ASTALDI GROUP

QUARTERLY REPORT AT SEPTEMBER 30, 2006

ASTALDI

Contents

Corporate bodies

Board of Directors

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

Board of Auditors

Chairman	Pierumberto Spanò
Statutory Auditors	Pierpaolo Singer
	Antonio Sisca[1]
Substitute Auditors	Maurizio Lauri
	Massimo Tabellini

General Managers

International	Giuseppe Cafiero
Administration and Finance	Stefano Cerri
Domestic	Nicola Oliva

Deputy General Managers[2]

Administration and Finance	Paolo Citterio
Domestic	Gianfranco Giannotti
International	Rocco Nenna

Auditing Firm

Reconta Ernst & Young S.p.A.

[1] On November 9, 2006, the Shareholders' Meeting of Astaldi S.p.A. appointed Antonio Sisca (former substitute auditor) as statutory auditor of the company to replace Prof. Eugenio Pinto who resigned from said office in July. The Shareholders' Meeting also appointed Flavio Pizzini as substitute auditor to replace Antonio Sisca.

[2] During the BoD meeting on September 26, 2006, the company's Board of Directors appointed Gianfranco Giannotti and Rocco Nenna as the company's deputy general managers dealing respectively with the domestic and international areas.

Consolidation area

	Subsidiaries	%
1	Assistenza Sviluppo e Tecnologie Ausiliarie alle Costruzioni S.r.l. -(A.S.T.A.C.)	100.00%
2	Astaldi Algerie E.U.r.l.	100.00%
3	Astaldi Arabia Limited	100.00%
4	Astaldi Construction Corporation	100.00%
5	Astaldi International Inc.	100.00%
6	Astaldi International Limited	100.00%
7	Astaldi-Astaldi International J.V.	100.00%
8	Astaldi-Burundi Association Momentanée	100.00%
9	Astaldi-Sénégal Association en participation	100.00%
10	Cospe S.C.r.l.	100.00%
11	Diga di Arcichiaro S.C.r.l. in liquidation	100.00%
12	DIP.A. S.C.r.l. in liquidation	100.00%
13	Euroast S.r.l. in liquidation	100.00%
14	Italstrade S.p.A.	100.00%
15	Linea A S.C.r.l. in liquidation	100.00%
16	Montedil-Astaldi S.p.A. (MONTAST) in liquidation	100.00%
17	Redo-Association Momentanée	100.00%
18	Sartori Sud S.r.l.	100.00%
19	Seac S.p.a.r.l. in liquidation	100.00%
20	Servizi Tecnici Internazionali - I.T.S. S.p.A.	100.00%
21	Todaro S.r.l. in liquidation	100.00%
22	AR.GI S.p.A.	99.99%
23	CO.MERI S.p.A.	99.99%
24	Consorzio Astaldi-C.M.B. Due in liquidation	99.99%
25	I.F.C. Due S.C.a.r.l. in liquidation	99.99%
26	Astaldi Finance S.A.	99.96%
27	Astaldi de Venezuela C.A.	99.80%
28	Romairport S.r.l.	99.26%
29	Sugt s.a. Calarasi	99.12%
30	Astur Construction and Trade A.S.	99.00%
31	Palese Park S.r.l.	99.00%
32	Silva S.r.l. in liquidation	99.00%
33	Toledo S.C.r.l.	90.39%
34	Susa Dora Quattro S.C.r.l.	90.00%
35	CO.N.O.C.O. S.C.r.l.	80.00%
36	Eco Po Quattro S.C.r.l. in liquidation	80.00%
37	Portovesme S.C.r.l.	80.00%
38	S.Filippo S.C.r.l. in liquidation	80.00%
39	Tri.Ace. S.C.a.r.l. in liquidation	80.00%
40	Bussentina S.C.r.l. in liquidation	78.80%
41	Mormanno S.C.r.l. in liquidation	74.99%
42	S.P.T. Società Passante Torino S.C.r.l.	74.00%
43	Consorzio Olbia Mare in liquidation	72.50%
44	CO.ME.NA. S.C.r.l.	70.43%
45	Messina Stadio S.C.r.l.	66.67%
46	Astaldi-Max Bogl-CCCF J.V. S.r.l.	66.00%
47	Consorcio Astaldi - C.B.I.	60.00%
48	Ospedale del Mare S.C.r.l.	60.00%
49	Quattro Venti S.C.r.l.	60.00%
50	Forum S.C.r.l.	59.99%
51	Partenopea Finanza di Progetto S.p.A.	59.99%
52	C.O.MES. S.C.r.l.	55.00%
53	Italstrade Somet J.V. Rometro S.r.l.	51.00%
54	Romstrade S.r.l.	51.00%
55	SC Italstrade - CCCF JV Romis S.r.l.	51.00%
56	SCAR Scrl*	61.40%

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

Accounting standards and valuation criteria

In compliance with current legislation, it must be noted that this quarterly report has been drafted in accordance with IASs/IFRSs 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 May 14, 1999 and subsequent amendments and additions. 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 IASs/IFRSs has not been included.

The 2006 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, in compliance with CONSOB Ruling No. 15519. Attached to this report are the model statements adopted by the company in accordance with IAS1 and reconciled with the reclassified schedules.

The figures listed refer to the quarter in question and to the period between the start of the year and the quarter closing date. They are likewise compared with figures for the same periods of last year.

For a detailed description of the accounting standards adopted by the Group, please refer to the consolidated financial statements at December 31, 2005, approved by the Shareholders' Meeting on April 28, 2006, filed at the company's offices and available at www.astaldi.com.

The main exchange rates used to convert financial statements shown in foreign currencies are as follows (Source: I.E.O. - Italian Exchange Office):

Country	*Currency*		*September 30, 2006*	*2006 average*
Algeria	Algerian Dinar	DZD	91,9482	90,7550
Saudi Arabia	Saudi Riyal	SAR	4,7733	4,6660
Bolivia	Bolivian Peso	BOB	10,1757	9,9510
Central African Republic C.F.A	CFA Franc	XOF	655,9570	655,9510
Colombia	Colombian Peso	COP	3.051,9500	2.961,2810
Democratic Republic of Congo	Congolese Franc	CDF	573,6690	551,4380
Costa Rica	Costa Rica Colon	CRC	662,0110	633,9420
Croatia	Croatian Kuna	HRK	7,3945	7,3110
Denmark	Danish Krone	DKK	7,4601	7,4600
El Salvador	Salvadoran Colon	SVC	11,1365	10,8860
Japan	Japanese Yen	JPY	148,9920	144,1300
Guatemala	Guatemalan Quetzal	GTQ	9,6822	9,4600
Guinea	Guinean Franc	GNF	6.991,5300	6.004,8020
Honduras	Honduran Lempira	HNL	24,0485	23,5080
Morocco	Moroccan Dirham	MAD	11,0626	11,0160
Nicaragua	Gold Cordoba	NIO	22,5852	21,7310
Norway	Norwegian Krone	NOK	8,2572	7,9730
Qatar	Qatari Riyal	QAR	4,6333	4,5290
United Kingdom	British Pound	GBP	0,6751	0,6850
Romania	Romanian New Leu	RON	3,5274	3,5400
United States	US Dollar	USD	1,2727	1,2440
South Africa	South African Rand	ZAR	9,4553	8,2160
Switzerland	Swiss Franc	CHF	1,5841	1,5660
Tanzania	Tanzanian Shilling	TZS	1.670,3800	1.546,5120
Turkey	Turkish Lira	TRY	1,8870	1,7830
European Monetary Union	Euro	EUR	1,0000	1,0000
Venezuela	Venezuelan Bolivar	VEB	2.732,9600	2.671,5880

