Annual Report 2003

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

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

(*) *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 Giancarlo Russo Corvace Emanuele Torrani Luigi Tripodo
Alternate Auditors	Roberto Ascoli 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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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 (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
	12.31. 2003	12.31.2002
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
Ratios	2003	2002
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[2].

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

(1) 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.

(2) 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[3] 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[4] 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[5], 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%).

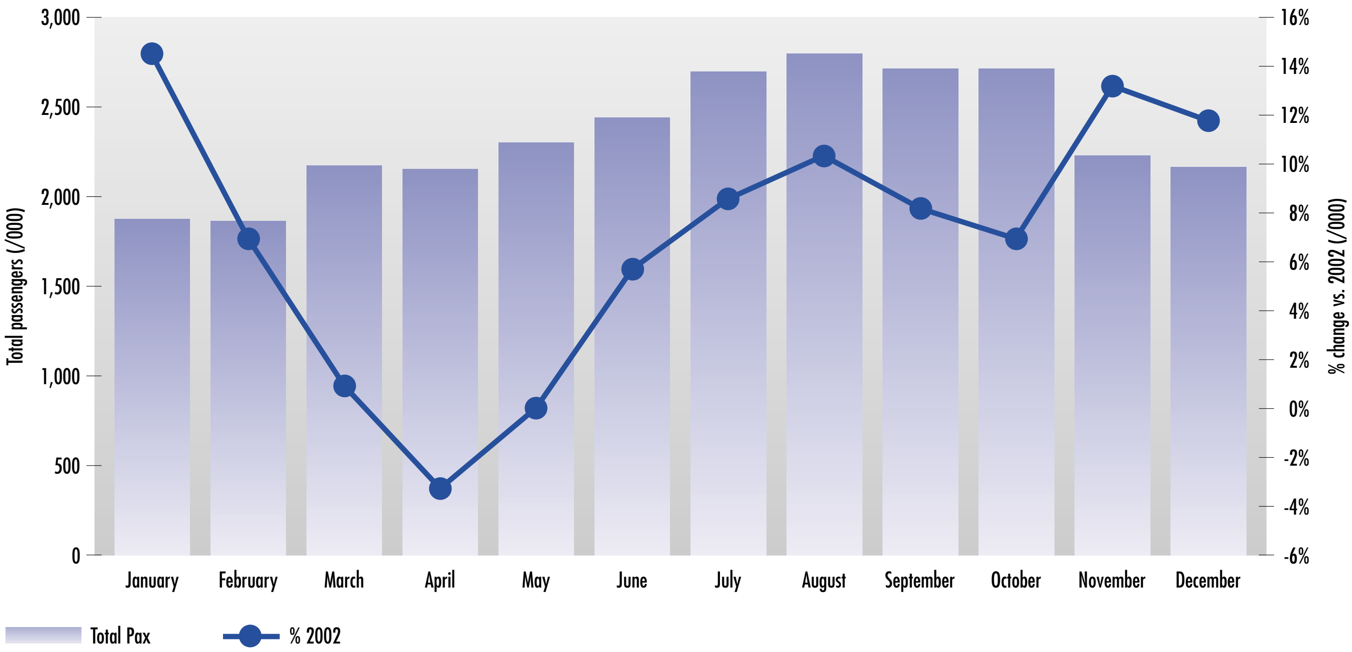
In 2003 the Roman airport system reported an increase of 6.8% with monthly performances which – as already experienced at global and European levels – were affected by the war in Iraq and the SARS epidemic.

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

[3] Source: *ACI World – Airport Traffic Report* – September 2003.
[4] Source: *ACI World – Rapid Data Exchange Program* – December 2003.
[5] Source: *Assaeroporti* – November 2003.

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 03/02	Fiumicino	% change 03/02	Ciampino	% change 03/02	Domestic	% change 03/02	International	% change 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 03/02	EU	% change 03/02	Non EU	% change 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:

	2003		2002		Change	
Traffic component	Handling at Fiumicino	% of total Fiumicino	Handling at Fiumicino	% of total Fiumicino	Handling at Fiumicino	% of total Fiumicino
No. of aircraft movements	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[6] 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 "esplosive 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

(6) *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 be 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 Sodecaer (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, it's 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 5th 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)
Total	**3,694**	**3,607**	**87**
Including:			
on permanent contracts	*2,904*	*3,047*	*(143)*
on temporary contracts	*790*	*560*	*230*

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
Total	**3,694**	**3,607**	**87**

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[7]

