



# Annual Report 2003

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**Aeroporti di Roma Società per Azioni**

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

Fully paid-in capital stock € 62,224,743

[www.adr.it](http://www.adr.it)



## AEROPORTI DI ROMA S.P.A.

### BOARD OF DIRECTORS

*(after the General Meeting and the Board of Directors' Meeting of March 24, 2003)*

|                   |   |
|-------------------|---|
| Chairman          | Federico Falck <i>(from January 16, 2004)</i> <sup>(*)</sup><br>Achille Colombo <i>(until January 14, 2004)</i>   |
| Deputy Chairman   | Paolo Savona <sup>(*)</sup>   |
| Managing Director | Pier Giorgio Romiti <i>(until November 10, 2003)</i>  |
| Directors         | Marcus Charles Balmforth <sup>(*)</sup><br>Martyn Booth<br>Andrea Ciffo<br>Vittorio De Stasio <i>(until December 23, 2003)</i><br>Francesco Di Giovanni <i>(from April 7, 2004)</i><br>Federico Falck <i>(Chairman from January 16, 2004)</i><br>Christopher Timothy Frost <i>(until December 23, 2003)</i><br>Nicholas Moore <i>(from December 23, 2003)</i><br>Cesare Pambianchi<br>Pier Giorgio Romiti <i>(from November 10, 2003)</i> <sup>(*)</sup><br>Cesare Romiti <i>(from December 23, 2003)</i><br>Massimo Scarpelli <i>(from January 16, 2004)</i><br>John Stuart Hugh Roberts<br>Francesco Sensi<br>Alessandro Triscornia <i>(until March 22, 2004)</i> |
| Secretary         | Massimo Faccioli Pintozzi   |

<sup>(\*)</sup> member of the Executive Committee from November 10, 2003

### BOARD OF STATUTORY AUDITORS

*(after the General Meeting of May 9, 2001)*

|                    |   |
|--------------------|---|
| Chairman           | Fabrizio Rimassa  |
| Statutory Auditors | Francesco Ricco<br>Giancarlo Russo Corvace<br>Emanuele Torrani<br>Luigi Tripodo |
| Alternate Auditors | Roberto Ascoli<br>Franco Fontana  |

### GENERAL MANAGER

Enrico Casini *(until March 15, 2004)*

### INDEPENDENT AUDITORS

Reconta Ernst & Young S.p.A.



Notice is hereby given to Shareholders of the Ordinary and Special General Meeting, to be held at the Company's offices in Via Lago di Traiano, 100, Fiumicino (Rome) on April 29, 2004 at 11 a.m., in first call, and, if necessary, in second call, on May 6, 2004, at the same hour and place, to discuss the following

## Agenda

### Ordinary session

1. Annual Report 2003 and related and consequent resolutions;
2. Election of Directors;
3. Election of the Board of Statutory Auditors for the three-year period 2004-2006 and determination of the related fees;
4. Engagement of independent auditors to audit the statutory and consolidated financial statements and to carry out a review of the six-month report, including in consolidated form, and to carry out accounting controls for the three-year period 2004-2006.

### Special session

Amendment of articles 2, 3, 9, 10, 11 and 16 of the articles of association, with reference to corporate law reform; related and consequent resolutions.

*Notice of call has been published in the Official Gazette of the Italian Republic, no. 76, part II, dated March 31, 2004.*



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# Consolidated Report and Financial Statements 2003

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## GROUP OPERATIONS

*(Translation from  
the original issued in Italian)*

### INTRODUCTION

*Dear Shareholders,*

Against a backdrop of economic recovery in the United States and most of South America, continued growth in the Far East and near stagnation in the European Union, the Group substantially met the targets set following the decrease in air traffic in the wake of the tragic attacks on the Twin Towers in New York.

This was achieved by re-launching Ciampino airport, thus grasping the new opportunities created by low-cost air traffic, by increasing operating efficiency across the whole range of the Group's services and by stepping up security measures to protect passengers and facilities.

Prospects for the air transport market are once again looking good, with recovery of traffic levels that existed prior to the events of September 11, 2001 as a key objective, despite the repeated calls for caution issued by the authorities due to the fear of new attacks.

The Italian air transportation sector has also been affected by the fallout from Alitalia's ongoing difficulties and sluggish consumer spending, in view of the fact that retailing is a significant source of revenues for airport operators.

Consequently, in terms of results, 2003 is still to be regarded as an unsettled year for the Group, as the crisis in the airport sector provoked by the much cited terrorist attacks in September 2001 is not yet completely over.

However, positive signs that can be built on emerged during the year. These will enable the Group to sweep away the remaining obstacles that threaten growth and strengthen its capacity to react to any unwelcome negative events that might occur in the future.

In particular, despite the war in Iraq and the SARS epidemic, which hit Far Eastern routes that traditionally carry a large number of high-spending passengers, all components of the Roman airport system grew during the year, except for freight. Indeed, freight development was still held back ahead of the entry into service of the new Cargo City in 2004 and the considerable infrastructural limits that have always affected the Roman airport system.

Passenger traffic was up by 6.8%, aircraft movements by 8.3% and tonnage by 8.7% compared with 2002. A large part of this expansion was due to the development of activities at Ciampino airport which, on the back of increased low-cost traffic, posted substantial growth rates (passengers up 86.9%; movements up 26.9%), thereby making a significant contribution to the improvements seen across the whole airport system.

However, this traffic trend entailed a shift towards lower spending passengers which, together with the slowdown in consumer spending in Italy, meant that traffic increases did not result in a corresponding rise in the Group's non-aviation earnings.

Despite swift implementation of programs designed to adapt the services provided, the results of which in any case will only be reflected in the medium term, revenues from directly managed outlets fell by 4.6%, while earnings from sub-concessions, which are largely influenced by retail sub-concessions, rose by only 0.8%.

Problems regarding the regulatory context of airport operators have yet to be resolved. Such issues concern the responsibility of operators, who are still deprived of the necessary powers, and tariffs – above all for privatized operators – which take no account either of investment that is carried out with public money, but reimbursed on privatization, or the unfavorable differences with respect to the tariffs applied in the rest of Europe.

This state of affairs has a negative impact not only on our return on capital, but above all on the development of airport activities.

Inevitably, this context continues to penalize the Group's economic performance, in terms of both earnings and costs, given that all Group companies are committed to guaranteeing high-quality services for their customers.

The failure to increase airport fees, which have remained at the levels applied in 2000, resulted in a rise in revenues from fees in line with traffic growth. However, this was not enough to even keep pace with inflation over the last three years.

At the same time, the Group had to absorb a sharp (almost threefold) rise in insurance costs, of which the “war and terrorism” component, subject to a dramatic increase in the wake of the events of September 2001, was covered by the Italian State until the end of 2002.

The concession fee applied by the granting authority was raised (up 11.8% compared with 2002), while on the security front the 100% screening service for hold baggage, compulsorily provided since February 1, 2003, entailed additional staff and equipment costs that were borne by the Parent Company until June 3, 2003, when legislation was introduced that finally allowed a charge to be levied for this service.

Nevertheless, the Group continued with its strategic program and concluded many projects that were aimed at maximizing results in all areas of activity where the use of dedicated structures and organizations increases efficiency.

Indeed, during the first part of the year, ADR Tel, the Group Company dedicated to developing telecommunications activities, and ADR Advertising, dedicated to the management of advertising, both started up operations. At the end of the year, ADR Handling, which is 99% controlled by the Parent Company, took over handling activities at Ciampino airport, via the transfer of a division of the Parent Company. Such activities were previously managed directly by the Parent Company, ADR.

Thanks to the initiatives undertaken, EBITDA rose by 4.3% despite the strong cost pressures resulting from the above factors.

It should also be emphasized that the Group held firmly to its investment objectives proposed at the time of privatization. The aim is to raise customer satisfaction levels, whilst at the same time exploiting the business potential of surrounding areas in order to spread fixed costs over a wider base and thereby reduce charges to passengers.

On the financial front, the crucial restructuring of the Parent Company's debt was successfully concluded in February, despite the imminence of war in Iraq and great financial market uncertainty.



This transaction, which confirmed investors' confidence in ADR, has resulted in a more stable financial structure, and means that it will be easier to manage the Group's debt in relation to the Parent Company's future plans.

Initiatives targeting more diversified sectors, some of which were launched in 2002, were continued. These included a cultural initiative called "Play on", which – based on an idea that also met the approval of the airport authorities –, sought to highlight the concept of the airport as an ideal venue for activities unrelated to the main purpose for which the infrastructure was originally designed.

The following table summarizes main traffic data for the year for Rome's airport system and shows changes with respect to 2002.

| Traffic component    | System     | % change |
|----------------------|------------|----------|
| Movements            | 337,961    | +8.3%    |
| Aircraft tonnage     | 24,152,568 | +8.7%    |
| Total passengers     | 28,079,044 | +6.8%    |
| Total freight (tons) | 147,510    | -1.4%    |

The following table summarizes key economic, financial and operational data for 2003.

| Key economic, financial and operational data<br>(in thousands of euros) | 2003               | 2002              |
|---|--------------------|-------------------|
| Revenues  | 518,193            | 510,163           |
| EBITDA  | 217,881            | (1) 208,965       |
| EBIT  | 111,367            | 113,127           |
| Net income  | 1,083              | 8,448             |
|   | <b>12.31. 2003</b> | <b>12.31.2002</b> |
| Invested capital  | 2,349,469          | 2,336,183         |
| Shareholders' equity  | 709,321            | 766,185           |
| Net debt  | 1,640,148          | 1,569,998         |
| Short-term cash and cash equivalents                                    | 104,871            | 81,340            |
| Medium-/long-term debt  | 1,745,019          | 1,651,338         |
| <b>Ratios</b>   | <b>2003</b>        | <b>2002</b>       |
| Revenues/Average headcount (in thousands of euros)                      | 155                | 147               |
| No. of passengers/Average headcount                                     | 8,389              | 7,588             |

## BACKGROUND

### Principal macro-economic indicators

The performance of the leading industrialized countries, particularly in terms of GDP growth, are a leading external factor affecting future air traffic trends. The following is a concise analysis of the world macroeconomic situation<sup>2</sup>.

Compared with previous months, the fourth quarter of 2003 saw further consolidation and strengthening of the global economy, confirming the upturn described above. The US economy rallied, posting the highest growth rate in twenty years, and the emerging economies of East Asia

<sup>(1)</sup> For purposes of comparison, EBITDA for 2002 has been changed following reclassification of some Income Statement items. For details of these reclassifications, see the section on the Group's financial position and operating results.

<sup>(2)</sup> Source: *Macro-economic Forecasts* – Confindustria – December 2003.

returned to growth after a slowdown that was due in part to the recent SARS epidemic.

The outlook for the global economy, driven by the United States and East Asia, should see the end of the period of stagnation that has prevailed since the fall of 2002: the world economy grew by 3.1% in 2003 and is set to expand further over the next two years.

In the USA economic recovery was particularly solid, with GDP growth standing at 3.0%; household spending, which above all benefited from tax cuts, is still the fastest growing component. Fixed investment by companies rose sharply, and on the back of improvements in operational and financial management and achievement of greater efficiency businesses are investing at rates which have, for the first time, overtaken consumption.

Moreover, the weak dollar has favored increased exports and left the volume of imports unchanged.

Japan, which has experienced over a decade of stagnation, is currently registering new and concrete signs of economic recovery, such as GDP which rose by 2.1%. This growth trend is still fragile, and may turn out to be unsustainable in the long term. The simple fact that this growth is determined exclusively by private consumption and export growth adds up to an element of weakness.

In Latin America, the current delicate phase of recovery is mainly linked to dependence on exports. However, the situation varies from country to country. Mexico and Chile have the most robust economies, but a turnaround that has resulted in global investors being more reluctant to take risks could be detrimental to them.

The economic recovery in Brazil is linked to the confidence “perceived” by financial markets, which are banking on the government’s determined efforts to implement reforms. Argentina has yet to recover from the recent economic crisis.

In Europe (the euro area), after a hesitant start, 2003 saw signs of recovery with GDP returning to growth (up 0.4%). Thus it appears that the expected upturn in the area’s economy has begun, although the situation is still not completely clear. This rally was sparked off by external demand, with increased exports of goods and services. Investment – the other demand component that can boost economic growth – has, however, continued to contract. High levels of idle capacity, coupled with uncertainty about the duration and extent of global recovery, have undoubtedly put the brakes on companies’ investment decisions. Furthermore, although slowing, household consumption has held firm.

In South Africa, after the slowdown of 1998 and 1999, the economy has enjoyed a period of sustained growth which is still on track. During the first half of 2003, the South African economy continued to demonstrate remarkable flexibility and above all a marked capacity to react positively to factors that influence the global economy.

In Italy, the economy picked up slightly, with GDP up by 0.5% in 2003. Industry contributed significantly to this result. On the demand side, growth was fostered by household consumption and net exports. However, there were no substantial indications of a rally in investment which, together with exports, are best able to guarantee sustainable growth in the medium term.

### Legal and regulatory context

With regard to airport fees, the Ministry of Transport and Infrastructure did not issue a decree defining the new fees by the end of 2003, as called for by the Ministry’s own Decree of November

14, 2000, which set the deadline for a provisional decision regarding the said amounts at and not beyond March 1, 2002.

The Parent Company continued to record revenues in accordance with the most recently established amounts.

Following the coming into force of EU Regulation no. 2320/2002 of December 16, 2002 and Civil Aviation Authority Regulations 14/2002 and 7/2002 of December 31, 2002, as of February 1, 2003 100% screening of hold baggage is mandatory.

On June 3, 2003, a Ministerial Decree dated March 14, 2003 was published in Official Gazette no. 126. The Decree provisionally set the amounts due for such services at 2.05 euros per outgoing passenger from both Fiumicino and Ciampino airports.

Carriers are directly responsible for the application and collection of such amounts, as well as full payment to the airport operator (art. 2 of the Ministerial Decree).

The Ministerial Decree provides that such amounts shall be applied as of the date of notification to the Ministry of Transport and Infrastructure and the operator, by the Civil Aviation Authority, which is responsible for verifying compliance of the service offered with the requirements of the related legislation. The Civil Aviation Authority recognized such compliance, at both Fiumicino and Ciampino, and submitted the required notification to the Ministry and ADR on June 3, 2003. The said amounts consist of a fixed and a variable component and will remain in force until a review, to be carried out by Ministerial Decree, or in any case until no later than March 30, 2004. The Ministry's review will be carried out on the basis of results for the financial year and of analytic and audited accounts submitted to the Ministry of Transport and Infrastructure, the Civil Aviation Authority and the airport operator, pursuant to CIPE (Ministerial Economic Planning Committee) Resolution no. 86/2000. This review will also consider quality parameters laid down by the Civil Aviation Authority and established by the same Decree (art. 3, Ministerial Decree of March 14, 2003).

In compliance with the above-mentioned legislation, the Parent Company, ADR, launched a 100% screening service for hold baggage on February 1, 2003, bearing the related costs until June 3, 2003. As already mentioned, as of this date payment for such service became collectable. ADR intends to take the necessary actions to recover such costs.

The same issue of the Official Gazette contained the text of a Ministerial Decree dated March 14, 2003 regarding the amount due for passenger and carry-on baggage security checks. The amount remained at 1.81 euros (as provided for by the prior Ministerial Decree of December 21, 2001), which is added to the boarding fee.

This amount will remain in force until a review is carried out by a Decree from the Ministry of Transport and Infrastructure on the basis of calculation criteria pursuant to CIPE (Ministerial Economic Planning Committee) Resolution no. 86/2000, by March 30, 2004.

On June 30, 2003 a Decree was issued defining the license fees for 2003 (published in the Official Gazette of July 7, 2003). Pursuant to art. 1 of this Decree, as of 2003, the fees due from airport operators is determined in relation to the WLU (Work Load Unit corresponding to one passenger or 100 kilograms of freight or mail) in accordance with the procedures indicated in the technical annex to the Decree. ADR took this matter to the judicial authorities, questioning the legitimacy of the above-mentioned calculation procedures.

The Agreement between the Civil Aviation Authority and ADR, which governs the concession, the draft of which was signed in July 2002 and approved by the Board of Directors on July 8, 2002, was commented upon by the Ministry of Transport and Infrastructure's Air Transport Management Department and Audit Office.

On July 2, 2003, ADR submitted an access application to the Civil Aviation Authority under the provisions of Law no. 241/90 requesting permission to view and make related photocopies of all the documents regarding the drawing up of the annex to the airport concession agreement.

ADR's interest in gaining such access ceased when the Company received a letter from Civil Aviation Authority and two others from the Ministry of Transport explaining the authorities' decisions regarding the matter. ADR replied to these letters on August 26, 2003.

A notice was published in the Official Gazette of September 24, 2003 regarding adoption by the Civil Aviation Authority of Amendment 1 to the Airport Construction and Operating Regulations (dated September 30, 2002), which revised sections 1, 2, 3, 5 and 9 of the said Regulations.

Amendment 1 also included the addition of Appendix 1A to Section 1, which stipulates that Fiumicino must obtain airport certification by November 27, 2003, and Ciampino by November 30, 2004.

Notice of the adoption on October 21, 2003 by the Civil Aviation Authority's Board of Directors of Amendment 2 to the first edition of the Regulations, which contains the revision of Sections 1, 4, 6, 7 and 8, was published in no. 257 of the Official Gazette of November 5, 2003.

With the adoption of Amendment 2, the updating of the said Regulations was concluded, and a second edition was thus issued on October 21, 2003. Moreover, the date of November 27, 2003, by which airport certification for Fiumicino must be obtained, was confirmed in the second edition.

To this end the Civil Aviation Authority, with the participation of ADR, set up a specific team and carried out airport certification procedures for Fiumicino.

In a letter dated November 24, 2003, ADR submitted a formal request to the Civil Aviation Authority for the issuing of a "Fiumicino Airport Certificate", in accordance with indications received from the Civil Aviation Authority and the certification team.

In compliance with the Regulations, ADR prepared the Airport Manual and all the related documentation required by the Regulations. The relevant documents were delivered to the Civil Authority within the established deadline. ADR is currently awaiting official issue of the Airport Certificate.

Preparation continues of various corporate documents forming an integral part of the "Organization, Management and Control Model", with a view to preventing the commission of offences pursuant to Legislative Decree no. 231 of June 8, 2001 (Administrative liability of companies). Similar preparations are in progress for other Group companies.

Legislative Decree no. 196 (the "Data Protection Code"), which has replaced and amended the previous data protection legislation, was issued on June 30, 2003.

The Legislative Decree is due to come into effect on January 1, 2004, although this deadline will be extended to allow for gradual and subsequent compliance with certain provisions.

The Code includes the adoption of new minimum data protection measures and the extension of the requirement to produce a Security Planning Document to entities not previously required to do so.

The Parent Company therefore plans to update its previous data protection procedures and prepare a Planning Document in line with the new regulations and the deadlines established by Legislative Decree no. 196/2003 and the subsequent guidelines issued by the Privacy Authority (June 2004).

## ACTIVITIES

### Aviation activities

#### Air traffic

For the air transport industry, 2003 was yet another year marked by extraordinary events which, together with those of previous years (starting with the tragic attacks of September 11, 2001), have brought the entire sector up against the longest crisis it has ever known.

In early 2003, air traffic was moving into a recovery phase compared with the previous year. However, the war that began in Iraq in March 2003 and the SARS epidemic triggered a downturn, which only showed signs of reversing at the end of the year.

At the global level<sup>3</sup> figures for the first nine months of the year show a substantially similar number of passengers (up 0.3%) and a reduction in movements (down 1.3%) compared with the same period in 2002. In terms of passengers the most badly hit areas were the Asia-Pacific region (down 5.0%), Central and South America (down 0.5%) and North America (down 0.1%).

Europe<sup>4</sup> was also affected by the international downturn, although to a lesser extent than global traffic. Indeed, figures for the first eleven months show the number of passengers up by 2.1% and movements up by 1.5%.

In Italy<sup>5</sup>, compared with the previous year, 2003 posted an increase in passengers and movements of 9.9% and 5.8%, respectively.

**The airport system**

During 2003, compared with the Europe’s main airports against which the Group’s performance is measured, the Roman airport system achieved the best passenger traffic results: passengers rose by 6.8% compared with Madrid (up 5.2%), London (up 2.9%), Frankfurt (down 0.2%), Paris (down 1.3%) and Amsterdam (down 1.9%).

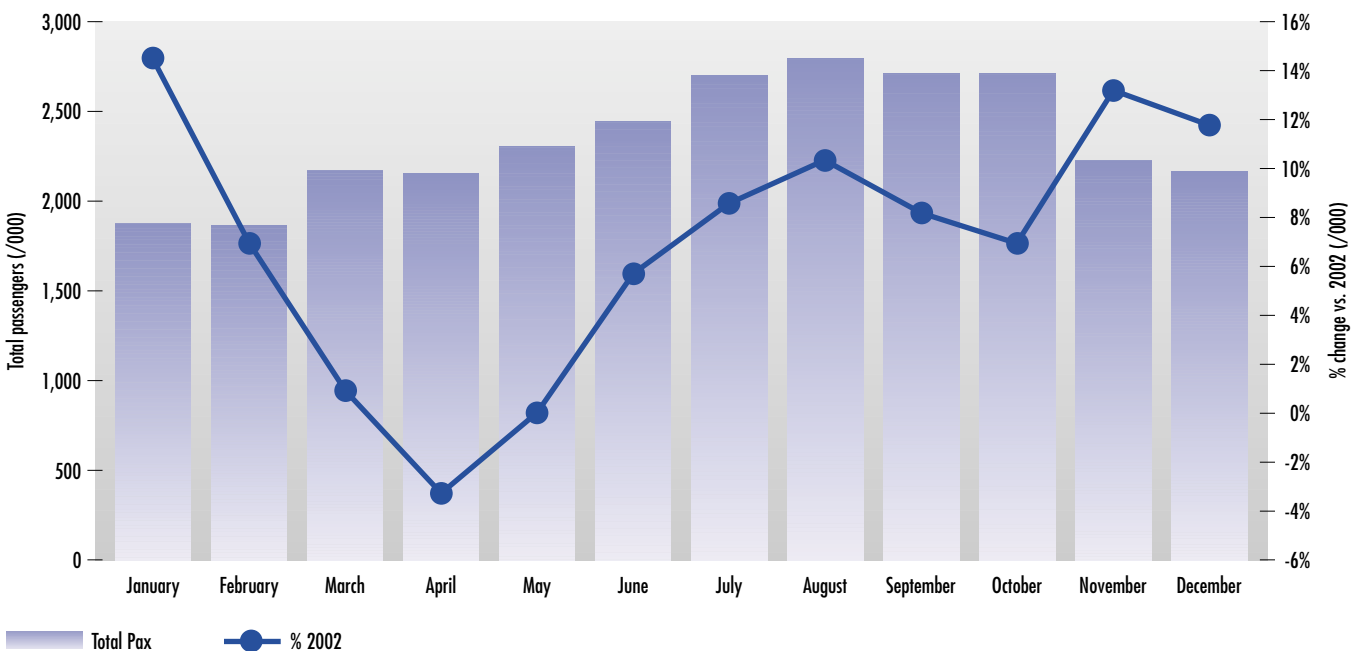
In 2003 the Roman airport system reported an increase of 6.8% with monthly performances which – as already experienced at global and European levels – were affected by the war in Iraq and the SARS epidemic.

<sup>(3)</sup> Source: ACI World – Airport Traffic Report – September 2003.  
<sup>(4)</sup> Source: ACI World – Rapid Data Exchange Program – December 2003.  
<sup>(5)</sup> Source: Assaeroporti – November 2003.

The monthly trend in passenger traffic for the Roman airport system breaks down as follows:

**THE ROMAN AIRPORT SYSTEM**

Total Passengers – Monthly percentage changes compared with 2002



Information regarding trends in traffic components is provided below:

*Data up to December 31, 2003* (The figures in brackets indicate the percentage change with respect to the previous year)

| Traffic component    | System     | % change | Fiumicino  | % change | Ciampino  | % change | Domestic   | % change | International | % change |
|----------------------|------------|----------|------------|----------|-----------|----------|------------|----------|---------------|----------|
|                      |            | 03/02    |            | 03/02    |           | 03/02    |            | 03/02    |               | 03/02    |
| Movements            | 337,961    | (+8.3%)  | 300,831    | (+6.4%)  | 37,130    | (+26.9%) | 173,321    | (+0.5%)  | 164,640       | (+18.0%) |
| Aircraft tonnage     | 24,152,568 | (+8.7%)  | 22,621,737 | (+6.9%)  | 1,530,831 | (+46.1%) | 10,019,129 | (+1.7%)  | 14,133,439    | (+14.4%) |
| Total passengers     | 28,079,044 | (+6.8%)  | 26,284,759 | (+3.7%)  | 1,794,285 | (+86.9%) | 12,647,218 | (+3.2%)  | 15,431,826    | (+9.9%)  |
| Total freight (tons) | 147,510    | (-1.4%)  | 127,684    | (-2.3%)  | 19,826    | (+4.8%)  | 20,878     | (-7.6%)  | 126,632       | (-0.3%)  |

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

| Traffic component    | International | % change | EU        | % change | Non EU    | % change |
|----------------------|---------------|----------|-----------|----------|-----------|----------|
|                      |               | 03/02    |           | 03/02    |           | 03/02    |
| Movements            | 164,640       | (+18.0%) | 106,985   | (+20.3%) | 57,655    | (+13.8%) |
| Aircraft tonnage     | 14,133,439    | (+14.4%) | 7,167,287 | (+14.4%) | 6,966,152 | (+14.3%) |
| Total passengers     | 15,431,826    | (+9.9%)  | 9,690,752 | (+13.8%) | 5,741,074 | (+3.9%)  |
| Total freight (tons) | 126,632       | (-0.3%)  | 28,812    | (+2.8%)  | 97,820    | (-1.2%)  |

At Fiumicino, an increase in capacity was reported (total movements up 6.4% and aircraft tonnage up 6.9%) that was not accompanied by a similar increase in passenger traffic (up 3.7%), in connection with the decrease in the load factor due to the above-mentioned events; the freight component fell slightly (down 2.3%).

Breakdowns for the different areas are as follows:

**Domestic traffic:** This sector, representing 48.0% of total passenger traffic, reported the following:

- Domestic, Alitalia (68.1% of passenger market share): the carrier reported decreased passenger traffic (down 3.5%), due to a reduction in load factors and in capacity (movements were down 1.5%, aircraft tonnage was down 2.0%);
- Domestic, other carriers (31.9% of passenger market share): the increase in passenger traffic (passengers up 20.9%; movements up 4.3%; aircraft tonnage up 9.6%) derived from increased capacity on the part of some domestic carriers, including Air One, Meridiana and Volare Airlines.

**International European Union traffic:** This sector, representing 30.6% of total passenger traffic, reported the following:

- European Union, Alitalia (35.1% of passenger market share): the carrier reported similar passenger levels (passengers down 0.3%), despite an increase in capacity (movements up 10.6%; aircraft tonnage up 2.3%);
- European Union, other carriers (64.9% of passenger market share): all the other carriers reported increases in passenger traffic, amounting to 6.1%, due to a rise in capacity (movements up 13.7%; aircraft tonnage up 8.9%);

**International traffic outside the European Union:** This sector, representing 21.4% of total passenger traffic, which was the one most seriously affected by the current crisis (with reduced

“inclination to travel” and a consequent decrease in carriers’ load factors), reported the following:

- Traffic outside the European Union, Alitalia (25.5% of passenger market share): the carrier saw a rise in passenger levels (up 16.7%) due to an increase in capacity (movements up 24.8%; aircraft tonnage up 23.9%);
- Traffic outside the European Union, other carriers (74.5% of passenger market share): other airlines reported a rise of 1.5% in the number of passengers due to increased capacity (movements up 12.6%; aircraft tonnage up 13.2%) and a reduction in load factors.

At the beginning of 2003, a fall in demand for transportation at Fiumicino airport due to the above-mentioned events, led carriers to reduce capacity.

The repercussions were most severely felt in relation to non-EU countries, especially North America and the Far East.

In the North American sector, two New York flights were temporarily suspended by Alitalia and Delta Airlines. The latter also decided to postpone the inauguration of additional daily flights to Boston (seasonal) and Cincinnati (year round), which were scheduled to start up in May 2003. Similarly, Northwest Airlines cancelled its daily seasonal flight to Detroit which should have started operating in May 2003. Kuwait Airways cancelled most of its summer season operations.

The most important carriers serving the Far East to temporarily cut back their operations at Fiumicino included Air China, Cathay Pacific, Thai Airways and Korean Air.

As of September 2003, Qantas cancelled its flights to Rome, but continued to serve its customers via an agreement with Cathay which, at the same time, stepped up its operations with a new weekly flight to Rome.

On the other hand, some companies inaugurated new direct flights (American to New York, Eritrean to Asmara, Qatar Airways to Doha and Braathens to Oslo).

The European Union, which suffered less from the events that hit the sector, saw the start up of new routes from Fiumicino during the summer season: Alitalia inaugurated daily flights to Stuttgart; Virgin Express began daily flights to Amsterdam; Germanwings added a daily flight to Cologne; SN Brussels Airlines added two daily flights to Brussels; and, via its new Snowflake brand, the SAS group carriers, Braathens and SAS, began offering new weekly flights to Oslo, Copenhagen and Stockholm.

The domestic market saw Volare began operating three daily flights to Bergamo.

At Ciampino airport the increase in passengers (up 86.9%) with respect to 2002 is primarily due to the development of low-cost traffic.

Ryanair, which started operating in April 2002 and had seven daily flights out of Ciampino at the end of 2002, stepped up its operations during the year with the addition of three more daily flights.

Other low-cost carriers developed new routes at the airport, including Air Berlin (with flights to Munster, Berlin and Hamburg), Sterling (with direct flights to Stockholm, Oslo and Copenhagen) and Hapag Lloyd Express with two daily flights to Cologne and one to Hanover.

Freight traffic performance at the airport, mainly arising from the activities of express couriers – DHL, TNT and UPS – registered an increase of 4.8% compared with 2002.

### Airport fees

During 2003, revenues from airport fees, which are directly correlated with airport traffic, rose by 8% due to traffic trends and the related mix.

As was true of other airport operators, the Parent Company, ADR S.p.A., continued to apply the amount of fees in effect in 2002, as established by the Decree dated November 14, 2000, even if the established period for their application expired at the end of February 2002.

### Management of centralized infrastructures

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

Total revenues during 2003 amounted to 33.5 million euros, substantially in line with the previous year.

In comparison with 2002, it is to be noted that loading bridge revenues were affected by a review of "night parking" fees and a reduction in average parking times.

During 2003 the automated baggage handling system processed around 5,000,000 pieces of baggage (down 0.16% compared with 2002), with the number of misdirected pieces of luggage totaling 0.095% (up 0.020% with respect to 2002), of which 0.056% were caused by equipment and 0.039% were due to multi-level equipment and security checks.

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

During 2003, the main components of the traffic served at Fiumicino by Aeroporti di Roma Handling S.p.A., the Group company that provides landside and airside services, are shown in the following tables:

| Traffic component         | 2003                  |                      | 2002                  |                      | Change                |                      |
|---------------------------|-----------------------|----------------------|-----------------------|----------------------|-----------------------|----------------------|
|                           | Handling at Fiumicino | % of total Fiumicino | Handling at Fiumicino | % of total Fiumicino | Handling at Fiumicino | % of total Fiumicino |
| No. of aircraft movements | 85,785                | 28.5%                | 83,958                | 29.7%                | 2.2%                  | (1.2%)               |
| Aircraft tonnage          | 8,758,249             | 38.7%                | 8,154,181             | 38.5%                | 7.4%                  | 0.2%                 |
| No. of passengers         | 8,070,755             | 30.7%                | 8,024,402             | 31.7%                | 0.6%                  | (1.0%)               |
| Traffic unit              | 8,557,744             | 31.0%                | 8,619,786             | 32.3%                | (0.7%)                | (1.3%)               |

After an initial drop compared with 2002, handling services gradually recovered during the year.

This drop in traffic was primarily due to the transfer to other handlers by some carriers (Austrian Airlines, Czech Airlines, Air Europa), the war in Iraq and the SARS epidemic.

At the same time as other handlers took over activities previously carried out by ADRH, agreements regarding the transfer of operating personnel were signed with Alitalia Airport and EAS. The drop in traffic arising from the war in Iraq was partially offset by MAC (Military Airfoyle Command flights to and from the Gulf).



Compared with 2002, all traffic components showed signs of recovery (aircraft movements up 2.2%; aircraft tonnage up 7.4%; passengers up 0.6%), while market share was still down slightly with regard to aircraft movements and passengers.

Indicators of service quality<sup>6</sup> during the year are shown below:

|                                 | 2003   | 2002   | Target for 2003 |
|---------------------------------|--------|--------|-----------------|
| Left-behind                     | 0.47   | 0.30   | 0.60            |
| Airport punctuality             | 99.84% | 99.55% | 99.50%          |
| Zero minute airport punctuality | 99.20% | 98.52% | 98.00%          |

The data show a substantial increase compared to the targets set.

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

|                      | 2003   | 2002   | % change |
|----------------------|--------|--------|----------|
| Baggage reclaim (*)  | 88.76% | 85.59% | 3.70%    |
| Baggage reclaim (**) | 98.44% | 98.48% | (0.04%)  |

(\*) within 20 minutes for domestic and “Schengen” area flights, and within 30 minutes for international flights – to be respected for 80% of flights;

(\*\*) within 25 minutes for domestic and “Schengen” area flights, and within 35 minutes for international flights – to be respected for 98% of flights.

|   | 2003  | 2002  | Target % | Target % change |
|---|-------|-------|----------|-----------------|
| Baggage reclaim - Service Charter first bag (***) | 96.4% | 97.3% | 90%      | +6.4%           |
| Baggage reclaim - Service Charter last bag (***)  | 96.3% | 94.6% | 90%      | +6.3%           |

(\*\*\*) baggage reclaim starts within 26 minutes and finishes within 34 minutes of flight arrival – to be respected for 90% of flights.

## Security

During 2003, security activities carried out by the Parent Company, ADR, broke down as follows:

- security checks on passengers and carry-on baggage, operated under concession;
- 100% screening of hold baggage, which became mandatory as of February 1, 2003 following Civil Aviation Authority and Ministry of Interior regulations, carried out under the authorization of the Civil Aviation Authority until June 3, 2003, and as of that date in concession following approval of the Ministerial Decree of March 14, 2003 and related publication in Official Gazette no. 126;
- other security services requested by operators/carriers, also in compliance with the instructions from airport authorities and the requirements of the National Security Program;
- new “explosive detection checks” on passengers introduced during the year;
- retraining of ADR and ADRH personnel with other professional experience who have been assigned to security duties. Third-party training, although still limited, has expanded considerably. The ASY Training Center has carried out training courses on x-ray checks for Rome’s municipal police, for Italian post office staff at Fiumicino airport and for other leading companies;
- security activities regarding surveillance of the airport system, carried out as of August 2003.

## Operational safety

In 2003 the Civil Aviation Authority issued the latest version of the Airport Construction and

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

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

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

Operation Regulations regarding the design, building and running of airport infrastructure, including application of the instructions contained in Annex no. 14 of the ICAO Regulations.

For airports with high traffic volumes, such as Fiumicino and Malpensa, airport certification was obtained by November 27, 2003, subject to the carrying out of infrastructure works (or a commitment to do so within time limits established by the Civil Aviation Authority), as well as submission of organized procedures. All necessary documentation was submitted by the agreed date of November 18, 2003.

With regard to Ciampino airport, which has the status of “a military airport open to civil air traffic”, ADR has taken steps to carry out the most urgent works to upgrade the airport’s runways and taxiways, as requested by the Civil Aviation Authority after an inspection. Also at Ciampino, activities designed to “control and clear birds” began in July, as required by an ordinance issued by the local airport authority.

### Real estate management

#### Sub-concessions

Revenues from sub-concessions, deriving from fees and utilities at Fiumicino airport, amounted to 21.7 million euros in 2003.

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

- the opening of a new Poste Italiane S.p.A. office, with a view to extending the range of services offered to the public in the Terminal “A” arrivals hall (domestic flights);
- an increase in sub-concessions to the Air One Group (space in the Office Tower, changing rooms, rest areas and storage areas in the operational buildings);
- new space leased to mobile telephone operators (H3G, Wind, Tim and Vodafone), in addition to the introduction of a revised pricing policy;
- sub-concession of the “Catering Ovest” premises to LSG Sky Chefs as of October 1, 2003;
- sub-concession of additional space to Sodacaer (catering sector) and Alha (freight sector).

The increase in the volume of sub-let space enabled the Group to compensate for decreases in revenues due to:

- the relinquishment of storage and office premises by Weitnauer-Duty Free Italia due to the termination of activities, which was only partially absorbed by the requirements of the company (The Nuance) that has taken over the space;
- the relinquishment of space by freight operators (Wilson Logistic).

Revenues from royalties at Fiumicino totaled 16.2 million euros, up on the previous year, due to greater earnings deriving from aviation fuel (up 13.4%) and the hotel sector (up 5%).

During 2003, real estate management at Ciampino airport generated revenues from fees and utilities of 2.8 million euros, a decrease of 4.5%. Royalties amounted to 1.0 million euros (up 28.7%).

#### Management of car parks

Revenues from parking systems at Fiumicino and Ciampino airports amounted to 21.9 million euros, a rise of 8.6% over 2002, compared with a rise in passenger traffic of 6.8% during the same period.

### Infrastructure maintenance

Maintenance activities to guarantee the reliability of airport infrastructure continued during 2003.

In June, renewal of the two-year maintenance contracts for electrical systems was put out to public tender. In July renewal of the two-year maintenance contracts for civil works and water and sewage networks were put out to public tender.

### Non-aviation activities

Revenues from direct sales decreased by 4.6% compared with a total increase in passengers of 6.8%.

This change is due to the contraction in higher spending passengers (intercontinental tourism), compounded by the weakness of the dollar against the euro. These factors also occurred against a backdrop of an overall reduction in consumer spending.

Consequently, a substantial program designed to boost retail activities was launched (restructuring of existing outlets, opening of new shops, intense promotional and marketing activities), the benefits of which will be fully felt as of 2004.

Revenues from outlets managed by sub-concessionaires decreased slightly (down 2.7%), primarily due to the retail sector. Such activities have suffered from the above-mentioned change in the type of passenger, the effect of the weak dollar and the reduction in overall consumer spending, as well as the impact of the first year of management by the new operator, Nuance, which involved the restructuring of all 12 shops.

Other retail operators turned in results that exceeded the increase in traffic, mainly thanks to the opening of new outlets such as Bulgari, Fabriano, Ferragamo, Hermes, Imaginarium, Loro Piana, Tacchini/Play Life, Parah, Take Off, Timberland and Beauty Club.

The decrease of 12.8% in "Other royalties" was primarily due to the poor performance of the currency exchange business and VAT refunds, which felt the effects of the trend towards lower-spending passengers and greater use of the single European currency.

2004 projections for sub-concessions are particularly ambitious, with forecast growth in revenues of 14.8%, thanks to a guaranteed minimum deriving from Nuance, which will be up and running, and the opening of new outlets.

With regard to the situation of customers to whom the Group is particularly exposed, Cisim Food S.p.A., a Cirio Group company which is the airport's main refreshment operator, was placed in liquidation in April. In the meantime, normal activities are continuing and ADR is furthering initiatives aimed at recovering accounts due and drawing up proposals aimed at ensuring continuity.

In this context, on December 17, 2003 the Company La Piazza di Spagna S.r.l. – owned by ADR S.p.A. (49%) and a subsidiary of Save S.p.A., Airport Elite S.r.l. (51%) – was incorporated with share capital of 100,000 euros. The Company, which is not yet operative, will be responsible for refreshment provision and the sale of newspapers and items regulated by state monopoly legislation.

The sale of advertising space at Fiumicino and Ciampino airports has been carried out as of March

1, 2003 by the subsidiary undertaking, ADR Advertising S.p.A., on the basis of an agreement with the Parent Company regarding the lease of the advertising division. With respect to 2002 revenues rose by 9.7% due to increased sales of advertising space in the domestic terminal and in external areas. Promotional advertising initiatives also rose sharply (up 27%).

The advertising sector performed particularly well when compared with the national average for investment in advertising which grew by 2.1% (Source: AC Nielsen).

### Technical and IT services

#### Maintenance of plants and facilities

During 2003 management and maintenance activities of existing infrastructures and facilities were carried out to guarantee reliability and provide quality services in line with customer expectations and leading European airports.

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

- planning, contracting out and implementation of works to upgrade the manual coding area of the baggage handling system;
- planning and contracting out of activities to upgrade hold baggage screening at Terminals “B” and “C”;
- improvements to the project for the integration of security checking systems at Terminal “A” and in Transit areas;
- installation of stop bars and red bars (ICAO 9476) at all intersections with a view to preventing planes from veering onto runways under visibility 2 conditions;
- drawing up of an executive design for upgrading of the BHS (Baggage Handling System) located at the Europa Pier;
- market studies regarding the construction of a co-generation plant within the airport grounds;
- following identification of the best “customer” solution for installation, completion of the control platform for heating and air conditioning equipment;
- drawing up of the “ALCE” executive design and related contracting out. Works will regard the following constructions:
  1. a baggage handling building for domestic flights (opposite Terminal “A”),
  2. a baggage handling building for baggage in transit from international flights (area near the People Mover),
  3. electromechanical works to expand carousels for domestic flight baggage handling, awaiting completion of the works described in point 1 (area below former departure gates 18-25);
- provision of services to handlers for the maintenance of vehicles and ground handling equipment.

#### Information Technology

During 2003, some important works were completed, continued and launched. Such works are designed to upgrade the technology and practical use of certain applications. In particular:

- New “Active Cycle” Management System: This system is designed to extend the use of the SAP system to include invoicing. The system was developed and released by both ADR and ADRH during the year. In addition, automation functions regarding data feed for external SAP-to-SAP invoicing were developed for vehicle maintenance and commercial concessions. This data feed automation process will be extended to other key corporate processes during 2004.

- **New sales management system:** This system is designed to manage ADR's direct sales. The system was developed and released during the year. Implementation of new functions and use of the system by ADR sub-concessionaires is scheduled during 2004. To this end an agreement was drawn up with the company that owns the system, which will grant a royalty on revenues to ADR for the new installations at the airport.
- **New technologies for the development of applications:** The purpose of this project is to introduce new technological standards (operating systems, languages, support modules) for the development of applications. During 2003 the hardware and software technical environment was prepared to enable development of the pilot application. During 2004 the pilot application will be developed and a detailed study launched to enable application of the new technology to the reengineering of airport systems.
- **New airport operations management system (UFIS):** During 2003 the system was implemented via development of a module that enables autocoverage, and also personalized to allow it to be used in cargo operations and in safety management and emergencies. The acquisition and personalization of management modules for airport infrastructure and passenger handling, as well as acquisition of a wireless module to enable real-time gathering of operational data, are planned for 2004.
- **New system of information diffusion:** Activities relating to code-sharing management and indication of handlers linked to flights were completed during 2003. Replacement of obsolete peripheral hardware in preparation for the installation of the Alitalia and ADR EDP system was begun and will be completed during 2004.
- **IT security at ADR:** A study was carried out during the year which, starting from an organizational, methodological and technological assessment of the actual situation, identified risk factors in various departments and drew up a preliminary plan for upgrading IT security infrastructures.
- **Start-up of operations of ADR Tel:** On April 1, 2003, the new Company started up operations with the transfer of the relevant personnel.
- **Centralized system for passenger and baggage check-in procedures (CUTE):** Following a public tender during the year, the contract for the supply, running and maintenance of the system, was renegotiated. In collaboration with SITA – the Company that won the contract – activities were subsequently carried out to enable migration from the OS2 to the Windows operating system. In addition, activities were launched aimed at extending the system to fully cover all existing workstations and at upgrading the network.

## Environmental protection

### Environmental impact

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

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

Within the scope of training initiatives, scheduled courses were given by ADR's specialized environmental department to managers in the EMS sector, and to all departments concerned with EMS.

EMS monitoring, conducted by ADR's internal environmental auditors, was carried out in

accordance with annual planning, and contributed to highlighting areas where systems may be improved.

At Fiumicino, following the installation of switchboards, ongoing monitoring of electromagnetic fields was continued.

Air quality monitoring at Ciampino, carried out by ADR's mobile laboratory, was completed.

### Noise abatement

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

In particular, with a view to reducing the acoustic impact of aircraft in the vicinity of the airport, ADR has implemented a strategy including certain innovative measures that are undoubtedly among the most advanced in Italy. During the period 1996-2003, this led to the following comprehensive set of initiatives:

#### *Initiatives implemented*

- Active participation in airport noise management committees, pursuant to art. 5 of Decree 10.31.1997 regarding Fiumicino and Ciampino airports and, within the scope of dedicated working groups, drawing up of new flight procedures for noise reduction and definition of acoustic isolevel contours.
- Management since 1996 of airport noise pollution monitoring at Fiumicino, which was previously conducted by the former DGAC (now the Civil Aviation Authority). This entails responsibility for all duties relating to the running and maintenance of the system and organization of a dedicated technical department.
- Construction of artificial dunes (4-6 meters high) alongside Runways 16R/34L and 07/25 in order to protect the built-up area of Focene and the area to the north of Fiumicino airport; the initiative is aimed at reducing the acoustic impact of taxiing aircraft.
- Construction of a green barrier along the Rome-Fiumicino freeway, consisting of Mediterranean scrub, shrubs and trees, in order to minimize noise within the airport grounds.
- Construction of rapid exits on Runway 16R to enable landing aircraft to free up the runway without using thrust reverse.
- Construction of a new engine test bed, equipped with sound-absorbing and soundproofed barriers, in order to reduce noise emissions during aircraft engine testing.
- Construction of permanent centralized plants at aircraft aprons (400 Hz power unit and pre-conditioning plants) to avoid the use of mobile APUs (Auxiliary Power Units) and CPUs (Conditioning Power Units) while aircraft are parked on aprons and thus reduce levels of acoustic and atmospheric pollution emissions.

#### *Upcoming initiatives*

- Project to redesign the layout of the "Via Coccia di Morto" pinewood which creates obstacles. This will enable the use of the entire length of Runway 2 (runway head 25) and thus further reduce traffic on Runway 1. As this initiative concerns a protected area of the Roman Coastal Park, its implementation entails a complex authorization procedure that has been underway for some time.
- Installation of a new aircraft noise monitoring system with a radar interface to control aircraft flight paths, partly financed by the Ministry of the Environment, at Fiumicino and Ciampino airports.

## Quality

During 2003 the new program of objective checks was implemented with daily surveys of the quality levels of the principal services provided to passengers who pass through Fiumicino, with all phases of the process supervised by internal ADR staff.

The program's priority objective was to provide real-time data to ADR departments, handlers and carriers that operate at the airport on the levels of performance achieved, thereby favoring ongoing improvement and prompt implementation of corrective measures where service levels are not in line with ADR objectives.

To this end, in addition to gathering and processing data relating to the principal services provided to passengers, specific monthly meetings are held with the bodies responsible for the phenomena analyzed – handlers and carriers, on the one hand, and the Civil Aviation Authority and the Air Traffic Control Authority, on the other – in order to assess the performance of the processes monitored and define improvement actions.

Overall, analysis of the findings (around 100,000 items of data are gathered each month) showed a good level of performance for the services provided at Fiumicino.

In particular, the operating performances of baggage handling and reclaim equipment, loading bridges and apron equipment (the reliability of these facilities exceeded 99%) were excellent. The performance of waiting times for carry-on baggage security checks was also good: 4 minutes and 53 seconds compared with the 6 minutes stipulated in the Service Charter.