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

Reclassified consolidated income statement

€ / 000	Model Statement Reference	Sept. 30, 2006	%	Sept. 30, 2005	%	Q3 2006	%	Q3 2005	%
Revenues	A	728,604	95.0%	715,090	93.5%	246,840	94.3%	232,080	93.2%
Other operating revenues	B	38,040	5.0%	49,672	6.5%	14,795	5.7%	17,033	6.8%
Total revenues		**766,644**	**100.0%**	**764,762**	**100.0%**	**261,635**	**100.0%**	**249,113**	**100.0%**
Production costs	C	(550,599)	(71.8%)	(536,151)	(70.1%)	(196,688)	(75.2%)	(175,928)	(70.6%)
Added value		**216,045**	**28.2%**	**228,611**	**29.9%**	**64,947**	**24.8%**	**73,185**	**29.4%**
Personnel costs	D	(122,785)	(16.0%)	(111,011)	(14.5%)	(40,435)	(15.5%)	(37,976)	(15.2%)
Other operating costs	E	(12,346)	(1.6%)	(18,761)	(2.5%)	(1,806)	(0.7%)	(7,676)	(3.1%)
EBITDA		**80,914**	**10.6%**	**98,839**	**12.9%**	**22,706**	**8.7%**	**27,533**	**11.1%**
Amortisation and depreciation	F	(20,929)	(2.7%)	(20,954)	(2.7%)	(7,418)	(2.8%)	(7,697)	(3.1%)
Provisions	E	(3,748)	(0.5%)	(16,703)	(2.2%)		0.0%	(1,788)	(0.7%)
Write-downs	F	(2,124)	(0.3%)	(4,319)	(0.6%)		0.0%	(57)	(0.0%)
(Capitalisation of internal construction costs)	G	1,045	0.1%	117	0.0%	551	0.2%	48	0.0%
EBIT		**55,158**	**7.2%**	**56,980**	**7.5%**	**15,839**	**6.1%**	**18,039**	**7.2%**
Net financial income and charges	H	(14,154)	(1.8%)	(19,560)	(2.6%)	(4,889)	(1.9%)	(8,191)	(3.3%)
Effects of valuation of investments using equity method	I	1,812	0.2%	(149)	(0.0%)	344	0.1%	(347)	(0.1%)
Pre-tax profit (loss)		**42,816**	**5.6%**	**37,271**	**4.9%**	**11,294**	**4.3%**	**9,501**	**3.8%**
Taxes	L	(19,091)	(2.5%)	(14,161)	(1.9%)	(5,741)	(2.2%)	(3,395)	(1.4%)
Pre-tax profit (loss) from continued operations		**23,725**	**3.1%**	**23,110**	**3.0%**	**5,553**	**2.1%**	**6,106**	**2.5%**
Profit (loss) from discontinued operations			0.0%		0.0%		0.0%		0.0%
Profit (loss) for the period	M	**23,725**	**3.1%**	**23,110**	**3.0%**	**5,553**	**2.1%**	**6,106**	**2.5%**
(Profit) loss attributable to minority interests	N	(1,166)	(0.2%)	1,212	0.2%	(461)	(0.2%)	1,076	0.4%
Group net profit	O	**22,559**	**2.9%**	**24,322**	**3.2%**	**5,092**	**1.9%**	**7,182**	**2.9%**

The Group's economic performance during the first nine months of 2006 was in line with the same period of 2005. The budget forecast a slight growth compared to 2005, concentrated in the second half of 2006, as a direct result of the start-up of some major projects in Italy and abroad.

Total revenues at September 30, 2006 equalled approximately EUR 767 million, on par with the same period of last year. The lack of an increase compared to 2005 was mainly due to the delay in the approval procedure, still underway, regarding the executive design for works on the Jonica national road (SS106). Revenues from services and contracts, amounting to approximately EUR 729 million, were slightly up on the figure at September 30, 2005 and confirmed the prevalence of foreign works in progress in the 14 countries where the Group currently operates.

Foreign activities represented 61.7% of total revenues, with Europe (Romania and Turkey) accounting for 24.8% and America for 25.5% while the remaining 11.3% comprised production activities carried out mainly in Algeria. As forecast, this geographical area is experiencing a significant increase in production following the start-up and subsequent implementation of major contracts recently acquired.

Therefore, the Group's policy confirms its foreign presence in those countries where it traditionally features as a player and where the political and financial risk is considerably reduced as a result of sufficient financial backing by 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. Said characteristics accentuate the strategic value of these activities, in a market situation where the balance between the domestic and international sectors makes it possible to ensure appreciable economic margins and levels of equity and financial stability.

In fact the importance the foreign sector has for Astaldi Group also satisfies the need to diversify activities and relative risks, and to balance the growth in the domestic orders backlog over the coming years. The latter is characterised by high value projects which, by their very nature and thanks to their complexity, entail lengthy, detailed preparatory activities from both design and operational viewpoints, said characteristics being specific to general contracting and project financing activities.

The table below shows a breakdown of revenues by geographical area.

€/millions		September 30, 2006	%	September 30, 2005	%	Q3 2006	%	Q3 2005	%
Italy		**279**	38.3%	**332**	46.4%	**86**	34.8%	**100**	43.1%
Abroad		**450**	61.7%	**383**	53.6%	**161**	65.2%	**132**	56.9%
	Europe	181	24.8%	201	28.1%	71	28.7%	76	32.8%
	America	186	25.5%	143	20.0%	52	21.1%	44	19.0%
	Asia	4	0.5%	9	1.3%	1	0.4%	3	1.3%
	Africa	79	10.8%	30	4.2%	37	15.0%	9	3.9%
Total		**729**	100.0%	**715**	100.0%	**247**	100.0%	**232**	100.0%

The above figures highlight the growing importance, both in absolute terms and the incidence on the total, of production activities in America, thanks also to the major increase in revenues generated in Venezuela. Indeed, the period saw the first effects of the local government's greater ability to convert the increased cash flow from high oil prices, of which Venezuela is a leading producer, into investments in infrastructures. During the period these conditions led to the signing of important agreements for the construction of key railway infrastructures, as will be described in greater detail further on, whose economic effects started to be seen during the quarter in question. The signing of these new agreements goes to confirm the important role of Astaldi Group in an area where it has been looked on for some time as one of the leading players in the sector, perfectly integrated into the local production fabric and a key exporter of the Italian production model.

Vice versa, it must be noted that the Group's subsidiary in Florida recorded a negative economic performance during the period in question although the managerial restructuring process started up at the beginning of the year has almost been completed. Said result was mainly due to losses from operations during the period related to the end phase of a number of contracts, also due to the difficulties traditionally encountered in this market concerning the final delivery of works to clients. In addition to this, the adverse weather conditions experienced in the southern areas of the United States during the second half of 2005, have generated a change in the construction market, with a major increase in the demand for raw materials and workforce and consequent significant increase in relative costs. Therefore, the quarter's overall result is paying for said effects.

If we take a closer look at the results achieved at a consolidated level, as widely detailed in the Group's Business Plans, 2006 proves to be a transition year following the start-up of major domestic general contracting projects for which, as forecast, technical activities prior to the start-up of works are being completed.

The following table describes, in greater detail, the incidence of the various categories of works on the Group's overall turnover.

€/millions	**September 30, 2006**	%	**September 30, 2005**	%	**Q3 2006**	%	**Q3 2005**	%
Transport infrastructures	590	80.9%	528	73.8%	199	80.6%	178	76.7%
Hydraulic works and energy production plants	74	10.2%	89	12.4%	23	9.3%	20	8.6%
Civil and industrial construction	65	8.9%	98	13.7%	25	10.1%	34	14.7%
Total	**729**	100.0%	**715**	100.0%	**247**	100.0%	**232**	100.0%

Transport infrastructures accounting for approximately 81% of turnover are Astaldi's key business area, both in terms of value of production and sector specialisation, confirming the Group's longstanding tradition. In this regard, a major contribution came from works currently underway in Venezuela (railway works), Turkey (motorway works) and Italy where construction of major railway works linked in particular to underground railways in Brescia, Naples and Genoa and the Turin rail link are in progress. The start-up phase of projects related to Line C of Rome's underground and Line 5 of Milan's underground is also being carried out.

