

Autostrade Group

Transition to international accounting standards (IFRS)

- **Consolidated balance sheet at 1 January 2004,
31 December 2004 and 1 January 2005**
- **Consolidated income statement for the year ended 31 December 2004**

**Board of Directors' meeting of
30 September 2005**

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Introduction

Until the year ended 31 December 2004 Autostrade SpA (the “Parent Company”) prepared the Group’s consolidated financial statements and other quarterly and half-year interim reports under Italian Generally Accepted Accounting Principles (“Italian GAAP”), where lacking applying international accounting standards (“IFRS”) issued by the International Accounting Standards Board

Following the enactment of European Regulation 1606 of July 2002 and as required by the Regulation for Issuers 11971/1999, as amended by CONSOB Resolution 14990 of 14 April 2005, the Autostrade Group, as an entity listed on the Milan Stock Exchange, has adopted IFRS starting from 1 January 2005; it will, therefore, publish, for the year ended 31 December 2005, its first full consolidated financial statements under IFRS.

The consolidated interim report for the six months ended 30 June 2005 represents the first consolidated financial statements prepared by the Autostrade Group under IFRS.

Therefore, as part of the transition to IFRS, and for the purposes of preparation of the Group’s IFRS consolidated financial statements for the year ended 31 December 2005, the following accounts have been restated in accordance with IFRS and, above all, in compliance with the accounting standards and policies adopted by the Parent Company for the preparation of the above-mentioned consolidated interim report for the six months ended 30 June 2005:

- consolidated balance sheet at the IFRS transition date (1 January 2004);
- consolidated balance sheet, income statement and cash flow statement for the year ended 31 December 2004;
- consolidated balance sheet at 1 January 2005, the date of first-time adoption of IAS 32 and IAS 39.

As required by IFRS 1 – First-time Adoption of IFRS – this document presents reconciliations, with the related notes, between the accounts prepared by the Autostrade Group under IFRS, and above all in compliance with the accounting standards and policies adopted by the Parent Company for the consolidated interim report for the six months ended 30 June 2005, and the corresponding accounts prepared under Italian GAAP (the consolidated balance sheet at 1 January 2004, 31

December 2004 and 1 January 2005, the consolidated income statement and the cash flow statement for the year ended 31 December 2004). This document also details the related effects on shareholders' equity and net debt.

This document has been prepared solely for the purposes of transition to IFRS and to enable preparation of the consolidated interim report for the six months ended 30 June 2005 and the Autostrade Group's first full consolidated financial statements for the year ended 31 December 2005 under IFRS endorsed by the European Commission. They do not, therefore, show the comparative statements and information, and related notes, that would be necessary to provide a true and fair view of the Autostrade Group's financial position and results of operations under IFRS.

The current IFRS in force do not include a specific standard governing the accounting treatment of service concession agreements. However, on 3 March 2005 the IFRIC (International Financial Reporting Interpretations Committee) published three draft interpretations (D12, D13 and D14) regarding the treatment of assets (assets to be relinquished), liabilities (provisions for repair and replacement) and revenues and costs connected to service concession agreements. Very briefly, the three documents propose two accounting treatments: the "intangible asset model" and the "financial asset model".

Should these interpretations be applied, an initial reading of the interpretations suggests that the Autostrade Group would be obliged to use the intangible asset model as of 2006 (earlier application is allowed) for assets to be relinquished related to motorway companies. Via the relevant trade association AISCAT, the Autostrade Group has submitted its observations to both IFRIC and the "Organismo Italiano di Contabilità" (OIC, the Italian Standards Setter), which has in turn passed on the observations of Italian companies affected by this issue to EFRAG (the European Financial Reporting Advisory Group). The above-mentioned observations prepared by EFRAG, OIC and AISCAT raise a series of critical issues regarding the draft interpretations published by IFRIC. In the light of the activities carried out by the concession-holder, the current accounting treatment, which involves the recognition of assets to be relinquished as tangible assets, continues to be applied in that it is believed not to conflict with the IFRS in force. In view of uncertainty regarding the final form of the above three interpretations and the related timetable for their application, they have not been taken into

consideration either in the restatement of the financial statements or in the preparation of the consolidated interim report for the six months ended 30 June 2005.

1 Accounting policies and basis of transition used for first-time adoption of IFRS

The consolidated balance sheets at 1 January 2004, 31 December 2004 and 1 January 2005 and the consolidated income statement for the year ended 31 December 2004, prepared under IFRS, have been prepared on the basis of the amounts determined under Italian GAAP, applying the adjustments and reclassifications necessary in order to bring the above accounts into compliance with the presentation, recognition and measurement criteria required by IFRS.

The adjustments made and shown in the annexed statements were determined on the basis of the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and in force at 30 June 2005. These standards reflect the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), in addition to previous International Accounting Standards (IAS) and the interpretations issued by the Standard Interpretations Committee (SIC) and still in force at that date. For the sake of simplicity, all the above standards and interpretations are hereafter referred to as "IFRS".

Moreover, the process of endorsement of IFRS by the European Commission and the amendment and interpretation activities performed by the competent official bodies is still under way. Therefore, the above standards may not coincide with the IFRS effectively in force at 31 December 2005, as a result of the issue of new standards or interpretations by the relevant authorities. The figures, basis of accounting and judgments presented in the following statements (that will be used as comparative information in the first full IFRS consolidated financial statements) may, therefore, undergo changes during preparation of the IFRS consolidated financial statements for the year ended 31 December 2005.

Basis of transition used for first-time adoption of IFRS

The Autostrade Group has applied the basis of transition set out in IFRS 1.

The Group has elected to use the following basis in preparation of the opening IFRS balance sheet at 1 January 2004, including the exemptions allowed by IFRS 1:

- *business combinations*: IFRS 3 was not applied retrospectively to business combinations arising prior to the IFRS transition date. Business combinations arising prior to 1 January 2004 continue, therefore, to be accounted for under Italian GAAP;
- *measurement of property, plant and equipment and intangible assets at fair value or, as an alternative, at the revalued cost representing the deemed cost*:: all categories of asset have been measured at cost. Moreover, based on the above treatment of business combinations, assets acquired through business combinations are accounted for at cost determined under Italian GAAP as the deemed cost. No category of asset has been measured at fair value;
- *employee benefits*: all cumulative actuarial gains and losses at 1 January 2004 have been fully recognised at the IFRS transition date, as have all subsequent actuarial gains and losses.
- *measurement of financial instruments*: the Group has elected to postpone the transition to IAS 32 and IAS 39 to 1 January 2005. Until 31 December 2004, therefore, outstanding financial instruments continue to be accounted for under Italian GAAP. The effects of transition to IAS 32 and IAS 39 from 1 January 2005 are reflected in the consolidated balance sheet at that date.

In addition, it should be noted that the chosen balance sheet structure presents the current/non-current distinction, whilst the chosen income statement structure uses a classification based on the nature of expenses. This has involved the reclassification of items included in the financial statements for prior years, prepared in accordance with the formats required by Italian Legislative Decree 127/1991.

Accounting policies

Without prejudice to the above exemptions allowed by IFRS 1 and adopted, the accounting policies applied are as follows.

Tangible assets

Tangible assets, including those acquired under finance leases, are stated at cost. Cost includes expenditure that is directly attributable to the acquisition of the items and finance costs incurred during construction of the asset. Assets acquired through business combinations arising prior to 1 January 2004 are stated at previous amounts,

determined under Italian GAAP as applied to those business combinations and representing the deemed cost.

The above cost of assets with limited useful lives is systematically depreciated on a straight-line basis applying rates that represent the expected useful life of the asset. Each component of an asset with a cost that is significant in relation to the total cost of the item, and that has a different useful life, is depreciated separately. Land, whether free of constructions or annexed to civil and industrial buildings, is not depreciated as it has an unlimited useful life.

Assets to be relinquished, represented by assets to be surrendered to the concession authority on expiry of the concession, are systematically depreciated over their residual useful life, determined on the basis of the concession term, or over the useful life of the asset, if lower.

With regard to the subsidiary, Autostrade per l'Italia, rates of depreciation are determined for each component of the asset "motorways in operation", based either on the residual concession term, in the case of assets with a useful life that exceeds the concession term, or on the residual useful life, in the case of assets with a useful life that is shorter than the residual concession term. Assets to be relinquished that have a useful life that is longer than the residual concession term, such as land, buildings, fixed infrastructure and all other assets with useful lives that exceed the concession term, are depreciated on a straight-line basis over the concession term (so-called financial depreciation under Italian GAAP). Assets with a useful life that is shorter than the residual concession term, such as light constructions, toll collection equipment and other infrastructure, are depreciated over the economic and technical life of the asset, given that the concession term has no influence on the degree of technical and economic obsolescence of the asset.

A summary of the rates of depreciation used is as follows:

Description	Rate	
Assets to be relinquished with useful lives that exceed the concession term	2.86% - 11.11%	Based on the individual concession terms
Assets to be relinquished with useful lives that are shorter than the concession term	10% - 25%	
Buildings	3% - 4%	
Plant and machinery	10% - 15%	
Industrial and commercial equipment	10% - 25%	
Other assets (office equipment, devices, etc.)	12% - 40%	

The net carrying amount of assets to be relinquished at the balance sheet date, having taken accounting of provisions for repair and replacement, adequately represents the residual concession cost at this date, to be allocated over future years. Such cost includes:

- surrender to the government of assets to be relinquished with a useful life that exceeds the concession term;
- replacement of assets to be relinquished within the residual concession term, where the useful life of such assets is shorter than the term;
- the cost of repairing or replacing components of assets to be relinquished that are subject to wear and tear.

Future maintenance expense necessary in order to repair assets to be relinquished, in accordance with the obligations established in concession agreements, are covered by "Provisions for the repair and replacement of assets to be relinquished", as described in the notes to "Provisions for liabilities and charges".

As mentioned above, assets acquired under finance leases are accounted for as tangible assets and the underlying liability recorded in the balance sheet. Lease payments are apportioned between the interest element, which is charged to the income statement as incurred, and the capital element, which is deducted from the financial liability.

Assets are tested for impairment whenever events or changes in circumstance indicate that the carrying amount may not be recoverable. This process consists in estimating the recoverable amount of the asset (represented by the higher of the asset's fair value less costs to sell and its value in use) and comparing it with the carrying amount. If the

recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount.

In calculating value in use, future pre-tax cash flow estimates are discounted using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the business. Impairments are recognised as impairment charges in the income statement. Impairment charges are reversed if the circumstances that resulted in the charge no longer exist.

