AUTOGRILL GROUP
CONSOLIDATED ANNUAL REPORT 2003

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The Annual Report & Accounts 2003 have been translated into English from the original version in Italian.
They have been prepared in accordance with the accounting principles established by the Italian law related to annual consolidated financial accounts, which may not conform with generally accepted accounting principles in other countries.

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THE GROUP AT A GLANCE

With Group turnover of €b 3.1, Autogrill operates, with lead brand name in Europe and the United States, in the dine-in and Food & Beverage sector, selling mainstream products and merchandise to people on the move along motorways, at airports and in railway stations and, not least, in shopping malls and in certain city centers.

With market footprint stretching out to reach 14 countries, underpinned by 4,000 sales outlets scattered across 902 locations around the globe, Autogrill served 690 million customers in calendar 2003. An employment source for some 40,000 people.

Halcyon brand and product portfolio represent one of the strengths of the Group, the declared strategic intent of which is to create route to market dine-in and Food & Beverage formulae, with upper-edge service offering, more than often, round-the-clock facilities seven days a week throughout the year.

Board of Directors*

Chairman (1)	Gilberto Benetton	
Deputy Chairman	Livio Buttignol	
Chief Executive Officer (2)	Gianmario Tondato Da Ruos	
Directors	Alessandro Benetton	
	Giorgio Brunetti (3)	
	Antonio Bulgheroni (4)	
	Marco Desiderato (3)	
	Sergio Erede (4)	
	Gianni Mion (4)	
	Gaetano Morazzoni (3)	
	Carmine Meoli, appointed Director on April 24, 2003 stepped down from the Board effective as from February 13, 2004.	
Board of Statutory Auditors **		
Chairman	Gianluca Ponzellini	Chartered Accountant
Standing Auditor	Marco Reboa	Chartered Accountant
	Ettore Maria Tosi	Chartered Accountant
Alternate Auditor	Giovanni Pietro Cunial	Chartered Accountant
	Graziano Gianmichele Visentin	Chartered Accountant

Independent Auditors **

Deloitte & Touche SpA (formerly Deloitte & Touche Italia SpA)

Disclosures pursuant to CONSOB Regulation 97001574/1997 issued by the Italian Regulatory Commission for Companies and the Stock Exchange

* Appointed up to approval of the Annual Report & Accounts 2004.
** Appointed up to approval of the Annual Report & Accounts 2005.

(1) Legal and statutory powers and legal representation including therein Company signature.
(2) Powers of ordinary administration, exercisable by single signature, pursuant to resolutions adopted on April 24, 2003.
(3) Member of Internal Audit Committee.
(4) Member of Remuneration Committee.

Autogrill SpA
Italy

Autogrill Overseas SA
Luxembourg

Autogrill Group Inc.[1]
USA

HMSHost Corp.
USA

Anton Airfood Inc.[2]
USA

Autogrill Schweiz AG
Switzerland

Autogrill Europe Nord-Ouest SA
Luxembourg

Autogrill Coté France SAS
France

Autogrill Restauration Services SA
France

Autogrill Nederland BV
The Netherlands

Autogrill Belgie NV
Belgium

AC Restaurants & Hotels SA
Luxembourg

Autogrill Austria AG
Austria

Autogrill Hellas EpE
Greece

Autogrill España SA
Spain

Receco SA
Spain

Autogrill Finance SA
Luxembourg

Simplified structure at December 31, 2003

(1) With effect from June 26, 2003, now known as HMSHost Corp.
(2) Newly consolidated company.

To our Stockholders,

It gives me great pleasure to present the Autogrill Group's Annual Report. We achieved important results last year in net sales, margins and our contract portfolio and have the possibility and determination to make further progress, led by a strong, well-balanced multinational management team.

Our 2003 net earnings were six times up on the 2002 figure, cash-flow grew by 13.3%, debt showed a significant reduction, and we posted the highest Ebitda of all the international players in the business.

We made a series of successful decisions on channel operations in the various countries. Our proven operating and project planning excellence continues in 2004 in US airports and hopefully in European airports, as well as on motorways in North America, Europe and Italy. With regard to the Food & Beverage services concessions being put out to tender by Autostrade per l'Italia, Autogrill's results are in line with its targets, which comply with the limits set by the Antitrust authorities. In any case, we have already obtained an important success: we have demonstrated our competitiveness on what is today's most fiercely contested market, and the outcome of these particularly stringent and intensely fought bidding procedures has proved our business and management model to be a winner. Among other concession-holders, an equally important area, we have met our targets.

Autogrill is aware that investors, institutions and the business community are keeping a close watch on its operations and plans, now that it has expanded outside the domestic arena to compete as one of the few Italian services multinationals and has the resources to support a new phase of growth. And it is no coincidence that the company has continued to perform profitably without feeling the effects of the crises of the last few years, 2003 included, and that the repercussions of war, epidemics or stagnating consumer spending have affected it to only a minor degree.

Autogrill has demonstrably incorporated many of the changes that have to be made in an environment subject to continual threats and sudden uncertainties. It is not passively exposed to the effects of economic cycles where crisis and recovery alternate mechanically; instead, it has established a clear, solid anti-cyclical profile through its positioning strategy and business model, its size and its operational flexibility. The decision to focus on people on the move, in areas with constantly growing traffic flows and increasing numbers of Food & Beverage services, and to operate high-profile quality concepts and brands without neglecting ties with local economic realities, gives us the strength to secure our leadership in the areas where we already operate, and at the same time, through HMSHost, to penetrate the new international trade areas, especially the Far East, whose formidable economic growth will attract a significant share of world traffic.

Having said that, we remain cautious, and not because of shortcomings in Autogrill. One cause for concern is that continuous demand for growth may be affected by regulations that are not always predictable or consistent, which sometimes vary from one country to another and from one activity to another. Whatever happens, Autogrill, and I stress this, cannot stand still. Its business must move swiftly as the market evolves, if it wants to keep up instead of having to catch up.

A regulatory culture is not the objection in Autogrill; on the contrary, we regard rules as essential to regulate competition. We simply wish that complex issues concerning the structure of a number of national markets, which continue to be at odds with one another despite their membership of the Single Market, could be resolved so as to ensure uniform accessibility, transparency and enforcement everywhere.

For these reasons, I have decided to take a pause for reflection to examine whether the conditions exist for possible changes in the company's ownership. At the same time, it is satisfying to note that this intention – which, I repeat, is simply a working hypothesis for now – has not slowed the management team, which continues to work to strengthen Autogrill's competitive positioning. I have always believed that each one of us is, and must continue to be, responsible for our own fortunes, and that this is an inalienable right.

Gilberto Benetton
Chairman Autogrill

Autogrill's objective is to maximize stockholder value as the business develops, by operating successfully in different countries across the world, by protecting Group business from known and future risks and by building a wide range of issues into its decision-making process. To achieve this, the Group's three-year Business Plan for 2004, 2005 and 2006 is based on three goals, each of which is clearly aligned to the achievement of business objectives.

Bolt-on sales

Increasing sales with healthy growth rates, by:

- rebranding and marketing mix initiatives aimed towards enhanced market footprint and marketing expenditure;
- targeted acquisitions;
- upgrading property and existing locations.

Profitability development

Increasing Ebitda and free cash flow by:

- optimizing productivity (sales to hours worked ratio) by building up production processes and staff formation and training programs;
- increasing focus placed on investment procedures, especially during the engineering, planning, implementation and control phases;
- monitoring and pruning costs as a result of introducing Group software and sharing best practices in different countries.

Contract portfolio

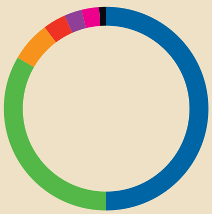
Implementing contract portfolio significance with a keen eye steered towards contract renewal turnover, aggregate contract term and new contracts captured. Helping to achieve the right balance are systems and methodologies that optimize processes, services and investments designed towards maximizing profitability in the longer term.

(€m)	2003 Financial Year	2002 Financial Year	Change aggregate	Change at constant currency (1)
Net sales and revenues	3,142.7	3,315.8	-5.2%	4.1%
Ebitda (2)	417.5	402.2	3.8%	14.4%
% to sales	13.3%	12.1%		
Ebita (3)	240.9	224.4	7.3%	19.6%
% to sales	7.7%	6.8%		
Income after minority interest	50.2	7.5	n.s.	n.s.
% to sales	1.6%	0.2%		
Cash flow (4)	333.5	294.4	13.3%	27.6%
% to sales	10.6%	8.9%		
Capital expenditure (5)	176.1	174.7	0.8%	9.1%
Net working capital	(296.5)	(341.7)		
Net capital employed	1,083.4	1,156.6		
Net indebtedness	800.2	919.8		

(1) Year-to-date FY 2003 euro/US$ and euro/Chf average exchange rate fluctuation versus FY 2002: US dollar -19.6%; Swiss franc -3.6%.
(2) Earnings before depreciation and amortization, non-recurring income/(expenses), financial income/(expenses) and income taxes.
(3) Earnings before goodwill amortization and amortization of consolidation differences, non-recurring income/(expenses), financial income/(expenses) and income taxes.
(4) Income after minority interest + depreciation, amortization and write-downs.
(5) Excluding investments in financial fixed assets and equity investments.

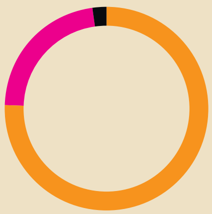
Sales breakdown

- 50.3% North America
- 33.2% Italy
- 6.4% France
- 3.7% Switzerland
- 2.7% Benelux
- 2.7% Spain
- 1.1% Others



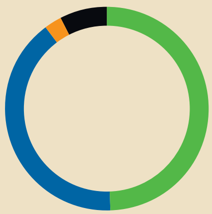
by area

- 75.6% Food & Beverage
- 22.4% Retail
- 2% Other



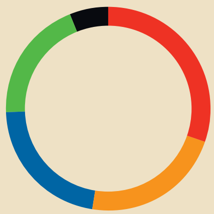
by sector

- 49.7% Motorways
- 40.2% Airports
- 2.7% Railway stations
- 7.4% Others

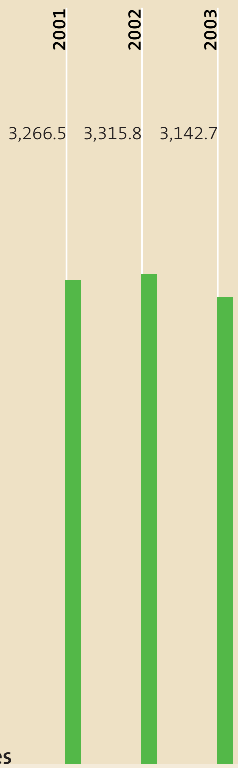


by channel

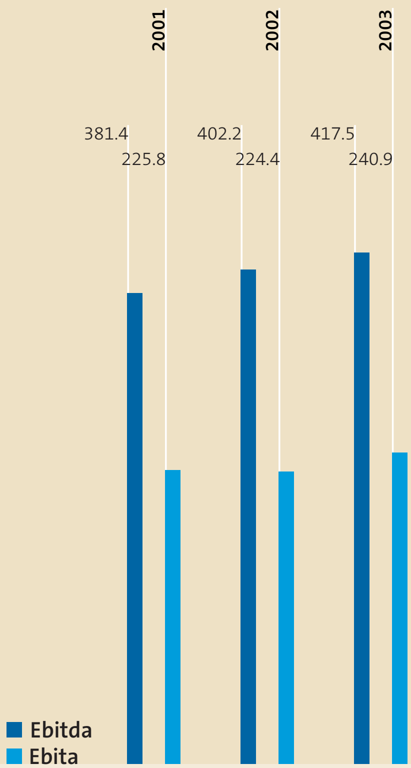
- 30.3% Snack bars
- 22.4% Shops
- 21.9% Fast food
- 19.4% Restaurants
- 6.0% Others

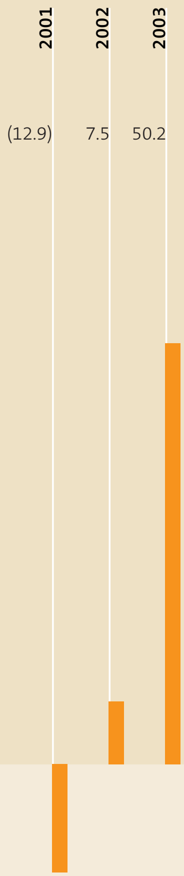


by concept

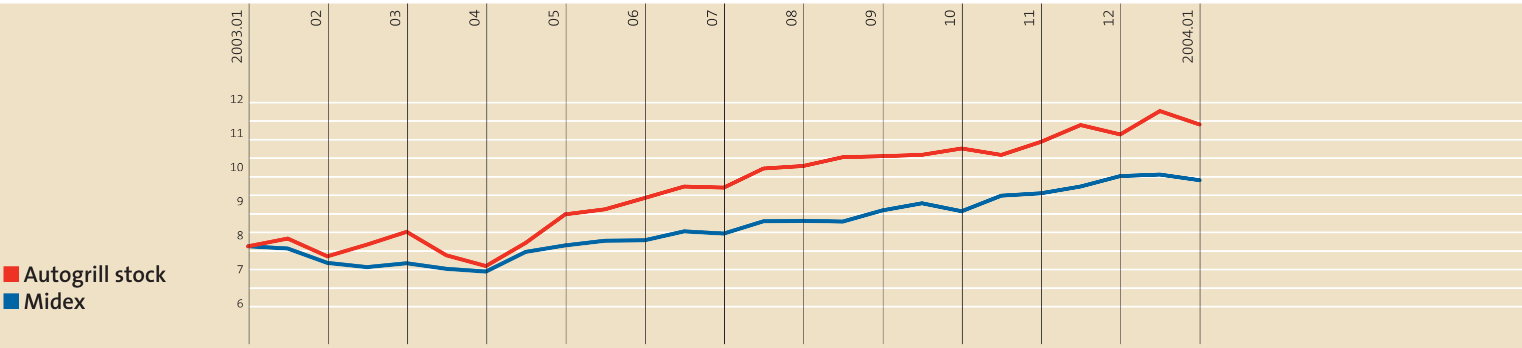


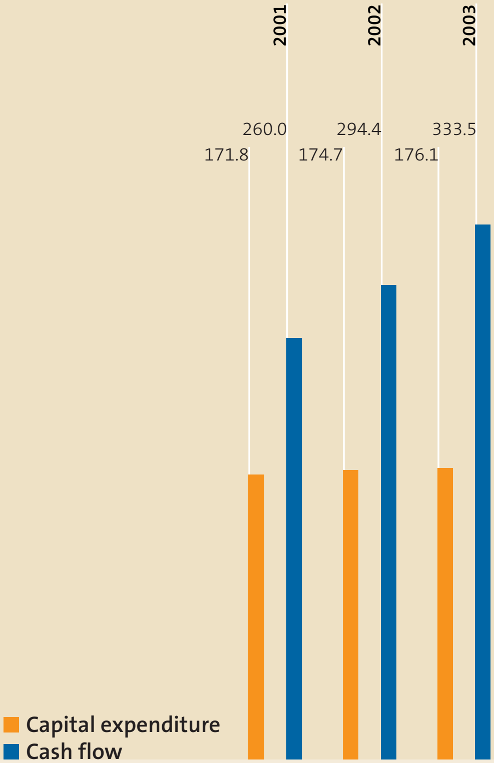
Net sales

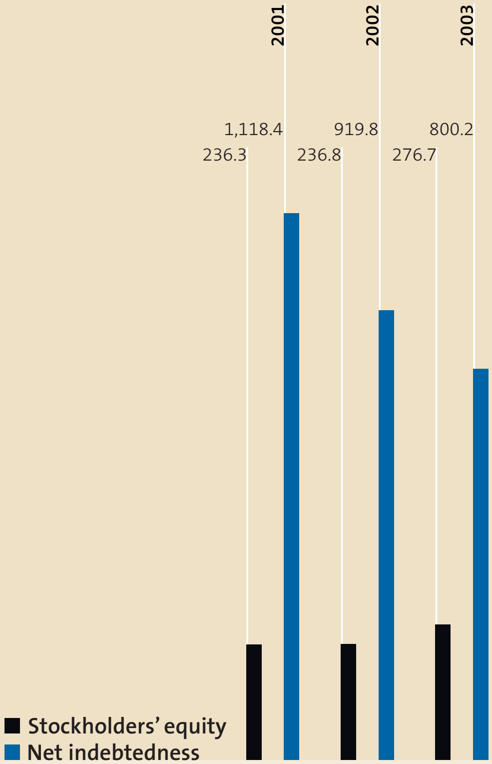




Net result


2003.01
02
03
04
05
06
07
08
09
10
11
12
2004.01
12
11
10
9
8
7
6
Autogrill stock
Midex


2001
2002
2003
260.0
294.4
333.5
171.8
174.7
176.1
Capital expenditure
Cash flow


2001
2002
2003
1,118.4
919.8
800.2
236.3
236.8
276.7
Stockholders' equity
Net indebtedness

In 2003, the Eurozone economic environment was not favorable, confirming a situation of pervasive difficulty, with GDP growing 0.4%, as compared to 3% growth in the USA, 2.1% growth in Japan (after more than ten years bruised by stagnation) and 8.5% growth in China. Calendar 2004 forecasting will not change substantially the subdued economic background of reference. Consensus forecasts for GDP growth in the United States highlight a relatively strong uplift (+4.6%) as opposed to weak performance by the EU (+1.8%), with the exception of the UK (+3.1%). Moving along a different track are consensus forecasts for the emerging markets of East Asia, particularly China, with upward spiraling growth (+8.5% for 2004). Although representing perhaps some source of concerted concern, the Far East powerhouse contributes positively towards global economic recovery, driven through by nations with proven dynamic capability, competitive advantage and potential markets ready to explore.

Looking at Italy, GDP capped 0.3% in 2003. We expect to see GDP growth recovering to a little above trend (between 1% and 1.8% - Source: Confindustria), albeit at a less brisk pace than that followed by more dynamic nations such as the United Kingdom and Spain.

GDP growth rates in advanced economies

(in %)	2001	2002	2003	2004*
USA	0.3	2.4	3.0	4.8
UK	2.0	1.6	2.2	3.1
Japan	0.4	(0.4)	2.1	1.6
China	7.3	8.0	8.5	8.5
Eurozone	1.6	0.9	0.4	1.8
Italy	1.8	0.4	0.3	1/1.8

* Forecasts
Source: C.S.C. and IMF

Growth differentials between the two macroregions (the euro and the dollar) failed to constrain appreciation of the European single currency versus the US dollar, which, in year 2003, stretched forward 20%. The exchange rate impact cost Italy about 1% of GDP lost growth.

After a decade of powerful growth, the sectors encompassed within the food services market in Italy experienced in recent years a slowdown. Exports within the food services market moved from €b 8.2 to approximately €b 15 in 2002, deteriorating to €b 14.6 in 2003. All of which against a decline, primarily as a result of poor performances, in Japan (-5.8%), USA (-3%), Germany (-3.9%) and the United Kingdom (-4.8%).
Consensus expectation for 2004 emphasizes the need for optimistic caution, particularly with regard to a pleasing recovery in exports, which should re-ignite incipient acceleration in production dynamics.

As in the United States, Autogrill's core business in Europe is focused around dine-in and Food & Beverage operations under concession. This represents the reason for which operator initiatives and investor attention has shifted, in recent years, towards consumer "venues" located across major transportation hubs (airports, railway stations and motorways) held under concession contracts, which "spark" competition and translate into royalties.
The tidal wave thrust investing the infrastructure sector (catalyst structure tie-ups, traffic lanes, high-speed, low cost, etc.), pushed through by EU new market integration and outward reach to East and South East Europe, unveils exciting prospects and reveals "food service" growth potential.

The motorways

Concession contract market in Europe

Looking at Food & Beverage services, the European motorway grid is characterized by exacting structural rigidity, pivoted around long-term concession contracts and differing levels of accessibility to contract renewal procedures in France, the UK, Germany and Spain.

In the Italian market, Autogrill has carved out the highest level of growth and development in the motorway sector. Comparable in size to that of the UK and around half in size to that of Germany, the Italian motorway grid is drenched with service station clusters and Food & Beverage pro capita expenditure (more than ten euros per 1,000 km as opposed to three euros in Germany, five euros in the UK and nine euros in France).
In other European countries, market access and operator growth is substantially achievable by, and only by, acquisitions or alliances with local operators (by way of example, Compass - Granada in the UK, Elior - Areas in Spain and Autogrill - Sogerba in France).
Outside Italy, recourse to competitive bidding procedures has yet to be trialed.

Due to the competitive bidding mechanism introduced by the Antitrust Authority for Motorways in Italy and spontaneous application by other concession assignors, exceptional mobility has been harnessed and put in place for the period 2002 through 2008. Nearing maturity and re-award are approximately 359 of the 457 currently prevailing concession contracts, reflecting turnover in the amount of €m 700, a value equivalent to the French market as a whole or triple the value of the Spanish market.

The bidding procedures are open to any Italian or international enterprise. Given the introduction of the competitive bidding mechanism and Autogrill limited growth expectations (72% of dine-in and Food & Beverage along the Italian motorways operated and managed by Autostrade per l'Italia SpA), the Antitrust Authority opened up significantly the national market.

As if any reminder were needed, 20% of concession contracts in Spain will reach maturity over the period from calendar 2002 to calendar 2008, with turnover in the range of €m 22, and, not least, 4% in France, with turnover in the range of €m 33, for which no competitive bidding procedures are envisaged.

As yet more contradictory is the situation in the United Kingdom, where staging dominant influence is a leading global operator, Compass Group Plc, for which no competitive bidding procedures whatever are envisaged. Somewhat similar is the situation in Germany, where a 10% market share ceiling per operator prevails.

And the concession contract market in America

Taken by way of example are the US toll-payment highways, where concession contract conditions prevail.
Here the picture changes significantly versus Europe, with Food & Beverage market value sharply downsized and widely marketed product sales in the range of $m 600. In truth of fact, although the United States counts numerous toll-payment highways and roads, only a very small number of those highways and roads operate on a concession contract basis.

Most of these are located in the western region of the United States. At the time of writing, toll-road key players are represented by Autogrill Group Inc. and McDonald's Corporation, flanked to which are few and far between brands insignificant in size. As a consequence, market reach cannot be stretched through acquisitions.
Somewhat similar to Autogrill are Travel Centers of America and Flying J, which operate along toll-free highways specializing in Food & Beverage services geared primarily towards truckers with emphasis placed on gasoline sales.

Along 11 toll-payment US highways, Autogrill Group Inc. operates and manages 82 service stations; 19 of these are located along Highway 400 and Highway 401 in Canada.

In general, the US highways and roads fall under the wing of Government Agencies, the task of which involves calling bids for concession contract awards/renewals. Concession contract term varies from 10 years to 20 years and, as a rule, hefty capital expenditures are required to renovate or upgrade existing structures. Concession assignor enjoys exclusive rights within service stations; more than one concession holder may coexist on the one same toll-way.

Also reflecting seamless trending in the years ahead is the US market, insofar as nearing maturity are numerous concession contracts, and diversified trending pushed through by the peculiarity characterizing the selections made by the differing local Agencies. The strategy followed by Autogrill responds to the need to tailor each and every offering to the preferences of the differing Agencies of reference.

The airports

On a global scale, gaining enhanced significance on a continuing basis within the airport channel are commercial services. For calendar 2005, the airport distribution Food & Beverage market will signify more than €b 1.4, notwithstanding the gradual shift of catalyst global business towards the Far East. Reasonable estimation of the uplift at calendar 2020 stands around 30%.

Europe: a non-competitive market

In Europe, the 90 more significant stopover airports generate leisure and business traffic flows of more than 990 million passengers/year with business volumes tipping €m 1,250. Consensus expectation for annual average growth towers 4%, or one percentage point above traffic volumes.
Key players are represented by Compass, Elior, Autogrill/HMSHost and LSG, which compete for the assignment of new concession contracts.

Comparison of major European nations places in evidence a common operational management business model, focused around one entity or individual assigned with all airport operations and Food & Beverage concession contract responsibility. Concession assignors present a mixed picture: these range from public agencies, as in France and Spain, to private or public/private organizations in Italy and Germany. The benchmark regulatory environment for dine-in and Food & Beverage services mirrors the nature of the operator assignor and related operational management regime. In France and Italy, tender bidding is public; in Germany and the UK, tender bidding is made exclusively on a bid for tender basis. Yet again in Germany and the UK, concession contracts are renewed without bidding procedures.

Average contract term approximates five years, peaking to 10 years in France, Italy and Germany.
As such, not representing a surprise is growth captured through mergers or acquisitions, as in the case of Compass - Cremonini in Italy, Compass - Gourmet Nova in Switzerland, Autogrill - Switzerland Flughafen again in Switzerland or Elior - Areas in Spain.

The United States: the leader market

In the United States, Autogrill is an acclaimed leader in the airport dine-in and Food & Beverage sector.
Within the Food & Beverage environment, competitively drawing swords are Autogrill, CA One, Concessions International and Creative Host (now Compass). Key players in the Retail sector are Paradies, Hudson, CA One, Hachette and Nuance.

As for toll-roads, US airports are operated and managed by municipal Agencies or by individual States.
Concession contract term ranges from 5 years to 10 years. Concession contract holders enjoy differing exclusive levels, ranging from the airport as a whole to one or more airport terminals or, more rarely, a limited area within the individual terminals. Concession contracts provide for hefty capital expenditures towards venue location renovation/upgrading.

Autogrill Group Inc. operates at 66 US airports and 11 other airports scattered around Canada, New Zealand, Malaysia, etc.
Estimation of the value of the Food & Beverage market in the North American airport channel stands at US$b 2.3, whilst the value of the Retail market in the North American airport channel approximates US$b 1.6, excluding duty free.