With regard to civil and industrial construction, works to construct the new hospital in Mestre are going ahead as planned with approximately 50% of said works having been completed. As regards the new hospital in Naples ("Ospedale del Mare"), the executive design and expropriation phases were completed during the third quarter. Therefore construction of the hospital complex is now going ahead as planned with 9% of works completed to date.

However, the share related to civil construction recorded a decrease due to the already mentioned greater contribution made by Milan New Expo Fair Center in 2005, for which, at the present moment, maintenance activities only are being carried out.

Therefore, at a general level, there was sizeable stability in revenues with growth during the quarter being limited, as already mentioned, by the delay in the commencement of works regarding the two lots of the Jonica national road (SS106). These works, carried out as a general contracting project and worth a total of over EUR 800 million, experienced a delay of some months with regard to the start-up of production activities as a result of extension of the project approval procedure.

Another look at the income statement figures shows an increase over the nine-month period in production costs, mainly linked to the aforementioned economic performance of the US subsidiary.

A comparison with figures at September 30, 2005 highlights a considerable reduction in provisions for contractual risks and write-downs. In this regard, it must be remembered that provisions were made during 2005 to cover estimated losses related to the trend in contracts being performed in Florida by Astaldi Construction Corp as well as costs to complete work on the Anatolian Motorway, a project underway in Turkey related to the motorway under construction linking Ankara and Istanbul. Moreover, write-downs performed during the previous year represented the allocation of charges attributable to the winding-up and closure of some foreign projects.

In terms of results, the first nine months of 2006 saw EBIT of over EUR 55 million with an EBIT margin of 7.2%.

There was a significant drop in financial income and charges (-27.6% over the nine months) as a result of savings resulting from repositioning of the Group's indebtedness towards the medium and long-term. Said process, embarked on in February 2005 with closure of the Eurobond (whose coupon amounted to 6.5%), has seen Astaldi involved in concluding key debt refinancing transactions with leading national and international financial institutions which have made it possible to lower the average cost of debt capital. Moreover, positive exchange rate differences were recorded due to the closure of hedge derivatives (mainly EUR against USD) and positive differences in Venezuela.

Net profits amounted to approximately EUR 23 million with a net margin of 2.9%.

Revenues from works during the third quarter amounted to EUR 247 million, while total revenues equalled approximately EUR 262 million. There was a drop in EBIT, equal to approximately EUR 16 million, compared to the figure at September 30, 2005 as well as a drop in the EBIT margin which went from 7.2% in Q3 2005 to 6.1% in the quarter in question. Said phenomenon, as already mentioned above, can be attributed to the negative results seen in the United States, especially in the third quarter.

Net profits amounted to EUR 5 million with a net margin of 2% (compared to 3% recorded at September 30, 2005).

Reclassified consolidated balance sheet and financial position

€/000	Model Statement Reference	30/09/2006	31/12/2005	30/09/2005
Intangible fixed assets	*B*	4,053	4,977	5,371
Tangible fixed assets	*A*	174,522	129,299	124,671
Shareholdings	*C*	95,701	34,430	31,155
Other net fixed assets	*D*	34,994	44,420	39,821
Total fixed assets (A)		**309,270**	**213,126**	**201,018**
Inventories	*E*	44,443	44,702	42,511
Work in progress	*F*	434,509	314,383	274,058
Trade receivables	*G*	347,102	384,085	329,355
Other assets	*I*	134,094	105,004	117,981
Tax receivables	*Z*	63,702	58,932	62,813
Advances from customers	*R*	(125,186)	(116,989)	(56,340)
Subtotal		**898,664**	**790,117**	**770,378**
Payables to suppliers	*S*	(413,551)	(354,816)	(356,777)
Other liabilities	*V*	(166,875)	(88,929)	(74,060)
Subtotal		**(580,426)**	**(443,745)**	**(430,837)**
Working capital (B)		**318,238**	**346,372**	**339,541**
Employee benefits	*T*	(11,934)	(11,518)	(14,770)
Provision for current risks and charges	*U*	(45,784)	(54,609)	(44,472)
Total provisions (C)		**(57,718)**	**(66,127)**	**(59,242)**
Net invested capital (D) = (A) + (B) + (C)		**569,790**	**493,371**	**481,317**
Cash and cash equivalents	*L*	198,166	175,418	186,576
Current receivables from financial institutions	*I*	42,771	44,472	8,728
Non-current receivables from financial institutions	*D*	1,372	2,759	32,781
Securities	*H*	14,752	14,665	12,629
Current financial liabilities	*Q*	(204,920)	(212,756)	(192,121)
Non-current financial liabilities *	*P*	(349,327)	(261,637)	(280,565)
Net financial payables/receivables (E)		**(297,186)**	**(237,079)**	**(231,972)**
Group equity	*M*	270,871	257,072	252,225
Minority interests equity	*N*	1,730	(780)	(2,879)
Equity (G) = (D) - (E)	*O*	**272,601**	**256,292**	**249,346**
* Does not include loans payable from group companies totalling €	*V*	597		609

An analysis of the figures at September 30, 2006 shows the effects of the planned investment policy for the next five years, presented in the 2006-2010 Business Plan.

Specifically, the major boost given to the general contracting and project financing sectors has led, over the year, to the start-up of production activities related to the construction of Line C of the Rome underground and Line 5 of the Milan underground. The share capital of two special purpose vehicles, totalling approximately EUR 58 million, was subscribed for both projects with payment of the first *tranche* equal to 25% of the total amount. As regards foreign activities, the first part of 2006 saw the full start-up of various sites in Algeria. 2005 and 2006 represented a turning point in this country where the Group is traditionally present in the hydraulic engineering sector, also following final closure of all activities in the rest of Africa. By concentrating all its activities in Algeria, the Group is able to exploit the vast investment opportunities in the infrastructures sector mainly resulting from the price trend of energy materials which has offered the local government high spending capacity. As a result, Astaldi undertook to streamline its activities by setting-up a company under Algerian law, owned entirely by the group, and launched a programme to invest in specific technical equipment, with investments totalling approximately EUR 13 million.

In light of the above, a review of the main balance sheet items shows the marked increase in fixed assets compared to last year due to investments prior to the start-up of project financing and general contracting projects in Italy, and procedures to acquire resources and suitable technical equipment which characterise the start-up phase of new contracts in Algeria and Italy. As stated previously, equity investments and tangible fixed assets also include initial investments in project financing activities such as investment costs related to the construction and management of Naples' new hospital which, at September 30, 2006, totalled approximately EUR 30 million, car park-related investments, equity to construct the new hospital in Mestre as well as payment of the first *tranche* of share capital of the new special purpose vehicle set up to construct Line 5 of the Milan underground. It should be remembered that repayment of the capital invested in these projects is guaranteed by cash flow generated by said projects.

As regards the working capital trend, down on December 31, 2005, it was positively affected by the standardisation of invoicing and payments during the quarter, and in particular activities in Turkey where work on constructing the Istanbul-Ankara motorway is going ahead as well as activities in Venezuela.

The increase in other liabilities is mainly due to entry of the remaining amounts still to be paid for the share capital of the special purpose vehicles set up to construct the new underground lines in Rome and Milan. Said amounts will be paid over the coming years on the basis of estimates contained in the individual projects' economic and financial plans.

The nine-month period saw a change in equity, equal to approximately EUR 273 million, which can be attributed to profit for the period, the change in reserves on transactions to hedge interest and exchange rate risks, change in dividends totalling EUR 8.3 million approved by the Shareholders' Meeting on April 28, 2006 and a change in treasury shares.

