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

	(until the General Meeting of June 4, 2004)	*(after the General Meeting of June 4, 2004)*
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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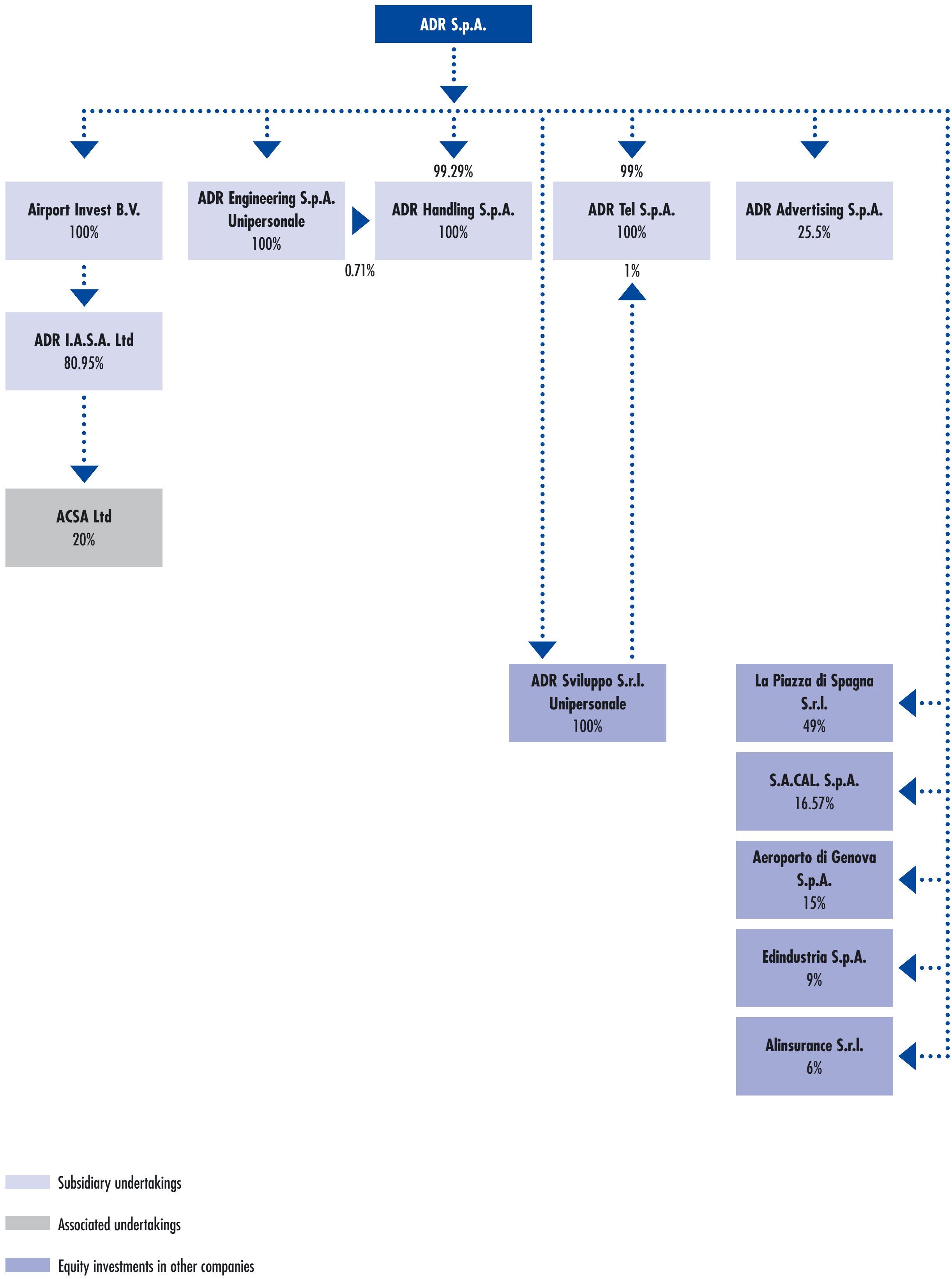
The ADR Group



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
of which: Parent Company's share	*3,942*	*(2,027)*	*5,187*	*23,755*

	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

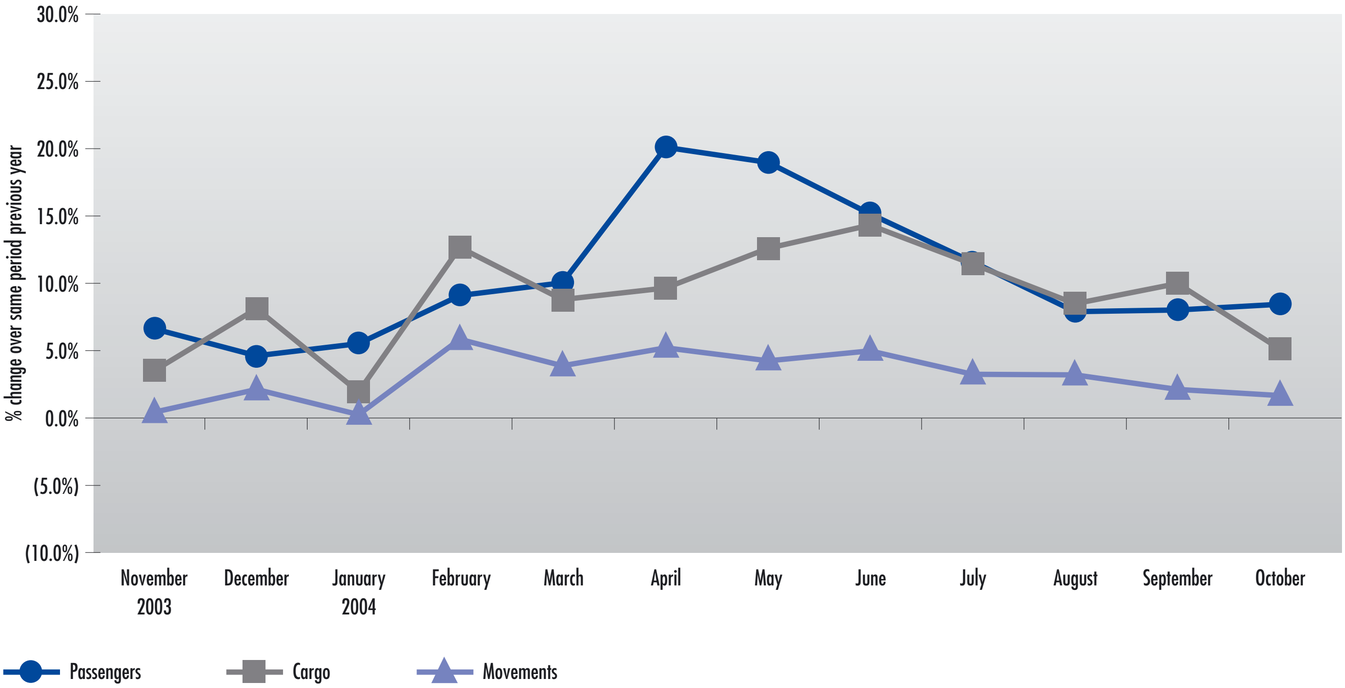
Aviation activities

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 2004[2].

[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*

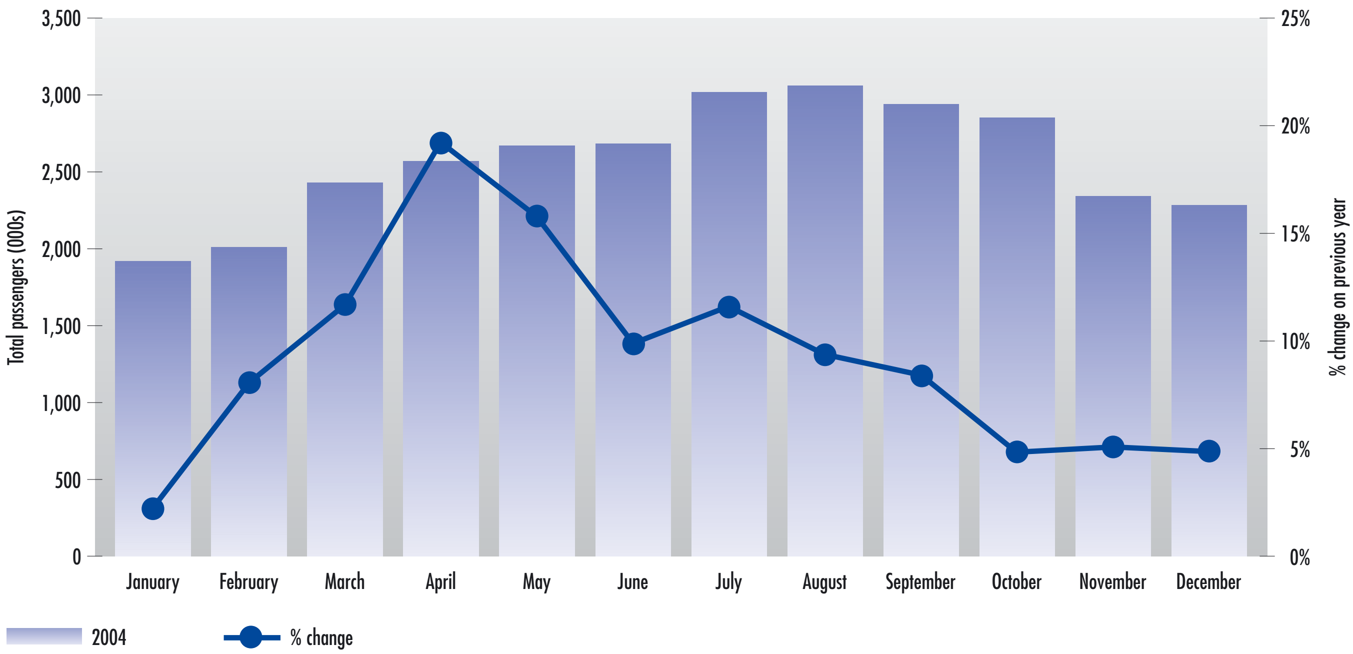
The Roman airport system

During 2004 the main European airports[4] 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:

	2004		2003		Change	
Traffic component	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%.

Traffic component	2004[5]	2003	Change %
No. of aircraft movements	44,263	37,128	+19.2%
Including: *Scheduled*	*18,821*	*12,584*	*+49.6%*
Charter	*1,629*	*2,450*	*-33.5%*
Express couriers	*4,575*	*4,550*	*+ 0.5%*
General aviation	*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 indicators[6] 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.

(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).

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, it's 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**
Including:			
on permanent contracts	*2,938*	*2,904*	*34*
on temporary contracts	*771*	*790*	*(19)*

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 assests	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**
including:			
– Minority interest	*2,518*	*3,110*	*(592)*
– Parent Company's interest	*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)**
(*) including the value of the concession totaling	*1,946,704*	*1,995,988*	*(49,284)*

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:			
– intagible	(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**

(*) Constitued 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 04/03	Fiumicino	% change 04/03	Ciampino	% change 04/03	Domestic	% change 04/03	International	% change 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

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

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)

Notes to the Consolidated Financial Statements

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.

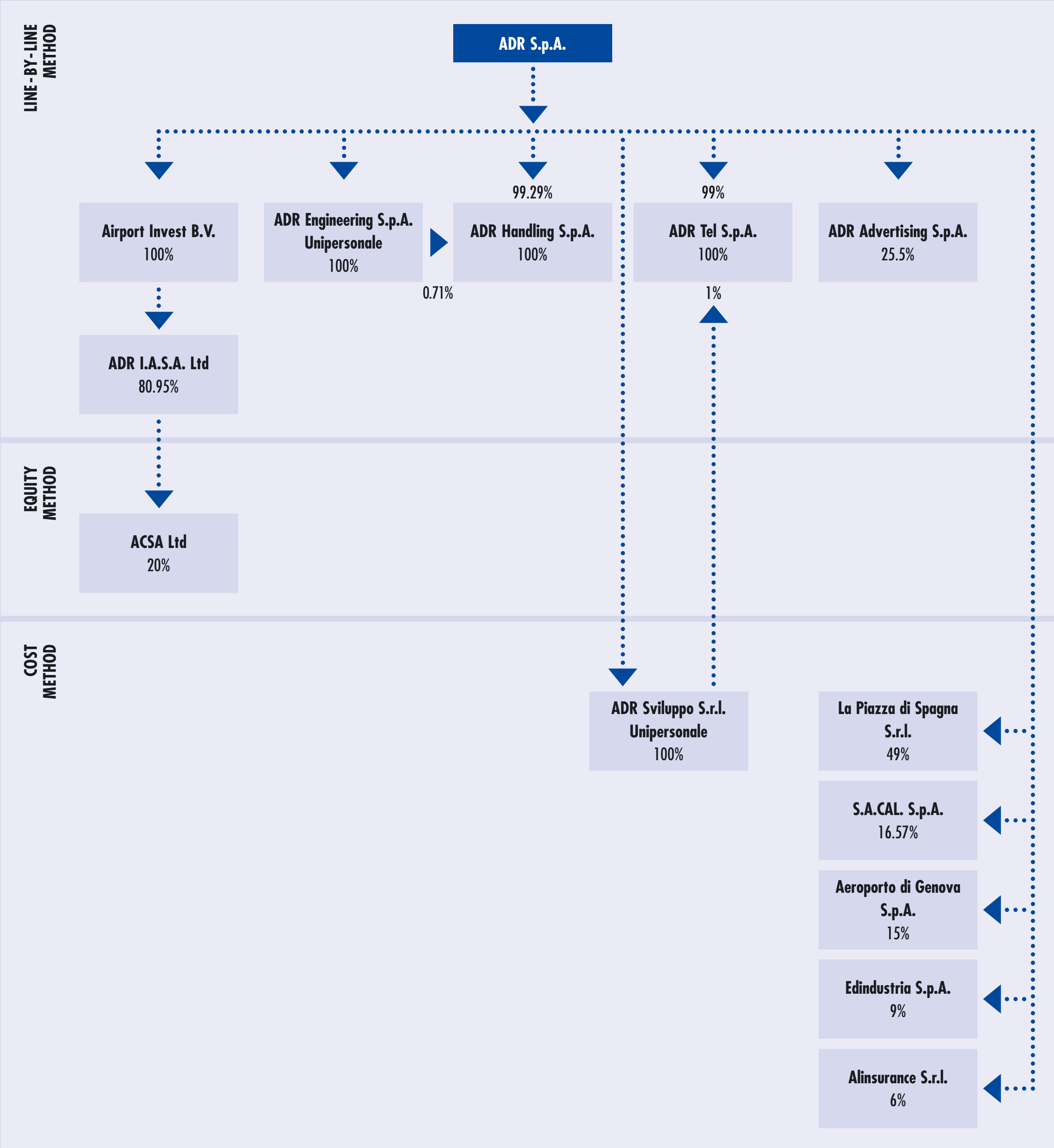
BASIS OF CONSOLIDATION

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 intagible fixed assets is provided on the following page.

Intangible fixed assets

	12.31.2003		
	Cost	Amortization	Book value
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);

Changes during the year			12.31.2004		
Purchases/ Capitalization	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 foxed 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 (+) Repayments (-)	Provisions (-) 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 (A)		Increase (B)		Decrease (C)		Balance at 12.31.2004 (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
Syndacate 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	Fees	Handling	Centralized infrastructures	Non-aviation activities		Other activities	Total
(€/000)				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
Difference	*9,923*	*4,476*	*1,561*	*8,396*	*2,235*	*11,999*	*38,590*
% Difference	*7.2%*	*4.4%*	*4.7%*	*11.5%*	*4.8%*	*9.5%*	*7.4%*

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. - F.lli 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 export, 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 export 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, summonsing 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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Company Report and Financial Statements 2004

Contents

Highlights

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 economic, financial and operational data (in thousands of euros)	2004	2003	2002	2001 [1]
Revenues	486,777	463,979	456,061	446,717
EBITDA	236,085	208,320	205,085	182,503
EBIT	126,627	105,245	113,158	85,952
Net income	12,244	1,069	4,063	23,490
	12.31.2004	**12.31.2003**	**12.31.2002**	**12.31.2001**
Invested capital	2,358,392	2,392,980	2,360,265	2,402,521
Shareholders' equity	758,053	745,809	777,097	773,034
Net debt	1,600,339	1,647,171	1,583,168	1,629,487
Short-term cash and cash equivalents	144,680	97,848	68,170	75,513
Medium-/long-term debt	1,745,019	1,745,019	1,651,338	1,705,000
Ratios				
Revenues/Average headcount (€/000)	221	205	201	185
No. of passengers/Average headcount	13,899	12,435	11,591	10,911
Other information				
Headcount	2,314	2,256	2,327	2,318
Investment (€/000)	51,643	49,238	53,275	42,821

(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.

OPERATIONS

(Translation from the original issued in Italian)

Dear Shareholders,

The Company reported net income of 12.2 million euros in 2004, compared with net income of 1.1 million euros in 2003.
In 2004 the number of airport passengers amounted to 30.7 million, a significant increase (up 9.2%) compared with 2003. This positive passenger traffic performance was not matched by earnings growth, which rose by 6.2% with respect to 2003 (net of the State-financed works component whose programs are coming to an end). Total revenues amounted to 485.7 million euros.
The aviation sector reported total revenues of 272.8 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 214.0 million euros, rose overall by 5.0%, 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 236.1 million euros, improved on the previous year both in absolute terms (up 13.3%) 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 2.1 million euros, due to increased dividends from subsidiary undertakings and the better balance, achieved in late 2004, between the fixed and floating interest rate components of debt.
Net extraordinary income of 1.9 million euros reflects the reversal of tax-related entries, made necessary by the recent company law reform.
Thanks to the improvement in profit margins, net income rose from 1.1 million euros in 2003 to 12.2 million euros, after estimated tax expense of 24.1 million euros.
During 2004 the Company's net debt fell from 1,647.2 million euros at the end of 2003 to 1,600.3 million euros at the end of 2004, a decrease of 46.9 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 ADR S.p.A.'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 Company'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.

INVESTMENT

During 2004, the Company continued the development of infrastructure and facilities at Fiumicino and Ciampino airports, carrying out works totaling 51,643 thousand euros (49,238 thousand euros in 2003). Further details on the main works can be found in the Group's Management Report on Operations.

RESEARCH AND DEVELOPMENT

ADR S.p.A. did not carry out any research and development activities during 2004.

PERSONNEL

The headcount as of December 31, 2004, including staff on temporary contracts, was 2,314, broken down as follows:

Year-end total	12.31.2004	12.31.2003	Change
Managers	43	49	(6)
Supervisors	197	191	6
Office staff	1,469	1,410	59
Ground staff and other	605	606	(1)
Total	**2,314**	**2,256**	**58**
including:			
on permanent contracts	*1,934*	*1,945*	*(11)*
on temporary contracts	*380*	*311*	*69*

Compared with December 31, 2003, personnel increased by a total of 58. Staff on permanent contracts decreased by 11, while those on temporary contracts rose by 69.
The decrease in permanent employees primarily reflects the greater number of people who left the Company (-82), having taken redundancy packages, resigned or reached retirement age, with respect to recruitment (+71), which essentially regarded the conversion of long-term seasonal contracts into permanent ones.

In addition to the 9.2% increase in air traffic, the increase in temporary personnel (up 69) is, on the other hand, linked to the start-up of new activities (the newly opened Cargo City, new security checkpoints, the extension and opening of new shops).
The productivity of personnel (passengers/average headcount) rose 11.8% compared with 2003.
Overtime as a percentage of workable hours fell from 6.3% in 2003 to 5.4% in 2004. Once again in 2004 the Company focused on the uptake of vacation days for 2004 and the use of rest days, which amounted to 100% and 60%, respectively.

On the organizational front, design and implementation of the new operating models for the Security Operations and Cargo Operations sections of the Aviation Business Unit took place in 2004. Above all, with regard to the first project, an operating model designed to strengthen and improve the planning and management of shift work was introduced, involving the adoption of a support information system (UFIS). The new model in the Cargo Operations section enabled better integration of physical and information system processes and the strengthening of operating controls via the introduction of process supervisors.
A total of 63,788 hours of training were carried out, representing 7,973 days and involving 1,009 participants.
The sale of training initiatives to other airports continued, with the provision of 69 courses at Catania, Palermo, Lamezia Terme, Genoa and Ancona, involving 562 participants.

FINANCIAL POSITION AND OPERATING RESULTS

Given that ADR S.p.A.'s results have a substantial influence on those of the Group, the following commentary focuses primarily on a summary of the Parent Company's performance. For a better understanding reference should be made to the section dealing with the Group's financial position and operating results.

