Annual Report 2005

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

Corporate Officers

AEROPORTI DI ROMA S.P.A.

BOARD OF DIRECTORS

(until the date of the General Meeting of April 21, 2006)

Chairman	Francesco Di Giovanni *(from September 20, 2005)* Federico Falck *(until September 15, 2005)*
Deputy Chairman	Paolo Savona *(until June 6, 2005)*
Managing Director	Francesco Di Giovanni
Directors	Marcus Charles Balmforth Rodolfo Baviera *(from November 9, 2005)* Martyn Booth Andrea Ciffo Giuseppina Corsi *(from July 15, 2005)* Christopher Timothy Frost *(from February 3, 2006)* Carlo Gatto *(from November 9, 2005)* Luigi Manganelli *(from November 9, 2005)* Nicholas Moore *(until December 15, 2005)* Cesare Pambianchi John Stuart Hugh Roberts Pier Giorgio Romiti Cesare Romiti Massimo Scarpelli *(until September 15, 2005)* Francesco Sensi *(until September 15, 2005)*
Secretary	Massimo Faccioli Pintozzi

BOARD OF STATUTORY AUDITORS

(after the General Meeting of June 4, 2004)

Chairman	Fabrizio Rimassa
Statutory Auditors	Roberto Ascoli Giuseppe Cappella Giorgio Palasciano *(until September 15, 2005)* Luigi Tripodo Guido Zavadini *(from September 15, 2005)*
Alternate Auditors	Giorgio Bovi *(until September 15, 2005)* Guido Zavadini *(until September 15, 2005)*

INDEPENDENT AUDITORS Deloitte & Touche S.p.A.

AEROPORTI DI ROMA S.P.A.

BOARD OF DIRECTORS

(after the General Meeting and the Board of Directors of April 21, 2006)

Chairman	Ernesto Stajano
Managing Director	Maurizio Basile
Directors	Marcus Charles Balmforth Martyn Booth Christopher Timothy Frost Vito Alfonso Gamberale Alessandro Grimaldi Andrea Mondello Andrea Monorchio John Stuart Hugh Roberts Cesare Romiti Pier Giorgio Romiti Claudio Sposito
Secretary	Massimo Faccioli Pintozzi

BOARD OF STATUTORY AUDITORS

(after the General Meeting of June 4, 2004 and April 21, 2006)

Chairman	Fabrizio Rimassa
Statutory Auditors	Roberto Ascoli Giuseppe Cappella Alessandro Grange Luigi Tripodo
Alternate Auditors	Nicola Lorito Guido Zavadini

GENERAL MANAGER	Maurizio Basile
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 registered office at Via Lago di Traiano 100 in Fiumicino at 11.00 am on April 21, 2006 in first call, and, if necessary, in second call on May 3, 2006 at the same time and place, to discuss the following:

Agenda

Special session

Amendments to articles 11, 14 and 16 of the articles of association.

Ordinary session

1. Annual Report 2005 and related and consequent resolutions.
2. Appointment of the Board of Directors for the three-year period 2006-2008 and determination of the related annual remuneration.
3. Appointment of additional Statutory Auditors.
4. Appointment of independent auditors for 2006, in accordance with art. 165 of Legislative Decree no. 58/1998.

Notice of call has been published in the Official Gazette of the Italian Republic, no. 75, part II, dated March 30, 2006.

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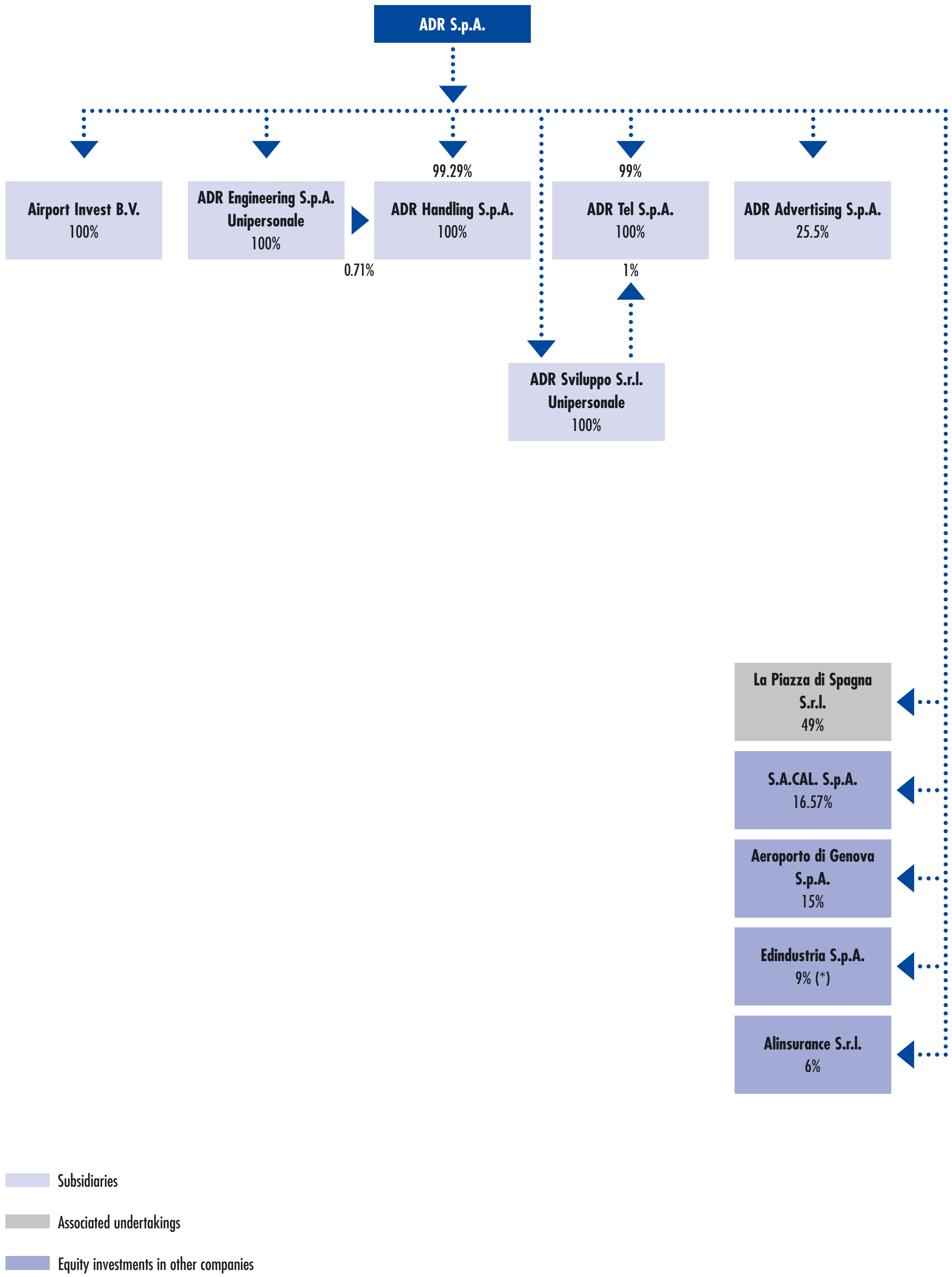
The ADR Group



(*) holding sold on February 16, 2006

The following table summarizes main traffic data for 2005 for Rome's airport system and shows changes with respect to 2004.

OVERALL VOLUME TRENDS

Traffic component	System (°)	% Change
Movements (no.)	367,073	+3.7%
Aircraft tonnage (tons)	25,838,643	+3.5%
Total passengers (no.)	32,928,114	+7.3%
Total freight (tons)	152,969	(0.5%)

(°) Fiumicino + Ciampino

The following table summarizes key economic, financial and operational data for the ADR Group for 2005.

ADR GROUP

Key consolidated economic, financial and operational data

(€/000)	2005	2004	2003	2002
Revenues	580,702	556,784	518,193	510,163
EBITDA	261,082	250,363	217,881	208,965
EBIT	147,045	126,927	111,367	113,127
Net income:				
• minority interest	1,148	2,518	3,110	3,261
• Group share	79,691	3,942	(2,027)	5,187
Investments	75,826	56,080	54,002	53,513

	12.31.2005	12.31.2004	12.31.2003	12.31.2002
Invested capital	2,125,824	2,306,006	2,349,469	2,336,183
Shareholders' equity (including minority interest)	776,065	723,729	709,321	766,185
Group shareholders' equity	774,072	701,558	689,030	718,754
Net debt	1,349,759	1,582,277	1,640,148	1,569,998
Headcount at year end	3,583	3,709	3,694	3,607

Ratios	2005	2004	2003	2002
Revenues/Average headcount (€/000)	167	160	155	147
No. of passengers/Average headcount	9,487	8,822	8,389	7,588

GROUP OPERATING REVIEW

(Translation from the original issued in Italian)

INTRODUCTION

Dear Shareholders,

In 2005 the ADR Group continued to operate against a backdrop of ongoing problems, the effects of which on performance were already evident in 2004.
Italy's economy gave no signs of growth and the crisis afflicting the country's flagship carrier remained unresolved. Moreover, following changes in the legislative context, despite having entered the homestretch, the approval process for the Planning Agreement, containing a review of fees, effectively came to a halt. This, in turn, further delayed the updating of airport fees and regulated tariffs, which has already been on hold for years.

The Group reacted by pushing ahead with its key programs: on the business front, via a decisive relaunch of directly managed retail activities; on the strategic front, via the disposal of a no longer strategic holding acquired in 1998 in the management of South African airports; on the financial front, by reducing bank debt by 105 million euros; and, finally, on the cost front, by keeping close control over the most significant costs items and embarking on a wide-ranging reorganization and restructuring.

Moreover, the Group did not fail in its plans to intensify investment in the airport system. The overall amount in 2005 totaled almost 76 million euros, an increase of 20 million euros compared with 2004.

With a 7.3% rise in passengers, traffic results once again place the Roman airport system amongst Europe's leading systems. However, a closer analysis, taking account of the domestic component alone, reveals a drop of 1.1%. Moreover, excluding the excellent results posted by Ciampino, which specializes in low-cost carriers, Fiumicino alone reports a more moderate 2.0% increase.

The Group's turnover rose 4.3% to reach 580.7 million euros, thanks to the positive trend in directly managed retail activities (up 21.5%).

EBITDA also rose 4.3% thanks to improvements in operating efficiency.

Net income totaled 79.7 million euros, thanks to both a reduction in financial expense (down 6.8 million euros) and the extraordinary gain on the sale of the investment in the company that manages airports in South Africa.
Net debt fell by 232.5 million euros to 1,349.8 million euros at year end.

BACKGROUND

Principal macro-economic indicators

International recovery[1] continued at a steady pace and may have even exceeded forecasts thanks to continued growth both in the United States and in Asia. This was especially true in China, where the economy gave no signs of cooling off.

(1) Source: *Macro-economic Forecasts* – Confindustria – December 2005.

After the sharp slowdown during the first six months of the year, starting from last summer, world trade picked up so rapidly as to nearly match the same period in 2004, when there was an exceptionally high growth rate (10.3%). The downturn during the first part of the year, due mainly to the drop in exports to the US and to Japan, impacted on the yearly average for 2005, which is expected to settle at around 7.0%.
One factor that has surely had a strong influence on world trade over the past years is skyrocketing oil prices. On the one hand, the loss in terms of trade will bring about a reduction in income in oil-importing countries, and thus in demand in leading industrialized countries. On the other hand, imports of finished products on the part of oil-exporting countries are expected to rise considerably.

The dynamism of the US economy over recent years does not seem to be waning despite the rise in oil prices, the gradual but constant increase in interest rates and the relatively less expansionist fiscal policy. Preliminary national accounting estimates for the US economy's third quarter performance indicate that the American economy has continued to grow steadily. GDP rose by 1.1%, despite the negative repercussions of hurricanes Katrina and Rita. Household consumption continued to drive growth in the third quarter, with a strong acceleration in the consumption of durable goods and a consequent further reduction in the household savings rate.
Though slightly down compared with the previous quarter, fixed investments continued to make a significant contribution. Federal government expenditure also climbed, due mostly to the aid provided to hurricane-stricken areas.
The contribution to GDP growth from exports was slightly negative. After the strong increase posted during the second quarter, exports remained essentially unchanged, due also to the damage wrought on output and on ports in the hurricane-affected areas, whilst increased imports reflected inventory accumulation by most companies during the summer.

Japan reported third-quarter GDP growth of 0.4%, down somewhat from the first half of the year. This change resulted from both the reduced growth in domestic demand as well as the zero contribution from foreign demand. The former, following the rapid increase during the first six months (up 2% compared with the second half of 2004), reported a modest upswing (0.4%). The latter, despite the sustained increase in exports and the strong rise in imports (up 3.9%) ensured that the contribution of net exports to growth was almost nil.
The rise in private consumption was favored by employment growth and greater consumer confidence. Nonetheless, the drop in retail sales in October combined with uncertainties linked to labor market trends ultimately dampened consumer spending during the last part of the year.
Growth in labor productivity linked to modest wage increases and the high degree of profitability of Japanese multinationals boosted business confidence, leading to greater investment also during the last three months of 2005.

In Europe (euro zone) third-quarter growth in 2005 was up slightly (0.6%) compared with the previous quarter (0.4%), thanks mostly to domestic demand. Investment growth stood at 1.6%, a positive performance after a difficult start. Thanks to the significant rise in exports, foreign demand also posted a positive performance (up 0.3%). A sector analysis shows that 3/4 of growth came from services.
Average industrial production in euro zone countries, at any rate, reported a 0.7% and 0.8% recovery in the second and third quarter. With an average quarterly growth rate of 1% since the start of 2005, Germany posted the best performance.
Early indicators shows some positive signs for the fourth quarter as well. Business confidence in the euro zone has continued to climb, albeit slowly, since May. This is despite a drop in production

forecasts during the last month of the year, on the heels of an upswing until October. Moreover, foreign orders appear to be on the rise since the third quarter, a trend that could be explained by the devaluation of the euro against the dollar in 2005.
There are also positive signs from services and construction, which have risen continuously since the summer months. Nevertheless, the trend in confidence varies considerably from country to country.
Even if consumer confidence is slowly climbing, it still remains at historical lows. The improvement derives entirely from rosier expectations regarding employment, whilst inflation forecasts have been up since the start of the year, despite a pause in November thanks to a drop in oil prices.
In Germany economic activity was weak during the first half of the year, but seems to have improved thereafter thanks to strong growth in exports and increased recovery in investment. We can expect to confirm average GDP growth of around 1.1% in Germany in 2005, in line with 2004.
In contrast, in France the average for 2005 is expected to have slowed by a considerable 1.6%, in that a recovery was not seen until the second half of the year.
Finally, Spain is expected to post growth of 3.4%. Consumption levels are expected to have slowed slightly, but with domestic demand having been sustained by a new decisive upswing in investments of more than 6.0%. The overall growth figure is strongly penalized by the highly negative input of net exports, linked to weak export levels, the only cloud in an otherwise decidedly bright picture.
The final result of these trends leads us to expect to see good annual GDP growth in the area of around 1.4%.

In South Africa the economy grew by 4.8% in the second quarter of 2005, as part of a positive economic cycle. The country's current economic expansion, analyzed on a quarterly basis, has been at a record high since September 1999.
According to Credit Suisse Asset Management, South Africa heads the list of emerging economies. No less than three rating agencies have raised South Africa's credit rating, thereby bringing about immediate positive repercussions, such as a further decrease in nominal interest rates and a considerable increase in the value of the rand.
In 2005 South Africa's economy grew by around 5.0% thanks to a new era of low inflation and higher economic growth led by investments in capital goods, one of the most significant indicators of a healthy economy.
Another sector that is changing South Africa's economy from a commodity-based to a services-based one is the tourism industry. Between January and March 2005, a record number of visitors, just under 1.8 million, traveled to South Africa. This figure is up 10.3% from the same period in 2004.
2005 was the third consecutive year of strong growth also as regards foreign currency reserves. An amount totaling 12.9 billion rand (1.3 billion euros) was recorded during the first three months of 2005, an increase of 25.2% with respect to the 10.3 billion rand (1 billion euros) of the same period in 2004.

In Italy GDP grew by 0.3% during the third quarter, down from the expected seasonal rebound seen during the second quarter. Despite two consecutive quarters of growth, on the whole, during the first nine months of the year, GDP remained unchanged from the same period in 2004: the strong increase during the second quarter was entirely offset by the negative downturn during the first quarter (a drop of 0.5% compared with the fourth quarter of 2004).
Growth in 2005 is expected to total 0.2%.
During the first nine months of the year economic activity stood essentially still, in that the contribution to growth made by household spending and by inventory accumulation was entirely

offset by the negative input from both net exports and investments.
The services sector was sluggish, whilst manufacturing saw continued growth in the strict sense, even though at a slower pace.
During the third quarter consumer spending, which accounts for around 60% of GDP, halved its contribution to GDP growth (up 0.2%), especially as a result of the drop in demand for services. The reduction in services to households was foreshadowed by a worsening of confidence in the industry.
On the whole, the first nine months of the year reported a downturn of 1.9% in gross fixed investments with respect to the same period of 2004. The most marked reduction regarded the item “machinery and equipment”, followed by “means of transport”.
Investment in construction rose slightly (up 0.3% with respect to the first nine months of 2004).
During the first nine months of the year exports measured in terms of value rose by 3.5% compared with growth in imports of 6.7%. Net of refined oil products, total Italian exports expressed in terms of value were down.
In terms of volumes exported, Italy continued to lose its share of international trade. During the first nine months of 2005 there was an overall drop of 2.5% in quantities exported. This negative result was due above all to the notable reduction in volumes exported to EU countries: exports to Germany, Italy’s main trading partner, fell by 3.7% whilst those to the UK fell by 11.0%. The slight overall drop in exports to countries outside the EU hides some very different figures: exports to China and the US fell by 8.0% and 1.0%, respectively, whilst those to Russia rose by 19.0%.
Due to sharp increases in the prices of mineral fuels, Italy’s balance of trade with countries outside the EU are worsening (13.0% increase in average unit values of imports against roughly 7.0% in average unit values of exports).
Inflation is estimated to have risen 2.2% in 2005. The greater hikes were due to higher oil prices in the last months of the year and regarded transportation, housing and fuel items. The slight reductions in the prices of some industrial goods and services slowed the overall inflation rate.

Legal and regulatory context

- **Planning Agreement as per the Ministerial Decree dated November 14, 2000 and CIPE Resolution 86/2000**

On May 25, 2005 the Board of Directors of the Civil Aviation Authority approved the outcome of the procedure regarding the proposed Planning Agreement for 2005-2009 to be drawn up with ADR S.p.A.. The proposal was forwarded to the Ministry of the Infrastructure and Transport for the relevant checks and subsequent transmission to CIPE (Interdepartmental Committee for Economic Planning).
The Ministry of Infrastructure and Transport submitted further requests for clarification to the Civil Aviation Authority, which were replied to. The delay in the procedure started in the spring of 2004, with the initial proposal sent to the Ministry of Infrastructure and Transport on August 10, 2004, has led to postponement of the tariff reform plan contained in the agreement from the originally scheduled period of 2004-2008 to 2005-2009.
On October 6, 2005 the Civil Aviation Authority declared that, in the light of measures currently being drawn up (Law Decree no. 211/05), it is “necessary to re-examine the procedures currently being employed by the Authority in the granting of overall airport management activities and planning agreements”.
ADR S.p.A. took various steps to oppose this decision, including an appeal to the Administrative Court. ADR S.p.A. argues, amongst other things, that the document was already being examined by the CIPE and that the NARS (Unit for the Implementation and Regulation of Public Utility Services) was preparing an opinion to be presented to the CIPE.

- **Legislation regarding the determination of airport fees and other airport revenues**

Legislative Decree no. 211 of October 17, 2005 regarding "Urgent measures to reach public finance targets and regulations concerning airports" was published in the Official Gazette of October 18, 2005.
This Decree introduced different measures designed to stimulate the recovery of airlines, with negative repercussions on airport operators, on the Civil Aviation Authority and, in part, on the Air Navigation Services Authority, even if the Bill includes measures to compensate economic losses incurred by the latter authority.
Law Decree no. 211/2005 did not become law. Nevertheless, the measures regarding air transportation it contained were extracted and included in Decree no. 203/2005, which became Law no. 248 on December 2, 2005. The measures regarding air transportation remained unchanged. ADR and all other airport operators, also via Assaeroporti, are taking the necessary steps to protect their interests.
Moreover, on January 3, 2006, ADR received the Ministry of Infrastructure and Transport's formal guidelines specifically drawn up "in order to standardize the procedures followed by airport operators in applying the measures set out in articles 11.9 and 11.10 of Law no. 248/05" in determining airport fees, both initially and during the transition phase.
On January 20, 2006 the Civil Aviation Authority issued a circular defining transitional guidelines for airport fees pursuant to art. 11.10 of Law no. 248/2005.

The main regulations applying to operators are as follows:
- determination of fees (effective as of January 1, 2006). By repealing and replacing art. 10, paragraph 10 of Law no. 537 of December 24, 1993, Law Decree no. 211/2005 alters the criteria for establishing airport fees by including in the calculation of the "initial level" of such fees a share of "not less than 50% of the operator's margin" in the case of unregulated activities. This regulation profoundly alters the regulatory framework as set forth in CIPE Resolution 86/2000;
- revocation of the provision stating that pending the Ministerial Decree required by art. 10, paragraph 10 of Law no. 537/93, airport fees would, in any case, be raised annually by means of another Ministerial Decree, in line with the inflation target stipulated in the government's finance bill;
- abolition of the 50% night surtax on landing and take-off fees as established in Law 324/1976 (which will presumably take effect as of the date the new tariff measures take force);
- a block, on the basis of EC Directive 96/67 regarding access to the ground handling services market, on surcharges, in particular royalties, on fuel supplies, where these are not linked to costs incurred in the provision of the service (effective as of October 19, 2005);
- definition, via a subsequent Ministerial Decree, of baggage and passenger security checks to be assigned to carriers and the related division of fees with the airport operator (effective as of October 19, 2005).

Assessing the economic effects of Law no. 248/2005 is extremely complicated, given the type of reform introduced and the difficulty in understanding how they will be applied. Aeroporti di Roma S.p.A. is taking every step necessary, at both national and EU level, to fight the law and following regulations and protect its interests.

- **Reform of the aviation part of the Navigation Code**

On June 8, 2005 Legislative Decree no. 96 dated May 9, 2005 and entitled "Revision of the aviation section of the Navigation Code, pursuant to Law no. 265 of November 9, 2004" was published in the Official Gazette.

The provisions of the Navigation Code introduced or amended by Legislative Decree no. 96/05 will come into force 120 days after the date of application of said Decree (October 21, 2005), with a further period of one year in which corrections and additions to the document may be issued.

This reform radically alters the structure of the former Code, by adapting the regulatory framework to an aviation situation that has changed, partly driven by European Union legal and regulatory initiatives.

