



Annual Report 2004

Aeroporti di Roma Società per Azioni

Registered office in Fiumicino (Rome) - Via dell'Aeroporto di Fiumicino, 320

Fully paid-in capital stock € 62,309,801

www.adr.it

AEROPORTI DI ROMA S.P.A.

BOARD OF DIRECTORS

*(after the General Meetings of March 24, 2003 and April 29, 2004
and the Board of Directors' meetings of January 16, 2004 and May 3, 2004)*

| | |
|-------------------|--|
| Chairman | Federico Falck <i>(from January 16, 2004)</i> ^(*) Achille Colombo <i>(until January 14, 2004)</i> ^(**) |
| Deputy Chairman | Paolo Savona ^(*) |
| Managing Director | Francesco Di Giovanni <i>(from May 3, 2004)</i> |
| Directors | Marcus Charles Balmforth ^(*) Martyn Booth Andrea Ciffo Federico Falck <i>(Chairman from January 16, 2004)</i> ^(*) Nicholas Moore Cesare Pambianchi John Stuart Hugh Roberts Cesare Romiti Pier Giorgio Romiti ^(*) Massimo Scarpelli <i>(from January 16, 2004)</i> Francesco Sensi Alessandro Triscornia <i>(until March 22, 2004)</i> |
| Secretary | Massimo Faccioli Pintozzi |

^(*) member of the Executive Committee until May 3, 2004

^(**) member of the Executive Committee until January 14, 2004

BOARD OF STATUTORY AUDITORS

| | <i>(until the General Meeting of June 4, 2004)</i> | <i>(after the General Meeting of June 4, 2004)</i> |
|--------------------|---|--|
| Chairman | Fabrizio Rimassa | Fabrizio Rimassa |
| Statutory Auditors | Francesco Ricco Giancarlo Russo Corvace Emanuele Torrani Luigi Tripodo | Roberto Ascoli Giuseppe Cappella Giorgio Palasciano Luigi Tripodo |
| Alternate Auditors | Roberto Ascoli Franco Fontana | Giorgio Bovi Guido Zavadini |

GENERAL MANAGER Enrico Casini *(until March 15, 2004)*

INDEPENDENT AUDITORS Deloitte & Touche S.p.A.

Notice is hereby given to Shareholders of the Ordinary General Meeting, to be held at the Company's offices in Via Lago di Traiano 100, Fiumicino on April 26, 2005 at 4 p.m., in first call, and, if necessary, in second call, on April 27, 2005, at the same hour and place, to discuss the following

Agenda

Annual Report 2004 and related and consequent resolutions.

Notice of call has been published in the Official Gazette of the Italian Republic, no. 68 , part II, dated March 23, 2005.

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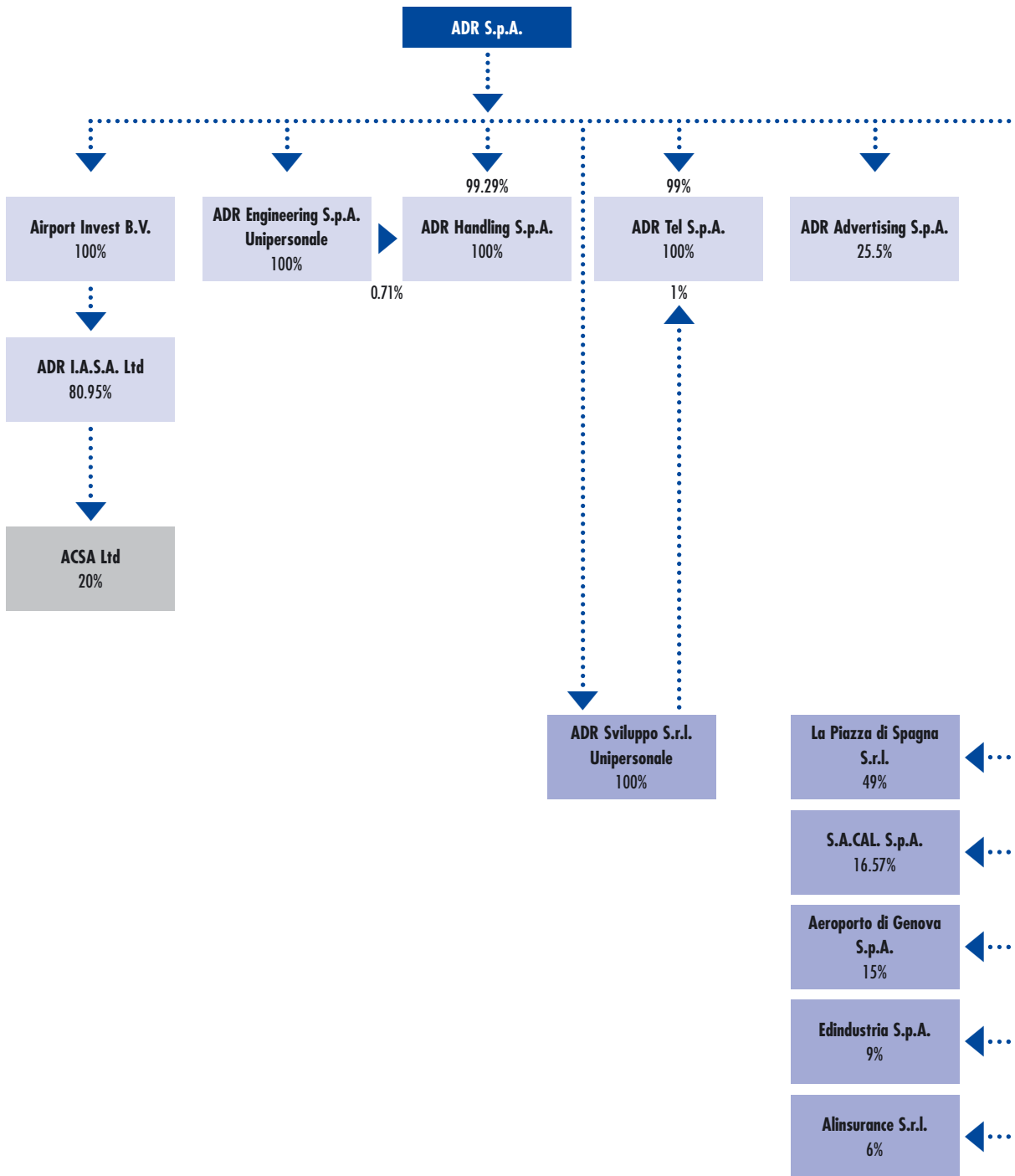


Consolidated Report and Financial Statements 2004

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The ADR Group



- Subsidiary undertakings
- Associated undertakings
- Equity investments in other companies

The following table summarizes main traffic data for the year for Rome's airport system and shows changes with respect to 2003.

| Traffic component | System (*) | % Change |
|-------------------------|------------|----------|
| Movements (no.) | 353,921 | +4.7% |
| Aircraft tonnage (tons) | 24,957,173 | +3.3% |
| Total passengers (no.) | 30,675,613 | +9.2% |
| Total freight (tons) | 153,746 | +4.2% |

(*) Fiumicino + Ciampino

The following table summarizes key economic, financial and operational data for 2004.

Key consolidated economic, financial and operational data

| (in thousands of euros) | 2004 | 2003 | 2002 | 2001 ¹ |
|---|--------------|----------------|--------------|-------------------|
| Revenues | 556,784 | 518,193 | 510,163 | 521,251 |
| EBITDA | 250,363 | 217,881 | 208,965 | 194,556 |
| EBIT | 126,927 | 111,367 | 113,127 | 89,644 |
| Net income | 6,460 | 1,083 | 8,448 | 26,296 |
| <i>of which: Parent Company's share</i> | <i>3,942</i> | <i>(2,027)</i> | <i>5,187</i> | <i>23,755</i> |

| | 12.31.2004 | 12.31.2003 | 12.31.2002 | 12.31.2001 |
|--------------------------------------|------------|------------|------------|------------|
| Invested capital | 2,306,006 | 2,349,469 | 2,336,183 | 2,375,117 |
| Shareholders' equity | 723,729 | 709,321 | 766,185 | 752,725 |
| Net debt | 1,582,277 | 1,640,148 | 1,569,998 | 1,622,392 |
| Short-term cash and cash equivalents | 162,742 | 104,871 | 81,340 | 82,608 |
| Medium-/long-term debt | 1,745,019 | 1,745,019 | 1,651,338 | 1,705,000 |

| Ratios | 2004 | 2003 | 2002 | 2001 |
|-------------------------------------|-------|-------|-------|-------|
| Revenues/Average headcount (€/000) | 160 | 155 | 147 | 130 |
| No. of passengers/Average headcount | 8,822 | 8,389 | 7,588 | 6,551 |

Other information

| | | | | |
|--------------------|--------|--------|--------|--------|
| Headcount | 3,709 | 3,694 | 3,607 | 3,765 |
| Investment (€/000) | 56,080 | 54,002 | 53,513 | 42,057 |

⁽¹⁾ As a result of the reclassification of certain Income Statement items with effect from 2002, EBITDA for 2001 is not comparable with the figures for subsequent years.

GROUP OPERATIONS

*(Translation from
the original issued in Italian)*

INTRODUCTION

Dear Shareholders,

The ADR Group reported net income of 6.5 million euros in 2004 (with the Parent Company's share amounting to 3.9 million euros), compared with net income of 1.1 million euros in 2003 (when the Parent Company's share was represented by a loss of 2.0 million euros).

Overall, this may be considered a satisfactory result, even though 2004 was marked by continued economic sluggishness, and taking into account the economic and financial problems that have affected some major Italian carriers.

However, it should be pointed out that persistent failure to adjust airport fees – and regulated tariffs in general – caused by delays in authorization procedures, has prevented the Group from achieving its planned growth targets.

In 2004 the number of airport passengers amounted to 30.7 million, a significant increase (up 9.2%) compared with 2003.

Growth was strongest within the EU (up 22.2%), due to considerable expansion of the activities of low-cost carriers, and inclusion in this category of the new countries that joined the European Union in 2004.

Domestic traffic fell back very slightly (down 0.05%), largely reflecting the performance of the Roman airport system's major Italian carrier.

The non-UE segment rose by 7.8%, with Fiumicino registering growth of 7.0% and Ciampino as much as 42.5%.

The growth of EU traffic, which particularly benefited Ciampino airport, was driven by low-cost carriers who increased the numbers of their flights and opened up twenty new routes.

This positive passenger traffic performance was not matched by earnings growth, which rose by 8.8% with respect to 2003 (net of the State-financed works component whose programs are coming to an end). Total revenues amounted to 556.8 million euros.

The aviation sector reported total revenues of 351.5 million euros and a rise of 7.2% in airport fees. Obviously, if compared with passenger traffic, this increase does not match growth in the volume of business and, moreover, since airport fees have been frozen at early-2001 levels, is not enough to even keep up with inflation over the last three years.

Non-aviation earnings, amounting to 204.3 million euros, rose overall by 9.5%, primarily due to the contribution made by car park management and sub-concessions. Retail activities, which saw limited growth (earnings from directly managed outlets rose by 4.4%), were penalized by the lower average passenger spend. This is linked to the trend towards low-cost traffic and has also been noted at other major European airports.

EBITDA, amounting to 250.4 million euros, improved on the previous year both in absolute terms (up 14.9%) and in terms of the EBITDA margin (up 3 percentage points), thanks to continued efforts to curb operating costs, which rose at a lower rate than business volumes.

Net financial expense fell by 0.8 million euros due to the better balance, achieved in late 2004, between the fixed and floating interest rate components of debt.

Indeed, thanks to productivity improvements, which are reflected in EBIT, the Parent Company's share of net income is 3.9 million euros, compared with the loss of 2.0 million euros reported at the end of 2003. Achievement of this result is even more significant if the effect on the income statement of substantial losses on receivables, arising from the bankruptcy of the Volare Group last December, is taken into account.

During 2004 the Group's net debt fell from 1,640.2 million euros at the end of 2003 to 1,582.3 million euros at the end of 2004, a decrease of 57.9 million euros.

This result was achieved – despite the fallout from the crisis affecting the above-mentioned domestic carrier – due to prudent cash flow management, and solid guarantees of the Group's ability to meet its current financial commitments and maintain those connected to the substantial investment program underway. This was confirmed in 2004 by completion of one of the principal programs included in the ADR Group's investment plan.

Freight activities were launched at the new "Cargo City" facility. These works, costing over 100 million euros, have put Fiumicino airport at the cutting edge in terms of freight handling infrastructure and technology. The new infrastructure will finally eradicate the limitations imposed by the previous facility and clear the way for future development of this vital area of business.

BACKGROUND

Principal macro-economic indicators

Real global output carried on expanding at a relatively steady pace in 2004 and inflation remained at moderate levels, although average growth was not evenly spread geographically. The Asia region continued to make rampant headway, as did North America (the United States and Canada), but at a less spectacular rate. Despite the region's many problems, South America showed unexpected vigor, while the euro area struggled as it strived to get back on the road to recovery.

Air traffic is obviously directly affected by overall economic conditions and the good performances registered in 2004 reflect stable global growth and moderate inflation. However, the spread of low-cost traffic introduces new elements into the development equation, arising from the combined factors of increased availability of short-haul flights and demand that is driven by low prices. Yet such traffic growth also creates adaptation problems for airlines that charge normal fares, with repercussions for airport earnings.

In the case of Aeroporti di Roma, performances registered are closely linked to both of the new demand components. Around half of "normal" traffic at Fiumicino airport derives from Italian airports, one third from the four main European countries (Spain, Germany, France and the United Kingdom, in ascending order) and one tenth from the United States. Low-cost traffic at Ciampino, on the other hand, derives primarily from six European countries (the United Kingdom, Germany, Spain, Belgium, Sweden and France), with, however, a supply effect – linked to the availability of flights – rather than a demand effect, coming into play. This type of traffic is also set to grow on domestic routes. This distinction does not mean that overall global economic performance has no impact on traffic at Aeroporti di Roma, given that development – wherever it takes place – has a locomotive effect on the whole world market. However, it does imply that, in order to formulate appropriate budget planning and investment plans, attention must be paid to demand trends in the countries where the majority of passengers come from, as well as to traffic supply trends, especially with regard to low-cost traffic.

2005 projections forecast a slight increase in Italian domestic demand, and a further modest decrease in the euro area as a whole, with inflation still kept under control. Moreover, a further significant reduction in the US growth rate is forecast, arising from the need to curb both government spending and the trade deficit, and also to keep inflation down. Expansion of traffic from emerging economies, primarily China, is still hampered by modest per-capita incomes and restrictions on foreign travel in these countries. Nevertheless, top-end traffic is on the increase, as witnessed by the twofold increase in Chinese passengers arriving at Fiumicino airport between 2003 and 2004, although numbers – in the tens of thousands – remain modest.

Legal and regulatory context

In a letter dated January 12, 2004, ADR S.p.A. has requested the Civil Aviation Authority to begin the procedure for drawing up the Planning Agreement provided for in point 5 of the Ministry of Infrastructure and Transport's Tariff reform plan, approved by CIPE (Interdepartmental Committee for Economic Planning) Resolution no. 86 of August 4, 2000.

The tariff plan covers the period 2004-2008 and, prepared on the basis of the regulatory principles and criteria established by CIPE Resolution no. 86/2000, will govern airport fees for services offered on an exclusive basis at Fiumicino and Ciampino airports (landing and take-off fees, apron and hangar fees, passenger boarding fees, freight loading and unloading fees, charges for security checks, and the fees to be charged for the use of centralized infrastructures, common assets and assets for exclusive use).

The negotiation process launched by the Civil Aviation Authority will lead to the definition of a planning agreement with the Authority. This must then be approved by Inter-ministerial Decree (the Ministry of Infrastructure and Transport and the Ministry of the Economy).

Following work jointly carried out with the Civil Aviation Authority, ADR S.p.A. drew up the "Proposed Planning Agreement Document 2004-2008", which gathers together the outcomes of all activities with a view to defining the evolution of fees for airport services provided on an exclusive basis during the period 2004-2008 and the Planning Agreement, in accordance with CIPE Resolution no. 86/00. In August the joint document was submitted by the Civil Aviation Authority to the Ministry of Infrastructure and Transport to be dealt with accordingly. Subsequently, the Ministry forwarded its observations and requests to the Civil Aviation Authority. The document is currently being drawn up by the two bodies.

Article 2, paragraph 11, of Law no. 350 dated December 24, 2003 (Finance Bill 2004) introduced a municipal surtax on passenger aircraft boarding fees for 2004. The surtax, set at 1 euro per passenger, is to be collected by the Treasury, with subsequent redistribution of any monies exceeding 30 million euros to the municipalities where airports are located and neighboring municipalities (20%) and to the Ministry of the Interior (80%).

Pursuant to art. 7 *quater*, of Law no. 140 of May 28, 2004, which converted Legislative Decree no. 80 of March 29, 2004, the surtax is no longer a one-off measure for 2004 and has become permanent.

In a letter to Assaeroporti, dated April 30, 2004, the Civil Aviation Authority ruled, with immediate effect, "that carriers should set up procedures – where not already implemented – to collect the 1 euro surtax on passenger boarding fees as of June 1, 2004".

The letter also stipulates that carriers should pay said amounts to the operator who, in turn, shall pay such surtax to the relevant Provincial Treasury office on a monthly basis. No fees for carrying out such activities are envisaged for the operator.

In July 2004 ADR S.p.A. lodged an appeal before the Regional Administrative Court of Lazio against the letter, dated April 30, 2004, in which the Civil Aviation Authority ruled, with immediate effect, "that carriers should set up procedures to collect the 1 euro surtax on passenger boarding fees as of June 1, 2004".

On July 21, 2004, two Decrees dated March 31, 2004, were published in the Official Gazette, which confirmed and extended until December 31, 2004, respectively, the current tariffs for passenger and carry-on baggage security checks and 100% screening of hold baggage, as determined by the Ministerial Decree of March 14, 2003.

On December 28, 2004, Assaeroporti informed its members that, on December 23, 2004, the Deputy Minister for Infrastructure and Transport issued two Decrees by which existing charges for "security screening of passengers and carry-on baggage and 100% screening of hold baggage" were extended (March 31, 2005), pursuant to article 2 of Ministerial Decree no. 85/99. As of December

31, 2004 these Decrees had yet to be published in the Official Gazette.

In February ADR S.p.A. submitted a complaint to the European Commission (pursuant to Rule no. 17/62 and Rule no. 659/99) in which it requested that “the system for determining airport license fees for 2003 provided for by the State Property Office decree of June 30, 2003 be declared incompatible with European Union legislation pursuant to article 81.1 of the EU Treaty”, and also called for an investigation of aspects of the decree that it alleges distort competition.

On June 24, 2004 the European Commission requested further information from ADR S.p.A., which the Parent Company promptly supplied in July 2004. As of December 31, 2004 the European Commission had yet to reply.

In a sentence proclaimed on December 9, 2004, the Court of European Justice concluded the infringement proceedings brought by the European Commission against Italy regarding the liberalization of ground handling services. In this sentence the Court deemed article 14 (the social protection clause in case of the transfer of handling services) of Legislative Decree no. 18/99 to be incompatible with article 18 of EC Directive no. 96/67, applied in Italy by the above Legislative Decree. On February 10, 2004 the Civil Aviation Authority issued ADR S.p.A. with the “Airport Certificate”, which certifies that “L. da Vinci airport in Fiumicino, operated by ADR S.p.A., is in compliance with airport certification requirements as laid down in the Airport Construction and Operation Regulations (in application of ICAO Annex 14) and is suitable for commercial air traffic operations, in accordance with the conditions of the Certification Specifications” attached to the certificate.

On May 24, 2004 ADR S.p.A. formally requested the Civil Aviation Authority to launch preliminary proceedings for issuing Rome’s G.B. Pastine airport in Ciampino with an Airport Certificate. Pursuant to Annex 1A of Section 1 of the “Regulations for the Construction and Operation of Airports”, Second Edition dated October 21, 2003, Ciampino airport should have obtained the Airport Certificate by 11.30.2003. The certification proceedings were completed on time, but the Civil Aviation Authority has not yet formally issued the certification document.

On September 8, 2004 Legislative Decree no. 237, “Urgent works in the civil aviation sector”, was issued (published in the Official Gazette dated September 10, 2004).

The Legislative Decree responds to the need for the Italian regulatory framework to comply with the directives contained in EC Regulation no. 549/2004 issued by the European Parliament and Council Session of March 10, 2004, and which came into force on April 20, 2004. The Regulation contains general principles for the creation of a Single European Sky. Article 2 of the Legislative Decree includes directives regarding the provision of airport services at airports, attributing responsibility for allocating aircraft parking aprons and ensuring the regular movement of other apron vehicles and personnel to airport operators.

Legislative Decree no. 237 was converted, with amendments, into article 1 of Law no. 265 dated November 9, 2004. During conversion, articles 1-*bis*, 1-*ter* and 2-*bis* were added.

Article 1-*bis* stipulates a period of 120 days during which the Government should identify national airports, “as essential hubs for exclusive operation of State functions” and establishes that the agreements approved and implemented by airport operating agreements should include a minimum four-year period to verify whether any subjective and objective requirements and other conditions exist that have determined issue of the license. Such requirements and conditions include compliance of actual development and service quality with forecasts contained in investment plans pursuant to the concession agreement, as well as modalities for drawing up and approving four-year works programs, sanctions and other grounds for forfeiture or annulment of the concession, and necessary provisions for regulating, overseeing and monitoring the sector”. Finally, it establishes a period of 120 days during which the Civil Aviation Authority should amend the agreements in force to incorporate the above-mentioned directives and sanctions.

Article 1-*ter* allocates the Civil Aviation Authority responsibility for including within airport operation concession agreements the obligation for concessionaires to supply information and

documents regarding trading relations on request. Any information or documents acquired during such procedure are covered by official secrets legislation.

Finally, article 2-*bis* amends articles 801 and 802 of the Navigation Code by granting the Civil Aviation Authority the supervisory and monitoring powers previously entrusted to the airport Director and eliminating the power to prevent aircraft from leaving if airport fees and taxes have not been paid. Article 2 of Law no. 265 dated November 9, 2004 grants the government the authority to revise the aeronautical section of the Navigation Code.

The Consolidated Data Protection Act (Legislative Decree no. 196/03), or so-called “Data Protection Code”, came into effect on January 1, 2004. The Act has reformed previous data protection legislation, rationalizing existing regulations and establishing a series of general principles to be applied to the processing of data in all sectors.

Legislative Decree no. 158 of June 24, 2004 extended the previously established period for adopting the minimum security measures regarding the processing of personal data contained in articles 33 and 35 of Legislative Decree no. 196/03, and in particular the new Security Planning Document, from June 30, 2004 to December 31, 2004.

Legislative Decree no. 266 dated November 9, 2004, converted into Law no. 306 dated December 27, 2004, further extends this period until June 30, 2005. In line with the new legislation, the Parent Company is currently completing the Security Planning Document so that it may be adopted within the period provided for under the law.

Moreover, on September 9, 2004 the Board of Directors of the Parent Company, ADR S.p.A., approved the “Organization, management and control model”, pursuant to Legislative Decree no. 231/2001. The model is designed to prevent the commission of crimes pursuant to Legislative Decree 231/01. On the same date, in accordance with Legislative Decree no. 231/01, ADR S.p.A.’s Board of Directors appointed the Company’s internal audit manager to supervise implementation and compliance with the law. In the meantime, procedures leading to adoption of this model by other Group companies continued.

Legislative Decree no. 273 dated November 11, 2004, converted with amendments into Law no. 316 dated December 30, 2004, launched application in Italy of EC Directive 2003/87 regarding emission trading. This ruling establishes a system for trading greenhouse gas emission quotas within the European Union, in order to promote reduction of such emissions in accordance with cost and economic efficiency criteria. In compliance with Legislative Decree no. 273/2004, ADR S.p.A. – as an operator of a combustion plant with a heating capacity that exceeds the threshold stipulated by the law (in particular the power plant at Fiumicino) – has requested authorization to emit greenhouse gases and, at the same time, sent relevant information to the Ministry of the Environment in order to be allocated emission quotas.

In the meantime, ADR S.p.A. has implemented actions to avoid fines in case of non-compliance with the provisions of the law.