Reclassified Income Statement

RECLASSIFIED INCOME STATEMENT (in thousands of euros)	2004	2003	Change
Revenues from sales and services	485,703	457,483	28,220
Contract work in progress	1,074	6,496	(5,422)
A. – REVENUES FROM ORDINARY ACTIVITIES	**486,777**	**463,979**	**22,798**
Cost of materials and external services	(149,720)	(150,979)	1,259
B. – GROSS MARGIN	**337,057**	**313,000**	**24,057**
Payroll costs	(100,972)	(104,680)	3,708
C. – GROSS OPERATING INCOME	**236,085**	**208,320**	**27,765**
Amortization and depreciation	(92,554)	(93,244)	690
Other provisions	(11,469)	(2,593)	(8,876)
Provisions for risks and charges	(5,285)	(77)	(5,208)
Other income (expense), net	(150)	(7,161)	7,011
D. – OPERATING INCOME	**126,627**	**105,245**	**21,382**
Financial income (expense), net	(92,187)	(94,307)	2,120
Adjustments to financial assests	0	0	0
E. – INCOME BEFORE EXTRAORDINARY ITEMS AND TAXES	**34,440**	**10,938**	**23,502**
Extraordinary income (expense), net	1,878	3,214	(1,336)
F. – INCOME BEFORE TAXES	**36,318**	**14,152**	**22,166**
Income taxes for the year:			
– current taxes	(23,032)	(15,468)	(7,564)
– deferred tax assets (liabilities)	(1,042)	2,385	(3,427)
	(24,074)	**(13,083)**	**(10,991)**
G. – NET INCOME (LOSS) FOR THE YEAR	**12,244**	**1,069**	**11,175**

The Company's revenues (excluding State-financed works nearing completion) totaled 485.7 million euros, up 6.2% 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 12.6 million euros (up 4.8%), despite the 11.6 million euro decline in handling revenues due to the transfer of handling activities at Ciampino to ADR Handling S.p.A. as of December 31, 2003.

The positive performance of this segment benefited from the substantial contribution from security activities (up 26.2%, 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 3.7%.

"Non-aviation activities" posted a rise of 5.0%, thanks to the development of sub-concessions (retail and non-retail) and utilities (up 13.2%), and car park management (up 19.1%). The reduction in revenues from the sale of advertising space (down 7.1 million euros) derives from the lease of the relevant division to the subsidiary undertaking, ADR Advertising S.p.A.. This, however, is reflected in an increase in royalties classified among revenues from sub-concessions.
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.
Despite this revenue growth, the "cost of materials and services" fell 0.8%, whilst, if the State works component is excluded, such costs rose 3.1%, a figure that is in any event lower than the increase in revenues.
"Payroll costs" also fell (down 3.5%), resulting in an improvement in the ratios regarding "revenues/average headcount" (up to 221 thousand euros from the 205 thousand euros of 2003) and "passengers/average headcount", which registered a figure of 13,899 compared with 12,435 in the previous year.

Consequently, "EBITDA", totaling 236.1 million euros, was up by 13.3%, an improvement of over three percentage points in terms of EBITDA margin.

"EBIT" (amounting to 126.6 million euros) rose by 20.3%, despite a substantial increase in adjustments and provisions for risks and charges.

"Net financial expense" fell by 2.1 million euros, due to increased dividends from subsidiary undertakings (up 1.1 million euros) and a decline in net interest expense (down 1.0 million euros) due to the better balance, achieved in late 2004, between the fixed and floating interest rate components of debt.

"Net extraordinary income" of 1.9 million euros reflects the reversal of tax-related entries, made necessary by the recent company law reform. This transaction eliminated the effect of the accelerated depreciation charged to the Income Statement in previous years, totaling 4.5 million euros, net of the related deferred taxes.

Thanks to improved profit margins, "net income" rose to 12.2 million euros from 1.1 million euros in 2003, after estimated tax expense of 24.1 million euros.

Reclassified Balance Sheet

RECLASSIFIED BALANCE SHEET (in thousands of euros)	12.31.2004	12.31.2003	Change
A. – NET FIXED ASSETS			
Intangible fixed assets (*)	2,173,547	2,224,059	(50,512)
Tangible fixed assets	105,724	90,712	15,012
Non-current financial assets	144,309	145,455	(1,146)
	2,423,580	**2,460,226**	**(36,646)**
B. – WORKING CAPITAL			
Inventory	20,530	20,244	286
Trade receivables	119,645	118,722	923
Other assets	24,987	30,600	(5,613)
Trade payables	(98,616)	(120,387)	21,771
Allowances for risks and charges	(26,720)	(27,056)	336
Other liabilities	(57,305)	(41,919)	(15,386)
	(17,479)	**(19,796)**	**2,317**
C. – INVESTED CAPITAL, minus short-term liabilities (A+B)	**2,406,101**	**2,440,430**	**(34,329)**
D. – EMPLOYEE SEVERANCE INDEMNITIES	**47,709**	**47,450**	**259**
E. – INVESTED CAPITAL, minus short-term liabilities and E.S.I. (C-D)	**2,358,392**	**2,392,980**	**(34,588)**
financed by:			
F. – SHAREHOLDERS' EQUITY			
Paid-up share capital	62,310	62,225	85
Reserves and retained earnings (accumuled losses)	683,499	682,515	984
Net income (loss) for the year	12,244	1,069	11,175
	758,053	**745,809**	**12,244**
G. – MEDIUM/LONG-TERM BORROWING	**1,745,019**	**1,745,019**	**0**
H. – SHORT-TERM BORROWING (NET CASH AND CASH EQUIVALENTS)			
– short-term debt	24,492	16,831	7,661
– cash and current receivables	(169,172)	(114,679)	(54,493)
	(144,680)	**(97,848)**	**(46,832)**
(G+H)	**1,600,339**	**1,647,171**	**(46,832)**
I. – TOTAL AS IN "E" (F+G+H)	**2,358,392**	**2,392,980**	**(34,588)**
* *including the value of the concession totaling*	*1,978,781*	*2,028,877*	*(50,096)*

The Company's "invested capital" amounted to 2,358.4 million euros as of December 31, 2004, a decrease of 34.6 million euros compared with the end of the previous year. This was due to lower fixed assets and, above all, the decrease in intangible fixed assets resulting from amortization of the airport concession.

"Working capital" was in line with the end of the previous year (up 0.3 million euros). The reduction in trade payables due to the progressive rebalancing of accounts with suppliers was offset

by the increase in other liabilities, primarily caused by a rise in taxes due. Trade receivables were only slightly (up 0.9 million euros) despite the revenue growth.
The Company's net debt reported a decrease of 46.8 million euros, while shareholders' equity increased by 12.2 million euros due to net income for the year.

Statement of Cash Flows

STATEMENT OF CASH FLOWS (in thousands of euros)	2004	2003	Change
A. – CASH AND CASH EQUIVALENTS - OPENING BALANCE	**97,848**	**68,170**	**29,678**
B. – CASH FLOWS FROM (FOR) OPERATING ACTIVITIES			
Net income (loss) for the year	12,244	1,069	11,175
Amortization and depreciation	92,554	93,244	(690)
(Gains) losses on disposal of fixed assets	(170)	(11,682)	11,512
(Revaluations) write-downs of fixed assets	(89)	(134)	45
Net change in working capital	(2,317)	(17,595)	15,278
Net change in employee severance indemnities	259	(3,350)	3,609
Other changes	(7,111)	0	(7,111)
	95,370	**61,552**	**33,818**
C. – CASH FLOWS FROM (FOR) INVESTING ACTIVITIES			
Investment in fixed assets:			
– intagible	(30,498)	(51,130)	20,632
– tangible	(20,071)	(8,035)	(12,036)
– financial	0	(48,081)	48,081
Proceeds from disposal, or redemption value of fixed assets	2,031	14,048	(12,017)
	(48,538)	**(93,198)**	**44,660**
D. – CASH FLOW FROM (FOR) FINANCING ACTIVITIES			
New loans	0	480,000	(480,000)
Shareholders' contributions	0	0	0
Capital grants	0	0	0
Repayments of loans	0	(386,319)	386,319
Buy-back of shares	0	0	0
	0	**93,681**	**(93,681)**
E. – DIVIDENDS PAID	**0**	**(32,357)**	**32,357**
F. – CASH FLOW FOR THE YEAR (B+C+D+E)	**46,832**	**29,678**	**17,154**
G. – CASH AND CASH EQUIVALENTS (NET BORROWING) - CLOSING BALANCE (A+F)	**144,680**	**97,848**	**46,832**

The Company's operating cash flow amounted to 95.4 million euros in 2004, after servicing of debt falling due.
A sum of 48.5 million euros was used to finance investment, with self-financed infrastructure investment totaling 50.5 million euros, net of gains on the sale of fixed assets of 2.0 million euros.

The remaining portion of operating cash flow, totaling 46.8 million euros, led to an increase in net cash and cash equivalents, which stood at 144.7 million euros at the end of 2004.

EQUITY INVESTMENTS

The characteristics and operating performances of the relevant companies during 2004 are outlined below.

EQUITY INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

ADR Handling S.p.A.

ADR S.p.A. holds a 99.29% interest in ADR Handling S.p.A., whilst the remaining 0.71% is owned by ADR Engineering S.p.A..
Founded on June 10, 1999, ADR Handling S.p.A. began providing ramp and passenger handling services on March 13, 2000 after taking over ADR S.p.A.'s handling operations at Fiumicino. The company also operates ground handling services at Ciampino airport following the transfer of the relevant division from ADR S.p.A.. This transfer took effect on December 31, 2003.
For information regarding the performance of the handling activities managed by the company during 2004, reference should be made to the section dealing with "Aviation activities" in the Group's Management Report on Operations.
Traffic growth registered at Fiumicino airport (movements rose 17%) and the effect of extending handling to Ciampino airport (adding a further 44,263 movements) resulted in a 13,783 thousand euro improvement in revenues compared with the previous year. This figure, together with ongoing attention to holding down operating costs and the overall stability of payroll costs, led to a significant improvement in EBITDA (up 4,263 thousand euros on 2003).
The bankruptcy of the Volare group (one of the company's main customers) resulted in write-offs of receivables totaling approximately 10 million euros. This led to a significant net loss of 7,307 thousand euros.
The headcount as of December 31, 2004, including staff on temporary contracts, stood at 1,338 (compared with 1,381 in 2003).
A summary of this Company's key financial data for 2004 is provided in the Annexes to the Financial Statements under "ADR Handling S.p.A.: reclassified Balance Sheet and Income Statement".

Airport Invest B.V.

Airport Invest B.V., a Dutch registered Company wholly owned by ADR S.p.A., was established in 1999 in order to act as a holding company.
In December 1999, ADR S.p.A. thus transferred its 69% holding in ADR International Airports South Africa (Pty) Ltd (ADR IASA) to Airport Invest B.V. (see below). In December 2003 Airport Invest B.V. became the owner of the remaining 31% of the ordinary share capital of ADR IASA Ltd as a result of the purchase of the interest owned by JP Morgan, equal to 24.8% of the ordinary share capital, and ADR S.p.A.'s transfer of the remaining 6.2% of the ordinary share capital previously owned by Simest S.p.A..
Finally, on December 28, 2000, Airport Invest B.V. signed a "Put and Call Option Agreement" with the South African financial institution United Towers Ltd (the holder of ADR IASA Ltd's preference shares) regarding the shares held by United in the latter company. Both the put option granted to United Towers Ltd and the call option granted to Airport Invest B.V. may be exercised between December 29, 2000 and April 30, 2005.
On December 17, 2004, a General Meeting of the company's shareholders voted, on the basis of a

specially prepared balance sheet, to pay an interim dividend to ADR S.p.A. totaling 4,041 thousand euros.
The company closed 2004 with net income of 4,063 thousand euros, generated by dividends of 4,101 thousand euros received from the subsidiary undertaking, ADR IASA Ltd. As a result of the interim dividend paid during the year, the company's shareholders' equity, totaling 107,431 thousand euros as of December 31, 2004, includes residual retained earnings of 22 thousand euros.
As of December 31, 2004 the company had no employees.
A summary of this Company's key financial data for 2004 is provided in the Annexes to the Financial Statements under "Airport Invest B.V.: reclassified Balance Sheet and Income Statement".

ADR International Airports South Africa (Pty) Ltd

ADR International Airports South Africa Ltd (ADR IASA) is a company established under South African legislation. Its corporate purpose is to manage the 20% shareholding in Airports Company South Africa Ltd (ACSA), the country's principal airport management company (see "Other equity investments – Equity investments in airports").
Moreover, ADR IASA Ltd holds an option to buy a further 10% of ACSA Ltd's share capital from the South African government. On November 8, 2004 the South African Transport Minister extended the exercise period from December 2004 to June 2005.
Airport Invest B.V. holds 100% of the company's ordinary share capital, representing 80.95% of the total share capital. The remaining share capital, equal to 19.05%, is owned by a local financial institution, United Towers Ltd (a member of the ABSA Bank Group) in the form of "preference shares".
ADR IASA Ltd is committed to buying the ADR IASA Ltd preference shares owned by United Towers Ltd on April 11, 2005 or prior to this date, on the occurrence of certain events. It has undertaken to pay the issue price of the shares (156 million rands, or 20.3 million euros) plus unpaid preference dividends accruing to such date.
The company closed 2004 with net income of 64,330 thousand rands (equal to 8,041 thousand euros at the average exchange rate for the year). This was essentially due to the revaluation of its stake in the associated undertaking, ACSA Ltd (valued according to the equity method).
During the year ADR IASA Ltd paid interim dividends for 2004 totaling 44,162 thousand rands (equal to 5,520 thousand euros at the average exchange rate for the year), including 11,562 thousand rands to the preference shareholder, United Towers Ltd (representing dividends for the period January - September 2004) and 32,600 thousand rands to Airport Invest B.V.. The preference shareholder also received preference dividends accruing to December 2003, totaling 1,715 thousand rands.
As of December 31, 2004 the company had no employees.
A summary of this company's key financial data for 2004 is provided in the Annexes to the Financial Statements under "ADR International South Africa (Proprietary) Limited: reclassified Balance Sheet and Income Statement".

ADR Engineering S.p.A. - Unipersonale

The Company, which operates in the airport engineering sector, saw a decline in business volumes in 2004. Despite an increase in the number of contracts acquired during the year, the fall was due to a reduction in the value of the contracts assigned by ADR S.p.A. and by delays in projects to be undertaken for external clients.
Total revenues amounted to 6,166 thousand euros, including 2,989 thousand euros from works supervision and 3,177 thousand euros from design activities. This represents a reduction of

approximately 16% on the previous year.
The cost of raw materials and services (external engineering and consulting), marketing expenses (bids) and general overhead totaled 3,025 thousand euros, equal to approximately 49% of total revenues as opposed to 63% in 2003.
EBITDA rose 422 thousand euros to 969 thousand euros, whilst EBIT increased from the 395 thousand euros of 2003 to 911 thousand euros in 2004, representing a rise of 516 thousand euros (up 131%). This was in part due to the improvement in the balance of other income and expense.
Net income for the year, after taxation amounting to 439 thousand euros, totaled 457 thousand euros (up 171 thousand euros on 2003).
The headcount at year end stood at 29.
A summary of this company's key financial data for 2004 is provided in the Annexes to the Financial Statements under "ADR Engineering S.p.A. - Unipersonale: reclassified Balance Sheet and Income Statement".

ADR Tel S.p.A.

The purpose of the company, which is 99% owned by ADR S.p.A. and 1% by ADR Sviluppo S.r.l., is to build, develop and install telecommunications and electronic communications networks and systems, as well as to provide telecommunications and electronic communications services.
ADR Tel S.p.A. reports net income of 752 thousand euros for 2004, a figure that cannot be compared with the same period of the previous year as the company only started operating on April 1, 2003.
The company, which consolidated its position as a provider of services to both the retail business market, represented by companies operating at the two airports, airlines, public bodies and all other non-aviation businesses present in the Roman airport system, and the wholesale market, represented by telecommunications companies operating at Rome's airports, earned revenues of 6,505 thousand euros from 300 customers.
Prudent management of operating costs, which amounted to 4,827 thousand euros, including 3,857 thousand euros for materials and external services and 970 thousand euros for labor costs, enabled the company to report EBITDA of 1,928 thousand euros and EBIT of 1,415 thousand euros.
Investment, which was substantially self-financed, was primarily aimed at developing and modernizing the telecommunications infrastructure used at Rome's two airports. Investment totaled 1,751 thousand euros.
The headcount as of December 31, 2004 stood at 17.
A summary of this company's key financial data for 2004 is provided in the Annexes to the Financial Statements under "ADR Tel S.p.A.: reclassified Balance Sheet and Income Statement".

ADR Advertising S.p.A.

ADR Advertising S.p.A. was incorporated on January 10, 2003. The company has ordinary share capital of 500,000 euros, and is 51% owned by ADR S.p.A. and 49% owned by IGPDecaux S.p.A..
The preference shares, totaling 500,000 euros, were wholly subscribed by IGPDecaux S.p.A..
Under the terms of the agreement with ADR S.p.A. dated March 1, 2003, by which the Parent Company has leased its advertising division to the company, ADR Advertising S.p.A. manages advertising space at Rome's two airports.
This contract, which lasts until December 31, 2011, provides for monthly payments to ADR proportional to ADR Advertising's revenues, subject to a guaranteed minimum.
The figures for 2004 are not comparable with those of the previous year in that the company began

operating on March 1, 2003 after its had signed the above lease agreement with ADR S.p.A..
The company reports net income of 888 thousand euros for 2004, after estimated taxation of 642 thousand euros. Revenues amounted to 21,974 thousand euros, whilst EBITDA was 1,491 thousand euros, representing an EBITDA margin of approximately 6.8%.
According to Nielsen data, the market for billboard and poster advertising grew 2.7% in 2004 compared with 2003, whilst the company chalked up an increase of 6.8%, with substantial growth in the Domestic (up 18.5%) and European (up 20.7%) areas, and a decline in the International area (down 22.1%). The performance of external advertising and promotional-advertising initiatives was in line with 2003.
The company invested heavily in new advertising furniture for the Domestic Terminal at Pier A, with spending amounting to approximately 500 thousand euros. This investment program, which will be completed in early 2005, has been entirely self-financed from the significant operating cash flow generated in 2004.
The headcount as of December 31, 2004 stood at 11.
A summary of this company's key financial data for 2004 is provided in the Annexes to the Financial Statements under "ADR Advertising S.p.A.: reclassified Balance Sheet and Income Statement".

ADR Sviluppo S.r.l. - Unipersonale

ADR Sviluppo S.r.l. - Unipersonale has share capital of 100,000 euros and was incorporated on July 27, 2001. The company is wholly owned by ADR S.p.A..
The company's purpose is to promote and develop real estate initiatives for Fiumicino and Ciampino airports, to be carried out directly or via third parties. To this end, the company may therefore carry out, or commission, real estate projects regarding the construction of hotels, parking lots, offices and other forms of property in general, where such projects have a role to play in the development of airport activities, and are designed to meet the demands of traffic growth at Fiumicino and Ciampino airports.
During 2004, ADR Sviluppo S.r.l. did not earn revenues, nor did it have employees, as it has yet to commence operations.
The company reported a net loss of 3,609 euros (compared with a loss of 995 euros in 2003). Shareholders' equity as of December 31, 2004 amounted to 91,175 euros.
A summary of this company's key financial data for 2004 is provided in the Annexes to the Financial Statements under "ADR Sviluppo S.r.l.: reclassified Balance Sheet and Income Statement".

OTHER EQUITY INVESTMENTS

Equity investments in airports

- **ACSA - Airports Company South Africa Ltd**: the company manages South Africa's ten principal airports (nine of which it owns), including the international airports of Johannesburg, Cape Town and Durban. During the 2003/2004 financial year these airports reported outgoing passenger traffic of 11.9 million and around 213,000 air traffic movements, representing over 90% of the nation's air traffic.
  The South African government holds 74.60% of ACSA Ltd's share capital, whilst the ADR Group, via ADR IASA Ltd, owns 20%. The remaining shares are owned by a consortium of

local investors representing social groups (4.21%) and a fund managed by a group of managers and employees (1.19%). ADR IASA Ltd also holds an option to acquire a further 10% of the shares of ACSA Ltd.

The accounts for the year ended March 31, 2004 report revenues of 1,803.6 million rands (approximately 214 million euros at the average exchange rate for the year), an increase of 17.1% on the previous year. EBIT rose by 17.4% to 881.4 million rands (approximately 105 million euros), whilst net income was 455.7 million rands (approximately 54 million euros at the average exchange rate for the year), representing a fall of around 203 million rands (approximately 24 million euros). This significant reduction derives from the prudent recognition in ACSA Ltd's accounts of a sum of 127 million rands (approximately 15 million euros) before the related tax effect. This regards a reduction in fees posted by the company in the years ended March 31, 2002 and March 31, 2003, as provided for in a document issued by the "Regulating Committee", appointed by the South African government. Moreover, the result for the year ended March 31, 2003 benefited from a gain on the sale of land owned by the company at Durban airport (115 million rands or approximately 12 million euros).