However, less positive performances were reported for certain aviation area indicators which, although showing steady improvement during the year, were a few percentage points below the standards set. In particular:

- The “recovery of airport transit time” indicator (the difference between delays to incoming and outgoing flights with respect to scheduled times) shows a significant improvement, up 3.0% compared with the figure for 2002, although results fell slightly short of airport targets. On the other hand, the airport operator posted a good performance, causing delays to only 0.1% of outgoing flights compared with a published target of 0.3%;
- Baggage reclaim times at Fiumicino fell below the set standard (to be respected in 90% of cases) standing at 83.8% for the first piece of baggage and at 86.6% for the last. Performance improved considerably as of November (90% for the first and 94.1% for the last). In this regard, ADRH provided services in compliance with Service Charter standards (93.5% and 89.7%, respectively);
- The average passenger check-in waiting time was 8 minutes and 52 seconds.

Customer satisfaction surveys continued during the year, involving 9,000 interviews conducted at different times of the year so as to ensure a representative sample with respect to the volume and type of passenger traffic at Fiumicino.

Passenger opinions expressed during the first eight months of the year (data for the last part of the year are being processed) confirm Fiumicino's standing as the best airport in Italy and as seventh ranked among leading European airports.

All services received scores ranging from 4 (quite good) to 5 (good). The services with the highest levels of customer satisfaction were ticketing, transport facilities (escalators, elevators, moving walkways), standards of airport comfort and check-in facilities.

During 2003 design of the automatic computerized management system for customer suggestions and complaints was completed. This new system, which will be up and running in early 2004, was created to increase the efficiency and effectiveness of the management process and to enable accurate analysis of the reasons for customer dissatisfaction.

### OTHER SIGNIFICANT EVENTS DURING THE YEAR

#### Restructuring of the Parent Company's debt

In February, the complex operation of restructuring the Parent Company's debt was concluded.

On February 14, 2003, with regard to a loan totaling 1,725 million euros granted on August 2, 2001, ADR's creditor banks signed a contract for transfer without recourse of a part of the said loan due from ADR to Romulus Finance S.r.l..

On the same date, in accordance with loan securitization legislation (Law 130 dated April 30, 1999), Romulus Finance issued asset-backed bonds amounting to 1,265 million euros, to be listed on the Luxembourg Stock Exchange and subscribed by institutional investors.

On February 20, 2003, the afore-mentioned agreement between the creditor banks and ADR was modified by an agreement between Romulus Finance and ADR, which provided for amendments that included adjustment of the amount financed to 1,265 million euros.

This loan was broken down into five lines of credit which reflect the characteristics of the bonds issued by Romulus Finance:

- "A1" of 500 million euros, subject to a fixed rate and falling due on February 20, 2013;
- "A2" of 200 million euros, subject to a fixed rate and falling due in February 2015;
- "A3" of 175 million euros, subject to a fixed rate and falling due in February 2015;
- "A4" of 325 million euros, subject to a floating rate until December 20, 2009 and subsequently to a fixed rate and falling due on February 20, 2023;
- "B" of 65 million euros, subject to a fixed rate and falling due in February 2010.

The bonds issued by Romulus Finance, which correspond to "Facility A", were secured by AMBAC Assurance UK with monoline insurance and have an AAA/Aaa rating; the bonds corresponding to "Facility B" have the same rating as ADR.

At the same time, ADR negotiated further loans with the banking system, totaling 575 million euros, which break down as follows:

- two long-term facilities and a revolving line of credit granted by a syndicate of banks, headed by Mediobanca – Banca di Credito Finanziario S.p.A., Barclays, WestLB and UBM, consisting of:
  - a 5-year line of credit of 245 million euros called "B Term Facility";
  - a 6-year line of credit of 150 million euros called "C Term Facility";
  - a revolving line of credit of 95 million euros called "Revolving Facility";



- a 15-year line of credit of 85 million euros granted by Banca OPI, called “BOPI Facility”, secured by CDC IXIS Financial Guaranty Europe.

As of February 20, 2003, these lines of credit had been fully drawn down, except for the Revolving Facility, in order to finance repayment of a part of the original loan and payment of the up-front fees.

In compliance with the commitments undertaken within the scope of the above-mentioned transaction, on March 24, 2003 ADR repaid the loan received from the Parent Company, Leonardo Holding S.A., totaling 24.6 million euros.

### Reorganization of the Group’s structure

Corporate transactions during 2003 were aimed at achieving the following goals:

- rationalization of the handling sector;
- reorganization of non-aviation businesses, via the incorporation of two important new companies (ADR Advertising and ADR Tel) aimed at increasing the Group’s focus on advertising and telecommunications activities;
- increasing the Group’s shareholding in the company that operates South African airports (ACSA) by implementing call options on the share capital of the corporate vehicle, ADR IASA.

On March 10, 2003, the Parent Company bought back the interest held by Menzies in ADR Handling (49%), as conditions occurred that rendered previously signed agreements ineffective.

On July 30, 2003, ADR Engineering S.p.A. Unipersonale acquired a 1% stake in ADR Handling S.p.A. from ADR S.p.A., equal to 25,000 shares, at a price of 7.02 euros per share, equivalent to the price paid to Menzies for the recent acquisition of 49% of the share capital.

On December 31, 2003, the division responsible for handling services at Ciampino airport was transferred by ADR S.p.A. to the subsidiary undertaking, ADR Handling S.p.A., which carries out the same activity at Fiumicino airport.

Consequently, the General Meeting of ADR Handling’s shareholders approved an increase of share capital of 5,160,000 euros, via the issue of 1,000,000 new shares with a par value of 5.16 euros and a share premium of 5,761,000 euros. Following the transfer, ADR’s stake in ADR Handling rose to 99.29%, while ADR Engineering’s interest was reduced to 0.71%.

Following prior notification to the Antitrust Authority, pursuant to art. 8 of Law 287/90, Aeroporti di Roma Advertising S.p.A. was incorporated on January 10, 2003. The company has ordinary share capital of 500,000 euros, and is 51% owned by ADR S.p.A. and 49% owned by IGPDecaux S.p.A.. The preference shares, totaling 500,000 euros, were wholly subscribed by IGPDecaux S.p.A..

The company was set up to operate, promote, develop, organize and manage promotional and advertising activities, including related activities throughout Italy.

On March 1, 2003, in implementation of the Framework Agreement between ADR and IGPDecaux, a contract was drawn up regarding ADR’s lease of its advertising division to ADR Advertising. The division consists of advertising facilities, current contracts and human resources.

This contract, which lasts until December 31, 2011, provides for monthly payments to ADR in proportion to ADR Advertising's revenues, subject to a guaranteed minimum.

On April 1, 2003, ADR Tel S.p.A., which was incorporated in 2002, started operations with a view to developing telecommunications business within the Group.

On December 4, 2003, the subsidiary undertaking, Airport Invest B.V., exercised its option to buy back the 24.8% interest held by JP Morgan in the ordinary share capital of ADR IASA.

On December 12, 2003, ADR S.p.A. exercised its option to buy back the 6.2% interest held by SIMEST in the ordinary share capital of ADR IASA. At the same time, in exchange for an informal capital contribution, this shareholding was transferred to the Dutch subsidiary undertaking, Airport Invest B.V..

As a result of these transactions, the subsidiary undertaking, Airport Invest B.V., owns 100% of the ordinary share capital of ADR IASA which, in turn, has a 20% stake in the ordinary share capital of ACSA.

For further information on the performance of Group companies, please see the Parent Company's Management Report on Operations.

### GROUP INVESTMENT

During 2003 the ADR Group carried out investment totaling 54,002 thousand euros (53,513 thousand euros in 2002).

Regarding infrastructure development, within the framework of the implementation program, the following works are underway:

- infrastructure: Cargo City freight movement system and 5<sup>th</sup> module of the multi-story car park;
- plant: industrial waste water collector in the eastern area, replacement of MV control panels, electric insulation of land-side transformers and second phase works on the tunnel network;
- runways: upgrading of Bravo/Delta/November taxiways and connection of Delta taxiway with Cargo City aprons;
- Terminals: increase in the number of checkpoints and movement of police offices (Terminal "A") and extension of baggage reclaim belt 11 (Terminal "B");
- Ciampino: upgrading of departure lounges (phase two) and restructuring of retail areas.

The following works were also completed:

- plant: construction of ADR MV network, ring road for Alitalia's technical area and landside oil extractor;
- road network: ground-level freeway ramp in the eastern area and maintenance of landside airport road network;
- runways: runway 1 – upgrading of ducts to allow laying of electric cables, new horizontal airside road signs, repair of runway and taxiway surfacing;
- Terminals: restructuring work on ADR outlet no. 3 in Terminal "B" and on former outlet no. 4 in Terminal "C" and centralization of security check points serving Terminals "B" and "C";
- Ciampino: upgrading of airside road network and aprons, and restructuring of departure lounges in the passenger terminal (phase one).

Future works soon to be started include:

- infrastructure: premises for processing domestic baggage and completion of ancillary works in the Cargo City area and the long-stay car park (phase two);
- plant: new baggage transfer equipment;
- runways: doubling of "BRAVO" taxiway, Northern sector, Pier "C";
- Terminals: civil works to step up security checks in the sensitive flights area (Terminal "C"); conversion of former ceremonial area in the international terminal for new check-in counters;
- Ciampino: extension of express courier area.

## GROUP PERSONNEL

The headcount as of December 31, 2003, including staff on temporary contracts, was 3,694 broken down as follows:

| Category                      | 12.31. 2003  | 12.31 2002   | Change       |
|-------------------------------|--------------|--------------|--------------|
| Managers                      | 64           | 71           | (7)          |
| Supervisors                   | 239          | 252          | (13)         |
| White-collar                  | 1,988        | 1,869        | 119          |
| Blue-collar                   | 1,403        | 1,415        | (12)         |
| <b>Total</b>                  | <b>3,694</b> | <b>3,607</b> | <b>87</b>    |
| <i>Including:</i>             |              |              |              |
| <i>on permanent contracts</i> | <i>2,904</i> | <i>3,047</i> | <i>(143)</i> |
| <i>on temporary contracts</i> | <i>790</i>   | <i>560</i>   | <i>230</i>   |

| Category                            | 12.31.2003   | 12.31.2002   | Change    |
|-------------------------------------|--------------|--------------|-----------|
| ADR S.p.A.                          | 2,256        | 2,327        | (71)      |
| ADR Handling S.p.A.                 | 1,381        | 1,253        | 128       |
| ADR Engineering S.p.A. Unipersonale | 31           | 27           | 4         |
| ADR Tel S.p.A.                      | 15           | 0            | 15        |
| ADR Advertising S.p.A.              | 11           | 0            | 11        |
| <b>Total</b>                        | <b>3,694</b> | <b>3,607</b> | <b>87</b> |

Compared with December 31, 2002, Group personnel increased by a total of 87 (up 2.4%). Staff on temporary contracts increased by 230 (up 41.1%), while those on permanent contracts decreased by 143 (down 4.7%).

The increase in the number of staff on temporary contracts is due – in addition to a rise in air traffic – to a change in the job category mix of staff employed at ADRH and the need to staff the new security activities implemented by ADR S.p.A. in 2003 (100% screening of hold baggage; trace detector project; security guard insourcing).

The decrease in the number of staff on permanent contracts (down 143), however, arises mainly from early retirement schemes (down 121).

Via the transfer of a division, ADRH took over handling activities at Ciampino airport from ADR at the end of 2003, entailing the transfer of 139 staff.

With a view to exploiting Group synergies, an inter-Group mobility process was implemented during 2003 with retraining and reallocation of 88 ADRH members of staff, aimed at partly financing the Parent Company's new security services.

In addition, in order to bring the mix of temporary employment contracts closer into line with traffic trends, a contract management policy was implemented that encouraged a shift from full-time to part-time contracts. Compared with the same period in the previous year, the number of part-time contracts rose by 52.4%.

At ADR S.p.A., organizational initiatives consisted of adapting corporate structures to business developments in order to complete the business unit model begun in 2002. The micro-structures of the Aviation, Infrastructures and Real Estate and Technical Services Business Units were redefined.

Aviation and Non-aviation organizational processes were also rationalized, involving the reengineering of operating procedures and changes to shift work schedules. Particularly important initiatives concerned airport security at Ciampino, which were carried out to improve the efficiency and effectiveness of facilities. This was done in response to the growth in traffic at Ciampino and the introduction of new security services as requested by the authorities.

Actions to modify corporate procedures continued, including those regarding the organizational model provided for by Legislative Decree 231/2001. In particular, support was given to the supervisory body in mapping out processes and activities that might entail risk.

The principal organizational initiatives included the creation of business partnerships to develop related non-aviation activities and the outsourcing of non-core activities, which were accompanied by meetings with labor organizations that generated a certain amount of conflict.

In particular, within the due periods provided for by legislation, agreements were signed regarding the transfer of personnel from ADR S.p.A. to Group companies at the same time as businesses were spun off or sold, as follows:

- the spin-off of telecommunications activities and incorporation of ADR Tel S.p.A.;
- lease of the advertising division to the newly incorporated ADR Advertising S.p.A.;
- transfer of the division responsible for handling at Ciampino airport to ADR Handling S.p.A..

On January 1, 2003, due to transfer of the personnel administration division, 27 ADR staff were transferred to FIS-Fiduciaria Generale S.p.A., which since that date has managed personnel administration for ADR Group companies, in accordance with an agreement signed on December 24, 2002.

Dialogue with trade union representatives also focused on a review of shift schedules and organizational improvements, which affected working conditions via the introduction of operating flexibility and reduction of service costs.

During 2003, the spread of information to ADR Group personnel was ensured by means of the in-house publication "Aeroporto" and upgrading of the intranet, which is constantly updated to meet communications needs and facilitate internal relations and foster a positive environment, given the continuous organizational and managerial changes.

A series of meetings between management and airport security managers were also held, in support of the organizational change underway and the new corporate culture.

Absenteeism due to strikes, due exclusively to non-company issues, dropped sharply to stand at 3,358 (down 81.1% with respect to the previous year). Absenteeism due to illness (down 8.8%) and accidents (down 16.9%) also fell significantly compared with 2002.

A total of 978 training courses involved 73,239 hours with 5,674 participants, including managers, middle management, administrative and ground staff.

During the year 3,460 external candidates underwent recruitment procedures aimed at taking on 390 new members of staff needed to implement and maintain the pool of available temporary labor. In addition, 300 internal applications were assessed in order to meet the increased need for security staff.

## GROUP FINANCIAL POSITION AND OPERATING RESULTS

Reclassified Consolidated Income Statement<sup>7</sup>

| <b>RECLASSIFIED CONSOLIDATED INCOME STATEMENT</b>       |                |                |
|---|----------------|----------------|
| (in thousands of euros)                                 | <b>2003</b>    | <b>2002</b>    |
| Revenues from sales and services                        | 510,687        | 491,420        |
| Contract work in progress                               | 7,506          | 18,743         |
| <b>A. – REVENUES</b>                                    | <b>518,193</b> | <b>510,163</b> |
| Capitalized costs and expenses                          | 4,232          | 2,587          |
| <b>B. – REVENUES FROM ORDINARY ACTIVITIES</b>           | <b>522,425</b> | <b>512,750</b> |
| Cost of materials and external services                 | (153,955)      | (151,610)      |
| <b>C. – GROSS MARGIN</b>                                | <b>368,470</b> | <b>361,140</b> |
| Payroll costs   | (150,589)      | (152,175)      |
| <b>D. – GROSS OPERATING INCOME</b>                      | <b>217,881</b> | <b>208,965</b> |
| Amortization and depreciation                           | (95,811)       | (97,890)       |
| Other provisions  | (3,061)        | (7,232)        |
| Provisions for risks and charges                        | (845)          | (166)          |
| Other income (expense), net                             | (6,797)        | 9,450          |
| <b>E. – OPERATING INCOME</b>                            | <b>111,367</b> | <b>113,127</b> |
| Financial income (expense), net                         | (97,568)       | (91,092)       |
| Adjustments to financial assets                         | 13,438         | 7,129          |
| <b>F. – INCOME BEFORE EXTRAORDINARY ITEMS AND TAXES</b> | <b>27,237</b>  | <b>29,164</b>  |
| Extraordinary income (expense), net                     | (11,691)       | 22             |
| <b>G. – INCOME BEFORE TAXES</b>                         | <b>15,546</b>  | <b>29,186</b>  |
| Income taxes for the period                             | (18,704)       | (21,018)       |
| Deferred tax assets                                     | 4,241          | 280            |
| <b>H. – NET INCOME FOR THE YEAR</b>                     | <b>1,083</b>   | <b>8,448</b>   |
| <i>including:</i>                                       |                |                |
| – Parent Company's interest                             | (2,027)        | 5,187          |
| – Minority interest                                     | 3,110          | 3,261          |

The Group's revenues from ordinary activities (therefore excluding the contract work component) rose by 3.9% with respect to 2002. Overall, however, this increase is less than the growth in traffic (passengers up 6.8%; aircraft movements up 8.3%).

Indeed, analysis of the various earnings components reveals increases in fees (up 8%) and parking revenues (up 8.6%) and a good performance from advertising revenues (up 9.7%). This is offset by the performance of retail activities directly managed by the Group (down 4.6%), and of sub-concessions (up 0.8%), the results of which were affected by the retail sub-concessions component. Earnings performance also suffered from the 2.9% reduction in handling revenues resulting from market liberalization at Fiumicino airport.

<sup>(7)</sup> Compared with the data published in the Financial Statements as of December 31, 2002, the portion of amortization of the ancillary charges borne by the Parent Company, ADR, in relation to its loans was reclassified from the "Cost of materials and external services" to "Amortization and depreciation". For further details of these reclassifications, see the section entitled "Notice" in the Explanatory Notes.

The performance of total revenues (up 1.6%) was, however, impacted by the significant decrease in the contract work component. As this item exclusively regarded reimbursement by the Civil Aviation Authority of the costs incurred by the Group for financed infrastructure works, its performance reflected the progressive conclusion of such works.

EBITDA was up on 2002 both in absolute terms (up 4.3%) and as a margin (rising from 41% to 42%).

This result was achieved thanks to the containment of labor costs (down 1.0%) and the cost of materials and services (up 1.5%). The increase in the latter should also be considered in the light of substantial rises in insurance costs (up 188%) and the concession fee (up 11.8%) with respect to the previous year.

As mentioned in the introduction, the increase in EBITDA was even more significant if the launch at the beginning of the year of the 100% screening service for hold baggage is taken into account. Indeed, this service, which began in February in compliance with specific legislation, entailed additional staff and equipment costs for the Parent Company from the outset. However, collection of such costs only became possible as of June due to a delay in approving the corresponding charges.

EBIT was substantially unchanged as a reduction in amortization and depreciation and other provisions was offset by a significant increase in net sundry operating expenses, following the posting of losses on amounts due from carriers, as well as the settlement of outstanding disputes with clients.

Thanks to implementation of incisive cost-cutting programs during 2003, the subsidiary undertaking, ADR Handling, managed to absorb the reduction in revenues caused by its loss of market share at Fiumicino as a result of liberalization. The company reports only a slight loss (0.2 million euros).

Pre-tax income was down with respect to 2002, as the positive results of the South African associated undertaking that manages airports in the country (ACSA), which also benefited from a positive exchange rate, were offset by increases in interest expense and net extraordinary expense. In particular, the former component was affected by a level of Group debt that, on average, was higher than in the previous year, while the latter was significantly impacted by recourse to early retirement schemes implemented in line with Group programs.

Consequently, after taxation totaling 14.4 million euros, the Group reported a net loss of 2 million euros.

Reclassified Consolidated Balance Sheet<sup>8</sup>

| <b>RECLASSIFIED CONSOLIDATED BALANCE SHEET</b>                              |                   |                   |                 |
|---|-------------------|-------------------|-----------------|
| (in thousands of euros)   | <b>12.31.2003</b> | <b>12.31.2002</b> | <b>Change</b>   |
| <b>A. – NET FIXED ASSETS</b>  |                   |                   |                 |
| Intangible fixed assets (*)   | 2,190,783         | 2,216,674         | (25,891)        |
| Tangible fixed assets   | 100,369           | 106,128           | (5,759)         |
| Non - current financial assets  | 127,611           | 114,717           | 12,894          |
|   | <b>2,418,763</b>  | <b>2,437,519</b>  | <b>(18,756)</b> |
| <b>B. – WORKING CAPITAL</b>   |                   |                   |                 |
| Inventory   | 22,351            | 26,263            | (3,912)         |
| Trade receivables   | 137,205           | 136,598           | 607             |
| Other assets  | 39,080            | 32,198            | 6,882           |
| Trade payables  | (121,207)         | (129,904)         | 8,697           |
| Allowances for risks and charges  | (27,842)          | (28,236)          | 394             |
| Other liabilities   | (52,305)          | (69,607)          | 17,302          |
|   | <b>(2,718)</b>    | <b>(32,688)</b>   | <b>29,970</b>   |
| <b>C. – INVESTED CAPITAL, minus short-term liabilities (A+B)</b>            | <b>2,416,045</b>  | <b>2,404,831</b>  | <b>11,214</b>   |
| <b>D. – EMPLOYEE SEVERANCE INDEMNITIES</b>                                  | <b>66,576</b>     | <b>68,648</b>     | <b>(2,072)</b>  |
| <b>E. – INVESTED CAPITAL, minus short-term liabilities and E.S.I. (C-D)</b> | <b>2,349,469</b>  | <b>2,336,183</b>  | <b>13,286</b>   |
| financed by:  |                   |                   |                 |
| <b>F. – SHAREHOLDERS' EQUITY</b>  |                   |                   |                 |
| – Parent Company's interest   | 689,030           | 718,754           | (29,724)        |
| – minority interest   | 20,291            | 47,431            | (27,140)        |
|   | <b>709,321</b>    | <b>766,185</b>    | <b>(56,864)</b> |
| <b>G. – MEDIUM/LONG-TERM BORROWING</b>                                      | <b>1,745,019</b>  | <b>1,651,338</b>  | <b>93,681</b>   |
| <b>H. – SHORT-TERM BORROWING</b>  |                   |                   |                 |
| (NET CASH AND CASH EQUIVALENTS)   |                   |                   |                 |
| – short-term debt   | 16,052            | 45,144            | (29,092)        |
| – cash and current receivables  | (120,923)         | (126,484)         | 5,561           |
|   | <b>(104,871)</b>  | <b>(81,340)</b>   | <b>(23,531)</b> |
| <b>(G+H)</b>  | <b>1,640,148</b>  | <b>1,569,998</b>  | <b>70,150</b>   |
| <b>I. – TOTAL AS IN "E" (F+G+H)</b>   | <b>2,349,469</b>  | <b>2,336,183</b>  | <b>13,286</b>   |
| <i>(*) including the value of the concession totaling</i>                   | <i>1,995,988</i>  | <i>2,045,272</i>  | <i>(49,284)</i> |

Invested capital, amounting to 2,349.5 million euros as of December 31, 2003, registered a slight rise compared with 2002 (up 13.3 million euros) due to an increase in working capital.

Overall, fixed assets decreased by 18.8 million euros, primarily due to depreciation of tangible fixed assets carried out during the year. Financial assets, however, rose thanks to the good results achieved by the South African subsidiary undertaking, ACSA, valued in accordance with the equity

<sup>(8)</sup> Compared with the data published in the Financial Statements as of December 31, 2002, the ancillary charges relating to the loan granted to the Parent Company, ADR, originally classified under "Other assets", were included in the item "Intangible fixed assets". For further details of these reclassifications, see the section entitled "Notice" in the Explanatory Notes.

method, and the favorable exchange rate with the South African rand, which more than compensated for the reduction arising from the distribution of dividends in September.

The growth in working capital (up 30.0 million euros) was due to a reduction in other liabilities (down 17.3 million euros) and a decrease in trade receivables (down 8.7 million euros).

In particular, the contraction of other liabilities was mainly due to payment of backdated license fees and settlement of a portion of the payable due to Menzies for acquisition of the interest in ADRH.

Working capital was positively affected by the greater volume of work invoiced to the Civil Aviation Authority, resulting in a decrease in inventories.

An increase of 70.1 million euros in the Group's debt compensated for the reduction in shareholders' equity arising from the distribution of dividends by the Parent Company and the Group's acquisition of the shares of ADR IASA owned by minority shareholders (Simest and JP Morgan).

The Group's net debt as of December 31, 2003 stood at 1,640.1 million euros, registering an increase compared with the end of the previous year, which was entirely due to the medium and long-term component.

In fact, net cash and cash equivalents rose due to a decrease in short-term debt amounting to 29.1 million euros.



## Consolidated Statement of Cash Flows<sup>9</sup>

Operating cash flow amounted to 51.2 million euros during 2003, which guaranteed coverage of the Group's interest expense, dividends and part of its investment outlays.

The remaining portion of investment, as well as acquisition of the interests held by Simest and JP Morgan in the share capital of ADR IASA, were financed via medium and long-term lines of credit that also enabled an increase of 23.5 million euros in net cash and cash equivalents at year end.

| <b>CONSOLIDATED STATEMENT OF CASH FLOWS</b>                                   |                 |                 |
|---|-----------------|-----------------|
| (in thousands of euros)   | <b>2003</b>     | <b>2002</b>     |
| <b>A. – CASH AND CASH EQUIVALENTS - OPENING BALANCE</b>                       | <b>81,340</b>   | <b>82,608</b>   |
| <b>B. – CASH FLOWS FROM (FOR) OPERATING ACTIVITIES</b>                        |                 |                 |
| Net income (loss) for the year  | 1,083           | 8,448           |
| Amortization and depreciation   | 95,811          | 97,890          |
| (Gains) losses on disposal of fixed assets                                    | (23)            | (299)           |
| (Revaluations) write-downs of fixed assets                                    | (13,589)        | (7,331)         |
| Net change in working capital   | (29,970)        | (6,648)         |
| Net change in employee severance indemnities                                  | (2,072)         | 1,097           |
|   | <b>51,240</b>   | <b>93,157</b>   |
| <b>C. – CASH FLOWS FROM (FOR) INVESTING ACTIVITIES</b>                        |                 |                 |
| Investment in fixed assets:   |                 |                 |
| – intangible  | (54,936)        | (24,125)        |
| – tangible  | (8,993)         | (12,558)        |
| – financial   | (118)           | (618)           |
| Proceeds from disposal, or redemption value of fixed assets                   | 9,585           | 5,742           |
| Other changes   | (8,981)         | (14,216)        |
|   | <b>(63,443)</b> | <b>(45,775)</b> |
| <b>D. – CASH FLOW FROM (FOR) FINANCING ACTIVITIES</b>                         |                 |                 |
| New loans   | 480,000         | 24,600          |
| Shareholders' contributions   | 0               | 0               |
| Repayments of loans   | (386,319)       | (78,262)        |
| Buy-back of shares  | 0               | 0               |
| Other changes   | (31,495)        | (6,924)         |
|   | <b>62,186</b>   | <b>(60,586)</b> |
| <b>E. – DIVIDENDS PAID</b>  | <b>(35,194)</b> | <b>(2,449)</b>  |
| <b>F. – ALLOWANCE FOR EXCHANGE RATE VARIATIONS</b>                            |                 |                 |
| Change in allowance for exchange rate variations                              | <b>8,742</b>    | <b>14,385</b>   |
| <b>G. – CASH FLOW FOR THE YEAR (B+C+D+E+F)</b>                                | <b>23,531</b>   | <b>(1,268)</b>  |
| <b>H. – CASH AND CASH EQUIVALENTS (NET BORROWING) - CLOSING BALANCE (A+G)</b> | <b>104,871</b>  | <b>81,340</b>   |

<sup>9)</sup> Compared with the data published in the Financial Statements as of December 31, 2002, the amounts relating to "Amortization and depreciation", "Net change in working capital" and "Investment in fixed assets: intangibles" have been modified to take account of reclassification of the ancillary charges for the loan taken out by the Parent Company, ADR, as mentioned in the notes to the Reclassified Consolidated Income Statement and the Reclassified Consolidated Balance Sheet.

## RELATIONS WITH PARENT COMPANIES AND OTHER RELATED PARTIES

As of December 31, 2003, financial, trade and other receivables and payables due to and from the ADR Group in relation to the Parent Company and associated undertakings were as follows (in thousands of euros):

|   | Financial receivables | Trade receivables | Other receivables | Financial payables | Trade payables | Other payables |
|---|-----------------------|-------------------|-------------------|--------------------|----------------|----------------|
| <b>Parent Company</b>                       |                       |                   |                   |                    |                |                |
| Leonardo S.r.l.                             | 0                     | 0                 | 0                 | 0                  | 0              | 4              |
| <b>Associated undertakings</b>              |                       |                   |                   |                    |                |                |
| ACSA Ltd.                                   | 0                     | 462               | 0                 | 0                  | 57             | 0              |
| Ligabue Gate Gourmet Roma S.p.A. (bankrupt) | 0                     | 0                 | 530               | 0                  | 969            | 0              |
| La Piazza di Spagna S.r.l.                  | 0                     | 0                 | 0                 | 0                  | 0              | 34             |
|   | <b>0</b>              | <b>462</b>        | <b>530</b>        | <b>0</b>           | <b>1,026</b>   | <b>34</b>      |
| <b>Total</b>                                | <b>0</b>              | <b>462</b>        | <b>530</b>        | <b>0</b>           | <b>1,026</b>   | <b>38</b>      |

## TREASURY STOCK OR PARENT COMPANY'S SHARES IN THE PORTFOLIO

The Group did not hold, directly, or indirectly, any of its own shares or any shares in the Parent Company, either at the end of 2003 or at the end of 2002. In addition, no purchase or sale of its own shares or shares in the Parent Company took place, either directly or indirectly, during 2003.

## SUBSEQUENT EVENTS

An analysis of the traffic figures for the Roman airport system for the first two months of 2004, compared with the same period in 2003, reveals the following performance, broken down by airport Fiumicino and Ciampino – and segment – domestic and international:

*Data as of February 29, 2004* (the figures in brackets indicate the percentage change with respect to the same period in 2003)

| Traffic component    | System    | % change<br>03/02 | Fiumicino | % change<br>03/02 | Ciampino | % change<br>03/02 | Domestic  | % change<br>03/02 | International | % change<br>03/02 |
|----------------------|-----------|-------------------|-----------|-------------------|----------|-------------------|-----------|-------------------|---------------|-------------------|
| Movements            | 52,449    | (+3.6%)           | 46,596    | (+1.6%)           | 5,853    | (+22.8%)          | 26,628    | (-2.7%)           | 25,821        | (+10.9%)          |
| Aircraft tonnage     | 3,733,587 | (+2.3%)           | 3,471,423 | (+0.3%)           | 262,164  | (+37.9%)          | 1,600,084 | (+0.5%)           | 2,133,503     | (+3.6%)           |
| Total passengers     | 3,925,817 | (+5.1%)           | 3,621,068 | (+2.3%)           | 304,749  | (+55.0%)          | 1,779,641 | (-1.8%)           | 2,146,176     | (+11.5%)          |
| Total freight (tons) | 21,743    | (-3.8%)           | 18,606    | (-4.2%)           | 3,137    | (-1.3%)           | 2,879     | (-9.4%)           | 18,864        | (-2.8%)           |

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

| Traffic component    | International | % change<br>03/02 | EU        | % change<br>03/02 | Non-EU  | % change<br>03/02 |
|----------------------|---------------|-------------------|-----------|-------------------|---------|-------------------|
| Movements            | 25,821        | (+10.9%)          | 17,099    | (+12.3%)          | 8,722   | (+8.2%)           |
| Aircraft tonnage     | 2,133,503     | (+3.6%)           | 1,142,007 | (+9.4%)           | 991,496 | (-2.3%)           |
| Total passengers     | 2,146,176     | (+11.5%)          | 1,331,332 | (+14.1%)          | 814,844 | (+7.5%)           |
| Total freight (tons) | 18,864        | (-2.8%)           | 5,090     | (+11.5%)          | 13,774  | (-7.2%)           |

The first two months of 2004 substantially confirmed the growth in passenger traffic that began in the second half of 2003. The most significant increases were recorded in the international sector, which had been particularly penalized by the repercussions of the war in Iraq and the SARS epidemic.

Domestic traffic volumes were substantially in line with the same period in 2003. This performance is due to the contraction in Alitalia traffic (due in particular to days lost to strikes by the air transport sector that mainly hit the national airline's operations), which was not completely absorbed by the continued expansion of other carriers. In this regard, two new routes with six flights per day, from Fiumicino to Milan Linate, were inaugurated by the carrier, Meridiana.

Next summer, certain long-haul flights that did not operate in 2003 are expected to resume (including flights by Delta Airlines from Fiumicino to Cincinnati and by Northwest Airlines to Detroit).

The upturn at Ciampino airport continued, due to the growth of low-cost traffic, including the inauguration in the first two months of 2004 of six new daily flights to European destinations by the carrier, Ryanair, which has recently set up its own operating base at the airport.

On February 10, 2004 the Civil Aviation Authority issued ADR with the "Airport Certificate", which certifies that "Leonardo da Vinci airport in Fiumicino, operated by ADR S.p.A., is in compliance with airport certification requirements as laid down in the Airport Construction and Operation Regulations (in application of ICAO Annex 14) and is suitable for commercial air traffic operations, in accordance with the certification specifications" attached to the certificate.

In February ADR submitted a complaint to the European Commission (pursuant to Rule 17/62 and Rule 659/99) in which it requested that "the system for determining airport license fees for 2003 provided for by the State Property Office decree of June 30, 2003 be declared incompatible with European Union legislation pursuant to art. 81. no. 1 of the EU Treaty", and also called for an investigation of aspects of the decree that it alleges distort competition.

On April 8, 2004, United Towers (a member of the ABSA Bank Group), ADR IASA Ltd. and ADR S.p.A. closed an agreement extending the deadline for exercise of a put option on the preference shares of ADR IASA held by United Towers from April 9, 2004 to April 11, 2005.

## OUTLOOK

The expected improvement in the Group's results and effective implementation of planning programs are inextricably linked with renewed international stability. Indeed, this is an indispensable condition on which the expected upturn in traffic hinges.

Implementation of the awaited airport fee review system by the government is equally important. This is the only way forward if a gradual and indispensable realignment of revenues subject to regulated tariffs is finally to be guaranteed.

Achievement of the above-mentioned objectives could also favor a gradual reduction in debt, even ahead of the repayment schedules provided for in the relevant contracts.

The future prospects for Alitalia – the Group's principal customer and the leading national carrier – will also play a decisive role. Hopefully, the necessary solutions will be identified and implemented in order to ensure that the carrier is able to maintain adequate levels of operation.

The Board of Directors



# Consolidated Financial Statements 2003

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# Consolidated Balance Sheet and Income Statement

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## Consolidated Balance Sheet

as of December 31, 2003

(compared with December 31, 2002)

(Translation from the original issued in Italian)

| ASSETS   | 12.31.2003       | 12.31.2002       |
|--|------------------|------------------|
| (in thousands of euros)                                |                  |                  |
| UNPAID SHARE CAPITAL DUE FROM SHAREHOLDERS             | 0                | 0                |
| <b>FIXED ASSETS</b>                                    |                  |                  |
| Intangible fixed assets:                               |                  |                  |
| – Incorporation and development costs                  | 1,284            | 406              |
| – Industrial patents and intellectual property rights  | 571              | 123              |
| – Concessions, licenses, trademarks and similar rights | 1,997,821        | 2,046,765        |
| – Goodwill arising on consolidation                    | 4,404            | 1,885            |
| – Leasehold improvements in process and advances       | 38,522           | 19,924           |
| – Others   | 148,181          | 147,571          |
|  | 2,190,783        | 2,216,674        |
| Tangible fixed assets:                                 |                  |                  |
| – Land and buildings                                   | 1,074            | 1,366            |
| – Plant and machinery                                  | 15,795           | 17,275           |
| – Industrial and commercial equipment                  | 1,351            | 1,351            |
| – Fixed assets to be relinquished                      | 74,375           | 79,662           |
| – Other assets   | 3,678            | 4,786            |
| – Work in progress and advances                        | 4,096            | 1,688            |
|  | 100,369          | 106,128          |
| Non-current financial assets:                          |                  |                  |
| – Equity investments in:                               |                  |                  |
| • unconsolidated subsidiary undertakings               | 100              | 694              |
| • associated undertakings                              | 120,291          | 105,752          |
| • other companies                                      | 1,895            | 1,895            |
|  | 122,286          | 108,341          |
| – Receivables due from others:                         |                  |                  |
| • within 12 months                                     | 3                | 3                |
| • beyond 12 months                                     | 5,322            | 6,373            |
|  | 5,325            | 6,376            |
|  | 127,611          | 114,717          |
| Total fixed assets                                     | 2,418,763        | 2,437,519        |
| <b>CURRENT ASSETS</b>                                  |                  |                  |
| Inventory:   |                  |                  |
| – Raw, ancillary and consumable materials              | 2,813            | 2,986            |
| – Contract work in progress                            | 10,997           | 14,962           |
| – Finished goods and goods for resale:                 |                  |                  |
| • goods for resale                                     | 8,444            | 8,195            |
|  | 8,444            | 8,195            |
| – Advances   | 97               | 120              |
|  | 22,351           | 26,263           |
| Receivables:   |                  |                  |
| – Due from clients                                     | 136,742          | 135,389          |
| – Due from unconsolidated subsidiary undertakings      | 0                | 815              |
| – Due from associated undertakings                     | 992              | 1,146            |
| – Due from others:                                     |                  |                  |
| - various:   |                  |                  |
| • within 12 months                                     | 55,363           | 78,337           |
| • beyond 12 months                                     | 2,378            | 2,321            |
| - tax authorities                                      | 4,109            | 5,094            |
| - advances to suppliers for services to be rendered    | 79               | 112              |
|  | 61,929           | 85,864           |
| – Deferred tax assets                                  | 24,473           | 20,276           |
|  | 224,136          | 243,490          |
| Marketable securities                                  | 0                | 0                |
| Cash on hand and in banks:                             |                  |                  |
| – Bank and post office deposits                        | 68,954           | 50,563           |
| – Checks   | 0                | 0                |
| – Cash and notes in hand                               | 433              | 675              |
|  | 69,387           | 51,238           |
| Total current assets                                   | 315,874          | 320,991          |
| ACCRUED INCOME AND PREPAID EXPENSES                    |                  |                  |
| Accrued income and other prepaid expenses              | 3,685            | 552              |
| <b>TOTAL ASSETS</b>                                    | <b>2,738,322</b> | <b>2,759,062</b> |



## Consolidated Balance Sheet

*as of December 31, 2003  
(compared with December 31, 2002)  
(Translation from the original issued in Italian)*

| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b><br>(in thousands of euros) | <b>12.31.2003</b> | <b>12.31.2002</b> |
|--|-------------------|-------------------|
| <b>CONSOLIDATED SHAREHOLDERS' EQUITY</b>                               |                   |                   |
| Share capital:   |                   |                   |
| – ordinary shares  | 62,225            | 62,225            |
| Share premium reserve  | 667,389           | 667,389           |
| Revaluation reserves   | 0                 | 0                 |
| Legal reserve  | 12,445            | 12,445            |
| Reserve for own shares   | 0                 | 0                 |
| Statutory reserves   | 0                 | 0                 |
| Other reserves   | 85                | 85                |
| Reserve for foreign currency translation adjustments                   | (12,625)          | (17,285)          |
| Retained earnings (accumulated losses)                                 | (38,462)          | (11,292)          |
| Group net income (loss) for the year                                   | (2,027)           | 5,187             |
|  | 689,030           | 718,754           |
| <b>MINORITY INTEREST</b>   |                   |                   |
| Share capital, reserves and net income (loss) for the year             | 20,291            | 47,431            |
|  | 20,291            | 47,431            |
| Group and minority interest in consolidated shareholders' equity       | 709,321           | 766,185           |
| <b>ALLOWANCES FOR RISKS AND CHARGES</b>                                |                   |                   |
| For taxes  | 650               | 0                 |
| Other  | 27,192            | 28,236            |
| Total allowances for risks and charges                                 | 27,842            | 28,236            |
| <b>EMPLOYEE SEVERANCE INDEMNITIES</b>                                  |                   |                   |
|  | 66,576            | 68,648            |
| <b>PAYABLES</b>  |                   |                   |
| Due to banks:  |                   |                   |
| • within 12 months   | 2,071             | 44,479            |
| • beyond 12 months   | 480,000           | 1,626,738         |
|  | 482,071           | 1,671,217         |
| Due to other financial institutions:                                   |                   |                   |
| • within 12 months   | 13,777            | 0                 |
| • beyond 12 months   | 1,265,019         | 0                 |
|  | 1,278,796         | 0                 |
| Advances:  |                   |                   |
| – from clients:  |                   |                   |
| - from the Ministry of Transport:                                      |                   |                   |
| • within 12 months   | 652               | 5,868             |
| • beyond 12 months   | 4,770             | 653               |
| - other  | 2,386             | 1,280             |
| – prepayment of invoices to be paid in installments:                   |                   |                   |
| - from clients   | 109               | 58                |
|  | 7,917             | 7,859             |
| Due to suppliers:  |                   |                   |
| • within 12 months   | 105,714           | 113,702           |
| • beyond 12 months   | 6,550             | 7,374             |
|  | 112,264           | 121,076           |
| Due to associated undertakings   | 1,060             | 969               |
| Due to parent companies:   |                   |                   |
| • within 12 months   | 4                 | 24,873            |
| • beyond 12 months   | 0                 | 0                 |
|  | 4                 | 24,873            |
| Taxes due:   |                   |                   |
| • within 12 months   | 5,828             | 6,590             |
| • beyond 12 months   | 0                 | 413               |
|  | 5,828             | 7,003             |
| Due to social security agencies  | 8,686             | 8,851             |
| Other payables: various creditors:                                     |                   |                   |
| • within 12 months   | 32,961            | 48,132            |
| • beyond 12 months   | 630               | 375               |
|  | 33,591            | 48,507            |
| Total payables   | 1,930,217         | 1,890,355         |
| <b>ACCRUED EXPENSES AND DEFERRED INCOME</b>                            |                   |                   |
| Accrued expenses and other deferred income                             | 4,366             | 5,638             |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>                      | <b>2,738,322</b>  | <b>2,759,062</b>  |

## Consolidated Memorandum Accounts

as of December 31, 2003  
(compared with December 31, 2002)  
(Translation from the original issued in Italian)

| <b>CONSOLIDATED MEMORANDUM ACCOUNTS</b>       |                   |                   |                |
|---|-------------------|-------------------|----------------|
| <b>(in thousands of euros)</b>                | <b>12.31.2003</b> | <b>12.31.2002</b> |                |
| General guarantees:                           |                   |                   |                |
| – Sureties                                    | 111               | 111               |                |
| – Other                                       | 184               | 1,237             |                |
|   | 295               |                   | 1,348          |
| Collateral guarantees                         | 0                 |                   | 0              |
| Commitments on purchases and sales            | 36,536            |                   | 82,803         |
| Other   | 893,654           |                   | 891,962        |
| <b>TOTAL CONSOLIDATED MEMORANDUM ACCOUNTS</b> | <b>930,485</b>    |                   | <b>976,113</b> |

## Consolidated Income Statement

*for the year ended December 31, 2003  
(compared with the year ended December 31, 2002)  
(Translation from the original issued in Italian)*

### CONSOLIDATED INCOME STATEMENT

| (in thousands of euros)  | 2003            | 2002            |
|--|-----------------|-----------------|
| <b>TOTAL REVENUES</b>  |                 |                 |
| Revenues from sales and services:  |                 |                 |
| – revenues from sales  | 46,211          | 48,306          |
| – revenues from services   | 464,406         | 443,114         |
| – revenues from contract work  | 11,455          | 31,052          |
|  | 522,072         | 522,472         |
| Changes in contract work in progress   | (3,949)         | (12,309)        |
| Capitalized costs and expenses   | 4,232           | 2,587           |
| Other income and revenues:   |                 |                 |
| – revenue grants   | 71              | 0               |
| – profits on disposals   | 23              | 388             |
| – other  | 5,821           | 21,082          |
|  | 5,915           | 21,470          |
|  | 528,270         | 534,220         |
| <b>OPERATING COSTS</b>   |                 |                 |
| Raw, ancillary and consumable materials and goods for resale                           | 44,935          | 42,717          |
| Services   | 87,084          | 90,973          |
| Leases   | 22,215          | 19,387          |
| Payroll:   |                 |                 |
| – wages and salaries   | 108,493         | 109,631         |
| – social security  | 32,330          | 32,382          |
| – employee severance indemnities   | 8,884           | 9,184           |
| – other  | 1,387           | 1,389           |
|  | 151,094         | 152,586         |
| Depreciation, amortization and write-downs:  |                 |                 |
| – amortization of intangible fixed assets  | 81,192          | 81,247          |
| – depreciation of tangible fixed assets  | 14,619          | 16,643          |
| – provisions for doubtful accounts   | 3,061           | 7,232           |
|  | 98,872          | 105,122         |
| Changes in inventories of raw, ancillary and consumable materials and goods for resale | (77)            | (304)           |
| Provisions for risks   | 845             | 166             |
| Sundry operating costs:  |                 |                 |
| – losses on disposals  | 0               | 89              |
| – license fees   | 161             | 161             |
| – other  | 11,772          | 10,196          |
|  | 11,933          | 10,446          |
|  | (416,901)       | (421,093)       |
| <b>Operating income</b>  | <b>111,369</b>  | <b>113,127</b>  |
| <b>FINANCIAL INCOME AND EXPENSE</b>  |                 |                 |
| Income from equity investments:  |                 |                 |
| – dividends from other companies   | 59              | 114             |
| – other income from equity investments   | 0               | 64              |
|  | 59              | 178             |
| Other financial income:  |                 |                 |
| – from long-term receivables:  |                 |                 |
| • other  | 151             | 202             |
| – other:   |                 |                 |
| • interest and commissions from others and sundry revenues                             | 3,724           | 10,161          |
|  | 3,875           | 10,363          |
| Interest expense and other financial charges:  |                 |                 |
| – interest and commissions to parent companies   | 191             | 269             |
| – interest and commissions to others and sundry charges                                | 101,312         | 101,364         |
|  | (101,503)       | (101,633)       |
| <b>Total financial income (expense), net</b>   | <b>(97,569)</b> | <b>(91,092)</b> |

## Consolidated Income Statement

### CONSOLIDATED INCOME STATEMENT

(in thousands of euros)

|   | 2003     | 2002     |
|---|----------|----------|
| <b>ADJUSTMENTS TO FINANCIAL ASSETS</b>    |          |          |
| Revaluations:                             |          |          |
| – of equity investments                   | 13,438   | 7,129    |
| Write-downs:                              |          |          |
| – of equity investments                   | 0        | 0        |
| Total adjustments to financial assets     | 13,438   | 7,129    |
| <b>EXTRAORDINARY INCOME AND EXPENSE</b>   |          |          |
| Income:                                   |          |          |
| – other                                   | 3,161    | 4,692    |
|   | 3,161    | 4,692    |
| Expense:                                  |          |          |
| – taxes relating to previous years        | 2,660    | 0        |
| – other                                   | 12,193   | 4,670    |
|   | (14,853) | (4,670)  |
| Total extraordinary income (expense), net | (11,692) | 22       |
| Income before taxes                       | 15,546   | 29,186   |
| Income taxes:                             |          |          |
| – current                                 | (18,704) | (21,018) |
| – deferred tax assets                     | 4,241    | 280      |
|   | (14,463) | (20,738) |
| Net income (loss) for the year            | 1,083    | 8,448    |
| <i>of which:</i>                          |          |          |
| – minority interest                       | 3,110    | 3,261    |
| – Parent Company's share                  | (2,027)  | 5,187    |

# Notes to the Consolidated Financial Statements

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## GENERAL PRINCIPLES

*(Translation from  
the original issued in Italian)*

The Consolidated Financial Statements as of and for the year ended December 31, 2003, have been prepared in accordance with articles 25/43 of Legislative Decree no. 127 of April 9, 1991, and comprise the Consolidated Balance Sheet and Income Statement and the following Explanatory Notes.

