incurred, which includes any additional charges that are directly attributable to the assets concerned.

The amount reported for intangible assets is shown net of amortisation, which is calculated with regard to their remaining usefulness.

Estimate charges are capitalised and charged over five years.

Fixed assets

Fixed assets, including leased assets, are made up of immovable assets and plant, machinery and equipment. Fixed assets are valued as per acquisition cost and construction cost, inclusive of any additional charges that are directly attributable to the assets concerned.

Depreciation is calculated on a straight-line basis in relation to the remaining usefulness of the assets concerned, by utilising the fiscal rates of depreciation deemed to reflect their estimated useful life.

Non-current assets (fixed and intangible assets) originally expressed in a currency other than the euro are carried by using the exchange rate in force at the time they were acquired or at the lower exchange rate in force at the end of the year, where the reduction recorded is deemed on a long-term basis.

Equity investments

Equity investments in subsidiaries and affiliates not included in the Group’s scope of consolidation are valued, where significant, by the equity method.

The other equity investments are valued at cost, which includes any additional charges that are directly attributable to them and may be adjusted to reflect any permanent losses in value.

Companies undergoing liquidation proceedings are valued at cost, which is adjusted to take liquidation costs into account.

Losses on equity investments exceeding book value and for which there is a balancing commitment are recorded in the equity investment risk reserve (after having annulled the book value).

Receivables, payables and other assets and liabilities denominated in foreign currency

Receivables and payables, as well as any other assets and liabilities arising in currencies other than the currency of account are carried by using the relevant spot exchange rates recorded on the last date of the accounting period. Any profits realised and losses incurred on exchange rates are carried to the Profit and Loss Account, with any net income allocated to a specific reserve, which may not be distributed until amounts are realised.

Currency translation of foreign company and foreign stable organization financial statements

The accounts of foreign companies and permanent foreign organisations (ledgers are maintained by adopting a multi-currency accounting systems) are converted in accordance with the following criteria: assets and liabilities are converted by using the relevant exchange rates in force as at the year-end; P&L items are converted by using the average exchange rates recorded during the year; equity items are converted by using the relevant exchange rates in force in the period during which they were introduced to equity.

Work-in-progress on order

Work-in-progress on order have been valued by specifically considering the actual progress made by work that has not been certified as at the date of these accounts (adopting the so-called “physical measurement method”), but that has been identified with reasonable certainty and by applying the contractually agreed charges and fees.

Profit and Loss Account

Positive and negative items of income are reported on an accrual basis.

Revenues from the sale of goods are imputed to the accounts when the goods in question are delivered, while revenues from the provision of services are imputed to the accounts when the services in question are provided, in accordance with underlying supply contracts.

Please note that in order to present profit and loss figures as clearly as possible, withdrawals from the provision for contractual risks have been reported as part of self-financing components (depreciation/amortisation, allocations and withdrawals), which has also involved reclassifying data for the previous periods.

The principal exchange rates used to convert accounts expressed in foreign currency are presented in the table below.

