ASTALDI GROUP

QUARTERLY REPORT AT JUNE 30, 2006

ASTALDI

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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	Eugenio Pinto[1]
	Pierpaolo Singer
Substitute Auditors	Maurizio Lauri
	Antonio Sisca
	Massimo Tabellini

General Managers

International	Giuseppe Cafiero
Administration and Finance	Stefano Cerri
Domestic	Nicola Oliva

Deputy General Manager

Administration and Finance	Paolo Citterio

Auditing Firm

Reconta Ernst & Young S.p.A.

[1] Prof. Eugenio Pinto formalised his resignation from the position of statutory auditor on July 20, 2006, with immediate effect, and was replaced by the substitute auditor Mr. Antonio Sisca, pursuant to Article 25 of the company's articles of association.

CONSOLIDATION AREA

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

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 second 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. Attached to this report are the model statements adopted by the company in accordance with IAS 1 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. It must be noted that the company had availed itself of the exemption from drafting the quarterly report at June 30, 2005, as provided for in Article 82-*bis*, subsection three of CONSOB Regulation 11971/99; comparative financial statements at June 30, 2005 were drafted for the purposes of this quarterly report.

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*	*June 30, 2006*	*2006 average*	*December 31, 2005*	*2005 average*
Algeria	Algerian Dinar	92.6014	89.6870	86.5655	90.7031
Saudi Arabia	Saudi Riyal	4.7444	4.6100	4.4465	4.6642
Bolivia	Bolivian Peso	10.1183	9.8330	9.4984	10.0320
Central African Republic C.F.A	CFA Franc	655.9500	655.9500	655.9500	655.9520
Colombia	Colombian Peso	3,221.4800	2,890.9270	2,701.8100	2,890.7400
Democratic Republic of Congo	Congolese Franc	567.7770	540.0160	523.2540	585.9210
Costa Rica	Costa Rica Colon	647.8150	621.2340	587.1650	592.7080
Croatia	Kuna	7.2575	7.3110	7.3882	7.3989
Denmark	Danish Krone	7.4566	7.4600	7.4541	7.4519
El Salvador	Salvadoran Colon	11.0687	10.7560	10.3741	10.8858
Japan	Japanese Yen	145.1100	142.1570	140.5770	136.8490
Guatemala	Quetzal	9.6312	9.3520	9.0337	9.5436
Guinea	Guinean Franc	6,152.7900	5,626.3030	5,094.6100	4,413.0900
Honduras	Lempira	23.9021	23.2260	22.4019	23.4543
Libya	Libyan Dinar	1.6503	1.6310	1.6007	1.6340
Morocco	Moroccan Dirham	11.0511	10.9890	10.9228	11.0143
Nicaragua	Gold Cordoba	22.1823	21.3370	20.2856	20.5105
Norway	Norwegian Krone	7.8559	7.9280	7.9737	8.0092
Qatar	Qatari Riyal	4.6051	4.4740	4.3164	4.5283
United Kingdom	British Pound	0.6867	0.6870	0.6792	0.6838
Romania	Leu	3.5501	3.5400	3.6589	3.5806
United States	US Dollar	1.2650	1.2290	1.1856	1.2441
South Africa	Rand	8.8431	7.7670	7.5439	7.9183
Switzerland	Swiss Franc	1.5601	1.5610	1.5479	1.5483
Tanzania	Tanzanian Shilling	1,585.7200	1,495.7870	1,385.0800	1,400.7500
Turkey	Turkish Lira	2.0258	1.7180	1.6038	1.6771
European Monetary Union	Euro	1.0000	1.0000	1.0000	1.0000
Venezuela	Bolivar	2,716.3200	2,639.4670	2,545.8600	2,620.6600

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

RECLASSIFIED CONSOLIDATED INCOME STATEMENT

€ / 000	Model Statement Reference	June 30, 2006	%	June 30, 2005	%	Q2 2006	%	Q2 2005	%
Revenues	A	482,017	94.4%	483,010	92.6%	257,392	95.6%	258,833	91.6%
Other operating revenues	B	28,711	5.6%	38,445	7.4%	11,939	4.4%	23,713	8.4%
Total revenues		**510,728**	**100.0%**	**521,455**	**100.0%**	**269,331**	**100.0%**	**282,546**	**100.0%**
Production costs	C	(354,223)	(69.4%)	(360,223)	(69.1%)	(188,193)	(69.9%)	(191,046)	(67.6%)
Added value		**156,505**	**30.6%**	**161,232**	**30.9%**	**81,138**	**30.1%**	**91,500**	**32.4%**
Personnel costs	D	(82,350)	(16.1%)	(73,035)	(14.0%)	(38,923)	(14.5%)	(35,290)	(12.5%)
Other operating costs	E	(10,756)	(2.1%)	(11,086)	(2.1%)	(4,974)	(1.8%)	(6,480)	(2.3%)
EBITDA		**63,399**	**12.4%**	**77,111**	**14.8%**	**37,241**	**13.8%**	**49,730**	**17.6%**
Amortisation and depreciation	F	(13,504)	(2.6%)	(13,257)	(2.5%)	(7,141)	(2.7%)	(6,974)	(2.5%)
Provisions	E	(5,815)	(1.1%)	(14,915)	(2.9%)	(3,754)	(1.4%)	(9,646)	(3.4%)
Write downs	F	(5,300)	(1.0%)	(10,069)	(1.9%)	(5,300)	(2.0%)	(9,943)	(3.5%)
(Capitalisation of internal construction costs)	G	494	0.1%	69	0.0%	279	0.1%	55	0.0%
EBIT		**39,274**	**7.7%**	**38,939**	**7.5%**	**21,325**	**7.9%**	**23,222**	**8.2%**
Net financial income and charges	H	(9,266)	(1.8%)	(11,369)	(2.2%)	(5,280)	(2.0%)	(6,650)	(2.4%)
Effects of valuation of equity investments using equity method	I	1,468	0.3%	425	0.1%	2,532	0.9%	(584)	(0.2%)
Pre-tax profit (loss)		**31,476**	**6.2%**	**27,995**	**5.4%**	**18,577**	**6.9%**	**15,988**	**5.7%**
Taxes	L	(13,349)	(2.6%)	(10,766)	(2.1%)	(8,061)	(3.0%)	(5,899)	(2.1%)
Profit (loss) for the period	M	**18,127**	**3.5%**	**17,229**	**3.3%**	**10,516**	**3.9%**	**10,089**	**3.6%**
(Profit) loss attributable to minority interests	N	(705)	(0.1%)	136	0.0%	(1,214)	(0.5%)	(479)	(0.2%)
Group net profit	O	**17,422**	**3.4%**	**17,365**	**3.3%**	**9,302**	**3.5%**	**9,610**	**3.4%**

