Autogrill S.p.A.

Annual Report & Accounts 2003

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 financial accounts, which may not conform with generally accepted accounting principles in other countries.

Autogrill S.p.A. – Annual Report & Accounts 2003

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AUTOGRILL S.p.A. – DIRECTORS, STATUTORY AUDITORS AND INDEPENDENT AUDITORS
(Disclosures pursuant to CONSOB Regulation 97001574/1997 issued by the Italian Regulatory Commission for Companies and the Stock Exchange)

BOARD OF DIRECTORS

(appointed up to approval of the Annual Report & Accounts 2004)

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 24th, stepped down from the Board effective as from February 13th, 2004.

BOARD OF STATUTORY AUDITORS

(appointed up to approval of the Annual Report & Accounts 2005)

Chairman	Gianluca PONZELLINI	Chartered Accountant
Standing Auditor	Marco REBOA	Chartered Accountant
Standing Auditor	Ettore Maria TOSI	Chartered Accountant
Alternate Auditor	Giovanni Pietro CUNIAL	Chartered Accountant
Alternate Auditor	Graziano Gianmichele VISENTIN	Chartered Accountant

Independent Auditors

(appointed up to approval of the Annual Report & Accounts 2005)
Deloitte & Touche S.p.A. (formerly Deloitte & Touche Italia S.p.A.)

(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 Aprile24, 2003.
(3) Member of Internal Audit Committee.
(4) Member of Remuneration Committee.

OPERATING AND FINANCIAL REVIEW

OPERATING PERFORMANCE

Unless otherwise specified, the figures disclosed herein are in millions of Euro (€m). Year-on-year balance sheet and income statement comparables relate to F/Y 2002. As examined and discussed in the Operating and Financial Review, excluded from sales revenue are revenues generated by fuel distribution operations, shown among Other Operating Revenues, net of related operating costs.

As a result of the leadership marketing initiatives put in place during the year, sales revenue moved forward 3.1% to €m 1,039.2, notwithstanding an unrelenting background of adverse economic conditions that continued to dampen consumer confidence.

Initiatives targeted towards enhancing efficiencies also paved the way towards uplifting pleasingly business metrics: EBITDA of the Italian commercial organization – as such excluding therefrom Group headquarter costs – stepped forward 4.5% to €m 170.2, or, when expressed as a percentage of sales, rising from 16.1% to 16.3%. These harness a year-on-year positive tone, whether in terms of prior year like-for-like ratios and figures or 2003 preset priorities.

The pruning of Group headquarter costs also worked towards pushing through the uplift in the Company's EBITDA, which moved upward 9.7% to €m 153.3.

Having a beneficial effect on the year was net non-recurring income in the amount of €m 10.9, mainly arising as result of the disposal of certain *City Center* distribution channel outlets reflecting substandard profitability.

Depreciation, amortization and write-downs capped €m 116.8 (December 31, 2002: €m 121.4).

Exceptional and financial items translated into net charges in the amount of €m 5.6 (December 31, 2002: €m 5.1). The income tax charge – which includes regional income tax ("IRAP") – rose from €m 21.4 to €m 28.3.

The year ended with a profit of €m 13.5, as compared to a loss of €m 9.9 in the prior year.

Capital investments towards the Italian operational network rose 10% to €m 52.8.

On the other hand, international operations called for minor capital injection, harnessed at €m 34.8.

The remaining cash flow from operations was therefore steered towards reducing the Company's and, not least, the more significant subsidiaries, to banking exposure. As such, the Company's net available funds stepped forward €m 63 to €m 100.8.

At December 31, 2003, the Italian commercial network was structured around 444 sites. Primarily pushing through the year-on-year reduction of 9 sales outlets was the shut down of city center locations no longer deemed to be profitable. The number of sales outlets operated and managed by franchisees was 105, that is, two more than the year before.

Primarily contributing towards uplifting sales revenue were the following drivers:

- <u>new products</u>: from Acafé bar with an exclusive blend of Acafé espresso coffee of excellence to the all-new Ischia vegetarian sandwich, from an enriched array of breakfast buns and pastries to the best specialties that the Italian regions offer, from the introduction of innovative services (Trucker Club, Bluvia, Fido Park and Ticket One) to the new concept *Aldente* pasta corner. Other than the enhanced array of typical regional products and specialties offered at dine-in locations or in the market, the stronger nexus forged with the territory crystallized into bonding initiatives with local producers specializing in the agroindustry;
- <u>bolt-on upper-edge customer service</u>, in terms of free-flow queuing at cash tills or at front counters, driven through primarily by marshalling the speed, accuracy and courtesy of the

Autogrill service. As a result of the focus placed on quality, the motorway distribution channel was awarded UNI EN ISO 9001:2000 certificate accreditation for bar snack and free-flow system design, preparation and provision of services, including therein logistics and distribution activities and application and operational management of an HACCP-based auto-control system. From a safety and emergency security standpoint, the collaboration forged with the Motorway Police Unit also enabled better programmed monitoring and surveillance of more service stations with more critical location and travel traffic flows.

Route followed by sales

Making an absolute contribution to the uplift in sales revenue were dine-in and food & beverage services (accounting for 60.6% of sales), which reflect a 3.1% upturn, notwithstanding divestment of the city center dine-in locations referred to above.

Bearing the brunt of lackluster branded media product sales (CDs, MCs and Videos), Retail operations (accounting for 36.1% of sales) reflect a 0.1% marginal upturn, offset by upward curved sales revenue from the leisure-reading sector

Complementary product sales (accounting for 17.8% of sales) captured the fastest rate of growth: +6.3%. More particularly, initiatives promoting the sale of lottery tickets pushed through 10.9% growth, notwithstanding the contraction experienced by the sector at the national level. Significantly beneficial to cigarette and tobacco sales (+5.7%) were fixed pricing mark-ups.

All distribution channels delivered growth:

- the motorway distribution channel, which accounts for 80% of sales, delivered 4.2% growth. Of particular note, food & beverage services delivered 4.4% growth at like-for-like locations, moving beyond the rate of growth reported for motorway travel traffic (+2.9%, Source: AISCAT);
- the airport and railway distribution channels delivered 15.5% growth and 12.9% growth, respectively.

On the other hand, sales revenue from *city center* outlets and shopping malls flagged, whether driven though by unrelenting dampened consumer confidence or restaurants – primarily in city centers – divested insofar as no longer deemed to be profitable:

- sales revenue from city center outlets dipped 9.3%, mainly as a result of certain dine-in locations being shut down, including therein the Milan dine-in location at Via Orefici, insofar as reflecting substandard profitability;
- sales revenue from shopping malls dipped 4.2%. Also making its debut in October under the wing of the shopping mall distribution channel was the new concept *Aldente* pasta corner, located within the new factory-store outlet at Castelromano.

Due to 'leaner' local portfolios and bolt-on operational management initiatives, moving forward significantly was the gross operating margin harnessed by the two distribution channels, reflecting, respectively, an 11.6% and 13.1% uplift on the prior year.

As a result of enhancing the sales outlet business model, the bar for customer service bar has been yet again raised, especially in peak periods, with headcount remaining substantially unchanged. Also ensuing therefrom was heightened productivity. Notwithstanding a 2.2% uplift in the cost of labor, the related ratio thereof to sales dipped from 23.5% in fiscal 2002 to 23.1%.

Autogrill Group results

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 certainty in the market 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.

In 2003, services and product volumes grew in the two key markets in which the Group operates, North America and Europe, although the stronger route followed by the Euro vis-à-vis the US dollar (+19.6% on a year-to-date basis) and versus the Swiss franc (+3.6%) dampened the magnitude thereof in the consolidated financial accounts due to the unfavorable currency conversion of more than 50% of Group sales.

On a current currency basis, F/Y 2003 net sales and revenues dipped 5.2% to €m 3,142.7. However, on constant currency basis, these 4.1%.

Sales revenue from the sales network headed by Autogrill Group Inc. (formerly HMSHost Corp.) – operating in North America, the Pacific Rim and Schiphol Airport at Amsterdam – came to $m 1,786.9, reflecting a 6.5% uplift at constant currencies (or -11% at current currencies), thereby accounting for 50.3% of consolidated revenues. EBITDA for Autogrill Group Inc. was $m 241.7, or up 12.4%, working towards which were more effective business models and consolidation of Anton Airfood, Inc. (with EBITDA equal to $m 11.6). When expressed as a percentage of sales, EBITDA moved forward from 12.8% to 13.5%.

Bearing the brunt of marginal venue locations divested and the unrelenting weakness reflected by certain economies, sales revenue from Europe moved upward 1.8% to €m 1,563.0 (thereby accounting for 49.7% of consolidated revenues).

Against this backdrop, the initiatives put in place in terms of comprehensive product offering and operating processes paved the way towards carrying forward 11.5% European EBITDA to €m 221. When expressed as a percentage of sales, European EBITDA grew from 12.9% to 14.1%.

Looking at the breakdown of sales by distribution channel, gaining pole position was the motorway distribution channel, delivering almost fifty per cent of consolidated revenues, followed closely on the heel by the airport distribution channel with 40.2%. Taken as whole, sales revenue from the motorway distribution channel capped €m 1,560.8, reflecting 3.1% growth at constant currencies (or -1.5% at current currencies). Sales revenue from European nations mirrored 4.4% growth, mainly due to performances captured in France (+11.6%), Spain (+6.3%) and Italy (+4.3%). On the one hand, driving through the downturn in sales revenue from North America (1.6% at constant currencies or -17.8% at current currencies) were certain service stations closed for restructuring purposes and, on the other, the severe weather conditions afflicting the US Atlantic Coast in first-quarter 2003.

Sales revenue from the airport distribution channel stretched forward to €m 1,262.4 (or +8.4% at constant currencies and -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. Also stepping forward was sales revenue from Athens Airport (+6%) offset to some extent by lackluster sales revenue from the Swiss airport distribution channel conditioned by the adverse situation prevailing at Zurich Airport, as yet stumbling from the crisis suffered by the national flag carrier, and operations no longer conducted at Basle Airport.

Sales revenue from the railway distribution channel (€m 85.5 or 2.7% of consolidated revenues) declined marginally, at constant currencies, 0.8% (or -1.3% at current currencies) as a result of railway strikes proclaimed throughout France and, not least, restructuring works carried out at the railway stations in which Group venues are located. Reflecting a brighter tone sales revenue performance at Italian railway stations (+11.1%) e and Spanish railway stations (+8.7%).

Sales revenue from non-concession distribution channels (shopping malls, city venues and trade fairs) moved downward, at constant currencies, 8.3% (or -12% at current currencies) to €m 234 (thereby accounting for 7.4% of consolidated revenues). 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 consumer confidence.

As always, dine-in and food & beverage represent an all-important revenue-producing sector and tracking, in 2003, a healthy trend, with sales revenue, at constant currencies, curving upward 4.1% (or -6.1% on an aggregate basis) to €m 2,375.5, driven 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 2.8% along Italian motorways (Source: AISCAT). On a par consolidation basis, year-on-year revenue growth was 4.6%.

Driving through the year-on-year decline in sales revenue from Hotels and other services were dampened leisure travel flows and lackluster business trips in Europe.

Profitability also reflected an uplift in 2003. 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 sales, EBITDA and EBIT moved forward from 12.1% to 13.3% and from 6.8% to 7.7%, respectively.

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, capital investments towards fixed assets 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.

As a result of enhanced capability to generate cash flow accompanied by 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 was equity, up €m 46.4 in 2003. As such, the ratio of debt to equity moved from 3.88 in 2002 to 2.83 in 2003.

DISCUSSION AND ANALYSIS OF AUTOGRILL S.p.A. OPERATING, PERFORMANCE AND FINANCIAL HIGHLIGHTS

The more significant income statement totals are presented below:

Condensed consolidated income statement
(Accounts in millions of Euro)

	F/Y 2003		F/Y 2002		Change	
Net sales and revenues	1,039.2		1,007.8		31.4	3.1%
Other operating revenues	66.3		56.6		9.7	17.1%
Value of production	**1,105.5**	**100.0%**	**1,064.4**	**100.0%**	**41.1**	**3.9%**
Cost of goods sold	(665.7)	-60.2%	(657.1)	-61.7%	(8.6)	1.3%
Added value	**439.8**	**39.8%**	**407.3**	**38.3%**	**32.5**	**8.0%**
Personnel costs	(255.3)	-23.1%	(249.8)	-23.5%	(5.5)	2.2%
Provisions for risks and other provisions	(8.3)	-0.7%	(8.1)	-0.8%	(0.2)	2.2%
Other operating costs	(12.1)	-1.1%	(11.3)	-1.1%	(0.8)	6.8%
EBITDA	**164.2**	**14.8%**	**138.1**	**13.0%**	**26.1**	**18.9%**
Amortization, depreciation and write-downs	(60.2)	-5.4%	(53.3)	-5.0%	(6.9)	12.9%
EBIT	**104.0**	**9.4%**	**84.8**	**8.0%**	**19.2**	**22.6%**
Financial income/(cost), Net	(4.3)	-0.4%	1.7	0.2%	(6.0)	n.a.
Adjustments to the value of financial assets and losses from financial asseta disposals	(56.6)	-5.1%	(68.1)	-6.4%	11.5	-16.9%
Earnings before exceptional items and income taxes	**43.1**	**3.9%**	**18.3**	**1.7%**	24.8	**135.5%**
Exceptional income/(cost), Net	(1.3)	-0.1%	(6.8)	-0.6%	5.5	-80.9%
EBT	**41.8**	**3.8%**	**11.5**	**1.1%**	**30.3**	**263.5%**
Income taxes	(28.3)	-2.0%	(21.4)	-2.0%	(6.9)	32.2%
Profit for the year	**13.5**	**1.2%**	**(9.9)**	**-0.9%**	**23.4**	**-236.2%**

Analysis of sales revenue by business line

(€m)	2003			2002		
	Direct	**Franchisee**	**Chain**	**Direct**	**Franchisee**	**Chain**
Sales revenue from general public						
Dine-in and Food & Beverage	629.7	68.4	697.6	610.6	66.7	677.3
Retail	374.8	45.1	419.9	363.6	41.5	405.1
Hotel and other services	0.5	0.0	0.5	0.3	0.0	0.3
Total Direct sales revenue from general public	1,004.5	113.5	1,118.0	974.5	108.2	1,082.7
Sales revenue from third parties and franchisees	34.7	(29.0)	5.7	33.3	(28.5)	4.8
Total	**1,039.2**	**84.5**	**1,123.7**	**1,007.8**	**79.7**	**1,087.5**

The year-on-year increase in Other operating revenues relates to capital gains realized on disposal of the dine-in locations referred to above.

The cost of goods sold improved its ratio to the value of production by 1.5 percentage points, primarily as a result of a more favorable product mix and stricter product standard compliance.

As a consequence, added value for the year moved upward 8% to €m 439.8.

Depreciation, amortization and write-downs totaled €m 60.2 (December 31, 2002: €m 53.3). As a result of reassessing the residual recoverable value, if any, attaching to non-current assets employed at venue locations mirroring substandard performance vis-à-vis forecast, write-downs have been recorded in the amount of €m 4.3 (December 31, 2002: €m 1.9).

EBIT moved upward 22.6% to €m 104.0.

The year bears the brunt of net finance costs in the amount of €m 4.3, as opposed to net finance income of €m 1.7 in the prior year. In particular, dividend streams from subsidiary undertakings stepped backward €m 3.6.

On the other hand, adjustment to values improved €m 18.7 and losses on the disposal of financial assets moved downward to €m 49.4 (December 31, 2002: €m 68.1), mainly as a result of accounting for and valuing investments under the equity method and the €m 7.2 capital loss realized on disposal of the investment in Pastarito S.p.A. acquired the year before at a cost of €m 14.8 €, as written down back in 2002 in the amount of €m 7.7.

Working against the result for the year were exceptional charges in the amount of €m 1.3 relating to the estimated liability attaching to the automatic settlement, pursuant to Article 9 of Law 292/2002 as extended by Law 305/2003, of the F/Y 2002 income tax liability.

Income before income taxes was €m 41.8 (December 31, 2002: €m 11.5). After recording regional income tax ("IRAP") for €m 14.8 (December 31, 2002: €m 14.0) and corporation tax ("IRPEG") for €m 13.5, the profit for the year was €m 13.5.

Operating and Financial Record

The reclassified balance sheet places in evidence the following:

- non-current assets moved downward €m 45.9, driven through by depreciation, amortization and write-downs albeit upward curved fixed asset investments;
- current assets moved downward €m 5.3, driven through, other than by operating components, by the €m 2.6 increase in current income taxes payable,
- equity moved forward €m 7.1, driven through by profit for the year and the negative change in the reserve for the conversion of investments accounted for and valued under the equity method.
- net financial position moved forward consequently €m 63.4, deployed primarily by way of greater financing to subsidiary undertakings, in order to reduce recourse to bank credit lines.

