ASTALDI GROUP

QUARTERLY REPORT AS OF 30 SEPTEMBER 2005

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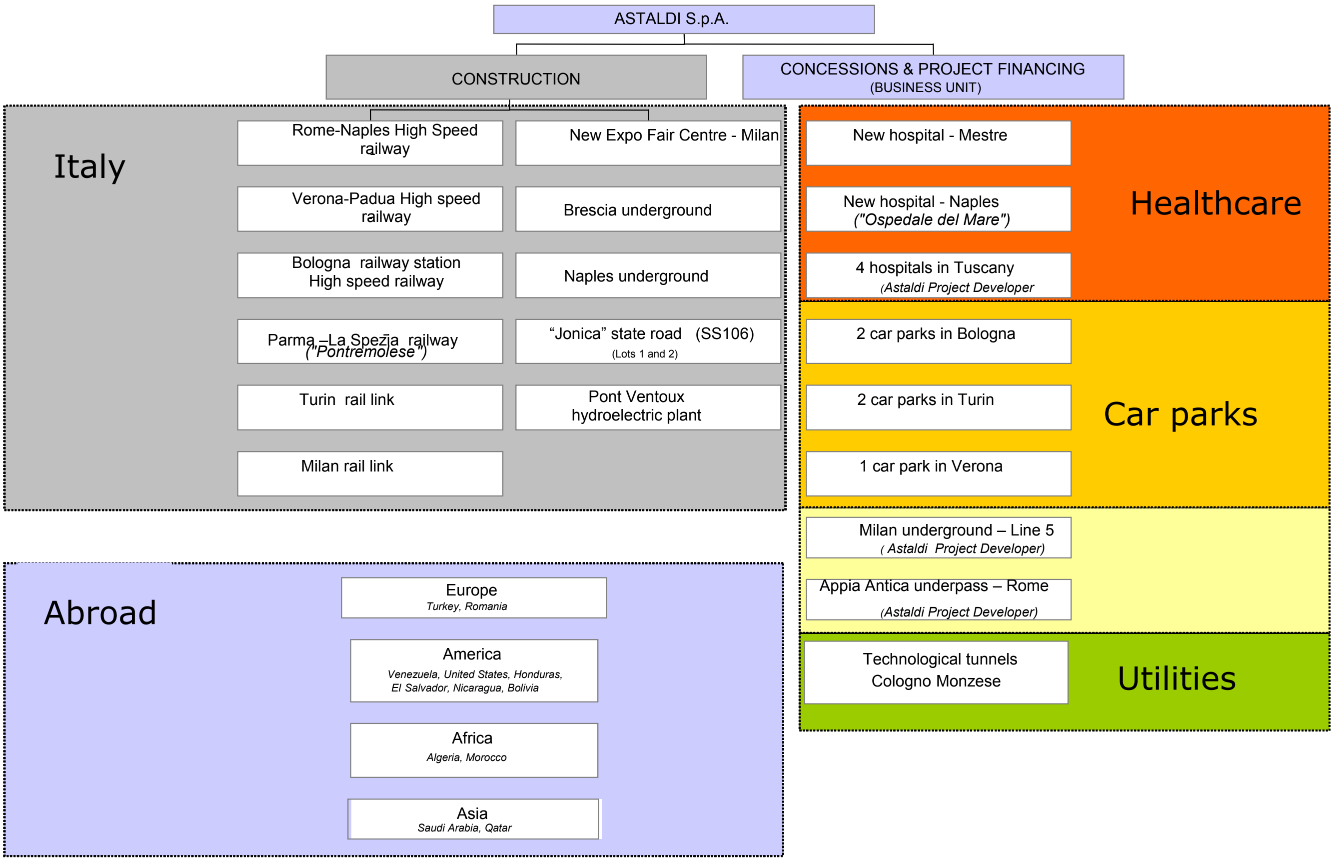
GROUP STRUCTURE



ASTALDI

CORPORATE BODIES

Board of Directors

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

Board of Statutory Auditors

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

General Managers

International	Giuseppe Cafiero
Administration and Finance	Stefano Cerri
Domestic	Nicola Oliva

Deputy General Manager

Administration and Finance	Paolo Citterio

Auditing Company

Reconta Ernst & Young S.p.A.

CONSOLIDATION AREA

	Subsidiaries	%	
1	A.S.T.A.C. S.r.l.	100.00%	
2	AR.GI S.p.A.	99.99%	
3	Astaldi Algerie E.U.r.l.	100.00%	*
4	Astaldi Arabia ltd	100.00%	
5	Astaldi Construction Corp.of Florida	99.80%	
6	Astaldi de Venezuela C.A.	99.80%	
7	Astaldi Finance S.A.	99.96%	
8	Astaldi International Inc.	100.00%	
9	Astaldi International Ltd	100.00%	
10	Astaldi-Astaldi International J.V.	100.00%	
11	Astaldi-Burundi Association Momentanée	100.00%	
12	Astaldi-Max Bogl-CCCF JV Srl	66.00%	
13	Astaldi-Sénégal Association en participation	100.00%	
14	Astur Construction and Trade A.S.	99.00%	
15	C.O.MES. S.C.r.l.	55.00%	
16	CO.ME.NA. S.c.r.l.	70.43%	
17	CO.MERI S.p.A.	99.99%	
18	CO.NO.CO. S.c.r.l.	80.00%	
19	Consorcio Astaldi - C.B.I.	60.00%	
20	Euroast S.r.l. in liquidation	100.00%	
21	I.T.S. S.p.A.	100.00%	
22	Italstrade S.p.A. (Ex Place Moulin S.p.A.)	100.00%	
23	Italstrade Somet JV Rometro S.r.l.	51.00%	
24	Legnami Pasotti Italia I.C. S.r.l. in liquidation	80.00%	
25	Montedil-Astaldi S.p.A. (MONTAST) in liquidation	100.00%	
26	Partenopea Finanza di Progetto S.p.A.	59.99%	
27	Portovesme S.c.r.l.	80.00%	
28	Quattro Venti S.c.r.l.	60.00%	
29	Redo-Association Momentanée	100.00%	
30	Romairport S.r.l.	99.26%	
31	Romstrade S.r.l.	51.00%	
32	Sartori Sud S.r.l.	100.00%	
33	SC Italstrade - CCCF JV Romis S.r.l.	51.00%	
34	S.P.T. Società Passante Torino S.c.r.l.	74.00%	*
35	Seac S.p.a.r.l. in liquidation	100.00%	
36	Sugt s.a. Calarasi	99.12%	
37	Susa Dora Quattro S.c.r.l.	90.00%	
38	Toledo S.c.r.l.	90.39%	

The companies marked with an * were subject to changes during the quarter

ACCOUNTING STANDARDS AND EVALUATION CRITERIA

In compliance with current legislation, it must be noted that this quarterly report has been drafted in accordance with the international accounting standards (IAS/IFRS) issued by the IASB and approved by the European Union, as provided for by Article 82 of the Issuers' Regulations No. 11971, issued by CONSOB on 14 May 1999 and subsequent amendments. Specifically, this report has been drafted in accordance with Annex 3D of the aforementioned regulations hence the complete disclosure for interim reports provided for by the IAS/IFRS has not been included.

The third quarter's income statement and balance sheet are shown in a reclassified format and have been drawn up on the strength of account statements prepared on the same date by the parent company and companies included in the consolidation area.