Assets are eliminated from the balance sheet on disposal or when no future economic benefits are expected from its use. Gains or losses on disposals (determined by comparing the disposal proceeds with the assets' carrying amount) are recognised in the income statement for the period in which the above elimination takes place.

Grants related to assets to be relinquished are recognised at fair value when there is reasonable assurance that they will be received and that the conditions attaching to them will be complied with. Such grants are deducted from the carrying amount of the tangible asset and reduce the depreciation charge over the life of the asset.

Intangible assets

Intangible assets are stated at cost, determined on the same basis used for tangible assets.

Amortisation of intangible assets with definite useful lives begins when the asset is ready for use. The assets are amortised over their expected residual useful lives. Any impairments are determined using the same procedures applied to tangible assets.

Gains and losses deriving from the disposal of an intangible asset are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised as income or expense in the income statement.

Goodwill

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share in the net fair value of the acquired assets and liabilities is recorded as goodwill. Goodwill on acquisitions of non-controlling interests is included in the carrying amount of the related investments.

After initial recognition, goodwill is no longer amortised and is carried at cost less any accumulated impairment losses, determined as follows.

For the purposes of transition to IFRS and preparation of the initial financial statements (at 1 January 2004) under IFRS, IFRS 3 (“Business combinations”) has not been applied retrospectively to acquisitions arising prior to 1 January 2004. As a result, goodwill on these acquisitions continues to be the same as that recognised under Italian GAAP, based on the net carrying amount at the IFRS transition date, subject to assessment and recognition of any impairment losses.

Goodwill is tested for impairment annually or whenever events or changes in circumstance indicate that the carrying amount may not be recoverable.

For this purpose, goodwill on acquisitions is allocated to the cash-generating units expected to benefit from the synergies deriving from the acquisition. Impairment charges are identified via tests that assess the capacity of each unit to generate cash sufficient to recover the portion of goodwill allocated to it, using the same procedures applied to tangible assets. Should the recoverable amount of the cash-generating unit be less than the allocated carrying amount, an impairment charge is recognised. Impairment charges are not reversed if the circumstances that resulted in the charge no longer exist.

Investments

Investments in unconsolidated subsidiaries (in that held to be irrelevant for the purposes of presenting a true and fair view of the Group’s results of operations and financial position) and other companies are stated at fair value through equity. Where fair value cannot be measured reliably, the investment is accounted for at cost. This value is written down in the event of an impairment loss, identified using the same procedures applied to tangible assets. Impairment losses are reversed if the circumstances that resulted in the charge no longer exist,, provided that the reversal does not exceed the cumulative impairment losses recognised.

Investments in associates are accounted for using the equity method, and the Group’s share of post-acquisition profits or losses is recognised in the income statement.

Provisions are made to cover the risk that the losses of an investee company exceed the carrying amount of the investment, to the extent that the Group has incurred legal or constructive obligations to cover such losses.

Available-for-sale investments or those acquired as a temporary investment are accounted for at the lower of their carrying amount and fair value less costs to sell.

Construction contracts and services in progress

Construction contracts are accounted for on the basis of the contract revenues and costs that can be reliably estimated with reference to the stage of completion of the contract, in accordance with the percentage of completion method, determined by physical measurement of the works carried out. Revenue and profits on the contract are attributed to the individual reporting periods in proportion to the stage of contract completion. Any positive or negative difference between contract revenue and any prepayments received is recognised in assets or liabilities, taking account of any impairment of the value of the completed work, in order to reflect the risks linked to failure to recover the value of the work carried out on behalf of customers.

In addition to contracted amounts, contract revenue includes variations in contract work, price reviews and claims to the extent that they have been agreed with the customer. Expected losses are recognised immediately regardless of the stage of contract completion.

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Trade receivables and payables

Trade receivables are initially recognised at fair value and then at amortised cost using the effective interest method, less provisions for impairment charges. The amount of the provisions is based on the present value of estimated future cash flows.

Trade receivables subject to normal commercial terms are not discounted to present value.

Trade payables are recognised at amortised cost, using the effective interest method. Trade payables subject to normal commercial terms are not discounted to present value.

Transactions in foreign currencies that are different from the functional currency of individual companies are translated at closing exchange rates.

Cash and cash equivalents

Cash and cash equivalents are accounted for at face value and include cash in hand, deposits held at call with banks and other highly liquid short-term investments that are subject to an insignificant risk of changes in value.

Financial assets

Held-to-maturity financial assets that the Group has a positive intention and ability to hold to maturity are recognised at the fair value of the purchase consideration, plus directly attributable transaction costs (e.g. commissions, consultants' fees, etc.). After initial recognition, financial assets are accounted for at amortised cost using the effective interest method.

Financial liabilities

Financial liabilities are initially stated at cost, represented by the fair value of the liability less directly attributable transaction costs.

After initial recognition, financial liabilities are accounted for at amortised cost using the effective interest method.

Derivative financial instruments

The Group holds derivative financial instruments in order to hedge its exposure to interest rate and foreign exchange risks related to its financial liabilities. In line with its chosen policy, the Group does not use derivative financial instruments for speculative purposes.

All derivative financial instruments are recognised at fair value at the relevant balance sheet date.

Derivatives are designated as hedging instruments when the relationship between the derivative and the hedged item is formally documented and the periodically assessed effectiveness of the hedge is high and ranges between 80% and 125%. Changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in shareholders' equity. The gain or loss relating to the ineffective portion is recognised in the income statement.

Changes in the fair value of derivative instruments that do not qualify for hedge accounting under IAS 39 are recognised in the income statement.

The above treatment is applied from 1 January 2005, as allowed by IFRS 1 and IAS 39. Until 31 December 2004, under Italian GAAP, derivative financial instruments that qualified as hedging instruments were stated at cost. The related gains and losses were recognised in the income statement for the period of use and in accordance with the matching principle, in line with the income and costs deriving from the underlying transactions.

Employee benefits

Short-term employee benefits, provided during the period of employment, are accounted for at the accrued liability at the balance sheet date.

Post-employment benefits in the form of defined benefit plans (such as staff termination benefits) are recognised in the period the related right accrues, less any plan assets and advance payments made. The obligation is determined on the basis of the actuarial valuation method, using the projected unit credit method to carry out actuarial valuations at the balance sheet date. The obligation is calculated annually by independent actuaries.

Actuarial gains and losses are recognised in the income statement for the period in which they occur.

Provisions for liabilities and charges

Provisions for liabilities and charges are made when the Group has a present (legal or constructive) obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and the related amount has been reliably estimated.

Provisions are measured on the basis of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date, and are discounted to present value where the effect is material. The discount rate used to determine the present value reflects current market assessments of the time value of money. When the discount to present value is carried out, the increase in provisions over time is recognised as a finance cost.

In accordance with the contract obligations reflected in the financial plans annexed to the concession agreements in force, "Provisions for the repair and replacement of

assets to be relinquished” reflect provisions made at the balance sheet date in order to cover the cost of future maintenance, designed to ensure the necessary functionality and safety of motorway infrastructure. These provisions are calculated on the basis of the usage and wear and tear of assets to be relinquished, taking account, if material, of the time value of money.

Revenue recognition

Revenues are recognised when the amount of revenues can be reliably measured and it is probable that the economic benefits associated with the transactions will flow to the Group. Depending on the type of transaction, revenues are recognised on the basis of the following specific criteria:

- toll revenues are recognised in the accounting period in which they are earned based on motorway usage;
- revenues from the sale of goods are recognised when the significant risks and rewards of ownership of the goods have been transferred to the buyer;
- revenue from the rendering of services is recognised with reference to the stage of completion of the transaction based on the same criteria used for construction contracts. When the amount of the revenues cannot be reliably determined, revenues are recognised only to the extent of the expenses recognised that are recoverable;
- revenues in the form of rental income or royalties is recognised in the accounting period in which it is earned, based on the agreed contract terms.

Interest income (and interest expense) is recognised on a time proportion basis that takes account of the effective yield on the asset or liability, based on the effective interest method.

Dividend income is recognised when the right to receive payment is established.

Income taxes

Income taxes are recognised on the basis of a realistic estimate of tax expense to be paid, in compliance with the regulations in force and taking account of any applicable exemptions.

Income taxes to be paid directly to the tax authorities are recognised in current liabilities as “Current tax liabilities”, less any advance payments made. Any positive balance is recognised in current assets as “Current tax assets”.

As of 2004 the following Group companies take part in the domestic consolidated tax scheme managed, in accordance with Legislative Decree 344/2003, by the parent Schemaventotto SpA: Autostrade SpA, Autostrade per l'Italia SpA, Tangenziale di Napoli SpA, EssediEsse Società di Servizi SpA, TowerCo SpA, Autostrada Torino – Savona SpA, Spea - Ingegneria Europea SpA and Autostrade International SpA. For this purpose, relations between Schemaventotto and the above companies are regulated by a specific contract. These companies' current tax assets and liabilities for IRES (corporation tax), which are consolidated by Schemaventotto, are recognised in the above items relating to current tax assets and liabilities.

Deferred tax assets and liabilities are the taxes expected to be recovered or paid on temporary differences between the carrying amounts of assets and liabilities in the balance sheet, calculated in accordance with the above policies, and the corresponding tax bases, as follows:

- deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary difference can be utilised;
- deferred tax liabilities are always recognised.

2 Reconciliation of consolidated shareholders' equity at 1 January 2004, 31 December 2004 and 1 January 2005 and the consolidated net result for the year ended 31 December 2004

The reconciliation of consolidated shareholders' equity at 1 January 2004, 31 December 2004 and 1 January 2005 and the consolidated net result for the year ended 31 December 2004 is shown below. The reconciliation shows:

- amounts determined under Italian GAAP;
- IFRS adjustments;
- amounts determined under IFRS, showing the amounts attributable to the Group and the minority interest.

Notes on the principal adjustments to shareholders' equity and the net result are also provided.

As a result of the transition to IFRS all assets and liabilities have been re-measured on the basis of the amounts that would have been recognised had IFRS been applied retrospectively from the date of the transactions, taking account of the exemptions allowed by IFRS 1 and described in the previous section. The transition to IFRS has, therefore, involved the use of estimates consistent with those made under Italian GAAP, unless the adoption of IFRS requires the use of estimates based on different methods.

The effects of transition to IFRS derive from changes in accounting policies and, as a result, are reflected in opening shareholders' equity at the transition date (1 January 2004), and updated at 31 December 2004 on the basis of the effects generated on the consolidated income statement for the year ended 31 December 2004.