AUTOGRILL S.p.A. - CONDENSED BALANCE SHEET

(Accounts in millions of Euro)

	12/31/2003	12/31/2002	Change
A) Non-current Assets			
Intangible fixed assets	86.6	103.8	(17.2)
Property, plant and equipment	106.7	100.7	6.0
Investments	93.4	128.1	(34.7)
	286.7	**332.6**	**(45.9)**
B) Current Assets			
Inventory	39.4	36.7	2.7
Trade accounts receivable	34.5	39.0	(4.5)
Other current assets	59.1	64.6	(5.5)
Trade accounts payable	(201.7)	(208.0)	6.3
Provisions for risks and liabilities	(12.8)	(13.6)	0.8
Other current liabilities	(60.9)	(55.8)	(5.1)
	(142.4)	**(137.1)**	**(5.3)**
C) Capital employed, less current liabilities	**144.3**	**195.5**	**(51.2)**
D) Termination benefits provisions and other non-current liabilities	**(103.1)**	**(98.0)**	**(5.1)**
E) Net capital employed	**41.2**	**97.5**	**(56.3)**
Financed by:			
F) Equity	**142.0**	**134.9**	**7.1**
G) Non-current net borrowings			**-**
Non-Current borrowings	0.8	1.5	(0.8)
Non-current financial receivables	-	(47.0)	47.0
	0.8	**(45.5)**	**46.2**
H) Current financial position			
Current borrowings	119.5	139.8	(20.3)
Cash, marketable securities and financial receivables	(221.1)	(131.7)	(89.4)
	(101.6)	**8.1**	**(109.7)**
Net financial position (G+H)	**(100.8)**	**(37.4)**	**(63.4)**
I) Total, as in E)	**41.2**	**97.5**	**(56.3)**

AUTOGRILL S.p.A. - STATEMENT OF CASH FLOWS

(Accounts in millions of Euro)

		2003	2002
A.	**NET FINANCIAL POSITION AT BEGINNING OF THE YEAR**	**(8.1)**	**134.1**
	Profit/(loss) for the year	13.5	(9.9)
	Depreciation and amortization	59.0	53.4
	(Gain) or loss on the realization of non-current assets	(6.0)	(0.3)
	Write-down of investments, less revaluations	57.6	68.1
	Change in provisions for risks and liabilities	(2.4)	12.0
	Change in current assets	5.3	(17.4)
	Net change in provisions for risks and charges	(4.0)	(5.8)
	Net change in termination benefits provisions	5.1	4.6
B.	**CASH FLOW FROM OPERATIONS**	**128.0**	**104.7**
	Non-current asset investments:		
	- intangible	(17.6)	(17.3)
	- property, plant and equipment	(35.2)	(30.7)
	- financial	(35.4)	(153.5)
	Selling price or value of reimbursement of non-current assets		
	- property, plant and equipment	18.3	0.6
	- financial	5.2	1.9
C.	**CASH FLOW GENERATED BY (APPLIED TO) INVESTING ACTIVITIES**	**(64.7)**	**(199.1)**
	New non-current borrowings	0.0	52.0
	Repayment of financing/transfer to current borrowings	(0.7)	(52.7)
	Non-current loans	47.0	(47.0)
D.	**CASH FLOW GENERATED BY (APPLIED TO) FUNDING ACTIVITIES**	**46.3**	**(47.7)**
E.	**CASH FLOW FOR THE YEAR, Net (B+C+D)**	**109.6**	**(142.1)**
F.	**CURRENT NET FINANCIAL POSITION AT END OF THE YEAR, Net (A+E)**	**101.5**	**(8.1)**
G.	**NON-CURRENT FINANCIAL INDEBTEDNESS AT END OF THE YEAR, Net**	**(0.8)**	**45.5**
H.	**NET FINANCIAL POSITION AT END OF THE YEAR, Net**	**100.8**	**37.4**

The cash flow generated by current assets was equal to 12% of the value of production (December 31, 2002: 9.8%).

Capital expenditure towards the Italian operating network amounted to €m 52.8 (December 31, 2002: €m 48.2).

Capital expenditure by distribution channel:

Scope and purpose	**(€m)**	**%**
Commercial network development	25.7	48.7%
Commercial network maintenance	19.0	36.0%
Other	8.1	17.1%
Total	**52.8**	**100.0%**

Distribution channel		
Airports	1.2	2.3%
Motorways	35.8	67.8%
Railway stations	0.7	1.3%
Non-concessions	5.9	11.2%
Unallocated	9.2	17.4%
Total	**52.8**	**100.0%**

Worthy of mention among the more significant capital expenditure steered toward the Italian operating network was expansion of the Secchia West location, the realization of innovative architectural models at Brianza South, Somaglia West and Tevere East and, not least, the restructuring of Montefeltro East and Tirreno East.

Some capital expenditure was steered towards the creating, operating and managing new services for people on the move. Three service stations now host Fido Parks welcoming household pets in transit, whilst unveiled at Tirreno East was the first Trucker Club, designed specifically to accommodate truck driver stop-overs. Also put in place at certain sales outlets were ticketing services offering drive-thru ferry embarkation or tickets for concerts, exhibitions, theater performances and trade fairs.

However, calendar 2003 was rift with product and concept innovation:

- creation of 15 Acafé snack bars, representing an evolution of the motorway snack bar concept, a revisited ambience in terms of decor, style and product offering, characterized by the excellence of an all-new coffee blend accompanied a vast array of snacks and variety of Italian and international cakes and pastries;
- inclusion at Castelromano of the first *Aldente* pasta corner, a new concept ambience offering the quality and freshness of a restaurant in an informal and quick-service version. In line with Acafé, the "*Aldente*" new concept is rich in appeal, contemporary decor and colors intermeshed perfectly by common cash tills and shared back-store.

Capital investments towards Information Technology stretched to €m 6.1, of which €m 4.4 relating to the SAP HR platform released across all Italian network direct sales outlets in a design to ensure employee personal data management and automated recruiting processes, employment administration management, employee clock-in and, not least, payroll cost and labor efficiency reporting.

Also injected in the year under review were major investments towards optimizing the operational management of goods. Indeed, management procedures for continuing assortment and production was revisited, and seeing implementation was top line reporting focused around margin analysis of categories, brands and product. Also seeing completion were infrastructure steps and measures enabling immediate availability on site (within 24 hours) of cash desk sales (cash till tickets).

Financial investments were represented primarily by the share capital increase in Autogrill Europe Nord-Ouest S.A.

Personnel and Organization

In the year to December 31, 2003, headcount stepped backward marginally, moving downward at year-end to 11,370 full-time equivalents, or 133 full-time equivalents less than the year before. The reduction for the period relates primarily to part-time staff, numbering 6,260 at December 31, 2003 (down 122 in number on a comparative basis with year-end 2002, when part-time staff numbered 6,382). Taken as a whole, staff members employed at December 31, 2003 by the sales network numbered 10,948, or down 106 mainly as a result of the management of certain staff equivalents being transferred to franchisees. Furthermore, employed at central management offices supporting Italian market and Group operations were 422 staff members (-27 staff members).

More significant subsidiary undertakings

As the attendant consequence of equity investments acquired, Autogrill S.p.A. has stretched out gradually its market footprint, especially abroad. Seeing inception in the year to December 31, 2003 were the first upshots driven through by the reshaped organizational and corporate framework put in place in the prior year.
As you may recall, Autogrill operates through subsidiary undertakings, in two key macro regions: North America and Europe.
Aside from the dine-in and food & beverage operations at Schiphol Airport in Amsterdam, which are operated and managed by Host of Holland B.V. (held indirectly by Autogrill Group Inc.), the organizational and corporate framework is substantially structured around those geographic hubs).
On the other hand, the Other European Countries General Management Office, established in 2002, also supervises currently operations (other than airport operations) in Switzerland, with clear focus posed on accelerating the speed of regained commercial and operational efficiencies.
As such, presented on a summary basis below are the performances captured in European Countries and, in order to ensure a more meaningful understanding, the performances harnessed in Italy by the Company and by its subsidiaries.

Portrayed on a summary basis on page 40 and in the relevant Appendix is an immediate overview of the equity investments held.

Autogrill Overseas S.A.

Through Autogrill Group In. (formerly HMSHost Corp.) and Autogrill Schweiz AG, the Luxembourg company coordinates the activities conducted by the Group outside the European Union. Representing the ultimate outcome of the synergies between the two organizations was the award, part way 2003, of a significant portion of dine-in and food & beverage operations at Zurich Airport (in Switzerland).

As a result of borrowing costs and valuing the two subsidiaries at equity, net equity moved downward €m 30.1 (-€m 18.3 in 2002).

Working against this result were non-recurring items, such as:

- assets written down, by Autogrill Schweiz AG, in the amount of €m 9.7;
- compromise and settlement of litigation with Bon-Appetit Gastronomie Holding AG in relation to the acquisition of Passaggio Holding AG (now Autogrill Schweiz AG), arising from which were receipts in the amount of SFRm 23 (or €m 15). The litigation remained under the wing of Autogrill Europe Nord-Ouest S.A., which, however, transferred the related effects thereof to

Autogrill Overseas S.A., pursuant to the Autogrill Schweiz AG purchase and contract, executed formally between the two companies in December 2001; and

- losses on derivative financial instruments recorded for an amount totaling €m 20.8. Driving through the more significant element of that loss was the variable interest rate policy pursued, and later abandoned.

Examined and discussed below are operating performances captured by the two equity investments of Autogrill Overseas S.A., consolidated with the respective subsidiary undertakings.

Autogrill Group Inc. (formerly HMSHost Corp.)

In order to impact arising from €/$ exchange rate movements, the results reported in this section 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 ware 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.

Revenues

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 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: A.T.A.). 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 , not least, storms hitting the Atlantic coast in the first quarter of the year. 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 Expenditure

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 investments 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 investments). 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 2.4 billion dollars, 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 year,

albeit in the airport distribution channel, were contract concessions relating to Food & Beverage and Retail outlets in Minneapolis Airport (USA) and, for three years, 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 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).
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.
HMSHost also gained official accreditation and awards for the quality of its services and comprehensive product offering to the general public. Of particular note, Schiphol Airport and Athens Airport were ranked the best airports in the world in terms of Retail and Food & Beverage services (within the bracket ranging from up to 15 million passengers/year to more than 40 million passengers/year). Flaunting pole position, second position and fourth position in terms of customer preference were the airports of Minneapolis, Vancouver and San Diego, respectively.

Autogrill Schweiz A.G.

In order to impact arising from €/SFR exchange rate movements, the results reported in this section are presented below in millions of Swiss francs (SFRm).
Sales revenue from Switzerland in 2003 came to SFRm 178.6, or 10.1% less than the year before. Primarily pushing the year-on-year 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.
Sales revenue from the motorway distribution channel stayed around SFRm 76, whilst sales revenue from other distribution channels dipped. Sales revenue from the airport distribution channel dwindled from SFRm 64.6 to SFRm 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 experience by the Swiss flag carrier or operations withdrawn from Basle Airport insofar as mirroring substandard performance. Sales revenue from the railway station distribution channel decreased from SFRm 16.8 to SFRm 15.6, whilst sales revenue from non-concession distribution channels (shopping malls, city centers, retail parks and other) dipped 2.4% to SFRm 40.4.
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 SFRm 6.6 as opposed to a loss of SFRm 0.2 in 2002. Efforts towards recovering efficiencies placed clear focus on the motorway distribution channel and streamlining the operational management structures.
Capital expenditure in 2003 came to SFRm 13.7 (December 31, 2002: SFRm 17.3).

Autogrill Europe Nord-Ouest S.A.

Established in 2002, Autogrill Europe Nord-Ovest S.A. represents the single-management hub for Group activities and operations in France, the Netherlands, Belgium and Luxembourg. As examined and discussed below commenting the operating performance captured by the directly held equity investments and the respective subsidiary undertakings, put in place in the year under review were bolt-on marketing initiatives and enhanced operating efficiencies, which, in Belgium and the Netherlands, only enabled regrettably resilience against a background of pervasively stumbling economic conditions.

As a result of adopting the equity method when accounting for and valuing its investments, the financial statements for 2003 place in evidence equity stepping backward €m 21.7 (December 31, 2002: -€m 35.9).

Holding de participations Autogrill S.A.S.

Holding de participations Autogrill S.A.S. is the lead company for operations in France, structured around one hub headed by Autogrill Coté France S.A. in the motorway distribution channel sector and one hub piloted by Autogrill Restauration Services S.A. in railway stations and their subsidiaries.

Revenues

Sales revenue from France in 2003 stepped ahead 6.6% on 2002 stretching upward to €m 200.1. 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 like-for-like basis would have been 1.1%. Sales revenue performance during the year presents a very mixed picture: upward curving in the first six months of the year, due top leasing 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 the Autogrill footprint.

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 national railway 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 Isardrôme (EBITDA: €m 0.9).

Capital expenditure spent in the year under review moved from €m 19.9 (or 10.6% of sales) in 2002 to €m 10.2 (or 5.1% of sales) in 2003. Serving to explain the year-on-year downturn was completion of programmed motorway network upgrading part way 2002.

Autogrill Belgie N.V.

Sales revenue from Belgium in 2003 came to €m 39.5, in line with 2002. Sales revenue from the motorway 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. Sales revenue from shopping malls stepped ahead 2.7% to €m 5.4, as did sales revenue from the railway station distribution channel, which movement forward from €m 0.3 in the prior year to €m 1. Driving through the year-on-year upturn in sales revenue from the Belgian railway station channel were new outlets opened in Namur railway station at the beginning of the year,

along with the venue locations opened in Anversa railway station towards the end of the year. The new sales outlets opened fall within the scope of the contract, sealed in January, focused around the 8-year operational management of Food & Beverage operations.
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%.

Autogrill Nederland B.V.

Autogrill Nederland B.V., which operates through AC Holding N.V. and its subsidiaries, is the lead company in 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).
Currently under study is a string of initiatives focused around reshaping the 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 re-branded 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.
Capital expenditure spent in the Dutch region in 2002 accounted for 3.8% of sales (or €m 1.8) as opposed to 7.2% in 2002.

Autogrill España S.A.

Sales revenue from Spain rose 6.1% to €m 83.5. 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. Sales revenue from the railway station 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.
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 a 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 re-branding 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.
Autogrill España raised its equity interest in Receco S.A. to 85%. Receco offers food & beverage services in three high-speed Spanish railway stations: Madrid Atocha, Siviglia and Cordoba with concession contracts averaging 15 years in term. Although slightly behind program, the high-speed network will draw advantage in upcoming years from a major development program launched by the Spanish Government. Under the development program, the high-speed network will be expanded and, as a result thereof, passenger numbers will step forward from the current figure of six million to more than 37 million by the end of calendar 2010.

Autogrill Austria A.G.

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.

Autogrill Deutschland GmbH

On September 30, 2003, Autogrill Deutschland GmbH divested five locations operated and managed across 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).

Autogrill Hellas EpE

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 11.5% to 13.1%. No significant capital investments were made in the year to December 31, 2003.

Autogrill Finance S.A.

Established in a design to centralize the sourcing of funds to support Group strategic development, Autogrill Finance S.A. issued in June 1999 a 15-year Zero Coupon €m 350 debenture loan, with implicit yield of 2% p.a., convertible into Autogrill S.p.A. shares. As and when requested by issuer, the debenture loan may be redeemed early with effect from the 5th year thereof, or, as and when requested by bondholder, with effect from the 5th and 10th year. Option exercise is correlated to the stock market performance of the share price vis-à-vis share conversion price.

Attaching to the share price at December 31, 2003 was a premium of some 40%. As compared to 30% at the time of issue, the premium declined to 13% at year-end 2000, moving upward to 45% at year-end 2001 and to 100.6% at year-end 2002.

In the year to December 31, 2003, Autogrill Finance S.A. continued to carry forward its activity, that is, the sourcing of funds and the rendering of administration services to Autogrill Group companies.

Downward curved market rates worked significantly towards pruning Autogrill Finance S.A. margins. Autogrill Finance S.A. ended the year with net income of €m 2.2 (December 31, 2002: €m 7.5). F/Y 2003 net income will be distributed wholly and, as such, has been earmarked for Autogrill S.p.A. among income and receipts for 2003

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 14 – Related Party Disclosures, related party transactions entered into during the year are summarized below.
Entered into in the normal course of business, related party transactions are conducted at market conditions.

Transactions with parent companies

The Autogrill Group is held by Edizione Holding S.p.A., 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 institutional investors – and by innumerable savers or Autogrill Group employees.
In the year to December 31, 2003, transactions entered into with Edizione Holding S.p.A. 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 on a compromise and settlement basis 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 S.p.A.
Income statement	
Service costs	93
Expenses relating to the use of third party assets	26
Other operating expenses	227
Balance sheet	
Trade accounts receivable	-
Trade accounts payable	426

More significant related party transactions with Edizione Holding Group companies

Transactions with Edizione Holding Group companies are summarized below:

(€k)	Benetton Group S.p.A.	Verde Sport	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 S.p.A. are summarized below:
- Benetton Group S.p.A. is currently promoting the “Benetton card” through the Autogrill S.p.A. sales network; as such, the purchases and items of income referred to above relate to that marketing campaign.
- Currently in progress with Verde Sport S.p.A. are franchising transactions involving dine-in and food & beverage operations in the sports center operated and managed by Verde Sport in Treviso.
- SIGI S.r.l. has leased to Autogrill S.p.A. some of the property occupied by a business unit.