The principal innovations include:
- abolition of the position of Airport Director and the numerous powers and duties attributed to it by the 1942 Code;
- granting of supervisory, certification and technical regulation responsibilities to the Civil Aviation Authority;
- art. 705 which defines the duties of the airport operator;
- reintroduction in art. 802 of the Civil Aviation Authority's power (including on notification by the airport operator) to prevent aircraft from leaving if, among others, "airport fees and taxes" have not been paid;
- confirmation of the distinction between "airports of national importance" – already provided for by Law no. 265/04 – "as essential hubs for exclusive operation of State functions" and airports of regional concern;
- entire replacement of art. 14 of Legislative Decree no. 18/99 regarding social protection.

In line with the new provisions, ADR is preparing a document entitled "Airport Regulation" which, once adopted by the Civil Aviation Authority, will be legally binding for all airport operators.

- **Ministerial Decree of July 13, 2005: "Fixing of the license fee for passenger and carry-on baggage security checks"**

This Decree prolongs application of the fee of 1.81 euros (established by the Ministerial Decree of December 21, 2000).
The extension will apply "until full implementation of the criteria in CIPE Resolution no. 86/2000 and compliance thereof with particular reference to the presentation of full cost center and revenue center accounts by operators, and to negotiation of the planning agreement between the latter and the Civil Aviation Authority" (art. 1).
The fee will not be increased until the operator has complied with the above obligations (art. 1.2).
The extension will not apply beyond one year from the entry into effect of the Ministerial Decree, that is, after October 8, 2006.

- **Ministerial Decree of July 13, 2005: "Temporary fixing of the license fees for 100% screening of checked baggage"**

This Decree prolongs application of the license fee of 2.05 euros for both Fiumicino and Ciampino, previously established in the Ministerial Decree of March 14, 2003.
The extension will apply "until full implementation of the criteria in CIPE Resolution no. 86/2000 and compliance thereof, with particular reference to the presentation of full cost center and revenue center accounts by operators, and to negotiation of the planning agreement between the latter and the Civil Aviation Authority" (art. 1).
The fee will not be increased until the operator has complied with the above obligations (art. 1.2).
The extension will not apply beyond one year from the entry into effect of the Ministerial Decree, that is, after October 8, 2006.

- **Municipal surtax on boarding fees**

On April 1, 2005 Law no. 43 of March 31, 2005, which converts Law Decree no. 7 of January 31, 2005 that came into force on April 2, 2005, was published in the Official Gazette. Together with other issues, art. 6.4 of this law provides for a 1 euro increase per passenger in the municipal surtax on aircraft boarding fees pursuant to Law no. 350/2003 (which thereby amounts to 2 euros), as well as modifications to the percentage allocation of the surtax (in particular, an increased amount for the municipalities concerned and a consequent reduction in funding for security measures).
The increase in the surtax is designed – in accordance with the law – to cover provisions to a special fund to provide income support and to finance re-employment, reorganization and retraining initiatives for air transport sector personnel, established pursuant to Law Decree no. 249/04 as converted by Law no. 291/04.
Furthermore, art. 6.4 expressly states that the higher receipts deriving from the increased surtax should be paid to central government for reallocation to the appropriate budget item of the Ministry of Labor and Social Policy, which will then transfer the money to the special fund. The Ministry of the Economy and Finance is authorized to make any necessary budget amendments, via the issue of the relevant decrees.

- **Annual license fees**

In June 2005 the Competition Directorate-General of the European Commission responded to the complaint lodged by ADR S.p.A. (pursuant to Regulation 17/62 and Regulation 659/99) in which ADR asked that "the system for determining airport license fees for 2003, as per the Decree of the State Property Agency of June 30, 2003, be declared incompatible with the Common Market as per art. 81, paragraph 1 of the EC Treaty" and called for an investigation of aspects of the decree that it alleges distort competition.
The Directorate-General informed ADR S.p.A. of its intention to propose that the Commission close the case as regards aspects of unfair competition unless ADR S.p.A. was able to provide new elements to support its complaints, whenever possible.
In October 2005 the Competition Directorate-General confirmed its intention to ask the Commission to dismiss ADR's complaint as regards aspects of unfair competition. On October 17, 2005 the Commission announced that it had dismissed the case.
In contrast, the investigation into allegations of "state aid" filed by ADR with the same complaint in February 2004 are still under review by the Transport Directorate-General.

- **Ministerial Decree of July 13, 2005 "Fixing of the license fee due to tax authorities for the granting of a license to provide airport security services"**

In accordance with the above Decree, the monthly license fee to be paid by the concessionaire (operator) to the tax authorities – pursuant to Law no. 217/92 and article 8 of Ministerial Decree no. 85/99 – in return for a license to carry out airport security services has been fixed at "7 euro cents per passenger departing from the airport in which the service is supplied".
Payment of the above fee will take effect as of October 7, 2005, the date of entry into force of the Ministerial Decree.
By March 31, 2007, the fee will be reviewed by the Minister of Infrastructures and Transport.

- **Ciampino Airport – limited liberalization of ramp handling services**

In a memorandum dated May 23, 2005, which was cancelled and replaced with another on June 13, 2005, the Civil Aviation Authority limited market access to ground handling at Ciampino to one more handler, in addition to ADR Handling S.p.A., to be selected via a tender at European level, in accordance with art. 11 of Legislative Decree no. 18/99.

Such limitations were set for a two-year period, with no extension envisaged, to come into force as of the outcome of the European tender to select the second handler.
No limitations were expressly stipulated by the Civil Aviation Authority regarding access of handling service providers for air taxis, private flights, aircraft works services and general aviation, including flying school flights.
ADR S.p.A. appealed to the Lazio Administrative Court against the Civil Aviation Authority's provisions of June 13, 2005 that call for the temporary full liberalization of the airport and that exclude taxi flights from commercial aviation, thereby placing them in the category of general aviation air traffic.
Following rejection of the above appeal, ADR S.p.A. lodged another appeal with the Council of State, which ruled in favor of suspension.
ADR S.p.A. subsequently informed the Civil Aviation Authority of its intention to begin procedures to sell its investment in ADR Handling (ADRH) S.p.A. and to have its subsidiary cease operating in a market with services limited as per art. 11, paragraph 2 of EC Directive 96/67.
On December 23, 2005, ADR S.p.A. also informed the Civil Aviation Authority that it was no longer interested in the rulings pending at the Lazio Administrative Court and Council of State and had therefore decided to withdraw its appeal.

The Civil Aviation Authority subsequently determined that:
- the contract procedure must have as its objective the selection of two (rather than one) service providers, given that the condition pursuant to art. 11, paragraph 2 of EC Directive 97/67 is no longer applicable to ADRH S.p.A.;
- ADRH S.p.A. can also take part in the call for bids, if it meets the necessary requisites;
- for reasons of transparency and correctness towards other participants, the Civil Aviation Authority will directly carry out the procedure, with the organizational aid of ADR S.p.A., it being understood that all financial charges are to be borne by the Company.

- **Airport noise**

On February 17, 2005, Legislative Decree no. 13 of January 17, 2005 was published in the Official Gazette.
This Decree has implemented EC Directive 2002/30 regarding operating restrictions regarding noise abatement at EU airports. Basically, such restrictions might entail, for example, a ban on night flights and/or a reduction or ban on flights that only just comply with regulations.

- **Legislative Decree no. 194 of August 19, 2005: Implementation of EC Directive 2002/49 regarding the measurement and management of noise at airports**

In transposing EC Directive 2002/49, Legislative Decree no. 194 of August 19, 2005 introduces new regulatory measures designed to avoid, prevent or reduce the harmful effects of exposure to noise pollution.

Possible concrete examples of such measures include acoustic mapping carried out by airport operators and the preparation of an "action plan", which should comprise the noise control and abatement plans of operators, and local council and regional noise abatement schemes.
In compliance with Legislative Decree no. 194/2005, which also includes administrative sanctions to be paid by the operator, ADR S.p.A. has informed the Ministry of the Environment of its status as the operator of a "major airport", as defined in the above Legislative Decree.

- **Emissions Trading**

In relation to "Emissions Trading", in accordance with EC Directive 2003/87 and subsequent changes to the law introduced by the Italian government, ADR S.p.A. has been authorized to operate plant belonging to the categories defined by the legislation, in addition to being formally assigned carbon-dioxide emissions quotas for the three-year period 2005-2007.

- **Data Protection**

On April 21, 2005 ADR S.p.A. drafted the Security Planning Document included by art. 34 of Legislative Decree no. 196/03 among the minimum security measures regarding electronic processing of sensitive and/or legal personal data.

- **Administrative responsibility of companies – Legislative Decree no. 231/01**

The model adopted by ADR S.p.A. designed to prevent the commission of crimes pursuant to Legislative Decree no. 231/01, which is being monitored and managed by a supervisory body appointed by the Company, was also adopted by the Group companies ADR Handling S.p.A., ADR Tel S.p.A., ADR Engineering S.p.A. and ADR Advertising S.p.A..

- **Public tenders**

With Law no. 62 of April 18, 2005 (the so-called Community Law 2004) the Government was authorized to issue a Legislative Decree that implements EC Directives 17/2004 and 18/2004 regarding public tenders.

The two directives were issued by the European Parliament and Council: EC Directive 18/2004 (the so-called unified directive) regarding the coordination of selection procedures for public tenders for supply, services and work contracts in ordinary sectors and EC Directive 17/2004 which coordinates the procedures for water, energy and transport service providers (so-called excluded sectors).

The Government set up a commission of experts that drafted a unified code for the contracts. In implementing the above directives, this code reorganizes Italian legislation concerning tenders and revokes all previous regulations that are in contrast with the new code.
The Council of Ministers approved the draft on January 13, 2006, although it must still undergo review by the Unified State-Regional Conference, the Council of State and various parliamentary committees before final approval.

At any rate, in the period prior to the issue of the unified code (deadline on January 31, 2006) the so-called self-executing provisions of EC Directive 17/2004 have come into effect. Specifically, a provision has come into force that allows participants in the call for bids to avail of the technical, economic and financial requisites of the other entities.

ACTIVITIES

Aviation activities

Air traffic

In 2005 world air traffic continued to post an upturn in passenger levels, which rose 5.5% compared with the previous year. Specifically, international traffic grew by 6.7%, whilst domestic traffic grew by 4.4%.

This positive trend also regarded Europe. A comparison between 2004 and 2005 shows a 5.1%

increase in passenger traffic with growth in the international segment (5.8%) once again outstripping that in the domestic segment (2.8%).
In Italy, passenger traffic rose by 5.5% and movements by 2.7% compared with 2004.

A comparison in the % change in passenger traffic between 2005 and 2004

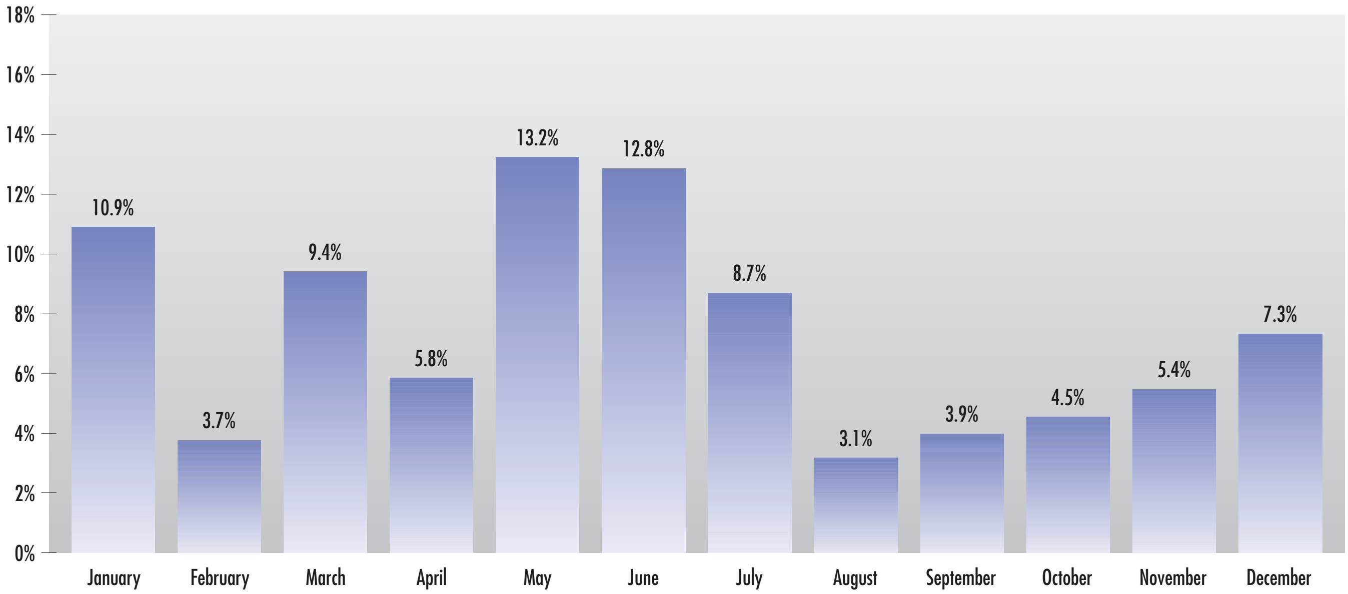
	Jan-Dec 2005 vs. 2004
World (a)	+5.5%
Europe (a)	+5.1%
Italy (b)	+5.5%
FCO + CIA (°)	+7.3%

Source: (a) ACI Pax Flash Report
(b) ASSAEROPORTI
(°) Roman Airport System (Fiumicino and Ciampino)

The Roman airport system

An analysis of the performances of Europe's leading airports and airport systems[2] in 2005 shows the following results: Madrid up 8.4%, Paris up 4.4%, Amsterdam up 3.8%, London up 2.5%, Frankfurt up 2.2% and Milan up 4.4%. With overall growth of 7.3%, the Roman Airport System placed second only to Madrid and this comes after holding a position of leadership for two years in a row (2003 and 2004).
This 7.3% growth reported by the Roman Airport System is broken down by month in the graph below:

ROMAN AIRPORT SYSTEM
Total passengers - Monthly percentage changes compared with 2004



An analysis of traffic figures for the Roman Airport System in 2005, compared with 2004, revealed the following performance, broken down by airport Fiumicino and Ciampino and segment domestic and international:

(2) Source: *Airport Council International*; Rapid Data Exchange Program.

Data up to December 31, 2005
(changes with respect to 2004 are shown in brackets)

Traffic component	System	% change 05/04	Fiumicino	% change 05/04	Ciampino	% change 05/04	Domestic	% change 05/04	International	% change 05/04
Movements (no.)	367,073	(+3.7%)	308,284	(-0.4%)	58,789	(+32.8%)	169,508	(-1.3%)	197,565	(+8.4%)
Aircraft tonnage (tons)	25,838,643	(+3.5%)	23,143,717	(+0.2%)	2,694,926	(+44.4%)	9,523,726	(-2.3%)	16,314,917	(+7.3%)
Total passengers (no.)	32,928,114	(+7.3%)	28,692,338	(+2.0%)	4,235,776	(+65.7%)	12,496,510	(-1.1%)	20,431,604	(+13.3%)
Total freight (tons)	152,969	(-0.5%)	129,924	(-1.6%)	23,045	(+6.1%)	10,435	(-25.2%)	142,534	(+2.0%)

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

Traffic component	International	% change 05/04	EU	% change 05/04	Non-EU	% change 05/04
Movements (no.)	197,565	(+8.4%)	137,554	(+10.1%)	60,011	(+4.8%)
Aircraft tonnage (tons)	16,314,917	(+7.3%)	9,251,992	(+10.3%)	7,062,925	(+3.5%)
Total passengers (no.)	20,431,604	(+13.3%)	13,847,242	(+16.9%)	6,584,362	(+6.4%)
Total freight (tons)	142,534	(+2.0%)	43,218	(+4.5%)	99,316	(+0.9%)

At Fiumicino, total movements remained essentially unchanged from 2004 (down 0.4%), whilst passenger traffic rose by 2.0%, with a consequent improvement in the load factor.
This performance was the product of two opposing trends. The domestic sector was down 3.6% due to the unfavorable economic situation, resulting in a drop in demand followed by a drop in capacity offered by airlines. In contrast, the international sector reported growth of 7.3%, confirming the good results already reported in the past.

A breakdown of the trends in each segment is provided below:

Domestic Traffic: This sector, representing 42.4% of total passenger traffic, reported the following:

- Domestic, Alitalia (65.3% passenger market share): the carrier reported a slight drop in passenger traffic (down 1.2%), due to reduced capacity (movements down 2.6% and aircraft tonnage down 2.6%);
- Domestic, other carriers (34.7% passenger market share): here, too, there was a decrease in passenger traffic (down 7.8%) due primarily to reduced capacity (movements down 6.0% and aircraft tonnage down 6.8%).

International European Union Traffic: The comparison with 2004 takes account of the ten nations that became EU member states on May 1, 2004 (thus, they were EU members for only 9 months in 2004 and for 12 months in 2005, with a resulting positive impact on the growth rate for EU traffic in 2005 and, on the contrary, a negative impact on the non-EU traffic growth rate, discussed below, for the same year). This sector, which represents 35.9% of total traffic, reported the following:

- European Union, Alitalia (32.1% passenger market share): the carrier reported a sustained increase in passenger levels (up 7.1%), primarily due to an increase in capacity (movements up 1.7% and aircraft tonnage up 5.0%);
- European Union, other carriers (67.9% passenger market share): all other carriers reported a considerable increase of 10.1% in passenger levels thanks to an increase in capacity (movements up 5.9%, aircraft tonnage up 5.0%).

International Traffic Outside the European Union: This segment, which represents 21.7% of total passenger traffic, reported the following:

- Traffic outside the European Union, Alitalia (24.7% passenger market share): the carrier saw a rise in passenger levels (up 1.2%) as a result of increased capacity (movements up 5.6% and aircraft tonnage up 3.0%);
- Traffic outside the European Union, other carriers (75.3% passenger market share): other airlines reported a rise in the number of passengers (up 3.3%), a slight decrease in movements (down 0.8%) and an increase in aircraft tonnage (up 1.5%).

In terms of network development, Fiumicino airport has a series of new routes.

In the Domestic segment:

- Meridiana introduced new daily flights to Cagliari starting in February,
- Alpi Eagles introduced, and afterward suspended, routes to Catania and Treviso,
- Air One introduced new flights to and from Cagliari and Crotone,
- Blue-Express (the new low-cost company linked to Blue Panorama) began offering new flights to Bari and Malpensa from the end of November.

In the EU segment, mention should be made of:

- the new route to Toulouse operated by Air France,
- the new route to Oporto operated by TAP,
- the new route to Cork operated by Air Lingus, as well as the same airline's increased service to Dublin,
- Lufthansa's new daily flight to Hamburg,
- Alpi Eagles' new flight to Düsseldorf, subsequently suspended,
- the new flights operated by Blue-Express since December to Grenoble, Nice, Munich and Vienna,
- Czech's services to Prague and the new route to Riga, subsequently suspended,
- the service to Düsseldorf offered by LTU since November,
- the new flight to Rotterdam offered by Transavia,
- the expansion of Vueling's network with new flights to Barcelona, Madrid and Bilbao.

Moreover, there was a series of new routes including Alitalia flights to Vienna, KLM flights to Amsterdam, Lufthansa flights to Munich and Malev flights to Budapest.

As regards international flights outside the European Union:

- Delta introduced two daily seasonal flights to Atlanta,
- Air Canada introduced a new flight to Toronto,
- Air Transat stepped up its service to Montreal,
- Pulkovo Airlines opened a route to Saint Petersburg,
- Darwin inaugurated new flights to Bern.

Mention should also be made of the increase in summer flights operated by Alitalia to Sophia, Bucharest, Boston and Toronto, and the increase in aircraft capacity on the part of Korean and Malaysian. Additionally Tarom stepped up its service to Bucharest.

At Ciampino airport the increase in passengers (up 65.7%) with respect to 2004 continues to be linked to the expansion of low-cost traffic:

- Ryanair, stepped up its operations with the introduction of new domestic routes (Alghero,

Brescia and Treviso) as well as new flights within the EU (Luton, Niederrhein, Liverpool, D. Tees Valley, East Midland, Valencia, Dublin and Santiago de Compostela),
- EasyJet started up new routes to Basle, Belfast and Berlin,
- Norwegian to Oslo,
- Centralwings to Warsaw and Krakow,
- Sterling boosted its service to Copenhagen.

Freight traffic performance at the airport, essentially arising from the activities of the express couriers, DHL, TNT and UPS, registered an increase of 6.0% compared with 2004.

Airport fees

Revenues from airport fees, which are directly correlated with air traffic, rose from 147.1 million euros in 2004 to 158.6 million euros in 2005, an increase of 7.8%.

The two main revenue components, "landing and take-off fees" and "passenger boarding fees" posted the following trends:
- landing, take-off and aircraft parking fees: the increase in revenues (3.8%) was essentially in line with growth in overall related traffic (aircraft tonnage up 3.5%);
- passenger boarding fees: at 10.4%, the growth in total revenues from 2004 was greater than that of passenger traffic (up 7.3%). This difference is mainly due to the greater growth of international traffic and the strong rise in traffic at Ciampino, where the tariff units are higher than those applied at Fiumicino.

Management of centralized infrastructures

In 2005 the management of centralized airport infrastructures and terminal services carried out directly by the Parent Company, ADR, produced turnover of 35.2 million euros, representing an increase of around 0.4% compared with the previous year.
This performance was essentially due to the combined effect of greater revenues from the use of baggage handling systems (around 0.9 million euros) and a decrease in loading-bridge revenues (around 0.8 million euros), despite the rise in the number of flights that utilized the infrastructure (around 6,000). The drop in the latter was due to, amongst other things, a reduction in average turn-around times and a reduction in the aircraft serviced by two-armed loading bridges.

In 2005, the automated baggage handling system (BHS) processed around 5,932,000 pieces of baggage (up 4.5% with respect to 2004), with the number of misdirected pieces of luggage totaling 0.109% (down 50% with respect to 2004), of which 0.052% was caused by equipment failure and 0.057% was due to "multi-level equipment" and "security checks".

Handling activities at Fiumicino

During 2005, the traffic served at Fiumicino by ADR Handling S.p.A. reported the following trend:

Fiumicino	2005		2004		% change 2005 - 2004	
Traffic component	ADR Handling	% of total Fiumicino	ADR Handling	% of total Fiumicino	ADR Handling	% of total Fiumicino
No. of aircraft movements (no.)	97,194	31.5%	100,333	32.4%	(3.1%)	(2.8%)
Aircraft tonnage (tons)	8,934,046	38.6%	9,367,429	40.7%	(4.6%)	(5.2%)
No. of passengers (no.)	9,367,386	32.6%	9,656,798	34.3%	(3.0%)	(5.0%)
Traffic unit	9,798,137	32.7%	10,133,593	34.5%	(3.3%)	(5.2%)

During the year handling activities decreased due to a combination of factors including:

- the acquisition of new carriers;
- the increased traffic volumes reported by airlines that became ADR Handling customers in 2004;
- the near interruption of operations on the part of the Volare Group starting at the end of 2004;
- the reduction in the customer portfolio: carriers that either stopped or reduced activity or switched to other handlers.