A breakdown of the net financial position is shown below:

€ / 000		September 30, 2006	June 30, 2006	December 31, 2005	September 30, 2005
A	Cash and cash equivalents	198,166	145,840	175,418	186,576
C	Securities held for trading	14,752	25,434	14,665	12,629
D	**Available funds (A)+(C)**	**212,917**	**171,274**	**190,084**	**199,205**
E	**Current receivables from financial institutions**	**44,143**	**61,841**	**47,230**	**41,510**
F	Current bank payables	(192,020)	(246,448)	(203,306)	(181,747)
G	Current share of non-current indebtedness	(3,369)	(3,396)	(4,638)	(5,135)
H	Other current financial payables	(9,532)	(11,863)	(4,812)	(5,240)
I	**Current financial indebtedness (F)+(G)+(H)**	**(204,920)**	**(261,707)**	**(212,756)**	**(192,121)**
J	**Net current financial indebtedness (I)+(E)+(D)**	**52,139**	**(28,592)**	**24,557**	**48,593**
K	Non-current bank payables	(322,597)	(278,757)	(245,370)	(263,818)
M	Other non-current payables	(26,730)	(21,836)	(16,266)	(16,748)
N	**Non-current financial indebtedness (K)+(M)**	**(349,327)**	**(300,594)**	**(261,637)**	**(280,565)**
O	**Net financial indebtedness (J)+(N)**	**(297,188)**	**(329,186)**	**(237,079)**	**(231,972)**
	Treasury shares in portfolio	4,303	4,302	5,860	289
	Total net financial position	**(292,885)**	**(324,884)**	**(231,219)**	**(231,683)**

The net financial position, equal to EUR 292.9 million net of treasury shares, was affected by the investment programme mentioned above and by temporary support given to production activities which is typical of the seasonal trend and heavily linked to the economic cycle. It must be noted how the major efforts being made by the Group to start up new projects secured over the year also affect the figures shown in the net financial position. In light of this, the debt/equity ratio equalled 1.07 including treasury shares entered among cash and cash equivalents, and was up on the ratio of 0.90 recorded at December 31, 2005. Said ratio is further reduced if we consider that net financial indebtedness includes loans related to project finance investments, repayment of which is ensured by future management-related cash flow hence without recourse to the company's guarantees.

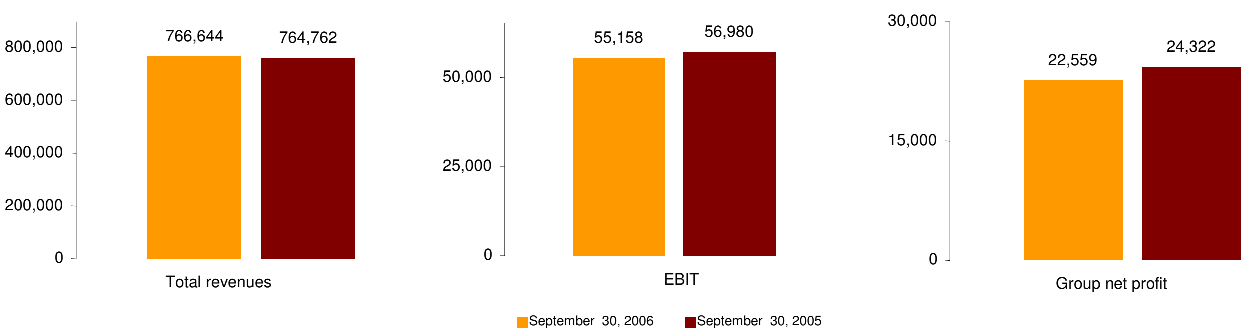
The indebtedness structure saw an improvement during the third quarter of 2006 and important repositioning towards the long-term thanks to a EUR 325 million loan transaction of a 5 to 7-year duration. EUR 80 million of said amount will be repaid in one go, while the remaining EUR 245 million will be made available as a stand by facility, which can be activated and repaid with the same terms and conditions, in relation to working needs. Said transaction makes it possible to considerably reduce the average costs of sources of financing.

Comments on operating performance

The first nine months of 2006 confirmed the performance achieved by Astaldi Group during 2005. The guidelines set down in the previous Business Plans are being implemented thanks to major acquisitions and commercial developments seen during the quarter with the awarding of key general contracting and project financing contracts in Italy, as well as the signing of important agreements in Venezuela, Romania, Algeria and Central America.

Therefore, the new contracts secured, worth a total of over EUR 3.2 billion, lay the foundations for group growth along internal lines, as set forth in the 2006-2010 Business Plan. In fact one of the plan's goals is an increase in the orders backlog not only from a quantitative viewpoint, but also and above all from a qualitative viewpoint, allowing for the achievement of increasingly better economic, equity and financial targets. The effects of this policy which started to be seen as from 2005, are confirmed by the figures related to the third quarter of 2006. Moreover, said results were achieved in a market context where only careful balance between the domestic and international sectors makes it possible to guarantee significant economic margins and financial and equity stability.

An analysis of figures shows how the economic results are in line with 2005. Total revenues at September 30 amounted to approximately EUR 767 million. EBIT stood at over EUR 55 million (with an EBIT margin of 7.2%) and net profit of approximately EUR 23 million.

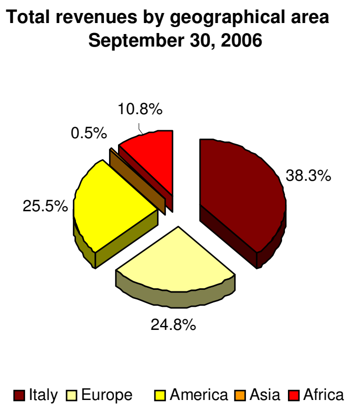


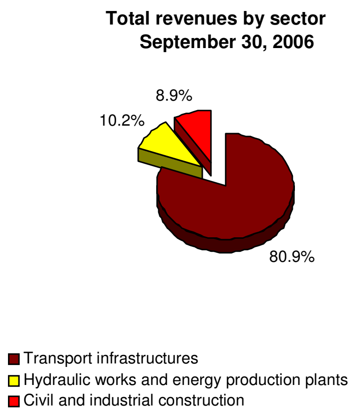
At September 30, 2006, revenues equalled EUR 729 million, in line with September 30, 2005.

The domestic sector accounted for 38% of revenues in the quarter while foreign activities (key railway and motorway projects) accounted for 62%. The excellent results achieved by the Group in South America were confirmed. Works on the Caracas-Tuy Medio railway line in Venezuela were largely completed, while works on the Puerto Cabello-La Encrucijada railway and Los Teques underground are going ahead as planned. This country is set to remain one of the most important areas for the Group's foreign activities, also following the acquisition of three new important railway projects as well as another contract for the extension of the Puerto Cabello-La Encrucijada railway. The awarding of said contracts to the Italian joint venture operating in the area, led by Astaldi with a 33.33% share, was recently made official.

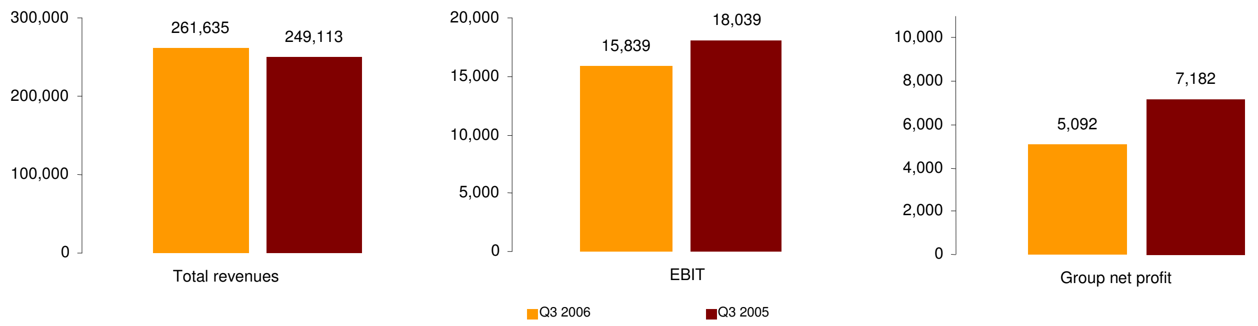
In Algeria where Astaldi enjoys a reputation as one of the leading operators, commercial efforts resulted in the Group being awarded other important contracts in the sectors of transport infrastructures and dams and hydraulic works. These are in addition to works secured in 2005 and will help to further and significantly increase the country's incidence in the Group's total revenues during the current year.