More significant transactions with subsidiary undertakings and associated companies
These are summarized in the table below:

(€k)

Transactions with Subsidiaries Fiscal 2003	**HMSHost Corp.**	**Autogrill Overseas SA**	**Autogrill Europe Nord Ouest SA**	**Autogrill Finance SA**	**Autogrill Belgie NV**	**Autogrill Nederland BV**	**Autogrill Espana SA**	**Autogrill Deutschland GmbH**	**Autogrill Austria AG**	**Autogrill Hellas EpE**	**Autogrill Schweiz AG**	**Autogrill Coté France SA**	**Host of Holland BV**	**Nuova Sidap Srl**	**Nuova Estral Srl**	**Autogrill Café Srl**	**Aviogrill Srl**
Income statement:																	
Products sold	-	-	-	-	-	-	361	-	158	148	-	-	-	-	-	204	1,324
Other operating revenues	100	1	1	1	12	12	46	-	226	25	104	238	-	2	2	79	391
Finance income	3,165	85	35	236	-	-	74	15	201	-	9	-	-	-	-	2	2
Finance (cost)	-	-	-	-	-	-	1	-	-	-	-	-	-	-	-	-	2
Purchases	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cost of merchandize for resales and supplies	-	-	-	-	-	-	-	-	-	-	-	59	-	-	-	-	10
Lease, rental and royalty charges	-	-	-	-	-	-	-	-	-	-	-	-	-	140	119	-	-
Balance sheet:																	
Trade accounts payable	-	-	-	-	-	-	64	-	-	-	45	40	-	28	43	-	5
Financial accounts payable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	24	338
Trade accounts receivable	17	-	27	1	12	12	82	-	142	56	104	84	2	-	-	-	170
Financial accounts receivable	157,311	59	-	-	-	-	7,022	1,116	6,847	-	1,912	-	-	-	-	-	-

The more significant amounts of a commercial nature relate to products transferred for dine-in and food & beverage operations and for sale to the general public on behalf of Aviogrill S.r.l.
Gradually increased in the year under review was financing to HMSHost Corp.
October 1, 2003 bears witness to the business line transferred from Autogrill Café S.r.l. to Autogrill S.p.A.

As summarized below, also undertaken on behalf of the Subsidiaries were guarantee commitments or personal guarantees to cover bank borrowings contracted:

(€k)	**Autogrill Overseas S.A.**	**Autogrill Finance S.A.**	**Autogrill Belgie N.V.**	**Autogrill Group Inc.**
Guarantees and commitments	79,177	382,991	8,360	332,767

No other significant related party transactions have been entered into.

Given their significance, discussed below are transactions entered into with Autostrade per l'Italia S.p.A. and its Subsidiaries and Grandi Stazioni S.p.A., in which Edizione Holding S.p.A. holds indirectly a 37.3% and 12.6% stake, respectively.

(€k)	**Autostrade Group**	**Grandi Stazioni S.p.A.**
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	
Trade accounts receivable	828	173

Autogrill S.p.A. and Autogrill Café S.r.l. conduct food & beverage operations under concession from Grandi Stazioni S.p.A. at Termini railway station in Rome.

Equity interests held by Directors

		Number of shares			
First name and Surname	**Investee company**	**Held as at 12/31/2002**	**Acquistate**	**Vendute**	**Held as at 12/31/2003**
Livio Buttignol	Autogrill S.p.A.	134,500	41,000	142,000	33,500
	Autogrill Coté France S.A.	1	-	1	-
	Autogrill Restauration Services S.A.	1	-	1	-
Gianmario Tondato da Ruos	Autogrill Coté France S.A.	-	1	-	1
	Autogrill Restauration Services S.A.	-	1	-	1
Francesca Prandstraller (coniuge)	Autogrill S.p.A.	3,750	-	3,750	-
Carmine Meoli	Autogrill S.p.A.	132,250	-	-	132,250
	Autogrill Coté France S.A.	-	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 revisited in July 2002 by the Corporate Governance Committee 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 otherwise, or, in financial companies, banks, insurance companies and/or significant enterprises:

- Gilberto Benetton
- Alessandro Benetton
- Giorgio Brunetti
- Antonio Bulgheroni
- Marco Desiderati
- 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, non 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 hold 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.

Application of International Financial Reporting Standards (IFRS)

In order to rise to the challenges posed by transition to the application of International Financial Reporting Standards (IFRS), the mandatary application of which takes effect 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 dealing with transactions and events that are important in general purpose financial statements.

<u>Corporate Governance</u>

Autogrill S.p.A. 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 S.p.A.).
Autogrill S.p.A. 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 S.p.A. 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 Director 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 delegated 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 €m3;
- 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 has not appointed 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 S.p.A.) 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:
(i) informs the Board of Directors about any conflict of interest that might arise;
(ii) 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 orders 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:

(i) identification of possible control issues and manner in which these may arise;
(ii) identification of financial control systems;
(iii) 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.

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 Bank 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 amount of €m350.
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 HMS 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 Marsiglia.
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 at 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 Marsiglia Airport. Served by more than 81 airlines, Marsiglia Airport boasts 5.4 million passengers/year.
Anticipated sales resulting therefrom are estimated at €m77.
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 AGGM 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 anti-cyclic route.
Without taking into account exchange rate fluctuations, sales moved forward 6.5% 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.

Financial statements of Autogrill S.p.A. for the year ended December 31, 2003

Balance Sheet

(Accounts in Euro)	12/31/2003	12/31/2002	Change
ASSETS			
A) Due from Shareholders for capital not paid in	-	-	-
B) Non-current assets			
I) Intangible assets			
4 Concessions, licenses and brands	2,361,281	2,613,076	(251,795)
5 Business goodwill	44,384,874	58,338,113	(13,953,239)
6 Assets under development and advances	4,014,804	3,883,614	131,190
7 Other	35,815,772	39,003,810	(3,188,038)
Total Intangible Assets	**86,576,731**	**103,838,613**	**(17,261,882)**
II) Property, Plant and Equipment			
1 Land and buildings	14,211,069	17,023,082	(2,812,013)
2 Operating facilities	7,332,853	6,386,238	946,615
3 Commercial and operating equipment	34,885,373	34,634,032	251,341
3 bis Freely transferable assets	39,116,625	29,353,647	9,762,978
4 Other	3,119,072	3,310,895	(191,823)
5 Assets under construction and advances	8,010,991	9,992,795	(1,981,804)
Total Property, Plant and Equipment	**106,675,983**	**100,700,689**	**5,975,294**
III) Investments			
1 Investments in:			
a) subsidiaries	84,539,743	111,411,674	(26,871,931)
b) associated companies	-	7,221,534	(7,221,534)
c) other enterprises	17,682	17,682	-
2 Non-current receivables	8,845,645	56,433,682	(47,588,037)
Total Investments	**93,403,070**	**175,084,572**	**(81,681,502)**
Total Non-current assets	**286,655,784**	**379,623,874**	**(92,968,089)**
C) Current assets			
I - Inventory: Merchandize for resale, supplies and other	**39,424,839**	**36,683,202**	**2,741,637**
II - Receivables			
1 Trade accounts receivable	33,812,238	38,116,254	(4,304,016)
2 Subsidiaries	179,731,401	86,800,136	92,931,265
3 Associated companies	-	60,493	(60,493)
5 Others			
* of which: current	23,909,844	44,047,437	(20,137,593)
* of which: non-current	30,333,180	14,496,082	15,837,098
Total	**267,786,663**	**183,520,402**	**84,266,261**
III. Marketable securities	-	-	-
IV - Bank and Cash			
1 Bank balance	15,723,317	11,976,765	3,746,552
3 Cash balance	26,360,702	33,980,321	(7,619,619)
Total	**42,084,019**	**45,957,086**	**(3,873,067)**
Total Current assets	**349,295,520**	**266,160,689**	**83,134,832**
D) Bond Discounts, Prepaids and Accruals	**4,842,529**	**5,960,915**	**(1,118,386)**
TOTAL ASSETS	**640,793,834**	**651,745,478**	**(10,951,644)**

EQUITY AND LIABILITIES	12/31/2003	12/31/2002	Change
A) Equity			
I - Capital stock	132,288,000	132,288,000	-
II - Additional paid-in capital	-	-	-
III - Revaluation reserves	-	-	-
IV - Legal reserve	1,711,753	1,711,753	-
V - Reserve for treasury stock	-	-	-
VI - Statutory reserves	-	-	-
VII - Other reserves	(5,470,577)	10,824,655	(16,295,232)
VIII - Retained earnings			-
IX - Net income for the financial period	13,494,953	(9,915,550)	23,410,503
Total Equity and Reserves	**142,024,129**	**134,908,858**	**7,115,271**
B) Provision for Liabilities and Charges			
2 Deferred income tax liability	1,859,979	5,159,893	(3,299,914)
3 Other provisions	27,941,587	24,264,574	3,677,013
Total	**29,801,566**	**29,424,467**	**377,099**
C) Provision for Employee Termination Benefits	**86,164,469**	**82,177,572**	**3,986,897**
D) Liabilities			
3 Banks			
* of which: current	30,819,328	34,745,688	(3,926,360)
* of which: non-current	87,645,690	103,645,690	(16,000,000)
4 Other borrowings			
* of which: current	1,054,051	1,387,495	(333,444)
* of which: non-current	733,101	1,466,202	(733,101)
5 Advances	-	50,000	(50,000)
6 Trade accounts payable	200,651,292	207,628,236	(6,976,944)
8 Payables - Subsidiaries	587,014	373,166	213,848
10 Payables - Parent company	425,712	43,382	382,330
11 Current tax liabilities	11,528,821	8,898,030	2,630,791
12 Social security liabilities	14,273,015	14,564,900	(291,885)
13 Current payables to others	26,237,760	24,586,042	1,651,718
Total	**373,955,784**	**397,388,831**	**(23,433,047)**
E) Accrued expenses and deferred income	**8,847,886**	**7,845,749**	**1,002,137**
TOTAL EQUITY AND LIABILITIES	**640,793,834**	**651,745,478**	**(10,951,644)**

OFF-BALANCE SHEET COMMITMENTS AND GUARANTEES			
Unsecured guarantees	839,934,000	1,101,904,000	(261,970,000)
Secured guarantees			
* For subsidiary liabilities	-	47,000,000	(47,000,000)
Commitments for purchases and sales	475,986,299	393,597,238	82,389,061
Other commitments	26,013,702	26,037,735	(24,033)
Total Off-balance sheet commitments and guarantees	**1,341,934,002**	**1,568,538,973**	**(226,604,972)**

Income Statement

(Accounts in Euro)	F/Y 2003	F/Y 2002	Change
A) Operating revenues			
1 Sales	1,060,583,662	1,022,604,477	37,979,185
3 Change in contract work-in-progress			
5 Other operating revenues			
* contributions towards operating costs	45,788	6,129	39,659
*gains on disposal of intangible assets and PPE	13,802,545	335,997	13,466,548
* other	51,817,065	55,950,278	(4,133,213)
Total	**1,126,249,060**	**1,078,896,881**	**47,352,179**
B) Operating costs			
6 Cost of merchandize for resale and supplies	492,387,936	478,123,164	14,264,772
7 Cost of services	91,000,567	94,588,614	(3,588,047)
8 Lease, rental and royalty charges	105,766,034	100,212,858	5,553,176
9 Personnel costs:			
a) Wages and salaries	182,337,052	179,020,722	3,316,331
b) Social security charges	57,230,376	56,037,260	1,193,116
c) Employee termination benefits	14,709,163	14,522,069	187,094
e) Other	1,015,671	225,153	790,518
10 Depreciation, amortization and write-downs:			
a) Amortization of intangible assets	32,823,457	30,229,906	2,593,551
b) Depreciation of plant, property and equipment	21,866,933	21,248,463	618,470
c) Write-down of intangible assets and PPE	4,299,034	1,877,073	2,421,961
d) Write-down of current receivables	1,185,343	664,317	521,026
11 Change in inventory levels	(2,741,637)	(1,310,551)	(1,431,086)
12 provisions for liabilities and risks charges	1,182,655	3,319,938	(2,137,283)
13 Other provisions charges	7,097,517	4,114,027	2,983,490
14 Other operating costs	12,065,628	11,315,616	750,012
Total	**1,022,225,730**	**994,188,628**	**28,037,102**
Operating Profit (A-B)	**104,023,330**	**84,708,253**	**19,315,077**
C) Finance income and costs			
15 Equity investments in subsidiaries	5,609,530	9,219,369	(3,609,839)
16 Other finance income:			
b) securities included in fixed assets	-	46,907	(46,907)
d) other finance income:			
* subsidiaries	3,825,102	963,122	2,861,980
* other	6,832,792	9,916,242	(3,083,450)
17 Finance costs:			
* subsidiaries	(3,626)	(11,144)	7,518
* losses on equity investment disposals	(7,221,434)	-	(7,221,434)
* third party	(20,504,103)	(18,472,446)	(2,031,657)
Total	**(11,461,739)**	**1,662,050**	**(13,123,789)**
D) Financial assets writedowns			
18 Revaluation of equity investments	21,287	-	21,287
19 Writedown of equity investments	(49,447,053)	(68,113,055)	18,666,002
Total	**(49,425,766)**	**(68,113,055)**	**18,687,289**
E) Exceptional expenses	(1,301,728)	(6,782,285)	5,480,557
Total	**(1,301,728)**	**(6,782,285)**	**5,480,557**
Profit before income tax	**41,834,097**	**11,474,963**	**30,359,134**
22 Income tax	(28,339,144)	(21,390,513)	(6,948,631)
NET PROFIT FOR THE YEAR	**13,494,953**	**(9,915,550)**	**23,410,503**

Notes to the financial statements

Autogrill at a glance

Autogrill S.p.A. operates in Italy and, through subsidiary undertakings, and around the globe in the Food & Beverage sector. The business sectors relate particularly to dine-in and food & beverage offerings for people on the move (to whom ancillary services are also offered) and Quick Service Restaurants at high-traffic locations providing a casual dining experience in a compressed timeframe.

Form and content of the financial statements

The financial statements for 2003 have been prepared in accordance with currently prevailing laws and regulations. The financial statements are represented by the Balance Sheet (prepared in accordance with the format set out in Article 2424 and Article 2424-*bis* of the Italian Civil Code), by the Income Statement (prepared in accordance with the format set out Article 2425 and Article 2425-*bis* of the Italian Civil Code) and these accompanying Notes, which contain that information which is required by Article 2427 of the Italian Civil Code, by other provisions of the Italian Civil Code relating to the preparation and presentation of financial accounts and by other applicable laws. Albeit not specifically required by law, also disclosed herein is information required to present a true view of the financial condition of the company as at December 31, 2003 and of its results of operations for the year then ended.

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

The items reclassified relate to the following:

- *Provisions for liabilities and charges* and *Other provisions*, in order to correct improper classification;
- *Other finance income* (income statement caption C).16.d) from others) and *Finance costs* (from others), in order to eliminate from both accounts FOREX differences improperly included therein and which – reversing one another – related to the same transactions.

The accounting policies adopted in the preparation of the financial statements for the year ended December 31, 2003 are unchanged from the previous year.

Accounting Policies and Basis of Preparation

The financial statements have been prepared adopting the accounting policies required by Article 2426 of the Italian Civil Code, taking into account, where applicable, the accounting principles established by the Italian Accounting Profession (National Boards of *Dottori Commercialisti e dei Ragionieri*) or, in the absence thereof, those issued by the International Accounting Standards Board (IASB).

No departures pursuant to Article 2423, paragraph four, of the Italian Civil Code have been taken in the financial statements.

Set forth below are the more important accounting policies adopted when preparing the financial statements for 2003:

- *Intangible fixed assets:* these are stated at purchase price or production cost, including directly attributable accessory expenses, and are amortized over the period of their useful life. In the case of a permanent impairment in value, the asset is written down. If, in subsequent periods, the reasons for the write-downs cease to apply, the original value is reinstated.

Set out below are amortization periods adopted for the various items of intangible fixed asset:

Concessions, licenses and brands	- 3 years for application software proprietary licenses - license term for costs incurred when obtaining permits to resell State-owned goods
Goodwill	Up to 10 years for goodwill paid on acquisition of the individual restaurants. 12 years for goodwill to which the merger deficit was allocation, save departures pursuant to Article 2426, paragraph two, of the Italian Civil Code taken in prior years, as placed in evidence below.
Other:	
Leasehold improvement costs	Lower of useful life expectancy or residual lease term, save departures pursuant to Article 2426, paragraph two, of the Italian Civil Code taken in prior years, as placed in evidence below
Customized application software	3 years
Other	5 years, or term of underlying contract

As mentioned above, in conformity with Article 2426, paragraph two, of the Italian Civil Code, the following adjustments to value were recorded in prior years exclusively in application of tax laws:

- amortization of goodwill, determined on the basis of 20% in fiscal 1997 and 10% in fiscal 1999 and fiscal1998; and
- amortization of leasehold expansion and restructuring costs, incurred in fiscal 1999 and fiscal 1998, determined over the lower period of three years, as permitted by Law 449/1997 (arising from or relating to Financial Act 1998).

The related effects resulting therefrom are examined and discussed, on page 49, under the Note relating to Write-downs and provisions recorded exclusively in application of tax laws.

– *Property, Plant and Equipment (PPE)*: these are stated at purchase price or production cost, adjusted in some cases as a result of the application in prior years of specific monetary revaluation laws, and are depreciated at the following economic/technical rates determined according to the useful life expectancy of the differing fixed asset classes.

Operating facilities	3%
Plant and machinery	10% / 30%
Commercial and operating equipment	15% / 33%
Furniture and fixtures	10% / 20%
Motor vehicles	25%
Other	12 % / 20%

Depreciation is taken half the rate on assets entering into service during the year.

If higher, the rates employed to depreciate freely transferable assets are those reported in the relevant amortization schedule attaching thereto.

In the case of a permanent impairment in value, the asset is written down. If, in subsequent periods, the reasons for the write-downs cease to apply, the original value is reinstated.

Investments: equity investments in the more significant subsidiaries and associated companies are valued under the equity method pursuant to Article 2426, paragraph 1.4, of the Italian Civil Code.

Minority interests and equity interests in non-operational or non-meaningful subsidiaries are carried at cost applying the LIFO formula with annual layers. In the case of a permanent impairment in value, this is written down. If, in subsequent periods, the reasons for the write-downs cease to apply, the original value thereof is reinstated.

Dividends from subsidiaries accounted for as and when received, when the related payment thereof has been authorized at the applicable Stockholders' Meeting, prior the Annual General Meeting called to approve the annual financial statements of Autogrill S.p.A.

