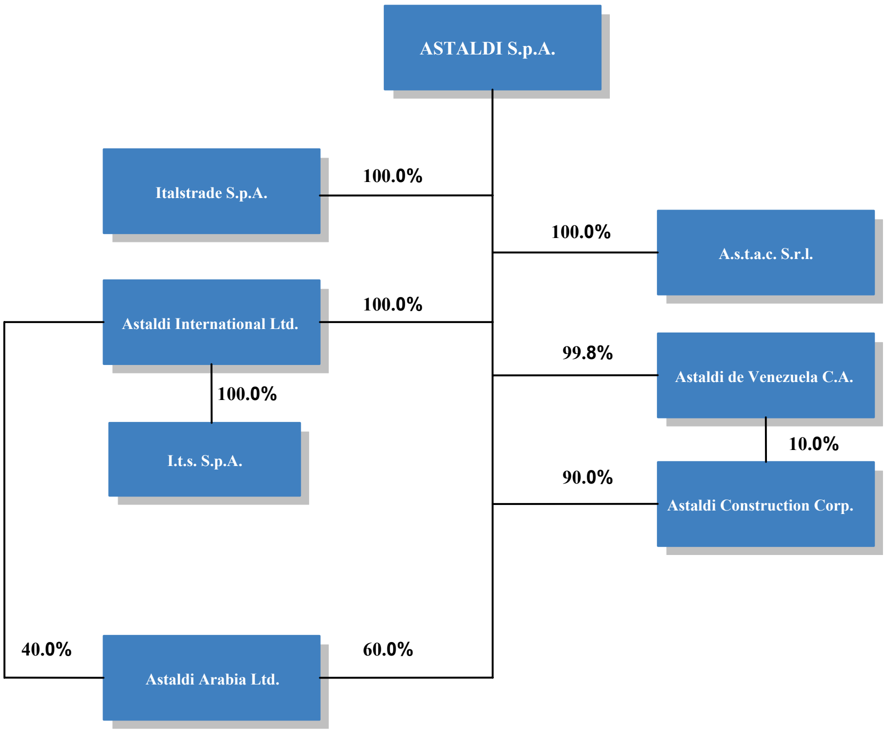
ASTALDI GROUP
FIRST QUARTER REPORT AS AT 31 MARCH 2005