| ***COUNTRY*** | ***CURRENCY*** | | **EXC. RATE 30.06.2004** | **EXC. RATE Q2 2004** | **EXC. RATE 30.06.2003** | **EXC. RATE Q2 2003** |
|---|---|---|---|---|---|---|
| Albania | Lek | ALL | 124.507 | 129.320 | 138.019 | 139.211 |
| Algeria | Algerian Dinar | DZD | 85.473 | 85.637 | 89.689 | 85.862 |
| Saudi Arabia | Saudi Riyal | SAR | 4.546 | 4.597 | 4.368 | 4.138 |
| Bolivia | Boliviano | BOB | 9.651 | 9.693 | 8.902 | 8.372 |
| Central African Republic | CFA Franc | XAF | 655.957 | 655.957 | 655.957 | 655.957 |
| Democratic Republic of Congo | Congolese Franc | CDF | 460.042 | 460.305 | 475.813 | 447.688 |
| Croatia | Kuna | HRK | 7.373 | 7.514 | 7.522 | 7.557 |
| Denmark | Danish Krone | DKK | 7.434 | 7.444 | 7.425 | 7.428 |
| El Salvador | Colon | SVC | 10.621 | 10.741 | 10.205 | 9.668 |
| Japan | Japanese Yen | JPY | 132.861 | 133.076 | 138.050 | 131.145 |
| Guatemala | Quetzal | *GTQ* | 9.980 | 10.008 | 9.318 | 8.707 |
| Guinea | Guinean Franc | GNF | 2,433.730 | 2,455.035 | 2,303.580 | 2,177.617 |
| Honduras | Lempira | HNL | 22.038 | 22.029 | 20.287 | 18.987 |
| Libya | Libyan Dinar | LYD | 1.602 | 1.644 | 1.403 | 1.330 |
| Morocco | Moroccan Dirham | MAD | 10.965 | 10.988 | 10.873 | 10.761 |
| Nicaragua | Cordoba Oro | NIO | 19.298 | 19.248 | 17.369 | 16.445 |
| Norway | Norwegian Kroner | NOK | 8.286 | 8.450 | 8.162 | 7.764 |
| Qatar | Qatar Riyal | QAR | 4.418 | 4.468 | 4.245 | 4.022 |
| United Kingdom | Sterling | GBP | 0.664 | 0.674 | 0.702 | 0.686 |
| Romania | Leu | ROL | 40,752.700 | 40,614.700 | 38,058.900 | 36,505.667 |
| United States of America | US Dollar | USD | 1.214 | 1.228 | 1.166 | 1.105 |
| South Africa | South African Rand | ZAR | 7.811 | 8.218 | 9.216 | 8.884 |
| Switzerland | Swiss Franc | CHF | 1.519 | 1.553 | 1.541 | 1.492 |
| Tanzania | Tanzanian Shilling | TZS | 1,343.810 | 1,334.168 | 1,205.070 | 1,131.112 |
| Tunisia | Tunisian Dinar | TND | 1.532 | 1.527 | 1.469 | 1.435 |
| Turkey | Turkish Lira | TRL | 1,814,266.000 | 1,711,911.667 | 1,664,000.000 | 1,747,609.167 |
| European Monetary Union | Euro | EUR | 1.000 | 1.000 | 1.000 | 1.000 |
| Venezuela | Bolivar | VEB | 2,324.720 | 2,256.972 | 1,861.380 | 1,812.870 |

*Please note that each exchange rate shown expresses the amount of foreign currency needed to buy 1 euro.*

# CONSOLIDATED BALANCE SHEET AND FINANCIAL POSITION

| *(Euro/000)* | June 30 2004 | March 31 2004 | December 31 2003 | June 30 2003 |
|---|---|---|---|---|
| Net intangible fixed assets | 50,875 | 54,259 | 52,191 | 48,996 |
| Net tangible fixed assets | 106,634 | 104,941 | 106,318 | 101,918 |
| Equity interest | 28,622 | 28,356 | 28,361 | 31,841 |
| Other net fixed assets | 15,525 | 15,615 | 16,296 | 18,284 |
| **Total net fixed assets (A)** | **201,656** | **203,171** | **203,166** | **201,039** |
| Inventories | 33,437 | 37,158 | 41,316 | 41,576 |
| Works in progress | 225,142 | 208,671 | 187,373 | 224,125 |
| Trade receivables | 251,501 | 242,045 | 217,355 | 249,959 |
| Other assets | 225,969 | 225,892 | 207,542 | 218,609 |
| Advances | (93,690) | (97,912) | (84,919) | (124,789) |
| *Sub total* | *642,359* | *615,854* | *568,667* | *609,480* |
| Suppliers' payables | (215,981) | (203,476) | (196,399) | (209,116) |
| Other liabilities | (132,887) | (126,599) | (142,832) | (136,061) |
| *Sub total* | *(348,868)* | *(330,075)* | *(339,231)* | *(345,177)* |
| **Working capital (B)** | **293,491** | **285,779** | **229,436** | **264,303** |
| Employees' severance indemnity | (12,483) | (12,699) | (12,189) | (11,745) |
| Contractual risks fund | (63,034) | (50,516) | (51,599) | (55,498) |
| Other funds | (29,575) | (26,665) | (13,220) | (16,034) |
| **Total funds (C)** | **(105,092)** | **(89,880)** | **(77,008)** | **(83,277)** |
| **Net invested capital (D)=(A)+(B)+(C)** | **390.055** | **399.070** | **355.594** | **382.065** |
| Liquidity and current financial receivables | 125,908 | 117,240 | 149,983 | 156,165 |
| Non current financial receivables | 85,662 | 67,790 | 73,021 | 42,293 |
| Medium/long term indebtedness | (83,187) | (89,815) | (96,099) | (121,781) |
| Short term indebtedness | (140,755) | (119,077) | (105,219) | (87,282) |
| Eurobond | (150,000) | (150,000) | (150,000) | (150,000) |
| Own bonds | 8,715 | 6,053 | -- | -- |
| **Net indebtedness (E)** | **(153,657)** | **(167,809)** | **(128,314)** | **(160,605)** |
| **Group net equity** | **235,672** | **231,239** | **227,122** | **221,466** |
| Minority interests | 726 | 22 | 158 | (6) |
| **NET EQUITY (G)=(D)-(E)-(F)** | **236,398** | **231,261** | **227,280** | **221,460** |
| Personal guarantees | 1,592,067 | 1,632,083 | 1,695,806 | 1,651,819 |
| Risk of recourse from factors | 92,337 | 69,320 | 86,168 | 128,584 |
| Other memorandum items | 29,660 | 29,660 | 29,660 | 27,452 |
| Collateral security | -- | -- | -- | 43.969 |
| Third party guarantees in our favor | 25,170 | 22,918 | 22,189 | 42,219 |
| **Total commitments and guarantees** | **1,739,234** | **1,753,981** | **1,833,823** | **1,894,043** |