Specifically, all components were down on 2004 (aircraft movements down 3.1%, aircraft tonnage down 4.6%, passengers down 3.0%) with a consequent deterioration in ADR Handling's market share.

Compared with 2004, in 2005 traffic at Ciampino reported an increase in volumes as regards all traffic components, except for "General Aviation", which felt the effects of competition from new providers:

Ciampino	ADRH Activity – ADR Activity		% change 2005 - 2004
Traffic component	2005	2004	
No. of aircraft movements	55,588	44,263	+25.6%
including: Scheduled	*30,834*	*18,821*	*+63.8%*
Charter	*2,061*	*1,629*	*+26.5%*
Express couriers	*4,738*	*4,575*	*+3.6%*
General Aviation	*17,955*	*19,238*	*(6.7%)*
Aircraft tonnage	2,675,209	1,865,782	+43.4%
No. of passengers	4,234,992	2,556,046	+65.7%
Freight (tons)	23,045	21,730	+6.1%

In 2005 Ryanair boosted its services from the airport, progressively reaching a volume of 60 daily movements, every day.

Service quality indicators[3] for ADR Handling S.p.A. are shown below:

	2005	2004	Target for 2005
Left-behind	0.35	0.47	0.60
More than 15 minute airport punctuality	99.85%	99.72%	99.50%
Zero minute airport punctuality	99.42%	98.97%	98.00%

The data show an improvement with respect to the targets set, as well as improved performance compared with 2004.

Baggage reclaim performance, for which the related activity is carried out in full respect of set targets, is analyzed in the tables below.

	2005	2004	Target %	Changes on Target %
Baggage reclaim domestic flights – Service Charter first bag*	98.00%	96.43%	90.0%	+8.00%
Baggage reclaim domestic flights – Service Charter last bag*	99.05%	97.15%	90.0%	+9.05%
Baggage reclaim international flights – Service Charter first bag**	97.18%	97.25%	90.0%	+7.18%
Baggage reclaim international flights – Service Charter last bag**	94.42%	95.44%	90.0%	+4.42%

The figure indicates the percentage of flights for which the standards of baggage reclaim time are respected, taking account only of the handlers' responsibilities.

* 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.

(3) *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.
BAGGAGE RECLAIM: the figure shows the percentage of flights for which the time standards for luggage 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).

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 Group's earnings from handling activities amounted to 104.4[4] million euros, down 1.9% from 2004, essentially due to the drop in traffic at Fiumicino serviced by ADR Handling S.p.A..

Security
The security activities carried out by the Parent Company, ADR, 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. In 2005 these activities generated revenues totaling 56.8 million euros, representing an increase of 8.8% with respect to 2004, due essentially to an increase in traffic.

Since February, ADR's security unit has completely taken over the issue of entry permits at Fiumicino and Ciampino. This activity was previously carried out by the local airport authority.

Moreover, training and refresher courses on the new legislation regarding airport security were provided to internal ADR personnel. In May, sales of training courses to other airport operators rose.

Operational safety (SAFETY)
At Fiumicino airport activities continued regarding inspection of runways and aprons, "follow-me" operations, the monitoring and clearance of birds and works assistance based on existing procedures (ISO 9001/2000 certificate), in order to deal with increases in traffic and the number of infrastructures to be checked.
In addition, monitoring of compliance with the requirements of Civil Aviation Authority certification and the correct use of airside infrastructure by handlers continued, with notification of any infringements. The first phase of computerizing safety data was also completed.
At Ciampino airport surveillance of operational safety – regarding "follow-me" operations, runway inspections, monitoring and clearance of birds and airside supervision – is fully up and running.

In 2005 "Follow-me" operations were greatly increased due to traffic and Civil Aviation Authority directives regarding new apron traffic signs (the number of initiatives reached 4,000 during the summer period.

Finally, the first phase for certification of Ciampino airport was completed successfully, even if there are a number of critical areas that ADR must address. The related action plan was subsequently presented to the Civil Aviation Authority and is currently being implemented.

Real estate management

Sub-concessions
Revenues from sub-concessions, deriving from fees and utilities at Fiumicino and Ciampino airports, amounted to 27.8 million euros, an increase of around 4.6 percentage points on 2004.

The results posted by Fiumicino airport felt the positive effects of the opening of the new Cargo City, the increase in sub-concession fees for the VIP rooms, and the contract granting additional

(4) The above amount includes 20.4 million euros in revenues from freight handling activities carried out by the Group Parent ADR (down 3.0% with respect to 2004).

sites to be utilized by mobile phone operators. This positive trend was hampered by the release of a number of spaces on the part of Banca di Roma and Air One.

Following the settlement of previous disputes, some spaces at Ciampino were freed up for use and new sub-concessions were granted.

Mention should be made of the signing of a sub-concession for an area earmarked for another three-star hotel, currently under construction. The hotel will be directly managed by the sub-concessionaire.
Revenues from royalties from sub-concessions at Fiumicino and Ciampino amounted to 19.1 million euros, up by 3.7% compared with the previous year.

Fiumicino posted greater revenues from "car hire", "hotel" and "service stations"; whilst other items ("catering", etc.) were essentially in line with last year's performance.

Ciampino posted greater revenues from "aviation fuel" and "car hire".

Infrastructure maintenance
Maintenance activities to ensure the reliability of airport infrastructure continued during 2005. In order to guarantee the efficiency of these activities, the four-year cleaning contract concerning the maintenance of airside green spaces was awarded on the basis of a public tender.
Following the expiration of contracts concerning management of the canteens at Fiumicino airport and the one at Ciampino airport on March 31, 2005, a two-year contract for all of the canteens was awarded to a single operator.
The three-year contract for the mechanized and manual cleaning of Fiumicino airport's external areas and the collection, transportation and disposal of solid urban waste from Fiumicino and Ciampino was awarded following a public tender.

Non-aviation activities

Direct sales
Revenues from direct sales grew by 21.5% to reach 57.8 million euros whilst outgoing passenger traffic rose by 7.7%. The average passenger spend rose 12.8% compared with 2004, thanks to the effectiveness of such programs as the introduction of gourmet foods (sales of food items rose by 52% compared with 2004) and fine jewelry (gift items were up by 150% compared with 2004) as well as communications, merchandising and promotional activities.
In 2005 the insourcing of activities at the central warehouse began. This also involved the introduction of new technologies to improve the efficiency of the movement of goods.

The performance of direct sales at Fiumicino was influenced by the sharp drop in tobacco sales, down 6% during the year compared with an average increase of 26% in other categories. During the first four months of the year this category was affected by the decrease in sales to passengers from the ten new EU countries. Thanks also to the subsequent steps taken, average passenger spend in this category during the year grew with respect to the previous year. Sales rose month by month moving away from the downturn of 15% in January to reach an upturn of 1% in December. This lack of growth was largely offset by strong growth in foods, with average passenger spend up 49% compared with 2004, and in wines and spirits and perfumes and cosmetics, both of which reported a 13% increase in average passenger spend compared with 2004.
On the whole, Fiumicino reported an 18.1% rise in revenues compared with the previous year. If

this figure is compared with a 2.4% rise in departing passengers, the resulting increase in average passenger spend was 15.4%.

Revenues from direct sales at Ciampino rose 52.7% compared with 2004, below growth in traffic (65.9% rise in departing passengers) due mostly to strong growth in the domestic component (up 1,400% compared with 2004), where there is less propensity to spend. Nevertheless, compared with the previous year, a month by month analysis reveals a positive trend during the second half of 2005 as this value rose from a 20% downturn in June to 1% upturn in December, thanks also to the revised layout of the perfume and tobacco products areas.

Initiatives in 2006 include the opening of a new shop in Terminal A, the restructuring of shops in the Satellite area and at Ciampino, and the construction of a walk through shop in the B11-B21 area starting from where the current shop is located.

Outlets managed by sub-concessionaires

Revenues from outlets managed by sub-concessionaires totaled 32.9 million euros. Compared with the previous year, this activity showed an increase of 9% in terms of retailers' turnover against a 7.3% increase in overall traffic through the airport system, representing an increase in average passenger spend of 1.2%.

Royalties paid by sub-concessionaires to the Group fell by 2.8%, due mainly to the replacement of the sub-concessionaire, The Nuance Group.

At Fiumicino this activity closed the year with a 6% increase in turnover, against a 3.9% reduction in royalties paid to ADR S.p.A., linked to the aforementioned replacement of The Nuance Group. This result was derived from the restructuring of the Gucci shop in June 2004, the opening of two Bijoux Terner/12 Euro shops, one Tre outlet and a Fitness Center at the end of 2004/beginning of 2005 and the opening of ten new shops (C'Art, Calzedonia, Etro, Ferrari, Furla, Golden Lady, Levi's, Lottomatica, Nike and Tie Rack) during the second half of 2005.
As to the food area, a bar managed by Cremonini was opened in August 2005 in the new Terminal AA. In the "Other Royalties" segment, Travelex and Maccorp are doing well with the opening of three new currency exchange points. Some rearrangement of the various businesses in the different areas was also carried out in order to improve the retail offering and profitability.
In the period between August and November, six new outlets run by the sub-concessionaire Alpha opened for business. Alpha has taken over part of the space previously utilized by The Nuance Group. Moreover, between the start of September and November the new sub-concessionaire, Dufry, opened seven shops previously managed by The Nuance Group.
Royalties from sub-concessions at Ciampino rose 117% (recording a total of 0.7 million euros) against an 65.7% increase in traffic, thanks also to the new "12 Euro" shop (opened in May 2004), to the new business managed by Alpha and to the currency exchange point opened in the arrivals area in August 2005.
In 2006 forty-two new shops are to open, fifteen are to be replaced and fourteen are to be renovated, with the full benefits to be felt in 2007.

Advertising

Revenues from advertising, totaling 24.4 million euros, grew by 2.2% on 2004. This performance was the result of two conflicting trends: the strong interest in advertising space in the domestic area and the new installations on the external grounds on the one hand, and the drop in interest in advertising space in the Schengen area and in the non-EU area.

Management of car parks

Management of the parking systems at Fiumicino and Ciampino airports brought in revenues of 26.8 million euros, a rise of 2.6% compared with 2004. This increase was essentially due to the performance posted by Ciampino, where the airport's revenues grew by 105.0%.

At Fiumicino, multi-level parking rose by 2.6 percentage points whilst long-term parking fell by 8.5%, due especially to increased competition outside the airport.
As part of a new strategy, prices were reviewed in December 2005.

Plans for 2006 include expansion of parking capacity at Ciampino and the introduction of new products such as "Top Car" and agreements with tour operators.

Technical and IT services

Maintenance of plant and facilities

During 2005 upgrading and maintenance of infrastructure and facilities continued in order to ensure reliability and provide continuity of service.

The most important initiatives carried out included:

- replacement of the oil transformers in the airport's electricity sub-stations in accordance with legislation regarding the disposal of equipment containing PCB (phase one);
- coordination for ADR of activities relating to the security audit carried out by ICAO at Fiumicino;
- signing of an agreement between ADR S.p.A. and Sistemi di Energia to build a co-generation power plant at Fiumicino airport.

In addition, investment in facilities was carried out, as described in detail in the section "Group investment".

Information Technology

A number of important works were completed, continued and launched in 2005. Such works are designed to upgrade the technology and practical use of certain corporate applications. In particular:

- outsourcing of EDP: In the early months of 2005 T-Systems Italia S.p.A. was selected to provide data processing center services and consolidate corporate applications on the new technological platform, which was accompanied by sale of the EDP business unit. On May 31, 2005, after completion of due diligence procedures, a contract was signed with effect as of June 1, 2005. This operation will enable the technological upgrading of hardware, consolidation of applications on fewer platforms and improved systemic support for development of new applications. During the second half of 2005 restructuring of the local EDP systems was completed as were activities concerning the installation of the new technology platforms (new servers, hard disks and back-up systems);
- consolidation of corporate applications onto new platforms: during the second half of 2005, following stipulation of the EDP outsourcing contract, work began on the transfer of corporate applications from the old to the new technology platforms. In 2005 work was completed as regards the transfer of all Windows and SAP management systems using UNIX. Work also began on the migration of airport applications using UNIX, scheduled for completion during the first half of 2006;

- insourcing of applications from Alitalia's EDP system: the process of migration of ADR S.p.A.'s mainframe applications, operating on Alitalia's EDP system, to ADR's EDP system was completed. Over the coming years, only the older environments containing information from past years that must be kept in accordance with the law will be maintained (financial statements, billing, etc.);
- new (HCS) Handling Cargo System: activities to implement and personalize the new system released in 2004 were completed. Specifically, the year saw completion of a study on the construction of a portal that will enable shipping agents to obtain information via the Internet regarding the status of their freight order, with obvious operational benefits. The technology infrastructure required to implement this and other airport portals is being selected, and the developments are expected to be completed in 2006;
- new airport operations management system (UFIS): in 2005 work continued in order to personalize the modules for management of airport infrastructure, for passenger handling and for their release. All practical checks were carried out on the module for its use on the wireless system (Grams), which will make it possible to collect operational data in real time. The module is expected to be released in 2006 at the same time as the telecommunications infrastructure (WI.FI.) that the subsidiary ADR Tel is preparing enters service;
- SAP RE (Real Estate) module: the new SAP RE module became operational. This module enables the preparation of contracts and invoices for the retail concessions in a manner integrated with ADR's accounting systems (SAP FI and CO modules);
- new sales management system: work was completed on the implementation and personalization of the new ADR SHOP system, which entered service at the end of 2004. The system, developed by ADR and integrated with the company warehouse management system (SAP PM module), was also provided to ALPHA Retail, the new sub-concessionaire for the duty free shops.

Environmental protection

Environmental impact

During the year, maintenance and development of the Environmental Management System (EMS) at Fiumicino and Ciampino continued according to plan.

The certifying body, Dasa-Rägister, carried out a check in April and renewed the ISO 14001 certification at Fiumicino. In December the first integrated periodic maintenance check for the EMS was carried out, confirming the system's compliance with related regulations.
Within the scope of training activities, scheduled courses were given by ADR's specialist environmental department to area managers and to all departments concerned with EMS.
EMS monitoring conducted by ADR's internal environmental auditors was carried out in accordance with annual plans and contributed to highlighting areas where systems may be improved.

Both the ongoing monitoring of electromagnetic fields at Fiumicino (begun in 2002) and the air quality monitoring campaign (begun at the start of 2005) carried out in the airport areas considered to be the most important were completed. Both monitoring activities revealed full compliance with related legal limits.
In April 2005, the Rome Provincial Authority renewed ADR S.p.A.'s authorization for Fiumicino airport's treated sewage outlet for an additional four years.

The ADR Environmental Report, which has been updated with 2004 data regarding Fiumicino and Ciampino, was distributed.

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, in 2005 work was begun on installation of a new aircraft noise monitoring system, financed by the Ministry of the Environment on the basis of the agreement dated May 23, 2001, with a radar interface to control aircraft flight paths.

Installation of the equipment, software and all connecting devices was completed at the end of July 2005. The system will be fully operational as soon as all activities involving synchronization with ENAV radar data, provided by ENAV only at the end of December 2005, have been completed.

Activities aimed at upgrading and modernizing Fiumicino airport's monitoring system were also begun.

Moreover, a project was drawn up to redesign the layout of the "via Coccia di Morto" pinewood, which creates an obstacle. This will permit use of the entire length of Runway no. 2 (runway head 25) and thus further reduce traffic on Runway no. 1. As this initiative concerns a protected area of the Roman Coastal Park, its implementation entails a complex authorization procedure that has been underway for some time. The project is currently being examined by the "Coastal Reserve" Commission.

Following approval by the airport committee, set up in accordance with art. 5 of the Ministerial Decree dated October 31, 1997 and of which ADR S.p.A. forms part, of the current acoustic isolevel contours around Fiumicino airport, ADR, in accordance with the Ministerial Decree dated November 29, 2000, informed the competent local authorities of the results of the committee's work and about the areas around the airport where the level of noise pollution has been estimated.

The airport committee set up in accordance with the Ministerial Decree dated October 31, 1997 has begun the study of areas around Ciampino airport.

Quality

As part of the quality program, checks on services at Fiumicino were carried out during the year via:

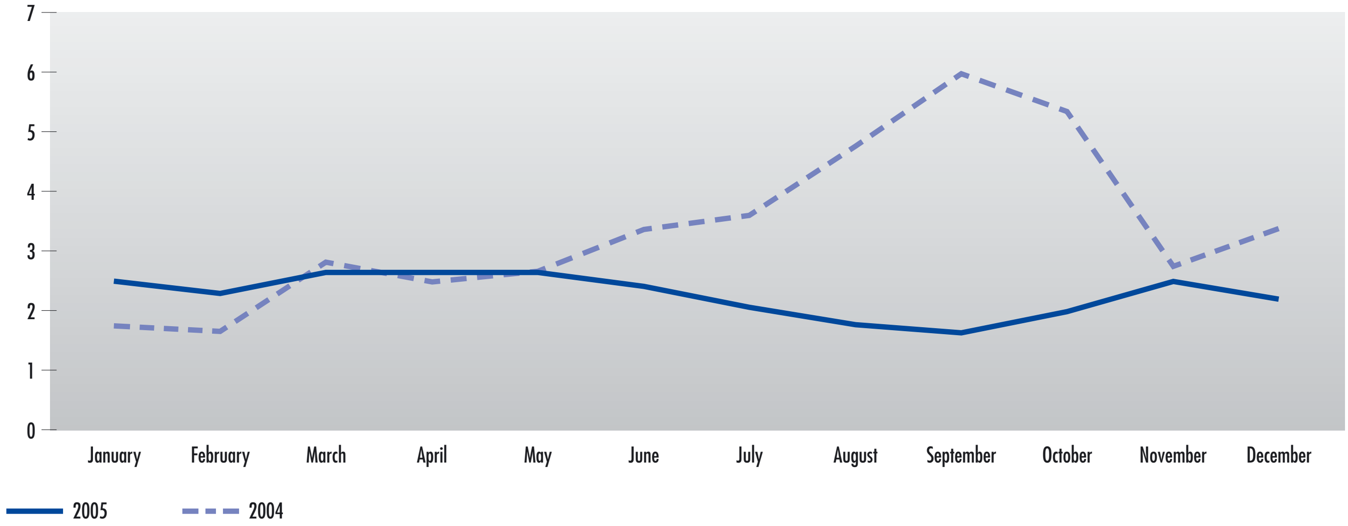
- more than 280,000 objective checks, the equivalent of around 22,000 reports. These checks were based on daily surveys of the quality levels of the most important passenger services (baggage reclaim, check-in, carry-on baggage checks, the cleanliness of restrooms and the functioning of display screens, passport control and refreshment services);
- around 6,000 customer satisfaction interviews, conducted in conjunction with the objective checks in order to regularly monitor passengers' perceived quality of service in the places where the service is provided.

Monitoring procedures revealed a good level of service provision by Aeroporti di Roma throughout 2005.

In 2005, 92.7% of passengers underwent waiting times for carry-on baggage security checks that fell to within 6 minutes (83.6% in 2004), the service standard published in the Service Charter (6 minutes in 90% of cases).

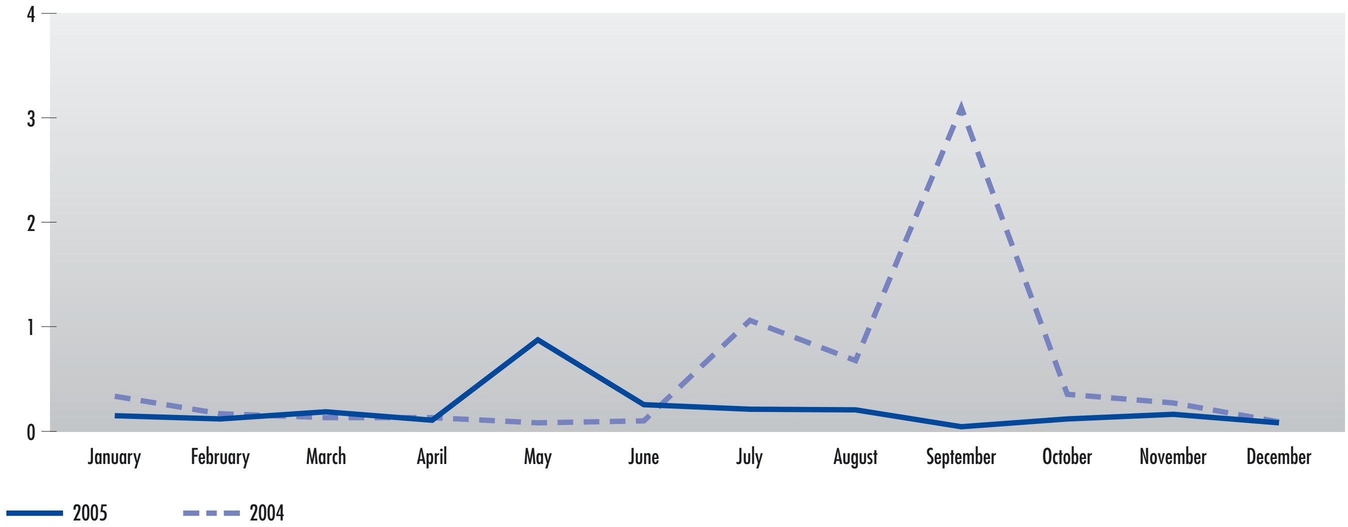
Specifically, average waiting times continued to improve: 2 minutes and 41 seconds in 2005 compared with 4 minutes and 4 seconds in 2004 and with 4 minutes and 53 seconds in 2003.

GRAPH 1: average waiting times at carry-on baggage security check points. Comparison between 2004 and 2005 (times expressed in minutes).



The trend in baggage handling times was also positive: the percentage of bags misdirected due to the Baggage Handling System stood at 0.21‰ compared with 0.58‰ in 2004 and with 0.5‰ in 2003 (defined standard: 0.5 bags for every 1,000 passengers boarded).