- *Inventory:* inventories are stated at the lower of purchase or production cost, including directly attributable accessory expenses, assigned by using the using the first-in, first-out (FIFO) formula, and market value. 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 currencies other than the Euro are translated into Euro at year-end exchange rates. Exchange differences realized on the collection of receivables or payment of liabilities are credited or debited to the income statement, respectively.
- *Discounts on bond issues, prepaids and accruals:* bond discounts, accruals and prepayments include the portion of revenues and expenses covering two or more periods, in accordance with the accrual basis of accounting.
- *Provision for employee termination indemnities*: these are 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.
- *Provisions for liabilities and expenses:* these are provided to cover certain or probable losses or liabilities for which the exact value and effective date 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 assets held under lease and freely transferable assets in their original state and condition to the leasing companies, as required the relevant lease 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 on the basis of estimated taxable income in accordance with prevailing laws, taking into account applicable exemptions and tax credits due.

  Furthermore, 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, as well as deferred tax assets arising from unused tax losses are recognized.

- *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:* the more significant accounting policies applied are the following:

  - Personal guarantees given: these are disclosed on the basis of the commitment undertaken; more particularly, the guarantee provided in favor of the holders of the debentures convertible into Autogrill S.p.A. ordinary shares issued at OID by Autogrill Finance S.A. is shown at an amount corresponding to the amount matured at the balance sheet date;
  - 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 stated at the amount of mortgage recorded;
  - Commitments for purchases or lease liabilities falling due: commitments for the purchase of property, plant and equipment are disclosed at acquisition value; commitments for finance lease liabilities falling due correspond to the total amount of outlays agreed. Commitments arising from contracts used to manage exposure to fluctuations in interest and exchange rates are disclosed on the basis discussed earlier;
  - Other commitments: when relating to goods belonging to third parties deposited with or used by the Company, these are disclosed at the value attributed by the proprietor.

Other information

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”;
- implementation of new standards as yet in the process of publication.

ASSETS

B. FIXED ASSETS

B.I. Intangible fixed assets

Intangible fixed assets at December 31, 2003 amount to €k 86,577. The net reduction for the period, €k 17,262, reflects the difference between intangible fixed assets and amortization. The balance on this account is analyzed below:

(€k)	12/31/2003	12/31/2002	Change
Concessions, licenses and brands	2,361	2,613	(252)
Business goodwill	44,385	58,338	(13,953)
Assets under development and advances	4,015	3,884	131
Other:			
- leasehold improvement costs	29,452	33,122	(3,670)
- other	6,364	5,882	482
Total	**86,577**	**103,839**	**(17,262)**

"Business goodwill" relates in the amount of €k 42,305 to the residual value of the merger deficit arising on the merger by incorporation of Autogrill S.p.A. and Finanziaria Autogrill S.p.A. with and into Schemaventidue S.p.A., based on the respective balance sheet values at December 31, 1996. As in the prior year, business goodwill is amortized over a period of 12 years, that is, over the residual average term of the concession contracts outstanding at the merger date. In 1997 and in the two-year period 1998 and 1999, the amortization period for business goodwill was shortened to 5 years and 10 years, respectively, in accordance with Article 2426, paragraph two, of the Italian Civil Code. The higher accumulated amortization charge for the two financial periods referred to above (1997 and the two-year period 1998 and 1999) came to an amount totaling €k 23,797.

Also encompassed within "business goodwill", is the residual value of excess consideration paid over carrying values to take over the operation and management of commercial outlets.

"Leasehold improvement costs" relate to property and businesses held under lease.

No items pursuant to Article 2426, paragraph 1.5, of the Italian Civil Code (i.e., concessions, licenses and goodwill) are included under the line "other".

On page 43, the statement of changes in intangible fixed assets for the year ended December 31, 2003 highlights the movements pushing through the net decrease reflected for the year under review. The amortization charge for the period, amounting to €k 32,823, was higher than the increase in new additions, amounting to €k 17,533, represented primarily by leasehold improvements.

Other movements for an amount totaling €k 1,121 relate to fixed assets in course of construction reclassified to specific fixed asset classes.

Examined and discussed on page 43 under the Note relating to the specific income statement item are write-downs for the period amounting to €k 2,212 (December 31, 2002: €k 869).

As a result of improvements put in place in fiscal 1999 and fiscal 1998, it should be recalled that the amortization charge pursuant to Article 2426, paragraph two, of the Italian Civil Code came to an amount €k 9,902.

The balance on the line “Assets under development and advances” relates to property or businesses held under lease restructured or upgraded, completion of which is schedule for first-half 2004. Assets under development at December 31, 2002 have been completed wholly.

B.II. Property, Plant and Equipment

As analyzed below, property, plant and equipment at December 31, 2003 totaled €k 106,676:

	Historic cost	Accumulated depreciation	Write-downs	Net value	Historic cost	Accumulated depreciation	Write-downs	Net value
Industrial land and buildings	242			242	260	-	-	260
Non-industrial land and buildings	27,836	(13,867)		13,969	31,073	(14,310)	-	16,763
Operating facilities	31,523	(24,029)	(161)	7,333	29,136	(22,698)	(51)	6,386
Commercial and operating equipment	176,956	(139,557)	(2,514)	34,885	165,815	(130,262)	(920)	34,634
Freely transferable assets	151,815	(112,672)	(26)	39,117	135,404	(106,050)	-	29,354
Other	19,586	(16,368)	(99)	3,119	18,356	(15,013)	(32)	3,311
Assets under construction and advances	8,011			8,011	9,999	-	(6)	9,993
Total	**415,969**	**(306,493)**	**(2,800)**	**106,676**	**390,043**	**(288,333)**	**(1,009)**	**100,701**

Encompassed within the balances reported above are the effects arising from the revaluations recorded pursuant to Law No. 72 of March 13, 1983 and Law No. 413 of December 30, 19991, in the amounts set forth below:

	Law 72/1983			Law 413/1991		
	Gross	Accum. deprec.	Net value	Gross	Accum. deprec.	Net value
Non-industrial land and buildings	65	-	65	66	-	66
Industrial land and buildings	947	(690)	257	3,592	(2,560)	1,032
Operating facilities	398	(398)	-	-	-	-
Commercial and operating equipment	1,155	(1,155)	-	-	-	-
Freely transferable assets	3,158	(3,158)	-	11,556	(11,434)	122
Other	23	(23)	-	-	-	-
Total	**5,747**	**(5,424)**	**322**	**15,214**	**(13,994)**	**1,220**

The movement of the period is set out on page 43 in the statement of changes in property, plant and equipment for the year ended December 31, 2003.

Further information about the additions for the period, €k 35,227, can be found in the Operating and Financial Review. Other than ordinary renewal for reasons of obsolescence, also affecting the decreases for the period, €k 4,197, were business portfolio streamlining initiatives. Of particular note, these translated into disposal of the Milan business property (Via Orefici) and other business units, realizing a net gain totaling €k 13,200.

Examined and discussed on page 43 under the Note relating to the specific income statement item are write-downs for the period amounting to €k 2,087 (December 31, 2002: €k 1,008).

Encompassed within “Assets under construction and advances” are advances, amounting to €k 3,512 out of an aggregate price approximating €k 5,681, paid in 1992 to Agip Petroli S.p.A. in relation to the acquisition of two locations along the Ring Road (*Grande Raccordo Anulare)* around Rome, operated and managed by the Company right from the related realization thereof. The purchase and sale transaction was held in suspense as a result of challenges, for reasons of unlawfulness, being lodged against the resolution adopted by the Services Conference, which had consented to expropriation of the land on which the locations were built. Up to the time of writing, the fixed assets employed are not depreciable as a result of the *impasse*. Provision has been made for the related liability resulting therefrom in the "Provision for motorway operational management risk'.

Some of the amount, €k 4,499, relates to the modernization and restructuring of locations as yet not completed at December 31, 2003.

B.III. Investments

Investments at December 31, 2003 totaled €k 93,403, or €k 81,682 less than the year before, due to the events discussed below on an item-by-item basis, the related impact of which is summarized in the Statement of changes in investments for the year ended December 31, 2003.

B.III.1. Investments

B.III.1.a. Equity investments in subsidiaries

As analyzed below, equity investments in subsidiaries at December 31, 2003 amount to €k 84,540, or €k 26,872 less than the year before:

Subsidiary	Registered office	Curr.	Share capital (€k)	No. shares/share units (€k)	Net equity at 12/31/2003	F/Y 2003 net income/ (loss) (1)	% ownership	Book value (€k)
Autogrill Overseas S.A.	Luxembourg	Euro	60.650	12.130	31.992	(30.091)	100,00	31.992
Autogrill Europe Nord-Ouest S.A.	Luxembourg	Euro	41.300	4.130	19.771	(21.697)	100,00	19.771
Autogrill Finance S.A.	Luxembourg	Euro	250	25	622	2.212	100,00	622
Holding de Participations Autogrill S.A.	Marsiglia	Euro	119.741	787.769	83.448	1.814	0,01	-
Autogrill Espana S.A.	Madrid	Euro	1.800	300	11.789	2.701	100,00	10.579
Autogrill Austria A.G.	Gottlesbrunn	Euro	7.500	7.500	6.251	1.341	100,00	8.668
Autogrill Deutschland GmbH	Munich	Euro	205		10.282	(597)	100,00	10.282
Autogrill Hellas EPE	Avlona Attikis	Euro	1.696	57.797	1.848	659	100,00	1.848
Aviogrill S.r.l.	Bologna	Euro	10	10	169	117	51,00	744
Other minor investments		Euro						34
Total								**84.540**

(1) Change in net equity for Autogrill Overseas S.A. and Autogrill Europe Nord-Ouest SA

The movement for the period is due to the following:

1. Autogrill Overseas S.A.: written down directly, in accordance with the equity method, in the amount of €k 30,091, of which €k 23,036 impacting the income statement and €k 7,055 taken to the reserve for cumulative translation adjustment;
2. Autogrill Europe Nord-Ouest S.A.: €k 33,922 capital stock increase as written down successively in the amount of €k 21,697, in accordance with the equity method, impacting wholly the income statement;
3. Autogrill Finance S.A.: written down in the amount of €k 732 following distributions of profits reserved. Also taken into account was the relevant portion of profit for 2003 (amounting €k 2,082), earmarked for distribution following authorization by the company;
4. Autogrill Austria A.G.: written down directly, in accordance with the equity method, in the amount of €k 3,466;
5. Autogrill Deutschland GmbH: written down directly, in accordance with the equity method, in the amount of €k 597;

6. Autogrill Hellas EPE: €k 261 capital stock increase executed formally and, in accordance with the equity method, written back successively in the amount of €k 599, as shown separately in the equity reserves, having taken into account the payment of dividends, earmarked for authorization at the Stockholders' Meeting of March 31, 2003, in the amount of €k 60;
7. Equity interest in Autogrill Partecipaciones S.L. transferred, at year-end 2002 net book value of €k 5,229, to Autogrill Espana S.A.
8. Autogrill Café S.r.l.: capital stock re-established in the amount of €k 56 and, in accordance with the equity method, written down successively in the amount of €k 9;
9. Aviogrill S.r.l.: written back, in accordance with the equity method, in the amount of €k 21;
10. Nuova Sidap S.r.l.: written down, in accordance with the equity method, in the amount of €k 24;
11. Nuova Estral S.r.l.: written down, in accordance with the equity method, in the amount of €k 18.

Having taken into account the relevant portion of profit for 2003 (amounting €k 2,608), earmarked for distribution following authorization by the company, the book value of Autogrill Espana S.A. remains unchanged.

As reflected in the write-down recorded, working significantly against the result reported by Autogrill Overseas S.A. were non-recurring items:

1. €k 22 loss arising from derivative financial instruments, the related nature and underlying reason of which are discussed in the Note relating to "Off-balance sheet commitments and guarantees";
2. compromise and settlement of litigation with Bon-Appetit Gastronomie Holding AG relating to the acquisition of Passaggio Holding AG (now Autogrill Schweiz AG), which resulted in proceeds for SFRk 23 (or €k 15) being recognized; and
3. as result of valuing the equity investment at equity, write-down of assets (goodwill, intangible fixed assets and property, plant and equipment) recorded by Autogrill Schweiz AG in the amount of SFRk 14 (or €k 9.3).

The portion of the write-down of Autogrill Overseas taken to the reserve for cumulative translation adjustment stemmed from the stronger Euro versus the US dollar and – to a lesser extent – versus the Swiss franc, the currencies in which the financial accounts of the investments in Autogrill Group Inc. (formerly HMSHost Corp.) and Autogrill Schweiz A.G. are denominated, respectively.

As a result applying the equity method of valuation, charged accordingly against the income statement were liabilities for an amount totaling €k 49,426.

Having taken into account the requirements set forth in Article 2426, paragraph four, of the Italian Civil Code and excluding the change for the period in the reserve for cumulative translation adjustment, the liabilities referred to above reflect the decline in the book net equities of the relevant subsidiaries, as resulting from the related annual financial accounts thereof earmarked for approval prior to approval of the financial statements of Autogrill S.p.A.

The residual excess of the carrying value of the equity interests in Aviogrill S.r.l. and Autogrill Austria A.G. over the company's interest in the net assets of those subsidiaries is justified by their related earning power.

B.III.1.b. Equity investments in associated companies

Equity investments in associated companies been reset to zero (-€k 7,221 compared with the prior year) as a result of disposal of the equity interest, originally 21.61%, in the share capital of Pastarito S.p.A.

Resulting therefrom was a capital loss of €k 7,221.

As well as being acquired part way F/Y 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.

B.III.1.c. Equity investments in other enterprises

Unchanged from the previous year, equity investments in other enterprises at December 31, 2003 amount to €k 18.

B.III.2. Accounts receivable from others

Amounts receivable from others at December 31, 2003 amount to €k 8,846, or €k 47,588 less than the year before. Driving through the year-on-year decline was extinction of the interest-bearing deposit, lodged in the prior year with Intesa BCI Canada to secure funding received therefrom, in the amount of €k 47,000, in relation to a Canadian subsidiary.

	12/31/2003	12/31/2002	Change
	Non-current	Non-current	
Financial receivables	-	47,000	(47,000)
Interest-bearing deposits with oil companies	5,249	4,860	389
Advance tax recoverable from Italian taxation authorities	2,574	3,701	(1,127)
Guarantee deposits	1,009	862	147
Other	14	11	3
Total	**8,846**	**56,434**	**(47,588)**

The sums of money relating to "Interest-bearing deposits with oil companies" and "Guarantee deposits" will be collected beyond five years. The increase in the balance on "Interest-bearing deposits with oil companies" relates to interest earned.

"Advance tax recoverable from Italian taxation authorities" relate to the tax credit, with interest, arising from the advance payments of income tax maturing on employee severance indemnities paid by the Italian companies pursuant to Law 662/1996. Revalued on a basis consistent with the rate applied to employee termination indemnities provisioned by the Italian companies (F/Y 2003: 3.2%), this amounts to €k 105, whilst the related recovery thereof amounts to €k 1,232. The exact value and exact date of the current portion recoverable is not determinable at year-end; as such, the balance thereon is shown on an aggregate non-current basis.

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

(Accounts in thousands of Euro)

	December 31,2002			Change in gross value					Change in accumulated amortization				December 31, 2003		
INTANGIBLE FIXED ASSETS	Gross value	Accum. amort./ write-downs	Net value	Additions	Decrease	Write-downs	Other movements	Total	Additions	Decrease	Other movements	Total	Gross value	Accum. amort./ write-downs	Net value
Concessions, licenses and brands	6.606	(3.993)	2.613	477	-	(53)	373	850	(1.049)	-	-	(1.049)	7.456	(5.095)	2.361
Goodwill	168.082	(109.744)	58.338	-	(67)	(131)	26	(41)	(13.797)	16	-	(13.781)	168.041	(123.656)	44.385
Other	145.967	(106.963)	39.004	13.042	(3.650)	(2.028)	4.555	13.947	(17.977)	2.889	(19)	(15.107)	159.914	(124.098)	35.816
Assets under development & advances	3.883	-	3.883	4.014	(49)		(3.833)	132	-	-	-	-	4.015	-	4.015
TOTAL	**324.539**	**(220.700)**	**103.839**	**17.533**	**(3.766)**	**(2.212)**	**1.121**	**14.888**	**(32.823)**	**2.905**	**(19)**	**(29.937)**	**339.427**	**(252.849)**	**86.577**

	December 31, 2002			Change in gross value					Change in accumulated depreciation				December 31,2003		
PROPERTY, PLANT AND EQUIPMENT	Gross value	Accum. depre./ write-downs	Net value	Additions	Decrease	Write-downs	Other movements	Total	Additions	Decrease	Other movements	Total	Gross value	Accum. depre./ write-downs	Net value
Non-industrial land and buildings	260	0	260	-	18	-	-	18	-	-	-	-	242	-	242
Industrial land and buildings	31.073	(14.310)	16.763	1.254	(4.597)	-	106	(3.237)	(788)	1.231	-	443	27.836	(13.868)	13.969
Operating facilities	29.135	(22.749)	6.386	2.496	(623)	(136)	514	2.387	(1.727)	423	-	(1.304)	31.522	(24.189)	7.333
Commercial and operating equipment	165.815	(131.181)	34.634	11.266	(2.638)	(1.849)	2.514	11.142	(11.302)	2.241	19	(9.042)	176.957	(142.072)	34.885
Freely transferable assets	135.404	(106.050)	29.354	14.317	(19)	(26)	2.112	16.410	(6.625)	4	-	(6.621)	151.814	(112.697)	39.117
Other	18.367	(15.046)	3.311	1.194	(114)	(76)	150	1.230	(1.425)	79	-	(1.346)	19.587	(16.468)	3.119
Assets under construction & advances	9.999	(6)	9.993	4.700	(171)	-	(6.517)	(1.988)	-	6	-	6	8.011	-	8.011
TOTAL	**390.043**	**(289.342)**	**100.701**	**35.227**	**(8.180)**	**(2.087)**	**(1.121)**	**25.926**	**(21.867)**	**3.983**	**19**	**(17.865)**	**415.969**	**(309.294)**	**106.676**

	December 31, 2002			Change in gross value				Change in depreciation				December 31, 2003		
FINANCIAL FIXED ASSETS	Gross value	Write-downs	Net value	Additions	Decrease	Other movements	Total	Additions	Decrease	Other movements	Total	Gross value	Depreciation/ write-downs	Net value
Investments in subsidiaries	475837	-364425	111.412	34.782	(5.229)	56	29.609	49.447	21	(7.055)	(56.481)	505.446	(420.906)	84.540
Investments in associated companies	14.881	(7.660)	7.221		(7.221)	-	(7.221)	-	-	-	-	-	-	-
Investments in other enterprises	18	-	18	-		-	-	-	-	-	-	18	-	18
Financial receivables from others	56.433	-	56.433	539	(48.127)	-	47.588	-	-	-	-	8.845	-	8.845
TOTAL	**547.169**	**(372.085)**	**175.084**	**35.321**	**(60.577)**	**56**	**(25.200)**	**49.447**	**21**	**(7.055)**	**(56.481)**	**514.309**	**-**	**93.403**

C. CURRENT ASSETS

C.I. Inventory

As analyzed below, inventory at December 31, 2003 amounts to €k 39,425, or €k 2,742 more than the year before:

	12/31/2003	12/31/2002	Change
Goods for resale and supply	29,645	27,936	1,709
Monopoly goods, lottery tickets and newspapers	8,425	7,746	679
Fuel and lubrificants	723	334	389
Other	632	667	(35)
Total Inventory	**39,425**	**36,683**	**2,742**

Pushing through the year-on-year increase in the balances on the first two lines were contingent factors. On the other hand, the year-on-year increase in the balance on 'fuel and lubricants' stems from the fact that the number of service stations operated and managed have doubled, from three to six.