The date of reference for the Consolidated Financial Statements is that of the Financial Statements of the Parent Company, Aeroporti di Roma S.p.A.. The accounts of subsidiary undertakings used for consolidation purposes refer to the year ended December 31, 2003, as prepared by the respective Boards of Directors and submitted for approval by the companies' shareholders.

The accounts have been adjusted, where necessary, eliminating adjustments applied in order to take advantage of tax benefits, involving provisions for the related deferred taxation. The accounting policies adopted are those required by the relevant legislation, interpreted and integrated by the accounting principles established by the Italian Accounting Profession, and are those applied throughout the Group.

The reconciliation of shareholders' equity and net income as of and for the year ended December 31, 2003, as reported in the Financial Statements of Aeroporti di Roma S.p.A., and the related consolidated amounts for the same period is shown in the note to consolidated shareholders' equity.

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

The Balance Sheet data as of December 31, 2003 and the Income Statement for the year then ended are compared with the data for 2002.

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

## BASIS OF CONSOLIDATION

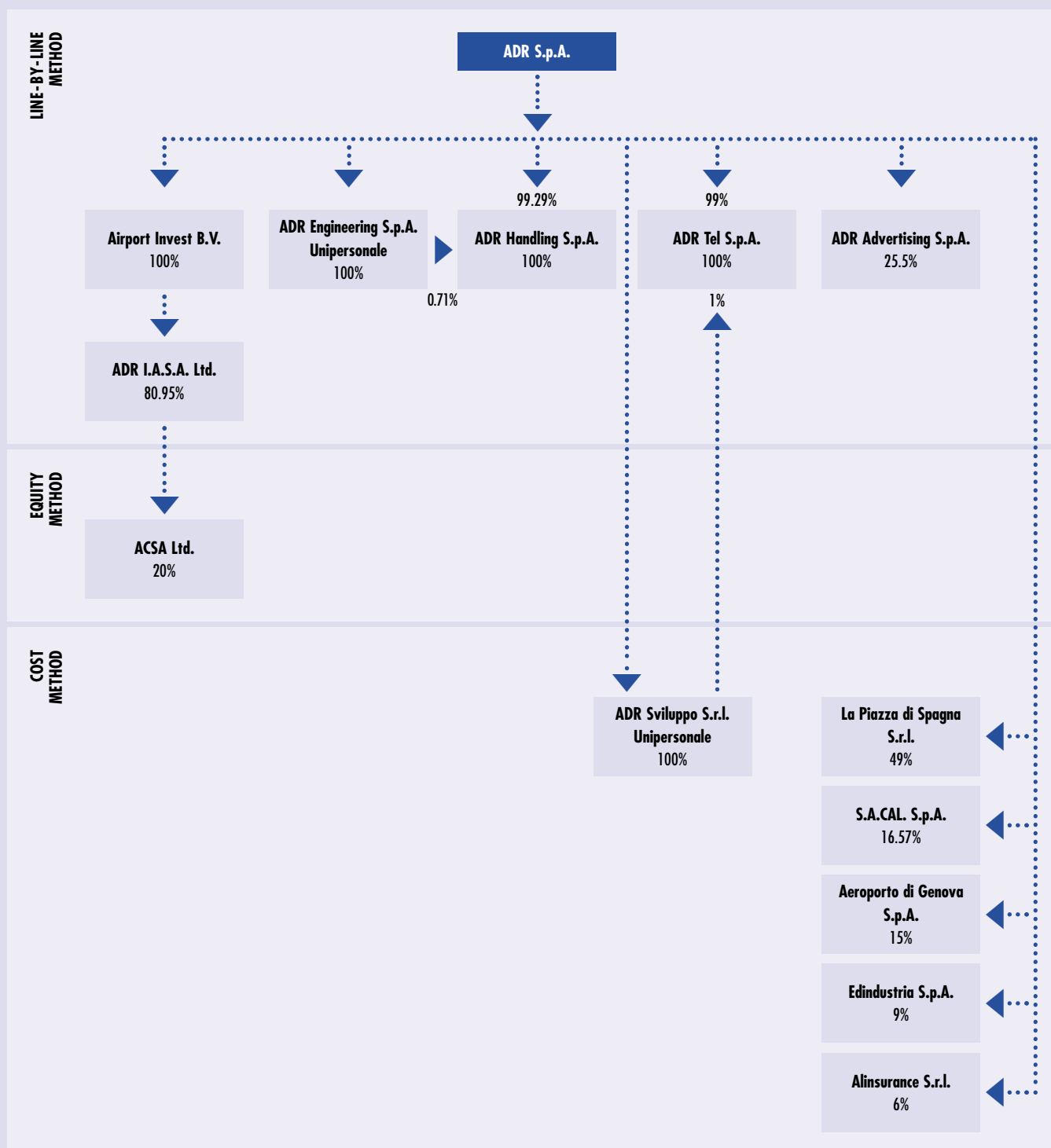
The Consolidated Financial Statements as of and for the year ended December 31, 2003 include the accounts for the same period, consolidated on a line-by-line basis, of the Parent Company, Aeroporti di Roma S.p.A., and the Italian and overseas subsidiary undertakings in which the Parent Company holds, either directly or indirectly, the majority of the voting rights.

As of December 31, 2003, the basis of consolidation includes the following companies:

| Companies consolidated on a line-by-line basis                | Registered office           | Currency | Share capital | Group's %              | Via: Company                         | %               |
|---|-----------------------------|----------|---------------|------------------------|--------------------------------------|-----------------|
| Aeroporti di Roma S.p.A.                                      | Fiumicino (Rome)            | EUR      | 62,224,743    |                        | Parent Company                       |                 |
| Airport Invest B.V.   | Amsterdam (Holland)         | EUR      | 70,417,038    | 100%                   | Aeroporti di Roma                    | 100%            |
| ADR International Airports South Africa (Proprietary) Limited | Johannesburg (South Africa) | ZAR      | 819,000,000   | 80.95% <sup>(10)</sup> | Airport Invest                       | 80.95%          |
| ADR Handling S.p.A.   | Fiumicino (Rome)            | EUR      | 18,060,000    | 100%                   | Aeroporti di Roma<br>ADR Engineering | 99.29%<br>0.71% |
| ADR Engineering S.p.A. Unipersonale                           | Fiumicino (Rome)            | EUR      | 774,690       | 100%                   | Aeroporti di Roma                    | 100%            |
| ADR Tel S.p.A.  | Fiumicino (Rome)            | EUR      | 600,000       | 99%                    | Aeroporti di Roma                    | 99%             |
| ADR Advertising S.p.A.  | Fiumicino (Rome)            | EUR      | 1,000,000     | 25.5% <sup>(11)</sup>  | Aeroporti di Roma                    | 25.5%           |

<sup>(10)</sup> Equity investment in the company's total share capital (including preference shares). The interest in the ordinary stock amounts to 100%.

<sup>(11)</sup> Equity investment in the company's total share capital of 1,000,000 euros (including preference shares). The interest in the ordinary stock amounts to 500,000 euros (51%).



Compared with December 31, 2002, the following subsidiary undertakings have been consolidated:

- ADR Tel S.p.A.: the Company, which was incorporated on July 31, 2002, started operating on April 1, 2003. The Group owns 99% of the share capital with the remaining 1% held by the subsidiary undertaking, ADR Sviluppo S.r.l., which is valued at cost as shown below.
- ADR Advertising S.p.A.: the Company, which was incorporated on January 10, 2003, started operations on March 1, 2003. The company is consolidated on a line-by-line basis as the Parent Company, ADR, has majority voting rights at General Meeting (51%).



Furthermore, during 2003 the Group increased its interest in the ordinary share capital of ADR IASA from 69.0% to 100.0% (from 55.85% to 80.95% of the total share capital) following acquisition of the shares previously owned by Simest S.p.A. and JP Morgan in December.

The Group's holding in the associated undertaking, ACSA, is valued according to the equity method:

| Companies valued at equity            | Registered office          | Currency | Share capital | Group's %              | Via: Company                               | %   |
|---------------------------------------|----------------------------|----------|---------------|------------------------|--|-----|
| Airports Company South Africa Limited | Bedfordview (South Africa) | ZAR      | 500,000,000   | 16.19% <sup>(12)</sup> | ADR International<br>Airports South Africa | 20% |

<sup>(12)</sup> Calculated on the basis of the percentage interest in the total share capital of ADR IASA (80.95%).

The following equity investments are valued at cost:

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

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

The holding in the associated undertaking, La Piazza di Spagna S.r.l., has been valued at cost and not according to the equity method, as the company, which was incorporated on December 17, 2003, is not yet operational.

The holding in the associated undertaking, Ligabue Gate Gourmet Roma S.p.A., has also been valued at cost, due to the fact that the company is bankrupt.

## CONSOLIDATION PRINCIPLES

The main consolidation principles are described below:

- the book value of consolidated equity items has been eliminated against the corresponding entry of individual asset and liability items, in accordance with the line-by-line method. Any positive differences arising are included among fixed assets under the item "Goodwill arising from consolidation", which is amortized on a straight-line basis in relation to the estimated possibility of recovery. Any negative differences are posted to the "Reserve for consolidation adjustments" under shareholders' equity, or to the "Consolidation allowance for risks and charges" should such negative goodwill be due to forecast losses;
- the minority interest in net income and shareholders' equity are reported separately as appropriate items in the Income Statement and under shareholders' equity;

- inter-company profits and losses still to be realized, as well as significant sums relating to payables and receivables and costs and revenues relating to consolidated companies have been eliminated;
- adjustments made to eliminate items of a purely fiscal nature, as well as other consolidation adjustments, take account, where applicable, of the related deferred taxation. Furthermore, the statements show deferred tax assets relating to items which will be recoverable in future years;
- dividends received by subsidiary undertakings during the period and recorded in the Parent Company's Income Statement as income from equity investments are eliminated against retained earnings;
- dividends paid by subsidiary undertakings, posted on an accruals basis in the Parent Company's accounts, are eliminated;
- the Financial Statements denominated in foreign currency have been translated into euros using current exchange rates. Balance Sheet items, with the exception of those forming shareholders' equity, have been translated using period-end exchange rates, whilst average exchange rates for the period were applied to Income Statement items. Any exchange rate differences arising have been recorded among consolidated shareholders' equity at a specific item, "Reserve for foreign currency translation adjustments".

The following table shows the exchange rates applied:

| Exchange rates                 | Average 2003 | 12.31.2003 | Average 2002 | 12.31.2002 |
|--------------------------------|--------------|------------|--------------|------------|
| Euros/South African rand (ZAR) | 8.531        | 8.328      | 9.939        | 9.009      |

### NOTICE

To better represent them in the Financial Statements, ancillary charges to loans have been reclassified from the item "Prepaid expenses" to the item "Other" under "Intangible fixed assets". Such requirement arose from the restructuring of the Parent Company ADR's debt, which, as well as additional charges, also entailed extension of the duration of said debt.

As the method for amortizing such charges (the financial method) has not altered, the change in the accounting method does not affect the results for the period or retained earnings.

To facilitate comparison of Balance Sheet items with those of the previous year, the following reclassifications were made:

- in the Balance Sheet as of December 31, 2002 an amount of 31,178 thousand euros has been reclassified from the item "Accrued income and prepaid expenses" to the item "Intangible fixed assets - other";
- in the Income Statement for 2002 an amount of 3,376 thousand euros has been reclassified from the item "Operating costs - services" to the item "Amortization of intangible fixed assets".

To facilitate comparison of Balance Sheet items with those of the previous year, in the Balance Sheet as of December 31, 2002 an amount of 3,859 thousand euros regarding credit notes to be issued

to clients has been reclassified from the item “Other payables: sundry creditors” to the item “Due from clients”.

In 2003 an information system that calculates amortization of intangible fixed assets entered service. Until December 31, 2002 amortization was calculated on an annual basis. The new system, on the other hand, enables calculation as of the month in which such assets are available for use or begin to produce economic benefits. The positive effect on the result for 2003 and on shareholders' equity as of December 31, 2003 amounts to approximately 1,600 thousand euros (1,228 thousand euros net of the tax effect).

## EXPLANATION ADDED FOR TRANSLATION INTO ENGLISH

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

## ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the Consolidated Financial Statements as of and for the year ended December 31, 2003 are those required by the relevant legislation, interpreted and integrated by the accounting principles established by the Italian Accounting Profession, and are those applied throughout the Group.

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

### Assets

#### Fixed assets

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

#### – Intangible fixed assets

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

- ***Incorporation and development costs***

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

- ***Industrial patents and intellectual property rights***

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

- ***Concessions, licenses, trademarks and similar rights***

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

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

- ***Goodwill arising on consolidation***

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

- ***Other***

This item essentially includes:

- *leasehold improvements*: improvements (modernization, upgrades), having a service life of several years, carried out on assets belonging to third parties (held under concession or constructed on behalf of the State). These costs are amortized in relation to their residual service lives, usually less than the period of the concession;
- *ancillary charges on loans*: the charges sustained to obtain medium- and long-term loans (such as investigative charges, legal fees, etc.) are capitalized and amortized on the basis of the duration of the loan, in accordance with the financial method.

- **Tangible fixed assets**

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

A summary of the rates used is provided below:

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

- ***Land and buildings***

These are recorded at purchase cost adjusted in accordance with art. 3 of Law 72/83.

- **Fixed assets to be relinquished**

Such assets are recorded at purchase cost adjusted in accordance with the above-mentioned art. 3 of Law 72/83, including any ancillary charges and subsequent development costs.

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

- **Non-current financial fixed assets**

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

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

Other investments are recorded at purchase cost, adjusted to reflect any long-term loss in value. Non-current receivables are recorded at their nominal value.

## Current assets

- **Inventories**

- **Inventories of raw, ancillary and consumable materials, finished goods and goods for resale**  
These are recorded at the lower of the weighted average purchase cost and the estimated realizable value taking into account market price trends.

- **Contract work in progress**

These assets are recorded on the basis of the percentage-of-completion method (determined on the basis of the ratio of costs sustained to the total cost of the project). The value of the work so far completed and for which repayment is considered definite is recorded among revenues. Any additional costs borne by the Group in relation to changes in the original project, as requested by the Ministry of Transport, constitute, depending on the nature of the changes, either a write-down of the agreed value (in the case of assets which may not be operated autonomously) or, alternatively, intangible fixed assets (where such variations are considered improvements to and/or conversions of third party assets).

- **Receivables**

These are recorded at their estimated realizable value.

- **Cash on hand and in banks**

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

## Accruals and deferrals

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

## Liabilities

### Allowances for risks and charges

These are made up of provisions aimed at covering sundry losses of a determinate nature and of certain or probable occurrence. The evaluation of risks and charges also takes into account liabilities which have become known between the closure of the accounting period under consideration and the date of the preparation of these Financial Statements. Such allowances are held to be adequate to cover related losses and charges.

### Employee severance indemnities

Employee severance indemnities were calculated for all the Company's employees and in accordance with governing legislation. This amount was calculated for indemnities matured up to December 31, 2003 and is shown net of any advance payments. Such liabilities are subject to revaluation according to appropriate indices.

### Payables

Payables are recorded at their nominal value.

### Receivables and payables recorded in foreign currency

Items denominated in the currencies of countries outside EMU are translated using the average exchange rate for the month in which the transaction was carried out. Any exchange rate differences, incurred on collection of receivables or on settlement of payables denominated in foreign currency, are recorded in the Income Statement.

If the translation of short-term receivables and payables denominated in foreign currency at closing rates results in a net gain or loss, such an amount is recorded in the Income Statement.

Should a net loss result from the translation, at closing rates, of medium- and long-term receivables and payables denominated in the currencies of countries not belonging to EMU, the loss is charged to the Income Statement as a "Provision for foreign currency translation adjustments". Any resulting net gain is, however, deferred.

## Memorandum Accounts

### – General/secured guarantees given

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

### – Commitments on purchases and sales

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

### – Other

#### • Secured/general guarantees received

These are recorded at an amount approximately equal to the residual value due at period end.

These primarily consist of sureties granted by major banks and insurance companies.

- *Third parties' assets lodged with the Company (principally assets received under the concession)*

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

- *Company-owned assets lodged with third parties*

These are recorded at their net book value.

## Revenues

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

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

## Income taxes

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

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

## Derivatives contracts

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

## NOTES TO THE CONSOLIDATED BALANCE SHEET

### FIXED ASSETS

#### Intangible fixed assets

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

## Intangible fixed assets

|  | 12.31.2002 |              | Book value |
|--|------------|--------------|------------|
|  | Cost       | Amortization |            |
| Incorporation and development costs                  | 700        | (294)        | 406        |
| Industrial patents and intellectual property rights  | 1,731      | (1,608)      | 123        |
| Concessions, licenses, trademarks and similar rights | 2,176,192  | (129,427)    | 2,046,765  |
| Goodwill arising on consolidation                    | 2,168      | (283)        | 1,885      |
| Leasehold improvements in process and advances:      |            |              |            |
| – Leasehold improvements in process                  | 19,924     | 0            | 19,924     |
| – Advances to suppliers                              | 0          | 0            | 0          |
|  | 19,924     | 0            | 19,924     |
| Others:  |            |              |            |
| – Leasehold improvements                             | 287,892    | (171,499)    | 116,393    |
| – Ancillary charges for loans                        | 31,178     | 0            | 31,178     |
|  | 319,070    | (171,499)    | 147,571    |
|  | 2,519,785  | (303,111)    | 2,216,674  |

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

- “incorporation and development costs” rose significantly as a result of the consolidation of ADR Tel and the related costs incurred, partly in the previous year (786 thousand euros) and partly in 2003 (381 thousand euros), to start up its activities;
- “concessions, licenses, trademarks and similar rights” include the value of the airport concession, amounting to 1,995,988 thousand euros as of December 31, 2003. The decrease of 48,944 thousand euros is due to the combined effect of amortization for the period (50,310 thousand euros) and investment (1,155 thousand euros), transfers from work in process (160 thousand euros) and reclassifications amounting to 51 thousand euros;
- “goodwill arising on consolidation” rose by 2,726 thousand euros in 2003, due to elimination of the interest in ADR IASA acquired from JP Morgan and Simest; amortization for the period amounts to 207 thousand euros;
- the increase of 18,598 thousand euros in “Leasehold improvements in process” derives from work carried out during the year, amounting to 23,012 thousand euros, net of transfers of assets entering service to “Leasehold improvements” and “Concessions, licenses, trademarks and similar rights” (3,526 thousand euros), and write-downs of 888 thousand euros;
- “other intangible fixed assets” rose by a total of 610 thousand euros due to ancillary charges for loans. “Leasehold improvements” decreased by 12,000 thousand euros due to amortization for the period, totaling 26,148 thousand euros, partly offset by work carried out during the period (10,320 thousand euros), transfers from work in process (3,366 thousand euros) and reclassifications totaling 462 thousand euros. “Ancillary charges for loans” rose by 12,610 thousand euros due to costs incurred in order to restructure ADR’s debt (16,708 thousand euros), net of amortization of 4,098 thousand euros.

The principal leasehold improvements in process (equal to 23,012 thousand euros) include:



| Purchases/<br>Capitalization | Changes during the period |                                   |              | 12.31.2003 |              |               |
|------------------------------|---------------------------|-----------------------------------|--------------|------------|--------------|---------------|
|                              | Reclassifications         | Changes basis<br>of consolidation | Amortization | Cost       | Amortization | Book<br>value |
| 405                          | 0                         | 786                               | (313)        | 1,891      | (607)        | 1,284         |
| 610                          | (46)                      | 0                                 | (116)        | 2,295      | (1,724)      | 571           |
| 1,155                        | 211                       | 0                                 | (50,310)     | 2,177,558  | (179,737)    | 1,997,821     |
| 2,726                        | 0                         | 0                                 | (207)        | 4,894      | (490)        | 4,404         |
| 18,751                       | (153)                     | 0                                 | 0            | 38,522     | 0            | 38,522        |
| 4,261                        | (4,261)                   | 0                                 | 0            | 0          | 0            | 0             |
| 23,012                       | (4,414)                   | 0                                 | 0            | 38,522     | 0            | 38,522        |
| 10,320                       | 3,828                     | 0                                 | (26,148)     | 302,024    | (197,631)    | 104,393       |
| 16,708                       | 0                         | 0                                 | (4,098)      | 47,886     | (4,098)      | 43,788        |
| 27,028                       | 3,828                     | 0                                 | (30,246)     | 349,910    | (201,729)    | 148,181       |
| 54,936                       | (421)                     | 786                               | (81,192)     | 2,575,070  | (384,287)    | 2,190,783     |

- works relating to the Eastern Area - Cargo City (13,886 thousand euros);
- the structural upgrading of the Bravo/Delta/November taxiways (920 thousand euros);
- replacement of MV and LV panels and protection of landside electricity transformers (830 thousand euros);
- adaptation of system for upgrading of manual coding area (896 thousand euros).

The main leasehold improvements completed during the year (equal to 10,320 thousand euros) include:

- runways - works to comply with ICAO standards and remote operation and monitoring of lights (889 thousand euros);
- maintenance of landside airport road network (612 thousand euros);
- BHS - upgrading of electrical system (186 thousand euros);
- heating plant and networks phase I (150 thousand euros);
- work on the “Catering Ovest” building (1,024 thousand euros);
- aircraft aprons - reconfiguration of traffic signals (334 thousand euros);
- new asset cycle management system (543 thousand euros);
- re-waterproofing of various buildings and escalator underpass (457 thousand euros);
- sundry works at Ciampino airport (1,208 thousand euros).

Funds deriving from increased boarding fees received during the year were again invested in airport infrastructure development (in accordance with paragraphs 9 and 10 of art. 10, Law 537/93).

### Tangible fixed assets

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

## Tangible fixed assets

|                                     | 12.31.2002 |                               |             |                                |               |
|-------------------------------------|------------|-------------------------------|-------------|--------------------------------|---------------|
|                                     | Cost       | Revaluations<br>(Law 72/1983) | Write-downs | Allowances<br>for depreciation | Book<br>value |
| Land and buildings                  | 16,809     | 465                           | 0           | (15,908)                       | 1,366         |
| Plant and machinery                 | 91,335     | 0                             | 0           | (74,060)                       | 17,275        |
| Industrial and commercial equipment | 12,659     | 0                             | 0           | (11,308)                       | 1,351         |
| Fixed assets to be relinquished     | 135,627    | 1,908                         | 0           | (57,873)                       | 79,662        |
| Other assets                        | 39,787     | 0                             | 0           | (35,001)                       | 4,786         |
| Work in progress and advances       | 1,688      | 0                             | 0           | 0                              | 1,688         |
|                                     | 297,905    | 2,373                         | 0           | (194,150)                      | 106,128       |

“Tangible fixed assets” decreased by 5,759 thousand euros, due to depreciation totaling 14,619 thousand euros and disposals amounting to 133 thousand euros. This was partly compensated for by investment amounting to 8,993 thousand euros.

The most significant capitalization during the period, within the category “Plant and machinery” (3,836 thousand euros), regarded the acquisition of motor vehicles with a value of 1,363 thousand euros, specific airport equipment totaling 950 thousand euros, inspection and baggage transportation equipment amounting to 463 thousand euros and telephone equipment with a value of 469 thousand euros. “Other assets” (which increased by 1,362 thousand euros) regarded electronic systems totaling 928 thousand euros and furniture, fittings and equipment with a value of 338 thousand euros.

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

| Changes during the period    |                   |                           |              | 12.31.2003 |                               |             |                                |               |
|------------------------------|-------------------|---------------------------|--------------|------------|-------------------------------|-------------|--------------------------------|---------------|
| Purchases/<br>Capitalization | Reclassifications | Disposals/<br>Retirements | Depreciation | Cost       | Revaluations<br>(Law 72/1983) | Write-downs | Allowances<br>for depreciation | Book<br>value |
| 20                           | 0                 | 0                         | (312)        | 16,829     | 465                           | 0           | (16,220)                       | 1,074         |
| 3,836                        | 153               | (110)                     | (5,359)      | 93,907     | 0                             | 0           | (78,112)                       | 15,795        |
| 760                          | 0                 | 0                         | (760)        | 13,418     | 0                             | 0           | (12,067)                       | 1,351         |
| 267                          | 187               | 0                         | (5,741)      | 136,081    | 1,908                         | 0           | (63,614)                       | 74,375        |
| 1,362                        | 0                 | (23)                      | (2,447)      | 40,286     | 0                             | 0           | (36,608)                       | 3,678         |
| 2,668                        | (260)             | 0                         | 0            | 4,096      | 0                             | 0           | 0                              | 4,096         |
| 8,913                        | 80                | (133)                     | (14,619)     | 304,617    | 2,373                         | 0           | (206,621)                      | 100,369       |

## Equity investments held as non-current financial assets

|   | 12.31.2002     | Changes during the period | 12.31.2003     |
|---|----------------|---------------------------|----------------|
| <b>Equity investments in:</b>                 |                |                           |                |
| – unconsolidated subsidiary undertakings:     |                |                           |                |
| • ADR Sviluppo S.r.l. Unipersonale            | 100            | 0                         | 100            |
| • ADR Tel S.p.A.                              | 594            | (594)                     | 0              |
|   | 694            | (594)                     | 100            |
| – associated undertakings:                    |                |                           |                |
| • ACSA Ltd.                                   | 105,752        | 14,490                    | 120,242        |
| • La Piazza di Spagna S.r.l.                  | 0              | 49                        | 49             |
| • Ligabue Gate Gourmet Roma S.p.A. (bankrupt) | 0              | 0                         | 0              |
|   | 105,752        | 14,539                    | 120,291        |
| – other companies:                            |                |                           |                |
| • Alinsurance S.r.l.                          | 6              | 0                         | 6              |
| • Aeroporto di Genova S.p.A.                  | 930            | 0                         | 930            |
| • S.A.CAL. S.p.A.                             | 878            | 0                         | 878            |
| • Edindustria S.p.A.                          | 81             | 0                         | 81             |
|   | 1,895          | 0                         | 1,895          |
| <b>Total</b>                                  | <b>108,341</b> | <b>13,945</b>             | <b>122,286</b> |

The change during the period, consisting of an increase of 13,945 thousand euros, derives from the positive effects of the valuation at equity of the associated undertaking, ACSA, partially compensated for by the change in the basis of consolidation. In detail:

## – ADR Tel

The decrease of 594 thousand euros with respect to December 31, 2002 derives from the consolidation of the subsidiary undertaking, ADR Tel S.p.A., on a line-by-line basis.

## – ACSA (Airports Company South Africa) Ltd.

The Company, in which the Parent Company has a 20% interest via ADR IASA, has produced specially prepared accounts as of December 31, 2003, which show shareholders' equity of 362.3 million euros (72.5 million euros pro rata, including the minority interest), calculated at the closing exchange rate of December 31, 2003, and net income for the period of 83.6 million euros (16.7 million euros pro rata, including the minority interest) calculated on the basis of the average exchange rate.

The valuation of the associated undertaking at equity as of December 31, 2003 reflects the impact of both positive and negative components. The former consist of net income for the period, amounting to 16,711 thousand euros, and the impact of the increase in the value of the South African rand, totaling 8,789 thousand euros (with a corresponding positive impact on the reserve for foreign currency translation adjustments), whilst the latter regard the Group's interest in the amortization of goodwill, amounting to 3,273 thousand euros (applied at an annual rate of 5%), and the portion of dividends distributed totaling 7,737 thousand euros.

Given that the residual value of goodwill as of December 31, 2003 is 47,780 thousand euros, the book value of the equity investment amounts to the addition of the above sum to the interest (20%) in the shareholders' equity of the associated undertaking (72,462 thousand euros).

## – La Piazza di Spagna S.r.l.

The increase of 49 thousand euros consists of the interest in the Company (49%) subscribed by the Parent Company, ADR, when it was incorporated on December 17, 2003.

For further information regarding such equity investments during 2003, reference should be made to the section “Equity investments” in the Parent Company’s Management Report on Operations.

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

### Receivables due and other items under non-current financial assets

|                              | 12.31.2002 | Changes during the period | 12.31.2003 |
|------------------------------|------------|---------------------------|------------|
| Receivables:                 |            |                           |            |
| – due from others:           |            |                           |            |
| • public bodies for licenses | 26         | (2)                       | 24         |
| • other                      | 6,350      | (1,049)                   | 5,301      |
|                              | 6,376      | (1,051)                   | 5,325      |

The reduction in such “Receivables”, amounting to 1,051 thousand euros, was due to payments of 1,272 thousand euros, disbursements of 69 thousand euros and the revaluation of the amount due from the tax authorities in relation to the payment of withholding tax on employee severance indemnities as required by Law 662/96. Such item is classified under “Other”, and totals 152 thousand euros.

There are no receivables falling due beyond five years.

## CURRENT ASSETS

### Inventory

|  | 12.31.2002 | Changes during the period | 12.31.2003 |
|--|------------|---------------------------|------------|
| Raw, ancillary and consumable materials              | 2,986      | (173)                     | 2,813      |
| Finished goods and goods for resale:                 |            |                           |            |
| – goods for resale                                   | 8,195      | 249                       | 8,444      |
| Contract work in progress                            | 14,962     | (3,965)                   | 10,997     |
| less accumulated write-downs (art. 60 Decree 917/86) | 0          | 0                         | 0          |
|  | 14,962     | (3,965)                   | 10,997     |
| Advances   | 120        | (23)                      | 97         |
|  | 26,263     | (3,912)                   | 22,351     |

“Inventory” has decreased by 3,912 thousand euros with respect to December 31, 2002, primarily due to a decline in “Contract work in progress” (down 3,965 thousand euros). This was due to the fact that the invoices issued to the Civil Aviation Authority were in excess of the works carried out during the period.

Stocks of “Finished goods and goods for resale” reflect the estimated portion, as of December 31, 2003, of the reductions resulting from the physical stock checks carried out during February and March 2004. The checks regarded all categories of merchandise held in five out of the six retail outlets managed by the Parent Company, ADR, at Fiumicino and Ciampino.

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

### Current receivables

|   | 12.31.2002 | Changes during the period        |  | 12.31.2003 |
|---|------------|----------------------------------|--|------------|
|   |            | Contracted (+)<br>Repayments (-) | Provisions (-)<br>Value recoveries (+) |            |
| Due from clients                                    | 158,483    | 3,967                            | 0                                      | 162,450    |
| Less:   |            |                                  |  |            |
| – allowance for doubtful accounts                   | (18,446)   | 654                              | (3,061)                                | (20,853)   |
| – allowance for overdue interest                    | (4,648)    | 300                              | (507)                                  | (4,855)    |
|   | 135,389    | 4,921                            | (3,568)                                | 136,742    |
| Due from unconsolidated subsidiary undertakings     | 815        | (815)                            | 0                                      | 0          |
| Due from associated undertakings                    | 3,073      | (154)                            | 0                                      | 2,919      |
| Less:   |            |                                  |  |            |
| – allowance for doubtful accounts                   | (1,927)    | 0                                | 0                                      | (1,927)    |
|   | 1,146      | (154)                            | 0                                      | 992        |
| Due from others:                                    |            |                                  |  |            |
| – sundry  | 80,658     | (22,917)                         | 0                                      | 57,741     |
| – tax authorities                                   | 5,094      | (985)                            | 0                                      | 4,109      |
| – advances to suppliers for services to be rendered | 112        | (33)                             | 0                                      | 79         |
|   | 85,864     | (23,935)                         | 0                                      | 61,929     |
| Deferred tax assets                                 | 20,276     | 4,197                            | 0                                      | 24,473     |
|   | 243,490    | (15,786)                         | (3,568)                                | 224,136    |

– “Due from clients”, net of allowances for doubtful accounts, amounting to 136,742 thousand euros, is mainly in line with the end of 2002 and includes trade receivables due from clients and amounts due from public bodies for financed works and the supply of utilities and services. The increase in gross receivables was compensated for by a rise in provisions for doubtful accounts deriving from an updated assessment of the creditworthiness of the Group’s clients. As a result the Group is currently negotiating payment plans with a number of debtors owing a total of 6.1 million euros. The Group expects to collect all the related receivables recorded in the Financial Statements.

In view of public bodies’ continuing delay in effecting payments, as of December 31, 2003 the residual amount of receivables factored without recourse, in accordance with the relevant contracts and supplementary letters, amounts to 33.4 million euros.

– “Due from unconsolidated subsidiary undertakings” amounted to zero as of December 31,

2003, compared with a balance of 815 thousand euros at the end of 2002, following consolidation of the subsidiary undertaking, ADR Tel S.p.A..

- “Due from associated undertakings”, totaling 992 thousand euros, regard amounts due to the Parent Company, ADR, from Ligabue Gate Gourmet Roma S.p.A. bankrupt (530 thousand euros) and ACSA Ltd. (462 thousand euros).

The reduction of 154 thousand euros with respect to December 31, 2002 is due to collection of a receivable of 222 thousand euros from the bankruptcy of Ligabue, following a partial distribution which provided for payments of 29.6% of the payables deemed as preferential. The outstanding amount of 530 thousand euros due at December 31, 2003, following the bankruptcy of Ligabue Gate Gourmet Roma, was classified among preferential liabilities.

- “Amounts due from others: sundry” decreased by 22,917 thousand euros mainly due to the reduced liquidity deposited in the term current accounts denominated the “Debt Service Reserve Account” (down 10,489 thousand euros) and the “Revenues Account” (down 3,939 thousand euros), as well as to a decrease in receivables resulting from factoring without recourse (down 9,282 thousand euros).

“Amounts due from others” include the balance of the term current account in the name of the Security Agent for ADR’s loans denominated “Debt Service Reserve Account”, amounting to 50,082 thousand euros as of December 31, 2003. In accordance with the procedures established in the relevant agreement, ADR has deposited a sum in this account to guarantee repayment of the loans.

The “Revenues Account”, which served the same purpose in ADR’s previous loan structure, has been substantially reduced to zero in compliance with amendments to contract conditions.

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

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

“Amounts due” as of December 31, 2003 comprise 137,205 thousand euros of trade receivables, 51,536 thousand euros due in the form of financial receivables, and 35,395 thousand euros of other categories. There are no promissory notes or similar bills.

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

### Cash on hand and in banks

|                                | 12.31.2002 | Changes during the period | 12.31.2003 |
|--------------------------------|------------|---------------------------|------------|
| Banks and post office deposits | 50,563     | 18,391                    | 68,954     |
| Checks                         | 0          | 0                         | 0          |
| Cash and notes in hand         | 675        | (242)                     | 433        |
|                                | 51,238     | 18,149                    | 69,387     |

The Group's "Available cash", which increased by 18,149 thousand euros over the year, in addition to temporary liquidity held in banks, consists of the balance of the "Option Reserve", in which, on the basis of the terms of ADR's loan agreements, the sum necessary to exercise existing options on the share capital of the South African subsidiary undertaking, ADR IASA, has been deposited.

A sum of 36,807 thousand euros was drawn from this account, which initially amounted to 55,000 thousand euros, to finance the exercise of call options regarding shares in ADR IASA owned by Simest and JP Morgan. The balance as of December 31, 2003, totaling 20,000 thousand euros, has been earmarked for exercise of the option relating to the preferential share capital owned by United Towers.

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

### ACCRUED INCOME AND PREPAID EXPENSES

|  | 12.31.2002 | Changes during the period | 12.31.2003 |
|--|------------|---------------------------|------------|
| ACCRUED INCOME                               | 0          | 74                        | 74         |
| PREPAID EXPENSES                             |            |                           |            |
| Service costs                                | 536        | 262                       | 798        |
| Leased assets                                | 3          | 0                         | 3          |
| Payroll costs                                | 13         | 23                        | 36         |
| Interest expense and other financial charges | 0          | 2,774                     | 2,774      |
|  | 552        | 3,133                     | 3,685      |

The change of 3,133 thousand euros is mainly due to "Prepaid expenses - interest expense and other financial charges", which includes prepayment of the installment due for the period for the monoline insurance premium paid to AMBAC Assurance UK, which secured the bonds issued by Romulus Finance S.r.l. that correspond to "Facility A".



## SHAREHOLDERS' EQUITY

|  | Share capital | Share premium reserve | Legal reserve | Other reserves | Reserve for foreign currency translation adjustments | Retained earnings | Net income for the period | Consolidated for shareholders' equity | Minority interest | Group and minority interest in shareholders' equity |
|--|---------------|-----------------------|---------------|----------------|--|-------------------|---------------------------|---------------------------------------|-------------------|---|
| Balances as of 12.31.2002  | 62,225        | 667,389               | 12,445        | 85             | (17,285)   | (11,292)          | 5,187                     | 718,754                               | 47,431            | 766,185   |
| Allocation of net income 2002  |               |                       |               |                |  | (27,170)          | (5,187)                   | (32,357)                              | 0                 | (32,357)  |
| Effect of change to basis of consolidation   |               |                       |               |                |  |                   |                           |                                       | 751               | 751   |
| Reduction in minority interest acquired by Group (31% ADR IASA)                                    |               |                       |               |                |  |                   |                           |                                       | (32,246)          | (32,246)  |
| Foreign currency translation adjustments on conversion of accounts denominated in foreign currency |               |                       |               |                | 4,660  |                   |                           | 4,660                                 | 4,082             | 8,742   |
| Change to reserves   |               |                       |               |                |  |                   |                           |                                       | (529)             | (529)   |
| Net income for the period  |               |                       |               |                |  |                   | (2,027)                   | (2,027)                               | 3,110             | 1,083   |
| Interim dividends  |               |                       |               |                |  |                   | 0                         | 0                                     | (2,308)           | (2,308)   |
| Net income for the period  |               |                       |               |                |  |                   | (2,027)                   | (2,027)                               | 802               | (1,225)   |
| Balances as of 12.31.2003  | 62,225        | 667,389               | 12,445        | 85             | (12,625)   | (38,462)          | (2,027)                   | 689,030                               | 20,291            | 709,321   |

The Parent Company's share capital amounts to 62,224,743 euros represented by 62,224,743 shares with a par value of 1 euro each.

"Other reserves" include the reserve for share issues established in accordance with art. 2349 of the Italian Civil Code, amounting to 85 thousand euros. Such reserve was reconstituted in the accounts of Leonardo S.p.A. (now ADR S.p.A.) following the merger with ADR S.p.A. on May 21, 2001.

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

In addition to the loss for the period, the reduction of shareholders' equity with respect to December 31, 2002 is primarily due to the distribution of dividends by the Parent Company, ADR, amounting to 32,357 thousand euros. This was partly compensated for by the positive difference in the "Reserve for foreign currency translation adjustments".

The Group's acquisition of the shareholdings in ADR IASA owned by Simest and JP Morgan led to a reduction of 32,246 thousand euros in the "Minority interest". The increase of 751 thousand euros derives from inclusion of the subsidiary undertaking, ADR Advertising, within the basis of consolidation.

Finally, during the year ADR IASA distributed an interim dividend for 2003 of 2,308 thousand euros to the preferential shareholder, United Towers (Pty) Ltd., as well as 529 thousand euros from earnings retained from the previous year.

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

## Reconciliation of net income for the period and shareholders' equity

|   | Net income for the period |         | Shareholders' equity |            |
|---|---------------------------|---------|----------------------|------------|
|   | 2003                      | 2002    | 12.31.2003           | 12.31.2002 |
| Balance in ADR's accounts   | 1,069                     | 4,063   | 745,808              | 777,096    |
| Elimination of accelerated depreciation   | (422)                     | (1,517) | 7,112                | 7,534      |
| Effect of consolidation of subsidiary undertakings  | 5,884                     | 478     | 29,580               | 23,696     |
| Effect of valuation of associated undertakings at equity  | 0                         | 0       | 0                    | 0          |
| Elimination of inter-company profits<br>and other adjustments   | (12,338)                  | (273)   | (30,495)             | (18,157)   |
| Effect of deferred tax assets   | 2,968                     | 1,624   | 5,811                | 2,843      |
| Merger effect   | 812                       | 812     | (56,161)             | (56,973)   |
| Exchange rate adjustments arising from the translation<br>of accounts denominated in foreign currency |                           |         | (12,625)             | (17,285)   |
| Balance in consolidated accounts  | (2,027)                   | 5,187   | 689,030              | 718,754    |

## ALLOWANCES FOR RISKS AND CHARGES

|                                   | 12.31.2002 | Changes during the period |   |          | 12.31.2003 |
|-----------------------------------|------------|---------------------------|---|----------|------------|
|                                   |            | Reclassifications         | Provisions<br>(Reversal to<br>Income Statement) | Releases |            |
| Income taxes                      | 0          | 0                         | 650   | 0        | 650        |
| Other:                            |            |                           |   |          |            |
| – disputes in progress            | 14,223     | 3,726                     | 532   | (1,402)  | 17,079     |
| – insurance deductibles           | 1,338      | 0                         | 282   | (273)    | 1,347      |
| – maintenance of leased assets    | 0          | 0                         | 31  | 0        | 31         |
| – restructuring                   | 3,674      | 1,074                     | 107   | (321)    | 4,534      |
| – fixed assets to be relinquished | 9,001      | (4,800)                   | 0   | 0        | 4,201      |
|                                   | 28,236     | 0                         | 952   | (1,996)  | 27,192     |
|                                   | 28,236     | 0                         | 1,602   | (1,996)  | 27,842     |

“Allowances for risks and charges”, totaling 27,842 thousand euros, decreased by 394 thousand euros overall. In detail:

- the “Allowance for income taxes” included an estimate of the amount due (650 thousand euros) in relation to the tax amnesty for 2002 (regarding direct taxation), which the Parent Company, ADR, intends to take advantage of;
- the “Allowance for disputes in progress” reports a net increase of 2,856 thousand euros. Direct releases amounting to 1,402 thousand euros are primarily due to the settlement of disputes with Group employees and civil lawsuits. The allowance as of December 31, 2003 covers potential liabilities arising from legal disputes the Group is involved in and the prudent valuation of the outcomes of current disputes with clients;
- the “Allowance for restructuring”, which covers the expected expenses to be incurred by the Group to meet the cost of streamlining and reorganizing the Group's operations, aimed at improving efficiency in order to ensure that profit targets are met, reports a net increase of 860 thousand euros, in line with the redundancy plan in the process of implementation;

- an updated estimate of the related costs (see Accounting policies) concluded that the “Allowance for fixed assets to be relinquished” was 4,800 thousand euros in surplus. This surplus was used via reclassifications to other allowances.

## EMPLOYEE SEVERANCE INDEMNITIES

|                               |         |
|-------------------------------|---------|
| Balance as of 12.31.2002      | 68,648  |
| Changes during the period:    |         |
| – provisions                  | 8,884   |
| – releases to pay indemnities | (7,158) |
| – releases to pay advances    | (2,326) |
| – transfers of employees      | (1,029) |
| – other                       | (443)   |
| Balance as of 12.31.2003      | 66,576  |

“Employee severance indemnities” decreased by 2,072 thousand euros in 2003 due to the indemnities and advances of 9,484 thousand euros paid, transfers of employees accounting for 1,029 thousand euros and other negative changes of 443 thousand euros, which were partly offset by provisions for the period totaling 8,884 thousand euros.

The reduction “due to transfers of employees” primarily refers to 0.8 million euros regarding staff included in the “personnel management” division transferred to FIS - Fiduciaria Generale S.p.A., and 0.3 million euros regarding ADRH operating staff transferred to other handlers (Alitalia Airport and EAS) at the same time as they took over handling activities previously carried out by ADRH.

## PAYABLES

|                                     | 12.31.2002 | Changes during the period | 12.31.2003 |
|-------------------------------------|------------|---------------------------|------------|
| Due to banks                        | 1,671,217  | (1,189,146)               | 482,071    |
| Due to other financial institutions | 0          | 1,278,796                 | 1,278,796  |
| Advances:                           |            |                           |            |
| – from clients:                     |            |                           |            |
| • from the Ministry of Transport    | 6,521      | (1,099)                   | 5,422      |
| • other                             | 1,280      | 1,106                     | 2,386      |
| – on invoices paid in installments: |            |                           |            |
| • from clients                      | 58         | 51                        | 109        |
|                                     | 7,859      | 58                        | 7,917      |
| Due to suppliers                    | 121,076    | (8,812)                   | 112,264    |
| Due to associated undertakings      | 969        | 91                        | 1,060      |
| Due to parent companies             | 24,873     | (24,869)                  | 4          |
| Taxes due                           | 7,003      | (1,175)                   | 5,828      |
| Due to social security agencies     | 8,851      | (165)                     | 8,686      |
| Other payables: sundry creditors    | 48,507     | (14,916)                  | 33,591     |
|                                     | 1,890,355  | 39,862                    | 1,930,217  |

The Group's "Payables" rose by 39,862 thousand euros during the period. The principal reasons for such a change are analyzed below. For further information on changes to amounts due to banks and other lenders, see the section on "Restructuring of the Parent Company's debt" in the Management Report on Operations.

- "Amounts due to banks", totaling 482,071 thousand euros, report a reduction of 1,189,146 thousand euros with respect to December 31, 2002, deriving from the combined effect of the following transactions:
  - repayment to ADR's original lenders of part of "Facility A", amounting to 361,719 thousand euros, and of "Facility C", totaling 40,000 thousand euros, and payment of the related accrued interest of 4,479 thousand euros due as of December 31, 2002;
  - reclassification of a loan of 1,265,019 thousand euros (the remainder of "Facility A") within the framework of loans granted by other lenders following transfer without recourse of an amount due from ADR's lending banks to Romulus Finance S.r.l.;
  - the receipt of new bank loans totaling 480,000 thousand euros;
  - accrued interest, commissions and swap differentials for the period, not yet settled, totaling 2,071 thousand euros.

On February 19, 2003, ADR negotiated further bank loans totaling 575 million euros, which break down as follows:

- two long-term "Facilities" and a "Revolving" line of credit granted by a syndicate of banks, headed by Mediobanca - Banca di Credito Finanziario S.p.A., Barclays, WestLB and UBM, totaling 490,000 thousand euros;
- a long-term line of credit of 85,000 thousand euros granted by Banca OPI, called "BOPI Facility", guaranteed by CDC IXIS Financial Guaranty Europe.

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

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

As of December 31, 2003, all the long-term lines of credit ("B Term Facility", "C Term Facility" and "BOPI Facility"), totaling 480,000 thousand euros, have been used; the "Revolving Facility", however, has not been used.

- "Amounts due to other financial institutions" amount to 1,278,796 thousand euros compared with a balance of zero as of December 31, 2002. The item includes the 1,265,019 thousand euros due to Romulus Finance S.r.l. following the transfer without recourse of the amount due to ADR's original lenders to Romulus Finance S.r.l.. For further information on this operation, see the section on "Restructuring of the Parent Company's debt" in the Management Report on Operations. The outstanding amount due of 13,777 thousand euros consists of interest accrued on the above-mentioned loan and not yet paid.

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

| Lender                 | Facility Loan | Amount<br>(millions of euros) | Interest rate  | Repayment | Life     | Maturity<br>Date |
|------------------------|---------------|-------------------------------|--|-----------|----------|------------------|
|                        | A1            | 500                           | fixed  | bullet    | 10 years | Feb. 2013        |
|                        | A2            | 200                           | floating rate linked to EURIBOR<br>+ a spread                  | bullet    | 12 years | Feb. 2015        |
| Romulus Finance S.r.l. | A3            | 175                           | floating rate linked to EURIBOR<br>+ a spread                  | bullet    | 12 years | Feb. 2015        |
|                        | A4            | 325                           | floating indexed to EURIBOR<br>until 12.20.2009 and then fixed | bullet    | 20 years | Feb. 2023        |
|                        | B             | 65                            | floating rate linked to EURIBOR<br>+ a spread                  | bullet    | 7 years  | Feb. 2010        |
| <b>Total</b>           |               | <b>1,265</b>                  |  |           |          |                  |

In accordance with the hedging policy established within the framework of loan agreements with the banks and with Romulus Finance, the following interest rate swap agreements drawn up by ADR in 2001, and designed to hedge the interest rate risk associated with a portion of the loan (864 million euros), are in force.