Reconciliation of consolidated shareholders' equity and net result

(€000)	NOTE	Shareholders' equity 1 Jan 2004	Net profit/(loss) 2004	Other changes in shareholders' equity	Shareholders' equity 31 Dec 2004	Impact of IAS 39 on shareholders' equity at 1 Jan 2005	Shareholders' equity 1 Jan 2005
Amounts attributable to the Group		1.177.222	429.001	(177.169)	1.429.054		1.429.054
Amounts attributable to minority interest		399.661	401	(1.765)	398.297		398.297
Amounts under Italian GAAP		1.576.883	429.402	(178.934)	1.827.351	0	1.827.351
Unpaid called-up share capital		(4.191)		1.796	(2.395)		(2.395)
Reclassified amounts under Italian GAAP		1.572.692	429.402	(177.138)	1.824.956	0	1.824.956
<u>IFRS adjustments</u>							
Recalculation tax benefit of intercompany transfer	(a)	992.705	(70.907)		921.798		921.798
Provisions for charges from commitments in Agreement of 1997	(b)	375.683	97.166		472.849		472.849
Unamortised goodwill	(c)		312.848		312.848		312.848
Impairment testing of assets to be relinquished	(d)	(281.619)			(281.619)		(281.619)
Recalculation of staff termination benefits under IAS 19	(f)	(14.679)	76		(14.603)		(14.603)
Other adjustments	(g)	(693)	3.952		3.259		3.259
<u>IAS 39 adjustments from 1 Jan 2005</u>							
Fair value of hedging instruments	(e)					(203.845)	(203.845)
Amortised cost of financial liabilities	(e)					2.220	2.220
<u>Tax effect of IFRS adjustments</u>		(27.233)	(37.398)		(64.631)	66.123	1.492
Amounts under IFRS (Group and minority interest)		2.616.856	735.139	(177.138)	3.174.857	(135.502)	3.039.355
Amounts attributable to the Group		2.352.134	735.293	(177.169)	2.910.258	(135.502)	2.774.756
Amounts attributable to minority interest		264.722	(154)	31	264.599	0	264.599
Total difference		1.044.164	305.737	0	1.349.901	(135.502)	1.214.399
attributable to the Group		1.174.912	306.292		1.481.204	(135.502)	1.345.702
attributable to minority interest		(130.748)	(555)		(131.303)		(131.303)
% difference compared with Italian GAAP		66,2%	71,2%		73,9%		66,5%

Notes to the principal adjustments

a) Recalculation of the tax benefit arising from the contribution in kind to ASPI

Under Italian GAAP, during preparation of the consolidated financial statements unrealised intragroup gains are eliminated, and the related tax effect deferred to the extent of the taxes effectively paid or accounted for in the financial statements. On this basis, the intragroup goodwill recognised by the Parent Company following the contribution in kind of motorway activities to Autostrade per l'Italia was eliminated from the consolidated financial statements, and the related income taxes recognised as deferred tax assets to the extent of the charge incurred (approximately €1,330 million).

Under IFRS, the asset to be recognised as deferred tax assets is equal to the effective tax benefit (37.27%) deriving from the tax deduction of goodwill amortisation recognised by Autostrade per l'Italia. This different treatment has, therefore, resulted in an increase in consolidated shareholders' equity of €992,705 thousand at 1 January 2004 and €921,798 thousand at 31 December 2004, with an increase of €70,907 thousand in the deferred income taxes released to the consolidated income statement for 2004 in connection with this transaction.

b) Reversal of provision for charges for commitments deriving from the Concession Agreement of 1997

Under Italian GAAP, in determining the provisions for repair and replacement of assets to be relinquished, a specific provision was made in order to cover future charges for commitments given by Autostrade per l'Italia to ANAS in the Concession Agreement of 1997.

Under IFRS, provisions for liabilities and charges are recognised when the Group has a present (legal or constructive) obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, also taking account, where material, of the time value of money.

As a consequence, at 1 January 2004, the portion of such provisions specifically attributable to commitments arising from the Concession Agreement of 1997, amounting to €375,683 thousand, has been reversed. This has resulted in a €235,666 thousand increase in shareholders' equity, after the related tax effects totalling €140,017 thousand. Moreover, there was a net positive impact of €60,952 thousand arose on the consolidated income statement for 2004, as a result of the reversal of

provisions totalling €97,166 thousand and the related tax effect of €36,214 thousand. Shareholders' equity at 31 December 2004 is thus increased by €296,618 thousand, following the reversal of provisions totalling €472,849 thousand and the related tax effect of €176,231 thousand.

c) Goodwill

Based on the treatment described in "Accounting policies", the net carrying amount of goodwill at 1 January 2004, measured under Italian GAAP (recognised in previous consolidated financial statements as "Goodwill arising from consolidation"), is no longer to be amortised (even in the case of activities with defined economic lives), but is to be subject to annual impairment tests, as required by IAS 36, in. Therefore, from 1 January 2004 goodwill is no longer amortised, resulting in a positive impact, totalling €312,848 thousand, on the consolidated income statement for 2004 and a corresponding increase in consolidated shareholders' equity at 31 December 2004. Under IAS 12, the recognition and subsequent adjustment of goodwill do not have any related deferred tax effect.

d) Impairment tests of assets to be relinquished

Under IAS 36 ("Impairment of assets"), in order to assess their recoverability, tangible and intangible assets are tested for impairment annually or whenever events or changes in circumstance indicate that an asset may be impaired. For this purpose, both the goodwill and assets to be relinquished of all the Group's concession-holders have been tested for impairment. Each concession-holder has been identified as a Cash-Generating Unit (CGU), and related net capital employed has been compared with the corresponding recoverable amount, defined as the higher of a CGU's value in use, determined by discounting future cash flow estimates, and its fair value less costs to sell, estimated on the basis of market multiples for comparable companies in the motorway sector. It was then ascertained that at least the higher of the two measurements for each CGU was equal to or higher than the carrying amount of net capital employed. The impairment tests confirmed the recoverability of the tested assets, with the exception of the assets of the subsidiary, Raccordo Autostradale della Valle d'Aosta (RAV), in which Società Italiana per il Traforo del Monte Bianco, itself 51% owned by Autostrade per l'Italia, holds an interest of approximately 47.97%. This reflects the modest value of estimated future cash flows through to the concession term.

The carrying amount of the assets to be relinquished recognised by RAV at 1 January 2004 were, therefore, written down by €281,619 thousand. The resulting reduction in consolidated shareholders' equity at the same date amounts to €176,716 thousand, net of the related deferred tax effect (€104,903 million), of which €43,225 thousand is attributable to the Group and €133,491 thousand to the minority interest.

e) Fair value measurement of derivative financial instruments and amortised cost of financial liabilities

As allowed by IFRS 1 and previously described, the Group elected to apply IAS 32 and IAS 39 from 1 January 2005, rather than from 1 January 2004. Under IAS 39 derivative financial instruments must be measured and accounted for in the financial statements at fair value ("mark-to-market") at the balance sheet date.

Under Italian GAAP, recognition of hedging instruments in the financial statements is not allowed, with the exception of the related premium paid, whilst derivatives that did not qualify for hedge accounting are recognised and accounted for at the lower of cost and fair value.

Under IAS 39 financial liabilities are measured at their amortised cost using the effective interest method (thus taking account of both interest payable and transaction costs). For this purpose, under Italian GAAP transaction costs incurred on borrowings and other medium/long-term financial liabilities are recognised, according to their nature, as intangible assets or as accrued income and prepayments, and amortised over the term to maturity of the related liability.

IFRS do not allow these costs to be accounted for as intangible assets, and under IAS 39 they are classified as a deduction from the related liabilities.

This has resulted in:

- the recognition of net liabilities of €203,845 thousand, corresponding to the fair value of the Group's derivative financial instruments that qualify as interest rate and foreign exchange hedges, resulting in a €136,928 thousand reduction in consolidated shareholders' equity at 1 January 2005, net of the related tax effect of €66,917 thousand;
- the re-measurement of financial liabilities, which have decreased by €2,220 thousand, on the basis of the amortised cost method, resulting in a €1,426 thousand increase in consolidated shareholders' equity at 1 January 2005, net of the related tax effect of €794 thousand.

In addition to these adjustments, the application of IAS 39 has led to the reclassification of transaction costs amounting to €238,842 thousand from intangible assets and accrued income and prepayments as a reduction from the related financial liabilities, without any effect on shareholders' equity.

f) Staff termination benefits

Under Italian GAAP, provisions were made for staff termination benefits based on the face value of the liabilities at the balance sheet date.

Under IAS 19, staff termination benefits are classified as a "defined benefit plan", and the present value of the benefit obligation at the balance sheet date measured by actuarial valuations, based on specific demographic, economic and financial assumptions (regarding the company's staff). As allowed by IAS 19 and reported by the Parent Company, all actuarial gains and losses at the transition date and at 31 December 2004 have been recognised in full.

Following the valuation carried out by the independent actuary appointed by the Group, the value of the defined benefit obligation at 1 January 2004, re-measured under IAS 19, is €14,679 thousand higher than the previous provisions. At 31 December 2004 the difference is €14,603 thousand. This resulted in reductions in consolidated shareholders' equity of €9,834 thousand at 1 January 2004 and €9,784 thousand at 31 December 2004, net of the related tax effect of €4,845 thousand and €4,819 thousand, respectively. The impact on the consolidated income statement for 2004 is €76 thousand, gross of the related deferred tax effect of €26 thousand.

g) Other adjustments

The other following material adjustments to the carrying amounts of balance sheet and income statement items were made as a result of the transition to IFRS:

Finance leases. Under IAS 17 assets held by a company (as the lessee) under finance leases are recognised, in accordance with their substance, as an asset purchased against borrowing. Such assets, therefore, must be recognised in the balance sheet as components of property, plant and equipment, whilst the borrowing received is to be recognised as a financial liability. As a result, both depreciation expense and the finance costs are recognised in the income statement. In contrast, Italian GAAP did not require the assets to be recognised in the lessee's financial statements, with only accrued lease payments to be recognised in the income statement.

This adjustment has resulted in increases in consolidated shareholders' equity of €5,321 thousand at 1 January 2004 and €6,438 thousand at 31 December 2004, net of the related deferred tax effect of €3,160 thousand and €3,825 thousand, respectively. The impact on the consolidated income statement for 2004 is €1,117 thousand, net of the related deferred tax effect of €665 thousand.