The inventory balance is shown net of the provision for obsolete and slow-moving inventories, stated for an amount totaling €k 624 (unchanged from the previous year), determined on the basis of the presumed realizable value of slow-moving inventories or planned exclusion thereof from product offering.

C.II. Receivables

As analyzed below, receivables at December 31, 2003 amount to €k 267,787, or €k 84,267 more than the year before:

	12/31/2003	12/31/2002	Change
C.II.1. Trade accounts receivable	33,812	38,116	(4,304)
C.II.2. Accounts receivable from subsidiaries	179,731	86,800	92,931
C.II.3. Accounts receivable from associated companies	-	60	(60)
C.II.5. Accounts receivable from others	54,244	58,544	(4,300)
Total Receivables	**267,787**	**183,520**	**84,267**

C.II.1.Trade accounts receivable

Trade accounts receivable at December 31, 2003 amount to €k 33,812, or €k 4,304 less than the year before. Working towards the year-on-year uplift was a more favorable payment schedule for items relating to promotional activities conducted in the year and, not least, doubtful accounts written off in the amount of €k 1,514.

The balance on this account is analyzed below:

	12/31/2003	12/31/2002	Change
Accounts receivable from third parties	35,087	39,995	(4,908)
Disputed accounts receivable	4,252	3,976	276
Provision for the w/d of receivables	(5,527)	(5,855)	328
C.II.1 Total Trade receivables	**33,812**	**38,116**	**(4,304)**

Accounts receivable from third parties relate primarily to supply covenants and factoring and, not least, the promotional activities referred to above.

The movement for the period on the provision for the write-down of receivables relates to the aforementioned doubtful accounts written off and, not least, €k 1,185 provisioned in the period to cover new doubtful account positions assessed during the year.

All trade accounts receivable included herein fall due within one year.

C.II.2. Accounts receivable from subsidiaries

Accounts receivable from subsidiaries at December 31, 2003 amount to €k 179,731 (December 31, 2002: €k 86,800), of which €k 163,676 are financial in nature (December 31, 2003: €k 78,402). The Company has increased funding to the subsidiaries thereby deploying the greater amount of available funds generated from its operating activities.

Also encompassed within this line are dividend payments due from Autogrill Finance S.A., Autogrill Espana S.A. and Autogrill Hellas EPE, for an amount totaling €k 4,750.

Further information thereon can be found in the Operating and Financial Review under the heading ‘Dividends’.

C.II.3. Accounts receivable from associated companies

Accounts receivable from associated companies at December 31, 2003 have been reset to zero (December 31, 2002: €k 60) as a result of disposal, as referred to above, of the equity interest in Pastarito S.p.A.

C.II.5. Accounts receivable from others

Accounts receivable from others at December 31, 2003 amount to €k 54,244, or €k 4,300 less than the year before.

	12/31/2003	12/31/2002	Change
Suppliers	15,637	18,133	(2,496)
Tax Office, Provident & Social Security			
Agencies and Public Administration	1,306	8,052	(6,746)
Deferred tax assets	30,333	23,496	6,837
Personnel	2,638	2,436	202
Other	4,330	6,427	(2,097)
Total	**54,244**	**58,544**	**(4,300)**

The balance on the line “Amounts due from suppliers" is represented primarily by credit notes receivable relating to year-end premiums and product returns, prepaid lease rentals paid and payments on account. The year-on-year decrease on this line stems from the more timely settlement of items receivable.

The Company recorded tax prepayments – whether in 2003 or 2002 – under the historic cost method, based on prior year taxable income, as reduced in relation to greater approximation of 2003 taxable income vis-à-vis 2002.

"Deferred tax assets" represent the tax asset status pursuant to “Italian GAAP” Accounting Principle No. 25. Primarily pushing through the year-on-year increase on this line was the effect arising on application of Italian legislative decree 209/2002, whereby equity holding write-downs deducted from taxable income are spread over five financial periods.

Based on future taxable profit updates, the aforesaid tax credit will become recoverable part way 2004 in the amount of 12 million euros. Based on prudent estimations, deferred tax assets in the amount of 5 million euros are expected to reverse after five years insofar as the exact date on which certain temporary differences will reverse is not determinable at the year-end.

Encompassed within the balance on the line “Other” are accounts receivable relating to commissions collected via credit card as yet to be credited (€k 2,014) and amounts due from insurance companies (€k 1,581) by way of premiums paid in advance or insurance claims settled as yet to be credited. Driving through the year-on-year decrease on this line was an amount collected (€k 2,921) in respect of the interest rate swap restructured at year-end 2002.

Aside from “deferred taxes” in the amount of €k 30,333, all accounts receivable from others fall due within one year.

In the prior year, the year-end balance on this line was stated net of the provision for the write-down of receivables, €k 145, used wholly in the year under review.

C.IV. Bank and Cash

As analyzed below, Bank and Cash at December 31, 2003 totaled €k 42,084, or €k 3,873 less than the year before:

	12/31/2003	12/31/2002	Change
C.IV.1. Bank and post-office deposits	15,723	11,977	3,746
C.IV.3. Cash and valuables on hand	26,361	33,980	(7,619)
C.IV. Bank and cash	**42,084**	**45,957**	**(3,873)**

The balance on “Cash and valuables on hand” is represented, in the amount of €k 10,170 (December 31, 2002: €k 21,217) by credit card sales being processed and, in the amount of €k 8,108 (December 31, 2002: €k 6,120) by cash at sales outlets as yet to be collected.

Due to the differing timescale followed by security guards when collecting cash and valuables, the balance on this line may differ significantly from one item to the next.

The residual amount of €k 8,083 on this balance (December 31, 2002: €k 6,643) relates to valuables at sales outlets and central storage deposits.

D. DISCOUNTS ON BOND ISSUES, PREPAIDS AND ACCRUALS

As analyzed below, discounts on bond issues, prepaids and accruals at December 31, 2003 totaled €k 4,843 (December 31, 2002: €k 5,961):

	12/31/2003	12/31/2002	Change
Accrued income	2,285	2,270	15
Prepaid expenses:			
Financial lease prepayments	1,466	2,425	(959)
Concession and lease prepayments	494	553	(59)
Other	598	713	(115)
Total Prepaid expenses	2,558	3,691	(1,133)
Total	**4,843**	**5,961**	**(1,118)**

Virtually unchanged from the previous year, accrued income relates principally to hedge contracts used to manage exposure to fluctuations in interest rates and exchange rates.

Encompassed within "finance lease prepayments" is the amount of €k 746 relating to finance lease payments pertaining to fiscal 2005. Driving through the year-on-year decrease of €k 959 was the portion pertaining to fiscal 2003, charged against the income statement.

Encompassed within "concession and lease prepayments" is the amount of €k 467 pertaining to fiscal 2005 through 2022 (of which €k 307 beyond the fifth year).

Encompassed within “other” is the amount of €k 470 relating to registration tax levied on long-term concession contracts attaching to city center commercial buildings, with portions pertaining to fiscal 2005 through 2016 in the amount of €k 432 (of which €k 242 beyond the fifth year).

NOTES TO PRINCIPAL BALANCE SHEET LIABILITY ACCOUNTS

A. STOCKHOLDERS' EQUITY

Stockholders' equity at December 31, 2003 amounts to €k 142,024, or €k 7,115 more than the year before. The statement of changes in stockholders' equity for the years ended December 31, 2003 and 2002 is set out on page 50.

The Stockholders' Meeting held on April 24, 2003 approved the motion to finance the loss for F/Y 2002, amounting to €k 9,915, using in part distributable retained earnings (€k 3,793) and the share exchange surplus (€k 6,122).

A.I. Capital Stock

The authorized capital stock of Autogrill S.p.A. at December 31, 2003, fully subscribed and paid in, was represented by 254,400,000 ordinary shares, par value € 0.52 each. Capital stock is unchanged from the previous year.

The Stockholders' Meeting held on April 30, 1999 approved the motion to raise capital stock by issuing up to 33,500,000 ordinary shares to service the convertible debenture loan, having nominal value of Euro 471,055,000, issued in June 1999 by the subsidiary Autogrill Finance S.A., thereby generating a cash inflow in the amount of 350 million euros, 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. Compared with the 30% conversion premium on issue, the conversion premium at December 31, 2003 was 40%.

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.

A.IV. Legal reserve

Unchanged from the previous year, the legal reserve at December 31, 2003 amounts to €k 1,712.

A.VII. Other reserves

As analyzed below, other reserves at December 31, 2003 amount to –€k 5,471:

Reserve for share exchange surplus: this reserve mirrors the residual share exchange surplus relating to the merger by incorporation of Finanziaria Autogrill S.p.A., after having re-established the reserves in suspension of tax. The reserve amounts to €k 1,908, or €k 6,122 less than the year before, as a result of related use thereof to cover F/Y 2002 losses, pursuant to Stockholders' Resolution of April 24, 2003.

Capital contributions – unrestricted portion: these also stem from the merger by incorporation of Finanziaria Autogrill S.p.A. and amount to €k 153, or €k 77 more than the year before as a result of the portion transferred part way 2003 from the reserve for capital contributions – restricted portion.

Reserve for subsidiaries valued at equity: amounting to €k 1,043, this reserve was formed in application of the method adopted to value and account for equity interests held in the international subsidiaries. On a comparative basis with year-end 2002, the balance on this reserve moved forward €k 599 due to the effect of valuing and accounting for Autogrill Hellas EPE at equity.

Reserve for cumulative translation adjustment on equity holdings accounted for and valued under the equity method: this reserve amounts to –€k 9,472, reflecting an uplift of €k 7,055 on the year-end 2002 balance. Pushing through the movement for the period on this reserve were Euro exchange rate fluctuations vis-à-vis the currencies in which the financial accounts of indirectly held subsidiaries are denominated.

Other reserves for distributable retained earnings: these amount to €k 898, or €k 3,793 less than the year before insofar as used to cover F/Y 2002 loss, pursuant to Stockholders' Resolution of April 24, 2003.

Adjustment to values recorded exclusively in application of tax laws (Article 2426, paragraph two, of the Italian Civil Code)

As discussed earlier under the heading "Accounting Policies and Basis of Preparation", adjustments to the value of intangible fixed assets have been recorded exclusively in application of tax laws. As a consequence thereof, stockholders' equity as at December 31, 2003 and net income for the year then ended was €k 21,146 lower and €k 1,351 higher, net of the theoretical tax effect, as placed in evidence in the table below.

The adjustments to values referred to above are eliminated on consolidation recognizing a matching provision for deferred taxation, determined, for reasons of prudence, on the basis of the maximum tax rate currently prevailing, taking into account future tax rate reductions, if any, based on enacted tax laws.

Impact of adjustments to value recorded pursuant to Art. 2426, paragraph two, of the Italian Civil Code

	12/31/2002			F/Y 2003				12/31/2003
					Tax effect			
	Taxation gross value	Tax effect	Taxation net value	Taxation gross value	at currently prevailing tax rate	future tax rate reductions (1)	Taxation net value	Taxation net value
Greater amortization charge on business goodwill (formerly merger defict)	23.797	9.102	14.695	-	-	-238	238	14.933
Greater amortization charge on leasehold improvement costs	12.635	4.833	7.802	-2.734	-1.046	-99	-1.589	6.213
Total	36.432	13.935	22.497	-2.734	-1046	-337	-1.351	21.146

(1) considering 33% corporate income tax rate ("IRES") and 4.25% regional income tax rate ("IRAP")

Statement of changes on stockholders' equity

Caption	Capital stock	Reserves for monetary revaluations	Legal reserve	Other reserves/ ret. Earnings	Profit/(loss) for the year	Total
Balances at December 31, 2001	**132,288**	**13,618**	**1,712**	**24,308**	**(25,456)**	**146,469**
Financing of F/Y 2001 loss	-	(13,618)	-	(11,838)	25,456	-
Increase in unrestricted portion of capital contributions				77		77
Increase in reserve for the valuation of equity holdings valued under the equity method				389		389
FOREX differences relating to the valuation of equity holdings under the equity method		-		(2,111)		(2,111)
F/Y 2002 profit/(loss)					(9,915)	(9,915)
Balances at December 31,2002	**132,288**	**-**	**1,712**	**10,825**	**(9,915)**	**134,909**
Financing of F/Y 2002 loss				(9,915)	9,915	-
Increase in unrestricted portion of capital contributions				77		77
Equity holdings valued under the equity method				599		599
FOREX differences relating to the valuation of equity holdings under the equity method				(7,055)		(7,055)
F/Y 2003 profit/(loss)					13,495	13,495
Balances at December 31, 2003	**132,288**	**-**	**1,712**	**(5,470)**	**13,495**	**142,024**

B. RESERVES FOR LIABILITIES AND CHARGES

Set out below is the composition of and movement for the period on the reserves for liabilities and charges:

	As at 12/31/2002	Other movements	Provisions	Use	As at 12/31/2003
B.2. Deferred income tax liability	**5,160**	**-**	**1,302**	**(4,602)**	**1,860**
B.3. Other provisions:					
for charges:					
provision for freely transferable asset renovation	10,775	-	3,008	(2,408)	11,375
provision for leasehold property renovation	5,184	-	412	-	5,596
provision for urban/motorway operational		-	199	-	
management charges	2,534				2,733
capital contributions- restricted portion	282	(77)		-	205
other	1,019	-	3,479	-	4,498
for risks:					
provision for litigation	4,239	-	1,077	(2,050)	3,266
other	231	-	105	(67)	269
Total Other provisions	**24,263**	**(77)**	**8,280**	**(4,525)**	**27,942**
Total	**29,423**	**(77)**	**9,582**	**(9,127)**	**29,802**

The movement for the period on balance sheet caption B.2. "Deferred income tax liability" places in evidence the related use thereof for the automatic settlement pursuant to Article 9 of Law 289/2002 (the so-called “across-the-board” tax amnesty) of disputes, if any, arising from or relating to income tax for fiscal years 1997, 1998, 1999, 2000 and 2001.

The provision for the period relates to the estimated liability attaching to or arising from extension of the “across-the-board” amnesty for F/Y 2002 income tax and similar taxation, pursuant to the provisions of Law 350/2003, in respect of which the Company intends to take advantage.

The residual provision is provided to cover the liability, if any, arising from or relating to the settlement of factual findings emerging from the general assessment of F/Y 1999 made part way 2003 by the Regional Inland Revenue Office. More particularly, the related Tax Report resulting therefrom issued on November 17, 2003 challenges the undue detraction related VAT not paid for an amount totaling €k 377. At the time of writing, the Company is assessing the more appropriate way to settle the tax dispute.

As a result of the automatic settlements referred to above and, moreover, maturity of the assessment terms attaching thereto, F/Y 2003 and, not least, F/Y 1999, 2000, 2001 and 2002 are, as yet, open for indirect tax purposes.

Encompassed on a *pro-rata temporis* basis in the “Provision for freely transferable asset renovation” are the liabilities expected to be incurred in order to ensure that a freely transferable asset held under contract concession is returned in its original state and condition.

The “Provision for leasehold property renovation” relates to assets encompassed within businesses held under lease, under which tenant is assigned with the commitment to replace them in the event of wear and tear or damage. Provisions are determined on a periodical basis amortizing, pursuant to lessor communications, the book value of the related assets on a basis consistent with the amortization rates applied to proprietary assets.

Primarily encompassed within the "Provision for urban/motorway operational management charges" is the figurative depreciation charge relating to two motorway sites, already operational albeit ownership title has yet to be transferred. Further details thereon can be found under the heading "Property, Plant and Equipment".