Making possible the results achieved for 2003 were certain stand-alone anticyclic characteristics peculiar to the business conducted by Autogrill and its worldwide operations. Business volume and standard production processes; mobility infrastructures; operations within concession contract markets; Food & Beverage market dynamics; brand portfolio quality and visibility and, not least, service offerings linked closely to local economic cultures represent the more significant factors differentiating the Autogrill industry.

The characteristics of the business

A business is anticylic when it draws advantage from economies of scale and value-for-money services offerings to consumers. In fact, critical mass enables effective and efficient operational management under lackluster economic conditions.

The advantages of the Autogrill business are summarized as follows:

- in monetary terms, European/American multinationality confers the advantage or offsets the disadvantage of two economic regions, according to investment capability, based on consumption cycles. As placed in evidence by the string of successes ensuing from the recent HMSHost Europe initiative, transatlantic and multinational footprint crystallizes into organizational formulae based on product innovation and process transferal on a continuing basis;
- seamless sourcing volumes enable broader and enriched assortment, with significant cost reductions;
- competitive-edge pricing policies, standard processes steered towards enhancing organizational efficiencies and value-added customer service;
- operating expenses, generated by round-the-clock services (along motorways) and seamless services offerings at all venue locations, whether low potential venue locations or otherwise, recharged to the general public on a restricted basis;
- creative-thinking and customer loyalty programs and promotions, within the framework of a far-reaching network, steered towards gaining a stronger traffic flow foothold;
- creation of quality assurance structures (for example, with vendor production process accreditation and quality of product assessment), not easily found in other offering typologies;
- creation of multi-purpose commercial venues or platforms common to services focused around business and/or leisure travel, telecommunications, advertising, industrial health, communication, etc.;
- non-pursuance of top down globalization. Seeing inception from deeply-rooted Italian traditions, Autogrill respects and adapts itself to native cultures and American and European localism. The Autogrill food services offering intermeshes with geographic location and cultural valorization of local specialties, quality and traditions.

Mobility infrastructure footprint

The business in which Autogrill engages is linked directly to mobility and infrastructure sector vitality. World Trade Organization consensus expectation sees more than 1.6 billion people, out of a 7.8 billion estimated world population, traveling abroad for pleasure in calendar 2020. Within the European market, also reflecting no sign of a slowdown is the transportation of people and goods by road. Reflecting strong growth are marine connections.
Aircraft traffic envisages low-cost flights powering ahead.
As result of commercial/transportation network linkage, Autogrill has risen to the challenges posed by the marketplace; services globalization contributes positively towards competitive edge within the infrastructure industry, more commonly identified by the enterprise.

The Autogrill offering (chain multi-services) and organization (centralized drivers and de-centralized service) have been gradually revisited in a design to become an acclaimed global flagship and to compound an effective market foothold.

(€m for Europe, $m for North America)

Location	Month	Channel	Activity	Concession length	Expected sales
2003 - North America					
Houston (Usa)	January	Airport	food	10	60
Atlanta (Usa)	March	Airport	retail	5	100
Highway 401 (Can)	April	Motorway	food	5	100
Minneapolis (Usa)	April	Airport	food	13	220
			retail	13	
Christchurch (Usa)	April	Airport	food	3	9
Montreal (Can)	June	Airport	food	9	85
Seattle (Usa)	June	Airport	food	11	295
			retail	6	
Seattle (Usa)	July	Airport	food	10	130
			retail	10	
Fort Myers (Usa)	September	Airport	food	10	146
Tulsa (Usa)	September	Airport	food	10	60
Islip-Long Island (Usa)	September	Airport	food	15	76
Illinois Tollway (Usa)	October	Motorway	food	15	185
Jackson (Usa)	October	Airport	food	10	25
Edmonton (Can)	October	Airport	retail	7	30
Houston (Usa)	November	Airport	retail	7	190
Amsterdam (Nl)	December	Airport	food	7	700
Total					**2,496**
2003 - Europe					
Milano (I)	January	Airport	food	5	30
			retail	5	
Antwerpen (B)	January	Railway station	food	8	10
Lotto 3 (I)	February	Motorway	food & retail	15	35
Total					**75**
2004 - Europe					
Marseille (F)	January	Airport	food	8	77
Athens (Gr)	January	Airport	food		
2004 - North America					
Detroit (Usa)	January	Airport	food	3	40

To the Stockholders

2003 has been another gratifying year for the Autogrill Group, whether in terms of results of operations, performance and financial condition, although there has been and continues to be an element of uncertainty in the markets in which Autogrill operates. Portfolio products and brands have been enriched. Services and product sales volumes were more than satisfactory, with pleasing attendant consequence on revenues and margins. Continuing to step ahead were measures steered towards reshaping and optimizing the Group's organizational framework, with a keen eye posed on enhancing synergies between countries, business units and distribution channels.
Clear capability, expertise and a comprehensive product offering enabled the Group to achieve significant concession contract awards and renewals, whether in Italy or abroad.

Route followed by sales

Of particular note, more than 50% of sales captured by the Group are denominated in US dollars.
In 2003, services and product volumes grew in every key market in which the Group operates, although the stronger route followed by the euro vis-à-vis the US dollar (19.6% on a year-to-date basis) and versus currencies outside the Eurozone (+3.6% on the Swiss franc) dampened the magnitude thereof in the consolidated financial accounts due to cumulative translation adjustment.

On a current currency basis, FY 2003 net sales and revenues, amounting to €m 3,142.7, mirror a 5.2% year-on-year decline (December 31, 2002: €m 3,315.8). On a constant currency basis, however, these grew 4.1%. At year-end 2003, sales revenue from the USA and the rest of the world came to €m 1,579.7, reflecting a 6.5% uplift at constant currencies (or -11% at current currencies), thereby accounting for 50.3% of consolidated revenues. When expressed in US dollars, sales revenue grew from $m 1,677.9 to $m 1,786.9.
Notwithstanding negative economic conditions, the shut down of some venue locations and the differentiated country performance tracked, sales revenue from Europe moved forward from 1.8% (+1.5% at current currencies) to €m 1,563.0 (December 31, 2002: €m 1,540.3), thereby accounting for 49.7% of consolidated revenues.

Looking at the breakdown of sales by distribution position, gaining pole position was the motorway distribution channel, delivering almost fifty per cent of consolidated revenues, followed immediately in the wake by the airport channel boasting 40.2%. As always, dine-in and Food & Beverage represent an all important revenue-producing sector, whilst holding lead position among "new concept" outlets are snack bars with 30.3%.

* Unless otherwise specified, the figures disclosed herein are in millions of euro (€m).
Year-on-year consolidated balance sheet and consolidated income statement comparables relate to FY 2002 and fourth-quarter 2002, respectively.
Given that approximately 50% of consolidated sales revenue arises from Autogrill Group sales denominated in US dollars and, moreover, taking into account the effect driven through by the appreciation of the euro versus the US dollar in 2003, the results of operations are examined and discussed on a constant currency basis in order to ensure a more immediate grasp of the year-on-year in the consolidated financial accounts for the twelve months ended December 31, 2003.
Year-on-year percentage increases/decreases are shown in brackets.

Ebitda and income after minority interest

Profitability also reflected an uplift in 2003. On a current currency basis, Ebitda, amounting to €m 417.5, spiraled upward, whether in constant currency terms (+14.4%) or current currency terms (+3.8%). The same can be said for Ebit, which grew from €m 224.4 to €m 240.9 (+19.6% at constant currencies or +7.3% at current currencies). When expressed as a percentage of consolidated sales, Ebitda and Ebit moved forward from 12.1% to 13.3% and from 6.8% to 7.7%, respectively.
Bearing the brunt of significant non-recurring items, income before minority interest was six times more than the prior year figure, stretching out to reach €m 50.2 (December 31, 2002: €m 7.5).

Cash flow and capital investment

Cash flow from operations (income after minority interest + depreciation, amortization and write-downs) tracked sound growth, whether at constant currencies (+27.6%) or current currencies (+13.3%), towering €m 330 (December 31, 2002: €m 294.4). On a current currency basis, remained substantially unchanged from the previous year (€m 176.1 as opposed to €m 174.7), whilst reflecting a 9.1% uplift at constant currencies.

Equity and net financial position

As a result of enhanced capability to generate cash flow and the weaker US dollar, net borrowings fell back 13% from €m 919.8 to €m 800.2. The reduction in net borrowings relates particularly to current financial indebtedness, the related amount of which moved downward €m 197 (at current currencies), whilst non-current financial indebtedness moved upward €m 69.9. Also reflecting a year-on-year uplift in 2003 was equity, up €m 46.4. As such, the ratio of debt to equity moved from 3.88 in 2002 to 2.83 in 2003.

Condensed consolidated income statement

(€m)	2003		2002			Change	Change at constant currency	
Sales	3,142.7		3,315.8		(173.1)	-5.2%	122.8	4.1%
Other operating revenues	89.4		91.2		(1.8)	-2.0%	2.9	3.4%
Value of production	**3,232.1**	**100.0%**	**3,407.0**	**100.0%**	**(174.9)**	**-5.1%**	**125.7**	**4.0%**
Cost of goods sold	(1,800.5)	-55.7%	(1,929.3)	-56.6%	128.8	-6.7%	(38.4)	2.2%
Added value	**1,431.6**	**44.3%**	**1,477.7**	**43.4%**	**(46.1)**	**-3.1%**	**87.3**	**6.5%**
Personnel costs	(955.7)	-29.6%	(1,030.9)	-30.3%	75.2	-7.3%	(20.1)	2.1%
Current asset write-down, provisions for risks and other provisions	(13.6)	-0.4%	(15.7)	-0.5%	2.1	-13.4%	1.0	-6.8%
Other operating charges	(35.9)	-1.1%	(41.4)	-1.2%	5.5	-13.3%	2.3	-6.0%
Gross operating profit	**426.4**	**13.2%**	**389.7**	**11.4%**	**36.7**	**9.4%**	**70.5**	**19.8%**
Goodwill amortization and amortization of consolidation differences	(93.1)	-2.9%	(96.5)	-2.8%	3.4	-3.5%	(6.4)	7.4%
Amortization and depreciation of intangibles and PPE	(176.6)	-5.5%	(177.8)	-5.2%	1.2	-0.7%	(12.5)	7.6%
Operating profit	**156.7**	**4.8%**	**115.4**	**3.4%**	**41.3**	**35.8%**	**51.6**	**49.1%**
Borrowing costs, net	(64.6)	-2.0%	(41.5)	-1.2%	(23.1)	55.7%	(25.9)	66.9%
Adjustments to the value of financial assets and losses from financial asset disposals	(6.8)	-0.2%	(7.3)	-0.2%	0.5	-6.8%	0.7	-9.3%
Result from ordinary activities	**85.3**	**2.6%**	**66.6**	**2.0%**	**18.7**	**28.1%**	**26.4**	**44.8%**
Exceptional income/(costs), net	12.5	0.4%	1.3	0.0%	11.2	n.s.	11.1	n.s.
Income before income taxes	**97.8**	**3.0%**	**67.9**	**2.0%**	**29.9**	**44.0%**	**37.5**	**62.2%**
Income taxes	**(40.8)**	**-1.3%**	**(55.1)**	**-1.6%**	**14.3**	**-26.0%**	**12.5**	**-28.5%**
Income before minority interest	**57.0**	**1.8%**	**12.8**	**0.4%**	**44.2**	**n.s.**	**50.0**	**n.s.**
Minority interest (1)	6.8	0.2%	5.3	0.2%	1.5	28.3%	2.4	54.5%
Group share (interest) for the period	**50.2**	**1.6%**	**7.5**	**0.2%**	**42.7**	**n.s.**	**47.6**	**n.s.**
Ebitda (2)	**417.5**	**13.3%**	**402.2**	**12.1%**	**15.3**	**3.8%**	**52.6**	**14.4%**

(1) Including earnings before acquisition of newly consolidated companies.
(2) Expressed as a percentage of consolidated revenues.

Revenue trending

More than 90% of Group sales arise from dine-in venues in locations or property held under concessions awarded directly by infrastructure operators or, occasionally, by gasoline and oil companies.

Analysis of Group sales revenue by business line

(€m)	2003	2002	% Change	% Change at constant currency
Sales revenue from the general public				
Dine-in and Food & Beverage	2,375.5	2,529.6	-6.1%	4.1%
Retail	705.4	725.0	-2.7%	4.1%
Hotels and other	21.8	24.5	-10.9%	-10.2%
Total sales revenue from the general public	**3,102.7**	**3,279.1**	**-5.4%**	**4.0%**
Sales revenue from third parties and affiliates	40.0	36.7	8.9%	9.1%
Total	**3,142.7**	**3,315.8**	**-5.2%**	**4.1%**

Tracking a positive route in 2003, dine-in and Food & Beverage sales moved upward 4.1% at constant currencies (or -6.1% on an aggregate basis) to €m 2,375.5 pushed through by enhanced market penetration and brisker average customer consumption. And, all of which achieved notwithstanding market potential, represented here by "travel traffic", dipping 2.7% at airports in the USA (Source: IATA) and 2.9% along Italian motorways (Source: AISCAT). On a par consolidation basis, year-on-year revenue growth was 4.6%.

Driving through the year-on-year decrease in sales revenue from hotels and other were dampened leisure travel and business travel traffic flows in Europe.

Furthermore, the figures shown in the table reported above take no account of products sold at fuel pump integrated service stations (Food & Beverage and fuel) operated and managed by the Group, the sales revenue from which amounted to €m 92.2 (December 31, 2002: €m 102.2). Recognized under "Other operating revenues" in the consolidated income statement is the relevant Autogrill mark-up attaching thereto.

Analysis of Group sales revenue by distribution channel

Looking at Autogrill Group Inc., encompassed within Group sales revenue by distribution channel are sales put in place by Anton Airfood Inc. and, as in prior years, sales put in place at Schiphol Airport in the Netherlands and the Far East.

	(€m)	2003	2002	Change aggregate	Change at constant currency
Europe	Motorways	1,218.4	1,167.6	4.4%	4.5%
	Airports	68.7	79.0	-13.0%	-11.3%
	Railway stations	85.5	86.6	-1.3%	-0.8%
	Other	190.4	207.1	-8.1%	-7.6%
	Total	**1,563.0**	**1,540.3**	**1.5%**	**1.8%**

	(€m)	2003	2002	Change aggregate	Change at constant currency
Autogrill Group Inc.	Motorways	342.4	416.2	-17.8%	-1.6%
	Airports	1,193.7	1,300.4	-8.2%	9.8%
	Railway stations	-	-	-	-
	Other	43.6	58.9	-25.8%	-11.2%
	Total	**1,579.7**	**1,775.5**	**-11.0%**	**6.5%**

	(€m)	2003	2002	Change aggregate	Change at constant currency
Group	Motorways	1,560.8	1,583.8	-1.5%	3.1%
	Airports	1,262.4	1,379.4	-8.5%	8.4%
	Railway stations	85.5	86.6	-1.3%	-0.8%
	Other	234.0	266.0	-12.0%	-8.3%
	Total	**3,142.7**	**3,315.8**	**-5.2%**	**4.1%**

Motorway channel

Group aggregate sales revenue from the motorway channel capped €m 1,560.8, or 50% of consolidated sales revenue, reflecting an uplift, at constant currencies, of 3.1%, (or -1.5% at current currencies). Sales revenue from European countries moved forward 4.4% driven through primarily by the performance harnessed in France (+11.6%), where staging an addition to sales revenue from ongoing venue locations was consolidation of Isardrôme, and in Spain (+6.3%), where reaching completion were location upgradings, and, not least in Italy (+4.3%), where revamped product offering and creative-thinking marketing mix leverage affected positively sales. Driving through the downturn in sales revenue from North America, 1.6% on a constant currency basis (or -17.8% at current currencies), were service stations shut down for restructuring purposes and, not least, severe weather conditions afflicting the US Atlantic coast in first-quarter 2003.

Airport channel
Sales revenue from the airport channel stretched forward to €m 1,262.4, reflecting a year-on-year uplift, at constant currencies, of 8.4% (or -8.5% at current currencies). Primarily pushing through sales revenue was the performance harnessed at US airports where, on a constant currency basis, revenue growth moved forward 9.8% either as a result of sales revenue from ongoing locations (+ 4.1% on a par consolidation basis albeit travel traffic dipping 2.7%) or the acquisition of Anton Airfood Inc. Also staging pleasing performance was sales revenue from Italian airports (+15.4%) pumped by all-new venue locations opened at Caselle Airport in Turin, and by sales revenue from ongoing venue locations (+11.5% on a comparable basis with the 4.4% uplift in travel traffic at the airports under review - Source: Assaeroporti). Also stepping forward was sales revenue from Athens Airport, up just under 6%. Offsetting the results reported was the pervasive downturn in sales revenue from the Swiss airport channel conditioned by the difficult situation prevailing at Zurich, the airport that continues to suffer from travel traffic flat metrics (-5.1%, Source: Unique) as a result of the crisis that swept through the Swiss Airline company and operations no longer conducted at Basle Airport due to lackluster profitability.

Railway station channel
Sales revenue from the railway station channel came to €m 85.5, or 2.7% of Group sales revenue, reflecting a 0.8% downturn on a constant currency basis (or -1.3% at current currencies). Some 63% of sales revenue from the railway station channel came from French railway stations where sales (-4.5% on the year before) stumbled as a result of railway strikes proclaimed in 2003 and restructuring works carried out at the railway stations in which Group venues are located. Offsetting to some extent dampened sales revenue from French railway stations was sales revenue from Italian railway stations (+11.1%) and Spanish railway stations (+8.7%) and, not least, from new locations opened in Belgium.
Pushing through a significant impact on sales revenue, both now and in the future, was the high-speed Madrid/Lerida railway line which entered into service in Spain.

Shopping malls, city venues and trade fairs
Sales revenue from non-concession distribution channels dipped, at constant currencies, 8.3% (or -12% at current currencies), capping €m 234, or 7.4% of consolidated sales revenue. The revenue route followed in the year represents the attendant consequence of the sales outlets shut down in the United States, Italy and Switzerland as part of the measures taken to streamline portfolio non-concession outlets and, not least, dampened consumption.

Other revenue components

Other operating revenues

Other operating revenues, arising from or relating to the Group's core business, are represented primarily by franchising rentals and business unit leases, supplier contributions and revenue from motorway toll passes, mobile phone cards and fuel sold and, not least, gains from fixed asset disposals. More particularly, encompassed within other operating expenses for financial year 2003 is the capital gain of €m 11.7 arising on disposal of the property in Milan (Via Orefici).

Cost of goods sold

On a constant currency basis, the cost of goods sold moved forward (+2.2%) to a lesser extent than revenues (+4.1%), thereby uplifting the ratio to sales from 56.6% to 55.7%. Also lifting the mood was the evolution of personnel costs in the period. When expressed as percentage of revenues, these reflect an improvement of 0.7 percentage points primarily driven through by increasingly more effective business models, also in the rest of Europe.
The movement for the year in terms of the average number of employees (expressed as Full-Time Equivalents - FTE) is set out below by geographic region:

Analysis of Group FTE by geographic region	2003	2002
Europe	15,465	16,545
Autogrill Group Inc.	20,995	20,514
Total	**36,460**	**37,059**

Write-down of current assets and provisions for liabilities and risks charges

Net of Forex differences, the balance on this item is in line with 2002.

Other operating costs

Other operating costs, represented primarily by taxes and duties (€m 18.3, other than income taxes) and negative cash-till differences (€m 3.4), moved downward €m 2.3 to €m 35.9.

Non-current asset amortization, depreciation and write-downs

Non-current asset amortization, depreciation and write-downs came to an amount totaling €m 269.7 (or €m 18.9 more than the year before). Encompassed therein is business goodwill amortization and the amortization of consolidation differences (goodwill) in the amount of €m 93.1, or €m 6.4 more than the year before primarily as a result of consolidating Anton Airfood Inc., acquired part way 2003.
As a result of reassessing the residual recoverable value, if any, attaching to non-current assets employed at business units mirroring substandard performance vis-à-vis forecast, write-downs have been recorded in the amount of €m 16.9 (December 31, 2002: €m 14.1). The write-downs relate to Swiss sales outlets (€m 9.7), Italian sales outlets (€m 4.3), Dutch sales outlets (€m 2.1) and Austrian sales outlets (€m 0.8)
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Finance costs

Net finance costs, amounting to €m 64.6, bear the brunt of non-recurring losses in the amount of €m 20.9, relating to derivative financial instruments. Further details on the risk management policy followed and, not least, the derivative contracts from which those non-recurring losses stem, can be found in the Note relating to "Off-balance sheet commitments and guarantees", disclosed on page 93.

The average interest rate on borrowings has been affected as a result of exchanging current borrowings for $m 370, carrying a variable rate of interest, by a private placement issued on January 23, 2003 which pays out fixed coupons averaging 5.88%.

Adjustments to the value of investments and losses on investment disposals

Encompassed herein is the amount of €m 7,2 relating to losses realized on disposal of the equity interest in Pastarito SpA, already written down in 2002 for an amount totaling €m 7.7. This is recognized under "Finance costs" in the consolidated income statement on page 63.

Exceptional income, net

Settled on a transactive basis in the year under review was the legal action taken by the Autogrill Group against BonAppétit Gastronomie Holding, in relation to misleading disclosures about the Passaggio group (now Autogrill Schweiz), acquired in December 2000. Resulting therefrom are receipts in the amount of Chfm 23 (or €m 15), as a result of which some of the write-downs recorded in prior years on the equity investment have been written back.

Also included therein is the provision for charges, estimated at €m 1.3, relating to the automatic settlement of income tax liabilities, and only income tax liabilities (on an "across-the-board" basis and, as in the prior year, pursuant to tax amnesty law), relating to the parent company and certain Italian subsidiaries of the Group. As if some reminder were needed, the amount of €m 4.3 was posted in the prior year in relation to the automatic settlement of fiscal year 1997, 1998, 1999, 2000 and 2001.

Income tax

Income tax moved downward €m 14.3 to €m 40.8, primarily due to the effect of non-recurring items. In particular, the Participation exemption recently introduced in Italy determined non-existent deferred tax liabilities, which, in prior years, had been posted in relation to the future taxation, if any of the write-down deducted by the parent company in application of the tax laws and regulations then prevailing. The tax benefit for the year was €m 31.8.

As a result of updated projections of the taxable base of certain Group companies, the tax assets recorded in prior years in relation to the unused tax losses reported by those companies have been written down in the amount of €m 4 for reasons of prudence.

Condensed consolidated balance sheet

	(€m)	12.31.2003	12.31.2002	Change aggregate	Change at constant currency
A	**Non-current assets**				
	Intangible fixed assets	990.8	1,087.5	(96.7)	15.5
	Property, plant and equipment	489.5	494.7	(5.2)	23.2
	Investments	20.3	34.1	(13.8)	(11.0)
		1,500.6	**1,616.3**	**(115.7)**	**27.7**
B	**Current assets**				
	Inventory	87.9	87.9	(0.0)	6.3
	Trade accounts receivable	55.6	61.0	(5.4)	(2.6)
	Other current assets	210.4	238.1	(27.7)	(3.5)
	Trade accounts payable	(407.1)	(444.6)	37.5	7.1
	Provisions for risks and liabilities	(59.1)	(88.6)	29.5	27.2
	Other current liabilities	(184.2)	(195.5)	11.3	(2.8)
		(296.5)	**(341.7)**	**45.2**	**31.7**
C	**Capital employed, less current liabilities**	**1,204.1**	**1,274.6**	**(70.5)**	**59.4**
D	**Termination benefits provisions and other non-current liabilities**	**(120.7)**	**(118.0)**	**(2.7)**	**(5.9)**
E	**Net capital employed**	**1,083.4**	**1,156.6**	**(73.2)**	**53.5**
	Financed by:				
F	**Group stockholders' equity and minority interest**				
	Group stockholders' equity	261.4	219.1	42.3	52.1
	Minority interest	21.8	17.7	4.1	5.8
		283.2	**236.8**	**46.4**	**57.9**
G	**Convertible debentures**	**383.0**	**375.5**	**7.5**	**7.5**
H	**Non-current net borrowings**				
	Non-current borrowings	321.1	344.1	(23.0)	107.3
	Non-current financial receivables		(92.9)	92.9	85.6
		321.1	**251.2**	**69.9**	**192.9**
I	**Current financial position**				
	Current borrowings	253.5	485.3	(231.8)	(224.9)
	Cash, marketable securities and financial receivables	(157.4)	(192.2)	34.8	20.1
		96.1	**293.1**	**(197.0)**	**(204.8)**
	Net financial position (G+H+I)	**800.2**	**919.8**	**(119.6)**	**(4.4)**
L	**Total, as in E**	**1,083.4**	**1,156.6**	**(73.2)**	**53.5**

As at December 31, 2003, non-current assets, on a current currency basis, moved downward €m 115.7. On a constant currency basis, non-current assets moved upward €m 27.7 due to the broader scope of consolidation driven through primarily by the acquisition of Anton Airfood.
Current assets moved forward as a result of downward curving current liabilities. The ultimate effect driven through by the contraction in non-current asset and the uplift in current assets was a year-on-year reduction of €m 73.2 in net capital employed. On a constant currency basis, net capital employed would have risen €m 53.5.
Group Stockholders' equity and minority interest increased from €m 236.8 to €m 283.2 as a result of the result reported for the year and the year-on-year change in the allowance for cumulative translation adjustment.
Group net financial indebtedness stepped backward €m 119.6, from €m 919.8 to €m 800.2.
Pushing through the year-on-year reduction was a combination of two factors. On the one hand, greater internally generated funds and the stronger euro versus the US dollar and, on the other, longer debt repayment maturities and financial receivables outstanding at year-end 2002 no longer exerting weight. Of particular note, January 2003 saw the Group placing with US Institutional Investors a debenture loan totaling $m 370. The facility carries three repayment installments of $m 44, $m 60 and $m 266 each, with repayment in seven years, eight years and ten years, respectively. Having regard to financial receivables, the debenture loan allowed to Anton Airfood has been converted into capital and the guarantee deposit previously lodged in Canada on behalf of a subsidiary undertaking has been released.