ACTIVITIES

Aviation activities

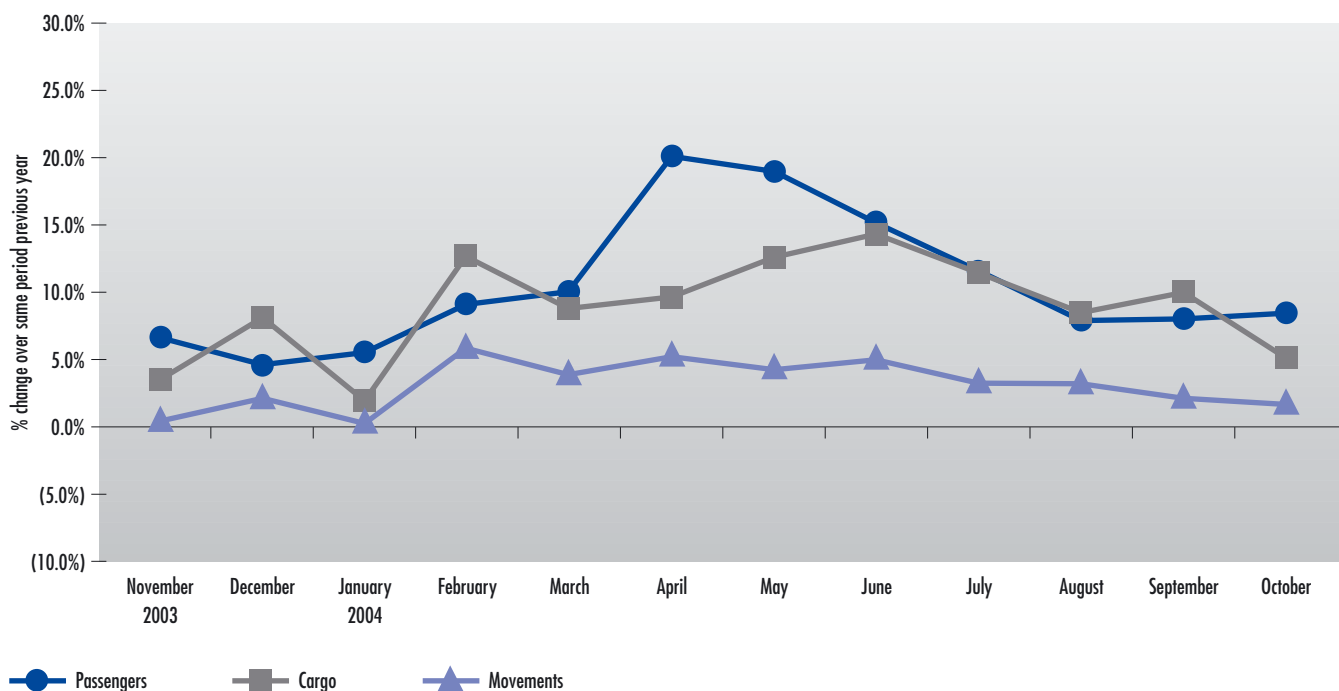
Air traffic

During the first ten months of 2004 world air traffic registered particularly high growth rates in the period March-July (the same period in 2003 coincided with the war in Iraq and the SARS epidemic, which had inevitable negative repercussions on aviation).

The graph below shows monthly trends for air traffic (movements, passengers and freight) for the period November 2003 - October 2004².

⁽²⁾ Source: ACI - World Traffic Report - October 2004.

EVOLUTION OF AIRPORT TRAFFIC WORLDWIDE



At global level, figures for the first ten months of the year show a rise in passengers (11.3%) and in movements (3.4%) compared with the same period of the previous year.

This recovery in comparison with the previous year is also reflected in Europe, although to a slightly lesser extent. The first ten months of 2004 reported an increase in passengers (9.0%) and movements (3.3%)³ compared with the same period of 2003.

In Italy, during 2004 passenger traffic rose by 6.9% and movements by 1.3% compared with the previous year.

Increases in passenger traffic during 2004 with respect to 2003

| Geographical Area | | Passengers | Movements |
|----------------------|---------------|------------|-----------|
| World | (a) Jan – Oct | +11.3% | +3.4% |
| Europe | (a) Jan – Oct | +9.0% | +3.3% |
| Italy | (b) Jan – Dec | +6.9% | +1.3% |
| Fiumicino + Ciampino | Jan – Dec | +9.2% | +4.7% |

Source: (a) ACI-World Traffic Report
(b) Assaeroporti

The Roman airport system

During 2004 the main European airports⁴ against which the Group’s performance is measured, achieved the following passenger traffic results: Madrid (up 7.5%), London (up 6.7%), Paris (up 6.0%), Frankfurt (up 5.7%) and Amsterdam (up 6.5%). During the same period the Roman airport system rose by 9.2%, confirming its position as Europe’s best performer.

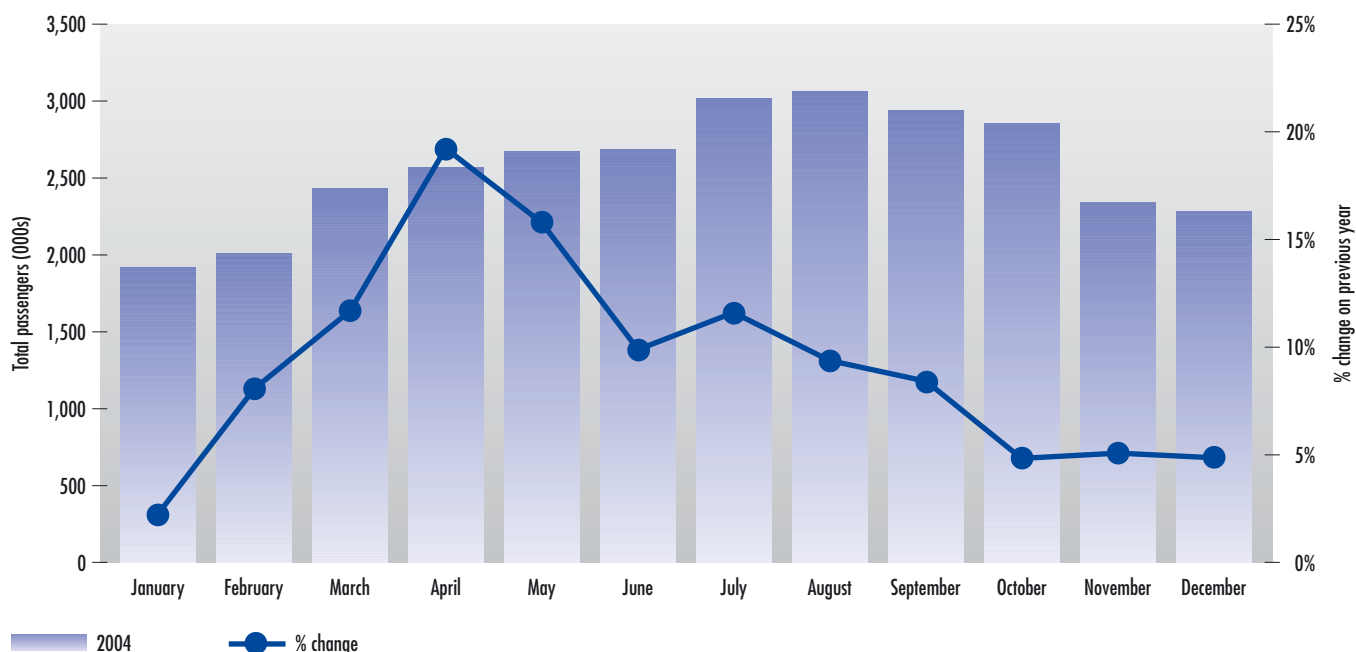
During 2004 the Roman airport system reported an increase in passenger traffic of 9.2%, with monthly performances as shown in the following graph:

⁽³⁾ Source: ACI - World Traffic Report - October 2004.

⁽⁴⁾ Source: Airport Council International; Rapid Data Exchange Program - December 2004.

THE ROMAN AIRPORT SYSTEM

Total Passengers – Monthly percentage changes compared with 2003



Information regarding trends in traffic components during 2004 is provided below:

Data up to December 31, 2004 and changes with respect to the previous year

| Traffic component | System % change 04/03 | Fiumicino % change 04/03 | Ciampino % change 04/03 | Domestic % change 04/03 | International % change 04/03 |
|-------------------------|--------------------------|-----------------------------|----------------------------|----------------------------|---------------------------------|
| Movements (no.) | 353,921 (+4.7%) | 309,658 (+2.9%) | 44,263 (+19.2%) | 171,667 (-1.0%) | 182,254 (+10.7%) |
| Aircraft tonnage (tons) | 24,957,173 (+3.3%) | 23,091,391 (+2.1%) | 1,865,782 (+21.9%) | 9,745,541 (-2.7%) | 15,211,632 (+7.6%) |
| Total passengers (no.) | 30,675,613 (+9.2%) | 28,119,567 (+7.0%) | 2,556,046 (+42.5%) | 12,640,922 (-0.05%) | 18,034,691 (+16.9%) |
| Total freight (tons) | 153,746 (+4.2%) | 132,016 (+3.4%) | 21,730 (+9.6%) | 13,974 (-33.1%) | 139,772 (+10.4%) |

International traffic breaks down into EU and non-EU traffic as follows.

| Traffic component | International % change 04/03 | EU % change 04/03 | Non-EU % change 04/03 |
|-------------------------|---------------------------------|----------------------|--------------------------|
| Movements (no.) | 182,254 (+10.7%) | 124,974 (+16.8%) | 57,280 (-0.7%) |
| Aircraft tonnage (tons) | 15,211,632 (+7.6%) | 8,388,529 (+17.0%) | 6,823,103 (-2.1%) |
| Total passengers (no.) | 18,034,691 (+16.9%) | 11,844,555 (+22.2%) | 6,190,136 (+7.8%) |
| Total freight (tons) | 139,772 (+10.4%) | 41,363 (+43.6%) | 98,409 (+0.6%) |

At Fiumicino the recovery in traffic resulted in an increase in capacity (total movements up 2.9% and aircraft tonnage up 2.1%), accompanied by a greater increase in passenger traffic (up 7.0%) due to recovery in load factors and freight (up 3.4%).

Breakdowns for the different areas at Fiumicino are as follows:

Domestic traffic: This sector, representing 44.9% of total passenger traffic, reported the following:

- Domestic, Alitalia (63.8% passenger market share): the carrier reported decreased passenger traffic (down 6.4%), due primarily to a reduction in capacity (movements were down 9.5%, aircraft tonnage was down 10.4%), which was partially offset by an increase in load factors;
- Domestic, other carriers (36.2% passenger market share): the increase in passenger traffic (passengers up 13.5%; movements up 11.4%; aircraft tonnage up 12.0%) derived from increased capacity on the part of some domestic carriers, in particular AirOne (number of passengers transported up 17.2%).

International European Union traffic: This sector, which was positively affected by the entry of ten new nations on May 1 and represents 33.5% of total passenger traffic, reported the following:

- European Union, Alitalia (32.7% passenger market share): the carrier reported an increase in passenger levels (passengers up 9.3%), primarily due to an increase in capacity (movements up 10.2% and aircraft tonnage up 6.6%);
- European Union, other carriers (67.3% passenger market share): all the other carriers reported a significant increase of 21.7% due to a steep rise in capacity (movements up 16.0%; aircraft tonnage up 17.9%) and load factors.

International traffic outside the European Union: Performance in this segment, which represents 21.6% of total passenger traffic, reflected the negative impact of EU enlargement with the entry of ten new nations on May 1 and the positive effect as “losses” incurred during 2003, as a result of the war in Iraq and the SARS epidemic, were made up. The Alitalia and other carriers components registered the following:

- Traffic outside the European Union, Alitalia (25.1% passenger market share): the carrier saw a rise in passenger levels (up 6.1%) primarily due to an increase in capacity (movements up 1.7% and aircraft tonnage up 4.5%);
- Traffic outside the European Union, other carriers (74.9% passenger market share): other airlines reported a rise of 8.6% in the number of passengers, mainly due to an increase in load factors.

In terms of network development, a series of new routes and increased frequencies were introduced at Fiumicino.

The domestic sector saw Meridiana begin operating nine daily flights to Milan Linate in February, whilst AirOne started up new flights to Albenga and Trieste in March and June, respectively, and Alitalia added a new flight to Verona.

Within the European Union Air Berlin transferred its flight operations from Ciampino to Fiumicino in April 2004 (routes to Münster, Berlin and Nuremberg) and started up a new flight to Düsseldorf in November; Alitalia opened new routes to Copenhagen, Malaga, Stockholm, Valencia and Salonika; Lufthansa started up a new route to Düsseldorf; SkyEurope launched routes to Budapest, Bratislava, Krakow and Warsaw; the new carrier, Niki, started up a daily flight to Vienna; Maersk started up a new route to Copenhagen in September; and Vueling launched a new flight to Barcelona in December.

Other carriers stepped up their existing services, including SN Brussels Airlines to Brussels, British Airways to London Gatwick, Austrian Airlines to Vienna and Iberia to Madrid.

In terms of non-European traffic Alitalia increased the number of its daily flights to New York from one to two for the summer period, started new summer routes to Toronto and Boston and stepped up operations to Zurich; Delta resumed flights to Cincinnati; and Northwest restored its daily summer flight to Detroit and Darwin and started up a new flight to Lugano in September.

At Ciampino airport the increase in passengers (up 42.5%) with respect to 2003 continues to be linked to the rapid expansion of low-cost traffic, which in 2004 saw the following routes launched:

- Ryanair, which as of January included Ciampino among its operating bases, stepped up its operations to reach a total of 19 daily flights in December 2004 compared with 10 daily flights at the beginning of 2003 (new routes include two flights to Barcelona Girona, one to Baden Baden, two to Paris Beauvais, one to Eindhoven, one to Klagenfurt, one to Santander and one to Glasgow Prestwick);
- EasyJet started up new routes to Bristol, Dortmund, Nottingham, Geneva and Newcastle during the year, thus reaching a total of 8 daily flights;
- other low-cost carriers added Ciampino to their operating network during the year, opening up routes to new flight destinations, including Budapest and Katowice (Wizzair), Prague (Smartwings), Zurich (Helvetic – subsequently transferred to Fiumicino) and Coventry (Thomsonfly);
- Freight traffic performance at the airport, mainly arising from the activities of the express couriers, DHL, TNT and UPS, registered an increase of 15.3% compared with 2003.

Airport fees

During 2004, revenues from airport fees, which are directly correlated with air traffic, amounted to 147.1 million euros, an increase of 7.2% on the previous year and less than registered passenger traffic growth of 9.2%.

The two principal components, “landing and take-off fees” and “passenger boarding fees”, registered the following performances:

- landing and take-off fees: the increase in revenues (up 3.0%) was slightly less than overall traffic growth (aircraft tonnage: up 3.3%);
- passenger boarding fees: these rose by 10% compared with the same period in the previous year.

Management of centralized infrastructures

In the aviation segment, following liberalization of airport handling, as ratified in a memorandum from the Civil Aviation Authority dated September 26, 2000, the management of centralized infrastructures and terminal services continued to be carried out directly by the Parent Company, ADR S.p.A..

Total revenues during 2004 amounted to 35.0 million euros, an increase of 4.7% with respect to 2003.

Such revenues primarily derived from:

- loading-bridge revenues decreased slightly compared with the previous year (down 4.4%), with the number of loading bridges substantially in line (infrastructure used at full capacity throughout the year) and a slight reduction in average turn-around times; the carry-over effects of the review of “night parking” fees that took place in August 2003 also had an impact;
- earnings from baggage handling systems (BHS) rose by 20.8%, primarily due to the increase in international air traffic.

During 2004 the automated baggage handling system processed around 5,675,000 pieces of baggage (up 14.4% compared with 2003), with the number of misdirected pieces of luggage

totaling 0.218% (up 0.123% with respect to 2003), of which 0.143% were caused by equipment and 0.075% were due to multi-level equipment and security checks.

Handling activities at Fiumicino (Aeroporti di Roma Handling S.p.A.)

During 2004 the main components of the traffic served at Fiumicino by ADR Handling S.p.A. (ADRH), the Group company that provides passenger and ramp services, are shown in the following tables:

| Traffic component | 2004 | | 2003 | | Change | |
|---------------------------|-----------------------|----------------------|-----------------------|----------------------|-----------------------|----------------------|
| | Handling at Fiumicino | % of total Fiumicino | Handling at Fiumicino | % of total Fiumicino | Handling at Fiumicino | % of total Fiumicino |
| No. of aircraft movements | 100,333 | 32.4% | 85,785 | 28.5% | +17.0% | +3.9% |
| Aircraft tonnage (tons) | 9,367,429 | 40.7% | 8,758,249 | 38.7% | +7.0% | +2.0% |
| No. of passengers | 9,656,798 | 34.3% | 8,070,755 | 30.7% | +19.7% | +3.6% |
| Traffic unit | 10,133,593 | 34.5% | 8,557,744 | 31.0% | +18.4% | +3.5% |

Handling activities performed well during the year, due to a combination of factors including full acquisition of new regular and seasonal carriers and the increased traffic volumes registered by airlines that were already customers.

Compared with 2003, all traffic components showed signs of strong recovery (aircraft movements up 17%; aircraft tonnage up 7%; passengers up 19.7%), while ADR Handling S.p.A.'s market share also showed improvement.

At Ciampino traffic growth during the year exceeded projections formulated in March 2004 regarding the principal indicators, namely movements, aircraft tonnage, passengers and freight. On average, movements rose by 6.4%, the total number of passengers by 2.0%, aircraft tonnage by 2.9% and freight by 15.3%.

⁽⁵⁾ Traffic handled by ADR S.p.A. in 2003 and by ADR Handling S.p.A. in 2004.

⁽⁶⁾ *LEFT-BEHIND*: the figure indicates, for every 1,000 passengers boarded, the number of pieces of baggage not loaded together with their "owner", the responsibility for which can be attributed to the handler.

AIRPORT PUNCTUALITY: indicates the percentage of departing flights which did not experience a delay of more than 15 minutes, the responsibility of which can be attributed to the handler.

ZERO MINUTE AIRPORT PUNCTUALITY: indicates the percentage of outgoing movements which experienced no delay with respect to the scheduled departure time, the responsibility of which can be attributed to the handler.

BAGGAGE RECLAIM: the figure shows the percentage of flights for which the time standards for baggage reclaim were respected, exclusively taking account of the responsibilities of the handler. The standards of reference call for the last bag to be placed on the belt within a certain number of minutes of ATA (Actual Time of Arrival).

| Traffic component | 2004 ⁵ | 2003 | Change % |
|-----------------------------|-------------------|-----------|----------|
| No. of aircraft movements | 44,263 | 37,128 | +19.2% |
| Including: <i>Scheduled</i> | 18,821 | 12,584 | +49.6% |
| <i>Charter</i> | 1,629 | 2,450 | -33.5% |
| <i>Express couriers</i> | 4,575 | 4,550 | + 0.5% |
| <i>General aviation</i> | 19,238 | 17,544 | +9.7% |
| Aircraft tonnage (tons) | 1,865,782 | 1,530,831 | +21.9% |
| No. of passengers | 2,556,046 | 1,794,285 | +42.5% |
| Freight (tons) | 21,730 | 19,820 | +9.6% |

Easyjet, Wizzair, Ryanair and Miniliner significantly stepped up their activities during the year, whilst Thomsonfly suspended operations at Ciampino on November 9.

Service quality indicators⁶ during the year are shown below:

| | 2004 | 2003 | Target for 2004 |
|---------------------------------|--------|--------|-----------------|
| Left-behind | 0.47 | 0.47 | 0.60 |
| Airport punctuality | 99.72% | 99.84% | 99.50% |
| Zero minute airport punctuality | 98.97% | 99.20% | 98.00% |

The data show an improvement with respect to the targets set.

Baggage reclaim performance, which reported a significant improvement on the set target, is analyzed in the table below.

| | 2004 | 2003 | Target % | Change on target % |
|---|---------------|---------------|----------|--------------------|
| Baggage reclaim domestic flights - Service Charter first bag* | 96.43% | Not available | 90.0% | +6.43% |
| Baggage reclaim domestic flights - Service Charter last bag* | 97.15% | Not available | 90.0% | +7.15% |
| Baggage reclaim international flights - Service Charter first bag** | 97.25% | Not available | 90.0% | +7.25% |
| Baggage reclaim international flights - Service Charter last bag** | 95.44% | Not available | 90.0% | +5.44% |
| Baggage reclaim - Service Charter first bag*** | Not available | 96.4% | 90.0% | |
| Baggage reclaim - Service Charter last bag*** | Not available | 96.3% | 90.0% | |

* New standard 2004: baggage reclaim starts within 22 minutes and finishes within 30 minutes of flight arrival; to be respected for 90% of flights.

** New standard 2004: baggage reclaim starts within 30 minutes and finishes within 38 minutes of flight arrival; to be respected for 90% of flights.

*** Standard 2003 on all flights: baggage reclaim starts within 26 minutes and finishes within 34 minutes of flight arrival; to be respected for 90% of flights.

Service quality at Ciampino airport is not yet recorded using a pre-established schedule and methods. Internal checks carried out on operations at Ciampino confirm that Service Charter indicators are substantially complied with.

The ADR Group's earnings from handling activities totaled 106.4 million euros, up 4.5 million euros compared with 2003, due to good traffic performance and an increase in ADR Handling S.p.A.'s market share.

Security

The security activities carried out by the Parent Company, ADR S.p.A., consist of security checks on passengers and carry-on baggage, 100% screening of checked luggage, explosive detection checks, other security services requested and surveillance of the airport system.

As of June 1, 2004, in compliance with EU regulations, training activities regarding the issue of a security certificate to all airport operators were begun. This certificate has become obligatory for all airport staff who, as they operate beyond customs control, need an airport entry permit.

The Parent Company made prior preparations to take advantage of this business opportunity and be competitive in this market (the results achieved show that the initiative was widely appreciated: as of June 1, 2004 more than 10,000 staff completed training courses).

The number of training courses held at other airports increased considerably, including at Genoa, Lamezia Terme, Rimini, Bari, Palermo, Perugia and Reggio Calabria.

Two agreements were also signed with ALHA and Poste S.p.A., for whom ADR S.p.A. carries out "x-ray checks", thereby expanding the range of services offered.

Finally, in June the local airport authority made ADR S.p.A. responsible for implementing procedures regarding the issue of airport entry permits to all sub-concessionaires. In December the related tariffs were authorized and will be applied as of January 2005.

During 2004 security activities generated revenues of 52.3 million euros. This figure is not comparable with 2003 (41.4 million euros) as the new 100% security screening service for hold baggage, which came on stream on February 1 of last year, was only charged for from June 3, 2003. Excluding this component, revenues rose by 3.7%.

Operational safety

At Fiumicino airport the Civil Aviation Authority certification team completed checks on compliance with the certification obtained in 2003.

In July, the layout of certain parking areas was reorganized in a very short period of time; this enabled an increase in the number of available aircraft aprons. A working group was set up with the Civil Aviation Authority, the local airport authority and leading carriers to agree on changes to infrastructure and procedures aimed at improving airport capacity and punctuality.

At Ciampino airport permanent surveillance of operational safety regarding “follow-me” operations and the monitoring and clearance of birds was set up. An ornithological study was also launched, as provided for in Civil Aviation Authority memoranda.

All necessary documentation regarding the awarding of Civil Aviation Authority certification was submitted within the due period, including a memoranda of understanding with the Italian Air Force.

Real estate management

Sub-concessions

Revenues from sub-concessions, deriving from fees and utilities at Fiumicino and Ciampino airports, amounted to 26.7 million euros. This figure is up 8.3% compared with 2003.

In particular, the increase in sub-concessions during the period included:

- the start-up of the sub-concession of the “Catering Ovest” premises to LSG Sky Chefs;
- the opening of the new Cargo City at the end of August 2004;
- a review of sub-concession fees at Ciampino as of April 1, 2004;
- the sub-concession of a hangar at Ciampino airport to S.A.N..

Revenues from royalties at Fiumicino and Ciampino amounted to 18.4 million euros, up by 1.2 million euros compared with the previous year.

Management of car parks

Management of the parking systems at Fiumicino and Ciampino airports brought in revenues of 26.1 million euros, a rise of 19.2% compared with 2003. This increase was due to tariff increases and, to a lesser extent, passenger traffic performance, even though the latter experienced limited growth in the domestic component.

Infrastructure maintenance

Maintenance activities designed to guarantee the reliability of airport infrastructures continued during 2004 and activities were carried out regarding the start-up of the new Cargo City.

During the second half of the year, the four-year contract for maintenance of green spaces at Fiumicino and Ciampino (airside and landside) and contracts regarding the cleaning of Lot 3 (airport buildings), the cleaning of external areas (airside and landside) and waste disposal, were put out to tender.

Non-aviation activities

Revenues from direct sales amounted to 47.6 million euros, up 4.4% on 2003, compared with an increase in passenger traffic of 9.2%.

Revenues grew at a lower rate than passenger traffic primarily for the following reasons:

- entry into the European Union of an additional ten countries, entailing a loss of earnings from tobacco products (which may no longer be purchased) and the absorption of VAT on other products;

- the disappearance of certain products available in 2003 that have gradually been handed over to concessionaires (clothing, savory foods);
- the effect of the euro/dollar exchange rate and the drop in consumer spending, also apparent in other European airports;
- saturation of the Schengen area in which most of the growth in the total number of passengers has been concentrated (up 70% in the B11-B21 area of Terminal B).

Corrective measures were implemented in the last quarter of the year, including promotional and communications activities, agreements with suppliers to reintroduce food products in some outlets (the full impact of which will be felt as of February 2005), the restructuring and restyling of some shops and the introduction of efficiency checks on the movement of goods. In addition, a toy shop was opened at Fiumicino.

Ciampino posted excellent results, with earnings up 48% on the back of the sharp increase in passenger traffic.

Revenues from outlets managed by sub-concessionaires rose by 17.5% compared with the previous year. All sectors contributed to the earnings growth (“retail” up 18.7%; “refreshments” up 18.6%; “other royalties” up 6.6%).