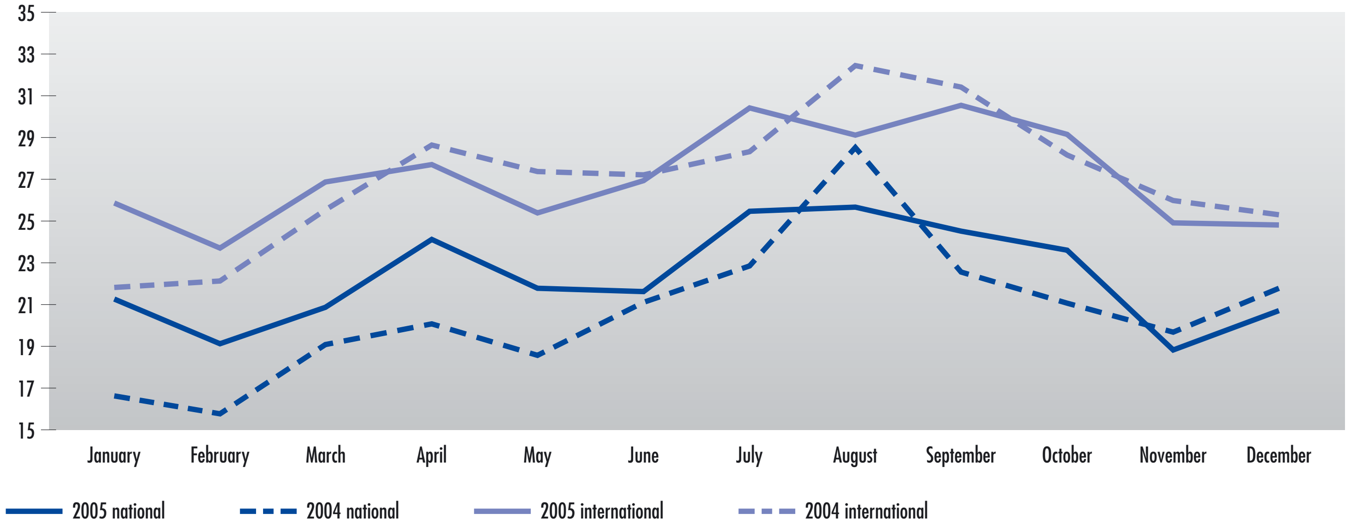
GRAPH 2: number of bags mishandled by the BHS system (‰ values). Comparison between 2005 and 2004.



In contrast, some aviation area indicators have yet to reach performance levels in line with established standards. A more detailed analysis of the trend in quality levels shows that:

- the percentage of flights with baggage reclaim times within the set standards was 83% for the first piece of luggage and 84.8% for the last, down 4 and 3 percentage points, respectively, compared with levels in 2004 (the standard is 90%). This trend is due to a general increase in average service times reported in 2005, except for August, which in 2004 reported the worst performance level by far;

GRAPH 3: trend in average times for delivery of the last bag. Comparison between 2005 and 2004 (times expressed in minutes)

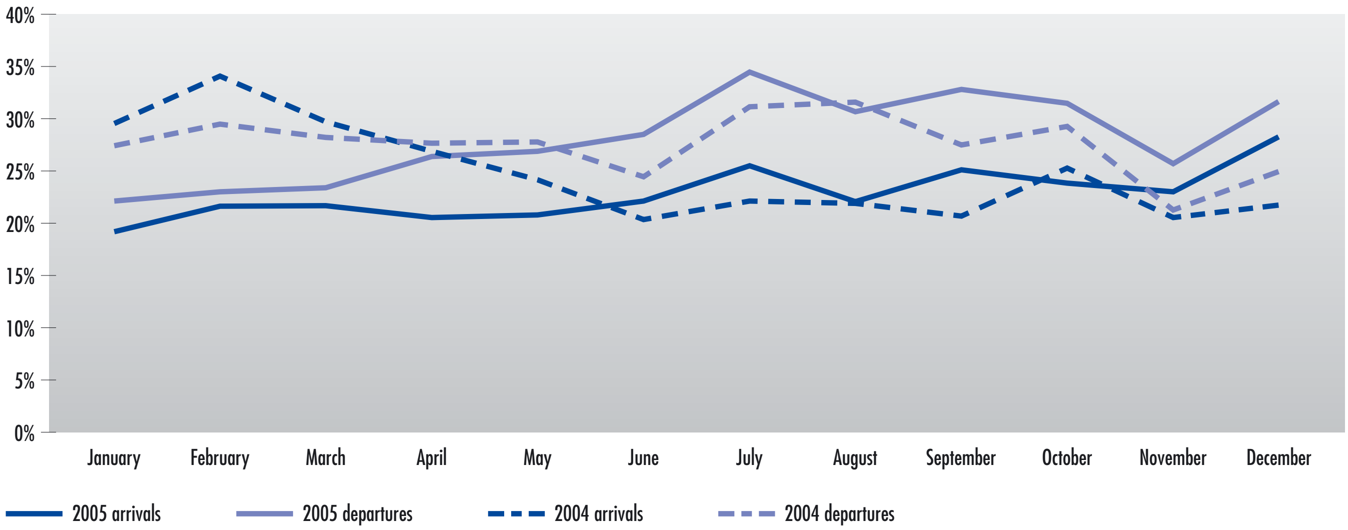


- the percentage of outgoing flights with delays of more than 15 minutes was 28.1% compared with 27.5% in 2004, overshooting the standard (25%) by three points.

It should be noted that the airport handler respected its own standard, having caused a delay in outgoing flights in only 0.1% of aircraft movements, compared with a set objective of 0.3%.
In contrast, the trend in delays exceeding 15 minutes for incoming flights improved (22.8% compared with 24.5%).

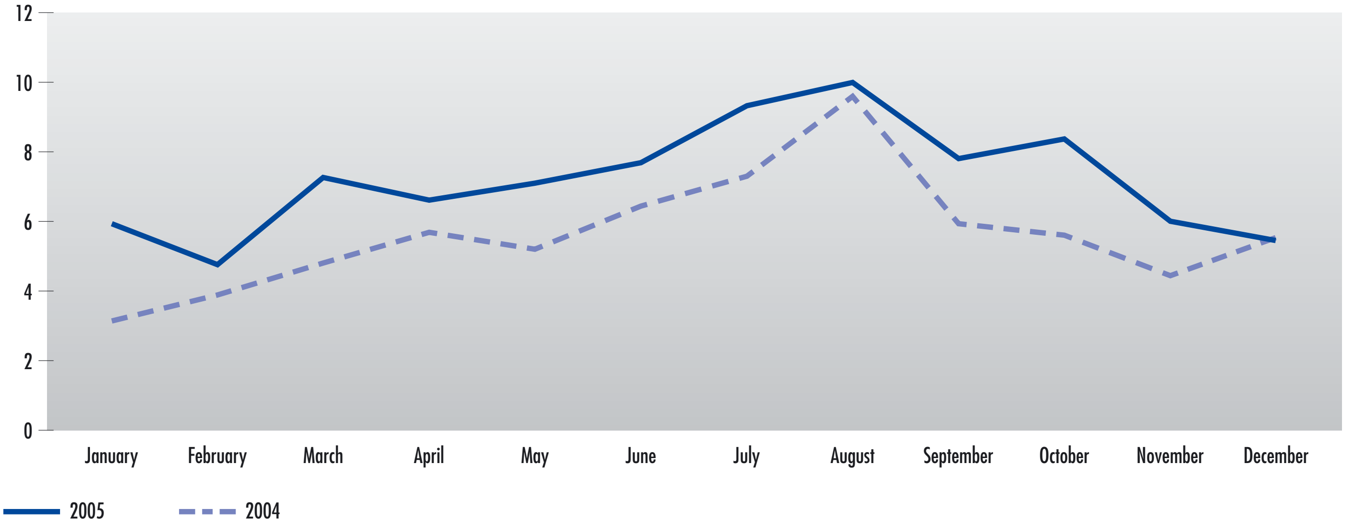
Consequently, the indicator "recovery of transit times at the airport" (difference between incoming flight delays and outgoing flight delays compared with the scheduled times) was negative compared with the set value (+1%).

GRAPH 4: comparison between the percentage of delays of more than 15 minutes for incoming and outgoing flights.



- the average waiting time for check-in operations was 6 minutes and 59 seconds, longer than in 2004 (5 minutes and 11 seconds) and longer than the Service Charter standard (6 minutes).

GRAPH 5: trend in average waiting times in lines at check-in desks. Comparison between 2005 and 2004 (times expressed in minutes).



In order to improve service levels and to increase the awareness of all entities involved as to the need to quickly and incisively resolve the problems revealed, monthly reports regarding the services monitored by the local airport authority are drawn up and given to the operators and carriers present at the airport.
In 2005 ADR S.p.A. redesigned activities to monitor passengers' perceived quality of service. The aims was to optimize related costs and, at the same time, to step up monitoring so as to better identify the actions needed to handle possible service failures and to help reach optimal levels of operations.

The quality plan was further developed via:

- the start of a daily survey, carried out by quality unit staff and designed to replace the quarterly surveys previously carried out by an external company. The new activity, designed and tested during the year, will be fully underway in 2006,
- enrollment in the airport customer satisfaction and performance program managed by IATA and ACI and which compares passengers' evaluations on the world's leading airports. Based on currently available results, regarding the first eight months of the year, passengers gave Fiumicino an overall good evaluation with an average score of 3.32 (on a scale of 5= excellent to 1= poor),
- the planning and start-up of a customer satisfaction survey for client carriers in order to identify business and management priorities. The survey especially spotlights priorities that require the airport's contribution and support in terms of infrastructure and services falling under the responsibility of ADR, in its role as service provider and manager, as well as those of other airport operators. The interviews involving representatives of carriers operating at Fiumicino are underway and the results will be published by the end of the first quarter of 2006.

During the year the quality plan was extended to include services supplied at Ciampino, via objective controls and passenger interviews.

Quality monitoring activities reveal that:

- the average waiting time for carry-on baggage security checks was 4 minutes and 58 seconds,
- the percentage of outgoing flights with delays of more than 15 minutes was 25.6%, whilst delays of more than 15 minutes for incoming flights stood at 17.8%. The airport did not meet either the standard defined for outgoing flight delays (17%) or for that set for the recovery of transit time (1%),
- the percentage of flights with baggage reclaim service provided within set times was 85.8% for the first bag and 87.3% for the last bag (the standard is 90%),
- the average passenger check-in waiting time was 18 minutes and 45 seconds.

GROUP INVESTMENT

In 2005 the Group carried out investment totaling 75,826 million euros (56,080 million euros in 2004).

Regarding infrastructure development, the following works were completed:

- *Terminals*: Terminal A – new remote lounges, rearrangement of the domestic passenger terminal and transfer of security check points, West Pier – extension for 16 new gates, Pier A – replacement of false ceilings and lighting equipment, Terminal C – new tax refund desk and upgrading of security check points;
- *Infrastructure:* 5th module of the multi-story car park, extension of long-stay car park 2nd phase, completion of work on upgrading Cargo City warehouses and offices;
- *Plant:* second phase works on the tunnel network, upgrading of the sewage purification plant with the replacement of the liquid oxygen system with an atmospheric oxygen system, start-up of the ETV system at the Cargo City, completion of security checking system for Cargo City loading platforms, participation in the final testing of new plants such as: the extension of Pier West, Terminal AA, Island L, Kilo 2 transit building, Multi-level, construction of a back-up system for Terminal C BHS, Terminal A BHS and the GOS system for all aprons, installation of remote control systems to save energy in the service tunnels;
- *Runways:* extension of aircraft aprons in the Western area, repairs of paving on runway 16C/34C and joint sealing on Alfa runway, upgrading of LVA systems and related monitoring software for use in cat. III of runway 1 (16 R) and runway 2 (25);
- *Ciampino:* upgrading of Alfa taxiway, upgrading of tarmac on runway 15/33, leakage repair to courier mail canopy, apron upgrading (enlargement of AG link road and sign system), reconfiguration departure area, tent structure to enlarge departure terminal and upgrade terminal conditioning system.

The following works are in progress:

- *Terminals:* Terminal C – change in the configuration of gates B11-B21, Terminal A – sign insulation and upgrading of offices;
- *Infrastructure:* road works – extraordinary maintenance, Cargo – mortuary, implementation of noise monitoring system;
- *Runways:* widening of Bravo taxiway at Pier C in the Northern sector; aircraft aprons South-eastern area (first phase), building for baggage originating from domestic flights and baggage system, repairs to perimeter road network and runway access;
- *Ciampino:* contingency plan – road network and parking, expansion and upgrading of the duty free shop, start of works to upgrade the BHS system.

Future works soon to be started include:

- *Terminals:* modifications to passport check point for arrivals and transits; Terminal A – extension of mezzanine retail areas; parking area – club car battery recharger; new terminal signs; Satellite – new duty free shop at quota 11;
- *Infrastructure:* road works: upgrading of viaduct junctions and expansion of metered parking;
- *Runways*: upgrading of drainage on Southern area of Runway 3;
- *Ciampino:* "contingency plan" – expansion of terminal and baggage system, restoration of concrete flooring joints and P7 and P8 car parks.

On June 16, 2005 the European Commission approved a Community grant in favor of the Parent Company, ADR S.p.A., for the project "Aeroporto di Roma Fiumicino: feasibility study and design of a people mover" (project no. 2004-it-90903-s07.42313) in the sector of trans-European infrastructure networks and within the framework of annual transportation programming (TEN-T). The feasibility study will verify the possibility of building a transportation system for fast connections between passenger terminals, the Cargo City, long-stay car parks and courier buildings, with possible extension to the Western area, towards archeological sites and the town of Fiumicino.

At the start of 2005, the Parent Company, ADR S.p.A., presented Fintecna S.p.A. with a report regarding the state of advancement of commitments made during the acquisition by the Leonardo Consortium in accordance with the 2000 Business Plan. In particular, this plan calls for infrastructural investments in the period 2000-2005 of around 515 million euros, of which 360 million are to be directly financed by Aeroporti di Roma S.p.A..

The table below illustrates the investments envisaged in the Business Plan and provides a comparison – based on like-for-like categories – with the final balance as of December 31, 2004:

Investment Plan	Leonardo Plan 2000-2004	Adr S.p.A. Actual	Difference	Leonardo Plan 2005	Leonardo Plan Total	Adr S.p.A. H1 2005	Adr S.p.A. Jan 1, 2000/ Jun 30, 2005
Infrastructure	78.1	83.5	5.4	17.8	95.9	28.3	111.8
Maintenance	55.1	68.4	13.3	8.8	63.9	9.0	77.4
Information systems	30.1	28.1	(2.0)	5.2	35.3	1.6	29.7
Other	18.9	16.0	(2.9)	5.2	24.1	2.1	18.1
Sub-total	182.2	196.0	13.8	36.9	219.1	41.0	237.0
Pier C and related works	110.1	0.0	(110.1)	0.0	110.1	0.0	0.0
Runway 3	31.0	0.0	(31.0)	0.0	31.0	0.0	0.0
Self-financed	**323.3**	**196.0**	**(127.3)**	**36.9**	**360.2**	**41.0**	**237.0**
Pier C and related works	66.2	0.0	(66.2)	0.0	66.2	0.0	0.0
Other works	88.3	88.3	0.0	0.0	88.3	0.1	88.4
Financed	**154.5**	**88.3**	**(66.2)**	**0.0**	**154.5**	**0.1**	**88.4**
Total	**477.8**	**284.3**	**(193.5)**	**36.9**	**514.7**	**41.1**	**325.4**

As the table clearly shows, excluding works relating to Runway 3 and to Pier C, as well as auxiliary works concerning the latter, ADR S.p.A. has fulfilled the commitments made at the time of the acquisition, also considering the approximate 41 million euros accounted for during the first six months of 2005. The investments were carried out despite, amongst other things, traffic volumes that were lower than those forecast in the Business Plan.

As regards all direct and auxiliary works relating to Pier C and those regarding Runway 3, in the period 2000-2005 it was impossible for the Company to carry out such large-scale investment due to the Civil Aviation Authority's failure to formalize the related agreement to construct International Terminal Pier C. This failure lead to an approximate three-year delay in works compared with the original timetable. Moreover, in 1999 structural upgrading works on Runway 3 (16L/34R) were suspended, resulting in legal dispute, which began in May 2000, with the Temporary Consortium contracted to carry out the work.

The above table also illustrates investments carried out at the end of the period of reference (June 30, 2005).

For the construction of Pier C, a publicly owned work co-financed by ADR in accordance with the Planning Agreement of April 30, 1996 and the second addendum to Agreement no. 3997/86, signed on December 23, 2002, a call for bids to select a builder was published. The Civil Aviation Authority confirmed, with its letter dated February 4, 2005, the availability of funds as per Laws 449/85 and 67/88 (around 43 million euros). As of the date of this report, the government has yet to confirm the availability of the remaining amount of around 36 million euros.

RESEARCH AND DEVELOPMENT

The ADR Group did not carry out any research and development activities in 2005.

GROUP PERSONNEL

The headcount as of December 31, 2005, including staff on temporary contracts, was 3,583. The following table shows a breakdown by category:

Category	12.31.2005	12.31.2004	Change
Managers	53	59	(6)
Supervisors	247	250	(3)
Office staff	1,968	2,039	(71)
Ground staff and other	1,315	1,361	(46)
Total	**3,583**	**3,709**	**(126)**
Including:			
on permanent contracts	*2,724*	*2,938*	*(214)*
on temporary contracts	*859*	*771*	*88*

A breakdown by company is provided below:

Company	12.31.2005			12.31.2004			Change		
	Perm. contract	Temp. contract	Total	Perm. contract	Temp. contract	Total	Perm. contract	Temp. contract	Total
ADR	1,771	422	2,193	1,934	380	2,314	(163)	42	(121)
ADR Handling	897	436	1,333	948	390	1,338	(51)	46	(5)
ADR Engineering	28	1	29	29	0	29	(1)	1	0
ADR Tel	17	0	17	17	0	17	0	0	0
ADR Advertising	11	0	11	10	1	11	1	(1)	0
Total	**2,724**	**859**	**3,583**	**2,938**	**771**	**3,709**	**(214)**	**88**	**(126)**

Compared with the same period in 2004, as of December 31, 2005, Group personnel rose by a total of 126 (a reduction of 214 staff on permanent contracts and an increase of 88 staff on temporary contracts). The significant decrease in the number of staff on permanent contracts (down 7.3%) is due to implementation of the early retirement scheme (around 200 staff).

There was an increase of 88 staff (up 11.4%) compared with December 31, 2004 (up 42 in ADR S.p.A. and up 46 in ADRH). For ADR S.p.A. this increase was due to a series of new initiatives that involved different operational areas, whilst for ADRH the rise was due primarily to the growth in air traffic and to increased activity during the summer season.

As regards industrial relations, special mention should be made of the renewal of the National Collective Labor Contract on July 26, 2005. This agreement is valid until December 31, 2007, with the pay conditions valid until December 31, 2005.

Following an analysis of the Company's 2004 results, in July an agreement was signed with labor union representatives regarding the bonus to be paid to Group employees.

Finally, on October 18, 2005 a total of 448 ADR Group staff were laid off in accordance with Law no. 223/91. This procedure is part of a reorganization plan aimed at bringing the current organizational structure into line with the many changes that have occurred. Such changes concern both the review procedure for company operations and processes, with the focus being placed on the core business and, more broadly, the air transport sector, which has recently undergone changes in terms of both its characteristics and trends.

As to organizational matters, in 2005 steps were taken to develop and rationalize the Parent Company's organizational structure, with a view to improving operating efficiency and effectiveness.
More specifically, the Central Supply Chain Department was set up under the direct control of the Managing Director in order to improve both the management of processes with a significant impact on the Group's performance and the quality of the services provided.

A new organizational structure was also defined for the Retail Business Unit in order to boost airport retail sales by more closely focusing the Retail Development & Management processes for direct and indirect sales.

During the last six months of the year, a further step was taken in rationalizing the organization so as to develop synergies between the operation and maintenance of technology systems. The changes involved the Infrastructures & Real Estate and Technical Services departments.

Moreover, a new organizational model was drawn up for ADR S.p.A.'s Central Human Resources & Organization Department. On the one hand this aims to ensure greater focus on managerial development processes at corporate level, and on the other, to strengthen professional support to business units regarding human resources management, operational organization and trade union relations by setting up dedicated organization centers.

Updating of the procedures system also continued with the issue of 8 organizational procedures, 5 of which were completely new.

In implementation of resolutions passed by the Board of Directors, the composition and duties of

the Judicial Body of the Sub-committee and Chair of the Supervisory Body were established, in accordance with the model pursuant to Legislative Decree no. 231/2001 adopted by the Parent Company, ADR.
The Internal Audit Manager's staff were appointed (as per Legislative Decree no. 231/2001) and the Credit Committee was set up, with its related functions and operating processes defined.
Finally, with regard to compliance with Legislative Decree no. 626/94 (health and safety at the workplace), Legislative Decree 155/97 (self-monitoring of food safety), 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.).
Thanks to the 10 different types of drills carried out, it was possible to strengthen relations with all of the participating military and police forces and emergency units. Greater mutual knowledge of operations as well as deeper personal relations make collaboration ever more efficient and, consequently, ensure more rapid and effective intervention.
The intense training program regarding both workplace safety and emergencies also continued. Such training was unquestionably a main factor in reducing the seriousness of accidents and the number of hours lost due to accidents during the last three months of the year (down 38%).
The new management and development policies for Group personnel were also defined during the year. The new system, presented in 13 meetings involving all management personnel, allows for the integrated management of human resources, especially as regards recruitment and selection processes, appraisal, training, development and rewards. The policy is based on the Model of distinct competencies and technical skills, that is, the collection of experiences, abilities and knowledge applied to company processes and needed to develop the business. This underlying model is a sort of "map" on which to base the development and management of ADR personnel in line with the Company's strategic objectives.

On the training front, in 2005 there were 1,086 training and refresher courses, amounting to a total of 65,107 hours and 4,720 participants including managers, middle management, administrative and ground staff. Moreover, the sale of training initiatives to other airports produced total income of 62 thousand euros, corresponding to 31 courses.

Training activities focused on two initiatives especially tailored for specific company staff:

- in September an in-house training initiative on "Team working" was drawn up and carried out for young university graduates who had recently joined the company. The course was designed to highlight, within the context of organizational development, the advantages of teamwork and the characteristics of a team geared for success in the company;
- four training and professional refresher seminars (with related follow-up) were also carried out for Direct Retail (CTI/CTD) staff. The objective was to develop a greater awareness of the organizational behaviors to exhibit in relations with customers in order to improve the sales performance.

As regards the recruitment and selection of personnel, the process was completely internalized, with a savings in the item "external suppliers". In order to maintain the pool of ADR and ADRH personnel working on temporary contracts and, especially, of those working in the areas of security and freight, a total of 1,170 external candidates were interviewed, with 370 proving to be suitable. Of these, 336 signed their first contract during the year.

The number of hours lost due to strikes and accidents was down on 2004. In contrast, absenteeism due to illness rose from 4.8% in 2004 to 5% in 2005.

CORPORATE TRANSACTIONS

Disposal of the Group's investment in South Africa's leading airport operator (ACSA Ltd) was completed in December.
Specifically, the ADR Group's Dutch company, Airport Invest B.V., sold its entire holding in the South African-registered ADR IASA Ltd.
Airport Invest had earlier taken full possession of ADR IASA via the redemption, on September 29, 2005, of the preference shares owned by the South African financial institution United Towers Ltd (ABSA Bank Group), for a price of 156 million rand (around 19 million euros). This transaction was financed via the issue of ordinary shares subscribed by the sole shareholder, Airport Invest B.V., which received a capital contribution of an equivalent amount from ADR S.p.A..
On September 20, 2005 Airport Invest B.V. agreed the sale of its entire shareholding in ADR IASA Ltd to The Public Investment Corporation Ltd (PIC), a South African company acting on behalf of a government pension fund ("Government Employee Pension Fund"), for a price of 1.675 billion rand.
December 21, 2005 saw the disposal of the entire shareholding held by the subsidiary Airport Invest B.V. in ADR IASA Ltd and thus of the entire shareholding (20%) held by the latter in ACSA Ltd.