Encompassed within "other" is the prudent estimation of liabilities, if any, arising from or relating to the unfavorable outcome of concession contract litigation.

The "Provision for litigation risk" has been used to cover effective settlements reached in the year under review.

C. PROVISION FOR EMPLOYEE TERMINATION INDEMNITIES

As analyzed below, the provision for employee termination indemnities at December 31, 2003 amounts to €k 86,164, or €k 3,987 more than the year before:

	1	**37,621**
Balance at beginning of the year	82,178	77,577
Accrual for the period	14,709	14,522
Use and reversals for the period	(9,690)	(9,108)
Pension fund liability	(1,033)	(813)
Balance at end of the year	**86,164**	**82,178**

Encompassed within the accrual for the period is the related revaluation thereof, at the legal rate of 3.20%, for €k 2,410.

Headcount at December 31, 2003 is set out below by employee category, placing in evidence part-time equivalents:

	12/31/2003	**12/31/2002**	**Change**
Managers	45	43	2
Clerks	1,673	1,749	(76)
Workers	9,652	9,711	(59)
Total	**11,370**	**11,503**	**(133)**
of which part-time	6,260	6,382	(122)

Headcount stepped backward marginally in the period mainly as a result of the operational management of 6 locations being assigned to franchisees. However, almost all staff members working there have been relocated to other sales outlets.

D. LIABILITIES

Liabilities at December 31, 2003 totaled €k 373,956, or €k 23,433 less than the year before, as analyzed below:

	12/31/2003	12/31/2002	Change
D.3. Borrowings from banks	118,465	138,391	(19,926)
D.4. Other borrowings	1,787	2,854	(1,067)
D.5. Advances	-	50	(50)
D.6. Trade accounts payable	200,651	207,629	(6,978)
D.8. Payables - Subsidiaries	587	373	214
D.10. Payables - Parent companies	426	43	383
D.11. Tax liabilities	11,529	8,898	2,631
D.12. Social security liabilities	14,273	14,565	(292)
D.13. Other liabilities	26,238	24,586	1,652
D. Total Liabilities	**373,956**	**397,389**	**(23,433)**

D. 3. Borrowings from banks

Borrowings from banks at December 31, 2003 amount to €k 118,465 and relate primarily to financing contracted with Banco di Napoli for €k 51,646, with maturity date in 2004, and with Banca Antonveneta for €k 25,000, with maturity date in 2007, and, not least, to new financing contracted part way 2003 with Banca Popolare di Milano for €k 11,000, with maturity date in 2004.

The residual amount on this account relates to bank current account balances at December 31, 2003.

Borrowings from banks carry variable rates of interest. Excess cash flow from operations worked towards pruning exposure to borrowings.

On December 30, 2003, the Company assigned mandate to arrange a syndicate loan totaling €m 800, envisaging the commitment of two coordinator banks to provide funding on a par basis. Accordingly, continuing to be consolidated were short-term forms of funding needed to cover Group financial requirements, which HMS Host Corp. (now Autogrill Group Inc.) replaced, subsequent to January 23, 2003, by a syndicate loan (private placement) totaling $m 370, with the following maturity dates: $m 44 on January 23, 2010; $m 60 on January 23, 2012; $m 266 on January 23, 2013.

As required by the Private Placement regulations, financial ratios relating to the level of debt and interest hedged and, not least, the ratio of financial indebtedness to net equity, are assessed on a periodic basis to ensure that these fall within preset thresholds.

At December 31, 2003, the preset thresholds have not been exceeded.

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

- replacing short-term forms of funding with medium-term (three to five years) financing;
- funding in the longer term additional financial requirements, if any;
- funding the requirement, if any, arising from exercise of the put option, which may be exercised on June 14, 2004 by holders of the debenture loan issued in 1999 by Autogrill Finance SA.

Detailed information about the 1999/2014 Autogrill Finance S.A. debenture loan, secured by and convertible into Autogrill S.p.A. shares, can be found in the Note relating to "Off-balance sheet commitments and guarantees".

D.4. Other borrowings

Represented primarily by funding – not carrying interest – obtained in respect of computer system equipment purchased, other borrowings at December 31, 2003 amount to €k 1,787, or €k 1,066 less than the year before due to repayments made in the year under review.

D.6. Trade accounts payable

Trade accounts payable at December 31, 2003 amount to €k 200,651, or €k 6,977 less than the year before.

Furthermore, trade accounts payable also bear the brunt of differing supply contracts renegotiated with suppliers in order to comply with EC Directive 2000/35/Ce of June 29, 2000, as implemented in Italy by Law 231/2002.

All trade accounts payable fall due within one year.

D.8. Payables - Subsidiaries

Accounts payable to subsidiaries at December 31, 2003 amount to €k 587 and are substantially unchanged from the previous year. The balance on this account relates, in the amount of €k 362, to the liability balance on off-balance sheet current accounts held by the Company with Autogrill Cafè S.r.l. and Aviogrill S.r.l., carrying interest based on market conditions. The remainder relates to current commercial items.

All accounts payable to subsidiaries fall due within one year.

D.10. Accounts payable – Parent companies

Accounts payable to parent companies at December 31, 2003 amount to €k 426, or €k 382 more than the year before. Detailed information and analysis thereof can be found in the Operating and Financial Review.

D.11. Tax liabilities

As analyzed below, tax liabilities at December 31, 2003 amount to €k 11,529, or €k 2,631 more than the year before:

	12/31/2003	12/31/2002	Change
Self-employed and employee withholding tax ("Irpef")	6,556	6,829	(274)
VAT payable	751	933	(182)
Income tax automatic settlement	947	-	947
Rate and tax collection	865	1,022	(157)
Other	2,410	114	2,296
Total	**11,529**	**8,898**	**2,631**

The balance on the line "Other" is represented principally by the residual amount payable – amounting to €k 2,254 – in connection with the automatic settlement of fiscal 1997, 1998, 1999, 2000 and 2001 (the so-called "across-the-board" tax amnesty settlement), falling due on June 16, 2004.

All tax liabilities fall due within one year.

D. 12. Social security liabilities

Social security liabilities at December 31, 2003 amount to €k 14,273, or €k 292 less than the year before.

The balance on this account relates, in the amount of €k 8,256, to accounts payable to INPS (December 31, 2002: €k 8,070).

Social security liabilities provisioned in relation to deferred social security costs at December 31, 2003 amount to €k 5,118 (December 31, 2002: €k 5,555).

Social security liabilities are current in nature and, as such, all falling due within one year.

D.13. Other liabilities

As analyzed below, other liabilities at December 31, 2003 amount to €k 26,238, or €k 1,652 more than the year before:

	12/31/2003	12/31/2002	Change
Due to employees:			
Employee vacation, thirteenth month payroll, etc.	21,209	18,857	2,352
Miscellaneous	39	183	(144)
Total	21,248	19,040	2,208
Other:			
Due to customers	1,783	1,942	(159)
Due to Directors and Statutory Auditors	491	1,422	(931)
Charitable donations	7	694	(687)
Third party guarantee deposits	368	121	247
Miscellaneous	2,341	1,367	974
Total	4,990	5,546	(556)
Total	**26,238**	**24,586**	**1,652**

The year-on-year decrease in amounts due to Directors and Statutory Auditors relates primarily to the variable formulae attaching to the emoluments and fees paid to Directors.

"Amounts due to customers" relate primarily to premiums payable to franchisees.

The year-on-year decrease in charitable donations payable ensues from charitable contributions collected and donated in 2002 within the framework of the "*In viaggio con Telethon*" charity project, steered towards fighting against genetic diseases.

The year-on-year increase in "other liabilities" relates principally to the advance received from one motorway concession contract assignor in relation to the share of building works pertaining to assignor performed at two sites.

Aside from guarantee deposits, all other liabilities fall due within one year.

E. ACCRUED EXPENSES AND DEFERRED INCOME

As analyzed below, accrued expenses and deferred income at December 31, 2003 totaled €k 8,848 (December 31, 2002: €k 7,846):

	12/31/2003	12/31/2002	Change
Deferred income	2,910	3,795	(885)
Accrued expenses:			
premiums collected on derivative financial instruments	5,077	2,921	2,156
lease payments and ancillary expenses	335	617	(282)
Other	526	513	13
Total	**8,848**	**7,846**	**1,002**

Deferred income relates, in the amount of €k 2,851, to deferred interest expense on financing and to the portion of the FOREX difference matured on contracts used to manage exposure to fluctuations in exchange rates in progress at December 31, 2003.

The remainder, €k 59, relates to deferrals for commissions attaching to customer credit card payments.

The year-on-year increase in premiums collected on derivative financial instruments relates to further contracts entered into during the year to manage exposure to fluctuations in exchange rates.

The year-on-year decrease in accruals for lease payments stem from the differing lease payment timescale.

Falling due after one year are accrued expenses approximating €m 4.2.

OFF-BALANCE SHEET COMMITMENTS AND GUARANTEES

As analyzed below, off-balance sheet commitments and guarantees at December 31, 2003 amount to €k 1,764,595 (December 31, 2002: €k 1,965,034):

	12/31/2003	12/31/2002	Change
Guarantees in favor of third parties	36,639	32,204	4,435
Guarantees in favor of subsidiaries	803,291	1,069,700	(266,409)
Secured guarantees on Balance Sheet receivables	-	47,000	(47,000)
Purchase and sale commitments	475,986	393,597	82,389
Other	26,039	26,039	-
Total	**1,341,955**	**1,568,540**	**(226,585)**

Guarantees in favor of third parties represent primarily to bank guarantees with recourse provided on behalf of the Company in favor of commercial counterparts, based on normal market conditions.

Guarantees in favor of subsidiaries, reflecting a year-on-year decrease of €k 266,409, were provided in the amount of €k 549.987 to bank and lending institutions which, under the wing of “umbrella” credit lines, ensured borrowing facilities to subsidiaries held wholly by Autogrill S.p.A. (whether directly or indirectly). Also encompassed therein, in the amount of €k 382,991, is the guarantee provided to holders of the debentures, convertible into Autogrill S.p.A. shares, issued part way 1999 by Autogrill Finance S.A.

The nominal value of those debentures amounts to €k 471,055 and represents the amount redeemable on maturity at June 15, 2004. 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.

Attaching to the share price at December 31, 2003 was a premium of some 40%. As compared to 30% at the time of issue, the premium declined to 13% at year-end 2000, moving upward to 45% at year-end 2001 and to 100.6% at year-end 2002.

And lastly, €k 292,953 represents the corresponding value in Euro of the amount of US$ 370 million of the private placement loan issued on January 23, 2003 by HMSHost Corp. (now Autogrill Group Inc.) and secured by the Company.

“Purchase and sale commitments” are set out below:

1. €k 159,280 (December 31, 2002: €k 49,851) relating to the notional value of hedge contracts used to manage exposure to exchange rate fluctuations on financing provided to subsidiaries other than subsidiaries within the Eurozone. The movement for the period mirrors the greater amounts loaned;
2. €k 316,706 (December 31, 2002: €k 343,746) relating to the notional value of interest rate swaps, put in place to manage the Group’s exposure to fluctuations in interest rates and foreign exchange rates; and

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 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 S.A.

As a result of the acquisition of HMSHost back in September 1999, exposure to interest rate and currency risk has stretched to a significant level. The value of the business transaction tipped one billion dollars, financed by variable rate loans.

As a consequence, the financial risk management Group policy is steered towards hedging foreign exchange rate risk, interest rate risk and structural interest rate risk.

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 risk is assessed and hedged via interest rate swaps, forward rate agreements, interest rate options or, where applicable, a combination thereof.

As such, the Company entered into interest rate swap transactions. Under an interest rate swap, the Company 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 loan, 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 adopts rate sensitivity strategies for some of the private placement loan, 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 $m 12.5 m$ (or €m 11.1) in the statutory financial accounts for 2003.

The said company also expensed in the period losses matured on other financial instruments (involving foreign exchange and interest rate), not compliant with Group policy, amounting to a further amount of $m 12 (or €m 11).

As a result of valuing the equity holdings at equity, those postings are reflected in the financial statements of the Company.

The residual derivative financial instruments contracted by the Company fix the rate of interest on the notional principal amount of those financial instruments, totaling $m 300, at an average rate of 5.66% over an average term approximating 5 years.

The notional principal amount of derivative financial instruments outstanding at December 31, 2003 reflects the extent of the Company's involvement in the instruments, but does not represent its exposure to credit risk, which is assessed by reference to interest 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.

Additionally, as a result of derivative contracts currently in progress, the Company was net debtor in fiscal 2003 for rate differentials, insofar as reporting net borrowing costs in the amount of €k 12,986 (December 31, 2002: €k 9,987).

Fair market valuation of derivative contracts at December 31, 2003 reflect unrealized losses in the amount of €m 19.6 (December 31, 2002: -€m 17)

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 by the Company. Generally speaking, the financial instruments employed to this end are forward foreign exchange contracts.

The balance on the line “Other” relates to the following: value of goods belonging to third parties deposited with or used by the Company (€k 1,551); value of capital assets encompassed within businesses held under lease (€k 20,021); value of motorway toll passes for sale at Company sales outlets (€k 2,169) and to the amount (€k 2,272) as yet to be paid in respect of two commercial properties located around the Ring Road (*Grande Raccordo Anulare*) in Rome, as mentioned on page 43 under the Note relating to “Property, Plant and Equipment”.

INCOME STATEMENT

A. OPERATING REVENUES

A.1. Revenues from the sale of goods and services

Revenues from the sale of goods and services are analyzed below by typology:

	F/Y 2003	F/Y 2002	Change
Food & Beverage	629,148	610,208	18,940
Customer product sales	189,555	189,037	518
Monopoly goods, lottery tickets, newspapers and fuel sold	206,798	189,587	17,211
Other services provided to customers	488	469	19
Goods and services provided to consumers	**1,025,989**	**989,301**	**36,688**
Products sold to franchisees	31,000	29,812	1,188
Products sold to subsidiaries/associated companies	2,198	2,424	(226)
Other items sold	1,397	1,067	330
Total	**1,060,584**	**1,022,604**	**37,980**

Further information on revenues from goods and services can be found in the Operating and Financial Review. As examined and discussed in the Operating and Financial Review, revenues from fuel sold, amounting to €k 21,414 (December 31, 2002: €k 14,851), are included in the reclassified income statement under Other operating revenues, less purchasing costs.

Sales revenue from goods and services was captured almost exclusively within Italy.

A.5. Other operating revenues

Other operating revenues are composed of the following:

	F/Y 2003	F/Y 2002	Change
Contributions towards operating costs	46	6	40
Gains on property, plant and equipment disposals	13,803	336	13,467
Promotional contributions by suppliers	26,487	24,794	1,693
Income from business leases	9,777	9,937	(160)
Royalty income	5,200	5,163	37
Income from mobile and land phone cards sold	3,517	3,586	(69)
Recovery of costs from third parties and franchisees	1,281	1,624	(343)
Other	5,554	10,846	(5,292)
Total	**65,665**	**56,292**	**9,373**

The year-on-year increase in “Promotional contributions by suppliers” is attributable to commercial agreements renewed for fiscal 2003.

The year-on-year increase in “Gains on property, plant and equipment disposals” relates principally to commercial property (Via Orefici - Milan) sold (€k 11,719).

The value of motorway toll passes and prepaid mobile/land phone cards distributed to the general public in 2003 stretched beyond €m 76 (December 31, 2002: €m 70).

The more significant items included under "Other" are composed of the following:

- out-of-period income and non-existent income amounting to €k 2,364 (December 31, 2003: €k 7,422); encompassed within this line at year-end 2002 were non-recurring items arising from provisions and accruals reversed due to changed circumstances or limitation of liabilities and, not least, overstatement of the reserve for on-the-spot lottery premiums;
- positive cash differences amounting to €k 204 (December 31, 2002: €k 191), not deemed to be exceptional in nature given the volume of business conducted with customers on a cash basis;
- recovery of relocated personnel costs amounting to €k 728 (December 31, 2002: €k 538).

B. OPERATING COSTS

B. 6. Cost of merchandize for resale and supplies

As analyzed below, the cost of merchandize for resale and supplies at December 31, 2003 amounts to €k 492,388:

	F/Y 2003	F/Y 2002	Change
Food & Beverage and Retail	282,670	288,051	(5,381)
Monopoly goods, newspapers, national lottery tickets and fuel	195,076	178,530	16,546
Other	14,642	11,542	3,100
Total	**492,388**	**478,123**	**14,265**

Taking into account the change in inventory, food & beverage and retail operating costs work towards reducing the ratio of operating costs to sales due to bolt-on product array and narrower movement from standard.

The year-on-year increase in operating costs attaching to monopoly goods, newspapers, lottery tickets and fuel sold is correlated to the trending followed by sales.

As examined and discussed in the Operating and Financial Review, revenues from fuel sold are included in the reclassified income statement net of operating costs in the amount of €k 20,947 (December 31, 2002: €k 14,710).

The year-on-year increase in the balance on the line "Other" relates principally to key maintenance contracts renegotiated, for which – unlike in prior years – materials and services are provided separately.

B. 7. Cost of Services

As analyzed below, the cost of services at December 31, 2003 amount to €k 91,001:

	F/Y 2003	F/Y 2002	Change
Energy and water	22,207	20,692	1,515
Storage and freight charges	12,271	12,587	(316)
Sanitation and post-control services	11,257	11,129	128
Advertising and market research	8,731	10,528	(1,797)
Consultancy and expert services	9,932	10,117	(185)
Maintenance costs	8,504	8,664	(160)
Travel expenses	4,991	5,418	(427)
Postage and telephone	2,608	2,196	412
General administrative services	2,420	2,513	(93)
Security	2,146	2,050	96
Insurance	1,391	1,121	270
Temporary work	785	3,251	(2,466)
Other	3,757	4,322	(565)
Total Cost of Services	**91,001**	**94,589**	**(3,588)**

Other than the related correlation to revenues, the year-on-year increase, €k 1,515, in service costs attaching to energy and water utilities also suffered from unusual weather conditions in certain months of the year.