Period-end figures to 30 June 2004 show how one of the strengths of the Astaldi's business development plan, which foresees notable growth for both the current year and the years ahead, lies in the Group's solid balance sheet and financial position.

The examination of the principal items recorded during the period highlights the substantial stability maintained by net non-current assets compared with the figure reported for them as at 31 December 2003. In keeping with what was agreed when the Group's industrial plan was drawn up, the Group is indeed firming up its measures to rationalise and strengthen its operations abroad. Specifically, some euro 20 million is being invested in fixed assets and facilities, mainly in America and Romania, as part of plans to develop the Group's jobs book, which has taken on sizeable proportions in these areas, while measures to wind up companies operating in Sub-Saharan Africa, which is no longer regarded strategic for Astaldi, are now close to being completed.

Turning to Astaldi's domestic activities, it is important to point out that equity investments and intangible assets include the initial outlay for project finance ventures, relating for example to the establishment of the project company set up to build and manage the new Mestre Hospital and the initial outlay required to build the infrastructures needed to manage utilities in Cologno Monzese. Financial closing for the new Mestre Hospital project is at an advanced stage and should be wrapped up during the third quarter of 2004. Specifically, due diligence procedures for the project (regarding legal, technical, insurance and fiscal issues) have been defined, and the underlying financial structure also agreed with the project's lending banks and the European Investment Bank (EIB).

Generally speaking, the Group's consolidated balance sheet and financial position reflects the cyclical increase in net invested capital as compared to 31 December 2003, said increase being in connection with a significant rise in business volumes as well as with the usual process relating to the certification for jobs, the relevant issue of invoices and the collection of payment. The YoY figure registered noticeably improved: as may be seen from a comparative analysis of the situations as at 30 June 2003 and 30 June 2004, a modest 2.1% increase in net invested capital led to a significant 23% increase in the value of production. This trend is evidence of the impressive results achieved by the Group in terms of balance-sheet control and financial control thanks to the rigorous planning policy adopted.
The improved dynamic of flows should be considered in the light of the financial stability achieved in managing important contracts underway in Turkey and Venezuela.

Whilst on the subject of the Group's activities in Turkey, please note that further to the export financing scheme coming into effect in December 2003, guaranteeing full availability of the financial resources needed to complete the project, Astaldi has seen its production cycle gaining significant efficiency, while stabilising its job certification process and payment collection procedures.
This financing scheme, which is managed by MCC and West LB, includes a SACE-guaranteed export credit of US$ 217 million being granted in favour of the Turkish client and a commercial loan of US$ 88 million.

Furthermore, following SACE's reopening of credit facilities to Venezuela during the last part of 2003, at the end of 2003 a loan agreement was signed for an export credit and commercial loan managed by Société Générale and Banca Intesa and provided for the Puerto Cabello-La Encrucijada railway project underway in Venezuela. This project, which was approved (for the purposes of providing definitive insurance coverage to guarantee the execution of work) by SACE's Executive Committee, will guarantee the proper progress of work and the financial flows associated with it.

The item "Other assets" includes (among other things) amounts receivable from the company Nuovo Polo Fieristico S.c.r.l., which is currently realising the New Milan Expo Fair Centre in Rho-Pero and in respect of which Astaldi is the leading participant with its 50% share. These receivables are made up of the amount originating from amounts collected less the settling of costs incurred by the affiliate company when revenues are invoiced directly by consortium members and paid at the same time into the affiliate's coffer of funds. It is important to note that the affiliate has a significant amount of liquidity at its disposal, thanks to the positive economic cycle enjoyed by the project, which is more than 60% complete. Partners decided to let this liquidity remain available to the consortium company due to the tight timeframe established for the delivery of the project, expected to take place in April 2005; in view of this, should this temporary liquidity build up proportionately to the shareholding (more than euro 45 million), the Astaldi's Group net financial position would improve by a similar amount.