The “retail” sector improved with respect to the previous year, primarily due to the difficulties experienced in 2003 during transfer to the current sub-concessionaire (the Nuance Group), which manages a sizeable portion of the retail outlets in sub-concession at the Roman airport system. Moreover, Nuance has expressed its intention to renegotiate contract conditions.

“Other retailers” registered an increase of 2%, despite some negative aspects, primarily the downturn in the luxury goods market and the strengthening of the euro. However, the opening of new outlets – Boggi, Imaginarium, H3G and Football Corner – helped to offset these negative factors.

The refreshment sector continued its expansion in terms of average passenger spend, with growth outpacing the increase in passenger traffic.

The main concessionaire in this sector, Cisim Food, which is in liquidation, continued operations throughout the year, while measures to replace the company are being drawn up.

“Other royalties”, which includes commercial service revenues totaling 3.0 million euros, saw takeover of the main currency exchange business (Banca di Roma) by two new companies, one of which is a leading global operator (Travelex) and the other a leading Italian operator (Maccorp).

The sale of advertising space at Fiumicino and Ciampino airports is, from March 1, 2003, carried out by the subsidiary undertaking, ADR Advertising S.p.A., on the basis of an agreement with the Parent Company regarding the lease of the advertising division. With respect to 2003 revenues rose by 4.3% due to substantial increases in sales of advertising space in the domestic terminal and Schengen area, which more than compensated for the drop in sales in the non-Schengen area.

Technical and IT services

Maintenance of plants and facilities

During 2004, management and maintenance activities of existing infrastructures and facilities were carried out to guarantee reliability and provide quality services in line with customer expectations and leading European airports.

The most important initiatives carried out during the year are described below:

- completion of the control platform for heating and air conditioning equipment;
- the drawing up and signing of contracts for management of BHS and HBS baggage handling and screening systems;

- the putting out to tender of electricity and methane gas supply contracts for Fiumicino and Ciampino airports in 2005.

In addition, investment in plant was carried out. This is described in detail in the section entitled “Group investment”.

Information Technology

A number of important works were completed, continued and launched in 2004. Such works are designed to upgrade the technology and practical use of certain applications. In particular:

- Insourcing of applications from Alitalia’s EDP system: regarding the upcoming use of outsourcing to resolve problems relating to ADR S.p.A.’s EDP system, the process of gradual migration of ADR S.p.A.’s mainframe applications to Alitalia’s EDP system was stepped up. This operation, which will be completed during 2005, has enabled substantial savings compared with 2003 and with projected costs for 2004.
- New Handling Cargo System (HCS): the system was released at the same time as the start-up of the new Cargo City. Further activities initiated to implement and personalize the system will be completed in 2005.
- New “Sales Cycle” Management System: work carried out was aimed at automating data feed for key corporate processes. In particular, work was launched on the new freight system (CHS) interface with the active billing SAP SD module and the “ready cash” freight facility was activated.
- New sales management system: this system is designed to manage ADR S.p.A.’s direct sales. As it turned out to be impossible to go ahead with implementation and maintenance activities on the system acquired in 2003, it was decided to develop a proprietary system for managing retail outlets, tailor-made to meet ADR S.p.A.’s needs and integrated within the corporate stock management system (MM and PP SAP modules). The system started operating in the last quarter of 2004. Further implementation and personalization activities are scheduled in 2005.
- New technologies for the development of applications: the purpose of this project is to introduce new technological standards (operating systems, languages, support modules) for the development of applications. Development of the pilot application was completed in 2004. The standard thus identified will be used for any further development of the corporate information system that is not included in the SAP environment.
- New airport operations management system (UFIS): during the year management modules for airport infrastructure and passenger handling were acquired, as well as a wireless module for the system (GRAMS) which will enable real-time gathering of operational data. Once they have been personalized, the modules are expected to be released by the end of 2005.
- Centralized system for passenger and baggage check-in procedures (CUTE): activities aimed at extending the system to fully cover all existing workstations and at upgrading the network were completed.
- Outsourcing EDP: a market survey was conducted and a leading specialized company selected to outsource activities regarding data processing center services and to consolidate corporate applications on the new technological platform, which was accompanied by sale of the EDP business unit. Moreover, this company agreed to transfer its Italian headquarters to a building under construction at Fiumicino, which will also be available for rental by other clients. A preliminary agreement was signed with the company, subject to necessary authorizations by the relevant bodies and authorities. Implementation of this outsourcing contract should resolve many of the EDP center’s current operating difficulties, by enabling the technological upgrading of hardware, consolidation of applications on fewer platforms and improved systemic support for development of new applications.

Environmental protection

Environmental impact

During the year, maintenance and development were carried out on the ISO 14001 Environmental Management System (EMS) at both airports via implementation of scheduled activities.

The certifying body, Dasa - Rägister, carried out periodic maintenance checks at Fiumicino in January and renewed certification at Ciampino in June, confirming full compliance with EMS standards.

Within the scope of training initiatives, scheduled courses were given by ADR S.p.A.'s specialized environmental department to managers in the EMS sector, and to all departments concerned with EMS. EMS monitoring, conducted by the Parent Company's internal environmental auditors, was carried out in accordance with annual plans, and contributed to highlighting areas where systems may be improved.

At Fiumicino, ongoing monitoring of electromagnetic fields was continued and the second phase of air quality monitoring implemented using ADR S.p.A.'s mobile laboratory, reaching completion in December 2004.

Preparation of ADR S.p.A.'s first Environmental Report was completed at both airports. This document will be distributed internally and externally.

Noise abatement

Since its incorporation the Parent Company, Aeroporti di Roma S.p.A., has actively sought to improve the compatibility of airport activities with the environment and the surrounding area.

In particular, with a view to lowering aircraft noise levels at Ciampino airport, installation of a new aircraft noise monitoring system with a radar interface to control aircraft flight paths was launched. Implementation of this system, which is financed by the Ministry of the Environment, will be completed in the first quarter of 2005. In addition, activities were launched to upgrade and modernize the monitoring system at Fiumicino airport, with funding from ADR S.p.A..

A project was also drawn up to redesign the layout of the "Via Coccia di Morto" pinewood, which creates an obstacle. This will enable the use of the entire length of Runway 2 (runway head 25) and thus further reduce traffic on Runway 1. As this initiative concerns a protected area of the Roman Coastal Park, its implementation entails a complex authorization procedure that has been underway for some time. The project is currently being examined by the "Coastal Reserve" Commission.

Pursuant to art. 5 of the Ministerial Decree of October 31, 1997, the airport committee of which ADR is a member has approved current acoustic isolevel contours around airports, in accordance with the Ministerial Decree of October 31, 1997, which implemented Law no. 447/95.

Quality

During 2004, 8,500 incoming and outgoing passengers were interviewed at Fiumicino airport in order to assess customer satisfaction regarding airport facilities as a whole and the individual services provided. The survey was conducted at three different times of the year (spring, summer and winter) so as to obtain a representative sample in terms of actual passenger volumes and traffic. Fiumicino is still reckoned to be the best Italian airport, while with respect to other leading European airports it stood in sixth position, a rise of two places compared with 2003 and of three places compared with last winter.

Indeed, Fiumicino registered an increase in overall customer satisfaction: 4.85 compared with 4.83 in the previous year (with possible valuations from 1-very bad to 6-excellent).

The increase in customer satisfaction particularly concerned Terminal B (4.85 against 4.80 in

2003) and Terminal C (4.87 against 4.86), while the score for Terminal A remained unchanged (4.83). The arrivals area scored particularly well: up 9% for Terminal B (4.88 against 4.79 in the previous year) and up 11% for Terminal C (4.90 against 4.79), whilst the departures area registered an increase of 2 percentage points at Terminal B (4.82 against 4.80), and a decrease of 7 percentage points at Terminal C (4.86 against 4.93).

The following significant changes to the socio-behavioral profile of customers were also reported during the year:

- a one-percentage-point average annual rise in business traffic compared with 2003, with a peak of 3% in the first half of the year, representing a reversal of the downward trend reported by this traffic segment in the period 2001-2003;
- a one-percentage-point increase in overseas passengers (31%), especially from Europe (22%), Africa (2%) and the Asia-Pacific region (2%);
- overseas customers, who in general are more critical, expressed a higher overall level of satisfaction with Fiumicino than Italian passengers (4.87 against 4.84).

ADR S.p.A.'s program of internal checks was implemented during the year:

- over 600,000 checks, based on daily surveys of the quality levels of baggage reclaim, the check-in service, carry-on baggage checks, passport controls, refreshments, the cleanliness of toilets and the functioning of display screens, were carried out;
- a "micro" customer satisfaction plan was launched with spot checks of quality levels as perceived by customers in the places where services are provided. A total of around 4,000 interviews were conducted with passengers who had used check-in, carry-on baggage check, passport control and refreshment services.

Analysis of the results revealed a good-to-average level of services at Fiumicino, with gradual improvement over the previous year, especially if similar periods are compared, and in line with reported levels of customer satisfaction. However, problems still remain for some aviation area indicators. While performance was up on 2003, the standards laid down in the Service Charter were not met.

A more detailed analysis of quality level performance reveals that:

- baggage reclaim times fell below the set standard (to be respected in 90% of cases), registering 87% for the first piece of baggage and 87.9% for the last, compared with performances in 2003 of 83.8% and 86.6%, respectively;
- average waiting times at carry-on baggage security check points stood at 4 minutes 4 seconds for the whole year;
- the percentage of incoming flights arriving more than 15 minutes late was 24.5% against 30.1% in 2003. Outgoing flights leaving more than 15 minutes late posted a similar performance of 27.5% against 30.4% in the previous year;
- despite the improvement, Fiumicino did not respect the "percentage of delayed outgoing flights" indicator, exceeding the published standard by two points;
- the average passenger check-in waiting time was 8 minutes and 8 seconds, less than the figure reported for 2003 (8 minutes and 33 seconds) but short of the standard stipulated in the Service Charter (6 minutes).

Surveys conducted at Ciampino airport reported overall customer satisfaction of 4.62, slightly down on the score of 4.65 registered in the previous year (with possible valuations from 1-very bad to 6-excellent).

The customer satisfaction survey results enable “average-passenger” profiling: 63.5% of passengers are from overseas, 54.5% come within the 16 to 35 age bracket, 91% used Ciampino for leisure trips and 96% were satisfied with the airport.

GROUP INVESTMENT

During 2004 the ADR Group carried out investment totaling 56,080 thousand euros (54,002 thousand euros in 2003).

The following infrastructure development projects are underway within the framework of the implementation program:

- *Infrastructure*: 5th module of the multi-story car park; extension of long-stay car park - phase 2; reconstruction of customs control point number 5;
- *Plant*: second phase works on the tunnel network; construction of a 1st level security checking line and two new 2nd level lines for the HBS (Hold Baggage Screening) system at Terminals B and C; upgrading of baggage handling system (BHS) located at the Europa pier with construction of a carousel to replace linear bays in order to increase the number of handlers' loading points; the start-up of work on installation of holding position signs on aprons and taxiways to increase capacity in low visibility conditions; start-up of ALCE project activities with entry into service of the following plant:
 - a baggage handling carousel for baggage in transit from international flights located in the new building in the area near the People Mover;
 - a new carousel for domestic flight baggage handling (area below former departure gates 18÷25);
- *Terminals*: conversion of former ceremonial area at Terminal C for use as check-in desks; building for baggage from domestic flights;
- *Runways*: widening of the Bravo taxiway - Northern sector;
- *Ciampino*: restructuring of departures area (phase 2).

The following works were also completed:

- *Infrastructure*: Cargo City freight movement system and work on upgrading warehouses and offices (explosives store; emergency power supply; layout of green spaces; cold storage facilities; battery charging unit; construction of offices - Level 2, common services building; packed freight canopy; cleaning staff changing rooms; freight movement equipment; modification of fork-lift trucks, etc.); industrial waste water collector - Eastern area; construction of new first floor car rental company premises; extraordinary maintenance on airport road network; upgrading of long-stay bus/chauffeur-driven hire car/taxi parking area and expansion of ground-level car park;
- *Plant*: replacement of MV control panels and electric insulation of landside transformers; construction of Runway 1 light monitoring system for operations on runway head 16 R in CAT III (RVR < 400m);
- *Terminals*: restructuring work on ADR Shop 3 in Terminal B; upgrading of sensitive flights area in Terminal C (phases one and two); ALCE project, insulation of x-ray building - phase one A-B; restructuring works on outlets 1-4 in the transit area; terminals B and C, lighting and alarm systems for security check points; new ADR Shop 9-bis in Terminal C and restructuring of Shop 5 in Pier B;
- *Ciampino*: expansion of DHL area; restructuring of retail areas (phases one and two); extraordinary maintenance of runway sections, road network and car parks;

- *Runways*: upgrading of Bravo-Delta-November taxiways, Delta taxiway connection with Cargo City and upgrading of airside road network surfacing; Runway 16/L-34/R - RESA area compliance with Civil Aviation Authority regulations; repair works on sections of Runway 16/C-34/C; construction of aircraft aprons in Southeastern area (phase one); Runway 2 and ALFA taxiway - joint sealing; urgent works on DELTA taxiway.

Future works soon to be started include:

- *Infrastructure*: extraordinary maintenance of airport road network (phase two); common services building and completion of 2nd level offices in the Eastern area;
- *Terminals*: Pier A, replacement of false ceilings and lighting equipment; ALCE project, Pier B, insulation of x-ray building (phase two); restructuring of former domestic flights terminal and nine remote departure lounges; extension of Western Pier with 16 new departure gates and new public authority offices; preparation of retail outlets in Terminal C;
- *Runways*: repair of perimeter road network and access runways; repair of ECHO aprons (phase one); implementation of noise monitoring system; restructuring and expansion of aircraft aprons in the Western area (phase one);
- *Ciampino*: road network and car park maintenance; upgrading of arrivals area and expansion of check-in desks.

RESEARCH AND DEVELOPMENT

The ADR Group did not carry out any research and development activities in 2004.

GROUP PERSONNEL

The headcount as of December 31, 2004, including staff on temporary contracts, was 3,709 broken down as follows:

| Category | 12.31.2004 | 12.31.2003 | Change |
|-------------------------------|--------------|--------------|-------------|
| Managers | 59 | 64 | (5) |
| Supervisors | 250 | 239 | 11 |
| Office staff | 2,039 | 1,988 | 51 |
| Ground staff and other | 1,361 | 1,403 | (42) |
| Total | 3,709 | 3,694 | 15 |
| <i>Including:</i> | | | |
| <i>on permanent contracts</i> | <i>2,938</i> | <i>2,904</i> | <i>34</i> |
| <i>on temporary contracts</i> | <i>771</i> | <i>790</i> | <i>(19)</i> |

| Category | 12.31.2004 | 12.31.2003 | Change |
|---------------------------------------|--------------|--------------|-----------|
| ADR S.p.A. | 2,314 | 2,256 | 58 |
| ADR Handling S.p.A. | 1,338 | 1,381 | (43) |
| ADR Engineering S.p.A. - Unipersonale | 29 | 31 | (2) |
| ADR Tel S.p.A. | 17 | 15 | 2 |
| ADR Advertising S.p.A. | 11 | 11 | 0 |
| Total | 3,709 | 3,694 | 15 |

Compared with December 31, 2003, Group personnel increased by a total of 15 (up 0.4%). Staff on permanent contracts increased by 34, while those on temporary contracts decreased by 19.

In particular, the increase in the numbers of staff on permanent contracts is primarily due to the conversion of some long-term “seasonal” contracts in force since 1997/98 into permanent ones, with minimum working interruptions in accordance with legislation.

The decrease in the number of staff on temporary contracts (down 19), however, is largely due, in addition to the above-mentioned conversions, to the crisis affecting Volare, which entailed termination of the employment of a considerable number of seasonal staff. It should be pointed out that the favorable mix of temporary contracts enabled prompt implementation of this operation and reduction of the “social” impact.

Staff productivity (passengers/average headcount) posted a good performance, with an increase of 5% compared with 2003. Figures for absenteeism due to illness and accidents were also good, with respective decreases of 0.4% and 0.1% compared with 2003, thanks to incisive management control measures.

The above-mentioned conversions to permanent contracts were the subject of a specific agreement with the trade unions correlated with an agreement that introduced “efficiency-drive” measures, regarding, on the one hand, a 20% reduction in the cost of staff transportation and, on the other, an increase in the range of ramp handling activities carried out by blue-collar staff.

Moreover, the negotiation process to renew the National Collective Labor Contract, which expired on December 31, 2003, was launched by the Assaeroporti Industry Association in December 2004.

On the organizational front, pursuant to Legislative Decree no. 231/2001, proceedings were initiated to extend the organizational and management model adopted at ADR S.p.A. to other Group companies.

Furthermore, the updating of management procedures in case of emergency at Fiumicino and Ciampino airports began, with regard to the new Civil Aviation Authority “directives” on emergencies.

In 2004 a total of 733 training and refresher courses involved 90,171 hours, with 4,996 participants including managers, middle management, administrative and ground staff. Moreover, the sale of training initiatives to other airports continued, with the provision of 69 courses.

During the year 1,765 external candidates underwent recruitment procedures aimed at taking on 526 new members of staff needed to maintain the pool of available temporary labor.

Finally, with regard to compliance with Legislative Decree no. 626/94 (health and safety at the workplace), the Ministerial Decree of March 10, 1998 (general fire prevention safety criteria and management of emergencies at the workplace) and Legislative Decree no. 196/03 (data protection code), documents were prepared and updated concerning the safety of operating processes, fire risks at the workplace, the plan for self-monitoring of perishable and non-perishable food items, emergency evacuation procedures with particular reference to air terminals, and requirements provided for in the new data protection code (safety measures, the formalization of tasks, information, etc.).

GROUP FINANCIAL POSITION AND OPERATING RESULTS
Reclassified Consolidated Income Statement

| RECLASSIFIED CONSOLIDATED INCOME STATEMENT | | | |
|---|----------------|----------------|---------------|
| (in thousands of euros) | 2004 | 2003 | Change |
| Revenues from sales and services | 555,801 | 510,687 | 45,114 |
| Contract work in progress | 983 | 7,506 | (6,523) |
| A. – REVENUES | 556,784 | 518,193 | 38,591 |
| Capitalized costs and expenses | 4,687 | 4,232 | 455 |
| B. – REVENUES FROM ORDINARY ACTIVITIES | 561,471 | 522,425 | 39,046 |
| Cost of materials and external services | (155,269) | (153,955) | (1,314) |
| C. – GROSS MARGIN | 406,202 | 368,470 | 37,732 |
| Payroll costs | (155,839) | (150,589) | (5,250) |
| D. – GROSS OPERATING INCOME | 250,363 | 217,881 | 32,482 |
| Amortization and depreciation | (94,101) | (95,811) | 1,710 |
| Other provisions | (11,981) | (3,061) | (8,920) |
| Provisions for risks and charges | (6,975) | (845) | (6,130) |
| Other income (expense), net | (10,379) | (6,797) | (3,582) |
| E. – OPERATING INCOME | 126,927 | 111,367 | 15,560 |
| Financial income (expense), net | (96,763) | (97,568) | 805 |
| Adjustments to financial assets | 7,989 | 13,438 | (5,449) |
| F. – INCOME BEFORE EXTRAORDINARY ITEMS AND TAXES | 38,153 | 27,237 | 10,916 |
| Extraordinary income (expense), net | (5,943) | (11,691) | 5,748 |
| G. – INCOME BEFORE TAXES | 32,210 | 15,546 | 16,664 |
| Income taxes for the year | (26,200) | (18,704) | (7,496) |
| Deferred tax assets | 450 | 4,241 | (3,791) |
| H. – NET INCOME FOR THE YEAR | 6,460 | 1,083 | 5,377 |
| <i>including:</i> | | | |
| – <i>Minority interest</i> | 2,518 | 3,110 | (592) |
| – <i>Parent Company's interest</i> | 3,942 | (2,027) | 5,969 |

The Group's revenues (excluding State-financed works nearing completion) totaled 555.8 million euros, up 8.8% compared with the previous year.

However, analysis of the various earnings components reveals that performance does not always reflect the upturn in traffic (passengers up 9.2%).

In particular, the "Aviation" sector brought additional revenues of 27.3 million euros (up 8.4%), with a substantial contribution from security activities (up 26.3%, reflecting the negative effects on 2003 of delayed remuneration for the service that, although activated by ADR S.p.A. in February, was only chargeable as of June), airport fees (up 7.2%), and centralized infrastructures (boarding bridges, baggage handling system, etc.), which rose by 4.7%.

Traffic growth also contributed to the increase in handling revenues (up 4.4%), which for the first time saw an improvement in the results reported by the subsidiary undertaking, ADR Handling S.p.A., since the handling market was liberalized at Fiumicino airport in 2000.

“Non-aviation” activities posted a rise of 9.5%, thanks to the development of sub-concessions (retail and non-retail) and utilities (up 11.5%), car park management (up 19.2%) and the sale of advertising space (up 4.3%).

Compared with traffic growth, revenues from directly managed retail outlets (up 4.4%) were impacted by a downturn in the average passenger spend, which penalized the Roman airport system as well as other major European airports.

Group efforts devoted to efficiency-drive programs continued.

The “cost of materials and services” grew at a lower rate than business volumes (up 0.9%), which was also confirmed by exclusion of the State works component (up 4.8%).

“Payroll costs” rose by 3.5% and there was an improvement in the ratios regarding “revenues/average headcount” (up to 160 thousand euros from 155 thousand euros in 2003) and “passengers/average headcount”, which registered a figure of 8,822 compared with 8,389 in the previous year.

Consequently, “EBITDA”, totaling 250.4 million euros, was up by 14.9%, an improvement of three percentage points in terms of EBITDA margin.

“EBIT” (amounting to 126.9 million euros) rose by 14%, despite a substantial increase in adjustments and provisions for risks and charges.

“Net operating costs” (down 10.4 million euros) primarily reflect the effect of losses on receivables due from Volare Group companies, in receivership following their declaration of bankruptcy on December 3, 2004.

The contribution made to net income by the South African associated undertaking, ACSA Ltd, reflected in adjustments to the value of financial assets, decreased (8.0 million euros compared with 13.4 million euros in 2003) as a result of two components: the result for 2003 benefited from gains deriving from the sale of a plot of land, while the result for 2004 was penalized by the effects of a reduction in revenues regulated by a new tariff policy, which is currently under discussion with local authorities.

Thanks to improved profit margins, “net income” rose to 6.5 million euros from 1.1 million euros in 2003. The Parent Company’s share also rose, with net income of 3.9 million euros compared with a loss of 2.0 million euros reported in 2003.

Reclassified Consolidated Balance Sheet

| RECLASSIFIED CONSOLIDATED BALANCE SHEET | | | |
|---|-------------------|-------------------|-----------------|
| (in thousands of euros) | 12.31.2004 | 12.31.2003 | Change |
| A. – NET FIXED ASSETS | | | |
| Intangible fixed assets (*) | 2,140,495 | 2,190,783 | (50,288) |
| Tangible fixed assets | 110,928 | 100,369 | 10,559 |
| Non - current financial assets | 138,472 | 127,611 | 10,861 |
| | 2,389,895 | 2,418,763 | (28,868) |
| B. – WORKING CAPITAL | | | |
| Inventory | 22,565 | 22,351 | 214 |
| Trade receivables | 124,718 | 137,205 | (12,487) |
| Other assets | 35,772 | 39,080 | (3,308) |
| Trade payables | (102,057) | (121,207) | 19,150 |
| Allowances for risks and charges | (31,015) | (27,842) | (3,173) |
| Other liabilities | (66,755) | (52,305) | (14,450) |
| | (16,772) | (2,718) | (14,054) |
| C. – INVESTED CAPITAL, minus short-term liabilities (A+B) | 2,373,123 | 2,416,045 | (42,922) |
| D. – EMPLOYEE SEVERANCE INDEMNITIES | 67,117 | 66,576 | 541 |
| E. – INVESTED CAPITAL, minus short-term liabilities and E.S.I. (C-D) | 2,306,006 | 2,349,469 | (43,463) |
| financed by: | | | |
| F. – SHAREHOLDERS' EQUITY | | | |
| – Parent Company's interest | 701,558 | 689,030 | 12,528 |
| – minority interest | 22,171 | 20,291 | 1,880 |
| | 723,729 | 709,321 | 14,408 |
| G. – MEDIUM/LONG-TERM BORROWING | 1,745,019 | 1,745,019 | 0 |
| H. – SHORT-TERM BORROWING | | | |
| (NET CASH AND CASH EQUIVALENTS) | | | |
| – short-term debt | 16,560 | 16,052 | 508 |
| – cash and current receivables | (179,302) | (120,923) | (58,379) |
| | (162,742) | (104,871) | (57,871) |
| (G+H) | 1,582,277 | 1,640,148 | (57,871) |
| I. – TOTAL AS IN "E" (F+G+H) | 2,306,006 | 2,349,469 | (43,463) |
| <i>(*) including the value of the concession totaling</i> | <i>1,946,704</i> | <i>1,995,988</i> | <i>(49,284)</i> |

The Group's "invested capital" amounted to 2,306 million euros as of December 31, 2004, a decrease of 43.5 million euros compared with the end of the previous year, due to the combined effect of lower fixed assets and a reduction in working capital.

The decrease in "fixed assets" derives exclusively from the performance of the "intangible" component as a result of amortization of the airport concession.