The figures listed refer to the quarter in question and the progressive period which coincides with the period from the start of the year up to the close of the third quarter. Said figures have also been compared to figures for the same periods of last year that have been restated in accordance with IAS/IFRS international accounting standards.

The accounting standards adopted have been consistently applied for all the periods listed with the exception of those regarding the valuation of financial instruments. In fact the Group availed itself of the exemption provided for by IFRS 1 which allowed for adoption of IAS 32 and IAS 39 as from 1 January 2005 without setting out comparative figures for the previous year for said standards. Therefore the standards adopted for the valuation of financial instruments in reports beginning 1 January 2004 and subsequent IFRS annual and interim reports for 2004 are the same as those used in previous years (national accounting standards). The effects of the adoption of IAS 32 and 39 are shown in the net financial position breakdown included under "Consolidated balance sheet and financial position".

For a detailed description of the accounting standards adopted by the Group, please refer to the "Notes to the Consolidated Half-Yearly Report" included in the Half-Yearly Report as of 30 June 2005, approved by the Board of Directors on 22 September 2005, filed with the company and available at www.astaldi.com.

The main exchange rates used to convert financial statements shown in foreign currencies are as follows: (Source: U.I.C.):

COUNTRIES	***CURRENCY***		**Exchange rate** *30.09.2005*	**Exchange rate** 2005 average	**Exchange rate** *30.09.2004*	**Exchange rate** 2004 average
Albania	Lek	ALL	123.811	124.508	124.699	127.684
Algeria	Algerian Dinar	DZD	90.057	92.010	87.264	86.061
Angola	Readjustado Kwanza	AOA	109.332	111.255	104.459	100.618
Saudi Arabia	Saudi Riyal	SAR	4.597	4.736	4.576	4.590
Bolivia	Bolivian Peso	BOB	9.857	10.205	9.795	9.718
Burundi	Burundi Franc	BIF	1,275.150	1,361.847	1,314.130	1,313,668
Caribbean	Caribbean Dollar	XCD	3.309	3.411	3.292	3.308
Central African Republic C.F.A	CFA Franc	XAF	655.950	655.952	655.957	655.957
Chile	Chilean Peso	CLP	657.167	721.518	752.177	752.880
Colombia	Colombian Peso	COP	2,813.450	2,952.254	3,196.350	3,308.620
Democratic Republic of Congo	Congolese Franc	CDF	569.948	601.610	482.606	463.665
Costa Rica	Costa Rica Colon	CRC	595.509	595.438	532.309	523.690
Croatia	Kuna	HRK	7.438	7.406	7.428	7.472
Denmark	Danish Krone	DKK	7.458	7.449	7.438	7.442
Dominican Republic	Dominican Peso	DOP	37.172	36.087	43.544	54.243
El Salvador	Salvadoran Colon	SVC	10.724	11.056	10.691	10.724
Japan	Japanese Yen	JPY	136.063	136.026	134.505	133.509
Djibouti	Djibouti Franc	DJF	217.822	224.540	215.265	217.545
Guatemala	Quetzal	*GTQ*	9.341	9.707	9.745	9.907
Guinea	Guinean Franc	GNF	4,823.480	4,205.592	2,449.670	2,453.383
Honduras	Lempira	HNL	23.117	23.811	22.521	22.156
Indonesia	Indonesian Rupiah	IDR	12,542.200	12,134.678	11,213.600	10,867.178
Kenya	Kenyan Shilling	KES	90,782	96.134	98.581	96.292
Libya	Libyan Dinar	LYD	1.616	1.646	1.528	1.605
Malawi	Kwacha	MWK	150.993	145.286	129.966	130.485
Morocco	Moroccan Dirham	MAD	10.998	11.044	10.981	10.984
Mozambique	Metical	MZM	30,016.600	27,536.244	26,357.800	27,779.611
Nicaragua	Gold Cordoba	NIO	20.064	20.685	19.756	19.382
Norway	Norwegian Krone	NOK	7.809	8.057	8.360	8.430
Pakistan	Pakistani Rupee	PKR	73.272	75.226	72.065	70.929
Qatar	Qatari Riyal	QAR	4.461	4.599	4.447	4.461
United Kingdom	British Pound	GBP	0.678	0.685	0.681	0.673
Romania	Leu	RON	3.510	3.617	4.107	4.074
Rwanda	Rwandan Franc	RWF	678.636	702.531	687.695	687.344
Singapore	Singapore Dollar	SGD	2.060	2.092	2.072	2.086
United States	US Dollar	USD	1.226	1.263	1.222	1.226
South Africa	Rand	ZAR	7.794	7.966	7.994	8.075
Switzerland	Swiss Franc	CHF	1.550	1.549	1.543	1.548
Taiwan	Taiwan Dollar	TWD	40.336	40.075	41.416	41.119
Tanzania	Tanzanian Shilling	TZS	1,391.390	1,408.897	1,282.250	1,322.308
Thailand	Baht	THB	50.305	50.489	50.647	49.306
Tunisia	Tunisian Dinar	TND	1.616	1.611	1.542	1.530
Turkey	Turkish Lira	TRY	1.643	1.699	1.838	1.744
European Monetary Union	Euro	EUR	1.000	1.000	1.000	1.000
Venezuela	Bolivar	VEB	2,631.820	2,642.516	2,339.950	2,284.762
Zambia	Kwacha	ZMK	5,412.190	5,800.814	5,941.480	5,860.967

Please note that the exchange rate expresses the currency required to buy 1 euro.

RECLASSIFIED CONSOLIDATED INCOME STATEMENT

Euro / 000	30 September 2005	%	30 September 2004	%	Quarter 3 2005	%	Quarter 3 2004	%
Revenues	726,907	93.2%	730,747	94.3%	240,711	95.1%	247,434	96.1%
Other operating revenues	53,282	6.8%	44,459	5.7%	12,441	4.9%	10,120	3.9%
Total revenues	**780,189**	**100.0%**	**775,206**	**100.0%**	**253,152**	**100.0%**	**257,554**	**100.0%**
Production costs	(550,450)	(70.6%)	(574,443)	(74.1%)	(187,416)	(74.0%)	(196,842)	(76.4%)
Added value	**229,739**	**29.4%**	**200,763**	**25.9%**	**65,736**	**26.0%**	**60,712**	**23.6%**
Personnel costs	(110,953)	(14.2%)	(110,248)	(14.2%)	(37,683)	(14.9%)	(37,763)	(14.7%)
EBITDA	**118,786**	**15.2%**	**90,515**	**11.7%**	**28,053**	**11.1%**	**22,949**	**8.9%**
Amortisation and deprecation	(20,957)	(2.7%)	(18,776)	(2.4%)	(7,693)	(3.0%)	(6,400)	(2.5%)
Provisions	(10,896)	(1.4%)	(2,342)	(0.3%)	4,019	1.6%	(2,342)	(0.9%)
Write-downs	(10,126)	(1.3%)	(1,239)	(0.2%)	(57)	(0.0%)	5	0.0%
Other operating costs	(18,387)	(2.4%)	(19,050)	(2.5%)	(5,896)	(2.3%)	(4,002)	(1.6%)
(Capitalisation of internal construction costs)	117	0.0%	4	0.0%	48	0.0%	(170)	(0.1%)
EBIT	**58,537**	**7.5%**	**49,112**	**6.3%**	**18,474**	**7.3%**	**10,041**	**3.9%**
Net financial income and charges	(20,254)	(2.6%)	(18,270)	(2.4%)	(8,074)	(3.2%)	(1,589)	(0.6%)
Effects of valuation of investments using equity method	(1,269)	(0.2%)	(822)	(0.1%)	(1,153)	(0.5%)	(146)	(0.1%)
Pre-tax profit (loss)	**37,014**	**4.7%**	**30,020**	**3.9%**	**9,247**	**3.7%**	**8,305**	**3.2%**
Taxes	(14,128)	(1.8%)	(11,036)	(1.4%)	(3,364)	(1.3%)	(4,338)	(1.7%)
Profit (loss) for the period	**22,886**	**2.9%**	**18,984**	**2.4%**	**5,883**	**2.3%**	**3,967**	**1.5%**
(Profit) loss attributable to minority interests	1,198	0.2%	(623)	(0.1%)	1,062	0.4%	(132)	(0.1%)
Group net profit	**24,084**	**3.1%**	**18,361**	**2.4%**	**6,945**	**2.7%**	**3,835**	**1.5%**

The first nine months of 2005 showed a consolidation in the Group's role of general contractor and consequent focusing of the orders backlog on greater value contracts with a high level of technical, legal and managerial content.