The table below breaks down the Group’s net financial position.

| (Euro/000) | June 30, 2004 | March 31, 2004 | December 31, 2003 | June 30, 2003 |
|---|---|---|---|---|
| Short term financial debt | (136,026) | (114,894) | (100,347) | (84,309) |
| Medium/Long-term financial debt | (63,668) | (70,360) | (75,072) | (98,526) |
| Cash | 125,908 | 117,240 | 149,983 | 156,165 |
| Financial receivables | 85,662 | 67,790 | 73,021 | 42,294 |
| **Ordinary finance** | **11,876** | **(224)** | **47,585** | **15,624** |
| *Eurobond* | *(150,000)* | *(150,000)* | *(150,000)* | *(150,000)* |
| *Eurobond buy-back* | *8,715* | *6,053* | -- | -- |
| Net Eurobond | (141,285) | (143,947) | (150,000) | (150,000) |
| Leasing | (24,248) | (23,638) | (25,898) | (26,229) |
| **Net financial position** | **(153,657)** | **(167,809)** | **(128,313)** | **(160,605)** |

As outlined previously in the comments regarding the trend followed by invested capital, Astaldi’s financial position, whilst affected by the cyclical support provided to production during the first half of the year (which is typical of seasonal trends linked to the economic cycle), also reflects the Group’s sound financial structure, backed up further by its debt/equity ratio, which is well less than one. This ratio of particular significance, since the phase being experienced by the Group is seeing both production and commercial efforts being influenced by the development of new initiatives - especially in the field of project financing - as well as investments targeting the qualitative growth of resources.

It is also worthwhile underlining that net indebtedness includes loans relating to three parking facilities managed in Italy and other project finance initiatives, to the order of more than euro 22 million in total. Repayment of these investments is guaranteed by the future flows arising from operations.

As regards the overall structure of the Group’s debt, it should be noted that the Group has already bought back euro 8.7 million of the euro 150 million bond maturing in February 2005.

In keeping with the targets set in its Industrial Plan, the Group has started to define a new financial policy, which aims to reposition medium/long-term borrowing once Astaldi has repaid its Eurobond in February. In such context, the Group has entered into a five-year bank loan agreement for euro 100 million, repayable by semi-annual instalments, representing its first step towards meeting the targets set.

Loans granted and securities include Astaldi's own shares to the order of euro 3 million, said shares having been acquired as part of an 18-month buy-back plan approved by the General Shareholders' Meeting on 5 March 2003. The 1,441,786 shares held in Astaldi's treasury were acquired at an average value of approximately euro 2.08.

Net equity, amounting to about euro 236 million, underwent a variation during the year that was largely attributable to the net income for the period and the distribution of dividends (euro 6.3 million), as per the resolution carried by the Shareholders' Meeting held on 30 April 2004.