Both "tangible and financial assets" increased, with the latter influenced by the good results posted

by the associated undertaking, ACSA Ltd, and the favorable exchange rate with the South African rand with respect to December 31, 2003, which was partly offset by the distribution of dividends. The reduction of “working capital” benefited from a decrease in trade receivables which, together with an increase in “other liabilities”, enabled the progressive rebalancing of accounts with suppliers, manifested via a reduction in trade payables.

The Group’s net debt reported a decrease of 57.9 million euros, while consolidated shareholders’ equity increased by 14.4 million euros due to net income for the year and the positive impact on the reserve for foreign currency translation adjustments of the favorable exchange rate with the South African rand, with respect to the end of the previous year.

Consolidated Statement of Cash Flows

| CONSOLIDATED STATEMENT OF CASH FLOWS | | | |
|---|-----------------|-----------------|-----------------|
| (in thousands of euros) | 2004 | 2003 | Change |
| A. – CASH AND CASH EQUIVALENTS - OPENING BALANCE | 104,871 | 81,340 | 23,531 |
| B. – CASH FLOWS FROM (FOR) OPERATING ACTIVITIES | | | |
| Net income (loss) for the year | 6,460 | 1,083 | 5,377 |
| Amortization and depreciation | 94,101 | 95,811 | (1,710) |
| (Gains) losses on disposal of fixed assets | (181) | (23) | (158) |
| (Revaluations) write-downs of fixed assets | (8,087) | (13,589) | 5,502 |
| Net change in working capital | 14,054 | (29,970) | 44,024 |
| Net change in employee severance indemnities | 541 | (2,072) | 2,613 |
| | 106,888 | 51,240 | 55,648 |
| C. – CASH FLOWS FROM (FOR) INVESTING ACTIVITIES | | | |
| Investment in fixed assets: | | | |
| – intangible | (30,708) | (54,936) | 24,228 |
| – tangible | (24,298) | (8,993) | (15,305) |
| – financial | 0 | (118) | 118 |
| Proceeds from disposal, or redemption value of fixed assets | 8,107 | 9,585 | (1,478) |
| Other changes (*) | (10,066) | (8,981) | (1,085) |
| | (56,965) | (63,443) | 6,478 |
| D. – CASH FLOW FROM (FOR) FINANCING ACTIVITIES | | | |
| New loans | 0 | 480,000 | (480,000) |
| Shareholders’ contributions | 0 | 0 | 0 |
| Repayments of loans | 0 | (386,319) | 386,319 |
| Buy-back of shares | 0 | 0 | 0 |
| Other changes | 0 | (31,495) | 31,495 |
| | 0 | 62,186 | (62,186) |
| E. – DIVIDENDS PAID | (2,202) | (35,194) | 32,992 |
| F. – ALLOWANCE FOR EXCHANGE RATE VARIATIONS | | | |
| Change in allowance for exchange rate variations | 10,150 | 8,742 | 1,408 |
| G. – CASH FLOW FOR THE YEAR (B+C+D+E+F) | 57,871 | 23,531 | 34,340 |
| H. – CASH AND CASH EQUIVALENTS (NET BORROWING) - CLOSING BALANCE (A+G) | 162,742 | 104,871 | 57,871 |

(*) Constituted by the increase (-) or the decrease (+) of value in ACSA interest due to the appreciation or depreciation of the South Africa currency. This change is offset in the “Allowance for exchange rate variations”.

The Group's operating cash flow amounted to 106.9 million euros in 2004, after servicing of debt falling due.

A sum of 46.9 million euros was used to finance investment (self-financed infrastructure investment totaling 55 million euros net of gains on the sale of fixed assets of 8.1 million euros, primarily comprising the collection of dividends from the associated undertaking, ACSA Ltd), whilst 2.2 million euros was used to pay dividends to the Group's minority shareholders.

The remaining portion of operating cash flow, totaling 57.9 million euros, led to an increase in net cash and cash equivalents, which stood at 162.7 million euros at the end of 2004.

NOTICE REGARDING MANAGEMENT AND COORDINATION

With reference to the company law reform introduced by article 2497 and subsequent articles of the Italian Civil Code, the Parent Company, ADR S.p.A., is not subject to "management and coordination" by its shareholder Leonardo S.r.l., which, despite holding a controlling interest pursuant to art. 2359 of the Italian Civil Code, does not exercise influence over the subsidiary undertaking's management strategies and operations.

On the other hand, ADR S.p.A. exercises "management and coordination" of its subsidiary undertakings, ADR Handling S.p.A., ADR Engineering S.p.A. and ADR Tel S.p.A..

RELATIONS WITH PARENT COMPANIES AND OTHER RELATED PARTIES

As of December 31, 2004, financial, trade and other receivables and payables due to and from the ADR Group in relation to the parent company and associated undertakings were as follows (in thousands of euros):

| | Financial receivables | Trade receivables | Other receivables | Financial payables | Trade payables | Other payables |
|--|-----------------------|-------------------|-------------------|--------------------|----------------|----------------|
| Parent Company | | | | | | |
| Leonardo S.r.l. | 0 | 0 | 0 | 0 | 0 | 0 |
| Associated undertakings | | | | | | |
| ACSA Ltd | 0 | 190 | 0 | 0 | 0 | 0 |
| Ligabue Gate Gourmet Roma S.p.A. (insolvent) | 0 | 0 | 530 | 0 | 969 | 0 |
| La Piazza di Spagna S.r.l. | 0 | 0 | 0 | 0 | 0 | 34 |
| | 0 | 190 | 530 | 0 | 969 | 34 |
| Total | 0 | 190 | 530 | 0 | 969 | 34 |

In 2004, relations with the associated undertaking, ACSA Ltd, generated revenues of 1,123 thousand euros from design activities and the secondment of personnel and costs of 111 thousand euros.

No trading relations were entered into with Ligabue Gate Gourmet Roma S.p.A. (insolvent) and La Piazza di Spagna S.r.l.. The balances of financial, trade and other receivables and payables are in line with the amounts posted at December 31, 2003.

Relations with other related parties break down as follows:

| Trading and other relations | Balances at 12.31.2004 | | 2004 | |
|---|------------------------|------------|------------|------------|
| | Receivables | Payables | Revenues | Expenses |
| Other related parties | | | | |
| Gemina S.p.A. | 0 | 6 | 0 | 6 |
| Falck S.p.A. | 0 | 2 | 0 | 21 |
| Impregilo S.p.A. | 29 | 164 | 18 | 164 |
| Sesto Siderservizi S.r.l. (Falck Group) | 0 | 164 | 0 | 164 |
| Macquarie Airport Luxembourg S.A. | 0 | 36 | 0 | 36 |
| Riesfactoring S.p.A. (Falck Group) | 87 | 0 | 87 | 31 |
| Total | 116 | 372 | 105 | 422 |

The expenses paid to Gemina S.p.A., Falck S.p.A., Impregilo S.p.A., Sesto Siderservizi S.r.l. and Macquarie Airport Luxembourg S.A. include the fees paid to Directors of ADR S.p.A., whilst amounts paid to Riesfactoring S.p.A. regard payment for financial services. Revenues earned from Impregilo S.p.A. regard lease rentals, whilst those deriving from relations with Riesfactoring S.p.A. regard the recovery of expenses incurred by ADR S.p.A. in the management of reverse factoring transactions.

TREASURY STOCK OR PARENT COMPANY'S SHARES IN THE PORTFOLIO

The Group did not hold, directly, or indirectly, any of its own shares or any shares in the Parent Company, either at the end of 2004 or at the end of 2003. In addition, no purchases or sales of its own shares or of shares in the Parent Company took place, either directly or indirectly, during 2004.

SUBSEQUENT EVENTS

An analysis of the traffic figures for the Roman airport system for the first two months of 2005, compared with the same period in 2004, revealed the following performance, broken down by airport – Fiumicino and Ciampino – and segment – domestic and international:

Data up to February 28, 2005 and changes with respect to the same period of the previous year

| Traffic component | System % change | | Fiumicino % change | | Ciampino % change | | Domestic % change | | International % change | |
|-------------------------|-----------------|---------|--------------------|---------|-------------------|----------|-------------------|----------|------------------------|----------|
| | | 04/03 | | 04/03 | | 04/03 | | 04/03 | | 04/03 |
| Movements (no.) | 55,315 | (+5.5%) | 47,891 | (+2.8%) | 7,424 | (+26.8%) | 26,591 | (-0.1%) | 28,724 | (+11.2%) |
| Aircraft tonnage (tons) | 3,835,500 | (+2.7%) | 3,491,598 | (+0.6%) | 343,902 | (+31.2%) | 1,529,479 | (-4.4%) | 2,306,021 | (+8.1%) |
| Total passengers (no.) | 4,209,007 | (+7.2%) | 3,724,250 | (+2.8%) | 484,757 | (+59.1%) | 1,756,446 | (-1.3%) | 2,452,561 | (+14.3%) |
| Total freight (tons) | 21,384 | (-1.7%) | 17,554 | (-5.7%) | 3,830 | (+22.1%) | 1,881 | (-34.7%) | 19,503 | (+3.4%) |

International traffic breaks down into EU and non-EU traffic as follows.

| Traffic component | International % change 04/03 | EU % change 04/03 | Non-EU % change 04/03 |
|-------------------------|---------------------------------|----------------------|--------------------------|
| Movements (no.) | 28,724 (+11.2%) | 20,111 (+17.6%) | 8,613 (-1.2%) |
| Aircraft tonnage (tons) | 2,306,021 (+8.1%) | 1,346,148 (+17.9%) | 959,873 (-3.2%) |
| Total passengers (no.) | 2,452,561 (+14.3%) | 1,673,300 (+25.7%) | 779,261 (-4.4%) |
| Total freight (tons) | 19,503 (+3.4%) | 6,504 (+27.8%) | 12,999 (-5.6%) |

The first two months of 2005 substantially confirmed the growth in passenger traffic that occurred during 2004. The most significant increases were recorded in the international sector, with passenger traffic up 14.3% and movements up 11.2%.

Domestic traffic volumes were substantially in line with the same period of 2004 (which benefited from an additional operating day).

The number of daily flights on the Rome-Cagliari route were stepped up in February, with the start-up of operations on this route by Meridiana.

The upturn at Ciampino airport continued (passengers up 59.1% and movements up 26.8%) on the back of low-cost traffic growth. In the first two months of 2005 Ryanair started up five new daily flights to European destinations (Liverpool, Nottingham, Niederrhein, Teesside and Valencia).

With regard to the regulatory framework, on January 14, 2005 the Council of Ministers approved the draft Legislative Decree regarding revision of the section of the Navigation Code regarding air traffic prepared in accordance with the authorization provided for in article 2 of Law no. 265 dated November 9, 2004.

Subsequent to year end the local tax authorities notified the subsidiary undertaking, ADR Handling S.p.A., of the final outcome of a tax audit for 2002, pursuant to art. 51 of Presidential Decree no. 633/72 and art. 32 of Presidential Decree no. 600/73. The tax authorities requested settlement of unpaid taxes (including reduced fines) totaling around 144 thousand euros.

On February 3, 2005 the Special Audit Team from the Regional Tax Police Headquarters for the Lazio Region instigated a general tax audit of the Parent Company, ADR S.p.A., with respect to direct, indirect and other taxation due for the tax years 2003 and 2004.

OUTLOOK

The upturn in passenger traffic achieved at the Roman airport system in 2004 continued in the early months of 2005.

Consolidation of such traffic growth in the coming months will depend on international stability at a time when the Italian economy is still struggling to achieve a decisive rally.

Against this backdrop, the Aeroporti di Roma Group is committed to responding to increased business volumes in such a way as to take advantage of the potential economic and financial benefits, whilst maintaining the high quality standards achieved.

For 2005 the ADR Group already has initiatives on the drawing board aimed at reaching this goal, to be backed by a substantial investment program. However, implementation of the program is inextricably linked to the introduction of new airport fees. Further delays in this area would entail further cuts in operating costs, which might well have a negative impact on the outstanding levels of service quality that are of paramount importance to all our stakeholders.

Improvements in operating results and the financial position could be confirmed – especially during 2005 – by the continued operations of major carriers, above all Italy's leading airline.

The Board of Directors

Consolidated Financial Statements 2004

Consolidated Balance Sheet and Income Statement

Consolidated Balance Sheet

as of December 31, 2004
(compared with December 31, 2003)
(Translation from the original issued in Italian)

| ASSETS (in thousands of euros) | 12.31.2004 | 12.31.2003 |
|--|------------------|------------------|
| UNPAID SHARE CAPITAL DUE FROM SHAREHOLDERS | 0 | 0 |
| FIXED ASSETS | | |
| Intangible fixed assets: | | |
| – Incorporation and development costs | 923 | 1,284 |
| – Industrial patents and intellectual property rights | 779 | 571 |
| – Concessions, licenses, trademarks and similar rights | 1,949,454 | 1,997,821 |
| – Goodwill arising on consolidation | 4,022 | 4,404 |
| – Leasehold improvements in process and advances | 19,541 | 38,522 |
| – Others | 165,776 | 148,181 |
| | 2,140,495 | 2,190,783 |
| Tangible fixed assets: | | |
| – Land and buildings | 2,216 | 1,074 |
| – Plant and machinery | 20,340 | 15,795 |
| – Industrial and commercial equipment | 1,168 | 1,351 |
| – Fixed assets to be relinquished | 69,908 | 74,375 |
| – Other assets | 3,583 | 3,678 |
| – Work in progress and advances | 13,713 | 4,096 |
| | 110,928 | 100,369 |
| Non-current financial assets: | | |
| – Equity investments in: | | |
| • unconsolidated subsidiary undertakings | 100 | 100 |
| • associated undertakings | 132,646 | 120,291 |
| • other companies | 1,895 | 1,895 |
| | 134,641 | 122,286 |
| – Receivables due from others: | | |
| • within 12 months | 3 | 3 |
| • beyond 12 months | 3,828 | 5,322 |
| | 3,831 | 5,325 |
| | 138,472 | 127,611 |
| Total fixed assets | 2,389,895 | 2,418,763 |
| CURRENT ASSETS | | |
| Inventory: | | |
| – Raw, ancillary and consumable materials | 2,802 | 2,813 |
| – Contract work in progress | 10,799 | 10,997 |
| – Finished goods and goods for resale: | | |
| • goods for resale | 8,862 | 8,444 |
| | 8,862 | 8,444 |
| – Advances | 102 | 97 |
| | 22,565 | 22,351 |
| Receivables: | | |
| – Due from clients: | | |
| • within 12 months | 124,528 | 136,742 |
| | 124,528 | 136,742 |
| – Due from associated undertakings | 720 | 992 |
| – Due from tax authorities | 892 | 4,109 |
| – Deferred tax assets | 24,923 | 24,473 |
| – Due from others: | | |
| - various: | | |
| • within 12 months | 52,086 | 55,363 |
| • beyond 12 months | 2,248 | 2,378 |
| - advances to suppliers for services to be rendered | 6 | 79 |
| | 54,340 | 57,820 |
| | 205,403 | 224,136 |
| Marketable securities | 0 | 0 |
| Cash on hand and in banks: | | |
| – Bank and post office deposits | 129,890 | 68,954 |
| – Cash and notes in hand | 466 | 433 |
| | 130,356 | 69,387 |
| Total current assets | 358,324 | 315,874 |
| ACCRUED INCOME AND PREPAID EXPENSES | | |
| Accrued income and other prepaid expenses | 4,033 | 3,685 |
| TOTAL ASSETS | 2,752,252 | 2,738,322 |

Consolidated Balance Sheet

as of December 31, 2004
(compared with December 31, 2003)
(Translation from the original issued in Italian)

| LIABILITIES AND SHAREHOLDERS' EQUITY (in thousands of euros) | 12.31.2004 | 12.31.2003 |
|--|------------------|------------------|
| CONSOLIDATED SHAREHOLDERS' EQUITY | | |
| Share capital: | | |
| – ordinary shares | 62,310 | 62,225 |
| Share premium reserve | 667,389 | 667,389 |
| Revaluation reserves | 0 | 0 |
| Legal reserve | 12,445 | 12,445 |
| Statutory reserves | 0 | 0 |
| Reserve for own shares | 0 | 0 |
| Other reserves | 0 | 85 |
| Reserve for foreign currency translation adjustments | (4,039) | (12,625) |
| Retained earnings (accumulated losses) | (40,489) | (38,462) |
| Group net income (loss) for the year | 3,942 | (2,027) |
| | 701,558 | 689,030 |
| MINORITY INTEREST | | |
| Share capital, reserves and net income (loss) for the year | 22,171 | 20,291 |
| | 22,171 | 20,291 |
| Group and minority interest in consolidated shareholders' equity | 723,729 | 709,321 |
| ALLOWANCES FOR RISKS AND CHARGES | | |
| For taxes, including deferred: | | |
| – taxes | 1,851 | 650 |
| – deferred tax liabilities | 0 | 0 |
| | 1,851 | 650 |
| Other | 29,164 | 27,192 |
| Total allowances for risks and charges | 31,015 | 27,842 |
| EMPLOYEE SEVERANCE INDEMNITIES | 67,117 | 66,576 |
| PAYABLES | | |
| Due to banks: | | |
| • within 12 months | 2,408 | 2,071 |
| • beyond 12 months | 480,000 | 480,000 |
| | 482,408 | 482,071 |
| Due to other financial institutions: | | |
| • within 12 months | 13,956 | 13,777 |
| • beyond 12 months | 1,265,019 | 1,265,019 |
| | 1,278,975 | 1,278,796 |
| Advances: | | |
| – from clients: | | |
| - from the Ministry of Transport: | | |
| • within 12 months | 525 | 652 |
| • beyond 12 months | 4,770 | 4,770 |
| - other | 3,046 | 2,386 |
| – prepayment of invoices to be paid in installments: | | |
| - from clients | 54 | 109 |
| | 8,395 | 7,917 |
| Due to suppliers: | | |
| • within 12 months | 86,829 | 105,714 |
| • beyond 12 months | 5,864 | 6,550 |
| | 92,693 | 112,264 |
| Due to associated undertakings | 1,003 | 1,060 |
| Due to parent companies: | | |
| • within 12 months | 0 | 4 |
| | 0 | 4 |
| Taxes due: | | |
| • within 12 months | 19,112 | 5,828 |
| | 19,112 | 5,828 |
| Due to social security agencies | 9,146 | 8,686 |
| Other payables: various creditors: | | |
| • within 12 months | 31,972 | 32,961 |
| • beyond 12 months | 797 | 630 |
| | 32,769 | 33,591 |
| Total payables | 1,924,501 | 1,930,217 |
| ACCRUED EXPENSES AND DEFERRED INCOME | | |
| Accrued expenses and other deferred income | 5,890 | 4,366 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | 2,752,252 | 2,738,322 |

Consolidated Memorandum Accounts

as of December 31, 2004
(compared with December 31, 2003)
(Translation from the original issued in Italian)

| CONSOLIDATED MEMORANDUM ACCOUNTS | | | | |
|---|-------------------|----------------|-------------------|----------------|
| (in thousands of euros) | 12.31.2004 | | 12.31.2003 | |
| General guarantees: | | | | |
| – Sureties | 111 | | 111 | |
| – Other | 396 | | 184 | |
| | | 507 | | 295 |
| Collateral guarantees | | 0 | | 0 |
| Commitments on purchases and sales | | 51,705 | | 36,536 |
| Other | | 894,590 | | 893,654 |
| TOTAL CONSOLIDATED MEMORANDUM ACCOUNTS | | 946,802 | | 930,485 |

Consolidated Income Statement

for the year ended December 31, 2004
(compared with the year ended December 31, 2003)
(Translation from the original issued in Italian)

CONSOLIDATED INCOME STATEMENT

| (in thousands of euros) | 2004 | | 2003 | |
|--|---------|-----------|---------|-----------|
| TOTAL REVENUES | | | | |
| Revenues from sales and services: | | | | |
| – revenues from sales | 48,446 | | 46,211 | |
| – revenues from services | 507,324 | | 464,406 | |
| – revenues from contract work | 1,197 | | 11,455 | |
| | | 556,967 | | 522,072 |
| Changes in contract work in progress | | (214) | | (3,949) |
| Capitalized costs and expenses | | 4,687 | | 4,232 |
| Other income and revenues: | | | | |
| – revenue grants | 31 | | 71 | |
| – profits on disposals | 210 | | 23 | |
| – other | 5,623 | | 5,821 | |
| | | 5,864 | | 5,915 |
| | | | | |
| | | 567,304 | | 528,270 |
| OPERATING COSTS | | | | |
| Raw, ancillary and consumable materials and goods for resale | | 47,746 | | 44,935 |
| Services | | 84,974 | | 87,084 |
| Leases | | 23,223 | | 22,215 |
| Payroll: | | | | |
| – wages and salaries | 112,446 | | 108,493 | |
| – social security | 33,459 | | 32,330 | |
| – employee severance indemnities | 8,855 | | 8,884 | |
| – other | 1,503 | | 1,387 | |
| | | 156,263 | | 151,094 |
| Depreciation, amortization and write-downs: | | | | |
| – amortization of intangible fixed assets | 80,890 | | 81,192 | |
| – depreciation of tangible fixed assets | 13,211 | | 14,619 | |
| – provisions for doubtful accounts | 11,981 | | 3,061 | |
| | | 106,082 | | 98,872 |
| Changes in inventories of raw, ancillary and consumable materials and goods for resale | | (407) | | (77) |
| Provisions for risks | | 6,775 | | 845 |
| Other provisions | | 200 | | 0 |
| Sundry operating costs: | | | | |
| – losses on disposals | 29 | | 0 | |
| – license fees | 54 | | 161 | |
| – other | 15,438 | | 11,772 | |
| | | 15,521 | | 11,933 |
| | | | | |
| | | (440,377) | | (416,901) |
| Operating income | | 126,927 | | 111,369 |
| FINANCIAL INCOME AND EXPENSE | | | | |
| Income from equity investments: | | | | |
| – dividends from other companies | 26 | | 59 | |
| | | 26 | | 59 |
| Other financial income: | | | | |
| – from long-term receivables: | | | | |
| • other | 98 | | 151 | |
| – other: | | | | |
| • interest and commissions from others and sundry revenues | 4,912 | | 3,421 | |
| | | 5,010 | | 3,572 |
| Interest expense and other financial charges: | | | | |
| – interest and commissions to parent companies | 0 | | 191 | |
| – interest and commissions to others and sundry charges | 101,955 | | 101,216 | |
| | | (101,955) | | (101,407) |
| Foreign currency gains and losses: | | | | |
| – gains | 239 | | 303 | |
| – losses | 83 | | 96 | |
| | | 156 | | 207 |
| Total financial income (expense), net | | (96,763) | | (97,569) |

Consolidated Income Statement

CONSOLIDATED INCOME STATEMENT

(in thousands of euros)

| | 2004 | 2003 |
|---|----------|----------|
| ADJUSTMENTS TO FINANCIAL ASSETS | | |
| Revaluations: | | |
| – of equity investments | 7,989 | 13,438 |
| Write-downs: | | |
| – of equity investments | 0 | 0 |
| Total adjustments to financial assets | 7,989 | 13,438 |
| EXTRAORDINARY INCOME AND EXPENSE | | |
| Income: | | |
| – other | 1,280 | 3,161 |
| | 1,280 | 3,161 |
| Expense: | | |
| – taxes relating to previous years | 2,141 | 2,660 |
| – other | 5,082 | 12,193 |
| | (7,223) | (14,853) |
| Total extraordinary income (expense), net | (5,943) | (11,692) |
| Income before taxes | 32,210 | 15,546 |
| Income taxes of the year, current, deferred assets (liabilities): | | |
| – current | (26,200) | (18,704) |
| – deferred tax assets (liabilities) | 450 | 4,241 |
| | (25,750) | (14,463) |
| Net income (loss) for the year | 6,460 | 1,083 |
| of which: | | |
| – minority interest | 2,518 | 3,110 |
| – Parent Company's share | 3,942 | (2,027) |

GENERAL PRINCIPLES

*(Translation from
the original issued in Italian)*

The Consolidated Financial Statements as of and for the year ended December 31, 2004, have been prepared in accordance with articles 25/43 of Legislative Decree no. 127 of April 9, 1991, and comprise the Consolidated Balance Sheet and Income Statement and the following Explanatory Notes. The date of reference for the Consolidated Financial Statements is that of the Financial Statements of the Parent Company, Aeroporti di Roma S.p.A.. The accounts of subsidiary undertakings used for consolidation purposes refer to the year ended December 31, 2004.

The accounts have been adjusted, where necessary, eliminating adjustments applied in order to take advantage of tax benefits, involving provisions for the related deferred taxation. The accounting policies adopted are those required by the relevant legislation, interpreted and integrated by the accounting principles established by the Italian Accounting Profession, and are those applied throughout the Group. Account was also taken of the new regulations governing financial statements introduced via company law reform pursuant to Legislative Decree no. 6 of January 17, 2003. In particular, the presentation of the accounting schedules used for the Balance Sheet and the Income Statement was modified (see the section entitled "Notice")

The reconciliation of shareholders' equity and net income as of and for the year ended December 31, 2004, as reported in the Financial Statements of Aeroporti di Roma S.p.A., and the related consolidated amounts for the same period is shown in the note to consolidated shareholders' equity.