The Group's overall economic trend during the second quarter of 2006 offered confirmation of the global situation already seen in 2005 with figures in line with forecasts contained in the new 2006-2010 Business Plan. Said plan 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. The increasing focus in recent years on acquiring contracts of significant amount, able to offer higher earnings in the general contracting sector, can be seen in the increase in EBIT compared to the same period of last year, which went from 7.5% to 7.7% on a six-monthly basis.

Total revenues for the second quarter equalled over EUR 269 million, slightly down on the same period of the previous year. Said drop was mainly due to the delay in the approval procedure currently underway regarding the executive design for works on the "Jonica" National Road

(SS106). As a result, revenues for services and contracts totalled over EUR 257 million, with a prevalence of foreign works in progress in the 14 countries where the Group currently operates. It should be noted that the production forecasts contained in the 2006 business plan will be met during the second half of the year.

Europe (Romania and Turkey) accounted for 42.4% of foreign revenues for the quarter and America for 40%; the remaining 17.6% included production activities in Africa (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 in Algeria.

Therefore, the Group's policy confirms its foreign presence in those countries where Astaldi 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 hedge 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 orders backlog over the time. The latter is characterised by high value projects which, by their very nature and due 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	June 30, 2006	%	June 30, 2005	%	Q2 2006	%	Q2 2005	%
Italy	**193**	**40.0%**	**232**	**48.0%**	**93**	**36.2%**	**108**	**41.7%**
Abroad	**289**	**60.0%**	**251**	**52.0%**	**164**	**63.8%**	**151**	**58.3%**
Europe	110	22.8%	125	25.9%	69	26.8%	84	32.4%
America	134	27.8%	99	20.5%	66	25.7%	58	22.4%
Asia	3	0.6%	6	1.2%	0	0.0%	2	0.8%
Africa	42	8.7%	21	4.3%	29	11.3%	7	2.7%
Total	**482**	**100.0%**	**483**	**100.0%**	**257**	**100.0%**	**259**	**100.0%**

As already mentioned, the above figures show a constant growth in the contribution of foreign activities to revenues. Specifically, there was a growth, in both absolute terms and the incidence on the total, in production activities in America, thanks as well to the major increase in revenues in Venezuela. Indeed, the period saw the first effects of the possibility of converting the increased cash flow from high oil prices, of which Venezuela is a leading producer, into investments in infrastructures. 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 will start to become evident as from the second half of 2006. Said agreements go to confirm Astaldi Group's role 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.

As widely detailed in the Group's Business Plans, 2006 is paying for the start-up of major domestic general contracting projects, which, as forecast, are completing technical activities prior to the start-up of construction sites.

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

€/millions	30 June 2006	%	30 June 2005	%	Q2 2006	%	Q2 2005	%
Transport infrastructures	391	81.1%	350	72.5%	209	81.3%	194	74.9%
Hydraulic works and hydroelectric plants	51	10.6%	69	14.3%	26	10.1%	44	17.0%
Civil and industrial construction	40	8.3%	64	13.3%	22	8.6%	21	8.1%
Total	**482**	100.0%	**483**	100.0%	**257**	100.0%	**259**	100.0%

Transport infrastructures accounting for approximately 81% of turnover are Astaldi' 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, in addition to the start-up of works to construct Line C of the Rome underground and Line 5 of the Milan underground.

As already mentioned, there was a drop in the share of turnover related to civil construction insofar as the contribution made by works to construct Milan New Expo Fair Centre was still significant at June 30, 2005, while at the present moment maintenance activities only are being carried out. Works to construct the new hospital in Mestre are going ahead as planned and approximately 42% of said works have been completed. During the second half of the year, once the executive design and expropriation phases have been terminated, works to construct the new hospital in Naples ("Ospedale del Mare") shall go ahead (4% of said works have been completed to date), with an increase in its contribution to Astaldi Group production levels during the second half of the year.
Therefore, at a general level, there was sizeable stability in revenues with growth during the quarter being limited 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 postponement of some months with regard to the start-up of production activities as a result of the need to check some technical and design aspects.
Another look at income statement figures shows a partial change in the composition of direct costs, which satisfies the different operational characteristics, related to the nature of the works in progress. Indeed, there was an increase in personnel costs compared to the same period of 2005, mainly due to the increase in the incidence of direct production phases, especially in countries such as Algeria where the practice of outsourcing specific production phases is less common. On the contrary, there was a drop in production costs, which include third party services such as subcontracting and works carried out through special purpose consortia.
In terms of results, the second quarter of 2006 saw EBIT of over EUR 21 million with an EBIT margin of 7.9%.
Net profits for the quarter equalled approximately EUR 9.3 million with a net margin of 3.5%.