ACSA Ltd's results for the first nine months of the 2004/2005 financial year show an improvement, with net income up 3.7% on the same period of the previous year to around 461 million rands (approximately 58 million euros).

During 2004 ACSA Ltd continued to implement its infrastructure development plan: the most important project completed during the period include the domestic terminal at Johannesburg International Airport and enlargement of the domestic departures area at Cape Town Airport.

– **Aeroporto di Genova S.p.A.**: Aeroporti di Roma S.p.A. holds a 15% holding in the company that manages Genoa airport. In 2003 (to which the latest approved financial statements refer), Genoa airport saw a rise in traffic volumes (passengers were up 1.65% to 1,057,625 and movements up 1%), including an above-average increase in cargo and postal traffic (up 23.61% and up 16.33%) with respect to other Italian airports. Revenues were up 15.3%, whilst EBITDA improved by over 19%. Despite the excellent operating performance, the company reported a net loss of 1,074 thousand euros (compared with net income of 507 thousand euros in 2002). This was due to the crisis at Minerva Airlines, which was declared bankrupt in February 2004, resulting in the prudent write-down of amounts due from the carrier. The company's shareholders' equity as of December 31, 2003 stood at 5,071 thousand euros.

– **S.A.CAL. - Società Aeroportuale Calabrese S.p.A.**: ADR S.p.A. owns a 16.57% stake in this company (equal to 1,657 shares with a nominal value of 517 euros). In 2003 (to which the latest approved financial statements refer), the company continued the positive performance of the previous year, reporting traffic growth at Lamezia Terme, the airport managed by the company. Passenger traffic was up 25.6% to 1,132,119, whilst movements rose 26.7%. Revenues amounted to 13,633 thousand euros, marking an increase of 35% on 2002 due to growth in both the aviation and non-aviation businesses. Improvements in productivity also helped to boost EBITDA to 2,636 thousand euros, compared with the 544 thousand euros of 2002 (a rise of 384%). The company closed 2003 with net income of 1,177 thousand euros compared with substantial break even in 2002 (net income of 47 thousand euros). Shareholders' equity as of December 31, 2003 stood at 6,478 thousand euros.

Equity investments in other companies

ADR S.p.A. also has minority shareholdings in other companies:

– **La Piazza di Spagna S.r.l.**: the company was incorporated on December 17, 2003 with share capital of 100,000 euros, which was 49% subscribed by ADR S.p.A. and 51% by Airport Elite S.r.l., a subsidiary of Save S.p.A.. The company, which is responsible for refreshment outlets and the sale of newspapers and items regulated by state monopoly legislation, is not yet operative. During its first financial year ended December 31, 2004, La Piazza di Spagna S.r.l. did not earn revenues, nor did it have employees, as it has yet to commence operations. The Financial Statements report a loss of 1,093 euros and shareholders' equity of 98,907 euros as of December 31, 2004.
  A summary of this company's key financial data for 2004 is provided in the Annexes to the Financial Statements under "La Piazza di Spagna S.r.l.: reclassified Balance Sheet and Income Statement".

– **Ligabue Gate Gourmet Roma S.p.A. (insolvent)**: the Court of Civitavecchia officially declared Ligabue Gate Gourmet Roma S.p.A. bankrupt on February 1, 2002. A sentence of October 10, 2002 ordered a partial distribution plan whereby 29.6% of preferential claims would be paid. No significant events took place during 2004. The second partial distribution plan is awaited. The equity investment in the company has been fully written down.

– **Edindustria - Centro per le Comunicazioni d'Impresa S.p.A.**: the company, of which ADR S.p.A. owns 9%, provides consultancy services and assistance in publishing and corporate image and communications. The latest approved Financial Statements for the year ended December 31, 2003 report a loss of 443 thousand euros (a loss of 87 thousand euros in 2002) due to a fall in revenues (down 36%) in the Events division (exhibition and fairs). Operating costs were reduced but not enough to offset the fall in revenues (the cost of raw materials and services was down 34% and labor costs up 2%), resulting in negative EBITDA of 117 thousand euros (a positive 384 thousand euros in 2002). Shareholders' equity as of December 31, 2003 stood at 1,036 thousand euros.

– **Alinsurance S.r.l.**: since 1991, ADR S.p.A. has held a 6% stake in this company which operates as an insurance broker. The latest approved Financial Statements for 2003 report a loss of 11 thousand euros compared with net income of 691 thousand euros in 2002. This result is primarily due to the 34% decline in commission income from Italy's leading carrier, whose insurance policies were no longer brokered by the company. Shareholders' equity as of December 31, 2003 stood at 1,105 thousand euros.

NOTICE REGARDING MANAGEMENT AND COORDINATION OF THE COMPANY

With reference to the company law reform introduced by article 2497 and subsequent articles of the Italian Civil Code, 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

The related party transactions carried out by ADR S.p.A. in 2004 primarily regarded the supply of goods, commercial services and centralized treasury management. All transactions were conducted on an arm's length basis.

Trading, financial and other relations between ADR S.p.A. and the subsidiary undertakings subject to management and coordination, other subsidiary undertakings and associated undertakings are analyzed below (in thousands of euros).

Trading relations	Balances at 12.31.2004				2004						
					Revenues			Expenses			
	Receivables	Payables	Guarantees	Comm.	Goods	Services	Other	Goods	Services	Other	Investments
Subsidiary undertakings subject to management and coordination											
ADR Handling S.p.A.	8,602	1,487	0	0	1,741	20,179	145	0	1,375	27	0
ADR Engineering S.p.A. Unipersonale	174	4,908	250	11,414	0	203	0	0	401	0	4,480
ADR Tel S.p.A.	305	1,708	253	80	0	570	30	19	2,741	0	1,132
	9,081	**8,103**	**503**	**11,494**	**1,741**	**20,952**	**175**	**19**	**4,517**	**27**	**5,612**
Other subsidiary undertakings											
ADR Advertising S.p.A.	8,130	35	0	0	0	18,743	40	0	0	0	0
	8,130	**35**	**0**	**0**	**0**	**18,743**	**40**	**0**	**0**	**0**	**0**
Associated undertakings											
Ligabue Gate Gourmet Roma S.p.A. (insolvent)	0	968	0	0							
	0	**968**	**0**	**0**							

ADR S.p.A. has significant trading relations with the subsidiary undertaking, ADR Handling S.p.A., which in March 2000 began providing handling services to carriers at Fiumicino who have not opted for self-handling and, from January 1, 2004, also supplies handling services at Ciampino.

During 2004, ADR S.p.A. earned revenues of 22,065 thousand euros (20,774 thousand euros in 2003) on transactions with ADR Handling S.p.A., involving the supply of consumable materials, vehicle maintenance, warehouse management, sub-concession fees, centralized infrastructures, administration, etc.. ADR Handling S.p.A. in turn, carried out some ancillary activities related to the services supplied by ADR S.p.A., registering turnover of 1,402 thousand euros (747 thousand euros in 2003).

The subsidiary undertaking, ADR Engineering S.p.A., was created in 1997 to provide design and works supervision services for works included in the airport development plan. Revenues from contract work carried out for ADR S.p.A. in 2004 amounted to 4,881 thousand euros (4,848 thousand euros in 2003). ADR S.p.A. charged the company 203 thousand euros (207 thousand euros in 2003) for sub-concession fees, utilities, administration, etc..

As of April 2003, the subsidiary undertaking, ADR Tel S.p.A., manages telecommunications services at Fiumicino and Ciampino airports. During 2004 the company earned revenues of 2,741 thousand euros (1,896 thousand euros in 2003) from services provided to ADR S.p.A. and carried out improvement work on the telephone network totaling 1,132 thousand euros (646 thousand euros in 2003). ADR S.p.A. charged the company 600 thousand euros (667 thousand euros in 2003) for sub-concession fees, the rental of telecommunications assets and real estate, utilities and staff services.

As of March 1, 2003, the subsidiary undertaking, ADR Advertising S.p.A., manages advertising at Fiumicino airport under an agreement with ADR S.p.A., which has leased its advertising division to the new company. This agreement, which expires on December 31, 2011, provides for monthly payments to ADR S.p.A. proportional to ADR Advertising S.p.A.'s revenues, subject to a guaranteed minimum. The royalties paid to ADR S.p.A. in 2004 amounted to 18,444 thousand euros subsidiary undertaking, ADR Advertising S.p.A. (14,620 thousand euros in 2003).
ADR S.p.A. charged the company a further 339 thousand euros subsidiary undertaking, ADR Advertising S.p.A. (232 thousand euros in 2003) for the rental of real estate, utilities and various services.

Financial relations	Balances at 12.31.2004			2004	
	Receivables	Payables	Guarantees	Revenues	Expenses
Subsidiary undertakings subject to management and coordination					
ADR Handling S.p.A.	0	7,932	0	0	72
ADR Engineering S.p.A. Unipersonale	0	1	0	9	0
ADR Tel S.p.A.	286	0	0	10	1
	286	**7,933**	**0**	**19**	**73**
Other subsidiary undertakings					
Airport Invest B.V.	1	0	21,124	0	0
	1	**0**	**21,124**	**0**	**0**

Financial relations with the subsidiary undertakings, ADR Handling S.p.A., ADR Engineering S.p.A., ADR Tel S.p.A. and Airport Invest B.V. regard a centralized treasury management system. Transactions are conducted on an arm's length basis. This system aims to optimize management of financial resources and improve settlement procedures for trading relations within the Group.

Other relations	Balances at 12.31.2004		2004		
				Tax consolidation	
	Receivables	Payables	Dividends	Revenues	Expenses
Subsidiary undertakings subject to management and coordination					
ADR Handling S.p.A.	0	842	0	0	837
ADR Engineering S.p.A. Unipersonale	545	0	375	171	0
ADR Tel S.p.A.	297	0	297	467	0
	842	**842**	**672**	**638**	**837**
Other subsidiary undertakings					
Airport Invest B.V.	0	0	4,042	0	0
ADR Advertising S.p.A.	191	0	191	0	0
	191	**0**	**4,233**	**0**	**0**
Associated undertakings					
Ligabue Gate Gourmet Roma S.p.A. (insolvent)	530	0	0	0	0
La Piazza di Spagna S.r.l.	0	34	0	0	0
	530	**34**	**0**	**0**	**0**

Other relations include the impact on the results of operations and the financial position of adoption of the new form of domestic tax consolidation introduced by the so-called Tremonti reform. The new regulations have been applied to ADR S.p.A., as the Parent Company, and the subsidiary undertakings, ADR Handling S.p.A., ADR Engineering S.p.A. and ADR Tel S.p.A., as consolidated companies.

Taxable income transferred from the consolidated companies, ADR Engineering S.p.A. and ADR Tel S.p.A., resulted in proceeds from tax consolidation of 171 thousand euros and 467 thousand euros, respectively, resulting in a total of 638 thousand euros. Tax losses transferred from the consolidated company, ADR Handling S.p.A., resulted in tax expense from tax consolidation of 837 thousand euros.

In addition to the above taxable income and tax losses, the transfer of tax credits from consolidated companies to ADR S.p.A. led to the posting of a receivable due from ADR Engineering S.p.A. totaling 170 thousand euros and a payable of 841 thousand euros due to ADR Handling S.p.A..

Other relations also include dividends from subsidiary undertakings. These include an interim dividend of 4,042 thousand euros received from Airport Invest B.V. in 2004 and 863 thousand euros in accrued dividends posted on the basis of the dividend payout approved by the boards of directors of the subsidiary undertakings, ADR Engineering S.p.A., ADR Tel S.p.A. and ADR Advertising S.p.A..

Other related party transactions regard the following entities:

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.	27	164	14	164
Sesto Siderservizi S.r.l. (Falck Group)	0	164	0	164
Macquarie Airport Luxemburg S.A.	0	36	0	36
Riesfactoring S.p.A. (Falck Group)	87	0	87	31
	114	**372**	**101**	**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 Company 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 shares in the parent company took place, either directly or indirectly, during 2004.

SUBSEQUENT EVENTS AND OUTLOOK

For information regarding subsequent events and outlook see the corresponding sections in the Group's Management Report on Operations.

PROPOSALS TO THE GENERAL MEETING OF SHAREHOLDERS

Dear Shareholders,

The Financial Statements as of and for the year ended December 31, 2004, submitted to you together with the report issued by the independent auditors, Deloitte & Touche S.p.A., report net income of 12,244,045.49 euros.

We thus recommend:

1) approval of the Financial Statements as of and for the year ended December 31, 2004, consisting of the Balance Sheet, Income Statement and the Explanatory Notes, together with the Management Report on Operations, which report net income of 12,244,045.49 euros (posted in the Financial Statements after being rounded off to 12,244,045 euros);

2) appropriation of the above net income of 12,244,045.49 euros as follows:
   - 17,011.60 euros to be taken to the legal reserve, which as a result will amount to 12,461,960.20 euros, equal to a fifth of the share capital;
   - payment of a dividend of 0.13 euros per share to the holders of each of the 62,309,801 shares comprising the share capital, representing a payout of 8,100,274.13 euros;
   - residual net income of 4,126,759.76 euros to be taken to the retained earnings.

We also recommend:

- payment of 0.03 euros per share to the holders of each of the 62,309,801 shares comprising the share capital, representing a payout of 1,869,294.03 euros, via use of the "retained earnings" reserve, which will thus be reduced to 132,312.95 euros;
- payment of 0.02 euros per share to the holders of each of the 62,309,801 shares comprising the share capital, representing a payout of 1,246,196.02 euros, via use of the "distributable reserves" formerly established pursuant to art. 67 of the Consolidated Act (reserve for accelerated depreciation), which will thus be reduced to 416,299.45 euros; these reserves were rendered tax exempt in 2002 for the purposes of IRES/IRPEG via payment of capital gains tax at 19%, and in 2003 via payment of IRAP.

The Board of Directors

Company Financial Statements 2004

Balance Sheet and Income Statement

Balance Sheet

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

ASSETS

(in Euros)		**12.31.2004**			**12.31.2003**	
UNPAID SHARE CAPITAL DUE FROM SHAREHOLDERS			0			0
FIXED ASSETS						
Intangible fixed assets:						
– Incorporation and development costs		133,829			267,658	
– Industrial patents and intellectual property rights		778,572			552,685	
– Concessions, licenses, trademarks and similar rights		1,981,263,116			2,030,684,949	
– Leasehold improvements in process and advances		26,179,552			44,381,850	
– Leasehold improvements		165,192,184			148,172,325	
			2,173,547,253			2,224,059,467
Tangible fixed assets:						
– Land and buildings		2,215,652			1,041,215	
– Plant and machinery		15,962,338			13,177,320	
– Industrial and commercial equipment		1,053,997			1,069,940	
– Fixed assets to be relinquished		70,217,015			67,586,679	
– Other assets		3,498,467			3,565,854	
– Work in progress and advances		12,776,950			4,271,400	
			105,724,419			90,712,408
Non-current financial assets:						
– Equity investments in:						
• subsidiary undertakings	138,863,589			138,863,589		
• associated undertakings	49,001			49,001		
• other companies	1,895,376			1,895,376		
		140,807,966			140,807,966	
– Receivables due from others:						
• within 12 months	3,099			3,099		
• beyond 12 months	3,498,255			4,642,725		
		3,501,354			4,645,824	
			144,309,320			145,453,790
Total fixed assets			2,423,580,992			2,460,225,665
CURRENT ASSETS						
Inventory:						
– Raw, ancillary and consumable materials		2,802,018			2,812,616	
– Contract work in progress		8,828,541			8,952,365	
– Finished goods and goods for resale:						
• goods for resale	8,861,563			8,444,427		
		8,861,563			8,444,427	
– Advances		36,497			34,170	
			20,528,619			20,243,578
Receivables:						
– Due from clients:						
• within 12 months	102,432,867			106,374,906		
		102,432,867			106,374,906	
– Due from subsidiary undertakings		18,531,574			13,062,655	
– Due from associated undertakings		529,543			529,543	
– Due from tax authorities		621,666			2,873,475	
– Deferred tax assets		14,201,846			17,892,846	
– Due from others:						
- various:						
• within 12 months	51,501,820			54,858,733		
• beyond 12 months	2,248,323			2,416,294		
- advances to suppliers for services to be rendered	1,636			100,434		
		53,751,779			57,375,461	
			190,069,275			198,108,886
Marketable securities			0			0
Cash on hand and in banks:						
– Bank and post office deposits		119,531,700			62,094,501	
– Cash and notes in hand		408,013			333,371	
			119,939,713			62,427,872
Total current assets			330,537,607			280,780,336
ACCRUED INCOME AND PREPAID EXPENSES						
Accrued income and other prepaid expenses			3,794,190			3,464,861
TOTAL ASSETS			2,757,912,789			2,744,470,862

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

LIABILITIES AND SHAREHOLDERS' EQUITY (in Euros)		**12.31.2004**			**12.31.2003**	
SHAREHOLDERS' EQUITY						
Share capital:						
– ordinary shares			62,309,801			62,224,743
Share premium reserve			667,389,495			667,389,495
Revaluation reserves			0			0
Legal reserve			12,444,949			12,444,949
Reserve for own shares			0			0
Statutory reserves			0			0
Other reserves			1,662,496			1,747,554
Retained earnings (accumulated losses)			2,001,607			932,531
Net income (loss) for the year			12,244,045			1,069,076
Total shareholders' equity			758,052,393			745,808,348
ALLOWANCES FOR RISKS AND CHARGES						
For taxes, including deferred:						
– for taxes	0			650,000		
– deferred tax liabilities	0			0		
		0			650,000	
Other		26,719,821			26,406,137	
Total allowances for risks and charges			26,719,821			27,056,137
EMPLOYEE SEVERANCE INDEMNITIES			47,709,129			47,450,385
PAYABLES						
Due to banks:						
• within 12 months	2,407,618			2,071,142		
• beyond 12 months	480,000,000			480,000,000		
		482,407,618			482,071,142	
Due to other financial institutions:						
• within 12 months	13,955,889			13,776,639		
• beyond 12 months	1,265,018,896			1,265,018,896		
		1,278,974,785			1,278,795,535	
Advances:						
– from clients:						
- from the Ministry of Transport:						
• within 12 months	524,940			651,971		
• beyond 12 months	4,770,000			4,770,000		
- other	2,298,752			2,004,556		
		7,593,692			7,426,527	
Due to suppliers:						
• within 12 months	76,050,861			98,287,325		
• beyond 12 months	5,863,318			6,549,021		
		81,914,179			104,836,346	
Due to subsidiary undertakings:						
• within 12 months	16,913,388			7,931,227		
		16,913,388			7,931,227	
Due to associated undertakings:						
• within 12 months	1,002,980			1,002,980		
		1,002,980			1,002,980	
Due to parent companies:						
• within 12 months	0			4,120		
		0			4,120	
Taxes due:						
• within 12 months	17,207,500			3,478,952		
		17,207,500			3,478,952	
Due to social security agencies		5,980,260			6,023,703	
Other payables: various creditors:						
• within 12 months	26,818,203			28,410,686		
• beyond 12 months	797,348			629,513		
		27,615,551			29,040,199	
Total payables			1,919,609,953			1,920,610,731
ACCRUED EXPENSES AND DEFERRED INCOME						
Accrued expenses and other deferred income			5,821,493			3,545,261
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			2,757,912,789			2,744,470,862

Memorandum Accounts

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

MEMORANDUM ACCOUNTS

(in Euros)	**12.31.2004**		**12.31.2003**	
General guarantees:				
– Sureties	21,234,128		19,718,755	
– Other	640,659		672,000	
		21,874,787		20,390,755
Collateral guarantees		0		0
Commitments on purchases and sales		41,731,216		18,267,159
Other		894,387,591		893,297,236
TOTAL MEMORANDUM ACCOUNTS		957,993,594		931,955,150