Lastly, mention must be made of the Central American area where Astaldi has been present for many years. A well-thought out commercial policy has made it possible to acquire new, major projects during 2006 which will make it possible to further improve the Group's consolidated presence in these countries (El Salvador, Honduras, Nicaragua and Costa Rica) where it is one of the main operators in the sector.



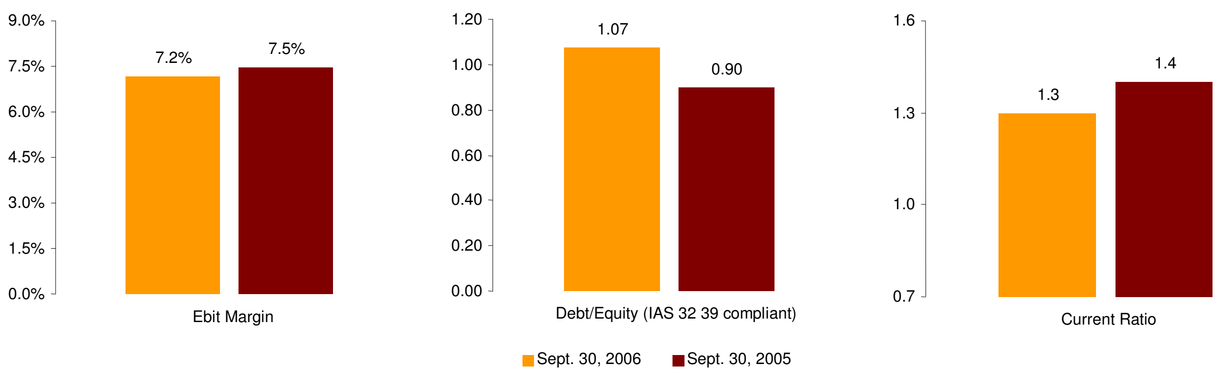


As regards the contribution of individual business areas to revenues from works for the period, transport infrastructures accounted for 81%, hydraulic and energy works for 10% and civil and industrial construction for the remaining 9%. Therefore, the transport infrastructures sector shows itself to be the key sector for the Group's activities as well as the one making the largest contribution in terms of total revenues and margins achieved. It should be remembered that works such as railways and undergrounds, roads and motorways and ports and airports all belong to this sector. The most important projects currently in progress in this sector in Italy are the undergrounds in Brescia, Naples and Genoa, the Turin rail link, the High Speed station in Bologna, and in the future, the upgrading and construction of two lots of the Jonica national road (SS106), Line C of the Rome underground and Line 5 of the Milan underground. As regards foreign activities, an all-important contribution is provided by works carried out in Venezuela (railways and undergrounds) and Turkey (motorways), where the Group is involved in carrying out key infrastructure projects.



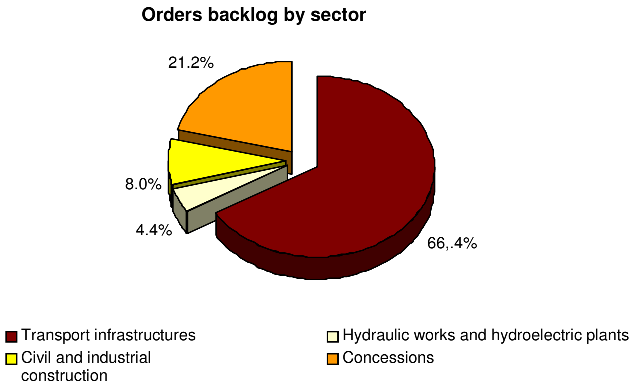
Total revenues for the third quarter of 2006 amounted to approximately EUR 262 million, on par with the figure recorded for the third quarter of 2005. Revenues amounted to EUR 247 million and were in line with last year's figure.

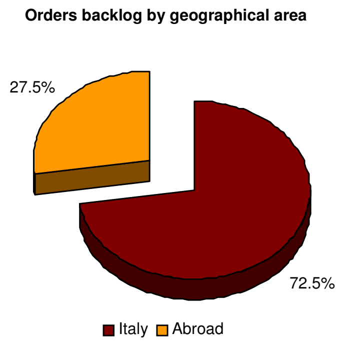
Net financial indebtedness at September 30, 2006 including treasury shares amounted to EUR 293 million compared to approximately EUR 325 million at June 30, 2006 and over EUR 231 million at December 31, 2005. As stated in the 2006-2010 Business Plan, said figure results from the Group's current efforts to start up recently acquired major contracts entailing investments concentrated during the current year, and repayment of which will be guaranteed by cash flow from construction activities related to general contracting projects and from management activities related to concession projects. The debt/equity ratio, up on the same period of 2005, was slightly higher than the unit.



As regards the structure of financial indebtedness, the EUR 325 million financing transaction of a 5 to 7 year-duration completed during the year means the Group is able to guarantee even more sound, stable financing for its operations. This is an all-important factor in supporting the growth programme which will experience a turning point in 2007 in terms of operations.

A closer look at the orders backlog, which is described in detail in the following paragraph, shows how new contracts worth a total of EUR 3.2 billion were acquired during the first nine months of 2006, bringing the total value of the Group's backlog to more than EUR 8 billion, of which over EUR 6.3 billion related to the construction sector and over EUR 1.7 billion to the concessions. The current value of the orders backlog is ahead of the goals set down in the previous Business Plan in which the current value corresponds to the goal set to be achieved by 2008.





Orders backlog by sectors and geographical areas

The number and quality of new orders secured during the first nine months of 2006 in Italy and abroad have seen a confirmation of the Group's commercial, operating and managerial capabilities, the validity and effectiveness of the strategic policies implemented in recent years and its ability to react to contingent situations such as limits on spending among its traditional counterparties in the domestic market, with prompt diversification of foreign and project finance activities.

Indeed, despite the lack of dynamism in the domestic market, the Group secured new contracts worth a total of approximately EUR 3.2 billion during the first nine months of 2006, bringing the overall orders backlog to EUR 8 billion, showing a 44% annual increase mainly attributable to new acquisitions in the transport infrastructures sector in Italy, Venezuela, Algeria and Romania.

The figures listed do not take into account options and contracts recorded subsequent to the quarter closing date, or for which the acquisition still has to be finalised and made official. On the whole, said options and contracts amount to approximately EUR 2 billion, which would bring the orders backlog to date to over EUR 10 billion. Therefore, said result is highly significant if we consider that this figure represents the goal set for 2010 in the Group's Business Plans.

An analysis of the nature and geographical positioning of the individual contracts acquired over the nine-month period shows that 42% refers to the domestic market and the remaining 58% to foreign activities, mainly in Venezuela, Romania and Algeria.

Specifically, the new contracts secured in Italy are of great importance from a technical and managerial viewpoint, said contracts involving mainly the urban transport infrastructures sector.

In February 2006, the Group was awarded the general contracting project to construct Line C of the Rome underground and the project finance initiative to construct and subsequently manage Line 5 of the Milan underground. These two works represent the main challenges the Group will have to face in Italy over the coming years and the awarding of said contracts goes to acknowledge the consolidated know-how, from both a technological and managerial viewpoint, which allows the Group to perform large-scale works, attracting technological partners and sufficient capital in order to provide an optimal solution for the client's requirements.