At June 30, 2006 revenues from works amounted to EUR 482 million while total revenues stood at approximately EUR 511 million. EBIT, equal to over EUR 39 million, was largely on par with EBIT at June 30, 2005 while the EBIT margin improved, going from 7.5% in 2005 to 7.7% in 2006.
Net profits amounted to EUR 17.4 million with a net margin of 3.4% (compared to 3.3% at June 30, 2005).
The tax rate of 42% still fails to reflect any valuation aimed at balancing the tax burden at a consolidated level.

RECLASSIFIED CONSOLIDATED BALANCE SHEET AND FINANCIAL POSITION

€/000	*Model Statement Reference*	30/06/2006	31/12/2005	30/06/2005
Intangible fixed assets	*B*	4,380	4,977	6,194
Tangible fixed assets	*A*	158,222	129,299	124,809
Shareholdings	*C*	96,243	34,430	30,498
Other net fixed assets	*D*	31,899	44,420	44,099
Total fixed assets (A)		**290,744**	**213,126**	**205,600**
Inventories	*E*	44,746	44,702	44,993
Works in progress	*F*	408,226	314,383	300,612
Trade receivables	*G*	403,222	384,085	374,516
Other assets	*I*	117,978	105,004	107,727
Tax receivables	*Z*	55,259	58,932	49,603
Advances from customers	*R*	(112,888)	(116,989)	(97,886)
Subtotal		**916,543**	**790,117**	**779,565**
Payables to suppliers	*S*	(396,129)	(354,816)	(389,216)
Other liabilities	*V*	(150,828)	(88,929)	(65,464)
Subtotal		**(546,957)**	**(443,745)**	**(454,680)**
Working capital (B)		**369,586**	**346,372**	**324,885**
Employee benefits	*T*	(11,569)	(11,518)	(14,150)
Provision for current risks and charges	*U*	(51,505)	(54,609)	(38,242)
Total provisions (C)		**(63,074)**	**(66,127)**	**(52,392)**
Net invested capital (D) = (A) + (B) + (C)		**597,256**	**493,371**	**478,093**
Cash and cash equivalents	*L*	145,840	175,418	135,758
Current receivables from financial institutions	*I*	59,556	44,472	31,251
Non-current receivables from financial institutions	*D*	2,285	2,759	34,872
Securities	*H*	25,434	14,665	11,578
Current financial liabilities	*Q*	(261,574)	(212,756)	(161,747)
Non-current financial liabilities *	*P*	(300,594)	(261,637)	(285,378)
Net financial payables/receivables (E)		**(329,053)**	**(237,079)**	**(233,666)**
Group net equity	*M*	268,368	257,072	246,624
Minority interests	*N*	(165)	(780)	(2,195)
Equity (G) = (D) - (E)	*O*	**268,203**	**256,292**	**244,429**
* Does not include loans payable from group companies totalling €	*V*	1,698		609

An analysis of the figures for the first half of 2006 shows the first effects of the planned investment policy for the coming five years, presented in the 2006-2010 Business Plan. Specifically, the major boost given to the general contracting and project financing sectors has led in recent months 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 56 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 dam 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 launch a programme to invest in specific technical equipment, which has virtually been completed, with investments totalling approximately EUR 13 million.
In light of the above, a review of the main balance sheet items shows the 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 June 30, 2006, totalled approximately EUR 22 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, it must be remembered that works in progress and trade receivables include amounts totalling USD 74 million related to works carried out in Turkey to construct the Anatolian motorway, collection of which, initially planned for June 2006, was made on 28 July and will be credited to the company's accounts by the first week of August. Moreover, still with regard to receivables, there was an increase in the share related to activities in Venezuela linked to the interim physiological trend. During July, the Venezuelan government approved planned spending on projects hence collection of the amounts due is expected shortly.
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 first half of 2006 saw a change in equity, equal to over EUR 268 million, which can be attributed to profit for the period, a positive increase in reserves on transactions to hedge interest

and exchange rate risks, distribution of 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	June 30, 2006	December 31, 2005	June 30, 2005
Short-term financial indebtedness	(253,850)	(207,886)	(157,698)
Medium and long-term financial indebtedness	(278,757)	(245,370)	(267,327)
Cash and cash equivalents	145,840	175,418	135,756
Total financial receivables and securities	87,275	61,895	77,701
Leasing	(29,560)	(21,137)	(22,100)
Bonded loan			
Net financial position	**(329,052)**	**(237,080)**	**(233,668)**
Treasury shares in portfolio	4,302	5,860	289
Total net financial position	**(324,750)**	**(231,220)**	**(233,379)**

The net financial position, equal to EUR 324.8 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 also affects the figures shown in the net financial position at June 30, 2006. Moreover, the balance at said date is paying for the delay in collection of trade receivables accrued in Turkey. In light of this, the debt/equity ratio equalled 1.2, including treasury shares among cash and cash equivalents, and was up on the ratio of 0.93 recorded at March 31, 2006. 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.