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

INCOME STATEMENT (in Euros)		2004			2003	
TOTAL REVENUES						
Revenues from sales and services:						
– revenues from sales	50,187,075			47,411,450		
– revenues from services	435,485,480			410,001,012		
– revenues from contract work	1,197,392			11,454,602		
		486,869,947			468,867,064	
Changes in contract work in progress		(123,823)			(4,959,032)	
Other income and revenues:						
– revenue grants	30,910			70,511		
– profits on disposals	189,075			22,627		
– other	5,405,980			5,515,382		
		5,625,965			5,608,520	
			492,372,089			469,516,552
OPERATING COSTS						
Raw, ancillary and consumable materials and goods for resale		46,787,123			44,850,242	
Services		81,304,684			81,314,979	
Leases		22,324,020			25,153,013	
Payroll:						
– wages and salaries	72,833,172			75,664,591		
– social security	21,379,599			22,287,693		
– employee severance indemnities	5,970,465			6,366,706		
– other	1,213,494			1,081,714		
		101,396,730			105,400,704	
Depreciation, amortization and write-downs:						
– amortization of intangible fixed assets	80,865,962			81,321,252		
– depreciation of tangible fixed assets	11,688,366			11,922,827		
– provisions for doubtful accounts	11,469,084			2,592,654		
		104,023,412			95,836,733	
Changes in inventories of raw, ancillary and consumable materials and goods for resale		(406,538)			(76,843)	
Provisions for risks		5,085,171			77,469	
Other provisions		200,000			0	
Sundry operating costs:						
– losses on disposals	18,586			0		
– license fees	53,768			161,291		
– other	4,957,622			11,553,178		
		5,029,976			11,714,469	
			(365,744,578)			(364,270,766)
Operating income			126,627,511			105,245,786
FINANCIAL INCOME AND EXPENSE						
Income from equity investments:						
– dividends from subsidiary undertakings	4,904,846			3,724,862		
– dividends from other companies	25,700			59,400		
		4,930,546			3,784,262	
Other financial income:						
– from long-term receivables:						
• other	89,381			134,465		
– other:						
• interest and commissions from subsidiary undertakings	18,821			16,492		
• interest and commissions from banks	2,167,332			2,641,900		
• interest and commissions from clients	1,161,449			506,846		
• interest and commissions from others	1,317,517			16,083		
		4,754,500			3,315,786	
Interest expense and other financial charges:						
– interest and commissions due to parent company	0			191,142		
– interest and commissions due to subsidiary undertakings	72,617			96,761		
– interest and commissions due to banks	17,318,609			25,781,510		
– interest and commissions due to other financial institutions	56,424,920			50,029,914		
– interest and commissions due to others	27,135,771			24,885,582		
– provisions for overdue interest on written down receivables	1,039,302			506,850		
		(101,991,219)			(101,491,759)	
Foreign currency gains and losses:						
– gains	201,325			114,686		
– losses	82,505			30,202		
		118,820			84,484	
Total financial income (expense), net			(92,187,353)			(94,307,227)

INCOME STATEMENT (in Euros)		2004			2003	
ADJUSTMENTS TO FINANCIAL ASSETS						
Write-downs:						
– of equity investments		0			0	
Total adjustments to financial assets			0			0
EXTRAORDINARY INCOME AND EXPENSE						
Income:						
– gains on disposals	0			11,691,092		
– other	8,337,818			3,130,840		
		8,337,818			14,821,932	
Expense:						
– losses on disposals	0			31,520		
– taxes relating to previous years	286,947			2,139,345		
– other	6,173,336			9,437,063		
		(6,460,283)			(11,607,928)	
Total extraordinary income (expense), net			1,877,535			3,214,004
Income before taxes			36,317,693			14,152,563
Income taxes of the year, current, deferred assets (liabilities):						
– current		(23,031,648)			(15,468,487)	
– deferred tax assets (liabilities)		(1,042,000)			2,385,000	
			(24,073,648)			(13,083,487)
Net income (loss) for the year			12,244,045			1,069,076

GENERAL PRINCIPLES

(Translation from the original issued in Italian)

The Explanatory Notes are an integral part of the company Financial Statements as of December 31, 2004. The Financial Statements have been prepared in accordance with the Italian Civil Code, as interpreted and supplemented by the Accounting Standards of the Italian Accounting Standards Committee, and include such supplementary information on the Balance Sheet and the Income Statement as to guarantee a true and fair view of Aeroporti di Roma S.p.A.'s financial position and operating performance.
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 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 showing zero balances across the periods used for comparison are not shown.
The financial statements are expressed in euros.

ABOUT THE COMPANY

Leonardo S.p.A. (now ADR S.p.A.) was incorporated on January 25, 2000[2] for the purpose of acquiring holdings in airport management companies.
As a result of the privatization of ADR S.p.A., on July 31, 2000 Leonardo acquired 51.148% of the share capital of ADR S.p.A., an airport management company founded on February 12, 1974, from IRI S.p.A. (now Fintecna S.p.A.).
This holding was increased to 95.860% following the public offerings (obligatory and residual) launched by Leonardo, in order to acquire the remaining shares of ADR S.p.A., pursuant to art. 106 of Legislative Decree 58/98. The offerings were concluded on November 6, 2000 and March 23, 2001. Other shares in ADR S.p.A. were purchased on the open market. Therefore, with effect from March 29, 2001, in accordance with the action taken by the Italian Stock Exchange, ADR S.p.A.'s shares, which had been quoted since July 24, 1997, were subsequently delisted.
The deed for the ensuing merger of ADR S.p.A. and Leonardo S.p.A. was drawn up on May 16, and came into effect on May 21, 2001, under the terms of art. 2503 of the Italian Civil Code. At the time of the merger of ADR S.p.A. with Leonardo S.p.A., the latter changed its name to Aeroporti di Roma S.p.A..
The merger adjustments were posted to the financial statements of the acquiring company, with effect from January 1, 2001, for both statutory and fiscal purposes.
The business purpose of the merged company, Aeroporti di Roma S.p.A., is the construction and management of airports, including the operation of any activity connected with or complementary to air traffic of any type or specification. The Company's principal activities include the management of Rome's two airports ("Leonardo da Vinci at Fiumicino and "G.B. Pastine" at Ciampino) in accordance with financial and organizational criteria, as per Law 755 dated November 10, 1973 and subsequent amendments.
Such activity is carried out under a concession granted by the Italian Ministry of Transport and Shipping. The current concession is due to expire in 2044. The concession, regulated by specific contractual agreements with the Ministry, includes the management of the infrastructures and services (retail outlets, etc.) and the maintenance of plant, machinery and buildings. ADR S.p.A. also provides security screening services for passengers and carry-on and hold baggage.

(2) Leonardo was incorporated as a limited liability company with the name of Sysira S.r.l.. The Extraordinary General Meeting of July 4, 2000 resolved to convert the company into a joint-stock company with the name of Leonardo S.p.A..

Additionally, the Company is responsible for coordinating the airport infrastructure "Development Program" financed by both the government and by the Company, with funds generated from its own resources. The special laws governing the company's activities require that the assets utilized be indicated in the balance sheet according to legal title to ownership.

As a result, the four different types utilized by the Company are analyzed below:

- "Company-owned fixed assets" consist of assets purchased outright by the Company using its own funds and which the Company considers will not be relinquished on expiry of the concession. This category includes temporary buildings, plant and machinery, industrial and commercial equipment and other items (principally furniture and fittings). Such assets are recorded under "Tangible fixed assets".

- "Fixed assets to be relinquished" consist of assets purchased by the Company using its own funds and which the Company will be obliged to transfer to the Ministry free of charge, in good working condition, on expiry of the concession. "Fixed assets to be relinquished" are defined as all permanent works and installations constructed on government land within the airport. This category includes industrial buildings and plant and machinery, which are recorded under "Tangible fixed assets".

- "Assets received under the concession" consist of assets purchased or constructed by the government and made available to the Company under the concession. This category primarily includes the infrastructure already present on the airport grounds before Aeroporti di Roma S.p.A. was formed in 1974. As the Company does not hold title to such assets, they are recorded in the Memorandum Accounts under "Other".

- "Assets completed on behalf of the State" consist of assets resulting from construction projects carried out by the Company pursuant to the Development Program on behalf of, and financed by, the government. Such assets are recorded in two ways: either in the Memorandum Accounts under "Other", reflecting the completion of a pre-agreed portion of the relevant construction project and the issuance by the Company of an invoice to the Ministry therefore, or as an asset in the Company's Balance Sheet under "Inventory: contract work in progress", reflecting the value of the portion of the relevant construction project not yet invoiced to the Ministry at year end. In order to carry out such construction projects, the Company receives a cash advance from the Ministry. The advance provides funds for carrying out the relevant construction projects and is recorded in the Company's Balance Sheet as a payable, under "Advances". Thereafter, the costs actually incurred by the Company in relation to the relevant construction project are invoiced to the Ministry on the basis of the work completed leading to a reduction of the related payable under "Advances" during the construction period. In addition, the Ministry makes a lump-sum payment to the Company to cover general construction costs such as architects' and inspectors' fees, testing and construction management. Such lump-sum payment is equal to approximately 9% of the total amount allocated by the Ministry for the relevant project, including general construction costs.

Assets included in "Assets received under the concession" and "Assets completed on behalf of the State" (reflecting the portion invoiced to the Ministry as of the relevant date) are recorded in the Memorandum Accounts, since such assets are used by the Company for the entire period of the concession.

Furthermore, the costs of any improvements or conversions carried out in relation to assets included under "Assets received under the concession" and "Assets completed on behalf of the State" and financed independently by the Company, where such assets have a service life of several years, are recorded in the Company's Balance Sheet under "Intangible fixed assets", since such assets are comparable to leasehold improvements.

The value of the airport management concession, posted in the accounts at the time of ADR S.p.A.'s merger with Leonardo S.p.A., represents the goodwill purchased by Leonardo S.p.A. and reflecting the difference between the price paid for ADR S.p.A.'s shares and the value of the relevant interest in shareholders' equity. The concession is posted among "Intangible fixed assets" under " Concessions, licenses, trademarks and similar".

The Company is controlled by Leonardo S.r.l., which owns 51.082% of the share capital.

EXCEPTIONS

The Financial Statements were prepared in accordance with the specifications laid down in the Italian Civil Code within the limits already specified in the introduction to the Notes. A true and fair account of the Company's financial position, operating results and cash flows was ensured without recourse to any departure from the principles mentioned above. No exceptional cases of incompatibility arose that required application of art. 2423 paragraph IV of the Italian Civil Code.

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 2,873 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 115 thousand euros and "Foreign currency losses" of 30 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.

REVERSAL OF TAX-RELATED ENTRIES

Between 1990 and 1997, ADR S.p.A. charged accelerated depreciation to the Income Statement in accordance with art. 67 of Presidential Decree no. 917/86. Subsequent movements in the allowance for accelerated depreciation, amounting to 18,722 thousand euros as of December 31, 1997, were due to the "reversal" of amounts to the allowance for ordinary depreciation and the disposal of assets. The residual value of the allowance as of December 31, 2003 totals 7,111 thousand euros.

The company law reform introduced by Legislative Decree no. 6/03, which came into effect from January 1, 2004, has abolished the possibility to post value adjustments and provisions solely for tax purposes.
In the its Financial Statements for 2004, ADR S.p.A. has therefore eliminated the tax effect of the accelerated depreciation charged to the Income Statement in previous years.
The impact of this elimination is reflected in extraordinary income of 7,111 thousand euros, representing the balance of the allowance for accelerated depreciation as of January 1, 2004. Deferred tax liabilities deriving from the elimination of accelerated depreciation, amounting to 2,649 thousand euros (37.25%) have been posted to "Extraordinary expense".
This reversal of tax-related entries has also resulted in an increase in ordinary depreciation, amounting to 206 thousand euros. The related deferred tax liabilities for the period total 77 thousand euros.

The following table illustrates the effect of the reversal of tax-related entries on ADR S.p.A.'s net result for 2004, showing both the current and backdated components (in thousands of euros):

	2004
Net income before reversal of tax-related entries	7,911
Current component:	
– ordinary depreciation	(206)
– related deferred tax liabilities	77
	(129)
Backdated component:	
– extraordinary income due to accelerated depreciation charged in prior years	7,111
– extraordinary expense due to related deferred tax liabilities	(2,649)
	4,462
Total tax effect after deferred tax liabilities	4,333
Net income after reversal of tax-related entries	12,244

The following table illustrates the effect of the reversal of tax-related entries on the Company's results of operations and financial position for 2004 and 2003, had such reversal been applied in prior years:

	2003	12.31.2003	2004	12.31.2004
Amounts before reversal of tax-related entries	1,069	745,809	7,911	753,719
Tax effect:				
– accelerated depreciation	(422)	7,111	(206)	6,905
– related deferred tax liabilities	157	(2,649)	77	(2,572)
Total tax effect after deferred tax liabilities	(265)	4,462	(129)	4,333
Amounts after reversal of tax-related entries	804	750,271	7,782	758,052

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 to prepare the Financial Statements for the year ended December 31, 2004 are based on the prudence, going-concern and substance over form principles. They comply with the provisions of article 2426 of the Italian Civil Code and are consistent with those adopted in previous years.

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

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 in 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 are amortized over a period of five years. The Company may only distribute dividends if there are sufficient reserves available to cover the amount of the costs not yet amortized.

- ***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.

- ***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%

In accordance with articles 10 and 3 of Law no. 72 of March 19, 1983, the Company has revalued fixed assets still in its possession by 2,463,379 euros. Such fixed assets are carried at 2,372,924 euros. The original revaluation reserve was utilized in previous years to absorb losses.

- ***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 accordance with the policies described above under “Tangible fixed assets”, in that they are assets which form part of so-called “industrial property”.

  In addition, provisions are made for transfer costs relating to fixed assets to be relinquished, with the aim of covering best estimates – carried out by technical experts – of the costs to 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

Non-current financial assets include equity investments recorded at purchase cost in accordance with the previously explained criteria applied to fixed assets. Should there be a permanent impairment in the value of an asset, due to losses sustained or to other reasons, and revenues in the near future are not expected to cover such losses, the asset is written down accordingly. In future years, should the reason for the write-down cease to apply, the original value of the asset is reinstated.

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 payment is considered definite is recorded among revenues.
  Any additional costs borne by the Company in relation to changes to 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 these 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 Company's employees and in accordance with governing legislation.
This amount was calculated for indemnities accrued 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”. Given that it is unrealized, any net gain deriving from the application of closing exchange rates is, on approval of the financial statements, posted to an appropriate undistributable reserve until it is realized.

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 Company, to third parties. Non-quantifiable commitments are not recorded, but are described in a relevant note if of significant value.

– **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 Company (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.

- ***Company-owned assets lodged with third parties***
  These are recorded at their net book value.
  This item also includes the value of the advertising division leased to ADR Advertising S.p.A., as recorded in the inventory check carried out on start-up of activities.

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.

Dividends

Dividends from subsidiary undertakings are posted to the Income Statement on an accruals basis, that is in the year in which the relevant net income is generated by the subsidiary undertaking, based on the proposed dividend approved by the company's Board of Directors prior to the date of approval of ADR S.p.A.'s Financial Statements.

Taxation

"Current taxes" are calculated on the basis of the Company's taxable income. The related payable is posted to "Taxes due".
Following adoption of the new form of domestic tax consolidation, governed by article 117 and subsequent articles of the Consolidated Act, IRES (corporate income tax) is calculated on consolidated income, resulting from the sum of the income and losses reported by the Parent Company, ADR S.p.A., and its consolidated subsidiary undertakings. The above sum may reflect adjustments made by the Parent Company, such as the detaxation of intercompany dividends, that enable the Group to reduce its tax expense compared with the figure deriving from the sum of the taxes to be paid by the individual companies.
The transfer of taxable income and tax losses from the individual consolidated companies to the Parent Company, ADR S.p.A., results in proceeds and expenses from tax consolidation, reflected in receivables and payables due from and to subsidiary undertakings.
Consolidated companies also transfer withholding taxes, tax credits and rebates from previous tax returns to the Parent Company. These may be offset against IRES calculated on consolidated income.
"Deferred tax assets" and "liabilities" are recorded on the basis of temporary differences between the amount recorded in the financial statements and the tax bases of the relevant assets and liabilities, applying the tax liability method. As of fiscal year 1999, deferred tax assets are only recorded where there is reasonable certainty regarding their recoverability. The reporting of such taxation in the financial statements is carried out in accordance with Accounting Standard no. 25, as established by the Italian Accounting Standards Committee.

Derivatives contracts

The positive and negative interest rate differentials, deriving from Interest Rate Swaps, 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 BALANCE SHEET

FIXED ASSETS

Intangible fixed assets

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

Intangible fixed assets

	12.31.2003				
	Cost	Revaluations	Write-downs	Amortization	Book value
Incorporation and development costs	672,578	0	0	(404,920)	267,658
	672,578	0	0	(404,920)	267,658
Industrial patents and intellectual property rights	2,273,698	0	0	(1,721,013)	552,685
	2,273,698	0	0	(1,721,013)	552,685
Concessions, licenses, trademarks and similar rights	2,188,556,595	0	0	(157,871,646)	2,030,684,949
	2,188,556,595	0	0	(157,871,646)	2,030,684,949
Leasehold improvements in process and advances:					
a) Leasehold improvements in process	44,165,923	0	0	0	44,165,923
b) Advances	215,927	0	0	0	215,927
	44,381,850	0	0	0	44,381,850
Others:					
– Leasehold improvements	302,055,484	0	0	(197,671,445)	104,384,039
– Ancillary charges for loans	51,262,286	0	0	(7,474,000)	43,788,286
	353,317,770	0	0	(205,145,445)	148,172,325
Total	2,589,202,491	0	0	(365,143,024)	2,224,059,467

(1) *Including:*
Cost
Ammortization

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 1,978,781 thousand euros as of December 31, 2004. The decrease of 49,422 thousand euros is due to the combined effect of amortization for the year (51,381 thousand euros), investment (1,566 thousand euros), transfers from work in process (411 thousand euros) and negative reclassifications amounting to 18 thousand euros;
– "Leasehold improvements in process" decreased by 18,202 thousand euros in 2004, primarily due to assets entering service and reclassified to "Leasehold improvements" and "Concessions, licenses, trademarks and similar" (27,688 thousand euros), partly offset by investment of 9,642 thousand euros and negative adjustments of 156 thousand euros;
– "Other" intangible fixed assets rose by a total of 17,020 thousand euros. "Leasehold improvements" rose by 21,269 thousand euros due to purchases during the year (18,834 thousand euros), transfers from work in process (27,277 thousand euros) and positive reclassifications (20 thousand euros), which were in part offset by amortization for the year (24,862 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 9,642 thousand euros) include:

– BHS system - upgrading and implementation (2,192 thousand euros);
– redevelopment of the former ceremonial suite in Terminal "C" to provide check-in desks (724 thousand euros);
– work on the tunnel network - 2nd phase (343 thousand euros);
– widening of the Bravo taxiway Northern sector (488 thousand euros);

Changes during the year			12.31.2004				
Purchases/ Capitalization	Reclassifications (1)	Amortization	Cost	Revaluations	Write-down	Amortization	Book value
0	0	(133,829)	672,578	0	0	(538,749)	133,829
0	0	(133,829)	672,578	0	0	(538,749)	133,829
456,289	9,177	(239,579)	2,739,164	0	0	(1,960,592)	778,572
456,289	9,177	(239,579)	2,739,164	0	0	(1,960,592)	778,572
1,565,622	393,565	(51,381,020)	2,190,480,113	0	0	(209,216,997)	1,981,263,116
1,565,622	393,565	(51,381,020)	2,190,480,113	0	0	(209,216,997)	1,981,263,116
9,571,241	(27,765,682)	0	25,971,482	0	0	0	25,971,482
70,554	(78,411)	0	208,070	0	0	0	208,070
9,641,795	(27,844,093)	0	26,179,552	0	0	0	26,179,552
18,834,675	27,296,718	(24,862,534)	348,179,684	0	0	(222,526,786)	125,652,898
0	0	(4,249,000)	51,262,286	0	0	(11,723,000)	39,539,286
18,834,675	27,296,718	(29,111,534)	399,441,970	0	0	(234,249,786)	165,192,184
30,498,381	(144,633)	(80,865,962)	2,619,513,377	0	0	(445,966,124)	2,173,547,253

	(187,495)
	42,862
	(144,633)

– 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 46,132 thousand euros, including transfers from “work in process”) regard:

– Cargo City - freight movement system and upgrading and completion of warehouses and offices (22,000 thousand euros);
– Eastern Area - industrial waste water collector (303 thousand euros);
– ALCE project (1,204 thousand euros);
– adaptation of system for upgrading of manual coding area (1,403 thousand euros);
– Ciampino - restructuring of retail areas, extraordinary maintenance (1,482 thousand euros);
– replacement of MV control panels and electric insulation of landside transformers (1,691 thousand euros);
– extraordinary maintenance on airport road network (382 thousand euros);
– Terminal “B” - work on various shops (834 thousand euros);
– runways - upgrading of the Bravo/Delta/November taxiways (5,773 thousand euros);
– CUTE information system (245 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)	Write-downs	Allowances for depreciation	Book value
Land and buildings	16,829,237	465,128	0	(16,253,150)	1,041,215
	16,829,237	465,128	0	(16,253,150)	1,041,215
Plant and machinery	62,622,283	0	0	(49,444,963)	13,177,320
	62,622,283	0	0	(49,444,963)	13,177,320
Industrial and commercial equipment	6,228,957	0	0	(5,159,017)	1,069,940
	6,228,957	0	0	(5,159,017)	1,069,940
Fixed assets to be relinquished	136,248,745	1,907,796	0	(70,569,862)	67,586,679
	136,248,745	1,907,796	0	(70,569,862)	67,586,679
Other assets	39,749,598	0	0	(36,183,744)	3,565,854
	39,749,598	0	0	(36,183,744)	3,565,854
Work in progress and advances	4,271,400	0	0	0	4,271,400
	4,271,400	0	0	0	4,271,400
Total	265,950,220	2,372,924	0	(177,610,736)	90,712,408
(1) Allowance for accelerated depreciation				7,111,276	
(2) *Including:*					
Cost					
Transfer from/(to) intangible fixed assets					
Adjustments for depreciation					

"Net tangible fixed assets" rose by 15,012 thousand euros due to investment totaling 20,071 thousand euros and reversal of the allowance for accelerated depreciation, amounting to 7,111 thousand euros. These amounts were partially offset by depreciation of 11,688 thousand euros, negative adjustments of 28 thousand euros and disposals totaling 454 thousand euros.