Intangible assets. IAS 38 places certain restrictions on the recognition of intangible assets. IAS 38 establishes that in order to be recognised in the financial statements an intangible asset must be identifiable, controlled by the entity and capable of producing future economic benefits. An asset is identifiable if:

- a) it is separable, meaning that it is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with the related contract, asset or liability; or
- b) arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

So-called "long-lived costs" (e.g. incorporation and expansion costs, start-up costs, internal research costs, etc.), which could be capitalised under Italian GAAP, are no longer, therefore, classifiable as intangible assets.

The elimination of such non-capitalisable long-lived assets has resulted in reductions in consolidated shareholders' equity of €8,059 thousand at 1 January 2004 and €6,788 thousand at 31 December 2004, net of the related deferred tax effect of €3,931

thousand and €3,125 thousand, respectively. The positive impact on the consolidated income statement for 2004 is €1,271 thousand, net of the related deferred tax effect of €806 thousand.

3 Reconciliation of the consolidated balance sheet at 1 January 2004, 31 December 2004 and 1 January 2005 and of the consolidated income statement for the year ended 31 December 2004

The reconciliations of the consolidated balance sheet at 1 January 2004, 31 December 2004 and 1 January 2005 and the consolidated income statement for the year ended 31 December 2004 are shown below. The reconciliations show:

- amounts determined under Italian GAAP, reclassified to take account of the structures of the IFRS balance sheet and income statement used;
- IFRS adjustments and reclassifications.

Notes on the principal adjustments and reclassifications of balance sheet and income statement items are also provided.

Under IFRS 1, at the IFRS transition date:

- all and only assets and liabilities recognisable under IFRS have been accounted for;
- assets and liabilities have been measured on the basis of the amounts that would have been recognised had IFRS been applied retrospectively, taking account of the exemptions permitted by IFRS 1 and described above;
- items previously reported in the financial statements on a different basis with respect to IFRS have been reclassified.

The effect of adopting IFRS on the opening balances of assets and liabilities has been recognised in a specific retained profit reserve, net of the related tax effect, where applicable.

Reconciliation of the consolidated balance sheet at 1 Jan 2004

(€000)	<u>1 Jan 2004 Italian GAAP</u>	<u>Reclassifications</u>	<u>Adjustments</u>	<u>Total changes</u>	<u>1 Jan 2004 IFRS</u>
Non-current assets					
Tangible assets	6.417.641	(856)	(271.444)	(272.300)	6.145.341
Intangible assets	4.676.203	(176.264)	(9.148)	(185.412)	4.490.791
Investments	405.295	(23.404)	(1.754)	(25.158)	380.137
Other financial assets	952.283	960		960	953.243
Deferred tax assets	1.447.508		1.098.650	1.098.650	2.546.158
Other assets	13.249	4		4	13.253
Total non-current assets	13.912.179	(199.560)	816.304	616.744	14.528.923
Current assets					
Trading assets	681.857	(83.817)	(1.328)	(85.145)	596.712
Cash and cash equivalents	177.611	(14.198)		(14.198)	163.413
Other financial assets	41.275	14.233		14.233	55.508
Current tax assets	246			0	246
Other current assets	131.554	(15.124)		(15.124)	116.430
Assets held for sale and discontinued operations	8	1.082		1.082	1.090
Total current assets	1.032.551	(97.824)	(1.328)	(99.152)	933.399
TOTAL ASSETS	14.944.730	(297.384)	814.976	517.592	15.462.322
Shareholders' equity					
Shareholders' equity attributable to the Group	1.177.222		1.174.912	1.174.912	2.352.134
Shareholders' equity attributable to minority interest	399.661	(4.191)	(130.748)	(134.939)	264.722
Total shareholders' equity	1.576.883	(4.191)	1.044.164	1.039.973	2.616.856
Non-current liabilities					
Provisions for liabilities and charges	1.367.892	(4.581)	(361.004)	(365.585)	1.002.307
Financial liabilities	8.819.912	(177.116)	6.829	(170.287)	8.649.625
Deferred tax liabilities	168		126.408	126.408	126.576
Other liabilities	0	47.709		47.709	47.709
Total non-current liabilities	10.187.972	(133.988)	(227.767)	(361.755)	9.826.217
Current liabilities					
Provisions for liabilities and charges	92.203	(14.518)	(1.309)	(15.827)	76.376
Trading liabilities	522.711	(79.632)	(310)	(79.942)	442.769
Financial liabilities	637.566	(23.616)	419	(23.197)	614.369
Current tax liabilities	1.277.356			0	1.277.356
Other liabilities	650.039	(41.439)	(221)	(41.660)	608.379
Liabilities attributable to discontinued operations	0			0	0
Total current liabilities	3.179.875	(159.205)	(1.421)	(160.626)	3.019.249
Total liabilities	13.367.847	(293.193)	(229.188)	(522.381)	12.845.466
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	14.944.730	(297.384)	814.976	517.592	15.462.322

Reconciliation of the consolidated balance sheet at 1 Jan 2004: reclassifications

(€000)	IAS 1 Unpaid, called-up share capital	IAS 11 Prepayments and provisions for work in progress	IAS 39 Transaction costs incurred on borrowings	Other reclassifications	Total reclassifications
Non-current assets					
Tangible assets				(856)	(856)
Intangible assets			(177.117)	853	(176.264)
Investments	(23.404)				(23.404)
Other financial assets				960	960
Deferred tax assets					0
Other assets			(291)	295	4
Total non-current assets	(23.404)	0	(177.408)	1.252	(199.560)
Current assets					
Trading assets		(98.238)		14.421	(83.817)
Cash and cash equivalents				(14.198)	(14.198)
Other financial assets				14.233	14.233
Current tax assets					0
Other current assets	(4.191)			(10.933)	(15.124)
Assets held for sale and discontinued operations	0	0	0	1.082	1.082
Total current assets	(4.191)	(98.238)	0	4.605	(97.824)
TOTAL ASSETS	(27.595)	(98.238)	(177.408)	5.857	(297.384)
Shareholders' equity					
Shareholders' equity attributable to the Group					0
Shareholders' equity attributable to minority interest	(4.191)				(4.191)
Total shareholders' equity	(4.191)	0	0	0	(4.191)
Non-current liabilities					
Provisions for liabilities and charges				(4.581)	(4.581)
Financial liabilities			(177.408)	292	(177.116)
Deferred tax liabilities					0
Other liabilities				47.709	47.709
Total non-current liabilities	0	0	(177.408)	43.420	(133.988)
Current liabilities					
Provisions for liabilities and charges		(9.365)		(5.153)	(14.518)
Trading liabilities		(88.873)		9.241	(79.632)
Financial liabilities	(23.404)			(212)	(23.616)
Current tax liabilities					0
Other liabilities				(41.439)	(41.439)
Liabilities attributable to discontinued operations	0	0	0		0
Total current liabilities	(23.404)	(98.238)	0	(37.563)	(159.205)
Total liabilities	(23.404)	(98.238)	(177.408)	5.857	(293.193)
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	(27.595)	(98.238)	(177.408)	5.857	(297.384)

Reconciliation of the consolidated balance sheet at 1 Jan 2004: adjustments

(€000)	IAS 12 Recalculation tax benefit from intragroup transfer	IAS 19 Re-measurement staff termination benefits	IAS 36 Impairment testing	IAS 37 Provisions for commitments in Agreement of 1997	Other adjustments	Total adjustments
Non-current assets						
Tangible assets			(281.619)		10.175	(271.444)
Intangible assets					(9.148)	(9.148)
Investments					(1.754)	(1.754)
Other financial assets						0
Deferred tax assets	992.705	4.922	104.903	(17.200)	13.320	1.098.650
Other assets						0
Total non-current assets	992.705	4.922	(176.716)	(17.200)	12.593	816.304
Current assets						
Trading assets					(1.328)	(1.328)
Cash and cash equivalents						0
Other financial assets						0
Current tax assets						0
Other current assets						0
Assets held for sale and discontinued operations	0	0	0			0
Total current assets	0	0	0	0	(1.328)	(1.328)
TOTAL ASSETS	992.705	4.922	(176.716)	(17.200)	11.265	814.976
Shareholders' equity						
Shareholders' equity attributable to the Group	992.705	(9.557)	(43.225)	235.666	(677)	1.174.912
Shareholders' equity attributable to minority interest		(277)	(133.491)		3.020	(130.748)
Total shareholders' equity	992.705	(9.834)	(176.716)	235.666	2.343	1.044.164
Non-current liabilities						
Provisions for liabilities and charges		14.679		(375.663)		(361.004)
Financial liabilities					6.829	6.829
Deferred tax liabilities				122.817	3.591	126.408
Other liabilities		77			(77)	0
Total non-current liabilities	0	14.756	0	(252.866)	10.343	(227.767)
Current liabilities						
Provisions for liabilities and charges					(1.309)	(1.309)
Trading liabilities					(310)	(310)
Financial liabilities					419	419
Current tax liabilities						0
Other liabilities					(221)	(221)
Liabilities attributable to discontinued operations	0	0	0	0		0
Total current liabilities	0	0	0	0	(1.421)	(1.421)
Total liabilities	0	14.756	0	(252.866)	8.922	(228.188)
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	992.705	4.922	(176.716)	(17.200)	11.265	814.976

3.1 Notes to the principal reclassifications and adjustments to the consolidated balance sheet at 1 January 2004

Notes to the principal reclassifications

3.1.1) Amounts receivable and payable as unpaid, called-up share capital

Under Italian GAAP the full amount of issued share capital is recognised, with any unpaid, called-up amounts accounted for in receivables.

Under IFRS, only the effectively paid-up share capital is recognised.

This results in:

- a €4,191 thousand reduction in shareholders' equity attributable to the minority interest and non-current assets, in order to take account of the unpaid, called-up share capital of the subsidiary, Strada dei Parchi, still to be paid in by minorities;
- a €23,404 thousand reduction in investments and current liabilities, in order to take account of the unpaid, called-up share capital of certain companies still to be paid in by the Group.

3.1.2) Construction contracts and services in progress

Under Italian GAAP construction contracts in progress are recognised in assets gross of any prepayments and advances received, which are accounted for in liabilities as well as provisions for losses on contract work.

In contrast, under IAS 11 the net positive difference between recognised contract revenue and any prepayments received, taking account of any estimated impairment, is recognised as an asset, whilst any negative difference is recognised as a trading liability.

This has resulted in the reclassification at 1 January 2004 of prepayments (totalling €88,873 thousand) and provisions for losses on contract work (€9,365 thousand), which are now accounted for as a reduction in contract work in progress under trading assets.