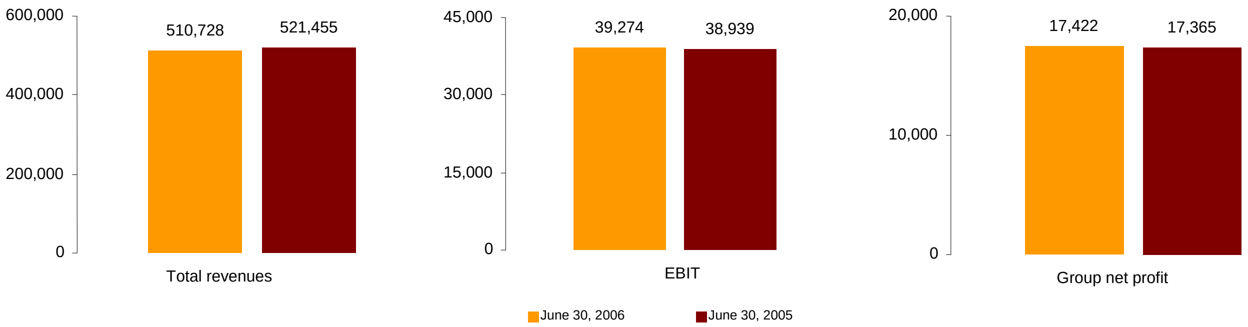
The current indebtedness structure, of which 50% refers to short-term sources, will undergo significant repositioning towards the long term during the second half of 2006 thanks to a EUR 325 million financing transaction of a duration of 5 to 7 years. EUR 80 million of said amount will be repaid all in one go, while the remaining EUR 245 million will be made available as a stand by facility that can be activated and repaid with the same terms and conditions in relation to working needs. Said transaction will make it possible to considerably reduce the average costs of sources of financing.

COMMENTS ON OPERATING PERFORMANCE

The first six months of 2006 confirm what was stated when presenting the 2006-2010 Business Plan: this year represents an important turning point for Astaldi Group insofar as the growth guidelines set forth in previous business plans are actually being realised thanks to major acquisitions and commercial developments. These saw the Group being awarded important general contracting and project financing contracts in Italy during the quarter as well as the signature of key agreements in Venezuela, Romania, Algeria and Central America.

The new contracts secured, worth a total of over EUR 2 billion followed by the awarding of additional contracts subsequent to June 30, 2006, worth a further EUR 125 million, 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 started to be seen as from 2005 and are confirmed by the figures related to the second 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 30 June amounted to approximately EUR 511 million. EBIT stood at over EUR 39 million (with an EBIT margin of 7.7%) and net profit of over EUR 17.4 million.

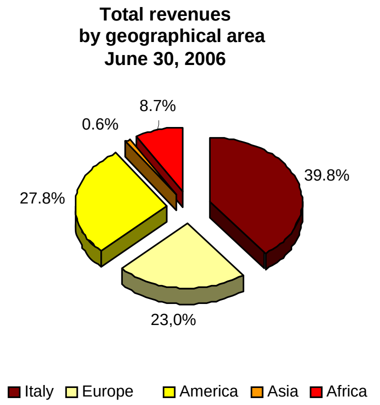


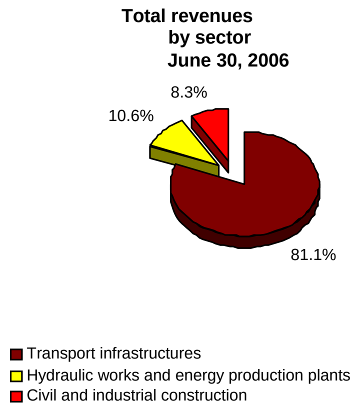
At June 30, 2006, revenues from works equalled EUR 482 million, in line with June 30, 2005.

The domestic sector accounted for 40% of revenues in the quarter while foreign activities (key railway and motorway projects) accounted for 60%. The excellent results achieved by the Group in South America were confirmed. Works on the Caracas-Tuy Medio in Venezuela were largely completed and 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 two new important sections of railway 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 value of production as from the second half of 2006.

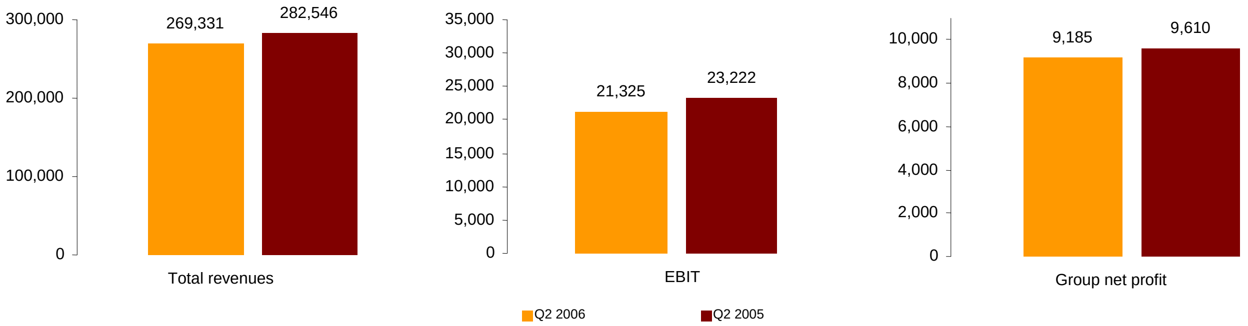
Lastly, mention must be made of the Central American area where Astaldi has been present for many years. A well-thought out commercial policy has made it possible to acquire new, major works during the first half of 2006 which will make it possible to further improve the Group's presence in these countries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