Amounts shown in the Consolidated Financial Statements are expressed in thousands of euros.

The Balance Sheet data as of December 31, 2004 and the Income Statement for the year then ended are compared with the data for 2003.

The Income Statement and Balance Sheet items, preceded by Arabic numerals, showing zero balances across the periods used for comparison are not shown.

BASIS OF CONSOLIDATION

The Consolidated Financial Statements as of and for the year ended December 31, 2004 include the accounts for the same period, consolidated on a line-by-line basis, of the Parent Company, Aeroporti di Roma S.p.A., and the Italian and overseas subsidiary undertakings in which the Parent Company holds, either directly or indirectly, the majority of the voting rights.

As of December 31, 2004, the basis of consolidation includes the following companies:

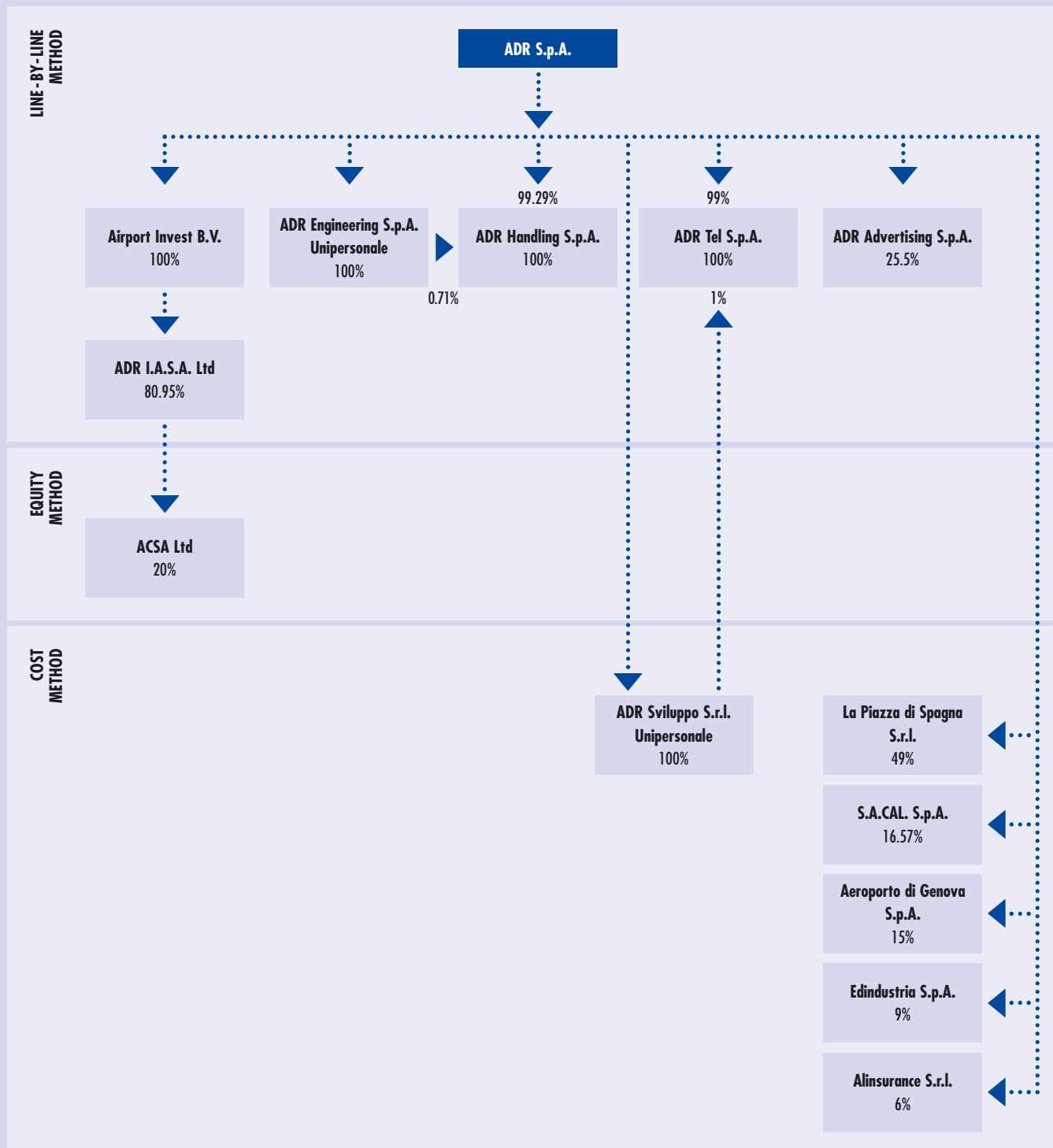
| Companies consolidated on a line-by-line basis | Registered office | Currency | Share capital | Group's % | Via: Company | % |
|---|-----------------------------|----------|---------------|-----------------------|--------------------------------------|--------------------|
| Aeroporti di Roma S.p.A. | Fiumicino (Rome) | EUR | 62,309,801 | | Parent Company | |
| Airport Invest B.V. | Amsterdam (Holland) | EUR | 70,417,038 | 100% | Aeroporti di Roma | 100% |
| ADR International Airports South Africa (Proprietary) Limited | Johannesburg (South Africa) | ZAR | 819,000,000 | 80.95% ⁽⁷⁾ | Airport Invest | 80.95% |
| ADR Handling S.p.A. | Fiumicino (Rome) | EUR | 18,060,000 | 100% | Aeroporti di Roma ADR Engineering | 99.29% 0.71% |
| ADR Engineering S.p.A. Unipersonale | Fiumicino (Rome) | EUR | 774,690 | 100% | Aeroporti di Roma | 100% |
| ADR Tel S.p.A. | Fiumicino (Rome) | EUR | 600,000 | 99% | Aeroporti di Roma | 99% ⁽⁸⁾ |
| ADR Advertising S.p.A. | Fiumicino (Rome) | EUR | 1,000,000 | 25.5% ⁽⁹⁾ | Aeroporti di Roma | 25.5% |

⁽⁷⁾ Equity investment in the company's total share capital (including preference shares). The interest in the ordinary stock amounts to 100%.

⁽⁸⁾ The remaining 1% is held by ADR Sviluppo S.r.l. Unipersonale.

⁽⁹⁾ Equity investment in the company's total share capital of 1,000,000 euros (including preference shares). The interest in the ordinary stock amounts to 500,000 euros (51%).

AS OF DECEMBER 31, 2004, THE BASIS OF CONSOLIDATION INCLUDES THE FOLLOWING COMPANIES



There have been no changes in the basis of consolidation with respect to December 31, 2003. The Group's holding in the associated undertaking, ACSA Ltd, is valued according to the equity method:

| Companies valued at equity | Registered office | Currency | Share capital | Group's % | Via: Company | % |
|---------------------------------------|--------------------------|----------|---------------|------------------------|--|-----|
| Airports Company South Africa Limited | Bedfordview (Sud Africa) | ZAR | 500,000,000 | 16.19% ⁽¹⁰⁾ | ADR International Airports South Africa | 20% |

⁽¹⁰⁾ Calculated on the basis of the percentage interest in the total share capital of ADR IASA (80.95%).

The following equity investments are valued at cost:

| Companies valued at cost | Registered office | Currency | Share capital | Group's % | Via: Company | % |
|--|---------------------------|----------|---------------|-----------|-------------------|--------|
| ADR Sviluppo S.r.l. Unipersonale | Fiumicino (Rome) | EUR | 100,000 | 100% | Aeroporti di Roma | 100% |
| La Piazza di Spagna S.r.l. | Fiumicino (Rome) | EUR | 100,000 | 49% | Aeroporti di Roma | 49% |
| Ligabue Gate Gourmet Roma S.p.A. (insolvent) | Tessera (Venice) | EUR | 103,200 | 20% | Aeroporti di Roma | 20% |
| S.A.CAL. S.p.A. | Lamezia Terme (Catanzaro) | EUR | 5,170,000 | 16.57% | Aeroporti di Roma | 16.57% |
| Aeroporto di Genova S.p.A. | Genova Sestri | EUR | 4,648,140 | 15% | Aeroporti di Roma | 15% |
| Edindustria S.p.A. | Rome | EUR | 624,000 | 9% | Aeroporti di Roma | 9% |
| Alinsurance S.r.l. | Rome | EUR | 104,000 | 6% | Aeroporti di Roma | 6% |

The holding in the subsidiary undertaking, ADR Sviluppo S.r.l., has not been consolidated as the Company, which was incorporated on July 27, 2001, is not yet operational.

The holding in the associated undertaking, La Piazza di Spagna S.r.l., has been valued at cost and not according to the equity method, as the company, which was incorporated on December 17, 2003, is not yet operational. The holding in the associated undertaking, Ligabue Gate Gourmet Roma S.p.A., has also been valued at cost, due to the fact that the company is in liquidation.

CONSOLIDATION PRINCIPLES

The main consolidation principles are described below:

- the book value of consolidated equity items has been eliminated against the corresponding entry of individual asset and liability items, in accordance with the line-by-line method. Any positive differences arising are included among fixed assets under the item "Goodwill arising from consolidation", which is amortized on a straight-line basis in relation to the estimated possibility of recovery. Any negative differences are posted to the "Reserve for consolidation adjustments" under shareholders' equity, or to the "Consolidation allowance for risks and charges" should such negative goodwill be due to forecast losses;
- the minority interest in net income and shareholders' equity are reported separately as appropriate items in the Income Statement and under shareholders' equity;
- inter-company profits and losses still to be realized, as well as significant sums relating to payables and receivables and costs and revenues relating to consolidated companies have been eliminated;
- adjustments made to eliminate items of a purely fiscal nature, as well as other consolidation adjustments, take account, where applicable, of the related deferred taxation. Furthermore, the statements show deferred tax assets relating to items which will be recoverable in future years;
- dividends received by subsidiary undertakings during the year and recorded in the Parent

Company's Income Statement as income from equity investments are eliminated against retained earnings;

- dividends paid by subsidiary undertakings, posted on an accruals basis in the Parent Company's accounts, are eliminated;
- the Financial Statements denominated in foreign currency have been translated into euros using current exchange rates. Balance Sheet items, with the exception of those forming shareholders' equity, have been translated using year-end exchange rates, whilst average exchange rates for the year were applied to Income Statement items. Any exchange rate differences arising have been recorded among consolidated shareholders' equity at a specific item, "Reserve for foreign currency translation adjustments".

The following table shows the exchange rates applied:

| Exchange rates | Average 2004 | 12.31.2004 | Average 2003 | 12.31.2003 |
|-------------------------------|--------------|------------|--------------|------------|
| Euro/South African rand (ZAR) | 8.000 | 7.690 | 8.531 | 8.328 |

NOTICE

Pursuant to the provisions introduced by company law reform (articles 2424 and 2425 of the Italian Civil Code), in the Balance Sheet under "Current receivables" the item "Due from tax authorities", which was previously included under "Due from others", has been posted separately. Consequently, the relevant data from the financial statements as of December 31, 2003 has been reclassified, resulting in a total of 4,109 thousand euros being posted separately under "Due from tax authorities" and a deduction of a similar amount from the item "Due from others".

In the Income Statement, under "Financial income and expense", foreign currency gains and losses were posted separately. Consequently, the data for 2003 used for comparison has been reclassified. In particular, "Foreign currency gains" of 303 thousand euros and "Foreign currency losses" of 96 thousand euros have been posted, with deductions of similar amounts regarding "Interest and commissions received from other companies and sundry income" and "Interest and commissions due to others and sundry charges", respectively.

EXPLANATION ADDED FOR TRANSLATION INTO ENGLISH

The Financial Statements have been translated into English from the original version in Italian. They have been prepared in accordance with the Italian law related to Financial Statements, interpreted and integrated by the accounting principles established by the Italian Accounting Profession. Certain accounting practices applied by the Company that conform with generally accepted accounting principles in Italy do not conform with the generally accepted accounting principles in other countries.

ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the Financial Statements as of and for the year ended December 31, 2004 are those required by the relevant legislation, interpreted and

integrated by the accounting principles established by the Italian Accounting Profession, and are those applied throughout the Group.

The principal accounting policies are summarized below. A more detailed explanation of certain policies can be found under the single classes of item.

Fixed assets

These are recorded at purchase cost and are revalued, where necessary, for single items in accordance with the laws applying to monetary revaluation. Directly connected additional costs are included in the purchase cost. Should there be a permanent impairment of value of such fixed assets, the relevant fixed asset is written down accordingly. The appropriate value of such fixed assets, adjusted solely to take account of accumulated amortization or depreciation, is reinstated if the reasons for any write-downs subsequently cease to apply.

– Intangible fixed assets

Intangible fixed assets have limited use in time so their cost is amortized on a straight-line basis during each financial period in relation to their residual useful life.

In particular:

- *Incorporation and development costs*

These are reported under assets at purchase cost, with the consent of the Board of Statutory Auditors, and amortized over a period of five years.

- *Industrial patents and intellectual property rights*

These are recorded at purchase cost. Amortization begins when the right is taken up or can be taken up, over what is usually established by tax legislation as being three years.

- *Concessions, licenses, trademarks and similar rights*

These are recorded at purchase cost. Amortization begins when the right is taken up or can be taken up, and is applied over a period of three years in the case of concessions and licenses and of not more than ten years for trademarks.

The value of the airport management concession, paid by the Parent Company, Leonardo S.p.A. (now ADR S.p.A.) on acquiring its holding in ADR S.p.A., is amortized on the basis of the residual duration of the concession, which will expire on June 30, 2044.

- *Goodwill arising on consolidation*

The goodwill represented by the difference between the cost of investments and the current value of shareholders' equity is amortized on a straight-line basis over a period of twenty years (with effect from 1998) for the subsidiary undertaking, ADR IASA Ltd, and over a period of ten years for the subsidiary undertaking, ADR Handling S.p.A..

- *Other*

This item essentially includes:

- *leasehold improvements*: improvements (modernization, upgrades), having a service life of several years, carried out on assets belonging to third parties (held under concession or constructed on behalf of the State). These costs are amortized in relation to their residual

service lives, usually less than the period of the concession;

- *ancillary charges on loans*: the charges sustained to obtain medium-and long-term loans (such as investigative charges, legal fees, etc) are capitalized and amortized on the basis of the duration of the loan, in accordance with the financial method.

– Tangible fixed assets

Tangible fixed assets have a limited service life and their cost is depreciated on a straight-line basis during each financial period according to their residual service life. Rates reflect the estimated useful life of the asset.

A summary of the rates used is provided below:

| | |
|-------------------------------------|-----------------|
| Land and buildings | 10% |
| Plant and machinery | from 10% to 25% |
| Industrial and commercial equipment | from 10% to 25% |
| Fixed assets to be relinquished | 4%, 10% |
| Other assets | from 10% to 25% |

- *Land and buildings*

These are recorded at purchase cost adjusted in accordance with art. 3 of Law no. 72/83.

- *Fixed assets to be relinquished*

Such assets are recorded at purchase cost adjusted in accordance with the above-mentioned art. 3 of Law no. 72/83, including any ancillary charges and subsequent development costs.

Such assets are depreciated in relation to their residual useful lives. In addition, provisions are made for transfer costs relating to the fixed assets to be relinquished, with the aim of covering the estimated costs which will be borne on expiry of the concession (in 2044) when the assets are to be transferred to the Ministry in good working condition.

– Non-current financial assets

The investment in the unconsolidated subsidiary undertaking (ADR Sviluppo S.r.l.) has been valued at cost; this method of valuation, given that the company is a start-up, is any event representative of the Group's interest in shareholders' equity.

Equity in associated undertaking is valued in accordance with the equity method. The unrealized gain, recorded at the date of acquisition, represented by the difference between the book value of the holding in the associated undertaking, ACSA Ltd, and the related quota of shareholders' equity is amortized on a straight-line basis over a period of 20 years (with effect from 1998), in view of the long-term nature of the company's activities.

The equity investment in the associated undertaking, La Piazza di Spagna S.r.l., which is not yet operational, is valued at cost.

Other investments are recorded at purchase cost, adjusted to reflect any long-term loss in value.

Non-current receivables are recorded at their nominal value.

Current assets

– Inventories

- *Inventories of raw, ancillary and consumable materials, finished goods and goods for resale*

These are recorded at the lower of the weighted average purchase cost and the estimated

realizable value taking into account market price trends.

- **Contract work in progress**

These assets are recorded on the basis of the percentage-of-completion method (determined on the basis of the ratio of costs sustained to the total cost of the project).

The value of the work so far completed and for which repayment is considered definite is recorded among revenues.

Any additional costs borne by the Group in relation to changes in the original project, as requested by the Ministry of Transport, constitute, depending on the nature of the changes, either a write-down of the agreed value (in the case of assets which may not be operated autonomously) or, alternatively, intangible fixed assets (where such variations are considered improvements to and/or conversions of third party assets).

- **Receivables**

These are recorded at their estimated realizable value.

- **Cash on hand and in banks**

These are recorded at their nominal value assuming the clearance of bank checks and the availability of bank deposits.

Accruals and deferrals

Accruals and deferrals are valued in accordance with the matching concept, by means of dividing costs and revenues relating to two or more financial periods over the period to which they relate.

Allowances for risks and charges

These are made up of provisions aimed at covering sundry losses of a determinate nature and of certain or probable occurrence.

The evaluation of risks and charges also takes into account liabilities which have become known between the closure of the accounting year under consideration and the date of the preparation of the Consolidated Financial Statements. Such allowances are held to be adequate to cover related losses and charges.

Employee severance indemnities

Employee severance indemnities were calculated for all the Group's employees and in accordance with governing legislation. This amount was calculated for indemnities matured up to December 31, 2004 and is shown net of any advance payments.

Payables

Payables are recorded at their nominal value.

Receivables and payables recorded in foreign currency

In line with the new provisions introduced by company law reform (article 2426 paragraph 8 *bis* of the Italian Civil Code), items expressed in foreign currency are posted at the historical exchange rate on the day a transaction is carried out. Any exchange rate differences, incurred on collection

of receivables or on settlement of payables denominated in foreign currency, are recorded in the Income Statement under “Foreign currency gains and losses”.

If the translation of receivables and payables denominated in foreign currency, at closing rates, results in a net gain or loss, such an amount is recorded in the Income Statement under “Foreign currency gains and losses”.

Finance leases

Finance leases are recorded in the financial statements in accordance with the “operating lease method”, which means that the lease rental is charged to the Income Statement.

The Notes report the effects, if significant, on shareholders’ equity and the Income Statement that would have been produced had finance leases been recorded according to the “finance lease method”.

Memorandum Accounts

– General/secured guarantees given

These are valued in accordance with the year-end residual value of the debt or securities guaranteed.

– Commitments on purchases and sales

This item reports the value of contracts to be fulfilled and which imply a commitment, on the part of the Group, to third parties. Non-quantifiable commitments are not recorded, but are described in a relevant note if of significant value.

In accordance with the “operating lease method” used to record finance leases in the financial statements, this item also includes the value of future commitments for leases rentals to be paid at the balance sheet date, in addition to the price to be paid in order to redeem the asset.

– Other

• Secured/general guarantees received

These are recorded at an amount approximately equal to the residual value due at year-end. These primarily consist of sureties granted by major banks and insurance companies.

• *Third parties’ assets lodged with the Group (principally assets received under the concession)*

These are recorded at values based on the latest estimate made by UTE (Tax Technical Office) in 1979 or, in the case of works financed by the State and then subsequently received under the concession, at the value of the work completed and invoiced to the Ministry of Infrastructure and Transport, in accordance with agreements.

• *Group-owned assets lodged with third parties*

These are recorded at their net book value.

Revenues

Revenues are reported net of returns, discounts, reductions and premiums as follows:

- revenues from sales: upon delivery;
- revenues from services: upon supply of the service.

Income taxes

“Current taxes” are calculated on the basis of taxable income. The related payable is posted to “Taxes due”.

“Deferred tax assets” and “liabilities” represent the temporary difference between taxable income and net income reported in the Income Statement for the year, applying the tax liability method. Deferred tax assets are recorded only when there is reasonable certainty of their recoverability. The balance of deferred tax assets and liabilities are reported under the “Allowance for deferred taxes” in the case of a liability and under “Deferred tax assets” in the case of an asset.

Derivatives contracts

The positive and negative interest rate differentials, deriving from Interest Rate Swaps entered into for hedging purposes, accrued at the end of the year are recorded on an accruals basis in the Income Statement, among financial income and expense.

The Group’s hedging policy, in accordance with obligations laid down in loan agreements, stipulates that at least 51% of the loan should be subject to a fixed rate of interest.

NOTES TO THE CONSOLIDATED BALANCE SHEET

FIXED ASSETS

Intangible fixed assets

An analysis of intangible fixed assets is provided on the following page.

Intangible fixed assets

| | 12.31.2003 | | Book value |
|--|------------|--------------|------------|
| | Cost | Amortization | |
| Incorporation and development costs | 1,891 | (607) | 1,284 |
| Industrial patents and intellectual property rights | 2,295 | (1,724) | 571 |
| Concessions, licenses, trademarks and similar rights | 2,177,558 | (179,737) | 1,997,821 |
| Goodwill arising on consolidation | 4,894 | (490) | 4,404 |
| Leasehold improvements in process and advances: | | | |
| – Leasehold improvements in process | 38,522 | 0 | 38,522 |
| – Advances to suppliers | 0 | 0 | 0 |
| | 38,522 | 0 | 38,522 |
| Others: | | | |
| – Leasehold improvements | 302,024 | (197,631) | 104,393 |
| – Ancillary charges for loans | 47,886 | (4,098) | 43,788 |
| | 349,910 | (201,729) | 148,181 |
| Total | 2,575,070 | (384,287) | 2,190,783 |

An analysis of the most important changes during the year reveals the following:

- “Concessions, licenses, trademarks and similar rights” include the value of the airport management concession, amounting to 1,946,704 thousand euros as of December 31, 2004. The decrease of 48,367 thousand euros is due to the combined effect of amortization for the year (50,645 thousand euros), investment (1,865 thousand euros), transfers from work in process (412 thousand euros) and reclassifications amounting to 1 thousand euros;
- “Leasehold improvements in process” decreased by 18,981 thousand euros in 2004, primarily due to assets entering service and reclassified to “Leasehold improvements” and “Concessions, licenses, trademarks and similar” (28,765 thousand euros), partly offset by investment of 9,902 thousand euros and negative adjustments of 118 thousand euros;
- “Other” intangible fixed assets rose by a total of 17,595 thousand euros. “Leasehold improvements” rose by 21,844 thousand euros due to purchases during the year (18,470 thousand euros), transfers from work in process (28,354 thousand euros) and positive reclassifications (+19 thousand euros), which were in part offset by amortization for the year (24,999 thousand euros). “Ancillary charges on loans” fell, on the other hand, by 4,249 thousand euros due to amortization for the year.

The principal leasehold improvements in process (equal to 9,902 thousand euros) include:

- BHS system - upgrading and implementation (2,192 thousand euros);
- UFIS system (483 thousand euros);
- extension of LAN network (914 thousand euros);
- redevelopment of the former ceremonial suite in Terminal “C” to provide check-in desks (648 thousand euros);
- work on the tunnel network - 2nd phase (343 thousand euros);
- widening of the Bravo taxiway Northern sector (466 thousand euros);

| Purchases/ Capitalization | Changes during the year | | 12.31.2004 | | |
|------------------------------|-------------------------|--------------|------------|--------------|------------|
| | Reclassifications | Amortization | Cost | Amortization | Book value |
| 14 | 0 | (375) | 1,905 | (982) | 923 |
| 457 | (9) | (240) | 2,739 | (1,960) | 779 |
| 1,865 | 413 | (50,645) | 2,179,804 | (230,350) | 1,949,454 |
| 0 | 0 | (382) | 4,894 | (872) | 4,022 |
| 9,902 | (28,883) | 0 | 19,541 | 0 | 19,541 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 9,902 | (28,883) | 0 | 19,541 | 0 | 19,541 |
| 18,470 | 28,373 | (24,999) | 348,861 | (222,624) | 126,237 |
| 0 | 0 | (4,249) | 47,886 | (8,347) | 39,539 |
| 18,470 | 28,373 | (29,248) | 396,747 | (230,971) | 165,776 |
| 30,708 | (106) | (80,890) | 2,605,630 | (465,135) | 2,140,495 |

- Ciampino - reconfiguration of departures area - 2nd phase (496 thousand euros);
- remote control system for luminous visual aids - 2nd phase (427 thousand euros).

The main leasehold improvements completed during the year (equal to 46,843 thousand euros, including transfers from “work in process”) regard:

- Cargo City - freight movement system and upgrading and completion of warehouses and offices (20,802 thousand euros);
- Eastern Area - industrial waste water collector (265 thousand euros);
- ALCE project (1,159 thousand euros);
- adaptation of system for upgrading of manual coding area (1,282 thousand euros);
- Ciampino - restructuring of retail areas, extraordinary maintenance (1,482 thousand euros);
- replacement of MV control panels and electric insulation of landside transformers (1,512 thousand euros);
- extraordinary maintenance on airport road network (382 thousand euros);
- Terminal “B” - work on various shops (776 thousand euros);
- runways - upgrading of the Bravo/Delta/November taxiways (4,896 thousand euros);

Once again in 2004, investment in airport infrastructure development was funded from increased boarding fees received during the year (in accordance with paragraphs 9 and 10 of art. 10, Law no. 537/93).

