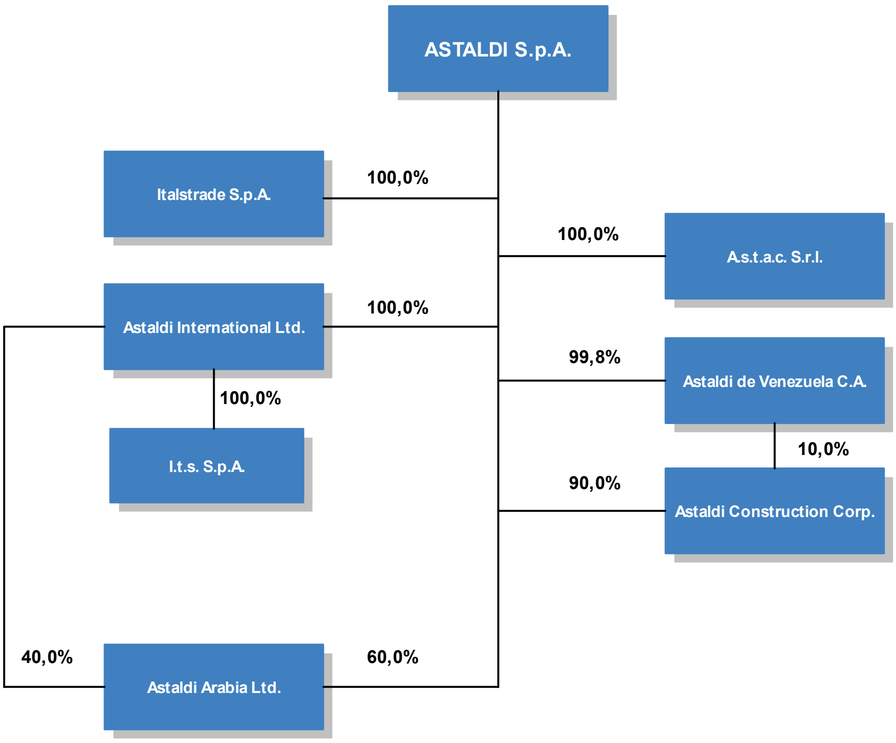
ASTALDI

CONSOLIDATED QUARTERLY REPORT AS OF DECEMBER 31, 2004

INDEX

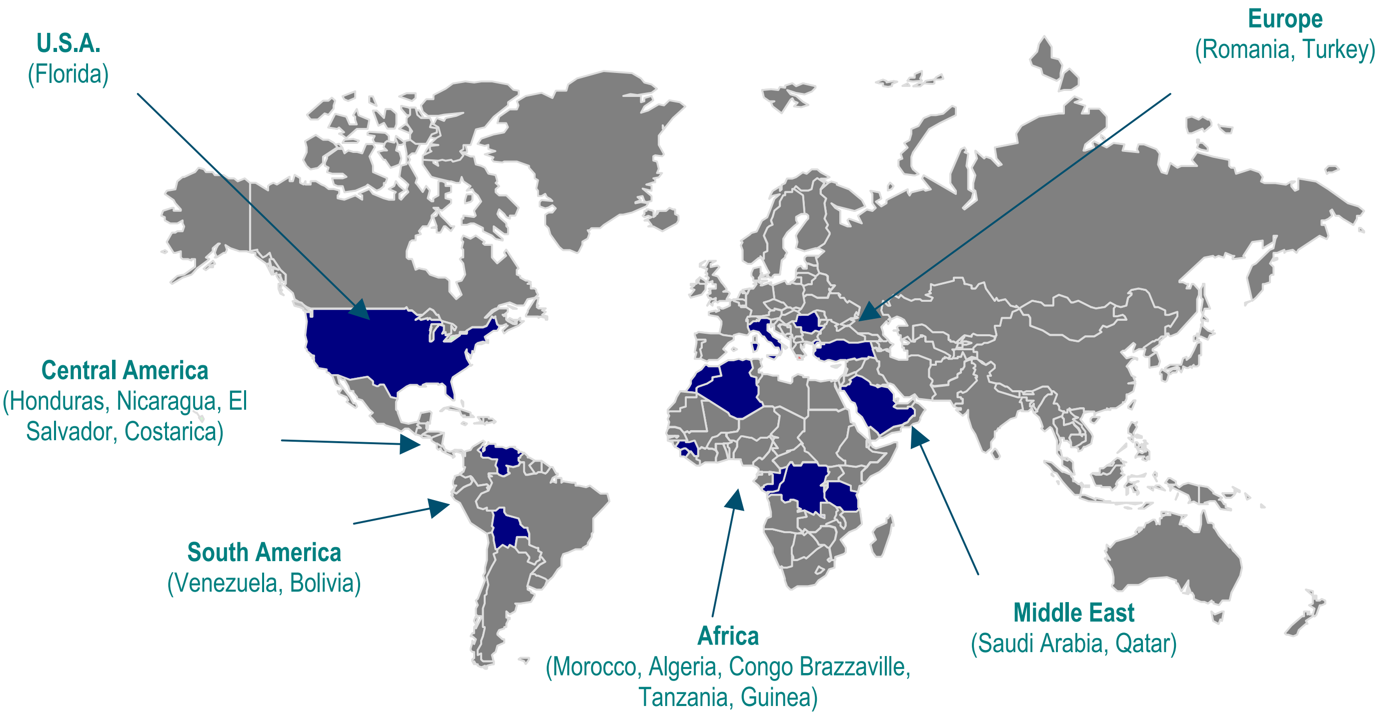
GROUP STRUCTURE

Please find below the Group corporate structure relating to the main operating companies



The operating activities, carried out in 17 countries, also include 61 companies operating mainly in Italy and 4 special purpose companies for concessionary activities.