CONTENTS

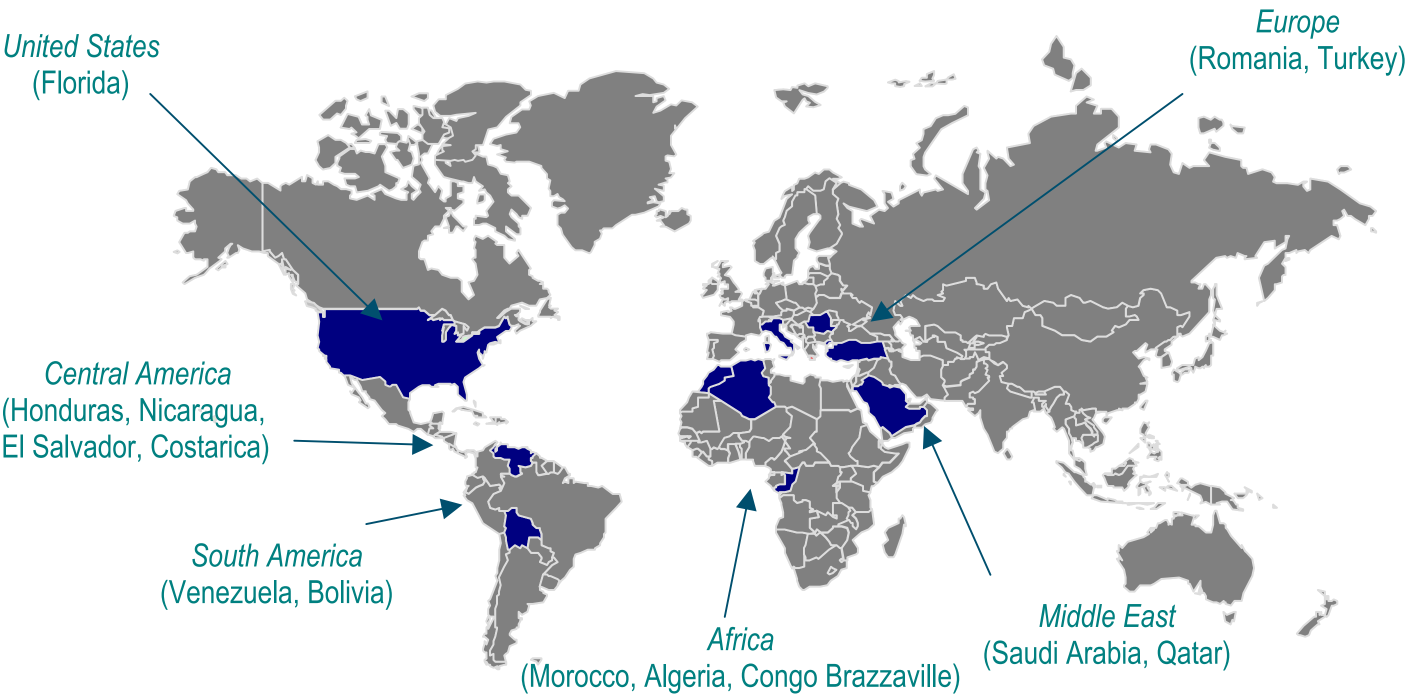
GROUP STRUCTURE

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



Group operations, carried out in 15 countries, moreover include 60 companies operating mainly in Italy of which four special purpose companies for licensed operations.

GEOGRAPHICAL AREAS



COMPANY OFFICERS

Board of Directors

Chairman of the Board	Ernesto Monti
Deputy Chairman	Paolo Astaldi
Executive Deputy Chairman	Vittorio Di Paola
Chief Executive Officer[1]	Stefano Cerri
Board Members	Caterina Astaldi
	Pietro Astaldi
	Giuseppe Cafiero
	Luigi Guidobono Cavalchini
	Franco A. Grassini
	Mario Lupo
	Vittorio Mele
	Nicola Oliva
	Maurizio Poloni

Board of Statutory Auditors

Chairman	Eugenio Pinto
Acting Members	Pierpaolo Singer
	Pierumberto Spanò
Alternate Members	Maurizio Lauri
	Antonio Sisca
	Marco Zampano

General Management

General Manager for International Operations	Giuseppe Cafiero
General Manager Finance – Chief Financial Officer	Stefano Cerri
General Manager for Domestic Operations	Nicola Oliva

Deputy General Manager

Deputy General Manager Finance	Paolo Citterio

Audit Company

	Reconta Ernst & Young S.p.A. [2]

[1] Nominated as Chief Executive Officer at the Board of Directors' Meeting of 29 April 2005.
[2] The Shareholders' Meeting of 29 April 2005 renewed the audit mandate for the financial years 2005-2007 to Reconta Ernst & Young S.p.A.

SCOPE OF CONSOLIDATION

Scope of consolidation as at 31 March 2005

		Subsidiaries	%		Other equity investments	%
?	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 scope of consolidation

There were no changes in the scope of consolidation during the period under review.

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

ACCOUNTING PRINCIPLES AND EVALUATION CRITERIA

The Astaldi Group quarterly report as at 31 March 2005 has been drawn up in accordance with CONSOB ruling no. 11971 of 14 May 1999, art. 82.

The first quarter financial statements are presented in a reclassified form consistent with the contents of the financial statements as at 31 December 2004. They have been drawn up on the basis of the accounting records as at the same date prepared by the Parent company and the companies included in the scope of consolidation.

The income statement data shown are attributable to the period under examination, coinciding with the period from the beginning of the financial year to the close of the quarter. The data are likewise shown in comparison with those for the same period in the previous year and those of the whole 2004.

The most important accounting principles adopted by the Group are summarized below.

Intangible fixed assets

Intangible fixed assets represent costs and expenses having multi-year application. They have been recorded and entered on the basis of effective cost, including directly-attributable accessory charges.

The amounts shown in the financial statements are net of amortization, calculated on the basis of the potential residual use of the assets.

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

Tangible fixed assets

Tangible fixed assets, including those acquired through financial leasing, consist of real estate assets, plant, and machinery and equipment. They are shown on the basis of acquisition price and construction costs, including directly-attributable accessory charges.

Depreciation is calculated at a constant rate based on potential residual use, within the limits of the allowable fiscal rates considered representative of the estimated useful life of the assets.

Both tangible and intangible fixed assets originally denominated in a currency other than the euro are shown at the exchange rate prevailing at the time of acquisition or at a lower rate as at the period-ending date if the difference is deemed permanent.

Equity investments

Equity investments in subsidiary and affiliated companies outside the scope of consolidation are valued according to the net equity method, if relevant.

The other equity investments are valued according to the cost method, including directly-attributable accessory charges, possibly adjusted to reflect any permanent losses in value.

Companies in liquidation are valued at cost, adjusted to take liquidation charges 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 in foreign currency

Receivables, payables and other assets and liabilities originally denominated in currencies other than the unit of account are shown at the spot exchange rate as 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.