Such interest rate swap agreements mature on October 2, 2009.

The effects of the interest rate swap agreements on the Income Statement for the period are shown in the notes on financial charges.

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

- a lien (in the form of a mortgage) on the plant, machinery, capital goods and goods constituting ADR's inventory, as well as any receivables deriving from the sale of such assets;
  - a lien on all receivables and contracts with clients, and with ADR Tel S.p.A. and ADR Advertising S.p.A. and insurance policies;
  - a lien on all of ADR's current bank accounts;
  - a lien on ADR's shareholdings in ADR Tel S.p.A. and ADR Advertising S.p.A.;
  - "ADR Deed of Charge" (a British lien on loans subject to British legislation, hedging agreements and insurance policies regulated by British law).
- "Due to parent companies" decreased by 24,869 thousand euros because, in compliance with commitments undertaken with the lending banks, on March 24, 2003 ADR discharged the loan of 24,600 thousand euros granted by Leonardo Holding S.A. on September 10, 2002. On the same date, the interest accrued on the loan, from the date of its granting to the date of its discharge, was settled.
- "Other payables: sundry creditors" decreased by 14,916 thousand euros overall, mainly due to payment of license fees in arrears to the Civil Aviation Authority (4,793 thousand euros), settlement of a portion of the payable due to the Menzies Aviation Group for acquisition of 49% of ADRH (6,850 thousand euros), a decrease in amounts due to personnel (1,542 thousand euros) and a reduction in suspended VAT payables (1,600 thousand euros).

As of December 31, 2003, total "Payables" of 1,930,217 thousand euros include 1,761,071 thousand euros of a financial nature, 121,207 thousand euros of trade payables and 47,939 thousand euros of sundry items.

“Payables secured by collateral on the Group’s assets” amount to 1,760,867 thousand euros (as described in the paragraph regarding amounts due to banks and other financial institutions).

“Payables falling due beyond five years” amount to 1,745,019 thousand euros and regard amounts due to banks totaling 480,000 thousand euros and amounts due to other financial institutions of 1,265,019 thousand euros.

“Payables in currency exposed to exchange rate risks” total 764 thousand euros and refer to services supplied.

### ACCRUED EXPENSES AND DEFERRED INCOME

|                                  | 12.31.2002 | Changes during the period | 12.31.2003 |
|----------------------------------|------------|---------------------------|------------|
| ACCRUED EXPENSES                 | 0          | 15                        | 15         |
| DEFERRED INCOME                  |            |                           |            |
| Sub-concessions and license fees | 2,746      | (862)                     | 1,884      |
| Other services                   | 2,892      | (425)                     | 2,467      |
|                                  | 5,638      | (1,272)                   | 4,366      |

## NOTES TO THE CONSOLIDATED MEMORANDUM ACCOUNTS

### GENERAL GUARANTEES

|                             | 12.31.2003      |                   |       | 12.31.2002      |                   |       |
|-----------------------------|-----------------|-------------------|-------|-----------------|-------------------|-------|
|                             | Secured credits | Unsecured credits | Total | Secured credits | Unsecured credits | Total |
| Sureties:                   |                 |                   |       |                 |                   |       |
| – in favor of third parties | 0               | 111               | 111   | 0               | 111               | 111   |
| Other:                      |                 |                   |       |                 |                   |       |
| – in favor of clients       | 0               | 184               | 184   | 0               | 1,237             | 1,237 |
|                             | 0               | 295               | 295   | 0               | 1,348             | 1,348 |

### COMMITMENTS ON PURCHASES AND SALES

|                                 | 12.31.2003 | 12.31.2002 |
|---------------------------------|------------|------------|
| <b>COMMITMENTS ON PURCHASES</b> |            |            |
| Investment:                     |            |            |
| – electronic equipment          | 1,663      | 6,023      |
| – maintenance and services      | 1,454      | 2,083      |
| – vehicles and equipment        | 68         | 6,540      |
| – self-financed works           | 11,871     | 2,482      |
| – contract work                 | 942        | 7,514      |
| – financial investments         | 19,608     | 58,161     |
|                                 | 35,606     | 82,803     |
| <b>COMMITMENTS ON SALES</b>     |            |            |
| – electronic equipment          | 930        | 0          |

The sub-item “Investment: financial investments” refer to a commitment given by the Group (worth 19,608 thousand euros) to purchase the preference shares held by the South African financial institution, United Towers Ltd., in the associated undertaking, ADR IASA on April 9, 2004 – or before such deadline on the occurrence of certain events – at their issue price of 156 million rands. United Towers will also receive all the unpaid dividends accrued to that date, which are prudently estimated at December 31, 2003 to total 7.3 million rands. The equivalent amount in euros was computed by applying the closing rand/euro exchange rate of 8.328. The put option granted to United Towers is exercisable until April 30, 2005.

As mentioned in the section “Subsequent events”, on April 8, 2004 an agreement was signed with United Towers extending the deadline for exercise of the put option on the preference shares, thereby extending the duration of the ADR Group’s commitment to April 11, 2005.

The reduction in the above-mentioned sub-item with respect to December 31, 2002 derives from:

- exercise of the call option by the Parent Company regarding the interest owned by Simest S.p.A. in ADR IASA (6.2% of ordinary share capital) on December 12, 2003. At the same time, the interest was transferred to the Dutch subsidiary undertaking, Airport Invest B.V., against an informal capital contribution. The surety issued by Banca di Roma guaranteeing the purchase commitment given by ADR with regard to Simest was paid off at the beginning of January 2004;

- on December 4, 2003, the subsidiary undertaking, Airport Invest B.V., exercised the option to buy the 24.8% interest held by JP Morgan in the ordinary share capital of ADR IASA.

On February 28, 2003 the Parent Company, ADR, granted IGPDcaux S.p.A. a put option on its holding in ordinary and preference shares in ADR Advertising S.p.A..

Such option is exercisable from the date of approval of the financial statements of ADR Advertising S.p.A. as of December 31, 2004 until December 31, 2011, given the occurrence of specific conditions. As the exercise price is equal to the pro rata book value of shareholders' equity, it may not be quantified.

Commitments on purchases also include ADR's commitment, as an operator of airport infrastructures, to draw up and implement noise reduction and abatement plans, as required by noise pollution legislation (Law 447/95) and the Ministerial Decree of November 29, 2000.

Such commitments are difficult to quantify given the general nature of the regulations regarding the basis for calculation. In any event such costs, given that they would extend the useful lives of the Company-owned and leased assets to which they refer, would be capitalized.

In the Management Report on Operations, the measures that the Parent Company, ADR, has implemented – or intends to implement in the near future – with a view to alleviating the acoustic impact of aircraft in the vicinity of the airport, are listed in the section on “Environmental protection”.

### OTHER MEMORANDUM ACCOUNTS

|   | 12.31.2003 | 12.31.2002 |
|---|------------|------------|
| <b>General guarantees received:</b>   |            |            |
| – sureties:   |            |            |
| • received from suppliers   | 43,711     | 55,282     |
| • received from clients   | 35,954     | 34,059     |
| • received from associated undertakings   | 0          | 0          |
|   | 79,665     | 89,341     |
| <b>Third party assets on free loan deposited in custody, leased or similar:</b> |            |            |
| – leased assets   | 17         | 104        |
| – goods in process deposited with third parties                                 | 430        | 430        |
| – CAA - plant and equipment at Fiumicino  | 119,812    | 119,812    |
| – CAA - plant and equipment at Ciampino   | 29,293     | 29,293     |
| – works carried out on behalf of the State                                      | 664,437    | 652,982    |
|   | 813,989    | 802,621    |
|   | 893,654    | 891,962    |

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



## NOTES TO THE CONSOLIDATED INCOME STATEMENT

### TOTAL REVENUES

#### Revenues

|   | 2003           | 2002 <sup>(13)</sup> |
|---|----------------|----------------------|
| <b>REVENUES FROM SALES</b>                    |                |                      |
| Non-aviation activities:                      |                |                      |
| • duty free and duty paid                     | 45,568         | 47,741               |
| • other                                       | 643            | 565                  |
|   | 46,211         | 48,306               |
| <b>REVENUES FROM SERVICES</b>                 |                |                      |
| Aviation activities:                          |                |                      |
| • fees  | 137,204        | 127,093              |
| • handling                                    | 101,921        | 104,269              |
| • centralized infrastructures                 | 33,467         | 33,150               |
| • security                                    | 41,381         | 32,619               |
| • other                                       | 10,161         | 8,938                |
|   | 324,134        | 306,069              |
| Non-aviation activities:                      |                |                      |
| • sub-concessions and utilities               | 73,198         | 72,630               |
| • car parks                                   | 21,925         | 20,184               |
| • advertising                                 | 22,909         | 20,891               |
| • refreshments                                | 7,702          | 7,329                |
| • other                                       | 14,538         | 16,011               |
|   | 140,272        | 137,045              |
|   | 464,406        | 443,114              |
| <b>REVENUES FROM CONTRACT WORK</b>            | 11,455         | 31,052               |
| <b>Total revenues from sales and services</b> | <b>522,072</b> | <b>522,472</b>       |
| <b>CHANGES IN CONTRACT WORK IN PROGRESS</b>   | <b>(3,949)</b> | <b>(12,309)</b>      |
| <b>REVENUE GRANTS</b>                         | <b>71</b>      | <b>0</b>             |
| <b>Total revenues</b>                         | <b>518,194</b> | <b>510,163</b>       |

<sup>(13)</sup> The revenues earned by the subsidiary undertaking, ADR Handling, as charges for centralized infrastructures, have been transferred from handling revenues and classified, in line with the Parent Company, under revenues from centralized infrastructures.

62.6% of “Revenues”, which total 518,194 thousand euros, derived from “aviation activities” carried out by the Group, whilst 37.4% were generated by “non-aviation” activities. In 2002 aviation activities accounted for 60.0% of revenues and non-aviation for 40.0%.

“Revenues from sales”, amounting to 46,211 thousand euros, fell by 4.3% with respect to 2002, due to the reduced turnover of directly managed shops, deriving above all from the contraction in international traffic.

“Revenues from services” totaled 464,406 thousand euros, up 4.8% on 2002. A detailed analysis

is provided in the section of the Management Report on Operations dedicated to the Group's financial position and operating performance.

"Revenues from contract work" (11,455 thousand euros) fell 63.1% with respect to 2002, reflecting the reduced amount invoiced to the Civil Aviation Authority.

"Contract work in progress" decreased by 3,949 thousand euros with respect to the 12,309 thousand euros of 2002, due to the volume of works invoiced.

### Segment information

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

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

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

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

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

| REVENUES | Fees    | Handling | Centralized infrastructures | Non-aviation activities |              | Other activities | Total   |
|----------|---------|----------|-----------------------------|-------------------------|--------------|------------------|---------|
|          |         |          |                             | Sub-concessions         | Direct sales |                  |         |
| 2003     | 137,204 | 101,921  | 33,467                      | 73,198                  | 46,211       | 126,193          | 518,194 |
| 2002     | 127,093 | 104,269  | 33,150                      | 72,630                  | 48,306       | 124,715          | 510,163 |

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

- "Aviation" (including fees, handling, management of centralized infrastructure, security services and left luggage) amounting to 324,134 thousand euros, compared with the 306,069 thousand euros of 2002.
- "Non-aviation" (including sub-concessions, direct sales, the management of advertising space

and car parks, refreshments, design and contract work on behalf of the State) amounting to 194,060 thousand euros, compared with the 204,094 of 2002.

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

#### Other income and revenues: other

|  | 2003  | 2002   |
|--|-------|--------|
| Revenue grants   | 71    | 0      |
| Gains on disposals   | 23    | 388    |
| Other:   |       |        |
| – releases:  |       |        |
| • release from allowance for overdue interest                | 251   | 131    |
| • release from allowance for fixed assets to be relinquished | 0     | 1,045  |
| • release from consolidation allowance for risks and charges | 0     | 2      |
| – expense recoveries   | 112   | 1,075  |
| – recoveries of personnel expenses                           | 251   | 249    |
| – other revenues   | 5,207 | 18,580 |
|  | 5,821 | 21,082 |
|  | 5,915 | 21,470 |

“Other revenues”, amounting to 5.2 million euros, includes the effects of updated valuations of costs and revenues, formerly estimated at the end of the previous year. Such items, defined during the year, refer to amounts due from clients relating to previous years (1.1 million euros).

## OPERATING COSTS

### Depreciation, amortization and write-downs

“Amortization and depreciation” in 2003 amounted to 95,811 thousand euros (97,890 thousand euros in 2002), including amortization of intangible fixed assets of 81,192 thousand euros (81,247 thousand euros in 2002) and depreciation of tangible fixed assets of 14,619 thousand euros (16,643 thousand euros in 2002).

“Amortization of intangible fixed assets” includes the charge for amortization of the concession, amounting to 49,284 thousand euros.

Further details are provided in the notes to fixed assets.

“Provisions for doubtful accounts” totaled 3,061 thousand euros (7,232 thousand euros in 2002) and reflect an updated assessment of the creditworthiness of the Group’s clients.

### Provisions for risks

Provisions for risks break down as follows:

|                             | 2003 | 2002 |
|-----------------------------|------|------|
| Disputes in progress        | 532  | 16   |
| Leases of company divisions | 31   | 0    |
| Insurance deductibles       | 282  | 150  |
|                             | 845  | 166  |

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

It should be borne in mind that provisions to the Income Statement are made following assessment of potential liabilities not absorbed by any surplus funds deriving from updating of the risk positions in which the Group is involved.

### Other operating costs

|                     | 2003   | 2002   |
|---------------------|--------|--------|
| Losses on disposals | 0      | 89     |
| Concession fees     | 161    | 161    |
| Other               | 11,772 | 10,196 |
|                     | 11,933 | 10,446 |

The item "Other", amounting to 11,772 thousand euros, primarily regards membership dues (880 thousand euros) and indirect taxes and duties (949 thousand euros), in addition to updated valuations of over-estimated costs and under-estimated revenues recognized in the 2002 financial statements (7,479 thousand euros), as well as losses on receivables (2,135 thousand euros) mainly due to the settlement of transactions with clients.

## FINANCIAL INCOME AND EXPENSE

### Other financial income

|  | 2003  | 2002   |
|--|-------|--------|
| Interest and commissions on long-term receivables:                 |       |        |
| – other  | 151   | 202    |
| Other:   |       |        |
| – interest on overdue current receivables:                         |       |        |
| • clients  | 507   | 4,141  |
| – interest and commissions from other companies and sundry income: |       |        |
| • interest from other financial institutions                       | 0     | 0      |
| • interest from banks  | 2,878 | 2,732  |
| • interest from clients  | 19    | 47     |
| • gains on foreign exchange transactions                           | 303   | 130    |
| • other  | 17    | 3,111  |
|  | 3,724 | 10,161 |
|  | 3,875 | 10,363 |

“Interest from banks”, amounting to 2,878 thousand euros, rose slightly with respect to 2002 mainly due to the interest accrued on the “Option Reserve” current account established in February 2003 under the provisions of the new loan agreements entered into by ADR, as described in the notes to “Cash on hand and in banks”.

The item “Other”, totaling 17 thousand euros, decreased considerably with respect to 2002, which included the positive effects (3 million euros) resulting from the early sale of foreign currency options held by ADR.

### Interest expense and other financial charges

|   | 2003    | 2002    |
|---|---------|---------|
| Interest and commissions due to parent companies                | 191     | 269     |
| Interest and commissions due to others and sundry charges:      |         |         |
| – interest and commissions paid to banks                        | 25,782  | 78,353  |
| – interest and commissions paid to other financial institutions | 50,030  | 2,630   |
| – provisions for overdue interest on doubtful accounts          | 507     | 4,141   |
| – other   | 24,993  | 16,240  |
|   | 101,312 | 101,364 |
|   | 101,503 | 101,633 |

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

The item “Other” includes the sum of 22,645 thousand euros regarding negative interest differentials accruing on interest rate swaps during the period. Such swaps have been entered into in compliance with the loan agreement, as described in the notes to payables.

### ADJUSTMENTS TO FINANCIAL ASSETS

|                          | 2003   | 2002  |
|--------------------------|--------|-------|
| Revaluations:            |        |       |
| – of equity investments: |        |       |
| • ACSA Ltd.              | 13,438 | 7,129 |
|                          | 13,438 | 7,129 |

The revaluation of the associated undertaking, ACSA Ltd., derives from application of the equity method. The increase with respect to 2002 is due to an improvement in the company’s operating results, and also thanks to profits made on the sale of a plot of land located near Durban airport (115 million rands), as well as to the favorable exchange rate with the South African currency (average euro/rand exchange rate of 8.531 compared with 9.939 in 2002).

**EXTRAORDINARY INCOME AND EXPENSE****Income**

Extraordinary income for the period totaled 3,161 thousand euros and breaks down as follows:

|   | 2003  | 2002  |
|---|-------|-------|
| Other:  |       |       |
| – income and recovery of expenses relating to previous years deriving from: |       |       |
| • total revenues  | 241   | 443   |
| • operating costs   | 71    | 656   |
| • financial income and expense  | 1     | 23    |
| • taxes relating to previous years  | 2,836 | 749   |
| • non-recurring items   | 12    | 2,821 |
|   | 3,161 | 4,692 |

The item “Non-recurring items”, totaling 12 thousand euros, decreased considerably with respect to 2002, which included the positive effects (1.7 million euros) resulting from a review of the conditions relating to the put options granted to minority shareholders in the subsidiary undertaking, ADR IASA, compared with those in force at the end of 2001.

**Expense**

Extraordinary expense for the period totaled 14,853 thousand euros and breaks down as follows:

|  | 2003   | 2002  |
|--|--------|-------|
| Taxes relating to previous years                 | 2,660  | 0     |
| Other:   |        |       |
| – extraordinary expense:                         |        |       |
| • total revenues                                 | 58     | 92    |
| • operating costs                                | 1,560  | 754   |
| • financial income and expense                   | 4      | 5     |
| • agreed settlements                             | 6,251  | 1,911 |
| • contingent liabilities                         | 664    | 327   |
|  | 8,537  | 3,089 |
| – other extraordinary expense:                   |        |       |
| • payments due for lost freight                  | 41     | 96    |
| • fines  | 66     | 53    |
| • penalties                                      | 1,666  | 0     |
| • damages and compensation paid to third parties | 68     | 1,432 |
| • sundry   | 1,815  | 0     |
|  | 3,656  | 1,581 |
|  | 12,193 | 4,670 |
|  | 14,853 | 4,670 |

The item “Taxes relating to previous years” includes expense, amounting to 1,931 thousand euros, deriving from Group companies’ participation in the amnesty pursuant to Law 289/2002. The most significant amounts regard automatic settlement under the provisions of art. 9 and the top up of taxable amounts pursuant to art. 8 of the said law:

- the Parent Company, ADR, applied for automatic settlement, for the purposes of direct taxation, for the fiscal years 2000 and 2001, with a charge of 1,413 thousand euros;
- the subsidiary undertaking, ADRH, applied for automatic settlement, for the purposes of direct taxation and VAT, for the fiscal years 1999, 2000 and 2001, with a charge of 515 thousand euros.

Among the smaller amounts is one relating to the top up of taxable amounts (for the purposes of direct taxation, VAT and withholding taxes) pursuant to art. 8 of the above-mentioned law incurred by ADR Engineering and OLD ADR (the merged company), totaling 3 thousand euros.

The estimated cost of the Parent Company's intention to take advantage of the tax amnesty for 2002 (for the purposes of direct taxation), totaling 650 thousand euros, has been included in the item "Taxes relating to previous years".

Regarding "Other extraordinary expense", it is to be noted that, as part of the current efficiency drive, incentive payments were brought forward with regard to the Parent Company, ADR, and the subsidiary undertaking, ADR Handling. This gave rise to expense of 6,251 thousand euros.

The item "Other extraordinary expense-penalties" includes surcharges on penalties imposed on ADR in 1993 subsequent to the handling dispute. For further information please see the section on "Information regarding current disputes".

"Other extraordinary expense" includes an amount of 1,815 thousand euros. This represents ADR IASA income accruing to the minority shareholder, JP Morgan, until the sale of its interest to Airport Invest in December.

## INCOME TAXES

This item reports the estimated expense for current taxes for the period, totaling 18,704 thousand euros. Deferred tax assets of 4,241 thousand euros have also been recognized.

|                                       | 2003    | 2002   |
|---------------------------------------|---------|--------|
| Current taxes:                        |         |        |
| – IRPEG                               | 6,712   | 8,767  |
| – IRAP                                | 11,992  | 12,251 |
|                                       | 18,704  | 21,018 |
| Net deferred tax (assets) liabilities | (4,241) | (280)  |

## OTHER INFORMATION

### Headcount

The following table shows the average number of employees by category:

| Average                | 2003  | 2002  | Difference |
|------------------------|-------|-------|------------|
| Management             | 66    | 70    | (4)        |
| Administrative staff   | 2,006 | 2,008 | (2)        |
| Ground staff and other | 1,275 | 1,388 | (113)      |
| Total                  | 3,347 | 3,466 | (119)      |

### Remuneration of Directors and Statutory Auditors

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

| Category           | Fees (€ /000) |
|--------------------|---------------|
| Directors          | 942           |
| Statutory Auditors | 285           |
| Total              | 1,227         |

### Information regarding current disputes

#### Tax litigation

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

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

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

On July 10, 2002 the Tax Authorities appealed to the Supreme Court, and the Parent Company responded by depositing its counter-evidence with the Court. The judgment is still pending.

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

On May 21, 2003, regarding the notice of assessment of IRPEG/ILOR for 1995, a request was submitted for settlement of the pending fiscal lawsuit pursuant to art. 16 of Law no. 289/2002.



At the same time, under the provisions of the said art. 16, a payment of 74 thousand euros was made, corresponding to 50% of the value of the lawsuit, as settlement of the amount due confirmed by the sentence of the Tax Commission for the Province of Rome of March 26, 2002, which rejected ADR's appeal. The above sum also included 10% of the value of the lawsuit relating to the amount for which the company's appeal was accepted.

#### Administrative, civil and labor litigation

Administrative, civil and labor litigation is followed by the Group through its internal legal department which has provided, for the preparation of the accounts as of and for the period ended December 31, 2003, a complete and exhaustive breakdown of the different civil, administrative and arbitration proceedings outstanding as of that date.

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

Significant disputes are summarized below:

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

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

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

- On May 26, 1999, ADR appealed Ministry of Finance Decree no. 86, dated March 5, 1999, before the Lazio Administrative Court. The Decree establishes the license fees to be paid by airport operators for the years prior to 1997. The appeal, which has been prepared by the appointed legal counsel, highlights the absence of grounds for application of the above fees to ADR, and the absence of any legal basis for demanding back-dated payments in accordance with former legislation (Law 755/73). Judgment is still pending.
- Following a complaint by Alitalia, AGISA (Association of Independent Airport Services Operators), Aviation Services, Cimair Blu and ARE, the Antitrust Authority launched an investigation of ADR to ascertain whether the company had abused its dominant position regarding fees charged for ground handling services, or whether it had put obstacles in the way of self-handling operations. In a resolution of September 20, 2000, the Authority closed the investigation of ADR, launched with the resolution of November 4, 1999, finding that the Company had not abused its dominant position either with respect to the fees charged for

- ground handling services, or with regard to self-handling. The Authority did, however, find anti-competitive practices in relation to Aviation Services (Meridiana Group), although no fine was inflicted. The Company has appealed the latter finding before the Lazio Administrative Court, but a date for the hearing has yet to be set.
- Alitalia and Alitalia Airport have appealed to the Lazio Regional Administrative Court against the Italian Civil Aviation Authority (ENAC) and the Director of Fiumicino Airport and against ADR and ADRH as interest parties. The appellants have requested the cancellation, subject to suspension, of both the Aviation Authority's provisions of September 26, 2000, by which the Authority defined the centralized infrastructure at Fiumicino Airport, including the cargo storage plant, and the act of March 29, 2001, by which the Director of Rome Fiumicino Airport ordered the appellants to "cease, with immediate effect, all activities regarding cargo handling, in relation to both services subject to limits and those for which it might have been necessary to use Alitalia's cargo plant". An announcement of the date of the relevant hearing is awaited, given that the appellants have withdrawn their request for a suspension.
  - On March 18, 2003, the Council of State accepted the suspension requested by ADR, the Civil Aviation Authority, Alitalia Airport and EAS against the sentences of the Lazio Regional Administrative Court of July 2002 in which the appeals lodged by ATI were accepted. Globeground Italia S.r.l. - ITR, requested an injunction annulling the minutes of the meeting of the Authority's Bid Committee that awarded the relevant contracts to two handlers for ground assistance which is subject to restrictions Fiumicino Airport. At a hearing on June 10, 2003 the Council of State judged in favor of the appeals lodged by Alitalia Airport, EAS, ADR and the Civil Aviation Authority, and consequently revised the contested sentences and rejected the initial appeals submitted by Globeground.
  - On January 2, 2002, ADR was notified of an appeal brought before the Lazio Regional Administrative Court by Aviapartner Belgium N.V., requesting an injunction annulling the decision of December 18, 2001 by which ADR did not grant the appellant (which ranked third in the European tender process to select the providers of ground handling services subject to limitations at Fiumicino Airport) the right to participate in the inspection of the "additional means" offered by EAS Aviapartner has also appealed against the decisions of the Civil Aviation Authority's Bid Committee contained in the minutes dated July 30, 2001, which awarded the relevant contract to EAS. The resulting contract was signed by EAS and ADR on October 5, 2001. The Lazio Regional Administrative Court sentence of February 11, 2003 declared the appeal brought by Aviapartner Belgium N.V. to be inadmissible.
  - Lazio Regional Administrative Court sentence of March 25, 2003 rejected ATA Handling's appeal, which contested the non-acceptance of the submission of its bid in the European tender process to select the providers of ground handling services subject to limitations at Fiumicino Airport.
  - On March 3, 2003, ADR, together with Assaeroporti and the leading Italian airport operators, submitted an extraordinary appeal to the President of the Republic for annulment, with prior suspension, of the Civil Aviation Authority Regulations dated September 30, 2002 regarding "the construction and operation of airports", with which the Authority intends to apply ICAO Annex 14.
  - The Ministerial Decree of November 29, 2000 requires the operators of public transport services and the related infrastructure to draw up action plans for the reduction and abatement of noise, and to make provisions in line with forecast penalties if such limits should be exceeded. The legislation has been independently appealed by all airport operators to the Council of State, with the aim of obtaining an annulment of Lazio Regional Administrative Court's sentence no. 3382/2002. A date has yet to be fixed for a hearing to deal with the matter.

The accounting treatment is described in the notes to the “Memorandum accounts”.

- With sentence no. 2003/01559 deposited on February 26, 2003, the Lazio Regional Administrative Court rejected the two appeals submitted by the CNA against the Ministerial Decree of August 13, 1998 and the Ministerial Decree of November 14, 2000, respectively, regarding increases in airport fees for 1998 and 2001.
- In July 2003 ADR lodged an appeal with the Lazio Regional Administrative Court in which it contested the request by the Antitrust Authority of May 12, 2003 to pay a sum of 1.2 million euros, equivalent to thirteen six-monthly “surcharges” on penalties of 0.9 million euros imposed on ADR in 1993 following a dispute about handling.

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

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

- In September 2003, ADR issued notice of appeal to Lazio Regional Administrative Court against Ministerial Decree 14/T of March 14, 2003 (published in the Official Gazette of June 3, 2003) containing provisions regarding the payment of fees for the 100% screening of hold baggage, as interpreted, in relation to the date from which such fees are to be applicable, in Civil Aviation Authority letters dated June 3, 2003 and June 11, 2003. The main reasons for the appeal are: (a) the contradictory nature of the two letters from the Civil Aviation Authority; and (b) the lack of any provision regarding collection of the fees prior to the implementation of the Ministerial Decree. In fact, pursuant to local airport authority ordinance 14/2002, as interpreted by the local airport authority’s letter of January 9, 2003, ADR was obliged, as of February 1, 2003, to carry out 100% screening of hold baggage with no possibility of charging fees for the service. Such fees were belatedly determined by the Ministerial Decree published in the Official Gazette on June 3, 2003.

The appeal aims, among other things, to recover the fees due for the period between the date the decree became valid (June 3, 2003) and the date authorized by the Civil Aviation Authority in a separate letter (June 26, 2003).

- In September 2003, ADR lodged an appeal with Lazio Regional Administrative Court against the Executive Decree of June 30, 2003 (definition of airport license fees for 2003) published in the Official Gazette on July 7, 2003, as amended in the notice published in the Official Gazette on September 6, 2003. This Decree established methods different from those applied until the end of 2002, for calculating annual fees due from, among others, global airport operators pursuant to special laws. Such methods of calculation are deemed to be illegitimate as they introduce an element of “adjustment” to the resulting figures regarding the “earnings” that passengers produce in relation to the airport. In ADR’s opinion, such an adjustment is not provided for in the related legislation, and is also discriminatory and detrimental to fair competition.
- On December 12, 2003, four sentences were published relating to four respective judgments regarding opposition to injunctions proposed by ADR to recover payables due from Air Sicilia, which is bankrupt, pending before the eighth section of the Civil Court of Rome. The outcome of these judgments is favorable to ADR as the Court ordered Air Sicilia to pay 0.6 million euros, a sum that will be added to the statement of account presenting proof of the debts due from the bankruptcy of Air Sicilia (declared on January 21, 2003 by the Bankruptcy Court of Caltagirone) together with amounts accrued subsequent to the above-mentioned judgments. The next hearing regarding the proofs of debts will be held on March 6, 2004.

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

- A claim filed by Consorzio Cooperative Costruzioni to obtain compensation for damages purportedly incurred by the plaintiff while work was under way to enlarge the central area of the international terminal. Given a demand for 8.3 million euros, plus VAT, interest and monetary revaluation, the dispute currently involves approximately 4 million euros, plus VAT, interest and revaluation. ADR has filed a counterclaim for 1.9 million euros, demanding that the responsibilities of Consorzio Cooperative Costruzioni be ascertained, with reference to damages suffered on related projects. An expert appraisal has been requested. On September 1, 2003, the judge passed sentence no. 27648/20 which partially accepted the demands made by CCC (amounting to around 4.6 million euros) and ordered ADR to pay a sum of 1.2 million euros as well as legal costs and interest. ADR has decided to lodge an appeal.
- A claim for damages, in relation to the contract for the extension and restructuring of the international terminal at Rome's Fiumicino Airport and related works brought by Consorzio AEREST (in liquidation). The claim amounts to approximately 2.2 million euros plus VAT, interest and revaluation.

The appointed judge held that it was necessary to first decide on issues relating to *an debeatur*, by which the case is ready to be decided on without the need for a preliminary inquiry, adjourning the hearing until May 11, 2004.

- A claim by ASTALDI S.p.A. (which took over APL contract no. 704/95 from Italstrade S.p.A.) regarding the construction of the road link between runways 07/25 and 16L/34R at Leonardo da Vinci Airport in Fiumicino, in which the plaintiff requests that ADR be ordered to pay eleven reserves posted in the accounts in relation to said works, for a total of 3.0 million euros plus legal interest, as well as legal costs and fees. The preliminary hearing to examine evidence will take place on June 30, 2004.
- A claim brought by ASTALDI S.p.A. (which took over APM contract no. 450/95 from Italstrade S.p.A.) regarding the construction of the Satellite West aprons and road network at Leonardo da Vinci Airport in Fiumicino, in which the plaintiff requests that ADR be ordered to pay twenty-one reserves posted in the accounts in relation to said works, for a total of 7.3 million euros, as well as legal costs and fees. The preliminary hearing to examine evidence will take place on May 21, 2004.
- A civil lawsuit brought by Finprest to obtain recognition of its right to a sum of 3.2 million euros pertaining to a review of contract prices, revaluations and interest in relation to a contract (dating back to 1988) for restructuring and extension works at the “old” domestic terminal (Terminal A) at Leonardo da Vinci Airport in Fiumicino. The relevant hearing will take place on October 19, 2004.
- On May 22, 2003, the Civil Court of Rome, in sentence no. 17134/2003, partially accepted the request made by Garboli Rep (the plaintiff) and ordered ADR to pay damages to the former on the grounds that claims 5 and 7 were justified. Damages were set at 0.4 million euros, plus legal and overdue interest.

The above-mentioned dispute refers to 7 claims (totaling 0.8 million euros) posted in the accounts relating to the contract for work on the road network, sub-service networks and transit tunnels within the scope of the so-called “Lot Opposite the International Terminal” at Fiumicino. ADR has decided to lodge an appeal.

- With partial judgment no. 15154/2003 of May 8, 2003 the judge in the lawsuit taken out by ATI Alpine Bau, disregarding the expectations of a positive outcome to the proceedings based on the results of the expert appraisal and the previous ruling handed down by the said judge, declared the contract relating to the aforesaid works rescinded due to non-fulfillment of its terms by ADR. Consequently, the judge ordered ADR to pay the legal expenses of ATI Alpine,

totaling 28 thousand euros, and condemned ADR to payment of overall damages sustained by ATI arising from non-fulfillment of the contract, postponing the assessment of the amount of such damages until the outcome of the ongoing proceedings, provided for under a separate ruling. ADR is evaluating whether or not to appeal this partial judgment.

The following claims with regard to contract work, services and supplies have been concluded:

- A claim for damages, in relation to the contract for the extension and restructuring of the international terminal, Satellite West, brought by Necso Entrecanales Cubiertas S.A.. The claim amounts to approximately 9.8 million euros plus VAT, interest and revaluation. The judge at the hearing of October 19, 2002 turned down Necso's claim, adjourning the hearing until March 13, 2003 when the court will announce its sentence. At this hearing the judge delayed passing sentence, granting the parties the legally permitted time to deposit their final statements of the case and their counter-arguments. On November 11, 2003, the judge passed sentence no. 38859/03 by which all of Necso's claims were rejected and the said company was ordered to reimburse ADR's costs.
- On June 17, 2003, the Civil Court of Rome rejected the claims put forward by Daimler Chrysler Rail System (North America) Inc. for damages in relation to the supply of the automated transport system (the People Mover). The claim amounted to approximately 2.4 million euros plus VAT, interest and revaluation. The related expenses were recovered.

In relation to the associated undertaking, ACSA, on December 1, 2003 the Regulating Committee, which was appointed by the South African government, issued a document that defined the airport tariff structure. This document proposes a reduction of 127.1 million rands in the fees collected by ACSA in the years ending March 31, 2002 and March 31, 2003. ACSA, which contests the proposal, submitted its arguments to the committee. If the arguments put forward by ACSA are not accepted, the resulting negative effect on the Group's investment in the associated undertaking will amount to 17.5 million rands (net of the tax effect), equal to around 2 million euros.

In the Parent Company's judgment, current litigation and other potential disputes should not give rise to liabilities greater than the amount that has already been provided for.

\* \* \*

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

**The Board of Directors**



# Report of the Board of Statutory Auditors

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**REPORT OF THE BOARD OF STATUTORY AUDITORS ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AEROPORTI DI ROMA S.P.A. AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2003**

*(Translation from  
the original issued in Italian)*

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

The Consolidated Financial Statements of the Aeroporti di Roma Group as of and for the year ended December 31, 2003 have been prepared in compliance with the relevant provisions of Legislative Decree 127 of April 9, 1991. The Consolidated Financial Statements consist of the Balance Sheet, Income Statement and Explanatory Notes, accompanied by the Management Report on Operations, in which the Directors provide all the information required by law.

The Explanatory Notes provide the information and disclosures required by art. 2427 of the Italian Civil Code and by art. 38 of Legislative Decree 127/91. We specify that:

- the scope of consolidation includes all the Companies in which the Parent Company holds significant controlling interests. Compared with the previous year, ADR Tel S.p.A. and ADR Advertising S.p.A. have been included in the consolidated financial statements for the first time;
- the accounting policies are consistent with those adopted by the Parent Company in the preparation of its annual financial statements and by the subsidiaries in the preparation of their respective financial statements;
- the main consolidation principles applied are that:
  1. the book value of consolidated equity investments is eliminated against the posting of assets and liabilities in accordance with the line-by-line method;
  2. profits and losses yet to be realized by the Group, in that deriving from inter-company transactions, are eliminated, as are significant entries that give rise to inter-company payables and receivables, costs and revenues.

The Management Report on Operations was prepared in accordance with the requirements of art. 2428 of the Italian Civil Code and art. 40 of Legislative Decree 127/91.

In conclusion, no significant event came to our knowledge that would warrant a mention in this Report.

Fiumicino, Italy - April 13, 2004

*THE BOARD OF STATUTORY AUDITORS*

*Fabrizio Rimassa*

*Francesco Ricco*

*Giancarlo Russo Corvace*

*Emanuele Torrani*

*Luigi Tripodo*



# Report of the Independent Auditors

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**AUDITORS' REPORT**  
(Translation from the original Italian text)

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

1. We have audited the consolidated financial statements of Aeroporti di Roma S.p.A. as of and for the year ended December 31, 2003. These financial statements are the responsibility of the Aeroporti di Roma S.p.A.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. Our audit was made in accordance with auditing standards and procedures recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards and procedures we planned and performed our audit to obtain the information necessary in order to determine whether the consolidated financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness of the accounting principles applied and the reasonableness of the estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

For our opinion on the consolidated financial statements of the prior year, which are presented for comparative purposes as required by the law, reference should be made to our report dated March 31, 2003.

3. In our opinion, the consolidated financial statements of Aeroporti di Roma S.p.A. comply with the Italian regulations governing financial statements; accordingly, they clearly present and give a true and fair view of the financial position of Aeroporti di Roma S.p.A. as of December 31, 2003, and the consolidated results of its operations for the year then ended.

Rome, April 2, 2004

RECONTA ERNST & YOUNG S.p.A.  
Signed by: Bruno Vanni (Partner)

■ Reconta Ernst & Young S.p.A.  
Sede Legale: 00196 Roma - Via G.D. Romagnosi, 18/A  
Capitale Sociale € 1.111.000,00 I.v.  
Iscritta alla S.O. del Registro delle Imprese presso la C.C.I.A.A. di Roma  
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P.I. 00891231003  
(vecchio numero R.I. 6697/89 - numero R.E.A. 250904)





# Company Report and Financial Statements 2003

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## OPERATIONS

*(Translation from  
the original issued in Italian)*

*Dear Shareholders,*

Whilst the Company's results for 2003 do not signal a definitive end to the crisis in the airport sector provoked by the much cited terrorist attacks in September 2001, they do, however, provide a numbers of important pointers to a strengthening of the recovery in the near future.

In particular, despite the war in Iraq and the SARS epidemic, which hit Far Eastern routes that traditionally carry a large number of high-spending passengers, all components of the Roman airport system grew during the year, except for freight. Indeed, freight development was still held back ahead of the entry into service of the new Cargo City in 2004 and the considerable infrastructural limits that have always affected the Roman airport system.

Passenger traffic was up by 6.8%, aircraft movements by 8.3% and tonnage by 8.7% compared with 2002. A large part of this expansion was due to the development of activities at Ciampino airport which, on the back of increased low-cost traffic, posted substantial growth rates (passengers up 86.9%; movements up 26.9%), thereby making a significant contribution to the improvements seen across the whole airport system.

However, this traffic trend entailed a shift towards lower spending passengers that meant that traffic increases did not result in a corresponding rise in the Company's non-aviation earnings.

Despite swift implementation of programs designed to adapt the services provided, the results of which in any case will only be reflected in the medium term, revenues from directly managed outlets fell by 4.6% compared to 2002.

The regulatory context continues to be uncertain and fails to take account of changes in the terms and conditions of the concession agreement and in the market. Inevitably, this context continues to penalize the economic performance, in terms of both earnings and costs, given the Company's commitment to guaranteeing high-quality services for its customers.

The failure to increase airport fees, which have remained at the levels applied in 2000, resulted in a rise in revenues from fees in line with traffic growth. However, this was not enough to even keep pace with inflation over the last three years.

At the same time, the Company had to absorb a sharp (almost threefold) rise in insurance costs, of which the "war and terrorism" component, subject to a dramatic increase in the wake of the events of September 2001, was covered by the Italian state until the end of 2002.

The concession fee applied by the granting authority was raised (up 11.8% compared with 2002), while on the security front the 100% screening service for hold baggage, compulsorily provided since February 1, 2003, entailed additional staff and equipment costs that were borne by the Company until June 3, 2003, when legislation was introduced that finally allowed a charge to be levied for this service.

Nevertheless, ADR continued with its strategic program and concluded many projects that were aimed at maximizing results in all areas of activity where the use of dedicated structures and organizations increases efficiency.

In early 2003 the Company's telecommunications activities were spun off to the subsidiary undertaking, ADR Tel, whilst the advertising division has been leased to the subsidiary

undertaking, ADR Advertising, which now manages advertising activities under the terms of a sub-concession agreement.

At the end of the year handling activities at Ciampino airport were transferred to the subsidiary undertaking, ADR Handling, which will again manage the services under the terms of a sub-concession agreement.

Thanks in part to the cost-cutting initiatives undertaken, EBITDA rose by 1.6% despite the strong cost pressures resulting from the above factors.

On the financial front, the crucial restructuring of the Company's debt was successfully concluded in February, despite the imminence of war in Iraq and great financial market uncertainty.

This transaction, which confirmed investors' confidence in ADR, has resulted in a more stable financial structure, and means that it will be easier to manage debt in relation to the Company's future plans.

It should also be emphasized that Aeroporti di Roma did not slow implementation of its investment program, which proceeded at the same rhythm seen in 2002.

Initiatives targeting more diversified sectors, some of which were launched in 2002, were continued. These included a cultural initiative called "Play on", which – based on an idea that also met the approval of the airport authorities –, sought to highlight the concept of the airport as an ideal venue for major activities unrelated to the main purpose for which the airport infrastructure was originally designed.

The following table summarizes key economic, financial and operational data for 2003.

### Financial position and operating results

| (in thousands of euros)                                  | 2003              | 2002              |
|--|-------------------|-------------------|
| Revenues   | 463,979           | 456,061           |
| EBITDA   | 208,320           | 205,085           |
| EBIT   | 105,245           | 113,158           |
| Net income   | 1,069             | 4,063             |
|  | <b>12.31.2003</b> | <b>12.31.2002</b> |
| Invested capital   | 2,392,980         | 2,360,265         |
| Shareholders' equity                                     | 745,809           | 777,097           |
| Net debt   | 1,647,171         | 1,583,168         |
| Short-term cash and cash equivalents                     | 97,848            | 68,170            |
| Medium-/long-term debt                                   | 1,745,019         | 1,651,338         |
| <b>Ratios</b>  |                   |                   |
| Total revenues/average headcount (in thousands of euros) | 205               | 201               |

## INVESTMENT

During 2003, the Company continued the development of infrastructure and facilities at Fiumicino and Ciampino airports, carrying out works totaling 49,238 thousand euros (53,275 thousand euros in 2002). Further details on the main works can be found in the Group's Management Report on Operations.

## PERSONNEL

The headcount as of December 31, 2003, including staff on temporary contracts, was 2,256, broken down as follows:

| Category                      | 12.31.2003   | 12.31.2002   | Change      |
|-------------------------------|--------------|--------------|-------------|
| Managers                      | 49           | 63           | (14)        |
| Middle management             | 191          | 216          | (25)        |
| Office staff                  | 1,410        | 1,326        | 84          |
| Ground staff and others       | 606          | 722          | (116)       |
| <b>Total</b>                  | <b>2,256</b> | <b>2,327</b> | <b>(71)</b> |
| <i>including:</i>             |              |              |             |
| <i>on permanent contracts</i> | <i>1,945</i> | <i>2,038</i> | <i>(93)</i> |
| <i>on temporary contracts</i> | <i>311</i>   | <i>289</i>   | <i>22</i>   |

Compared with December 31, 2002, the Company's personnel decreased by 71: personnel on permanent contracts fell by 93 (down 4.6%), whilst personnel on temporary contracts rose by 22 (up 7.6%).

The decrease in personnel on permanent contracts occurred despite the fact that, in line with the strategic goal of achieving synergies within the Group, during 2003 the Company acquired 106 personnel from ADRH in order to staff new services. The main causes for the decrease in permanent staff included early retirement for 90 people, the outsourcing of the "personnel administration" division, the incorporation of new companies, inter-company mobility, the transfer of 61 personnel to ADRH following the spin-off of handling activities at Ciampino. The significant increase in temporary staff, on the other hand, is primarily due to increased traffic and the start-up of new security checks, and was positively influenced by the transfer of 78 handling personnel at Ciampino airport to ADRH.

Absenteeism due to illness (4.97%) was down on the figure for the previous year (5.18%), while the incidence of accidents (0.96%) was up with respect to 2002 (1.09%).

Absenteeism due to strikes stood at 0.06%.

The strategy for reducing payroll costs, via curbs on overtime and the use of rest days and vacation days to compensate for extra hours worked, produced significant results. Indeed, the percentages of uptake were 106% of annual vacation entitlements, including the use of outstanding vacation days, and 69% for rest days.

Vocational training was provided for 24 personnel from the various categories; 25 courses were organized, representing a total of 723 hours.

Other forms of training involved a total of 1,169 participants over 30,921 hours, equal to 3,865 days of training. The 130 courses run involved permanent and temporary personnel and staff about to be recruited.

In 2003 training courses were primarily sold to the companies that operate Catania, Genoa and Lamezia Terme airports, and involved the provision of 43 courses and the participation of 416 personnel over 15,400 hours, representing 1,925 days.

## FINANCIAL POSITION AND OPERATING RESULTS

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

### Reclassified Income Statement<sup>1</sup>

| <b>RECLASSIFIED INCOME STATEMENT</b>                    |                 |                 |
|---|-----------------|-----------------|
| (in thousands of euros)                                 | <b>2003</b>     | <b>2002</b>     |
| Revenues from sales and services                        | 457,483         | 437,636         |
| Contract work in progress                               | 6,496           | 18,425          |
| <b>A. – REVENUES FROM ORDINARY ACTIVITIES</b>           | <b>463,979</b>  | <b>456,061</b>  |
| Cost of materials and external services                 | (150,979)       | (146,895)       |
| <b>B. – GROSS MARGIN</b>                                | <b>313,000</b>  | <b>309,166</b>  |
| Payroll costs   | (104,680)       | (104,081)       |
| <b>C. – GROSS OPERATING INCOME</b>                      | <b>208,320</b>  | <b>205,085</b>  |
| Amortization and depreciation                           | (93,244)        | (94,162)        |
| Other provisions  | (2,593)         | (7,024)         |
| Provisions for risks and charges                        | (77)            | 0               |
| Other income (expense), net                             | (7,161)         | 9,259           |
| <b>D. – OPERATING INCOME</b>                            | <b>105,245</b>  | <b>113,158</b>  |
| Financial income (expense), net                         | (94,307)        | (90,497)        |
| Adjustments to financial assets                         | 0               | 0               |
| <b>E. – INCOME BEFORE EXTRAORDINARY ITEMS AND TAXES</b> | <b>10,938</b>   | <b>22,661</b>   |
| Extraordinary income (expense), net                     | 3,214           | 1,646           |
| <b>F. – INCOME BEFORE TAXES</b>                         | <b>14,152</b>   | <b>24,307</b>   |
| Income taxes for the year:                              |                 |                 |
| – current taxes   | (15,468)        | (19,041)        |
| – deferred tax assets (liabilities)                     | 2,385           | (1,203)         |
|   | <b>(13,083)</b> | <b>(20,244)</b> |
| <b>G. – NET INCOME (LOSS) FOR THE YEAR</b>              | <b>1,069</b>    | <b>4,063</b>    |

<sup>(1)</sup> Compared with the data published in the Financial Statements as of December 31, 2002, the portion of amortization of ancillary charges on ADR's loans was reclassified from the "Cost of materials and external services" to "Amortization and depreciation". For further details of these reclassifications, see the section entitled "Notice" in the Explanatory Notes.