As a result of the reversal of tax-related entries, as required by the recent company law reform, the "reclassifications" column includes the reversal of the "Allowance for accelerated depreciation", which amounted to 7,111 thousand euros as of January 1, 2004. This reversal was carried out by posting extraordinary income of an equal amount in the Income Statement. For further details reference should be made to the relevant paragraph in these Notes.

The most significant capitalizations during the year, within the category "Plant and machinery"

Changes during the year				12.31.2004			
Purchases/ Capitalization	Reclassifications (1) (2)	Disposals/ Retirements (1) (2)	Amortization (1)	Cost	Revaluations (Law 72/1983)	Allowances for depreciation	Book value
1,373,878	144,728	0	(344,169)	18,314,914	465,128	(16,564,390)	2,215,652
1,373,878	144,728	0	(344,169)	18,314,914	465,128	(16,564,390)	2,215,652
5,906,979	327,298	(17,144)	(3,432,115)	66,851,996	0	(50,889,658)	15,962,338
5,906,979	327,298	(17,144)	(3,432,115)	66,851,996	0	(50,889,658)	15,962,338
249,802	7,679	(112)	(273,312)	6,393,847	0	(5,339,850)	1,053,997
249,802	7,679	(112)	(273,312)	6,393,847	0	(5,339,850)	1,053,997
1,383,259	6,927,798	0	(5,680,721)	137,661,842	1,907,796	(69,352,623)	70,217,015
1,383,259	6,927,798	0	(5,680,721)	137,661,842	1,907,796	(69,352,623)	70,217,015
1,676,353	651,590	(437,281)	(1,958,049)	39,249,627	0	(35,751,160)	3,498,467
1,676,353	651,590	(437,281)	(1,958,049)	39,249,627	0	(35,751,160)	3,498,467
9,481,091	(975,541)	0	0	12,776,950	0	0	12,776,950
9,481,091	(975,541)	0	0	12,776,950	0	0	12,776,950
20,071,362	7,083,552	(454,537)	(11,688,366)	281,249,176	2,372,924	(177,897,681)	105,724,419
	7,111,276	0	0			0	
	(27,831)	(4,744,575)					
	0	0					
	7,111,383	4,290,038					
	7,083,552	(454,537)					

(5,907 thousand euros), regarded the acquisition of baggage inspection equipment (2,393 thousand euros), security equipment (460 thousand euros), motor vehicles (750 thousand euros) and car park equipment (302 thousand euros). "Tangible fixed assets in progress and advances" (up 8,506 thousand euros) relate to works regarding construction of the 5th module of the multi-story car park (8,779 thousand euros) and extension of the long-stay car park - 2nd phase (796 thousand euros).

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 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.

Equity investments held as non-current financial assets

	12.31.2003	Changes during the year				12.31.2004
		Aquisition	Disposals	Write-downs	Capital reconstructions	
Subsidiary undertakings:						
– ADR Handling S.p.A.	25,930,325	0	0	0	0	25,930,325
– Airport Invest B.V.	111,390,338	0	0	0	0	111,390,338
– ADR Engineering S.p.A. Unipersonale	593,926	0	0	0	0	593,926
– ADR Tel S.p.A.	594,000	0	0	0	0	594,000
– ADR Advertising S.p.A.	255,000	0	0	0	0	255,000
– ADR Sviluppo S.r.l. Unipersonale	100,000	0	0	0	0	100,000
	138,863,589	0	0	0	0	138,863,589
Associated undertakings:						
– La Piazza di Spagna S.r.l.	49,000	0	0	0	0	49,000
– Ligabue Gate Gourmet Roma S.p.A. (insolvent)	1	0	0	0	0	1
	49,001	0	0	0	0	49,001
Investments in other companies:						
– Alinsurance S.r.l.	6,198	0	0	0	0	6,198
– Aeroporto di Genova S.p.A.	929,622	0	0	0	0	929,622
– S.A.CAL. S.p.A.	878,493	0	0	0	0	878,493
– Edindustria S.p.A.	81,063	0	0	0	0	81,063
	1,895,376	0	0	0	0	1,895,376
Total	140,807,966	0	0	0	0	140,807,966

There was no change in equity investment during 2004.

The transfer of handling activities at Ciampino, valued at 10,921 thousand euros, to the subsidiary undertaking, ADR Handling S.p.A., took effect on December 31, 2003. As a result, the General Meeting of ADR Handling S.p.A.'s shareholders approved a capital increase of 5,160 thousand euros, via the issue of 1,000,000 new shares with a par value of 5.16 euros and involving a share premium of 5,761 thousand euros. Pursuant to art. 2343 of the Italian Civil Code, the valuation of the division was confirmed by ADR Handling S.p.A.'s Board of Directors on June 17, 2004, thereby removing the restriction on the sale of the newly issued shares and the need for their deposit with the company.

For further information regarding such equity investments during 2004, reference should be made to the section "Equity investments" in the Management Report on Operations.

A comparison between the book value and the value of shareholders' equity, determined on the basis of the equity method, is provided in the following table:

List of equity investments in subsidiary undertakings (in Euros)

	Registered office	Share Capital	Shareholders' equity at 12.31.2004	Net Income (Loss) 2004	% holding	Corresponding book value of equity (A)	Book value (B)	Valuation art. 2426, no. 4 C.C. (C)	Surplus B - C
Subsidiary undertakings:									
– ADR Handling S.p.A.	Fiumicino (Rome)	18,060,000	15,451,579	(7,307,489)	99.29%	15,341,873	25,930,325	16,506,998	9,423,327
– Airport Invest B.V. (*)	Amsterdam (Holland)	70,417,038	107,431,282	21,850	100%	107,431,282	111,390,338	116,170,574	
– ADR Engineering S.p.A. Unipersonale	Fiumicino (Rome)	774,690	1,737,824	457,272	100%	1,737,824	593,926	1,737,824	
– ADR Tel S.p.A.	Fiumicino (Rome)	600,000	2,095,195	752,389	99.0%	2,074,243	594,000	2,074,243	
– ADR Advertising S.p.A. (**)	Fiumicino (Rome)	1,000,000	1,939,353	887,618	25.5%	474,135	255,000	474,135	
– ADR Sviluppo S.r.l. Unipersonale	Fiumicino (Rome)	100,000	91,175	(3,609)	100%	91,175	100,000	91,175	8,825
Associated undertakings:									
– La Piazza di Spagna S.r.l.	Fiumicino (Rome)	100,000	98,907	(1,093)	49.0%	48,464	49,000	48,464	536
Total							138,912,589		

(*) The net result of the balance is given at the net of the interim dividend paid during the year.

(**) Equity investment in the company's total share capital (1,000,000 including preference shares). The interest in the ordinary share capital (500,000 euros) is equal to 51%.

The book value of the equity investment in ADR Handling S.p.A. is greater than the amount resulting from the valuation under article 2426, paragraph 4 of the Italian Civil Code by approximately 9.4 million euros. Such difference is of a temporary nature in view of the company's plans, which foresee a return to profit as of 2005.

The book values of the equity investments in ADR Sviluppo S.r.l. and La Piazza di Spagna S.r.l. are greater than a valuation under the above article of the Italian Civil Code, due to the fact that the companies are not yet operational.

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	23,420	41	23,461
• suppliers	3,099	0	3,099
• other	4,619,305	(1,144,511)	3,474,794
	4,645,824	(1,144,470)	3,501,354

The reduction in such "Receivables", amounting to 1,144 thousand euros, was primarily due to payments of 1,233 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 89 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	2,812,616	(10,598)	2,802,018
Finished goods and goods for resale:			
– goods for resale	8,444,427	417,136	8,861,563
	11,257,043	406,538	11,663,581
Contract work in progress	8,952,365	(123,824)	8,828,541
less accumulated write-downs (art. 60 P. Decree no. 917/86)	0	0	0
	8,952,365	(123,824)	8,828,541
Advances	34,170	2,327	36,497
	20,243,578	285,041	20,528,619

"Inventory" increased by 285 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 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 Company 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 Contracted (+) Repayments (-)	Provisions (-) Value recoveries (+)	12.31.2004
Due from clients	131,199,251	2,300,398	0	133,499,649
less:				
– allowance for doubtful accounts	(19,971,192)	6,088,184	(11,469,084)	(25,352,092)
– allowance for overdue interest	(4,853,153)	177,765	(1,039,302)	(5,714,690)
	106,374,906	8,566,347	(12,508,386)	102,432,867
Due from subsidiary undertakings	13,062,655	5,468,919	0	18,531,574
Due from associated undertakings	2,456,542	(1,926,999)	0	529,543
less:				
– allowance for doubtful accounts	(1,926,999)	1,926,999	0	0
	529,543	0	0	529,543
Due from the tax authorities	2,873,475	(2,251,809)	0	621,666
Deferred tax assets	17,892,846	(3,691,000)	0	14,201,846
Due from others:				
– sundry	57,275,027	(3,524,884)	0	53,750,143
– advances to suppliers for services	100,434	(98,798)	0	1,636
	57,375,461	(3,623,682)	0	53,751,779
	198,108,886	4,468,775	(12,508,386)	190,069,275

"Current receivables", net of allowances for doubtful accounts, amount to 190,069 thousand euros, an 8,040 thousand euro net decrease on December 31, 2003. Principal changes are analyzed below.

– "Due from clients", net of allowances for doubtful accounts, amounts to 102,433 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 decrease of 3,942 thousand euros derives entirely from increased provisions for doubtful accounts, as a result of an updated assessment of the creditworthiness of clients.
– "Amounts due from subsidiary undertakings" total 18,531 thousand euros, representing an increase of 5,469 thousand euros on the previous year. This is primarily due to a 4,864 thousand euro rise in trade receivables due from the subsidiary undertakings, ADR Handling S.p.A. and ADR Advertising S.p.A..
  A breakdown of receivables due from subsidiary undertakings shows that 17,211 thousand euros derives from trading relations (12,347 thousand euros as of December 31, 2003), 287 thousand euros from financial relations (716 thousand euros as of December 31, 2003), 1,033 thousand euros from other relations, including 170 thousand euros relating to the tax consolidation and 863 thousand euros represented by accrued dividends.
  An analysis of receivables due from subsidiary undertakings is provided in the section of the Management Report on Operations dealing with "Relations with parent companies and other related parties".
– "Due from associated undertakings", amounting to 530 thousand euros, regards amounts due to ADR S.p.A. from the insolvent Ligabue Gate Gourmet Roma S.p.A., classified among preferential liabilities. 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.

– Amounts "Due from tax authorities", amounting to 622 thousand euros, fell by 2,252 thousand euros following the substantial elimination of IRPEG/IRAP and VAT credits totaling 1,270 thousand euros and 988 thousand euros as of December 31, 2003.
– "Deferred tax assets", totaling 14,202 thousand euros as of December 31, 2004, decreased by 3,691 thousand euros compared with December 31, 2003. The composition of deferred tax assets and changes during the year are shown in the following table.

		Balance at 12.31.2003 (A)		Increase (B)		Decrease (C)		Balance at 12.31.2004 (A+B-C)	
	Tax rate (%)	Tax base	Tax	Tax base	Tax	Tax base	Tax	Tax base	Tax
Deferred tax assets:									
– allowances for risks and charges	37.25%	10,812	4,028	193	72	1,222	455	9,783	3,645
– allowances for risks and charges	33.00%	9,992	3,297	3,465	1,143	4,713	1,555	8,744	2,885
– accumulated inventory write-downs	37.25%	2,698	1,005	0	0	1,169	435	1,529	570
– allowance for doubtful accounts	33.00%	20,208	6,669	11,724	3,869	7,309	2,412	24,623	8,126
– provisions for personnel	33.00%	2,417	798	2,333	770	2,417	798	2,333	770
– accelerated depreciation	37.25%	2,425	903	0	0	796	297	1,629	606
– other	37.25%	2,267	844	724	269	640	238	2,351	875
– other	33.00%	1,598	527	712	235	997	329	1,313	433
Total deferred tax assets		52,417	18,071	19,151	6,358	19,263	6,519	52,305	17,910
Deferred tax liabilities:									
– dividends	33.00%	(11)	(4)	(10)	(3)	(11)	(4)	(10)	(3)
– gains	37.25%	(468)	(174)	(47)	(18)	(407)	(152)	(108)	(40)
– accelerated depreciation (reversal of tax-related entries)	37.25%	0	0	(7,111)	(2,649)	(206)	(77)	(6,905)	(2,572)
– accelerated depreciation	37.25%	0	0	(2,933)	(1,093)	0	0	(2,933)	(1,093)
Total deferred tax liabilities		(479)	(178)	(10,101)	(3,763)	(624)	(233)	(9,956)	(3,708)
Total		51,938	17,893	9,050	2,595	18,639	6,286	42,349	14,202

– "Amounts due from others: sundry" decreased by 3,624 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, 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 (190,069 thousand euros) comprise 49,232 thousand euros in the form of financial receivables, 119,645 thousand euros of trade receivables, and 21,192 thousand euros of other receivables. There are no promissory notes or similar bills.
The following table shows a geographical breakdown of trade receivables (in thousands of euros):

	Italy	Other EU countries	Rest of Europe	Africa	America	Total
Clients	97,299	3,627	798	418	292	102,434
Subsidiary undertakings	17,211	0	0	0	0	17,211
	114,510	3,627	798	418	292	119,645

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	62,094,501	57,437,199	119,531,700
Cash and notes in hand	333,371	74,642	408,013
	62,427,872	57,511,841	119,939,713

The Company's "Cash on hand and in banks" rose by 57,512 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, 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	0	0	0
PREPAID EXPENSES			
Service costs	662,072	(18,802)	643,270
Payroll costs	29,328	1,864	31,192
Financial charges	2,773,461	346,267	3,119,728
	3,464,861	329,329	3,794,190

The change of 329 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

Shareholders' equity underwent the following movements during 2004:

	Share capital [1]	Share premium reserve	Revaluation reserves	Legal reserve	Statutory reserves	Reserve for own shares	Reserve for share issues (art.2349 Italian Civil Code)	Reserve for accelerated depreciation	Distributable reserves	Retained earnings	Net income for the year	Total
Balance as of 12.31.2001	62,224,743	667,389,495	0	12,444,949	0	0	85,058	0	7,399,191	0	23,489,710	773,033,146
Allocation of net income:												
– allocation of reserve								3,597,017		19,892,693	(23,489,710)	0
Other changes:												
– to release reserve for accelerated depreciation								(3,597,017)	3,597,017			0
Net income for the year											4,062,993	4,062,993
Balance as of 12.31.2002	62,224,743	667,389,495	0	12,444,949	0	0	85,058	0	10,996,208	19,892,693	4,062,993	777,096,139
Allocation of net income:												
– distribution of dividends (0,06 euros per share)											(3,733,485)	(3,733,485)
– allocation of reserve										329,508	(329,508)	0
Other changes:												
– distribution of reserve (0,46 euros per share)									(9,333,712)	(19,289,670)		(28,623,382)
Net income for the year											1,069,076	1,069,076
Balance as of 12.31.2003	62,224,743	667,389,495	0	12,444,949	0	0	85,058	0	1,662,496	932,531	1,069,076	745,808,348
Allocation of net income:												
– allocation of reserve										1,069,076	(1,069,076)	0
Other changes:												
– free capital increase	85,058						(85,058)					0
Net income for the year											12,244,045	12,244,045
Balance as of 12.31.2004	62,309,801	667,389,495	0	12,444,949	0	0	0	0	1,662,496	2,001,607	12,244,045	758,052,393

[1] Including: 62,309,801 ordinary shares (with a unit value of 1 euro).

ADR S.p.A.'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 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 was reduced to zero.

Movements during the year reflect net income for 2004 (12,244 thousand euros) and the appropriation of net income for 2003 to retained earnings (1,069 thousand euros), as approved by the Ordinary General Meeting of April 29, 2004.

The following statement shows movements in shareholders' equity during the year and a breakdown of available and distributable reserves:

	Amount	Potential use	Available portion	Summary of uses in previous years (2002-2004) to cover losses	other reasons
Share capital	62,309,801				
Capital reserves:					
– Share premium reserve	667,389,495	A, B, C (*)	667,389,495		
– Reserve for share issues (art. 2349 of Civil Code)					(85,058)
Retained profit reserves:					
– Legal reserve	12,444,949	B			
– Reserve for accelerated depreciation					(3,597,017)
– Available reserve	1,662,496	A, B, C	1,662,496		(9,333,712)
– Retained earnings	2,001,607	A, B, C	2,001,607		(19,289,670)
Total share capital and reserves	745,808,348		671,053,598		
Undistributable portion (art. 2426, no. 5)			(133,829)		
Remaining distributable portion			670,919,769		
Untaxed portion subject to restriction covering negative income components deducted off-balance-sheet, net of deferred tax liabilities			(6,173,193)		
Remaining tax-exempt portion			664,746,576		

A: to increase capital

B: to cover losses

C: to pay dividends

(*) entirely distributable on condition that 17,011.20 euros is added to the legal reserve in order to reach limit established by art. 2430 of Civil Code.

The untaxed portion of 6,173 thousand euros includes all off-balance-sheet deductions, of which 6,905 thousand euros regards the reversal of tax-related entries and 2,933 thousand euros accelerated depreciation for the year, net of the resulting deferred tax liabilities totaling 2,572 thousand euros and 1,093 thousand euros, respectively.

The above off-balance-sheet deductions are covered by a restriction on the distribution of an identical amount in the share premium reserve. With the exception of the legal reserve, the retained profit reserves may thus be distributed without incurring tax expense.

ALLOWANCES FOR RISKS AND CHARGES

	12.31.2003	Changes during the year: Provisions (Reversals to Income Statement)	Releases	12.31.2004
Taxes, including deferred	650,000	0	(650,000)	0
Other:				
– current and potential disputes	16,527,689	4,892,136	(985,111)	20,434,714
– insurance deductibles	1,143,248	193,035	(415,176)	921,107
– restructuring	4,535,200	964,000	(4,535,200)	964,000
– fixed assets to be relinquished	4,200,000	200,000	0	4,400,000
	26,406,137	6,249,171	(5,935,487)	26,719,821
	27,056,137	6,249,171	(6,585,487)	26,719,821

"Allowances for risks and charges", totaling 26,720 thousand euros, decreased by 336 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);

- the "Allowance for current and potential disputes" reports a net increase of 3,907 thousand euros. Direct releases amounting to 985 thousand euros are primarily due to the settlement of disputes with the Company's employees. Further provisions of 4,892 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 Company to meet the cost of streamlining and reorganizing its operations, aimed at improving efficiency in order to ensure that profit targets are met, reports a net decrease of 3,571 thousand euros.

EMPLOYEE SEVERANCE INDEMNITIES

This item underwent the following changes during 2004:

Balance as of 12.31.2003	47,450,385
Changes during the year:	
– provisions	5,970,465
– releases to pay indemnities	(3,310,470)
– releases to pay advances	(2,344,019)
– increases (decreases) due to transfers of employees	255,764
– other	(312,996)
Balance as of 12.31.2004	47,709,129

"Employee severance indemnities", which represent the accrued amount due to the Company's employees in service as of December 31, 2004, report a net increase of 259 thousand euros. The rise primarily derives from provisions of 5,970 thousand euros and the transfer of employees from other Group companies, accounting for 256 thousand euros. These amounts were partially offset by releases to pay indemnities and advances totaling 5,654 thousand euros.