As a result of the structural changes in the Group's backlog and increasing complexity of production activities, the ongoing, constant focus on planning and control of contracts in progress and relative invested capital is proving to be a winning strategic factor in terms of the return obtained.

Overall revenues for the period, which amounted to 780 million euros, are on par with the 2004 figure and are due to the combined effect of a lower incidence of civil and industrial construction-related activities, following final delivery of Milan's New Expo Fair Centre last March (please note that the contract had generated a large part of production in the second half of 2004), and contemporary commencement of major contracts such as the two sections of the Jonica state road (SS 106) and the Turin rail link. At the present moment in time the executive projects for said contracts are being completed, and they are expected to generate a major contribution as from the fourth quarter of 2005.

The same can be said for the overall revenues for the third quarter of 2005 which totalled 253 million euros compared to 257 million euros for the same period of last year. Said phenomenon does not affect the Group's earning capacity since the contribution made by contracts offering a growing return is playing an increasingly decisive role.

A more direct analysis of the production activities performed shows how domestic contracts account for 41% of activities, while 59% concerns works in progress abroad in the 14 countries where the Group currently operates.

Europe (Romania and Turkey) accounts for 31.4% of activities carried out abroad while the remaining 27.4% refers to countries in America, Asia and Africa.

It must be remembered that the Group's policy is solely geared towards positioning itself in those countries where Astaldi traditionally features as a player and where the political and financial risk is considerably reduced as a result of total financial backing by high standing international organisations. These conditions combined with ongoing monitoring of invested capital and the monetary risk, and suitable policies to cover related risks make the individual contracts independent from a financial viewpoint and able to generate sufficient cash flow.

The table below shows a breakdown of the value of production by geographical area.

Euro/Millions		30 September 2005	%	30 September 2004	%	Quarter 3 2005	%	Quarter 3 2004	%
Italy		**331**	**45.5%**	**380**	**52.0%**	**99**	**41.1%**	**123**	**49.8%**
Abroad		**396**	**54.5%**	**351**	**48.0%**	**142**	**58.9%**	**124**	**50.2%**
	Europe	201	27.6%	119	16.3%	76	31.6%	48	19.5%
	America	156	21.5%	156	21.3%	54	22.4%	49	19.8%
	Asia	9	1.2%	21	2.9%	3	1.2%	10	4.0%
	Africa	30	4.2%	55	7.5%	9	3.7%	17	6.9%
Total		**727**	**100.0%**	**731**	**100.0%**	**241**	**100.0%**	**247**	**100.0%**

Said table shows a growth in the value of foreign production, in particular Europe which saw a speeding up of activities in Turkey. In this regard it should be noted that the Bolu tunnel was opened at the beginning of September which will allow for completion of the motorway linking Istanbul and Ankara forming part of the Anatolia Motorway project.

While as far as the drop in the figure for Asia is concerned, it should be noted that Astaldi is only present in Saudi Arabia and Qatar and is involved in the Oil & Gas sector projects inside partnerships with leading international operators. The drop in activities in this area can mainly be attributed to completion of the Yanbu Project in Saudi Arabia at the beginning of 2005. The SASOL project Astaldi is carrying out in Qatar is at an advanced stage and will result in the construction of a gas liquefaction plant due to be completed by Spring 2006. It must be pointed out that as part of its plan to increase its activities in an area offering considerable business opportunities, Astaldi Group is promoting new initiatives in the Oil & Gas sector which should be realized by early 2006.

The following table describes the incidence of the various sectors of works on the Group's overall turnover in the third quarter of 2005.

Euro/Millions	30 September 2005	%	30 September 2004	%	Quarter 3 2005	%	Quarter 3 2004	%
Transport infrastructures	540	74.3%	468	64.0%	190	78.8%	172	69.6%
Hydraulic works and energy production plants	89	12.2%	102	14.0%	22	9.1%	38	15.4%
Civil and industrial construction	98	13.5%	161	22.0%	29	12.1%	37	15.0%
Total	**727**	**100.0%**	**731**	**100.0%**	**241**	**100.0%**	**247**	**100.0%**

Transport infrastructures accounting for approximately 74% of turnover (79% in the quarter in question) shows itself to be Astaldi's key business area both in terms of value of production and specialisation. In this regard a major contribution comes from works currently underway in Venezuela (railway works), Turkey (motorway works) and Italy where construction of major railway works linked to the final phase of the Rome-Naples High Speed line, underground railways in Brescia, Naples and Genoa and the Turin rail link are in progress.

As mentioned above, there was a drop in the share of turnover related to civil construction insofar as construction of Milan's New Expo Fair Centre was completed during the period. Work on constructing the new hospital in Mestre is going ahead as planned. However, generally speaking, the production level generated by the Milan Expo Fair Centre contract, which saw its maximum contribution during the second half of 2004, has still not been replaced by other major contracts acquired during the latter part of 2004 and in 2005. In particular, the general contracting jobs related to the construction of two lots of the Jonica state road (SS 106) must be noted and relative industrial activities will be commenced once the executive design and expropriation phases have been completed.

It must also be noted that works related to the construction of Naples' Ospedale del Mare hospital can be attributed to the civil and industrial construction sector and the relative contribution to production will increase as planned from 2006.

A closer look at the main cost items shows that the accounts reflect a careful policy to control costs whose incidence has been reduced both on an annual and quarterly basis.

The third quarter sees a positive entry for the "Provisions" item following totalling of costs allocated in previous quarters in relation to foreign initiatives in the process of shutting down.

In spite of the considerable stability in revenues for services and contracts, there was a marked increase in earnings over the nine months thanks to the improved quality of works in progress and a careful production cost control policy which generated a 4.2% drop in costs compared to the same period of 2004. This means that EBIT amounted to 58.5 million euros with a 7.5% EBIT Margin on the value of production (18.5 million euros and 7.3% EBIT Margin in Q3). The positive outcome of the Milan Expo Fair Centre contract also contributed to this result, and following final delivery said contract made it possible to clarify the margin share previously "sterilised" by prudential allocations.

As far as the earnings trend in the foreign sector is concerned, there was confirmation of the excellent results seen during the first half of the year for works in progress in Turkey and Venezuela. With regard to the quarter in question, said results must be set against the charges incurred for works carried out in the USA, related in particular to problems generated by bad weather conditions, and costs incurred in Morocco for completion of the Sidi Said dam which have not been acknowledged by the client to date. In both cases the effects were already completely appropriated to the provision for risks in the half-yearly report. Having totalled the costs by type, the previous provision was made use of during Q3.