Specifically, the general contracting project for Line C of the Rome underground is a contract worth a total EUR 2.2 billion, of which over EUR 751 million refers to Group's share. Awarded to Astaldi, in its capacity as mandatory and leader of a joint venture involving Vianini Lavori, Consorzio

Cooperative Costruzioni and Ansaldo Trasporti Sistemi Ferroviari, the project involves the executive and final design, construction and supervision of executive works for a new section of underground, with a fully automated, driverless system. This new line will run across the Capital linking the northern area with the south-eastern area of the city of Rome (Piazzale Clodio/Mazzini-Torrenova/Pantano section), taking in central areas as Piazza Venezia and San Giovanni. The line will run along a 27 km route comprising 30 stations and total maximum transportation capacity of 24,000 passengers per hour in each direction. The underground line will also guarantee interconnection with existing underground lines, thus doubling the extension of the current underground network. Works were commenced in the second quarter of 2006 and a first section (San Giovanni-Alessandrino) is scheduled to be operational by 2010. Said schedule may benefit from speeding up of works following further funds allocated in September by the Ministry of Infrastructures and Transport. It should be remembered that the project already boasts funding equal to half of the total amount of investments.

While the project finance initiative involving Line 5 of the Milan underground entails the construction and subsequent management of a section of underground similar to Line C of the Rome underground from a technological viewpoint, but with different construction problem areas and solutions. Astaldi, project sponsor since 2003, was awarded the contract in its capacity as mandatory and leader of a joint venture involving Ansaldo Trasporti, Ansaldo Breda, Alstom, ATM Azienda Trasporti Milanesi and Torno. The works, the first in the underground transport sector in Italy to be carried out using the project finance formula, will take the form of a light underground line with a fully automated, driverless system. The new line will link the central area with the eastern outskirts of the city of Milan (Garibaldi Station-Via Bignami section), along an underground route approximately 5.6 km long, providing for the construction of 9 stations and double track tunnels. The line provides for a maximum transportation capacity of 26,000 passengers per hour in each direction and will guarantee interchange with the existing underground and railway lines, favouring a considerable improvement in the integrated transport system envisaged for the city of Milan. The overall value of the investment, including design, civil and technological works, amounts to approximately EUR 502 million, of which approximately EUR 190 million will be covered by the concessionaire while the remaining amount will come from public contributions. The contract provides for a share of EUR 115 million for Astaldi as regards construction activities, and EUR 724 million as regards concession revenues, of which 23.3% refers to Astaldi's share. The planned duration of the works including the design phase is 58 months, followed by 27 years of management. The relative agreement was signed in June 2006.

As regards the domestic market, mention must be made of the fact that in April, Astaldi, as leader of a joint venture, was awarded the contract worth EUR 262 million to construct the new headquarters of the Academy for Italian Police Officers ("Scuola Marescialli e Brigadieri dei Carabinieri") in Florence. The works will allow for unification of the educational facilities used to train police officers, currently scattered throughout the country, and will be able to accommodate 2,000 students.

It must also be noted that in compliance with the criterion regarding inclusion in the backlog adopted by the Group, all initiatives for which Astaldi's appointment as sponsor, pursuant to Article 37-bis and following of the Merloni Law (Law No. 109/1994) have not been included among new orders. On the strength of legislation in force in Italy, appointment as sponsor grants the latter the right of pre-emption to be exercised during final awarding of the contract. To date, two projects fall under the latter category insofar as Astaldi has already been officially appointed as sponsor for the Hospitals project in Tuscany and the Appia Antica Park Underpass project in Rome.

The project concerning the construction of hospitals in Tuscany involves construction and management of an integrated system of four hospitals located in Lucca, Massa, Pistoia and Prato. Following the decision taken on May 10, 2005 in which the Council of State confirmed the joint venture led by Astaldi as the sponsor for said project, the proposal for implementing the project, amended pursuant to current legislation, was submitted to the Client in December. The relative tender procedure is still underway which will see Astaldi's participation, availing itself of the right of pre-emption as provided for by law. However, in the light of the most recent statements issued by the Council of State which, in October, put an end to all the objections raised with regard to the choice of sponsor, reaffirming the complete legitimacy and conformity, the outcome of said procedure is expected for the end of 2006. It must be remembered that the project involves investment of EUR 364 million – of which EUR 120 million to be put up by private individuals – and EUR 1.5 billion of concession revenues. The new hospital facilities will offer a total of 1,700 new beds located in the various areas of reference, and the implementation procedure foresees single ministerial funding and a single concession contract so as to be able to go ahead with building the individual hospitals at the same time.

While, as regards the project finance initiative for construction of the Appia Antica Park underpass, the relative concession agreement will be signed subsequent to completion of the award procedure and negotiated procedure during which the sponsor Astaldi will enjoy the right of pre-emption. However the award procedure appears to be lengthy for said project.

A closer look at results achieved in relation to foreign activities shows that important contracts were acquired in Venezuela, as well as Romania and Algeria.

Specifically, additional consolidation of the Group's presence in Venezuela was achieved as a result of developments related to the intergovernmental agreements for economic, industrial and financial cooperation entered into in December 2005 by the Venezuelan and Italian governments.

Targeted at encouraging economic and industrial cooperation between the two countries and supporting development of the central and southern areas of Venezuela, said agreements aim to create new opportunities for growth and development in the areas concerned through initiatives mainly involving the transport infrastructures, energy and healthcare sectors. Therefore, since the start of the year, the Group's operating units in the area have been strongly committed to and involved in developing the possibilities said agreements refer to, undoubtedly favoured by the local government's increased ability to transform the significant increases in oil prices into real projects and initiatives. The key role played by Astaldi in the main initiatives being formulated goes to confirm the perfect integration between the Group's activities carried out in recent years and the local production fabric. And above all it confirms its ability to offer suitable, reliable technological solutions to meet the government's requirements and the latter's willingness to support the country's economic growth, over a relatively short period of time, by constructing a system of suitable infrastructural links.

Therefore, the two railway contracts worth a total of USD 2.2 billion signed in June between Astaldi, as part of an equal-shares joint venture with Impregilo and Ghella in which it holds a 33.33% stake, and the Bolivarian Republic of Venezuela's independent railway company (IAFE) can be attributed to the Italo-Venezuelan intergovernmental agreements. Said agreements provide for the construction of two new railway lines, the San Juan de Los Morros-San Fernando de Apure line which will run for 252 km and the Chaguaramas-Cabruta line which will measure just over 200 km in length. Therefore, the project involves construction of a total of 452 km of new railway lines, of which 15 km of tunnels and 12 km of bridges and viaducts, and includes the design and installation of the railway superstructure, 13 stations, 3 freight villages and a maintenance workshop. The planned duration of works is 60 months. At the present moment, design activities are going ahead as planned and site installation activities have also got underway. The two agreements also provide for options worth a total of USD 1 billion related to the design, supply and installation of the railway system (signalling, control, telecommunications, electrification and rolling stock) that will be subject to further negotiations.

The USD 1.5 billion option agreed in June for the extension of the Puerto Cabello-La Encrucijada line, which is already at an advanced stage and being performed by the same Italian joint venture represents an additional development of the Italo-Venezuelan agreements. Said option integrates the initial contract with the design and construction of new stations and freight villages as well as a planned new section from Puerto Cabello Station to the Sea Terminal which will guarantee

interconnection between the various railway lines under construction and the country's main port. Therefore IAFE's decision to exercise a part of this option led to the signing of an additional contract between IAFE and the Italian joint venture in which Astaldi holds a 33.33% stake in July worth USD 825 million. The new railway contract involves the design and construction of 7 stations, 2 freight villages and 2 train maintenance workshops, and the laying of tracks for the Puerto Cabello-La Encrucijada line. With regard to this new initiative, design activities are going ahead as planned and it is expected that works will be commenced during the first half of 2007.
The new railway contract worth USD 1.7 billion, awarded by the Republic of Venezuela to the Italian joint venture in which Astaldi holds a 33.33% stake, is also to be attributed to said intergovernmental agreements. The announcement of awarding of the contract was made by the President of the Bolivarian Republic of Venezuela during the opening in October of the Caracas-Cua line constructed by the above Italian joint venture. Please refer to the section dealing with subsequent events for all the details related to said contract.
Therefore, at September 30, 2006, all the contracts and options related to development of the Italo-Venezuelan intergovernmental agreements accounted for over USD 1.1 billion in total of the Group's orders backlog with reference to the stake held by Astaldi.