Statement of consolidated cash flows

(€m)	FY 2003	FY 2002
Net financial position at beginning of the year [1]	**(283.2)**	**175.5**
Profit/(loss) for the year (including minority interest)	57.0	12.8
Amortization, depreciation and write-downs, net of revaluations	269.7	274.3
Adjustments to the value of investments and (capital gains)/capital losses on investment disposals	6.8	7.3
Net gain on realization of non-current assets	(13.0)	(0.1)
Provisions for risks and liabilities, net	(27.2)	(1.3)
Net change in working capital [2]	(27.5)	(9.9)
Net change in non-current borrowings and termination benefits provision	5.9	4.9
Net cash flow generated by (applied to) operating activities	**271.7**	**288.0**
Investments in intangible fixed assets and property, plant and equipment:		
- intangible fixed assets and property, plant and equipment [3]	(176.1)	(174.7)
- selling price or value of reimbursement of fixed assets	22.4	5.9
- acquisition of consolidated subsidiaries	(123.2)	(58.3)
- net change in investments	0.4	(9.9)
Cash flow generated by (applied to) investing activities	**(276.5)**	**(237.0)**
Convertible debentures issued (and capitalization of zero-coupon interest)	7.5	7.4
Debentures issued	323.8	0.0
New non-current borrowings	134.5	78.5
Non-current borrowings repayment/transfer to current borrowings	(267.7)	(595.2)
Other	1.5	(5.8)
Cash flow generated by (applied to) funding activities	**199.6**	**(515.1)**
Cash flow for the year	**194.8**	**(464.1)**
Forex movement on current borrowings	(7.7)	(4.5)
Current financial indebtedness, net, at beginning of the year	**(96.1)**	**(293.1)**
Non-current financial indebtedness, net, at end of the year [4][5]	**(704.1)**	**(626.7)**
Net financial position at end of the year	**(800.2)**	**(919.8)**

(1) Amounts relative to FY 2003 and FY 2002 comprise newly consolidated companies net cash balances, amounting to €m 9.9 and €m 7.7, respectively.
(2) Including Forex difference on items of income.
(3) Excluding goodwill and consolidation differences relative to subsidiaries acquired during the year.
(4) Balances are affected by the following:

Impact arising from change in the scope of consolidation	(2.3)	-
Impact arising from Forex movement on non-current borrowings	123.0	150.2

(5) The put option attaching to the convertible debenture loan may be exercised by debenture holders on June 15, 2004, thereby determining repayment of the amount matured i.e., €m 386. Further details thereon can be found on page 55.

In the light of funding requirements arising from or relating to credit line maturities and repayment, if any, of the convertible debenture loan, Autogrill SpA negotiated new lines of credit. Further details thereon can be found below under the heading "Significant post-balance sheet events".
Current assets pushed through a cash flow of €m 271.7, which almost entirely financed investing activities, allocated to which was an amount totaling €m 276.5.

Capital expenditure

Capital expenditure other than exceptional capital expenditure (earmarked primarily for the development and maintenance of the sales outlet network) came to an amount totaling €m 176.1 (December 31, 2002: €m 174.7).
As examined and discussed in the Notes, a further amount of €m 123.2 was steered towards the acquisition of equity investments. The plentiful number of concession contracts renewed or awarded over the previous two years translated into capital spending, at constant currencies, curving upward 9.1%. On a current currency basis, year-on-year growth was 0.8% with, accordingly, the ratio of capital spending to sales stepping forward from 5.3% to 5.6%. Primarily reflecting an upturn was capital spending in North America, where the ratio on aggregate sales moved from 42% in 2002 to the current 52.7%.

Capital spending by geographic region		**2003**		**2002**
	(€m)	**% aggregate**	**(€m)**	**% aggregate**
Autogrill Group Inc.	92.8	52.7%	73.3	42.0%
Italy	52.9	30.1%	48.2	27.6%
Switzerland	8.8	5.0%	11.9	6.8%
France	10.2	5.8%	19.9	11.4%
Spain	6.2	3.5%	12.3	7.0%
Unallocated	5.2	3.0%	9.1	5.2%
Total Autogrill Group	**176.1**	**100.0%**	**174.7**	**100.0%**

More than 60% of capital spending was steered towards strategic value developments (in line with FY 2002 levels), whilst 25% was allocated towards current operating structure maintenance and overhaul.
In terms of capital spending by distribution channel, the magnitude of resources steered towards the airport distribution channel stretched forward notably (from 29.3% to 40.3%) as a result of the bids won over the last two years. However, albeit reflecting a downturn, the motorway distribution channel continues to be the distribution channel absorbing the largest slice of resources (43% in 2003). Capital spending towards the motorway distribution channel was steered primarily towards bolt-on location rebranding and restructuring whether in Italy or North America. In the United States particularly, continuing to step forward was the project relating to the New Jersey and Ohio Turnpike (six sites restructured in first-quarter 2003). Looking at Italy, a number of sales outlets have been significantly upgraded (Secchia West and Montefeltro East sites revamped, new service station models at Tevere East, Brianza South and Somaglia, and renovation of the Tirreno East site).

		2003		2002
Capital spending by distribution channel	**(€m)**	**% aggregate**	**(€m)**	**% aggregate**
Airports	71.0	40.3%	51.1	29.3%
Motorways	75.7	43.0%	88.9	50.9%
Railway stations	6.9	3.9%	9.1	5.2%
Non-concessions	7.0	4.0%	9.0	5.2%
Unallocated	15.5	8.8%	16.6	9.5%
Total	**176.1**	**100.0%**	**174.7**	**100.0%**

Operating performance by geographic region and business line

Network by geographic region

No. of sites	Motorways	Airports	Railway stations	Other	Aggregate 12.31.2003	Aggregate 12.31.2002
Europe	537	13	40	111	701	701
North America	108	79	-	10	197	183
Rest of the world	-	4	-	-	4	4
Total	**645**	**96**	**40**	**121**	**902**	**888**

The analysis by geographic region represents a key element for reading the operating performance put in place by the Autogrill Group. Operating responsibilities are line with this Analysis. Representing an exception thereto is the sales outlet operated and managed at Schiphol Airport in Amsterdam, encompassed within the European airport sales outlets included in the table above, which is headed organizationally by Autogrill Group Inc.
As a consequence, encompassed within Autogrill Group Inc. consolidated business metrics is the related operating performance thereof. Differences in performance and investment levels across geographic regions result from differing business models and operating environments. In particular, Autogrill operations in Italy, which account for more than 67% of European sales, benefit from the dominance of multibrand product offerings, thereby driving through operating efficiencies and capital rotation on a higher scale. Furthermore, the seasonal bias of sales is more marked in Europe than in North America. On the other hand, underscoring the product offering in the USA is deliberate focus on famous proprietary brand identities with a keen eye steered towards offering a diversified and segmented service.
As a result of this seamless product offering, step-change operating and management efficiencies have been developed and put in place. In particular, encompassed within Autogrill Group Inc. consolidated metrics are Anton Airfood Inc. operations and, as in prior years, business driven through by Schiphol Airport in the Netherlands.

Financial highlights by geographic region:

	(€m)	2003	2002	Change aggregate	Change at constant currency
Europe	Sales	1,563.0	1,540.3	1.5%	1.8%
	Ebitda	221.0	198.2	11.5%	11.5%
	% to sales	14.1%	12.9%	-	-
	Capital expenditure	83.3	101.4	-17.8%	-17.2%
	Amortization and depreciation	86.9	82.1	5.8%	6.3%

	(€m)	2003	2002	Change aggregate	Change at constant currency
Autogrill Group Inc.	Sales	1,579.7	1,775.5	-11.0%	6.5%
	Ebitda	213.7	227.6	-6.1%	12.4%
	% to sales	13.5%	12.8%	-	-
	Capital expenditure	92.8	73.3	26.6%	52.5%
	Amortization and depreciation	82.2	92.8	-11.4%	6.0%

	(€m)	2003	2002	Change aggregate	Change at constant currency
Not allocated	Sales	-	-	-	-
	Ebitda	(17.2)	(23.6)	27.1%	-
	% to sales	-	-	-	-
	Capital expenditure	-	-	-	-
	Amortization and depreciation	100.6	99.4	1.2%	-

	(€m)	2003	2002	Change aggregate	Change at constant currency
Group	Sales	3,142.7	3,315.8	-5.2%	4.1%
	Ebitda	417.5	402.2	3.8%	14.4%
	% to sales	13.3%	12.1%	-	-
	Capital expenditure	176.1	174.7	0.8%	9.1%
	Amortization and depreciation	269.7	274.3	-1.7%	4.2%

Autogrill Group Inc. (formerly HMSHost Corp)

In order to eliminate the impact arising from €/$ exchange rate movements, the results reported by Autogrill Group Inc. are presented below in millions of US dollars ($m).

In the year under review, sales revenue from Autogrill Group Inc. rose 6.5% to $m 1,786.9. All of this was achieved against a background intermeshed by harrowing external events - the war in Iraq, adverse weather conditions and the SARS outbreak, first in Asia and later in Canada - all of which worked sharply against motorway and airport travel traffic.

Airports
Sales revenue from the US airport distribution channel stretched out to reach $m 1,350.3, reflecting a 9.8% uplift on the year before. Aside from $m 71.3 generated by the newly consolidated company Anton Airfood Inc, year-on-year growth harnessed 4.1% notwithstanding a 2.7% dip in airport travel traffic (Source: ATA).

Motorways
Sales revenue from the US motorway distribution channel declined 1.6% to $m 387.3, due to certain locations being closed on a temporary basis part way 2003 for restructuring and rebranding and, not least, storms hitting the Atlantic coast in the first quarter of the year.

Shopping malls
Sales revenue from US shopping malls stepped downward 11.2% to $m 49.3, due to two sales outlets being shut down insofar as mirroring substandard profitability.

Ebitda and capital expenditures
Autogrill Group Inc. boasts Ebitda of $m 241.7 at year-end 2003, reflecting a year-on-year 12.4% uplift. Driving through the year-on-year uplift were more effective new business models and the newly consolidated company Anton Airfood Inc (with Ebitda of $m 11.6). When expressed as a percentage of sales, Ebitda stepped forward accordingly from 12.8% to 13.5%, or just under one percentage point more.
As a result of the plentiful number of contract awards and renewals put in place over the last two years, capital expenditures moved from $m 76.9 in 2002 to current $m 117.2. When expressed as a percentage of sales, this rose from 4.6% to 6.6%. More than 75% of resources were steered towards strategic value developments and, at the distribution channel level, towards the airport distribution channel (approximately 70% of current capital expenditures). Looking at the motorway distribution channel, mention is made yet again to the rebranding and restructuring works currently in progress at the New Jersey and Ohio Turnpike sites (six sales outlets revamped).

Strategic value developments
In the year under review, Autogrill Group Inc. carried out step-change renovations and gained new concession contracts, whether in the North American marketplace or abroad. Forecast aggregate turnover over the contract term of concession contracts renewed or awarded in the year to December 31, 2003 stands at more than $b 2.4, mainly arising from North America.

January 2003 saw dine-in and Food & Beverage outlets at Houston Airport in the United States being awarded to Autogrill Group Inc. with a 10-year concession contract term. Seeing successful award in March 2003 was the 5-year contract concession relating to Retail outlets in Atlanta Airport, the most important airport in the world in terms of passenger numbers. In April, Autogrill Group Inc. renewed for five years the contract concession relating to dine-in and Food & Beverage outlets along Highway 401 in the Canadian State of Ontario. Also renewed in April for 13 years, albeit in the airport distribution channel, were contract concessions relating to Food & Beverage and Retail outlets in Minneapolis Airport (USA) and, for three years, the contract concession in the New Zealand airport at Christchurch.
Also seeing renewal later (June 2003) were contracts relating to dine-in and Food & Beverage outlets in Montreal (Canada) and Seattle (USA) airports, the contract term of which is 9 years and 11 years, respectively. Also renewed for six years was the contract concession relating to Retail outlets in Seattle Airport.
July saw the Seattle Airport second concession contract package (awarded under a 10-year contract term) paving the way to renewal, eighteen months ahead of the original December 2004 due-date, of the Food & Beverage and Retail contract concession. Seattle Airport is one of the more significant airports in the United States passing through which in 2003 were 27 million passengers. Yet again in the United States, assigned to Autogrill in September were Food & Beverage operations at the airports of Fort Myers (10 years), Tulsa (10 years) and Islip-Long Island (15 years). Tulsa and Islip-Long Island concession contracts were won through the newly consolidated company Anton Airfood Inc.
In October, Autogrill staged its debut at Jackson Airport (dine-in and Food & Beverage; 10-year contract term) and Edmonton Airport in Canada (Retail outlets; 7-year contract term). Also captured in the motorway distribution channel was the 5-year contract concession relating to Food & Beverage outlets along the Illinois Tollway. November bears witness to the Group being awarded a concession contract relating to Retail outlets in Houston Airport (7-year contract term). Ahead of contract due-date, seeing renewal in December was the concession contract relating to dine-in and Food & Beverage outlets at Schiphol Airport in the Netherlands, with 7-year contract term.
Also seeing 10-year renewal in the twelve months to December 31, 2003, was the agreement with Starbucks involving the creation, on an exclusive basis, of Starbucks Coffee sales outlets in airports and along US highways.

Europe

Looking at European operations, the organizational framework launched in 2002 requires the presence of two divisional command posts, Autogrill Group Italian Market Sales and Autogrill Group European Market Sales, both of which refer to the Chief Executive Officer. Starting to take shape in 2003 as a result of the organizational framework put in place were preliminary results, particularly in terms of profitability.
Within the European regions in which the Autogrill Group specializes, sales revenue stepped forward 1.8%, on a constant currency basis, driven through by the combined effect arising from certain marginal business unit disposals and the pervasive weakness of certain economies. As such, aggregate sales revenue from the European market stretched forward to €m 1,563.0, or €m 22.7 more than the year before (without taking into account deconsolidations put in place part way 2003 as a result of German region withdrawals).
Highlighting decidedly more marked progress was profitability, with Ebitda stepping forward 11.5% to €m 221, or, when expressed as a percentage of sales, gaining just over one percentage point (from 12.9% to 14.1%). Pushing through this pleasing performance were efficiencies of scale and commercial headway gained across almost every European region within which the Autogrill Group operates.

2003 (€m)	Italy (*)	France	Switzerland	Spain	Belgium
Sales	1,043.2	200.1	117.4	83.5	39.5
Ebitda	170.2	24.2	4.4	11.7	2.8
% to sales	16.3%	12.1%	3.7%	14.0%	7.2%
Capital expenditure	52.9	10.2	8.8	6.2	3.2
Amortization and depreciation	43.3	16.2	12.0	4.6	2.3

(continued)	The Netherlands	Austria	Germany	Greece	Elim. & unallocated	Aggregate
Sales	45.9	21.4	5.1	7.5	(0.6)	**1,563.0**
Ebitda	5.5	1.4	(0.2)	1.0	-	**221.0**
% to sales	11.9%	6.6%	-4.3%	13.1%	-	**14.1%**
Capital expenditure	1.8	0.2	-	0.0	-	**83.3**
Amortization and depreciation	5.3	2.6	0.2	0.4	-	**86.9**

2002 (€m)	Italy (*)	France	Switzerland	Spain	Belgium
Sales	1,011.7	187.7	135.5	78.7	39.2
Ebitda	162.8	22.7	(0.1)	7.9	1.0
% to sales	16.1%	12.1%	-0.1%	10.1%	2.6%
Capital expenditure	48.2	19.9	11.9	12.3	3.0
Amortization and depreciation	40.8	16.4	10.1	3.9	2.3

(continued)	The Netherlands	Austria	Germany	Greece	Elim. & unallocated	Aggregate
Sales	51.4	21.9	7.8	7.2	(0.8)	**1,540.3**
Ebitda	5.7	(1.5)	(1.0)	0.8	-	**198.2**
% to sales	11.0%	-6.9%	-12.6%	11.5%	-	**12.9%**
Capital expenditure	3.7	2.0	0.2	0.2	-	**101.4**
Amortization and depreciation	4.6	3.2	0.4	0.4	-	**82.1**

* Data refer to "Country Italy" including parent company and its Italian subsidiaries' operations.

Italy

In Italy, sales revenue in the year under review stepped forward to €m 1,043.2, reflecting a 3.1% uplift on 2002. Operations under concession mirrored particularly pleasing performance, with sales moving upward 4.8%.

Motorways

Sales revenue from the motorway distribution channel stretched forward to reach €m 841, reflecting a 4.3% uplift, thereby outperforming travel traffic growth (+2.9%; Source: AISCAT). As a result of new product offerings brought to the market during the year and commercial initiatives put in place, full advantage was taken of a favorable calendar and the good summer season.

Airports

Particularly gratifying performance was captured by the Italian airport distribution channel, where sales stepped forward 15.4% on the prior year to €m 36.5. Driving through year-on-year growth were new sales outlets opened at Caselle Airport in Turin and good performance by existing operations, which, on a like-for-like basis, forged ahead 11.5% as opposed to the 4.4% uplift reported for travel traffic in the airports in which Autogrill operates (Source: Assaeroporti).

Railway stations

Sales revenue from the railway station distribution channel rose 11.1% to €m 11.9, primarily as a result of the "new concept"venues (Spizzico and Acafé) introduced at Termini railway station in Rome.

Shopping malls, city centers and trade fairs

Aggregate sales revenue stepped backward to €m 153.8 (December 31, 2002: €m 162.9) due to certain locations being shut down - six shopping mall sites and two city center sites - insofar as mirroring substandard performance, and, not least, dampened consumer confidence. Good performance was harnessed in the field of trade fairs, where sales revenue reflected, on a comparative basis with 2002, an 8.1% uplift reaching out to cap €m 15.9.

Ebitda and capital expenditure

At the profitability level, Ebitda in the Italian region was €m 170.2, or up 4.5% on 2002. When expressed as a percentage of sales, Ebitda was 16.3% (16.1% in 2002). Pushing through this achievement were steps and measures taken to prune operating costs along with, primarily, sound management of the cost of labor, thereby absorbing the impact arising from the National Collective Labor Contract renewal.

Capital expenditure for the year came to €m 52.9, or, when expressed as a percentage of sales, 5.1% (December 31, 2002: 4.8%). Almost 50% of resources were steered towards strategic value developments, primarily in the motorway distribution channel (approximately 70% of aggregate). Mention is made to major expansion and restructuring works carried out at diverse site locations: Secchia West and Montefeltro East, completely revamped, and Tevere East, Brianza South and Somaglia, where new service station business models have been introduced, and, last but not least, Tirreno East.

North West Europe

Encompassed in this region are operations in France, the Netherlands, Belgium and Luxembourg.
With clear focus placed on carving out step changes, whether in terms of bolt-on growth, underpinned by creative thinking and strong business principles, or enhanced profitability, underpinned by upper-edge operating efficiencies, North West Europe is operated and managed, with effect from May 2002, as a single region.

France

Sales revenue from the French region rose 6.6% in the year under review to €m 200.1. Discussed below are the performance routes followed by the two key distribution channels in which Autogrill specializes.

Motorways

Sales revenue from the French motorway channel rose 11.6% to €m 144.6. Also working towards this achievement was consolidation, following uplift from 41% to 50% of the equity interest held by Autogrill in Société Régionale de Saint Rambert d'Albon (S.R.S.R.A, known as Isardrôme). Isardrôme operates and manages four site locations along motorway routes, generating sales revenue in the amount of €m 10.3. Without taking into account sales revenue pushed through by consolidating Isardrôme, growth on a par consolidation basis would have been 1.1%. Sales revenue performance during the year presents a mixed picture: upward curving in the first six months of the year, due to pleasing results at locations in the north-east part of France, and dipping sharply in the summer, due to minor leisure travel flows along the motorways highlighted by Autogrill footprint.

Railway stations

Sales revenue from the French railway station distribution channel dipped 4.5% on a comparative basis with 2002, capping €m 54.3. Primarily working against distribution channel performance were railway national strikes in April, May and June and, not least, restructuring work at certain French railway stations, particularly at Paris Gare du Nord railway station.

Ebitda and capital expenditure

Ebitda rose 6.6%, to €m 24.2. When expressed as a percentage of sales, Ebitda was 12.1%. Staging a helping hand were workforce streams better tailored to meet demand flows and, not least, consolidation of Isardrôme (Ebitda: €m 0.9).
Capital expenditure spent in the year under review came to €m 10.2, or 5.1% of sales (December 31, 2002: €m 19.9, or 10.6% of sales). Serving to explain the year-on-year downward route tracked was completion of programmed motorway network upgrading part way 2002.

Belgium-Luxembourg

Sales revenue from Belgium in 2003 came to €m 39.5, in line with 2002.

Motorways

Sales revenue from the motorway distribution channel capped €m 33.1 reflecting a marginal year-on-year decline (December 31, 2002: €m 33.6) due to the pervasively weak Belgian economy and lackluster leisure travel flows from Germany.

Shopping malls

Revenue from shopping malls stepped ahead 2.7% to €m 5.4.

Railway stations

Sales revenue from the railway station distribution channel moved forward from €m 0.3 in the prior year to €m 1. Driving through the year-on-year upturn were the new sales outlets opened in Namur railway station at the beginning year, along with the venue locations opened in Antwerpen railway station towards the end of the year.

Ebitda and capital expenditure

Ebitda was €m 2.8 (December 31, 2002: €m 1). When expressed as a percentage of sales, Ebitda accordingly moved upward just under five percentage points (from 2.6% in 2002 to current 7.2%).
Owing to the plentiful number of strategic value developments put in place over the last two years in this geographic region (entry into the railway station distribution channel and two Mennenkensveere new sales outlets opened along motorway routes), capital expenditure remained steady around €m 3, or, when expressed as a percentage of sales, just under 8%.

The Netherlands

Sales revenue from the Netherlands in 2003 came to €m 45.9, reflecting a downturn on the prior year figure of €m 51.4. Pushing through the year-on-year decline was the weakness reflected on a continuing basis by the Dutch and German economies, which penalized primarily the hotel operations managed in the Netherlands (accounting for 15% of aggregate sales revenue).
Currently under study is a string of initiatives focused around reshaping its business portfolio and encouraging new customers to experience the Autogrill service. In terms of hotel operations managed, currently being pilot-tested is the Oosterhout Hotel. The hotel has been rebranded and included in a renowned hotel chain’s bookings circuit.

However, the decline in sales revenue has not deterred country profitability, which mirrors Ebitda gaining just under one percentage point rising from 11% to 11.9%, for a value of €m 5.5.
The amount of capital expenditure spent in the Dutch region declined to 3.8% of sales (or €m 1.8), as opposed to 7.2% in 2002.

Switzerland

In order to eliminate the impact arising from Swiss franc/euro exchange rate fluctuations, the financial data and information set out below are disclosed in millions of Swiss francs (Chfm).

Sales revenue from Switzerland in 2003 came to Chfm 178.6, or 10.1% less than the year before. Primarily pushing through the year-on-decline was the critical situation at Zurich airport and a number of sales outlets shut down (at Basle Airport and certain non-concession channel locations) and, not least, the generally weak Swiss economy.

Motorways

Sales revenue from the motorway distribution channel stayed around Chfm 76.

Airports

Sales revenue from the airport distribution channel dwindled from Chfm 64.6 to Chfm 43.4.
Pushing through the year-on-year decline was lackluster travel traffic at Zurich Airport (-5.1% at the aggregate level and -14.4% in terms of passengers-in-transit - Source: Unique), whether due to the difficulties experienced by the national airline or operations withdrawn from Basle Airport insofar as mirroring substandard performance.

Railway stations

Sales revenue from the railway station distribution channel decreased from Chfm 16.8 to Chfm 15.6.

Shopping malls, city centers and other

Sales revenue from non-concession distribution channels dipped 2.4% to Chfm 40.4.

Ebitda and capital expenditure

Albeit downward curved sales revenue from Switzerland in 2003, continuing to gather pace were operational management initiatives focused around regaining efficiencies. In truth of fact, Ebitda was Chfm 6.6 as opposed to a loss of Chfm 0.2 in 2002. Efforts towards recovering efficiencies placed clear focus on the motorway distribution channel and streamlining the operational management structure.
Capital expenditure in 2003 came to Chfm 13.7 (December 31, 2002: Chfm 17.3).

Spain

Sales revenue from Spain rose 6.1%, to €m 83.5.

Motorways

Also moving in the wake of the renovation and restructuring put in place part way 2002, sales revenue from the motorway distribution channel rose 6.3% to €m 74.1.

Railway stations

Sales revenue from the railway distribution channel surged forward 8.7% to €m 8, as a result of new high-speed lines being unveiled in October 2003 on the Madrid/Lerida track section.

Ebitda and capital expenditure

Accompanying positive performance on the sales revenue front was excellent performance in terms of profitability, with Ebitda harnessing just under 50% headway, from €m 7.9 in 2002 to current €m 11,7, thereby gaining just under four percentage points when expressed as percentage of sales, that is, from 10.1% to 14%. Primarily pushing through the year-on-year improvement were operating efficiencies recovered in the motorway distribution channel thereby setting off the impact waged by operating expenses in the railway station distribution channel caused by the late unveiling of the new high-speed Madrid/Lerida track section.

Capital expenditure spent in the Spanish region in 2003 almost halved on a year-on-year basis, declining from €m 12.3 to €m 6.2. The year-on-year decline is the attendant consequence of rebranding and expansion activities put in place in the motorway distribution channel throughout 2002 and, not least, the minor impact staged by capital investments towards railway station distribution channel development.