Tangible fixed assets

An analysis of tangible fixed assets is provided on the following page.

Tangible fixed assets

| | 12.31.2003 | | | |
|-------------------------------------|----------------|-------------------------------|--------------------------------|----------------|
| | Cost | Revaluations (Law 72/1983) | Allowances for depreciation | Book value |
| Land and buildings | 16,829 | 465 | (16,220) | 1,074 |
| Plant and machinery | 93,907 | 0 | (78,112) | 15,795 |
| Industrial and commercial equipment | 13,418 | 0 | (12,067) | 1,351 |
| Fixed assets to be relinquished | 136,081 | 1,908 | (63,614) | 74,375 |
| Other assets | 40,286 | 0 | (36,608) | 3,678 |
| Work in progress and advances | 4,096 | 0 | 0 | 4,096 |
| Total | 304,617 | 2,373 | (206,621) | 100,369 |

“Net tangible fixed assets” rose by 10,559 thousand euros due to investment totaling 24,298 thousand euros, which was partially offset by depreciation of 13,211 thousand euros, negative adjustments of 30 thousand euros and disposals totaling 498 thousand euros.

The most significant capitalizations during the year, within the category “Plant and machinery” (8,487 thousand euros), regarded the acquisition of baggage inspection equipment (2,393 thousand euros), security equipment (460 thousand euros), motor vehicles (2,389 thousand euros) and car park equipment (302 thousand euros). “Tangible fixed assets in progress and advances” (up 9,617 thousand euros) relate to works regarding construction of the 5th module of the multi-story car park (7,646 thousand euros) and extension of the long-stay car park - 2nd phase (759 thousand euros).

In 2003, the subsidiary undertaking, ADR Tel S.p.A., entered into a finance lease agreement. The effects on shareholders’ equity and the net result, deriving from the treatment of the transaction in accordance with the “finance lease method” as opposed to the “operating lease method” actually used, are not reported in that they are not significant at Group level.

As security for the loans governed by agreements with Romulus Finance S.r.l., a syndicate of banks and Banca OPI – described in detail in the notes to “Payables” – the Parent Company has granted the lenders a lien (in the form of a mortgage ranking *pari passu* with other claims) on the plant, machinery and capital goods recorded at any time in the book of depreciable assets and ADR S.p.A.’s inventory. Such a guarantee is valid until the above loans have been fully repaid.

| Changes during the year | | | | 12.31.2004 | | | |
|------------------------------|-------------------|---------------------------|--------------|------------|-------------------------------|--------------------------------|---------------|
| Purchases/ Capitalization | Reclassifications | Disposals/ Retirements | Amortization | Cost | Revaluations (Law 72/1983) | Allowances for amortization | Book value |
| 1,374 | 112 | 0 | (344) | 18,315 | 465 | (16,564) | 2,216 |
| 8,487 | 846 | (60) | (4,728) | 101,293 | 0 | (80,953) | 20,340 |
| 283 | 0 | (1) | (465) | 13,615 | 0 | (12,447) | 1,168 |
| 1,184 | 30 | 0 | (5,681) | 137,295 | 1,908 | (69,295) | 69,908 |
| 1,702 | 633 | (437) | (1,993) | 39,812 | 0 | (36,229) | 3,583 |
| 11,268 | (1,651) | 0 | 0 | 13,713 | 0 | 0 | 13,713 |
| 24,298 | (30) | (498) | (13,211) | 324,043 | 2,373 | (215,488) | 110,928 |

Equity investments held as non-current financial assets

| | 12.31.2003 | Changes during the year | 12.31.2004 |
|--|----------------|-------------------------|----------------|
| Equity investments in: | | | |
| – unconsolidated subsidiary undertakings: | | | |
| • ADR Sviluppo S.r.l. Unipersonale | 100 | 0 | 100 |
| | 100 | 0 | 100 |
| – associated undertakings: | | | |
| • ACSA Ltd | 120,242 | 12,355 | 132,597 |
| • La Piazza di Spagna S.r.l. | 49 | 0 | 49 |
| • Ligabue Gate Gourmet Roma S.p.A. (insolvent) | 0 | 0 | 0 |
| | 120,291 | 12,355 | 132,646 |
| – other companies: | | | |
| • Alinsurance S.r.l. | 6 | 0 | 6 |
| • Aeroporto di Genova S.p.A. | 930 | 0 | 930 |
| • S.A.CAL S.p.A. | 878 | 0 | 878 |
| • Edindustria S.p.A. | 81 | 0 | 81 |
| | 1,895 | 0 | 1,895 |
| Total | 122,286 | 12,355 | 134,641 |

The increase in “Equity investments”, totaling 12,355 thousand euros, is entirely due to the positive effects of the valuation at equity of the associated undertaking, ACSA Ltd. In detail:

– ACSA (Airports Company South Africa) Ltd

The company, in which the Parent Company has a 20% interest via ADR IASA Ltd, has produced specially prepared accounts as of December 31, 2004, which show shareholders’ equity of 422.4 million euros (84.5 million euros pro rata, including the minority interest), calculated at the closing exchange rate of December 31, 2004, and net income for the year of 57.4 million euros (11.5 million euros pro rata, including the minority interest) calculated on the basis of the average exchange rate.

The valuation of the associated undertaking at equity as of December 31, 2004 reflects the impact of both positive and negative components. The former consist of net income for the year, amounting to 11,479 thousand euros, and the impact of the increase in the value of the South African rand, totaling 10,066 thousand euros (with a corresponding positive impact on the reserve for foreign currency translation adjustments), whilst the latter regard amortization of goodwill, amounting to 3,490 thousand euros (applied at an annual rate of 5%), and the portion of dividends distributed totaling 5,700 thousand euros.

Given that the residual value of goodwill as of December 31, 2004 is 48,112 thousand euros, the book value of the equity investment amounts to the addition of the above sum to the interest (20%) in the shareholders’ equity of the associated undertaking (84,485 thousand euros).

For further information regarding such equity investments during 2004, reference should be made to the section “Equity investments” in the Parent Company’s Management Report on Operations.

As security for the loans governed by agreements with Romulus Finance S.r.l., a syndicate of banks and Banca OPI, ADR S.p.A. has granted the lenders a lien on the Company’s shareholdings in the subsidiary undertakings, ADR Tel S.p.A. and ADR Advertising S.p.A.. Such a guarantee is valid until the above loans have been fully repaid.

Receivables due and other items under non-current financial assets

| | 12.31.2003 | Changes during the year | 12.31.2004 |
|------------------------------|------------|-------------------------|------------|
| Receivables: | | | |
| – due from others: | | | |
| • public bodies for licenses | 24 | 0 | 24 |
| • other | 5,301 | (1,494) | 3,807 |
| | 5,325 | (1,494) | 3,831 |

The reduction in such “Receivables”, amounting to 1,494 thousand euros, was primarily due to payments of 1,592 thousand euros and the revaluation of the amount due from the tax authorities in relation to the payment of withholding tax on employee severance indemnities as required by Law no. 662/96. Such item is classified under “Other” and totals 98 thousand euros.

There are no receivables falling due beyond five years.

CURRENT ASSETS**Inventory**

| | 12.31.2003 | Changes during the year | 12.31.2004 |
|---|------------|-------------------------|------------|
| Raw, ancillary and consumable materials | 2,813 | (11) | 2,802 |
| Finished goods and goods for resale: | | | |
| – goods for resale | 8,444 | 418 | 8,862 |
| Contract work in progress | 10,997 | (198) | 10,799 |
| less accumulated write-downs (art. 60 P. Decree 917/86) | 0 | 0 | 0 |
| | 10,997 | (198) | 10,799 |
| Advances | 97 | 5 | 102 |
| | 22,351 | 214 | 22,565 |

“Inventory” increased by 214 thousand euros with respect to December 31, 2003, substantially due to the item “Finished goods and goods for resale”, which rose following a rise in direct sales.

Due to the reductions resulting from the physical stock checks carried out at the beginning of 2004, and partially reflected in the Financial Statements as of December 31, 2003, “Finished goods and goods for resale” have been subject to an intensive program of stock checks, covering all categories of merchandise held in the six retail outlets managed by the Parent Company, ADR S.p.A., at Fiumicino and Ciampino. These checks reveal a progressive decline in inventory shrinkage.

As security for the loans governed by agreements with Romulus Finance S.r.l., a syndicate of banks and Banca OPI, the Parent Company, ADR S.p.A., has granted the lenders a lien (in the form of a mortgage ranking *pari passu* with other claims) on the raw materials, work in progress, stocks, finished goods, goods for resale and other goods forming part of ADR S.p.A.’s inventory. Such a guarantee is valid until the above loans have been fully repaid.

Current receivables

| | 12.31.2003 | Changes during the year | | 12.31.2004 |
|--------------------------------------|------------|-------------------------|----------------------|------------|
| | | Contracted (+) | Provisions (-) | |
| | | Repayments (-) | Value recoveries (+) | |
| Due from clients | 162,450 | (6,259) | 0 | 156,191 |
| less: | | | | |
| – allowance for doubtful accounts | (20,853) | 6,887 | (11,981) | (25,947) |
| – allowance for overdue interest | (4,855) | 178 | (1,039) | (5,716) |
| | 136,742 | 806 | (13,020) | 124,528 |
| Due from associated undertakings | 2,919 | (272) | (1,927) | 720 |
| less: | | | | |
| – allowance for doubtful accounts | (1,927) | 0 | 1,927 | 0 |
| | 992 | (272) | 0 | 720 |
| Due from the tax authorities | 4,109 | (3,217) | 0 | 892 |
| Deferred tax assets | 24,473 | 450 | 0 | 24,923 |
| Due from others: | | | | |
| – sundry | 57,741 | (3,407) | 0 | 54,334 |
| – advances to suppliers for services | 79 | (73) | 0 | 6 |
| | 57,820 | (3,480) | 0 | 54,340 |
| | 224,136 | (5,713) | (13,020) | 205,403 |

- “Due from clients”, net of allowances for doubtful accounts, amounts to 124,528 thousand euros and includes trade receivables due from clients and amounts due from public bodies, deriving from financed works and the supply of utilities and services. The 12,214 thousand euros reduction in net receivables, compared with December 31, 2003, is entirely due to losses on amounts due from the Volare Group, which is in financial difficulty, and increased provisions for doubtful accounts, as a result of an updated assessment of the creditworthiness of clients. If the above factors are excluded, receivables report an increase due to the growth in sales. The average terms of payment granted to clients are in line with those of the previous year.
- “Due from associated undertakings”, amounting to 720 thousand euros, includes 530 thousand euros regarding amounts due to ADR S.p.A. from the insolvent Ligabue Gate Gourmet Roma S.p.A., classified among preferential liabilities, and 190 thousand euros receivable from ACSA Ltd. The net reduction of 272 thousand euros, compared with December 31, 2003, relates to trading relations with the associated undertaking, ACSA Ltd. The amount of 1,927 thousand euros has been released from the allowance for doubtful accounts in order to cover the trade receivable of an equal amount involved in Ligabue’s bankruptcy.
- “Deferred tax assets”, totaling 24,923 thousand euros as of December 31, 2004, are substantially in line with the end of 2003. The composition of deferred tax assets and changes during the period are shown in the following table.

| | Balance at 12.31.2003 | | Increase | | Decrease | | Balance at 12.31.2004 | |
|---------------------------------------|-----------------------|----------------|----------------|----------------|----------------|--------------|-----------------------|----------------|
| | (A) | | (B) | | (C) | | (A+B-C) | |
| | Tax base | Tax | Tax base | Tax | Tax base | Tax | Tax base | Tax |
| Deferred tax assets: | | | | | | | | |
| – allowances for risks and charges | 21,546 | 7,578 | 5,526 | 1,861 | 5,935 | 2,010 | 21,137 | 7,429 |
| – accumulated inventory write-downs | 2,698 | 1,005 | 0 | 0 | 1,169 | 435 | 1,529 | 570 |
| – allowance for doubtful accounts | 20,810 | 6,867 | 12,124 | 4,001 | 7,871 | 2,597 | 25,063 | 8,271 |
| – provisions for personnel | 3,551 | 1,172 | 3,156 | 1,041 | 2,899 | 957 | 3,808 | 1,256 |
| – accelerated depreciation | 2,425 | 903 | 46 | 17 | 796 | 297 | 1,675 | 623 |
| – consolidation adjustments | 22,712 | 8,460 | 221 | 82 | 3,517 | 1,310 | 19,416 | 7,232 |
| – tax losses | 477 | 158 | 2,535 | 837 | 3,012 | 995 | 0 | 0 |
| – other | 3,937 | 1,398 | 8,619 | 3,181 | 3,037 | 1,088 | 9,519 | 3,491 |
| Total deferred tax assets | 78,156 | 27,541 | 32,227 | 11,020 | 28,236 | 9,689 | 82,147 | 28,872 |
| Deferred tax liabilities: | | | | | | | | |
| – valuation of contract work | (487) | (181) | (474) | (176) | (487) | (181) | (474) | (176) |
| – dividends | (11) | (4) | (10) | (3) | (11) | (4) | (10) | (3) |
| – gains | (480) | (179) | (68) | (25) | (414) | (154) | (134) | (50) |
| – accelerated depreciation | (8,407) | (2,704) | (2,933) | (1,093) | (206) | (77) | (11,134) | (3,720) |
| Total deferred tax liabilities | (9,385) | (3,068) | (3,485) | (1,297) | (1,118) | (416) | (11,752) | (3,949) |
| Total | 68,771 | 24,473 | 28,742 | 9,723 | 27,118 | 9,273 | 70,395 | 24,923 |

- “Amounts due from others: sundry” decreased by 3,480 thousand euros, mainly due to the reduced liquidity deposited in the term current accounts denominated the “Debt Service Reserve Account” (1,330 thousand euros), and to a decrease in receivables resulting from factoring without recourse (1,454 thousand euros).

The balance of the term current account in the name of the Security Agent for ADR S.p.A.’s loans, denominated the “Debt Service Reserve Account”, amounted to 48,752 thousand euros as of December 31, 2004. In accordance with the procedures established in the relevant agreement, ADR S.p.A. has deposited a sum in this account to guarantee repayment of the loans.

As security for the loans governed by agreements with Romulus Finance S.r.l., a syndicate of banks and Banca OPI, the Parent Company, ADR S.p.A., has granted the lenders the following liens. Such guarantees are valid until the above loans have been fully repaid:

- a lien (in the form of a mortgage ranking *pari passu* with other claims) on all receivables deriving from the sale of plant, machinery and capital goods and rights constituting ADR S.p.A.’s inventory, as well as other goods and rights subject to liens;
- a lien on all receivables and contracts with clients regarding ADR Tel S.p.A. and ADR Advertising S.p.A. and insurance policies.

Amounts due as of December 31, 2004 (205,403 thousand euros) comprise 124,718 thousand euros of trade receivables, 48,946 thousand euros in the form of financial receivables, and 31,739 thousand euros of other receivables. There are no promissory notes or similar bills.

The following table shows a geographical breakdown of the Group's trade receivables:

| | Italy | Other EU countries | Rest of Europe | Africa | America | Total |
|-------------------------|---------|--------------------|----------------|--------|---------|---------|
| Clients | 117,740 | 4,943 | 1,088 | 400 | 357 | 124,528 |
| Associated undertakings | 0 | 0 | 0 | 190 | 0 | 190 |
| | 117,740 | 4,943 | 1,088 | 590 | 357 | 124,718 |

There are no receivables falling due beyond five years or receivables subject to exchange rate risk.

Cash on hand and in banks

| | 12.31.2003 | Changes during the year | 12.31.2004 |
|--------------------------------|------------|-------------------------|------------|
| Banks and post office deposits | 68,954 | 60,936 | 129,890 |
| Cash and notes in hand | 433 | 33 | 466 |
| | 69,387 | 60,969 | 130,356 |

The Group's "Cash on hand and in banks" rose by 60,969 thousand euros in 2004 due to positive operating cash flow. In addition to liquidity held in banks, this item consists of the balance of the "Option Reserve", amounting to 20,000 thousand euros as of December 31, 2004, representing the sum necessary to exercise options on the preference shares of the South African subsidiary undertaking, ADR IASA Ltd, owned by the South African financial institution, United Towers Ltd.

As security for the loans governed by agreements with Romulus Finance S.r.l., a syndicate of banks and Banca OPI, the Parent Company, ADR S.p.A., has granted the lenders a lien on all the Company's current accounts governed by a specific agreement. Such a guarantee is valid until the above loans have been fully repaid.

ACCRUED INCOME AND PREPAID EXPENSES

| | 12.31.2003 | Changes during the year | 12.31.2004 |
|-------------------|------------|-------------------------|------------|
| ACCRUED INCOME | 74 | 29 | 103 |
| PREPAID EXPENSES | | | |
| Service costs | 798 | (28) | 770 |
| Leased assets | 3 | 6 | 9 |
| Payroll costs | 36 | (4) | 32 |
| Financial charges | 2,774 | 345 | 3,119 |
| | 3,685 | 348 | 4,033 |

The increase of 348 thousand euros is mainly due to "Prepaid expenses - financial charges", which includes prepayment of the installment due for the year for the monoline insurance premium paid to AMBAC Assurance UK, which has secured the bonds issued by Romulus Finance S.r.l. that correspond to "Facility A".

SHAREHOLDERS' EQUITY

| | Share capital | Share premium reserve | Legal reserve | Other reserves | Reserve for foreign currency translation adjustments | Retained earnings | Net income for the year | Consolidated shareholders' equity | Minority interest | Group and minority interest in shareholders' equity |
|--|---------------|-----------------------|---------------|----------------|--|-------------------|-------------------------|-----------------------------------|-------------------|---|
| Balance as of 12.31.2002 | 62,225 | 667,389 | 12,445 | 85 | (17,285) | (11,292) | 5,187 | 718,754 | 47,431 | 766,185 |
| Allocation of net income 2002 | | | | | | (27,170) | (5,187) | (32,357) | 0 | (32,357) |
| Variations reserve | | | | | | | | 0 | (529) | (529) |
| Effect of change to basis of consolidation | | | | | | | | | 751 | 751 |
| Foreign currency translation adjustments on conversion of accounts denominated in foreign currency | | | | | 4,660 | | | 4,660 | 4,082 | 8,742 |
| Reduction in minority interest acquired by Group (31% ADR IASA) | | | | | | | | 0 | (32,246) | (32,246) |
| Net income for the year | | | | | | | (2,027) | (2,027) | 3,110 | 1,083 |
| Interim dividends | | | | | | | | 0 | (2,308) | (2,308) |
| Net income for the year | | | | | | | (2,027) | (2,027) | 802 | (1,225) |
| Balance as of 12.31.2003 | 62,225 | 667,389 | 12,445 | 85 | (12,625) | (38,462) | (2,027) | 689,030 | 20,291 | 709,321 |
| Allocation of net income 2003 | | | | | | (2,027) | 2,027 | 0 | (555) | (555) |
| Variations reserve | | | | | | | | 0 | (202) | (202) |
| Free capital increase | 85 | | | (85) | | | | 0 | | 0 |
| Foreign currency translation adjustments on conversion of accounts denominated in foreign currency | | | | | 8,586 | | | 8,586 | 1,564 | 10,150 |
| Net income for the year | | | | | | | 3,942 | 3,942 | 2,518 | 6,460 |
| Interim dividends | | | | | | | | 0 | (1,445) | (1,445) |
| Net income for the year | | | | | | | 3,942 | 3,942 | 1,073 | 5,015 |
| Balance as of 12.31.2004 | 62,310 | 667,389 | 12,445 | 0 | (4,039) | (40,489) | 3,942 | 701,558 | 22,171 | 723,729 |

The Parent Company's "Share capital" amounts to 62,309,801 euros represented by 62,309,801 shares with a par value of 1 euro each.

On May 7, 2004, pursuant to article 5 of the Parent Company's By-laws, the Board of Directors approved a capital increase in the form of a scrip issue, raising the share capital from 62,224,743 euros to 62,309,801 euros. Such increase was carried out via the issue of 85,058 ordinary shares with a par value of 1 euro each, and the transfer to share capital of a corresponding sum of 85,058 euros from the "Reserve for share issues pursuant to art. 2349 of the Italian Civil Code".

The shares corresponding to this capital increase have yet to be issued and allotted.

As a result of the above capital increase, the reserve for share issues pursuant to art. 2349 of the Italian Civil Code, classified in the "Other reserves", was reduced to zero.

The "Reserve for foreign currency translation adjustments" covers differences arising on conversion of the accounts of the overseas subsidiary undertaking, ADR IASA Ltd, at closing exchange rates as opposed to historical rates.

The "Group's shareholders' equity" rose by 14,408 thousand euros with respect to December 31, 2003. This was due to the increase in the "Reserve for foreign currency translation adjustments" (up 10,150 thousand euros) and "Net income" for the year (6,460 thousand euros), in part compensated for by the distribution of dividends to minority shareholders by Group companies (2,202 thousand euros).

Finally, during the year ADR IASA Ltd distributed an interim dividend of 1,445 thousand euros for 2004 to the preferential shareholder, United Towers Ltd, as well as posting 202 thousand euros to earnings retained from the previous year. ADR Advertising S.p.A. paid 555 thousand euros to the minority shareholder, IGP Decaux, from net income for 2003.

The reconciliation of shareholders' equity and net income for the year, as reported in the accounts of the Parent Company, and the related consolidated amounts, is shown in the following table:

Reconciliation of net income for the year and shareholders' equity

| | Net income for the year | | Shareholders' equity | |
|---|-------------------------|----------|----------------------|------------|
| | 2004 | 2003 | 12.31.2004 | 12.31.2003 |
| Balances in ADR S.p.A.'s accounts | 12,244 | 1,069 | 758,052 | 745,808 |
| Elimination of accelerated depreciation, net of deferred tax liabilities | (4,463) | (331) | 0 | 4,463 |
| Effect of consolidation of subsidiary undertakings | (4,983) | 5,884 | 24,591 | 29,580 |
| Elimination of inter-company profits and other adjustments | 1,559 | (12,338) | (28,931) | (30,495) |
| Effect of deferred tax assets | (1,227) | 2,877 | 7,234 | 8,460 |
| Merger effect | 812 | 812 | (55,349) | (56,161) |
| Exchange rate adjustments arising from the translation of accounts denominated in foreign currency | | | (4,039) | (12,625) |
| Balances in consolidated accounts | 3,942 | (2,027) | 701,558 | 689,030 |

ALLOWANCES FOR RISKS AND CHARGES

| | 12.31.2003 | Changes during the year | | 12.31.2004 |
|-----------------------------------|------------|---|----------|------------|
| | | Provisions (Reversal to Income Statement) | Releases | |
| Taxes, including deferred | 650 | 1,851 | (650) | 1,851 |
| Other: | | | | |
| – current and potential disputes | 17,079 | 6,332 | (987) | 22,424 |
| – insurance deductibles | 1,347 | 443 | (415) | 1,375 |
| – maintenance of leased assets | 31 | (31) | 0 | 0 |
| – restructuring | 4,534 | 964 | (4,534) | 964 |
| – fixed assets to be relinquished | 4,201 | 200 | 0 | 4,401 |
| | 27,192 | 7,908 | (5,936) | 29,164 |
| | 27,842 | 9,759 | (6,586) | 31,015 |

“Allowances for risks and charges”, totaling 31,015 thousand euros, increased by 3,173 thousand euros overall. In detail:

- the “Allowance for income taxes” decreased by 650 thousand euros, primarily due to reclassification of this amount to taxes due, following the Parent Company's decision to take advantage of the tax amnesty for 2002 (regarding direct taxation); provisions of 1,851 thousand euros were made following the tax audit of the subsidiary undertaking, ADR Handling S.p.A., for 2002 (144 thousand euros), with provisions of a further 1,707 thousand euros made to cover the risk that the tax authorities' findings could also be applied to 2003. This latter amount has resulted in a 2,050 thousand euros increase in deferred tax assets. It should be noted, however, that on February 10, 2005 the company notified the relevant tax office that it had decided to challenge the tax authorities' findings;
- the “Allowance for current and potential disputes” reports a net increase of 5,345 thousand euros. Direct releases amounting to 987 thousand euros are primarily due to the settlement of disputes with the Group's employees. Further provisions of 6,332 thousand euros were made in order to provide cover for likely potential liabilities. The provisions include cover for the

- estimated amount of additional costs deriving from renewal of the collective labor contract that expired on December 31, 2003, the renegotiation of which is in progress;
- the “Allowance for restructuring”, which covers the expected expenses to be incurred by the Group to meet the cost of streamlining and reorganizing its operations, aimed at improving efficiency in order to ensure that profit targets are met; provisions of 4,534 thousand euros were released in 2004.

EMPLOYEE SEVERANCE INDEMNITIES

| | |
|-------------------------------|---------|
| Balance as of 12.31.2003 | 66,576 |
| Changes during the year: | |
| – provisions | 8,855 |
| – releases to pay indemnities | (4,663) |
| – releases to pay advances | (3,782) |
| – other | 131 |
| Balance as of 12.31.2004 | 67,117 |

“Employee severance indemnities” report a net increase of 541 thousand euros. The rise primarily derives from provisions of 8,855 thousand euros, partially offset by releases to pay indemnities and advances totaling 8,445 thousand euros.