Translation of financial statements of foreign companies and foreign stable organizations

The financial statements of the foreign companies and foreign stable organizations (the accounts are held according to a multi-currency accounting system) are translated according to the following criteria: assets and liabilities at the exchange rate prevailing at the end of the reporting period; income statement items, applying the average exchange rate for the financial period; net equity items are linked to the exchange rate prevailing at the time of formation.

Work-in-progress on order

The valuation of work-in-progress on order is determined with specific reference to the actual physical progress of work not yet audited as at the period-ending date (according to the physical measurement method), but identified with reasonable certainty and through the application of contractually agreed compensation.

Income statement

The revenue and expense components of the income statement are shown according to the accrual accounting method.

Revenues from the sale of goods are recorded upon delivery of the good, while revenues from services are recorded upon effective performance of the service and in accordance with the corresponding contracts.

It is pointed out that in order to provide a better representation of the income statement data, the use of the contract risks reserve is shown among the self-financing components (depreciation and amortization, provisions and draw-downs); amounts for previous periods have been reclassified accordingly.

The major exchange rates used in translating financial statements drawn up in foreign currencies are listed in the following table:

Country	Currency		march-05	Q1 2005	decem-04	average 2004
Albania	Lek	ALL	126.419	126.198	126.251	127.269
Algeria	Dinaro Algerino	DZD	94.948	94.138	95.955	87.915
Arabia Saudita	Riyal Saudita	SAR	4.944	4.910	5.021	4.658
Bolivia	Boliviano	BOB	10.645	10.587	10.836	9.907
Centrafricana, Repubblica C.F.A	Franco CFA	XAF	655.957	655.957	655.957	655.957
Colombia	Peso Colombiano	COP	3,077.770	3,091.823	3,262.240	3,295.820
Congo Repubblica Democratica	Franco Congolese	CDF	645.312	609,686	578.199	485.349
Costa Rica	Colon Costa Rica	CRC	614.085	601,364	592.148	535.701
Croazia	Kuna	HRK	7.457	7.500	7.554	7.489
Danimarca	Corone Danesi	DKK	7.447	7.443	7.434	7.440
El Salvador	Colon Salvadoregno	SVC	11.551	11.472	11.732	10.884
Giappone	Yen Giapponese	JPY	138.833	137.005	139.140	134.445
Guatemala	Quetzal	*GTQ*	10.236	10.257	10.563	9.982
Guinea	Fanco Guineano	GNF	3,883.730	3,646.213	3,606.640	2,702.040
Honduras	Lempira	HNL	24.979	24.697	25.016	22.656
Libia	Dinaro Libico	LYD	1.687	1.694	1.743	1.627
Marocco	Dirham Marocco	MAD	11.127	11.099	11.152	11.013
Nicaragua	Cordoba Oro	NIO	21.792	21.535	21.788	19.799
Norvegia	Corona Norvegese	NOK	8.188	8.240	8.221	8.370
Qatar	Riyal Qatar	QAR	4.805	4.772	4.880	4.528
Regno Unito	Sterlina Gran Bretagna	GBP	0.692	0.694	0.695	0.679
Romania	Leu	ROL	36,292.000	37,064.067	38,695.800	40,509.700
Stati Uniti	Dollari Usa	USD	1.320	1.311	1.341	1.244
Sud Africa	Rand	ZAR	7.964	7.879	7.685	8.009
Svizzera	Franco Svizzero	CHF	1.549	1.549	1.536	1.544
Tanzania	Scellino Tanzania	TZS	1,459.760	1,440.967	1,401.530	1,332.410
Tunisia	Dinaro Tunisino	TND	1.625	1.614	1.621	1.546
Turchia	Lira Turca	TRY	1.733	1.741	1.871	1.777
Unione Monetaria Europea	Euro	EUR	1.000	1.000	1.000	1.000
Venezuela	Bolivar	VEB	2,805.330	2,603.473	2,567.820	2,337.200

The exchange rate expresses the currency required to buy 1 Euro.