Advertising and market research service costs have been optimized, also drawing advantage from spontaneous enhanced media coverage driven through by the marketing initiatives put in place during the year.

As a result of more effective recruiting at critical hubs, minor recourse to temporary workers has been made by the Company.

In order to ensure a more immediate grasp of the route followed by maintenance costs in the year under review, reference should be made to the Note relating to "Operating costs".

As detailed below, the balance on "Consultancy and expert services" at December 31, 2003 amounts to €k 9,932:

Consultancy and expert services	F/Y 2003	F/Y 2002	Change
Consultancv			
commercial	2,946	2,648	298
IT and computer system	1,395	1,192	203
notary and legal	955	532	423
technical	870	1,030	(160)
administrative	510	750	(240)
organizational	332	779	(448)
Consultancy and other services	2,924	3,186	(262)
Total Consultancy and expert services	**9,932**	**10,117**	**(186)**

B.8. Lease, Rental and Royalty Charges

As analyzed below, Lease, Rental and Royalty Charges at December 31, 2003 amount to €k 105,766, or €k 5,553 more than the year before:

	F/Y 2003	F/Y 2002	Change
Business and property leases and ancillary expenses	52,407	50,733	1,674
Concessions	49,710	45,667	4,043
Brand proprietary rights	1,005	852	153
Other rentals	2,644	2,961	(317)
Total Lease, Rental and Royalty Charges	**105,766**	**100,213**	**5,553**

Concessions and lease rentals are generally correlated to revenues. The more emphatic route followed by concession rentals also reflects certain concession contract renewals, and the more significant pressure placed by distribution channels mirroring higher concession or lease rentals.

Pushing through the year-on-year increase in brand proprietary rights was the one-shot amount paid to terminate early the lease attaching to a divested location.

"Other rentals" relate principally to IT and computer system equipment leased, motor vehicles leased and special trucks leased.

B.9. Personnel costs

Personnel costs at December 31, 2003 amount to €k 255,292, reflecting a 2.1% uplift on the prior year.

Personnel costs are analyzed as follows:

	F/Y 2003	F/Y 2002	Change
Wages and salaries	182,337	179,021	3,316
Social security charges	57,230	56,037	1,193
Severance indemnities and similar charges	14,709	14,522	187
Other personnel costs	1,016	225	791
Total	**255,292**	**249,805**	**5,487**

Albeit average headcount remaining substantially unchanged, average unit cost grew 2.44% due to renewal of the National Collective Labor Contract part way 2003.

Primarily encompassed within "Other personnel costs" are voluntary redundancy costs arising as a result of reshaping the Company's organizational framework.

As set out in the table below, average headcount, expressed in terms of full-time equivalents, represents a reflection of the measures taken to reshape the Company's organizational framework.

	F/Y 2003	F/Y 2002	Change
Managers	44	40	4
Clerks	1,604	1,634	(30)
Workers	7,238	7,244	(6)
Total	**8,886**	**8,918**	**(32)**

B.10. Depreciation, amortization and write-downs

As analyzed below, depreciation, amortization and write-downs at December 31, 2003 amount to €k 60,174, or €k 6,155 more than the year before:

	F/Y 2003	F/Y 2002	Change
Amortization and depreciation			
Amortization of intangible fixed assets	32,823	30,230	2,593
Depreciation of Property, Plant and Equipment	21,867	21,248	619
Total Amortization and depreciation	**54,690**	**51,478**	**3,212**
Write-down of intangible fixed assets and PPE	**4,299**	**1,877**	**2,422**
Write-down of receivables classifed under current assets	**1,185**	**664**	**521**
Total	**60,174**	**54,019**	**6,155**

The amortization charge for intangible fixed assets includes amortization, amounting to €k 13,220 and unchanged, moreover, from the previous year, of the business goodwill arising from the merger by incorporation of Finanziaria Autogrill S.p.A. part way 1997 and, not least, amortization of the goodwill paid for the individual dine-in outlets, amounting to €k 577 (December 31, 2002: €k 582).

Fiscal 2003 benefits in the amount of €k 2,734 (December 31, 2002: €k 2,534) from the minor amortization charge on leasehold improvement costs recorded in fiscal 1998 and fiscal 1999 insofar as fully amortized over the three-year period required under Article 14 of the Financial Act 1998.

Freely transferable assets are depreciated each period at constant rates on the basis of economic/technical rates determined according to the useful life expectancy of the related asset, or, when lower, according to the residual term of the relevant concession contract.

Intangible fixed assets and PPE have been written down for an amount totaling €k 4,299, of which €k 2,212 relates to the write-down of intangible fixed assets and €k 2,087 to the write-down of property, plant and equipment. The assets have been written down on the basis of updated forward-looking earnings for the sales outlets, primarily city center sales outlets, reflecting substandard profitability.

Receivables classified under assets have been written down for an amount totaling €k 1,185 (December 31, 2002: €k 664). This reflects the updated estimation of receivables recoverable. As a result of the insolvency status of Virgin Retail Italy S.r.l., which was the sub-lessee for some of the Piazza Duomo location in Milan, the accounts receivable therefrom have been written down wholly in the amount of €k 1,004, thereby proving debts in bankruptcy proceedings.

B.12. Provisions for risks

The provision for risks at December 31, 2003 amounts to €k 1,183, or €k 2,137 less than the year before. Of this, €k 1,077 relates to the provision for litigation and disputes with third parties and employees (December 31, 2002: €k 4,240) and €k 105 to miscellaneous provisions (December 31, 2002: €k 99).

B.13. Other provisions

Other provisions at December 31, 2003 amount to €k 7,097, or €k 2,983 more than the year before.

Of this, €k 3,008 relates to the provision for freely transferable asset renovation costs (December 31, 2002: €k 2,553) and €k 611 to the provision for the restoration of assets encompassed within leased businesses (December 31, 2002: €k 542).

The remainder relates to charges arising from or relating to restoration and remediation pursuant to law and loss-making contracts.

B.14. Other operating costs

As analyzed below, other operating costs at December 31, 2003 amount to €k 12,066 (December 31, 2002: €k 11,316):

	F/Y 2003	**F/Y 2002**	**Change**
Taxes and duties (other than income taxes)	3,228	3,027	201
Capital losses and out-of-period expenses	2,817	2,998	(181)
Negative cash differences	1,581	1,714	(133)
Fees to Directors and Statutory Auditors	1,278	1,725	(447)
Other	3,162	1,852	1,310
Total	**12,066**	**11,316**	**750**

“Taxes and duties (other than income taxes)” relate to the following: in the amount of €k 1,349 (December 31, 2002: €k 1,247) to waste disposal tax; in the amount of €k 772 (December 31, 2002: €k 741) to municipal property tax, and; in the amount of €k 505 (December 31, 2002: €k 488) to municipal advertising tax.

"Capital losses and out-of-period expenses" relate to the following: in the amount of €k 602 to losses on fixed asset disposals (December 31, 2002: €k 79), and; for the residual amount to adjustments to provisions recorded in prior years.

The year-on-year increase in “Other” relates principally to fines and penalties arising from or relating to the early termination of contracts attaching to locations divested in the year under review.

C. FINANCIAL INCOME AND COSTS

The Company's financial risk policy is examined and discussed in the Note relating to "Off-balance sheet commitments and guarantees", to which reference should be made.

C.15. Income from investments

Income from investments at December 31, 2003 amounts to €k 5,609 (December 31, 2002: €k 9,219) and relates, in the amount of €k 825, to dividends collected in excess vis-à-vis dividends declared pertaining to the prior year (€k 732 from Autogrill Finance S.A. and €k 93 from Autogrill Espana S.A.) and, in the amount of €k 4,750, to dividends awaited from Autogrill Finance S.A. (€k 2,082); Autogrill Espana S.A. (€k 2,608) and Autogrill Hellas EPE (€k 60).

The residual amount of €k 34 relates to dividends paid in the year by Nuova Estral S.r.l. and Nuova Sidap S.r.l.

C. 16. Other financial income

As analyzed below, other financial income at December 31, 2003 amounts to €k 10,658, or €k 268 less than the year before:

	F/Y 2003	F/Y 2002	Change
Interest income and other income from securities classified under fixed assets	-	47	(47)
FOREX hedge contract gains	80	9	71
Interest rate hedge contract gains	275	3,999	(3,724)
Exchange rate hedge contract gains	2,094	2,956	(862)
Interest income on financing to subsidiaries	3,825	963	2,862
Interest and commissions from other and other income	4,384	2,952	1,432
Total	**10,658**	**10,926**	**(268)**

Interest income on financing to subsidiaries and exchange rate hedge contract gains reflect correlated dynamics, insofar as these are dependent on the currency in which the financing is denominated and, not least, the related magnitude thereof. In the year to December 31, 2003, average financing to subsidiaries increased substantially, with a major portion denominated in US dollars. In the prior year, financing to subsidiaries was denominated primarily in Yen.

The residual line on this account relates principally to interest earned on term bank deposits, used to deploy transitional available funds in excess. The year-on-year increase relates to premiums collected during the year in relation to interest rate options sold, which have been acquired on a definite basis as a result of the option not being exercised.

C. 17. Finance costs

As detailed below, finance costs at December 31, 2003 amount to €k 27,729, or €k 9,245 more than the year before:

	F/Y 2003	F/Y 2002	Change
Interest expense on financing	5,250	3,093	2,157
Differentials accrued on interest rate hedges	13,261	13,985	(724)
Differentials accrued on exchange rate hedges	470	806	(336)
FOREX hedge contract losses	680	177	503
Interest expense and commission expense from other and other expenses	847	423	424
Loss on disposal of investments	7,221	-	7,221
Total	**27,729**	**18,484**	**9,245**

The year-on-year increase in interest expense on financing stems from the greater use of credit lines, resulting from the policy steered towards the centralized management of Group banking transactions.

Differentials accrued on interest rate hedges relate to interest rate swaps used by the Company to manage the difference between the short-term rate and an average fixed rate of 5.6%.

FOREX hedge contract losses relate to temporary and limited exposure, not hedged, to fluctuations in the Euro/US$ exchange rate.

The year-on-year increase in interest expense and commission expense relates to unused credit lines and short-term credit lines renewed.

The loss on disposal of investments, €k 7,221, relates to the loss arising on disposal of the investment in Pastarito S.p.A. Given the unrelenting backdrop of adverse economic conditions, the Company preferred to withdraw entirely from the initiative, even though this led to a total loss of 14 million euros on the investment put in place in fiscal 2002. As may be recalled, the investment had been written down in the amount of 6.8 million euros in the financial accounts for 2002, based on forecasts, regrettably not crystallizing, in regard to the recovery of the investment's value.

D. ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS

As examined and discussed earlier in the Note relating to the relevant asset caption, adjustments to values relate to the impact resulting from the valuation of investments under the equity method.

E. EXCEPTIONAL INCOME/(EXPENSES)

Exception items relate to integration of the provision for deferred income tax liability in order to adjust the provision to the estimated liability expected to arise on automatic settlement of F/Y 2002 income tax liabilities, pursuant to Article 9 of Law 289/2002 (the so-called "across-the-board" tax amnesty law), extended by Law 350/2003.

22. INCOME TAX

Taken as a whole, the income tax charge amounts to €k 28,339. Determined on the basis of estimated taxable income, encompassed within the income tax charge is corporation tax ("IRPEG") in the amount of €k 13,484, represented by current income tax payable in the amount of €k 18,174 and deferred tax assets in the amount of €k 4,690.

Regional income tax ("IRAP"), which has a differing tax base, unfolds into €k 14,855.

The ordinary corporation tax rate for fiscal 2003 was 34%. In terms of prepaid taxes, the IRES corporate tax rate (which supersedes the IRPEG tax rate) will be 33% with effect from fiscal 2004.

A reconciliation of the effective corporation tax ("IRPEG") charge of the Company to the theoretical corporation tax ("IRPEG") charge is as follows:

	Taxable income	IRPEG
Pre-tax result and theoretical IRPEG	**41,834**	**14,224**
Temporary differences relative to prior years reversed	(27,132)	(9,225)
Permanent differences	(2,119)	(720)
Dividends	(5,474)	
Write-down of investments not deductible		
Tax amnesty	1,302	
Other	2,053	
Taxable temporary differences deductible in future years	42,823	14,560
Prior year loss		0
Taxable income and current IRPEG	**55,406**	**18,174**
of which at 34%	50,982	17,334
of which at 19%	4,424	841
Change in deferred taxes (1)		**(4,690)**
IRPEG as per income statement		**13,484**

1) Includes effect of IRPEG superseded by IRES, with tax rate at 33%

Fees to Directors, Statutory Auditors and General Managers

As required by Article 78 of CONSOB Resolution No.11971/1999, the following should be noted:

1. The ranking of General Manager is assigned to managers with divisional responsibilities. As such, these are set apart from the individual members to which the aforesaid regulations refer.
2. No Executive Committee has been put in place.
3. Interests in stock options are not assigned to Directors. Recognized annually to the Chief Executive Officer is a variable amount correlated to preset three-year and annual results and the enhanced value of the Company.

The remuneration of individual Directors and Statutory Auditors for the year ended December 31, 2003 is set out below:

(all amounts in Euro)

	Ranking			Remuneration		
Individual (Surname an first name)	**Office held**	**Term of Office**	**Emoluments for Office held**	**Non monetary benefits**	**Bonus and other incentives**	**Other remuneration**
Benetton Gilberto	Board Chairman	01.01/31.12.03	46,080	-	-	-
Buttignol Livio	Board Deputy Chairm	01.01/31.12.03	620,000	10,535	-	1,240,000 (1)
Gianmario Tondato da Ruos (2)	Chief Executive Officer	24.03/31.12.03	143,000	119,290 (3)	1,156,630 (3)	266,746 (3)
Benetton Alessandro	Director	01.01/31.12.03	44,200	-	-	-
Brunetti Giorgio	Director	01.01/31.12.03	54,000	-	-	-
Bulgheroni Antonio	Director	01.01/31.12.03	50,400	-	-	-
Desiderato Marco	Director	01.01/31.12.03	55,800	-	-	-
Erede Sergio	Director	01.01/31.12.03	52,200	-	-	109,054 (4)
Meoli Carmine	Director	24.03/31.12.03	31,020 (5)	104,459 (6)	75,000 (6)	263,578 (6)
Mion Gianni	Director	01.01/31.12.03	48,040	-	-	-
Morazzoni Gaetano	Director	01.01/31.12.03	54,000	-	-	-
Total Directors			**1,198,740**	**234,284**	**1,231,630**	**1,879,378**
Ponzellini Gianluca	Chairman of the Board of Statutory Auditors	01.01/31.12.03	41,316	-	-	-
Reboa Marco	Standing Auditor	01.01/31.12.03	29,231	-	-	-
Tosi Ettore Maria	Standing Auditor	01.01/31.12.03	29,231	-	-	-
Total Statutory Auditors			**99,778**	**-**	**-**	**-**
			1,298,518	**234,284**	**1,231,630**	**1,879,378**

(1) indemnity paid following early withdrawal from the office of Chief Executive Officer

(2) The service contract signed by and between the Company and Gianmario Tondato da Ruos contemplates, in addition to the variable and fixed elements – yearly and quarterly – of the director's remuneration, an all-inclusive indemnity of Euro 1,360,000 payable in the event of earlier termination thereof, whether terminated earlier by the Company without just cause or terminated earlier by Director Tondato for just cause.

(3) The amounts referred to above have matured in the period on a basis consistent with the employee service relationship prevailing with the Company and with HMSHost. Encompassed therein is the incentive matured over the three-year period 2001, 2002 and 2003 with the latter.

(4) fees received by Studio BEP - of which Sergio Erede is partner - for services rendered on behalf of the Company

(5) fee not received, insofar as reversed to Company

(6) The amounts referred to above have matured in the period on a basis consistent with the employee service relationship prevailing with the Company.