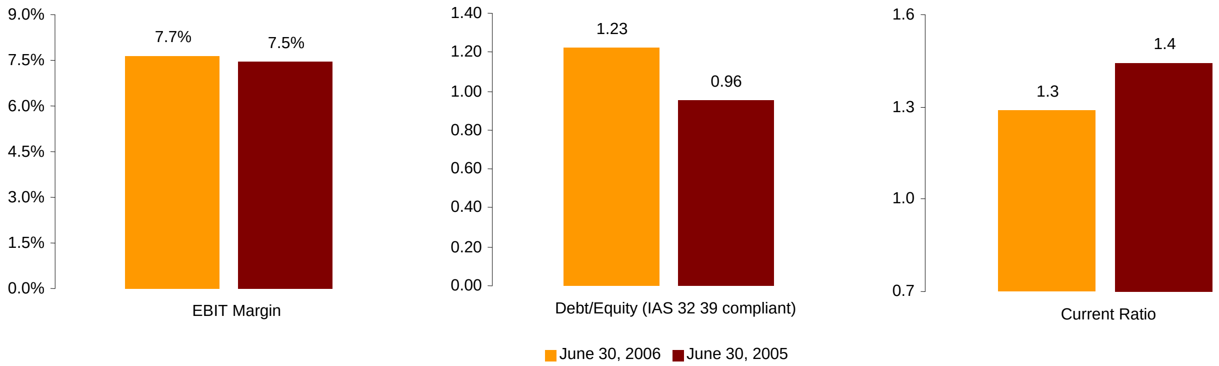
As regards the contribution of individual business areas to revenues from works for the period, transport infrastructures accounted for 81%, hydraulic and energy works for 11% and civil and industrial construction for the remaining 8%. Therefore, the transport infrastructures sector shows itself to be the key sector for the Group's activities as well as the one making the largest contribution in terms of revenues 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. The most important works 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 (SS 106), 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.



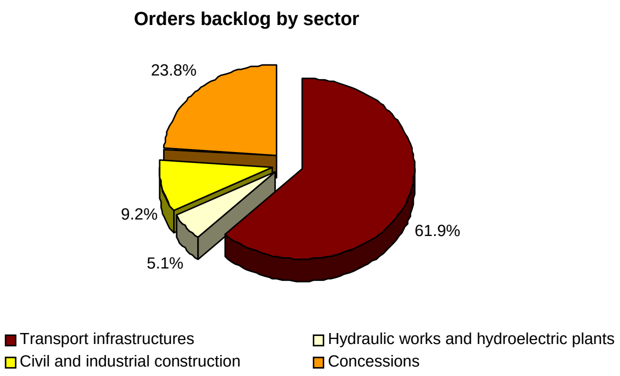
Total revenues for the second quarter of 2006 amounted to more than EUR 269 million, down on the figure at June 30, 2005. Revenues from works amounted to EUR 257 million and were in line with last year's figure.

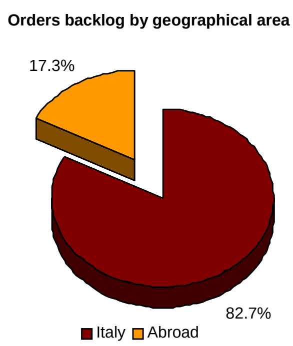
Net financial indebtedness at June 30, 2006 including treasury shares amounted to EUR 324.8 million compared to over EUR 248.3 million at March 31, 2006 and EUR 233.4 million at June 30 2005. As stated in the 2006-2010 Business Plan, said figure is affected by the Group's current efforts to start up recently acquired 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, is slightly more than the unit.



As regards the structure of financial indebtedness, the EUR 325 million financing transaction of a 5 to 7 year-duration means the Group is able to guarantee 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 quantity.

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 EUR 2 billion were acquired in the first quarter of 2006, bringing the total value of the Group's backlog to more than EUR 7.1 billion, of which over EUR 5.4 billion related to the construction sector and over EUR 1.7 billion to the concessions sector.
Moreover, considering acquisitions subsequent to the quarter end, the current backlog amounts to approximately EUR 7.3 billion, considerably ahead of the previous Business Plan's goals, which set said amount as the goal to be achieved by the end of 2007.





The orders backlog according to geographical area shows foreign activities accounting for 17.3% of the total insofar as only formalised orders for which contracts have been drawn up and financed are included in the backlog, in accordance with company procedures. This is the reason why the new railway infrastructure contracts related to Venezuela, worth a total of approximately EUR 1 billion were not included in the backlog at 30 June, because at the present time the company is awaiting receipt of the contractual advance payment and relative financial backing, scheduled for September 2006. Should this amount be taken into consideration, the share related to foreign activities would increase to 27.4%.

ORDERS BACKLOG BY SECTORS AND GEOGRAPHICAL AREAS

During the first six months of 2006, the orders backlog increased by over EUR 2 billion. The overall value of the Group's orders backlog at June 30, 2006 amounted to over EUR 7.1 billion, showing a 28.1% annual increase mainly due to new acquisitions in the transport infrastructures sector in Italy, Algeria, Romania and Central America.

As mentioned previously, if we consider contracts secured subsequent to the quarter end, the Group was awarded additional works worth a total of over EUR 125 million, which allow the Group's orders backlog to achieve a total value of approximately EUR 7.3 billion.

An analysis of the orders backlog's geographical positioning shows that 62% of contracts in progress refer to the domestic market, chiefly the rail infrastructures sector, 14% refers to foreign contracts, mainly in America, Algeria, Romania, and Turkey and 24% to concession projects. Said value does not take into account the various foreign contracts and options that will be included among the backlog when officially awarded and relative financial backing obtained.

A closer look at the results of business activities in Italy and abroad during the second quarter of 2006, shows how in April, Astaldi, in its capacity as leader of a group of companies, acquired a contract worth EUR 262 million to construct the new School for Italian Police Officers ("Scuola dei Marescialli e dei Brigadieri dell'Arma dei Carabinieri") in Florence.