Consolidated Balance Sheet

Euro/000	31 March 2005	31 March 2004	31 December 2004
Net intangible fixed assets	45,569	54,259	49,897
Net tangible fixed assets	102,242	104,941	102,338
Equity investments	25,669	28,356	26,319
Other net assets	17,371	15,615	14,142
Total net fixed assets (A)	**190,851**	**203,171**	**192,696**
Inventories	39,686	37,158	42,831
Work-in-progress	238,684	208,671	192,752
Trade receivables	281,592	242,045	301,883
Other assets	207,189	225,892	202,380
Advance payments	(112,528)	(97,912)	(107,413)
Subtotal	**654,623**	**615,854**	**632,433**
Due to suppliers	(212,540)	(203,476)	(228,977)
Other liabilities	(146,524)	(126,599)	(154,523)
Subtotal	**(359,064)**	**(330,075)**	**(383,500)**
Working capital (B)	**295,559**	**285,779**	**248,933**
Employees' indemnity fund	(13,577)	(12,699)	(12,473)
Contractual risk reserve	(38,907)	(50,516)	(41,177)
Other reserves	(29,706)	(26,665)	(28,732)
Total reserves (C)	**(82,190)**	**(89,880)**	**(82,382)**
Net Invested Capital (D) = (A) + (B) + (C)	**404,220**	**399,070**	**359,247**
Cash and cash equivalents	100,816	117,240	174,839
Financial loans and securities	81,411	67,790	77,178
Medium/long-term financial debt	(161,522)	(89,815)	(86,647)
Short-term financial debt	(174,047)	(119,077)	(150,837)
Ordinary bonds (Eurobond)	0	(150,000)	(150,000)
Bonds issued in portfolio	0	6,053	20,001
Net financial loans/debt (E)	**(153,342)**	**(167,809)**	**(115,466)**
Consolidated Net Equity	**251,360**	**231,239**	**243,690**
Minority interest	(482)	22	91
Net equity (G)=(D)-(E)	**250,878**	**231,261**	**243,781**
Personal guarantees	1,463,838	1,632,083	1,393,144
Recourse risk factor	69,434	69,320	79,573
Other memorandum accounts	30,381	29,660	30,381
Third-party bank guarantees in our favor	30,827	22,918	25,066
Total commitments and guarantees	**1,594,480**	**1,753,981**	**1,528,164**

The breakdown of the main items for the period shows that net fixed assets decreased compared to 31 December 2004 due to scheduled depreciation of durable goods.

During the quarter, the company continued to invest in general contracting tenders, in particular the ongoing study of the tender for the construction of the Straits of Messina bridge for which Astaldi is leading a pool of companies.

In general, the consolidated capital structure and financial situation reflects the cyclical increase in net invested capital in the first quarter 2005 compared to 31 December 2004 in connection with the typical work certification process, related invoicing, and contract payments. Net invested capital was mostly unchanged compared to the first quarter 2004. This scenario confirms the excellent results achieved by the Astaldi Group in terms of capital and financial discipline, a consequence of the Group's careful planning together with greater economic and financial stability in the foreign markets where the Astaldi Group operates.

The table below provides a detailed summary of the net financial position:

(Euro/000)	**31/03/2005**	**31/03/2004**	**31/12/2004**
Short-term financial indebtedness	(169,095)	(114,894)	(146,180)
Medium/long-term financial indebtedness	(145,260)	(70,360)	(69,308)
Cash and cash equivalents	100,816	117,240	174,839
Total financial loans and securities	81,411	67,790	77,178
Total ordinary financial position	**(132,128)**	**(224)**	**36,529**
Ordinary bonds	*0*	*(150,000)*	*(150,000)*
Bonds issued in portfolio	*0*	*6,053*	*20,001*
Net ordinary bonds	*0*	*(143,947)*	*(129,999)*
Leasing	(21,214)	(23,638)	(21,996)
Total net financial position	**(153,342)**	**(167,809)**	**(115,466)**

The net debt position reflects the periodic and temporary support given to production activities during the quarter, a typical seasonal factor closely linked with the business cycle. In any case, the figures reflect the Group's solid financial structure, confirmed by a debt/equity ratio that is well below unity and even lower than at 31 March 2004. This is even more significant considering that the Group has continued to invest in production (maximum support to orders in progress) and marketing (development of new initiatives, especially project financing initiatives), in addition to investment in human resources quality development.

It should be pointed out that net financial indebtedness includes financing for three parking lot operations in Italy and other project-finance initiatives for a total of more than 28 million euro.

Resources for the repayment of these loans will be generated by future operating cash flows.
Among ongoing project financing operations, Veneta Sanitaria Finanza Progetto (VSFP - Venice Health Project Financing), Astaldi S.p.A. as leader of a pool of companies, the VSFP Partners, and four mandated lead arrangers – ABN AMRO (Intercreditor Agent), Banca Antonveneta, Banca Intesa and Interbanca, together with the European Investment Bank – have signed financing contracts for the construction and operation of the New Hospital in Mestre. This project is the first example in Italy of PPP Project Financing (Public-Private Partnership), financed with international standards according to the pattern prescribed in the so-called Legge Merloni (Merloni Law), establishing an important benchmark for future infrastructure projects. Work-in-progress so far at the hospital complex has reached 10% of the planned total, perfectly according to the operating schedule.