## RECLASSIFIED CONSOLIDATED PROFIT AND LOSS ACCOUNT

| Euro/000 | 2Q 2004 | % | 2Q 2003 | % | 1H 2004 | % | 1H 2003 | % |
|---|---|---|---|---|---|---|---|---|
| Revenues from construction | 268,719 | 94.2% | 210,249 | 94.3% | 495,913 | 94.4% | 399,400 | 93.5% |
| Other revenues | 16,662 | 5.8% | 12,707 | 5.7% | 29,639 | 5.6% | 27,899 | 6.5% |
| ***Total revenues*** | **285,381** | **100.0%** | **222,956** | **100.0%** | **525,552** | **100.0%** | **427,299** | **100.0%** |
| Cost of production | (201,353) | (70.6%) | (147,842) | (66.3%) | (378,952) | (72.1%) | (294,570) | (68.9%) |
| **Added value** | **84,028** | **29.4%** | **75,114** | **33.7%** | **146,600** | **27.9%** | **132,729** | **31.1%** |
| Labor Cost | (33,528) | (11.7%) | (29,432) | (13.2%) | (66,018) | (12.6%) | (59,193) | (13.9%) |
| ***Gross operating profit*** | **50,500** | **17.7%** | **45,682** | **20.5%** | **80,582** | **15.3%** | **73,536** | **17.2%** |
| Other charges | (4,889) | (1.7%) | (2,805) | (1.3%) | (9,186) | (1.7%) | (8,067) | (1.9%) |
| **Ebitda** | **45,611** | **16.0%** | **42,877** | **19.2%** | **71,396** | **13.6%** | **65,469** | **15.3%** |
| D&A | (10,217) | (3.6%) | (15,930) | (7.1%) | (19,359) | (3.7%) | (25,652) | (6.0%) |
| Net provisions and use of risks fund | (11,773) | (4.1%) | (10,049) | (4.5%) | (11,951) | (2.3%) | (7,948) | (1.9%) |
| ***Ebit*** | **23,621** | **8.3%** | **16,898** | **7.6%** | **40,086** | **7.6%** | **31,869** | **7.5%** |
| Interest charges | (7,676) | (2.7%) | (5,703) | (2.6%) | (12,698) | (2.4%) | (11,377) | (2.7%) |
| Equity write-downs | (1,762) | (0.6%) | (2,365) | (1.1%) | (2,362) | (0.4%) | (1,491) | (0.3%) |
| Extraordinary income (charges) | (550) | (0.2%) | 832 | 0.4% | (1,289) | (0.2%) | (1,807) | (0.4%) |
| ***Profit before taxes*** | **13,633** | **4.8%** | **9,662** | **4.3%** | **23,737** | **4.5%** | **17,194** | **4.0%** |
| Income taxes | (366) | (0.1%) | 419 | 0.2% | (4,105) | (0.8%) | (2,274) | (0.5%) |
| Prepaid taxes | (1,416) | (0.5%) | 490 | 0.2% | (1,141) | (0.2%) | 490 | 0.1% |
| ***Net income for the period*** | **11,851** | **4.2%** | **10,571** | **4.7%** | **18,491** | **3.5%** | **15,410** | **3.6%** |
| Net (profit) loss of minorities | (841) | (0.3%) | 144 | 0.1% | (809) | (0.2%) | 352 | 0.1% |
| **Group net income** | **11,010** | **3.9%** | **10,715** | **4.8%** | **17,682** | **3.4%** | **15,762** | **3.7%** |

As at 30 June 2004, the Group was committed to carry out projects in 17 countries, predominantly in railway infrastructures area.

The Group's performance during the first half of the year 2004 enabled it to attain the objectives set out in its Industrial Plan. The special attention focused on those contracts of greater value and of greater complexity (from a technical, legal and/or operational perspective) played an important role in the significant increase in business volumes.

Total revenues for the second quarter were more than euro 285 million. Contract revenues amounted to around euro 269 million, with Italian activities accounting for 45.7% and foreign activities accounting for the remaining 54.3%.

The table below details the contribution of the various types of contracts to the total revenues for the Group in the second quarter of 2004.

| (Millions of euro) | 2Q 04 | % | 2Q 03 | % | 1H 04 | % | 1H 03 | % |
|---|---|---|---|---|---|---|---|---|
| Transport infrastructures | 180 | 66.9% | 153 | 72.9% | 311 | 62.7% | 299 | 74.9% |
| Hydraulic work and hydroelectric power plants | 32 | 11.9% | 25 | 11.9% | 66 | 13.3% | 49 | 12.3% |
| Civil and industrial buildings | 57 | 21.2% | 32 | 15.2% | 119 | 24.0% | 51 | 12.8% |
| **Total** | **269** | 100.0% | **210** | 100.0% | **496** | 100.0% | **399** | 100.0% |

As may be clearly resulting from the above figures, transport infrastructures continue to constitute Astaldi's target area of activity, in terms of both total revenues and sectorial specialisation.

The percentage represented by industrial and civil buildings grew sharply, thanks to the significant contribution lent by Astaldi's contract relating to New Milan Expo Fair Centre, which started in October 2002 was already more than 60% completed by 30 June 2004. This first part of the year also saw construction work get underway at the new Mestre Hospital in respect of the civil works being carried out there.