PAYABLES

| | 12.31.2003 | Changes during the year | 12.31.2004 |
|-------------------------------------|------------|-------------------------|------------|
| Due to banks | 482,071 | 337 | 482,408 |
| Due to other financial institutions | 1,278,796 | 179 | 1,278,975 |
| Advances: | | | |
| – from clients: | | | |
| • from the Ministry of Transport | 5,422 | (127) | 5,295 |
| • other | 2,386 | 660 | 3,046 |
| – on invoices paid in installments: | | | |
| • from clients | 109 | (55) | 54 |
| | 7,917 | 478 | 8,395 |
| Due to suppliers | 112,264 | (19,571) | 92,693 |
| Due to associated undertakings | 1,060 | (57) | 1,003 |
| Due to parent companies | 4 | (4) | 0 |
| Taxes due | 5,828 | 13,284 | 19,112 |
| Due to social security agencies | 8,686 | 460 | 9,146 |
| Other payables: sundry creditors | 33,591 | (822) | 32,769 |
| | 1,930,217 | (5,716) | 1,924,501 |

The Group’s “Payables” decreased by 5,716 thousand euros during the year. The principal reasons for such a change are analyzed below.

- “Amounts due to banks” total 482,408 thousand euros, of which 480,000 thousand euros

represents the principal on long-term lines of credit denominated “B Term Facility”, “C Term Facility” and “BOPI Facility”. The remaining 2,408 thousand euros represents amounts due for interest, commissions and swap differentials accrued during the year but not yet settled.

In this respect it should be recalled that on February 19, 2003, ADR S.p.A. negotiated further bank loans totaling 575 million euros, which break down as follows:

- two long-term facilities and a revolving line of credit granted by a syndicate of banks, headed by Mediobanca - Banca di Credito Finanziario S.p.A. and with Mediobanca - Banca di Credito Finanziario S.p.A., Barclays, WestLB and UBM as mandated lead arrangers, totaling 490,000 thousand euros;
- a long-term line of credit of 85,000 thousand euros granted by Banca OPI, called “BOPI Facility”, secured by CDC IXIS Financial Guaranty Europe.

The characteristics of these loans are listed in the following table:

| Lender | Facility loan | Amount (millions of EUR) | Interest rate | Repayment | Life | Maturity date |
|--------------------|--------------------|-----------------------------|--|---|----------|---------------|
| Syndicate of banks | B Term Facility | 245 | floating rate linked to EURIBOR + margin | bullet | 5 years | Feb. 2008 |
| | C Term Facility | 150 | floating rate linked to EURIBOR + margin | bullet | 6 years | Feb. 2009 |
| | Revolving Facility | 95 | floating rate linked to EURIBOR + margin | revolving | 5 years | Feb. 2008 |
| | | 490 | | | | |
| Banca OPI | BOPI Facility | 85 | floating rate linked to EURIBOR + margin | after 5 years in six-monthly installments | 15 years | Mar. 2018 |
| Total | | 575 | | | | |

As of December 31, 2004, all the long-term lines of credit (“B Term Facility”, “C Term Facility” and “BOPI Facility”), totaling 480,000 thousand euros, have been used; the “Revolving Facility”, however, has not been used.

- “Amounts due to other financial institutions” total 1,278,975 thousand euros. The item includes principal of 1,265,019 thousand euros due from the Parent Company to Romulus Finance S.r.l. and an amount of 13,956 thousand euros consisting of interest accrued on the above-mentioned loan and not yet paid. The increase of 179 thousand euros compared with December 31, 2003 is exclusively due to the interest component.

It should be recalled that the loan granted by Romulus Finance S.r.l. in February 2003 arose from the transfer without recourse to Romulus Finance S.r.l. of the amount due to ADR S.p.A.’s original lenders for loans taken out in August 2001.

The loan from Romulus Finance S.r.l. breaks down into five lines of credit, summarized in the table below. The conditions reflect those of the bonds issued by Romulus Finance S.r.l. to finance the purchase of amounts due to ADR S.p.A.’s creditor banks:

| Lender | Facility loan | Amount (millions of EUR) | Interest rate | Repayment | Life | Maturity date |
|------------------------|---------------|-----------------------------|--|-----------|----------|---------------|
| Romulus Finance S.r.l. | A1 | 500 | fixed | bullet | 10 years | Feb. 2013 |
| | A2 | 200 | floating rate linked to EURIBOR + margin | bullet | 12 years | Feb. 2015 |
| | A3 | 175 | floating rate linked to EURIBOR + margin | bullet | 12 years | Feb. 2015 |
| | A4 | 325 | floating rate linked to EURIBOR + margin up to 12.20.2009 and after fixed rate | bullet | 20 years | Feb. 2023 |
| | B | 65 | floating rate linked to EURIBOR + margin | bullet | 7 years | Feb. 2010 |
| Total | | 1,265 | | | | |

The hedging policy established within the framework of loan agreements with the banks and with Romulus Finance S.r.l. requires that at least 51% of the debt is fixed rate. In accordance with this policy, the following interest rate swap agreements were entered into by ADR S.p.A. in 2001, with the aim of hedging the interest rate risk associated with a portion of the loan. Such interest rate swaps – the counterparties for which in February 2003 are Mediobanca - Banca di Credito Finanziario S.p.A., Barclays, UBM, Royal Bank of Scotland and Deutsche Bank – are based on a notional capital of 864 million euros and mature on October 2, 2009.

On October 1, 2004, the Parent Company, ADR S.p.A., entered into interest rate swap agreements with a number of the above counterparties (Mediobanca - Banca di Credito Finanziario S.p.A., Barclays and Royal Bank of Scotland). The swaps are based on a total notional capital of 468 million euros up to 2007 and 495 million euros up to 2009. On the basis of the agreements, ADR S.p.A. receives a fixed rate of 3.3% and pays a floating rate capped at 6.0%.

This transaction enables ADR S.p.A. to balance its exposure to fixed and floating rates (reducing its fixed rate debt from 78% to 51% of the total), bringing it more into line with expected short- to medium-term movements in interest rates and fixing the maximum risk that may be incurred.

As of December 31, 2004, the fair value of the swap agreements entered into in 2001 is negative at 79.4 million euros, whilst the fair value of the swaps entered into in 2004 is a positive 4.7 million euros.

The effects of the interest rate swap agreements on the Income Statement for the year are shown in the notes on “Financial income and expense”.

The bank loans and the loan from Romulus Finance S.r.l. are guaranteed, as described in detail in the individual balance sheet items, by:

- a lien (in the form of a mortgage) on the plant, machinery, capital goods and goods constituting ADR S.p.A.’s inventory, as well as any receivables deriving from the sale of such assets;
- a lien on all receivables and contracts with clients, and with ADR Tel S.p.A. and ADR Advertising S.p.A. and insurance policies;
- a lien on all of ADR S.p.A.’s current bank accounts;
- a lien on ADR S.p.A.’s shareholdings in ADR Tel S.p.A. and ADR Advertising S.p.A.;
- “ADR Deed of Charge” (a British lien on loans subject to British legislation, hedging agreements and insurance policies regulated by British law).

In addition, ADR S.p.A. has undertaken to periodically meet specific covenants. Breach of the covenants will activate certain measures designed to protect the lenders. These measures are graduated according to the degree to which the Company has breached the covenants. As of December 31, 2004 such covenants had been satisfied.

- “Amounts due to suppliers” decreased by 19,571 thousand euros due to shorter average payment periods.
- “Taxes due”, totaling 19,112 thousand euros, rose by 13,284 thousand euros primarily reflecting estimated tax expense for the year. This item also includes the 1 euro municipal surtax on passenger fees, charged to carriers by ADR S.p.A. as of June 1, 2004. This payable

amounts to 5,047 thousand euros as of December 31, 2004.

- “Other payables: sundry creditors” decreased by 822 thousand euros overall, mainly due to the combined effect of the greater amount due to personnel (up 717 thousand euros) and the Civil Aviation Authority in the form of license fees (1,247 thousand euros). These increases were partially offset by settlement of a portion of the payable due to the Menzies Aviation Group for acquisition of 49% of ADRH S.p.A. (down 1,750 thousand euros) and a reduction in suspended VAT payables (down 867 thousand euros).

As of December 31, 2004, total “Payables” of 1,924,501 thousand euros include 1,761,579 thousand euros of a financial nature, 102,057 thousand euros of trade payables and 60,865 thousand euros of sundry items.

A breakdown of the Group’s trade payables by geographical area is not provided as it is not significant given that limited amount due to overseas creditors.

“Payables secured by collateral on the Group’s assets” amount to 1,761,383 thousand euros (as described in the paragraph regarding amounts due to “Banks and other financial institutions”).

“Payables falling due beyond five years” amount to 1,337,269 thousand euros and regard amounts due to banks (above all Banca OPI) totaling 72,250 thousand euros and amounts due to other financial institutions of 1,265,019 thousand euros.

“Payables in currency exposed to exchange rate risks” total 582 thousand euros and refer to services supplied.

ACCRUED EXPENSES AND DEFERRED INCOME

| | 12.31.2003 | Changes during the year | 12.31.2004 |
|----------------------------------|------------|-------------------------|------------|
| ACCRUED EXPENSES | 15 | (15) | 0 |
| DEFERRED INCOME | | | |
| Sub-concessions and license fees | 1,884 | 1,612 | 3,496 |
| Other services | 2,467 | (73) | 2,394 |
| | 4,366 | 1,524 | 5,890 |

NOTES TO THE CONSOLIDATED MEMORANDUM ACCOUNTS

GENERAL GUARANTEES

| | 12.31.2004 | | | 12.31.2003 | | |
|-----------------------------|-----------------|-------------------|-------|-----------------|-------------------|-------|
| | Secured credits | Unsecured credits | Total | Secured credits | Unsecured credits | Total |
| Sureties: | | | | | | |
| – in favor of third parties | 0 | 111 | 111 | 0 | 111 | 111 |
| Other: | | | | | | |
| – in favor of clients | 0 | 396 | 396 | 0 | 184 | 184 |
| | 0 | 507 | 507 | 0 | 295 | 295 |

COMMITMENTS ON PURCHASES AND SALES

| | 12.31.2004 | 12.31.2003 |
|---------------------------------|------------|------------|
| COMMITMENTS ON PURCHASES | | |
| Investment: | | |
| – information systems, other | 343 | 0 |
| – electronic equipment | 1,122 | 1,663 |
| – maintenance and services | 0 | 1,454 |
| – vehicles and equipment | 71 | 68 |
| – self-financed works | 29,045 | 11,871 |
| – contract work | 0 | 942 |
| – financial transactions | 21,124 | 19,608 |
| | 51,705 | 35,606 |
| COMMITMENTS ON SALES | | |
| – electronic equipment | 0 | 930 |

The sub-item “Investment: financial investments” refer to a commitment given by the Group (worth 21,124 thousand euros) to purchase the preference shares held by the South African financial institution, United Towers Ltd, in the associated undertaking, ADR IASA Ltd, on April 11, 2005 – or before such deadline on the occurrence of certain events – at their issue price of 156 million rands. United Towers Ltd will also receive all the unpaid dividends accrued to that date, which are prudently estimated at December 31, 2004 to total 6.4 million rands. The equivalent amount in euros was computed by applying the closing rand/euro exchange rate of 7.690. The put option granted to United Towers is exercisable until April 30, 2005.

On April 8, 2004 an agreement was signed with United Towers Ltd (a member of the ABSA Bank Group), ADR IASA Ltd and ADR S.p.A. agreed to extend the deadline for exercise of the put option on the above preference shares from April 9, 2004 to April 11, 2005.

On February 28, 2003 the Parent Company, ADR S.p.A., granted IGPDecaux S.p.A. a put option on its holding in ordinary and preference shares in ADR Advertising S.p.A.. Such option is exercisable from the date of approval of the financial statements of ADR Advertising S.p.A. as of December 31, 2004 until December 31, 2011, given the occurrence of specific conditions. As the

conditions that would lead to exercise of the option have not occurred, such commitment is not quantifiable.

Commitments on purchases also include ADR S.p.A.'s commitment, as an operator of airport infrastructures, to draw up and implement noise reduction and abatement plans, as required by noise pollution legislation (Law 447/95) and the Ministerial Decree of November 29, 2000. Such commitments are difficult to quantify given the general nature of the regulations regarding the basis for calculation. In any event such costs, given that they would extend the useful lives of the Group-owned and leased assets to which they refer, would be capitalized. In the Group's Management Report on Operations, the measures that the Parent Company, ADR S.p.A., has implemented with a view to alleviating the acoustic impact of aircraft in the vicinity of the airport, are listed in the section on "Environmental protection".

The Parent Company has entered into a number of interest rate swaps designed to hedge the interest rate risk on outstanding loans. For further information reference should be made to the notes to "Payables".

OTHER MEMORANDUM ACCOUNTS

| | 12.31.2004 | 12.31.2003 |
|---|------------|------------|
| General guarantees received: | | |
| – sureties: | | |
| • received from suppliers | 42,700 | 43,711 |
| • received from clients | 37,133 | 35,954 |
| | 79,833 | 79,665 |
| Third party assets on free loan, deposited in custody, leased or similar: | | |
| – leased assets | 17 | 17 |
| – goods in process deposited with third parties | 0 | 430 |
| – CAA - plant and equipment at Fiumicino | 119,812 | 119,812 |
| – CAA - plant and equipment at Ciampino | 29,293 | 29,293 |
| – works carried out on behalf of the State | 665,635 | 664,437 |
| | 814,757 | 813,989 |
| | 894,590 | 893,654 |

"Third party assets in free loan, deposited in custody, leased or similar" include the value of assets received under concession at Fiumicino and Ciampino airports and the value of the work financed, completed and invoiced to the Civil Aviation Authority.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

TOTAL REVENUES

Revenues

| | 2004 | 2003 | Difference |
|---|---------|---------|------------|
| REVENUES FROM SALES | | | |
| Non-aviation activities: | | | |
| • duty free and duty paid | 47,573 | 45,568 | 2,005 |
| • other | 873 | 643 | 230 |
| | 48,446 | 46,211 | 2,235 |
| REVENUES FROM SERVICES | | | |
| Aviation activities: | | | |
| • fees | 147,127 | 137,204 | 9,923 |
| • handling | 106,397 | 101,921 | 4,476 |
| • centralized infrastructures | 35,028 | 33,467 | 1,561 |
| • security | 52,256 | 41,381 | 10,875 |
| • other | 10,668 | 10,161 | 507 |
| | 351,476 | 324,134 | 27,342 |
| Non-aviation activities: | | | |
| • sub-concessions and utilities | 81,594 | 73,198 | 8,396 |
| • car parks | 26,139 | 21,925 | 4,214 |
| • advertising | 23,905 | 22,909 | 996 |
| • refreshments | 7,960 | 7,702 | 258 |
| • other | 16,250 | 14,538 | 1,712 |
| | 155,848 | 140,272 | 15,576 |
| | 507,324 | 464,406 | 42,918 |
| REVENUES FROM CONTRACT WORK | 1,197 | 11,455 | (10,258) |
| Total revenues from sales and services | 556,967 | 522,072 | 34,895 |
| CHANGES IN CONTRACT WORK IN PROGRESS | (214) | (3,949) | 3,735 |
| REVENUE GRANTS | 31 | 71 | (40) |
| Total revenues | 556,784 | 518,194 | 38,590 |

63.1% of “Revenues”, which total 556,784 thousand euros, derived from “aviation activities” carried out by the Group, whilst 36.9% were generated by “non-aviation” activities. In 2003 “aviation activities” accounted for 62.6% of revenues and “non-aviation” for 37.4%.

“Revenues from sales”, deriving from the sale of goods through directly managed shops and consumables, amounted to 48,446 thousand euros, representing an increase of 4.8% on 2003. This was due to the increased turnover of directly managed shops, linked to traffic trends.

“Revenues from services” totaled 507,324 thousand euros, up 9.2% on 2003. A detailed analysis is provided in the section of the Management Report on Operations dedicated to the Group’s “Financial position and operating performance”.

“Revenues from contract work” (1,197 thousand euros) underwent a significant reduction with respect to 2003, falling 10,258 thousand euros, reflecting the reduced amount invoiced to the Civil Aviation Authority as works progressively reached completion. For the same reason, “Contract work in progress” decreased by 214 thousand euros with respect to the 3,949 thousand euro reduction of 2003.

Segment information

As required by Consob ruling 98084143 dated October 27, 1998, the following section provides segment information on the Group’s business. It is important to note that the type of activity carried out by the Group does not permit a breakdown of the various areas of activity into fully independent segments in relation to markets and customers. The “traffic” element currently affects all the Group’s activities.

However, it is possible to identify segments on the basis of the type of product or service offered and the production process involved. Information regarding the resulting segments has been extracted directly from the Group’s accounts. The following table provides information relating to the three principal areas of activity identified:

- **Airport fees:** paid in return for use of airport infrastructure.
- **Handling:** including handling contracts and supplementary services.
- **Centralized infrastructures.**
- **Non-aviation activities,** consisting of:
 - *sub-concessions:* including fees paid by sub-concessionaires operating on airport grounds, in addition to utilities;
 - *direct sales:* including revenues from directly operated duty free and/or duty paid outlets.

Finally, the category, “Other activities”, includes the sale of advertising space, the management of car parks and refreshment facilities, security, left luggage, contract work on behalf of the State, etc.

The following table shows a breakdown of revenues from the segments described. It should be noted, moreover, that the revenues earned by each segment relate entirely to third parties and do not include inter-segment transactions.

| REVENUES (€/000) | Fees | Handling | Centralized infrastructures | Non-aviation activities | | Other activities | Total |
|---------------------|--------------|--------------|-----------------------------|-------------------------|--------------|------------------|---------------|
| | | | | Sub-concessions | Direct sales | | |
| 2004 | 147,127 | 106,397 | 35,028 | 81,594 | 48,446 | 138,192 | 556,784 |
| 2003 | 137,204 | 101,921 | 33,467 | 73,198 | 46,211 | 126,193 | 518,194 |
| <i>Difference</i> | <i>9,923</i> | <i>4,476</i> | <i>1,561</i> | <i>8,396</i> | <i>2,235</i> | <i>11,999</i> | <i>38,590</i> |
| <i>% Difference</i> | <i>7.2%</i> | <i>4.4%</i> | <i>4.7%</i> | <i>11.5%</i> | <i>4.8%</i> | <i>9.5%</i> | <i>7.4%</i> |

Total revenues can be broken down into two macro-areas:

- “Aviation” (including fees, handling, management of centralized infrastructure, security services and left luggage) amounting to 351,476 thousand euros, compared with the 324,134 thousand euros of 2003;
- “Non-aviation” (including sub-concessions, direct sales, the management of advertising space and car parks, refreshments and contract work on behalf of the State) amounting to 205,308 thousand euros, compared with the 194,060 thousand euros of 2003.

A geographical breakdown of revenues would not be significant given that both airports managed by the Group are located within the same country.

Other income and revenues: other

| | 2004 | 2003 |
|---|-------|-------|
| Revenue grants | 31 | 71 |
| Gains on disposals | 210 | 23 |
| Other: | | |
| – releases: | | |
| • release from allowance for overdue interest | 105 | 251 |
| • release from other allowances | 31 | 0 |
| – expense recoveries | 41 | 112 |
| – recoveries of personnel expenses | 280 | 251 |
| – other revenues | 5,166 | 5,207 |
| | 5,623 | 5,821 |
| | 5,864 | 5,915 |

“Other revenues”, amounting to 5.2 million euros, includes the effects of updated valuations of costs and revenues, formerly estimated at the end of the previous year.

OPERATING COSTS

Depreciation, amortization and write-downs

“Amortization and depreciation” in 2004 amounted to 94,101 thousand euros (95,811 thousand euros in 2003), including amortization of intangible fixed assets of 80,890 thousand euros (81,192 thousand euros in 2003) and depreciation of tangible fixed assets of 13,211 thousand euros (14,619 thousand euros in 2003). Amortization of intangible fixed assets includes the charge for amortization of the concession, amounting to 49,284 thousand euros.

Further details are provided in the Notes to fixed assets.

“Provisions for doubtful” accounts totaled 11,981 thousand euros (3,061 thousand euros in 2003) and reflect an updated assessment of the creditworthiness of the Group’s clients.

Provisions for risks and other

“Provisions for risks” break down as follows:

| | 2004 | 2003 |
|--------------------------------|-------|------|
| Current and potential disputes | 6,332 | 532 |
| Leases of company divisions | 0 | 31 |
| Insurance deductibles | 443 | 282 |
| | 6,775 | 845 |

“Other provisions” (totaling 200 thousand euros) refer to provisions made for fixed assets to be relinquished.

Further information is provided in the notes to allowances for risks and charges.

It should be borne in mind that provisions to the Income Statement are made following determination of potential liabilities not absorbed by any surplus provisions deriving from updated assessments of the risks to which the Group is exposed.

Other operating costs

| | 2004 | 2003 |
|---------------------|--------|--------|
| Losses on disposals | 29 | 0 |
| Concession fees | 54 | 161 |
| Other | 15,438 | 11,772 |
| | 15,521 | 11,933 |

The item "Other", amounting to 15,438 thousand euros, primarily regards membership dues (763 thousand euros), indirect taxes and duties (968 thousand euros) and updated valuations of over-estimated costs and under-estimated revenues recognized in the 2003 financial statements (2,930 thousand euros). This item also covers losses on receivables (10,198 thousand euros) resulting from the decision to place the Volare Group in extraordinary administration as of December 3, 2004.

FINANCIAL INCOME AND EXPENSE

Other financial income

| | 2004 | 2003 |
|--|-------|-------|
| Interest and commissions on long-term receivables: | | |
| – other | 98 | 151 |
| Other: | | |
| – interest on overdue current receivables: | | |
| • clients | 1,039 | 507 |
| – interest and commissions from other companies and sundry income: | | |
| • interest from banks | 2,329 | 2,878 |
| • interest from clients | 223 | 19 |
| • other | 1,321 | 17 |
| | 4,912 | 3,421 |
| | 5,010 | 3,572 |

"Interest from banks", totaling 2,329 thousand euros, decreased by 549 thousand euros on 2003, when the figure reflected greater average liquidity, primarily deposited in term accounts providing higher returns.

The item "Other", totaling 1,260 thousand euros, regards accrued positive differentials on Interest Rate Swaps entered into in October 2004 in accordance with the loan agreement, as described in the notes to "Payables".

Interest expense and other financial charges

| | 2004 | 2003 |
|---|---------|---------|
| Interest and commissions due to parent companies | 0 | 191 |
| Interest and commissions due to others and sundry charges: | | |
| – interest and commissions paid to banks | 17,321 | 25,782 |
| – interest and commissions paid to other financial institutions | 56,425 | 50,030 |
| – provisions for overdue interest on doubtful accounts | 1,039 | 507 |
| – other | 27,170 | 24,897 |
| | 101,955 | 101,216 |
| | 101,955 | 101,407 |

The reduction in “Interest and commissions paid to banks” and the increase in those paid to “other financial institutions” reflect the effects of the restructuring of the Parent Company’s debt, which involved taking out a loan from Romulus Finance in place of bank debt in February 2003.

The item “Other” includes the sum of 26,057 thousand euros regarding negative interest differentials accruing on Interest Rate Swaps entered into in 2001 in accordance with the loan agreement, as described in the notes to “Payables”.

ADJUSTMENTS TO FINANCIAL ASSETS

| | 2004 | 2003 |
|--------------------------|-------|--------|
| Revaluations: | | |
| – of equity investments: | | |
| • ACSA Ltd | 7,989 | 13,438 |
| | 7,989 | 13,438 |

The revaluation of the associated undertaking, ACSA Ltd, derives from application of the equity method.

The decrease compared with 2003 is due to the prudent recognition in ACSA Ltd’s accounts of a sum of 127 million rands deriving from a reduction in fees posted by the company in the previous two years. The result for 2003 had also benefited from a gain on the sale of land owned by the company at Durban airport. For further information reference should be made to the section “Equity investments” in the Parent Company’s Management Report on Operations.

EXTRAORDINARY INCOME AND EXPENSE**Income**

“Extraordinary income” for the year totaled 1,280 thousand euros and breaks down as follows:

| | 2004 | 2003 |
|---|-------|-------|
| Other: | | |
| – income and recovery of expenses relating to previous years deriving from: | | |
| • total revenues | 133 | 241 |
| • operating costs | 477 | 71 |
| • financial income and expense | 47 | 1 |
| • taxes relating to previous years | 0 | 2,836 |
| • non-recurring items | 378 | 12 |
| • damages and compensation received | 245 | 0 |
| | 1,280 | 3,161 |

Expense

“Extraordinary expense” for the year totaled 7,223 thousand euros and breaks down as follows:

| | 2004 | 2003 |
|--|-------|--------|
| Taxes relating to previous years | 2,141 | 2,660 |
| Other: | | |
| – extraordinary expense: | | |
| • total revenues | 621 | 58 |
| • operating costs | 1,293 | 1,560 |
| • financial income and expense | 5 | 4 |
| • agreed settlements | 2,411 | 6,251 |
| • contingent liabilities | 322 | 664 |
| | 4,652 | 8,537 |
| – other extraordinary expense: | | |
| • payments due for lost freight | 113 | 41 |
| • fines | 253 | 66 |
| • antitrust fine | 0 | 1,666 |
| • damages and compensation paid to third parties | 53 | 68 |
| • other | 11 | 1,815 |
| | 430 | 3,656 |
| | 5,082 | 12,193 |

“Taxes relating to previous years”, totaling 2,141 thousand euros, primarily include 1,854 thousand euros relating to provisions made by ADR Handling S.p.A. to cover charges deriving from the tax audit for 2002 and its extension to include 2003 (144 thousand euros and 1,707 thousand euros, respectively). Further information is provided in the note to the “allowance for income taxes”. The balance for 2003, totaling 2,660 thousand euros, derived from Group companies’ participation in the amnesty pursuant to Law no. 289/2002, article 15.