Revenues from ordinary activities rose 4.5% with respect to 2002. Total revenues, which include the contract work component, rose by only 1.7% due to the fact that, as noted in the section dealing with the Group's performance, the contract work being carried out on behalf of the Civil Aviation Authority is being progressively completed.

A breakdown based on the various revenue components shows that the increases in airport fees (up 8%) and revenues from car parks (up 8.9%) combined with a rise in income from sub-concessions (up 18.3%), which, despite the negative performance of retail sub-concessions, mentioned earlier in the Group's Management Report on Operations, benefited from revenues deriving from the



spin-off of advertising activities. This line of business is, since March 2003, managed as a sub-concession by the subsidiary undertaking, ADR Advertising.

The subsequent fall in direct advertising revenues was accompanied by slight declines in revenues from centralized infrastructures (down 2.7%) and handling (down 1.5%). In particular the last two components were affected, in the case of centralized infrastructures, by a review of the method of applying certain fees agreed with carriers, and, in the case of handling, by the transfer of a portion of charter activities to Fiumicino from June, following the decision to further open up the airport to this type of traffic.

Despite the negative impact of the various factors discussed in the section dealing with the Group's performance, thanks to careful cost containment EBITDA rose 1.6%.

Whilst amortization and depreciation were in line with 2002 and despite a decrease in provisions, EBIT fell 7.0%. This was due to a deterioration in the balance of net sundry operating income and expenses, following the posting of losses on amounts due from carriers, as well as the settlement of outstanding disputes with clients.

The downturn in pre-tax income is even more marked, as the positive effect of extraordinary items (1.5 million euros) was more than offset by the increase in net interest expense resulting from the greater average amount of debt reported by the Company in 2003.

The net result was close to breakeven (net income of 1.1 million euros) after taxation of 13.1 million euros (20.2 million euros in 2002).

Reclassified Balance Sheet<sup>2</sup>

| <b>RECLASSIFIED BALANCE SHEET</b><br>(in thousands of euros)                                | <b>12.31.2003</b> | <b>12.31.2002</b> | <b>Change</b>   |
|---|-------------------|-------------------|-----------------|
| <b>A. – NET FIXED ASSETS</b>  |                   |                   |                 |
| Intangible fixed assets (*)   | 2,224,059         | 2,254,601         | (30,542)        |
| Tangible fixed assets   | 90,712            | 95,468            | (4,756)         |
| Financial fixed assets  | 145,455           | 98,387            | 47,068          |
|   | <b>2,460,226</b>  | <b>2,448,456</b>  | <b>11,770</b>   |
| <b>B. – WORKING CAPITAL</b>   |                   |                   |                 |
| Inventory   | 20,244            | 25,181            | (4,937)         |
| Trade receivables   | 118,722           | 130,632           | (11,910)        |
| Other assets  | 30,600            | 24,312            | 6,288           |
| Trade payables  | (120,387)         | (130,457)         | 10,070          |
| Allowances for risks and charges  | (27,056)          | (27,725)          | 669             |
| Other liabilities   | (41,919)          | (59,334)          | 17,415          |
|   | <b>(19,796)</b>   | <b>(37,391)</b>   | <b>17,595</b>   |
| <b>C. – INVESTED CAPITAL, minus short-term liabilities (A+B)</b>                            | <b>2,440,430</b>  | <b>2,411,065</b>  | <b>29,365</b>   |
| <b>D. – EMPLOYEE SEVERANCE INDEMNITIES</b>  | <b>47,450</b>     | <b>50,800</b>     | <b>(3,350)</b>  |
| <b>E. – INVESTED CAPITAL, minus short-term liabilities and E.S.I. (C-D)</b><br>financed by: | <b>2,392,980</b>  | <b>2,360,265</b>  | <b>32,715</b>   |
| <b>F. – SHAREHOLDERS' EQUITY</b>  |                   |                   |                 |
| Paid-up share capital   | 62,225            | 62,225            | 0               |
| Reserves and retained earnings (accumulated losses)   | 682,515           | 710,809           | (28,294)        |
| Net income (loss) for the year  | 1,069             | 4,063             | (2,994)         |
|   | <b>745,809</b>    | <b>777,097</b>    | <b>(31,288)</b> |
| <b>G. – MEDIUM/LONG-TERM BORROWING</b>  | <b>1,745,019</b>  | <b>1,651,338</b>  | <b>93,681</b>   |
| <b>H. – SHORT-TERM BORROWING</b><br>(NET CASH AND CASH EQUIVALENTS)                         |                   |                   |                 |
| – short-term debt   | 16,831            | 54,692            | (37,861)        |
| – cash and current receivables  | (114,679)         | (122,862)         | 8,183           |
|   | <b>(97,848)</b>   | <b>(68,170)</b>   | <b>(29,678)</b> |
| <b>(G+H)</b>  | <b>1,647,171</b>  | <b>1,583,168</b>  | <b>64,003</b>   |
| <b>I. – TOTAL AS IN "E" (F+G+H)</b>   | <b>2,392,980</b>  | <b>2,360,265</b>  | <b>32,715</b>   |
| <i>* including the value of the concession totaling</i>                                     | <i>2,028,877</i>  | <i>2,078,972</i>  | <i>(50,095)</i> |

<sup>(2)</sup> Compared with the data published in the Financial Statements as of December 31, 2002, the ancillary charges relating to the loan granted to ADR, originally classified under "Other assets", were included in the item "Intangible fixed assets". For further details of these reclassifications, see the section entitled "Notice" in the Explanatory Notes.

Invested capital, amounting to 2,393.0 million euros as of December 31, 2003, registered an increase compared with 2002 (up 32.7 million euros) due to increases in both fixed assets and working capital.

Non-current financial assets rose 47.0 million euros in 2003, following the transfer of handling

activities at Ciampino to ADR Handling and the increase – via the Dutch subsidiary undertaking, Airport Invest – in the investment in the ordinary shares of ADR IASA (from 69% to 100%) resulting from the exercise of call options. Tangible fixed assets, on the other hand, fell by 35.2 million euros due to depreciation.

The growth in working capital (up 17.6 million euros) was primarily due to a reduction in other liabilities (down 17.5 million euros) and a decrease in trade receivables (down 10.1 million euros). In particular, the contraction of other liabilities was mainly due to payment of backdated license fees and settlement of a portion of the payable due to Menzies for acquisition of the interest in ADRH.

Working capital was positively affected by the greater volume of work invoiced to the Civil Aviation Authority, resulting in a decrease in inventories, and the reduction in trade receivables deriving from improved collection times.

An increase of 64.0 million euros in debt compensated for the reduction in shareholders' equity arising from the distribution of dividends.

ADR's net debt as of December 31, 2003 stood at 1,647.2 million euros, registering an increase compared with the end of the previous year, which was entirely due to the medium- and long-term component.

In fact, net cash and cash equivalents rose due to a decrease in short-term debt amounting to 29.7 million euros.

**Statement of Cash Flows<sup>3</sup>**

Operating cash flow amounted to 61.5 million euros during 2003, which guaranteed coverage of the Company's interest expense, dividends and part of its investment outlays.

The remaining portion of investment, as well as acquisition of the interests held by Simest and JP Morgan in the share capital of ADR IASA, were financed via medium- and long-term lines of credit that also enabled an increase of 29.7 million euros in net cash and cash equivalents at year end.

**STATEMENT OF CASH FLOWS**

(in thousands of euros)

|   | 2003            | 2002            |
|---|-----------------|-----------------|
| <b>A. – CASH AND CASH EQUIVALENTS - OPENING BALANCE</b>                       | <b>68,170</b>   | <b>75,513</b>   |
| <b>B. – CASH FLOWS FROM (FOR) OPERATING ACTIVITIES</b>                        |                 |                 |
| Net income (loss) for the year  | 1,069           | 4,063           |
| Amortization and depreciation   | 93,244          | 94,162          |
| (Gains) losses on disposal of fixed assets                                    | (11,682)        | 6               |
| (Revaluations) write-downs of fixed assets                                    | (134)           | (171)           |
| Net change in working capital   | (17,595)        | (10,104)        |
| Net change in employee severance indemnities                                  | (3,350)         | 2,098           |
|   | <b>61,552</b>   | <b>90,054</b>   |
| <b>C. – CASH FLOWS FROM (FOR) INVESTING ACTIVITIES</b>                        |                 |                 |
| Investment in fixed assets:   |                 |                 |
| – intangible  | (51,130)        | (23,661)        |
| – tangible  | (8,035)         | (12,784)        |
| – financial   | (48,081)        | (9,212)         |
| Proceeds from disposal, or redemption value of fixed assets                   | 14,048          | 1,922           |
|   | <b>(93,198)</b> | <b>(43,735)</b> |
| <b>D. – CASH FLOW FROM (FOR) FINANCING ACTIVITIES</b>                         |                 |                 |
| New loans   | 480,000         | 24,600          |
| Shareholders' contributions   | 0               | 0               |
| Capital grants  | 0               | 0               |
| Repayments of loans   | (386,319)       | (78,262)        |
| Buy-back of shares  | 0               | 0               |
| Other changes   | 0               | 0               |
|   | <b>93,681</b>   | <b>(53,662)</b> |
| <b>E. – DIVIDENDS PAID</b>  | <b>(32,357)</b> | <b>0</b>        |
| <b>F. – CASH FLOW FOR THE YEAR (B+C+D+E)</b>                                  | <b>29,678</b>   | <b>(7,343)</b>  |
| <b>G. – CASH AND CASH EQUIVALENTS (NET BORROWING) - CLOSING BALANCE (A+F)</b> | <b>97,848</b>   | <b>68,170</b>   |

<sup>(3)</sup> Compared with the data published in the Financial Statements as of December 31, 2002, the amounts relating to "Amortization and depreciation", "Net change in working capital" and "Investment in fixed assets: intangibles" have been modified to take account of reclassification of the ancillary charges for the loan taken out by ADR, as mentioned in the notes to the Reclassified Income Statement and the Reclassified Balance Sheet.

## EQUITY INVESTMENTS

The characteristics and operating performances of the relevant Companies during 2003 are outlined below.

### EQUITY INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

#### **ADR Handling S.p.A.**

Founded on June 10, 1999, ADR Handling began providing ramp and passenger handling services on March 13, 2000 after taking over the handling operations of the Parent Company, ADR, at Fiumicino.

On March 10, 2003, ADR bought back the interest held by Menzies in ADR Handling (49%). Finally, the company now operates ground handling services at Ciampino airport following the transfer of the relevant division from its parent company, ADR. The transfer took effect on December 31, 2003.

For information regarding the performance of the handling activities managed by the company during 2003, reference should be made to the section dealing with aviation activities in the Group's Management Report on Operations.

2003 closed near to breakeven (a net loss of 182 thousand euros) compared with a net loss 2,110 thousand euros in 2002.

Turnover totaled 73.5 million euros, whilst the company's EBITDA was positive at 7.4 million euros, substantially up on the 2.9 million euros of the previous year. EBIT was also positive at 4.1 million euros (compared with 1.0 million euros in 2002).

The headcount as of December 31, 2003, including staff on temporary contracts, stood at 1,381 (compared with 1,253 in 2002).

A summary of this Company's key financial data for 2003 is provided in the Annexes to the Financial Statements under "ADR Handling S.p.A.: reclassified Balance Sheet and Income Statement".

#### **Airport Invest B.V.**

Airport Invest B.V., a Dutch registered company wholly owned by ADR, was established in 1999 in order to hold equity interests in Group companies.

On December 29, 1999, ADR thus transferred ADR's 69% holding in ADR International Airports South Africa (Pty) Ltd. (ADR IASA) to Airport Invest (see below).

In December 2003 Airport Invest became the owner of the remaining 31% of the ordinary share capital of ADR IASA as a result of the following transactions.

On December 4, 2003, a General Meeting of the company's shareholders voted to pay in a capital

contribution of 29,100 thousand euros in order to finance Airport Invest's purchase of the interest owned by JP Morgan in ADR IASA, equal to 24.8% of the ordinary share capital. On the same date, the company acquired the above shares from JP Morgan having agreed to the early exercise of a Put & Call Agreement regarding the share capital of ADR IASA signed by the parties on January 28, 2001. The price paid amounted to 29,001 thousand euros.

The General Meeting of December 4, 2003 also approved the transfer of the remaining 6.2% of the ordinary share capital of ADR IASA with a value of 7,707 thousand euros in return for an informal capital contribution. This contribution became effective on December 12 following the signature of the "Deed of contribution of equity interest in the share capital of ADR IASA" by Airport Invest and ADR.

Finally, on December 28, 2000, Airport Invest B.V. signed a "Put and Call Option Agreement" with the South African financial institution United Towers Ltd. (the holder of ADR IASA's preference shares) regarding the shares held by United in the latter company. Both the put option granted to United Towers and the call option granted to Airport Invest B.V. may be exercised between December 29, 2000 and April 30, 2005.

On December 19, 2003, a General Meeting of the company's shareholders voted, on the basis of a specially prepared balance sheet, to pay an interim dividend to ADR totaling 3,557 thousand euros.

The company closed 2003 with net income of 3,541 thousand euros, generated by dividends of 4,036 thousand euros received from the subsidiary undertaking, ADR IASA. As a result of the interim dividend paid during the year, the company's shareholders' equity, totaling 107,410 thousand euros as of December 31, 2003, includes a residual loss for the year of 15 thousand euros.

As of December 31, 2003 the Company had no employees.

A summary of this company's key financial data for 2003 is provided in the Annexes to the Financial Statements under "Airport Invest B.V.: reclassified Balance sheet and Income statement".

### **ADR International Airports South Africa (Pty) Ltd.**

ADR International Airports South Africa (ADR IASA) is a company established under South African legislation. Its corporate purpose is to manage the 20% shareholding in Airports Company South Africa Ltd. (ACSA), the country's principal airport management company (see "Other equity investments-Equity investments in airports").

As a result of the transactions described in previous section, as of December 31, 2003 Airport Invest B.V. holds 100% of the company's ordinary share capital, representing 80.95% of the total share capital. The remaining share capital, equal to 19.05%, is owned by a local financial institution, United Towers Ltd. (a member of the ABSA Bank Group) in the form of "preference shares".

The company closed 2003 with net income of 115,287 thousand rands (equal to 13,514 thousand euros at the average exchange rate for the year). This was essentially due to the revaluation of its stake in the associated undertaking, ACSA (valued according to the equity method).

During the year ADR IASA paid interim dividends for 2003 totaling 53,290 thousand rands (equal to 6,247 thousand euros at the average exchange rate for the year), including 19,690 thousand rands to the preference shareholder, United Towers (representing dividends for the period January - November 2003) and 33,600 thousand rands to Airport Invest B.V.. The preference shareholder also received preference dividends for the period October-December 2003, totaling 5,247 thousand rands.

As of December 31, 2003 the Company had no employees.

A summary of this company's key financial data for 2003 is provided in the Annexes to the Financial Statements under "ADR International South Africa (Proprietary) Limited: reclassified Balance Sheet and Income Statement".

### **ADR Engineering S.p.A. Unipersonale**

During 2003 ADR Engineering (wholly owned by ADR S.p.A.) again confirmed its role as a leading player in the airport engineering sector, exploiting the opportunities offered by the market.

Revenues totaled 7,301 thousand euros, including 1,598 thousand euros from works supervision and 5,703 thousand euros from design work. The increase of 1,435 thousand euros was in part due to ADR's investment in new airport infrastructure and in part to contracts with external customers, awarded either directly or via participation in public tenders.

EBIT of 395 thousand euros was up on the 324 thousand euros of 2002.

The company closed 2003 with net income of 286 thousand euros, after taxation of 64 thousand euros, compared with 214 thousand euros in 2002.

The headcount at year end stood at 31.

A summary of this company's key financial data for 2003 is provided in the Annexes to the Financial Statements under "ADR Engineering S.p.A. Unipersonale: reclassified Balance Sheet and Income Statement".

### **ADR Tel S.p.A.**

The purpose of the Company, which was incorporated on July 31, 2002 with share capital of 600,000 euros, of which 99% was subscribed by ADR and 1% by ADR Sviluppo S.r.l., is to build, develop and install telecommunications and electronic communications networks and systems, as well as to provide telecommunications and electronic communications services.

On October 16, 2002, the Ministry of Communications granted ADR Tel licenses to install and provide telecommunications networks open to the public, including via the use of Digital European Cordless Telecommunications (DECT), and to provide voice telephony services limited to the municipalities of Fiumicino and Ciampino.

During its first year of operation, which began on April 1, ADR Tel achieved net income of 750 thousand euros.

The Company, which provides services to both the retail business market, represented by companies operating at the two airports, airlines, public bodies and all other non-aviation businesses present in the Roman airport system, and the wholesale market, represented by telecommunications companies operating at Rome's airports, earned revenues of 4,389 thousand euros from 256 customers.

Prudent management of operating costs, which amounted to 2,809 thousand euros, including 2,167 thousand euros for materials and external services and 642 thousand euros for labor costs, enabled the company to report EBITDA of 1,580 thousand euros and EBIT of 1,306 thousand euros.

Investment, which was substantially self-financed, was primarily aimed at developing and modernizing the technology used. Investment totaled 2,080 thousand euros.

The headcount as of December 31, 2003 stood at 15.

A summary of this company's key financial data for 2003 is provided in the Annexes to the Financial Statements under "ADR Tel S.p.A.: reclassified Balance Sheet and Income Statement".

### **ADR Advertising S.p.A.**

Following prior notification to the Antitrust Authority, pursuant to art. 8 of Law 287/90, Aeroporti di Roma Advertising S.p.A. was incorporated on January 10, 2003. The Company has ordinary share capital of 500,000 euros, and is 51% owned by ADR S.p.A. and 49% owned by IGPDecaux S.p.A.. The preference shares, totaling 500,000 euros, were wholly subscribed by IGPDecaux S.p.A..

The Company was set up to operate, promote, develop, organize and manage promotional and advertising activities, including related activities throughout Italy.

On March 1, 2003, in implementation of the Framework Agreement between ADR and IGPDecaux, a contract was drawn up regarding ADR's lease of its advertising division to ADR Advertising. The division consists of advertising facilities, current contracts and human resources.

This contract, which came into effect on March 1, 2003 and lasts until December 31, 2011, provides for monthly payments to ADR proportional to ADR Advertising's revenues, subject to a guaranteed minimum.

The company reported net income of 772 thousand euros at the end of 2003, after taxation of 600 thousand euros.

Despite a declining market, the company earned revenues of 17,457 thousand euros, in line with expectations. EBIT totaled 1,327 thousand euros.

The headcount as of December 31, 2003 stood at 11.

A summary of this company's key financial data for 2003 is provided in the Annexes to the Financial Statements under "ADR Advertising S.p.A.: reclassified Balance Sheet and Income Statement".



### ADR Sviluppo S.r.l. Unipersonale

ADR Sviluppo S.r.l. - Unipersonale, with share capital of 100,000 euros, was incorporated on July 27, 2001. The Company is wholly owned by ADR S.p.A..

The Company's purpose is to promote and develop real estate initiatives for Fiumicino and Ciampino airports, to be carried out directly or via third parties. To this end, the company may therefore carry out, or commission, real estate projects regarding the construction of hotels, parking lots, offices and other forms of property in general, where such projects have a role to play in the development of airport activities, and are designed to meet the demands of traffic growth at Fiumicino and Ciampino airports.

During 2003, ADR Sviluppo did not earn revenues, nor did it have employees, as it has yet to commence operations.

The company reported a net loss of 995 euros. Shareholders' equity as of December 31, 2003 amounted to 94,784 euros.

A summary of this company's key financial data for 2003 is provided in the Annexes to the Financial Statements under "ADR Sviluppo S.r.l.: reclassified Balance Sheet and Income Statement".

## OTHER EQUITY INVESTMENTS

### Equity investments in airports

- **ACSA - Airports Company South Africa Ltd.:** the Company manages South Africa's 10 principal airports (9 of which it owns), including the international airports of Johannesburg, Cape Town and Durban. During the 2002/03 financial year these airports reported outgoing passenger traffic in excess of 11 million and around 218,000 air traffic movements (ATM), representing over 90% of the nation's air traffic.

The South African government holds 74.61% of ACSA's share capital, whilst the ADR Group, via ADR IASA, owns 20%. The remaining shares are owned by a consortium of local investors representing social groups (4.2%) and a fund managed by a group of managers and employees (1.19%). ADR IASA also holds an option to acquire a further 10% of ACSA's shares by April 8, 2004.

The accounts for the year ended March 31, 2003 report revenues of 1,539.8 million rands (approximately 180.5 million euros at the average exchange rate for the year), an increase of 19% on the previous year. EBIT rose by 27% to 750.8 million rands, whilst net income was 658.8 million rands (approximately 77.2 million euros at the average exchange rate for the year), up 60% on the previous year.

Despite the crisis in the international air transport sector, ACSA's results reveal a positive trend, which was confirmed during the first nine months of the 2003/04 financial year (with net income up by around 14% on the same period of the previous year).

Under the Strategic Contribution Agreement, ADR has continued to collaborate in the management of the company's infrastructure development and provide personnel training via seconded ADR managers.

The new international departure terminal at Cape Town airport and the new domestic

departure terminal at Johannesburg airport were opened in 2003. The latter, which is the biggest and most advanced in all of Africa, raises the capacity of South Africa's principal airport to approximately 18 million passengers a year.

- **Aeroporto di Genova S.p.A.:** Aeroporti di Roma holds a 15% holding in the Company that manages Genoa airport. In 2002 (to which the latest approved financial statements refer), Genoa airport registered a recovery in traffic volumes, with increases ahead of the Italian average for both passengers (up 3.9%) and movements (7.5%). The results achieved were made possible by the marketing initiatives undertaken and the ongoing infrastructure investment program. Revenues rose 11.2% compared with 2001, with the aviation segment reporting an improvement of 7.6% and the non-aviation segment seeing a rise of 22.7%. EBITDA was up 26.2% on 2001, whilst net income of 506 thousand euros was substantially in line with the previous year due to the absence of interest income and a reduced contribution from extraordinary items. The company's shareholders' equity as of December 31, 2002 stood at 6,541 thousand euros.
- **S.A.CAL. - Società Aeroportuale Calabrese S.p.A.:** Aeroporti di Roma owns a 16.57% stake in this Company (equal to 1,657 shares with a nominal value of 517 euros). In 2002 (to which the latest approved financial statements refer), the volume of traffic handled by the Company, which manages Lamezia Terme airport, registered significant increases in both passengers (up 16.3%), who numbered 901,503, and movements (up 23.4%). The increase in passenger numbers was due to scheduled flights (up 24.1%), whilst charter traffic fell 11.5%. Revenues of 10,112 thousand euros were up 14.6% on 2001 and, thanks to cost containment measures, EBIT amounted to 544 thousand euros (compared with a negative 404 thousand euros in 2001). Net income for 2002 amounted to 47 thousand euros and shareholders' equity as of December 31, 2002 stood at 5,302 thousand euros.

### Equity investments in other companies

ADR also has minority shareholdings in other Companies:

- **La Piazza di Spagna S.r.l.:** this Company was incorporated on December 17, 2003 with share capital of 100,000 euros, which was 49% subscribed by ADR S.p.A. and 51% by Airport Elite S.r.l., a subsidiary of Save S.p.A.. The Company, which is responsible for refreshment outlets and the sale of newspapers and items regulated by state monopoly legislation, is not yet operative.
- **Ligabue Gate Gourmet Roma S.p.A. (bankrupt):** the Court of Civitavecchia officially declared Ligabue Gate Gourmet Roma S.p.A. bankrupt on February 1, 2002. A sentence of October 10, 2002 ordered a partial distribution plan whereby 29.6% of preferential claims would be paid. No significant events took place during 2003. The second partial distribution plan is awaited.
- **Edindustria - Centro per le Comunicazioni d'Impresa S.p.A.:** Aeroporti di Roma owns 9% of this Company, which provides consultancy services and assistance in publishing and corporate image and communications. The latest approved Financial Statements for the year ended December 31, 2002 report revenues of 8,152 thousand euros, up 30% on 2001. EBIT is also substantially up at 12 thousand euros compared with a negative result of 259 thousand euros in 2001. The absence of interest income, due to the investment carried out, and

extraordinary income meant that the company closed the year with a net loss of 87 thousand euros (25 thousand euros in 2001). The company's shareholders' equity as of December 31, 2002 amounted to 1,478 thousand euros.

- **Alinsurance S.r.l.:** since 1991, Aeroporti di Roma has held a 6% stake in this Company which operates as an insurance broker. The latest approved financial statements for 2002 report net income of 691 thousand euros, up 72 thousand euros on 2001. The increase was primarily due to the growth in commissions (up 12.3%). Shareholders' equity amounts to 1,116 thousand euros.

## RELATIONS WITH PARENT COMPANIES AND OTHER RELATED PARTIES

ADR has significant trading relations with the subsidiary undertaking, ADR Handling S.p.A., which in March 2000 began providing handling services to carriers who have not opted for self-handling.

During 2003, ADR earned revenues of 19,251 thousand euros on transactions with ADR Handling involving the supply of consumable materials, vehicle maintenance, warehouse management, sub-concession fees, centralized infrastructures, administration, etc..

ADR Handling in turn, carried out some ancillary activities related to the services supplied by ADR, registering turnover of 652 thousand euros.

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

As of April 2003, the subsidiary undertaking, ADR Tel, manages telecommunications services at Fiumicino and Ciampino airports. During 2003 the Company earned revenues of 1,896 thousand euros on services provided to ADR and carried out improvement work on the telephone network totaling 646 thousand euros. ADR charged the Company 667 thousand euros for sub-concession fees, the rental of telecommunications assets and real estate, utilities and staff services.

On March 1, 2003 the lease agreement between ADR and its subsidiary undertaking, ADR Advertising, came into effect. The lease regards the advertising division, which includes advertising facilities, current contracts and human resources. This agreement, which expires on December 31, 2011, provides for monthly payments to ADR proportional to ADR Advertising's revenues, subject to a guaranteed minimum. The royalties paid to ADR in 2003 amounted to 14,620 thousand euros.

ADR charged the company a further 232 thousand euros for the rental of real estate, utilities and various services.

During the year ADR Advertising charged ADR 3,590 thousand euros for the use of advertising space by customers who had been invoiced by ADR prior to the date the lease agreement took effect.

ADR also has financial relations with the subsidiary undertakings, ADR Handling, ADR Engineering, ADR Tel and Airport Invest via a centralized treasury management system. Transaction are conducted on an arm's length basis. This system is aimed at optimizing the management of financial resources and improving settlement procedures for trading relations within the Group.

As of December 31, 2003 financial and trade receivables and payables due to and from Aeroporti di Roma S.p.A. in relation to the Parent Company, subsidiary undertakings and associated undertakings were as follows (in thousands of euros):

|  | Financial receivables | Trade receivables | Other receivables | Financial payables | Trade payables | Other payables |
|--|-----------------------|-------------------|-------------------|--------------------|----------------|----------------|
| <b>Parent Company</b>                        |                       |                   |                   |                    |                |                |
| Leonardo S.r.l.                              | 0                     | 0                 | 0                 | 0                  | 0              | 4              |
|  | 0                     | 0                 | 0                 | 0                  | 0              | 4              |
| <b>Subsidiary undertakings</b>               |                       |                   |                   |                    |                |                |
| ADR Handling S.p.A.                          | 0                     | 5,007             | 0                 | 779                | 632            | 0              |
| ADR Engineering S.p.A. Unipersonale          | 466                   | 164               | 0                 | 0                  | 4,625          | 0              |
| ADR Tel S.p.A.                               | 249                   | 912               | 0                 | 0                  | 1,871          | 0              |
| ADR Advertising S.p.A.                       | 0                     | 6,264             | 0                 | 0                  | 24             | 0              |
| Airport Invest B.V.                          | 1                     | 0                 | 0                 | 0                  | 0              | 0              |
|  | 716                   | 12,347            | 0                 | 779                | 7,152          | 0              |
| <b>Associated undertakings</b>               |                       |                   |                   |                    |                |                |
| Ligabue Gate Gourmet Roma S.p.A. (insolvent) | 0                     | 0                 | 530               | 0                  | 969            | 0              |
| La Piazza di Spagna S.r.l.                   | 0                     | 0                 | 0                 | 0                  | 0              | 34             |
|  | 0                     | 0                 | 530               | 0                  | 969            | 34             |
| <b>Total</b>                                 | <b>716</b>            | <b>12,347</b>     | <b>530</b>        | <b>779</b>         | <b>8,121</b>   | <b>38</b>      |

### TREASURY STOCK OR PARENT COMPANY'S SHARES IN THE PORTFOLIO

The Company did not hold, directly or indirectly, any of its own shares or any shares in the Parent Company, either at the end of 2003 or at the end of 2002. In addition, no purchases or sales of its own shares or shares in the parent company took place, either directly or indirectly, during 2003.

### SUBSEQUENT EVENTS AND OUTLOOK

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

## PROPOSALS TO THE GENERAL MEETING OF SHAREHOLDERS

*Dear Shareholders,*

The Financial Statements as of and for the year ended December 31, 2003, submitted to you together with the Report issued by the independent auditors, Reconta Ernst & Young S.p.A., report net income of 1,069,075.79 euros.

Thus we recommend you approve the Financial Statements as of and for the year ended December 31, 2003, consisting of the Balance Sheet, Income Statement and the Explanatory Notes, together with the Management Report on Operations, which reports net income of 1,069,075.79 euros to be taken to retained earnings.

*Dear Shareholders,*

Following the resignations of the Directors, Vittorio De Stasio and Christopher Timothy Frost, on December 23, 2003 Nicholas Moore and Cesare Romiti were appointed as Directors. Furthermore, following the resignation of Achille Colombo, on January 16, 2004 Massimo Scarpelli was appointed as a Director.

The terms of office of the above Directors expire at the end of the next General Meeting and you are therefore invited to elect new members of the Board of Directors.

*Dear Shareholders,*

The Board of Statutory Auditors' three-year term of office has come to an end and we therefore invite you to elect the Board of Statutory Auditors for the three-year period 2004/2006 and determine the related fees.

*Dear Shareholders,*

The corporate law reform introduced by art. 2409 *bis* of the Italian Civil Code requires that the Company's accounting controls be carried out by a firm of accountants.

In view of the fact that the three-year appointment of the current firm of accountants has expired, the Board of Directors has approved the proposal submitted by Deloitte & Touche S.p.A. to audit the statutory and consolidated financial statements and to carry out a review of the six-month report, including in consolidated form, and accounting controls.

The proposal provides for 1,000 hours for the statutory financial statements, 120 hours for the consolidated financial statements, 390 hours for the six-month report and 220 hours for accounting controls, amounting to a total of 1,730 hours in return for a total annual fee of 124,500 euros.

We therefore invite you, pursuant to art. 2409 *quater* of the Italian Civil Code, and having consulted the Board of Statutory Auditors, to appoint the firm of accountants, Deloitte & Touche S.p.A., for the three-year period 2004/2006, determining the related fees.

**The Board of Directors**









# Balance Sheet and Income Statement

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## Balance Sheet

as of December 31, 2003  
(compared with December 31, 2002)  
(Translation from the original issued in Italian)

| ASSETS<br>(in Euros)                                   | 12.31.2003           | 12.31.2002           |
|--|----------------------|----------------------|
| UNPAID SHARE CAPITAL DUE FROM SHAREHOLDERS             | 0                    | 0                    |
| <b>FIXED ASSETS</b>                                    |                      |                      |
| Intangible fixed assets:                               |                      |                      |
| – Incorporation and development costs                  | 267,658              | 401,487              |
| – Industrial patents and intellectual property rights  | 552,685              | 122,565              |
| – Concessions, licenses, trademarks and similar rights | 2,030,684,949        | 2,080,448,186        |
| – Leasehold improvements in process and advances       | 44,381,850           | 25,505,180           |
| – Others   | 148,172,325          | 148,123,728          |
|  | 2,224,059,467        | 2,254,601,146        |
| Tangible fixed assets:                                 |                      |                      |
| – Land and buildings                                   | 1,041,215            | 1,283,119            |
| – Plant and machinery                                  | 13,177,320           | 13,759,045           |
| – Industrial and commercial equipment                  | 1,069,940            | 722,757              |
| – Fixed assets to be relinquished                      | 67,586,679           | 72,701,320           |
| – Other assets   | 3,565,854            | 4,694,275            |
| – Work in progress and advances                        | 4,271,400            | 2,307,375            |
|  | 90,712,408           | 95,467,891           |
| Non-current financial assets:                          |                      |                      |
| – Equity investments in:                               |                      |                      |
| • subsidiary undertakings                              | 138,863,589          | 91,055,797           |
| • associated undertakings                              | 49,001               | 1                    |
| • other companies                                      | 1,895,376            | 1,895,376            |
|  | 140,807,966          | 92,951,174           |
| – Receivables due from others:                         |                      |                      |
| • within 12 months                                     | 3,099                | 3,099                |
| • beyond 12 months                                     | 4,642,725            | 5,432,543            |
|  | 4,645,824            | 5,435,642            |
|  | 145,453,790          | 98,386,816           |
| Total fixed assets                                     | 2,460,225,665        | 2,448,455,853        |
| <b>CURRENT ASSETS</b>                                  |                      |                      |
| Inventory:   |                      |                      |
| – Raw, ancillary and consumable materials              | 2,812,616            | 2,985,600            |
| – Contract work in progress                            | 8,952,365            | 13,911,397           |
| – Finished goods and goods for resale:                 |                      |                      |
| • goods for resale                                     | 8,444,427            | 8,194,600            |
|  | 8,444,427            | 8,194,600            |
| – Advances   | 34,170               | 89,582               |
|  | 20,243,578           | 25,181,179           |
| Receivables:   |                      |                      |
| – Due from clients                                     | 106,374,906          | 116,499,351          |
| – Due from subsidiary undertakings                     | 13,062,655           | 15,812,596           |
| – Due from associated undertakings                     | 529,543              | 752,500              |
| – Due from others:                                     |                      |                      |
| - various:   |                      |                      |
| • within 12 months                                     | 54,858,733           | 77,622,749           |
| • beyond 12 months                                     | 2,416,294            | 2,320,886            |
| - tax authorities                                      | 20,766,321           | 17,234,905           |
| - advances to suppliers for services to be rendered    | 100,434              | 115,588              |
|  | 78,141,782           | 97,294,128           |
|  | 198,108,886          | 230,358,575          |
| Marketable securities                                  | 0                    | 0                    |
| Cash on hand and in banks:                             |                      |                      |
| – Bank and post office deposits                        | 62,094,501           | 46,475,107           |
| – Checks   | 0                    | 174                  |
| – Cash and notes in hand                               | 333,371              | 563,928              |
|  | 62,427,872           | 47,039,209           |
| Total current assets                                   | 280,780,336          | 302,578,963          |
| ACCRUED INCOME AND PREPAID EXPENSES                    |                      |                      |
| Accrued income and other prepaid expenses              | 3,464,861            | 407,491              |
| <b>TOTAL ASSETS</b>                                    | <b>2,744,470,862</b> | <b>2,751,442,307</b> |

as of December 31, 2003  
(compared with December 31, 2002)  
(Translation from the original issued in Italian)

## LIABILITIES AND SHAREHOLDERS' EQUITY

| (in Euros)  | 12.31.2003           | 12.31.2002           |
|---|----------------------|----------------------|
| <b>SHAREHOLDERS' EQUITY</b>                       |                      |                      |
| Share capital:                                    |                      |                      |
| – ordinary shares                                 | 62,224,743           | 62,224,743           |
| Share premium reserve                             | 667,389,495          | 667,389,495          |
| Revaluation reserves                              | 0                    | 0                    |
| Legal reserve                                     | 12,444,949           | 12,444,949           |
| Reserve for own shares                            | 0                    | 0                    |
| Statutory reserves                                | 0                    | 0                    |
| Other reserves                                    | 1,747,554            | 11,081,266           |
| Retained earnings (accumulated losses)            | 932,531              | 19,892,693           |
| Net income (loss) for the year                    | 1,069,076            | 4,062,993            |
| <b>Total shareholders' equity</b>                 | <b>745,808,348</b>   | <b>777,096,139</b>   |
| <b>ALLOWANCES FOR RISKS AND CHARGES</b>           |                      |                      |
| For taxes   | 650,000              | 0                    |
| Other   | 26,406,137           | 27,725,081           |
| <b>Total allowances for risks and charges</b>     | <b>27,056,137</b>    | <b>27,725,081</b>    |
| <b>EMPLOYEE SEVERANCE INDEMNITIES</b>             | <b>47,450,385</b>    | <b>50,801,005</b>    |
| <b>PAYABLES</b>                                   |                      |                      |
| Due to banks:                                     |                      |                      |
| • within 12 months                                | 2,071,142            | 12,854,480           |
| • beyond 12 months                                | 480,000,000          | 1,658,362,465        |
|   | 482,071,142          | 1,671,216,945        |
| Due to other financial institutions:              |                      |                      |
| • within 12 months                                | 13,776,639           | 0                    |
| • beyond 12 months                                | 1,265,018,896        | 0                    |
|   | 1,278,795,535        | 0                    |
| Advances:   |                      |                      |
| – from clients:                                   |                      |                      |
| - from the Ministry of Transport:                 |                      |                      |
| • within 12 months                                | 651,971              | 5,868,429            |
| • beyond 12 months                                | 4,770,000            | 652,048              |
| - other   | 2,004,556            | 810,242              |
|   | 7,426,527            | 7,330,719            |
| Due to suppliers:                                 |                      |                      |
| • within 12 months                                | 98,287,325           | 110,024,353          |
| • beyond 12 months                                | 6,549,021            | 7,298,975            |
|   | 104,836,346          | 117,323,328          |
| Due to subsidiary undertakings:                   |                      |                      |
| • within 12 months                                | 7,931,227            | 14,377,876           |
|   | 7,931,227            | 14,377,876           |
| Due to associated undertakings:                   |                      |                      |
| • within 12 months                                | 1,002,980            | 968,680              |
|   | 1,002,980            | 968,680              |
| Due to parent companies:                          |                      |                      |
| • within 12 months                                | 4,120                | 24,873,058           |
|   | 4,120                | 24,873,058           |
| Taxes due:  |                      |                      |
| • within 12 months                                | 3,478,952            | 5,557,469            |
| • beyond 12 months                                | 0                    | 413,389              |
|   | 3,478,952            | 5,970,858            |
| Due to social security agencies                   | 6,023,703            | 6,110,701            |
| Other payables: various creditors:                |                      |                      |
| • within 12 months                                | 28,410,686           | 41,632,202           |
| • beyond 12 months                                | 629,513              | 374,846              |
|   | 29,040,199           | 42,007,048           |
| <b>Total payables</b>                             | <b>1,920,610,731</b> | <b>1,890,179,213</b> |
| <b>ACCRUED EXPENSES AND DEFERRED INCOME</b>       |                      |                      |
| Accrued expenses and other deferred income        | 3,545,261            | 5,640,869            |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b> | <b>2,744,470,862</b> | <b>2,751,442,307</b> |

## Memorandum Accounts

as of December 31, 2003  
(compared with December 31, 2002)  
(Translation from the original issued in Italian)

| <b>MEMORANDUM ACCOUNTS</b>         |                    |                    |
|------------------------------------|--------------------|--------------------|
| <b>(in Euros)</b>                  | <b>12.31.2003</b>  | <b>12.31.2002</b>  |
| General guarantees:                |                    |                    |
| – Sureties                         | 19,718,755         | 50,524,174         |
| – Other                            | 672,000            | 1,303,143          |
|                                    | 20,390,755         | 51,827,317         |
| Collateral guarantees              | 0                  | 0                  |
| Commitments on purchases and sales | 18,267,159         | 33,591,402         |
| Other                              | 893,297,236        | 891,068,534        |
| <b>TOTAL MEMORANDUM ACCOUNTS</b>   | <b>931,955,150</b> | <b>976,487,253</b> |

for the year ended December 31, 2003  
 (compared with the year ended December 31, 2002)  
 (Translation from the original issued in Italian)

## INCOME STATEMENT

| (in Euros)   | 2003          | 2002          |
|--|---------------|---------------|
| <b>TOTAL REVENUES</b>  |               |               |
| Revenues from sales and services:  |               |               |
| – revenues from sales  | 47,411,450    | 49,665,648    |
| – revenues from services   | 410,001,012   | 387,969,800   |
| – revenues from contract work  | 11,454,602    | 31,050,674    |
|  | 468,867,064   | 468,686,122   |
| Changes in contract work in progress   | (4,959,032)   | (12,624,341)  |
| Other income and revenues:   |               |               |
| – revenue grants   | 70,511        | 0             |
| – profits on disposals   | 22,627        | 83,350        |
| – other  | 5,515,382     | 21,006,708    |
|  | 5,608,520     | 21,090,058    |
|  | 469,516,552   | 477,151,839   |
| <b>OPERATING COSTS</b>   |               |               |
| Raw, ancillary and consumable materials and goods for resale                           | 44,850,242    | 42,667,060    |
| Services   | 81,314,979    | 86,538,904    |
| Leases   | 25,153,013    | 19,036,574    |
| Payroll:   |               |               |
| – wages and salaries   | 75,664,591    | 75,332,305    |
| – social security  | 22,287,693    | 21,947,284    |
| – employee severance indemnities   | 6,366,706     | 6,503,731     |
| – other  | 1,081,714     | 1,276,838     |
|  | 105,400,704   | 105,060,158   |
| Depreciation, amortization and write-downs:  |               |               |
| – amortization of intangible fixed assets  | 81,321,252    | 81,866,308    |
| – depreciation of tangible fixed assets  | 11,922,827    | 12,295,704    |
| – provisions for doubtful accounts   | 2,592,654     | 7,024,275     |
|  | 95,836,733    | 101,186,287   |
| Changes in inventories of raw, ancillary and consumable materials and goods for resale | (76,843)      | (304,442)     |
| Provisions for risks   | 77,469        | 0             |
| Sundry operating costs:  |               |               |
| – losses on disposals  | 0             | 89,036        |
| – license fees   | 161,291       | 161,013       |
| – other  | 11,553,178    | 9,559,220     |
|  | 11,714,469    | 9,809,269     |
|  | (364,270,766) | (363,993,810) |
| Operating income   | 105,245,786   | 113,158,029   |
| <b>FINANCIAL INCOME AND EXPENSE</b>  |               |               |
| Income from equity investments:  |               |               |
| – dividends from subsidiary undertakings   | 3,724,862     | 1,103,667     |
| – dividends from other companies   | 59,400        | 114,135       |
| – other income from equity investments   | 0             | 64,201        |
|  | 3,784,262     | 1,282,003     |
| Other financial income:  |               |               |
| – from long-term receivables:  |               |               |
| • other  | 134,465       | 170,640       |
| – other:   |               |               |
| • interest and commissions from subsidiary undertakings                                | 16,492        | 21,858        |
| • interest and commissions from banks  | 2,641,900     | 2,598,907     |
| • interest and commissions from clients  | 506,846       | 4,141,169     |
| • interest and commissions from others   | 130,769       | 3,215,969     |
|  | 3,430,472     | 10,148,543    |
| Interest expense and other financial charges:  |               |               |
| – interest and commissions due to parent company                                       | 191,142       | 268,938       |
| – interest and commissions due to subsidiary undertakings                              | 96,761        | 296,609       |
| – interest and commissions due to banks  | 25,781,510    | 78,352,586    |
| – interest and commissions due to other financial institutions                         | 50,029,914    | 2,629,647     |
| – interest and commissions due to others   | 24,915,784    | 16,238,632    |
| – provisions for overdue interest on written down receivables                          | 506,850       | 4,141,167     |
|  | (101,521,961) | (101,927,579) |
| Total financial income (expense), net  | (94,307,227)  | (90,497,033)  |

## Income Statement

### INCOME STATEMENT

(in Euros)

|   | 2003       |              | 2002      |              |
|---|------------|--------------|-----------|--------------|
| <b>ADJUSTMENTS TO FINANCIAL ASSETS</b>    |            |              |           |              |
| Write-downs:                              |            |              |           |              |
| – of equity investments                   |            | 0            |           | 0            |
| Total adjustments to financial assets     |            | 0            |           | 0            |
| <b>EXTRAORDINARY INCOME AND EXPENSE</b>   |            |              |           |              |
| Income:                                   |            |              |           |              |
| – gains on disposals                      | 11,691,092 |              | 0         |              |
| – other                                   | 3,130,840  |              | 4,603,012 |              |
|   |            | 14,821,932   |           | 4,603,012    |
| Expense:                                  |            |              |           |              |
| – losses on disposals                     | 31,520     |              | 0         |              |
| – taxes relating to previous years        | 2,139,345  |              | 0         |              |
| – other                                   | 9,437,063  |              | 2,956,651 |              |
|   |            | (11,607,928) |           | (2,956,651)  |
| Total extraordinary income (expense), net |            | 3,214,004    |           | 1,646,361    |
| Income before taxes                       |            | 14,152,563   |           | 24,307,357   |
| Income taxes:                             |            |              |           |              |
| – current                                 |            | (15,468,487) |           | (19,041,365) |
| – deferred tax assets (liabilities)       |            | 2,385,000    |           | (1,203,000)  |
|   |            | (13,083,487) |           | (20,244,365) |
| Net income (loss) for the year            |            | 1,069,076    |           | 4,062,992    |







## GENERAL PRINCIPLES

*(Translation from  
the original issued in Italian)*

The Explanatory Notes are an integral part of the Company Financial Statements as of December 31, 2003. The Financial Statements have been prepared in accordance with the Italian Civil Code, as interpreted and supplemented by the Accounting Standards of the Italian Accounting Standards Committee, and include such supplementary information on the Balance Sheet and the Income Statement as to guarantee a true and fair view of Aeroporti di Roma S.p.A.'s financial position and operating performance.

The Balance Sheet data as of December 31, 2003 and the Income Statement for the year then ended are compared with the data for 2002.

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

The Financial Statements are expressed in euros.

## ABOUT THE COMPANY

Leonardo S.p.A. (now ADR S.p.A.) was incorporated on January 25, 2000<sup>4</sup> for the purpose of acquiring holdings in airport management companies.

As a result of the privatization of ADR, on July 31, 2000 Leonardo acquired 51.148% of the share capital of ADR, an airport management Company founded on February 12, 1974, from IRI S.p.A. (now Fintecna S.p.A.).

This holding was increased to 95.860% following the public offerings (obligatory and residual) launched by Leonardo, in order to acquire the remaining shares of ADR, pursuant to art. 106 of Legislative Decree 58/98. The offerings were concluded on November 6, 2000 and March 23, 2001. Other shares in ADR were purchased on the open market. Therefore, with effect from March 29, 2001, in accordance with the action taken by the Italian Stock Exchange, ADR's shares, which had been quoted since July 24, 1997, were subsequently delisted.

The deed for the ensuing merger of ADR and Leonardo was drawn up on May 16, and came into effect on May 21, 2001, under the terms of art. 2503 of the Italian Civil Code. At the time of the merger of ADR with Leonardo S.p.A., the latter changed its name to Aeroporti di Roma S.p.A.. The merger adjustments were posted to the Financial Statements of the acquiring company, with effect from January 1, 2001, for both statutory and fiscal purposes.

The business purpose of the merged company, Aeroporti di Roma S.p.A., is the construction and management of airports, including the operation of any activity connected with or complementary to air traffic of any type or specification. The Company's principal activities include the management of Rome's two airports ("Leonardo da Vinci" at Fiumicino and "G.B. Pastine" at Ciampino) in accordance with financial and organizational criteria, as per Law no. 755 dated November 10, 1973 and subsequent amendments.

Such activity is carried out under a concession granted by the Italian Ministry of Infrastructure and Transport. The current concession is due to expire in 2044. The concession, regulated by specific contractual agreements with the Ministry, includes the management of the infrastructures and services (retail outlets, etc.) and the maintenance of plant, machinery and buildings. ADR also provides security screening services for passengers and carry-on and hold baggage.