Austria

Sales revenue from Austria in 2003 declined marginally (-2.3%) to €m 21.4, driven through primarily by lackluster leisure travel flows from Germany.

Albeit downward curved sales revenue, profitability clearly improved, with Ebitda moving forward from 6.9% negative, when expressed as a percentage of sales, to 6.6% positive, for an amount totaling €m 1.4. Primarily pushing through the year-on-year uplift was more effective labor spread and, not least, pruned overhead.

Capital expenditure stepped backward just under €m 2 (from €m 2 to €m 0.2) following completion of the restructuring works carried out in 2002 at the Matrei location.

Germany

On September 30, 2003, Autogrill Deutschland GmbH divested five locations operated and managed throughout the German motorway grid. As a consequence thereof, sales revenue from the motorway distribution channel in 2003 came to €m 5.1 (€m 7.8 in 2002), with Ebitda €m 0.2 negative (€m - 1 in 2002).

Greece

In the year to December 31, 2003, sales revenue from Greece rose 4% to €m 7.5.

Sales revenue from the motorway distribution channel rose 2.5% to €m 4.2. Sales revenue from the airport distribution channel rose 5.8% to €m 3.3.

Also most pleasing was profitability, with Ebitda capping €m 1, or, when expressed as a percentage of sales, moving upward from 11.5% to 13.1%. No significant capital expenditures were made in the year to December 31, 2003.

Strategic value developments in Europe

A number of contract concessions, approximating €m 75 in terms of euro, have been awarded to or renewed by Autogrill. Particularly worthy of mention are the dine-in and Food & Beverage operations awarded to the Group at Milan Linate Airport, with an 8-year concession contract term, and the Food & Beverage operations awarded to the Group at Antwerpen railway station in Belgium.

Other information

Research and development
The Group's reputation is built solidly on the sum of its strengths. As such, the Group continues to invest in tangible elements such as innovation, product evolution and the development of upper-edge operating systems, which are suitable having regard to particular market and product needs.

Related party transactions
As required by Article 2359 of the Italian Civil Code and, not least, International Accounting Standard IAS 24 - Related party disclosures, related party transactions entered into during the year are summarized below.
Entered into the normal course of business, related party transactions are conducted at market conditions.

Transactions entered into with parent companies
The Autogrill Group is held by Edizione Holding SpA, which has de facto control therein by virtue of the majority (57.09%) of voting rights held. The remainder is held by institutional investors - whether Italian or international institution investors - and by innumerable savers or Autogrill Group employees.
In the year to December 31, 2003, transactions entered into with Edizione Holding SpA mainly relate to participation in a Group insurance plan in order to limit costs arising from or relating to specific risk. "Other operating expenses" relate to the portion of expenses defined following early termination of a business unit lease no longer deemed to be strategically interesting. Having taken into account the uncertainty surrounding related potential customer flows, the performance risk attaching thereto was deemed to be too high and, as a consequence, the project was disregarded. Encompassed within the item of expense are the set-up and restructuring costs incurred by Edizione Holding based on Autogrill specific needs and requirements.

Set forth in the summary table below are related party transactions put in place during the year under review and related balances arising therefrom at year-end 2003:

(€k)	Edizione Holding SpA
Income statement	
Service costs	93
Expenses relating to the use of third party assets	26
Other operating expenses	227
Balance sheet	
Trade accounts payable	-
Trade accounts receivable	426

More significant related party transactions entered with Edizione Holding Group companies:

(€k)	Benetton Group SpA	Verde Sport SpA	S.I.G.I. Srl
Income statement			
Revenues from the sale of goods and services	-	50	-
Other revenues and income	14	3	-
Purchases	8	-	-
Expenses relating to services provided	30	52	-
Expenses relating to the use of third party assets	13	-	153
Balance sheet			
Trade accounts payable	26	-	-
Trade accounts receivable	7	-	-

Transactions entered into with Edizione Holding Group companies are summarized below:

- Benetton Group SpA is currently promoting the "Benetton card" through the Autogrill SpA sales network; as such, purchases and items of income referred to above relate to that promotional activity.
- Currently in progress with Verde Sport SpA are franchising transactions involving dine-in and Food & Beverage operations in the sports center operated and managed by Verde Sport in Treviso.
- S.I.G.I. Srl has leased to Autogrill SpA some of the property occupied by a business unit.

No other significant related party transactions have been entered into.
Given their significance, discussed below are transactions entered into with Autostrade per l'Italia SpA and its subsidiaries and with Grandi Stazioni SpA, in which Edizione Holding SpA holds indirectly a 37.3% and 12.6% stake, respectively. Autogrill SpA and Autogrill Café Srl conduct Food & Beverage operations under concession from Grandi Stazioni SpA at Termini railway station in Rome.

The following summary table sets out the more significant transactions entered into during the year:

(€k)	Autostrade Group	Grandi Stazioni SpA
Income statement		
Revenues from the sale of goods and services	6	-
Other revenues and income	605	-
Expenses relating to services provided	1,087	-
Expenses relating to the use of third party assets	22,168	1,094
Balance sheet		
Trade accounts payable	12,559	173
Trade accounts receivable	828	-

Equity interests held by Directors

First name and surname	Company invested	Number of shares held as at 12.31.2002	Number of shares purchased	Number of shares sold	Number of shares held as at 12.31.2003
Livio Buttignol	Autogrill SpA	134,500	41,000	142,000	33,500
	Autogrill Coté France SA	1	-	1	-
	Autogrill Restauration Services SA	1	-	1	-
Gianmario	Autogrill Coté France SA	-	1	-	1
Tondato Da Ruos	Autogrill Restauration Services SA	-	1	-	1
Francesca Prandstraller	Autogrill SpA	3,750	-	3,750	-
(G. Tondato Da Ruos spouse)					
Carmine Meoli	Autogrill SpA	132,250	-	-	132,250
	Autogrill Coté France SA	-	1	-	1

Carmine Meoli transferred 40,000 shares in February 2004, giving timely notice thereof to CONSOB (the Italian Regulatory Commission for Companies and the Stock Exchange).

Appointments held by Directors in other listed companies

In accordance with Article 1.3 of the Group's Code of Conduct, as reviewed in July 2002 by the Corporate Governance Commission for Companies listed on the Stock Exchange, set out below are the Autogrill Directors holding appointments in other companies listed on organized markets, whether Italian or international, or in financial companies, banks, insurance companies and/or other significant enterprises:

Gilberto Benetton
Alessandro Benetton
Giorgio Brunetti
Antonio Bulgheroni
Marco Desiderato
Sergio Erede
Gianni Mion

Own shares and treasury stock

As of December 31, 2003, no parent company treasury stock or own shares are held by the parent company or other companies included in the scope of consolidation. Furthermore, no parent company treasury stock or own shares were purchased or sold in the year to December 31, 2003.

Personal data protection (Privacy)

In 2003, procedures were reviewed at the company level to include a statement of policy regarding compliance with the provisions of personal data protection set out in the Privacy Act. Given the business environment in which the company operates, a privacy statement of policy has been adopted under which the company is committed to meeting the legislative requirements set forth in the Privacy Act.
Also presented and approved at the Board Meeting held on March 26, 2004, was the Privacy Statement of Policy (PSP), as updated and re-drafted where applicable, to ensure compliance with currently prevailing legislative requirements.

Corporate Governance

Autogrill SpA applies the principles of good governance set out in the Combined Code on Corporate Governance annexed to the Listing Rules of the Italian Financial Services Authority (Borsa Italiana SpA).

Autogrill SpA confirms that reported, on an annual basis, are financial data and information relevant to an assessment of the company's position, performance and prospects and statements regarding the directors' responsibilities for preparing the company's financial statements and the auditors' responsibilities for reporting on them.

The annual report and the annual review are the substantial means the Board has for communicating during the year with all stockholders. The annual report and the annual review are transmitted to market operators and also made available by Autogrill SpA for viewing on its Internet website.

At the time of writing, the company's systems of corporate governance currently prevailing are summarized below.

Code of Best Practice

During the meeting held on November 6, 2002, the Board of Directors approved the Autogrill Group Code of Best Practice (hereinafter the "Code"). The Code sets out that the Board's first responsibility is to enhance the prosperity of the business over time, that is, to enhance the value of the stockholders' investment. Rules and regulations on their own cannot deliver prosperity - the company aims to achieve that through its strategy, people, teamwork, leadership, enterprise, experience and skills, relationships and the proper control of risk. The Board's policies, structure, composition and governing processes must reflect its first responsibility. The Code is, therefore, about more than complying with sets of prescriptive rules - it is a means, not an end. The Code can and should make a positive contribution to the business and stockholder value, as well as preventing malpractice. The group's employment policies include a commitment to equal opportunities.
The importance of employee development and training is recognized and group businesses are required to encourage employees to take advantage of relevant training programs and opportunities for advancement.
As required by law, the Code is published on the company's Internet website and on notice boards within the company.
The Code is delivered to each and every new employee joining the company and, not least, to all parties having dealings with the Autogrill Group.

Board of Directors

Called to review on an annual basis the company's systems of corporate governance and compliance with the Code of Corporate Governance, the Board of Directors also redefined more organically its role and responsibilities at the meeting held on February 25, 2004.

Role and responsibilities of the Board of Directors

The Board is responsible for developing the relationships which will contribute to the company's success, and to the success of the Group as a whole, based on strong business and entrepreneurial principles and, not least, in accordance with the appropriate standards for good Corporate Governance and with the principles set out in the Code of Best Practice.

The business of the company is managed by the Board of Directors. The Board has a formal schedule of matters reserved to it for decision, including the approval of annual and interim results, acquisitions and disposals, as well as material agreements, major capital expenditures, budgets, long range plans and senior executive appointments. Other matters are delegate to Board Committees including those detailed below.

Other than the matters reserved to the Board by law or by the Articles of Association, also reserved exclusively for decision by the Board include the following:

- reviewing Company or Group strategic, business and financial plans;
- reviewing Company or Group budgets and programmed capital expenditure;
- approving transactions giving rise to a meaningful impact on operations, performance and financial position. In particular: (a) capital investments, acquisitions, divestments, equity investment disposals and business line disposals/acquisitions; formation of joint ventures: launching bids for market and Food & Beverage tenders in excess of €m3; (b) medium and long-term funding from banks and lending institutions; (c) issuance of guarantees and sureties in excess of €m 3;
- defining the company's standards for good corporate governance and, not least, Group principles and guidelines for good corporate governance;
- establishing guidelines and evaluating, on a periodical basis, the risk-based approach adopted in establishing the system of internal control and reviewing its effectiveness;
- safeguarding assets and stockholder value, with a keen eye steered towards conflicts of interest, intragroup transactions and related party transactions, taking into due account all and any recommendations or matters reported to the Chief Executive Officer by the Executive Committee, or, where applicable, by the Internal Audit Committee;
- examining, evaluating and approving the periodical reports required by enacted laws and regulations.

Membership of the Board

The Board of Directors has one or more Executive Directors (i.e., a Chief Executive Officer, a Chairman and a Deputy Chairman, as and when having the authority to delegate powers, and Directors holding executive positions in the company) and Non-Executive Directors.

Pursuant to Article 3 of the Code of Corporate Governance, all Non-Executive Directors are independent of management and have no relationships which could materially interfere with the exercise of their independent judgment.

At the meeting held on February 25, 2004, the Board of Directors, taken as a whole, confirmed that Directors Giorgio Brunetti, Antonio Bulgheroni, Marco Desiderato and Gaetano Morazzoni are Non-Executive Directors, having taken into account the background information submitted by the prospective Directors concerned.

At the time of writing, no Nomination Committee has been appointed by the Board of Directors insofar as no queries regarding the nominations proposed have ever been raised by the stockholders.

Board meetings

The Board as a whole meets regularly during the year (nine Board meetings in 2003 and ten Board meetings scheduled for 2004) to make and review major business decisions and to monitor and test the operational performance of the company in accordance with the schedule of matters reserved by the Board for its decision. The directors are all equally accountable for the proper stewardship of the company's affairs.

In accordance with Article 2.6.2., paragraph 1c, of the Regulations issued by the Italian Financial Services Authority (Borsa Italiana SpA) on November 14, 2003, the company has duly communicated details of its annual calendar of stockholders' meetings for financial year 2004.

At the meeting held on January 27, 2004, the Board of Directors examined the new rulings and regulations arising out of the corporate law reforms recently introduced (Italian legislative decree no. 6 of January 17, 2003) relating to structured coordination and stewardship. Having taken into account the absence of structured coordination needs and, moreover, given the puzzling interpretation attaching thereto and, not least, the related problematic application thereof, the Board of Directors took the decision to designate one Director and the Chief Executive Officer to examine those reforms on an in-depth basis.

Transactions with related parties

Communicated to the Board of Directors are adequate disclosures and information about related party transactions, including those entered into on the basis of powers delegated. Transactions entered into by the company with related parties (as defined by International Accounting Standard - IAS 24 - and by CONSOB Recommendations) and/or intragroup transactions are conducted at fair value based on market conditions, that is, at the conditions that would have been applied between two independent parties in accordance with the requirements of law. Of particular note, contractual relations with related parties involving new concession contracts, relating to Food & Beverage and Retail outlets located along motorways operated and managed by Autostrade per l'Italia, are assigned on the basis of transparent and comparative procedures based on appropriate survey data prepared by an independent Advisor pursuant to Antitrust Authority pronouncements.

Further information on related party transactions can be found in elsewhere herein.
Should any Director have an interest, whether potential or otherwise, in a related party transaction, such Director:

- informs the Board of Directors about any conflict of interest that might arise;
- leaves the meeting prior to related resolution resulting therefrom.

At the time of writing, no related party transactions involving activities that are reserved for persons or entities who are members of professional boards, activities involving dealings with the public covered by Article 71-bis of CONSOB Resolution 11971 of May 14, 1999, as subsequently amended, or activities otherwise prohibited under the pertinent provisions, have been entered into, whether through subsidiary undertakings or otherwise

Composition of the Remuneration Committee

In line with the recommendations set forth in the Code of Best Practice, the Remuneration Committee consists exclusively of independent Non-Executive Directors. As nominated on April 23, 2003, the Remuneration Committee is chaired by Gianni Mion, and its other members are Antonio Bulgheroni and Sergio Erede.

In the year to December 31, 2003, the Remuneration Committee met three times to review and propose to the Board of Directors emoluments and remuneration for the Chief Executive Officer and the Deputy Chairman. The Directors' remuneration and emoluments are disclosed in the notes to the consolidated financial accounts for 2003.
On January 27, 2004, the Remuneration Committee also proposed to the Board of Directors the three-year 2004, 2005 and 2006 Cash Bonus Incentive Plan for Executive Directors. With the agreement of the Board of Statutory Auditors, the Board of Directors agreed the three-year Cash Bonus Incentive Plan. The constituent elements of the Cash Bonus Incentive Plan are 2004/2005/2006 accumulated ROI and the value of portfolio contracts on hand at year-end 2006. The maximum achievable bonus is determined by the financial performances of the company, with the balance being attributable to the achievement of personal objectives.

Internal Audit Committee

As nominated by the Board of Directors, the Internal Audit Committee is chaired by Giorgio Brunetti, and its other members are Marco Desiderato and Gaetano Morazzoni.

In the year to December 31, 2003, the Internal Audit Committee met six occasions to review the following:

- method adopted when drafting the 2003 Audit Plan prepared on the basis of a risk analysis of all Group activities;
- Internal Auditing reports issued during 2003;
- proper accounting policies agreed in harmonization with the Chief Financial Officer, the Board of Statutory Auditors and the Independent Auditors;
- engagement letter proposed by the auditing firm for the three-year 2003, 2004 and 2005 audit engagement;
- organizational and risk management model pursuant to Italian legislative decree 231/2001 steered towards reducing or cutting off risk arising from or relating to corporate business;
- programmed transition to IAS.

Risk assessment and risk management model pursuant to Italian legislative decree 231/2001

As approved by the Board of Directors on July 9, 2003, Autogrill has adopted a risk assessment and risk management model pursuant to Italian legislative decree 231/2001.
As a result of actions, a risk assessment and risk management mechanism has been put in place for identifying evaluating and managing the risks faced by the organizational framework and corporate functions with limits of authority pursuant to Italian legislative decree 231 of June 8, 2001 and, not least, creating a "risk-sensitive" profile archive. For each and every risk-sensitive profile, a risk assessment file has been prepared containing:

- identification of possible control issues and manner in which these may arise;
- identification of financial control systems;
- evaluation of the related adequacy thereof.

Given the foregoing, the model calls for an assurance program based around risks that are significant to the fulfillment of the company's business objectives and key procedures/control processes. Integral to the process are comprehensive policies of a financial and non-financial nature.

Recognizing that the implement of risk management is an iterative process and subject to continuing improvements, Autogrill continues to raise risk and control awareness and embed good risk management principles throughout the Group.

The Board of Directors has identified the Internal Auditing department as the Supervisory and Monitoring Entity, which ensures the safeguarding of assets against unauthorized use or disruption and the maintenance of proper accounting records and the reliability of financial information used within the business or for publication, making, where applicable, model update recommendations.

Stockholders relations

At the Board meeting held on February 25, 2003, the Board of Directors took the decision to submit at the Annual General Meeting called to approve the Annual Report & Accounts 2003, the recommendation to make arrangements to ensure that the stockholders' meetings are conducted in an orderly and functional manner.

Framework for a responsible business

Autogrill's commitment to a Framework for a Responsible Business unfolds into the definition and adoption of a Code of Conduct constructed around the principles, controls and codes of conduct that have been established and the responsibility assumed by Autogrill towards all stakeholders.
As such, Autogrill has put in place a framework for its activities in the future. By focusing efforts on delivering sustainable growth, and profits with responsibility, while investing for the future, Autogrill believes it will continue to be a long-term, reliable and successful business. Autogrill is committed to delivering value to all stakeholders.
Autogrill standards of business conduct encompass open and constructive dialogue with all stakeholders and the maintenance of high standards of integrity and professionalism.

Autogrill for customers

Autogrill is committed to meeting the needs of its customers by supplying products and services of quality to people on the move, at competitive prices and conditions within the marketplace, all of which in accordance with the applicable rules and regulations prevailing in the markets in which Autogrill operates.

Autogrill for human resources

Employees and collaborators are the key asset through which Autogrill seeks to achieve its quality of service and creation of value priorities.

Autogrill is committed to providing equal opportunities to individuals within its businesses worldwide in all aspects of employment. In support of this, policies, procedures and practices focus on ability and do not discriminate on any other basis.

- In the pursuance of its mission, Autogrill generated and delivered to its employees (and collaborators) added value in the amount of €m 955.7.
- During the year, Autogrill invested in staff formation and training, with a keen eye steered towards learning and development, on-site training at sales outlets and building on existing local communications and processes.

Autogrill for concession assignors

Autogrill attributes major importance to partnership relations and reciprocal trust with its concession assignors in order to secure access to that type of market and to seek out, as a consequence, customer satisfaction.

- Distributed to concession assignors in 2003, in terms of rents and royalties, was added value in the amount of €m 281.6.
- Sales volumes by location and by square meter of absolute excellence were developed, thereby qualifying the Group as the best business partner for concession contract assignors.
- Accreditations and awards have been received from concession titleholders in relation to the store space from which Autogrill operates (e.g., HMSHost Awards). Schiphol Airport and Athens Airport have been ranked as the best airports in the world for dine-in, Food & Beverage and Retail services (encompassed within the bracket ranging from more than 40 million passengers/year to 15 million passengers/year). Claiming pole position, second position and fourth position in terms of customer preference are the airports at Minneapolis, Vancouver and San Diego, respectively.
  Taking inception from the partnership between Autogrill and Bacardi, the Casa Bacardi new concept won in the USA the Food & Beverage New Concept award, assigned by the prestigious magazine Airport Revenue News.

Autogrill for vendors

Autogrill is committed to sourcing across markets products of quality, equipment and services at the most advantageous conditions for the company in terms of quality, service and pricing.

- Autogrill generated and delivered to its vendors in 2003 added value in the amount of €m 1,416.1.
- Autogrill has strengthened its thrust towards partnership, by way of willingness and capability to carve out competitive-edge vendor relations also in a design to develop and launch new products (for example, Segafredo for the Acafé blend).
- Market visibility and economic opportunities have been offered to vendors, whether local, regional or national, by promoting permanent initiatives (supply and sale of local/regional/national specialties and products) or transitional initiatives (for example, Campagna Amica or A trip to flavor).

Autogrill and the Public Administration

Autogrill maintains necessary and useful relations, duly observing roles and functions and, not least, in the spirit of maximum collaboration, with the Public Administration and with privatized agencies.

- Autogrill generated and delivered in 2003 to the Public Administration added value in the amount of €m 75.6.
- Autogrill collaborates and coordinates with the applicable authorities in a design to ensure order and safety at significant shows or events, particularly sports events, prohibiting the distribution of wine and spirits and put in place vigilantes and security guards to monitor the gathering of fans or other large flows of people.
- Other than complying with the requirements of law vis-à-vis Government Agencies, Autogrill maintains relations with Regional and Local Authorities.

Autogrill and internal control

Autogrill confirms that there is an ongoing process for identifying, evaluating and managing the risks faced by the Group and that it has been places throughout the year and continues in operation to date. This process accords with the Code of Conduct and with other regulations and business procedures.

Autogrill intends to integrate the process for identifying, evaluating and managing risk within its business environment (from organization to the system of proxies and powers and from planning to budget controls).

Autogrill, competitive environment and the marketplace

Autogrill is committed, in terms of customer and vendor relations, to observance of national and community free-market laws, regulations and principles.

Significant post-balance sheet events and business outlook

Significant post-balance sheet events

Syndicate loan

After the year-end and, more precisely, on March 19, 2004, Autogrill entered into a financing contract for an amount totaling €m 800, structured under four repayment installments, with Lead Banks being Banca Intesa and MCC by way of bank organizer. The syndicate loan, which is structured under four repayment installments, carries a five-year maturity date. The purpose of the transaction, currently under syndication, is to refinance, on a medium-term basis, certain current lines of credit falling due in the course of the year and, moreover, to make available the provision of capital that might be needed to replace, as the case may be, the convertible debenture loan issued by Autogrill Finance in the originary amount of €m 350. On June 15, 2004, the option right attaching to the convertible debenture loan referred to above may be exercised by debenture holders.

Taken as a whole, the funding financed by the syndicate loan ensures to the Company adequate funding sources in the medium term.

Concession contracts awarded or renewed after year-end 2003

As a result of putting together a team, guided by HMSHost Europe and dedicated to strategic value development within European airports, the Group was able to seize the opportunity of acquiring new contract concessions in Athens and Marseille. As part of the programmed expansion of services for the now imminent 2004 Olympic Games, Athens Airport, which already handles 12 million passengers/year, launched a tender for additional dine-in and Food & Beverage locations, five of which have been awarded to Autogrill.

The team enabled Autogrill to qualify for the first ever in the French market as the operator taking over the operations already in place at Marseille Airport. Served by more than 81 airlines, Marseille Airport boasts 5.4 million passengers/year. Anticipated sales resulting therefrom are estimated at €m 77.

Captured in January 2004 was the concession contract for the operation and management of Food & Beverage operations at Detroit Airport's two terminals for a three-year contract term. Anticipated revenues are estimated at $m 40.

Earmarked for re-assignment, due to concession contract maturity falling due in first-half 2004, is a plentiful number of small and medium-sized Food & Beverage sites operated principally under lease by the Italian motorway distribution channel. New assignee selection, relating to areas under the wing of Gruppo Autostrade per l'Italia, has been entrusted to an independent Advisor who has published a concession contract renewal calendar encompassing more than 130 Food & Beverage sites; Autogrill has footprint in two-thirds of those sites.

Taking into account the step down from the individual sites and the pronouncements emanated by the Italian Antitrust Authority ("AGCM"), the Group steered focus towards priority targets having the capability to ensure optimized performance and enhanced geographic distribution.

The preliminary awards decided by the Advisor work towards proving that Autogrill has the capability to compete in line with preset targets and, moreover, to enlarge the presence of qualified competitors in line with AGCM expectations.

Pursuant to the calendar referred to above, programmed concession contract renewals should be completed by or before June 30, 2004, albeit pending are many appeals challenging the innumerable procedures already performed.

At the time of writing, planned portfolio enhancement should be realized within impacting significantly the value and quality of the network operated and managed by the Group in Italy.

By way of support to the portfolio strategies, whether Italian or international, the Group has broadened its product and brand management portfolio.
Continued to be pursued was the valorization of widely marketed third party brands in order to enhance the spread and positioning of Autogrill Group brand identities.
Collaboration with Segafredo, Lavazza, Illy Caffè and, not least, Brioche Dorée sustains decisively such market spread and innovation.

Business outlook

2004 edged its way in accompanied by a more forceful macroeconomic thrust in North America and dampened consumer confidence throughout Europe.
Not lacking were exceptional events, whether in terms of weather conditions or political factors, having an unfavorable impact on mobility and consumption outside the home.
This year too, the calendar for public holidays places in evidence longer week-end spates in second-quarter 2004 and/or reduces their number.
Albeit the exceptional events referred to above, Autogrill Group average trending in the first 12 weeks of the year followed an anticyclic route.
Without taking into account exchange rate fluctuations, sales moved forward 6.6% on the year-earlier period, or, on a comprehensive average basis, +12% in North America, +2.5% in Italy and differentiated trending in other European nations.
At the time of writing, actual figures confirm operating performance in line with budget, while representing a decisive factor will be the level of operations put in place on occasion of upcoming public holidays and in the summer season.