There was a drop in the result achieved in Romania during the quarter in question compared to tendential figures, related to both negative weather conditions which caused a slowing down in works, and appreciation of the local currency (RON as from 1 July 2005) which generated an increase in production costs in relation to which, acknowledgement of the currently unrecorded price review is being looked at.

The Group's net profit for the quarter totalled 6.9 million euros, an improvement on the third quarter of last year. The net profit amounted to 2.7% of total revenues (1.5% in 2004). The net profit for the nine months totalled 24.1 million euros, showing a major increase on the same period of 2004 (+31.2%). The net margin equalled 3.1% compared to 2.4% in 2004. Said result is most definitely worthy of praise considering the increased incidence of taxes during the first nine months of 2005 compared to the same period of 2004 with a tax rate of 38.2%. It must be noted that the level of taxation adopted in the current accounts constitutes straightforward application of theoretical rates. The actual tax impact will be recalculated when drafting the annual financial statements and it is felt that there will not be a significant difference.

CONSOLIDATED BALANCE SHEET AND FINANCIAL POSITION[1]

	30/09/2005	30/06/2005	31/12/2004	30/09/2004
Intangible fixed assets	5,371	6,194	5,174	5,874
Tangible fixed assets	124,694	124,628	125,461	129,834
Investments	30,778	31,782	32,330	32,507
Other net fixed assets	39,851	45,411	44,137	49,720
Total fixed assets (A)	**200,694**	**208,015**	**207,102**	**217,935**
Inventories	42,493	44,872	44,746	37,816
Contracts in progress	274,058	245,466	142,823	191,609
Trade receivables	344,917	392,632	405,609	359,544
Other assets	175,775	158,265	139,933	154,207
Advances from customers	-54,270	-46,263	-75,718	-64,094
Subtotal	**782,973**	**794,972**	**657,393**	**679,082**
Payables to suppliers	-366,757	-400,267	-390,058	-372,445
Other liabilities	-74,236	-65,857	-74,928	-77,951
Subtotal	**-440,993**	**-466,124**	**-464,986**	**-450,396**
Working capital	**341,980**	**328,848**	**192,407**	**228,686**
Employee benefits	-14,703	-14,153	-13,773	-13,154
Provision for current risks and charges	-45,308	-39,746	-37,007	-39,054
Total provisions (C)	**-60,011**	**-53,899**	**-50,780**	**-52,208**
Net invested capital (D) = (A) + (B) + (C)	**482,663**	**482,964**	**348,729**	**394,413**
Cash and cash equivalents	185,569	135,621	185,022	141,216
Financial receivables and securities	53,875	77,448	99,970	84,416
Medium-long term financial payables	-280,566	-285,015	-90,010	-88,892
Short-term financial payables	-191,989	-163,845	-308,374	-300,192
Net financial payables/receivables (E)	**-233,111**	**-235,791**	**-113,392**	**-163,452**
Group equity	252,588	249,178	238,111	233,185
Minority interests	-3,035	-2,005	-2,774	-2,224
Equity (G) = (D) - (E)	**249,552**	**247,173**	**235,337**	**230,961**

The figures at 30 September 2005 confirm the Group's balanced financial and equity structure, a winning factor in its expansion in the general contracting market.

A review of the main items for the period shows a slight drop in fixed assets compared to the same figure at 30 June 2005 due to amortisation and depreciation. Initial investments in project finance

[1] The standards adopted to evaluate financial instruments in reports starting 1 January 2004 and subsequent IFRS annual and interim reports for 2004 are the same used in previous years (national accounting standards). The consequences of adoption of IAS 32 and 39 are shown in the net financial position table.

activities such as setting up of the special purpose vehicle to carry out and manage Mestre's New Hospital, car park-related investments and the initial construction phase of Naples' Ospedale del Mare hospital are included among investments and intangible fixed assets. It must be noted that, with regard to project finance initiatives in progress, financing contracts have been signed between Veneta Sanitaria Finanza di Progetto (VSFP), ASTALDI S.p.A. in its capacity as leader of a joint venture, VSFP shareholders and the four mandated lead arrangers ABN AMRO (Intercreditor Agent), Banca Antonveneta, Banca Intesa and Interbanca together with the European Investment Bank (EIB), for the construction and management of Mestre's New Hospital. Said operation represents the first example in Italy of "Project Financing PPP" (Public-Private Partnership) financed with international standards in accordance with the model provided for by the Merloni Law, and is an important benchmark for future infrastructure projects. To date, over 22% of the hospital complex has been constructed in full compliance with works schedules.
There was a change in equity, totalling 250 million euros, during the period which can be mostly attributed to the profit for the period and distribution of dividends for a total 7.4 million euros, approved by the Shareholders' Meeting of 29 April 2005.
As far as the net financial position is concerned, a breakdown of figures is shown below:

Euro / 000	30 September 2005	30 June 2005	31 December 2004	30 September 2004
Short-term financial indebtedness	(186,749)	(158,394)	(198,573)	(184,868)
Medium-long term financial indebtedness	(263,818)	(268,694)	(87,943)	(94,895)
Cash and cash equivalents	185,568	135,621	185,022	141,216
Total financial receivables and securities	53,876	77,448	28,629	43,220
Leasing	(21,988)	(21,772)	(23,420)	(23,891)
Bonded loan	0	0	(129,999)	(140,064)
Net financial position	**(233,111)**	**(235,791)**	**(226,284)**	**(259,282)**
IAS effects and change in consolidation area	0	0	110,818	101,864
Adjusted net financial position	**(233,111)**	**(235,791)**	**(115,466) (*)**	**(157,418) (*)**

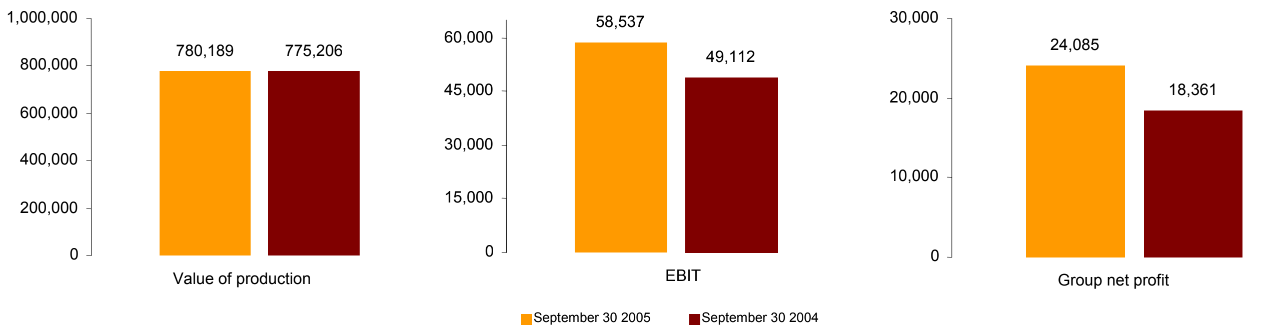
(*) The figure refers to balance sheet EX 127

Compared to 30 June 2005 there was a reduction in the net financial position which dropped from 235.8 million euros to 233.1 million euros despite being affected by the cyclical support granted to production activities during the quarter, typical of the link between seasonal trend and the economic cycle. The debt/equity ratio, equal to 0.93, was lower than the unit despite being affected by the quarter's cyclic nature as well as the consequences of IAS derecognition, and was an improvement on 0.95 recorded at 30 June 2005. Said ratio drops to 0.81 if we consider that net financial indebtedness includes loans related to project finance investments totalling over 30 million euros, repayment of which is ensured by future management-related cash flow and hence without recourse to the company's guarantees.