RECLASSIFIED CONSOLIDATED INCOME STATEMENT (in thousands of euros)	2003	2002
Revenues from sales and services	510,687	491,420
Contract work in progress	7,506	18,743
A. – REVENUES	**518,193**	**510,163**
Capitalized costs and expenses	4,232	2,587
B. – REVENUES FROM ORDINARY ACTIVITIES	**522,425**	**512,750**
Cost of materials and external services	(153,955)	(151,610)
C. – GROSS MARGIN	**368,470**	**361,140**
Payroll costs	(150,589)	(152,175)
D. – GROSS OPERATING INCOME	**217,881**	**208,965**
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
E. – OPERATING INCOME	**111,367**	**113,127**
Financial income (expense), net	(97,568)	(91,092)
Adjustments to financial assests	13,438	7,129
F. – INCOME BEFORE EXTRAORDINARY ITEMS AND TAXES	**27,237**	**29,164**
Extraordinary income (expense), net	(11,691)	22
G. – INCOME BEFORE TAXES	**15,546**	**29,186**
Income taxes for the period	(18,704)	(21,018)
Deferred tax assets	4,241	280
H. – NET INCOME FOR THE YEAR	**1,083**	**8,448**
including:		
– 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.

(7) 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[8]

RECLASSIFIED CONSOLIDATED BALANCE SHEET (in thousands of euros)	12.31.2003	12.31.2002	Change
A. – NET FIXED ASSETS			
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
	2,418,763	**2,437,519**	**(18,756)**
B. – WORKING CAPITAL			
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
	(2,718)	**(32,688)**	**29,970**
C. – INVESTED CAPITAL, minus short-term liabilities (A+B)	**2,416,045**	**2,404,831**	**11,214**
D. – EMPLOYEE SEVERANCE INDEMNITIES	**66,576**	**68,648**	**(2,072)**
E. – INVESTED CAPITAL, minus short-term liabilities and E.S.I. (C-D)	**2,349,469**	**2,336,183**	**13,286**
financed by:			
F. – SHAREHOLDERS' EQUITY			
– Parent Company's interest	689,030	718,754	(29,724)
– minority interest	20,291	47,431	(27,140)
	709,321	**766,185**	**(56,864)**
G. – MEDIUM/LONG-TERM BORROWING	**1,745,019**	**1,651,338**	**93,681**
H. – SHORT-TERM BORROWING (NET CASH AND CASH EQUIVALENTS)			
– short-term debt	16,052	45,144	(29,092)
– cash and current receivables	(120,923)	(126,484)	5,561
	(104,871)	**(81,340)**	**(23,531)**
(G+H)	**1,640,148**	**1,569,998**	**70,150**
I. – TOTAL AS IN "E" (F+G+H)	**2,349,469**	**2,336,183**	**13,286**
(*) including the value of the concession totaling	*1,995,988*	*2,045,272*	*(49,284)*

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

(8) 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[9]

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.

CONSOLIDATED STATEMENT OF CASH FLOWS (in thousands of euros)	2003	2002
A. – CASH AND CASH EQUIVALENTS - OPENING BALANCE	**81,340**	**82,608**
B. – CASH FLOWS FROM (FOR) OPERATING ACTIVITIES		
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
	51,240	**93,157**
C. – CASH FLOWS FROM (FOR) INVESTING ACTIVITIES		
Investment in fixed assets:		
– intagible	(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)
	(63,443)	**(45,775)**
D. – CASH FLOW FROM (FOR) FINANCING ACTIVITIES		
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)
	62,186	**(60,586)**
E. – DIVIDENDS PAID	**(35,194)**	**(2,449)**
F. – ALLOWANCE FOR EXCHANGE RATE VARIATIONS		
Change in allowance for exchange rate variations	**8,742**	**14,385**
G. – CASH FLOW FOR THE YEAR (B+C+D+E+F)	**23,531**	**(1,268)**
H. – CASH AND CASH EQUIVALENTS (NET BORROWING) - CLOSING BALANCE (A+G)	**104,871**	**81,340**

(9) 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
Parent Company						
Leonardo S.r.l.	0	0	0	0	0	4
Associated undertakings						
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
	0	**462**	**530**	**0**	**1,026**	**34**
Total	**0**	**462**	**530**	**0**	**1,026**	**38**

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 03/02	Fiumicino	% change 03/02	Ciampino	% change 03/02	Domestic	% change 03/02	International	% change 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 03/02	EU	% change 03/02	Non-EU	% change 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

Consolidated Balance Sheet and Income Statement

Consolidated Balance Sheet

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

ASSETS

(in thousands of euros)		12.31.2003			12.31.2002	
UNPAID SHARE CAPITAL DUE FROM SHAREHOLDERS			0			0
FIXED ASSETS						
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
CURRENT ASSETS						
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
TOTAL ASSETS			2,738,322			2,759,062