GEOGRAPHIC AREA



CORPORATE BODIES

Board of Directors

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

Board of Statutory Auditors

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

General Managers

General Manager for International Activities	Giuseppe Cafiero
General Manager for Finance and CFO	Stefano Cerri
General Manager for Italy	Nicola Oliva

Deputy General Manager

Deputy General Manager for Finance	Paolo Citterio

Independent Auditors

	Reconta Ernst & Young S.p.A.

SCOPE OF CONSOLIDATION

		Subsidiaries	%				%
?	1	Assistenza Sviluppo e Tecnologie Ausiliarie alle Costruzioni (A.S.T.A.C.) S.r.l.	100.00%		15	Consorcio Metro Los Teques	30.00%
?	2	Italstrade S.p.A.	100.00%				
?	3	Astaldi International Ltd.	100.00%				
?	4	Astaldi de Venezuela C.A.	99.80%				
?	5	Astaldi Construction Corporation	99.80%				
?	6	Italstrade CCCF JV Romis S.r.l.	51.00%				
?	7	Romstrade S.r.l.	51.00%				
?	8	Servizi Tecnici Internazionali - I.T.S. S.p.A.	100.00%				
?	9	Italstrade Somet JV Rometro S.r.l.	55.00%				
?	10	S.U.G.C.T. S.A. Calarasi	50.53%				
?	11	Astaldi Arabia Ltd.	100.00%				
?	12	Astaldi Finance S.A.	99.96%				
?	13	Romairport S.r.l.	99.26%	*			
?	14	Astaldi-Max Bogl-CCCF JV S.r.l.	50.00%				

Changes in the consolidation basis 2004

	Equity interest leaving the consolidation scope				**Equity interest entering the consolidation scope**	
	Denominazione	**%**			**Denominazione**	**%**
1	Copenhagen Metro Construction Group J.V. (COMET)	15.00%		1	Astaldi-Max Bogl-CCCF JV S.r.l.	50.00%
2	R.I.C. - Railway International Construction S.p.A.	100.00%	**			
3	Legnami Pasotti Italia I.C. S.r.l.	80.00%				

NB: **The companies marked ■ are aggregated with the line by line method; the others with the proportional method**

There were no changes in consolidation basis in last quarter 2004

* Increase of net equity interest during fiscal year 2004 passing from 63,89% to 99,26%

** Railway International Construction S.p.A. left the consolidation basis because of its merger in Italstrade SpA.
Such merger does not cause any effect from consolidation standpoint.

ACCOUNTING PRINCIPLES AND EVALUATION POLICIES

The accounting principles and evaluation policies, applied in preparing the 4th Quarter 2004 Consolidated Financial Report of Astaldi S.p.A., comply with the provisions of CONSOB regulation (art. 82) n. 11971 issued on May 14, 1999.

The Consolidated balance sheet and the Profit and Loss accounts referred to the last quarter of 2004 have been reclassified consistently to the reclassification made, last year, on financial statements as of December 31, 2003 and they have been prepared with financial reports of all consolidated entities closed as of December 31, 2004.

The 2004 Profit and Loss accounts have been compared, both on year basis and on 4th quarter basis respective to the year basis and 4th quarter basis Profit and Loss accounts referred to 2003.

The main accounting principles and evaluations policies, adopted by the Group, are summarized as follows.

<u>Intangible fixed assets</u>

Intangible assets represent costs and expenses with multi-year utility and have been accounted for and recorded on the basis of the cost effectively incurred inclusive of directly attributable ancillary charges.

This amount is presented in the accounts net of amortisation, which is calculated in relation to the residual useful life of the asset.

Charges in connection with the listing procedure have been capitalized and are amortized over a 5-year period.

<u>Tangible fixed assets</u>

Tangible fixed assets, including those acquired through leasing, consist of real estate assets, plant and machinery and equipment utilised for the purpose of production activity, has been on the basis of the purchase price or the construction cost, inclusive of directly-attributable ancillary charges.

Depreciation is calculated with the straight line method at a constant rate in relation to the residual useful life of the asset, within the limits of the tax rates considered representative of the estimated useful life of the asset.

The fixed assets (tangible or intangible) expressed in a currency different from Euro are recorded in Euro applying the rate of exchange in force as of the date of transaction or the lower rate of exchange as of closing date of fiscal period even if in such case the reduction in rate of exchange has to be considered as permanent one.

Equity investments

Equity investments in subsidiary and associated companies excluded from the scope of consolidation are accounted for, if significant, using the equity method.

Other investments are stated at cost, inclusive of directly attributable ancillary charges, adjusted if necessary to reflect permanent losses of the value.

Companies in liquidation are stated at cost, adjusted to consider the relevant liquidation expenses.

Losses from equity investments, which exceed the book value for which there is a commitment to settlement, are accounted for (after having written-off the book value) in the provision for losses in equity investments.

Receivables, payables and other assets and liabilities in foreign currencies

Receivables, payables and other assets in currencies other than the unit of account are shown at the spot exchange rate at the end of the reporting period.

Any exchange rate gains or losses are ascribed to the income statement and any net gains are allocated to a non-distributable reserve set up for the purpose until they are realized.

Currency translation of foreign entities financial statements

The currency translation of foreign entities financial statements (multi-currency accounting is applied) has been carried out using the followings criteria: assets and liabilities are translated into Euro at rate of exchange in force as at the closing date; the lines of Profit and Loss accounts are translated into Euro at the average rate of exchange of the referred period; the equity items are translated into Euro keeping the rate of exchange referred to the setting up period.