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

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

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

- “Company-owned fixed assets” consist of assets purchased outright by the Company using its own funds and which the Company considers will not be relinquished on expiry of the concession. This category includes temporary buildings, plant and machinery, industrial and commercial equipment and other items (principally furniture and fittings). Such assets are recorded under “Tangible fixed assets”.
- “Fixed assets to be relinquished” consist of assets purchased by the Company using its own funds and which the Company will be obliged to transfer to the Ministry free of charge, in good working condition, on expiry of the concession. “Fixed assets to be relinquished” are defined as all permanent works and installations constructed on government land within the airport. This category includes industrial buildings and plant and machinery, which are recorded under “Tangible fixed assets”.
- “Assets received under the concession” consist of assets purchased or constructed by the government and made available to the Company under the concession. This category primarily includes the infrastructure already present on the airport grounds before Aeroporti di Roma S.p.A. was formed in 1974. As the Company does not hold title to such assets, they are recorded in the Memorandum Accounts under “Other”.
- “Assets completed on behalf of the State” consist of assets resulting from construction projects carried out by the Company pursuant to the Development Program on behalf of, and financed by the government. Such assets are recorded in two ways: either in the Memorandum Accounts under “Other”, reflecting the completion of a pre-agreed portion of the relevant construction project and the issuance by the Company of an invoice to the Ministry therefore, or as an asset in the Company’s Balance Sheet under “Inventory: contract work in progress”, reflecting the value of the portion of the relevant construction project not yet invoiced to the Ministry at year end. In order to carry out such construction projects, the Company receives a cash advance from the Ministry. The advance provides funds for carrying out the relevant construction projects and is recorded in the Company’s Balance Sheet as a payable, under “Advances”. Thereafter, the costs actually incurred by the Company in relation to the relevant construction project are invoiced to the Ministry on the basis of the work completed leading to a reduction of the related payable under “Advances” during the construction period. In addition, the Ministry makes a lump-sum payment to the Company to cover general construction costs such as architects’ and inspectors’ fees, testing and construction management. Such lump-sum payment is equal to approximately 9% of the total amount allocated by the Ministry for the relevant project, including general construction costs.

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

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

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

The Company is controlled by Leonardo S.r.l., which owns 51.151% of the share capital.

## EXCEPTIONS

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

## NOTICE

To better represent them in the Financial Statements, ancillary charges on loans have been reclassified from the item "Prepaid expenses" to the item "Other" under "Intangible fixed assets". Such requirement arose from the restructuring of ADR's debt, which, as well as additional charges, also entailed extension of the duration of said debt.

As the method for amortizing such charges (the financial method) has not altered, the change in the accounting method does not affect the results for the period or retained earnings.

To facilitate comparison of Balance Sheet items with those of the previous year, the following reclassifications were made:

- in the Balance Sheet as of December 31, 2002 an amount of 31,178 thousand euros has been reclassified from the item "Accrued income and prepaid expenses" to the item "Intangible fixed assets - other";
- in the Income Statement for 2002 an amount of 3,376 thousand euros has been reclassified from the item "Operating costs - services" to the item "Amortization of intangible fixed assets".

To facilitate comparison of Balance Sheet items with those of the previous year, in the Balance Sheet as of December 31, 2002 an amount of 3,859 thousand euros regarding credit notes to be issued to clients has been reclassified from the item "Other payables: sundry creditors" to the item "Due from clients". In 2003 an information system that calculates amortization of intangible fixed assets entered service. Until December 31, 2002 amortization was calculated on an annual basis. The new system, on the other hand, enables calculation as of the month in which such assets are available for use or begin to produce economic benefits. The positive effect on the result for 2003 and on shareholders' equity as of December 31, 2003 amounts to approximately 1,600 thousand euros (1,228 thousand euros net of the tax effect).

## EXPLANATION ADDED FOR TRANSLATION INTO ENGLISH

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

## ACCOUNTING POLICIES

The accounting policies adopted to prepare the Financial Statements for the year ended December 31, 2003 are based on the prudence and going-concern principles and comply with the provisions of article 2426 of the Italian Civil Code. The accounting policies are consistent with those adopted

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

### Assets

#### Fixed assets

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

#### – Intangible fixed assets

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

- *Incorporation and development costs*

These are reported under assets at purchase cost, with the consent of the Board of Statutory Auditors, and are amortized over a period of five years. The Company may only distribute dividends if there are sufficient reserves available to cover the amount of the costs not yet amortized.

- *Industrial patents and intellectual property rights*

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

- *Concessions, licenses, trademarks and similar rights*

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

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

- *Other*

This item essentially includes:

- *leasehold improvements*: improvements (modernization, upgrades), having a service life of several years, carried out on assets belonging to third parties (held under concession or constructed on behalf of the State). These costs are amortized in relation to their residual service lives, usually less than the period of the concession;
- *ancillary charges on loans*: the charges sustained to obtain medium- and long-term loans (such as investigative charges, legal fees, etc.) are capitalized and amortized on the basis of the duration of the loan, in accordance with the financial method.

#### – Tangible fixed assets

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

A summary of the rates used is provided on the following page:

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

In accordance with articles 10 and 3 of Law no. 72 of March 19, 1983, the Company has revalued fixed assets still in its possession by 2,463,379 euros.

Such fixed assets are carried at 2,372,924 euros. The original revaluation reserve was utilized in previous years to absorb losses.

- **Land and buildings**

These are recorded at purchase cost adjusted in accordance with art. 3 of Law 72/83.

- **Fixed assets to be relinquished**

Such assets are recorded at purchase cost adjusted in accordance with the above-mentioned art. 3 of Law 72/83, including any ancillary charges and subsequent development costs.

Such assets are depreciated in relation to their residual useful lives, in accordance with the policies described above under “Tangible fixed assets”, in that they are assets which form part of so-called “industrial property”.

In addition, provisions are made for transfer costs relating to fixed assets to be relinquished, with the aim of covering best estimates – carried out by technical experts – of the costs to be borne on expiry of the concession (in 2044), when the assets are to be transferred to the Ministry in good working condition.

- **Non-current financial assets**

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

Non-current receivables are recorded at their nominal value.

## Current assets

- **Inventories**

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

These are recorded at the lower of the weighted average purchase cost and the estimated realizable value taking into account market price trends.

- **Contract work in progress**

These assets are recorded on the basis of the percentage-of-completion method (determined on the basis of the ratio of costs sustained to the total cost of the project). The value of the work so far completed and for which payment is considered definite is recorded among revenues. Any additional costs borne by the Company in relation to changes to the original project, as requested by the Ministry of Transport, constitute, depending on the nature of the changes, either a write-down of the agreed value (in the case of assets which may not be operated autonomously) or, alternatively, intangible fixed assets (where such variations are considered improvements to and/or conversions of third party assets).

- **Receivables**

These are recorded at their estimated realizable value.

### – Cash on hand and in banks

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

### Accruals and deferrals

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

### Liabilities

#### Allowances for risks and charges

These are made up of provisions aimed at covering sundry losses of a determinate nature and of certain or probable occurrence. The evaluation of risks and charges also takes into account liabilities which have become known between the closure of the accounting period under consideration and the date of the preparation of these Financial Statements. Such allowances are held to be adequate to cover related losses and charges.

#### Employee severance indemnities

Employee severance indemnities were calculated for all the Company's employees and in accordance with governing legislation. This amount was calculated for indemnities accrued up to December 31, 2003 and is shown net of any advance payments. Such liabilities are subject to revaluation according to appropriate indices.

#### Payables

Payables are recorded at their nominal value.

#### Receivables and payables recorded in foreign currency

Items denominated in the currencies of countries outside EMU are translated using the average exchange rate for the month in which the transaction was carried out. Any exchange rate differences, incurred on collection of receivables or on settlement of payables denominated in foreign currency, are recorded in the Income Statement. If the translation of short-term receivables and payables denominated in foreign currency, at closing rates, results in a net gain or loss, such an amount is recorded in the Income Statement. Should a net loss result from the translation, at closing rates, of medium- and long-term receivables and payables denominated in the currencies of countries not belonging to EMU, the loss is charged to the Income Statement as a provision for exchange rate variations. Any resulting net gain is, however, deferred.

### Memorandum Accounts

#### – General/secured guarantees given

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

#### – Commitments on purchases and sales

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

– Other

• *Secured/general guarantees received*

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

• *Third parties' assets lodged with the Company (principally assets received under the concession)*

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

• *Company-owned assets lodged with third parties*

These are recorded at their net book value.

This item also includes the value of the advertising division leased to ADR Advertising, as recorded in the inventory check carried out on start-up of activities.

## Revenues

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

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

## Dividends

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

## Taxation

"Current taxes" are calculated on the basis of taxable income. The related payable is posted to "Taxes due". "Deferred tax assets" and "liabilities" are recorded on the basis of temporary differences between the amount recorded in the Financial Statements and the tax bases of the relevant assets and liabilities, applying the tax liability method. As of fiscal year 1999, deferred tax assets are only recorded where there is reasonable certainty regarding their recoverability. The reporting of such taxation in the Financial Statements is carried out in accordance with Accounting Standard no. 25, as established by the Italian Accounting Standards Committee.

## Derivatives contracts

The positive and negative interest rate differentials, deriving from Interest Rate Swaps, accrued at the end of the period are recorded on an accruals basis in the Income Statement among "Financial income and expense".

## NOTES TO THE BALANCE SHEET

### FIXED ASSETS

#### Intangible fixed assets

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



## Intangible fixed assets

|  | 12.31.2002           |              |             |                      |                      |
|--|----------------------|--------------|-------------|----------------------|----------------------|
|  | Cost                 | Revaluations | Write-downs | Amortization         | Book value           |
| Incorporation and development costs                  | 672,578              | 0            | 0           | (271,091)            | 401,487              |
|  | 672,578              | 0            | 0           | (271,091)            | 401,487              |
| Industrial patents and intellectual property rights  | 1,732,302            | 0            | 0           | (1,609,737)          | 122,565              |
|  | 1,732,302            | 0            | 0           | (1,609,737)          | 122,565              |
| Concessions, licenses, trademarks and similar rights | 2,187,223,731        | 0            | 0           | (106,775,545)        | 2,080,448,186        |
|  | 2,187,223,731        | 0            | 0           | (106,775,545)        | 2,080,448,186        |
| Leasehold improvements in process and advances:      |                      |              |             |                      |                      |
| a) Leasehold improvements in process                 | 25,248,362           | 0            | 0           | 0                    | 25,248,362           |
| b) Advances  | 256,818              | 0            | 0           | 0                    | 256,818              |
|  | 25,505,180           | 0            | 0           | 0                    | 25,505,180           |
| Others:  |                      |              |             |                      |                      |
| – Leasehold improvements                             | 288,750,161          | 0            | 0           | (171,804,909)        | 116,945,252          |
| – Ancillary charges for loans                        | 34,554,476           |              |             | (3,376,000)          | 31,178,476           |
|  | 323,304,637          | 0            | 0           | (175,180,909)        | 148,123,728          |
| <b>Total</b>   | <b>2,538,438,428</b> | <b>0</b>     | <b>0</b>    | <b>(283,837,282)</b> | <b>2,254,601,146</b> |

<sup>(1)</sup> Including:

Cost

Amortization

Transfer from/(to) cost items

Transfer from/(to) tangible fixed assets

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

- “concessions, licenses, trademarks and similar rights” include the value of the airport management concession, amounting to 2,028,877 thousand euros as of December 31, 2003. The decrease of 49,763 thousand euros is due to the combined effect of amortization for the period (51,096 thousand euros) and investment (1,143 thousand euros), transfers from work in process (160 thousand euros) and reclassifications amounting to 30 thousand euros;
- the increase of 18,876 thousand euros in “Leasehold improvements in process” derives from work carried out during the year, amounting to 23,197 thousand euros, net of transfers of assets entering service to “Leasehold improvements” and “Concessions, licenses, trademarks and similar” (3,525 thousand euros), and write-downs of 796 thousand euros;
- “other intangible fixed assets” rose by a total of 48 thousand euros due to “Ancillary charges for loans”. “Leasehold improvements” decreased by 12,561 thousand euros due to amortization for the period, totaling 25,882 thousand euros, partly offset by work carried out during the period (9,494 thousand euros), transfers from work in process (3,365 thousand euros) and reclassifications totaling 462 thousand euros. “Ancillary charges for loans” rose by 12,610 thousand euros due to costs incurred in 2003 in order to restructure ADR’s debt (16,708 thousand euros), net of amortization of 4,098 thousand euros.

The principal leasehold improvements in process (equal to 23,197 thousand euros) include:

- works relating to the Eastern Area - Cargo City (13,886 thousand euros);
- the structural upgrading of the Bravo/Delta/November taxiways (920 thousand euros);
- replacement of MV and LV panels and protection of landside electricity transformers (830



| Purchases/<br>Capitalization | Changes during the period |                           |              | 12.31.2003    |              |            |               |               |
|------------------------------|---------------------------|---------------------------|--------------|---------------|--------------|------------|---------------|---------------|
|                              | Reclassifications<br>(1)  | Disposals/<br>Retirements | Amortization | Cost          | Revaluations | Write-down | Amortization  | Book<br>value |
| 0                            | 0                         | 0                         | (133,829)    | 672,578       | 0            | 0          | (404,920)     | 267,658       |
| 0                            | 0                         | 0                         | (133,829)    | 672,578       | 0            | 0          | (404,920)     | 267,658       |
| 587,606                      | (46,210)                  | 0                         | (111,276)    | 2,273,698     | 0            | 0          | (1,721,013)   | 552,685       |
| 587,606                      | (46,210)                  | 0                         | (111,276)    | 2,273,698     | 0            | 0          | (1,721,013)   | 552,685       |
| 1,142,864                    | 190,000                   | 0                         | (51,096,101) | 2,188,556,595 | 0            | 0          | (157,871,646) | 2,030,684,949 |
| 1,142,864                    | 190,000                   | 0                         | (51,096,101) | 2,188,556,595 | 0            | 0          | (157,871,646) | 2,030,684,949 |
| 18,898,326                   | 19,235                    | 0                         | 0            | 44,165,923    | 0            | 0          | 0             | 44,165,923    |
| 4,298,865                    | (4,339,756)               | 0                         | 0            | 215,927       | 0            | 0          | 0             | 215,927       |
| 23,197,191                   | (4,320,521)               | 0                         | 0            | 44,381,850    | 0            | 0          | 0             | 44,381,850    |
| 9,494,152                    | 3,826,681                 | 0                         | (25,882,046) | 302,055,484   | 0            | 0          | (197,671,445) | 104,384,039   |
| 16,707,810                   | 0                         | 0                         | (4,098,000)  | 51,262,286    | 0            | 0          | (7,474,000)   | 43,788,286    |
| 26,201,962                   | 3,826,681                 | 0                         | (29,980,046) | 353,317,770   | 0            | 0          | (205,145,445) | 148,172,325   |
| 51,129,623                   | (350,050)                 | 0                         | (81,321,252) | 2,589,202,491 | 0            | 0          | (365,143,024) | 2,224,059,467 |
|                              | (350,261)                 |                           |              |               |              |            |               |               |
|                              | 15,511                    |                           |              |               |              |            |               |               |
|                              | 0                         |                           |              |               |              |            |               |               |
|                              | (15,300)                  |                           |              |               |              |            |               |               |
|                              | (350,050)                 |                           |              |               |              |            |               |               |

thousand euros);

- adaptation of system for upgrading of manual coding area (896 thousand euros).

The main leasehold improvements completed during the year (equal to 9,494 thousand euros) include:

- runways - works to comply with ICAO standards and remote operation and monitoring of lights (889 thousand euros);
- maintenance of landside airport road network (612 thousand euros);
- BHS - upgrading of electrical system (186 thousand euros);
- heating plant and networks phase I (150 thousand euros);
- work on the “Catering Ovest” building (1,024 thousand euros);
- aircraft aprons - reconfiguration of traffic signals (334 thousand euros);
- new asset cycle management system (543 thousand euros);
- re-waterproofing of various buildings and escalator underpass (457 thousand euros);
- sundry works at Ciampino airport (1,208 thousand euros).

Funds deriving from increased boarding fees received during the year were again invested in airport infrastructure development (in accordance with paragraphs 9 and 10 of art. 10, Law 537/93).

### Tangible fixed assets

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

## Tangible fixed assets

|  | 12.31.2002  |                               |             |                                |               |                            |
|--|-------------|-------------------------------|-------------|--------------------------------|---------------|----------------------------|
|  | Cost        | Revaluations<br>(Law 72/1983) | Write-downs | Allowances<br>for depreciation | Book<br>value | Purchases/<br>Capitalizat. |
| Land and buildings                         | 16,809,572  | 465,128                       | 0           | (15,991,581)                   | 1,283,119     | 19,665                     |
|  | 16,809,572  | 465,128                       | 0           | (15,991,581)                   | 1,283,119     | 19,665                     |
| Plant and machinery                        | 64,742,917  | 0                             | 0           | (50,983,872)                   | 13,759,045    | 3,367,192                  |
|  | 64,742,917  | 0                             | 0           | (50,983,872)                   | 13,759,045    | 3,367,192                  |
| Industrial and commercial equipment        | 6,134,833   | 0                             | 0           | (5,412,076)                    | 722,757       | 760,384                    |
|  | 6,134,833   | 0                             | 0           | (5,412,076)                    | 722,757       | 760,384                    |
| Fixed assets to be relinquished            | 135,793,215 | 1,907,796                     | 0           | (64,999,691)                   | 72,701,320    | 281,730                    |
|  | 135,793,215 | 1,907,796                     | 0           | (64,999,691)                   | 72,701,320    | 281,730                    |
| Other assets                               | 39,462,840  | 0                             | 0           | (34,768,565)                   | 4,694,275     | 1,314,720                  |
|  | 39,462,840  | 0                             | 0           | (34,768,565)                   | 4,694,275     | 1,314,720                  |
| Work in progress and advances              | 2,307,375   | 0                             | 0           | 0                              | 2,307,375     | 2,224,169                  |
|  | 2,307,375   | 0                             | 0           | 0                              | 2,307,375     | 2,224,169                  |
| Total                                      | 265,250,752 | 2,372,924                     | 0           | (172,155,785)                  | 95,467,891    | 7,967,860                  |
| (1) Allowance for accelerated depreciation |             |                               |             | 7,533,773                      |               |                            |

(2) Including:

Cost  
Transfer from/(to) intangible fixed assets  
Adjustments for depreciation

“Tangible fixed assets” decreased by 4,756 thousand euros, due to depreciation totaling 11,923 thousand euros and disposals amounting to 868 thousand euros. This was partly compensated for by investment amounting to 8,035 thousand euros.

The most significant capitalization during the period, within the category “Plant and machinery” (3,367 thousand euros), regarded the acquisition of motor vehicles with a value of 1,323 thousand euros, specific airport equipment totaling 950 thousand euros, inspection and baggage transportation equipment amounting to 463 thousand euros. “Other assets” (which increased by 1,315 thousand euros) regarded electronic systems totaling 900 thousand euros and furniture, fittings and equipment with a value of 315 thousand euros.

Due to the accelerated depreciation carried out between 1990 and 1997, ordinary depreciation for 2003, totaling 422 thousand euros, was not recorded in the Income Statement. From 1998 accelerated depreciation – if charged – was deducted only on tax returns.

The following table summarizes the financial effect of accelerated depreciation and the related deferred taxes (in thousands of euros):

| Changes during the period    |                                       |  |                  | 12.31.2003  |                               |             |                                |               |
|------------------------------|---------------------------------------|--|------------------|-------------|-------------------------------|-------------|--------------------------------|---------------|
| Reclassifications<br>(1) (2) | Disposals /<br>Retirements<br>(1) (2) | Write-downs (-)<br>Value<br>recoveries (+) | Amortization (1) | Cost        | Revaluations<br>(Law 72/1983) | Write-downs | Allowances<br>for depreciation | Book<br>value |
| 0                            | 0                                     | 0  | (261,569)        | 16,829,237  | 465,128                       | 0           | (16,253,150)                   | 1,041,215     |
| 0                            | 0                                     | 0  | (261,569)        | 16,829,237  | 465,128                       | 0           | (16,253,150)                   | 1,041,215     |
| 153,356                      | (753,296)                             | 0  | (3,348,977)      | 62,622,283  | 0                             | 0           | (49,444,963)                   | 13,177,320    |
| 153,356                      | (753,296)                             | 0  | (3,348,977)      | 62,622,283  | 0                             | 0           | (49,444,963)                   | 13,177,320    |
| 0                            | (74,620)                              | 0  | (338,581)        | 6,228,957   | 0                             | 0           | (5,159,017)                    | 1,069,940     |
| 0                            | (74,620)                              | 0  | (338,581)        | 6,228,957   | 0                             | 0           | (5,159,017)                    | 1,069,940     |
| 173,831                      | 0                                     | 0  | (5,570,202)      | 136,248,745 | 1,907,796                     | 0           | (70,569,862)                   | 67,586,679    |
| 173,831                      | 0                                     | 0  | (5,570,202)      | 136,248,745 | 1,907,796                     | 0           | (70,569,862)                   | 67,586,679    |
| 0                            | (39,642)                              | 0  | (2,403,499)      | 39,749,598  | 0                             | 0           | (36,183,744)                   | 3,565,854     |
| 0                            | (39,642)                              | 0  | (2,403,499)      | 39,749,598  | 0                             | 0           | (36,183,744)                   | 3,565,854     |
| (260,144)                    | 0                                     | 0  | 0                | 4,271,400   | 0                             | 0           | 0                              | 4,271,400     |
| (260,144)                    | 0                                     | 0  | 0                | 4,271,400   | 0                             | 0           | 0                              | 4,271,400     |
| 67,043                       | (867,558)                             | 0  | (11,922,828)     | 265,950,220 | 2,372,924                     | 0           | (177,610,736)                  | 90,712,408    |
| 422,497                      | 0                                     |  | 0                |             |                               |             | 7,111,276                      |               |
| (6,322)                      | (7,333,176)                           |  |                  |             |                               |             |                                |               |
| 71,106                       | 0                                     |  |                  |             |                               |             |                                |               |
| 2,259                        | 6,465,618                             |  |                  |             |                               |             |                                |               |
| 67,043                       | (867,558)                             |  |                  |             |                               |             |                                |               |

|  | Shareholders' equity<br>as of 12.31.2002 | Effect of<br>accel. depreciation<br>charged in prior years | Shareholders' equity<br>as of 12.31.2003 |
|--|--|--|--|
| Allowance for accelerated depreciation | 7,534                                    | (422)  | 7,112                                    |
| Tax effect                             | (3,032)                                  | 98   | (2,934)                                  |
| Net effect                             | 4,502                                    | (324)  | 4,178                                    |

Therefore, in the absence of accelerated depreciation charged to the Income Statement in previous years, net income for the year would have been reduced by 324 thousand euros, whilst shareholders' equity as of December 31, 2003 would have been increased by 4,178 thousand euros, net of tax effects.

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

## Equity investments held as non-current financial assets

|   | 12.31.2002        | Changes during the period |                  |             |                         | 12.31.2003         |
|---|-------------------|---------------------------|------------------|-------------|-------------------------|--------------------|
|   |                   | Acquisition               | Disposals        | Write-downs | Capital Reconstructions |                    |
| <b>Subsidiary undertakings:</b>               |                   |                           |                  |             |                         |                    |
| – ADR Handling S.p.A.                         | 15,184,825        | 10,921,000                | (175,500)        | 0           | 0                       | 25,930,325         |
| – Airport Invest B.V.                         | 74,583,046        | 36,807,292                | 0                | 0           | 0                       | 111,390,338        |
| – ADR Engineering S.p.A. Unipersonale         | 593,926           | 0                         | 0                | 0           | 0                       | 593,926            |
| – ADR Tel S.p.A.                              | 594,000           | 0                         | 0                | 0           | 0                       | 594,000            |
| – ADR Advertising S.p.A.                      | 0                 | 255,000                   | 0                | 0           | 0                       | 255,000            |
| – ADR Sviluppo S.p.A. Unipersonale            | 100,000           | 0                         | 0                | 0           | 0                       | 100,000            |
|   | 91,055,797        | 47,983,292                | (175,500)        | 0           | 0                       | 138,863,589        |
| <b>Associated undertakings:</b>               |                   |                           |                  |             |                         |                    |
| – La Piazza di Spagna S.r.l.                  | 0                 | 49,000                    | 0                | 0           | 0                       | 49,000             |
| – Ligabue Gate Gourmet Roma S.p.A. (bankrupt) | 1                 | 0                         | 0                | 0           | 0                       | 1                  |
|   | 1                 | 49,000                    | 0                | 0           | 0                       | 49,001             |
| <b>Investments in other companies:</b>        |                   |                           |                  |             |                         |                    |
| – Alinsurance S.r.l.                          | 6,198             | 0                         | 0                | 0           | 0                       | 6,198              |
| – Aeroporto di Genova S.p.A.                  | 929,622           | 0                         | 0                | 0           | 0                       | 929,622            |
| – S.A.Cal. S.p.A.                             | 878,493           | 0                         | 0                | 0           | 0                       | 878,493            |
| – Edindustria S.p.A.                          | 81,063            | 0                         | 0                | 0           | 0                       | 81,063             |
|   | 1,895,376         | 0                         | 0                | 0           | 0                       | 1,895,376          |
| <b>Total</b>                                  | <b>92,951,174</b> | <b>48,032,292</b>         | <b>(175,500)</b> | <b>0</b>    | <b>0</b>                | <b>140,807,966</b> |

The increase in equity investments in subsidiary undertakings, totaling 48,032 thousand euros, derives from:

- the transfer of handling activities at Ciampino, valued at 10,921 thousand euros, to the subsidiary undertaking, ADR Handling S.p.A., with effect from December 31, 2003. Consequently, the General Meeting of ADR Handling's shareholders approved an increase of share capital of 5,160 thousand euros, via the issue of 1,000,000 new shares with a par value of 5.16 euros and a share premium of 5,761 thousand euros. Pursuant to art. 2343 of the Italian Civil Code, the shares issued in relation to the transfer are non-transferable and must remain deposited with the Company until the expert appraisal of the value of the division has been checked by the Directors and Statutory Auditors of ADRH;
- the investment in the subsidiary undertaking, Airport Invest B.V., totaling 36,807 thousand euros, as approved by a General Meeting of the company's shareholders, who, on December 4, 2003, approved the following transactions:
  - payment of a capital contribution of 29,100 thousand euros in order to finance Airport Invest's purchase of the interest owned by JP Morgan in ADR IASA, equal to 24.8% of the ordinary share capital;
  - the transfer of the remaining 6.2% of the ordinary share capital of ADR IASA with a value of 7,707 thousand euros in return for an informal capital contribution. On December 12, 2003 ADR exercised its option to acquire the interest held by Simest S.p.A. in ADR IASA and, on the same date, the contribution became effective following the signature of the "Deed of contribution of equity interest in the share capital of ADR IASA" by Airport Invest and ADR;
- the subscription of 51% of the ordinary share capital (255 thousand euros) of ADR Advertising S.p.A., at the time of the Company's incorporation on January 10, 2003.

The 175 thousand euros reduction in the equity investment in ADR Handling was due to the transfer of 1% of the company's share capital to ADR Engineering S.p.A. Unipersonale on July 30, 2003 for a price of 7.02 euros per share, equivalent to the price paid to Menzies for the recent acquisition of 49% of the share capital. ADR Engineering's interest decreased to 0.71% after the above transfer of handling activities at Ciampino.

The increase in equity investments in associated undertakings, amounting to 49 thousand euros, regards the interest in the share capital of La Piazza di Spagna S.r.l. (49%) subscribed by ADR at the time of the company's incorporation on December 17, 2003.

For further information regarding such equity investments during 2003, reference should be made to the section "Equity investments" in the Management Report on Operations.

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

#### List of equity investments in subsidiary undertakings (in Euros)

|                                       | Registered office   | Share Capital | Shareholders' equity at 12.31.2003 | Net Income (Loss) 2003 | % holding | Corresponding book value of equity (A) | Book value (B)     | Valuation art. 2426, no. 4 C.C. (C) | Surplus B - C |
|---------------------------------------|---------------------|---------------|------------------------------------|------------------------|-----------|--|--------------------|-------------------------------------|---------------|
| <b>Subsidiary undertakings:</b>       |                     |               |                                    |                        |           |  |                    |                                     |               |
| – ADR Handling S.p.A.                 | Fiumicino (Rome)    | 18,060,000    | 22,759,068                         | (181,690)              | 99.29%    | 22,597,479                             | 25,930,325         | 23,929,049                          | 2,001,276     |
| – Airport Invest B.V. (*)             | Amsterdam (Holland) | 70,417,038    | 107,409,433                        | (15,641)               | 100%      | 107,409,433                            | 111,390,338        | 105,640,022                         | 5,750,316     |
| – ADR Engineering S.p.A. Unipersonale | Fiumicino (Rome)    | 774,690       | 1,280,551                          | 286,229                | 100%      | 1,280,551                              | 593,926            | 1,280,551                           |               |
| – ADR Tel S.p.A.                      | Fiumicino (Rome)    | 600,000       | 1,342,805                          | 750,321                | 99.0%     | 1,329,377                              | 594,000            | 1,329,377                           |               |
| – ADR Advertising S.p.A. (**)         | Fiumicino (Rome)    | 1,000,000     | 1,771,735                          | 771,735                | 25.5%     | 433,097                                | 255,000            | 433,097                             |               |
| – ADR Sviluppo S.r.l. Unipersonale    | Fiumicino (Rome)    | 100,000       | 94,784                             | (995)                  | 100%      | 94,784                                 | 100,000            | 94,784                              | 5,216         |
| <b>Associated undertakings:</b>       |                     |               |                                    |                        |           |  |                    |                                     |               |
| – La Piazza di Spagna S.r.l.          | Fiumicino (Rome)    | 100,000       | n.d.                               | n.d.                   | 49.0%     | n.d.                                   | 49,000             | n.d.                                | n.d.          |
| <b>Total</b>                          |                     |               |                                    |                        |           |  | <b>138,912,589</b> |                                     |               |

(\*) The result of the balance is given at the net of the account distributed during the budgetary year.

(\*\*) Holding present in the stated capital (1,000,000) of the Company (including preference shares). The shareholding present in the capital (500,000 euros) is equal to 51%.

The book value of the equity investment in Airport Invest is greater than the amount resulting from the valuation under article 2426, paragraph 4 of the Italian Civil Code by approximately 5.7 million euros. This difference is entirely attributable to the exchange rate with the South African rand, the currency in which the accounts of Airport Invest's subsidiary, ADR IASA, are prepared. Given that the operating results of ACSA (the sole asset owned by ADR IASA) exceeded expectations (see the section regarding "Equity investments in airports"), it was held that the exchange rate difference alone did not represent a permanent loss in value meriting a write-down of the value of the equity investment in Airport Invest.

The book value of the equity investment in ADRH is greater than the amount resulting from the valuation under article 2426, paragraph 4 of the Italian Civil Code by approximately 2.0 million euros. Such difference is of a temporary nature in view of the company's plans, which foresee a return to profit as early as 2004.

The fact that the book value of the equity investment in ADR Sviluppo S.r.l. is greater than a valuation under the above article of the Italian Civil Code is due to the fact that the company is not yet operational.

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

## Receivables due and other items under non-current financial assets

|                              | 12.31.2002 | Changes during the period | 12.31.2003 |
|------------------------------|------------|---------------------------|------------|
| Receivables:                 |            |                           |            |
| – due from others:           |            |                           |            |
| • public bodies for licenses | 25,042     | (1,622)                   | 23,420     |
| • suppliers                  | 3,099      | 0                         | 3,099      |
| • other                      | 5,407,501  | (788,196)                 | 4,619,305  |
|                              | 5,435,642  | (789,818)                 | 4,645,824  |

The reduction in such “Receivables”, amounting to 790 thousand euros, was due to payments of 973 thousand euros, disbursements of 49 thousand euros and the revaluation of the amount due from the tax authorities in relation to the payment of withholding tax on employee severance indemnities as required by Law 662/96. Such item is classified under “Other” and totals 134 thousand euros.

There are no receivables falling due beyond five years.

## CURRENT ASSETS

## Inventory

|  | 12.31.2002 | Changes during the period | 12.31.2003 |
|--|------------|---------------------------|------------|
| Raw, ancillary and consumable materials              | 2,985,600  | (172,984)                 | 2,812,616  |
| Finished goods and goods for resale:                 |            |                           |            |
| – goods for resale                                   | 8,194,600  | 249,827                   | 8,444,427  |
|  | 11,180,200 | 76,843                    | 11,257,043 |
| Contract work in progress                            | 13,911,397 | (4,959,032)               | 8,952,365  |
| less accumulated write-downs (art. 60 Decree 917/86) | 0          | 0                         | 0          |
|  | 13,911,397 | (4,959,032)               | 8,952,365  |
| Advances   | 89,582     | (55,412)                  | 34,170     |
|  | 25,181,179 | (4,937,601)               | 20,243,578 |

The decrease in “Inventory” of 4,937 thousand euros compared to the previous year reflects the decline in “Contract work in progress” (down 4,959 thousand euros). This was due to the fact that the invoices issued to the Civil Aviation Authority were in excess of the works carried out during the period.

Stocks of “Finished goods and goods for resale” reflect the estimated portion, as of December 31, 2003, of the reductions resulting from the physical stock checks carried out during February and March 2004. The checks regarded all categories of merchandise held in five out of the six retail outlets managed by ADR at Fiumicino and Ciampino.

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

## Current receivables

|   | 12.31.2002   | Changes during the period        |  | 12.31.2003   |
|---|--------------|----------------------------------|--|--------------|
|   |              | Contracted (+)<br>Repayments (-) | Provisions (-)<br>Value recoveries (+) |              |
| Due from clients                                    | 138,524,666  | (7,325,415)                      | 0                                      | 131,199,251  |
| Less:   |              |                                  |  |              |
| – allowance for doubtful accounts                   | (17,378,538) | 0                                | (2,592,654)                            | (19,971,192) |
| – allowance for overdue interest                    | (4,646,777)  | 300,474                          | (506,850)                              | (4,853,153)  |
|   | 116,499,351  | (7,024,941)                      | (3,099,504)                            | 106,374,906  |
| Due from subsidiary undertakings                    | 15,812,596   | (2,749,941)                      | 0                                      | 13,062,655   |
| Due from associated undertakings                    | 2,679,499    | (222,957)                        | 0                                      | 2,456,542    |
| Less:   |              |                                  |  |              |
| – allowance for doubtful accounts                   | (1,926,999)  | 0                                | 0                                      | (1,926,999)  |
|   | 752,500      | (222,957)                        | 0                                      | 529,543      |
| Due from others:                                    |              |                                  |  |              |
| – sundry  | 79,943,635   | (22,668,608)                     | 0                                      | 57,275,027   |
| – tax authorities                                   | 17,234,905   | 3,531,416                        | 0                                      | 20,766,321   |
| – advances to suppliers for services to be rendered | 115,588      | (15,154)                         | 0                                      | 100,434      |
|   | 97,294,128   | (19,152,346)                     | 0                                      | 78,141,782   |
|   | 230,358,575  | (29,150,185)                     | (3,099,504)                            | 198,108,886  |

“Current receivables”, net of allowances for doubtful accounts, amounted to 198,109 thousand euros, a 32,250 thousand euros decrease on December 31, 2002. Principal changes are analyzed below:

- “Due from clients”, net of allowances for doubtful accounts, amount to 106,375 thousand euros and include trade receivables due from clients and amounts due from public bodies, mainly deriving from financed works and the supply of utilities and services. The overall decrease of 10,125 thousand euros derives from the reduction in receivables (10,885 thousand euros), due to improved collection times, and the increase in provisions for doubtful accounts (3,100 thousand euros) deriving from an updated assessment of the creditworthiness of clients. As a result the Company is currently negotiating payment plans with a number of debtors owing a total of 6.1 million euros. ADR expects to collect all the related receivables recorded in the Financial Statements.

In view of public bodies’ continuing delay in effecting payments, as of December 31, 2003 the residual amount of receivables factored without recourse, in accordance with the relevant contracts and supplementary letters, amounts to 33.4 million euros.

- “Amounts due from subsidiary undertakings” total 13,063 thousand euros, representing a decrease of 2,750 thousand euros with respect to 2002, due primarily to the reduction in trade receivables due from the subsidiary undertaking, ADR Handling, in part compensated for by new receivables due from ADR Advertising, which began operating on March 1, 2003.
- “Due from associated undertakings”, amounting to 530 thousand euros, regard amounts due from Ligabue Gate Gourmet Roma S.p.A. (bankrupt).

The reduction with respect to December 31, 2002 is due to collection of a receivable of 222 thousand euros from the bankruptcy of Ligabue, following a partial distribution which provided for payments of 29.6% of the payables deemed as preferential.

The outstanding amount of 530 thousand euros due at December 31, 2003, following the bankruptcy of Ligabue Gate Gourmet Roma, was classified among preferential liabilities.

- “Amounts due from others: sundry” decreased by 22,669 thousand euros mainly due to the reduced liquidity deposited in the term current accounts denominated the “Debt Service Reserve Account” (down 10,489 thousand euros) and the “Revenues Account” (down 3,939 thousand euros), as well as to a decrease in receivables resulting from factoring without recourse (down 9,282 thousand euros).

“Amounts due from others” include the balance of the term current account in the name of the Security Agent for ADR’s loans denominated “Debt Service Reserve Account”, amounting to 50,082 thousand euros as of December 31, 2003. In accordance with the procedures established in the relevant agreement, ADR has deposited a sum in this account to guarantee repayment of the loans.

The “Revenues Account”, which served the same purpose in ADR’s previous loan structure, has been substantially reduced to zero in compliance with amendments to contract conditions.

- “Amounts due from others: tax authorities”, amounting to 20,766 thousand euros, rose by 3,531 thousand euros due primarily to the recognition of deferred tax assets totaling 2,385 thousand euros, in addition to a 988 thousand euro increase in VAT credits.

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

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

“Amounts due” as of December 31, 2003 (198,109 thousand euros) comprise 52,252 thousand euros in the form of financial receivables, 118,722 thousand euros of trade receivables, and 27,135 thousand euros of other categories. There are no promissory notes or similar bills.

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

### Cash on hand and in banks

|                                | 12.31.2002 | Changes during the period | 12.31.2003 |
|--------------------------------|------------|---------------------------|------------|
| Banks and post office deposits | 46,475,107 | 15,619,394                | 62,094,501 |
| Checks                         | 174        | (174)                     | 0          |
| Cash and notes in hand         | 563,928    | (230,557)                 | 333,371    |
|                                | 47,039,209 | 15,388,663                | 62,427,872 |

The Company’s available cash, which increased by 15,389 thousand euros over the year, in addition to temporary liquidity held in banks, consists of the balance of the “Option Reserve”, in which, on the basis of the terms of ADR’s loan agreements, the sum necessary to exercise existing options on the share capital of the South African subsidiary undertaking, ADR IASA, which ADR controls via Airport Invest, has been deposited.

A sum of 36,807 thousand euros was drawn from this account, which initially amounted to 55,000



thousand euros, to finance the exercise of call options regarding shares in ADR IASA owned by Simest and JP Morgan. The balance as of December 31, 2003, totaling 20,000 thousand euros, has been earmarked for exercise of the option relating to the preferential share capital owned by United Towers.

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

#### ACCRUED INCOME AND PREPAID EXPENSES

|                        | 12.31.2002 | Changes during the period | 12.31.2003 |
|------------------------|------------|---------------------------|------------|
| ACCRUED INCOME         | 0          | 0                         | 0          |
| PREPAID EXPENSE        |            |                           |            |
| Service costs          | 394,800    | 267,272                   | 662,072    |
| Personnel costs        | 12,691     | 16,637                    | 29,328     |
| Sundry operating costs | 0          | 2,773,461                 | 2,773,461  |
|                        | 407,491    | 3,057,370                 | 3,464,861  |

The change of 3,057 thousand euros is mainly due to "Prepaid expenses-financial charges", which includes prepayment of the installment due for the period for the monoline insurance premium paid to AMBAC Assurance UK, which secured the bonds issued by Romulus Finance S.r.l. that correspond to "Facility A".

## SHAREHOLDERS' EQUITY

Shareholders' equity underwent the following movements during 2003:

|   | 12.31.2002         | Changes during the period  |                   |                          |                          |                         | 12.31.2003         |
|---|--------------------|----------------------------|-------------------|--------------------------|--------------------------|-------------------------|--------------------|
|   |                    | Subscript. by Shareholders | Reclassifications | Distribution of reserves | Allocation of net income | Net income for the year |                    |
| Share capital <sup>(1)</sup>                            | 62,224,743         |                            |                   |                          |                          |                         | 62,224,743         |
| Share premium reserve                                   | 667,389,495        |                            |                   |                          |                          |                         | 667,389,495        |
| Revaluation reserves                                    | 0                  |                            |                   |                          |                          |                         | 0                  |
| Legal reserve   | 12,444,949         |                            |                   |                          |                          |                         | 12,444,949         |
| Reserve for own shares                                  | 0                  |                            |                   |                          |                          |                         | 0                  |
| Statutory reserves                                      | 0                  |                            |                   |                          |                          |                         | 0                  |
| Reserve for share issues (art. 2349 Italian Civil Code) | 85,058             |                            |                   |                          |                          |                         | 85,058             |
| Reserve for accelerated depreciation                    | 0                  |                            |                   |                          |                          |                         | 0                  |
| Distributable reserves                                  | 10,996,208         |                            |                   | (9,333,712)              |                          |                         | 1,662,496          |
| Retained earnings                                       | 19,892,693         |                            |                   | (19,289,670)             | 329,508                  |                         | 932,531            |
| Net income for the year                                 | 4,062,993          |                            |                   |                          | (4,062,993)              | 1,069,076               | 1,069,076          |
| <b>Total</b>  | <b>777,096,139</b> | <b>0</b>                   | <b>0</b>          | <b>(28,623,382)</b>      | <b>(3,733,485)</b>       | <b>1,069,076</b>        | <b>745,808,348</b> |

<sup>(1)</sup> including: 62,224,743 ordinary shares (with a unit value of 1 euro).

Movements during the year reflect net income for 2003, amounting to 1,069 thousand euros, and the allocation of net income for 2002, as approved by the Ordinary General Meeting of May 9, 2003. This allocation is shown below:

|                      | €/000 |
|----------------------|-------|
| Payment of dividends | 3,733 |
| Retained earnings    | 330   |
| Net income for 2002  | 4,063 |

The same Ordinary General Meeting also resolved to distribute 19,289 thousand euros from earnings retained from net income for 2001 and 9,334 thousand euros from the distributable reserve previously set up in accordance with art. 67 of the Consolidation Act (reserve for accelerated depreciation). This amounted to a total distribution of 28,623 thousand euros.

In order to carry out the distribution, the entire distributable reserve, which had previously been taxed for the purposes of IRPEG, was subject to IRAP.

## ALLOWANCES FOR RISKS AND CHARGES

|                                   | 12.31.2002 | Changes during the period |  |             | 12.31.2003 |
|-----------------------------------|------------|---------------------------|--|-------------|------------|
|                                   |            | Reclassifications         | Provisions<br>(Reversals to<br>Income Statement) | Releases    |            |
| Income taxes                      | 0          | 0                         | 650,000  | 0           | 650,000    |
| Other:                            |            |                           |  |             |            |
| – disputes in progress            | 14,183,655 | 3,725,551                 | 0  | (1,381,517) | 16,527,689 |
| – insurance deductibles           | 1,188,107  | 0                         | 77,469   | (122,328)   | 1,143,248  |
| – restructuring                   | 3,353,319  | 1,074,449                 | 107,432  | 0           | 4,535,200  |
| – fixed assets to be relinquished | 9,000,000  | (4,800,000)               | 0  | 0           | 4,200,000  |
|                                   | 27,725,081 | 0                         | 184,901  | (1,503,845) | 26,406,137 |
|                                   | 27,725,081 | 0                         | 834,901  | (1,503,845) | 27,056,137 |

“Allowances for risks and charges”, totaling 27,056 thousand euros, decreased by 669 thousand euros overall. In detail:

- the “Allowance for income taxes” included an estimate of the amount due (650 thousand euros) in relation to the tax amnesty for 2002 (regarding direct taxation), which the Company intends to take advantage of;
- the “Allowance for disputes in progress” reports a net increase of 2,344 thousand euros. Direct releases amounting to 1,382 thousand euros are primarily due to the settlement of disputes with Company employees and civil lawsuits. The allowance as of December 31, 2003 covers potential liabilities arising from legal disputes the Company is involved in and the prudent valuation of the outcomes of current disputes with clients;
- the “Allowance for restructuring”, which covers the expected expenses to be incurred by the Company to meet the cost of streamlining and reorganizing its operations, aimed at improving efficiency in order to ensure that profit targets are met, reports a net increase of 1,182 thousand euros, in line with the redundancy plan in the process of implementation;
- an updated estimate of the related costs (see Accounting policies) concluded that the “Allowance for fixed assets to be relinquished” was 4,800 thousand euros in surplus. This surplus was used via reclassifications to other allowances.

## EMPLOYEE SEVERANCE INDEMNITIES

This item underwent the following changes during 2003:

|   |             |
|---|-------------|
| Balance as of 12.31.2002                              | 50,801,005  |
| Changes during the period:                            |             |
| – provisions  | 6,366,706   |
| – releases to pay indemnities                         | (4,722,424) |
| – releases to pay advances                            | (1,515,881) |
| – increases (decreases) due to transfers of employees | (3,088,221) |
| – other   | (390,800)   |
| Balance as of 12.31.2003                              | 47,450,385  |

“Employee severance indemnities” decreased by 3,350 thousand euros in 2003 due to the indemnities and advances of 6,238 thousand euros paid, transfers of employees accounting for 3,088 thousand euros and other negative changes of 391 thousand euros, which were partly offset by provisions for the period totaling 6,367 thousand euros.

The reduction due to transfers of employees primarily refers to:

- 2.2 million euros regarding personnel transferred to Group companies in relation to the lease of a division to ADR Advertising, the spin-off of telecommunications activities to ADR Tel and the transfer of handling activities at Ciampino to ADR Handling;
- 0.8 million euros regarding staff included in the “personnel management” division transferred to FIS - Fiduciaria Generale S.p.A..

**PAYABLES**

|                                     | 12.31.2002    | Changes during the period | 12.31.2003    |
|-------------------------------------|---------------|---------------------------|---------------|
| Due to banks                        | 1,671,216,945 | (1,189,145,803)           | 482,071,142   |
| Due to other financial institutions | 0             | 1,278,795,535             | 1,278,795,535 |
| Advances:                           |               |                           |               |
| a) from the Ministry of Transport   | 6,520,477     | (1,098,506)               | 5,421,971     |
| b) from clients                     | 810,242       | 1,194,314                 | 2,004,556     |
| Due to suppliers                    | 117,323,328   | (12,486,982)              | 104,836,346   |
| Due to subsidiary undertakings      | 14,377,876    | (6,446,649)               | 7,931,227     |
| Due to associated undertakings      | 968,680       | 34,300                    | 1,002,980     |
| Due to parent companies             | 24,873,058    | (24,868,938)              | 4,120         |
| Taxes due                           | 5,970,858     | (2,491,906)               | 3,478,952     |
| Due to social security agencies     | 6,110,701     | (86,998)                  | 6,023,703     |
| Other payables: sundry creditors    | 42,007,048    | (12,966,849)              | 29,040,199    |
|                                     | 1,890,179,213 | 30,431,518                | 1,920,610,731 |

“Payables” rose by 30,431 thousand euros during the period. The principal reasons for such a change are analyzed below.

For further information on changes to amounts due to banks and other lenders, see the section on “Restructuring of the Parent Company’s debt” in the Group’s Management Report on Operations.