As regards the Group's minority holdings, on December 22, 2005 the Board of Directors of ADR S.p.A. approved the disposal of the 9% interest in Edindustria S.p.A. to the Company's majority shareholder (Finanziaria Tosinvest S.p.A. – 50.5%).
The offer price was around 13 thousand euros, corresponding to the Group's share of the shareholders' equity of Edindustria S.p.A., as reported in the company's financial statements as of October 31, 2005, verified by the auditors, Deloitte & Touche S.p.A..

For more information on the performance of Group companies, reference should be made to the Parent Company's Report on Operations.

FINANCIAL TRANSACTIONS

On August 26 Moody's Investors Service adjusted its rating for Aeroporti di Roma S.p.A., upgrading the outlook from "stable" to "positive" within the Baa3 category. On June 9, following the annual review of ADR S.p.A. data, the other leading credit rating agency, Standard & Poor's, confirmed its BBB+ rating with a stable outlook.
On September 20 ADR S.p.A. repaid bank borrowings of 490 million euros, representing a portion of overall debt. The repayment was effected by taking up a new loan of the same type and of an equivalent amount.
The new loan – with a principal long-term line of credit of 290 million euros and a revolving line of credit of 200 million euros – matures in February 2012 and makes it possible to replace the previous bank loan of the same amount, which comprised a long-term line of credit of 395 million euros and a revolving line of credit of 95 million euros, with payments falling due in 2008 (340 million euros) and in 2009 (150 million euros).
On November 24, 2005, Standard & Poor's changed ADR's rating outlook from "stable" to "negative". This change reflects the uncertainty regarding the trend in ADR's regulated revenues following the aforementioned legislation relating to system requirements.

THE ADR GROUP'S FINANCIAL POSITION AND OPERATING RESULTS

The upturn in traffic in the Roman airport system (aircraft movements up 3.7%, passengers up 7.3%) is correlated to a less significant increase in the Group's turnover (up 4.3%), which totaled 580.7 million euros.

Aviation and non-aviation activities contributed in equal part to the growth in turnover, so that their contribution to revenues remained unchanged from 2004 at 63.1% and 36.9%, respectively.

RECLASSIFIED INCOME STATEMENT

(in thousands of euros)	2005	2004	Change
Revenues from sales and services	581,029	555,801	25,228
Contract work in progress	(327)	983	(1,310)
A. – REVENUES	**580,702**	**556,784**	**23,918**
Capitalized costs and expenses	6,264	4,687	1,577
B. – REVENUES FROM ORDINARY ACTIVITIES	**586,966**	**561,471**	**25,495**
Cost of materials and external services	(168,562)	(155,269)	(13,293)
C. – GROSS MARGIN	**418,404**	**406,202**	**12,202**
Payroll costs	(157,322)	(155,839)	(1,483)
D. – GROSS OPERATING INCOME	**261,082**	**250,363**	**10,719**
Amortization and depreciation	(97,930)	(94,101)	(3,829)
Other provisions	(11,306)	(11,981)	675
Provisions for risks and charges	(6,122)	(6,975)	853
Other income (expense), net	1,321	(10,379)	11,700
E. – OPERATING INCOME	**147,045**	**126,927**	**20,118**
Financial income (expense), net	(89,998)	(96,763)	6,765
Adjustments to financial assests	11,471	7,989	3,482
F. – INCOME BEFORE EXTRAORDINARY ITEMS AND TAXES	**68,518**	**38,153**	**30,365**
Extraordinary income (expense), net	46,897	(5,943)	52,840
G.– INCOME BEFORE TAXES	**115,415**	**32,210**	**83,205**
Income taxes for the year	(37,028)	(26,200)	(10,828)
Deferred tax assets	2,452	450	2,002
H.– NET INCOME FOR THE YEAR	**80,839**	**6,460**	**74,379**
including:			
– Minority interest	*1,148*	*2,518*	*(1,370)*
– Group interest	***79,691***	***3,942***	***75,749***

In the aviation sector the growth in fees (up 7.8%) and security services (up 8.8%), in turn reflecting a rise in traffic and the greater impact of the international component, was somewhat offset by the reduction in handling revenues (down 1.9%), due to increased competition in the liberalized market at Fiumicino. In contrast, revenues from centralized infrastructures remained essentially in line with the previous year (up 0.4%).

Development of the non-aviation segment is due to the strong increase (21.5%) in sales activities of directly managed retail outlets thanks to the increase in average passenger spend. The performance of revenues from sub-concessions and utilities (up 1.3%) was influenced by the component, “retail sub-concessions”, which was penalized by the replacement of the leading sub-concessionaire at Fiumicino and Ciampino (begun during the first six months of 2005).
Revenues from car parks (up 2.6%) and the sale of advertising space (up 2.2%) continued to grow, though at a slower pace compared with previous years.

The Group’s EBITDA totaled 261.1 million euros, an improvement on 2004 and in line with the growth in revenues (up 4.3%).
The rise in costs for external materials and services (up 8.6%) was offset by a more efficient use of labor, as seen in the ratio of revenues to the average headcount (167 thousand euros compared with 160 thousand euros in 2004), and in the ratio of passengers to average headcount (up to 9,487 in 2005 compared with 8,822 in 2004).

The 15.9% improvement in EBIT (totaling 147.0 million euros) was above all due to the rise in the balance of other costs and revenues (up 11.7 million euros). In 2004 this item included losses on amounts due from Volare Group companies, which went into extraordinary administration.

Financial expense for 2005 fell by 6.8 million euros, thanks primarily to a rebalancing of floating/fixed rate components of debt in October 2004 (an improvement of 3.9 million euros) and the refinancing operation carried out in September 2005. The latter led to a reduction of 105 million euros in bank borrowings and to improved conditions regarding the new “Term Loan Facility” (up 1.5 million euros).

Adjustments to financial assets include a revaluation of 11.5 million euros deriving from the positive results reported by the South African associated undertaking, ACSA, up to a date just before the disposal (in December 21, 2005) of the special purpose entity, ADR IASA Ltd, in which the ADR Group had a holding. This results show an increase of 3.5 million euros with respect to 2004 as a whole, a year penalized by the effects of a new tariff system.

The disposal of the South African undertaking strongly influenced net income thanks to a consolidated gain of 73.1 million euros, stated gross of transaction costs of 2.8 million euros. Both amounts have been posted to extraordinary items.

The balance of extraordinary items also includes restructuring costs (20.2 million euros) relating to the restructuring and reorganization launched by the Group and involving the Parent Company, ADR S.p.A., and the subsidiary undertaking, ADR Handling S.p.A..

Thanks to improved industrial margins and the net positive effect of financial and extraordinary items, net income attributable to the Group rose from 3.9 million euros in 2004 to 79.7 million euros in 2005.

RECLASSIFIED BALANCE SHEET (in thousands of euros)	12.31.2005	12.31.2004	Change
A. – NET FIXED ASSETS			
Intangible fixed assets (*)	2,096,901	2,140,495	(43,594)
Tangible fixed assets	130,650	110,928	19,722
Non - current financial assets	4,653	138,472	(133,819)
	2,232,204	**2,389,895**	**(157,691)**
B. – WORKING CAPITAL			
Inventory	18,859	22,565	(3,706)
Trade receivables	131,114	124,718	6,396
Other assets	38,440	35,772	2,668
Trade payables	(113,782)	(102,057)	(11,725)
Allowances for risks and charges	(42,386)	(31,015)	(11,371)
Other liabilities	(76,592)	(66,755)	(9,837)
	(44,347)	**(16,772)**	**(27,575)**
C. – INVESTED CAPITAL, minus short-term liabilities (A+B)	**2,187,857**	**2,373,123**	**(185,266)**
D. – EMPLOYEE SEVERANCE INDEMNITIES	**62,033**	**67,117**	**(5,084)**
E. – INVESTED CAPITAL, minus short-term liabilities and E.S.I. (C-D)	**2,125,824**	**2,306,006**	**(180,182)**
financed by:			
F. – SHAREHOLDERS' EQUITY			
– Group interest	774,072	701,558	72,514
– Minority interest	1,993	22,171	(20,178)
	776,065	**723,729**	**52,336**
G. – MEDIUM/LONG-TERM BORROWING	**1,640,019**	**1,745,019**	**(105,000)**
H. – NET SHORT-TERM BORROWING (NET CASH AND CASH EQUIVALENTS)			
– short-term borrowing	17,493	16,560	933
– cash and current receivables	(307,753)	(179,302)	(128,451)
	(290,260)	**(162,742)**	**(127,518)**
(G+H)	**1,349,759**	**1,582,277**	**(232,518)**
I. – TOTAL AS IN "E" (F+G+H)	**2,125,824**	**2,306,006**	**(180,182)**
(*) including the value of the concession totaling	*1,897,421*	*1,946,704*	*(49,283)*

The Group's divestment of the South African undertaking, which took place in December, is reflected in the significant drop in invested capital. As of December 31, 2005 this item totaled 2,125.8 million euros, compared with 2,306.0 million euros at the end of 2004.

Specifically, the sale of the subsidiary undertaking, ADR IASA Ltd, the subsidiary through which the Group had a holding in ACSA Ltd, led to a reduction in non-current financial assets of 132.6 million euros.

Intangible fixed assets also fell (down 23.9 million euros) due to amortization of the airport concession, which more than offset investments.

The reduction in invested capital was also due to the drop in working capital (down 27.6 million euros), which felt the effects of the Group's restructuring plan. This plan required provisions of 14.3 million euros to the item "allowances for risks and charges" and the posting of 6.5 million euros to the item "other liabilities", representing severance indemnities payable to former employees who left the Group late in 2005. The remaining increase in "other liabilities" includes 5.0 million euros in payables due to tax authorities for the additional municipal surtax on boarding fees. As explained earlier, this surtax rose from 1 euro to 2 euros from April 2005, in accordance with Law no. 43 of March 31, 2005.

Trade items under working capital posted an increase in regulatory liabilities, totaling 11.7 million euros and deriving from increased investments, partly offset by a rise in trade receivables (up 6.4 million euros), due mainly to the rise in turnover, and a rise in receivables relating to the above additional municipal surtax on boarding fees.

In terms of funding, there was an improvement in the Group's level of capitalization in that the 232.5 million euros reduction in net debt was accompanied by an increase in shareholders' equity of 52.3 million euros, with equity now accounting for 37% of invested capital (31% as of December 31, 2004).

Specifically, compared with December 31, 2004, shareholders' equity rose mainly as a result of net income for the year, in part offset by the distribution of dividends totaling 12.2 million euros and in part by the redemption of ADR IASA Ltd preference shares (19 million euros) held by the financial institution United Towers Ltd.

The Group's net debt stood at 1,349.8 million euros, a decrease due to the reduction in consolidated liabilities (down 105.0 million euros) and to the increase in net cash and cash equivalents (127.5 million euros).

The refinancing carried out by the Parent Company, ADR, in September allowed for a reduction of 105.0 million euros in medium-/long-term debt, whilst the above-mentioned disposal of ADR IASA Ltd produced an increase in the Group's liquidity at year end.

STATEMENT OF CASH FLOWS (in thousands of euros)	2005	2004
A. – NET CASH AND CASH EQUIVALENTS - OPENING BALANCE	**162,742**	**104,871**
B. – CASH FLOWS FROM (FOR) OPERATING ACTIVITIES		
Net income (loss) for the year	80,839	6,460
Amortization and depreciation	97,930	94,101
(Gains) losses on disposal of fixed assets	(73,420)	(181)
(Revaluations) write-downs of fixed assets	(11,539)	(8,087)
Net change in working capital	27,575	14,054
Net change in employee severance indemnities	(5,084)	541
	116,301	**106,888**
C. – CASH FLOWS FROM (FOR) INVESTING ACTIVITIES		
Investment in fixed assets:		
– intagible	(42,073)	(30,708)
– tangible	(35,695)	(24,298)
– financial	(12)	0
Proceeds from disposal, or redemption value of fixed assets	224,598	8,107
Other changes (*)	(2,098)	(10,066)
	144,720	**(56,965)**
D. – CASH FLOW FROM (FOR) FINANCING ACTIVITIES		
New loans	290,000	0
Shareholders' contributions	0	0
Repayments of loans	(395,000)	0
Buy-back of shares	0	0
Other changes	(18,982)	0
	(123,982)	**0**
E. – DIVIDENDS PAID	**(12,240)**	**(2,202)**
F. – ALLOWANCE FOR EXCHANGE RATE VARIATIONS		
Change in allowance for exchange rate variations	**2,719**	**10,150**
G. – CASH FLOW FOR THE YEAR (B+C+D+E+F)	**127,518**	**57,871**
H. – NET CASH AND CASH EQUIVALENTS - CLOSING BALANCE (A+G)	**290,260**	**162,742**

(*) 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 116.3 million euros, after debt servicing charges.

Operating cash flow was primarily used as follows:

- 75.8 million euros to fund self-financed infrastructure investment;
- 12.2 million euros to pay dividends;
- 19.0 million euros for the redemption of preference shares held by United Towers in the share capital of the subsidiary undertaking, ADR IASA Ltd.

The repayment of medium-/long-term bank debt, totaling 395 million euros, was effected by taking out new long-term financing of 290 million euros. The remaining amount of 105 million euros was repaid from the Group's liquidity.

At year end, the Group's cash and cash equivalents had increased by around 214 million euros due to the sale of ADR IASA Ltd.

ANALYSIS OF NET DEBT

(in thousands of euros)	2005	2004
A. – NET FINANCIAL BORROWING - OPENING BALANCE	**(1,582,277)**	**(1,640,148)**
EBITDA	261,082	250,363
Net change in operating working capital	(2,271)	(18,858)
Net change in employee severance indemnities	(5,084)	541
Other income (expense), net	956	(10,560)
Extraordinary income (expense), net	(11,379)	(3,802)
Current taxes paid	(42,055)	(16,872)
Other assets/liabilities (included allowances for risks and charges)	5,135	3,290
B. – OPERATING CASH-FLOW	**206,384**	**204,102**
Capex (tangibles, intangibles and financial)	(77,780)	(55,006)
Proceeds from disposal, or redemption value of fixed asset	224,598	8,107
Net currency conversion differences	(2,098)	(10,066)
Dividends received	0	26
C. – FREE CASH-FLOW	**351,104**	**147,163**
Financial income (expense), net	(90,083)	(97,240)
Shareholders' contributions	0	0
Buy-back of shares	0	0
Other changes	(18,982)	0
Dividends paid	(12,240)	(2,202)
D. – NET CASH-FLOW	**229,799**	**47,721**
Exchange rate effect on reserves	2,719	10,150
E. – NET CASH-FLOW OF THE YEAR	**232,518**	**57,871**
F. – NET BORROWING - CLOSING BALANCE (A+E)	**(1,349,759)**	**(1,582,277)**

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, 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, 2005, 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						
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	**0**	**530**	**0**	**969**	**34**
Total	**0**	**0**	**530**	**0**	**969**	**34**

No trading relations were entered into with the associated undertakings 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, 2004.
Relations with other related parties break down as follows (in thousands of euros):

Trading and other relations	Balances at 12.31.2005		2005	
	Receivables	Payables	Revenues	Expenses
Other related parties				
Gemina S.p.A.	0	6	65	6
Macquarie Airport Luxembourg S.A.	0	36	0	36
Total	**0**	**42**	**65**	**42**

The expenses paid to Gemina S.p.A. and Macquarie Airport Luxembourg S.A. include the fees paid to Directors of ADR.

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 2005 or at the end of 2004. In addition, no purchases or sales of its own shares or of shares in the Parent Company took place, either directly or indirectly, in 2005.

FINANCIAL RISK MANAGEMENT

The Group uses interest rate swaps and interest rate caps to hedge interest rate risks.
The hedging policy, drawn up as part of ADR S.p.A.'s loan agreements, calls for at least 51% of debt to be protected from risk.
In line with this policy, the interest rate swaps entered into by ADR S.p.A. in 2001 are still in effect. These contracts – whose counterparties as of February 2003 are Mediobanca, Barclays,

UBM, Royal Bank of Scotland and Deutsche Bank – are based on notional capital of 864 million euros and mature on October 2, 2009.
Moreover, on October 1, 2004 the Parent Company, ADR S.p.A., entered into interest rate swaps with a number of the above counterparties (Mediobanca, Barclays and Royal Bank of Scotland). The swaps are based on total notional capital of 468 million euros up to March 2008 and 495 million euros up to October 2, 2009.
On the basis of the agreements, ADR receives a fixed rate of 3.3% and pays a floating 3-month Euribor 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 55% 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.
The fixed interest rate swaps involve notional capital of 864 million euros and payment of an average of 5.075%, whilst the floating rate contracts involve notional capital of 468 million euros and payment of 3-month Euribor plus 7 basis points.

SUBSEQUENT EVENTS

An analysis of the traffic figures for the Roman airport system for the first two months of 2006, compared with the same period in 2005, revealed the following performance, broken down by airport - Fiumicino and Ciampino – and segment – domestic and international:

Data as of February 28, 2006 and changes with respect to the same period in 2005

Traffic component	System	% change	Fiumicino	% change	Ciampino	% change	Domestic	% change	International	% change
No. of aircraft movements	55,449	(+0.2%)	46,389	(-3.1%)	9,060	(+22.0%)	26,503	(-0.3%)	28,946	(+0.8%)
Tonnage (tons)	3,850,046	(+0.4%)	3,407,947	(-2.4%)	442,099	(+28.6%)	1,517,755	(-0.8%)	2,332,291	(+1.1%)
No. of total passengers	4,470,395	(+6.2%)	3,815,675	(+2.5%)	654,720	(+35.1%)	1,843,586	(+5.0%)	2,626,809	(+7.1%)
Total freight (tons)	21,344	(-0.2%)	17,763	(+1.2%)	3,582	(-6.5%)	1,494	(-20.6%)	19,850	(+1.8%)

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

Traffic component	International	% change	EU	% change	Non-EU	% change
No. of aircraft movements	28,946	(+0.8%)	20,675	(+2.8%)	8,271	(-4.0%)
Tonnage (tons)	2,332,291	(+1.1%)	1,361,220	(+1.1%)	971,071	(+1.2%)
No. of total passengers	2,626,809	(+7.1%)	1,779,478	(+6.3%)	847,331	(+8.7%)
Total freight (tons)	19,850	(+1.8%)	6,076	(-6.6%)	13,774	(+6.0%)

At Fiumicino airport the first two months of 2006 reported a rise in passenger traffic (up 2.5%), despite a downturn in movements (down 3.1%) compared with the same period in 2005.
Traffic data reflects the negative effects of the Alitalia strikes lasting several days at the end of January. The strikes' negative impact also spilled over into February with the cancellation of numerous flights (more than 1,300 flights cancelled, causing an estimated loss of more than 120,000 passengers).
The upturn at Ciampino continued thanks to the growth in low-cost traffic, which boosted both passenger levels and movements (up 35.1% and 22.0%, respectively). This growth was essentially

due to flights introduced in 2005 after the first two months of the year.
On February 16, 2006 ADR's 9% investment in Edindustria S.p.A. was disposed of.
As to disputes concerning calls for bids, on January 16, 2006 Rome's Civil Court filed its final ruling on the action brought by ATI Alpine Bau in relation to the upgrading of runway 3. As a result, ADR S.p.A. is required to pay 1.4 million euros, plus legal interest accrued from the time of the claim, as opposed to the original claim of around 62 million euros. The related provisions have already been made in the financial statements.
As regards the limited liberalization of ramp area handling activities at Ciampino, on February 25, 2006 the Civil Aviation Authority published a call for bids for the selection of two operators in both the Italian and EU Official Gazette. ADR Handling S.p.A. will take part in the competition.
ADR S.p.A. undertook a number of legal initiatives at the end of 2005 and in early 2006 designed to safeguard its interests with regard to effects of Law no. 248/2005 (system requirements).
In this regard, the regional authorities of Piedmont, Tuscany and Sicily have appealed to the Constitutional Court against the President of the Council of Ministers, in order to have Law no. 248/2005 declared unconstitutional. Given that the appeals, as required, have been published in the Official Gazette, over the coming days it will be possible to evaluate the likelihood of ADR S.p.A. appearing before the court in the case put forward by the regional authorities.

OUTLOOK

Even though there are no signs of a rapid solution to the unfavorable elements characterizing 2005, the positive trend in traffic, confirmed at the start of this year, is in line with growth forecasts for 2006.
The Group is thus continuing to implement its intensive program of initiatives and investments, with the aim of meeting the growing demand resulting from the increase in traffic.
Although all possible actions aimed at protecting the interests put at risk by the above legislative measures, which have caused a delay in the expected fee adjustments, the process of approving the Planning Agreement for tariff adjustments has started once again and will be tenaciously followed by all of the functions involved.
In 2006, in addition to the goal of reducing borrowing costs, it is also important to set the objective of further reducing net debt without penalizing the upgrading and development of the airport system's infrastructures.
In any case, the management of all Group companies are focused on future events. It is essential to plan rapid actions aimed at responding to any exceptional changes in the operating environment (terrorist attacks, a worsening of the crisis at Alitalia) as the risk of such events is always present, even if the likelihood of them occurring is currently low.