PAYABLES

	12.31.2003	Changes during the year	12.31.2004
Due to banks	482,071,142	336,476	482,407,618
Due to other financial institutions	1,278,795,535	179,250	1,278,974,785
Advances:			
a) from the Ministry of Transport	5,421,971	(127,031)	5,294,940
b) from clients	2,004,556	294,196	2,298,752
Due to suppliers	104,836,346	(22,922,167)	81,914,179
Due to subsidiary undertakings	7,931,227	8,982,161	16,913,388
Due to associated undertakings	1,002,980	0	1,002,980
Due to parent companies	4,120	(4,120)	0
Taxes due	3,478,952	13,728,548	17,207,500
Due to social security agencies	6,023,703	(43,443)	5,980,260
Other payables: sundry creditors	29,040,199	(1,424,648)	27,615,551
	1,920,610,731	(1,000,778)	1,919,609,953

"Payables" decreased by 1,001 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
Syndacate 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 ADR S.p.A. 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
	A1	500	fixed	bullet	10 years	Feb. 2013
	A2	200	floating rate linked to EURIBOR + margin	bullet	12 years	Feb. 2015
Romulus Finance S.r.l.	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 in the 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, 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 22,922 thousand euros due to shorter average payment periods.
– "Amounts due to subsidiary undertakings" increased by 8,982 thousand euros, primarily due to financial relations with the subsidiary undertaking, ADR Handling S.p.A. (up 7,154 thousand euros).
Amounts due to subsidiary undertakings include 8,138 thousand euros deriving from trading relations (7,152 thousand euros as of December 31, 2003), 7,933 thousand euros from financial relations (779 thousand euros as of December 31, 2003) and 842 thousand euros due to tax consolidation.
An analysis of receivables due from subsidiary undertakings is provided in the section of the Management Report on Operations dealing with "Relations with parent companies and other related parties".
– "Taxes due", totaling 17,208 thousand euros, rose by 13,729 thousand euros. The sum of 9,256 thousand euros regards the estimated amounts due as consolidated IRES (8,742 thousand euros) and IRAP (514 thousand euros), determined net of advances paid during 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 1,425 thousand euros overall, mainly due to the combined effect of the greater amount due in license fees to the Civil Aviation Authority (1,247 thousand euros), 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 1,919,610 thousand euros include 1,769,511 thousand euros of a financial nature, 98,616 thousand euros of trade payables and 51,483 thousand euros of sundry items.

A breakdown of the Company's trade payables by geographical area is not provided as it is not significant given that limited amount due to overseas creditors (3.3 million euros out of a total of 98.6 million euros). Payables in currency exposed to exchange rate risks total 273 thousand euros and refer to services supplied.

"Payables secured by collateral on the Company'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.

ACCRUED EXPENSES AND DEFERRED INCOME

	12.31.2003	Changes during the year	12.31.2004
DEFERRED INCOME			
Sub-concessions and license fees	3,346,140	1,679,929	5,026,069
Other services	199,121	596,303	795,424
	3,545,261	2,276,232	5,821,493

NOTES TO THE 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	110,522	110,522	0	110,522	110,522
– in favor of subsidiary undertakings	0	21,123,606	21,123,606	0	19,608,233	19,608,233
Other:						
– in favor of clients	0	137,659	137,659	0	0	0
– on behalf of subsidiary undertakings	0	503,000	503,000	0	672,000	672,000
	0	21,874,787	21,874,787	0	20,390,755	20,390,755

"Sureties granted in favor of subsidiary undertakings" include a surety of 21,124 thousand euros issued by ADR S.p.A. in favor of the South African financial institution United Towers Ltd, as a guarantee for commitments made by the subsidiary undertaking, Airport Invest B.V., regarding a "Put and Call Option Agreement" stipulated on December 28, 2000. In particular ADR S.p.A. guaranteed exact payment by Airport Invest B.V. of the value of preferred shares of ADR IASA Ltd should United Towers Ltd exercise the "put" option. The option price for the year equals the issue price of the shares themselves (156 million rands) with the added preferred dividends accruing from the year and not paid, prudentially valued at December 31, 2004 at about 6.4 million rands. The equivalent value in euros was calculated using the closing euro/rand exchange rate of 7.690. The put option granted to United Towers Ltd is exercisable until April 30, 2005.

COMMITMENTS ON PURCHASES AND SALES

	12.31.2004	12.31.2003
COMMITMENTS ON PURCHASES		
Investment:		
– in subsidiary undertakings	11,494,000	1,339,793
– electronic equipment	1,122,247	1,663,512
– maintenance and services	0	1,453,665
– vehicles and equipment	70,800	67,500
– self-financed works	29,044,169	11,870,689
– contract work	0	942,000
– financial transactions	0	0
	41,731,216	17,337,159
COMMITMENTS ON SALES		
– electronic equipment	0	930,000
Total commitments on purchases and sales	41,731,216	18,267,159

On February 28, 2003 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 Company-owned and leased assets to which they refer, would be capitalized.

In the Group's Management Report on Operations, the measures that 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".

OTHER MEMORANDUM ACCOUNTS

	12.31.2004	12.31.2003
General guarantees received:		
– sureties	79,553,542	79,230,961
	79,553,542	79,230,961
Third party assets on free loan, deposited in custody, leased or similar:		
– leased assets	0	0
– employee savings books deposited with the company	0	0
– CAA - plant and equipment at Fiumicino	119,811,701	119,811,701
– CAA - plant and equipment at Ciampino	29,293,608	29,293,608
– works carried out on behalf of the State	665,635,517	664,438,125
	814,740,826	813,543,434
Assets leased to third parties in work in progress account	0	429,618
	0	429,618
Other matters in question:		
– assets leased to subsidiary undertakings	93,223	93,223
	93,223	93,223
Total other memorandum accounts	894,387,591	893,297,236

"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.

"Assets leased to subsidiary undertakings" include the value of the intangible and tangible fixed assets (93 thousand euros) that form part of the advertising division leased by ADR S.p.A. to the subsidiary undertaking, ADR Advertising S.p.A., as reported in the division's balance sheet prepared on February 28, 2003. The above division also includes net payables due to personnel (severance indemnities, vacation pay, etc.) and social security agencies (294 thousand euros), which were settled by the parties in cash.

NOTES TO THE INCOME STATEMENT

TOTAL REVENUES

Revenues

	2004	2003	Difference
REVENUES FROM SALES			
Non-aviation activities:			
• duty free and duty paid	47,572,560	45,568,280	2,004,280
• other	2,614,515	1,843,170	771,345
	50,187,075	47,411,450	2,775,625
REVENUES FROM SERVICES			
Aviation activities:			
• fees	147,127,017	137,203,824	9,923,193
• handling	21,089,009	32,692,840	(11,603,831)
• security services	52,283,034	41,413,744	10,869,290
• centralized infrastructure	35,475,837	34,204,597	1,271,240
• other	16,807,677	14,670,764	2,136,913
	272,782,574	260,185,769	12,596,805
Non-aviation activities:			
• sub-concessions and utilities	100,683,418	88,913,968	11,769,450
• car parks	26,451,184	22,210,516	4,240,668
• advertising	1,934,069	9,042,804	(7,108,735)
• refreshments	9,452,512	8,827,673	624,839
• other	24,181,723	20,820,282	3,361,441
	162,702,906	149,815,243	12,887,663
	435,485,480	410,001,012	25,484,468
REVENUES FROM CONTRACT WORK	1,197,392	11,454,602	(10,257,210)
Total revenues from sales and services	486,869,947	468,867,064	18,002,883
CHANGES IN CONTRACT WORK IN PROGRESS	(123,823)	(4,959,032)	4,835,209
REVENUE GRANTS	30,910	70,511	(39,601)
Total revenues	486,777,034	463,978,543	22,798,491

56.0% of "Revenues", which total 486,777 thousand euros, derived from "aviation activities" carried out by the Company, whilst 44.0% were generated by "non-aviation" activities. In 2003 "aviation" activities accounted for 56.1% of revenues and "non-aviation" for 43.9%.

"Revenues from sales", amounting to 50,187 thousand euros, rose 5.9% with respect to 2003, due to the reduced turnover of directly managed shops, linked to traffic trends.

"Revenues from services" totaled 486,870 thousand euros, representing an increase of 3.8% on 2003. A detailed analysis is provided in the section of the Management Report on Operations dedicated to the "Financial position and results of operations".

"Revenues from contract work" (1,197 thousand euros) underwent a significant reduction with respect to 2003, falling 10,257 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 124 thousand euros with respect to the 4,959 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 Company's business. It is important to note that the type of activity carried out by the Company 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 Company'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 Company'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[3] 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[4], 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	Fees	Handling	Centralized infrastructures	Non-aviation activities		Other activities	Total
(€/000)				Sub-concessions	Direct sales		
2004	147,127	21,089	35,476	100,683	50,187	132,215	486,777
2003	137,204	32,693	34,205	88,914	47,411	123,552	463,979
Difference	*9,923*	*(11,604)*	*1,271*	*11,769*	*2,776*	*8,663*	*22,798*
% Difference	*7.2%*	*(35.5%)*	*3.7%*	*13.2%*	*5.9%*	*7.0%*	*4.9%*

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 272,783 thousand euros, compared with the 260,186 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 213,994 thousand euros, compared with the 203,793 thousand euros of 2003.

(3) Excluding passenger and ramp handling services, carried out at Fiumicino by the subsidiary undertaking, ADR Handling S.p.A., as of March 2000.

(4) Until March 1, 2003, the date on which the lease of the advertising division to the subsidiary undertaking, ADR Advertising S.p.A., came into effect; the sale of advertising space in retail outlets, on the other hand, continues to be carried out by ADR S.p.A..

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

Other income and revenues: other

	2004	2003
Revenue grants	30,910	70,511
Gains on disposals	189,075	22,627
Other:		
– releases:		
• release from allowance for overdue interest	104,597	250,737
– expense recoveries	159,748	252,878
– recoveries of personnel expenses	184,262	171,653
– revaluations of prior years	3,685,141	3,945,952
– other revenues	1,272,232	894,162
	5,405,980	5,515,382
	5,625,965	5,608,520

“Revaluations of prior years”, amounting to 3.7 million euros, includes the effects of updated valuations of costs and revenues, formerly estimated at the end of the previous year.

OPERATING COSTS

Amortization, depreciation and write-downs

“Amortization and depreciation” for the year amounted to 92,554 thousand euros, including amortization of intangible fixed assets of 80,866 thousand euros and depreciation of tangible fixed assets of 11,688 thousand euros. Amortization of intangible fixed assets includes the charge for amortization of the concession, amounting to 50,095 thousand euros.
Provisions for doubtful accounts totaled 11,469 thousand euros and reflect an updated assessment of the creditworthiness of ADR S.p.A.’s clients.

Provisions for risks and other

	2004	2003
Current and potential disputes	4,892,136	0
Insurance deductibles	193,035	77,469
	5,085,171	77,469

“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 Company is exposed.

Other operating costs

	2004	2003
Losses on disposals	18,586	0
Concession fees	53,768	161,291
Other	4,957,622	11,553,178
	5,029,976	11,714,469

The item "Other", amounting to 4,958 thousand euros, primarily regards membership dues (756 thousand euros), indirect taxes and duties (950 thousand euros), and updated valuations of over-estimated costs and under-estimated revenues recognized in the 2003 financial statements (3,028 thousand euros).

FINANCIAL INCOME AND EXPENSE

Income from equity investments

	2004	2003
Dividends from subsidiary undertakings	4,904,846	3,724,862
Dividends from other companies	25,700	59,400
	4,930,546	3,784,262

"Dividends from subsidiary undertakings" regard:

– 4,042 thousand euros in the form of interim dividends for 2004 paid by the subsidiary undertaking, Airport Invest B.V. (100% owned by ADR S.p.A.) in accordance with the resolution passed by the General Meeting of the company's shareholders held on December 17, 2004;
– 375 thousand euros in dividends for 2004, posted on an accruals basis, paid by the subsidiary undertaking, ADR Engineering S.p.A. (100% owned by ADR S.p.A.) in accordance with the proposed allocation of net income approved by the company's Board of Directors on March 1, 2005;
– 297 thousand euros in dividends for 2004, posted on an accruals basis, paid by the subsidiary undertaking, ADR Tel S.p.A. (99% owned), in accordance with the proposed allocation of net income approved by the company's Board of Directors on March 2, 2005;
– 191 thousand euros in dividends for 2004, posted on an accruals basis, paid by the subsidiary undertaking, ADR Advertising S.p.A. (51% of the ordinary share capital), in accordance with the proposed allocation of net income approved by the company's Board of Directors on March 7, 2005.

Other financial income

	2004	2003
Interest and commissions on long-term receivables:		
– other	89,381	134,465
Other:		
– interest on overdue current receivables:		
• clients	1,161,449	506,846
– interest and commissions from other companies and sundry income:		
• interest from subsidiary undertakings	18,821	16,492
• interest from banks	2,167,332	2,641,900
• other	1,317,517	16,083
	4,754,500	3,315,786

"Interest from banks", totaling 2,167 thousand euros, decreased by 475 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 paid to parent companies	0	191,142
Interest paid to subsidiary undertakings	72,617	96,761
Interest and commissions due to others and sundry charges:		
– interest and commissions paid to banks	17,318,609	25,781,510
– interest and commissions paid to other financial institutions	56,424,920	50,029,914
– provisions for overdue interest on doubtful accounts	1,039,302	506,850
– other	27,135,771	24,885,582
	101,991,219	101,491,759

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 ADR S.p.A.'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".

Foreign currency gains and losses

	2004	2003
Gains	201,325	114,686
Losses	82,505	30,202
	118,820	84,484

The conversion of receivables and payables denominated in non-EU currencies at closing exchange rates resulted in an unrealized loss of 47 thousand euros.

ADJUSTMENTS TO FINANCIAL ASSETS

No adjustments to financial assets have been made during the two years used as the basis of comparison.

EXTRAORDINARY INCOME AND EXPENSE

Income

"Extraordinary income" for the year totaled 8,338 thousand euros and breaks down as follows:

	2004	2003
Gains on disposals	0	11,691,092
Income relating to previous years and other deriving from:		
– total revenues	125,462	232,261
– operating costs	434,804	60,235
– financial income and expense	47,034	1,119
– adjusted tax credits for previous years	0	2,836,630
– non-recurring items	376,507	595
– damages and compensation received	242,735	0
– other	7,111,276	0
	8,337,818	3,130,840
	8,337,818	14,821,932

"Gains on disposals", which amount to zero in 2004, regard gains realized on the transfer of handling activities at Ciampino to the subsidiary undertaking, ADR Handling S.p.A..

"Other" includes the effect of reversing tax-related entries in the form of accelerated depreciation charged to the Income Statement in previous years. The sum of 7,111 thousand euros corresponds with the allowance for accelerated depreciation as of January 1, 2004. Further information is provided in the section of these notes dealing with the reversal of tax-related entries.

Expense

"Extraordinary expense" for the year totaled 6,460 thousand euros and breaks down as follows:

	2004	2003
Losses on disposals	0	31,520
Taxes relating to previous years	286,947	2,139,345
Extraordinary expense deriving from:		
– total revenues	117,265	33,677
– operating costs	980,871	1,346,563
– financial income and expense	2,508	3,622
– contingent liabilities	323,172	660,939
	1,423,816	2,044,801
Other extraordinary expense:		
– payments due for lost freight	112,800	40,813
– fines	239,217	52,452
– agreed settlements	1,705,009	5,566,035
– damages and compensation paid to third parties	43,494	66,234
– penalties	0	1,666,728
– adjustment to deferred tax liabilities posted in previous years	2,649,000	0
	4,749,520	7,392,262
	6,173,336	9,437,063
	6,460,283	11,607,928

"Taxes relating to previous years", totaling 146 thousand euros, include expense deriving from participation in the tax amnesty pursuant to Law no. 289/2002, article 15, and payment of customs duties dating back to 1998/1999 following a tax audit. The balance for 2003 primarily included the cost deriving from the tax amnesty pursuant to articles 8 and 9 of Law no. 289/2002.
"Other extraordinary expense" includes the cost of incentive payments made as part of the current

efficiency drive. This gave rise to expense of 1,705 thousand euros (5,566 thousand euros in 2003). "Other extraordinary expense" also includes provisions for deferred tax liabilities (37.25%) deriving from elimination of the allowance for accelerated depreciation (7,111 thousand euros), which was carried out as part of the reversal of tax-related entries in these Financial Statements. Further information is provided in the relevant section of these Notes.

INCOME TAXES

This item reports the estimated expense for current taxes for the year, totaling 23,032 thousand euros. Deferred tax liabilities of 1,042 thousand euros have also been recognized.

	2004	2003
Current taxes:		
– IRPEG	0	5,577,263
– IRES	12,562,104	0
– proceeds from tax consolidation	(637,543)	0
– charges from tax consolidation	836,666	0
	12,761,227	5,577,263
– IRAP	10,270,421	9,891,224
	23,031,648	15,468,487
Net deferred tax (assets) liabilities:		
– deferred tax assets	161,000	(1,813,000)
– deferred tax liabilities	881,000	(572,000)
	1,042,000	(2,385,000)
	24,073,648	13,083,487

On December 28, 2004 ADR S.p.A. communicated its intention to adopt the new form of domestic tax consolidation (the "domestic tax consolidation") introduced by the first part of the Tremonti Reform (Legislative Decree no. 344/2003).

In addition to the Parent Company, ADR S.p.A., the tax consolidation process regards the subsidiary undertakings, ADR Handling S.p.A., ADR Engineering S.p.A. and ADR Tel S.p.A..

With regard to deferred taxes, it was decided to continue to record deferred tax assets and liabilities in the financial statements of the individual companies that generated the related temporary differences.

In accordance with the above tax regulations, estimated tax expense for IRES, amounting to 12,562 thousand euros, was calculated on consolidated taxable income, represented by the sum of the taxable income and tax losses reported by the Parent Company, ADR S.p.A., and the subsidiary undertakings included in the tax consolidation, adjusted to reflect the detaxation of intercompany dividends.

Taxable income transferred from the consolidated companies, ADR Engineering S.p.A. and ADR Tel S.p.A., resulted in proceeds from tax consolidation of 171 thousand euros and 467 thousand euros, respectively, resulting in a total of 638 thousand euros. Tax losses transferred from the consolidated company, ADR Handling S.p.A., resulted in tax expense from tax consolidation of 837 thousand euros.

The tax rate for current taxes, primarily IRES[5], is 35.1% compared with a theoretical rate of 33%. In 2003 the tax rate for IRPEG was 39.4% compared with a theoretical rate of 19%, reflecting application of Dual Income Tax (DIT) regulations, and the payment of capital gains tax on the gain realized on the transfer of handling activities at Ciampino to the subsidiary undertaking, ADR

(5) For the purposes of calculating the tax rate for IRES, IRES expense was added to the proceeds and expense deriving from tax consolidation.

Handling S.p.A., in accordance with Legislative Decree no. 358/97.

Reconciliation of the theoretical and actual tax rates is shown in the following table:

	2004	2003
Ordinary tax rate applicable (IRES - IRPEG)	33.0%	19.0%
Effect of increases (decreases) compared with ordinary rate		
Permanent differences:		
– dividends	(4.3%)	(4.5%)
– non-deductible costs	15.8%	20.5%
– other permanent differences	0.0%	(3.8%)
Temporary differences:		
– increases	17.3%	17.5%
– decreases	(26.7%)	(9.3%)
Actual rate	35.1%	39.4%

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 Aeroporti di Roma S.p.A. by category:

Average	2004	2003	Difference
Management	45	52	(7)
Administrative staff	1,554	1,533	21
Ground staff and other	608	673	(65)
Total	2,207	2,258	(51)

Remuneration of Directors and Statutory Auditors

In accordance with art. 2427 of the Italian Civil Code, the remuneration of Directors and Statutory Auditors is shown in the table below (cumulatively for each category in euros):

Category		Fees	Other remuneration	Total
Directors	(a)	115,992	0	115,992
Executive Directors	(b)	636,910	95,498	732,408
Statutory Auditors	(c)	227,844	15,951	243,795
Total		980,746	111,449	1,092,195

(a) remuneration determined pursuant to art. 2389 paragraph I of the Italian Civil Code, approved by General Meeting of March 24, 2003

(b) see resolutions of Board of Directors' meeting of March 24, 2003, pursuant to art. 2389, paragraph III of the Italian Civil Code

(c) see resolution of the Ordinary General Meeting of June 4, 2004

Shareholdings of Directors and Statutory Auditors

None of the Directors or Statutory Auditors hold shares in the Company.

Number of shares

The share capital of 62,309,801 shares is represented by 62,309,801 shares with a par value of 1 euro each.
As of December 31, 2004 the interest of the majority shareholder, Leonardo S.r.l., amounts to 51.082% (31,828,895 shares).

Information regarding current disputes

Tax litigation

In 1987, a general tax audit of ADR S.p.A.'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 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 ADR S.p.A.'s favor, confirming the legal interpretation adopted and a positive outcome for the Company.