Contracts in progress

Long term contract in progress at year end are stated in accordance with the stage of completion of the works performed, not yet officially recognized by the customer, and thus not yet billed and included in revenues, but identified with reasonable certainly, applying the physical measurement method, and evaluated on the basis of the revenue contractually agreed.

Profit and Loss accounts

The positive and negative income components are recorded on an accrual basis.

Revenues from the sales are recognised upon delivery of the goods; revenues from services are recognised according to the services provided and in agreement with the relevant contracts.

It is worthwhile to outline that in order to provide a better "true and fair view" of Profit & Loss accounts the use of exceeding provisions has shown as source of self-financing (such as amortizations, depreciations, provisions and utilizations). The same item referred to the prior period has been consistently reclassified.

The followings are the main exchange rates applied to translate in Euro the financial statements of foreign entities:

Exchange rates applied to translate in Euro the financial statements of foreign entities (Source: U.I.C.)

Country	***Currency***		***Exchange rate as at 12/31/04***	***Average exchange rate 2004***	***Exchange rate as at 12/31/03***	***Average exchange rate 2003***
Algeria	Dinar	DZD	95.955	87.915	83.006	85.480
Saudi Arabia	Riyal	SAR	5.021	4.658	4.601	4.236
Bolivia	Boliviano	BOB	10.836	9.907	9.537	8.649
Central African Republic	Franc	XAF	655.957	655.957	655.957	655.957
Colombia	Peso	COP	3,262.240	3,295.820	3,509.040	3,283.570
Republic of Congo	Franc	CDF	578.199	485.349	450.864	448.503
Costa Rica	Colon	CRC	592.148	535.701	499.327	443.516
Croatia	Kuna	HRK	7.554	7.489	7.670	7.557
Denmark	Krone	DKK	7.434	7.440	7.442	7.431
El Salvador	Colon	SVC	11.732	10.884	10.750	9.898
Japan	Yen	JPY	139.140	134.445	132.431	130.971
Djibouti	Franc	DJF	238.279	220.350	217.392	200.951
Guatemala	Quetzal	*GTQ*	10.563	9.982	10.088	9.055
Guinea	Franc (*)	GNF	3,470.052	3,470.052	2,450.980	2,240.710
Honduras	Lempira	HNL	25.016	22.656	22.042	19.752
Libya	Dinar	LYD	1.743	1.627	1.651	1.437
Morocco	Dirham	MAD	11.152	11.013	11.012	10.812
Nicaragua	Cordoba	NIO	21.788	19.799	18.952	17.025
Norway	Krone	NOK	8.221	8.370	8.242	8.003
Qatar	Riyal	QAR	4.880	4.528	4.472	4.117
United Kingdom	Pound	GBP	0.695	0.679	0.702	0.692
Romania	Leu	ROL	38,695.800	40,509.700	40,572.600	37,550.600
United States of America	Dollar	USD	1.341	1.244	1.229	1.131
South Africa	Rand	ZAR	7.685	8.009	7.993	8.532
Swiss	Franc	CHF	1.536	1.544	1.554	1.521
Tanzania	Shilling	TZS	1,401.530	1,332.410	1,287.430	1,169.160
Tunisia	Dinar	TND	1.621	1.546	1.512	1.453
Turkey	Lira	TRL	1,870,690.000	1,777,052.000	1,761,551.000	1,694,851.000
European Monetary Union	Euro	EUR	1.000	1.000	1.000	1.000
Venezuela	Bolivar	VEB	2,567.820	2,337.200	1,960.780	1,829.430

Please note that the exchange ratio expresses the quantity of foreign currency required to purchase 1 Euro.
(*) Source Banque Centrale - Républbique de Guinée

CONSOLIDATED BALANCE SHEET AND NET FINANCIAL POSITION

Euro/000	December 31 2004	September 30 2004	December 31 2003	September 30 2003
Net intangible fixed assets	49,897	46,119	52,191	51,059
Net tangible fixed assets	102,293	106,441	106,318	106,902
Equity investments	26,319	29,290	28,361	31,831
Other net fixed assets	14,142	16,602	16,296	16,837
Total net fixed assets (A)	**192,651**	**198,452**	**203,166**	**206,629**
Inventories	42,831	35,574	41,316	43,367
Contracts in progress	192,752	244,467	187,373	251,005
Trade receivables	301,883	260,055	217,355	256,995
Other receivables	205,185	225,477	207,542	204,727
Advances	(107,413)	(100,439)	(84,919)	(116,320)
Subtotal	**635,238**	**665,134**	**568,667**	**639,774**
Suppliers' payables	(228,980)	(238,550)	(196,399)	(221,653)
Other payables	(157,279)	(146,705)	(142,832)	(153,923)
Subtotal	**(386,259)**	**(385,255)**	**(339,231)**	**(375,576)**
Working capital (B)	**248,979**	**279,879**	**229,436**	**264,198**
Employees' severance indemnity	(12,473)	(12,177)	(12,189)	(12,101)
Contractual risks provision	(41,177)	(44,329)	(51,599)	(53,796)
Other funds	(28,732)	(29,563)	(13,220)	(14,258)
Total funds (C)	**(82,382)**	**(86,069)**	**(77,008)**	**(80,155)**
Net invested capital (D)=(A)+(B)+(C)	**359,248**	**392,262**	**355,594**	**390,672**
Cash and cash equivalents	174,839	129,629	149,983	133,713
Long-term financial receivables	77,178	77,069	73,021	105,531
Medium/Long- term indebtedness	(86,647)	(80,027)	(96,099)	(111,851)
Short-term indebtedness	(150,838)	(144,025)	(105,219)	(142,539)
Debenture loans (Eurobond)	(150,000)	(150,000)	(150,000)	(150,000)
Own debenture loans	20,001	9,936	--	--
Net indebtedness (E)	**(115,467)**	**(157,418)**	**(128,314)**	**(165,146)**
Group net equity	**243,690**	**233,978**	**227,122**	**224,718**
Minority interests	91	866	158	808
Net equity (G)=(D)-(E)	**243,781**	**234,844**	**227,280**	**225,526**
Personal guarantees	1,393,144	1,525,007	1,695,806	1,743,078
Risk of recourse from factor	79,573	89,006	86,168	84,244
Other off-balance sheet accounts	30,381	29,660	29,660	27,452
Collateral securities	--	--	--	43,969
Third party guarantees in our favour	25,066	25,255	22,189	22,226
Total off-balance sheet accounts	**1,528,164**	**1,668,928**	**1,833,823**	**1,920,969**