3.1.3) Transaction costs

Under Italian GAAP transaction costs incurred on borrowings and other medium/long-term financial liabilities are recognised, according to their nature, as intangible assets or as accrued income and prepayments, and amortised over the term to maturity of the related liability.

IFRS do not allow these costs to be accounted for as intangible assets, and IAS 39 states that such costs should be deducted from the related liabilities.

As a result, transaction costs incurred on borrowings at 1 January 2004, totalling €177,408 thousand (net of accumulated amortisation at that date), have been deducted from non-current financial liabilities. This reclassification has no effect on shareholders' equity at 1 January 2004, nor does it result in adjustments to carrying amounts, given that the Group has elected to apply IAS 32 and IAS 39 (and, therefore, the different accounting policies described in point e) of the above paragraph on the reconciliation of consolidated shareholders' equity, to which reference should be made) from 1 January 2005.

Notes to the principal adjustments

3.1.4) Recalculation of the tax benefit arising from the contribution in kind to Autostrade per l'Italia

This regards recalculation of the tax benefit linked to intragroup goodwill recognised by the Parent Company, following the contribution in kind of motorway activities to Autostrade per l'Italia.

This adjustment and the related effects were previously described in point a) of the above paragraph on the reconciliation of consolidated shareholders' equity, to which reference should be made.

3.1.5) Staff termination benefits

This regards the re-measurement of the related benefit obligation on the basis of IAS 19.

This adjustment and the related effects were previously described in point f) of the above paragraph on the reconciliation of consolidated shareholders' equity, to which reference should be made.

3.1.6) Impairment tests of assets to be relinquished

This adjustment regards the impairment loss on assets to be relinquished of the subsidiary, Raccordo Autostradale della Valle d'Aosta (RAV), following application of IAS 36, which requires impairment tests to be carried out in order to assess the recoverability of the carrying amount of assets.

This adjustment and the related effects (reflecting the modest value of estimated future cash flows through to the concession term) were previously described in point d) of the

above paragraph on the reconciliation of consolidated shareholders' equity, to which reference should be made.

3.1.7) Reversal of provision for charges for commitments deriving from the Concession Agreement of 1997

This regards the adjustment deriving from reversal of the portion of provisions for the repair and replacement of assets to be relinquished specifically attributable to commitments contained in the Concession Agreement of 1997, which are no longer permissible under IFRS.

The nature of the adjustment was described in point b) of the above paragraph on the reconciliation of consolidated shareholders' equity, to which reference should be made.

3.1.8) Other adjustments

The other following material adjustments to the balance sheet at 1 January 2004 were made as a result of the transition to IFRS:

Finance leases. Under IAS 17 (see the relevant description already provided in point g) of the above paragraph on the reconciliation of consolidated shareholders' equity), assets acquired under finance leases (€15,641 thousand, net of accumulated depreciation at 1 January 2004) have been accounted for, as well as the related financial liability (€7,248 thousand).

Intangible assets. In view of the restrictions on the recognition of intangible assets introduced by IAS 38, certain intangible assets, with a net carrying amount of €9,148 thousand, capitalised under Italian GAAP have been eliminated (see the description provided in point g) of the above paragraph on the reconciliation of consolidated shareholders' equity).

Reconciliation of the consolidated balance sheet at 31 Dec 2004 and 1 Jan 2005

(€000)	31 Dec 2004 Italian GAAP	Reclassifications	Adjustments	Total changes	31 Dec 2004 IFRS	Impact of IAS 39 at 1 Jan 2005	1 Jan 2004 IFRS
Non-current assets							
Tangible assets	6.818.357	4.091	(273.169)	(269.078)	6.549.279		6.549.279
Intangible assets	4.394.258	(205.904)	305.592	99.688	4.493.946		4.493.946
Investments	128.405	(2.791)	970	(1.821)	126.584		128.584
Other financial assets	959.643	4.449		4.449	964.092	40.360	1.004.452
Deferred tax assets	1.537.412	(2)	934.091	934.089	2.471.501	80.236	2.551.737
Other assets	11.932	6.864		6.864	18.796		18.796
Total non-current assets	13.850.007	(193.293)	967.484	774.191	14.624.198	120.596	14.744.794
Current assets							
Trading assets	788.444	(81.680)	(832)	(82.512)	705.932		705.932
Cash and cash equivalents	200.782	15.674		15.674	216.456		216.456
Other financial assets	73.691	(13.895)		(13.895)	59.796		59.796
Current tax assets	14.573			0	14.573		14.573
Other current assets	166.093	(65.593)		(65.593)	100.500		100.500
Assets held for sale and discontinued operations	10.973			0	10.973		10.973
Total current assets	1.254.556	(145.494)	(832)	(146.326)	1.108.230	0	1.108.230
TOTAL ASSETS	15.104.563	(338.787)	966.652	627.865	15.732.428	120.596	15.853.024
Shareholders' equity							
Shareholders' equity attributable to the Group	1.429.054		1.481.204	1.481.204	2.910.258	(135.502)	2.774.756
Shareholders' equity attributable to minority interest	398.297	(2.395)	(131.303)	(133.698)	264.599		264.599
Total shareholders' equity	1.827.351	(2.395)	1.349.901	1.347.506	3.174.857	(135.502)	3.039.356
Non-current liabilities							
Provisions for liabilities and charges	1.539.153	8.090	(458.246)	(450.156)	1.088.997		1.088.997
Financial liabilities	9.650.792	(213.370)	4.855	(208.515)	9.442.277	239.945	9.682.222
Deferred tax liabilities	56.378		70.462	70.462	126.840	14.113	140.953
Other liabilities	0	49.702		49.702	49.702		49.702
Total non-current liabilities	11.246.323	(155.578)	(382.929)	(538.507)	10.707.816	254.058	10.961.874
Current liabilities							
Provisions for liabilities and charges	196.836	(92.109)		(92.109)	104.727		104.727
Trading liabilities	567.563	(71.452)	(7)	(71.459)	496.104		496.104
Financial liabilities	543.501	(28.343)		(28.343)	515.158	2.040	517.198
Current tax liabilities	124.207			0	124.207		124.207
Other liabilities	598.782	11.090	(313)	10.777	609.559		609.559
Liabilities attributable to discontinued operations	0			0	0		0
Total current liabilities	2.030.889	(180.814)	(320)	(181.134)	1.849.755	2.040	1.851.795
Total liabilities	13.277.212	(336.392)	(383.249)	(719.641)	12.557.571	256.098	12.813.669
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	15.104.563	(338.787)	966.652	627.865	15.732.428	120.596	15.853.024

Reconciliation of the consolidated balance sheet at 31 Dec 2004: reclassifications

(€000)	IAS 1 Unpaid, called-up share capital	IAS 11 Prepayments and provisions for work in progress	IAS 39 Transaction costs incurred on borrowings	Other reclassifications	Total reclassifications
Non-current assets					
Tangible assets				4.091	4.091
Intangible assets		(677)	(201.138)	(4.089)	(205.904)
Investments	(2.791)				(2.791)
Other financial assets				4.449	4.449
Deferred tax assets				(2)	(2)
Other assets				6.864	6.864
Total non-current assets	(2.791)	(677)	(201.138)	11.313	(193.293)
Current assets					
Trading assets		(98.011)		16.331	(81.680)
Cash and cash equivalents				15.674	15.674
Other financial assets				(13.895)	(13.895)
Current tax assets					0
Other current assets	(2.395)		(37.704)	(25.494)	(65.593)
Assets held for sale and discontinued operations					0
Total current assets	(2.395)	(98.011)	(37.704)	(7.384)	(145.494)
TOTAL ASSETS	(5.186)	(98.688)	(238.842)	3.929	(338.787)
Shareholders' equity					
Shareholders' equity attributable to the Group					0
Shareholders' equity attributable to minority interest	(2.395)				(2.395)
Total shareholders' equity	(2.395)	0	0	0	(2.395)
Non-current liabilities					
Provisions for liabilities and charges				8.090	8.090
Financial liabilities			(238.842)	25.472	(213.370)
Deferred tax liabilities					0
Other liabilities				49.702	49.702
Total non-current liabilities	0	0	(238.842)	83.264	(155.578)
Current liabilities					
Provisions for liabilities and charges		(11.586)		(80.523)	(92.109)
Trading liabilities		(87.102)		15.650	(71.452)
Financial liabilities	(2.791)			(25.552)	(28.343)
Current tax liabilities					0
Other liabilities				11.090	11.090
Liabilities attributable to discontinued operations	0	0	0		0
Total current liabilities	(2.791)	(98.688)	0	(79.335)	(180.814)
Total liabilities	(2.791)	(98.688)	(238.842)	3.929	(336.392)
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	(5.186)	(98.688)	(238.842)	3.929	(338.787)

Reconciliation of the consolidated balance sheet at 31 Dec 2004: adjustments

(€000)	IAS 12 Recalculation tax benefit from intragroup transfer	IAS 19 Re-measurement staff termination benefits	IAS 36 Impairment testing	IAS 37 Provisions for commitments in Agreement of 1997	IFRS 3/IAS 38 Unamortised goodwill	Other adjustments	Total adjustments
Non-current assets							
Tangible assets			(281.619)			8.450	(273.169)
Intangible assets					312.848	(7.256)	305.592
Investments						970	970
Other financial assets							0
Deferred tax assets	865.420	4.876	104.903	(53.414)		12.306	934.091
Other assets							0
Total non-current assets	865.420	4.876	(176.716)	(53.414)	312.848	14.470	967.484
Current assets							
Trading assets						(832)	(832)
Cash and cash equivalents							0
Other financial assets							0
Current tax assets							0
Other current assets							0
Assets held for sale and discontinued operations							0
Total current assets	0	0	0	0	0	(832)	(832)
TOTAL ASSETS	865.420	4.876	(176.716)	(53.414)	312.848	13.638	966.652
Shareholders' equity							
Shareholders' equity attributable to the Group	921.798	(9.529)	(43.225)	296.618	312.848	2.694	1.481.204
Shareholders' equity attributable to minority interest		(255)	(133.491)			2.443	(131.303)
Total shareholders' equity	921.798	(9.784)	(176.716)	296.618	312.848	5.137	1.349.901
Non-current liabilities							
Provisions for liabilities and charges		14.603		(472.849)			(458.246)
Financial liabilities						4.855	4.855
Deferred tax liabilities	(56.378)	57		122.817		3.966	70.462
Other liabilities							0
Total non-current liabilities	(56.378)	14.660	0	(350.032)	0	8.821	(382.929)
Current liabilities							
Provisions for liabilities and charges							0
Trading liabilities						(7)	(7)
Financial liabilities							0
Current tax liabilities							0
Other liabilities						(313)	(313)
Liabilities attributable to discontinued operations	0	0	0	0	0		0
Total current liabilities	0	0	0	0	0	(320)	(320)
Total liabilities	(56.378)	14.660	0	(350.032)	0	8.501	(382.249)
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	865.420	4.876	(176.716)	(53.414)	312.848	13.638	966.652

3.2 Notes to the principal reclassifications and adjustments to the consolidated balance sheet at 31 December 2004

Notes to the principal reclassifications

3.2.1) Amounts receivable and payable as unpaid, called-up share capital

For the technical reasons described in point 3.1.1 of the above analysis of the most significant reclassifications applied in the balance sheet at 1 January 2004, the relevant reclassification has resulted in:

- a €2,395 thousand reduction in shareholders' equity attributable to the minority interest and non-current assets, in order to take account of the unpaid, called-up share capital of the subsidiary, Strada dei Parchi, still to be paid in by minorities;
- a €2,791 thousand reduction in investments and current liabilities, in order to take account of the unpaid, called-up share capital of certain investee companies still to be paid in by the Group.