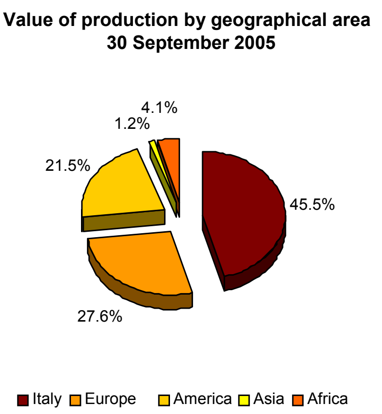
COMMENTS ON OPERATING PERFORMANCE

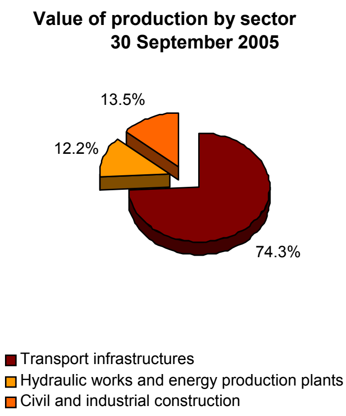
A close study of the main balance sheet indicators shows that the results achieved by Astaldi Group during the first nine months of 2005 confirm the increase in the equity and financial structure at a consolidated level, also as a result of an orders backlog that continues to stand out for the constant improvement in the quality of the works in progress.

The ongoing focus over the years on the quest for contracts with a higher technical and managerial content has been all-important in achieving the high level of turnover and good operating results. A comparison of figures for the period and forecasts for the whole of 2005 offers confirmation of a trend in keeping with the goals set down in the 2005-2009 Industrial Plan.

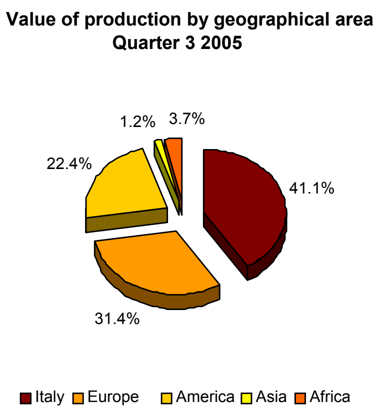


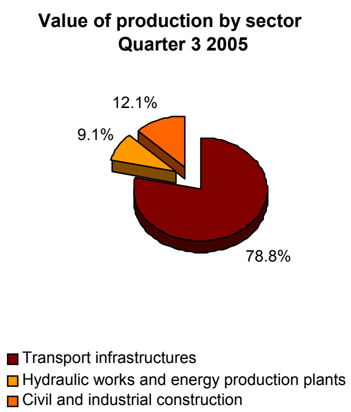
Revenues from works at 30 September 2005 totalled 727 million euros, largely on par with figures at 30 September 2004. Said stability is also to be interpreted in relation to completion of construction of Milan's New Expo Fair Centre which recorded its maximum level of production in 2004.





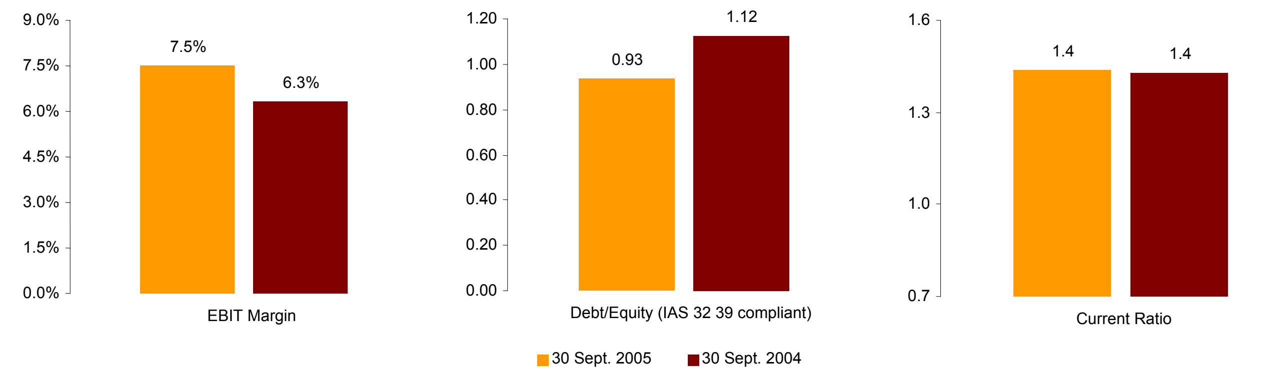
The domestic sector accounted for 45.5% of revenues in the first nine months of 2005 (for 41.1% of revenues in Q3). Foreign activities, mainly railway and motorway projects, accounted for 54.5% of revenues in the first nine months of 2005 (58.9% in Q3). The excellent results achieved by the Group in South America were repeated, especially in Venezuela. In this regard we must note the full effectiveness of the 30 million USD loan structured by Banca Nazionale del Lavoro and guaranteed by SACE (Società di Assicurazione dei Crediti all'Esportazione - company for insurance on export credit) used to cover production of railway projects in progress in Venezuela.





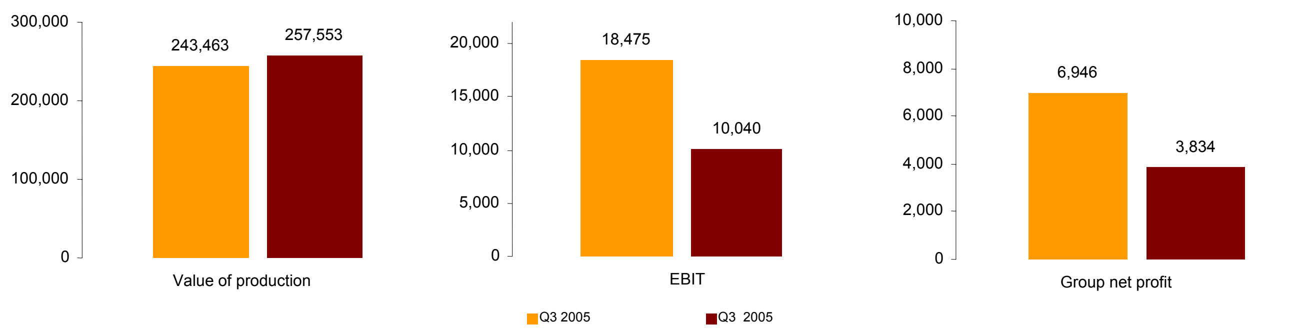
In Algeria where Astaldi enjoys a reputation as one of the leading operators, commercial efforts resulted in the Group being awarded other important contracts that will help increase the country's incidence in the Group's value of production. Major development of activities in this area was planned in order to offset the drop in the value of production in Sub-Saharan Africa following the shutting down of all activities in the countries in question.

Lastly, mention should be made of the Asian area where Astaldi has been present for approximately two years and more specifically in Saudi Arabia and Qatar. As far as Qatar is concerned, the Group has completed civil works for the SASOL GTL Plant on behalf of an international contractor specialising in oil plants. Said positive experience has opened a new front of opportunities in the Oil & Gas sector where there appears to be a major demand for infrastructures.