CONSOLIDATED BALANCE SHEET AND CONSOLIDATED INCOME STATEMENT AS OF DECEMBER 31, 2003

Consolidated balance sheet

	Assets (€k)	12.31.2003	12.31.2002	Change
A	**Due from Shareholders for capital not paid in**	-	-	-
B	**Non-current assets**			
I	**Intangible assets**			
1	Incorporation and start-up costs	162	412	(250)
4	Concessions, licenses and brands	30,172	39,993	(9,821)
5	Business goodwill	422,484	547,312	(124,828)
5	bis Consolidation difference	293,330	247,016	46,314
6	Assets under development and advances	4,015	3,915	100
7	Other:			
a	leasehold improvements	218,821	225,838	(7,017)
b	other	21,842	22,972	(1,130)
	Total	**990,826**	**1,087,458**	**(96,632)**
II	**Property, plant and equipment**			
1	Land and buildings	97,850	107,296	(9,446)
2	Operating facilities	60,325	65,269	(4,944)
3	Commercial and operating equipment	116,430	118,814	(2,384)
3	bis Freely transferable assets	112,228	105,345	6,883
4	Other	8,518	9,325	(807)
5	Assets under construction	94,193	88,668	5,525
	Total	**489,544**	**494,717**	**(5,173)**
III	**Investments**			
1	Investments in:			
b	associated companies	2,337	19,485	(17,148)
c	other enterprises	99	450	(351)
2	Receivables:			
b	from associated companies	567	38,225	(37,658)
d	from others:			
*	of which: current	1,263	1,449	(186)
*	of which: non-current	15,769	67,101	(51,332)
3	Other	295	307	(12)
	Total	**20,330**	**127,017**	**(106,687)**
	Total non-current assets	**1,500,700**	**1,709,192**	**(208,492)**

	(continued)	12.31.2003	12.31.2002	Change
C	**Current assets**			
I	**Inventory: merchandise for resale, supplies and other**	**87,912**	**87,943**	**(31)**
II	**Receivables**			
1	Trade accounts receivable	55,574	60,991	(5,417)
3	Associated companies	2,606	486	2,120
5	Others:			
a	advance taxation:			
*	of which: current	28,649	32,080	(3,431)
*	of which: non-current	114,718	130,162	(15,444)
b	other	56,487	64,347	(7,860)
	Total	**258,034**	**288,066**	**(30,032)**
III	**Marketable securities**			
	Others	-	2,098	(2,098)
IV	**Bank and cash**			
1	Bank balance	104,215	122,423	(18,208)
3	Cash balance	38,329	47,583	(9,254)
	Total	**142,544**	**170,006**	**(27,462)**
	Total current assets	**488,490**	**548,113**	**(59,623)**
D	**Bond discounts, prepaids and accruals**			
a	bond discounts	88,077	95,587	(7,510)
b	prepaid expenses and accrued income	22,846	31,088	(8,242)
	Total	**110,923**	**126,675**	**(15,752)**
	Total assets	**2,100,113**	**2,383,980**	**(283,867)**

	Stockholders' equity and liabilities (€k)	12.31.2003	12.31.2002	Change
A	**Stockholders' equity**			
I	Capital stock	132,288	132,288	-
II	Additional paid-in capital	-	-	-
III	Revaluation reserves	-	-	-
IV	Legal reserve	1,712	1,712	-
V	Reserve for treasury stock	-	-	-
VI	Statutory reserves	-	-	-
VII	Other reserves	77,257	77,678	(421)
VIII	Retained earnings	-	-	-
IX	Net income for the financial period	50,174	7,463	42,711
	Stockholders' equity before minority interest	**261,431**	**219,141**	**42,290**
	Minority interest	21,786	17,689	4,097
	Total Stockholders' equity	**283,217**	**236,830**	**46,387**
B	**Provision for liabilities and charges**			
1	Provision for pension and similar benefits	9,507	10,552	(1,045)
2	Deferred income tax liability	26,140	61,888	(35,748)
3	Other provisions	41,031	37,605	3,426
	Total	**76,678**	**110,045**	**(33,367)**
C	**Provision for employee termination benefits**	**94,117**	**91,336**	**2,781**

	(continued)	12.31.2003	12.31.2002	Change
D	**Liabilities**			
1	Bonds:			
*	of which: non-current	292,955	-	292,955
2	Convertible bonds:			
*	of which: current	471,055	-	471,055
*	of which: non-current	-	471,055	(471,055)
3	Borrowings from banks:			
*	of which: current	214,678	464,710	(250,032)
*	of which: non-current	22,852	332,768	(309,916)
4	Other borrowings:			
*	of which: current	3,338	4,151	(813)
*	of which: non-current	5,330	6,500	(1,170)
5	Advances	136	353	(217)
6	Trade accounts payable	406,545	444,343	(37,798)
9	Payables - Associated companies	-	4,597	(4,597)
10	Payables - Parent company	426	125	301
11	Tax liabilities	42,428	32,608	9,820
12	Social security liabilities	28,125	26,289	1,836
13	Other:			
*	of which: current	128,158	130,707	(2,549)
*	of which: non-current	7,414	8,702	(1,288)
	Total liabilities	**1,623,440**	**1,926,908**	**(303,468)**
E	**Accrued expenses and deferred income**	**22,661**	**18,861**	**3,800**
	Total Stockholders' equity and liabilities	**2,100,113**	**2,383,980**	**(283,867)**

Off-balance sheet commitments and guarantees	12.31.2003	12.31.2002	Change
Unsecured guarantees	41,088	32,204	8,884
Secured guarantees - Balance sheet liabilities	2,354	49,354	(47,000)
Commitments for purchases and sales	1,033,884	869,529	164,355
Other commitments	26,014	40,775	(14,761)
Total off-balance sheet commitments and guarantees	**1,103,340**	**991,862**	**111,478**

Consolidated income statement

	(€k)	FY 2003	FY 2002	Change
A	**Operating revenues**			
1	Sales	3,180,742	3,356,307	(175,565)
5	Other operating revenues	87,899	86,682	1,217
	Total operating revenues	**3,268,641**	**3,442,989**	**(174,348)**
B	**Operating costs**			
6	Cost of merchandise for resale and supplies	1,113,299	1,177,127	(63,828)
7	Cost of services	311,006	339,994	(28,988)
8	Lease, rental and royalty charges	419,978	454,144	(34,166)
9	Personnel costs:			
a	wages and salaries	758,685	821,022	(62,337)
b	social security charges	131,337	140,567	(9,230)
c	employee termination benefits	15,996	15,740	256
d	pension and similar obligations	592	868	(276)
e	other	49,097	52,729	(3,632)
10	Depreciation, amortization and write-downs:			
a	amortization of intangible assets	169,868	173,702	(3,834)
b	depreciation of property, plant and equipment	82,914	86,487	(3,573)
c	write-down of intangible assets and PPE	16,890	14,121	2,769
d	write-down of current receivables	4,435	6,656	(2,221)
11	Change in inventory levels	(7,086)	(3,738)	(3,348)
12	Provisions for liabilities and risks charges	5,387	5,701	(314)
13	Other provisions charges	3,820	3,302	518
14	Other operating costs	35,729	39,240	(3,511)
	Total operating costs	**3,111,947**	**3,327,662**	**(215,715)**
	Operating profit (A-B)	**156,694**	**115,327**	**41,367**

	(continued)	FY 2003	FY 2002	Change
C	**Finance income and costs**			
15	Equity investments in associates	711	140	571
16	Other finance income:			
a	financial receivables	5	2	3
b	securities included in fixed assets	13	59	(46)
c	marketable securities	1,356	2,121	(765)
d	other finance income	18,094	25,704	(7,610)
17	Finance costs:			
a	financial institutions	(10,520)	(25,684)	15,164
b	associated companies	(7,221)	-	(7,221)
c	third party	(26,301)	(7,546)	(18,755)
d	other finance income	(47,956)	(36,259)	(11,697)
	Total finance income and costs	**(71,819)**	**(41,463)**	**(30,356)**
D	**Financial assets write-downs**			
18	Revaluation of marketable securities:			
a	investments	498	783	(285)
19	Write-downs:			
a	investments	(97)	(8,087)	7,990
	Total financial assets write-downs	**401**	**(7,304)**	**7,705**
E	**Exceptional items**			
20	Income	15,437	21,487	(6,050)
21	Expenses	(2,945)	(20,220)	17,275
	Total exceptional items	**12,492**	**1,267**	**11,225**
	Profit before tax	**97,768**	**67,827**	**29,941**
	Income tax	(40,822)	(55,051)	14,229
	Profit before minority interest	**56,946**	**12,776**	**44,170**
	Minority interest [1]	6,772	5,313	1,459
	Net profit for the financial period	**50,174**	**7,463**	**42,711**

(1) Includes pre-acquisition result of newly consolidated companies.

Basis of preparation

The consolidated financial statements for 2003 have been prepared pursuant to Italian legislative decree 127/1991, section III, which incorporated under Italian law the EC Seventh Directive. The Notes serve to illustrate, analyze and explain the data included in the consolidated financial statements and contain that information which is required by Article 38 et seq. of Italian legislative decree 127/1991. The accounting policies adopted in the preparation of the consolidated financial statements for the year ended December 31, 2003 are unchanged from the previous year.

Furthermore, in order to ensure a more immediate grasp of the state of affairs and financial condition of the Group at December 31, 2003, certain like-for-like FY 2002 balance sheet and income statement items previously published have been reclassified without, however, impacting consolidated net income as at December 31, 2002 and consolidated stockholders' equity for the year then ended.

The items reclassified relate to the following:

- "Social security liabilities" and "Other payables". Indeed, in the comparative periods under review, encompassed within the latter account were "Social security liabilities" due by an international subsidiary undertaking.
- "Provisions for liabilities and charges" and "Deferred income". Encompassed within the latter account in financial year 2002 was the amount relating to the reserve for self-insurance pertaining to an international subsidiary undertaking.
- "Other operating costs" and "Other operating revenues". In the comparative periods under review, encompassed within the latter account was the amount relating to positive cash differences now included among "Other operating costs" thereby netting negative cash differences.

Information thereon is given in the Notes relating to the accounts concerned.

Unless other specified, all amounts disclosed herein are in thousands of euro (€k).

The Autogrill Group

Autogrill S.p.A operates in 14 countries around the globe, whether directly or through its subsidiaries, in the sector of Food & Beverage and dine-in services for people on the move and, not least, Quick Service Restaurants at high-traffic locations providing a casual dining experience in a compressed timeframe.

Form and content of the consolidated financial statements

In accordance with Article 26 of Italian legislative decree 127/1991, the consolidated financial statements include the financial accounts for the year ended December 31, 2003 of Autogrill SpA, the parent company, and of all Italian and foreign subsidiaries constituting the Autogrill Group in which Autogrill SpA holds, directly or indirectly, more than 50% of the voting capital or has de facto control. Subsidiaries in which Autogrill SpA exercises de facto control include: Soborest SA, Sorebo SA and Soberest SA, Volcarest SA and, with effect from financial year 2003, S.R.S.R.A. SA, held by virtue of a 50% stake in the share capital thereof and by contract assigning operational management thereof to the Group. The financial year of HMSHost Corp. (now Autogrill Group Inc.) and its subsidiaries closed on the Friday immediately prior to December 31. As such, the respective financial accounts included in the consolidated financial statements under review cover the period from January 4, 2003 to January 2, 2004, whilst prior year financial comparables cover the period from December 28, 2001 to January 3, 2003.

A list of the companies included in the consolidation is set out as an attachment hereto on page 102.

The financial statements used for the consolidation have been reclassified where necessary in order to consistently apply parent company presentation and disclosure policies.

On a comparative basis with year-end 2002, the scope of consolidation comprises Anton Airfood Inc. (AAI) and its subsidiaries and S.R.S.R.A., which account from 2% and 0.3% of consolidated revenues, respectively. Acquired on June 10, 2003 was the majority stake (95%) in AAI. By February 1, 2003, the stake held therein by the Group had been raised from 25% to 49% as a result of converting the debenture loan underwritten in 2001. As a result of raising the stakeholding from 41% to 50%, seeing acquisition on December 12, 2003 was the majority stake in S.R.S.R.A. Furthermore, the stake in Receco SA, already included in the consolidation on a line-by-line basis, was raised 15% thereby moving forward from 70% to 85%.
On consolidation, the revenues and expenses recorded by AAI, S.R.S.R.A and the respective subsidiary undertakings as from financial year 2003 onset are taken to the consolidated income statement. However, pre-acquisition result, totaling 0.6 €m, has been backed off by including it under "Minority interest" item.
No pro forma consolidated financial accounts are presented given the immaterial change in the scope of consolidation. As and when material, the impact arising from changes in the scope of consolidation is examined and discussed in the Notes to the consolidated financial statements.
Set out below is the acquisition statement of assets and liabilities for Anton Food Inc. and S.R.S.R.A.:

	Anton Airfood Inc [1] ($m)	**Anton Airfood Inc (€m)**	**S.R.S.R.A. SA (€m)**
Fixed assets	37.8	30.0	3.7
Working capital	(7.9)	(6.3)	(1.5)
Net capital employed	**29.9**	**23.7**	**2.2**
Stockholders' equity before minority interest	34.1	27.0	2.2
Minority interest	1.8	1.4	2.5
	35.9	**28.4**	**4.7**
Non-current financial indebtedness	2.2	1.8	-
Current net financial position	(8.2)	(6.5)	(2.5)
Net financial position	**(6.0)**	**(4.7)**	**(2.5)**
Total	**29.9**	**23.7**	**2.2**
Carrying value of equity investments	146.4	115.9	2.5
Consolidation difference	112.3	88.9	0.3

(1) Consolidated balance sheet as at 06.10.2003 after loan conversion.

The consolidation difference of AAI is attributable in the amount of $m 52 to scheduled concession contract renewals or bolt-on concession contract awards. The residual consolidation difference is attributable to planned ongoing concession contract earnings. The consolidation differences are amortized over a period of 5 years and 6 years, respectively, the latter based on the average residual term of the concession contracts at the acquisition date.

Consolidation principles

Set out below are the more significant consolidation principles adopted in the preparation of the consolidated financial accounts:

a. The financial statements of the parent company and its subsidiaries are combined on a line-by-line basis by adding together like items of assets, liabilities, equity, income and expenses, eliminating the carrying amount of the parent's investment in each subsidiary and the parent's portion of equity of each subsidiary. As and when included in the consolidation for the first time, any positive differences arising on elimination of the related carrying amount thereof are allocated, where applicable to the assets of the subsidiary to be consolidated. Any surplus is recognized under the caption "Consolidation difference" on the asset side of the consolidated balance sheet.
   Negative differences, if any, are taken to the liability side of the consolidated balance sheet. Where negative differences reflect expected future losses, these are classified under the caption "Consolidated reserve for future risks and charges" or, alternatively, as a component of consolidated stockholders' equity under the caption "Consolidation reserve".
   Consolidation differences are amortized on a straight-line basis over the useful life expectancy detailed under the heading "Intangible fixed assets" within the section "Notes to principal consolidated balance sheet asset accounts".
b. Intercompany receivables, payables, revenue and expenses are eliminated on consolidation as are all transactions of significant amount between consolidated companies which have not been realized with third parties, including therein distributions of profits (dividends) within the Group.
   Also eliminated on consolidation are unrealized intercompany profits, capital gains and capital losses arising as a result of transactions between consolidated companies which have not been realized with third parties.
c. Adjustments to values and provisions recorded exclusively in application of tax laws are eliminated on consolidation.
d. For consolidation purposes, the assets and liabilities of subsidiary undertakings based in countries that have not adhered formally to European Monetary Union (EMU) are translated into euro at the closing exchange rates. Income statement accounts of such undertakings are consolidated at the average rates of exchange for the year. Exchange differences arising on translation of opening net equity and the result for the accounting period at year-end exchange rates are taken directly to "Other provisions" forming part of consolidated stockholders' equity.
   The following rates of exchange were applied when translating into euro the financial accounts of subsidiaries not denominated in the euro:

	FY 2003 year-end exchange rate	FY 2003 average exchange rate	FY 2002 year-end exchange rate	FY 2002 average exchange rate
US dollar	1.2630	1.1312	1.0478	0.9455
Canadian dollar	1.6234	1.5817	1.6550	1.4838
Swiss franc	1.5579	1.5212	1.4670	1.4524

e. Accounting policies and classification criteria are applied on a consistent basis by all companies included in the scope of consolidation.

Accounting policies
As set forth below, the accounting policies adopted for the more significant consolidated balance sheet and income statement accounts are unchanged from the previous year.

Intangible fixed assets
Intangible fixed assets are stated at purchase price or production cost, including directly attributable accessory expenses, and are amortized over the period of their estimated useful life. Leasehold improvement costs are amortized over the lease term in accordance with the pattern of benefits provided.
Other intangible fixed assets are amortized, as a rule, over a period of five years, which corresponds to their useful life expectancy. As far as the accounting treatment and amortization of goodwill and concessions, licenses and trademarks are concerned, reference should be made to the Note relating to the relevant intangible fixed asset. In the case of a permanent impairment in value, regardless of the amortization already provided, the asset is written down accordingly. If, in subsequent periods, the reasons for the write-down cease to apply, the original value is reinstated.

Property, plant and equipment
PPE are stated at purchase or production cost, adjusted in some cases as a result of the application of specific monetary revaluation laws, and are depreciated on the basis of economic/technical rates determined according to the useful life expectancy of the differing classes of fixed assets. In terms of freely transferable assets, those rates are replaced by the depreciation rates, if higher, reflected in the financial depreciation scheme. In the case of a permanent impairment in value, regardless of the amortization already provided, the asset is written down accordingly. If, in subsequent periods, the reasons for the write-down cease to apply, the original value is reinstated.

Finance lease
Finance leases are accounted for and presented under the finance method, whereby the items of property, plant and equipment are treated as if they had been purchased outright and the corresponding leasing commitments are shown as an obligation under finance leases.
Lease payments are treated as consisting of capital and interest elements and the interest is charged against the consolidated income statement. The portion of interest pertaining to the period is charged against the consolidated income statement within “Interest expense”. The contractual value of the relevant assets is depreciated on a basis consistent with the depreciation policy applied to proprietary items of plant, property and equipment

Equity investments
Investments in associated companies are stated at equity. Investments in other enterprises are carried at cost, assigned by using the last-in, first-out (LIFO) formula with annual layers. This cost is reduced for any permanent impairment in value. The original value is reinstated in future periods, when the reasons for the write-down cease to apply.

Inventory

Inventories are stated at the lower of purchase or production cost, including directly attributable accessory expenses, and the presumed realizable value based on market conditions. The cost of purchase is assigned by using the first-in, first-out (FIFO) formula. The companies headed by Autogrill Group Inc. assign the cost of goods for resale in inventory by using the retail formula. Given the high level of inventory turnover, the valuation of inventory at retail cost would not differ significantly from the FIFO valuation.
Obsolete and slow-moving inventories are written down on the basis of their possible utilization or saleability.

Receivables and payables

Receivables are stated at their presumed realizable value. Payables are stated at their nominal value. Current receivables and payables denominated in currency other than the euro are converted into euro at the applicable exchange rate ruling at year-end. As required by "Italian GAAP" Accounting Principle No. 26, the exchange differences realized on the collection of receivables or payment of liabilities are credited or debited to the consolidated income statement.

Securities

Securities classified under current assets are measured at the lower of cost or fair value, determined on the basis of the simple average of December prices. Cost is assigned using the last-in, first-out (LIFO) formula with annual layers, as adjusted to reflect the accrued issue discounts.
The original value of such securities is reinstated when the reasons for the write-down to fair value ceases to apply.
Debentures and debt securities issued by government agencies, held by the Group for investment purposes, and securities lodged as collateral are classified as financial fixed assets. These are valued at purchase cost, as adjusted by accrued issue discounts and accrued dealing discounts (being the difference between the purchase cost of the securities and the related redemption price, net of issue discounts yet to mature), over the maximum term of the loan. Furthermore, the value of debentures redeemable early by drawings of debentures is adjusted by the possible capital loss realizable in the instance of early redemption.

Accruals and prepayments

Accruals and prepayments include the portion of revenues and expenses covering two or more periods, in accordance with the accrual basis of accounting. More particularly, in terms of concession contracts which provide for upward curved rentals over time, these are normalized over the term of the contract by recording specific accruals for expense.

Provision for employee termination benefits

The provision for employee termination benefits is provided to cover the full liability due to employees in conformity with current legislation, national labor contracts and additional indemnities agreed at the company level.

Provision for liabilities and charges

Provisions for risks and charges are provided to cover certain or probable losses or liabilities to be borne by the Group companies, the exact value and effective date of which are not determinable at the year end. The provisions represent the best estimate possible based on the information currently available. More particularly, encompassed within the provisions for charges are specific allowances for charges, which, given the ordinary maintenance and repairs envisaged, are expected to be incurred on maturity of the contracts currently prevailing in order to comply with the obligation to return the freely transferable assets in their original state and condition to the leasing companies, as required by contract and in accordance with the provisions of law.

Expense and revenue recognition

Revenue from the sale of goods and the related purchasing costs thereof are recognized at the moment title passes. Revenue and expenses from services provided are recognized when the services are rendered. Interest income and interest expense as well as other revenues and expenses are recognized and shown on an accrual basis, matching the accruals and deferrals to which they relate.

Income taxes

Income taxes are recorded by the individual consolidated companies on the basis of estimated taxable income in accordance currently prevailing laws and regulations. Duly applied is “Italian GAAP” Accounting Principle No. 25 under which, in accordance with the principle of prudence, tax assets and tax liabilities arising from temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base or arising from unused tax losses carried forward are recognized. Deferred tax is recognized on a full provision basis on all timing differences which have originated, but not reversed, at the consolidated balance sheet date calculated at rates of tax expected to apply, based on current tax rates and law.

Derivative financial instruments

“Off-balance sheet” financial instruments, used to manage exposure to fluctuations in interest and foreign exchange rates, are disclosed within “Off-balance sheet commitments and guarantees”, on contract inception at nominal contract value. More particularly, forward foreign exchange contracts are shown at their corresponding value in euro at the forward rate, whilst interest rate swaps are shown at the corresponding value in euro at the consolidated balance sheet. Receipts and payments on interest rate instruments are recognized in the consolidated income statement over the life of the instruments, with the corresponding balance being accruals and prepayments on the asset or liability side of the consolidated balance sheet. Options purchased or sold are shown at notional contract value within “Off-balance sheet commitments and guarantees”. Premiums collected or paid on options exercised are recognized over the life of the instruments. If negative, the fair value of options sold is disclosed among “Other payables”, with the corresponding balance being “Financial charges”. If positive, this is disclosed to the Note relating to “Off-balance sheet commitments and guarantees”. The same treatment is applied to derivative financial instruments when a derivative has ceased to be effective as a hedge.

Off-balance sheet commitments and guarantees

Other than the notional value of the derivative financial instruments referred to above, the more significant accounting policies are the following:

- personal guarantees given: these are disclosed on the basis of the commitment undertaken;
- real guarantees given: when represented by pledge on debentures or public debt or shares not listed, these are disclosed at book value; when represented by pledge on listed shares, these are stated at fair value; when represented by property, these are disclosed at the amount of mortgage recorded;
- other commitments: when relating to goods belonging to third parties deposited with or used by the Group, these are disclosed at the value attributed by the proprietor; when relating to commitments for fixed asset purchases, these are stated at acquisition value.

Other information

Departure from the requirements of Article 2423, paragraph four, of the Italian Civil Code

None.

Risk of adverse movements in the rate of exchange between currencies

The Group pursues a currency risk management policy, by funding mismatches between rate sensitive non-euro assets - denominated primarily in the US dollar, the Swiss franc or the Canadian dollar - with liabilities denominated in the applicable foreign currency or entering into hedges to minimize currency risk exposure.

This does not neutralize the effect of movements in the rate of exchange between currencies at the level of the individual balance sheet and income statement items. Should these be meaningful, these are disclosed in the Note relating to the items concerned.

Application of International Financial Reporting Standards

In order to rise to the challenges posed by transition to the application of International Financial Reporting Standards (IFRS), the mandatory application of which takes effect as from 2005, the Autogrill Group has put in place a project focused around identifying:

- the more significant differences between the principles currently adopted and the IFRSs, in terms of the recognition, measurement, presentation and disclosure requirements;
- additional disclosures required by IFRS;
- financial data and information needed to measure opening balances at January 1, 2004 pursuant to IFRS pronouncements.

Autogrill will complete the project part way 2004, defining the necessary disclosure flows, quantifying opening balance sheet balances and, not least, monitoring the pronouncement of new or revised international accounting standards.

IFRS 1 application, relating to the backward-looking application of international accounting standards, might impact opening balance sheet and opening income statement balances. A work schedule has been defined in order to quantify the related impact resulting therefrom during the course of calendar year 2004.

The following has yet to be defined:

- application of standards published in December 2003 within the framework of the “Improvement Project”; and
- implementation of new standards as yet in the process of publication.