Consolidated Balance Sheet

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

LIABILITIES AND SHAREHOLDERS' EQUITY

(in thousands of euros)		12.31.2003			12.31.2002	
CONSOLIDATED SHAREHOLDERS' EQUITY						
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
MINORITY INTEREST						
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
ALLOWANCES FOR RISKS AND CHARGES						
For taxes		650			0	
Other		27,192			28,236	
Total allowances for risks and charges			27,842			28,236
EMPLOYEE SEVERANCE INDEMNITIES			66,576			68,648
PAYABLES						
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
ACCRUED EXPENSES AND DEFERRED INCOME						
Accrued expenses and other deferred income			4,366			5,638
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			2,738,322			2,759,062

Consolidated Memorandum Accounts

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

CONSOLIDATED MEMORANDUM ACCOUNTS (in thousands of euros)	**12.31.2003**		**12.31.2002**	
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
TOTAL CONSOLIDATED MEMORANDUM ACCOUNTS		930,485		976,113

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**	
TOTAL REVENUES						
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
OPERATING COSTS						
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)
Operating income			111,369			113,127
FINANCIAL INCOME AND EXPENSE						
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)	
Total financial income (expense), net			(97,569)			(91,092)

CONSOLIDATED INCOME STATEMENT (in thousands of euros)		2003			2002	
ADJUSTMENTS TO FINANCIAL ASSETS						
Revaluations:						
– of equity investments		13,438			7,129	
Write-downs:						
– of equity investments		0			0	
Total adjustments to financial assets			13,438			7,129
EXTRAORDINARY INCOME AND EXPENSE						
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
of which:						
– minority interest			3,110			3,261
– Parent Company's share			(2,027)			5,187

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.