3.1.2) Construction contracts and services in progress

As already described in point 3.1.2 of the above analysis of the most significant reclassifications applied in the balance sheet at 1 January 2004, under Italian GAAP construction contracts in progress are recognised in assets gross of any prepayments and advances received, which are accounted for in liabilities as well as provisions for losses on contract work.

In contrast, under IAS 11 the net positive difference between recognised contract revenue and any prepayments received, taking account of any estimated impairment, is recognised as an asset, whilst any negative difference is recognised as a trading liability.

This has resulted in the reclassification at 31 December 2004 of prepayments (totalling €87,102 thousand) and provisions for losses on contract work (€11,586 thousand), which are now accounted for as a reduction in contract work in progress under trading assets.

3.1.3) Transaction costs

Under Italian GAAP transaction costs incurred on borrowings and other medium/long-term financial liabilities are recognised, according to their nature, as intangible assets or as accrued income and prepayments, and amortised over the term to maturity of the related liability.

IFRS do not allow these costs to be accounted for as intangible assets, and IAS 39 states that such costs should be deducted from the related liabilities.

As a result, transaction costs incurred on borrowings at 31 December 2004, totalling €238,842 thousand (of which €201,138 thousand represented by intangible assets net of accumulated amortisation at that date, €12,233 thousand by other non-current assets and €25,471 thousand by current assets), have been deducted from non-current financial liabilities. This reclassification has no effect on shareholders' equity at 31 December 2004, nor does it result in adjustments to carrying amounts, given that the Group has elected to apply IAS 32 and IAS 39 (and, therefore, the different accounting policies described in point e) of the above paragraph on the reconciliation of consolidated shareholders' equity, to which reference should be made) from 1 January 2005.

Notes to the principal adjustments

3.2.4) Recalculation of the tax benefit arising from the contribution in kind to Autostrade per l'Italia

This regards recalculation of the tax benefit linked to intragroup goodwill recognised by the Parent Company, following the contribution in kind of motorway activities to Autostrade per l'Italia. This goodwill is fully tax deductible and reversed as an intragroup transaction.

This adjustment and the related effects were previously described in point a) of the above paragraph on the reconciliation of consolidated shareholders' equity, to which reference should be made.

3.2.5) Staff termination benefits

This regards the re-measurement of the related benefit obligation on the basis of IAS 19.

This adjustment and the related effects were previously described in point f) of the above paragraph on the reconciliation of consolidated shareholders' equity, to which reference should be made.

3.2.6) Impairment test for assets to be relinquished

This adjustment regards the impairment loss on assets to be relinquished of the subsidiary, Raccordo Autostradale della Valle d'Aosta (RAV), following application of

IAS 36, which requires impairment test to be carried out in order to assess the recoverability of the carrying amount of assets.

This adjustment and the related effects (reflecting the modest value of estimated future cash flows through to the concession term) are in line with the figure recognised at the IFRS transition date of 1 January 2004, and were previously described in point d) of the above paragraph on the reconciliation of consolidated shareholders' equity, to which reference should be made.

3.2.7) Reversal of provision for charges for commitments deriving from the Concession Agreement of 1997

This regards the adjustment deriving from reversal of the portion of provisions for the repair and replacement of assets to be relinquished specifically attributable to commitments contained in the Concession Agreement of 1997, which are no longer permissible under IFRS.

The nature of the adjustment was described in point b) of the above paragraph on the reconciliation of consolidated shareholders' equity, to which reference should be made.

3.2.8) Goodwill

As already described in point c) of the above paragraph on the reconciliation of consolidated shareholders' equity, under IFRS goodwill measured under Italian GAAP, and accounted for at 1 January 2004, is no longer to be amortised; this results in a €312,848 thousand increase in shareholders' equity at 31 December 2004. Under IAS 12, this adjustment does not have any related deferred tax effect.

3.2.9) Other adjustments

The other following material adjustments to the balance sheet at 31 December 2004 were made as a result of the transition to IFRS:

Finance leases. Under IAS 17 (see the relevant description already provided in point g) of the above paragraph on the reconciliation of consolidated shareholders' equity), assets acquired under finance leases (€15,110 thousand, net of accumulated depreciation at 31 December 2004) have been accounted for, as well as the related financial liability (€4,855 thousand).

Intangible assets. In view of the restrictions on the recognition of intangible assets introduced by IAS 38, certain intangible assets, with a net total of €7,256 thousand, capitalised under Italian GAAP have been eliminated (see the description provided in

point g) of the above paragraph on the reconciliation of consolidated shareholders' equity).

3.3 Notes to the adjustments to the consolidated balance sheet at 1 January 2005

Fair value measurement of derivative financial instruments and amortised cost of financial liabilities

As described in point e) of the above paragraph on the reconciliation of consolidated shareholders' equity, the Group elected to apply IAS 32 and IAS 39 from 1 January 2005, rather than from 1 January 2004. Under IAS 39 derivative financial instruments must be measured and accounted for in the financial statements at fair value ("mark-to-market") at the balance sheet date.

Under IAS 39 financial liabilities are stated at amortised cost using the effective interest method (thus taking account of both interest payable and transaction costs).

This has resulted in:

- the recognition of financial liabilities of €244,205 thousand (of which €242,165 thousand represented by non-current liabilities and €2,040 thousand by current liabilities) and financial assets of €40,360 thousand, corresponding to the fair value of the Group's derivative financial instruments that qualify as interest rate and foreign exchange hedges, resulting in a €136,928 thousand reduction in consolidated shareholders' equity at 1 January 2005, net of the related tax effect of €66,917 thousand;
- the re-measurement of financial liabilities, which have decreased by €2,220 thousand, on the basis of the amortised cost method, resulting in a €1,426 thousand increase in consolidated shareholders' equity at 1 January 2005, net of the related tax effect of €794 thousand.

Overall, at 1 January 2005 financial liabilities have increased by €241,985 thousand, of which €239,945 thousand regards the non-current portion and €2,040 thousand the current portion, whilst current financial assets have increased by €40,360 thousand, resulting in a €201,625 thousand reduction in consolidated net debt at 1 January 2005.

Reconciliation of the reclassified consolidated income statement for the year ended 31 December 2004

(€000)	2004 Italian GAAP	Reclassifications	Adjustments	Total changes	2004 IFRS
Net toll revenues	2.443.527	(18.830)		(18.830)	2.424.697
Contract revenue	(1.069)	14.874		14.874	13.805
Allocation of service areas free of charge	0	45.935		45.935	45.935
Other operating income	440.009	29.607	(1.880)	27.727	467.736
Total revenue	2.882.467	71.586	(1.880)	69.706	2.952.173
Net cost of materials and overheads	(514.562)	(33.274)	(143)	(33.417)	(547.979)
Other operating costs and (losses)/profits	(41.012)	(6.736)	(113)	(6.849)	(47.861)
Staff costs	(507.043)	(26.608)	9.312	(17.296)	(524.339)
Capitalised staff costs	22.555	(388)		(388)	22.167
Gross operating profit	1.842.405	4.580	7.176	11.756	1.854.161
Amortisation and depreciation	(604.723)	21.269	315.871	337.140	(267.583)
Provisions and other adjustments	(237.052)	28.700	97.166	125.866	(111.186)
EBIT	1.000.630	54.549	420.213	474.762	1.475.392
Finance income/(costs)	(440.571)	(40.983)	(8.071)	(49.054)	(489.625)
Capitalised finance costs	14.795			0	14.795
Share of net profit/(loss) of associates	0	(3.164)	2.202	(962)	(962)
<i>[Adjustments to assets/sale of investments]</i>	125.615	(125.615)		(125.615)	0
<i>[Extraordinary items]</i>	49.051	(49.051)		(49.051)	0
Profit/(loss) before tax from continuing operations	749.520	(164.264)	414.344	250.080	999.600
Taxation	(320.118)	15.608	(108.607)	(92.999)	(413.117)
Net profit/(loss) from continuing operations	429.402	(148.656)	305.737	157.081	586.483
Net profit/(loss) from discontinued operations/assets held for sale		148.656		148.656	148.656
Net profit/(loss) for the period	429.402	0	305.737	305.737	735.139
(Profit)/loss attributable to minority interest	(401)		555	555	154
NET PROFIT/(LOSS) ATTRIBUTABLE TO THE GROUP	429.001	0	306.292	306.292	735.293

Reconciliation of the reclassified consolidated income statement for the year ended 31 December 2004: reclassifications