Administrative, civil and labor litigation

Administrative, civil and labor litigation is followed by the Company through its internal legal department which has 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 Company 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 ADR S.p.A. 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 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. - F.lli 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 export, 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 export 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, summonsing 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 Company believes the likelihood of a negative outcome to be remote.

In the Company's judgment, 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 Company's financial position and results of operations for the year.

The Board of Directors

List of Significant Equity Investments

AEROPORTI DI ROMA GROUP

EQUITY INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

ADR ENGINEERING

ADR HANDLING

ADR TEL

ADR SVILUPPO

ADR ADVERTISING

EQUITY INVESTMENTS IN OTHER COMPANIES

SACAL LAMEZIA AIRPORT

AEROPORTO DI GENOVA

ACSA Airports Company South Africa

AEROPORTI DI ROMA HANDLING S.P.A.

Date of incorporation	June 10, 1999
Tax Code and Companies' Register	Rome 05799831002
R.E.A.	Rome 924991
Registered office	00050 Fiumicino – Office Tower, International Terminal – Leonardo da Vinci Airport
Share capital	18,060,000 euros represented by 3,500,000 shares with a par value of 5.16 euros each

Holding: 3,500,000 shares with voting rights at Ordinary General Meeting, amounting to 100% (of wich 0.71% held via ADR Engineering S.p.A. Unipersonale)

AIRPORT INVEST B.V.

Date of incorporation	April 7, 1999
Chamber of Commerce	Amsterdam 34113641
Registered office	Strawinskylaan 3105, 1077 ZX – Amsterdam (Netherlands)
Tax Code	97166530580
Share capital	70,417,038 euros represented by 155,446 shares with a par value of 453 euros each

Holding: 155,446 shares with voting rights at Ordinary General Meeting, amounting to 100%

ADR INTERNATIONAL AIRPORTS SOUTH AFRICA (PROPRIETARY) LTD

Date of incorporation	March 4, 1998
Companies' Register	Johannesburg 98/04063/07
Registered office	85 Empire Road – Parktown – 2193 Johannesburg (South Africa)
Share capital	1,660 rands represented by 10,000 ordinary shares (with voting rights) with a par value of 0.01 rands and 156,000 preference shares (without voting rights, with the exception of resolutions regarding the distribution of dividends) with a par value of 0.01 rands

Holding: 10,000 shares with voting rights at Ordinary General Meeting held indirectly (via Airport Invest B.V.), amounting to 100%

ADR ENGINEERING S.P.A. UNIPERSONALE

Date of incorporation	February 21, 1997
Tax Code and Companies' Register	Rome 05256281006
R.E.A.	Rome 867594
Registered office	00054 Fiumicino – Via Lago di Traiano no. 100
Share capital	774,690 euros represented by 1,500 shares with a par value of 516.46 euros each

Holding: 1,500 shares with voting rights at Ordinary General Meeting, amounting to 100%

ADR TEL S.P.A.

Date of incorporation	July 31, 2002
Tax Code and Companies' Register	Rome 07169231003
R.E.A.	Rome 1014944
Registered office	00050 Fiumicino – Via dell'Aeroporto di Fiumicino, 320
Share capital	600,000 euros represented by 600,000 shares with a par value of 1 euro each

Holding: 600,000 shares with voting rights at Ordinary General Meeting, amounting to 100% (of which 1% held via ADR Sviluppo S.r.l.)

ADR ADVERTISING S.P.A.

Date of incorporation	January 10, 2003
Tax Code and Companies' Register	Rome 07336861005
R.E.A.	Rome 1027780
Registered office	00050 Fiumicino – Office Tower, Leonardo da Vinci Airport
Share capital	1,000,000 euros represented by 500,000 ordinary shares and 500,000 preference shares both with a par value of 1 euro each

Holding: 255,000 shares with voting rights at Ordinary General Meeting, amounting to 51% of the ordinary share capital

ADR SVILUPPO S.R.L. UNIPERSONALE

Date of incorporation	July 27, 2001
Tax Code and Companies' Register	Rome 06708221004
R.E.A.	Rome 984688
Registered office	00050 Fiumicino – Via dell'Aeroporto di Fiumicino, 320
Share capital	100,000 euros

100% of voting rights at Ordinary General Meeting

AIRPORTS COMPANY SOUTH AFRICA LTD

Date of incorporation	1993
Companies' Register	Johannesburg 93/04149/06
Registered office	The Maples Riverwoods Office Park, 24 Johnson Road, Bedfordview, 2008 Johannesburg (South Africa)
Share capital	500,000,000 rands represented by 500,000,000 shares with a par value of 1 rand

Holding: 100,000,000 shares with voting rights at Ordinary General Meeting held indirectly (via ADR International Airports South Africa Ltd), amounting to 20%

LA PIAZZA DI SPAGNA S.R.L.

Date of incorporation	December 17, 2003
Tax Code and Companies' Register	Rome 07754621006
R.E.A.	Rome 1053884
Registered office	00050 Fiumicino – Via dell'Aeroporto di Fiumicino, 320
Share capital	100,000 euros

49% of voting rights at Ordinary General Meeting

LIGABUE GATE GOURMET ROMA S.P.A. (INSOLVENT)

Date of incorporation	November 20, 1997
Tax Code and Companies' Register	Venice 03016170270
Registered office	30030 Tessera (VE) – Marco Polo Airport
Share capital	103,200 euros represented by 20,000 shares with a par value of 5.16 euros each

Holding: 4,000 shares with voting rights at Ordinary General Meeting, amounting to 20%

SOCIETÀ AEROPORTUALE CALABRESE - S.A.CAL. S.P.A.

Date of incorporation	February 23, 1990
Tax Code and Companies' Register	Catanzaro 01764970792
Registered office	Lamezia Terme (CZ) – Lamezia Terme Civil Airport
Share capital	5,170,000 represented by 10,000 shares with a par value of 517 euros each

Holding: 1,657 shares with voting rights at Ordinary General Meeting, amounting to 16.57%

AEROPORTO DI GENOVA S.P.A.

Date of incorporation	February 12, 1985
Tax Code and Companies' Register	Genoa 02701420107
Registered office	Genova Sestri – Passenger Terminal
Share capital	4,648,140 euros represented by 9,000 shares with a par value of 516.46 euros each

Holding: 1,350 shares with voting rights at Ordinary General Meeting, amounting to 15%

ADR HANDLING S.P.A.: Reclassified Balance Sheet and Income Statement

COMPANY NAME	**ADR HANDLING S.P.A.**

BOARD OF DIRECTORS

(after the General Meetings of April 14, 2003, July 23, 2003 and April 22, 2004 and the Board of Directors' meeting of April 14, 2003)

Chairman	Federico Nucci
Directors	Emilio Corrado Giordano *(until February 29, 2004)* Fabio Missori *(from April 22, 2004)* Simon Morris
Secretary	Riccardo Affinita

BOARD OF STATUTORY AUDITORS

(after the General Meeting of April 14, 2003 and April 22, 2004)

Chairman	Roberto Ascoli
Statutory Auditors	Giancarlo Russo Corvace Paola Scillamà Irti
Alternate Auditors	Pietro Cerasoli *(from April 22, 2004)* Francesco Mariani

INDEPENDENT AUDITORS	Deloitte & Touche S.p.A.

Information about the subsidiary undertaking, ADR Handling S.p.A., is provided in the section "Equity Investments" in the Management Report on Operations of Aeroporti di Roma S.p.A..

RECLASSIFIED BALANCE SHEET (in thousands of euros)	**12.31.2004**	**12.31.2003**
Intangible fixed assets	13,552	14,840
Tangible fixed assets	11,881	10,550
Non-current financial assets	310	658
A. – FIXED ASSETS	**25,743**	**26,048**
Inventory	0	0
Trade receivables	15,212	23,822
Other assets	5,033	2,134
Trade payables	(11,744)	(6,403)
Allowances for risks and charges	(4,557)	(742)
Other liabilities	(8,858)	(7,257)
B. – WORKING CAPITAL	**(4,914)**	**11,554**
C. – INVESTED CAPITAL, minus short-term liabilities (A+B)	**20,829**	**37,602**
D. – EMPLOYEE SEVERANCE INDEMNITIES (E.S.I.)	**18,060**	**17,847**
E. – INVESTED CAPITAL, minus (C-D) short-term liabilities and E.S.I.	**2,769**	**19,755**
financed by:		
Share capital	18,060	18,060
Reserves and retained earnings	4,699	4,881
Net income (loss) for the year	(7,307)	(182)
F. – SHAREHOLDERS' EQUITY	**15,452**	**22,759**
G. – MEDIUM/LONG-TERM BORROWING	**0**	**0**
H. – SHORT-TERM BORROWING (NET CASH AND CASH EQUIVALENTS)		
Short-term debt	0	0
Cash and current receivables	(12,683)	(3,004)
(G+H)	**(12,683)**	**(3,004)**
I. – TOTAL AS IN "E" (F+G+H)	**2,769**	**19,755**

RECLASSIFIED INCOME STATEMENT (in thousands of euros)	2004	2003
A. – REVENUES	**87,260**	**73,476**
B. – REVENUES FROM ORDINARY ACTIVITIES	**87,260**	**73,476**
Cost of materials and external services	(24,786)	(23,790)
C. – GROSS MARGIN	**62,474**	**49,686**
Payroll costs	(50,766)	(42,242)
D. – EBITDA	**11,708**	**7,444**
Amortization and depreciation	(4,217)	(2,888)
Other provisions	(675)	(280)
Provisions for risks and charges	(1,964)	(723)
Other income (expense), net	(10,285)	567
E. – EBIT	**(5,433)**	**4,120**
Financial income (expense), net	204	181
Adjustments to financial assets	0	0
	204	**181**
F. – INCOME BEFORE EXTRAORDINARY ITEMS AND TAXES	**(5,229)**	**4,301**
Extraordinary income (expense), net	(3,317)	(1,381)
G. – INCOME BEFORE TAXES	**(8,546)**	**2,920**
Current taxes for the year	(1,599)	(1,904)
Deferred tax assets (liabilities) for the year	2,838	(1,198)
	1,239	**(3,102)**
H. – NET INCOME (LOSS) FOR THE YEAR	**(7,307)**	**(182)**

AIRPORT INVEST B.V.: Reclassified Balance Sheet and Income Statement

COMPANY NAME	**AIRPORT INVEST B.V.**
BOARD OF DIRECTORS	
Chairman	Emilio Corrado Giordano *(until May 1, 2004)*
Directors	Luciano Acciari Natacha Buzalko *(until May 1, 2004)* Fabio Capozio *(from July 15, 2004)* S. Galesloot *(until January 1, 2004)* Harry D. H. Moraal *(from July 15, 2004)* Christina A. Koopmans-Vlassa *(from July 15, 2004)* Paul Schmitz *(from May 1, 2004)* Robertus G. M. Verhoef *(until May 1, 2004)*
INDEPENDENT AUDITORS	KPMG Accountants NV

Information about the subsidiary undertaking, Airport Invest B.V., is provided in the section "Equity Investments" in the Management Report on Operations of Aeroporti di Roma S.p.A..

RECLASSIFIED BALANCE SHEET

(in thousands of euros)	12.31.2004	12.31.2003
Non-current financial assets	107,310	107,310
A. – FIXED ASSETS	**107,310**	**107,310**
Trade receivables	0	0
Other assets	0	0
Trade payables	(16)	(21)
Allowances for risks and charges	0	0
Other liabilities	0	0
B. – WORKING CAPITAL	**(16)**	**(21)**
C. – INVESTED CAPITAL, minus short-term liabilities (A+B)	**107,294**	**107,289**
D. – EMPLOYEE SEVERANCE INDEMNITIES (E.S.I.)	**0**	**0**
E. – INVESTED CAPITAL, minus (C-D) short-term liabilities and E.S.I.	**107,294**	**107,289**
financed by:		
Share capital	70,417	70,417
Reserves and retained earnings	36,992	37,008
Net income (loss) for the year (*)	22	(15)
F. – SHAREHOLDERS' EQUITY	**107,431**	**107,410**
G. – MEDIUM/LONG-TERM BORROWING	**0**	**0**
H. – SHORT-TERM BORROWING (NET CASH AND CASH EQUIVALENTS)		
Short-term debt	1	1
Cash and current receivables	(138)	(122)
(G+H)	**137**	**121**
I. – TOTAL AS IN "E" (F+G+H)	**107,294**	**107,289**

(*) *net of interim dividend:*	2004	2003
Net income for the year	4,063	3,541
Interim dividend	(4,041)	(3,556)
Residual net income for the year	22	(15)

RECLASSIFIED INCOME STATEMENT

(in thousands of euros)	2004	2003
A. – REVENUES	**0**	**0**
B. – REVENUES FROM ORDINARY ACTIVITIES	**0**	**0**
Cost of materials and external services	(40)	(87)
C. – GROSS MARGIN	**(40)**	**(87)**
Payroll costs	0	0
D. – EBITDA	**(40)**	**(87)**
Amortization and depreciation	0	(248)
Other income (expense), net	0	(160)
E. – EBIT	**(40)**	**(495)**
Financial income (expense), net	4,103	4,036
Adjustments to financial assets	0	0
F. – INCOME BEFORE EXTRAORDINARY ITEMS AND TAXES	**4,063**	**3,541**
Extraordinary income (expense), net	0	0
G. – INCOME BEFORE TAXES	**4,063**	**3,541**
Income taxes	0	0
H. – NET INCOME (LOSS) FOR THE YEAR	**4,063**	**3,541**

ADR INTERNATIONAL AIRPORTS SOUTH AFRICA (PROPRIETARY) LTD: Reclassified Balance Sheet and Income Statement

COMPANY NAME	**ADR INTERNATIONAL AIRPORTS SOUTH AFRICA (PTY) LTD**
BOARD OF DIRECTORS	
Chairman	Fabio Capozio *(from April 21, 2004)* Emilio Corrado Giordano *(until March 1, 2004)*
Managing Director	Andrea Belardini
Directors	Carmine Bassetti Saverio Rennis *(until January 1, 2005)*
INDEPENDENT AUDITORS	KPMG Inc.

Information about ADR International Airports South Africa (Proprietary) Limited, a subsidiary undertaking controlled indirectly through Airport Invest B.V., is provided in the section "Equity Investments" in the Management Report on Operations of Aeroporti di Roma S.p.A..

RECLASSIFIED BALANCE SHEET (ZAR/000)	**12.31.2004**	**12.31.2003**
Non-current financial assets	1,019,662	1,001,353
A. – FIXED ASSETS	**1,019,662**	**1,001,353**
Other assets	0	7
Trade payables	(102)	(139)
Other liabilities	(5)	0
B. – WORKING CAPITAL	**(107)**	**(132)**
C. – INVESTED CAPITAL, minus short-term liabilities (A+B)	**1,019,555**	**1,001,221**
financed by:		
Share capital	819,000	819,000
Reserves and retained earnings	190,404	130,124
Net income (loss) for the year (*)	20,168	61,997
D. – SHAREHOLDERS' EQUITY	**1,029,572**	**1,011,121**
E. – SHORT-TERM BORROWING (NET CASH AND CASH EQUIVALENTS)		
Short-term debt	0	0
Cash and current receivables	(10,017)	(9,900)
	(10,017)	**(9,900)**
F. – TOTAL AS IN "C" (D+E)	**1,019,555**	**1,001,221**

(*) net of interim dividend:	**2004**	**2003**
Net income for the year	64,330	115,287
Interim dividend	(44,162)	(53,290)
Residual net income for the year	**20,168**	**61,997**

RECLASSIFIED INCOME STATEMENT

(ZAR/000)	**2004**	**2003**
A. – REVENUES	**0**	**0**
B. – REVENUES FROM ORDINARY ACTIVITIES	**0**	**0**
Cost of materials and external services	(257)	(308)
C. – GROSS MARGIN	**(257)**	**(308)**
D. – EBITDA	**(257)**	**(308)**
Other income (expenses), net	0	0
E. – EBIT	**(257)**	**(308)**
Financial income (expense), net	816	1,244
Adjustments to financial assets	63,910	114,635
F. – INCOME BEFORE EXTRAORDINARY ITEMS AND TAXES	**64,469**	**115,571**
Extraordinary income (expense), net	41	26
G. – INCOME BEFORE TAXES	**64,510**	**115,597**
Income taxes	(180)	(310)
H. – NET INCOME (LOSS) FOR THE YEAR	**64,330**	**115,287**

ADR ENGINEERING S.P.A. UNIPERSONALE: Reclassified Balance Sheet and Income Statement

COMPANY NAME	**ADR ENGINEERING S.P.A. UNIPERSONALE**

BOARD OF DIRECTORS

(after the General Meetings of April 8, 2003 and April 20, 2004 and the Board of Directors' meeting of April 8, 2003)

Chairman	Giulio De Virgilio *(from April 20, 2004)* Enrico Casini *(until April 20, 2004)*
Managing Director	Giulio De Virgilio
Director	Antonio Ferraiuolo *(from April 20, 2004)* Fabio Missori
Secretary	Riccardo Affinita

BOARD OF STATUTORY AUDITORS

(after the General Meetings of April 8, 2003 and April 20, 2004)

Chairman	Antonio Mastrapasqua
Statutory Auditors	Pietro Cerasoli Eugenio Lagomarsino
Alternate Auditors	Massimo Bigerna *(from April 20, 2004)* Giancarlo Russo Corvace *(from April 20, 2004)*

INDEPENDENT AUDITORS	Deloitte & Touche S.p.A.

Information about the subsidiary undertaking, ADR Engineering S.p.A. Unipersonale, is provided in the section "Equity Investments" in the Management Report on Operations of Aeroporti di Roma S.p.A..

RECLASSIFIED BALANCE SHEET (in thousands of euros)	**12.31.2004**	**12.31.2003**
Intangible fixed assets	17	24
Tangible fixed assets	44	38
Non-current financial assets	176	176
A. – FIXED ASSETS	**237**	**238**
Inventory	4,790	4,910
Trade receivables	2,350	2,552
Other assets	27	64
Trade payables	(3,842)	(4,384)
Allowances for risks and charges	(110)	(7)
Other liabilities	(985)	(758)
B. – WORKING CAPITAL	**2,230**	**2,377**
C. – INVESTED CAPITAL, minus short-term liabilities (A+B)	**2,467**	**2,615**
D. – EMPLOYEE SEVERANCE INDEMNITIES	**897**	**885**
E. – INVESTED CAPITAL, minus (C-D) short-term liabilities and E.S.I.	**1,570**	**1,730**
financed by:		
Share capital	775	775
Reserves and retained earnings	506	220
Net income (loss) for the year	457	286
F. – SHAREHOLDERS' EQUITY	**1,738**	**1,281**
G. – MEDIUM/LONG-TERM BORROWING	**0**	**0**
H. – SHORT-TERM BORROWING (NET CASH AND CASH EQUIVALENTS)		
Short-term debt	0	467
Cash and current receivables	(168)	(18)
(G+H)	**(168)**	**449**
I. – TOTAL AS IN "E" (F+G+H)	**1,570**	**1,730**

RECLASSIFIED INCOME STATEMENT (in thousands of euros)	2004	2003
A. – REVENUES	**6,166**	**7,301**
B. – REVENUES FROM ORDINARY ACTIVITIES	**6,166**	**7,301**
Cost of materials and external services	(3,025)	(4,590)
C. – GROSS MARGIN	**3,141**	**2,711**
Payroll costs	(2,172)	(2,164)
D. – EBITDA	**969**	**547**
Amortization and depreciation	(37)	(33)
Other provisions	0	0
Provisions for risks and charges	(18)	(7)
Other income (expense), net	(3)	(112)
E. – EBIT	**911**	**395**
Financial income (expense), net	(9)	4
Adjustments to financial assets	0	0
F. – INCOME BEFORE EXTRAORDINARY ITEMS AND TAXES	**902**	**399**
Extraordinary income (expense), net	(6)	(49)
G. – INCOME BEFORE TAXES	**896**	**350**
Current taxes for the year	(311)	(118)
Deferred tax assets (liabilities) for the year	(128)	54
	(439)	**(64)**
H. – NET INCOME (LOSS) FOR THE YEAR	**457**	**286**

ADR TEL S.P.A.: Reclassified Balance Sheet and Income Statement

COMPANY NAME	**ADR TEL S.P.A.**

BOARD OF DIRECTORS

(after the General Meetings of July 31, 2002 and April 20, 2004 and the Board of Directors' meeting of August 8, 2002)

Chairman	Roberto Piana *(from April 20, 2004)* Enrico Casini *(until April 20, 2004)*
Managing Director	Roberto Piana
Director	Fabio Capozio *(from April 20, 2004)* Fabio Missori

BOARD OF STATUTORY AUDITORS

(after the General Meetings of July 31, 2002 and April 20, 2004)

Chairman	Massimo Bigerna
Statutory Auditors	Roberto Ascoli Giancarlo Russo Corvace
Alternate Auditors	Pietro Cerasoli *(from April 20, 2004)* Lucio Marongiu

INDEPENDENT AUDITORS	Reconta Ernst & Young S.p.A.