- “Amounts due to banks”, totaling 482,071 thousand euros, report a reduction of 1,189,146 thousand euros with respect to December 31, 2002, deriving from the combined effect of the following transactions:
  - repayment to ADR’s original lenders of part of “Facility A”, amounting to 361,719 thousand euros, and of “Facility C”, totaling 40,000 thousand euros, and payment of the related accrued interest of 4,479 thousand euros due as of December 31, 2002;
  - reclassification of a loan of 1,265,019 thousand euros (the remainder of “Facility A”) within the framework of loans granted by other lenders following transfer without recourse of an amount due from ADR’s lending banks to Romulus Finance S.r.l.;
  - the receipt of new bank loans totaling 480,000 thousand euros;
  - accrued interest, commissions and swap differentials for the period, not yet settled, totaling 2,071 thousand euros.

On February 19, 2003, ADR negotiated further bank loans totaling 575 million euros, which break down as follows:

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

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

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

As of December 31, 2003, all the long-term lines of credit (“B Term Facility”, “C Term Facility” and “BOPI Facility”), totaling 480,000 thousand euros, have been used; the “Revolving Facility”, however, has not been used.

- “Amounts due to other financial institutions” amount to 1,278,796 thousand euros compared with a balance of zero as of December 31, 2002. The item includes the 1,265,019 thousand euros due to Romulus Finance S.r.l. following the transfer without recourse of the amount due to ADR’s original lenders to Romulus Finance S.r.l.. For further information on this operation, see the section on “Restructuring of the Parent Company’s debt” in the Group’s Management Report on Operations. The outstanding amount due of 13,777 thousand euros consists of interest accrued on the above-mentioned loan and not yet paid.

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

| Lender                 | Facility Loan | Amount<br>(millions of euros) | Interest rate  | Repayment | Life     | Maturity<br>Date |
|------------------------|---------------|-------------------------------|--|-----------|----------|------------------|
|                        | A1            | 500                           | fixed  | bullet    | 10 years | Feb. 2013        |
|                        | A2            | 200                           | floating rate linked to EURIBOR<br>+ a spread                  | bullet    | 12 years | Feb. 2015        |
| Romulus Finance S.r.l. | A3            | 175                           | floating rate linked to EURIBOR<br>+ a spread                  | bullet    | 12 years | Feb. 2015        |
|                        | A4            | 325                           | floating indexed to EURIBOR<br>until 12.20.2009 and then fixed | bullet    | 20 years | Feb. 2023        |
|                        | B             | 65                            | floating rate linked to EURIBOR<br>+ a spread                  | bullet    | 7 years  | Feb. 2010        |
| Total                  |               | 1,265                         |  |           |          |                  |

In accordance with the hedging policy established within the framework of loan agreements with the banks and with Romulus Finance, the following interest rate swap agreements drawn up by ADR in 2001, and designed to hedge the interest rate risk associated with a portion of the loan (864 million euros), are in force. Such interest rate swap agreements mature on October 2, 2009.

The effects of the interest rate swap agreements on the Income Statement for the period are shown in the notes on financial charges.

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

- a lien (in the form of a mortgage) on the plant, machinery, capital goods and goods constituting ADR's inventory, as well as any receivables deriving from the sale of such assets;
  - a lien on all receivables and contracts with clients, and with ADR Tel S.p.A. and ADR Advertising S.p.A. and insurance policies;
  - a lien on all of ADR's current bank accounts;
  - a lien on ADR's shareholdings in ADR Tel S.p.A. and ADR Advertising S.p.A.;
  - "ADR Deed of Charge" (a British lien on loans subject to British legislation, hedging agreements and insurance policies regulated by British law).
- "Amounts due to suppliers" decreased by 12,487 thousand euros due to shorter average payment periods.
- "Amounts due to subsidiary undertakings" decreased by 6,447 thousand euros primarily in relation to financial payables due to the subsidiary undertaking, ADR Handling S.p.A..
- "Due to Parent Companies" decreased by 24,869 thousand euros because, in compliance with commitments undertaken with the lending banks, on March 24, 2003 ADR discharged the loan of 24,600 thousand euros granted by Leonardo Holding S.A. on September 10, 2002. On the same date, the interest accrued on the loan, from the date of its granting to the date of its discharge, was settled.
- "Other payables: sundry creditors" decreased by 12,967 thousand euros overall, mainly due to payment of license fees in arrears to the Civil Aviation Authority (4,793 thousand euros), settlement of a portion of the payable due to the Menzies Aviation Group for acquisition of 49% of ADRH (6,850 thousand euros), a decrease in amounts due to personnel (696 thousand euros) and a reduction in suspended VAT payables (1,600 thousand euros).

As of December 31, 2003, total "Payables" of 1,920,610 thousand euros include 1,761,850 thousand euros of a financial nature, 120,387 thousand euros of trade payables and 38,373 thousand euros of sundry items.

"Payables secured by collateral on the Company's assets" amount to 1,760,867 thousand euros (as described in the paragraph regarding amounts due to banks and other financial institutions).

"Payables falling due beyond five years" amount to 1,745,019 thousand euros and regard amounts due to banks totaling 480,000 thousand euros and amounts due to other financial institutions of 1,265,019 thousand euros.

"Payables in currency exposed to exchange rate risks" total 764 thousand euros and refer to services supplied.

#### ACCRUED EXPENSES AND DEFERRED INCOME

|                                  | 12.31.2002 | Changes during the period | 12.31.2003 |
|----------------------------------|------------|---------------------------|------------|
| <b>DEFERRED INCOME</b>           |            |                           |            |
| Sub-concessions and license fees | 2,745,050  | 601,090                   | 3,346,140  |
| Other services                   | 2,895,819  | (2,696,698)               | 199,121    |
|                                  | 5,640,869  | (2,095,608)               | 3,545,261  |

## NOTES TO THE MEMORANDUM ACCOUNTS

### GENERAL GUARANTEES

|  | 12.31.2003      |                   |            | 12.31.2002      |                   |            |
|--|-----------------|-------------------|------------|-----------------|-------------------|------------|
|  | Secured credits | Unsecured credits | Total      | Secured credits | Unsecured credits | Total      |
| <b>Sureties:</b>                       |                 |                   |            |                 |                   |            |
| – in favor of third parties            | 0               | 110,522           | 110,522    | 0               | 110,522           | 110,522    |
| – in favor of subsidiary undertakings  | 0               | 19,608,233        | 19,608,233 | 0               | 50,413,652        | 50,413,652 |
| <b>Other:</b>                          |                 |                   |            |                 |                   |            |
| – in favor of clients                  | 0               | 0                 | 0          | 0               | 1,053,143         | 1,053,143  |
| – on behalf of subsidiary undertakings | 0               | 672,000           | 672,000    | 0               | 250,000           | 250,000    |
|  | 0               | 20,390,755        | 20,390,755 | 0               | 51,827,317        | 51,827,317 |

“Sureties granted in favor of subsidiary undertakings” include a surety of 19,608 thousand euros was issued by ADR in favor of the South African financial institution United Towers Ltd., as a guarantee for commitments made by the subsidiary undertaking, Airport Invest, regarding a “Put and Call Option Agreement” stipulated on December 28, 2000. In particular ADR guaranteed exact payment by Airport Invest of the value of preferred shares of ADR IASA should United Towers exercise the “put” option. The option price for the period equals the issue price of the shares themselves (156 million rands) with the added preferred dividends accruing from the period and not paid, prudentially valued at December 31, 2003 at about 7.3 million rands. The equivalent value in euros was calculated using the closing euro/rand exchange rate of 8.328. The put option granted to United Towers is exercisable until April 30, 2005.

As mentioned in the section “Subsequent events”, on April 8, 2004 an agreement was signed with United Towers extending the deadline for exercise of the put option on the preference shares, thereby extending the duration of ADR’s commitment to April 11, 2005.

The reduction in the above-mentioned sureties compared with December 31, 2002 is due to release of the surety granted to the JP Morgan Group following the exercise, by the subsidiary undertaking, Airport Invest B.V., of its option to buy the 24.8% interest held by JP Morgan in the ordinary share capital of ADR IASA on December 4, 2003.

“Other guarantees” issued on behalf of subsidiary undertakings rose due to the letter of patronage issued in behalf of ADR Tel in favor of Banca di Roma.

### COMMITMENTS ON PURCHASES AND SALES

|   | 12.31.2003        | 12.31.2002        |
|---|-------------------|-------------------|
| <b>COMMITMENTS ON PURCHASES</b>                 |                   |                   |
| <b>Investment:</b>                              |                   |                   |
| – in subsidiary undertakings                    | 1,339,793         | 1,202,000         |
| – electronic equipment                          | 1,663,512         | 6,023,295         |
| – maintenance and services                      | 1,453,665         | 2,082,939         |
| – vehicles and equipment                        | 67,500            | 6,540,315         |
| – self-financed works                           | 11,870,689        | 2,482,000         |
| – contract work                                 | 942,000           | 7,514,000         |
| – financial investment                          | 0                 | 7,746,853         |
|   | 17,337,159        | 33,591,402        |
| <b>COMMITMENTS ON SALES</b>                     |                   |                   |
| – electronic equipment                          | 930,000           | 0                 |
| <b>Total commitments on purchases and sales</b> | <b>18,267,159</b> | <b>33,591,402</b> |

The reduction in the sub-item “Financial investments” compared with December 31, 2002 is due to ADR’s exercise of its call option on the interest owned by Simest S.p.A. in ADR IASA (6.2% of the ordinary share capital) on December 12, 2003. At the same time, the interest was transferred to the Dutch subsidiary undertaking, Airport Invest B.V., against an informal capital contribution. The surety issued by Banca di Roma guaranteeing the purchase commitment given by ADR with regard to Simest was paid off at the beginning of January 2004.

On February 28, 2003 ADR granted IGPDcaux S.p.A. a put option on its holding in ordinary and preference shares in ADR Advertising S.p.A..

Such option is exercisable from the date of approval of the financial statements of ADR Advertising S.p.A. as of December 31, 2004 until December 31, 2011, given the occurrence of specific conditions. As the exercise price is equal to the pro rata book value of shareholders’ equity, it may not be quantified.

Commitments on purchases also include ADR’s commitment, as an operator of airport infrastructures, to draw up and implement noise reduction and abatement plans, as required by noise pollution legislation (Law 447/95) and the Ministerial Decree of November 29, 2000.

Such commitments are difficult to quantify given the general nature of the regulations regarding the basis for calculation. In any event such costs, given that they would extend the useful lives of the Company-owned and leased assets to which they refer, would be capitalized.

In the Group’s Management Report on Operations, the measures that ADR has implemented – or intends to implement in the near future – with a view to alleviating the acoustic impact of aircraft in the vicinity of the airport, are listed in the section on “Environmental protection”.

## OTHER MEMORANDUM ACCOUNTS

|   | 12.31.2003         | 12.31.2002         |
|---|--------------------|--------------------|
| <b>General guarantees received:</b>   |                    |                    |
| – sureties  | 79,230,961         | 88,462,285         |
|   | 79,230,961         | 88,462,285         |
| <b>Third party assets on free loan deposited in custody, leased or similar:</b> |                    |                    |
| – leased assets   | 0                  | 87,798             |
| – employee savings books deposited with the company                             | 0                  | 0                  |
| – CAA – plant and equipment at Fiumicino  | 119,811,701        | 119,811,701        |
| – CAA – plant and equipment at Ciampino   | 29,293,608         | 29,293,608         |
| – works carried out on behalf of the State                                      | 664,438,125        | 652,983,524        |
|   | 813,543,434        | 802,176,631        |
| <b>Assets leased to third parties in work in progress account</b>               | <b>429,618</b>     | <b>429,618</b>     |
| <b>Other matters in question:</b>   |                    |                    |
| – assets leased to third parties  | 0                  | 0                  |
| – assets leased to subsidiary undertakings                                      | 93,223             | 0                  |
|   | 93,223             | 0                  |
| <b>Total other memorandum accounts</b>  | <b>893,297,236</b> | <b>891,068,534</b> |

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

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



## NOTES TO THE INCOME STATEMENT

### TOTAL REVENUES

#### Revenues

|   | 2003        | 2002         |
|---|-------------|--------------|
| <b>REVENUES FROM SALES</b>                  |             |              |
| Non-aviation activities:                    |             |              |
| • duty free and duty paid                   | 45,568,280  | 47,740,884   |
| • other                                     | 1,843,170   | 1,924,764    |
|   | 47,411,450  | 49,665,648   |
| <b>REVENUES FROM SERVICES</b>               |             |              |
| Aviation activities:                        |             |              |
| • fees                                      | 137,203,824 | 127,093,282  |
| • handling                                  | 32,692,840  | 33,196,619   |
| • security services                         | 41,413,744  | 32,619,363   |
| • centralized infrastructure                | 34,204,597  | 35,145,359   |
| • other                                     | 14,670,764  | 13,691,644   |
|   | 260,185,769 | 241,746,267  |
| Non-aviation activities:                    |             |              |
| • sub-concessions and utilities             | 88,913,968  | 75,165,756   |
| • car parks                                 | 22,210,516  | 20,388,291   |
| • advertising                               | 9,042,804   | 20,891,083   |
| • refreshments                              | 8,827,673   | 8,405,925    |
| • other                                     | 20,820,282  | 21,372,478   |
|   | 149,815,243 | 146,223,533  |
|   | 410,001,012 | 387,969,800  |
| <b>REVENUES FROM CONTRACT WORK</b>          | 11,454,602  | 31,050,674   |
| Total revenues from sales and services      | 468,867,064 | 468,686,122  |
| <b>CHANGES IN CONTRACT WORK IN PROGRESS</b> | (4,959,032) | (12,624,341) |
| <b>REVENUE GRANTS</b>                       | 70,511      | 0            |
| Total revenues                              | 463,978,543 | 456,061,781  |

56.1% of “Revenues”, which total 463,979 thousand euros, derived from “aviation activities” carried out by the Company, whilst 43.9% were generated by “non-aviation” activities. In 2002 aviation activities accounted for 53.0% of revenues and non-aviation for 47.0%.

“Revenues from sales”, amounting to 47,411 thousand euros, fell by 4.5% with respect to 2002, due to the reduced turnover of directly managed shops, linked to traffic trends.

“Revenues from services” totaled 410,001 thousand euros, representing an increase of 5.7% on 2002. A detailed analysis is provided in the section of the Management Report on Operations dedicated to the financial position and results of operations.

“Revenues from contract work” (11,455 thousand euros) decreased 63.1% with respect to 2002, reflecting the reduced amount invoiced to the Civil Aviation Authority.

“Contract work in progress” decreased by 4,959 thousand euros with respect to the 12,624 thousand euros of 2002, due to the volume of works invoiced.

### Segment information

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

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

- **Airport fees:** paid in return for use of airport infrastructure.
- **Handling:** including handling contracts<sup>5</sup> and supplementary services.
- **Centralized infrastructures.**
- **Non-aviation activities,** consisting of:
  - *sub-concessions:* including fees paid by sub-concessionaires operating on airport grounds, in addition to utilities;
  - *direct sales:* including revenues from directly operated duty free and/or duty paid outlets;

Finally, the category “Other activities”, includes the sale of advertising space<sup>6</sup>, the management of car parks and refreshment facilities, security, left luggage, contract work on behalf of the State, etc..

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

| REVENUES | Fees    | Handling | Centralized infrastructures | Non-aviation activities |              | Other activities | Total   |
|----------|---------|----------|-----------------------------|-------------------------|--------------|------------------|---------|
|          |         |          |                             | Sub-concessions         | Direct sales |                  |         |
| 2003     | 137,204 | 32,693   | 34,205                      | 88,914                  | 47,411       | 123,552          | 463,979 |
| 2002     | 127,093 | 33,197   | 33,145                      | 75,166                  | 49,666       | 137,794          | 456,061 |

<sup>(5)</sup> Excluding passenger and ramp handling services, carried out at Fiumicino by the subsidiary undertaking, ADR Handling, as of March 2000.

<sup>(6)</sup> Until March 1 2003, the date on which the lease of the advertising division to the subsidiary undertaking, ADR Advertising, came into effect; the sale of advertising space in retail outlets, on the other hand, continues to be carried out by ADR.

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

- “Aviation” (including fees, handling, management of centralized infrastructure, security services and left luggage) amounting to 260,186 thousand euros, compared with the 241,746 thousand euros of 2002.
- “Non-aviation” (including sub-concessions, direct sales, the management of advertising space and car parks, refreshments and contract work on behalf of the State) amounting to 203,793 thousand euros, compared with the 214,315 thousand euros of 2002.

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

**Other income and revenues: other**

|  | 2003      | 2002       |
|--|-----------|------------|
| Revenue grants   | 70,511    | 0          |
| Gains on disposals   | 22,627    | 83,350     |
| Other:   |           |            |
| – releases:  |           |            |
| • release from allowance for overdue interest                | 250,737   | 131,270    |
| • release from allowance for fixed assets to be relinquished | 0         | 1,044,900  |
| – expense recoveries   | 252,878   | 1,037,854  |
| – recoveries of personnel expenses                           | 171,653   | 166,087    |
| – revaluations of prior years                                | 3,945,952 | 17,269,948 |
| – other revenues   | 894,162   | 1,356,649  |
|  | 5,515,382 | 21,006,708 |
|  | 5,608,520 | 21,090,058 |

“Revaluations of prior years”, amounting to 3.9 million euros, includes the effects of updated valuations of costs and revenues, formerly estimated at the end of the previous year.

Such items, defined during the year, refer to amounts due from clients relating to previous years (1.1 million euros).

**OPERATING COSTS****Amortization, depreciation and write-downs**

“Amortization and depreciation” for the period amounted to 93,244 thousand euros, including amortization of intangible fixed assets of 81,321 thousand euros and depreciation of tangible fixed assets of 11,923 thousand euros.

“Amortization of intangible fixed assets” includes the charge for amortization of the concession, amounting to 50,095 thousand euros.

Provisions for doubtful accounts totaled 2,593 thousand euros and reflect an updated assessment of the creditworthiness of ADR’s clients.

**Provisions for risks**

|                       | 2003   | 2002 |
|-----------------------|--------|------|
| Insurance deductibles | 77,469 | 0    |
|                       | 77,469 | 0    |

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

It should be borne in mind that provisions to the Income Statement are made following assessment of potential liabilities not absorbed by any surplus funds deriving from updating of the risk positions in which the Company is involved.

**Other operating costs**

|                     | 2003              | 2002             |
|---------------------|-------------------|------------------|
| Losses on disposals | 0                 | 89,036           |
| Concession fees     | 161,291           | 161,013          |
| Other               | 11,553,178        | 9,559,220        |
|                     | <b>11,714,469</b> | <b>9,809,269</b> |

The item “Other”, amounting to 11,714 thousand euros, primarily regards membership dues (815 thousand euros) and indirect taxes and duties (769 thousand euros), in addition to updated valuations of over-estimated costs and under-estimated revenues recognized in the 2002 financial statements (7,613 thousand euros), as well as losses on receivables (2,129 thousand euros) mainly due to the settlement of transactions with clients.

**FINANCIAL INCOME AND EXPENSE****Income from equity investments**

|  | 2003             | 2002             |
|--|------------------|------------------|
| Dividends from subsidiary undertakings | 3,724,862        | 1,103,667        |
| Dividends from other companies         | 59,400           | 114,135          |
| Other income from equity investments   | 0                | 64,201           |
|  | <b>3,784,262</b> | <b>1,282,003</b> |

“Dividends from subsidiary undertakings” regard:

- 3,557 thousand euros in the form of interim dividends for 2003 paid by the subsidiary undertaking, Airport Invest B.V. (100% owned by ADR) in accordance with the resolution passed by the General Meeting of the company’s shareholders held on December 19, 2003;
- 167 thousand euros in dividends, posted on an accruals basis, paid by the subsidiary undertaking, ADR Advertising S.p.A. (51% of the ordinary share capital) from net income for 2003, in accordance with the proposed allocation of net income approved by the company’s Board of Directors on February 27, 2004.

**Other financial income**

|  | 2003             | 2002              |
|--|------------------|-------------------|
| Interest and commissions on long-term receivables:                 |                  |                   |
| – other  | 134,465          | 170,640           |
| Other:   |                  |                   |
| – interest on overdue current receivables:                         |                  |                   |
| • clients  | 506,846          | 4,141,169         |
| – interest and commissions from other companies and sundry income: |                  |                   |
| • interest from subsidiary undertakings                            | 16,492           | 21,858            |
| • interest from other financial institutions                       | 0                | 0                 |
| • interest from banks  | 2,641,900        | 2,598,908         |
| • interest from clients  | 0                | 0                 |
| • gains on foreign exchange transactions                           | 114,686          | 58,643            |
| • other  | 16,083           | 3,157,325         |
|  | <b>3,430,472</b> | <b>10,148,543</b> |

“Interest from banks”, amounting to 2,642 thousand euros, rose slightly with respect to 2002 mainly due to the interest accrued on the “Option Reserve” current account established in February 2003 under the provisions of the new loan agreements entered into by ADR, as described in the notes to “Cash on hand and in banks”.

The item “Other”, totaling 16 thousand euros, decreased considerably with respect to 2002, which included the positive effects (3 million euros) resulting from the early sale of foreign currency options held by ADR.

### Interest expense and other financial charges

|   | 2003        | 2002        |
|---|-------------|-------------|
| Interest and commissions due to parent companies                | 191,142     | 268,938     |
| Interest and commissions due to subsidiary undertakings         | 96,761      | 296,609     |
| Interest and commissions due to others and sundry charges:      |             |             |
| – interest and commissions paid to banks                        | 25,781,510  | 78,352,586  |
| – interest and commissions paid to other financial institutions | 50,029,914  | 2,629,647   |
| – provisions for overdue interest on doubtful accounts          | 506,850     | 4,141,167   |
| – other   | 24,915,784  | 16,238,632  |
|   | 101,521,961 | 101,927,579 |

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

The item “Other” includes the sum of 22,645 thousand euros regarding negative interest differentials accruing on interest rate swaps during the period. Such swaps have been entered into in compliance with the loan agreement, as described in the notes to payables.

### ADJUSTMENTS TO FINANCIAL ASSETS

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

### EXTRAORDINARY INCOME AND EXPENSE

#### Income

Extraordinary income for the period totaled 14,822 thousand euros and breaks down as follows:

|  | 2003       | 2002      |
|--|------------|-----------|
| Gains on disposals   | 11,691,092 | 0         |
| Income relating to previous years and other deriving from: |            |           |
| – total revenues   | 232,261    | 429,768   |
| – operating costs  | 60,235     | 622,824   |
| – financial income and expense                             | 1,119      | 23,178    |
| – adjusted tax credits for previous years                  | 2,836,630  | 706,962   |
| – non-recurring items                                      | 595        | 2,820,280 |
|  | 3,130,840  | 4,603,012 |
|  | 14,821,932 | 4,603,012 |

“Gains on disposals” regard gains realized on the transfer of handling activities at Ciampino to the subsidiary undertaking, ADR Handling.

The above gains were determined on the basis of the appraisal of the division’s value carried out by an independent expert appointed by the Court of Civitavecchia pursuant to art. 2343 of the Italian Civil Code. Until the appraisal has been checked by the Directors and Statutory Auditors of ADRH, the shares issued in relation to the transfer are non-transferable and must remain deposited with the Company.

“Non-recurring items” are close to zero with respect to 2002, which included the positive effects (1.7 million euros) resulting from a review of the conditions relating to the put options granted to minority shareholders in the subsidiary undertaking, ADR IASA, compared with those in force at the end of 2001.

### Expense

Extraordinary expense for the period totaled 11,608 thousand euros and breaks down as follows:

|  | 2003       | 2002      |
|--|------------|-----------|
| Losses on disposals                              | 31,520     | 0         |
| Taxes relating to previous years                 | 2,139,345  | 0         |
| Extraordinary expense deriving from:             |            |           |
| – total revenues                                 | 33,677     | 6,638     |
| – operating costs                                | 1,346,563  | 720,810   |
| – financial income and expense                   | 3,622      | 4,833     |
| – contingent liabilities                         | 660,939    | 327,258   |
|  | 2,044,801  | 1,059,539 |
| Other extraordinary expense:                     |            |           |
| – payments due for lost freight                  | 40,813     | 96,293    |
| – fines  | 52,452     | 49,856    |
| – agreed settlements                             | 5,566,035  | 321,754   |
| – damages and compensation paid to third parties | 66,234     | 1,429,209 |
| – penalties                                      | 1,666,728  | 0         |
|  | 7,392,262  | 1,897,112 |
|  | 9,437,063  | 2,956,651 |
|  | 11,607,928 | 2,956,651 |

The item “Taxes relating to previous years” includes expense, amounting to 1,415 thousand euros, deriving from the Company’s decision to take advantage of the amnesty pursuant to Law 289/2002. ADR, applied for automatic settlement, for the purposes of direct taxation, for the fiscal years 2000 and 2001, with a charge of 1,413 thousand euros;

Among the smaller amounts is one relating to the top up of taxable amounts (for the purposes of direct taxation, VAT and withholding taxes) pursuant to art. 8 of the above-mentioned law incurred by OLD ADR (the merged company), totaling 2 thousand euros.

The estimated cost of the Company’s intention to take advantage of the tax amnesty for 2002 (for the purposes of direct taxation), totaling 650 thousand euros, has been included in the item “Taxes relating to previous years”.

Regarding “Other extraordinary expense”, it is to be noted that, as part of the current efficiency drive, incentive payments were brought forward. This gave rise to expense of 5,566 thousand euros. The item “Other extraordinary expense – penalties” includes surcharges on penalties imposed on ADR in 1993 subsequent to the handling dispute. For further information please see the section on “Information regarding current disputes”.

## INCOME TAXES

This item reports the estimated expense for current taxes for the period totaling 15,468 thousand euros. Deferred tax assets of 2,385 thousand euros have also been recognized.

|                                       | 2003        | 2002       |
|---------------------------------------|-------------|------------|
| Current taxes:                        |             |            |
| – IRPEG                               | 5,577,263   | 8,745,459  |
| – IRAP                                | 9,891,224   | 10,295,906 |
|                                       | 15,468,487  | 19,041,365 |
| Net deferred tax (assets) liabilities | (2,385,000) | 1,203,000  |
|                                       | 13,083,487  | 20,244,365 |

Current taxes due in the form of IRPEG reflect application of the reduced rate (separate taxation) to the gain realized on the transfer of handling activities at Ciampino to the subsidiary undertaking, ADR Handling S.p.A..

## OTHER INFORMATION

### Headcount

The following table shows the average number of employees by category:

| Average                | 2003  | 2002  | Difference |
|------------------------|-------|-------|------------|
| Management             | 52    | 61    | (9)        |
| Administrative staff   | 1,533 | 1,495 | 38         |
| Ground staff and other | 673   | 713   | (40)       |
| Total                  | 2,258 | 2,269 | (11)       |

### Remuneration of Directors and Statutory Auditors

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

| Category                | Fees      | Severance indemnities | Total     |
|-------------------------|-----------|-----------------------|-----------|
| Directors (a)           | 107,445   | 0                     | 107,445   |
| Executive Directors (b) | 808,548   | 0                     | 808,548   |
| Statutory Auditors (c)  | 227,241   | 0                     | 227,241   |
| Total                   | 1,143,234 | 0                     | 1,143,234 |

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

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

(c) see resolution of the Ordinary General Meeting of May 9, 2001.

### Shareholdings of Directors and Statutory Auditors

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

### Number of shares

The share capital of 62,224,743 euros is represented by 62,224,743 shares with a par value of 1 euro each.

As of December 31, 2003, the holding of the majority shareholder, Leonardo S.r.l., amounts to 51.151% (31,828,895 shares).

### Information regarding current disputes

#### Tax litigation

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

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

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

On July 10, 2002 the tax authorities appealed to the Supreme Court, and the Company responded by depositing its counter-evidence with the Court. The judgment is still pending.

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

On May 21, 2003, regarding the notice of assessment of IRPEG/ILOR for 1995, a request was submitted for settlement of the pending fiscal lawsuit pursuant to art. 16 of Law no. 289/2002.

At the same time, under the provisions of the said art. 16 a payment of 74 thousand euros was made, corresponding to 50% of the value of the lawsuit, as settlement of the amount due confirmed by the sentence of the Tax Commission for the Province of Rome of March 26, 2002, which rejected ADR's appeal. The above sum also included 10% of the value of the lawsuit relating to the amount for which the company's appeal was accepted.

#### Administrative, civil and labor litigation

Administrative, civil and labor litigation is followed by the Company through its internal legal department which has provided, for the preparation of the accounts as of and for the period ended December 31, 2003, a complete and exhaustive breakdown of the different civil, administrative and arbitration proceedings outstanding as of that date.

As regards litigation as a whole, the Company carried out a valuation of the risk of negative outcomes leading to the creation of a specific allowance under "allowances for risks and charges" to cover the cost of litigation likely to result in a negative outcome and for which a reasonable



estimate of the amount involved could be made. The disputes for which a negative outcome was merely possible, given the different legal interpretations, were not the object of provisions in accordance with the principles and procedures governing the preparation of financial statements. Furthermore, there are a limited number of civil proceedings underway, for which no provisions were made, as the impact of any negative outcome, while negligible, could not be measured.

Significant disputes are summarized below:

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

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

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

- On May 26, 1999, ADR appealed Ministry of Finance Decree 86, dated March 5, 1999, before the Lazio Administrative Court. The Decree establishes the license fees to be paid by airport operators for the years prior to 1997. The appeal, which has been prepared by the appointed legal counsel, highlights the absence of grounds for application of the above fees to ADR, and the absence of any legal basis for demanding back-dated payments in accordance with former legislation (Law 755/73). Judgment is still pending.
- Following a complaint by Alitalia, AGISA (Association of Independent Airport Services Operators), Aviation Services, Cimair Blu and ARE, the Antitrust Authority launched an investigation of ADR to ascertain whether the company had abused its dominant position regarding fees charged for ground handling services, or whether it had put obstacles in the way of self-handling operations. In a resolution of September 20, 2000, the Authority closed the investigation of ADR, launched with the resolution of November 4, 1999, finding that the Company had not abused its dominant position either with respect to the fees charged for ground handling services, or with regard to self-handling. The Authority did, however, find anti-competitive practices in relation to Aviation Services (Meridiana Group), although no fine was inflicted. The Company has appealed the latter finding before the Lazio Administrative Court, but a date for the hearing has yet to be set.
- Alitalia and Alitalia Airport have appealed to the Lazio Regional Administrative Court against the Italian Civil Aviation Authority (ENAC) and the Director of Fiumicino Airport and against ADR and ADRH as interest parties. The appellants have requested the cancellation, subject to suspension, of both the Aviation Authority's provisions of September 26, 2000, by which the Authority defined the centralized infrastructure at Fiumicino Airport, including the cargo storage plant, and the act of March 29, 2001, by which the Director of Rome Fiumicino Airport ordered the appellants to "cease, with immediate effect, all activities regarding cargo handling, in relation to both services subject to limits and those for which it might have been necessary to use Alitalia's cargo plant". An announcement of the date of the relevant hearing is awaited, given that the appellants have withdrawn their request for a suspension.

- On March 18, 2003, the Council of State accepted the suspension requested by ADR, the Civil Aviation Authority, Alitalia Airport and EAS against the sentences of the Lazio Regional Administrative Court of July 2002 in which the appeals lodged by ATI were accepted. Globeground Italia S.r.l. - ITR, requested an injunction annulling the minutes of the meeting of the Authority's Bid Committee that awarded the relevant contracts to two handlers for ground assistance which is subject to restrictions Fiumicino Airport. At a hearing on June 10, 2003 the Council of State judged in favor of the appeals lodged by Alitalia Airport, EAS, ADR and the Civil Aviation Authority, and consequently revised the contested sentences and rejected the initial appeals submitted by Globeground.
- On January 2, 2002, ADR was notified of an appeal brought before the Lazio Regional Administrative Court by Aviapartner Belgium N.V., requesting an injunction annulling the decision of December 18, 2001 by which ADR did not grant the appellant (which ranked third in the European tender process to select the providers of ground handling services subject to limitations at Fiumicino Airport) the right to participate in the inspection of the "additional means" offered by EAS. Aviapartner has also appealed against the decisions of the Civil Aviation Authority's Bid Committee contained in the minutes dated July 30, 2001, which awarded the relevant contract to EAS. The resulting contract was signed by EAS and ADR on October 5, 2001. The Lazio Regional Administrative Court sentence of February 11, 2003 declared the appeal brought by Aviapartner Belgium N.V. to be inadmissible.
- Lazio Regional Administrative Court sentence of March 25, 2003 rejected ATA Handling's appeal, which contested the non-acceptance of the submission of its bid in the European tender process to select the providers of ground handling services subject to limitations at Fiumicino Airport.
- On March 3, 2003, ADR, together with Assaeroporti and the leading Italian airport operators, submitted an extraordinary appeal to the President of the Republic for annulment, with prior suspension, of the Civil Aviation Authority Regulations dated September 30, 2002 regarding "the construction and operation of airports", with which the Authority intends to apply ICAO Annex 14.
- The Ministerial Decree of November 29, 2000 requires the operators of public transport services and the related infrastructure to draw up action plans for the reduction and abatement of noise, and to make provisions in line with forecast penalties if such limits should be exceeded. The legislation has been independently appealed by all airport operators to the Council of State, with the aim of obtaining an annulment of Lazio Regional Administrative Court's sentence no. 3382/2002. A date has yet to be fixed for a hearing to deal with the matter. The accounting treatment is described in the notes to the "Memorandum accounts".
- With sentence no. 2003/01559 deposited on February 26, 2003, the Lazio Regional Administrative Court rejected the two appeals submitted by the CNA against the Ministerial Decree of August 13, 1998 and the Ministerial Decree of November 14, 2000, respectively, regarding increases in airport fees for 1998 and 2001.
- In July 2003 ADR lodged an appeal with the Lazio Regional Administrative Court in which it contested the request by the Antitrust Authority of May 12, 2003 to pay a sum of 1.2 million euros, equivalent to thirteen six-monthly "surcharges" on penalties of 0.9 million euros imposed on ADR in 1993 following a dispute about handling.  
The appealed letter follows payment by ADR of an amount corresponding to only five six-monthly surcharges (0.5 million euros, as well as the original penalty) rather than the total of eighteen six-monthly surcharges requested by the Authority.  
In ADR's opinion, the surcharges are not due for the period in which the Antitrust Authority's penalty was "suspended" following acceptance by the Lazio Regional Administrative Court of ADR's request for a suspension in 1993 (as part of the appeal in which ADR contested the

- Antitrust Authority ruling), and until the sentence handed down by the court in July 2000.
- In September 2003, ADR issued notice of appeal to Lazio Regional Administrative Court against Ministerial Decree 14/T of March 14, 2003 (published in the Official Gazette of June 3, 2003) containing provisions regarding the payment of fees for the 100% screening of hold baggage, as interpreted, in relation to the date from which such fees are to be applicable, in Civil Aviation Authority letters dated June 3, 2003 and June 11, 2003. The main reasons for the appeal are: (a) the contradictory nature of the two letters from the Civil Aviation Authority; and (b) the lack of any provision regarding collection of the fees prior to the implementation of the Ministerial Decree. In fact, pursuant to local airport authority ordinance 14/2002, as interpreted by the local airport authority's letter of January 9, 2003, ADR was obliged, as of February 1, 2003, to carry out 100% screening of hold baggage with no possibility of charging fees for the service. Such fees were belatedly determined by the Ministerial Decree published in the Official Gazette on June 3, 2003. The appeal aims, among other things, to recover the fees due for the period between the date the decree became valid (June 3, 2003) and the date authorized by the Civil Aviation Authority in a separate letter (June 26, 2003).
  - In September 2003, ADR lodged an appeal with Lazio Regional Administrative Court against the Executive Decree of June 30, 2003 (definition of airport license fees for 2003) published in the Official Gazette on July 7, 2003, as amended in the notice published in the Official Gazette on September 6, 2003. This Decree established methods different from those applied until the end of 2002, for calculating annual fees due from, among others, global airport operators pursuant to special laws. Such methods of calculation are deemed to be illegitimate as they introduce an element of "adjustment" to the resulting figures regarding the "earnings" that passengers produce in relation to the airport. In ADR's opinion, such an adjustment is not provided for in the related legislation, and is also discriminatory and detrimental to fair competition.
  - On December 12, 2003, four sentences were published relating to four respective judgments regarding opposition to injunctions proposed by ADR to recover payables due from Air Sicilia, which is bankrupt, pending before the eighth section of the Civil Court of Rome. The outcome of these judgments is favorable to ADR as the Court ordered Air Sicilia to pay 0.6 million euros, a sum that will be added to the statement of account presenting proof of the debts due from the bankruptcy of Air Sicilia (declared on January 21, 2003 by the Bankruptcy Court of Caltagirone) together with amounts accrued subsequent to the above-mentioned judgments. The next hearing regarding the proofs of debts will be held on March 6, 2004.

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

- A claim filed by Consorzio Cooperative Costruzioni to obtain compensation for damages purportedly incurred by the plaintiff while work was under way to enlarge the central area of the international terminal. Given a demand for 8.3 million euros, plus VAT, interest and monetary revaluation, the dispute currently involves approximately 4 million euros, plus VAT, interest and revaluation. ADR has filed a counterclaim for 1.9 million euros, demanding that the responsibilities of Consorzio Cooperative Costruzioni be ascertained, with reference to damages suffered on related projects. An expert appraisal has been requested. On September 1, 2003, the judge passed sentence no. 27648/20 which partially accepted the demands made by CCC (amounting to around 4.6 million euros) and ordered ADR to pay a sum of 1.2 million euros as well as legal costs and interest. ADR has decided to lodge an appeal.
- A claim for damages, in relation to the contract for the extension and restructuring of the international terminal at Rome's Fiumicino Airport and related works brought by Consorzio

AEREST (in liquidation). The claim amounts to approximately 2.2 million euros plus VAT, interest and revaluation.

The appointed judge held that it was necessary to first decide on issues relating to *an debeatur*, by which the case is ready to be decided on without the need for a preliminary inquiry, adjourning the hearing until May 11, 2004.

- A claim by ASTALDI S.p.A. (which took over APL contract no. 704/95 from Italstrade S.p.A.) regarding the construction of the road link between runways 07/25 and 16L/34R at “Leonardo da Vinci” Airport in Fiumicino, in which the plaintiff requests that ADR be ordered to pay eleven reserves posted in the accounts in relation to said works, for a total of 3.0 million euros plus legal interest, as well as legal costs and fees. The preliminary hearing to examine evidence will take place on June 30, 2004.
- A claim brought by ASTALDI S.p.A. (which took over APM contract no. 450/95 from Italstrade S.p.A.) regarding the construction of the Satellite West aprons and road network at “Leonardo da Vinci” Airport in Fiumicino, in which the plaintiff requests that ADR be ordered to pay twenty-one reserves posted in the accounts in relation to said works, for a total of 7.3 million euros, as well as legal costs and fees. The preliminary hearing to examine evidence will take place on May 21, 2004.
- A civil lawsuit brought by Finprest to obtain recognition of its right to a sum of 3.2 million euros pertaining to a review of contract prices, revaluations and interest in relation to a contract (dating back to 1988) for restructuring and extension works at the “old” domestic terminal (Terminal A) at “Leonardo da Vinci” Airport in Fiumicino. The relevant hearing will take place on October 19, 2004.
- On May 22, 2003, the Civil Court of Rome, in sentence no. 17134/2003, partially accepted the request made by Garboli Rep (the plaintiff) and ordered ADR to pay damages to the former on the grounds that claims 5 and 7 were justified. Damages were set at 0.4 million euros, plus legal and overdue interest.

The above-mentioned dispute refers to 7 claims (totaling 0.8 million euros) posted in the accounts relating to the contract for work on the road network, sub-service networks and transit tunnels within the scope of the so-called “Lot Opposite the International Terminal” at Fiumicino. ADR has decided to lodge an appeal.

- With partial judgment no. 15154/2003 of May 8, 2003 the judge in the lawsuit taken out by ATI Alpine Bau, disregarding the expectations of a positive outcome to the proceedings based on the results of the expert appraisal and the previous ruling handed down by the said judge, declared the contract relating to the aforesaid works rescinded due to non-fulfillment of its terms by ADR. Consequently, the judge ordered ADR to pay the legal expenses of ATI Alpine, totaling 28 thousand euros, and condemned ADR to payment of overall damages sustained by ATI arising from non-fulfillment of the contract, postponing the assessment of the amount of such damages until the outcome of the ongoing proceedings, provided for under a separate ruling. ADR is evaluating whether or not to appeal this partial judgment.

The following claims with regard to contract work, services and supplies have been concluded:

- A claim for damages, in relation to the contract for the extension and restructuring of the international terminal, Satellite West, brought by Necso Entrecanales Cubiertas S.A.. The claim amounts to approximately 9.8 million euros plus VAT, interest and revaluation. The judge at the hearing of October 19, 2002 turned down Necso’s claim, adjourning the hearing until March 13, 2003 when the court will announce its sentence. At this hearing the judge delayed passing sentence, granting the parties the legally permitted time to deposit their final statements of the case and their counter-arguments. On November 11, 2003, the judge passed

sentence no. 38859/03 by which all of Necso's claims were rejected and the said company was ordered to reimburse ADR's costs.

- On June 17, 2003, the Civil Court of Rome rejected the claims put forward by Daimler Chrysler Rail System (North America) Inc. for damages in relation to the supply of the automated transport system (the People Mover). The claim amounted to approximately 2.4 million euros plus VAT, interest and revaluation. The related expenses were recovered.

In the Company's judgment, current litigation and other potential disputes should not give rise to liabilities greater than the amount that has already been provided for.

\* \* \*

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

The Board of Directors









## List of Significant Equity Investments

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# **Aeroporti di Roma**

## AEROPORTI DI ROMA GROUP

### EQUITY INVESTMENTS IN SUBSIDIARY UNDERTAKINGS



### EQUITY INVESTMENTS IN OTHER COMPANIES



**AEROPORTI DI ROMA HANDLING S.P.A.**

|   |   |
|---|---|
| Date of incorporation   | June 10, 1999   |
| Tax Code and Companies' Register  | Rome 05799831002  |
| R.E.A.  | Rome 924991   |
| Registered office   | 00050 Fiumicino – Office Tower, International Terminal –<br>“Leonardo da Vinci” Airport |
| Share capital   | 18,060,000 euros represented by 3,500,000 shares<br>with a par value of 5.16 euros each |
| Holding: 3,500,000 shares with voting rights at Ordinary General Meeting, amounting to 100%<br>(including 0.71% held via ADR Engineering S.p.A. Unipersonale) |   |

**AIRPORT INVEST B.V.**

|   |  |
|---|--|
| Date of incorporation   | April 7, 1999  |
| Chamber of Commerce   | Amsterdam 34113641   |
| Registered office   | Strawinskylaan 3105, 1077 ZX – Amsterdam (Netherlands)                               |
| Tax Code  | 97166530580  |
| Share capital   | 70,417,038 euros represented by 155,446 shares<br>with a par value of 453 euros each |
| Holding: 155,446 shares with voting rights at Ordinary General Meeting, amounting to 100% |  |

**ADR INTERNATIONAL AIRPORTS SOUTH AFRICA (PROPRIETARY) LTD.**

|   |  |
|---|--|
| Date of incorporation   | March 4, 1998  |
| Companies' Register   | Johannesburg 98/04063/07   |
| Registered office   | 85 Empire Road–Parktown–2193 Johannesburg (South Africa)   |
| Share capital   | 1,660 rands represented by 10,000 ordinary shares<br>(with voting rights) with a par value of 0.01 rands<br>and 156,000 preference shares (without voting rights,<br>with the exception of resolutions regarding the distribution<br>of dividends) with a par value of 0.01 rands each |
| Holding: 10,000 shares with voting rights at Ordinary General Meeting held indirectly<br>(via Airport Invest B.V.), amounting to 100% |  |

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

|   |  |
|---|--|
| Date of incorporation   | February 21, 1997  |
| Tax Code and Companies' Register  | Rome 05256281006   |
| R.E.A.  | Rome 867594  |
| Registered office   | 00054 Fiumicino – Via Lago di Traiano, 100   |
| Share capital   | 774,690 euros represented by 1,500 shares with a par value<br>of 516.46 euros each |
| Holding: 1,500 shares with voting rights at Ordinary General Meeting, amounting to 100% |  |

**ADR TEL S.P.A.**

|   |  |
|---|--|
| Date of incorporation   | July 31, 2002  |
| Tax Code and Companies' Register  | Rome 07169231003   |
| R.E.A.  | Rome 1014944   |
| Registered office   | 00050 Fiumicino – Via dell'Aeroporto di Fiumicino, 320                         |
| Share capital   | 600,000 euros represented by 600,000 shares<br>with a par value of 1 euro each |
| Holding: 600,000 shares with voting rights at Ordinary General Meeting, amounting to 100%<br>(of which 1% held via ADR Sviluppo S.r.l.) |  |

**ADR ADVERTISING S.P.A.**

|   |   |
|---|---|
| Date of incorporation   | January 10, 2003  |
| Tax Code and Companies' Register  | Rome 07336861005  |
| R.E.A.  | Rome 1027780  |
| Registered office   | 00050 Fiumicino – Office Tower, “Leonardo da Vinci” Airport   |
| Share capital   | 1,000,000 euros represented by 500,000 ordinary shares<br>and 500,000 preference shares both with a par value<br>of 1 euro each |
| Holding: 255,000 shares with voting rights at Ordinary General Meeting, amounting to 51%<br>of the ordinary share capital |   |

### **ADR SVILUPPO S.R.L. UNIPERSONALE**

|  |  |
|--|--|
| Date of incorporation  | July 27, 2001  |
| Tax Code and Companies' Register   | Rome 06708221004   |
| R.E.A.   | Rome 984688  |
| Registered office  | 00050 Fiumicino –<br>Via dell'Aeroporto di Fiumicino, 320                      |
| Share capital  | 100,000 euros represented by 100,000 shares<br>with a par value of 1 euro each |
| Holding: 100,000 shares voting rights at Ordinary General Meeting, amounting to 100% |  |

### **AIRPORTS COMPANY SOUTH AFRICA LTD.**

|   |   |
|---|---|
| Date of incorporation   | 1993  |
| Companies' Register   | Johannesburg 93/04149/06  |
| Registered office   | The Maples Riverwoods Office Park, 24<br>Johnson Road, Bedfordview, 2008<br>Johannesburg (South Africa) |
| Share capital   | 500,000,000 rands represented by 500,000,000 shares<br>with a par value of 1 rand each                  |
| Holding: 100,000,000 shares with voting rights at Ordinary General Meeting held indirectly<br>(via ADR International Airports South Africa), amounting to 20% |   |

### **LA PIAZZA DI SPAGNA S.R.L.**

|   |  |
|---|--|
| Date of incorporation   | December 17, 2003  |
| Tax Code and Companies' Register  | Rome 07754621006   |
| R.E.A.  | Rome 1053884   |
| Registered office   | 00050 Fiumicino –<br>Via dell'Aeroporto di Fiumicino, 320              |
| Share capital   | 100,000 euros represented by shares<br>with a par value of 1 euro each |
| Holding: 49,000 shares with voting rights at Ordinary General Meeting, amounting to 49% |  |

### **LIGABUE GATE GOURMET ROMA S.P.A. (BANKRUPT)**

|  |   |
|--|---|
| Date of incorporation  | November 20, 1997   |
| Tax Code and Companies' Register   | Venice 03016170270  |
| Registered office  | 30030 Tessera (VE) –<br>Marco Polo Airport  |
| Share capital  | 103,200 euros represented by 20,000 shares<br>with a par value of 5.16 euros each |
| Holding: 4,000 shares with voting rights at Ordinary General Meeting, amounting to 20% |   |

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

|   |  |
|---|--|
| Date of incorporation   | February 23, 1990  |
| Tax Code and Companies' Register  | Catanzaro 01764970792  |
| Registered office   | Lamezia Terme (CZ) –<br>Lamezia Terme Civil Airport                          |
| Share capital   | 5,170,000 represented by 10,000 shares<br>with a par value of 517 euros each |
| Holding: 1,657 shares with voting rights at Ordinary General Meeting, amounting to 16.57% |  |

### **AEROPORTO DI GENOVA S.P.A.**

|  |  |
|--|--|
| Date of incorporation  | February 12, 1985  |
| Tax Code and Companies' Register   | Genoa 02701420107  |
| Registered office  | Genova Sestri –<br>Passenger Terminal  |
| Share capital  | 4,648,140 euros represented by 9,000 shares<br>with a par value of 516.46 euros each |
| Holding: 1,350 shares with voting rights at Ordinary General Meeting, amounting to 15% |  |

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

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**COMPANY NAME**

**ADR HANDLING S.P.A.**

**BOARD OF DIRECTORS**

*(after the General Meeting and the Board of Directors' meeting of April 14, 2003)*

|           |  |
|-----------|--|
| Chairman  | Federico Nucci   |
| Directors | Emilio Corrado Giordano <i>(until February 29, 2004)</i><br>Simon Morris <i>(from July 23, 2003)</i> |
| Secretary | Riccardo Affinita  |

**BOARD OF STATUTORY AUDITORS**

*(after the General Meeting of April 14, 2003)*

|                    |   |
|--------------------|---|
| Chairman           | Roberto Ascoli                            |
| Statutory Auditors | Giancarlo Russo Corvace<br>Paola Scillamà |
| Alternate Auditors | Antonio Ferraiuolo<br>Francesco Mariani   |

**INDEPENDENT AUDITORS**

Reconta Ernst & Young S.p.A.