In line with its business plan targets, the Group has successfully completed the first step towards setting a new financial policy that has led to a repositioning of its medium/long-term financial indebtedness.
On 9 February 2005, through BNP Paribas Luxembourg as Agent Bank, the Group paid back the 150 million euro bonded loan issued by Astaldi Finance S.A., followed by reimbursement to the underwriters on 11 February. In this regard, the 100 million euro bank loan contract signed by a pool of Italian prime banks came into full effect on 27 January 2005; repayable over five years in six-month installments, the loan will allow the Group to align the duration of its financing sources with its average contract duration. So this loan contributes to the rebalancing of the Astaldi Group's financial structure in terms of the ratio of short-term to medium/long-term debt and, at the same time, it allows the Group to take advantage of the opportunity offered by the ongoing low-interest rate environment on the market, and so minimizing accessory financial charges.
With the same aim in view, in April 2005, Astaldi contracted a 100 million euro four-year loan with repayment guaranteed by the forfaiting of receivables related to works. This loan, signed by a pool of Italian prime banks, with Banca Popolare di Milano as Agent Bank, allows Astaldi to streamline its technical reserves portfolio, improving at the same time its working capital cycle through the use of this type of structured financing. The financial and accounting effects of the transaction will be shown as of the second quarter 2005.

Net equity amounted to 251 million euro. The change during the period was largely attributable to net income for the period.

RECLASSIFIED INCOME STATEMENT

Euro/000	31 March 2005	%	31 March 2004	%	31 December 2004	%
Revenues from services and contracts	224,636	93.3%	227,194	94.6%	989,348	94.3%
Other revenues and proceeds	16,178	6.7%	12,977	5.4%	59,726	5.7%
Production value	**240,814**	**100.0%**	**240,171**	**100.0%**	**1,049,074**	**100.0%**
Production costs	(174,726)	(72.6%)	(177,599)	(73.9%)	(793,050)	(75.6%)
Added value	**66,088**	**27.4%**	**62,572**	**26.1%**	**256,024**	**24.4%**
Payroll expenses	(33,784)	(14.0%)	(32,490)	(13.5%)	(129,023)	(12.3%)
Gross operating margin	**32,304**	**13.4%**	**30,082**	**12.5%**	**127,001**	**12.1%**
Other operating expenses	(3,736)	(1.6%)	(4,297)	(1.8%)	(14,456)	(1.4%)
EBITDA	**28,568**	**11.9%**	**25,785**	**10.7%**	**112,545**	**10.7%**
Depreciation and amortization	(12,864)	(5.3%)	(9,142)	(3.8%)	(45,322)	(4.3%)
Provisions, write-downs and use of risk reserves	2,116	0.9%	(178)	(0.1%)	7,328	0.7%
Operating income	**17,820**	**7.4%**	**16,465**	**6.9%**	**74,551**	**7.1%**
Net financial income (charges)	(4,214)	(1.7%)	(5,022)	(2.1%)	(26,842)	(2.6%)
Write-ups (write-downs) on equity investments	44	0.0%	(600)	(0.2%)	(2,157)	(0.2%)
Extraordinary income (charges)	(1,684)	(0.7%)	(739)	(0.3%)	(4,552)	(0.4%)
Income before taxes	**11,966**	**5.0%**	**10,104**	**4.2%**	**41,000**	**3.9%**
Income taxes	(4,567)	(1.9%)	(3,739)	(1.6%)	(11,526)	(1.1%)
Prepaid taxes	(89)	(0.0%)	275	0.1%	(1,360)	(0.1%)
Net income for the period	**7,310**	**3.0%**	**6,640**	**2.8%**	**28,114**	**2.7%**
Minority interest	432	0.2%	32	0.0%	(508)	(0.0%)
Consolidated net earnings	**7,742**	**3.2%**	**6,672**	**2.8%**	**27,606**	**2.6%**

In accordance with the targets set in the 2005-2009 Business Plan, the operating performance in the first quarter 2005 confirmed the excellent results achieved in the same period a year earlier.

The sharp focus on high-value and technically, legally and managerially more complex contracts is the driving force behind the significant increase in Group profitability. EBIT increased 8.2% compared to the first quarter 2004, driven by the positive outcome to the near completion of the construction work at the Milan Fair's New Complex.

Production value amounted to around 241 million euro in the first quarter 2005, mostly unchanged from the year-before period, despite the depreciation of the US dollar and dollar-area currencies that account for around 30% of business volume. Revenues from services and contracts reached 225 million euro; operations in Italy contributed 50.2% of this total and foreign operations the remaining 49.8%.

The table below summarizes the contribution of the various operating sectors to the total Astaldi Group turnover in the first quarter 2005.

millions of euro	31 Mar 05	%	31 Mar 04	%	31 Dec 04	%
Transport infrastructure	150	66.7%	131	57.7%	625	63.2%
Hydraulic works and hydroelectric power plants	32	14.2%	34	15.0%	144	14.6%
Civil and industrial buildings	43	19.1%	62	27.3%	220	22.2%
Total	**225**	100.0%	**227**	100.0%	**989**	100.0%

As the figures set out in the table above show, transport infrastructure continues to be Astaldi's leading sector of operations, both in terms of business volume and in terms of sector specialization.