With regard to initiatives developed in the rest of Central-South America, an area subject to intensive commercial penetration, mention must be made of the contract acquired during the first half of the year to construct the Pirris dam in Costa Rica worth a total of approximately EUR 76 million, as well as two other contracts in Nicaragua which provide for the construction of new road works and an environmental upgrading project for Lake Managua. Other works were also secured in July in Bolivia. The new contract worth over EUR 58 million involves the construction of a road section linking the cities of El Tinto and San José y Roboré which will run for approximately 82 km and include 15 bridges. With regard to this new contract, it must be remembered that activities prior to the start-up of works got underway in October following receipt of the advance payment equal to 10% of the contractual amount.
Important contracts were also secured in Romania where the Group was awarded new rail and road projects, worth a total of EUR 295 million with regard to Astaldi's stake, during the first nine months of 2006. The most significant contracts include the construction of a road overpass in Bucharest - the project entitled the "Basarab Overpass" is worth over EUR 113 million and is being carried out together with the Spanish FCC with Astaldi as leader with a 50% stake – and modernisation of the Bucharest-Constanta railway line worth a total of EUR 178 million.
Mention must also be made of the key activities carried out in Algeria where new orders worth approximately EUR 170 million were secured during the nine-month period in question.

Specifically, during the first quarter of 2006, Astaldi was officially awarded the contract with SNTF (Algeria's national railway company) to construct the new Mecheria-Redjem Demouche railway line, worth approximately EUR 158 million. The contract awarded to the Astaldi-ETRHB Haddad joint venture led by Astaldi with a 51% holding, provides for the design and construction of a section of railway measuring approximately 140 km, linking the cities of Mecheria and Redjem Demouche located in the south-west of the country. Works commenced during the second quarter of 2006 and the planned duration is 22 months.

While April saw acquisition of the contract to construct the Hamma aqueduct near the city of Algiers. The contract is worth EUR 56 million and the planned duration of works is 12 months.

The figures listed do not take into account initiatives for which award procedures have still to be completed and the consequent considerable development opportunities that would arise in this area. Therefore, the strategic value of the Algerian market is confirmed thanks to the company's longstanding, consolidated presence in this geographical location as well as the additional significant opportunities linked to infrastructural programmes being carried out throughout the country following the increase in resources from the oil & gas sector.

The Arabian peninsula also offers important development opportunities. Given the interesting infrastructural programmes being carried out in countries such as Saudi Arabia and Qatar, the Group's recent successes in Yambu and the industrial district of Ras Laffan have generated additional business opportunities in the oil & gas sector, favouring the acquisition of new contracts in Qatar worth a total of approximately EUR 25 million.

The table below shows the trend in the orders backlog during the first nine months of 2006, split into the main business areas. The figures shown do not take into account projects, the acquisition of which is still to be made official, and initiatives for which Astaldi has been appointed sponsor pursuant to Article 37-*bis* and following of the Merloni Law.

€/millions	**At 01/01/2006**	**Increments**	**Decrements for production**	**At 30/09/2006**
Transport infrastructures of which:	3,376	2,542	(590)	5,328
railways and undergrounds	*2,168*	*2,317*	*(289)*	*4,196*
roads and motorways	*1,156*	*213*	*(285)*	*1,084*
ports and airports	*52*	*12*	*(16)*	*48*
Hydraulic works and hydroelectric plants	252	173	(74)	351
Civil and industrial construction	409	297	(65)	641
Concessions	1,530	169	-	1,699
Backlog at September 30, 2006	**5,567**	**3,181**	**(729)**	**8,019**

The following table shows the contribution of the individual geographical areas to the orders backlog.

€/millions	At 01/01/2006	Increments	Decrements for production	At 30/09/2006
Italy	*4,749*	*1,340*	*(279)*	*5,810*
Abroad	*817*	*1,841*	*(450)*	*2,209*
Backlog at September 30, 2006	**5,567**	**3,181**	**(729)**	**8,019**

As regards commercial activities under consideration, in keeping with strategic planning, the Group's focus has been placed during the year on general contracting and project financing initiatives mainly linked to the transport infrastructures, civil and healthcare facilities and car-parks. 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. Furthermore, other projects in Italy and abroad related to the traditional transport infrastructures sector (railways, high speed, motorways and ports) and non-residential construction are also being examined.

Specifically, as regards Italy, the outcome of the first phase of the award procedure for Line D of the Rome underground is expected to be made public in the immediate future.

Indeed, it must be remembered that in June, Astaldi, which has already been awarded the Line C contract, submitted a tender together with other Italian companies to construct Line D using the project finance formula. Line D will link the south of the Capital to the north-eastern areas. The works will involve a total planned investment of EUR 3 billion, will stretch along a 20 km route and will entail the construction of 22 new stations. As far as this project is concerned, appointment of the sponsor is expected to be made public in the immediate future, with said sponsor acquiring the right of pre-emption during the subsequent award procedure, as provided for under current legislation.

With regard to foreign activities, a number of business initiatives are currently underway aimed at further consolidating the Group's presence in countries where Astaldi is a firmly established player and which offer considerable development opportunities (Venezuela, Algeria, Turkey and Romania), as well as at developing new opportunities in the Arabian peninsula (Qatar and Saudi Arabia) and Central America. The target sectors are the traditional transport infrastructures sector (railways, high speed and motorways) and the energy production plant sector.

The additional developments that may arise in relation to the intergovernmental agreements signed between the Italian and Venezuelan governments in December 2005 are especially worthy of note, as are the projects being developed in Algeria. Indeed, with regard to the latter, it must be remembered that Astaldi has recently submitted a bid to construct two significant lots of a new high speed railway line, allowing them to exploit experience acquired in the domestic high speed rail market. The works are expected to be awarded by the end of the year.

Subsequent events

On November 9, 2006, the Extraordinary Shareholders' Meeting resolved upon a free increase in the share capital from EUR 98,424,900 to EUR 196,849,800 by increasing the nominal value of shares from EUR 1.00 to EUR 2.00. The transaction satisfies the intention to tie already available greater amounts to the capital, mainly in order to meet the increasingly higher qualification parameters required on the domestic and international markets the company operates in. While it should also be noted that the merger by incorporation of the 100%-owned Italstrade S.p.A. into Astaldi S.p.A., approved by the Board of Directors on October 27, 2006, satisfies the desire to streamline and optimise the Group's corporate structure and organisation. Not only will said merger make it possible to limit operating costs, but above all it will allow for a reduction in the splitting up of operating activities, thus encouraging a more unified strategic and managerial policy.

As provided for in the 2006-2010 Business Plan, November saw the start-up of non-recourse factoring on a revolving basis. In fact, a factoring framework agreement was signed with the Spanish BBVA (Banco Bilbao Vizcaya Argentaria), for a revolving amount of EUR 60 million (with the possibility of further increases) and a duration of 5 years. Said agreements entitle the Group to perform non-recourse factoring for debts related to activities carried out in the domestic market.

Following the Italo-Venezuelan intergovernmental agreements signed in December 2005, the month of October was witness to the awarding of a new railway contract worth USD 1.7 billion by the Republic of Venezuela to the Italian joint venture in which Astaldi holds a 33.33% stake. Announcement of awarding of the contract was made by the President of the Bolivarian Republic of Venezuela during the opening in October of the Caracas-Cua section constructed by the above Italian joint venture. The project involves a 123 km extension of the recently opened railway line along the Cua-La Encrucijada-San Juan de los Morros section. Works are scheduled to be commenced during the first half of 2007. Construction of this section will allow for a considerable improvement in the country's railway system insofar as it will ensure perfect integration and interconnection between recently awarded works and those currently under construction by the aforementioned joint venture.