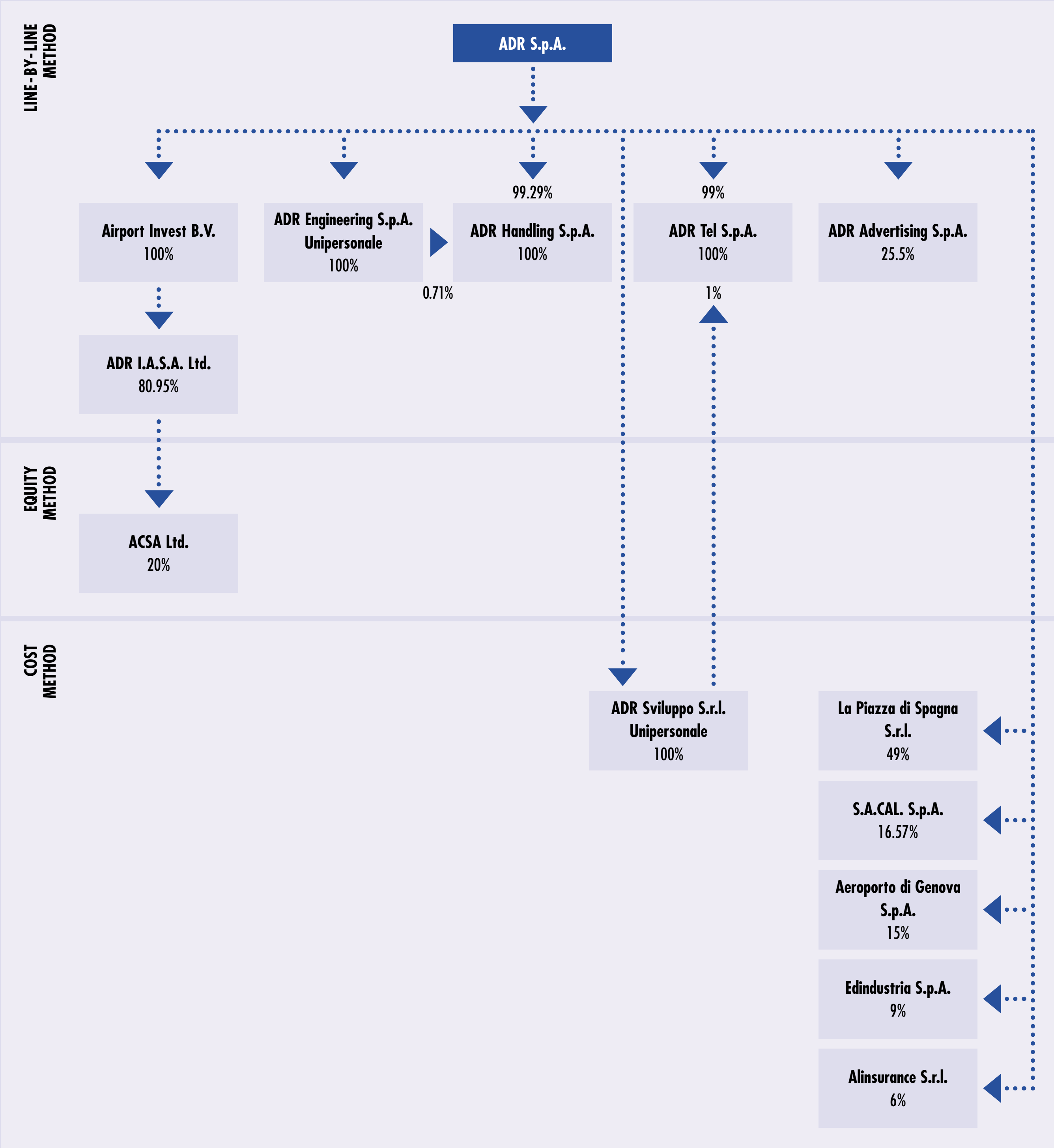
BASIS OF CONSOLIDATION

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%[10]	Airport Invest	80.95%
ADR Handling S.p.A.	Fiumicino (Rome)	EUR	18,060,000	100%	Aeroporti di Roma ADR Engineering	99.29% 0.71%
ADR Engineering S.p.A. Unipersonale	Fiumicino (Rome)	EUR	774,690	100%	Aeroporti di Roma	100%
ADR Tel S.p.A.	Fiumicino (Rome)	EUR	600,000	99%	Aeroporti di Roma	99%
ADR Advertising S.p.A.	Fiumicino (Rome)	EUR	1,000,000	25.5%[11]	Aeroporti di Roma	25.5%

[10] Equity investment in the company's total share capital (including preference shares). The interest in the ordinary stock amounts to 100%.
[11] 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%(12)	ADR International Airports South Africa	20%

(12) 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 intagible fixed assets is provided on the following page.

Intangible fixed assets

	12.31.2002		
	Cost	Amortization	Book value
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:

Changes during the period				12.31.2003		
Purchases/ Capitalization	Reclassifications	Changes basis of consolidation	Amortization	Cost	Amortization	Book 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 foxed assets is provided on the following page.

Tangible fixed assets

	12.31.2002				
	Cost	Revaluations (Law 72/1983)	Write-downs	Allowances for depreciation	Book 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/ Capitalization	Reclassifications	Disposals/ Retirements	Depreciation	Cost	Revaluations (Law 72/1983)	Write-downs	Allowances for depreciation	Book 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
Equity investments in:			
– 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
Total	108,341	13,945	122,286

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 (+) Repayments (–)	Provisions (–) 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 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 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 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 (Reversal to 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 (millions of euros)	Interest rate	Repayment	Life	Maturity Date
	B Term Facility	245	floating rate linked to EURIBOR + a spread	bullet	5 years	Feb. 2008
Syndacate of banks	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 (millions of euros)	Interest rate	Repayment	Life	Maturity Date
	A1	500	fixed	bullet	10 years	Feb. 2013
	A2	200	floating rate linked to EURIBOR + a spread	bullet	12 years	Feb. 2015
Romulus Finance S.r.l.	A3	175	floating rate linked to EURIBOR + a spread	bullet	12 years	Feb. 2015
	A4	325	floating indexed to EURIBOR until 12.20.2009 and then fixed	bullet	20 years	Feb. 2023
	B	65	floating rate linked to EURIBOR + 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).

– "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
COMMITMENTS ON PURCHASES		
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
COMMITMENTS ON SALES		
– 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 IGPDecaux S.p.A. a put option on its holding in ordinary and preference shares in ADR Advertising S.p.A..

Such option is exercisable from the date of approval of the financial statements of ADR Advertising S.p.A. as of December 31, 2004 until December 31, 2011, given the occurrence of specific conditions. As the 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
General guarantees received:		
– 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
Third party assets on free loan deposited in custody, leased or similar:		
– 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[13]
REVENUES FROM SALES		
Non-aviation activities:		
• duty free and duty paid	45,568	47,741
• other	643	565
	46,211	48,306
REVENUES FROM SERVICES		
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
REVENUES FROM CONTRACT WORK	11,455	31,052
Total revenues from sales and services	522,072	522,472
CHANGES IN CONTRACT WORK IN PROGRESS	(3,949)	(12,309)
REVENUE GRANTS	71	0
Total revenues	518,194	510,163

[13] 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.

	Fees	Handling	Centralized infrastructures	Non-aviation activities		Other activities	Total
REVENUES				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 Adminstrative 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 Adminstrative 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

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

ERNST & YOUNG

■ Reconta Ernst & Young S.p.A.
Via G.D. Romagnosi, 18/A
00196 Roma

■ Tel. (+39) 06 324751
Fax (+39) 06 32475504
www.ey.com

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
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