Moreover, EUR 480 million of new orders secured abroad can be referred to the second quarter, with excellent commercial results being recorded in Romania, Venezuela and Central America.

Specifically, in Romania, the Group was awarded new rail and road projects worth a total EUR 237 million for the share referring to Astaldi. The most significant new contracts include construction of the "Basarab Overpass" in Bucharest – a project worth over EUR 113 million, 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.

Significant business activities were also developed inside the American continent, which saw further consolidation of the Group's presence in Venezuela.

Indeed in June, Astaldi as leader of a joint venture with a 33.33% stake, signed two agreements worth a total of USD 2.2 billion with I.A.F.E. (Venezuela's independent railway company). Said agreements involve 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 provides for the construction of 453 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 the two works is 76 months. 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 signing of contracts forms part of the intergovernmental agreements entered into in December by representatives of the Venezuelan and Italian governments, aimed at promoting economic, industrial and financial cooperation between the two countries and supporting development of the central and southern areas of Venezuela.
The agreements entered into with the Venezuelan government also led to additional works worth USD 1.5 million related to the contract for the Puerto Cabello-La Encrucijada railway line, which is already under construction by the same Italian joint venture. This option is an addition to the Puerto Cabello-La Encrucijada contract and involves the design and construction of new stations and freight villages, as well as a new section - Puerto Cabello station–Sea Terminal – which will guarantee interconnection between the various railway lines under construction and the country's main sea access. In order to provide complete information, it should be noted that exertion by IAFE of a part of said option led to the signing in July of an additional agreement worth USD 825 million between IAFE and the joint venture of which Astaldi is the leader. For further information regarding said agreement, please see the section dealing with events subsequent to June 30, 2006.
Significant business activities were also developed in Central America, an area subject to intensive commercial penetration which resulted in the contract to construct the Pirris dam in Costa Rica worth a total of approximately EUR 76 million, as well as other contracts in Nicaragua which provide for the construction of new road works and an environmental upgrading project for Lake Managua.
The second quarter also saw the consolidation of activities in Algeria where, in April, Astaldi acquired 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.
As far as Algeria is concerned, it should be remembered that 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% stake, provides for the design and construction of a new 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.
Therefore, the strategic value of Algeria is confirmed thanks to the company's consolidated presence in the area and the additional important opportunities arising from the major infrastructural projects underway in the country, funded by resources from the oil & gas sector.
Significant, interesting infrastructural programmes are also underway in countries such as Saudi Arabia and Qatar where the punctuality and quality of works recently carried out by the Group – delivery of the Ras Laffan gas liquefaction plant in Qatar at the beginning of June, and completion

of the Yambu acetic acid production plant in Saudi Arabia at the end of 2005 – have generated further development opportunities in the oil and gas sector, favouring the acquisition of a new contract in Qatar for the design and construction of civil works related to a petrochemical plant in the industrial area of Ras Laffan referred to as the “*RasGas Project*”.

Lastly, and in order to provide complete information, it must be remembered that contracts awarded during the second quarter of 2006 follow on from those made official in the first quarter of the year with consolidation in Italy and abroad of Astaldi Group’s presence chiefly in the transport infrastructures sector, especially underground systems.

In February 2006, Astaldi, as mandatory and leader of a joint venture, was awarded the general contracting project to construct the new Line C of the Rome underground worth a total EUR 2.2 billion, of which over EUR 751 million refers to Astaldi’ share. The project involves the construction of a new section of underground, with a fully automated, driverless system, which will run across the city of Rome linking the northern area of Piazzale Clodio/Mazzini with the south-eastern area of Torrenova/Pantano, taking in the areas around 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 started up as planned in the second quarter of 2006 – the first stone was laid on May 16, 2006 – and a first section (San Giovanni-Alessandrino) is expected to be operational by 2010.

Also in February, Astaldi, leader and mandatory of a joint venture including Ansaldo Trasporti, Ansaldo Breda, Alstom, ATM Azienda Trasporti Milanesi and Torno was awarded the project finance contract to construct and subsequently manage the new Line 5 of the Milan underground, worth a total EUR 502 million for construction activities and EUR 724 million for concession revenues. 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 Garibaldi Station to Via Bignami, on the eastern outskirts of the city of Milan 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 and financing banks while the remaining amount will come from public contributions. The contract provides for a share of EUR 119 million for Astaldi as regards construction activities, and EUR 724 million as regards concession revenues, of which 23.3% refers to Astaldi' 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 on June 14, 2006.

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' appointment as sponsor, pursuant to Article *37-bis* and following of the Merloni Law (Italian Law No. 109/1994) or where it has been classified as first in the relative award processes, have not been included among new orders. Specifically, as regards contracts where its appointment as sponsor has already been made official, it must be remembered that, 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 Hospital projects 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 in Tuscany, located in Prato, Pistoia, Lucca and Massa. 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, amended pursuant to current legislation was submitted to the client in December. The relative tender procedure is still underway which will see Astaldi' participation, availing itself of the right of pre-emption as provided for by law, and the outcome is expected to be known by the end of 2006. The project is worth a total of EUR 364 million as far as investment is concerned – of which EUR 120 million will be put up by private individuals – and EUR 1.5 billion of concession revenues. The new hospital facilities shall offer 1,700 new beds located in the various areas of reference. It must be remembered that the procedure for building the hospitals foresees a single all-inclusive ministerial financing and a single concession contract so as to be able to go ahead with building the four hospitals contemporaneously.

While, as regards the project finance initiative for the construction of the Appia Antica Park underpass, the relative concession agreement shall be signed subsequent to completion of the award procedure and negotiated procedure during which the sponsor 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 award procedure appears to be longer for said project.