The Board of Directors

Consolidated Financial Statements 2005

Consolidated Balance Sheet and Income Statement

Consolidated Balance Sheet

as of December 31, 2005
(compared with December 31, 2004)
(Translation from the original issued in Italian)

ASSETS

(in thousands of euros)		**12.31.2005**			**12.31.2004**	
UNPAID SHARE CAPITAL DUE FROM SHAREHOLDERS			0			0
FIXED ASSETS						
Intangible fixed assets:						
– Incorporation and development costs		549			923	
– Industrial patents and intellectual property rights		1,017			779	
– Concessions, licenses, trademarks and similar rights		1,900,971			1,949,454	
– Goodwill arising from consolidation		1,006			4,022	
– Leasehold improvements in process and advances		29,415			19,541	
– Others		163,943			165,776	
			2,096,901			2,140,495
Tangible fixed assets:						
– Land and buildings		2,887			2,216	
– Plant and machinery		30,028			20,340	
– Industrial and commercial equipment		2,976			1,168	
– Fixed assets to be relinquished		85,336			69,908	
– Other assets		4,732			3,583	
– Work in progress and advances		4,691			13,713	
			130,650			110,928
Non-current financial assets:						
– Equity investments in:						
• unconsolidated subsidiary undertakings	100			100		
• associated undertakings	49			132,646		
• other companies	1,814			1,895		
		1,963			134,641	
– Receivables due from others:						
· within 12 months	3			3		
· beyond 12 months	2,687			3,828		
		2,690			3,831	
			4,653			138,472
Total fixed assets			2,232,204			2,389,895
CURRENT ASSETS						
Inventory:						
– Raw, ancillary and consumable materials		2,591			2,802	
– Contract work in progress		8,124			10,799	
– Finished goods and goods for resale:						
• goods for resale	8,027			8,862		
		8,027			8,862	
– Advances		117			102	
			18,859			22,565
Receivables:						
– Due from clients		131,114			124,528	
– Due from associated undertakings		530			720	
– Due from tax authorities		1,600			892	
– Deferred Tax assets		27,375			24,923	
– Due from others:						
• various:						
· within 12 months	47,748			52,086		
· beyond 12 months	2,248			2,248		
• advances to suppliers for services to be rendered	14			6		
		50,010			54,340	
			210,629			205,403
Marketable securities			13			0
Cash on hand and in banks:						
– Bank and post office deposits		261,865			129,890	
– Cash and notes in hand		716			466	
			262,581			130,356
Total current assets			492,082			358,324
ACCRUED INCOME AND PREPAID EXPENSES						
Accrued income and other prepaid expenses			4,084			4,033
TOTAL ASSETS			2,728,370			2,752,252

as of December 31, 2005
(compared with December 31, 2004)
(Translation from the original issued in Italian)

LIABILITIES AND SHAREHOLDERS' EQUITY

(in thousands of euros)		12.31.2005			12.31.2004	
SHAREHOLDERS' EQUITY						
Share capital:						
– ordinary shares		62,310			62,310	
Share premium reserve		667,389			667,389	
Revaluation reserves		0			0	
Legal reserve		12,462			12,445	
Statutory reserves		0			0	
Reserve for own shares		0			0	
Other reserves		0			0	
Reserve for foreign currency translation adjustments		0			(4,039)	
Retained earnings (accumulated losses)		(47,780)			(40,489)	
Group net income (loss) for the year		79,691			3,942	
			774,072			701,558
MINORITY INTEREST						
Share capital, reserves and net income (loss) for the year		1,993			22,171	
			1,993			22,171
Group and minority interest in consolidated shareholders' equity			776,065			723,729
ALLOWANCES FOR RISKS AND CHARGES						
For taxes		1,948			1,851	
Other		40,438			29,164	
Total allowances for risks and charges			42,386			31,015
EMPLOYEE SEVERANCE INDEMNITIES			62,033			67,117
PAYABLES						
Due to banks:						
• within 12 months	3,427			2,408		
• beyond 12 months	375,000			480,000		
		378,427			482,408	
Due to other financial institutions:						
• within 12 months	14,066			13,956		
• beyond 12 months	1,265,019			1,265,019		
		1,279,085			1,278,975	
Advances:						
– from clients:						
• from the Ministry of Transport:						
• within 12 months	278			525		
• beyond 12 months	4,770			4,770		
• other	4,553			3,046		
– prepayment of invoices to be paid in installments:						
• from clients	54			54		
		9,655			8,395	
Due to suppliers:						
• within 12 months	97,627			86,829		
• beyond 12 months	5,531			5,864		
		103,158			92,693	
Due to associated undertakings		1,003			1,003	
Taxes due:						
• within 12 months	21,218			19,112		
		21,218			19,112	
Due to social security agencies		8,251			9,146	
Other payables: various creditors:						
• within 12 months	40,736			31,972		
• beyond 12 months	847			797		
		41,583			32,769	
Total payables			1,842,380			1,924,501
ACCRUED EXPENSES AND DEFERRED INCOME						
Accrued expenses and other deferred income			5,506			5,890
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			2,728,370			2,752,252

Consolidated Memorandum Accounts

as of December 31, 2005
(compared with December 31, 2004)
(Translation from the original issued in Italian)

CONSOLIDATED MEMORANDUM ACCOUNTS (in thousands of euros)	12.31.2005		12.31.2004	
General guarantees:				
– Sureties	111		111	
– Other	444		396	
		555		507
Collateral guarantees		0		0
Commitments on purchases and sales		18,985		51,705
Other		902,913		894,590
TOTAL CONSOLIDATED MEMORANDUM ACCOUNTS		922,453		946,802

for the year ended December 31, 2005
(compared with the year ended December 31, 2004)
(Translation from the original issued in Italian)

CONSOLIDATED INCOME STATEMENT

(in thousands of euros)		2005			2004	
TOTAL REVENUES						
Revenues from sales and services:						
– revenues from sales	58,928			48,446		
– revenues from services	522,066			507,324		
– revenues from contract work	2,348			1,197		
		583,342			556,967	
Changes in contract work in progress		(2,675)			(214)	
Capitalized costs and expenses		6,264			4,687	
Other income and revenues:						
– revenue grants	35			31		
– profits on disposals	369			210		
– other	6,542			5,623		
		6,946			5,864	
			593,877			567,304
OPERATING COSTS						
Raw, ancillary and consumable materials and goods for resale		54,260			47,746	
Services		89,059			84,974	
Leases		24,690			23,223	
Payroll:						
– wages and salaries	113,590			112,446		
– social security	33,250			33,459		
– employee severance indemnities	9,023			8,855		
– other	1,547			1,503		
		157,410			156,263	
Depreciation, amortization and write-downs:						
– amortization of intangible fixed assets	82,976			80,890		
– depreciation of tangible fixed assets	14,954			13,211		
– provisions for doubtful accounts	11,306			11,981		
		109,236			106,082	
Changes in inventories of raw, ancillary and consumable materials and goods for resale		1,045			(407)	
Provisions for risks		5,892			6,775	
Other provisions		230			200	
Sundry operating costs:						
– losses on disposals	4			29		
– license fees	41			54		
– other	4,965			15,438		
		5,010			15,521	
			(446,832)			(440,377)
Operating income			147,045			126,927
FINANCIAL INCOME AND EXPENSE						
Income from equity investments:						
– dividends from other companies	0			26		
		0			26	
Other financial income:						
– from long-term receivables:						
• other	68			98		
– other:						
• interest and commissions from others and sundry revenues	10,887			4,912		
		10,955			5,010	
Interest expense and other financial charges:						
– interest and commissions to others and sundry charges	100,882			101,955		
		(100,882)			(101,955)	
Profits and losses on exchange:						
– profits	70			239		
– losses	141			83		
		(71)			156	
Total financial income (expense), net			(89,998)			(96,763)

CONSOLIDATED INCOME STATEMENT (in thousands of euros)	2005			2004		
ADJUSTMENTS TO FINANCIAL ASSETS						
Revaluations:						
– of equity investments		11,539			7,989	
Write-downs:						
– of equity investments		(68)			0	
Total adjustments			11,471			7,989
EXTRAORDINARY INCOME AND EXPENSE						
Income:						
– gains on disposal	73,055			0		
– other	434			1,280		
		73,489			1,280	
Expense:						
– taxes relating to previous years	451			2,141		
– other	26,141			5,082		
		(26,592)			(7,223)	
Total extraordinary income (expense), net			46,897			(5,943)
Income before taxes			115,415			32,210
Income taxes of the year, current, deferred assets (liabilities):						
– current		(37,028)			(26,200)	
– deferred tax assets (liabilities)		2,452			450	
			(34,576)			(25,750)
Net income (loss) for the year			80,839			6,460
of which:						
– minority interest			1,148			2,518
– Parent Company's share			79,691			3,942

GENERAL PRINCIPLES

(Translation from the original issued in Italian)

The Consolidated Financial Statements for the year ended December 31, 2005, prepared in accordance with the accounting standards issued by the Italian Accounting Profession and the Italian Accounting Standards Setter (collectively referred to as Italian GAAP), comprise the Consolidated Balance Sheet and Income Statement and the following Notes.

The reporting date for the Consolidated Financial Statements is that of the Financial Statements of the Parent Company, Aeroporti di Roma S.p.A.. The reporting date used in the Financial Statements of subsidiary undertakings used for consolidation purposes is December 31, 2005.

The Financial Statements have been adjusted, where necessary, eliminating adjustments applied in order to take advantage of tax benefits, resulting in recognition of the related deferred taxation. The accounting policies used are those required by the relevant legislation, interpreted and integrated by the accounting standards established by the Italian Accounting Profession, and are those applied throughout the Group.

The reconciliation of shareholders' equity and net income for the year ended December 31, 2005, 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, 2005 and the Income Statement for the year then ended are compared with the data for 2004.
The Income Statement and Balance Sheet items, preceded by Arabic numerals, showing zero balances across the periods used for comparison are not shown.

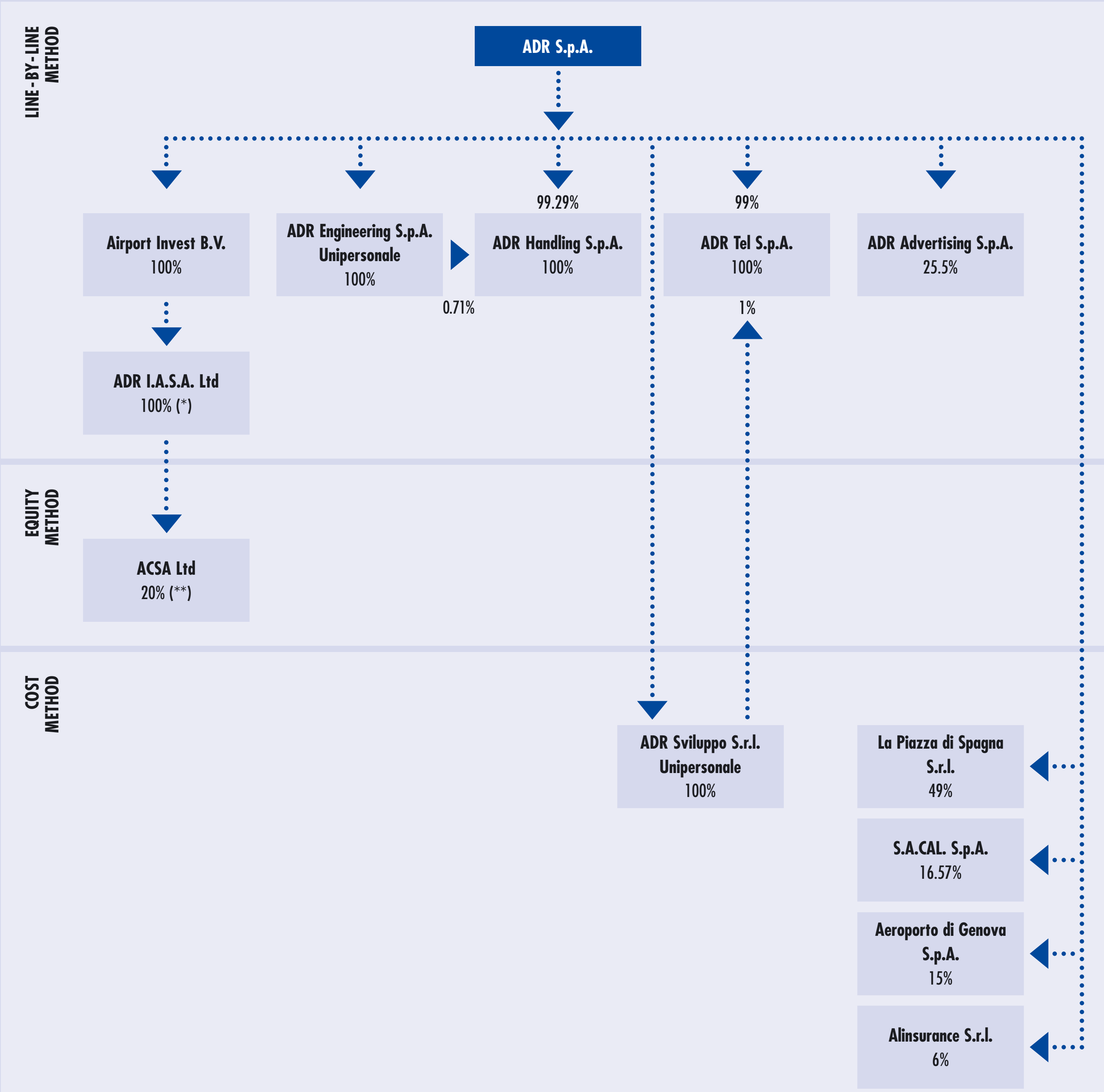
BASIS OF CONSOLIDATION

The Consolidated Financial Statements for the year ended December 31, 2005 include the financial statements 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, a majority of the voting shares.
As of December 31, 2005 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	100%	Airport Invest	100%
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%(5)
ADR Advertising S.p.A.	Fiumicino (Rome)	EUR	1,000,000	25.5%(6)	Aeroporti di Roma	25.5%

(5) The remaining 1% is held by ADR Sviluppo S.r.l. Unipersonale.
(6) 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%).

BASIS OF CONSOLIDATION AS OF DECEMBER 31, 2005



(*) Only the income statement for the period of 2005 price of the related investment on December 21, 2005 has been consolidated.

(**) Valued according to the equity method until December 21, 2005 (dated of the sale of the subsidiary undertaking ADR IASA Ltd, to a third party).

Only the income statement of the South African subsidiary undertaking, ADR IASA Ltd, for the period of 2005 prior to disposal of the related investment on December 21, 2005 has been consolidated.
There have been no other changes in the basis of consolidation with respect to December 31, 2004.
Prior to the sale of the subsidiary undertaking, ADR IASA Ltd, the Group's investment in the associated undertaking, ACSA Ltd, was valued according to the equity method until December 21, 2005.

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

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%
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 insolvent.
The 9% interest in Edindustria S.p.A. was reclassified in current financial assets and accounted for at its realizable value.

CONSOLIDATION PRINCIPLES

The main consolidation principles are described below:

- the book value amount 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 closing exchange rates, whilst average exchange rates for the period 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";
- in the event of the disposal of a controlling interest to third parties, the gain or loss on the transaction recognized in the consolidated financial statements represents the difference between the sale price and the subsidiary's shareholders' equity at the transaction date (thus including net income or loss reported for the months prior to the disposal), plus any residual carrying amount of "Goodwill arising from consolidation".

The following exchange rates were used to convert the income statement of ADR IASA Ltd, which was consolidated until its sale on December 21, 2005, and the company's shareholders' equity at the transaction date:

Exchange rates	Average 2005	12.31.2005	Average 2004	12.31.2004
Euro/rand (ZAR)	7.92	7.58	8.000	7.690

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 Consolidated Financial Statements for the year ended December 31, 2005 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 from 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 held to be fair, in the case of the subsidiary undertaking, ADR Handling, ten years, and in the case of the subsidiary undertaking, ADR IASA, twenty years (from 1998). Amortization of goodwill attributed to the latter company was halted following the sale of the investment on December 21, 2005, whilst the residual goodwill arising from consolidation was included in calculation of the consolidated gain.

- ***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 substained 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 and are those approved by the tax authorities.

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 in any event representative of the Group's interest in shareholders' equity.

Equity in associated undertakings 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 amount of the holding in the associated undertaking, ACSA Ltd, and the related share of shareholders' equity was amortized on a straight-line basis over a period of 20 years (with effect from 1998) until the date of disposal of the parent, ADR IASA Ltd (December 21, 2005).

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

Equity investments in other companies are recorded at cost, adjusted to reflect any long-term loss in value.

Should the Company decide to dispose of an equity investment previously accounted for in non-current financial assets, the investment is reclassified to "current financial assets".

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.

– **Marketable securities**

These assets are recorded at the lower of cost and 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 period 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 accrued up to December 31, 2005 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 exchange 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 exchange 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

	12.31.2004		
	Cost	Amortization	Book value
Incorporation and development costs	1,905	(982)	923
Industrial patents and intellectual property rights	2,739	(1,960)	779
Concessions, licenses, trademarks and similar rights	2,179,804	(230,350)	1,949,454
Goodwill arising from consolidation	4,894	(872)	4,022
Leasehold improvements in process and advances:			
– Leasehold improvements in process	19,541	0	19,541
– Advances to suppliers	0	0	0
	19,541	0	19,541
Others:			
– Leasehold improvements	348,861	(222,624)	126,237
– Ancillary charges for loans	47,886	(8,347)	39,539
	396,747	(230,971)	165,776
Total	2,605,630	(465,135)	2,140,495

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 1,897,421 thousand euros as of December 31, 2005. The decrease of 48,483 thousand euros is due to amortization for the year (50,645 thousand euros) and disposals (52 thousand euros), partly offset by investment (1,750 thousand euros) and transfers from work in process and reclassifications (464 thousand euros);

– "Goodwill arising from consolidation" has been reduced as a result of amortization for the year (377 thousand euros), and due to the deconsolidation of the subsidiary undertaking, ADR IASA Ltd (down 2,639 thousand euros), following disposal of the investment on December 21, 2005;

– "Leasehold improvements in process" increased by 9,874 thousand euros in 2005 due to investment during the year, totaling 12,594 thousand euros, which was partially offset by improvements entering service during the year and accounted for in "leasehold improvements", "concessions, licenses, trademarks and similar rights" and "industrial patents";

– "Other" intangible fixed assets decreased by 1,833 thousand euros. "Leasehold improvements" rose by 2,857 thousand euros due to purchases during the year (24,711 thousand euros), and transfers from work in process and reclassifications (up 2,497 thousand euros), partly offset by amortization for the year (24,351 thousand euros);
  "Ancillary charges for loans" rose by 2,122 thousand euros due to the capitalization of the costs incurred on the "Term Loan Facility" granted on September 20, 2005. Amortization for 2005, amounting to 6,812 thousand euros, also includes recognition in the income statement of the accrued charge on the transaction costs incurred on the "B Term Facility" and the "C Term Facility" repaid early on the same date. Further details are provided in the note to "payables".

The principal leasehold improvements in process (equal to 12,594 thousand euros) include:

– aircraft aprons South-eastern area - first phase (4,752 thousand euros);
– extraordinary maintenance and implementation of BHS and HBS system (1,505 thousand euros);

Changes during the year					12.31.2005		
Purchases/ Capitalization	Disposals/ Retirements	Reclassifications	Changes basis of consolidation	Amortization	Cost	Amortization	Book value
0	0	0	0	(374)	1,905	(1,356)	549
460	0	195	0	(417)	3,466	(2,449)	1,017
1,750	(52)	464	0	(50,645)	2,181,806	(280,835)	1,900,971
0	0	0	(2,639)	(377)	2,255	(1,249)	1,006
12,594	0	(2,720)	0	0	29,415	0	29,415
0	0	0	0	0	0	0	0
12,594	0	(2,720)	0	0	29,415	0	29,415
24,711	0	2,497	0	(24,351)	376,062	(246,967)	129,095
2,122	0	0	0	(6,812)	50,007	(15,159)	34,848
26,833	0	2,497	0	(31,163)	426,069	(262,126)	163,943
41,637	(52)	436	(2,639)	(82,976)	2,644,916	(548,015)	2,096,901

– widening of the Bravo taxiway (397 thousand euros);
– repairs to perimeter road network and runway access (650 thousand euros);
– UFIS system in the passenger terminals (405 thousand euros).

The main leasehold improvements completed during the year (equal to 24,711 thousand euros) include:

– aircraft aprons (6,315 thousand euros);
– former ceremonial suite – new check-in desks (1,088 thousand euros);
– Terminal C – back-up of BHS system (733 thousand euros);
– Terminal B – extraordinary maintenance of stairways and moving walkways, reconfiguration of front of Shop 3 (572 thousand euros);
– Ciampino – general servicing of conveyor belts, replacement of false ceilings in the departure lounge, upgrading and adaptation of apron traffic signs and roadworks (640 thousand euros);
– Runway 2 – sealing of Alfa taxiway and pavement repair (109 thousand euros);
– second phase works on the tunnel network (1,020 thousand euros);
– restructuring of Alpha shops (2,020 thousand euros);
– renewal and extension of the telephone network and installation of the LAN network (2,437 thousand euros).

Once again in 2005, 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

	12.31.2004			
	Cost	Revaluations (Law 72/1983)	Allowances for amortization	Book value
Land and buildings	18,315	465	(16,564)	2,216
Plant and machinery	101,293	0	(80,953)	20,340
Industrial and commercial equipment	13,615	0	(12,447)	1,168
Fixed assets to be relinquished	137,295	1,908	(69,295)	69,908
Other assets	39,812	0	(36,229)	3,583
Work in progress and advances	13,713	0	0	13,713
Total	324,043	2,373	(215,488)	110,928

"Net tangible fixed assets" rose by 19,722 thousand euros due to investment totaling 35,695 thousand euros, which was partially offset by depreciation of 14,954 thousand euros, disposals of 680 thousand euros and impairments of 339 thousand euros.

The most significant capitalizations during the year include:

– within the category "plant and machinery" (13,821 thousand euros), the acquisition of motor vehicles for ADR Handling S.p.A. (4,287 thousand euros), special airport equipment (1,444 thousand euros), advertising equipment for ADR Advertising S.p.A. (528 thousand euros), car park systems (531 thousand euros), security equipment (845 thousand euros), baggage screening equipment (3,102 thousand euros), luggage carousels (1,071 thousand euros) and general plant (538 thousand euros);

– within the category "fixed assets to be relinquished" (12,853 thousand euros), construction of the 5th module of the multi-story car park (3,190 thousand euros), upgrading of the new check-in desks in Terminal A (1,876 thousand euros), a new building with 16 new departure gates at the West Pier in Terminal C (3,031 thousand euros), extension of the long-stay car park – second phase (1,334 thousand euros) and conversion of the former domestic passenger terminal into 7 new departure gates (2,185 thousand euros);

Changes during the year				12.31.2005			
Purchases/ Capitalization	Reclassifications	Disposals/ Retirements	Amortization	Cost	Revaluations Law 72/1983	Allowances for amortization	Book value
1,109	9	0	(447)	19,433	465	(17,011)	2,887
13,821	2,077	(368)	(5,842)	115,678	0	(85,650)	30,028
2,073	398	(200)	(463)	15,247	0	(12,271)	2,976
12,853	9,105	0	(6,530)	159,253	1,908	(75,825)	85,336
2,527	406	(112)	(1,672)	38,870	0	(34,138)	4,732
3,312	(12,334)	0	0	4,691	0	0	4,691
35,695	(339)	(680)	(14,954)	353,172	2,373	(224,895)	130,650

– within the category ”tangible fixed assets in progress and advances” (up 3,312 thousand euros), purchase of a new radiogenic baggage handling system (757 thousand euros), a system for identifying burnt out bulbs and a stop bar control system (258 thousand euros) and a “LOC/ILS” system for Ciampino (252 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 (an increase of 109 thousand euros in shareholders’ equity and of 51 thousand euros in net income).

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.

Equity investments held as non-current financial assets

	12.31.2004	Changes during the year	12.31.2005
Equity investments in:			
– unconsolidated subsidiary undertakings:			
• ADR Sviluppo S.r.l. Unipersonale	100	0	100
	100	0	100
– associated undertakings:			
• ACSA Ltd	132,597	(132,597)	0
• La Piazza di Spagna S.r.l.	49	0	49
• Ligabue Gate Gourmet Roma S.p.A. (insolvent)	0	0	0
	132,646	(132,597)	49
– 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	(81)	0
	1,895	(81)	1,814
Total	134,641	(132,678)	1,963

The reduction in "equity investments in associated undertakings" (down 132,597 thousand euros) is due to the sale of the investment in the subsidiary undertaking, ADR IASA, the special purpose entity through which the Group held 20% of ACSA (Airports Company South Africa) Ltd.