From the analysis of the main balance sheet items, the overall value of net assets was seen to drop compared to figures at 31 December 2003 on account of standard amortization and

depreciation. Indeed, in accordance with the provisions of the industrial plan and in line with progress on ongoing orders backlog mainly in the Americas and Romania, the Group has completed its technical-operating investment programme thereby strengthening operations in these areas.
During the year, our investment in General Contracting tenders commenced; more specifically, your attention is drawn to ongoing activities to prepare the Bridge on the Messina Straits tender. In this project, Astaldi will front an international group of companies.

As far as domestic activity is concerned, it is important to point out that equity holdings and intangible fixed assets include initial investments in project financing activities, such as the special purpose vehicle set up for the construction and management of the new Hospital in Mestre and initial investments to set up management infrastructures for utilities in Cologno Monzese.

Net investments include approx. Euro 0.9 million in our own shares. The average purchase value of the 400,000 shares now held is Euro 2.24.

Going back to main indicators, the consolidated balance sheet shows that net invested capital remained relatively stable compared with 31 December 2003. It should be pointed out that this figure becomes even more relevant when seen together with the approx. 14% growth in revenues compared with the previous period. This confirms the remarkable results the Group has achieved in terms of asset and finance control attributable to our very attentive planning policy and greater economic and financial stability of foreign markets where Group operations are underway.
In this regard, with reference to the improved cash-flow, it is worthwhile recalling the financial stability achieved in the management of important contracts currently in progress in Turkey and Venezuela.
In relation to Group activities in Turkey, it should be remembered that following the introduction of export financing measures in December 2003, Astaldi raised efficiency levels in its production cycle, introducing a degree of stability into the work certification process and relative collection activities.
Furthermore, thanks to SACE reopening of credit lines for Venezuela, the relative financing contract relating to commercial and export credit was signed at the end of 2003. Said activities are managed by Société Générale and Banca Intesa, in favour of the Puerto Cabello-La Encrucijada railway contract. This contract, awarded final insurance coverage (now fully operative and available) by the SACE Executive Committee in order to guarantee the project, will ensure the regular advancement of work and relative financial flows.

The item "Other receivables" heading includes amounts due from Nuovo Polo Fieristico S.c.r.l.. The latter is currently involved in the construction of the New Milan Expo Fair Centre at Rho-Pero, a project of which Astaldi is leader with a 50% share. In actual fact, this figure represents the relative cash and cash equivalents currently held by the consortium company, equal to Euro 42 million, to be used to support operations in order to meet the tight deadlines which apply in this case for project completion. Including this company within the scope of consolidation would have considerably improved the Group's net debt position. In this regard, it should be noted that in January 2005, shareholders agreed to consider retaining, in relation to their relative shares in the initiative, part of the liquidity generated through the collection of credits equalling a total of Euro 5.8 million for Astaldi.

A breakdown of main net debt figures is provided below:

(Euro/000)	**12/31/2004**	**09/30/2004**	**12/31/2003**	**09/30/2003**
Short-term financial debt	(146,181)	(139,262)	(100,348)	(137,406)
Medium/Long-term financial debt	(69,308)	(61,703)	(75,072)	(87,962)
Cash and cash equivalents	174,839	129,629	149,983	133,713
Long-term financial assets	77,178	77,069	73,021	105,531
Total ordinary finance	**36,528**	**5,733**	**47,584**	**13,876**
Euro bond	*(150,000)*	*(150,000)*	*(150,000)*	*(150,000)*
Own debenture loans	*20,001*	*9,936*	*--*	*--*
Net debenture loans	(129,999)	(140,064)	(150,000)	(150,000)
Leasing	(21,996)	(23,087)	(25,898)	(29,022)
Total Net Financial Position	**(115,467)**	**(157,418)**	**(128,314)**	**(165,146)**

As previously illustrated with regard to the dynamics of net invested capital, the net debt position is a faithful indication of the Group's excellent financial structure, as confirmed by the sub-0.50 *Debt/Equity Ratio*. This figure is particularly significant given that the Group is currently dedicating considerable production and commercial-related efforts to attracting new business, especially with regard to project financing and investments in the quality of human resources.

It is worthwhile pointing out that net debt includes loans for three car parks managed in Italy and project financing operations totalling in excess of Euro 27 million. Future revenues generated from the management services provided will assure repayment of these investments.

With regard to our complex debt structure and in line with the objectives established in the Industrial Plan, the Group has begun to plan its new financial policy whereby medium-to-long term debt will be restructured. It is worthwhile noting that, as regards the debenture loan of Euro 150 million due in February 2005, by 31 December 2004 the Group had already redeemed Euro 20 million. Furthermore, on 30 June 2004, the Group undersigned a bank loan for Euro 100 million which was successfully syndicated on the Italian and European banking market and reimbursable in six-monthly instalments over 5 years. This loan represents the first step towards achieving our established objectives.