Notes to principal consolidated balance sheet asset accounts

Fixed assets

Intangible fixed assets

Intangible fixed assets amount to €k 990,826. Information about the year-on-year movement on this account can be found in the statement of changes in intangible fixed assets on page 80. Working towards the total balance on this account were newly consolidated companies in the amount of €k 90,918. Of this, €k 77,371 relates to the difference arising on consolidation of Anton Airfood Inc. Forex differences pushed through a decrease of €k 100,632.
This account is composed of the following:

(€k)	12.31.2003	12.31.2002	Change
Incorporation and start-up costs	162	412	(250)
Concessions, licenses and brands	30,172	39,993	(9,821)
Business goodwill	422,484	547,312	(124,828)
Consolidation difference	293,330	247,016	46,314
Assets under development and advances	4,015	3,915	100
Other:			
- leasehold improvement costs	218,821	225,838	(7,017)
- other	21,842	22,972	(1,130)
Total	**990,826**	**1,087,458**	**(96,632)**

The balance on the line "Business goodwill" relates to the residual value of excess consideration paid over carrying values to acquire dine-in operations. This balance consists primarily of the following:

- commercial goodwill, or €k 66,102 of the original amount of €k 158,644, allocated to which in financial year 1997 was the merger deficit arising on the merger by incorporation of Autogrill SpA and Finanziaria Autogrill SpA with and into the parent company, based on the respective balance sheet values at December 31, 1996. The more significant portion thereof represents goodwill from Italian motorway concession contracts and, as such, is amortized over a period of 12 years, or the average residual contract concession term at the date of merger;
- goodwill acquired with HMSHost Corp. on merger with Autogrill Acquisition Co. ($m 446 of the original amount of $m 690, or €k 354,382). Up to financial year 2001, this item of goodwill was amortized over a period 10 years. Taking into account expected concession contract renewals and awards, the useful life expectancy thereof was extended to 15 years on preparation of the consolidated financial accounts for the year ended December 31, 2002.

Encompassed within the balance on the line "Consolidation difference" is the difference between the purchase consideration paid to acquire subsidiary or associated companies and the value of the Group's share in book net equity at the date of the related acquisition thereof, allocated to goodwill. In general, the amortization period reflects the weighted average residual useful life of the contract concessions awarded to the enterprise at the date of acquisition thereof. However, for reasons of prudence, the consolidation difference relating to companies acquired by Autogrill Nederland BV is amortized over a period of 30 years, whilst contract concessions awarded thereto reflect an average useful life expectancy of more than 70 years. On the other hand, the consolidation difference relating to Anton Airfood Inc., attributed to expected contract concession renewals or awards, is amortized over 5 years.

The balance on the line “Consolidation difference” is composed of the following:

	Amortization period (in years)	Gross value	Accumulated amortization	Net value
Autogrill Schweiz AG	20	138,887	37,885	101,002
Anton Airfood Inc.	6 and 5	88,853	11,482	77,371
Autogrill Coté France SA	13	80,414	37,076	43,338
Autogrill Nederland BV	30	28,916	5,791	23,125
Autogrill Restauration Services SA	7	36,709	26,220	10,489
Autogrill Belgie NV	15	23,863	9,475	14,388
Autogrill España SA	10	19,528	17,189	2,339
Receco SA	15	22,256	2,706	19,550
Autogrill Deutschland GmbH	9	3,125	3,125	-
Minor items	from 5 to 20	3,449	1,721	1,728
Total		**446,000**	**152,670**	**293,330**

Other than the amortization charge for the period (€k -8,231) by way of exchange rate differences arising on the consolidation difference denominated in Swiss francs, the year-on-year movement on this line was pushed through by the following:

- consolidation of Anton Airfood Inc. ($m 112, or €k 88,853), acquired in the financial period;
- write-down, in the amount of Chfm 8.6, or €k 5,654, of the consolidation difference relating to Autogrill Schweiz AG. More particularly, the write-down stems from reassessed expected earnings from airport channel operations;
- increase, in the amount of €k 6,212, in the consolidation difference relating to Receco SA following acquisition of a further 15% equity interest (thus moving forward from 70% to 85%) in the latter enterprise by the subsidiary undertaking Autogrill Partecipaciones.

The year under review saw conclusion on a transactive basis of the arbitration procedure initiated part way financial year 2001 in a design to obtain a significant downsizing of the purchase consideration paid to acquire Autogrill Schweiz AG. As a consequence thereof, some Chfm 20 has been reimbursed vis-à-vis the originally agreed price of Chfm 221, as deposited in an escrow account, with price equalization settlement, at the same time, to BonAppétit Gastronomie Holding AG (BAGH) in the amount of Chfm 2.9, for which accrual had been recorded, for reasons of prudence, in the amount of Chfm 6.7. The indemnity received, amount to €k 15,367 worked towards writing back to some extent the write-downs recorded in prior years. As such, this has been taken to the consolidated income statement caption “Exceptional income”. Current trending reflected by the Belgian and Dutch investee companies provides assurance as to the recoverability of the residual consolidation difference.

“Assets under development and advances” also refer principally to costs relating to leasehold buildings under restructuring, as yet in process at year-end.
As encompassed within the balance on the line “Other”, leasehold improvement costs relate to charges incurred in creating or upgrading buildings and businesses held under lease. More particularly, thus classified are expenses incurred when creating sales outlets managed and operated within airports, along motorways and at US shopping malls, as well as many European sales outlets.

As detailed by nature and geographic region in the Operating Review, the additions for the period are attributable to capital expenditure and renovations.
Based on earnings forecasting updates, also written down in the period, for an amount totaling €k 3,060, were sales outlets, relating to the Parent Company and the Austrian subsidiary undertaking, which have ceased to produce effective earnings.
The following table sets out the amortization policies employed for intangible fixed assets:

Incorporation and start-up costs	- 5 years
Concessions, licenses and brands	- In general, 5 years; 30 years for outlet space occupancy rights, or related term thereof; license term in respect of costs incurred when obtaining permits to resell State-owned goods; - 3 years in respect of application software proprietary licenses
Goodwill	- 12 years for goodwill to which the merger deficit arising on incorporation of companies with and into the Parent Company (in 1997) was allocated; 10 years up to financial year 2001 and 15 years as from financial year 2002 in relation to goodwill to which the HMSHost Corp. merger deficit (in 1999) was allocated; - up to 10 years for commercial goodwill relating to individual sales outlets
Consolidation difference	- In general, residual concession contract term at date of acquisition of the relevant investee company; 5 years in respect of consolidation differences attributable to AAI new concession contract awards
Other:	
- leasehold improvement costs	Lower of useful life expectancy or residual lease term
- customized application software	3 years
- other	5 years

Property, plant and equipment (PPE)

Property, plant and equipment are analyzed as follows:

12.31.2003	(€k)	Historic cost	Accum. depreciation	Net value
	Land and buildings	164,897	67,047	97,850
	Operating facilities	173,532	113,207	60,325
	Commercial and operating equipment	489,746	373,316	116,430
	Freely transferable assets	307,627	195,399	112,228
	Other	44,292	35,774	8,518
	Assets under constructions and advances	94,193	-	94,193
	Total	**1,274,287**	**784,743**	**489,544**

12.31.2002	(€k)	Historic cost	Accum. depreciation	Net value
	Land and buildings	170,356	63,060	107,296
	Operating facilities	165,312	100,043	65,269
	Commercial and operating equipment	508,604	389,790	118,814
	Freely transferable assets	280,479	175,134	105,345
	Other	42,276	32,951	9,325
	Assets under constructions and advances	88,668	-	88,668
	Total	**1,255,689**	**760,972**	**494,717**

Changes in the scope of consolidation worked in the amount of €k 17,287 towards the year-end balance, whilst translation effects pushed through a reduction of €k 20,618. Based on updated forecasting for those outlets mirroring unsatisfactory performance, in the year under review were recorded write-downs in the amount of €k 8,176 relating to the PPE of Italian sales outlets (€k 2,087), Swiss sales outlets (€k 3,983) and Dutch sales outlets (€k 2,106).
In the amount of €k 78,976, PPE assets under construction relate to building yards opened in the USA, primarily in the airport and motorway channels and, in the amount of €k 15,215, to building yards opened in Europe.
In accordance with the finance method, encompassed within "Land and buildings" and "Operating facilities and equipment" is the contractual value of assets capitalized held under finance lease by the parent company. Assets capitalized held under lease by the parent company are detailed as follows:

12.31.2003	(€k)	Gross	Accum. depreciation	Net
	Land and buildings	3,709	1,210	2,499
	Operating facilities and equipment	1,635	766	869
	Total	**5,344**	**1,976**	**3,368**

12.31.2002	(€k)	Gross	Accum. depreciation	Net
	Land and buildings	3,709	1,100	2,609
	Operating facilities and equipment	1,635	696	939
	Total	**5,344**	**1,796**	**3,548**

The gross value of property, plant and equipment relating to the Italian operations includes revaluations recorded in prior years pursuant to Law 72 of March 13, 1983 and Law 413 of December 30, 1999.
As of December 31, 2003, the effect of those revaluations came to €k 1,542, net, as detailed below:

Law 72/83	(€k)	Gross	Accum. depreciation	Net
	Land and buildings	65	-	65
	Land and buildings - operations	947	(690)	257
	Operating facilities and equipment	398	(398)	-
	Commercial and operating equipment	1,155	(1,155)	-
	Freely transferable assets	3,158	(3,158)	-
	Other	23	(23)	-
	Total	**5,746**	**(5,424)**	**322**

Law 413/91	(€k)	Gross	Accum. depreciation	Net
	Land and buildings	66	-	66
	Land and buildings - operations	3,592	(2,560)	1,032
	Operating facilities and equipment	-	-	-
	Commercial and operating equipment	-	-	-
	Freely transferable assets	11,556	(11,434)	122
	Other	-	-	-
	Total	**15,214**	**(13,994)**	**1,220**

Land and buildings are mortgaged for €k 2,354 to secure borrowings, the principal component of which amounts to €k 1,570. The year-on-year movement on property, plant and equipment is examined and discussed in the business and financial review. The statement of changes in property, plant and equipment for the year ended December 31, 2003 can be found on page 80. Set out below are the more significant rates applied by Group companies to depreciate proprietary property, plant and equipment:

	Depreciation rate (%)
Buildings	3
Operating facilities and equipment	10-30
Commercial and operating equipment	15-33.3
Furniture and fixtures (1)	10-20
Motor vehicles (1)	25

(1) Classified under “Other”.

Investments

Equity investments in associated companies

Equity investments in associated companies are set below:

Corporate name	Union Services Sàrl	HMSC - AIAL Ltd	Other (*)	**Total**
Registered office	Luxembourg (L)	Auckland (New Zealand)	Usa	
Local currency	€	Nzd	-	
Capital stock (thousand)	0.051	107.1	-	
Net Stockholders' equity (€k)	146	2,109	-	
Net profit/(loss) (€k)	57	505	-	
% ownership	50.00	50.00	-	
Book value (€k)	21	1,055	1,261	**2,337**

* Joint venture investments in the newly consolidated company Anton Airfood Inc.

On a comparative basis with year-end 2003, the movement over the last twelve months on this account relates, other than to the effect pushed through by net equity increases and/or decreases in the associated companies reported in the table above, to the following:

- line-by-line consolidation of Anton Airfood Inc. due to acquisition on June 10, 2003 of a 95% controlling stake in the share capital thereof - in which a 25% stake was held up to February 1, 2003 and, successively, a 49% stake following conversion of an interest-bearing debenture loan underwritten in 2001. In the prior year consolidated financial statements, the equity holding was stated for €k 10,068;
- disposal of equity interest, originally 21.61%, in the share capital of Pastarito SpA. As a consequence thereof, a capital loss was recorded in the amount of €k 7,221, or the carrying amount of the equity holding at December 31, 2002.
  As well as being acquired part way FY 2002, with a capital outlay of €k 14,881, the equity holding was also written down in that year, in the amount of €k 7,659, given the uncertainty already surrounding the full recoverability of the capital outlay owing to the particularly unfavorable moment of time for "new concept" dine-in city venues; and
- line-by-line consolidation of S.R.S.R.A. Isardrôme SA, following acquisition on December 12, 2003 of a further equity interest therein. As a consequence thereof, ownership interest was carried forward from 41% to 50%. In the prior year consolidated financial statements, the equity holding was stated for €k 1,767.

Equity investments in other enterprises

Equity investments in other enterprises are detailed below:

Corporate name	Unique Airport/FIG	Others	Total
Registered office	Zurich (CH)	Italy	
Local currency	Chf		
Capital stock (thousand)	245,615		
Net Stockholders' equity (€k)	758,419		
Net profit/(loss) (€k)	3,776		
% ownership (%)	0.11		
Book value (€k)	81	18	**99**

The equity holding is stated at fair value; the year-on-year decrease stems primarily from Unique stock market valuations yet again declining.

Financial receivables from associated companies

Financial receivables from associated companies stepped backward following conversion of the interest-bearing debenture loan (amounting to $m39) provided to Anton Airfood Inc. steered towards raising the Group's equity holding therein by 24%, as better specified in the Note relating to "Equity investments in associated companies".
The year-end balance on this account relates wholly to financial amounts due to the Autogrill Group Inc. by its fellow companies.

Financial receivables from others

As of December 31, 2003, these amount to €k 17,032. The major components of "Financial receivables from others" are placed in evidence below:

		12.31.2003		12.31.2002
	Current	Non-current	Current	Non-current
Interest-bearing deposits with oil companies	-	5,249	-	4,860
Guarantee deposits	289	3,482	280	8,035
Advance tax recoverable from Italian taxation authorities	-	2,574	-	3,701
Other	974	4,464	1,169	50,505
Total	**1,263**	**15,769**	**1,449**	**67,101**
Total current and non-current		**17,032**		**68,550**

The reduction in the balance on the line "Financial receivables from others - Guarantee deposits" is associated with the guarantee deposit approximating $m 5, now extinguished, lodged in relation to the acquisition of Anton Airfood Inc.
"Advance tax recoverable from Italian taxation authorities" has been revalued on a basis consistent with the rate applied to employee termination indemnities provisioned by the parent company (FY 2003: 3.2%). Advance tax recoverable saw inception part way financial year 2000. However, no amounts falling due within 12 months (current financial receivables) have been indicated in that the exact value and exact date thereof are not determinable at year-end.
The balance on the line "Financial receivables from others - Other" stepped back owing to extinction of the deposit, amounting to €k 47,000, pledged originally to the parent company as security for funding provided to HMSHost by Intesa BCI Canada in relation to the equity holding acquired in SMSI Travel Inc.
Having taking into account the evolution expected to be tracked by underlying business transactions, the sums of money relating to "Interest-bearing deposits with oil companies" will be collected wholly beyond five years; the sums of money relating to "Guarantee deposits" or "Other" will be collected beyond five years in the amount of €k 1,066 and €k 240, respectively.

Securities classified under fixed assets

As of December 31, 2003, these amount to €k 295, or €k 12 less than the year before, as a result of redemptions.
Securities classified under fixed assets are represented by securities held for the longer term for investment purposes.

Statement of changes in intangible, tangible and financial fixed assets for the year ended December 31, 2003 and 2002

(€k)	December 31, 2002						
Intangible fixed assets	**Gross value**	**Amortization**	**Net value**	**Change in consol. area**	**Exch. rate differences**	**Additions**	**Decrease**
Incorporation and start-up costs	3,420	(3,008)	412	-	(38)	38	(524)
Concessions, licenses and brands	73,236	(33,243)	39,993	720	(1,591)	1,348	(404)
Goodwill	839,928	(292,616)	547,312	-	(110,971)	-	(193)
Consolidation difference	360,850	(113,834)	247,016	95,311	(10,161)	-	-
Assets under development	3,915	-	3,915	-	-	4,015	(81)
Other	742,296	(493,486)	248,810	29,270	(81,331)	23,235	(42,679)
Total	**2,023,645**	**(936,187)**	**1,087,458**	**125,301**	**(204,092)**	**28,636**	**(43,881)**

(€k)	December 31, 2002						
Tangible fixed assets	**Gross value**	**Amortization**	**Net value**	**Change in consol. area**	**Exch. rate differences**	**Additions**	**Decrease**
Land and buildings	170,356	(63,060)	107,296	-	(3,601)	2,598	(4,906)
Operating facilities	165,312	(100,043)	65,269	-	(4,578)	14,310	(1,749)
Commercial and operating equipment	508,604	(389,790)	118,814	11,791	(44,113)	18,232	(26,075)
Freely transferable assets	280,479	(175,134)	105,345	8,575	-	17,949	(2,047)
Other	42,270	(32,945)	9,325	675	(1,441)	2,488	(448)
Assets under construction & advances	88,668	-	88,668	41	(12,137)	91,891	(1,792)
Total	**1,255,689**	**(760,972)**	**494,717**	**21,082**	**(65,870)**	**147,468**	**(37,017)**

(€k)	December 31, 2002						
Financial assets	**Gross value**	**Depreciation**	**Net value**	**Change in consol. area**	**Exch. rate differences**	**Additions**	**Decrease**
Investments in associated companies	26,789	(7,304)	19,485	2,088	(1,577)	11	(7,221)
Investments in other enterprises	2,160	(1,710)	450	-	(141)	-	(221)
Investment securities	307	-	307	-	(8)	-	(4)
Financial receivables from others	68,550	-	68,550	4,480	(2,193)	3,949	(57,754)
Financial receivables from associated companies	38,225	-	38,225	-	(6,505)	-	(31,153)
Total	**136,031**	**(9,014)**	**127,017**	**6,568**	**(10,424)**	**3,960**	**(96,353)**

Change in gross value		Change in amortization					December 31, 2003		
Other movements [1]	**Total**	**Change in consol. area**	**Exch. rate differences**	**Additions**	**Decrease**	**Total**	**Gross value**	**Amorti- zation**	**Net value**
(135)	(659)	-	38	(154)	525	409	2,761	(2,599)	162
(2,123)	(2,050)	(206)	306	(8,266)	395	(7,771)	71,186	(41,014)	30,172
(15)	(111,179)	-	37,364	(51,155)	142	(13,649)	728,749	(306,265)	422,484
-	85,150	-	3,227	(42,063)	-	(38,836)	446,000	(152,670)	293,330
(3,834)	100	-	-	-	-	-	4,015	-	4,015
53,172	(18,333)	(17,437)	62,525	(76,943)	42,041	10,186	723,963	(483,300)	240,663
47,065	**(46,971)**	**(17,643)**	**103,460**	**(178,581)**	**43,103**	**(49,661)**	**1,976,674**	**(985,848)**	**990,826**

Change in gross value		Change in amortization					December 31, 2003		
Other movements [1]	**Total**	**Change in consol. area**	**Exch. rate differences**	**Additions**	**Decrease**	**Total**	**Gross value**	**Amorti- zation**	**Net value**
450	(5,459)	-	1,468	(6,686)	1,231	(3,987)	164,897	(67,047)	97,850
237	8,220	-	2,907	(17,331)	1,260	(13,164)	173,532	(113,207)	60,325
21,307	(18,858)	(111)	39,828	(47,090)	23,847	16,474	489,746	(373,316)	116,430
2,671	27,148	(5,837)	-	(16,093)	1,665	(20,265)	307,627	(195,399)	112,228
748	2,022	(392)	1,049	(3,891)	405	(2,829)	44,292	(35,774)	8,518
(72,478)	5,525	-	-	-	-	-	94,193	-	94,193
(47,065)	**18,598**	**(6,340)**	**45,252**	**(91,091)**	**28,408**	**(23,771)**	**1,274,287**	**(784,743)**	**489,544**

Change in gross value		Adjustment to value					December 31, 2003		
Other movements [1]	**Total**	**Change in consol. area**	**Exch. rate differences**	**Additions**	**Decrease**	**Total**	**Gross value**	**Adjust. to value**	**Net value**
(10,947)	(17,646)	-	-	498	-	(498)	9,143	(6,806)	2,337
-	(362)	-	108	-	(97)	11	1,798	(1,699)	99
-	(12)	-	-	-	-	-	295	-	295
-	(51,518)	-	-	-	-	-	17,032	-	17,032
-	(37,658)	-	-	-	-	-	567	-	567
(10,947)	**(107,196)**	**-**	**108**	**498**	**(97)**	**(509)**	**28,835**	**(8,505)**	**20,330**

(1) The column “Other movements” relates to reclassifications stemming from the fixed asset register rearranged by the U.S. subsidiary.

Current assets

Inventory

As of December 31, 2003, these amount to €k 87,912, reflecting a net decline of €k 31, working towards which were Forex differences (€k -8,296) and changes in the scope of consolidation (€k 1,179).
The inventory balance at year-end is analyzed below:

(€k)	12.31.2003	12.31.2002	Change
Food & Beverage and concessions	83,898	84,922	(1,024)
Other	4,014	3,021	993
Total	**87,912**	**87,943**	**(31)**

The effective increase in inventory is correlated to revenue dynamics and the effect arising from a transitional increase in goods in inventory in Italy, due to contingent factors.
The inventory balance is shown net of the provision the write-down of inventories recorded in the amount of €k 2,870 (December 31, 2002: €k 2,680) based on management's assessment of obsolete and slow-moving inventories.

Receivables

Trade accounts receivable

These amount to €k 55,574, or €k 5,417 less than the year before, working towards which were Forex differences (€k -3,280) and changes in scope of consolidation (€k 991).
Trade accounts receivable stem primarily from supply covenants and franchising.
Also encompassed in this balance are disputed accounts receivable in the amount of €k 4,682 (December 31, 2002: €k 4,587) stated net of write-downs in the amount of €k 8,857 (December 31, 2002: €k 9,996). As of December 31, 2003, the provision for the write-down of receivables amounts to €k 4,435, whilst related use thereof, primarily in relation to doubtful accounts written off by the parent company and by the US subsidiary undertaking, amounts to €k 3,879. Forex differences led to a €k 543 decrease.

Accounts receivable from others

This item is composed of the following:

(€k)	12.31.2003	12.31.2002	Change
Deferred tax assets	143,367	162,242	(18,875)
Other receivables:			
- tax prepayments	6,919	14,022	(7,103)
- suppliers	22,662	23,689	(1,027)
- tax office and public administration	523	872	(349)
- personnel	3,083	2,921	162
- Forex hedge contract unrealized gains	6,468	4,742	1,726
- other	16,831	18,101	(1,270)
Total other receivables	**56,487**	**64,347**	**(7,860)**
Total	**199,854**	**226,589**	**(26,735)**

Deferred tax assets relate in the amount of €k 99,791 (December 31, 2002: €k 121,785) to the HMSHost group (now Autogrill Group Inc.) mainly arising as a result of the differing depreciation period applied for tax purposes to leasehold improvement costs and taxed provisions for concession contract rentals. The year-on-year change also reflects Forex differences (€k -20,664) and changes in the scope of consolidation (€k +3,265).

The net contraction in deferred tax assets is derived from the combination of Forex differences (€k -20,664) and from write-downs totaling €k 3,565, recorded for reasons of prudence, in respect of the Belgian and Austrian fellow companies and, not least, from the €k 6,837 increase relating to the parent company, driven through on application of Italian legislative decree 209/02, under which equity holding write-downs deducted from taxable income are spread over five financial periods. Based on the future taxable profit envisaged for the parent company and the individual subsidiary and associated undertakings, assessment of the recoverability of the deferred tax assets referred to above generally confirms expectations that appropriate future taxable profit will be available. As such, only the prudent write-downs referred to above have been recorded. The reversal of temporary differences and the utilization of tax loss carried forward, on which the deferred tax assets are dependent, are deferred over time. More particularly, deferred tax assets reversing in the current year are valued at around €m 28. Deferred tax assets reversing beyond five years are valued at approximately €m 70. Furthermore, deductible temporary differences might result, particularly for the US companies, in amounts that are deductible in determining taxable profit of future years, when the carrying amount of the asset or liability is recovered or settled.

Primarily pushing through the year-on-year decrease in "Tax prepayments" was the parent company. In fact, the parent company paid tax advances -in 2003 and 2002 - under the historic method, based on prior year taxable income.

Tax advances reduced at year end 2003 in relation to greater approximation of 2003 taxable income vis-à-vis 2002.

Supplier receivables relate primarily to supplier rebates. Encompassed within “Forex hedge contract unrealized gains” is the effect arising on translation at year-end 2003 rate of exchange the notional value of Forex hedge contracts, as yet outstanding at December 31, 2003, vis-à-vis their purchase value. The balance on the line “Other” relates to accounts receivable associated with commercial investments made for the benefit of assignors or sub-franchisees.

Also encompassed therein are receivables relating to commissions collected via credit card and commissions collectible relating to commission income activities managed and, not least, amounts due from insurance companies. The year-on-year decline is attributable to the receivables collection in relation to investments recorded by the French subsidiary undertaking on behalf of the railway station assignor.

Marketable securities

The balance on marketable securities has been reset to zero following sale of the bonds held in portfolio at December 31, 2002.

Bank and cash

As of December 31, 2003, cash at bank and on hand came to an amount totaling €k 142,544, or down €k 27,462 compared with the year before, working towards which were Forex differences in the amount of €k 14,339.
More particularly, the balance on the line "Bank and post-office deposits" moved downward €k 18,208 (€k 13,039 of which due to Forex differences) to €k 104,215 (€k 8,576 of which relating to newly consolidated companies). The balance on the line "Cash and valuables on hand", comprising therein cash at sales outlets and credit card sales being processed, stepped backward €k 9,254 to €k 38,329.

Discounts on bond issues, prepaids and accruals

As of December 31, 2003, this grouping came to €k 110,923, or down €k 15,752 on a comparative basis with the year before.

(€k)	12.31.2003	12.31.2002	Change
Accrued income			
Interest on Forex and interest rate hedge contracts	3,895	6,397	(2,502)
Other	804	5,014	(4,210)
Total accrued income	**4,699**	**11,411**	**(6,712)**
Discounts on bond issues	88,077	95,587	(7,510)
Prepaid expenses			
Concession and lease prepayments	9,955	10,842	(887)
Other	8,192	8,835	(643)
Total prepaid expenses	**18,147**	**19,677**	**(1,530)**
Total	**110,923**	**126,675**	**(15,752)**

Newly consolidated companies worked in the amount of €k 1,163 towards prepaid expenses, €k 707 of which relating to concession and lease prepayments. "Other accrued income" stepped backward due to the effect of differing maturity dates attaching to hedge contracts outstanding with the Swiss subsidiary. "Discounts on bond issues" relate to the Zero Coupon debenture loan issued by Autogrill Finance SA by way of OID (original issue discount).
These are amortized - on an upward curving basis as a result of implicit interest capitalized - over the term (fifteen years) of the debenture loan, with the corresponding balance being "Borrowing costs".
Concession and lease prepayments stem from concession and lease rentals paid in advance, which are used to adjust upcoming monthly or annual payments. "Prepaid expenses - Other" relate primarily to local indirect tax and maintenance rental prepayments held in suspense and, not least, bond issue expenses, relating to bonds issued by the US subsidiary (see page 88) for an amount totaling €k 1,508, held in suspense. Aside from the amount of €k 3,246 relating primarily to concession and lease rentals pertaining to successive financial periods and, not least, bond issue expenses held in suspense, the discounts on bond issues, prepaids and accruals referred to above are all current in nature. Forex differences worked towards pruning accrued income and prepaid expenses in the amount of €k 209 and €k 2,348, respectively.