Lastly, it should be noted that in October, advance contractual payments totalling USD 143 million, related to contracts signed in June in Venezuela, were received. Specifically USD 75 million for the San Juan de Los Morros-San Fernando de Apure section while the remaining USD 68 million were related to the Chaguaramas-Cabruta section. The relative production activities were started up following receipt of said payments.

Forecast development of operations

The results achieved during the first nine months 2006 in Italy and abroad offer proof of the soundness and effectiveness of strategic approaches adopted in recent years and the ability to react to contingent events, such as for example limitation of spending of traditional counterparties in the domestic market, with rapid diversification of activities.

Indeed the coming years will see the Group involved in increasingly complex challenges which will allow it to consolidate its leadership in the general contracting and project financing sectors by acquiring works which already entail a major change in its backlog and management procedures.

Diversification of activities, including focusing on foreign countries offering the greatest development opportunities and where the Group is a well-established player, will, in the middle term, represent a further lever to play on to counterbalance the complex design activities required by recently secured contracts, especially in Italy. Said contracts by their nature and inherent complexity entail longer design and start-up phases compared to those for traditional works.

Therefore, the coming months will see the Group involved in implementing major contracts which, to date, form part of the orders backlog, as well as in increasing commercial penetration activities in those foreign countries (Venezuela, Algeria, Turkey, Romania, Qatar and Saudi Arabia) offering the greatest development opportunities thanks to major investments being made in new infrastructures.

As mentioned previously, further business opportunities could arise in Algeria and Venezuela which represent well-established commercial channels for the Group. Said countries are characterised by improved spending capacity thanks to the greater ability to transform the sizeable increases in oil and gas prices into investments. The same goes for Saudi Arabia and Qatar where, in view of the Group's recent success in the area, further development opportunities in the oil and gas sector are taking shape in light of both countries' recently approved new investment programmes totalling over USD 20 billion.

It goes without saying that the development of foreign activities will always be pursued, taking into account financial sustainability and control of the relative country risk in order to guarantee sufficient, satisfactory levels of earnings, including through possible partnerships with leading international operators.

Therefore, with a view to diversifying the country risk, commercial penetration activities in Central America will continue, especially in Costa Rica, Mexico, Honduras and Nicaragua that offer opportunities in the transport infrastructures and water supply sectors, without excluding the addition of new countries in this area should they be able to offer interesting development opportunities.

Therefore, new challenges and new projects in Italy and abroad which will contribute to Astaldi Group's planned growth, even in the face of the spending limits of traditional counterparties in the domestic market and maintaining profitable margins.

In this context, guaranteeing the sustainability of initiatives, not only in economic, but also in financial, equity and managerial terms, becomes of strategic importance.

The market is tending to be increasingly characterised by contracts of a high unitary value and current legislation provides for an advance payment by the general contractor which ranges from 10% to 20% of the value of the investment. Therefore, a sound managerial, equity and financial structure becomes a real strategic asset to be optimised and improved on over the years.

The major importance inside the Group of the growth and development of the technical and managerial knowledge of employed resources must be interpreted taking into account the above situation, as well as all the activities carried out to ensure additional consolidation of the Group's equity and financial structure.

In fact, in recent years, we have seen a repositioning of the Group's indebtedness towards the medium/long term, with a view to flanking its growth process, ensuring the complete financial independence of its orders backlog and greater correspondence between sources of financing and the specific requirements of individual business units (construction, general contracting and concessions). In a domestic market where the limits on spending by public bodies could encourage the development of project finance initiatives, Astaldi's sound equity structure will undoubtedly represent a lever to be played on in order to consolidate its presence in a sector such as the concessions sector, characterised by good opportunities and satisfactory income levels, indirectly ensuring additional diversification, similar to that already seen in an international context.

To conclude, production levels and margins in line with those of the previous year are forecast for the current year given that the delay in the start-up of general contracting projects in Italy and the negative results seen in the United States do not allow the positive trend seen in relation to other projects to generate an improvement in the Group's performance in 2006.

Attachments

	Reclassified reference	30/09/2006	30/09/2005
Revenues	**A**	728,604	715,090
Other operating revenues	**B**	38,040	49,672
Total revenues		766,644	764,762
Purchase costs	**C**	167,635	149,290
Service costs	**C**	382,964	386,861
Personnel costs	**D**	122,785	111,011
Amortisation, depreciation and write-downs	**F**	23,053	25,274
Other operating costs	**E**	16,094	35,465
Total costs		712,531	707,900
(Capitalisation of internal construction costs)	**G**	1,045	117
Operating result		55,158	56,979
Financial income	**H**	73,931	68,604
Financial charges	**H**	(88,086)	(88,165)
Effects of valuation of equity investments using equity method	**I**	1,812	(149)
Pre-tax profit (loss) from continued operations		42,816	37,270
Taxes	**L**	19,091	14,161
Profit (loss) from continued operations		23,725	23,108
Profit (loss) related to discontinued operations		0	0
Profit (loss) for the period	**M**	23,725	23,108
- Group	**O**	22,559	24,321
- Minority interests	**N**	1,166	(1,212)

	Reclassified model reference	30/09/2006	31/12/2005	30/09/2005
ASSETS				
Non-current assets				
Property, plant and equipment	A	174,323	129,095	124,467
Investment property	A	199	204	204
Intangible assets	B	4,053	4,977	5,371
Investments	C	95,701	34,430	31,155
of which:				
Interests valued using equity method		*92,679*	*31,511*	*28,291*
Non-current financial assets	D	10,439	15,829	16,566
Other non-current assets	D	14,116	18,496	42,655
Deferred tax assets	D	11,811	12,853	13,381
Total non-current assets		**310,642**	**215,884**	**233,799**
Current assets				
Inventories	E	44,443	44,702	42,511
Contracts in progress	F	434,509	314,383	274,058
Trade receivables	G	347,102	384,085	329,355
Current financial assets	H	14,752	14,665	12,629
Tax receivables	Z	63,702	58,932	62,813
Other current assets	I	176,865	149,475	126,709
Cash and cash equivalents	L	198,166	175,418	186,576
Total current assets		**1,279,538**	**1,141,661**	**1,034,651**
Non-current assets held for sale		0	0	0
Total assets		**1,590,180**	**1,357,545**	**1,268,450**
EQUITY				
Share capital		97,604	97,302	97,831
Reserves				
- Legal reserve		10,767	9,383	9,383
- Extraordinary reserve		76,443	58,967	58,967
- Share premium reserve		67,836	67,836	67,836
- Profit (loss) carried forward		17,156	14,066	14,237
- Other reserves		-21,494	-22,961	-20,350
Total capital and reserves		**248,312**	**224,592**	**227,904**
Profit (loss) for the period		22,559	32,479	24,321
Total Group equity	M	**270,871**	**257,072**	**252,225**
Reserves		564	-151	-1,667
Profit (loss) for the period		1,166	-628	-1,212
Equity - minority interests	N	**1,730**	**-780**	**-2,879**
Total equity	O	**272,602**	**256,292**	**249,345**
LIABILITIES				
Non-current liabilities				
Non-current financial liabilities	P	349,925	262,234	281,175
of which:				
Loans payable from group companies	V	*597*	*597*	*609*
Other non-current liabilities	V	31,565	14,936	6,355
Employee severance indemnity and other personnel provisions	T	11,934	11,518	14,770
Deferred tax liabilities	V	159	175	39
Total non-current liabilities		**393,583**	**288,862**	**302,338**
Current liabilities				
Customer advances	R	125,186	116,989	56,340
Trade payables	S	413,551	354,816	356,777
Current financial liabilities	Q	204,920	212,756	192,121
Tax payables	V	22,147	17,712	14,961
Provisions for current risks and charges	U	45,784	54,609	44,472
Other current liabilities	V	112,406	55,509	52,096
Total current liabilities		**923,995**	**812,391**	**716,767**
Liabilities directly linkable to non-current assets held for sale		0	0	0
Total liabilities		**1,317,578**	**1,101,253**	**1,019,105**
Total equity and liabilities		**1,590,180**	**1,357,545**	**1,268,450**