Net equity, which totalled approx. Euro 244 million, were seen to vary during the period mainly on account of net earnings, changes in the conversion reserve and the distribution of dividends.

RECLASSIFIED CONSOLIDATED PROFIT AND LOSS ACCOUNTS

Euro/000	December 31 2004	%	December 31 2003	%	4th Quarter 2004	%	4th Quarter 2003	%
Contract revenues	989,348	94.3%	870,145	94.3%	249,678	93.9%	246,258	96.9%
Other revenues	59,726	5.7%	52,640	5.7%	16,223	6.1%	7,762	3.1%
Total revenues	**1,049,074**	**100.0%**	**922,785**	**100.0%**	**265,901**	**100.0%**	**254,020**	**100.0%**
Costs of production	(792,992)	(75.6%)	(672,895)	(72.9%)	(200,853)	(75.5%)	(192,741)	(75.9%)
Added Value	**256,082**	**24.4%**	**249,890**	**27.1%**	**65,048**	**24.5%**	**61,279**	**24.1%**
Labour costs	(129,023)	(12.3%)	(122,865)	(13.3%)	(31,192)	(11.7%)	(33,618)	(13.2%)
Gross operating profit	**127,059**	**12.1%**	**127,025**	**13.8%**	**33,856**	**12.7%**	**27,661**	**10.9%**
Other charges	(14,446)	(1.4%)	(13,714)	(1.5%)	(622)	(0.2%)	(1,815)	(0.7%)
Ebitda	**112,613**	**10.7%**	**113,311**	**12.3%**	**33,234**	**12.5%**	**25,846**	**10.2%**
Amortisations and depreciations	(45,322)	(4.3%)	(45,693)	(5.0%)	(14,386)	(5.4%)	(11,705)	(4.6%)
Provisions, write-downs and uses of risks funds	7,328	0.7%	(1,174)	(0.1%)	54	0.0%	4,804	1.9%
EBIT	**74,619**	**7.1%**	**66,444**	**7.2%**	**18,902**	**7.1%**	**18,945**	**7.5%**
Net financial income (charges)	(26,842)	(2.6%)	(27,458)	(3.0%)	(7,901)	(3.0%)	(9,516)	(3.7%)
Revaluation (write-down) of equity	(2,157)	(0.2%)	(4,967)	(0.5%)	(2,048)	(0.8%)	(3,065)	(1.2%)
Net extraordinary income (charges)	(4,625)	(0.4%)	(4,982)	(0.5%)	(1,735)	(0.7%)	(2,181)	(0.9%)
Profit before taxes	**40,995**	**3.9%**	**29,037**	**3.1%**	**7,218**	**2.7%**	**4,183**	**1.6%**
Income tax	(12,882)	(1.2%)	(6,858)	(0.7%)	(2,284)	(0.2%)	(1,603)	(0.2%)
Net income for the period	**28,113**	**2.7%**	**22,179**	**2.4%**	**4,934**	**1.9%**	**2,580**	**1.0%**
Minority interests profit (loss) for the period	(508)	(0.0%)	217	0.0%	585	0.2%	632	0.2%
Group net income for the period	**27,605**	**2.6%**	**22,396**	**2.4%**	**5,519**	**2.1%**	**3,212**	**1.3%**

A further improvement in performance was seen in 2004 in relation to objectives set forth in the 2004-2006 Industrial Plan.

Increased efforts over the years to find contracts of greater value and more complex technical, legal and management content have proved crucial in engendering the significant increase in revenues seen.
Total revenues for the fourth quarter equalled approx. Euro 266 million. Contract revenues equalled approx. Euro 250 million, 55.2% of which from Italian-based operations and the remaining 44.8% from foreign operations.

The table that follows outlines the contribution each work category made to the Group's total revenues during 4Q 2004.

Euro/Millions	4thQ04	%	4thQ03	%	December 31 2004	%	December 31 2003	%
Transport infrastructures	158	63.2%	156	63.4%	625	63.2%	608	69.9%
Hydraulic and hydroelectric plant contracts	42	16.8%	37	15.0%	144	14.6%	115	13.2%
Civil and industrial building	50	20.0%	53	21.5%	220	22.2%	147	16.9%
Total	**250**	100.0%	**246**	100.0%	**989**	100.0%	**870**	100.0%

As it is clear from the data presented, transport infrastructures continue to be Astaldi flagship sector both in terms of revenues and sector-based specialization.
During the period, civil and industrial buildings activities increased thanks to the significant boost received from the New Expo Fair Centre in Milan. Work commenced in October 2002 and by 31 December 2004 was more than 90% complete. During the period, the civil engineering part of the building works on the new hospital in Mestre also began.

The geographical distribution of production is as follows:

Euro/Millions		4thQ04	%	4thQ03	%	December 31 2004	%	December 31 2003	%
Italy		**138**	**55.2%**	**129**	**52.4%**	**497**	**50.3%**	**425**	**48.9%**
Abroad		**112**	**44.8%**	**117**	**47.6%**	**492**	**49.7%**	**445**	**51.1%**
	Europe	53	21.2%	35	14.2%	197	19.9%	92	10.6%
	America	37	14.8%	53	21.5%	193	19.5%	268	30.8%
	Asia	6	2.4%	8	3.3%	28	2.8%	11	1.3%
	Africa	16	6.4%	21	8.5%	74	7.5%	74	8.5%
Total		**250**	**100.0%**	**246**	**100.0%**	**989**	**100.0%**	**870**	**100.0%**

The breakdown of figures provided clearly shows that in the last quarter of 2004, contract revenues rose by 1.4% compared with the same period in 2003.