Notes to principal consolidated balance sheet liability accounts

Stockholders' equity

Capital stock

The capital stock of Autogrill SpA at December 31, 2003, fully subscribed and paid-in, amounts to €k 132,288 and is represented by 254,400,000 ordinary shares with a par value of € 0.52 each.
The Stockholders' Meeting held on April 30, 1999 approved the motion to raise share capital by issuing up to 33,500,000 ordinary shares to service the convertible debenture loan, with nominal value of € 471,055,000, issued on June 15, 1999 by the subsidiary Autogrill Finance SA, thereby generating a cash inflow in the amount of € 349,993,865, net of implicit interest and gross of issue expenses.
Pursuant to the terms and conditions at which the aforesaid business transaction was put in place, the maximum number of shares that may be issued to service the debenture loan conversion came to approximately 24,475,000 shares.
As though a reminder might be necessary, the holders of the bonds may exercise their conversion right at any time during the term of the debenture loan.
The shares making up the capital stock of the Company have been listed and traded since August 1, 1997 on the MTA, the Italian automated screen-based stock exchange system.

Legal reserve

The legal reserve amounts to €k 1,712 and is unchanged from the previous year.

Other reserves

These amount to €k 77,257 and include the cumulative translation adjustment negative balance of €k 14,925.
The statement of changes in consolidated stockholders' equity can be found below:

Statement of changes in consolidated Stockholders' equity

(€k)	Capital stock	Revaluation reserves	Legal reserve	Other reserves & ret. earnings	Net income (loss) for the year	Total
Balance at December 31, 2001	**132,288**	**13,618**	**1,712**	**81,339**	**(12,852)**	**216,105**
Allocation of FY 2001 net income	-	(13,618)	-	766	12,852	-
Forex differences and other movements	-	-	-	(4,427)	-	(4,427)
Net income for the year	-	-	-	-	7,463	7,463
Balance at December 31, 2002	**132,288**	**-**	**1,712**	**77,678**	**7,463**	**219,141**
Allocation of FY 2002 net income	-	-	-	7,463	(7,463)	-
Forex differences and other movements	-	-	-	(7,884)	-	(7,884)
Net income for the year	-	-	-	-	50,174	50,174
Balance at December 31, 2003	**132,288**	**-**	**1,712**	**77,257**	**50,174**	**261,431**

Set out below is the statement of reconciliation of net income and stockholders' equity as per Autogrill SpA financial statements as of December 31, 2003 and consolidated net income and consolidated stockholders' equity for the year then ended.

(€k)	Net income	Stockholders' equity
As per Autogrill SpA financial statements	**13,495**	**142,024**
Elimination of tax-driven items recorded by the parent company	(1,351)	21,146
Adjustment to comply with Group accounting policies	30	82
Effect of eliminating intragroup profits on fixed asset disposals	-	(1,722)
Non-existent deferred tax assets as a result of civil law amendments	31,800	31,800
Effect of consolidating subsidiary financial accounts, adjusted to comply with Group accounting policies and to eliminate intragroup equity investment transfers	6,200	68,101
As per Autogrill Group consolidated financial statements	**50,174**	**261,431**

Provisions for liabilities and expenses

As of December 31, 2003, the composition of and movement on the provisions for liabilities and expenses are detailed in the table below. The amounts shown under "Other movements" relate to Forex differences arising on translation of opening balances. As discussed earlier under the heading "Basis of preparation" on page 64, balance on "Provisions for litigation" at year-end 2002 differs from the amount previously published insofar as encompassed therein is the amount of €k 4,433 relating to a provision for self-insurance recorded by the US subsidiary undertaking, classified previously under "Deferred income".

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(€k)	As at 12.31.2002	Other movements	Amounts set aside	Use	As at 12.31.2003
Provision for pension and similar obligations	**10,552**	**(718)**	**592**	**(919)**	**9,507**
Taxation provisions	**61,888**	**(656)**	**2,896**	**(37,988)**	**26,140**
Other provisions					
Provisions for renovation costs	17,120	(93)	3,619	(3,068)	17,578
Provisions for litigation	12,931	(346)	5,387	(2,871)	15,101
Provisions for other liabilities	7,554	791	201	(194)	8,352
Total other provisions	**37,605**	**352**	**9,207**	**(6,133)**	**41,031**
Total	**110,045**	**(1,022)**	**12,695**	**(45,040)**	**76,678**

Provision for pension and similar obligations

The year-on-year reduction of €k 1,045 mainly relates to the effect of Forex differences.

Taxation provisions

Primarily encompassed herein are provisions for deferred taxation provided to cover consolidation adjustments (€m 13.8) and the revaluation of property in the Netherlands recorded prior to the related acquisition thereof by the Group (€m 5); also encompassed therein is the amount of €m 2.5 relating disputes in course in respect of US subsidiary and parent company indirect taxes (i.e., taxes and duties other than income taxes) and estimated charges in the amount of €m 1.3 relating to the automatic settlement (the so-called "across-the-board" tax amnesty settlement) for FY 2002 income taxes and ancillary tax of the Italian companies, pursuant to Law 350/2003.

Use thereof for the period relates to the following:

- assessment of non-existent liabilities, amounting to €m 31.8, stated in prior years in relation to taxation that might be levied on the reversal of equity holding write-downs deducted by the parent company. In fact, recent tax reforms have introduced "Participation exemption" in Italy as well. Transitory laws and regulations limit the taxation to capital gains realized in the two-year period 2004 and 2005 for each and every equity holding, up to the amount of write-downs recorded thereon and deducted in the two-year period 2002 and 2003. The liability has been reversed wholly insofar as this hypothesis is not expected to occur; and
- automatic settlement of liabilities pursuant to Article 9 of Law 289/2002 (the so-called "across-the-board" tax amnesty) attaching to disputes, if any, arising from parent company and Italian subsidiary FY 1998, 1999, 2000 and 2001 income tax amounting to €m 4.6. The residual provision is provided to cover the liability, if any, relating to the factual findings that emerged as a result of the FY 1999 general assessment made by the Regional Inland Revenue Office part way 2003. More particularly, the Tax Report issued on November 17, 2003 challenges the undue detraction and related VAT not paid for an amount totaling €k 3,747. At the time of writing, the Company is assessing the more appropriate way to settle the tax dispute.

Provisions for litigation

Based on Group legal counsel assessments, provisions are recorded to cover disputes or litigation risk to which the Group companies may be exposed. Pushing through the movement for the period in the provisions for litigation were Forex differences and the positive route followed by certain commercial risks.
In order to ensure year-on-year consistent disclosure, it may be noted that the High Court of Law rejected the petition lodged by the McDonald's Italian branch, which had challenged the unfavorable arbitrament outcome for McDonald of the lawsuit with Autogrill SpA. Yet again to ensure year-on-year consistent disclosure, also worthy of mention is the favorable ruling pronounced by the Court of Brussels in relation to the compensation claim contested by a Belgian subsidiary, brought against it by the enterprise that sold to the subsidiary its restaurant concession in shopping centers located across Belgium and Luxembourg. The Court rejected the objection lodged by the plaintiff and, to the extent appealable, the likelihood of this being successful for the plaintiff has been judged to be remote by the subsidiary's legal counsel, supporting the non-accrual of specific provision to cover the €m 10 appeal amount.

Provisions for renovation costs

The provisions for renovation costs represent the liability expected to be incurred in order to ensure that a leased site or freely transferable asset is returned in its original state and condition.

Provision for employee termination indemnities

The movement for the period on the provision for employee termination indemnities is set out below.
The amount reported under "Other movements" relates to Forex differences arising on translation of opening balances.

(€k)	12.31.2003	12.31.2002
Balance at beginning of the year	**91,336**	**86,851**
Accrual for the period	15,996	15,740
Use and reversals for the period	(11,553)	(9,674)
Other movements	(1,662)	(1,581)
Balance at end of the year	**94,117**	**91,336**

Liabilities

As of December 31, 2003, these are stated for an amount totaling €k 1,623,440 (December 31, 2002: €k 1,926,908).
Liabilities are analyzed below.

Bonds

The balance on this account relates to bonds issued by HMSHost on January 23, 2003 for an amount totaling $m 370.
The bond issue - secured by Autogrill SpA - is represented by three installments of $m 44, $m 60 and $m 266, respectively with maturity at 7 years, 8 years and 10 years, respectively. The bond issue carries a fixed interest rate (5.38%, 5.66% and 6.00%, respectively), with 185, 190 and 195 spread over the corresponding US Government bonds.

Convertible bonds

These amount to €k 471,055 and represent the nominal value of the debenture loan issued by Autogrill Finance SA on June 15, 1999. This corresponds to the amount repayable on maturity, set at 15 years from the date of issue.
Insofar as the debenture loan is a Zero Coupon debenture loan, this generated on placement an OID (original issue discount) reflecting the real yield of the bond, set at 2% per annum, semi-annually compounded.
Aside from certain periods of technical suspension, conversion may be requested at any time by the subscribers.
As and when requested by issuer, the debenture loan may be repaid early with effect from the 5th year thereof, or, as and when requested by bondholder, with effect from the 5th and 10th year. In such instance, the value matured up to the date on which the option is exercised would be repaid, thereby assuring, as originally agreed, an annual yield of 2%.
More particularly, in conjunction with the fifth year of issue, June 15, 2004, the redemption value of the debenture loan as a whole would be €m 386.4, with a share conversion price of € 15.789.
Option exercise is correlated to the stock market performance of the share price vis-à-vis share conversion price.
As of December 31, 2003, attaching to the share price was a premium of some 40%, as compared to 30% at the time of issue.

As of December 31, 2003, bond discount (being the difference between the issue cost and the related redemption price, net of issue discounts as yet to mature) came to €k 88,077.

Borrowings from banks

As of December 31, 2003, these amount to €k 237,530, or down €k 559,948 on a comparative basis with the year before. Working in the amount of €k 1,700 towards the total balance on this account were newly consolidated companies.

As at 12.31.2003 (€k)	Current	Non-current	Total
Current borrowings including bank overdrafts	35,649	-	35,649
Secured borrowings	131	1,824	1,955
Unsecured non-current borrowings	178,898	21,028	199,926
Total	**214,678**	**22,852**	**237,530**

As at 12.31.2002 (€k)	Current	Non-current	Total
Current borrowings including bank overdrafts	36,829	-	36,829
Secured borrowings	441	5,616	6,057
Unsecured non-current borrowings	427,440	327,152	754,592
Total	**464,710**	**332,768**	**797,478**

Working towards the year-on-year decrease in this account were Forex differences (€m -91,485) and, as discussed earlier, the debenture loan issue within nominal value of $m 370.

Secured borrowings relate to the Group's Belgian and Swiss operations, with repayment installments falling due beyond five years amounting to €k 1,301.

As of December 31, 2003, the Group has drawn some 42% of its available lines of credit from banks.

More particularly, approximately €m 473 and €m 25 will fall due by the end of 2004 and by the end of 2007, respectively.

Bank borrowings carry variable rates of interest.

On December 30, 2003, the Group assigned mandate to arrange a syndicate loan totaling €m 800, envisaging the commitment of two coordinator banks to provide funding on a par basis. The Group is therefore continuing to consolidate forms of funding needed to cover Group financial requirements, further than the mentioned bond issuance (Private Placement).

As entered into on March 19, 2004, the syndicate loan is repayable by installments geared towards:

- replacing short-term funding nearing maturity;
- funding in the longer term additional financial requirements, if any;
- funding the requirement, if any, arising from put option exercise, which may be exercised on June 15, 2004, by holders of the debenture bond issued in 1999 by Autogrill Finance SA.

Repayment installments vary in duration from 12 months to 5 years, reflecting a 3-year weighted average.

Information about the Group's foreign exchange and interest rate management policy can be found in the Note relating to "Off-balance sheet commitments and guarantees".

Other borrowings

As of December 31, 2003, these amount to €k 8,668 (December 31, 2002: €k 10,651).
Encompassed therein are finance lease liabilities and funding - not carrying interest - towards IT and computer system platforms purchased by the parent company.
Of these, falling due after more than one year is €k 5,330, of which falling due beyond five years is €k 3,338.

Trade accounts payable

As of December 31, 2003, these amount to €k 406,681, of which €k 13,773 relate to newly consolidated companies.
On a comparative basis with December 31, 2002, these decreased €k 38,015, of which €k 30,308 attributable to exchange rate movements. Trade accounts payable also bear the brunt of differing investment timescales and contracts renegotiated with Italian suppliers in order to comply with the relevant EC Directive.

Payables - associated companies

The resetting to zero of accounts payable to associated companies stems from the consolidation of Anton Airfood Inc.

Tax liabilities

As of December 31, 2003, these amount to €k 42,428 and are composed of the following:

(€k)	12.31.2003	12.31.2002	Change
Income taxes and indirect taxes	30,370	20,368	10,002
Tax withholdings	9,430	8,980	450
Other	2,628	3,260	(632)
Total	**42,428**	**32,608**	**9,820**

Indirect taxes (taxes and duties other than income taxes) are represented primarily by current indirect tax payable by the US subsidiaries and VAT payable by the parent company.
The year-on-year increase in the balance on the line "Income taxes and indirect taxes" relates primarily to Autogrill Group Inc. as a result of its higher taxable base.
Working in the amount of €k 130 towards the aggregate balance were changes in the scope of consolidation.

Social security liabilities

Social security liabilities are all current in nature and are composed of the following:

(€k)	12.31.2003	12.31.2002	Change
INPS and other Italian social security provident agencies	14,336	14,565	(229)
International social security and provident agencies	13,789	11,724	2,065
Total	**28,125**	**26,289**	**1,836**

As examined and discussed earlier under the heading “Basis of preparation” on page 64, the year-end 2002 balance on the line “International social security and provident agencies”, differs from the balance originally published, insofar as encompassed therein is the amount of €k 9,113 relating to the French subsidiary previously classified under “Other liabilities”.

Other liabilities

The year-end balance on this account is composed of the following:

(€k)	12.31.2003	12.31.2002	Change
Employee payables	**92,656**	**98,369**	**(5,713)**
Other			
Customer credit notes to be issued	1,684	1,916	(232)
Forex and interest-rate hedge unrealized losses	502	7,303	(6,801)
Financial liabilities from derivative contracts	20,863	-	20,863
Miscellaneous	19,867	31,821	(11,954)
Total other	**42,916**	**41,040**	**1,876**
Total	**135,572**	**139,409**	**(3,837)**

Pushing through the movement for the period on this account was the effect due to Forex differences in the amount of €k -11,277, of which €k -9,288 and €k -1,988 relating to employee payables and other liabilities, respectively, and, not least, the effect due to changes in the scope of consolidation in the amount of €k +7,802, of which €k +5,993 relating to employee payables. Encompassed within the balance on “Forex and interest-rate hedge unrealized losses” is the effect due to translation of outstanding Forex hedge contract notional values at the exchange rate applying on December 31, 2003, on a comparative basis with their purchase value.

“Financial liabilities from derivative contracts” are examined and discussed under the heading “Off-balance sheet commitments and guarantees”.

The year-on-year decrease in the balance on the line “Miscellaneous” relates, other than to Forex differences in the amount of €k 1,988, to the settlement, on a deferred basis, of the amount payable attaching to Autogrill Schweiz AG acquisition price components (€k 17,456). Encompassed therein are amounts payable, €k 3,876, relating to Host Marriott Corporation employee stock plans, in that the aforesaid corporation, which previously held HMSHost, had sealed, as terminated on acquisition by Autogrill, a specific agreement with HMSHost. This liability will be extinguished gradually over time, as the rights held by Host Marriott Corporation employees fall due.

Included in miscellaneous liabilities falling due between two and five years is €k 7,414.

Accrued expenses and deferred income

This grouping at year-end is composed of the following:

(€k)	12.31.2003	12.31.2002	Change
Accrued expenses			
Insurance premiums	214	533	(319)
Interest on borrowings	7,793	1,576	6,217
Interest on Forex and interest rate hedge contracts	3,793	7,419	(3,626)
Lease payments	1,853	3,922	(2,069)
Other	2,822	1,434	1,388
Total accrued expenses	**16,475**	**14,884**	**1,591**
Deferred income	**6,186**	**3,977**	**2,209**
Total	**22,661**	**18,861**	**3,800**

Accruals for lease payments relate to the normalization of minimum guaranteed payments relating to certain outlet concessions, with defined contractual repricing over time.

Pushing through the year-on-year increase in "Interest on borrowings" was the provision recorded for interest on the debenture loan issued by the US subsidiary. Further information thereon can be found on page 88.

Falling due after one year is €k 8,907, of which falling due beyond five years is €k 7,877. Amounts falling due beyond five years relate to the interest on borrowings referred to above.

Off-balance sheet commitments and guarantees

The balance on this account at year-end is composed of the following:

(€k)	12.31.2003	12.31.2002	Change
Guarantees for the benefit of third parties	41,088	32,204	8,884
Secured guarantees on balance sheet liabilities	2,354	49,354	(47,000)
Purchase and sale commitments	1,033,884	869,529	164,355
Other	26,014	40,775	(14,761)
Total	**1,103,340**	**991,862**	**111,478**

Guarantees for the benefit of third parties relate primarily to bank guarantees with recourse provided on behalf of the Company in favor of commercial counterparts, based on normal market conditions.
Secured guarantees on balance sheet liabilities relate to land and buildings mortgaged by a Belgian subsidiary as security on loans. Driving through the year-on-year reduction, €k 47,000, was extinction of a deposit previously restricted by the parent company to secure bank financing provided to the US subsidiary undertaking.

Purchase and sale commitments are set out below:
- €k 384,430 (December 31, 2002: €k 381,972) relating to the notional value of Forex hedge contracts;
- €k 641,536 (December 31, 2002: €k 487,557) relating to the notional value of interest rate hedge contracts; and
- €k 7,918 relating to the agreed purchase consideration for the residual 5% stake in Anton Airfood Inc., earmarked to be executed formally by or before year-end 2005.

The Group's financial risk policy places clear focus on evaluating and managing financial risk. Financial risk is the risk of adverse movements in the level of interest rates, in the rate of exchange between currencies the price of securities and other financial contracts including derivatives. Accordingly, these movements may affect the Group's profitability.
The financial risk management policy is applied throughout the Group. In accordance with Group policy, exposure to currency risk (being exposure to the risk of adverse movements in the rate of exchange between currencies) is actively managed at an individual business unit level. On the other hand, interest rate risk (being exposure to adverse movements in interest rates), arising out of borrowings by Group companies, is managed by the parent company or Autogrill Overseas SA.
As a result the acquisition of HMSHost back in September 1999, exposure to interest rate and currency risk has stretched a significant level. The value of the business transaction tipped $b 1 , financed by variable rate loans.
As a consequence, the financial risk management Group policy is steered towards hedging interest rate risk and structural interest rate risk arising in the Group's consolidated balance sheet, particularly in relation to the deployment and funding of non-interest bearing, fixed rate and managed variable rate assets and liabilities.
The Group closely monitors interest rate movements, the interest rate and repricing maturity structure of its interest bearing assets and liabilities and the level of non-interest bearing assets and liabilities in accordance with the Group's approved interest rate risk limit ranging from 40% to 60% of aggregate indebtedness.

In order to reduce the effect of fluctuating interest rates on net income, the composition of interest rate risk in each Group company is assessed and hedged via interest rate swaps, forward rate agreements, interest rate options or, where applicable, a combination thereof. As such, the Group entered into interest rate swap transactions. Under an interest rate swap, the Group agrees with another party to exchange at specific intervals the difference between fixed rate and variable rate interest amounts.In a design to consolidate sources of funding, January 23, 2003 bears witness to funding in the amount of $m 370, bearing variable rates of interest, being replaced by a private placement, which, in order to optimize placement conditions, pays out fixed coupons.

As a consequence thereof, exposure to interest rate risk has been almost entirely hedged.

As a result of the sharp differential between short and long-term rates of interest, the Group to adopt rate sensitivity strategies for some of the private placement, that is, for the ten-year maturity date, in a design to curtail current borrowing costs.

To this end, interest rate options were sold in order to enter into interest rate swaps that exchange synthetically fixed coupons into variable coupons.

Seeing inception in early 2004 was reassessment of the financial risk management policy, also in a design to incorporate therein compliance with IAS/IFRS, whether new or revised.

In the light thereof, the Group company that had entered into the swap transactions terminated the rate sensitivity contracts, recording an outlay of $m 12.5 (or €m 10) in the statutory financial accounts for 2003.

The said company also expensed in the period the losses matured on other financial instruments (involving foreign exchange and interest rate), not compliant with Group policy, amounting to a further amount of $m 13.6 (or €m 10.8).

The residual derivative financial instruments contracted by the Group fix the rate of interest on the notional principal amount of those financial instruments, totaling $m 482, at an average rate if 5.3% over an average term of 5.4 years.

As of December 31, 2003, the notional principal amount of those financial instruments reflects the extent of the Group's involvement in the instruments, but does not represent its exposure to credit risk, which is assessed by reference to interest rate flows collectible from time to time.

Derivative contracts are entered into with counterparts having core financial stability in order to reduce or cut-off the risk of contract default.

In order to manage currency risk on a basis consistent with Group policy, borrowings denominated in currency other than the functional currency are hedged wholly. Generally speaking, the financial instruments employed to this end are forward foreign exchange contracts.

As of December 31, 2003, the fair value of the interest rate swaps, falling into the risk management policy defined by the Board, reflect unrealized losses in the amount of €m 26.4 (December 31, 2002: €m -23.6), whilst cross currency swaps mirror unrealized gains in the amount of €m 2.

The balance on the line "Other" relates to the value of goods belonging to third parties deposited with or used by Group companies.

Notes to principal consolidated income statement accounts

Operating revenues

Revenues from the sale of goods and services

As analyzed below by business line, sales revenue amounts to €k 3,180,742:

(€k)	2003	2002	Change
Food & Beverage	2,376,390	2,529,643	(153,253)
Retail	743,720	766,041	(22,321)
Hotel	21,322	24,466	(3,144)
Third parties and franchisees	39,310	36,157	3,153
Total	**3,180,742**	**3,356,307**	**(175,565)**

Influencing year-on-year comparison are $/€ exchange rate fluctuations, which pushed the aggregate down €k 295,940, and changes in the scope of consolidation. Newly consolidated companies worked in the amount of €k 73,247 towards aggregate. Along with the breakdown of sales revenue by geographic region, the route followed by sales revenue in the year under review is examined and discussed in the Operating Review.
Encompassed within "Retail" is revenue, in the amount of €k 40,530, from fuel sold primarily at Italian and Swiss motorway service stations. In the summary table examined and discussed in the Operating Review, revenue from fuel sold has been reclassified under other operating revenues, net of related purchasing costs.

Other operating revenues

Due to changes in the scope of consolidation and Forex differences, other operating revenues moved forward €k 1,695 and stepped backward €k 4,720, respectively, in the year under review.
Other operating revenues are composed of the following:

(€k)	2003	2002	Change
Promotional contributions by suppliers	26,688	25,369	1,319
Premium income	8,095	17,232	(9,137)
Business lease	10,603	10,887	(284)
Royalty income	5,244	5,205	39
Recovery of costs from third parties	3,021	3,831	(810)
Gains from property, plant and equipment disposals	13,833	337	13,496
Other	20,415	23,821	(3,406)
Total	**87,899**	**86,682**	**1,217**

The decrease in the balance on the line "Premium income" stems from the diverse qualification, made in FY 2003, of receipts as a whole, which led to offsetting some of the aggregate against purchasing costs, by way of premium income from suppliers.

Encompassed within “Gains from property, plant and equipment disposals” is the amount of €k 11,719 relating to the gain realized by the parent company on disposal of the property located at Via Orefici in Milan.
“Other” relates primarily to commission income associated with premium discounts and provisions overstated in prior years. The year-on-year decrease on this line relates to the related reduction therein in the parent company financial accounts.

Operating costs

Cost of merchandise for resale and supplies

These amount to €k 113,299, of which €k 20,787 stems from changes in the scope of consolidation.
The cost of merchandise for resale and supplies is composed of the following:

(€k)	2003	2002	Change
Food & Beverage and Retail	1,041,802	1,099,088	(57,286)
Other	71,497	78,039	(6,542)
Total	**1,113,299**	**1,177,127**	**(63,828)**

As discussed earlier in terms of sales revenue, influencing year-on-year comparison are $/€ exchange rate fluctuations, which pushed through an uplift of €k 84,876.