Appendices

Key data of subsidiary undertakings and associated companies

Company name	Head office	Country	Curr.	Capital Stock	Net equity	Profit/(loss) for the year	% ownership held at 12/31/2003		Carrying value (in Euro) (*)
							Directly	In directly	
Subsidiaries									
Autogrill Overseas S.A.	Luxembourg	Lussemburgo	Euro	60,650,000	31,991,893	(30,090,748)	100.00%		31,991,893
Autogrill Finance S.A.	Luxembourg	Lussemburgo	Euro	250,000	621,000	2,212,393	100.00%		621,600
Nuova Estral Srl	Novara	Italia	Euro	10,000	10,357	(4,104)	100.00%		11,762
Nuova Sidap Srl	Novara	Italia	Euro	10,000	21,527	(3,549)	100.00%		21,660
Autogrill Europe Nord-Ouest SA	Luxembourg	Lussemburgo	Euro	41,300,000	19,771,487	(21,697,205)	100.00%		19,771,481
Aviogrill s.r.l.	Bologna	Italia	Euro	10,000	169,081	117,297	51.00%		744,043
Autogrill Café Srl	Novara	Italia	Euro	100,000	65,515	(34,686)	100.00%		-
Autogrill Austria AG	Gottlesbrunn	Austria	Euro	7,500,000	6,943,669	(649,065)	100.00%		8,668,270
Autogrill Partecipaciones SL	Madrid	Spagna	Euro	6,503,006	3,013,170	(2,223,210)	100.00%		3,015,215
Restauracion de Centros Comerciales SA	Madrid	Spagna	Euro	108,183	1,654,184	264,352		85.00%	20,996,834
Autogrill Belgie N.V.	Antwerpen	Belgio	Euro	26,250,000	18,435,793	(10,899)		100.00%	1,997,269
Ac Restaurants & Hotels Beheer S.A.	Antwerpen	Belgio	Euro	4,420,000	1,306,595	366,959		100.00%	(15,400,354)
Ac Arlux .S.A.	Arlon	Belgio	Euro	1,447,512	(1,356,827)	(122,308)		100.00%	(656,918)
Ac Restaurants & Hotels S.A.	Luxembourg	Lussemburgo	Euro	(495,787)	(554,559)	(249,808)		100.00%	(123,953)
Ac Restaurant & Hotels Beteiligungs GmbH in liquidazione	Niederzissen	Germania	Euro	76,694	(51,718)	25,069		95.00%	(51,000)
Ac Restaurant & Hotels Betriebs GmbH in liquidazione	Niederzissen	Germania	Euro	25,565	(125,110)	(1,046)		100.00%	(1)
Autogrill Deutschland GmbH	Munchen	Germania	Euro	205,000	10,196,618	(597,091)		100.00%	10,282,885
Autogrill Espana SA	Madrid	Spagna	Euro	1,800,000	12,251,221	2,794,350		100.00%	10,579,797
Autogrill Hellas EpE	Avlona Attikis	Grecia	Euro	1,696,350	1,826,527	659,179		100.00%	1,848,171
Autogrill Nederland bv	Breukelen	Paesi Bassi	Euro	41,371,500	37,321,596	(195,199)		100.00%	3,298,871
Ac Ledeboer B.V.	Zaandam	Paesi Bassi	Euro	69,882	8,045,789	(417,909)		100.00%	15,486,139
AC Holding N.V.	Breukelen	Paesi Bassi	Euro	136,134	28,016,335	21,234		100.00%	25,701,649
The American Lunchroom Co. B.V.	Zaandam	Paesi Bassi	Euro	18,151	16,690,162	-		100.00%	16,689,766
Ac Apeldoorn B.V.	Apeldoorn	Paesi Bassi	Euro	45,378	596,864	119,638		100.00%	596,864
Ac Bodegraven B.V.	Bodegraven	Paesi Bassi	Euro	18,151	18,151	-		100.00%	18,151
Ac Heerlen B.V.	Heerlen	Paesi Bassi	Euro	22,689	896,554	(974,846)		100.00%	896,554
Ac Hendrik Ido Ambacht B.V.	Hendrik Ido Ambacht	Paesi Bassi	Euro	15,882	957,242	8,091		100.00%	957,242
Ac Holten B.V.	Holten	Paesi Bassi	Euro	34,034	1,905,776	222,844		100.00%	1,905,776
Ac Leiderdorp B.V.	Leiderdorp	Paesi Bassi	Euro	18,151	18,151	-		100.00%	18,151
Ac Meerkerk B.V.	Meerkerk	Paesi Bassi	Euro	18,151	18,151	-		100.00%	18,151
Ac Nederweert B.V.	Wert	Paesi Bassi	Euro	34,034	1,292,331	476,868		100.00%	34,034
Ac Nieuwegein B.V.	Nieuwegein	Paesi Bassi	Euro	18,151	170,419	141,886		100.00%	170,419
Ac Oosterhout B.V.	Oosterhout	Paesi Bassi	Euro	18,151	18,151	-		100.00%	18,151

(*) Negative values relate to accrual to the provision for risks when the value of the equity investment has been written down wholly and the loss for the year is higher than initial net equity

(1) Figures at 12/31/2001

Company name	Head office	Country	Curr.	Capital Stock	Net equity	Profit/(loss) for the year	% ownership held at 12/31/2003		Carrying value (in Euro) (*)
							Directly	In directly	
Ac Restaurants & Hotels B.V.	Oosterhout	Paesi Bassi	Euro	91,212	(1,461,052)	364,448		100.00%	908,574
Ac Sevenum B.V.	Sevenum	Paesi Bassi	Euro	18,151	18,151	-		100.00%	18,151
Ac Vastgoed B.V.	Zaandam	Paesi Bassi	Euro	18,151	186,286	(7,434)		100.00%	202,622
Ac Vastgoed I B.V.	Zaandam	Paesi Bassi	Euro	18,151	(819,985)	(475,787)		100.00%	(819,985)
Ac Veenendaal B.V.	Veenendaal	Paesi Bassi	Euro	18,151	99,343	146,094		100.00%	99,343
Ac Zevenaar B.V.	Zevenaar	Paesi Bassi	Euro	56,723	2,547,755	3,128		100.00%	2,547,755
Holding de Participation Autogrill S.A.S.	Marseille	Francia	Euro	119,740,888	83,448,094	1,814,300	0.01%	99.99%	5,443,714
Autogrill Coté France S.A.	Marseille	Francia	Euro	31,579,526	45,035,533	4,803,344		100.00%	114,760,266
Soberest S.A.	Marseille	Francia	Euro	288,000	1,238,621	125,719		50.01%	518,418
Soborest S.A.S	St. Savin	Francia	Euro	788,000	1,040,404	9,669		50.00%	380,786
Sorebo S.A.	Marseille	Francia	Euro	144,000	527,380	331,499		50.00%	68,602
S.P.C. S.A.	Perrogney les Fontaines	Francia	Euro	153,600	2,288,931	220,477		51.90%	343,447
S.R.A.D. S.A.	Marseille	Francia	Euro	1,136,000	2,282,010	243,377		75.00%	3,375,221
S.R.T.C. S.A.	Marseille	Francia	Euro	1,440,000	2,080,892	413,009		70.00%	960,429
Autogrill Restauration Services S.A.	Marseille	Francia	Euro	30,041,460	15,397,941	(4,756,145)		100.00%	15,397,941
Autogrill Gare Lille S.n.c.	Marseille	Francia	Euro	40,000	60,400	20,400		100.00%	39,984
Volcarest S.A.	Chatel Guyon	Francia	Euro	1,050,144	3,553,108	603,017		50.00%	1,329,303
Autogrill Gares Metropoles Sarl	Marseille	Francia	Euro	17,396,850	11,712,558	(4,869,357)		100.00%	11,712,558
Societè Règionale de Saint Rambert d'Albon SA (SRSRA)	Saint Rambert	Francia	Euro	515,360	4,277,238	229,149		50.00%	3,865,200
Autogrill Gares Province Sarl	Marseille	Francia	Euro	274,480	4,241,241	(424,068)		100.00%	4,241,241
HMS Host Corp.	Bethesda	USA	USD	-	140,519,942	-		100.00%	111,258,861
HMSHost Tollroads, Inc.	Bethesda	USA	USD	125,000,000	25,130,632	(3,163,647)		100.00%	19,897,571
Host International Inc.	Bethesda	USA	USD	125,000,000	(172,184,929)	47,988,286		100.00%	(136,330,110)
Sunshine Parkway Restaurants Inc.	Bethesda	USA	USD	125,000,000	(294,757)	-		100.00%	(233,378)
Cincinnati Terminal Services Inc.	Bethesda	USA	USD	125,000,000	(497,421)	4,766		100.00%	(393,841)
Cleveland Airport Services Inc.	Bethesda	USA	USD	125,000,000	(312)	-		100.00%	(247)
Autogrill Group, Inc.	Bethesda	USA	USD	225,000,000	174,064,090	(51,201,855)		100.00%	137,817,965
SMSI Travel Centres, Inc.	Toronto	Canada	CAD	1	7,113,482	(1,409,481)		100.00%	7,239,080
Host International of Canada (RD-GTAA) Ltd	Toronto	Canada	CAD	1	1,494,827	n.d.		100.00%	1,521,220
C & J Leasing Inc in liquidazione	Bethesda	USA	USD	1	n.d.	n.d.		100.00%	n.d.
San Francisco Sunshade LLC	Bethesda	USA	USD	1	n.d.	n.d.		100.00%	n.d.
HMSHost Europe Corp.	Wilmington	USA	USD	n.d	n.d.	n.d.		100.00%	n.d.
HMSHost International Inc.	Wilmington	USA	USD	n.d	n.d.	n.d.		100.00%	n.d.

Company name	Head office	Country	Curr.	Capital Stock	Net equity	Profit/(loss) for the year	% ownership held at 12/31/2003		Carrying value (in Euro) (*)
							Directly	In directly	
HMS-Airport Terminal Services Inc.	Bethesda	USA	USD	125,000,000	(391,702)	61,720		100.00%	(310,136)
HMS B&L Inc.	Bethesda	USA	USD	125,000,000	(3,119,292)	(397,453)		100.00%	(2,469,748)
HMS Holdings Inc.	Bethesda	USA	USD	125,000,000	336,931,555	-		100.00%	266,770,827
HMS Host Family Restaurants Inc.	Bethesda	USA	USD	125,000,000	37,486,394	14,943,097		100.00%	29,680,439
HMS Host Family Restaurants, LLC	Bethesda	USA	USD	125,000,000	(1,792)	270,910		100.00%	(1,419)
Gladieux Corporation	Bethesda	USA	USD	125,000,000	(37,799,647)	171,199		100.00%	(29,928,461)
Host (Malaysia) Sdn Bhd	Kuala Lumpur	Malesia	MYR	100,000	(87,674)	6,761		100.00%	(242,705)
Host Gifts Inc.	Bethesda	USA	USD	125,000,000	(880,789)	-		100.00%	(697,379)
Host International of Canada Ltd	Vancouver	Canada	CAD	3,231,016	12,298,724	(1,289,908)		100.00%	11,498,219
Host International of Kansas Inc.	Bethesda	USA	USD	125,000,000	(1,912)	-		100.00%	(1,514)
Host International of Maryland Inc	Bethesda	USA	USD	1	(1,832)	-		100.00%	(1,451)
HMS Host USA Inc.	Bethesda	USA	USD	125,000,000	(53,680,013)	480,921		100.00%	(42,501,990)
Host of Holland B.V.	Haarlemmermeer	Paesi Bassi	Euro	18,151	4,269,859	3,946,865		100.00%	8,269,859
Horeca Exploitatie Maatschappij Schiphol B.V.	Schiphol	Paesi Bassi	Euro	1,000	5,746,301	4,595,556		100.00%	5,746,301
Host Services (France) (in liquidazione) [2]	Paris	Francia	FRF	38,110	-	-		100.00%	-
Host Services Inc.	Bethesda	USA	USD	125,000,000	(1,384,432)	(24,524)		100.00%	(1,096,145)
Host Services of New York Inc.	Bethesda	USA	USD	125,000,000	(3,697,694)	(1,196,949)		100.00%	(2,927,707)
Host Services Pty Ltd	North Cairns	Australia	AUD	10	(3,044,836)	(689,556)		100.00%	(2,632,652)
Las Vegas Terminal Restaurants Inc.	Bethesda	USA	USD	125,000,000	(10,353,177)	192,031		100.00%	(8,197,289)
Marriott Airport Concessions Pty Ltd	Tullamarine	Australia	AUD	752,600	1,199,889	197,175		100.00%	714,043
Michigan Host Inc.	Bethesda	USA	USD	125,000,000	574,450,191	22,474,084		100.00%	454,829,922
The Gift Collection Inc.	Bethesda	USA	USD	125,000,000	7,712	(93,598)		100.00%	6,106
Turnpike Restaurants Inc.	Bethesda	USA	USD	125,000,000	(202,298)	-		100.00%	(160,173)
Autogrill Schweiz AG	Zurich	Svizzera	CHF	26,000,000	(13,986,000)	(23,965,000)		100.00%	92,956,544
Raststatte Pratteln AG	Pratteln	Svizzera	CHF	3,000,000	11,036,782	510,651		95.00%	7,754,028
Vorstatt Egerkingen AG	Egerkingen	Svizzera	CHF	2,000,000	3,742,681	136,314		100.00%	1,517,812
Restoroute de la Gruyère	Avry devant-I	Svizzera	CHF	1,500,000	4,675,494	54,989		54.30%	673,984
Restoroute de Bavois SA	Bavois	Svizzera	CHF	2,000,000	1,838,075	87,729		70.00%	898,646
Autogrill Pieterlen AG	Pieterlen	Svizzera	CHF	2,000,000	1,530,280	(236,652)		100.00%	1,283,779
ARH Management AG, (in liquidazione) [2]	Kloten	Svizzera	CHF	700,000	720,660	292,380		96.57%	456,705

Company name	Head office	Country	Curr.	Capital Stock	Net equity	Profit/(loss) for the year	% ownership held at 12/31/2003		Carrying value (in Euro) (*)
							Directly	In directly	
Autogrill SAS, Basel Airport	St Louis	Svizzera	CHF	58,680	(3,135,006)	(1,058,439)		100.00%	39,027
AAI Investments, Inc.	Washington	USA	USD	100,000,000	132,329,869	1,474,326		100.00%	106,357,774
Airport Architects, Inc.	Washington	USA	USD	1,000	2,442	(0)		95.00%	1,933
AAI Terminal 7, Inc.	Washington	USA	USD	1,000	551,980	107,630		95.00%	437,039
Anton Airfood of Ohio, Inc	Washington	USA	USD	1,000	3,305,912	545,239		95.00%	3,049,020
Anton Airfood of Cincinnati, Inc.	Washington	USA	USD	1,000	226,156	(410,332)		95.00%	179,063
Anton Airfood, Inc.	Washington	USA	USD	1,000	24,469,575	(837,979)		95.00%	19,374,168
Anton Airfood of Texas, Inc.	Washington	USA	USD	100,000	234,225	153,302		95.00%	185,451
Anton Airfood of Newark, Inc.	Washington	USA	USD	n.d.	n.d.	n.d.		n.d.	n.d.
Anton Airfood JFK, Inc.	Washington	USA	USD	1,000	(1,545,696)	(220,022)		95.00%	(1,223,829)
Anton Airfood of New York, Inc.	Washington	USA	USD	1,000	785,908	(202,422)		95.00%	622,255
Anton Airfood of Minnesota, Inc.	Washington	USA	USD	10	608,039	382,933		95.00%	481,424
Anton Airfood of Virginia, Inc.	Washington	USA	USD	1,000	3,595,179	741,262		95.00%	2,846,539
Palm Springs, AAI Inc.	Washington	USA	USD	1,000	(107,245)	(123,366)		95.00%	(84,913)
Anton Airfood of R.I., Inc.	Washington	USA	USD	1,000	2,358,550	451,263		95.00%	1,867,419
Ainton Airfood of N.C., Inc.	Washington	USA	USD	10	1,638,707	247,007		95.00%	1,297,472
AAI/Terminal One, Inc.	Washington	USA	USD	200	1,158,556	371,753		95.00%	917,305
Anton Airfood of Boise, Inc.	Washington	USA	USD	n.d.	n.d.	n.d.		n.d.	n.d.
Fresno AAI, Inc.	Washington	USA	USD	n.d.	n.d.	n.d.		n.d.	n.d.
Consolidation Corp AAI/Anton	Washington	USA	USD	n.d.	n.d.	n.d.		n.d.	n.d.
Anton Airfood of Seattle, Inc.	Washington	USA	USD	n.d.	n.d.	n.d.		n.d.	n.d.
Anton Airfood of Tulsa, Inc.	Washington	USA	USD	n.d.	n.d.	n.d.		n.d.	n.d.
Islip AAI, Inc.	Washington	USA	USD	n.d.	n.d.	n.d.		n.d.	n.d.
Anton Airffod of Bakersfield Inc.	Washington	USA	USD	1,000	n.d.	n.d.		n.d.	n.d.
Lee Airport Concession Inc.	Washington	USA	USD	1,600	n.d.	n.d.		25.00%	n.d.

Key data of assiciated companies (*)

Company name	Head office	Country	Curr.	Capital stock (in L.C.)	Net Equity	Profit/(loss) for the Year	% ownership at 12/31/2003		Carrying value (in Euro)
							dierct	indirectly	
Union Services S.a.r.l.	Luxembourg	Lussemburgo	€	51,000	89,383	33,283		50.00%	58,544
Dewina Host Sdn Bhd	Kuala Lumpur	Malesia	MYR	8,489	(206,361)	58,063	49.00%		(420,611)
HMSC-AIAL Ltd	Aukland	Nuova Zelanda	NZD	54,271	1,489,392	486,075	50.00%		1,054,724

(*) Pursuant to Article 2429, paragraph three, of the Italian Civil Code

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

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

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

We have audited the financial statements of Autogrill S.p.A. 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 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 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 financial statements present fairly the financial position of Autogrill S.p.A. 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.

As more fully described in the notes to the financial statements, in prior years the Company has posted value adjustments solely in compliance with tax norms. This accounting treatment, which is allowed under the norms governing the preparation of financial statements, generated an overall reduction of the intangible assets balance and a decrease of the amortization of intangible assets for the year by Euro 33.7 million and Euro 2.7 million respectively, and a consequent reduction of the shareholders'equity as of December 31, 2003 and increase of the net income for the year then ended by Euro 21.1 million and Euro 1.4 million respectively, net of the related tax effect.

DELOITTE & TOUCHE S.p.A.

s/Eugenio Colucci
Partner

s/Ernesto Lanzillo
Partner

Milan, Italy
April 6, 2004

Autogrill S.p.A.

Registered office: ***28100 Novara, Italia***
Via Luigi Giulietti, 9
Capital stock: ***€ 132,288,000 interamente versato***
Taxpayer's code number: ***03091940266***
Administrative Economic register (R.E.A.): ***188902 REA***
VAT number: ***01630730032***

Headquarters: ***20089 Rozzano MI, Italia***
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