(€000)	IAS 1 Extraordinary items	IAS 1 Reimbursements	IAS 1 Revaluations/ Impairments of financial assets	IAS 1/IFRS 5 Profit on Abertis	IAS 18 Revenue	IAS 19 Employee benefits - Directors' fees	IAS 39 Transaction costs incurred on borrowings	Other reclassifications	Total reclassifications
Net toll revenues					(18.830)			0	(18.830)
Contract revenue					(17)			14.891	14.874
Allocation of service areas free of charge	45.935							0	45.935
Other operating income	11.943	32.818			(53)			(15.101)	29.607
Total revenue	57.878	32.818	0	0	(18.900)	0	0	(210)	71.586
Net cost of materials and overheads		(32.818)				4.527		(4.983)	(33.274)
Other operating costs and (losses)/profits	(10.354)							3.618	(6.736)
Staff costs	(14.079)					(13.027)		498	(26.608)
Capitalised staff costs								(388)	(388)
Gross operating profit	33.445	0	0	0	(18.900)	(8.500)	0	(1.465)	4.580
Amortisation and depreciation							21.105	164	21.269
Provisions and other adjustments					18.900	8.500		1.300	28.700
EBIT	33.445	0	0	0	0	0	21.105	(1)	54.549
Finance income/(costs)			(19.969)				(21.105)	91	(40.983)
Capitalised finance costs								0	0
Share of net profit/(loss) of associates			(3.164)					0	(3.164)
<i>[Adjustments to assets/sale of investments]</i>			23.133	(148.656)				(92)	(125.615)
<i>[Extraordinary items]</i>	(49.051)							0	(49.051)
Profit/(loss) before tax from continuing operations	(15.606)	0	0	(148.656)	0	0	0	(2)	(164.264)
Taxation	15.606							2	15.608
Net profit/(loss) from continuing operations	0	0	0	(148.656)	0	0	0	0	(148.656)
Net profit/(loss) from discontinued operations/assets held for sale				148.656				0	148.656
Net profit/(loss) for the period	0	0	0	0	0	0	0	0	0
(Profit)/loss attributable to minority interest								0	0
NET PROFIT/(LOSS) ATTRIBUTABLE TO THE GROUP	0	0	0	0	0	0	0	0	0

Reconciliation of the reclassified consolidated income statement for the year ended 31 December 2004: adjustments

(€000)	IAS 12 Recalculation tax benefit from intragroup transfer	IAS 19 Re-measurement staff termination benefits	IAS 37 Provisions for commitments in Agreement of 1997	IFRS 3/IAS 38 Unamortised goodwill	Other adjustments	Total adjustments
Net toll revenues					0	0
Contract revenue					0	0
Allocation of service areas free of charge					0	0
Other operating income					(1.880)	(1.880)
Total revenue	0	0	0	0	(1.880)	(1.880)
Net cost of materials and overheads					(143)	(143)
Other operating costs and (losses)/profits					(113)	(113)
Staff costs		9.312			0	9.312
Capitalised staff costs					0	0
Gross operating profit	0	9.312	0	0	(2.136)	7.176
Amortisation and depreciation				312.848	3.023	315.871
Provisions and other adjustments			97.166		0	97.166
EBIT	0	9.312	97.166	312.848	887	420.213
Finance income/(costs)		(9.236)			1.165	(8.071)
Capitalised finance costs					0	0
Share of net profit/(loss) of associates					2.202	2.202
<i>[Adjustments to assets/sale of investments]</i>					0	0
<i>[Extraordinary items]</i>					0	0
Profit/(loss) before tax from continuing operations	0	76	97.166	312.848	4.254	414.344
Taxation	(70.907)	(26)	(36.214)		(1.460)	(108.607)
Net profit/(loss) from continuing operations	(70.907)	50	60.952	312.848	2.794	305.737
Net profit/(loss) from discontinued operations/assets held for sale					0	0
Net profit/(loss) for the period	(70.907)	50	60.952	312.848	2.794	305.737
(Profit)/loss attributable to minority interest					555	555
NET PROFIT/(LOSS) ATTRIBUTABLE TO THE GROUP	(70.907)	50	60.952	312.848	3.349	306.292

3.4 Notes to the principal reclassifications and adjustments to the consolidated income statement for the year ended 31 December 2004

Notes to the principal reclassifications

3.4.1) Extraordinary income and expense

IFRS require items classified as extraordinary income and expense to be recognised as income and expense from ordinary activities, according to their nature.

As a result, such extraordinary income and expense has been reclassified to the appropriate items under IFRS. The most significant categories are the following:

- non-recurring income deriving from the surrender of service areas to the Group by sub-concessionaires (€45,935 thousand);
- other non-recurring income of €11,943 thousand;
- non-recurring operating costs of €10,354 thousand;
- redundancy charges of €14,079 thousand;
- income taxes for previous years, totalling €15,606 thousand.

3.4.2) Revaluations and impairments of financial assets and investments

Under Italian GAAP this type of income and expense is accounted for in a specific section of the income statement.

Under IFRS, on the other hand, revaluations and/or impairments of financial assets represent finance income and/or costs, whilst revaluations and/or impairments of investments in associates accounted for using the equity method are accounted for in a specific item in the income statement.

This category of income and expense was therefore reclassified to the respective items.

3.4.3) Profits on disposal of investments

Under IFRS profits on the disposal of investments and/or divisions are accounted for in a specific item in the income statement, net of the related tax effect. This category of profit, represented by the gain recognised in 2004 following the sale of the investment in Abertis, has therefore been reclassified.

3.4.4) Revenues

Under IFRS revenues are, among other conditions, to be recognised when it is probable that the related economic benefits will flow to the Group.

Under Italian GAAP, revenues of €18,900 thousand were recognised for 2004, which do not comply with IFRS requirements.

These revenues essentially regard:

- €14,039 thousand in unpaid tolls during 2004, which were judged to be uncollectible and were therefore written down via provisions for doubtful debts. Under IFRS, such revenues have been adjusted and the related impairment charge eliminated from the income statement for 2004;
- €4,861 thousand in tolls collected by the subsidiary, Società Autostrade Meridionali, and deriving from toll increases based on new capital investment (“X investment”). Based on the relevant Concession Agreement with ANAS, for such revenues a corresponding provision for charges should be made, to be utilised as a direct reduction of the cost of new investment.

3.4.5) Employee benefits

Under IFRS staff costs include certain categories of cost that under Italian GAAP were classified as service costs (Directors’ fees, for example) and/or provisions for future charges (the incentive plan for management).

These costs have therefore been reclassified to staff costs.

3.4.6) Transaction costs

As already described above, under Italian GAAP transaction costs incurred on borrowings and other medium/long-term financial liabilities are recognised, according to their nature, as intangible assets or as accrued income and prepayments, and amortised over the term to maturity of the related liability.

IFRS do not allow these costs to be accounted for as intangible assets and under IAS 39 they are deducted from the related liabilities.

As a result, amortisation of these costs recognised under Italian GAAP has been reclassified and the costs recognised as an increase in finance costs.

Notes to the principal adjustments

3.4.7) Recalculation of the tax benefit arising from the contribution in kind of assets to Autostrade per l'Italia

This regards recalculation of the tax benefit linked to intragroup goodwill recognised by the Parent Company, following the contribution in kind of motorway activities to Autostrade per l'Italia.

This adjustment and the related effects were previously described in point a) of the above paragraph on the reconciliation of consolidated shareholders' equity, to which reference should be made.

3.4.8) Staff termination benefits

This regards the re-measurement of the related benefit obligation on the basis of IAS 19.

This adjustment and the related effects (showing a different allocation of costs incurred for the period, divided into a staff cost and finance costs, the latter representing the discounted component of provisions) were previously described in point f) of the above paragraph on the reconciliation of consolidated shareholders' equity, to which reference should be made.

3.4.9) Reversal of provision for charges for commitments deriving from the Concession Agreement of 1997

This regards the adjustment deriving from reversal of the portion of provisions for the repair and replacement of assets to be relinquished specifically attributable to commitments contained in the Concession Agreement of 1997, which are no longer permissible under IFRS.

The nature of the adjustment was described in point b) of the above paragraph on the reconciliation of consolidated shareholders' equity, to which reference should be made.

3.4.10) Goodwill

As already described in point c) of the above paragraph on the reconciliation of consolidated shareholders' equity, under IFRS goodwill measured under Italian GAAP, and accounted for at 1 January 2004, is no longer to be amortised. This results in a €312,848 thousand increase in net profit for the year ended 31 December 2004. Under IAS 12, this adjustment does not have any related deferred tax effect.

4 Reconciliation of consolidated net debt at 1 January 2004, 31 December 2004 and 1 January 2005 and the consolidated cash flow statement for the year ended 31 December 2004

The reconciliation of consolidated net debt at 1 January 2004, 31 December 2004 and 1 January 2005 and the consolidated cash flow statement for the year ended 31 December 2004 is shown below. The reconciliation shows:

- amounts determined under Italian GAAP;
- IFRS reclassifications and adjustments;
- amounts determined under IFRS.

Notes on the principal reclassifications and adjustments are also provided.

Reconciliation of consolidated net debt

(€000)	NOTE	Net debt 1 Jan 2004	Net debt 31 Dec 2004	Impact of IAS 39 on net debt at 1 Jan 2005	Net debt 1 Jan 2005
Amounts under Italian GAAP		8.292.206	8.965.773	0	8.965.773
<u>IFRS reclassifications</u>					
Transaction costs incurred on borrowings	4.1	(177.117)	(213.372)		(213.372)
Issue discounts	4.1	(291)	(25.471)		(25.471)
Unpaid, called-up share capital	4.3	(23.404)	(2.791)		(2.791)
Accrued finance income	4.4	(996)	(6.228)		(6.228)
Other reclassifications		(5.811)	(5.675)		(5.675)
<u>IFRS adjustments</u>					
Assets under finance leases under IAS 17	4.5	7.243	4.855		4.855
<u>IAS 39 adjustments from 1 Jan 2005</u>					
Fair value of hedging instruments	4.2			203.845	203.845
Amortised cost of financial liabilities	4.2			(2.220)	(2.220)
Amounts under IFRS		8.091.830	8.717.091	201.625	8.918.716
Total difference		(200.376)	(248.682)	201.625	(47.057)
% difference compared with Italian GAAP		-2,4%	-2,8%		-0,5%

Notes to the principal reclassifications and adjustments to consolidated net debt

4.1) Transaction costs

As described in points 3.1.3 and 3.2.3 on the reclassifications and adjustments of the balance sheet at 1 January 2004 and 31 December 2004, to which reference should be made, under IFRS transaction costs incurred on borrowings and other medium/long-term financial liabilities are deducted from the related liability.

As a result, consolidated net debt is reduced by an amount corresponding to the costs recognised, as follows:

- at 1 January 2004 transaction costs of €177,117 thousand and issue discounts of €291 thousand;
- at 31 December 2004 transaction costs of €213,372 thousand and issue discounts of €25,471 thousand.

4.2) Fair value measurement of derivative financial instruments and amortised cost of financial liabilities

As allowed by IFRS 1 and already described, the Group elected to apply IAS 32 and IAS 39 from 1 January 2005. Under these standards derivative financial instruments are measured at fair value ("mark-to-market"), and financial liabilities are measured at amortised cost using the effective interest method (thus taking account of both interest payable and transaction costs).