Cost of services and lease, rental and royalty charges

These are composed of the following:

(€k)	2003	2002	Change
Cost of services			
Energy	61,994	67,025	(5,031)
Maintenance costs	47,437	52,154	(4,717)
Sanitation and post-control services	30,406	28,379	2,027
Consultancy and expert services	25,000	26,565	(1,565)
Advertising and market research	16,321	20,543	(4,222)
Travel expenses	19,313	20,062	(749)
Storage and freight charges	14,538	15,182	(644)
Insurance	19,702	19,133	569
Credit card commissions	11,980	12,816	(836)
Postage and telephone	11,737	11,749	(12)
Temporary staff	3,113	8,507	(5,394)
Security guard transport	4,340	4,703	(363)
Security	4,446	4,428	18
Recruiting costs	2,263	2,918	(655)
Bank services	3,254	3,761	(507)
Personnel training	2,341	2,797	(456)
Other	32,821	39,272	(6,451)
Total - Cost of services	**311,006**	**339,994**	**(28,988)**
Lease, rental and royalty charges			
Concession contract and lease charges	364,385	385,974	(21,589)
Movable property rental	11,116	18,802	(7,686)
Brand and trademark royalty charges	44,477	49,368	(4,891)
Total - Lease, rental and royalty charges	**419,978**	**454,144**	**(34,166)**
Total	**730,984**	**794,138**	**(63,154)**

Changes in the scope of consolidation worked towards uplifting the cost of services by €k 8,533, primarily in relation to maintenance costs (€k 1,709), utilities (€k 1,018), consultancy (€k 866) and credit card commissions (€k 820) and, not least, lease, rental and royalty charges by €k 9,561, of which €k 8,174 relating to concession contract rentals.

The impact of exchange rate fluctuations came to €k 29,028 for the cost of services and €k 53,678 for lease, rental and royalty charges.

Personnel costs

Personnel costs came to an amount totaling €k 955,707. Working towards and against the aggregate in the amount of €k 24,313 and €k 95,282 were changes in the scope of consolidation and Forex differences, respectively.

(€k)	2003	2002	Change
Wages and salaries	758,685	821,022	(62,337)
Social security charges	131,337	140,567	(9,230)
Severance indemnities and similar obligations	15,996	15,740	256
Other	49,689	53,597	(3,908)
Total	**955,707**	**1,030,926**	**(75,219)**

Enhanced productivity harnessed payroll growth to revenue growth.
Average headcount, expressed in terms of full-time equivalents, tipped 36,460 full-time equivalents (December 31, 2002: 37,059 equivalents).

Depreciation, amortization and write-downs

As set out below, these came to an amount totaling €k 274,107, reflecting a year-on-year decrease of €k 6,859, of which €k 19,528 attributable to changes in the scope of consolidation:

(€k)	2003	2002	Change
Depreciation, amortization and write-downs			
Amortization of intangible fixed assets	169,868	173,702	(3,834)
Depreciation of property, plant and equipment (PPE)	66,850	70,254	(3,404)
Depreciation of freely transferable PPE	16,064	16,233	(169)
Write-down of intangible fixed assets and PPE	16,890	14,121	2,769
Write-down of receivables (classified under current assets)	4,435	6,656	(2,221)
Total	**274,107**	**280,966**	**(6,859)**

Intangible fixed asset amortization charges include the amortization of business goodwill and consolidation differences, amounting to €k 93,089 (December 31, 2002: €k 82,610). The year-on-year increase relates to the newly consolidated company Anton Airfood Inc. The remainder mainly relates to leasehold improvement costs amortized.
Recorded on the basis of re-assessed forward-looking earnings by the business units reflecting unsatisfactory performance, write-downs came to an amount totaling €k 16,890.

The write-downs are composed as follows:

- €k 5,654 recorded in respect of the consolidation difference relating to Autogrill Schweiz AG, due particularly to adverse trending by airport channel operations;
- €k 11,236 recorded in respect of fixed assets relating to sales outlets, whether Italian (€k 4,299), Swiss (€k 3,983), Dutch (€k 2,106) or Austrian (€k 848).

Freely transferable PPE has been depreciated on the basis of economic/technical rates according to the useful life expectancy of the related asset, or, when lower, of the residual term of the relevant concession contract.

Provisions for risks and other provisions

The provisions set aside in the period under review are detailed as follows:

(€k)	2003	2002	Change
Provision for litigation and other risks	**5,387**	**5,701**	**(314)**
Other provisions			
Provision for renovation costs	3,619	3,018	601
Miscellaneous provisions	201	284	(83)
Total other provisions	**3,820**	**3,302**	**518**
Total	**9,207**	**9,003**	**204**

Other operating costs

As set out below, other operating costs came to €k 35,729, of which newly consolidated companies accounted for €k 1,212.

(€k)	2003	2002	Change
Taxes and duties (other than income taxes)	18,286	19,613	(1,327)
Cash differences	3,238	4,179	(941)
Losses on divestments or disposals	1,518	321	1,197
Other	12,687	15,127	(2,440)
Total	**35,729**	**39,240**	**(3,511)**

The balance on the line "Other" relates primarily to out-of-period losses on adjustment of provisions recorded in prior years and fees to directors and statutory auditors and, not least, penalties relating to the early termination of leases attaching to premises divested in the period.

Financial income and costs

As of December 31, 2003, net financial costs amount to €k 71,819, or €k 30,356 more than the year before.
Working towards financial costs were the following:

1 accrued losses on derivatives in the amount of €k 20,863, as discussed in the Note relating to "Off-balance sheet commitments and guarantees";
2 higher rate of interest paid on the private placement (averaging 5.9%), compared to current bank borrowings which it replaced;
3 recognition of capital loss, amounting to €k 7,221, realized on disposal of the equity interest held in Pastarito SpA, already written down for reasons of prudence in FY 2002 for an amount totaling €k 7,659.

The individual components are analyzed as follows.

Other financial income

As of December 31, 2003, other financial income amounts to €k 19,468, or €k 8,418 less than the year before. Other financial income is composed of the following:

(€k)	2003	2002	Change
Interest income and other income from			
Receivables classified under fixed assets	5	2	3
Securities classified under fixed assets	13	59	(46)
Marketable securities	1,356	2,121	(765)
	1,374	**2,182**	**(808)**
Income other than that listed above			
Interest income - banks	1,320	2,386	(1,066)
Forex gains	1,745	5,967	(4,222)
Forex hedge contract gains	2,774	7,697	(4,923)
Interest rate hedge contract gains	8,374	7,139	1,235
Other	3,881	2,515	1,366
	18,094	**25,704**	**(7,610)**
Total	**19,468**	**27,886**	**(8,418)**

Forex gains relate to transactions with customers.

Finance costs

As of December 31, 2003, finance costs amount to €k 91,998.

(€k)	2003	2002	Change
Interest expense on debenture loans	26,298	7,387	18,911
Interest expense on bank borrowings	10,520	25,684	(15,164)
Other	3	159	(156)
	36,821	**33,230**	**3,591**
Expenses other than those listed above			
Interest rate hedge contract losses	23,852	31,815	(7,963)
Forex hedge contract losses	2,204	3,454	(1,250)
Fair value of derivative contracts	20,863	-	20,863
Loss on equity interests in associated companies	7,221	-	7,221
Other	1,037	990	47
	55,177	**36,259**	**18,918**
Total	**91,998**	**69,489**	**22,509**

Forex hedge contracts put in place to manage exposures to currency risk gave rise to foreign exchange losses, stated under "Forex losses", and foreign exchange gains, stated under "Forex gains", classified within "Financial income".
Comments about the item "Fair value of derivative contracts" are provided under section "Off-balance sheet commitments and guarantees" on page 93.
"Loss on equity interests in associated companies" relates to the €k 7,221 loss arising on disposal of the equity interest, originally 21.61%, in the share capital of Pastarito SpA. As well as being acquired part way FY 2002, with a capital outlay of €k 14,481, the equity holding was also written down in that year, in the amount of €k 7,660, given the uncertainty already surrounding the full recoverability of the capital outlay owing to the particularly unfavorable moment of time for "new concept" dine-in city venues.

Adjustments to the value of financial assets

Adjustments to the value of financial assets, net, came to €k 401, as opposed to a negative balance of €k 7,304 at year-end 2002; the latter figure bears the brunt of the mentioned write-down of the equity interest held in Pastarito SpA, later divested part way FY 2003.

Exceptional income/(expenses)

Exceptional income, net, amounts to €k 12,492 (December 31, 2002: €k 1,267).
Settled on a transactive basis in the year under review was the legal action taken by the Autogrill Group against BonAppétit Gastronomie Holding, in relation to misleading disclosures about the Passaggio group (now Autogrill Schweiz), acquired in December 2000.
Resulting therefrom are receipts in the amount of Chfm 23 (or €k 15,367), as a result of which some of the write-downs recorded in prior years on the equity investment have been written back.
Also included therein is the provision for charges, estimated at €k 1,300, relating to the automatic settlement of income tax liabilities, and only income tax liabilities (on an "across-the-board" basis and, as in the prior year, pursuant to tax amnesty law), relating to the parent company and certain Italian subsidiaries of the Group. As if some reminder were needed, the amount of €m 4.3 was posted in the prior year in relation to the automatic settlement of fiscal year 1998, 1999, 2000 and 2001 income.

Income tax

As of December 31, 2003, the net balance of €k 40,822 (December 31, 2002: €k 55,051) is represented by current income tax payable in the amount of €k 53,020 (December 31, 2002: €k 46,722) and by a deferred tax asset in the amount of €k 27,147 (December 31, 2002: €k 5,362); regional tax ("Irap"), which has a differing tax base substantially equal to operating income less payroll costs, came to €k 14,949 (December 31, 2002: €k 14,024).
Income taxes bear the brunt of non-recurring items:

1 The Italian Tax Reform Act introduced Participation Exemption.
This determined, as disclosed under section "Taxation provisions", non-existent deferred tax liabilities, which, in prior years, had been posted in relation to the future taxation, if any, of the write-downs deducted by the parent company in application of previously prevailing tax laws and regulations.
The tax benefit for the year was €k 31,800.

2 As a result of updated projections of the taxable base of certain Group companies, the tax assets recorded in prior years in relation to the unused tax losses reported by those companies have been written down in the amount of €m 4 for reasons of prudence.

Appendix. List of companies included in the consolidation and other investments as at December 31, 2003

Companies consolidated on a line-by-line basis

Company	Registered office	Curr.	Capital stock	%	Held by
Parent company					
Autogrill SpA	Novara	€	132,288,000	57.093	Edizione Holding SpA
Subsidiaries					
Autogrill Café Srl	Novara	€	100,000	100.000	Autogrill SpA
Aviogrill Srl	Bologna	€	10,000	51.000	Autogrill SpA
Nuova Estral Srl	Novara	€	10,000	100.000	Autogrill SpA
Nuova Sidap Srl	Novara	€	10,000	100.000	Autogrill SpA
Autogrill Austria AG	Gottlesbrunn	€	7,500,000	100.000	Autogrill SpA
Autogrill Deutschland GmbH	München	€	205,000	100.000	Autogrill SpA
Autogrill España SA	Madrid	€	1,800,000	100.000	Autogrill SpA
Autogrill Participaciones SL	Madrid	€	6,503,006	100.000	Autogrill España SA
Restauracion de Centros Comerciales SA	Barcelona	€	108,182,18	85.000	Autogrill Participaciones SL
Autogrill Finance SA	Luxembourg	€	250,000	99.996	Autogrill SpA
Autogrill Hellas EPE	Avlona Attikis	€	1,696,350	100.000	Autogrill SpA
Autogrill Overseas SA	Luxembourg	€	60,650,000	99.999	Autogrill SpA
Autogrill Europe Nord-Ouest SA	Luxembourg	€	41,300,000	99.999	Autogrill SpA
Autogrill Belgie SA	Antwerpen	€	22,250,000	99.999	Autogrill Europe Nord-Ouest SA
				0.001	Ac Restaurants & Hotels SA
Ac Arlux SA	Arlon	€	1,258,233	99.998	Autogrill Belgie SA
				0.002	Ac Restaurants & Hotels SA
Ac Restaurants & Hotels Beheer SA	Antwerpen	€	4,420,000	99.999	Autogrill Belgie SA
				0.001	Ac Restaurants & Hotels SA
Ac Restaurants & Hotels SA	Luxembourg	€	123,946	99.995	Autogrill Belgie SA
				0.005	Ac Restaurants & Hotels Beheer SA
Ac Restaurants & Hotels Beteiligungs GmbH, in liquidation	Niederzissen	€	76,706	95.000	Ac Restaurants & Hotels SA
				5.000	Ac Holding NV
Ac Restaurants & Hotels Betriebs GmbH, in liquidation	Niederzissen	€	25,575	100.000	Ac Restaurants & Hotels Beteiligungs GmbH
Autogrill Nederland BV	Breukelen	€	41,371,500	100.000	Autogrill Europe Nord-Ouest SA
Maison Ledeboer BV	Zaandam	€	69,882	100.000	Autogrill Nederland BV
Ac Holding NV	Breukelen	€	136,134	100.000	Maison Ledeboer BV
The American Lunchroom Co BV	Zaandam	€	18,151	100.000	Ac Holding NV
Ac Apeldoorn BV	Apeldoorn	€	45,378	100.000	The American Lunchroom Co BV
Ac Bodegraven BV	Bodegraven	€	18,151	100.000	The American Lunchroom Co BV

Company	Registered office	Curr.	Capital stock	%	Held by
Ac Heerlen BV	Heerlen	€	23,142	100.000	The American Lunchroom Co BV
Ac Hendrik Ido Ambacht BV	Hendrik Ido Ambacht	€	15,882	100.000	The American Lunchroom Co BV
Ac Holten BV	Holten	€	34,033	100.000	The American Lunchroom Co BV
Ac Leiderdorp BV	Leiderdorp	€	18,151	100.000	The American Lunchroom Co BV
Ac Meerkerk BV	Meerkerk	€	18,151	100.000	The American Lunchroom Co BV
Ac Nederweert BV	Weert	€	34,033	100.000	The American Lunchroom Co BV
Ac Nieuwegein BV	Nieuwegein	€	18,151	100.000	The American Lunchroom Co BV
Ac Oosterhout BV	Oosterhout	€	18,151	100.000	The American Lunchroom Co BV
Ac Restaurants & Hotels BV	Oosterhout	€	90,756	100.000	The American Lunchroom Co BV
Ac Sevenum BV	Sevenum	€	18,151	100.000	The American Lunchroom Co BV
Ac Vastgoed BV	Zaandam	€	18,151	100.000	The American Lunchroom Co BV
Ac Vastgoed I BV	Zaandam	€	18,151	100.000	The American Lunchroom Co BV
Ac Veenendaal BV	Veenendaal	€	18,151	100.000	The American Lunchroom Co BV
Ac Zevenaar BV	Zevenaar	€	56,722	100.000	The American Lunchroom Co BV
Holding de Participations Autogrill Sas	Marseille	€	119,740,888	99.999	Autogrill Europe Nord-Ouest SA
				0.001	Autogrill SpA
Autogrill Coté France Sas	Marseille	€	31,579,526.40	99.999	Holding de Participations Autogrill Sas
Société Berrichonne de Restauration SA (Soberest)	Marseille	€	288,000	49.995	Autogrill Coté France Sas
Société Bordelaise de Restauration Sas (Soborest)	St. Savin	€	788,000	49.994	Autogrill Coté France Sas
Société de la Porte de Champagne SA (SPC)	Perrogney Les Fontaines	€	153,600	51.900	Autogrill Coté France Sas
Société de Restauration Autoroutière Drômoise SA (SRAD)	Marseille	€	1,136,000	49.996	Autogrill Coté France Sas
				49.998	SRSRA SA
Société de Restauration de Bourgogne SA (Sorebo)	Marseille	€	144,000	50.000	Autogrill Coté France Sas
Société de Restauration de Troyes-Champagne SA (SRTC)	Marseille	€	1,440,000	69.978	Autogrill Coté France Sas
Société Régionale de Saint Rambert d'Albon SA (SRSRA)	St. Rambert d'Albon	€	515,360	50.000	Autogrill Coté France Sas
Volcarest SA	Champs	€	1,050,144	50.000	Autogrill Coté France Sas
Autogrill Restauration Services SA	Marseille	€	30,041,460	99.999	Holding de Participations Autogrill Sas
Autogrill Gares Province Sàrl	Marseille	€	274,480	100.000	Autogrill Restauration Services SA
Autogrill Gares Metropoles Sàrl	Marseille	€	17,396,850	100.000	Autogrill Restauration Services SA
Autogrill Gares Lille Snc	Marseille	€	40,000	99.960	Autogrill Restauration Services SA
				0.040	Autogrill Gares Metropoles Sàrl

Company	Registered office	Curr.	Capital stock	%	Held by
Autogrill Schweiz AG	Olten	Chf	10,000,000	100.000	Autogrill Overseas SA
ARH Management AG, in liquidation	Zug	Chf	700,000	100.000	Autogrill Schweiz AG
Autogrill Pieterlen AG	Pieterlen	Chf	2,000,000	100.000	Autogrill Schweiz AG
Autogrill Pratteln AG	Pratteln	Chf	3,000,000	95.000	Autogrill Schweiz AG
Autogrill Basel Airport Sas	St. Louis	Chf	40,000	100.000	Autogrill Schweiz AG
Restoroute de Bavois SA	Bavois	Chf	2,000,000	70.000	Autogrill Schweiz AG
Restoroute de la Gruyère SA	Avry devant Pont	Chf	1,500,000	54.300	Autogrill Schweiz AG
Vorstatt Egerkingen AG	Egerkingen	Chf	2,000,000	100.000	Autogrill Schweiz AG
Autogrill Group Inc.	Bethesda	Usd	225,000,000	100.000	Autogrill Overseas SA
HMSHost Corp.	Bethesda	Usd		100.000	Autogrill Group Inc.
HMSHost Europe Corp.	Wilmington	Usd		100.000	Autogrill Group Inc.
HMSHost International Inc.	Wilmington	Usd		100.000	Autogrill Group Inc.
HMS Host Tollroads Inc.	Bethesda	Usd	125,000,000	100.000	HMSHost Corp.
Host International Inc.	Bethesda	Usd	125,000,000	100.000	HMSHost Corp.
Sunshine Parkway Restaurants Inc.	Bethesda	Usd	125,000,000	50.000	HMSHost Corp.
				50.000	Gladieux Corp.
C & J Leasing Inc., in liquidation	Bethesda	Usd	1	100.000	Host International Inc.
Cincinnati Terminal Services Inc.	Bethesda	Usd	125,000,000	100.000	Host International Inc.
Cleveland Airport Services Inc.	Bethesda	Usd	125,000,000	100.000	Host International Inc.
HMS-Airport Terminal Services Inc.	Bethesda	Usd	125,000,000	100.000	Host International Inc.
HMS-Airport Terminal Services (Christchurch branch) Inc.	Bethesda	Usd	125,000,000	100.000	HMS-Airport Terminal Services Inc.
HMS B&L Inc.	Bethesda	Usd	125,000,000	100.000	Host International Inc.
HMS Holdings Inc.	Bethesda	Usd	125,000,000	100.000	Host International Inc.
HMS Host Family Restaurants Inc.	Bethesda	Usd	125,000,000	100.000	HMS Holdings Inc.
HMS Host Family Restaurants LLC	Bethesda	Usd	125,000,000	100.000	HMS Host Family Inc.
Gladieux Corporation	Bethesda	Usd	125,000,000	100.000	HMS Holdings Inc.
Host (Malaysia) Sdn Bhd	Kuala Lumpur	Myr	100,000	100.000	Host International Inc.
Host Gifts Inc.	Bethesda	Usd	125,000,000	100.000	Host International Inc.
Host International of Canada Ltd	Vancouver	Cad	4,600,000	100.000	Host International Inc.
Host International of Canada (RD-GTAA) Ltd	Toronto	Cad	1	100.000	Host International of Canada Ltd
SMSI Travel Centres Inc.	Toronto	Cad	1	100.000	Host International of Canada Ltd
Host International of Kansas Inc.	Bethesda	Usd	125,000,000	100.000	Host International Inc.
Host International of Maryland Inc.	Bethesda	Usd	125,000,000	100.000	Host International Inc.
HMS Host USA Inc.	Bethesda	Usd	125,000,000	100.000	Host International Inc.
Host International (Poland) Spzoo, in liquid.	Warsaw	Plz	6,557,600	100.000	HMS Host USA Inc.
Host of Holland BV	Haarlemmermeer	€	90,756	100.000	Host International Inc.
Horeca Exploitatie Maatschappij Schiphol BV	Schiphol	€	45,378	100.000	Host of Holland BV
Host Services (France) Sas	Paris	€	38,115	100.000	Host International Inc.

Company	Registered office	Curr.	Capital stock	%	Held by
Host Services Inc.	Bethesda	Usd	125,000,000	100.000	Host International Inc.
Host Services of New York Inc.	Bethesda	Usd	125,000,000	100.000	Host International Inc.
Host Services Pty Ltd	North Cairns	Aud	12	100.000	Host International Inc.
Las Vegas Terminal Restaurants Inc.	Bethesda	Usd	125,000,000	100.000	Host International Inc.
Marriott Airport Concessions Pty Ltd	Tullamarine	Aud	999,998	100.000	Host International Inc.
Michigan Host Inc.	Bethesda	Usd	125,000,000	100.000	Host International Inc.
San Francisco Sunshade LLC, in liquidation	Bethesda	Usd	1	100.000	Host International Inc.
Shenzen Host Catering Company Ltd	Shenzen	Usd	2,500,000	90.000	Host International Inc.
The Gift Collection Inc.	Bethesda	Usd	125,000,000	100.000	Host International Inc.
Turnpike Restaurants Inc.	Bethesda	Usd	125,000,000	100.000	Host International Inc.
AAI Investments Inc.	Bethesda	Usd	100,000,000	100.000	Autogrill Group Inc.
Anton Airfood Inc. (AAI)	Washington	Usd	1,000	95.000	AAI Investments Inc.
AAI Terminal 7 Inc.	Washington	Usd	1,000	100.000	Anton Airfood Inc.
AAI Terminal One Inc.	Washington	Usd	200	100.000	Anton Airfood Inc.
Airport Architects Inc.	Washington	Usd	1,000	100.000	Anton Airfood Inc.
Anton Airfood JFK Inc.	Washington	Usd	1,000	100.000	Anton Airfood Inc.
Anton Airfood of Bakersfield Inc.	Washington	Usd	1,000	100.000	Anton Airfood Inc.
Anton Airfood of Cincinnati Inc.	Washington	Usd	1,000	100.000	Anton Airfood Inc.
Anton Airfood of Minnesota Inc.	Washington	Usd	10	100.000	Anton Airfood Inc.
Anton Airfood of New York Inc.	Washington	Usd	1,000	100.000	Anton Airfood Inc.
Anton Airfood of North Carolina Inc.	Washington	Usd	10	100.000	Anton Airfood Inc.
Anton Airfood of Ohio Inc.	Washington	Usd	1,000	100.000	Anton Airfood Inc.
Anton Airfood of Rhode Island Inc.	Washington	Usd	1,000	100.000	Anton Airfood Inc.
Anton Airfood of Texas Inc.	Washington	Usd	100,000	100.000	Anton Airfood Inc.
Anton Airfood of Virginia Inc.	Washington	Usd	1,000	100.000	Anton Airfood Inc.
Palm Springs AAI Inc.	Washington	Usd	1,000	100.000	Anton Airfood Inc.
Lee Airport Concession Inc.	Washington	Usd	1,600	25.000	Anton Airfood Inc.

Companies valued at equity

Company	Registered office	Curr.	Capital stock	%	Held by
Union Services Sàrl	Luxembourg	€	51,000	20.000	Autogrill Europe Nord-Ouest SA
				20.000	Autogrill Overseas SA
				10.000	Autogrill Finance SA
Dewina Host Sdn Bhd	Kuala Lumpur	Myr	250,000	49.000	Host International Inc.
HMSC-AIAL Ltd	Aukland	Nzd	111,900	50.000	Host International Inc.

Deloitte.

Deloitte & Touche S.p.A.
Palazzo Carducci
Via Olona, 2
20123 Milano
Italia

Tel: +39 02 88011
Fax: +39 02 433440
www.deloitte.it

AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH ARTICLE 156 OF LEGISLATIVE DECREE No. 58 OF FEBRUARY 24, 1998

To the Shareholders of
Autogrill S.p.A.:

We have audited the consolidated financial statements of Autogrill S.p.A. and its subsidiaries as of and for the year ended December 31, 2003. These financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the Auditing Standards recommended by Consob, the Italian Commission for listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

For the opinion on the prior year's consolidated financial statements, which are presented for comparative purposes as required by law, reference should be made to the auditors' report, issued by Deloitte & Touche Italia S.p.A., dated March 27, 2003.

In our opinion, the consolidated financial statements present fairly the financial position of Autogrill S.p.A. and its subsidiaries as of December 31, 2003, and the results of its operations for the year then ended in accordance with the Italian regulations governing financial statements.

DELOITTE & TOUCHE S.p.A.

Signed by
Eugenio Colucci
Partner

Ernesto Lanzillo
Partner

Milan, Italy
April 6, 2004

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

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

Member of
Deloitte Touche Tohmatsu

Sede Legale: Palazzo Carducci - Via Olona, 2 - 20123 Milano
Capitale Sociale: versato Euro 6.720.406,00 - sottoscritto Euro 10.327.590,00 - deliberato Euro 10.850.000,00
Partita IVA/Codice Fiscale/Registro delle Imprese Milano n. 03049560166 - R.E.A. Milano n. 1720239

Registered office
Via L. Giuletti, 9
28100 Novara - Italy

Headquarters
Centro Direzionale Milanofiori
Strada 5, Palazzo Z
20089 Rozzano (MI) - Italy
tel +39 02 4826.1
www.autogrill.com

Corporate information
Capital stock: € 132,288,000 (fully paid-in)
Company register Novara no. 21054/197
REA C.C.I.A.A.: no. 188902
Fiscal code: 03091940266
Vat number: 01630730032

Communication and Public Affairs
e-mail: dir.com@autogrill.net
tel +39 02 48263250
fax +39 02 48263614

Investor Relations
e-mail: investor.relations@autogrill.net
tel +39 02 48263246
fax +39 02 48263557

Art direction
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