The first nine months of the year saw a considerable increase in economic margins. In particular there was a 19.2% increase in EBIT which totalled over 58.5 million euros (7.5% of the value of production) compared to approximately 49.1 million euros for the same period of 2004.

Consolidated net profit, which amounted to over 24.1 million euros, increased by 31.2% compared to 18.4 million euros for the first nine months of 2004.



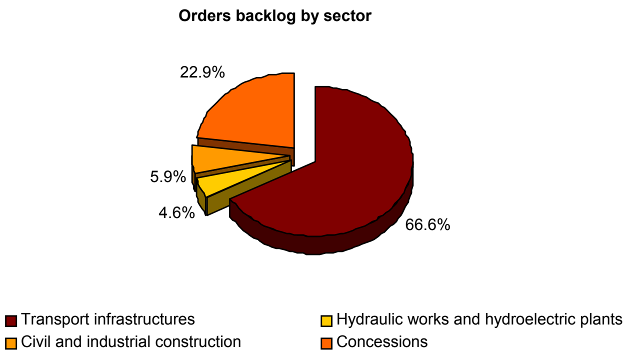
Specifically, in the third quarter of 2005, revenues for services and contracts amounted to 241 million euros, slightly down on the figure for the same period of last year due, as already mentioned, to the smaller share of works related to Milan's Expo Fair Centre which have still to be replaced by new general contracting jobs in Italy. Transport infrastructures accounted for 78.8% of this figure, hydraulic and energy works for 9.1% and civil and industrial construction the remaining 12.1%. Therefore the transport infrastructures sector shows itself to be the key sector for the Group's activities as well as the sector making the largest contribution in terms of value of production and margins achieved. It should be remembered that works such as railways and underground railways, roads and motorways and ports and airports all belong to this sector. As shown below, the increase in this sector during the period in question can be attributed to the construction of major infrastructures in Italy such as the final phase of the Rome-Naples High Speed railway line, the underground in Brescia, Naples and Genoa and the Turin rail link. Mention must also be made of the major contribution provided by works carried out in Venezuela and Turkey where the Group is involved in carrying out key infrastructure projects. Indeed as far as Turkey is concerned, it is currently working on the final section of the motorway linking Istanbul and Ankara. Said project's importance can also be confirmed by the fact that Turkey's leading local authorities along with the Prime Minister attended the opening of the Bolu tunnel on 4 September 2005.

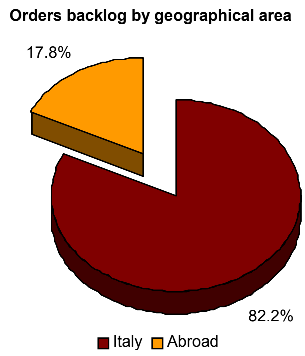
Net financial indebtedness at 30 September 2005 amounted to approximately 233.1 million euros compared to 235.8 million euros at 30 June 2005. Said figures take into account the effects on the financial position arising from the introduction of IAS accounting standards (i.e. derecognition). Said drop is in line with the contents of the 2005-2009 Industrial Plan, confirming a debt/equity ratio lower than the unit. There was a considerable increase in the share of medium-long term loans. Indeed, in keeping with said plan's aims, the Group has successfully taken the first step towards defining its new financial policy which has resulted in repositioning of financial indebtedness from short term to medium-long term.

On 9 February 2005, the 150 million euro bonded loan issued by the subsidiary Astaldi Finance S.A. was redeemed through the agent bank BNP Paribas Luxemburg followed by reimbursement of underwriters on 11 February. In this regard it must be noted that the 100 million euro bank loan agreement undersigned by a pool of leading Italian banks, repayable in six-month instalments over 5 years, became fully effective as from 27 January 2005 and will allow the Group to align the duration of sources of finance to the average length of contracts. Said loan serves to redress the Group's financial structure with regard to the short term/medium-long term debt ratio, while at the same time taking advantage of the low interest rates on the market at the present moment in time and minimising the cost of additional financial charges.
In April 2005 a 4-year loan operation for the sum of 100 million euros, connected to the liquidation of works-related credit items, was finalised with the same purpose as above. Said loan, underwritten by a pool of leading Italian banks with Banca Popolare di Milano as the agent bank, makes it possible to streamline the technical reserve portfolio, improving at the same time the working capital cycle by making use of this type of structured loan operations.

As far as total equity is concerned, which amounted to 249.6 million euros, this includes all the effects of the transition to the new international accounting standards as described in detail in the "Notes to the Half-Yearly Report".

A closer look at the orders backlog, which is described in detail in the following paragraph, shows how new contracts worth a total of over 1 billion euros were acquired during the first nine months of 2005, bringing the total value of the Group's backlog to over 5.3 billion euros, 4.1 billion of which are related to the construction sector and over 1.2 billion euros to the management sector.





ORDERS BACKLOG BY SEGMENTS AND GEOGRAPHICAL AREAS

New contracts worth a total of over 1 billion euros were acquired during the first nine months of 2005 bringing the overall value of the Group's orders backlog at 30 September 2005 to 5.3 billion euros, up by 5.6% on the start of the year. 63.9% of said works refer to Italy, mainly in the rail infrastructures sector, 13.2% to works abroad, mainly in America as well as Romania, Turkey and Algeria and 22.9% to project finance initiatives and concessions. It is important to point out that the further increase in the orders backlog, with regard to the outstanding levels achieved in 2004, confirms the industrial plan's forecasts based on an acquisition policy which favours profitability.

During the third quarter of 2005, in confirmation of the operating capacity seen in Algeria during the first part of the year, Astaldi further increased its presence in this area. During July the Group was awarded the contract to construct the Kerrada dam and Jijel road tunnel worth a total 76 million euros (51 million euros for the works carried out by Astaldi). Therefore these new contracts bring the total of new orders at 30 September 2005 attributable to Algeria to 155 million euros. The company is already involved in major projects in this country, mainly in the motorway and water feeding and collection systems sectors. Indeed it must be remembered that during the first half of the year Astaldi Group was awarded the works contract to construct a section of the East-West Motorway, running along the coast between Tunisia and Morocco, and the contract to construct the water system linking the cities of Akbou and Bejaia, to the east of Algiers.

In the third quarter of 2005 a further tranche of works worth approximately 44 million euros related to the Puerto Cabello-La Encrucijada railway line in Venezuela was included in the backlog as a result of backing being obtained. It must be recalled that the project underway, which is being carried out by a joint venture in which Astaldi is the leader with a 33.33% share, provides for local government backing per tranche. The result is that, in compliance with the criterion adopted by Astaldi which provides for new acquisitions to be included in its backlog only in the event of complete financial backing, the sum of approximately 300 million euros still has to be included among its acquisitions. Said sum does not take into account the potential developments arising from the preliminary agreements reached with the Venezuelan client which ought to allow for further opportunities worth over 200 million euros. Said opportunities were reasserted during the Venezuelan president's recent visit to Italy when he confirmed the plan to rapidly go ahead with the programme to finance major infrastructure works. The remaining shares shall be gradually included in relation to the availability of relative funds in the country's multi-year budget. For further information regarding the remaining amounts of this project to be financed, please refer to what is stated below in regard to initiatives still to be included in its backlog. The Puerto Cabello-La Encrucijada project provides for the construction of a railway line measuring approximately 110 km, including 32 km of tunnel, 28 km of viaduct with 7 stations and 2 logistic centres that will allow for a link between the country's key port and the most industrialised area.

As far as Italy is concerned, the first nine months of the year saw an increase in the share of its orders backlog related to the transport infrastructures sector.