Total revenues may be broken down by geographical area as follows:

| (Millions of euro) | | 2Q 04 | % | 2Q 03 | % | 1H 04 | % | 1H 03 | % |
|---|---|---|---|---|---|---|---|---|---|
| **Italy** | | **123** | 45.7% | **101** | 48.1% | **243** | 49.0% | **194** | 48.6% |
| **Abroad** | | **146** | 54.3% | **109** | 51.9% | **253** | 51.0% | **205** | 51.4% |
| | Europe | 62 | 23.0% | 15 | 7.1% | 87 | 17.5% | 24 | 6.0% |
| | Americas | 56 | 20.8% | 73 | 34.8% | 111 | 22.4% | 144 | 36.1% |
| | Asia | 7 | 2.6% | 1 | 0.5% | 15 | 3.0% | 2 | 0.5% |
| | Africa | 21 | 7.8% | 20 | 9.5% | 40 | 8.1% | 35 | 8.8% |
| **Total** | | **269** | 100.0% | **210** | 100.0% | **496** | 100.0% | **399** | 100.0% |

As may be seen from the above breakdown, during the second quarter of 2004, contract revenues increased by 27.8% on the second quarter of 2003.

Based on geographical distribution, revenue-generating activities in Europe underwent a notable rise on the same period of the previous year, thanks to both activities in Turkey becoming full operational again and activities in Romania: this Eastern European country has proven to be one of the fastest growing areas in terms of production and results. This is in turn evidence of the commercial commitment shown by the Group over the last few years, which have seen the area's managerial structures and technical facilities go from strength to strength.

In Turkey, works have progressed as foreseen, confirming the newfound normalisation of contractual elements of both a technical/operational nature and financial nature. The importance of the project performed by Astaldi is supported by the fact that the expenditure that the Turkish Government is set to pledge for the year 2004 has been revised upwards. This will lead to an expansion in Astaldi's operations in this country during the second half of 2004, with work expected to be wrapped up in 2006.

Over in the Americas, sound results were again achieved by the Group's operations, especially in Venezuela, as well as in El Salvador and the USA. Contracts being executed around the Miami area should receive a further boost, thanks in part to the significant contracts won during the quarter. In this regard, it is important to note how activities currently in progress in the USA, within the area of transport infrastructures and utilities, are being buoyed up by a wide-reaching programme devised to strengthen management and control functions.

Mention should also be made of Asia, a region where Astaldi has had a presence for around two years now, namely in Saudi Arabia and Qatar. In the latter country, the Group is performing the civil works related to SASOL GTL plant, on behalf of one of the most important international contractors operating in the field of oil plant engineering. The project, whose activities are expected to generate more than US$ 30 million in the year 2004, represents the first important step in the area with the support of a high-level, well-established managerial structure specialising in projects for large-scale plants within the oil industry.

Thanks to the attention paid to containing overheads, this year staff costs as a percentage of total revenues were lower than in the same quarter of 2003.

From an earnings perspective, a flourishing business performance helped to raise both EBIT and EBITDA, which were considerably higher in absolute value terms than the figures recorded the previous year. It is also important to note that EBIT for the quarter, amounting to 8.3% of total revenues, was 39.8% higher than the amount recorded in the second quarter of 2003. The net result posted for the quarter, amounting to euro 11 million, reflected a slight improvement of 2.8% on the amount posted for the same period of 2003. The net income posted for the first half of 2004, amounting to euro 17.7 million, represented a sharp increase of 12.2% on the euro 15.8 million recorded in 2003, while Astaldi's pre-tax result was up by 38% on the same period of 2003.

It is important to point that the result registered in 2004 is all the more impressive if we consider the incidence of taxes, which were higher than in the same period of the previous year.

Please note also the recording, during the period under review, of effects arising from the fiscal consolidation of Italstrade, effected pursuant to the provisions of the Consolidation Act for Income Taxes (T.U.I.R., as amended by the recent reform), as well as the partial recording of prepaid taxes – again by Italstrade – in respect of accrued fiscal losses for the tax period 2003.

## ORDERS BACKLOG BY OPERATING SECTOR AND GEOGRAPHICAL AREA

The first half of operating year 2004 saw the Group awarded new contracts worth more than euro 400 million, bringing the global value of the Group's orders backlog as at 30 June 2004 to euro 4.3 billion (flat on the start of the year). In terms of geographical distribution, Italy accounts for 69% of the Group's orders backlog (most contracts relating predominantly to railway infrastructures), with the remaining 31% located abroad (predominantly in the Americas, as well as in Romania and Turkey). It is important to underline that the Group would appear to have fulfilled its objective of keeping its orders backlog at the exceptional levels seen in the year 2003, when an extremely impressive increase was registered. This will enable the Group to confirm the growth planned for the three-year period covered by its current Industrial Plan, based on a mandate-driven policy that prioritises profitability. Indeed, it may recall that the criteria adopted by the Company mean that only those projects for which a contract has been signed and financial coverage is available are to be included in its orders backlog. This means that the Group's orders backlog as at 30 June 2004 included neither projects in respect of which Astaldi has been formally appointed project promoter (under Clause 37 (ii) of the Merloni Law) nor projects in Venezuela for which financial coverage has yet to be formalised. It should be noted in this regard that the Group was appointed project promoter for the realisation of the project finance-supported Line 5 of Milan's Underground, as well as for the realisation of the Appia Antica Underpass in Rome.