The table below shows the trend in the orders backlog during the first six months of 2006, 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 sponsor pursuant to Article *37-bis* and following of the Merloni Law) still have to be met. Moreover, the table does not include the value of contracts acquired subsequent to the quarter end, which, as already mentioned, totals EUR 125 million.

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 30/06/2006**
Transport infrastructures of which:	3,376	1,428	(391)	4,413
railways and undergrounds	*2,168*	*1,257*	*(193)*	*3,231*
roads and motorways	*1,156*	*159*	*(187)*	*1,129*
ports and airports	*52*	*12*	*(11)*	*53*
Hydraulic works and hydroelectric plants	252	163	(51)	364
Civil and industrial construction	409	285	(40)	653
Concessions	1,530	169	-	1,699
Orders backlog at June 30, 2006	**5,567**	**2,045**	**(482)**	**7,130**

€/millions	**At 01/01/2006**	**Increments**	**Decrements for production**	**At 30/06/2006**
Italy	*4,749*	*1,340*	*(193)*	*5,896*
Abroad	*817*	*705*	*(289)*	*1,233*
Orders backlog at June 30, 2006	**5,567**	**2,045**	**(482)**	**7,130**

In order to provide complete information, it must be noted that the contracts acquired subsequent to June 30, refer to road works to be performed in Bolivia and a new *tranche* of the Puerto Cabello-La Encrucijada project currently being carried out which was entered among the backlog following obtainment of backing.

Indeed, it must be remembered that, in order to comply with the criterion adopted by Astaldi regarding the inclusion of orders in the backlog, reserved as already mentioned for secured, fully backed contracts, the amounts still to be financed related to the Puerto Cabello-La Encrucijada project currently underway have not yet been included in the total value of the orders backlog even if contracts have already been signed. To date, said amounts are equal to approximately EUR 445 million, a figure that does not take into account actual and potential developments resulting from agreements entered into with Venezuelan clients in December 2005.

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

Specifically, project financing activities in Italy related to Line D of the Rome underground and Line 4 of the Milan underground are of extreme interest.

As regards the new underground line to be built in Rome (Line D), it must be remembered that on June 30, 2006, Astaldi, that has already been awarded the general contract initiative to construct Line C, submitted a bid as part of a joint venture involving Impregilo and leading operators in the rail infrastructures sector such as Ansaldo Trasporti Sistemi Ferroviari, Ansaldo Breda, Sirti and Atm. The total investment planned for the tender amounts to approximately EUR 3 billion and the sponsor is expected to be appointed in 2007.

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 (Turkey, Romania, Venezuela and Algeria). Said initiatives are also aimed at developing new markets boasting high economic and business potential such as the Middle East (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.

Initiatives being developed in Algeria are worthy of special note given that they offer the chance to exploit the experience acquired in the domestic market regarding the construction of high speed railway lines. In fact, Astaldi has recently submitted a bid to construct two of the three lots of the high-speed railway line, which is to be built in Algeria. Awarding of these works is expected for the second half of the year.

SUBSEQUENT EVENTS

Development activities on the domestic and foreign markets continued and are continuing to go ahead.

Specifically, the operating units in Venezuela are currently working on the content of the agreements reached in December 2005 between the Italian and Venezuelan governments to construct new major railway projects.

As part of said agreements, Astaldi, in its capacity as leader of an Italian joint venture with a 33.33% stake, signed a contract with the I.A.F.E. (Venezuela's independent railway company) in July 2006. The contract worth USD 825 million involves the design and construction of 7 railway stations, 2 freight villages, 2 vehicle maintenance workshops and laying of tracks for the Puerto Cabello-La Encrucijada line, which is already at an advanced stage and being performed by the same joint venture. The new agreement entails payment by the Venezuelan client of part of the USD 1.5 billion option agreed in June 2006, related to the Puerto Cabello-La Encrucijada project. With regard to said project, it must be noted that backing of a further *tranche* of works worth EUR 67 million was obtained with them consequently being included among the Group's orders backlog. In fact, it must be remembered, as mentioned previously, that all the projects in Venezuela entail financing in *tranche* by the local government. The result is that, in order to maintain the criterion adopted by Astaldi which provides for the inclusion of new contracts only when fully backed, works on the Puerto Cabello-La Encrucijada railway worth an additional EUR 223 million still have to be included in the backlog; said amount does not take into account actual and potential developments resulting from recent agreements with clients in Venezuela.

Additional works were secured in Bolivia in July. The new contract worth EUR 58 million involves the construction of a section of road linking the cities of El Tinto and San Josè, measuring approximately 82 km and featuring 15 bridges. The start-up of works is planned for September 2006.

It must also be noted that in July, Astaldi signed an EUR 325 million financing agreement with two leading banks, MCC S.p.A. (Capitalia Group) and The Royal Bank of Scotland Plc., in the capacity of mandated lead arrangers and joint book runners, and with a pool of national and international banks. The loan, which includes a new EUR 245 million revolving credit facility and a EUR 80 million bullet loan, has an overall duration of 5 years with possible extension to 7 years. The transaction allows Astaldi to further align the duration of sources of financing with the average duration of contracts in progress, hence helping rebalance the Group's financial structure. At the same time it allows the Group to obtain the benefits arising from a favourable market situation thus minimising financial charges.