In May Astaldi was awarded the works contract for completion of the Turin rail junction in its capacity as leader of a joint venture in which it holds 74%. The contract worth a total of over 442 million euros provides for the executive design and performance of works to complete and extend the rail line between Corso Vittorio Emanuele II and Corso Grosseto. The new section will link Lingotto station to Stura station and run for approximately 12 km, 7 km of which in a tunnel crossing the River Dora Riparia. The total planned duration of the works is approximately 6 years. It should be noted that the works represent the end of the first phase of an Astaldi project currently being completed, aimed at guaranteeing the construction of an integrated transport system in Turin. The physical and temporal contiguity of the two contracts will make it possible to make major savings both with regard to efficient site organisation and technical equipment, and excellent commercial relations acquired over the years thanks to its ongoing presence in the Turin area.

In March Astaldi Group was also awarded the works contract to lay the second track of the Parma-La Spezia railway line, also called the "Pontremolese". The contract is worth a total of approximately 165 million euros and provides for the executive design and performance of civil works, railway superstructure, electric traction system and modernisation of safety and signalling systems. The main works consist in the construction and safety arrangements of a new dual track tunnel measuring approximately 4,200 metres, a new 440 metre bridge over the River Taro, a 150 metre viaduct and two cut-and-cover tunnels measuring 160 metres and 243 metres respectively which will run under the Parma-La Spezia motorway.

The projects related to the "Jonica" state road (SS 106) worth a total of approximately 800 million euros provide important examples of Astaldi's design and production capacities, but also offer proof of the lucrative changes in the Group's orders backlog over the past years.

In recent years high unitary value projects handled as general contracting projects or as concessions or as project finance initiatives are increasingly replacing traditional contracts thus reflecting an acquisition policy which focuses on projects with a high technological and managerial profile and able to guarantee greater earning capacity. However the Group will continue to operate in the integrated contracts sector, concentrating its activities in the sectors that are traditionally Astaldi's strong point.

Therefore, if mention is to be made of just some of the contracts which the Group's production efforts shall be focused on over the coming months, the orders backlog includes works such as the underground in Brescia and Naples, Bologna's High Speed station, the recently acquired lots of the Jonica state road (SS 106), as well as Mestre's Hospital and the Ospedale del Mare hospital in Naples, the Caracas-Tuy railway line and Los Teques underground railway in Venezuela, Bucharest's underground and international airport, the Bucharest-Constanta motorway in Romania and the Istanbul-Ankara motorway in Turkey. All of which are works with financial backing and a high technological/managerial profile able to optimise the Group's various areas of expertise and maintain a sufficient return for each individual project. The Group's involvement in the main infrastructure projects being developed in Italy such as the Verona-Padua High Speed line and construction of the Mose mobile dams in Venice's lagoon must also be remembered.

It must also be noted that the orders backlog at 30 September 2005 did not include all those initiatives for which Astaldi's appointment as project developer, pursuant to Article 37 bis and following of the Merloni Law (Law No. 109/1994) and subsequent amendments, has been made official. In fact on the strength of legislation in force in Italy with regard to project finance, appointment as project developer grants the latter the right of pre-emption to be exercised during final performance of the tender. Nevertheless, as mentioned above, the Group adopts a policy of solely including finalised, fully backed projects in its orders backlog. This means that these contracts shall only be included in its orders backlog when said conditions are met. Therefore not only are the projects regarding construction of Line 5 of Milan's underground, an integrated 4-hospital system in Tuscany and the Appia Antica Park underpass in Rome –all projects in which Astaldi has already been appointed project developer - left out of the orders backlog, but also projects in Venezuela for which relative financial backing has still to be finalised.

As regards Line 5 of Milan's underground, the project is worth approximately 504 million euros, 193 million euros of which are to be put up by the concessionaire and banks offering financial backing, while public contributions shall cover the remaining 311 million euros. The project provides for the design, construction and subsequent management of a 5.6 km stretch of the underground between Porta Garibaldi station and Via Bignami in the eastern suburbs of Milan. The forecast duration of the works, including the design stage, is 5 years followed by 27 years of management. The relative concession agreement shall be signed upon completion of the award procedure and negotiated procedure during which Astaldi, leader of a joint venture in its capacity as project developer, shall enjoy the right of pre-emption. It should be noted that following publication of the call for tenders on

15 April, a tender to carry out the works in question was submitted by a rival joint venture at the end of October. According to current legislation, the admission of a second tender by an awarding committee will lead to the subsequent phase of the award procedure during which Astaldi Group may exercise the right of pre-emption in its capacity as project developer that grants the Group the right to choose to match the rival tender and be awarded the contract. The contract is expected to be awarded by the end of 2005 and C.I.P.E. (Interdepartmental committee for economic planning) has already set aside the necessary funding to support the project.

A similar award procedure is expected for the project financing proposal submitted by Astaldi Group to construct and manage an integrated system of four hospitals in Tuscany (Prato, Pistoia, Lucca and Massa). It should be pointed out that with the decision taken on 10 May 2005, the Council of State confirmed the joint venture led by Astaldi as the developer for said project. Therefore said initiative can now be properly launched and allow for the carrying out of a project worth a total 330 million euros as far as construction is concerned – 88 million euros of which will be put up by private individuals – and 1.5 billion euros as far as the concession is concerned. The new hospital facilities shall offer 1,700 new beds located in the various areas of reference. It must be remembered that the procedure of constructing the hospitals provides for single all-inclusive ministerial financing and a single award so as to be able to go ahead with building the four hospitals contemporaneously. The concession agreement shall be signed subsequent to completion of the award procedure and negotiated procedure during which the project developer Astaldi shall enjoy the right of pre-emption. The relative call for tenders is expected by the end of 2005.

While as regards the project finance initiative for construction of the Appia Antica Park underpass, Rome's city authorities have already formalised Astaldi's appointment as project developer. The works are worth a total 390 million euros, 190 million of which shall be put up by the concessionaire and the remaining amount by the city authorities. The thirty-year concession for management of the works shall provide the contractor with operating revenues of over 800 million euros gross of operating costs. The preliminary design submitted by Astaldi provides for the construction of a two-lane road in both directions linking the south of the city to the east measuring approximately 9 km, 7 km of which shall be in a tunnel. The concession agreement shall be signed subsequent to completion of the award procedure and negotiated procedure during which the project developer Astaldi shall enjoy the right of pre-emption. The works in question shall be of great service to city traffic and stand out insofar as they are the first transport works in Rome to be carried out using project finance.

The table below shows the trend in the orders backlog for the first nine months of 2005, split into the main business areas. The figures shown do not take into account the projects listed above for which the criteria regarding inclusion in the Group's backlog (i.e. awarded contracts that still have to obtain financial backing and projects in which Astaldi is the developer pursuant to Article 37 bis and following of the Merloni Law) still have to be met.

Euro/millions	**Beginning Period 01/01/2005**	**Acquisitions**	**Production**	**Ending Period 30/09/2005**
Transport infrastructures	3,229	837	(540)	3,526
of which:				
railways and undergrounds	*1,859*	*641*	*(236)*	*2,264*
roads and motorways	*1,283*	*196*	*(275)*	*1,204*
ports and airports	*87*	*0*	*(29)*	*58*
Hydraulic works and hydroelectric plants	221	110	(89)	242
Civil and industrial construction	348	63	(98)	313
Concessions	1,213	-	-	1,213
Total orders backlog	**5,011**	**1,010**	**(727)**	**5,294**

The following table shows the individual geographical areas' contribution to the make-up of the orders backlog.