Accounts specially prepared just before the disposal show that ACSA Ltd's shareholders' equity amounted to 466.8 million euros (93.4 million euros pro rata, including the minority interest), calculated at the closing exchange rate of December 21, 2005 (7.58 euros to the rand), and net income for the year of 73.9 million euros (14.8 million euros pro rata, including the minority interest) at an exchange rate of 7.92 euros to the rand.

The valuation of the associated undertaking at equity as of December 21, 2005 reflects the positive impact of net income for the period, amounting to 14,772 thousand euros, and the impact of the increase in the value of the South African rand, totaling 2,110 thousand euros, partly offset by the negative effect of the amortization of goodwill, amounting to 3,233 thousand euros (at a rate of 5% per year), and dividends paid by the associated undertaking, totaling 7,451 thousand euros.

The value of the equity investment as of December 21, 2005 amounted to 138,795 thousand euros, representing the sum of residual goodwill (45,435 thousand euros) and the Group's interest (20%) in the associated undertaking's shareholders' equity (93,360 thousand euros).

With regard to "equity investments in other companies", the investment in Edindustria S.p.A. was reduced to zero following its reclassification to "current financial assets". This was done as a result of the decision taken by the Parent Company's Board of Directors on December 22, 2005 to dispose of the investment.

For further information regarding such equity investments during 2005, 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

	12.31.2004	Changes during the year	12.31.2005
Receivables:			
– due from others:			
• public bodies for licenses	24	0	24
• other	3,807	(1,141)	2,666
	3,831	(1,141)	2,690

The reduction in such "receivables", amounting to 1,141 thousand euros, is due to payments of 1,221 thousand euros, partially offset by new items of 12 thousand euros and 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. This item is classified under "other" and totals 68 thousand euros.

There are no receivables falling due beyond five years.

CURRENT ASSETS

Inventory

	12.31.2004	Changes during the year	12.31.2005
Raw, ancillary and consumable materials	2,802	(211)	2,591
Finished goods and goods for resale:			
– goods for resale	8,862	(835)	8,027
Contract work in progress	10,799	(2,675)	8,124
less accumulated write-downs (art. 60 P. Decree no. 917/86)	0	0	0
	10,799	(2,675)	8,124
Advances	102	15	117
	22,565	(3,706)	18,859

Compared with December 31, 2004, "inventory" are down 3,706 thousand euros. This is substantially due to a reduction in "contract work in progress" deriving from the gradual winding-down of the State-financed works program.

The intensive program of checks on stocks of all categories of "finished goods and goods for resale" held for the shops managed by ADR S.p.A. at Fiumicino and Ciampino continued. The 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

	12.31.2004	Changes during the year		12.31.2005
		Increases (+) Repayments (-)	Provisions (-) Value recoveries (+)	
Due from clients	156,191	14,146	0	170,337
less:				
– allowance for doubtful accounts	(25,947)	5,830	(11,306)	(31,423)
– allowance for overdue interest	(5,716)	126	(2,210)	(7,800)
	124,528	20,102	(13,516)	131,114
Due from associated undertakings	720	(190)	0	530
Due from the tax authorities	892	708	0	1,600
Deferred tax assets	24,923	2,452	0	27,375
Due from others:				
– sundry	54,334	(4,338)	0	49,996
– advances to suppliers for services	6	8	0	14
	54,340	(4,330)	0	50,010
	205,403	18,742	(13,516)	210,629

– "Due from clients", net of allowances for doubtful accounts, amounts to 131,114 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 increase of approximately 7 million euros, compared with December 31, 2004, essentially derives from growth in revenues, partially offset by greater provisions for doubtful accounts, as a result of an updated assessment of the recoverability of receivables.
  As of December 31, 2005 receivables sold without recourse totaled 5.1 million euros.

– "Due from associated undertakings", amounting to 530 thousand euros, includes amounts due to ADR S.p.A. from the insolvent Ligabue Gate Gourmet Roma S.p.A., classified among preferential liabilities. The reduction of 190 thousand euros compared with December 31, 2004 relates to trading relations with ACSA Ltd, which were halted as a result of the above disposal of the investment in ADR IASA Ltd.

– "Deferred tax assets", totaling 27,375 thousand euros as of December 31, 2005, increased 2,452 thousand euros compared with the end of 2004.

  The composition of deferred tax assets and changes during the year are shown in the following table.

	Balance 12.31.2004 (A)		Increase (B)		Decrease (C)		Balance 12.31.2005 (A+B-C)	
	Tax base	Tax	Tax base	Tax	Tax base	Tax	Tax base	Tax
Deferred tax assets:								
– allowances for risks and charges	21,137	7,429	19,856	6,731	8,692	2,955	32,301	11,205
– accumulated inventory write-downs	1,529	570	436	162	1,271	473	694	259
– allowance for doubtful accounts	25,063	8,271	10,516	3,470	5,023	1,658	30,556	10,083
– provisions for personnel	3,808	1,256	3,099	1,023	3,415	1,127	3,492	1,152
– accelerated depreciation	1,675	623	1,487	554	798	297	2,364	880
– consolidation adjustment	19,416	7,232	0	0	3,479	1,296	15,937	5,936
– other	9,519	3,491	1,942	716	2,897	1,042	8,564	3,165
Total deferred tax assets	82,147	28,872	37,336	12,656	25,575	8,848	93,908	32,680
Deferred tax liabilities:								
– valuation of contracts	(474)	(176)	(125)	(46)	(474)	(175)	(125)	(47)
– dividends	(10)	(3)	(16)	(5)	(10)	(3)	(16)	(5)
– gains	(134)	(50)	(77)	(29)	(77)	(29)	(134)	(50)
– advance depreciation	(11,134)	(3,720)	(4,092)	(1,524)	(111)	(41)	(15,115)	(5,203)
Total deferred tax liabilities	(11,752)	(3,949)	(4,310)	(1,604)	(672)	(248)	(15,390)	(5,305)
Total	70,395	24,923	33,026	11,052	24,903	8,600	78,518	27,375
Net deferred tax (assets) liabilities to income statement				2,452				

– "Amounts due from others: sundry" decreased by 4,338 thousand euros, mainly due to the reduced liquidity deposited in the term current account denominated the "Debt Service Reserve Account" (down 4,620 thousand euros) in accordance with obligations set out in current loan agreements.
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 44,132 thousand euros as of December 31, 2005. 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, 2005 (210,629 thousand euros) comprise 131,114 thousand euros of trade receivables, 45,172 thousand euros in the form of financial receivables, and 34,343 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	122,673	6,217	1,511	384	329	131,114
	122,673	6,217	1,511	384	329	131,114

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

Marketable securities

	12.31.2004	Changes during the year	12.31.2005
Equity investments in other companies	0	13	13
	0	13	13

This item regards the Parent Company's 9% equity investment in Edindustria S.p.A., which was reclassified from "Non-current financial assets" following the decision to dispose of the investment.

Cash on hand and in banks

	12.31.2004	Changes during the year	12.31.2005
Bank and post office deposits	129,890	131,975	261,865
Cash and notes in hand	466	250	716
	130,356	132,225	262,581

The Group's "cash on hand and in banks" increased by 132,225 thousand euros. This was primarily due to liquidity deriving from disposal of the investment in ADR IASA Ltd.
The liquidity deposited in the "Option Reserve" account, totaling 20,000 thousand euros as of December 31, 2004, was used during 2005 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

	12.31.2004	Changes during the year	12.31.2005
ACCRUED INCOME	103	(74)	29
PREPAID EXPENSES			
Service costs	770	126	896
Leased assets	9	0	9
Payroll costs	32	(1)	31
Financial charges	3,119	0	3,119
	4,033	51	4,084

There are no significant changes with respect to the end of 2004.
One of the most significant items is represented by "prepaid expenses-financial charges", which include 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 reserve	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 12.31.2003	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
Allocation of net income 2004			17			(4,176)	(3,942)	(8,101)	(641)	(8,742)
Distribution of reserve						(3,115)		(3,115)	(383)	(3,498)
Reduction in minority interest acquired by Group (United Towers)								0	(18,982)	(18,982)
Foreign currency translation adjustments on conversion of accounts denominated in foreign currency					4,039			4,039	(1,320)	2,719
Net income for the year							79,691	79,691	1,148	80,839
Balance as of 12.31.2005	62,310	667,389	12,462	0	0	(47,780)	79,691	774,072	1,993	776,065

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 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 increase in share capital have yet to be issued and allocated.

The "reserve for foreign currency translation adjustments", deriving from conversion of the financial statements of the subsidiary undertaking, ADR IASA Ltd, into South African rand, was released to the income statement in "extraordinary expense - other", reflecting the loss recognized on disposal of the equity investment in the company.

"Group shareholders' equity" rose 72,514 thousand euros compared with December 31, 2004, primarily as a result of net income for the year (79,691 thousand euros) and the above release of the reserve for foreign currency translation adjustments (up 4,039 thousand euros). These movements were partially offset by the payment of dividends by the Parent Company, ADR S.p.A., totaling 11,216 thousand euros (including 8,101 thousand euros from net income for 2004 and 3,115 thousand euros from reserves).

The "minority interest in shareholders' equity" decreased during the year by 20,178 thousand euros. In addition to the distribution of dividends of 641 thousand euros and reserves, totaling 383 thousand euros, this decline reflects the purchase of the equity interest in ADR IASA Ltd held by

United Towers Ltd, following redemption of the preference shares held by this company via the issue of ordinary shares subscribed by the majority shareholder, Airport Invest B.V.. Net income for the year, amounting to 1,148 thousand euros, partially offset the above negative movements. 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	
	2005	2004	12.31.2005	12.31.2004
Balances in ADR S.p.A.'s accounts	85,528	12,244	832,365	758,052
Elimination of accelerated depreciation, net of deferred tax liabilities	0	(4,463)	0	0
Effect of consolidation of subsidiary undertakings	(6,833)	(4,983)	(5,516)	24,591
Elimination of inter-company profits and other adjustments	2,129	1,559	(26,802)	(28,931)
Effect of deferred tax assets	(1,296)	(1,227)	5,938	7,234
Merger effect [7]	812	812	(31,264) [8]	(55,349)
Currency adjustments due to translation of financial statements denominated in foreign currency	(649)	0	(649)	(4,039)
Balances in consolidated accounts	79,691	3,942	774,072	701,558

[7] Merger date different compared with first-time consolidation.

[8] The effect on shareholders' equity as of December 31, 2005 is reduced by 23.3 million euros due to reclassification of the reserve for foreign currency translation adjustments deriving from the merger to the "Effect of consolidation of subsidiary undertakings".

ALLOWANCES FOR RISKS AND CHARGES

	12.31.2004	Changes during the year			12.31.2005
		Provisions	Reversal to income statement	Releases	
Taxes, including deferred	1,851	217	0	(120)	1,948
Other:					
– current and potential disputes	22,424	5,215	(437)	(7,701)	19,501
– insurance deductibles	1,375	677	0	(74)	1,978
– restructuring	964	14,328	0	(964)	14,328
– fixed assets to be relinquished	4,401	230	0	0	4,631
	29,164	20,450	(437)	(8,739)	40,438
	31,015	20,667	(437)	(8,859)	42,386

"Allowances for risks and charges", totaling 42,386 thousand euros, increased by 11,371 thousand euros compared with December 31, 2004. The provisions include:

– the "allowance for current and potential disputes", which reports a net decrease of 2,923 thousand euros, primarily due to releases carried out in order to settle disputes regarding contracts and to cover for the costs deriving from renewal of the collective labor contract that expired on December 31, 2003, regarding which renegotiations were completed at the end of July. Further provisions of 5,215 thousand euros were made in order to provide cover for likely potential liabilities;

– 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, rose by 14,328 thousand euros.

EMPLOYEE SEVERANCE INDEMNITIES

Balance as of 12.31.2004	67,117
Changes during the year:	
– provisions	9,023
– releases to pay indemnities	(11,066)
– releases to pay advances	(2,019)
– other	(1,022)
Balance as of 12.31.2005	62,033

"Employee severance indemnities" report a net decrease of 5,084 thousand euros. This primarily reflects releases to pay indemnities and advances totaling 13,085 thousand euros, partially offset by provisions for the year of 9,023 thousand euros.
The item "other" includes 0.5 million euros relating to the indemnities accrued to staff in the EDP unit, which was transferred to T-Systems S.p.A..

PAYABLES

	12.31.2004	Changes during the year	12.31.2005
Due to banks	482,408	(103,981)	378,427
Due to other financial institutions	1,278,975	110	1,279,085
Advances:			
– from clients:			
• from the Ministry of Transport	5,295	(247)	5,048
• other	3,046	1,507	4,553
– on invoices paid in installments:			
• from clients	54	0	54
	8,395	1,260	9,655
Due to suppliers	92,693	10,465	103,158
Due to associated undertakings	1,003	0	1,003
Taxes due	19,112	2,106	21,218
Due to social security agencies	9,146	(895)	8,251
Other payables: sundry creditors	32,769	8,814	41,583
	1,924,501	(82,121)	1,842,380

The Group's "payables" decreased by 82,121 thousand euros during the year. The principal reasons for such a change are analyzed below.

– "Amounts due to banks" total 378,427 thousand euros, of which 375,000 thousand euros represents the principal on long-term lines of credit denominated "Term Loan Facility" and "BOPI Facility". The remaining 3,427 thousand euros represents amounts due for interest, commissions and swap differentials accrued during the year but not yet settled.
  The reduction of 103,981 thousand euros compared with December 31, 2004 reflects the combined effect of the following transactions:
  - repayment on September 20, 2005 of the "B Term Facility" (245.0 million euros) and the "C Term Facility" (150.0 million euros), amounting to 395.0 million euros. These liens of credit were granted on February 19, 2003, together with a "Revolving" facility of 95.0 million euros, to the Parent Company, ADR S.p.A., by a syndicate of banks;

- the concomitant assumption of a long-term line of credit of 290.0 million euros, denominated the “Term Loan Facility”. On September 20, 2005 ADR S.p.A. entered into a new loan agreement of the same type and amount as the previous loan, but with a longer term to maturity (February 2012). The new loan, which consists of a principal long-term line of credit of 290.0 million euros (the “Term Loan Facility”) and a revolving line of credit of 200.0 million euros (the “Revolving Facility”), was granted by a syndicate of banks, with the “Mandated Lead Arrangers” being Barclays Capital, Calyon S.A., Mediobanca – Banca di Credito Finanziario S.p.A., Unicredit Banca Mobiliare S.p.A. and WestLB AG.

During 2005 there were no changes in the long-term line of credit of 85.0 million euros granted on February 19, 2003 by Banca OPI, denominated the “BOPI Facility”, and guaranteed 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	Term Loan Facility	290	floating rate linked EURIBOR + margin	bullet	6 years	feb. 2012
	Revolving Facility	200	floating rate linked EURIBOR + margin	revolving	6 years	feb. 2012
		490				
Banca OPI	BOPI Facility	85	floating rate linked EURIBOR + margin	after 5 years in six-monthly installments	15 years	mar. 2018
Total		575				

As of December 31, 2005, all the long-term lines of credit (the “Term Loan Facility” and the “BOPI Facility”), totaling 375,000 thousand euros, have been used; the “Revolving Facility”, however, has not been used.

– “Amounts due to other financial institutions” total 1,279,085 thousand euros. The item includes principal of 1,265,019 thousand euros due from the Parent Company to Romulus Finance S.r.l. and 14,066 thousand euros consisting of interest accrued on the above-mentioned loan and not yet paid.

The increase of 110 thousand euros compared with December 31, 2004 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 EURIBOR + margin	bullet	12 years	feb. 2015
Romulus Finance S.r.l.	A3	175	floating rate linked 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 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, 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, 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, 2005, the fair value loss on the swap agreements entered into in 2001 is 61.9 million euros, whilst the fair value gain on the swaps entered into in 2004 is 2.6 million euros. The characteristics of outstanding swaps are listed below (€/000):

12.31.2005	Notional	Fair value derivates	Purpose of the derivates	Financial risk	Financial debt hedged
IRS of 2001 (cash flow hedge)	864,000	(61,953)	Hedging	Interest rate	864,000
IRS of 2004 (fair value hedge)	468,000	2,616	Hedging	Interest rate	468,000
Total derivates for the interest rate hedging	1,332,000	(59,337)			

The financial liability hedged refers to a portion of amounts due to other financial institutions and a portion of amounts due to banks.

– 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, 2005 all the covenants had been complied with.

– "Amounts due to suppliers" rose by 10,465 thousand euros, partly due to the higher volume of investment carried out during the year.

– The increase in "taxes due", totaling 2,106 thousand euros, is essentially due to the larger amount payable to the tax authorities (4,997 thousand euros) as municipal surtax on passenger fees. ADR S.p.A. charges the surtax to carriers from June 1, 2004, initially at a rate of 1 euro and then at 2 euros from April 2005, pursuant to Law no. 43 of March 31, 2005. This payable amounts to 10,043 thousand euros as of December 31, 2005.

– "Other payables: sundry creditors" increased by 8,814 thousand euros, mainly due to an increase in employee severance indemnities (up 6,521 thousand euros) due to personnel leaving the Group at the end of the year, and a rise in the amount payable to the Civil Aviation Authority in the form of license fees (2,402 thousand euros).

As of December 31, 2005, total payables of 1,842,380 thousand euros include 1,657,512 thousand euros of a financial nature, 113,782 thousand euros of trade payables and 71,086 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 1,657,512 thousand euros (as described in the paragraph regarding amounts due to banks and other financial institutions).

"Payables falling due beyond five years" amount to 1,553,769 thousand euros and regard amounts due to banks, totaling 353,750 thousand euros (of which 290,000 thousand euros regards the Term Loan Facility and 63,750 thousand euros the loan from Banca OPI) and amounts due to other financial institutions (1,200,019 thousand euros).

"Payables in currency exposed to exchange rate risks" total 4,815 thousand euros and refer to services supplied.

ACCRUED EXPENSES AND DEFERRED INCOME

	12.31.2004	Changes during the year	12.31.2005
Accrued expenses	0	17	17
Deferred income			
– sub-concessions and license fees	3,496	(388)	3,108
– other services	2,394	(13)	2,381
	5,890	(384)	5,506

NOTES TO THE CONSOLIDATED MEMORANDUM ACCOUNTS

GENERAL GUARANTEES

	12.31.2005			12.31.2004		
	Secured credits	Unsecured credits	Total	Secured credits	Unsecured credits	Total
Sureties:						
– in the interests of third parties	0	111	111	0	111	111
Other:						
– in favor of clients	0	444	444	0	396	396
	0	555	555	0	507	507

COMMITMENTS ON PURCHASES AND SALES

	12.31.2005	12.31.2004
COMMITMENTS ON PURCHASE		
Investment:		
– information systems, other	343	343
– electronic equipment	1,718	1,122
– vehicles and equipment	253	71
– self-financed works	16,670	29,045
– financial transactions	0	21,124
	18,985	51,705

Compared with December 31, 2004, the sub-item "investment: financial transactions" has been reduced to zero. This referred to a commitment given by the Group to purchase the preference shares held by the South African financial institution, United Towers Ltd, in the associated undertaking, ADR IASA on April 10, 2006 – or before such deadline on the occurrence of certain events – at their issue price of 156.0 million rand, plus any unpaid dividends on the preference shares accrued to that date.
This commitment was honored in advance of the deadline of April 10, 2006 in that on September 29, 2005 ADR IASA Ltd exercised its right to redeem the preference shares. The redemption price was equal to the issue price (156.0 million rand, equal to 22,292 thousand euros at the exchange rate of 7.69 euros to the rand reported at September 29, 2005), and the transaction was financed by the issue of ordinary shares of the same amount, subscribed by Airport Invest B.V..

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. Given that the above conditions have yet to be fulfilled, the commitment is not currently quantifiable.

Commitments on purchases also include ADR'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 no. 447/95) and the Ministerial Decree of November 29, 2000.
To this end ADR S.p.A. is currently assessing whether or not the relevant limits have been

exceeded, and if so will proceed with preparation of the necessary noise reduction and abatement plans.

Such commitments are difficult to quantify and are, by necessity, be determined on the basis of interpretations, given that there are no specific indications of the activities to be considered as "maintenance " and "extension" of infrastructures, which form the basis for calculation pursuant to Law no. 447/1995 (the framework law on noise pollution).
In view of the above, ADR S.p.A., based on available estimates at the balance sheet date, judges its overall commitment to be no more than approximately 18 million euros. This sum is thus conditional on subsequent events and on the effective program of works to be carried out. The Company believes that future works will qualify as capital expenditure.

In the Group's Management Report on Operations, the measures that the Parent Company, ADR S.p.A., has implemented – or intends to implement in the near future – with a view to alleviating the acoustic impact generated by aircraft in the vicinity of the airport, are listed in the section on "environmental protection".

A series of interest rate swap contracts aimed at hedging interest rate risk on current loans have been entered into. For further information reference should be made to the notes to "payables".

OTHER MEMORANDUM ACCOUNTS

	12.31.2005	12.31.2004
General guarantees received:		
– sureties:		
• received from suppliers	32,674	42,700
• received from clients	53,124	37,133
	85,798	79,833
Third party assets on free loan deposited in custody, leased or similar:		
– leased assets	27	17
– goods in process deposited with third parties	0	0
– 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	667,983	665,635
	817,115	814,757
	902,913	894,590

"Third party assets on 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

	2005	2004	Change
REVENUES FROM SALES			
Non-aviation activities:			
• duty free and duty paid	57,792	47,573	10,219
• other	1,136	873	263
	58,928	48,446	10,482
REVENUES FROM SERVICES			
Aviation activities:			
• fees	158,576	147,127	11,449
• handling	104,410	106,397	(1,987)
• centralized infrastructures	35,180	35,028	152
• security	56,829	52,256	4,573
• other	11,150	10,668	482
	366,145	351,476	14,669
Non-aviation activities:			
• sub-concessions and utilities	82,678	81,594	1,084
• car parks	26,830	26,139	691
• advertising	24,434	23,905	529
• refreshments	7,485	7,960	(475)
• other	14,494	16,250	(1,756)
	155,921	155,848	73
	522,066	507,324	14,742
REVENUES FROM CONTRACT WORK	2,348	1,197	1,151
Total revenues from sales and services	583,342	556,967	26,375
CHANGES IN CONTRACT WORK IN PROGRESS	(2,675)	(214)	(2,461)
REVENUE GRANTS	35	31	4
Total revenues	580,702	556,784	23,918

63.1% of "revenues", which total 580,702 thousand euros, derived from "aviation activities" carried out by the Group, whilst 36.9% were generated by "non-aviation" activities. These percentages are in line with those recorded in 2004.

"Revenues from sales", deriving from the sale of goods through directly managed shops and consumables, amounted to 58,928 thousand euros, representing an increase of 21.6% on 2004. This was due to the increased turnover of directly managed shops, linked to traffic trends.