The Milan Underground Line 5 project is worth around euro 504 million, with 193 million being covered by the concessionaire and lending banks and the remaining euro 311 million or so being funded through public grants.

The franchise agreement will presumably be signed by the end of 2004, once the related tender and negotiations, in respect of which Astaldi as project promoter will enjoy the right of pre-emption, have been wrapped up. Work, including the planning phase, is expected to take five years, after which the project will be managed for 27 years.

However, as regards the project for the construction and management of four hospitals in Tuscany, the company is waiting to learn of the reasons that led Tuscany's Regional Administrative Court to annul the appointment of a project promoter for the consortium formed by Astaldi (as entrusted project agent), Techint and Pizzarotti. The Group reserves the right to lodge an appeal with the State Council.

In June 2004, the Municipality of Rome formalised its appointment of Astaldi as project promoter for the realisation of the project finance-supported Appia Antica Underpass. This project is worth around euro 390 million in total, with euro 190 million being covered by the concessionaire and the remainder being covered by the Municipality itself. The proposal presented involves a thirty-year franchise being granted for the management of the project, which will earn the mandated party proceeds of more than euro 800 million, gross of management costs. The franchise agreement will be signed once the related tender and negotiations, in respect of which Astaldi as project promoter will enjoy the right of pre-emption, have been wrapped up. The project is expected to be completed and subsequently delivered by the year 2009. The preliminary plan presented by Astaldi involves a two-lane road (one for each direction of traffic) being realised. This road will link up the city's southern section to its eastern section. The road will extend over 8.9 kilometres, including 6.9 kilometres of tunnels. This is the very first urban transport project that will be performed in Rome by way of project finance, a sector in respect of which the Group is a leading player in Italy.

The Municipality of Rome did however resolve that there was no public interest in the proposal to execute Line C of the city's Underground System by way of project finance. This project will be accomplished through a tender that will mandate a general contractor.

The table below details the evolution of the Group's orders backlog during the year 2004, within the principal areas of activity. Please note that it does not include the aforementioned initiatives for which Astaldi is promoter.

| **Milioni di Euro** | **01/01/2004** | **New orders** | **Production** | **30/06/2004** | |
|---|---|---|---|---|---|
| Railwys and subways | 2,013 | 99 | (128) | 1,983 | |
| Roads and highways | 723 | 237 | (173) | 787 | |
| Airports and ports | 89 | 23 | (10) | 102 | |
| Hydraulic works and hydroelectric power plants | 313 | 36 | (66) | 283 | |
| Civil and industrial buildings | 399 | 15 | (119) | 295 | |
| Operations | 870 | 0 | 0 | 870 | |
| **Total** | **4,407** | **409** | **(496)** | **4,320** | |
| of which ITALIA | | | | | |
| ***of which ITALY*** | ***3,200*** | ***72.6%*** | | ***2,981*** | ***69.0%*** |
| ***of which ABROAD*** | ***1,207*** | ***27.4%*** | | ***1,339*** | ***31.0%*** |

As regards commercial activities being undertaken in the transport infrastructure sector by way of project finance, it should be noted that Astaldi submitted further project finance proposals for the

completion and management of a section of the Salerno-Reggio Calabria Motorway and the realisation and management of the Milan Underground's Line 4.
Commercial activities have continued in Italy in respect of general contracting projects put out to tender. During the first half of 2004, bids were also submitted for the large-scale transport infrastructures foreseen by the so-called "Objective Law" (Legge Obiettivo). The prequalification, verification and mandate-awarding procedures are currently underway for these projects.
June 2004 saw the definition of the group of companies with which Astaldi, as consortium leader, will participate in the tender for the realisation of the Messina Strait Bridge. The majority of the syndicate will be composed of Italian contractors: in addition to Astaldi, as consortium leader, Pizzarotti, Vianini, the Bologna Consortium for Building Co-operatives (Consorzio Cooperative Costruzioni di Bologna), Grandi Lavori Fincosit, Maire Engineering and Ghella will all take part. These companies will be joined by the Spanish firms Ferrovial Agroman S.A. and Necso Entrecanales Cubiertas, as well as by Japan's Nippon Steel Corporation (NSC). This project, involving an investment of about euro 4.4 billion, requires a variable pre-financing tranche from the General Contractor of between 10% and 20%.