“Other extraordinary expense” includes the cost of incentive payments made as part of the current efficiency drive being carried out by the Parent Company, ADR S.p.A., and the subsidiary

undertaking, ADR Handling S.p.A.. This gave rise to expense of 2,411 thousand euros (6,251 thousand euros in 2003).

INCOME TAXES

This item reports the estimated expense for current taxes for the year, totaling 26,200 thousand euros. Deferred tax assets of 450 thousand euros have also been recognized.

| | 2004 | 2003 |
|---|---------|---------|
| Current taxes: | | |
| – IRPEG | 0 | 6,679 |
| – IRES | 13,102 | 0 |
| – IRAP | 13,075 | 11,992 |
| – income taxes paid by overseas companies | 23 | 33 |
| | 26,200 | 18,704 |
| Net deferred tax (assets) liabilities: | | |
| – deferred tax assets | (1,331) | (3,507) |
| – deferred tax liabilities | 881 | (734) |
| | (450) | (4,241) |
| | 25,750 | 14,463 |

The increase in the current tax rate, above all for IRES which accounts for 40.7% of income before taxes compared with a theoretical rate of 33%, is primarily due to non-deductible costs. The reduced tax rate for IRES/IRPEG in 2003 was essentially due to the lower taxable income reported by the Parent Company.

For further information on the calculation of deferred tax assets see the item “Deferred tax assets” in the section on “Receivables”.

OTHER INFORMATION

Headcount

The following table shows the average number of employees of companies consolidated on a line-by-line basis by category:

| Average | 2004 | 2003 | Difference |
|------------------------|-------|-------|------------|
| Management | 61 | 66 | (5) |
| Administrative staff | 2,117 | 2,006 | 111 |
| Ground staff and other | 1,299 | 1,275 | 24 |
| Total | 3,477 | 3,347 | 130 |

The following table also shows the average number of employees by company:

| Average | 2004 | 2003 | Difference |
|------------------------|-------|-------|------------|
| ADR S.p.A. | 2,207 | 2,258 | (51) |
| ADR Handling S.p.A. | 1,212 | 1,038 | 174 |
| ADR Engineering S.p.A. | 31 | 31 | 0 |
| ADR Tel S.p.A. | 16 | 11 | 5 |
| ADR Advertising S.p.A. | 11 | 9 | 2 |
| Total | 3,477 | 3,347 | 130 |

Remuneration of Directors and Statutory Auditors

The remuneration of Directors and Statutory Auditors is shown in the table below (cumulatively for each category):

| Category | Remuneration (€/000) |
|--------------------|----------------------|
| Directors | 753 |
| Statutory Auditors | 293 |
| Total | 1,046 |

Information regarding current disputes

Tax litigation

In 1987, a general tax audit of the Parent Company's accounts from January 1, 1985 to February 18, 1987 was carried out, focusing in addition on certain aspects relating to previous years.

Despite the fact that the auditors found no evidence of irregular accounting practices or violations of statutory regulations, including misdemeanors punishable by fine in compliance with Law 516 of August 7, 1982, ADR S.p.A. was notified of certain irregularities regarding both direct and sales tax for the years between 1982 and 1987. The Company appealed the tax authorities' interpretation before the competent Tax Commissions.

During 2002, the Rome 1 Revenue Office appealed the sentence issued by the Regional Tax Commission for Rome – section no. 43 – before the Supreme Court. Such sentence had turned down the appeal against the sentence of the Tax Commission for the Province of Rome, dated April 9, 1999, which had accepted the grounds for ADR S.p.A.'s appeal against the allegations of income tax violations regarding the years 1985 and 1986.

On July 10, 2002 the tax authorities appealed to the Supreme Court, and ADR S.p.A. responded

by depositing its counter-evidence with the Court. Judgment is still pending.

Thus far the outcomes of the hearings conducted by the various tax commissions have been in the Parent Company's favor, confirming the legal interpretation adopted and a positive outcome for the Company.

In December 2004 the Rome 7 Revenue Office notified the subsidiary undertaking, ADR Handling S.p.A., of a claim for back taxes and fines regarding IRPEG and IRAP for 2002. Based on a different interpretation of an article of the Consolidated Tax Act compared with the interpretation applied by the Company, in agreement with its tax consultants, the tax authorities retain that certain maintenance expenses incurred during the year in question are not tax deductible, because of an extraordinary nature. In February 2005 the company notified the tax authorities of its intention to challenge the revenue office's findings.

Administrative, civil and labor litigation

Administrative, civil and labor litigation is followed by the Group through its internal legal departments which have provided, for the preparation of the accounts as of and for the year ended December 31, 2004, a complete and exhaustive breakdown of the different civil, administrative and arbitration proceedings outstanding as of that date.

As regards litigation as a whole, the Group carried out a valuation of the risk of negative outcomes leading to the creation of a specific allowance under "Allowances for risks and charges" to cover the cost of litigation likely to result in a negative outcome and for which a reasonable estimate of the amount involved could be made. The disputes for which a negative outcome was merely possible, given the different legal interpretations, were not the object of provisions in accordance with the principles and procedures governing the preparation of financial statements. Furthermore, there are a limited number of civil proceedings underway, for which no provisions were made, as the impact of any negative outcome, while negligible, could not be measured.

Significant disputes are summarized below:

- With regard to relations with public bodies, Supreme Court sentence no. 15023/01 regarding the appeal against the arbitrator's award of June 12, 1996 and the subsequent sentence issued by the Court of Appeal on May 18, 1999, turned down both ADR S.p.A.'s appeal and the counter-appeal presented by the government.

The sentence thus confirmed the validity of the Court of Appeal's judgment passed in 1999. This, on the one hand, established that public bodies should have rent-free access to the premises necessary in order to carry out their legally required duties regarding aircraft, passengers and freight movements, whilst, on the other, requiring such bodies to pay for the services and utilities relating to said premises (the arrangement already applied in ADR S.p.A.'s financial statements).

In the meantime the Parent Company has proceeded to apply to the Ordinary Court for injunctions allowing it to recover accrued receivables due from the various ministries. The latter have opposed such injunctions, not questioning that payment is due for use of the services, but challenging the determination of amounts and the methods of calculation. The related judgments are pending.

- On May 26, 1999 ADR S.p.A. appealed Ministry of Finance Decree no. 86, dated March 5, 1999, before the Lazio Administrative Court. The Decree establishes the license fees to be paid by airport operators for the years prior to 1997. The appeal, which has been prepared by the appointed legal counsel, highlights the absence of grounds for application of the above fees to ADR S.p.A., and the absence of any legal basis for demanding back-dated payments in accordance with former legislation (Law no. 755/73). Judgment is still pending.

A similar action brought by ADR S.p.A. before the Civil Court of Rome, with the aim of

ascertaining that the Company is not required to pay any back-dated fees to the Ministry of Transport for the years prior to 1997, ended with the issue of sentence no. 5283/2004. This sentence, which upheld ADR S.p.A.'s position, declared that the Company has no obligation to pay the government license fees for the years prior to 1997 in application of the Convention of June 26, 1974.

- Following a complaint by Alitalia, AGISA (Association of Independent Airport Services Operators), Aviation Services, Cimair Blu and ARE, the Antitrust Authority launched an investigation of ADR S.p.A. to ascertain whether the company had abused its dominant position regarding fees charged for ground handling services, or whether it had put obstacles in the way of self-handling operations. In a resolution of September 20, 2000, the Authority closed the investigation of ADR S.p.A., launched with the resolution of November 4, 1999, finding that the Company had not abused its dominant position either with respect to the fees charged for ground handling services, or with regard to self-handling. The Authority did, however, find anti-competitive practices in relation to Aviation Services (Meridiana Group), although no fine was inflicted. The Parent Company has appealed the latter finding before the Lazio Administrative Court, but a date for the hearing has yet to be set.
- Alitalia and Alitalia Airport have appealed to the Lazio Regional Administrative Court against the Italian Civil Aviation Authority (ENAC) and the Director of Fiumicino Airport and against ADR S.p.A. and ADR Handling S.p.A. as interest parties. The appellants have requested the cancellation, subject to suspension, of both the Aviation Authority's provisions of September 26, 2000, by which the Authority defined the centralized infrastructure at Fiumicino Airport, including the cargo storage plant, and the act of March 29, 2001, by which the Director of Rome Fiumicino Airport ordered the appellants to "cease, with immediate effect, all activities regarding cargo handling, in relation to both services subject to limits and those for which it might have been necessary to use Alitalia's cargo plant". An announcement of the date of the relevant hearing is awaited, given that the appellants have withdrawn their request for a suspension.
- On March 3, 2003 ADR S.p.A., together with Assaeroporti and leading Italian airport operators, submitted an extraordinary appeal to the President of the Republic for annulment, with prior suspension, of the Civil Aviation Authority Regulations dated September 30, 2002 regarding "the construction and operation of airports", with which the Authority intends to apply ICAO Annex 14.
- The Ministerial Decree of November 29, 2000 requires the operators of public transport services and the related infrastructure to draw up action plans for the reduction and abatement of noise, and to make provisions in line with forecast penalties if such limits should be exceeded. The legislation has been independently appealed by all airport operators to the Council of State, with the aim of obtaining an annulment of Lazio Regional Administrative Court's sentence no. 3382/2002. Sentence no. 5822/2004 of September 7, 2004 partially rejected the appeals brought by the airport operators. The consequences of this judgment are summarized below.

The Appeal Judge, citing grounds that are partially different from those on which the appealed sentence was based, has decided that airport operators have an obligation to reduce noise pollution and thus prepare noise abatement action plans under two conditions:

- identification of the boundaries of the areas covered by the Ministerial Decree of October 31, 1997 (see the section of the Management Report on Operations dealing with "Environmental protection: Noise abatement");
- verification, according to a precise schedule, of instances when noise pollution limits are exceeded outside the areas covered by the regulations, as established by the Prime Ministerial Decree of November 19, 1997, with reference to be made to the limits

established in municipal zoning bylaws or, in their absence, by art. 6, paragraph 1 of the Prime Ministerial Decree of March 1, 1991.

Within the areas covered by the regulations, on the other hand, emission limits (as defined by art. 3, paragraph 3 of the Prime Ministerial Decree of November 14, 1997) are only applicable “for all noise sources other than airport infrastructures”. The limits established by the Ministerial Decree of October 31, 1997 remain in force. These limits “provide for three areas (zones A, B and C) with various levels of LVA (the indicator used to measure airport noise emissions and different from the “Noise Equivalent level” used to establish the levels applied in the Prime Ministerial Decree of November 14, 1997).

The obligation to make financial provisions to cover the cost of adopting noise reduction and abatement measures, regardless of whether or not the above limits have been exceeded, derives from Framework Law no. 447/95 (art. 10, paragraph 5) and not the Ministerial Decree to which the appeal judge’s sentence refers, as the latter is merely a repetition of the legal provisions referred to.

The Ministry of the Environment “assumes that the obligation to make provisions is valid regardless of whether or not the noise emission limits have been exceeded (thus as of the entry into force of Law no. 447/95)”; at the same time “all issues regarding the reasonableness of such obligation, even where limits have not been exceeded, are beyond the scope of this action, by which the appellants have appealed a regulation that merely requires communication of the provisions made”.

The above sentence, moreover, does not exclude the possibility that the issue of “the reasonableness” (or otherwise) of the above regulation establishing the obligation to make provisions may be appealed by airport operators before the relevant courts. A description of the relevant accounting treatment is provided in the notes to the “Memorandum accounts”.

- In July 2003 ADR S.p.A. lodged an appeal with the Lazio Regional Administrative Court in which it contested the request by the Antitrust Authority of May 12, 2003 to pay a sum of 1.2 million euros, equivalent to thirteen six-monthly “surcharges” on penalties of 0.9 million euros imposed on ADR S.p.A. in 1993 following a dispute about handling.

The appealed letter follows payment by ADR S.p.A. of an amount corresponding to only five six-monthly surcharges (0.5 million euros, as well as the original penalty) rather than the total of eighteen six-monthly surcharges requested by the Authority.

In ADR S.p.A.’s opinion, the surcharges are not due for the period in which the Antitrust Authority’s penalty was “suspended” following acceptance by the Lazio Regional Administrative Court of ADR S.p.A.’s request for a suspension in 1993 (as part of the appeal in which ADR S.p.A. contested the Antitrust Authority ruling), and until the sentence handed down by the court in July 2000.

With sentence no. 198/2004, handed down on May 6, 2004, the Lazio Regional Administrative Court accepted ADR S.p.A.’s appeal and, in particular: 1) annulled the disputed act (the letter from the Antitrust Authority dated May 12, 2003 in which the Authority laid claim to a sum of 1.7 million euros rather than 0.5 million euros; 2) ruled that ADR S.p.A. was not liable for payment of the surcharge stipulated in said act; and 3) ordered payment of legal interest to ADR S.p.A. for the period of the dispute (thirteen six-month periods, unless a different interpretation should arise from a reading of the grounds for the sentence).

In October 2004 the Antitrust Authority appealed the Lazio Regional Administrative Court sentence before the Council of State. The date of the hearing has yet to be announced.

- In September 2003 ADR S.p.A. issued notice of appeal to Lazio Regional Administrative Court against Ministerial Decree 14/T of March 14, 2003 (published in the Official Gazette of June 3, 2003) containing provisions regarding the payment of fees for the 100% screening of hold baggage, as interpreted, in relation to the date from which such fees are to be applicable, in

- Civil Aviation Authority letters dated June 3, 2003 and June 11, 2003. The main reasons for the appeal are: (a) the contradictory nature of the two letters from the Civil Aviation Authority; and (b) the lack of any provision regarding collection of the fees prior to the implementation of the Ministerial Decree. In fact, pursuant to local airport authority ordinance 14/2002, as interpreted by the local airport authority's letter of January 9, 2003, ADR S.p.A. was obliged, as of February 1, 2003, to carry out 100% screening of hold baggage with no possibility of charging fees for the service. Such fees were belatedly determined by the Ministerial Decree published in the Official Gazette on June 3, 2003. The appeal aims, among other things, to recover the fees due for the period between the date the decree became valid (June 3, 2003) and the date authorized by the Civil Aviation Authority in a separate letter (June 26, 2003).
- In September 2003 ADR S.p.A. lodged an appeal with Lazio Regional Administrative Court against the Executive Decree of June 30, 2003 (definition of airport license fees for 2003) published in the Official Gazette on July 7, 2003, as amended in the notice published in the Official Gazette on September 6, 2003. This Decree established methods different from those applied until the end of 2002, for calculating annual fees due from, among others, global airport operators pursuant to special laws. Such methods of calculation are deemed to be illegitimate as they introduce an element of “adjustment” to the resulting figures regarding the “earnings” that passengers produce in relation to the airport. In ADR S.p.A.'s opinion, such an adjustment is not provided for in the related legislation, and is also discriminatory and detrimental to fair competition.
 - On December 12, 2003 four sentences were published relating to four respective judgments regarding opposition to injunctions proposed by ADR S.p.A. to recover payables due from Air Sicilia, which is in bankrupt, pending before the eighth section of the Civil Court of Rome. The outcome of these judgments is favorable to ADR S.p.A. as the Court ordered Air Sicilia to pay 0.6 million euros, a sum that will be added to the statement of account presenting proof of the debts due from the bankruptcy of Air Sicilia (declared on January 21, 2003 by the Bankruptcy Court of Caltagirone) together with amounts accrued subsequent to the above-mentioned judgments. The proofs of the debts due from Air Sicilia have been rejected. ADR S.p.A. intends to appeal the decision, which it holds to be illegitimate. On June 23, 2004, an action was instituted for damages, with ADR S.p.A. as plaintiff, in judicial proceedings brought before the Attorney's Office of Caltagirone against seven members of the Board of Directors and the Board of Statutory Auditors of the bankrupt Air Sicilia S.p.A., with accusation of fraudulent bankruptcy. A date has yet to be fixed for a hearing to discuss this action.

The following claims with regard to contract work, services and supplies have been brought before the Civil Court of Rome:

- Following the partial judgment of May 8, 2003 regarding the action brought by ATI Alpine Bau in relation to the upgrading of runway 3, the judge postponed assessment of the amount of damages until after the outcome of an expert appraisal, to be carried out by the same court-appointed expert appointed for the principal action. The new expert appraisal deposited at the hearing of January 27, 2005 does not significantly change the assessment regarding the outcome of the action. The judge adjourned the hearing until June 8, 2005 when the court will pronounce sentence.

On June 23, 2004, having decided that it would not wait any longer for the final damages to be assessed, Bonifica S.p.A. (the company that carried out the design work for runway 3) appealed the sentence on the merits of the case. At the hearing of November 3, 2004 the appeal judge adjourned the case until February 22, 2005, withholding judgment.

ADR S.p.A. and ADR Engineering S.p.A. reserved the right, pursuant to art. 340 of the Civil Procedures Code, to appeal both sentences (on the merits and on the damages) following issue

of the second and final sentence, for which the above expert appraisal was carried out. In view of Bonifica's appeal, and the subsequent action brought by Alpine, ADR S.p.A. has decided to appeal.

- In the lawsuit taken out by ATI COMER Costruzioni Meridionali S.r.l. - Elli Panci S.r.l. - Marino Appalti (summons notified on February 22, 2002) regarding the upgrading of runway 16R/34L, the section of the Alfa taxiway north of the AB connecting taxiway, and the AA and AB connecting taxiways at Fiumicino airport, amounting to 0.7 million euros plus interest, the judge ordered an expert appraisal "of the claimed damages".

At the hearing of September 16, 2004, called to examine criticism of the above expert appraisal, the judge withheld judgment on the criticism. The hearing was adjourned until December 1, 2005 when the judge will pronounce sentence.

- A lawsuit was taken out by ATI Elsag S.p.A. - CML Handling Technology S.p.A. regarding payment of sums posted to accounts relating to the contract to construct the new baggage handling system at Fiumicino airport, amounting to 7.4 million euros, plus interest. At a hearing on June 16, 2004 the judge, taking into account the plaintiffs' request for an enquiry and ADR S.p.A.'s response, adjourned the case until a hearing on November 18, 2004. At this hearing judgment was withheld regarding admission of the evidence presented. The related judgment is still awaited.
- ADR S.p.A. has appealed the sentence handed down by the Civil Court of Rome regarding the claim filed by Consorzio Cooperative Costruzioni to obtain compensation for damages purportedly incurred by the plaintiff while work was under way to enlarge the central area of the international terminal. This sentence partially accepted the demands made by CCC and ordered ADR S.p.A. to pay a sum of 1.2 million euros as well as legal costs and interest. At the first hearing held on January 21, 2005, the court discussed the request for an injunction halting implementation of the appealed sentence; the court withheld judgment.
- A claim for damages, in relation to the contract for the extension and restructuring of the international terminal at Rome's Fiumicino Airport and related works, has been brought by Consorzio Aerest (in liquidation). The claim amounts to approximately 2.2 million euros plus VAT, interest and revaluation. On October 8, 2004 the Court of Rome partially upheld the Consorzio Aerest's claim, requiring ADR S.p.A. to pay the consortium the sum of approximately 167 thousand euros, rejecting all other claims and apportioning the legal costs to both parties.
- A claim by Astaldi S.p.A. (which took over APL contract no. 704/95 from Italstrade S.p.A.) regarding the construction of the road link between runways 07/25 and 16L/34R at Leonardo da Vinci Airport in Fiumicino, in which the plaintiff requests that ADR be ordered to pay eleven reserves posted in the accounts in relation to said works, for a total of 3.0 million euros plus legal interest, as well as legal costs and fees.

At a hearing on June 30, 2004, ADR S.p.A.'s defense counsel opposed acceptance of the expert appraisal and the judge withheld judgment. In the subsequent judgment, the judge rejected the technical evidence submitted by the plaintiff, stating that the dispute was of an exclusively legal nature and not technical. The court will pronounce sentence at the hearing of April 6, 2005.

- A claim brought by Astaldi S.p.A. (which took over APM contract no. 450/95 from Italstrade S.p.A.) regarding the construction of the Satellite West aprons and road network at Leonardo da Vinci Airport in Fiumicino, in which the plaintiff requests that ADR S.p.A. be ordered to pay twenty-one claims posted in the accounts in relation to said works, for a total of 7.3 million euros, as well as legal costs and fees. On October 1, 2004 the judge in the case rejected Astaldi's request for an appraisal to be carried out by a court-appointed expert, stating that the investigations requested by the plaintiff were inadmissible, and thus declaring that sentence

can be passed. The hearing was adjourned until October 28, 2005 when the court will pronounce sentence. On December 2, 2004 the Appeal Court of Rome rejected the request, put forward by ADR S.p.A.'s defense counsel, for injunctive relief whilst awaiting judgment regarding the provisional execution of the sentence appealed and adjourned the hearing until April 10, 2007 when sentence will be pronounced.

- A civil lawsuit brought by Finprest to obtain recognition of its right to a sum of 3.2 million euros pertaining to review of contract prices, revaluations and interest in relation to a contract (dating back to 1988) for restructuring and extension works at the “old” domestic terminal (Terminal A) at Leonardo da Vinci airport in Fiumicino. The relevant hearing will take place on October 19, 2004; the judge adjourned the above hearing until March 16, 2005.
- On May 22, 2003 the Civil Court of Rome, in sentence no. 17134/2003, partially accepted the request made by Garboli Rep (plaintiff) and ordered ADR to pay damages to the former on the grounds that claims 5 and 7 were justified. Damages were set at 0.4 million euros, plus legal interest and overdue interest. The above-mentioned dispute refers to 7 claims (totaling 0.8 million euros) posted in the accounts relating to the contract for work on the road network, sub-service networks and transit tunnels within the scope of the so-called “Lot Opposite International Terminal” at Fiumicino. ADR has decided to appeal this sentence. On December 2, 2004 the Appeal Court of Rome rejected the request, put forward by ADR S.p.A.'s defense counsel, for injunctive relief whilst awaiting judgment regarding the provisional execution of the sentence appealed and adjourned the hearing until April 10, 2007 when sentence will be pronounced.
- SAICOM has brought a claim for damages caused by flooding of the land adjacent to runway 3. The court-appointed expert has quantified such damages at 1.2 million euros. Further criticism of the expert appraisal was submitted at the hearing of May 27, 2004 and the final judgment was delayed until the hearing of January 12, 2006, giving the parties time to deposit their final statements and observations.
- On December 30, 2004 ATI NECSO Entrecanales – Lamaro Appalti notified its decision to appeal sentence 35859/2003 issued by the Civil Court of Rome, summoning ADR S.p.A. to appear before the Appeal Court of Rome at a hearing on March 30, 2005. In addition to rejecting ATI NECSO's claims, the judge at the initial hearing also ordered the company to pay ADR S.p.A.'s costs.

ATI NECSO is claiming damages of 9.8 million euros, plus VAT, interest, revaluation and costs, from ADR S.p.A. in relation to 7 claims posted in the accounts relating to the contract for work on the extension and restructuring of the international terminal (Satellite West) at Fiumicino. In view of the positive outcome of the initial hearing, the Group believes the likelihood of a negative outcome to be remote.

Current litigation and other potential disputes should not give rise to liabilities greater than the amount that has already been provided for.

* * *

In conclusion, we declare that these accounts, accompanied by the Management Report on Operations, present a true and fair picture of the Group's financial position and results of operations for the year.

The Board of Directors

Report of the Independent Auditors

Deloitte.

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AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ARTICLE 2409 - ter OF THE CIVIL CODE

To the Shareholders of Aeroporti di Roma S.p.A.

1. We have audited the consolidated financial statements of Aeroporti di Roma S.p.A. and subsidiaries as of December 31, 2004. These consolidated financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
2. We conducted our audit in accordance with Auditing Standards generally accepted in Italy. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion. The responsibility for the audit of the financial statements of certain subsidiaries and associated companies, representing approximately 6% of consolidated total assets and 4% of consolidated revenues, rests with other auditors.

For the opinion on the consolidated financial statements of the prior year, which are presented for comparative purposes as required by law, reference should be made to the auditors' report issued by other auditors on April 2, 2004.

3. In our opinion, the consolidated financial statements present fairly the financial position of Aeroporti di Roma S.p.A. and subsidiaries as of December 31, 2004, and the results of its operations for the year then ended in accordance with the Italian law governing financial statements.

DELOITTE & TOUCHE S.p.A.

Signed by
Domenico Falcone
Partner

Rome, Italy
April 7, 2005

This report has been translated into the English language solely for the convenience of international readers.

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