On the basis of the geographical breakdown, European production activities were seen to surge as compared to the same period in the previous year. This was due to the resumption of full activity in Turkey and work in progress in Romania; this Eastern European country is proving to be one of the most rapidly expanding areas in terms of production and results, thereby substantiating our commercial efforts in recent years which have gradually strengthened management and technical structures present in the area.
Work is progressing steadily in Turkey, showing beyond doubt that the technical, operating and financial aspects of the relative contract have effectively been resolved. The budget allocated by the Turkish Government to this project bears witness to the importance of the work Astaldi is currently performing and which is due to be completed in early 2007.

Group operations in the American continent, Venezuela in particular, continued to be stable. Work in progress in Miami, USA should generate a substantial amount of business, especially in view of important acquisitions made during the period. Two years after Group operations recommenced in the country, ongoing transport infrastructure and utilities activities in the United States are supported by a far-reaching programme to strengthen management and control structures. More attention is also being dedicated to the "project portfolio" in an attempt to select the tenders we participate in more carefully, both in terms of overall value and type.

As expected, activities in Central America dropped off somewhat. After all, in this region the important road contract "Paquete III" in Salvador is nearing completion whilst we are awaiting the start of other equally important opportunities in the area. This will lead to a return to full productivity in the area as early as 2005.

A mention, finally, of the Asian area where Astaldi has been in Saudi Arabia and Qatar for two years now. In the latter, we have been involved in civil engineering work for the gas liquefaction plant "SASOL GTL Plant" on behalf of one of the most important international companies operating in the petrol plant construction field. This project generated turnover in excess of USD 34 million in 2004 and is our first key venture in the area. It is supported by a top level, well-established management team specializing in large-scale petroleum plant constructions. Great attention is being paid to operating and safety issues in the country on account of the tension currently pervading the entire Persian Gulf.

From an operations point of view, our efforts to curtail general costs can be seen in the reduced impact of payroll costs on total revenues compared to the same period in 2003 and the smaller percentage of miscellaneous operating expenses.

Net earnings for the quarter, equalling more than Euro 5.5 million, jumped by 71.8% with respect to figures for the same period in 2003. Net income for FY2004, equal to approx. Euro 27.6 million, rose sharply (+23.3%) compared to results for FY2003 (Euro 22.4 million). Profit before taxes for the quarter rose by 91.2% on figures for FY2003 (+26.8%).

Your attention is drawn to the fact that, when the effect of taxes are also taken into consideration (which were more of a burden than the same quarter last year), FY2004 results are even more impressive. This was possible thanks to our prudent approach in allocating funds for advanced taxation in the period, the effect of which will presumably be recovered in the short-term, following the complex review of future objectives.

ORDERS BACKLOG BY SEGMENT OF ACTIVITY AND GEOGRAPHIC AREA

During the course of FY2004, new orders worth Euro 1,593 million were secured, bringing the value of the Group's orders backlog at 31 December 2004 to more than Euro 5.0 billion. This is a 13.7% increase on the beginning of the year. The geographical distribution shows 79.1% of activities located in Italy at year-end, mainly in the railway infrastructure sector and 20.9% abroad, primarily on the American continent as well as in Romania and Turkey. In terms of quality, 76% of the orders backlog consists of building works and 24% of operations.

Hence FY2004 proved to be a year in which further improvements were made in the orders backlog, over and above the exceptional levels already achieved in FY2003, both in quantitative and qualitative terms. This clearly endorses the Group's intention to step up its role as a leading General Contractor in the domestic sector, with emphasis in particular on our acquisition strategy favouring income-generating activities and the quality of new orders. Consequently, we now hold more technically and organizationally complex orders as well as being more financially rewarding, bearing witness to the skill shown in managing large-scale projects such as the Rome-Naples High Speed Railway and the New Expo Fair Centre in Milan.

More specifically, in relation to events of the last quarter in 2004, Astaldi secured a general contracting tender (as Group leader with a 90% share) to renovate and build two distinct sections of the Jonica 106 state highway. The project itself is worth an overall Euro 790 million.
The first lot of the tender, worth Euro 310 million (Astaldi share: 90%), concerns modernization of an 84km-section of the Jonica 106 state highway (the Palizzi-Caulonia section in the province of Reggio Calabria, from 50km to 123.8km) and construction of the Marina di Gioiosa Jonica junction. Work is expected to run for 40 months.
The second lot of the project, worth Euro 480 million (Astaldi share: 90%), involves the construction of about 13km of the E90 – the section of the Jonica 106 state highway from the junction for Squillace (178.5km) to the Simeri Crichi exit (191.5km) –, and extension of State Highway 280 (also known as "Strada Statale dei due Mari") from the junction for San Sinato to the Germaneto exit. Work is expected to run for about 34 months.
These tenders came on top of the contract to build and manage a 750-space car park in the centre of Verona that the Group was awarded in October by way of the project financing tool. The associated investment equals about Euro 17 million and the relative concession will run for 30

years starting from the completion of construction in about 15 months time. Hence the Group now has concessions for five car parks making Astaldi one of the top Italian names in the field.