"Revenues from services" totaled 522,066 thousand euros, up 2.9% on 2004. 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" (2,348 thousand euros) rose with respect to 2004, reflecting the increased amount invoiced to the Civil Aviation Authority. For the same reason, "contract work in progress" decreased by 2,675 thousand euros compared with the 214 thousand euro reduction of 2004.

Segment information

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 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, design, 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		
2005	158,576	104,410	35,180	82,678	58,928	140,930	580,702
2004	147,127	106,397	35,028	81,594	48,446	138,192	556,784
Change	11,449	(1,987)	152	1,084	10,482	2,738	23,918
% Change	7.8%	(1.9%)	0.4%	1.3%	21.6%	2.0%	4.3%

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 366,145 thousand euros, compared with 351,476 thousand euros in 2004 (up 4.2%);
– "Non-aviation" (including sub-concessions, direct sales, the management of advertising space and car parks, refreshments, design and contract work on behalf of the State) amounting to 214,557 thousand euros, compared with 205,308 thousand euros in 2004 (up 4.3%).

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

	2005	2004
Revenue grants	35	31
Gains on disposals	369	210
Other:		
– releases:		
• release from allowance for overdue interest	114	105
• release from other allowances	437	31
– expense recoveries	236	41
– recoveries of personnel expenses	298	280
– other revenues	5,457	5,166
	6,542	5,623
	6,946	5,864

“Other revenues”, amounting to 5.4 million euros, includes the effects of updated estimates of costs and revenues, formerly estimated at the end of the previous year.

OPERATING COSTS

Depreciation, amortization and write-downs

“Amortization and depreciation” in 2005 amounted to 97,930 thousand euros (94,101 thousand euros in 2004), including amortization of intangible fixed assets of 82,976 thousand euros (80,890 thousand euros in 2004) and depreciation of tangible fixed assets of 14,954 thousand euros (13,211 thousand euros in 2004). 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 note to fixed assets.

Provisions for doubtful accounts totaled 11,306 thousand euros (11,981 thousand euros in 2004) and reflect an updated assessment of the recoverability of the Group’s receivables.

Provisions for risks and other charges

“Provisions for risks” break down as follows:

	2005	2004
Current and potential disputes	5,215	6,332
Insurance deductibles	677	443
	5,892	6,775

“Other provisions”, totaling 230 thousand euros, regard provisions for fixed assets to be relinquished.
Further information is provided in the note 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

	2005	2004
Losses on disposals	4	29
Concession fees	41	54
Other	4,965	15,438
	5,010	15,521

The item "other", amounting to 4,965 thousand euros, primarily regards membership dues (910 thousand euros), indirect taxes and duties (1,389 thousand euros), and updated valuations of over-estimated costs and under-estimated revenues recognized in the 2004 financial statements (2,252 thousand euros).

FINANCIAL INCOME AND EXPENSE

Other financial income

	2005	2004
Interest and commissions on long-term receivables:		
– other	68	98
Other:		
– interest on overdue current receivables:		
• clients	2,218	1,039
– interest and commissions received from other companies and sundry income:		
• interest from banks	3,379	2,329
• interest from clients	92	223
• other	5,198	1,321
	10,887	4,912
	10,955	5,010

"Interest from banks", totaling 3,379 thousand euros, rose 1,050 thousand euros compared with 2004, as a result of greater average liquidity held at banks, as well as improved conditions applied by banks.

The item "other" includes 5,121 thousand euros (1,260 thousand euros in 2004) regarding accrued positive differentials on interest rate swaps entered into in October 2004 in accordance with the loan agreement, as described in the note to "payables".

Interest expense and other financial charges

	2005	2004
Interest and commissions due to others and sundry charges:		
– interest and commissions paid to banks	15,776	17,321
– interest and commissions paid to other financial institutions	56,694	56,425
– provisions for overdue interest on doubtful accounts	2,210	1,039
– other	26,202	27,170
	100,882	101,955

The reduction of 1,545 thousand euros in "interest and commissions paid to banks" is due to the refinancing transaction carried out in September 2005, which enabled the Group to reduce bank debt by 105 million euros and obtain improved conditions on the new line of credit denominated the "Term Loan Facility".
Further details are provided in the note to "payables".

The increase in "interest and commissions paid to other financial institutions" derives from application of higher variable rates corresponding to lower expense for swap differentials.

The item "other" includes 25,594 thousand euros (26,057 thousand euros in 2004) regarding negative interest differentials accruing on interest rate swaps entered into in 2001, in accordance with the loan agreement, as described in the note to "payables".

Foreign exchange gains/(losses)

	2005	2004
Foreign exchange gains	70	239
Foreign exchange losses	141	83
	(71)	156

ADJUSTMENTS TO FINANCIAL ASSETS

	2005	2004
Revaluations:		
– of equity investments:		
• ACSA Ltd	11,539	7,989
Write-downs:		
– of equity investments:		
• Edindustria S.p.A.	(68)	0
	11,471	7,989

The revaluation of the associated undertaking, ACSA Ltd, derives from application of the equity method until the date of disposal (December 21, 2005) of ADR IASA Ltd, the special purpose entity through which the ADR Group held its investment in ACSA Ltd.

The increase in the revaluation with respect to 2004 is due to the negative effect of a prudential estimate in ACSA's accounts of an amount of 127 million rand regarding charges to tariffs. For further information see the section on "equity investments" in the Management Report on Operations.

The write-down of the equity investment in Edindustria S.p.A. was necessary in order to align the cost of the investment (81 thousand euros) with the price (13 thousand euros) offered by the company's majority shareholder.

EXTRAORDINARY INCOME AND EXPENSE

Income

"Extraordinary income" for 2005 totaled 73,489 thousand euros and breaks down as follows:

	2005	2004
Gains on disposals	73,055	0
Other:		
– income and recovery of expenses relating to previous years deriving from:		
• total revenues	104	133
• operating costs	130	477
• financial income and expense	36	47
• reversal of liabilities	109	378
• damages and compensation received	55	245
	434	1,280
	73,489	1,280

"Gains on disposals", totaling 73,055 thousand euros, include the gain recognized in the consolidated financial statements as a result of the sale of ADR IASA Ltd by Airport Invest B.V.. "Extraordinary expense" includes the transaction costs incurred on the sale and the release of the "reserve for foreign currency translation adjustments", whilst "adjustments to financial assets", referred to above, include the gain deriving from the valuation of ACSA Ltd using the equity method.

Expense

"Extraordinary expense" for 2005 totaled 26,592 thousand euros and breaks down as follows:

	2005	2004
Taxes relating to previous years	451	2,141
Other:		
– extraordinary expense:		
• total revenues	122	621
• operating costs	653	1,293
• financial income and expense	3	5
• restructuring costs	20,200	2,411
• contingent liabilities	295	322
	21,273	4,652
– other extraordinary expense:		
• payments due for lost freight	85	113
• fines	78	253
• damages and compensation paid to third parties	84	53
• other	4,621	11
	4,868	430
	26,141	5,082
	26,592	7,223

“Restructuring costs” include charges relating to the restructuring and reorganization carried out by the Group, involving the Parent Company, ADR S.p.A., and the subsidiary undertaking, ADR Handling S.p.A..
The sum of 20,200 thousand euros includes 5,872 thousand euros paid out in 2005 and 14,328 thousand euros in provisions for future liabilities.

“Other” includes 1,131 thousand euros relating to the portion of net income reported by ADR IASA attributable to the minority shareholder, United Towers Ltd, through to September 29, 2005, when this company ceased to be a shareholder following redemption of the preference shares.

This item also includes the transaction costs incurred on the disposal of ADR IASA Ltd (advisors’ and legal fees, etc.), totaling approximately 2.8 million euros, and foreign exchange losses (649 thousand euros) due to release of the “reserve for foreign currency translation adjustments”, deriving from conversion of the financial statements of the subsidiary undertaking, ADR IASA Ltd, into South African rand, to the income statement, reflecting the loss recognized on disposal of the equity investment in the company.

INCOME TAXES

This item reports the estimated expense for current taxes for the year totaling 37,028 thousand euros. Deferred tax assets of 2,452 thousand euros have also been recognized.

	2005	2004
Current taxes:		
– IRES	23,275	13,102
– IRAP	13,736	13,075
– income taxes paid by overseas companies	17	23
	37,028	26,200
Net deferred tax (assets) liabilities:		
– deferred tax assets	(3,808)	(1,331)
– deferred tax liabilities	1,356	881
	(2,452)	(450)
	34,576	25,750

The increase in current taxes is due an increase in pre-tax income.
In particular, IRES, accounting for 20% of income before taxes, is lower than the expected rate of 33% due to that fact that non-taxable gains are included in income.

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	2005	2004	Change
Management	58	61	(3)
Administrative staff	2,141	2,117	24
Ground staff and other	1,272	1,299	(27)
Total	3,471	3,477	(6)

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

Average	2005	2004	Change
ADR S.p.A.	2,206	2,207	(1)
ADR Handling S.p.A.	1,208	1,212	(4)
ADR Engineering S.p.A.	29	31	(2)
ADR Tel S.p.A.	17	16	1
ADR Advertising S.p.A.	11	11	0
Total	3,471	3,477	(6)

Remuneration of Directors and Statutory Auditors

The following table shows the remuneration paid to Directors and Statutory Auditors (cumulatively for each category):

Category	Remuneration (€/000)
Directors	973
Directors with positions required by Legislative Decree no. 231/2001	21
Statutory Auditors	306
Total	1,300

Remuneration of 15 thousand euros was also established (by the Board of Directors' resolution of March 9, 2005) for the Chairman of the Supervisory Board set up by ADR S.p.A. pursuant to Legislative Decree no. 231/2001. This role has been assigned to a person who is not a member of the Company's Board of Directors.

Litigation

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 was notified of certain irregularities regarding both direct and sales tax for the years between 1982 and 1987. The Parent 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 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 the Parent Company responded by depositing its counter-evidence with the Court. The judgment is still pending.
Thus far the outcomes of the hearings conducted by the various tax commissions have been in ADR'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.
In February 2005 the company submitted a request for modification of the findings, which was partially granted in May 2005.
Indeed, in their assessment of the request the Rome 7 Revenue Office lifted application of the penalties imposed.

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.
The audit was subsequently extended to include VAT for the tax years 2001 and 2002, limited to certain specific operations carried out by the Company.
The tax inspectors then contested the applicability of IRPEG, IRAP and VAT deductions for so-called "transaction costs incurred on loans" incurred between 2001 and 2003.
In particular, for the tax year 2003, the inspectors deemed that amortization of "transaction costs incurred on loans", amounting to 4,098 thousand euros, was inapplicable with regard to IRPEG and IRAP.
With regard to VAT, the inspectors claim that VAT, totaling approximately 1.3 million euros, paid on the transaction costs incurred during the tax years 2001, 2002 and 2003, in relation to the assumption and restructuring of the above loans, is not deductible for tax purposes.
As a result of the audit, on December 29, 2005 the Rome 7 Revenue Office notified Aeroporti di Roma of two claims for back taxes and fines regarding VAT for the tax years 2001 and 2002.
Backed up by the opinions of its tax experts, the Company deems that recognition of the legitimacy of its actions is highly likely.

Administrative, civil and labor litigation
Administrative, civil and labor litigation is followed by the Group through its internal legal department which has provided, for the preparation of the accounts as of and for the year ended December 31, 2005, 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 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 services, but challenging the determination of amounts and the methods of calculation. The related judgments are pending.
- On May 26, 1999, ADR appealed Ministry of Finance Decree 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, A.G.I.S.A. (Associazione Gestori Indipendenti Servizi Aeroportuali), Aviation Services, Cimair Blu and ARE, the Antitrust Authority launched an investigation of ADR 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 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 relative 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 in 1993 following a dispute about handling.

The appealed letter follows payment by ADR 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 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 request for a suspension in 1993 (as part of the appeal in which ADR 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 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 of the letter containing the grounds for the sentence emerges).

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 liquidation, 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 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.

- With regard to the preparatory phase for the Planning Agreement, in November 2005 ADR S.p.A. appealed to Lazio Regional Administrative Court for an annulment of the decisions and considerations contained in the document issued by the Ministry of Infrastructure and Transport and the Ministry of the Economy on September 22, 2005, in which Aeroporti di Roma is substantially denied the right to include any component of the purchase cost of the airport management concession for Fiumicino and Ciampino in the regulatory asset base, to be used in determining the airport fees it will charge. The appeal also includes a claim for damages from the ministries concerned, in view of the unwarranted delay the above document has caused in finalizing the Planning Agreement provided for in Point 5 of the regulatory framework annexed to CIPE (Interdepartmental Committee for Economic Planning) Resolution 86/2000 and art. 4 of the Ministerial Decree of November 14, 2000. The Agreement governs the determination of airport fees and the other regulated revenues earned by ADR. The date of the related hearing has yet to be announced.
- On October 28, 2005, ADR S.p.A. submitted a complaint to the European Commission (the Transport and Energy Directorate-General, Competition Directorate-General, Internal Market and Services Directorate-General, and the General Secretariat of the European Commission) asking it to examine the provisions of Legislative Decree no. 211/2005 regarding so-called "system requirements", which was subsequently included in Legislative Decree no. 203/2005, converted into Law no. 248/2005. ADR's complaint aims to bring to the Commission's attention the fact that the above legislation violates EU law, with particular regard to the rules governing state aid.

  This complaint was followed on February 20, 2006 by a further communication to the European Commission from ADR, reinforcing and expanding on the previous complaint, in response to the guidelines issued by the Ministry of Infrastructure and Transport.

The following claims with regard to contract work, services and supplies are pending 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.

  At the hearing of June 8, 2005 the judge delayed passing sentence, granting the parties the legally permitted time to deposit their final statements of the case and their counter-arguments.

Details of the ensuing sentence are provided in the section "Subsequent events" in the Management Report on Operations.

- 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 appointed judge has rejected the requests for an investigation from the parties and adjourned the case until the final hearing to be held on September 21, 2006. This stage of the legal process is expected to be concluded in 2007.
- 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 decided to reject such request and adjourned the case until a hearing on September 21, 2007 for final judgment. Consequently, ADR S.p.A. has paid the sum of 1.6 million euros (including legal costs and interest) in order to avoid unnecessary financial charges that would derive from the action for execution. The above amount was paid from provisions for non-capitalisable costs.
- 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.

  On April 27, 2005 Consorzio Aerest appealed against the above-mentioned sentence, substantially reiterating the claim submitted in first instance. A hearing has been scheduled for May 20, 2008 for pronouncement of the sentence.
- 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 judge withheld judgment.
- 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 took place on October 19, 2004; the judge adjourned the above hearing until March 16, 2005 and subsequently to a hearing on November 16, 2005 for final judgment.

  The next hearing for the admission of evidence is scheduled for June 6, 2006.
- 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 S.p.A. has decided to appeal this sentence.

Regarding the overdue interest in this judgment, ADR S.p.A. was first issued with an injunction and subsequently a distraint to obtain payment of the amount laid down in sentence no. 17134/2003. Therefore, in response to Garboli's decision to abandon the above execution, ADR opted to pay the total amount of 0.4 million euros (including accrued legal interest, overdue interest and costs), without prejudice to the right of recourse. The appeal judgment was adjourned to a hearing on April 10, 2007 for pronouncement of sentence.

– 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. Following the above hearing of January 12, pronouncement of the related sentence is awaited.
– 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. The case was adjourned until November 27, 2007.
– On March 23, 2005 Garboli Conicos - Impresa Generale Costruzioni S.p.A. (formerly Garboli Rep S.p.A.) issued a summons requesting recognition of "new prices" regarding the contract for work on the new road network at Fiumicino airport for the "Western Lot", the "Lot Opposite International Terminal" and the "Technical Area".

  The petition, amounting to 0.2 million euros, regards claims 6, 7, 8 and 9 posted in the accounts in connection with said works, relating to interest accrued until such claims are settled, interest on delayed issue of payment certificates, and legal costs and fees.

  At a preliminary hearing on June 10, 2005 the contractor's lawyer requested appointment of an expert by the court to assess the size and accuracy of the amounts determined. The preliminary hearing was adjourned until October 12, 2005. At this hearing ADR's lawyer argued in favor of the partial cancellation of the introductory petition due to the inconsistency of the figures indicated in the foreword and those in the conclusion. The petition was added to by GARBOLI and the judge adjourned the hearing until May 25, 2006.
– On January 17, 2003 an appeal, with relative injunction, was lodged against the injunction submitted on December 9, 2002 by the extraordinary administrators of Federici Stirling amounting to 1.5 million euros (which was subsequently reduced to 0.8 million euros after payments of overdue interest by ADR).

  This dispute arose from a contract for works regarding the first module to extend the Domestic Terminal at Fiumicino airport. Such works were entrusted to ATI, with Federici Stirling acting as agent.

  The next hearing for this action will be held on February 15, 2007, when the judge will pronounce sentence, although this dispute may be settled beforehand as a result of negotiations in progress.

- On February 1, 2005 Fondedile Costruzioni S.r.l. lodged an appeal against sentence no. 23019/2004 of the Civil Court of Rome, which rejected all the requests made by Fondedile, and also ordered the company to reimburse ADR's legal costs. Such appeal reiterates the claim submitted in first instance for a total of 3.6 million euros, as well as legal and overdue interest and revaluation. At a preliminary hearing on May 3, 2005 before the second section of the Appeal Court of Rome, the judge adjourned the hearing until February 5, 2008 for pronouncement of sentence.
- ADR S.p.A. took out a civil action against ATI Consorzio Impromed S.p.A. and Mr. Pietro Ciardiello, engineer, to claim damages arising from cancellation of a contract (amounting to 8 million euros) regarding failure to comply with contractual conditions relating to the doubling of the Bravo taxiway in the northern sector of the future Pier C. The claim for damages amounted to 1.4 million euros. The works in question were reassigned to the bidder ranked second in the competition. The preliminary hearing was initially scheduled for October 12, 2005, but has been adjourned until July 6, 2006.

The following claims with regard to contract work, services and supplies have been brought before the Lazio Regional Administrative Court:

- On November 22, 2004 ATI SOMECA – Ditta Mr. Pietro Ciardiello appealed the memorandum in which ADR S.p.A. informed said company of its exclusion from the tender regarding construction of ECHO aircraft aprons in the Southeastern Area of Leonardo da Vinci Airport in Fiumicino (with a starting price of around 8 million euros), requesting injunctive relief in the meantime. The company had been excluded because after verification the company's bid was deemed unsuitable. The appeal and request for an injunction also regard award of the contract to ATI Pavimental S.p.A. – Leonardo Costruzioni S.r.l.; all the bid documents including appraisals of suitability; and any other prior related and subsequent documents.
  Furthermore, ATI SOMECA has requested appointment by the court of an expert to demonstrate the suitability of its bid and damages amounting to 10% of the value of the bid. Such requests – enabled by reform of the administrative process that allows an appeal judge, given sufficient grounds, to request an expert appraisal and claims for damages without appearing before an ordinary judge – have, to date, been rarely accepted by administrative judges.
  The Administrative Court rejected the petition for an injunction.
  With Ruling 1932/2005 the Council of State has partially accepted ATI SOMECA's plea, for the sole purposes of re-examining the bid they submitted, limited to the costs of the new procedure indicated, without an injunction suspending award of the contract to ATI Pavimental S.p.A. – Leonardo Costruzioni S.r.l.. The bid committee, in compliance with the Council of State ruling, has carried out a new assessment of ATI's bid, which has nevertheless revealed the inadequacies of the bid submitted. On November 11, 2005, ATI announced that, in view of "further motives", it was requesting that, in addition to the actions already appealed, the above memoranda issued by ADR should be annulled, in that it contests the assessments and conclusions therein.
- On April 27, 2005 ATI, comprising CMB/CCC/Costruzioni and Servizi/Elsag, notified ADR S.p.A. of an appeal before the Lazio Administrative Court against its exclusion from the bid for works to construct the new Central Pier for the International Terminal (Pier C) at Leonard da Vinci Airport in Fiumicino, as well as related works (works amounting to 170 million euros).
  On April 29, 2005 the president of Section III *ter* of the Lazio Administrative Court granted

the provisional precautionary measure, *inaudita altera parte*, suspending the work of the Bid Committee and at the same time scheduling a hearing for May 5, 2005, at which the parties requested that the case be brought forward. The president granted this request by fixing a hearing for July 14, 2005. With sentence no. 5849/05, submitted on July 25, 2005, the Lazio Regional Administrative Court rejected the appeal submitted by ATI CMB, in agreement with the arguments of the Bid Committee.

The Bid Committee started work again on September 6, 2005, announcing its selection of the best bid on September 9. The provisional rankings were communicated to Aeroporti di Roma S.p.A., which adopted the Committee's conclusions, provisionally granting the contract to the best bidder, subject to disbursement of all the various forms of state funding.

The following claims with regard to contract work, services and supplies were settled before the Civil Court of Rome/the Appeal Court of Rome:

– 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.
  In sentence no. 23267/2005, published on November 2, 2005, the judge turned down the claims of the plaintiff, with the exception of reserve no. 11 (amounting to 1,578 euros) which had already been recognized by ADR in its defense. The above sentence also requires Astaldi to pay all legal costs and general and related expenses.
– A civil action, notified on July 25, 2000, was brought by ATI SEAS S.p.A. - BOSCAFIN S.p.A. - DAMAP S.r.l. in order to obtain payment of the sums requested in 2 reserves entered in the accounts for the contract regarding work on doubling the India taxiway and construction of the Echo taxiway and of the Delta aircraft aprons at Fiumicino airport, amounting to a total of 4,409,987.00 euros.
  At the hearing of January 20, 2004, the judge rejected the plaintiff's request for the appointment of a court-appointed export and, in agreement with the Group's external legal advisor, decided to carry out a preliminary assessment of the legal aspects.
  The hearing was adjourned until February 8, 2005 for pronouncement of sentence.
  On July 22, 2005 the Court issued sentence no. 18614/2005, turning down all the claims put forward by ATI SEAS, requiring the plaintiff to pay all legal costs, in addition to taxes and contributions and general expenses.

In the Parent 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 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, 2005. 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 audit of the financial statements of certain subsidiaries, representing approximately 1% of consolidated total assets and 2% of consolidated revenues, is the responsibility of 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 our auditors' report issued on April 7, 2005.

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, 2005, and the results of its operations for the year then ended in accordance with the Italian law governing financial statements.

4. As described in the Management report on operations and the Notes to the consolidated financial statements, in the month of December 2005 the subsidiary company Airport Invest Bv disposed of its investment in the subsidiary ADR IASA Ltd., which also held an investment of 20% in ACSA Ltd., a company which manages airports in South Africa. The Income Statement includes in "Extraordinary income and expense" the realized gain on disposal, in addition to related costs, whereas the positive effect of the equity method valuation of the associated company ACSA Ltd. up to the date of disposal is included in "Adjustments to financial assets".

DELOITTE & TOUCHE S.p.A.

Signed by
Domenico Falcone
Partner

Rome, Italy
April 4, 2006

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

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