Information about the subsidiary undertaking, ADR Tel S.p.A., is provided in the section "Equity Investments" in the Management Report on Operations of Aeroporti di Roma S.p.A..

RECLASSIFIED BALANCE SHEET

(in thousands of euros)	12.31.2004	12.31.2003
Intangible fixed assets	3,254	2,219
Tangible fixed assets	693	439
A. – FIXED ASSETS	**3,947**	**2,658**
Trade receivables	3,520	3,332
Other assets	56	106
Trade payables	(4,434)	(3,562)
Allowances for risks and charges	(25)	(7)
Other liabilities	(437)	(783)
B. – WORKING CAPITAL	**(1,320)**	**(914)**
C. – INVESTED CAPITAL, minus short-term liabilities (A+B)	**2,627**	**1,744**
D. – EMPLOYEE SEVERANCE INDEMNITIES	**285**	**224**
E. – INVESTED CAPITAL, minus (C-D) short-term liabilities and E.S.I.	**2,342**	**1,520**
financed by:		
Share capital	600	600
Reserves and retained earnings	742	(8)
Net income (loss) for the year	752	750
F. – SHAREHOLDERS' EQUITY	**2,094**	**1,342**
G. – MEDIUM/LONG-TERM BORROWING	**0**	**0**
H. – SHORT-TERM BORROWING (NET CASH AND CASH EQUIVALENTS)		
Short-term debt	285	249
Cash and current receivables	(37)	(71)
(G+H)	**248**	**178**
I. – TOTAL AS IN "E" (F+G+H)	**2,342**	**1,520**

RECLASSIFIED INCOME STATEMENT

(in thousands of euros)	2004	2003
A. – REVENUES	**6,505**	**4,179**
Capitalized costs and expenses	250	210
B. – REVENUES FROM ORDINARY ACTIVITIES	**6,755**	**4,389**
Cost of materials and external services	(3,857)	(2,167)
C. – GROSS MARGIN	**2,898**	**2,222**
Payroll costs	(970)	(642)
D. – EBITDA	**1,928**	**1,580**
Amortization and depreciation	(462)	(208)
Other provisions	0	(57)
Provisions for risks and charges	(18)	(7)
Other income (expense), net	(33)	(2)
E. – EBIT	**1,415**	**1,306**
Financial income (expense), net	(34)	(8)
F. – INCOME BEFORE EXTRAORDINARY ITEMS AND TAXES	**1,381**	**1,298**
Extraordinary income (expense), net	(44)	0
G. – INCOME BEFORE TAXES	**1,337**	**1,298**
Income taxes	(585)	(548)
H. – NET INCOME (LOSS) FOR THE YEAR	**752**	**750**

ADR ADVERTISING S.P.A.: Reclassified Balance Sheet and Income Statement

COMPANY NAME	**ADR ADVERTISING S.P.A.**

BOARD OF DIRECTORS

(after incorporation on January 10, 2003 and General Meeting of September 20, 2004)

Chairman	Andrea Belardini *(from September 20, 2004)*
	Guy Louis Ponzo *(until June 28, 2004)*
Managing Director	Fabrizio Du Chene De Vere
Directors	Andrea Ghisolfi
	Fabio Missori
	Saverio Rennis

BOARD OF STATUTORY AUDITORS

(after incorporation on January 10, 2003 and General Meeting of April 21, 2004)

Chairman	Giancarlo Russo Corvace
Statutory Auditors	Angelo Casò
	Guido Croci
Alternate Auditors	Marco Baccani
	Massimo Bigerna *(from April 21, 2004)*
General Manager	Sandro Loreti

INDEPENDENT AUDITORS	Reconta Ernst & Young S.p.A.

Information about the subsidiary undertaking, ADR Advertising S.p.A., is provided in the section "Equity Investments" in the Management Report on Operations of Aeroporti di Roma S.p.A..

RECLASSIFIED BALANCE SHEET

(in thousands of euros)	12.31.2004	12.31.2003
Intangible fixed assets	33	41
Tangible fixed assets	485	12
Non-current financial assets	19	19
A. – FIXED ASSETS	**537**	**72**
Trade receivables	6,513	6,046
Other assets	1,951	2,018
Trade payables	(9,160)	(6,446)
Allowances for risks and charges	(42)	(31)
Other liabilities	(1,710)	(3,054)
B. – WORKING CAPITAL	**(2,448)**	**(1,467)**
C. – INVESTED CAPITAL, minus short-term liabilities (A+B)	**(1,911)**	**(1,395)**
D. – EMPLOYEE SEVERANCE INDEMNITIES	**168**	**168**
E. – INVESTED CAPITAL, minus (C-D) short-term liabilities and E.S.I.	**(2,079)**	**(1,563)**
financed by:		
Share capital	1,000	1,000
Reserves and retained earnings	52	0
Net income (loss) for the year	888	772
F. – SHAREHOLDERS' EQUITY	**1,940**	**1,772**
G. – MEDIUM/LONG-TERM BORROWING	**0**	**0**
H. – SHORT-TERM BORROWING (NET CASH AND CASH EQUIVALENTS)		
Short-term debt	0	0
Cash and current receivables	(4,019)	(3,335)
(G+H)	**(4,019)**	**(3,335)**
I. – TOTAL AS IN "E" (F+G+H)	**(2,079)**	**(1,563)**

RECLASSIFIED INCOME STATEMENT

(in thousands of euros)	2004	Mar - Dec 2003
A. – REVENUES	**21,974**	**17,457**
B. – REVENUES FROM ORDINARY ACTIVITIES	**21,974**	**17,457**
Cost of materials and external services	(19,591)	(15,302)
C. – GROSS MARGIN	**2,383**	**2,155**
Payroll costs	(886)	(657)
D. – EBITDA	**1,497**	**1,498**
Amortization and depreciation	(49)	(8)
Other provisions	(33)	(131)
Provisions for risks and charges	(11)	(31)
Other income (expense), net	87	(1)
E. – EBIT	**1,491**	**1,327**
Financial income (expense), net	39	45
F. – INCOME BEFORE EXTRAORDINARY ITEMS AND TAXES	**1,530**	**1,372**
G. – INCOME BEFORE TAXES	**1,530**	**1,372**
Income taxes	(642)	(600)
H. – NET INCOME (LOSS) FOR THE YEAR	**888**	**772**

ADR SVILUPPO S.R.L. UNIPERSONALE: Reclassified Balance Sheet and Income Statement

COMPANY NAME	**ADR SVILUPPO S.R.L. UNIPERSONALE**
Managing Director	Giulio De Virgilio

Information about the subsidiary undertaking, ADR Sviluppo S.r.l., is provided in the section "Equity Investments" in the Management Report on Operations of Aeroporti di Roma S.p.A..

RECLASSIFIED BALANCE SHEET (in Euros)	12.31.2004	12.31.2003
Intangible fixed assets	4,141	4,141
Tangible fixed assets	6,000	6,000
A. – FIXED ASSETS	**10,141**	**10,141**
Other assets	2,370	2,259
Other liabilities	0	0
B. – WORKING CAPITAL	**2,370**	**2,259**
C. – INVESTED CAPITAL, minus short-term liabilities (A+B)	**12,511**	**12,400**
D. – EMPLOYEE SEVERANCE INDEMNITIES	**0**	**0**
E. – INVESTED CAPITAL, minus (C-D) short-term liabilities and E.S.I.	**12,511**	**12,400**
financed by:		
Share capital	100,000	100,000
Reserves and retained earnings	(5,216)	(4,221)
Net income (loss) for the year	(3,609)	(995)
F. – SHAREHOLDERS' EQUITY	**91,175**	**94,784**
G. – MEDIUM/LONG-TERM BORROWING	**0**	**0**
H. – SHORT-TERM BORROWING (NET CASH AND CASH EQUIVALENTS)		
Short-term debt	0	0
Cash and current receivables	(78,664)	(82,384)
(G+H)	**(78,664)**	**(82,384)**
I. – TOTAL AS IN "E" (F+G+H)	**12,511**	**12,400**

RECLASSIFIED INCOME STATEMENT

(in Euros)	2004	2003
A. – REVENUES	**0**	**0**
B. – REVENUES FROM ORDINARY ACTIVITIES	**0**	**0**
Cost of materials and external services	(2,238)	(714)
C. – GROSS MARGIN	**(2,238)**	**(714)**
D. – EBITDA	**(2,238)**	**(714)**
Other income (expense), net	(1,379)	(841)
E. – EBIT	**(3,617)**	**(1,555)**
Financial income (expense), net	8	560
F. – INCOME BEFORE EXTRAORDINARY ITEMS AND TAXES	**(3,609)**	**(995)**
Extraordinary income (expense), net	0	0
G. – INCOME BEFORE TAXES	**(3,609)**	**(995)**
Income taxes	0	0
H. – NET INCOME (LOSS) FOR THE YEAR	**(3,609)**	**(995)**

AIRPORTS COMPANY SOUTH AFRICA LTD (ACSA): Reclassified Balance Sheet and Income Statement

RECLASSIFIED BALANCE SHEET (ZAR/000)	March 31, 2004	March 31, 2003[6]
Intangible fixed assets	0	0
Tangible fixed assets	3,739,535	3,484,887
Non-current financial assets	57,474	90,307
A. – FIXED ASSETS	**3,797,009**	**3,575,194**
Inventory	1,224	606
Trade receivables	228,611	206,935
Other assets	17,637	32,395
Trade payables	(522,671)	(396,684)
Allowances for risks and charges	0	0
Other liabilities	(10,435)	(20,528)
B. – WORKING CAPITAL	**(285,634)**	**(177,276)**
C. – INVESTED CAPITAL, minus short-term liabilities (A+B)	**3,511,375**	**3,397,918**
D. – EMPLOYEE SEVERANCE INDEMNITIES	**23,333**	**43,115**
E. – INVESTED CAPITAL, minus (C-D) short-term liabilities and E.S.I.	**3,488,042**	**3,354,803**
financed by:		
Share capital	750,000	750,000
Reserves and retained earnings	1,820,682	1,491,893
Net income (loss) for the year	455,668	658,789
F. – SHAREHOLDERS' EQUITY	**3,026,350**	**2,900,682**
G. – MEDIUM/LONG-TERM BORROWING	**195,042**	**283,585**
H. – SHORT-TERM BORROWING (NET CASH AND CASH EQUIVALENTS)		
Short-term debt	266,650	170,536
Cash and current receivables	0	0
	266,650	**170,536**
I. – TOTAL AS IN "E" (F+G+H)	**3,488,042**	**3,354,803**

(6) Compared with the figures published in ADR S.p.A.'s Financial Statements as of December 31, 2003, adjustments totalling 13,031 thousand rands have been made to non-current financial assets and trade payables.

RECLASSIFIED INCOME STATEMENT

(ZAR/000)	Apr. 2003 Mar. 2004	Apr. 2002 Mar. 2003
A. – REVENUES	**1,803,594**	**1,539,842**
B. – REVENUES FROM ORDINARY ACTIVITIES	**1,803,594**	**1,539,842**
Cost of materials and external services	(430,330)	(350,752)
C. – GROSS MARGIN	**1,373,264**	**1,189,090**
Payroll costs	(277,271)	(285,918)
D. – EBITDA	**1,095,993**	**903,172**
Amortization and depreciation	(214,560)	(152,377)
Other provisions	0	0
Provisions for risks and charges	0	0
Other income (expense), net	0	0
E. – EBIT	**881,433**	**750,795**
Financial income (expense), net	(56,967)	5,240
F. – INCOME BEFORE EXTRAORDINARY ITEMS AND TAXES	**824,466**	**756,035**
Extraordinary income (expense), net	(127,100)	118,548
G. – INCOME BEFORE TAXES	**697,366**	**874,583**
Income taxes	(241,698)	(215,794)
H. – NET INCOME (LOSS) FOR THE YEAR	**455,668**	**658,789**

LA PIAZZA DI SPAGNA S.R.L.:
Reclassified Balance Sheet and Income Statement

RECLASSIFIED BALANCE SHEET

(in Euros)	12.31.2004
Intangible fixed assets	7,087
A. – FIXED ASSETS	**7,087**
Other assets	1,198
Other liabilities	(86)
B. – WORKING CAPITAL	**1,112**
C. – INVESTED CAPITAL, minus short-term liabilities (A+B)	**8,199**
D. – EMPLOYEE SEVERANCE INDEMNITIES	**0**
E. – INVESTED CAPITAL, minus (C-D) short-term liabilities and E.S.I.	**8,199**
financed by:	
Share capital	30,000
Reserves and retained earnings	0
Net income (loss) for the year	(1,093)
F. – SHAREHOLDERS' EQUITY	**28,907**
G. – MEDIUM/LONG-TERM BORROWING	**0**
H. – SHORT-TERM BORROWING (NET CASH AND CASH EQUIVALENTS)	
Short-term debt	0
Cash and current receivables	(20,708)
(G+H)	**(20,708)**
I. – TOTAL AS IN "E" (F+G+H)	**8,199**

RECLASSIFIED INCOME STATEMENT

(in Euros)	2004
A. – REVENUES	**0**
B. – REVENUES FROM ORDINARY ACTIVITIES	**0**
Cost of materials and external services	(722)
C. – GROSS MARGIN	**(722)**
D. – EBITDA	**(722)**
Other income (expense), net	(373)
E. – EBIT	**(1,095)**
Financial income (expense), net	2
F. – INCOME BEFORE EXTRAORDINARY ITEMS AND TAXES	**(1,093)**
Extraordinary income (expense), net	0
G. – INCOME BEFORE TAXES	**(1,093)**
Income taxes	0
H. – NET INCOME (LOSS) FOR THE YEAR	**(1,093)**

Report of the Board of Statutory Auditors

REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE ORDINARY GENERAL MEETING OF THE SHAREHOLDERS OF AEROPORTI DI ROMA S.P.A., PURSUANT TO ART. 2429 OF THE ITALIAN CIVIL CODE

(Translation from the original issued in Italian)

Dear Shareholders,

During the year ended December 31, 2004 we verified compliance with the law, the articles of association and the principles of good governance, applying the recommendations laid down in the regulations for statutory auditors established by the Italian Accounting Profession.

We attended the General Meetings and Board of Directors' meetings held during the year, which were conducted in compliance with the related statutory requirements, laws and regulations.

We obtained information from the Directors regarding the overall operating performance and outlook, and on the most significant transactions, in terms of size or nature, carried out by the Company. We can, therefore, provide reasonable assurances that both the resolutions passed and the actions implemented complied with the law and the articles of association, and that they were not manifestly imprudent or risky, and did not involve a conflict of interest or compromise the value of the Company's assets.

Our discussions with the auditors engaged to carry out the Company's accounting controls, who attended every meeting of the Board of Statutory Auditors, did not reveal significant aspects or information to be included in this Report.

We have examined and verified the adequacy of the Company's organizational structure, obtaining information thereon. In this respect, we declare that the Company's internal controls operate effectively.
We have assessed and verified the adequacy of the administrative and accounting systems, and the reliability of such accounting systems to provide a fair view of operations, via the gathering of information from the managers of the various functions and from the auditors engaged to carry out the Company's accounting controls, and via examination of corporate documents. We have no particular observations to make in this regard.

We have not received any reports pursuant to art. 2408 of the Italian Civil Code.

We have examined the financial statements as of and for the year ended December 31, 2004. In view of the fact that we were not assigned responsibility for analyzing the contents of the financial statements on their merits – as decided by the General Meeting of April 29, 2004, which appointed the independent auditors, Deloitte & Touche S.p.A., to carry out the accounting controls pursuant to art. 2409-*bis* and subsequent articles of the Italian Civil Code –, we have verified the general presentation and overall compliance with the laws relating to form and content. We have no particular observations to make in this regard.

We have also checked that the Management Report on Operations has been prepared in accordance with the related regulations.

As far as we are aware, in preparing the financial statements the Directors did not apply the exemptions permitted by art. 2423, paragraph four of the Italian Civil Code.

In response to the recent company law reform, the Company has proceeded to reverse the tax effect of accelerated depreciation charged to the Income Statement in previous years. The impact of this reversal is reflected in the Income Statement under extraordinary items.

We have verified that the Financial Statements are consistent with the disclosures and information communicated to us in the course of carrying out our duties, and we have no observations to make in this regard.

The Consolidated Financial Statements of Aeroporti di Roma S.p.A. and its subsidiaries as of and for the year ended December 31, 2004 have been prepared in compliance with the provisions of Legislative Decree no. 127 of April 9, 1991. They consist of the Balance Sheet, Income Statement and Explanatory Notes, accompanied by the Management Report on Operations, which provides the information required. The Management Report on Operations has been prepared in accordance with the provisions of art. 2428 of the Italian Civil Code and art. 40 of the above Legislative Decree no. 127/1991.

Dear Shareholders,

In view of the above, and taking account of the fact that the independent auditors, Deloitte & Touche S.p.A., have today informed us that they intend to issue unqualified opinions, we invite you to approve the Financial Statements as of and for the year ended December 31, 2004, as prepared by the Board of Directors.

Fiumicino, Italy - April 1, 2005

THE BOARD OF STATUTORY AUDITORS

Fabrizio Rimassa
(Chairman)

Roberto Ascoli
(Statutory Auditor)

Giuseppe Cappella
(Statutory Auditor)

Giorgio Palasciano
(Statutory Auditor)

Luigi Tripodo
(Statutory Auditor)

Report of the Independent Auditors

Deloitte.

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AUDITORS' REPORT ON THE STATUTORY 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 financial statements of Aeroporti di Roma S.p.A. as of December 31, 2004. These financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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, representing approximately 80% of total investments and 4% of total assets, rests with other auditors.

   For the opinion on the 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 financial statements present fairly the financial position of Aeroporti di Roma S.p.A. 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.

4. As indicated in the Explanatory Notes, the Company adopted the new rules introduced by Legislative Decree No. 6 dated January 17, 2003 and subsequent amendments. As a consequence, previous interferences between tax and financial statements regulation concerning accelerated depreciation booked in previous years have been eliminated. The related effects have been recorded as extraordinary items in the income statement.

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.

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Parma Roma
Torino Treviso Verona Vicenza

Member of
Deloitte Touche Tohmatsu

Sede Legale: Via Tortona, 25 - 20144 Milano
Capitale Sociale: sottoscritto e versato Euro 10.327.590,00 - deliberato Euro 10.850.000,00
Partita IVA/Codice Fiscale/Registro delle Imprese Milano n. 03049560166 - R.E.A. Milano n. 1720239

Resolutions of the Ordinary General Meeting of Shareholders

RESOLUTIONS OF THE ORDINARY GENERAL MEETING OF SHAREHOLDERS HELD ON APRIL 26, 2005

The Ordinary General Meeting resolved:

1. to approve the Financial Statements as of and for the year ended December 31, 2004 – consisting of the Balance Sheet, Income Statement and Notes – and the Board of Directors' Management Report on Operations, which report net income of 12,244,045.49 euros (rounded off in the financial statements to 12,244,045 euros);

2. to appropriate the above net income of 12,244,045.49 euros as follows:
   - 17,011.60 euros to the legal reserve, which, following the appropriation, amounts to 12,461,960.20 euros, equal to one-fifth of the share capital;
   - to distribute a dividend of 0.13 euros for each of the 62,309,801 outstanding shares, representing a payout of 8,100,274.13 euros;
   - to take the remaining 4,126,759.76 euros to retained earnings;

3. to distribute a dividend of 0.03 euros for each of the 62,309,801 outstanding shares, representing a payout of 1,869,294.03 euros, to be paid from retained earnings, which is thus reduced to 132,312.95 euros;

4. to distribute a dividend of 0.02 euros for each of the 62,309,801 outstanding shares, representing a payout of 1,246,196.02 euros, to be paid from the available reserves established pursuant to art. 67 of the Consolidated Act (the reserve for accelerated depreciation), which is thus reduced to 416,299.45 euros, and which was rendered tax-exempt in 2002 for the purposes of IRES/IRPEG via the payment of capital gains tax of 19%, and which in 2003 was subject to IRAP.

The General Meeting thus resolved to distribute a total dividend of 0.18 euros for each of the 62,309,801 outstanding shares, to be paid from May 27, 2005. The ex dividend date is May 23, 2005 (coupon n. 5 cut-off).

Foto:
Archivio ADR S.p.A.

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Edindustria S.p.A., Roma

Stampa:
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