Taking a closer look at the main events of 2004, you are reminded that in July, Astaldi as leader of a consortium won the tender appointing it concessionaire for the creation and subsequent management of the new "Ospedale del Mare" hospital in Naples. The cost of the construction project is some Euro 187 million, about 64% of which will be provided by the commissioning Local Health Authority whilst the remainder is the responsibility of the concessionaire who will then manage all non-health services for a 25 year-period and an overall consideration in excess of Euro 660 million. Work is expected to last 42 months after which the concession period shall begin. Astaldi has a 60% share in building works and 52% in the management side.

We draw your attention to the fact that, at 31 December 2004, the orders backlog did not include projects for which the appointment as promoter has been formalized in accordance with art. 37b of the Merloni Law. As a result, contracts in project financing to build Line 5 of the Milan Underground and Appia Antica Underpass in Rome, have not been included in the current orders backlog.

The value of the aforementioned project to build the new Line 5 of Milan Underground amounts to approx. Euro 504 million, Euro 193 million of which shall be borne by the concessionaire and banks financing the project, whilst public finance will cover the remaining share of Euro 311 million. The relative concession will be signed after all tender procedures and negotiations have been formally completed. In this process, as Group leader and acting as promoter, Astaldi will be granted pre-emptive rights. Work, including planning, is expected to run for five years, followed by 27 years of management. The tender award is expected to be made in the latter part of 2005.

As regards to the contract in project financing for the construction and subsequent management of the Appia Antica underpass, the project as a whole is worth some Euro 390 million, Euro 190 million of which will be provided by the concessionaire and the remainder by Rome City Council. The thirty year-concession period to manage the underpass will generate more than Euro 800 million for the party securing the tender, inclusive of management costs. The project envisages the construction of a 9km dual-carriageway connecting the south to the east of the city with about 7km of tunnels. This is the first urban transport project performed under project financing terms in Rome, a sector in which Astaldi is a leader in Italy, and will prove extremely useful for city traffic.
You are also reminded that we are awaiting the outcome of our appeal to State Council following the TAR of Tuscany (Regional Administrative Court) ruling that the procedure at the end of 2003

formally appointing the Group as promoter of the project to build then manage an integrated 4-hospital system in Tuscany should be repeated.

The table below shows orders backlog performance during 2004 by main area of activity but not including the aforementioned initiatives in which Astaldi has been appointed promoter:

Euro/Millions	**Orders backlog as at 01/01/04**	**New orders**	**Production**	**Orders backlog as at 12/31/04**
Railways and subways	2,013	100	(254)	1,859
Roads and motorways	723	891	(331)	1,283
Airports and harbours	89	38	(40)	87
Hydraulic works and hydroelectric plants	313	52	(144)	221
Civil and industrial buildings	399	169	(220)	348
Concessions	870	343	0	1,213
Total portfolio	**4,407**	**1,593**	**(989)**	**5,011**

Euro/Millions	**Orders backlog as at 01/01/04**	**Acquisitions**	**Production**	**Orders backlog as at 12/31/04**
Italy	*3,200*	*1,258*	*(497)*	*3,961*
Abroad	*1,207*	*335*	*(492)*	*1,050*
Total portfolio	**4,407**	**1,593**	**(989)**	**5,011**

With respect to activities currently at the planning stage, your attention is drawn to the Group's significant commercial efforts, in the transportation infrastructure and health construction sectors in particular, using the project financing tool.

In December, Astaldi submitted a tender together with Vianini Lavori S.p.A. to build and manage the Asti-Cuneo Highway. Tenders were invited by ANAS S.p.A. whereby a mixed company partially controlled by ANAS will award a concession to plan, build then manage the toll highway connecting the two Piedmont cities. The underlying value of the contract amounts to roughly Euro 1.8 billion, including revenues generated from the relative operations management to be awarded for a maximum of thirty years.

All of the above projects should be added to others formulated during the rest of the year that saw the Group submit further proposals, including its application to stand as promoter in the construction and management of Line 4 of Milan Underground, the concession for which is expected to be awarded in 2005.

As regards the hospital building sector, based on our experience in the project to build the new Hospital in Mestre, Astaldi submitted a tender at the end of October 2004 to build the Niguarda Hospital in Milan, working together with its partner Techint Group. The Milan health authority invited tenders to award a concession to plan and undertake the refurbishment of Niguarda Ca Grande Hospital in Milan and the subsequent management for a maximum of thirty years of all non-health based services, the car park and commercial services connected with the hospital (bars, restaurant, shops). An overall investment of Euro 230 million will be required with public financing covering up to 60% of the total. A decision is expected in early 2005.

In terms of general contracting work, we remind you that in June 2004 a joint venture was formed with which Astaldi (leader of the group) will take part in the tender process to build the Bridge on the Messina Straits. The consortium, admitted to the pre-qualification stage at the end of October, involves most leading Italian construction companies. In addition to Astaldi, the group leader with a 23% stake, other companies included in the Group are Pizzarotti (12%), Vianini (12%), Consorzio Cooperative Costruzioni di Bologna (10%), Grandi Lavori Fincosit (4%), Maire Engineering (4%) and Ghella (1.99%). In addition to the above, the group also features the Spanish companies Ferrovial Agroman S.A. (13%) and NECSO Entrecanales Cubiertas (13%) of the Acciona Group and Japan's Nippon Steel Corporation (NSC) (7%). The project will require an estimated investment of approx. Euro 4.4 billion and a pre-financing share of between 10-20% from the General Contractor. Tender must be submitted by the first half of 2005.

As regards foreign operations during the last quarter of 2004, the Group was admitted to the pre-qualification stage in the tender to plan and build the new high-speed rail link connecting Istanbul and Ankara, as well as building entrances to the new Bosforo railway tunnel (more commonly known as the "Marmaray Project"). Both projects involve civil engineering works amounting to more than Euro 400 million and Astaldi will participate jointly with Ansaldo Trasporti Sistemi

Ferroviari and other international firms, such as Scott Wilson. A decision will be taken, subject to successful completion of the pre-qualification stage, before the end of 2005.
The Group is continuing to step up its activities in Central America by way of key initiatives in Guatemala, Costa Rica and Mexico.