FORECAST DEVELOPMENT OF OPERATIONS

The results achieved in the first half of 2006 and the quality of new contracts acquired in recent months in Italy and aboard offer proof of the Group's commercial, operating and management skills, the soundness and effectiveness of strategic approaches adopted in recent years and the ability to react to unforeseeable events, such as for example limitation of spending budgets 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 represent on the medium term a further lever to play on to counterbalance the demanding 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. The result is that 2006 will see the Astaldi Group involved in implementing major contracts which, to date, form part of the orders backlog. It will also see an increase in the commercial penetration process in those foreign countries (Venezuela, Algeria, Turkey, Romania, Qatar and Saudi Arabia) offering greater development opportunities thanks to programmes involving major investments in new infrastructures.

As the early months of the year have already shown, further business opportunities could arise in Algeria and Venezuela, which represent well-established commercial channels for the Group. Said countries are characterised by better 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 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.

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 can be found in said solid structure as well as its ability to design and carry out works.

In recent years, to consolidate the growth process, 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 financing to the specific needs of individual business units (construction, general contracting and concessions). In a market situation where limits on public authorities' spending could serve to boost the development of project finance initiatives, Astaldi 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, indirectly ensuring additional diversification ability, already seen at an international level.

To conclude, 2006 will see production levels and margins in line with the previous year; these will be subject to improvement should early start-up of major domestic projects and an increase in financial resources available to foreign projects allow for production activities to be intensified.

ATTACHMENTS

INCOME STATEMENT	Reclassified reference	30/06/2006	31/12/2005	30/06/2005
Revenues	***A***	482,017	968,898	483,010
Other operating revenues	***B***	28,711	51,833	38,445
Total revenues		510,728	1,020,730	521,456
Purchase costs	***C***	101,621	194,565	95,805
Service costs	***C***	252,601	527,873	264,418
Personnel costs	***D***	82,350	146,552	73,035
Amortisation, depreciation and write-downs	***F***	18,804	32,552	23,327
Other operating costs	***E***	16,571	41,720	26,001
Total costs		471,948	943,261	482,585
(Capitalisation of internal construction costs)	***G***	494	457	69
Operating result		39,275	77,926	38,939
Financial income	***H***	39,344	33,488	36,984
Financial charges	***H***	(48,610)	(60,947)	(48,353)
Effects of valuation of equity investments using equity method	***I***	1,468	4,117	425
Pre-tax profit (loss) of continued operations		31,477	54,585	27,996
Taxation	***L***	13,349	22,734	10,766
Profit (loss) of continued operations		18,128	31,851	17,230
Profit (loss) related to discontinued operations		0	0	0
Profit (loss) for the period	***M***	18,128	31,851	17,230
- Group profit	***O***	17,423	32,479	17,366
- Minority interests	***N***	705	(628)	(136)

BALANCE SHEET

	Reclassified model reference	30/06/2006	31/12/2005	30/06/2005
ASSETS				
Non-current assets				
Property, plant and equipment	A	158,021	129,095	124,605
Investment property	A	201	204	204
Intangible assets	B	4,380	4,977	6,194
Equity investments	C	96,243	34,430	30,498
of which				
Interests valued using equity method		*93,275*	*31,511*	*27,528*
Non-current financial assets	D	9,386	15,829	14,923
Other non-current assets	D	13,498	18,496	45,814
Deferred tax assets	D	11,299	12,853	18,234
Total non-current assets		**293,029**	**215,884**	**240,473**
Current assets				
Inventories	E	44,746	44,702	44,993
Contracts in progress	F	408,226	314,383	300,612
Trade receivables	G	403,222	384,085	374,516
Current financial assets	H	25,434	14,665	11,578
Tax receivables	Z	55,259	58,932	49,603
Other current assets	I	177,535	149,475	138,978
Cash and cash equivalents	L	145,840	175,418	135,758
Total current assets		**1,260,261**	**1,141,661**	**1,056,038**
Non-current assets held for sale				
Total assets		**1,553,290**	**1,357,545**	**1,296,511**
EQUITY				
Share capital		97,608	97,302	97,503
Reserves				
- Legal reserve		10,767	9,383	9,383
- Extraordinary reserve		76,443	58,967	58,965
- Share premium reserve		67,836	67,836	67,836
- Profit (loss) carried forward		19,482	14,066	-1,357
- Other reserves		-21,191	-22,961	-3,071
Total capital and reserves		**250,945**	**224,592**	**229,258**
Profit (loss) for the period		17,423	32,479	17,366
Total Group equity	M	**268,368**	**257,072**	**246,624**
Reserves		-870	-151	-2,059
Profit (loss) for the period		705	-628	-136
Equity – minority interests	N	**-165**	**-780**	**-2,195**
Total equity	O	**268,203**	**256,292**	**244,429**
LIABILITIES				
Non-current liabilities				
Non-current financial liabilities	P	302,291	262,234	285,987
of which:				
Loans payable from group companies	V	*1,698*	*597*	*609*
Other non-current liabilities	V	23,215	14,936	2,814
Employee severance indemnity and other personnel provisions	T	11,569	11,518	14,150
Deferred tax liabilities	V	159	175	39
Total non-current liabilities		**337,235**	**288,862**	**302,989**
Current liabilities				
Customer advances	R	112,888	116,989	97,886
Trade payables	S	396,129	354,816	389,216
Current financial liabilities	Q	261,574	212,756	161,747
Tax payables	V	20,958	17,712	11,459
Provisions for current risks and charges	U	51,505	54,609	38,242
Other current liabilities	V	104,798	55,509	50,543
Total current liabilities		**947,852**	**812,391**	**749,093**
Liabilities directly linkable to non-current assets held for sale				
Total liabilities		**1,285,087**	**1,101,253**	**1,052,082**
Total equity and liabilities		**1,553,290**	**1,357,545**	**1,296,511**