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

### RECLASSIFIED BALANCE SHEET

| (in thousands of euros)   | Dec 31, 2003   | Dec 31, 2002    |
|---|----------------|-----------------|
| Intangible fixed assets   | 14,840         | 5,143           |
| Tangible fixed assets   | 10,550         | 10,014          |
| Non-current financial assets  | 658            | 941             |
| <b>A. – FIXED ASSETS</b>  | <b>26,048</b>  | <b>16,098</b>   |
| Inventory   | 0              | 0               |
| Trade receivables   | 23,822         | 20,141          |
| Other assets  | 2,134          | 6,037           |
| Trade payables  | (6,403)        | (13,931)        |
| Allowances for risks and charges  | (742)          | (511)           |
| Other liabilities   | (7,257)        | (9,820)         |
| <b>B. – WORKING CAPITAL</b>   | <b>11,554</b>  | <b>1,916</b>    |
| <b>C. – INVESTED CAPITAL, minus short-term liabilities (A+B)</b>            | <b>37,602</b>  | <b>18,014</b>   |
| <b>D. – EMPLOYEE SEVERANCE INDEMNITIES</b>                                  | <b>17,847</b>  | <b>17,172</b>   |
| <b>E. – INVESTED CAPITAL, minus (C-D) short-term liabilities and E.S.I.</b> | <b>19,755</b>  | <b>842</b>      |
| financed by:  |                |                 |
| Share capital   | 18,060         | 12,900          |
| Reserves and retained earnings  | 4,881          | 1,230           |
| Net income (loss) for the year  | (182)          | (2,110)         |
| <b>F. – SHAREHOLDERS' EQUITY</b>  | <b>22,759</b>  | <b>12,020</b>   |
| <b>G. – MEDIUM/LONG-TERM BORROWING</b>                                      | <b>0</b>       | <b>0</b>        |
| <b>H. – SHORT-TERM BORROWING</b>  |                |                 |
| <b>(NET CASH AND CASH EQUIVALENTS)</b>                                      |                |                 |
| Short-term debt   | 0              | 0               |
| Cash and current receivables  | (3,004)        | (11,178)        |
| <b>(G+H)</b>  | <b>(3,004)</b> | <b>(11,178)</b> |
| <b>I. – TOTAL AS IN “E” (F+G+H)</b>   | <b>19,755</b>  | <b>842</b>      |

| <b>RECLASSIFIED INCOME STATEMENT</b>                    |                |                |
|---|----------------|----------------|
| (in thousands of euros)                                 | <b>2003</b>    | <b>2002</b>    |
| <b>A. – REVENUES</b>                                    | <b>73,477</b>  | <b>83,738</b>  |
| <b>B. – REVENUES FROM ORDINARY ACTIVITIES</b>           | <b>73,477</b>  | <b>83,738</b>  |
| Cost of materials and external services                 | (23,790)       | (33,233)       |
| <b>C. – GROSS MARGIN</b>                                | <b>49,687</b>  | <b>50,505</b>  |
| Payroll costs   | (42,242)       | (45,953)       |
| <b>D. – EBITDA</b>                                      | <b>7,445</b>   | <b>4,552</b>   |
| Amortization and depreciation                           | (2,888)        | (3,548)        |
| Other provisions  | (280)          | (208)          |
| Provisions for risks and charges                        | (723)          | (166)          |
| Other income (expense), net                             | 566            | 412            |
| <b>E. – EBIT</b>  | <b>4,120</b>   | <b>1,042</b>   |
| Financial income (expense), net                         | 181            | 479            |
| Adjustments to financial assets                         | 0              | 0              |
| <b>F. – INCOME BEFORE EXTRAORDINARY ITEMS AND TAXES</b> | <b>4,301</b>   | <b>1,521</b>   |
| Extraordinary income (expense), net                     | (1,381)        | (1,623)        |
| <b>G. – INCOME BEFORE TAXES</b>                         | <b>2,920</b>   | <b>(102)</b>   |
| Current taxes for the year                              | (1,904)        | (1,867)        |
| Deferred tax assets (liabilities) for the year          | (1,198)        | (141)          |
|   | <b>(3,102)</b> | <b>(2,008)</b> |
| <b>H. – NET INCOME (LOSS) FOR THE YEAR</b>              | <b>(182)</b>   | <b>(2,110)</b> |



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

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**COMPANY NAME**

**AIRPORT INVEST B.V.**

**BOARD OF DIRECTORS**

Chairman

Emilio Corrado Giordano (*until February 29, 2004*)

Directors

Luciano Acciari

Natacha Buzalko

Robertus G.M. Verhoef

Steffan Galesloot (*until December 31, 2003*)

**INDEPENDENT AUDITORS**

Ernst & Young Accountants

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

**RECLASSIFIED BALANCE SHEET**

| (in thousands of euros)   | Dec 31, 2003   | Dec 31, 2002  |
|---|----------------|---------------|
| Intangible fixed assets   | 0              | 248           |
| Non-current financial assets  | 107,310        | 70,520        |
| <b>A. – FIXED ASSETS</b>  | <b>107,310</b> | <b>70,768</b> |
| Trade receivables   | 0              | 0             |
| Other assets  | 0              | 0             |
| Trade payables  | (21)           | (9)           |
| Allowances for risks and charges  | 0              | 0             |
| Other liabilities   | 0              | 0             |
| <b>B. – WORKING CAPITAL</b>   | <b>(21)</b>    | <b>(9)</b>    |
| <b>C. – INVESTED CAPITAL, minus short-term liabilities (A+B)</b>            | <b>107,289</b> | <b>70,759</b> |
| <b>D. – EMPLOYEE SEVERANCE INDEMNITIES</b>                                  | <b>0</b>       | <b>0</b>      |
| <b>E. – INVESTED CAPITAL, minus (C-D) short-term liabilities and E.S.I.</b> | <b>107,289</b> | <b>70,759</b> |
| financed by:  |                |               |
| Share capital   | 70,417         | 70,417        |
| Reserves and retained earnings  | 37,008         | (16)          |
| Net income (loss) for the year (*)  | (15)           | 1,321         |
| <b>F. – SHAREHOLDERS' EQUITY</b>  | <b>107,410</b> | <b>71,722</b> |
| <b>G. – MEDIUM/LONG-TERM BORROWING</b>                                      | <b>0</b>       | <b>0</b>      |
| <b>H. – SHORT-TERM BORROWING<br/>(NET CASH AND CASH EQUIVALENTS)</b>        |                |               |
| Short-term debt   | 1              | 576           |
| Cash and current receivables  | (122)          | (1,539)       |
| <b>(G+H)</b>  | <b>(121)</b>   | <b>(963)</b>  |
| <b>I. – TOTAL AS IN “E” (F+G+H)</b>   | <b>107,289</b> | <b>70,759</b> |
| <i>(*) net of interim dividend:</i>   | <b>2003</b>    |               |
| Net income for the year   | 3,541          |               |
| Interim dividend  | (3,556)        |               |
| Residual net income for the year  | (15)           |               |

| <b>RECLASSIFIED INCOME STATEMENT</b>                    |              |              |
|---|--------------|--------------|
| (in thousands of euros)                                 | <b>2003</b>  | <b>2002</b>  |
| <b>A. – REVENUES</b>                                    | <b>0</b>     | <b>0</b>     |
| <b>B. – REVENUES FROM ORDINARY ACTIVITIES</b>           | <b>0</b>     | <b>0</b>     |
| Cost of materials and external services                 | (87)         | (31)         |
| <b>C. – GROSS MARGIN</b>                                | <b>(87)</b>  | <b>(31)</b>  |
| Payroll costs   | 0            | 0            |
| <b>D. – EBITDA</b>                                      | <b>(87)</b>  | <b>(31)</b>  |
| Amortization and depreciation                           | (248)        | (146)        |
| Other income (expense), net                             | (160)        | 0            |
| <b>E. – EBIT</b>  | <b>(495)</b> | <b>(177)</b> |
| Financial income (expense), net                         | 4,036        | 1,497        |
| Adjustments to financial assets                         | 0            | 0            |
| <b>F. – INCOME BEFORE EXTRAORDINARY ITEMS AND TAXES</b> | <b>3,541</b> | <b>1,320</b> |
| Extraordinary income (expense), net                     | 0            | 0            |
| <b>G. – INCOME BEFORE TAXES</b>                         | <b>3,541</b> | <b>1,320</b> |
| Income taxes  | 0            | 0            |
| <b>H. – NET INCOME (LOSS) FOR THE YEAR</b>              | <b>3,541</b> | <b>1,320</b> |

# ADR INTERNATIONAL AIRPORTS SOUTH AFRICA (PROPRIETARY) Ltd.: Reclassified Balance Sheet and Income Statement

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**COMPANY NAME**

**ADR INTERNATIONAL AIRPORTS SOUTH AFRICA (PTY) LTD.**

**BOARD OF DIRECTORS**

Chairman

Emilio Corrado Giordano (*until February 29, 2004*)

Managing Director

Andrea Belardini

Directors

Carmine Bassetti

Saverio Rennis

Roberto Spingardi (*resigned as of December 18, 2003*)

**INDEPENDENT AUDITORS**

KPMG Inc.

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

**RECLASSIFIED BALANCE SHEET**

| (in thousands of rands)  | Dec 31, 2003     | Dec 31, 2002   |
|--|------------------|----------------|
| Non-current financial assets   | 1,001,353        | 952,718        |
| <b>A. – FIXED ASSETS</b>   | <b>1,001,353</b> | <b>952,718</b> |
| Other assets   | 7                | 0              |
| Trade payables   | (139)            | (120)          |
| Other liabilities  | 0                | (212)          |
| <b>B. – WORKING CAPITAL</b>  | <b>(132)</b>     | <b>(332)</b>   |
| <b>C. – INVESTED CAPITAL, minus short-term liabilities (A+B)</b>           | <b>1,001,221</b> | <b>952,386</b> |
| financed by:   |                  |                |
| Share capital  | 819,000          | 819,000        |
| Reserves and retained earnings   | 130,124          | 99,138         |
| Net income (loss) for the year (*)   | 61,997           | 36,233         |
| <b>D. – SHAREHOLDERS’ EQUITY</b>   | <b>1,011,121</b> | <b>954,371</b> |
| <b>E. – SHORT-TERM BORROWING</b><br><b>(NET CASH AND CASH EQUIVALENTS)</b> |                  |                |
| short-term debt  | 0                | 0              |
| cash and current receivables   | (9,900)          | (1,985)        |
|  | <b>(9,900)</b>   | <b>(1,985)</b> |
| <b>F. – TOTAL AS IN “C” (D+E)</b>  | <b>1,001,221</b> | <b>952,386</b> |
| <i>(*) net of interim dividend:</i>  | <b>2003</b>      | <b>2002</b>    |
| Net income for the year  | 115,287          | 71,205         |
| Interim dividend   | (53,290)         | (34,972)       |
| <b>Residual net income for the year</b>                                    | <b>61,997</b>    | <b>36,233</b>  |

| <b>RECLASSIFIED INCOME STATEMENT</b>                    |                |               |
|---|----------------|---------------|
| (in thousands of rands)                                 | <b>2003</b>    | <b>2002</b>   |
| <b>A. – REVENUES</b>                                    | <b>0</b>       | <b>0</b>      |
| <b>B. – REVENUES FROM ORDINARY ACTIVITIES</b>           | <b>0</b>       | <b>0</b>      |
| Cost of materials and external services                 | (308)          | (197)         |
| <b>C. – GROSS MARGIN</b>                                | <b>(308)</b>   | <b>(197)</b>  |
| <b>D. – EBITDA</b>                                      | <b>(308)</b>   | <b>(197)</b>  |
| Other income (expenses), net                            | 0              | 0             |
| <b>E. – EBIT</b>  | <b>(308)</b>   | <b>(197)</b>  |
| Financial income (expense), net                         | 1,244          | 876           |
| Adjustments to financial assets                         | 114,635        | 70,740        |
| <b>F. – INCOME BEFORE EXTRAORDINARY ITEMS AND TAXES</b> | <b>115,571</b> | <b>71,419</b> |
| Extraordinary income (expense), net                     | 26             | (2)           |
| <b>G. – INCOME BEFORE TAXES</b>                         | <b>115,597</b> | <b>71,417</b> |
| Income taxes  | (310)          | (212)         |
| <b>H. – NET INCOME (LOSS) FOR THE YEAR</b>              | <b>115,287</b> | <b>71,205</b> |



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

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**COMPANY NAME**

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

**BOARD OF DIRECTORS**

*(after the General Meeting and the Board of Directors' meeting of April 8, 2003)*

|                   |                    |
|-------------------|--------------------|
| Chairman          | Enrico Casini      |
| Managing Director | Giulio De Virgilio |
| Director          | Fabio Missori      |
| Secretary         | Riccardo Affinita  |

**BOARD OF STATUTORY AUDITORS**

*(after the General Meeting of April 8, 2003)*

|                    |   |
|--------------------|---|
| Chairman           | Antonio Mastrapasqua                    |
| Statutory Auditors | Pietro Cerasoli<br>Eugenio Lagomarsino  |
| Alternate Auditors | Antonio Ferraiuolo<br>Marina Martinelli |

**INDEPENDENT AUDITORS**

Reconta Ernst & Young S.p.A.

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

**RECLASSIFIED BALANCE SHEET**

(in thousands of euros)

|   | Dec 31, 2003 | Dec 31, 2002 |
|---|--------------|--------------|
| Intangible fixed assets   | 24           | 11           |
| Tangible fixed assets   | 37           | 24           |
| Non-current financial assets  | 176          | 0            |
| <b>A. – FIXED ASSETS</b>  | <b>237</b>   | <b>35</b>    |
| Inventory   | 4,910        | 3,702        |
| Trade receivables   | 2,552        | 1,377        |
| Other assets  | 64           | 147          |
| Trade payables  | (4,384)      | (3,945)      |
| Allowances for risks and charges  | (7)          | (12)         |
| Other liabilities   | (758)        | (445)        |
| <b>B. – WORKING CAPITAL</b>   | <b>2,377</b> | <b>824</b>   |
| <b>C. – INVESTED CAPITAL, minus short-term liabilities (A+B)</b>            | <b>2,614</b> | <b>859</b>   |
| <b>D. – EMPLOYEE SEVERANCE INDEMNITIES</b>                                  | <b>885</b>   | <b>674</b>   |
| <b>E. – INVESTED CAPITAL, minus (C-D) short-term liabilities and E.S.I.</b> | <b>1,729</b> | <b>185</b>   |
| financed by:  |              |              |
| Share capital   | 775          | 775          |
| Reserves and retained earnings  | 220          | 6            |
| Net income (loss) for the year  | 286          | 214          |
| <b>F. – SHAREHOLDERS' EQUITY</b>  | <b>1,281</b> | <b>995</b>   |
| <b>G. – MEDIUM/LONG-TERM BORROWING</b>                                      | <b>0</b>     | <b>0</b>     |
| <b>H. – SHORT-TERM BORROWING<br/>(NET CASH AND CASH EQUIVALENTS)</b>        |              |              |
| Short-term debt   | 466          | 0            |
| Cash and current receivables  | (18)         | (810)        |
| <b>(G+H)</b>  | <b>448</b>   | <b>(810)</b> |
| <b>I. – TOTAL AS IN "E" (F+G+H)</b>   | <b>1,729</b> | <b>185</b>   |

| <b>RECLASSIFIED INCOME STATEMENT</b>                    |              |              |
|---|--------------|--------------|
| (in thousands of euros)                                 | <b>2003</b>  | <b>2002</b>  |
| <b>A. – REVENUES</b>                                    | <b>7,301</b> | <b>5,866</b> |
| <b>B. – REVENUES FROM ORDINARY ACTIVITIES</b>           | <b>7,301</b> | <b>5,866</b> |
| Cost of materials and external services                 | (4,590)      | (3,865)      |
| <b>C. – GROSS MARGIN</b>                                | <b>2,711</b> | <b>2,001</b> |
| Payroll costs   | (2,164)      | (1,680)      |
| <b>D. – EBITDA</b>                                      | <b>547</b>   | <b>321</b>   |
| Amortization and depreciation                           | (33)         | (27)         |
| Other provisions  | 0            | 0            |
| Provisions for risks and charges                        | (7)          | 0            |
| Other income (expense), net                             | (112)        | 30           |
| <b>E. – EBIT</b>  | <b>395</b>   | <b>324</b>   |
| Financial income (expense), net                         | 4            | 12           |
| Adjustments to financial assets                         | 0            | 0            |
| <b>F. – INCOME BEFORE EXTRAORDINARY ITEMS AND TAXES</b> | <b>399</b>   | <b>336</b>   |
| Extraordinary income (expense), net                     | (49)         | (34)         |
| <b>G. – INCOME BEFORE TAXES</b>                         | <b>350</b>   | <b>302</b>   |
| Current taxes for the year                              | (118)        | (88)         |
| Deferred tax assets (liabilities) for the year          | 54           | 0            |
|   | <b>(64)</b>  | <b>(88)</b>  |
| <b>H. – NET INCOME (LOSS) FOR THE YEAR</b>              | <b>286</b>   | <b>214</b>   |

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

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**COMPANY NAME**

**ADR TEL S.P.A.**

**BOARD OF DIRECTORS**

*(after the General Meeting of July 31, 2002 and the Board of Directors' meeting of August 8, 2002)*

|                          |   |
|--------------------------|---|
| <b>Chairman</b>          | Enrico Casini <i>(from April 15, 2003)</i><br>Emilio Corrado Giordano <i>(until April 15, 2003)</i> |
| <b>Managing Director</b> | Roberto Piana   |
| <b>Director</b>          | Fabio Missori   |

**BOARD OF STATUTORY AUDITORS**

*(after the General Meeting of July 31, 2002)*

|                           |   |
|---------------------------|---|
| <b>Chairman</b>           | Massimo Bigerna                           |
| <b>Statutory Auditors</b> | Roberto Ascoli<br>Giancarlo Russo Corvace |
| <b>Alternate Auditors</b> | Valeria Continolo<br>Lucio Marongiu       |

**INDEPENDENT AUDITORS**

Reconta Ernst & Young S.p.A.

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

### RECLASSIFIED BALANCE SHEET

(in thousands of euros)

|   | Dec 31, 2003 | Dec 31, 2002 |
|---|--------------|--------------|
| Intangible fixed assets   | 2,219        | 785          |
| Tangible fixed assets   | 439          | 0            |
| <b>A. – FIXED ASSETS</b>  | <b>2,658</b> | <b>785</b>   |
| Trade receivables   | 3,332        | 0            |
| Other assets  | 106          | 188          |
| Trade payables  | (3,562)      | (911)        |
| Allowances for risks and charges  | (7)          | 0            |
| Other liabilities   | (783)        | (8)          |
| <b>B. – WORKING CAPITAL</b>   | <b>(914)</b> | <b>(731)</b> |
| <b>C. – INVESTED CAPITAL, minus short-term liabilities (A+B)</b>            | <b>1,744</b> | <b>54</b>    |
| <b>D. – EMPLOYEE SEVERANCE INDEMNITIES</b>                                  | <b>224</b>   | <b>0</b>     |
| <b>E. – INVESTED CAPITAL, minus (C-D) short-term liabilities and E.S.I.</b> | <b>1,520</b> | <b>54</b>    |
| financed by:  |              |              |
| Share capital   | 600          | 600          |
| Reserves and retained earnings  | (8)          | 0            |
| Net income (loss) for the year  | 750          | (8)          |
| <b>F. – SHAREHOLDERS’ EQUITY</b>  | <b>1,342</b> | <b>592</b>   |
| <b>G. – MEDIUM/LONG-TERM BORROWING</b>                                      | <b>0</b>     | <b>0</b>     |
| <b>H. – SHORT-TERM BORROWING<br/>(NET CASH AND CASH EQUIVALENTS)</b>        |              |              |
| Short-term debt   | 249          | 0            |
| Cash and current receivables  | (71)         | (538)        |
| <b>(G+H)</b>  | <b>178</b>   | <b>(538)</b> |
| <b>I. – TOTAL AS IN “E” (F+G+H)</b>   | <b>1,520</b> | <b>54</b>    |

| <b>RECLASSIFIED INCOME STATEMENT</b>                    |              |                      |
|---|--------------|----------------------|
| (in thousands of euros)                                 | <b>2003</b>  | <b>July-Dec 2002</b> |
| <b>A. – REVENUES</b>                                    | <b>4,389</b> | <b>0</b>             |
| <b>B. – REVENUES FROM ORDINARY ACTIVITIES</b>           | <b>4,389</b> | <b>0</b>             |
| Cost of materials and external services                 | (2,167)      | (13)                 |
| <b>C. – GROSS MARGIN</b>                                | <b>2,222</b> | <b>(13)</b>          |
| Payroll costs   | (642)        | 0                    |
| <b>D. – EBITDA</b>                                      | <b>1,580</b> | <b>(13)</b>          |
| Amortization and depreciation                           | (208)        | 0                    |
| Other provisions  | (57)         | 0                    |
| Provisions for risks and charges                        | (7)          | 0                    |
| Other income (expense), net                             | (2)          | 0                    |
| <b>E. – EBIT</b>  | <b>1,306</b> | <b>(13)</b>          |
| Financial income (expense), net                         | (8)          | 6                    |
| <b>F. – INCOME BEFORE EXTRAORDINARY ITEMS AND TAXES</b> | <b>1,298</b> | <b>(7)</b>           |
| <b>G. – INCOME BEFORE TAXES</b>                         | <b>1,298</b> | <b>(7)</b>           |
| Income taxes  | (548)        | 0                    |
| <b>H. – NET INCOME (LOSS) FOR THE YEAR</b>              | <b>750</b>   | <b>(7)</b>           |



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

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**COMPANY NAME**

**ADR ADVERTISING S.P.A.**

**BOARD OF DIRECTORS**

*(after incorporation on January 10, 2003)*

**Chairman**

Guy Louis Ponzo

**Managing Director**

Fabrizio Du Chene De Vere

**Directors**

Andrea Ghisolfi

Fabio Missori

Saverio Rennis

**BOARD OF STATUTORY AUDITORS**

*(after incorporation on January 10, 2003)*

**Chairman**

Giancarlo Russo Corvace

**Statutory Auditors**

Angelo Casò

Guido Croci

**Alternate Auditors**

Marco Baccani

Antonio Ferraiuolo

**INDEPENDENT AUDITORS**

Reconta Ernst & Young S.p.A.

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

## RECLASSIFIED BALANCE SHEET

(in thousands of euros)

Dec 31, 2003

|   |                |
|---|----------------|
| Intangible fixed assets   | 41             |
| Tangible fixed assets   | 12             |
| Non-current financial assets  | 19             |
| <b>A. – FIXED ASSETS</b>  | <b>72</b>      |
| Trade receivables   | 6,046          |
| Other assets  | 2,018          |
| Trade payables  | (6,446)        |
| Allowances for risks and charges  | (31)           |
| Other liabilities   | (3,054)        |
| <b>B. – WORKING CAPITAL</b>   | <b>(1,467)</b> |
| <b>C. – INVESTED CAPITAL, minus short-term liabilities (A+B)</b>            | <b>(1,395)</b> |
| <b>D. – EMPLOYEE SEVERANCE INDEMNITIES</b>                                  | <b>168</b>     |
| <b>E. – INVESTED CAPITAL, minus (C-D) short-term liabilities and E.S.I.</b> | <b>(1,563)</b> |
| financed by:  |                |
| Share capital   | 1,000          |
| Net income (loss) for the year  | 772            |
| <b>F. – SHAREHOLDERS’ EQUITY</b>  | <b>1,772</b>   |
| <b>G. – MEDIUM/LONG-TERM BORROWING</b>                                      | <b>0</b>       |
| <b>H. – SHORT-TERM BORROWING</b>  |                |
| (NET CASH AND CASH EQUIVALENTS)   |                |
| Short-term debt   | 0              |
| Cash and current receivables  | (3,335)        |
| <b>(G+H)</b>  | <b>(3,335)</b> |
| <b>I. – TOTAL AS IN “E” (F+G+H)</b>   | <b>(1,563)</b> |

| <b>RECLASSIFIED INCOME STATEMENT</b>                    |                       |
|---|-----------------------|
| (in thousands of euros)                                 |                       |
|   | <b>Mar - Dec 2003</b> |
| <b>A. – REVENUES</b>                                    | <b>17,457</b>         |
| <b>B. – REVENUES FROM ORDINARY ACTIVITIES</b>           | <b>17,457</b>         |
| Cost of materials and external services                 | (15,302)              |
| <b>C. – GROSS MARGIN</b>                                | <b>2,155</b>          |
| Payroll costs   | (657)                 |
| <b>D. – EBITDA</b>                                      | <b>1,498</b>          |
| Amortization and depreciation                           | (8)                   |
| Other provisions  | (131)                 |
| Provisions for risks and charges                        | (31)                  |
| Other income (expense), net                             | (1)                   |
| <b>E. – EBIT</b>  | <b>1,327</b>          |
| Financial income (expense), net                         | 45                    |
| <b>F. – INCOME BEFORE EXTRAORDINARY ITEMS AND TAXES</b> | <b>1,372</b>          |
| <b>G. – INCOME BEFORE TAXES</b>                         | <b>1,372</b>          |
| Income taxes  | (600)                 |
| <b>H. – NET INCOME (LOSS) FOR THE YEAR</b>              | <b>772</b>            |

# ADR SVILUPPO S.r.l. UNIPERSONALE: Reclassified Balance Sheet and Income Statement

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**COMPANY NAME**

**ADR SVILUPPO S.R.L. UNIPERSONALE**

Managing Director

Giulio De Virgilio

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

**RECLASSIFIED BALANCE SHEET**

| (in Euros)  | Dec 31, 2003    | Dec 31, 2002    |
|---|-----------------|-----------------|
| Intangible fixed assets   | 4,141           | 4,141           |
| Non-current financial assets  | 6,000           | 6,000           |
| <b>A. – FIXED ASSETS</b>  | <b>10,141</b>   | <b>10,141</b>   |
| Other assets  | 2,259           | 2,312           |
| Other liabilities   | 0               | 0               |
| <b>B. – WORKING CAPITAL</b>   | <b>2,259</b>    | <b>2,312</b>    |
| <b>C. – INVESTED CAPITAL, minus short-term liabilities (A+B)</b>            | <b>12,400</b>   | <b>12,453</b>   |
| <b>D. – EMPLOYEE SEVERANCE INDEMNITIES</b>                                  | <b>0</b>        | <b>0</b>        |
| <b>E. – INVESTED CAPITAL, minus (C-D) short-term liabilities and E.S.I.</b> | <b>12,400</b>   | <b>12,453</b>   |
| financed by:  |                 |                 |
| Share capital   | 100,000         | 100,000         |
| Reserves and retained earnings  | (4,221)         | 569             |
| Net income (loss) for the year  | (995)           | (4,790)         |
| <b>F. – SHAREHOLDERS' EQUITY</b>  | <b>94,784</b>   | <b>95,779</b>   |
| <b>G. – MEDIUM/LONG-TERM BORROWING</b>                                      | <b>0</b>        | <b>0</b>        |
| <b>H. – SHORT-TERM BORROWING<br/>(NET CASH AND CASH EQUIVALENTS)</b>        |                 |                 |
| Short-term debt   | 0               | 0               |
| Cash and current receivables  | (82,384)        | (83,326)        |
| <b>(G+H)</b>  | <b>(82,384)</b> | <b>(83,326)</b> |
| <b>I. – TOTAL AS IN “E” (F+G+H)</b>   | <b>12,400</b>   | <b>12,453</b>   |

| <b>RECLASSIFIED INCOME STATEMENT</b>                    |                |                |
|---|----------------|----------------|
| (in Euros)  | <b>2003</b>    | <b>2002</b>    |
| <b>A. – REVENUES</b>                                    | <b>0</b>       | <b>0</b>       |
| <b>B. – REVENUES FROM ORDINARY ACTIVITIES</b>           | <b>0</b>       | <b>0</b>       |
| Cost of materials and external services                 | (714)          | (6,014)        |
| <b>C. – GROSS MARGIN</b>                                | <b>(714)</b>   | <b>(6,014)</b> |
| <b>D. – EBITDA</b>                                      | <b>(714)</b>   | <b>(6,014)</b> |
| Other income (expense), net                             | (841)          | (940)          |
| <b>E. – EBIT</b>  | <b>(1,555)</b> | <b>(6,954)</b> |
| Financial income (expense), net                         | 560            | 2,177          |
| <b>F. – INCOME BEFORE EXTRAORDINARY ITEMS AND TAXES</b> | <b>(995)</b>   | <b>(4,777)</b> |
| Extraordinary income (expense), net                     | 0              | (13)           |
| <b>G. – INCOME BEFORE TAXES</b>                         | <b>(995)</b>   | <b>(4,790)</b> |
| Income taxes  | 0              | 0              |
| <b>H. – NET INCOME (LOSS) FOR THE YEAR</b>              | <b>(995)</b>   | <b>(4,790)</b> |



# AIRPORTS COMPANY SOUTH AFRICA Ltd. (ACSA): Reclassified Balance Sheet and Income Statement

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| <b>RECLASSIFIED BALANCE SHEET</b><br>(in thousands of rands)                | <b>March 31, 2003</b> | <b>March 31, 2002</b> |
|---|-----------------------|-----------------------|
| Intangible fixed assets   | 0                     | 0                     |
| Tangible fixed assets   | 3,484,887             | 2,796,837             |
| Non-current financial assets  | 90,307                | 70,271                |
| <b>A. – FIXED ASSETS</b>  | <b>3,575,194</b>      | <b>2,867,108</b>      |
| Inventory   | 606                   | 0                     |
| Trade receivables   | 206,935               | 170,627               |
| Other assets  | 32,395                | 56,480                |
| Trade payables  | (396,684)             | (302,388)             |
| Allowances for risks and charges  | 0                     | 0                     |
| Other liabilities   | (20,528)              | (38,848)              |
| <b>B. – WORKING CAPITAL</b>   | <b>(177,276)</b>      | <b>(114,129)</b>      |
| <b>C. – INVESTED CAPITAL, minus short-term liabilities (A+B)</b>            | <b>3,397,918</b>      | <b>2,752,979</b>      |
| <b>D. – EMPLOYEE SEVERANCE INDEMNITIES</b>                                  | <b>43,115</b>         | <b>29,120</b>         |
| <b>E. – INVESTED CAPITAL, minus (C-D) short-term liabilities and E.S.I.</b> | <b>3,354,803</b>      | <b>2,723,859</b>      |
| financed by:  |                       |                       |
| Share capital   | 750,000               | 750,000               |
| Reserves and retained earnings  | 1,491,893             | 1,241,435             |
| Net income (loss) for the year  | 658,789               | 410,458               |
| <b>F. – SHAREHOLDERS' EQUITY</b>  | <b>2,900,682</b>      | <b>2,401,893</b>      |
| <b>G. – MEDIUM/LONG-TERM BORROWING</b>                                      | <b>283,585</b>        | <b>363,710</b>        |
| <b>H. – SHORT-TERM BORROWING</b><br>(NET CASH AND CASH EQUIVALENTS)         |                       |                       |
| Short-term debt   | 170,536               | 0                     |
| Cash and current receivables  | 0                     | (41,744)              |
|   | <b>170,536</b>        | <b>(41,744)</b>       |
| <b>I. – TOTAL AS IN "E" (F+G+H)</b>   | <b>3,354,803</b>      | <b>2,723,859</b>      |

**RECLASSIFIED INCOME STATEMENT**

(in thousands of rands)

|   | Apr. 2002<br>Mar. 2003 | Apr. 2001<br>Mar. 2002 |
|---|------------------------|------------------------|
| <b>A. – REVENUES</b>                                    | <b>1,539,842</b>       | <b>1,297,473</b>       |
| <b>B. – REVENUES FROM ORDINARY ACTIVITIES</b>           | <b>1,539,842</b>       | <b>1,297,473</b>       |
| Cost of materials and external services                 | (350,752)              | (311,563)              |
| <b>C. – GROSS MARGIN</b>                                | <b>1,189,090</b>       | <b>985,910</b>         |
| Payroll costs   | (285,918)              | (259,748)              |
| <b>D. – EBITDA</b>                                      | <b>903,172</b>         | <b>726,162</b>         |
| Amortization and depreciation                           | (152,377)              | (136,396)              |
| Other provisions  | 0                      | 0                      |
| Provisions for risks and charges                        | 0                      | 0                      |
| Other income (expense), net                             | 0                      | 0                      |
| <b>E. – EBIT</b>  | <b>750,795</b>         | <b>589,766</b>         |
| Financial income (expense), net                         | 5,240                  | 664                    |
| <b>F. – INCOME BEFORE EXTRAORDINARY ITEMS AND TAXES</b> | <b>756,035</b>         | <b>590,430</b>         |
| Extraordinary income (expense), net                     | 118,548                | 0                      |
| <b>G. – INCOME BEFORE TAXES</b>                         | <b>874,583</b>         | <b>590,430</b>         |
| Income taxes  | (215,794)              | (179,972)              |
| <b>H. – NET INCOME (LOSS) FOR THE YEAR</b>              | <b>658,789</b>         | <b>410,458</b>         |



# Report of the Board of Statutory Auditors

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**REPORT OF THE BOARD OF STATUTORY AUDITORS ON THE FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2003 PURSUANT TO ARTICLE 2429 OF THE ITALIAN CIVIL CODE**

*(Translation from the original issued in Italian)*

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

The Financial Statements as of and for the year ended December 31, 2003, hereby submitted for your approval by the Board of Directors, have been prepared in accordance with the requirements of the Italian Civil Code, interpreted and integrated by the principles established by the Italian Accounting Profession. The Financial Statements can be summarized as follows:

**BALANCE SHEET** (in Euros)

**Assets**

|                                     |               |
|-------------------------------------|---------------|
| Intangible fixed assets             | 2,224,059,467 |
| Tangible fixed assets               | 90,712,408    |
| Non-current financial assets        | 145,453,790   |
| Total fixed assets                  | 2,460,225,665 |
| Inventory                           | 20,243,578    |
| Receivables                         | 198,108,886   |
| Current financial assets            | 0             |
| Cash on hand and at banks           | 62,427,872    |
| Current assets                      | 280,780,336   |
| Accrued income and prepaid expenses | 3,464,861     |
| Total Assets                        | 2,744,470,862 |

**Liabilities and Shareholders' Equity**

|  |               |
|--|---------------|
| Shareholders' equity                       | 745,808,348   |
| Allowances for risks and charges           | 27,056,137    |
| Employee severance indemnities             | 47,450,385    |
| Payables                                   | 1,920,610,731 |
| Accrued expenses and deferred income       | 3,545,261     |
| Total Liabilities and Shareholders' Equity | 2,744,470,862 |

The Memorandum accounts reported below the Balance Sheet amount to 931,955,150 euros.

**INCOME STATEMENT** (in Euros)

|                                     |               |
|-------------------------------------|---------------|
| Total revenues                      | 469,516,552   |
| Operating costs                     | (364,270,766) |
| Operating income                    | 105,245,786   |
| Financial income (expense), net     | (94,307,227)  |
| Adjustments to financial assets     | 0             |
| Extraordinary income (expense), net | 3,214,004     |
| Income before taxes                 | 14,152,563    |
| Current income taxes                | (15,468,487)  |
| Deferred tax assets (liabilities)   | 2,385,000     |
| Net income for the year             | 1,069,076     |

We declare that the Financial Statements are made up of the documents as required by law as follows: the Balance Sheet, the Income Statement and the Explanatory Notes, which present a true and fair view of the Company's financial position, cash flows and results of operations.

The Financial Statements are also accompanied by the Management Report on Operations, in which the Board of Directors has amply described the important events of the year under examination and the Company's operating outlook.

Our examination of the Financial Statements was carried out in accordance with the principles of conduct established by the Italian Accounting Profession and, in conformity with those principles, we have referred to existing legislation regulating the preparation of financial statements, interpreted and integrated by established accounting principles.

With regard to the Balance Sheet and Income Statement we confirm that:

- the information given corresponds to the underlying accounting records submitted by the Company;
- preparation of the Financial Statements was carried out applying the accounting principles set out in article 2423 *bis* of the Italian Civil Code, in particular the prudence and going-concern principles;
- revenues posted to the Income Statement relate to the financial year under examination regardless of the collection date; as regards losses, the risks and charges relating to the year were taken into account, even if already known at the time of approval of the Financial Statements;
- only the income realized before December 31, 2003 is included;
- the provisions of articles 2424, 2424 *bis* and 2425 of the Italian Civil Code were observed.  
We would also like to note that there was no recourse to exceptions set forth by paragraph 4 of article 2423 *bis* of the Italian Civil Code;
- revenues, income, costs and charges were posted to the Income Statement in accordance with article 2425 *bis* of the Italian Civil Code;
- the dual-aspect concept was applied unless provided for by law;
- each item was compared with the corresponding item in the prior year Financial Statements.

In this regard, to facilitate comparison of the amounts reported in the financial statements with the prior year amounts, ancillary charges on loans have been reclassified from the item "Prepaid expenses" to the item "Other" under "Intangible fixed assets". Such requirement arose from the restructuring of ADR's debt.

As the method for amortizing such charges has not altered, the change in the accounting method does not affect the results for the period.

The Explanatory Notes were prepared in accordance with the requirements set out by article 2427 of the Italian Civil Code, and the information they contain corresponds to the underlying accounting records.

The document not only includes the information required by the above law but also, where necessary, the disclosures required by civil law or by tax legislation.

The supplementary schedules attached to the Financial Statements (regarding analysis of the Balance Sheet and the results of operations, in addition to the Statement of Cash Flows) permit a more in-depth understanding of the Company's financial position, cash flows and results of operations.

The accounting policies applied in the preparation of the Financial Statements and described in the Explanatory Notes comply with article 2426 of the Italian Civil Code and are consistent with those applied in the previous year.



In particular, we note that:

- incorporation and development costs are posted with the consent of the Board of Statutory Auditors and are amortized over five years;
- industrial patents and intellectual property rights are recorded at purchase cost and amortized over three years from the year that the right is first exercised or could be taken up;
- almost the entire value of concessions, licenses and trademarks is represented by the value of the airport management concession (2,028,877,000 euros as of December 31, 2003) paid by the Parent Company, Leonardo (now ADR), in order to acquire its equity investment in ADR. This cost is amortized on the basis of the residual duration of the concession, which expires on June 30, 2044;
- other fixed assets refer to leasehold improvements, which are amortized on the basis of the residual useful life of the improvement made, which is always inferior to the duration of the concession, and the ancillary charges on the loans that have financed the restructuring of ADR's debt, which are amortized over the duration of the loan (financial method);
- tangible fixed assets are recorded at purchase cost inclusive of directly chargeable incidental costs, and in some cases revalued on the basis of art. 3 of Law 72/1983; such assets are shown net of the allowance for depreciation;
- depreciation of tangible fixed assets is based on economic-technical rates representing the estimated residual useful life, which are in line with the maximum tax deductible rates permitted.  
Rates applied to assets entering service during the year are halved;
- non-current financial assets consisting of equity investments in subsidiary and associated undertakings and other companies are recorded at purchase cost. No permanent losses in value were reported during the year;
- the accounting principles used to value current assets, especially marketable securities and inventories, conform with the regulations set out in paragraph 9 of article 2426 of the Italian Civil Code;
- receivables are recorded at their nominal value directly adjusted to reflect any provisions for doubtful accounts, made in order to show their estimated realizable value;
- payables are entered at their nominal value and include any interest charges;
- accruals and deferrals effectively represent portions of costs and income, calculated on an accruals basis;
- employee severance indemnities were calculated in accordance with Law 297 of May 29, 1982 and current contract agreements to cover indemnities matured by employees as of December 31, 2003; the indemnities are shown net of any advances made;
- the allowance for accelerated depreciation as of December 31, 2003 amounted to 7,111,276 euros; no further provisions were made during the year. The allowance also complies with article 67 of Presidential Decree 917/1986;
- the Memorandum Accounts reflect commitments and possible and unlikely risks assumed by the Company;
- dividends from subsidiary undertakings are posted to the Income Statement on an accruals basis. This means posting dividends to the year in which the net income was generated by the subsidiary undertaking, prior to the date of approval of the Financial Statements of Aeroporti di Roma.

The Management Report on Operations, with which we concur, relieves us of the need to comment further on the operating performance and outlook for the current year. Additionally, the Report was prepared in accordance with article 2428 of the Italian Civil Code and corresponds to the information contained in the Financial Statements.

In addition to the above aspects, the Board considers that the following events and their impact on the financial statements should be noted:

- the transfer of handling activities at Ciampino to the subsidiary undertaking, ADR Handling S.p.A., with effect from December 31, 2003;
- the restructuring of Aeroporti di Roma's debt, involving the securitization of receivables and the consequent change in the Company's financial structure.

The above transfer generated a gain of 11 million euros, which has obviously not been used to fund the distribution of dividends.

With regard to the financial structure, there was an increase in the Company's medium- to long-term debt during 2003, accompanied by a reduction in short-term borrowing, as a result of the debt restructuring.

In this regard, the Board of Statutory Auditors wishes to highlight the negative effects deriving from the size of Aeroporti di Roma S.p.A.'s debt, the cost of which has significantly reduced the positive results generated by ordinary activities.

Finally, during 2003, in addition to our periodic checks and due controls of the Company's accounting records, the management of the Company and its compliance with the law and the articles of association required by article 2403 of the Italian Civil Code, we also attended meetings of the Board of Directors and the General Meetings of Shareholders. On the basis of such checks and controls, necessarily carried out on a random basis, we found no evidence of irregularities regarding civil, fiscal, social security or corporate requirements. Additionally, we received no complaints pursuant to article 2408 of the Italian Civil Code.

Based on the above information, we invite you to approve the Financial Statements as of and for the year ended December 31, 2003, as submitted by the Board of Directors, reporting net income of 1,069,076 euros, and to approve the proposed allocation of said income.

*Dear Shareholders,*

As mentioned by the Board of Directors, the terms of office of the Directors co-opted on to the Board expire at the end of the next General Meeting. We therefore invite you to elect new members of the Board of Directors.

*Dear Shareholders,*

The Board of Statutory Auditors' three-year term of office expires with the approval of these Financial Statements. We thank you for your confidence in us, and we invite you to elect the Board of Statutory Auditors for the three-year period 2004/2006 and determine the related fees.

Fiumicino, Italy - April 13, 2004

*THE BOARD OF STATUTORY AUDITORS*

*Fabrizio Rimassa*

*Francesco Ricco*

*Giancarlo Russo Corvace*

*Emanuele Torrani*

*Luigi Tripodo*

# Report of the Independent Auditors

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**AUDITORS' REPORT**  
(Translation from the original Italian text)

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

1. We have audited the financial statements of Aeroporti di Roma S.p.A. as of and for the year ended December 31, 2003. These financial statements are the responsibility of the Aeroporti di Roma S.p.A.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. Our audit was made in accordance with auditing standards and procedures recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards and procedures we planned and performed our audit to obtain the information necessary in order to determine whether the financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness of the accounting principles applied and the reasonableness of the estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

For our opinion on the financial statements of the prior year, which are presented for comparative purposes as required by the law, reference should be made to our report dated March 31, 2003.

3. In our opinion, the financial statements of Aeroporti di Roma S.p.A. comply with the Italian regulations governing financial statements; accordingly, they clearly present and give a true and fair view of the financial position of Aeroporti di Roma S.p.A. as of December 31, 2003, and the results of its operations for the year then ended.

■ **Reconta Ernst & Young S.p.A.**  
Sede Legale: 00196 Roma - Via G.D. Romagnosi, 18/A  
Capitale Sociale € 1.111.000,00 i.v.  
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P.I. 00891231003  
(vecchio numero R.I. 6697/89 - numero R.I.A. 250904)



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4. In the notes to the financial statements are disclosed the financial and economic effects arising from the spin off of the activities related to "Handling Ciampino", which have been transferred to the fully owned subsidiary Aeroporti di Roma Handling S.p.A. on December 31, 2003.

Rome, April 2, 2004

RECONTA ERNST & YOUNG S.p.A.  
Signed by: Bruno Vanni (Partner)

# Resolutions of the General Meetings of Shareholders

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## **RESOLUTIONS OF THE ORDINARY AND SPECIAL GENERAL MEETINGS OF SHAREHOLDERS HELD ON APRIL 29, 2004**

The Ordinary General Meeting resolved:

- to approve the Board of Directors' Management Report on Operations and the Financial Statements as of and for the year ended December 31, 2003, which report net income of 1,069,075.79 Euros to be taken to retained earnings;
- to elect Francesco Di Giovanni, Nicholas Moore, Cesare Romiti and Massimo Scarpelli as Directors, to serve until the expiry of the term of office of the existing Board of Directors;
- after consultation of the Board of Statutory Auditors, to appoint Deloitte & Touche S.p.A., for the three-year period 2004/2006, to audit the statutory and Consolidated Financial Statements and to carry out a review of the six-month report, including in consolidated form, and accounting controls.

The Special General Meeting resolved to amend articles 2, 3, 9, 10, 11 and 16 of the articles of association, with reference to corporate law reform.

## **RESOLUTIONS OF THE ORDINARY GENERAL MEETING OF SHAREHOLDERS HELD ON JUNE 4, 2004**

The Ordinary General Meeting resolved:

- to elect the Board of Statutory Auditors for the three-year period 2004/2006, to serve until the General Meeting called to approve the Financial Statements for the third year of their appointment.  
The following were elected:
  - Fabrizio Rimassa, Chairman;
  - Roberto Ascoli, Statutory Auditor;
  - Giuseppe Cappella, Statutory Auditor;
  - Giorgio Palasciano, Statutory Auditor;
  - Luigi Tripodo, Statutory Auditor;
  - Giorgio Bovi, Alternate Auditor;
  - Guido Zavadini, Alternate Auditor;
- to establish the fees to be paid to the Chairman as 62,100 Euros per year and to be paid to each Statutory Auditor as 41,400 Euros per year.

*Foto:*  
Archivio ADR

*Realizzazione editoriale:*  
Edindustria S.p.A., Roma

*Stampa:*  
Grafiche Effesei, Grosseto