Your attention is drawn to the funds provided by the Venezuelan Government for the third stage of the project to build the Puerto Cabello - La Encrucijada railway. This increased Astaldi share of the project by approx. Euro 47 million, against a signed contract that envisages a further Euro 135 million, still to be financed, that will be included in the orders backlog during future accounting periods. The Group made significant progress in its acquisitions in Romania and the United States. In the Eastern European country, your attention is drawn to the tender awarded to build the Pitesti ring-road worth over Euro 66 million. In the USA on the other hand, through our subsidiary Astaldi Construction Corporation, we acquired new orders worth approx. USD 100 million, notably the construction of the super highway SR9 in Miami worth roughly USD 60 million.

QUARTERLY PERFORMANCE REVIEW

Contract revenues in the quarter rose by 1.4% on figures for 4Q 2003, reaching approx. Euro 250 million.

Total revenues for the quarter amounted to roughly Euro 266 million, with an increase of 4.7% compared to the last quarter of the previous financial year.

Thanks to these quarterly results, contract revenues in FY2004 rose by 13.7% to more than Euro 989 million compared with the figure booked at 31 December 2003. Total revenues at 31 December 2004 amounted to over Euro 1,049 million, a 13.7% year-on-year increase.

Having successfully achieved our target and surpassed the billion euro mark in terms of total revenues, we are now within reach of top European operators in the field. Considering the progressively weaker US dollar in 2004 that shrunk revenues in this currency, this result is of even more consequence. Our policy of carefully hedging exchange risks successfully offset any adverse economic effects.

Consolidated net income for the period totalling Euro 5.5 million surged (+71.8%) compared with 4Q 2003 figures. Consolidated net earnings for FY2004 showed a 23.3% year-on-year increase, with Euro 27.6 million booked at year-end.

Net indebtedness dropped from the Euro 128.3 million booked at 31 December 2003 to Euro 115.5 million at 31 December 2004 notwithstanding the 13.7% increase in turnover. This was due to our careful control over contract-related invested capital.

The 0.47 debt/equity ratio was a clear reduction on the 0.56 recorded for the same quarter last year.

In FY2004 new orders worth Euro 1,593 million was acquired, taking the Group's overall orders backlog value to Euro 5,011 million.

In relation to the project financing initiatives to build and manage the Zagreb-Gorican Motorway in Croatia, on which work proceeded from 1997-99 before the country's economic situation led to financial problems and the ensuing suspension of the project, arbitration proceedings were instituted at the Vienna Chamber of Commerce. On 18 June 2004, the Arbitration Board passed an arbitration award acknowledging Astaldi right to compensation for all work and activities carried out as well as for loss of revenue and accrued interest.

Furthermore, said award nullified the action undertaken by the Croatian Tax Authority regarding payment of a hypothetical VAT debt; the associated risk was considered minimal hence no provision was made therefore.

In the financial statements for the year ended on 31 December 2004, the effects of the arbitration award were cautiously disclosed in the accounts by booking the majority of associated sums to the "Provisions for doubtful debtors" and "Reserve for delayed payment interest devaluation". This was done bearing in mind procedures to officially acknowledge the award in the Croatian Courts and the possibility that an appeal may be made to the Vienna Court.

SUBSEQUENT EVENTS

As previously mentioned, the debenture loan of Euro 150 million was repaid in full to BNP Paribas through our subsidiary Astaldi Finance S.A. on 9 February 2005. Subscribers will be able to redeem their bonds on 11 February. In this regard, it should be noted that the bank financing agreement for Euro 100 million took full effect on 27 January. Undersigned by a pool of leading Italian (European) banking institutions and to be repaid in six-monthly instalments over a 5-year period, this agreement will enable the Group to align the duration of loans to the average duration of contracts.

Our significant organisational and commercial efforts in Algeria meant we were able to complete and hand over the Kramis Dam in January 2005 within the terms of the contract and to the client satisfaction. Again in January 2005, Astaldi and the joint venture formed for the purpose was provisionally awarded the tender for work on the water pipes between Akbou and Bejaia. This project amounts to a total of approx. Euro 114 million.

Astaldi is currently leading the way in the tender issued by Italferr S.p.A. for contractors to double the Parma-La Spezia rail line between Solignano station and the Osteriazza-Parma rail junction. The contract totals Euro 165 million.

The Company was also admitted to the pre-qualification stages of the tender process issued by Anas S.p.A for the design, construction and modernization of about 18.2km of the Salerno-Reggio Calabria motorway between Altilia and Falerna in the province of Catanzaro. The contract is worth an overall Euro 337 million and will require a pre-financing share on behalf of the General Contractor that may vary between 10 and 20%. Astaldi has a 90% share in this venture. Tender offers must be submitted by the end of February 2005.

On a final note, as regards large general contracting tenders in Italy, as General Contractor leader of a consortium of companies, Astaldi submitted an offer in January 2005 to design and build the second part of the Turin rail junction. Tenders were invited by Italferr S.p.A. who will appoint a contractor to complete and extend the rail link between Corso Vittorio Emanuele II and Corso Grossetto, building an underground channel for the Dora Riparia river. The tender is worth approx. Euro 617 million. It should also be noted that this tender is the final part of the first stage of the entire rail project that Astaldi is currently bringing to completion. Securing the contract would allow us to achieve important operating synergies.