Net debt at 1 January 2005 has undergone changes due to:

- fair value measurement of the derivative financial instruments held by the Parent Company and the subsidiary, Europpass, that qualify as interest rate and foreign exchange hedges, resulting in an overall negative effect of €203,845 thousand;
- re-measurement of financial liabilities at amortised cost, resulting in a €2,220 thousand reduction in consolidated net debt.

4.3) Amounts payable as unpaid, called-up share capital

Under Italian GAAP the full amount of the issued share capital of subsidiaries and associates is recognised, with any unpaid, called-up amounts accounted for in payables.

Under IFRS, only the effectively paid-up share capital is recognised.

This results in a €23,404 thousand net reduction in consolidated net debt at 1 January 2004, representing the unpaid, called-up share capital of certain companies still to be paid in by the Group. Net debt is similarly reduced by €2,791 thousand at 31 December 2004 and 1 January 2005.

4.4) Accrued finance income and costs

Unlike in previous financial statements, net debt also includes accrued finance income and costs. Net debt has therefore been reduced to reflect accrued finance income at 1 January 2004 (€996 thousand), and at 31 December 2004 and 1 January 2005 (€6,228 thousand).

4.5) Finance leases

Under IAS 17 (see the relevant description already provided in the above paragraph on the reconciliation of consolidated shareholders' equity) assets acquired under finance leases have been accounted for using the relevant method. This has resulted in the recognition of financial liabilities of €7,248 thousand at 1 January 2004 and €4,855 thousand at 31 December 2004 and 1 January 2005.

Notes to the principal movements in the consolidated cash flow statement for the year ended 31 December 2004

The following table shows the reconciliation of the consolidated cash flow statement for 2004 prepared under Italian GAAP and the same statement prepared under IFRS.

This statement illustrates movements in “Net cash and cash equivalents” over the year, as a result of cash flows generated from/used in operating, investing and financing activities.

The following table shows a breakdown of the balance sheet items that constitute “Net cash and cash equivalents” at 31 December 2004 and 31 December 2003.

DISPONIBILITA' LIQUIDE NETTE E MEZZI EQUIVALENTI	31/12/2004	31/12/2003
Disponibilità liquide e mezzi equivalenti		
Denaro e valori in cassa	22.328	27.954
Depositi bancari e postali liberi	147.926	104.957
Mezzi equivalenti		
Depositi vincolati prontamente convertibili	34.211	1.003
Titoli prontamente liquidabili	11.988	29.472
Assegni	3	27
	<u>46.202</u>	<u>30.502</u>
Totale disponibilità liquide e mezzi equivalenti	<u>216.456</u>	<u>163.413</u>
Scoperti di conto corrente rimborsabili a vista (*)	(97.351)	(318.270)
Totale disponibilità liquide nette e mezzi equivalenti	<u>119.105</u>	<u>(154.857)</u>

(*) Gli scoperti di conto corrente rimborsabili a vista sono inclusi nella voce "Passività finanziarie correnti" della situazione patrimoniale

Reconciliation of consolidated cash flow statement for the year ended 31 December 2004

	<u>2004</u> <u>Italian GAAP (1)</u>	<u>Reclassifications</u>	<u>Adjustments</u>	<u>Total changes</u>	<u>2004</u> <u>IFRS</u>
CASH FLOWS FROM (FOR) OPERATING ACTIVITIES					
Net profit/(loss) for the period	429.402		305.737	305.737	735.139
Adjusted by:					
Amortisation, depreciation and other non-monetary costs/(income)	587.707	(21.270)	(307.092)	(328.362)	259.345
Movement in working capital and other movements	(1.198.732)	23.364	271	23.635	(1.175.097)
Net cash generated from/(used in) operating activities [a]	(181.623)	2.094	(1.084)	1.010	(180.613)
CASH FLOWS FROM (FOR) INVESTING ACTIVITIES					
Investments	(721.485)	24.514	3.575	28.089	(693.396)
Other movements in investing activities	396.757	12.233	(97)	12.136	408.893
Net cash generated from/(used in) investing activities [b]	(324.728)	36.747	3.478	40.225	(284.503)
CASH FLOWS FROM (FOR) FINANCING ACTIVITIES					
Dividends paid	(177.231)			0	(177.231)
Other changes in share capital	154	1.796	(1)	1.795	1.949
Movement in financial items	957.390	(40.637)	(2.393)	(43.030)	914.360
Net cash generated from/(used in) financing activities [c]	780.313	(38.841)	(2.394)	(41.235)	739.078
Increase/(decrease) in net cash and cash equivalents [a+b+c+d]	273.962	0	0	0	273.962
Net cash and cash equivalents at beginning of period	(154.857)			0	(154.857)
Net cash and cash equivalents at end of period	119.105	0	0	0	119.105

(1) The consolidated cash flow statement for 2004 under Italian GAAP has been restated on a pro-forma basis in order to reconcile cash and cash equivalents at the beginning and the end of the year rather than, as carried out and presented in the consolidated financial statements for 2004, the total consolidated financial position

Cash flow from (for) operating activities

Cash flow from operating activities declines from €181,623 thousand under Italian GAAP to €180,613 thousand under IFRS. The overall difference of €1,010 thousand is due to the following components:

- an increase of €305,737 thousand in net profit, for the reasons previously described in section 2 and paragraph 3.4;
- a decrease of €328,362 thousand in “Amortisation and depreciation and other non-monetary income/(costs)”, primarily due to the reversal of amortisation of goodwill arising from consolidation (€312,848 thousand) and the reclassification of €21,105 thousand from amortisation of transaction costs incurred on borrowings (see points 3.4.6 and 4.1 above) to finance costs under IFRS;
- an increase of €23,635 thousand in “Movement in working capital and other movements”, primarily due to the reclassification of issue discounts totalling €25,471 thousand (see points 3.2.3 and 4.1 above) from the movement in working capital to the movement in financial liabilities.

The material increase in net profit for the year as a result of the transition to IFRS, due primarily to the reversal of goodwill amortisation, has no effect on cash flow from operating activities, in view of the non-monetary nature of the adjustment made.

Cash flow from investing activities

Cash flow from investing activities declines from €324,728 thousand under Italian GAAP to €284,503 thousand under IFRS. The overall difference of €40,225 thousand is due to the following components:

- a decrease of €28,089 thousand in investment, reflecting the combined effect of the different presentation of transactions costs incurred on borrowings (€45,126 thousand), which are no longer accounted for in intangible assets but in movements in financial liabilities (see point 4.1 above), and the inclusion of the net change in unpaid, called-up share capital to be paid into certain companies (down €20,612 thousand), accounted for as an increase in investments rather than in movements in financial liabilities (see point 4.3 above);
- an increase of €12,136 thousand in “Other movements in investing activities”, reflecting the different presentation of the movement in fixed assets, now accounted for in movements in financial liabilities.

Cash flow from financing activities

Cash flow from financing activities declines from €780,313 thousand under Italian GAAP to €739,078 thousand under IFRS. The overall difference of €41,235 thousand is due to the following components:

- an increase of €1,796 thousand in the net change in share capital, reflecting the different presentation of unpaid, called-up share capital due from minorities under IFRS;
- a decrease of €43,030 thousand in the “Movement in financial items”, due to the different presentation of the above movements, as follows:
 - a) a €25,471 thousand decrease related to issue discounts;
 - b) a €45,126 thousand decrease related to new transaction costs incurred on borrowings;
 - c) a €12,136 thousand decrease related to financial items, previously accounted for in fixed assets and now in cash flow from investing activities;
 - d) a €21,105 thousand increase related to the amortisation of transaction costs incurred on borrowings;
 - e) a €20,612 thousand increase related to the net change in the unpaid, called-up share capital of certain companies.

Substantially similar increases and decreases in cash flows from investing and financing activities are, therefore, primarily due to the different treatment of transaction costs incurred on borrowings, which are no longer accounted for in intangible assets but in movements in financial liabilities.



KPMG S.p.A.
Revisione e organizzazione contabile
Via Ettore Petrolini, 2
00197 ROMA RM

Telefono 06 809611
Telefax 06 8077475
e-mail it-fmauditaly@kpmg.it

(Translation from the Italian original which remains the definitive version)

Report of the auditors

To the board of directors of
Autostrade S.p.A.

- 1 We have audited the attached IFRS reconciliation schedules of the Autostrade Group, comprising the consolidated balance sheets as at 1 January 2004, 31 December 2004 and 1 January 2005, consolidated income statement for the year ended 31 December 2004 and notes thereto (the "IFRS reconciliation schedules").

The above IFRS reconciliation schedules are derived from the consolidated financial statements of Autostrade Group as at and for the year ended 31 December 2004, prepared in accordance with Italian legislation governing the preparation of financial statements. We audited such consolidated financial statements and issued our audit report thereon on 12 April 2005. The IFRS reconciliation schedules have been prepared as part of the transition to the International Financial Reporting Standards (IFRS) adopted by the European Commission. The IFRS reconciliation schedules are the responsibility of the parent company's management. Our responsibility is to express an opinion on these schedules based on our audit.

- 2 We conducted our audit in accordance with the auditing standards generally accepted in Italy. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the IFRS reconciliation schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the IFRS reconciliation schedules. An audit also includes assessing the accounting principles used and significant estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

The responsibility for the audit of the figures relating to certain subsidiaries included in the consolidated figures shown in the IFRS reconciliation schedules and representing 12.8% and 15.2% of consolidated assets at 31 December 2004 and consolidated revenues for the year then ended, respectively, and 12.3% of consolidated assets at 1 January 2005 rests with other auditors.

- 3 In our opinion, the IFRS reconciliation schedules referred to in paragraph 1 taken as a whole comply with the preparation criteria and principles set out in article 81 of Issuer Regulation no. 11971/1999, adopted by Consob, the Italian Commission for Listed Companies and the Stock Exchange, with resolution no. 14990 of 14 April 2005.
- 4 We draw your attention to the disclosure set out in the notes to the IFRS reconciliation schedules which states that such schedules have been prepared only for the purposes of the transition to IFRS for the preparation of the first complete set of consolidated financial statements in accordance with the IFRS adopted by the European Commission. Therefore, they do not include the comparative figures and notes which would be required to give a view of the financial position and results of the Autostrade Group in full compliance with IFRS.

Furthermore, as disclosed in the notes, the IFRS reconciliation schedules show the figures that will be presented for comparative purposes in the first complete set of IFRS-compliant consolidated financial statements. Such figures may change should any IFRS be modified before the issue of such financial statements.

Rome, 19 October 2005

KPMG S.p.A.

(Signed on the original)

Stefano Bandini
Director of Audit