The contribution from civil and industrial construction decreased in the first quarter 2005 as the order for the Milan Fair's New Complex, begun in October 2002, is complete, followed by its inauguration on 31 March. In the same sector, work continued on a similar project, the New Hospital in Mestre, specifically in relation to civil construction.

The table below shows the geographical breakdown of revenues:

millions of euro		31 Mar 05	%	31 Mar 04	%	31 Dec 04	%
Italy		**113**	**50.2%**	**120**	**52.9%**	**497**	**50.3%**
Abroad		**112**	**49.8%**	**107**	**47.1%**	**492**	**49.7%**
	Europe	44	19.6%	25	11.0%	197	19.9%
	Americas	50	22.2%	55	24.2%	193	19.5%
	Asia	4	1.8%	8	3.5%	28	2.8%
	Africa	14	6.2%	19	8.4%	74	7.5%
Total		**225**	**100.0%**	**227**	**100.0%**	**989**	**100.0%**

An analysis of the data set out in the table above shows that in the first quarter 2005 revenues from services and contracts were mostly unchanged from the same period a year before, despite rather unfavorable weather conditions in the first part of the year in Italy and the effects of the depreciating US dollar and dollar-area currencies. Another factor to consider is that, as mentioned, construction work for the Milan Fair's New Complex was terminated in the first quarter 2005, while the general contracting construction work in two parts for the reconstruction and modernization of Strada Statale (State Highway) Jonica (SS16), awarded in December 2004, worth a total of 711 million euro, has not yet started up.

Focusing on the geographical breakdown, production activities in Europe increased noticeably compared to the first quarter 2004, continuing the trend of the last two quarters. This performance is attributable to the work in progress in Romania and Turkey. Romania was once again one of the top areas in terms of production and income. This confirms the soundness of the commitment of the Group and the steady strengthening of its managerial and technical structure in this region in recent years.

In Turkey, work is advancing according to schedule, reflecting the return to normal in the execution of the contract terms, both technical/operating and financial. The willingness expressed by the Turkish Government to complete the project according to the agreed contractual terms underscores the importance of the work being done by Astaldi: delivery is scheduled for the first half of 2007.

In the Americas, the Group continues to operate successfully, especially in Venezuela where it is proceeding in the execution of major railway contracts in portfolio. In Miami area of the United

States, the Group was awarded contracts in 2004 that, together with the program to strengthen management and control operations, should guarantee a significant level of volume.
In the Middle East, specifically in Qatar, the Group is executing the civil construction of the gas liquefaction plant "SASOL GTL Plant" on behalf of a major international company operating in the petroleum plant engineering field. Delivery of the civil buildings is scheduled for the summer of 2005, while delivery of the entire plant is scheduled for the spring of 2006. The positive work development in this area leads the Group to confirm its plans to proceed this year with the development of its business on the Arabian peninsula, both in the civil-structural and in the industrial-plant field.
As for operations management, attention was focused on containing costs, leading to greater efficiency in production cycles through a better costs mix, especially in large-size orders. In this regard, it needs to be emphasized that the Group is strengthening its role as General Contractor, focusing its attention on governing processes for large projects, applying operating models already tested in Italy in the High Speed Railway project and the Milan Fair's New Complex, and abroad in such countries as Turkey and Venezuela. It is also important to point out that the policy to reposition both short-term and medium/long-term financial debt has allowed the Group to take advantage of low market interest rates, reducing the average cost of financial indebtedness.

As for income, the good operating performance generated an increase in gross operating margin and EBITDA compared to the first quarter 2004. More in detail, operating income increased 8.2% y/y in absolute terms, reaching 7.4% as a ratio to total revenues. Net income for the quarter increased a sharp 16% y/y to 7.7 million euro, while income before taxes increased 18.4% to around 12 million euro.
We emphasize that the first quarter result is even more appreciable when taking into account that the tax rate incidence was higher (+34.4%) than in the same period a year ago.

ORDERS BACKLOG BY OPERATING SECTOR AND GEOGRAPHICAL AREA

During the first quarter of 2005, the company acquired new orders worth a combined 307 million euro, bringing the value of the total orders backlog to over 5.1 billion euro as at 31 March 2005, higher (+1.6%) than at the beginning of the year. Italy accounts for 79.1% of the orders backlog as at year-end mainly in the transport infrastructure sector, while foreign countries account for the remaining 20.9%, mainly in the Americas, Romania and Turkey.