Euro/millions	**Beginning Period 01/01/2005**	**Acquisitions**	**Production**	**Ending Period 30/09/2005**
Italy	*3,961*	*722*	*(331)*	*4,352*
Abroad	*1,050*	*288*	*(396)*	*942*
Total orders backlog	**5,011**	**1,010**	**(727)**	**5,294**

As regards commercial activities under consideration in the domestic market, the Group has focused on general contracting and project finance initiatives mainly related to the transport infrastructures and healthcare facilities sectors, in keeping with corporate planning. The Group is currently awaiting the outcome of award procedures with regard to some initiatives, while for others the relative prequalification, verification and award procedures are still underway.

Specifically, the Group is awaiting the outcome of some award procedures in the motorway sector including the works contract for construction of a maxi lot of Salerno-Reggio Calabria motorway as well as the works contract for construction of a road system linking Marche and Umbria, also known as “Quadrilatero delle Marche”.

The general contracting project related to the design and construction of Line C of Rome’s underground is currently under consideration. The proposal being drawn up provides for the construction of a section, approximately 25.5 km in length, of the underground connecting the Clodio/Mazzini stations and Pantano. Said section will comprise approximately 30 stations placed along a route which will run for 18 km underground. The call for tenders is expected by the end of 2005 with contracts being awarded during the second quarter of 2006.

Other project finance initiatives in the car parks and healthcare facilities sectors are currently under consideration along with projects involving the traditional transport infrastructures sector (railways, motorways and ports).

With regard to foreign activities, a large number of commercial projects are currently underway, aimed not only at consolidating the Group’s presence in countries where Astaldi is already firmly established (Turkey, Romania, Venezuela and Algeria), but also at developing new high potential markets such as the Middle East (Qatar and Saudi Arabia).

It must also be remembered that the call for tenders related to construction of entrances to the new railway crossing the Bosporus (“Marmaray Project”) is currently in progress. The project provides for the performance of civil works worth a total of more than 400 million euros and sees Astaldi’s participation as part of a joint venture of leading international operators. The contract is expected to be awarded by February 2006.

SUBSEQUENT EVENTS

During the period subsequent to the end of the third quarter, focus was placed on activities which made it possible to reach important milestones in key projects, such as the final phase of construction of the Pont Ventoux hydroelectric plant in Piedmont. This hydroelectric plant in Val di Susa will be opened in the near future and with an installed power of 158 MW and production capacity of over 400 million kWh per year, it will be one of the largest hydroelectric plants in Europe. Moreover the technical and operational capacity employed should allow the Group to obtain the acceleration bonus agreed with the client.

Development activities on the domestic market also continued to go ahead. In this regard and as already stated above, procedures to award the contract for construction of Line 5 of Milan's underground are currently underway. Astaldi has already been appointed developer for this project for which a rival technical/economic tender was submitted in November. In accordance with current legislation, assessment of the admissibility of said second tender will lead to the subsequent phase of the award procedure during which Astaldi Group can exercise the right of pre-emption in its capacity as developer. The contract is expected to be awarded by the end of 2005.

It must also be remembered that the procedure to award the contract for the construction of the bridge over the Straits of Messina has already been completed. The joint venture led by Impregilo was awarded the contract with an average discount of 12%, while the discount offered by Astaldi in its capacity as leader of a joint venture of Italian and international companies was equal to 2%.

As far as foreign commercial activities are concerned, it must be noted that Astaldi Group is top of the list in the award procedure regarding major railway projects in progress of being awarded in Romania and Algeria worth a total 254 million euros for the Group.
Specifically, Astaldi was placed first and is awaiting final awarding of the contract related to the construction of the Redjem-Demouche-Mecheria railway line in Algeria. As regards Romania, a country where the Group is traditionally present, it is awaiting final awarding of the works contract regarding the modernisation of two separate lots of the Bucharest-Constanta railway line. It should be remembered that Astaldi is already present in this area through its involvements in key projects mainly regarding the construction of transport infrastructures such as Line 3 of Bucharest's

underground, the Otopeni international airport and further road projects including the construction of various sections of the Bucharest-Constanta motorway.

Forecast Development of Operations

The results achieved during the first nine months of 2005 confirm the Group's operating and financial capacity which forms the base for the strategies decided on during industrial planning and equal excellent quality of the orders backlog and a well-founded equity and financial structure.

Completion of major contracts such as Milan's New Expo Fair Centre and the Pont Ventoux hydroelectric plant, speeding up of activities regarding projects such as the Anatolia motorway in Turkey as well as handling of the start up of new, highly demanding contracts for the Group's management such as Bologna's High Speed station and Brescia's underground perfectly sum up the operating and managerial capacity that the Group has made its hallmark and added value of the activities carried out.

The changes in the orders backlog, which mainly focuses on general contracting and concession/project finance initiatives, and the lesser incidence of traditional contracts, will lead Astaldi Group to concentrate its production efforts on increasingly specialised contracts from a technical/managerial know-how viewpoint over the coming months. The Turin rail junction, Mestre's hospital, the Ospedale del Mare hospital in Naples as well as two lots of the Jonica state road (SS 106) are just some of the projects included in the backlog which the company's management will be involved in over the coming months.

New challenges and new projects which will allow the Group to optimise expertise acquired over the years and grasp additional opportunities that will present themselves in its target market while maintaining lucrative margins.

Subsequent to changes in legislation and consequent market consolidation processes, the sector is experiencing a phase during which Astaldi Group undoubtedly holds a leadership position which depends not only on its operating capacities, which can be identified in its satisfaction of general contractor requisites, but also on other important factors such as its financial structure and the know how it can boast.

Indeed a solid managerial, equity and financial structure becomes all-important and strategic in a situation where the unitary value of contracts continues to increase and current legislation provides for an advance payment by the General Contractor that can range from 10% to 20% of the value of the investment.

And one of Astaldi Group's strong points lies in said solid structure along with its ability to design and carry out works.

In recent years we have seen a repositioning of the Group's indebtedness towards the medium/long-term which reflects the management's sound planning ability and is in keeping with corporate planning. Said repositioning has been carried out in order to guarantee the complete financial independence of contracts in its backlog and greater correspondence of sources of finance to the specific needs of individual business units (construction, general contracting and concession).

In a market situation where limits on public authorities' spending could serve to boost the development of project financing initiatives, Astaldi's acknowledged solidity from an equity viewpoint is undoubtedly a lever to act on in order to consolidate its presence in a sector such as concessions which is characterised by good opportunities and sufficient levels of return.

As regards the foreign sector, the Group's aim will continue to be capitalisation of the results achieved to date. Therefore the coming months will see a consolidation of the Group's presence in traditional markets in order to guarantee further development. Furthermore consolidation is planned of commercial penetration of Eastern Europe and an area of the Middle East (Qatar and Saudi Arabia), as well as an increase in PPPs (Public-Private Partnership) and structured finance activities including in some foreign countries which, to date, can boast political and financial stability combined with suitable potential in the infrastructure sectors.

Lastly it should be noted that consolidation of its role as a general contractor and leading operator in the project finance sector will most definitely be favoured by the new organisational model adopted over the year. In fact construction activities have been separated from concession activities in order to develop, in the domestic market, the growing potential offered by the concession and project finance sectors in Italy and abroad, with the identification of resources dedicated to developing initiatives both from a managerial and financial viewpoint.