Turning to the Group's foreign activities, we should remind you of the funding provided by the Venezuelan Government for the third phase of the Puerto Cabello-La Encrucijada railway project. As a result, Astaldi's share of the work has increased by approximately euro 47 million, further to a signed contract that includes an additional euro 135 million or so that remains unfunded and will be included in its orders backlog in the years ahead. Your attention is also drawn to the Group's mandate-winning achievements in Romania and the USA. In Romania, we were awarded a contract to construct the Pitesti ring-road, which is worth more than euro 66 million, while in the USA the Group, by way of subsidiary company Astaldi Construction Corporation, was awarded new contracts totalling around US$ 100 million, including a project to build Miami's highway SR9 (around US$ 60 million).

## INFORMATION REGARDING BUSINESS PERFORMANCE FOR THE QUARTER

During the quarter under review, contract revenues amounted to around euro 269 million, up 27.8% on the second quarter of 2003. This increase was due to both construction work continuing at the New Milan Expo Fair Centre (with regard to domestic revenues) and the sound performance reaped from foreign activities (specifically Venezuela, USA and Central America).

During the second quarter, activities got underway to set up building sites for the contracts awarded at the end of 2002 and the end of 2003 respectively to carry out the Brescia Underground Transport System and Bologna's High-Speed Railway Station.

Total revenues realised during the quarter exceeded euro 285 million, up 28% on the second quarter of the previous year.

EBITDA amounted to euro 50.5 million (17.7% of total revenues), representing a rise of 10.5% on the euro 45.7 million registered during the same quarter of 2003.

EBIT amounted to around euro 23.6 million (8.3% of total revenues), representing a rise of 39.8% on the euro 16.9 million registered during the second quarter of 2003.

Consolidated net income, amounting to around euro 11 million, was flat on the second quarter of 2003.

As at 30 June 2004, net indebtedness amounted to euro 153,7 million, down from the euro 161 million recorded at the end of the second quarter of 2003, even though business volumes increased by 28% as a result of the attention dedicated to controlling contract-oriented invested capital.

The first six months of 2004 saw the awarding of new contracts wrapped up for euro 409 million, bringing the global value of the Group's orders backlog to euro 4.318 billion.

With regard to the project finance initiatives embarked upon to execute the Zagabria-Gorican Motorway in Croatia, which was in the process of being performed during the period 1997-99 before being interrupted as a result of funding problems linked to the country's economic situation, arbitration proceedings were initiated with the Vienna Chamber of Commerce. On 18 June last, the Arbitration Committee resolved an award, giving Astaldi the right to claim fees for the work and activities it had carried out, loss of earnings and accrued interest.

The award also neutralises any effects arising from action taken by the Croatia's Inland Revenue regarding the payment of an alleged VAT debt. This situation cancels out the risk highlighted in the Information Memorandum produced at the time of the Astaldi stockmarket flotation, which took place in the year 2002.

In the accounts for the period to 30 June 2004, the effects of the above award have been prudently allocated to the “provision for contractual risk” and to the “bad debt provision for arrears interest”. This is while the Group awaits the outcome of procedures for the award to be acknowledged by the Croatian Court and any forced enforcement of the award itself, partly in view of the significant amount awarded under the ruling carried, given the country’s economic situation.

## EVENTS TAKING PLACE AFTER THE PERIOD UNDER REVIEW

In July, Astaldi, as leader of a syndicate of companies, headed the league table for the awarding of construction contracts in connection with, and for the subsequent operation of, a new Hospital in Naples (“Ospedale del Mare”).

Contracts in this instance totalled euro 187 million, with around 64% having been paid by the Local Health Authority, the project’s client, and the remaining amount being covered by the concessionaire, which will see to the management of non-health services over a period of twenty-five years, with total fees exceeding euro 660 million.

In addition to a 500-bed hospital, this project also includes a 100-bed hotel and a shopping centre covering an area of around 3,500 square metres. Astaldi’s bid was successful during the mandate-awarding stage of procedures, thanks to its project’s greater technical value and superior aesthetic features, as well as to the more efficient means proposed to manage the various services. Work is expected to take 42 months, at the end of which the franchise will commence.

To end, we should also mention that, again in July, US$ 21.5 million was received for the work carried out up until May in respect of the work in progress in Turkey, while the equivalent of euro 11 million was received for works currently in progress in Venezuela.