As for quality, construction orders comprise 76% of the orders backlog and revenues from operations 24%. So the effects of the contract selection policy in favor of orders capable of achieving increasingly higher levels of profitability and technical, legal, and managerial complexity is beginning to yield tangible results, confirming Astaldi's role as General Contractor both on the domestic market and internationally. The proportion of contracts in the orders backlog of high worth, advanced degree of technical and organizational complexity, and sophisticated financial structure is increasing. Take, for example, the underground railway system in Brescia, the Verona-Padua section of the High Speed Railway and the Milan Fair’s New Complex, a project basically concluded that has required the management of a huge amount of human and technical resources within a construction site that is possibly the largest currently active in Europe. The Milan Fair’s New Complex, actually built in Rho-Pero in only 24 months, is the largest fair grounds in all of Europe.

Taking a closer look at the contracts awarded in the first quarter 2005, we reiterate that in March, Astaldi was awarded the contract for the construction of the second Parma-La Spezia railway line (the so-called *Pontremolese*), for the section connecting Solignano station to the Osteriazza-Parma manoeuvre point. The contract amounts to around 165 million euro, including the executive design and construction of civil buildings, railway equipment, an electric traction plant, and the updating of safety and signaling systems.
This new contract follows the ones awarded abroad in the first quarter 2005: in particular, Astaldi, as part of a pool of companies, was awarded a contract for the construction of an aqueduct connecting the cities Akbou and Bejaia in Algeria. The total value of this contract is around 114 million euro. We also reiterate that, in January, as a result of the major organizational and

marketing effort in Algeria, the Group was able to deliver the construction work for the Kramis dam on time in accordance with the contract terms, a result fully appreciated by the customer.

Also worth noting is that the orders backlog as at 31 March 2005 does not include projects for which the nomination of a sponsor has been formalized pursuant to art. 37 bis of the so-called Merloni Law. To date, then, the planned construction in project financing of Line 5 of the Milan underground railway system and the Underpass of Parco dell'Appia Antica in Rome are not included.

The Milan Line 5 underground project is worth around 504 million euro, of which 193 million euro put up by the Contractor and the Lending Banks, while State contributions will account for the remaining 311 million euro. The operations contract will be signed once the tender and the negotiated procedure are completed for which Astaldi, leading a pool of companies as sponsor, will have pre-emption rights. The construction work, including the design phase, is scheduled to last five years, followed by 27 years of operation. The notice of call for tender was announced on 15 April, and the results of the tender are expected in the second half of 2005.

The table below shows changes in the orders backlog in the first quarter of 2005 by major sector of operations, not taking into account the initiatives cited above for which Astaldi acts as sponsor.

millions of euro	**Portfolio as at 01/01/2005**	**Acquisitions**	**Production**	**Portfolio as at 31/03/2005**
Transport infrastructure of which:	3,229	204	(150)	3,283
Railways and underground train systems	1,859	199	(65)	1,993
Roads and highways	1,283	5	(79)	1,209
Airports and ports	87	0	(6)	81
Hydraulic works and hydroelectric power plants	221	98	(32)	287
Civil and industrial buildings	348	5	(43)	310
Operations	1,213	0	0	1,213
Portfolio Total	**5,011**	**307**	**(225)**	**5,093**

millions of euro	Portfolio as at 01/01/2005	Acquisitions	Production	Portfolio as at 31/03/2005
Italy	*3,961*	*0*	*(113)*	*3,848*
Abroad	*1,050*	*0*	*(112)*	*938*
Portfolio Total	**5,011**	**0**	**(225)**	**4,786**

More in detail, in January, Astaldi, as General Contractor leading a pool of companies, presented a bid for the design and construction of the second phase of the Turin railway junction. The public tender, sponsored by Italferr S.p.A., calls for the assignment of the work for the completion and expansion of the railway line connecting Corso Vittorio Emanuale II and Corso Grosseto, with the construction of an undercrossing below the river Dora Riparia. The base value of the tender is around 617 million euro. It is important to point out that this order marks the completion of the first stage of the entire railway project that Astaldi is about to terminate and the eventual awarding of the contract would allow for major operating efficiencies. To date, Astaldi is at the top of the list and the company has submitted all the preparatory documentation for the official assignment of the contract.

We also point to numerous other initiatives and proposals currently being evaluated, first among which is the possible nomination as sponsor for the construction and operation of Line 4 of the Milan underground railway system. In regard to this proposal, the Municipality of Milan must now make a statement on the declaration of public interest for the initiative.

As for general contracting projects, we reiterate that Astaldi, as leader of a pool of companies, has pre-qualified to participate in the tender offer for the construction of the Straits of Messina Bridge. The project, which calls for an investment of around 4.4 billion euro, requires the General Contractor to put up in advance 10%-20% of the financing. The deadline for the next stage of the submission of bids has been set for 25 May 2005.

We reiterate that Astaldi, as part of a pool of companies, is about to submit a further design and construction bid according to the general contracting procedure for the new Line C of the Rome underground railway system. The project calls for construction of an underground section that extends about 25.5 kilometers along the line linking the Clodio/Mazzini and Pantano stations. This extension includes around 30 stations connected along a path that will be constructed underground for around 17.6 km and the remaining 7.9 km above ground. The tender is expected by the end of 2005 and the contract awarding is scheduled for the second quarter 2006.

As for foreign operations, we reiterate that the Group has pre-qualified for the tender for the design and construction of the new high-speed railway line that will connect Istanbul and Ankara, in addition to the construction of the accesses to the new Bosporus railway crossing (the so-called Marmaray Project). Both these projects require civil construction worth more than 400 million euro; Astaldi is participating jointly with Ansaldo Trasporti Sistemi Ferroviari and international players like Scott Wilson. The time frame for the next stage of the bid submissions has been set for the first half of the year for the new high-speed railway line and October 2005 for the Marmaray Project.

COMMENTS ON THE FIRST QUARTER OPERATING PERFORMANCE

In the first quarter 2005, revenues from services and contracts amounted to around 225 million euro and total production value to around 241 million euro, both mostly unchanged compared to the first quarter 2004.
While this result is in line with the business plan targets for 2005, it is still noteworthy taking into account the depreciation of the US dollar which, after falling to quite low levels in 2004, continued in the first quarter 2005 to depress the value of revenues generated in the currency. However, the Group's careful exchange-rate risk hedging policy succeeded in neutralizing the impact on the income statement.

Gross operating margin amounted to 32.3 million euro, a 13.4% ratio to production value, and up 7.4% from 30.1 million in the first quarter 2004.
EBIT amounted to 17.8 million, a 7.4% ratio to production value, and up 8.2% from 16.5 million euro in the first quarter 2004.
Consolidated net income for the first quarter amounted to around 7.7 million euro, up 16% on the same period in 2004.
Net financial indebtedness as at 31 March 2005 amounted to 153.3 million euro, reduced from 167.8 million euro a year before, despite the fact that business volume was mostly unchanged, achieved through efforts to contain capital invested in contracts.
The debt/equity ratio is 0.61 as at 31 March 2005, down markedly from 0.73 a year before.

During the first quarter of 2005 the company was awarded new contracts worth a total of 307 million euro, lifting the total value of the Astaldi Group orders backlog to about 5.1 billion euro, net of completed production.

EVENTS AFTER THE CLOSE OF THE PERIOD

As part of the program to strengthen the Group’s corporate governance structure, on 29 April, the Board of Directors confirmed Executive Deputy Chairman Vittorio Di Paola, assigning him, among other things, responsibility for the strategic direction of the company's operations, and nominated as CEO Stefano Cerri who continues to serve also as Chief Financial Officer. The Board also confirmed Giuseppe Cafiero and Nicola Oliva as General Managers.

As already mentioned above, on 21 April 2005, financing contracts for the construction and operation of the New Hospital in Mestre were signed. We reiterate that the value of the project is 258 million euro, including 130 million euro issued by banks (110 million euro long-term and the remaining 20 million euro in support of ordinary operations), 100 million euro issued by the Public Administration as contributions, and the remaining 28 million euro in equity contributions by the Sponsors. In addition, the European Investment Bank underwrote a commitment to refinance the bulk of the long-term loan for up to 70 million euro after construction stage is completed. We reiterate that this project is the first example in Italy of PPP Project Financing (Public-Private Partnership), financed with international standards according to the pattern prescribed in the so-called Legge Merloni (Merloni Law), establishing an important benchmark for future infrastructure projects.

With its ruling of 10 May 2005, the Council of State confirmed the pool of companies led by Astaldi S.p.A. - which also includes Impresa Pizzarotti & C. S.p.A. and Techint S.p.A. - as sponsor of the project for the construction and operation of an integrated four-hospital system in Tuscany (Prato, Pistoia, Lucca, and Massa).
The ruling overturns last July's ruling by the regional administrative court (TAR) of Tuscany that had annulled the tender procedure which had nominated the pool of company headed by Astaldi S.p.A. as sponsor of the complex operation.
This time around, however, the pool can effectively begin to implement the project whose total value is €330 million for construction (including €88 million put up by the private sector) and €1.5 billion for operations.
At completion, the hospitals will have 1,700 new beds available.

In partnership with the Techint Group, Astaldi has also been accepted for the pre-qualification stage of the tender called by Azienda Ospedaliere di Ferrara for the awarding of the design, construction, expansion and operation project for a new hospital in Ferrara. The total contract amount is 136 million euro and the time frame for the next stage of the bid submissions has been set for the second half of 2005.