Autogrill Group
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Annual Report 2004

Annual Report 2004

Autogrill Group

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Autogrill Group consolidated financial statements and Autogrill SpA financial statements

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The Annual Report & Accounts 2004 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.

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General information and corporate bodies

Autogrill SpA

Registered office	Headquarter and administrative office
Via L. Giulietti, 9 28100 Novara Italy	Centro Direzionale Milanofiori Palazzo Z, Strada 5 20089 Rozzano (MI) - Italy

Corporate bodies

(Information pursuant to Consob recommendation No. 97001574/1997)

Board of Directors

(in office until the approval of the 2004 financial statements)

Chairman [1]	Gilberto BENETTON
Deputy Chairman	Livio BUTTIGNOL
Managing Director [2]	Gianmario TONDATO DA RUOS
Directors	Alessandro BENETTON Giorgio BRUNETTI [3] Antonio BULGHERONI [4] Marco DESIDERATO [3] Sergio EREDE [4] Alfredo MALGUZZI [3] Gianni MION [4] Gaetano MORAZZONI

Board of Statutory Auditors

(in office until the approval of the 2005 financial statements)

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

Independent Auditor

(in office until the approval of the 2005 financial statements)

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

[1] Legal and statutory powers and, in particular, legal representation of the Company and signatory powers.
[2] Powers of ordinary administration, endorsed by a single signature, in accordance with the Resolution of 24 April 2003.
[3] Member of the Internal Audit Committee.
[4] Member of the Remuneration Committee.

Financial and operating highlights - 2004

Improvement in economic performance

Consolidated revenues: Net sales totalled €3,182.1m, up 1.3% (+6.1% at constant exchange rates) over 2003 (€3,142.7m). This result was achieved mainly due to the significant growth recorded in North America, up 12.2% to $2,005.6m - equal to 50.7% of 2004 consolidated turnover - compared with $1,786.9m in 2003.

Profitability: Ebitda improved significantly across all macro-regions. Ebitda stood at €435.9m, up 4.4% (+9.5% at constant exchange rates) versus €417.5m in 2003. The gradual and shared adoption of consolidated management practices had a positive impact on Ebitda margin, which rose from 13.3% in 2003 to 13.7% in 2004.

Net consolidated profit: increased by 5% (+8.2% at constant exchange rates), closing at €52.7m compared with €50.2m in 2003.

Investments: Capital expenditures amounted to €153.6m, compared with €176.1m in 2003.

Reduction in net financial debt

Net financial debt: Net financial debt decreased by €190.9m (€147m at constant exchange rates), to €609.3m at year end versus €800.2m in 2003.

Financial and operating data

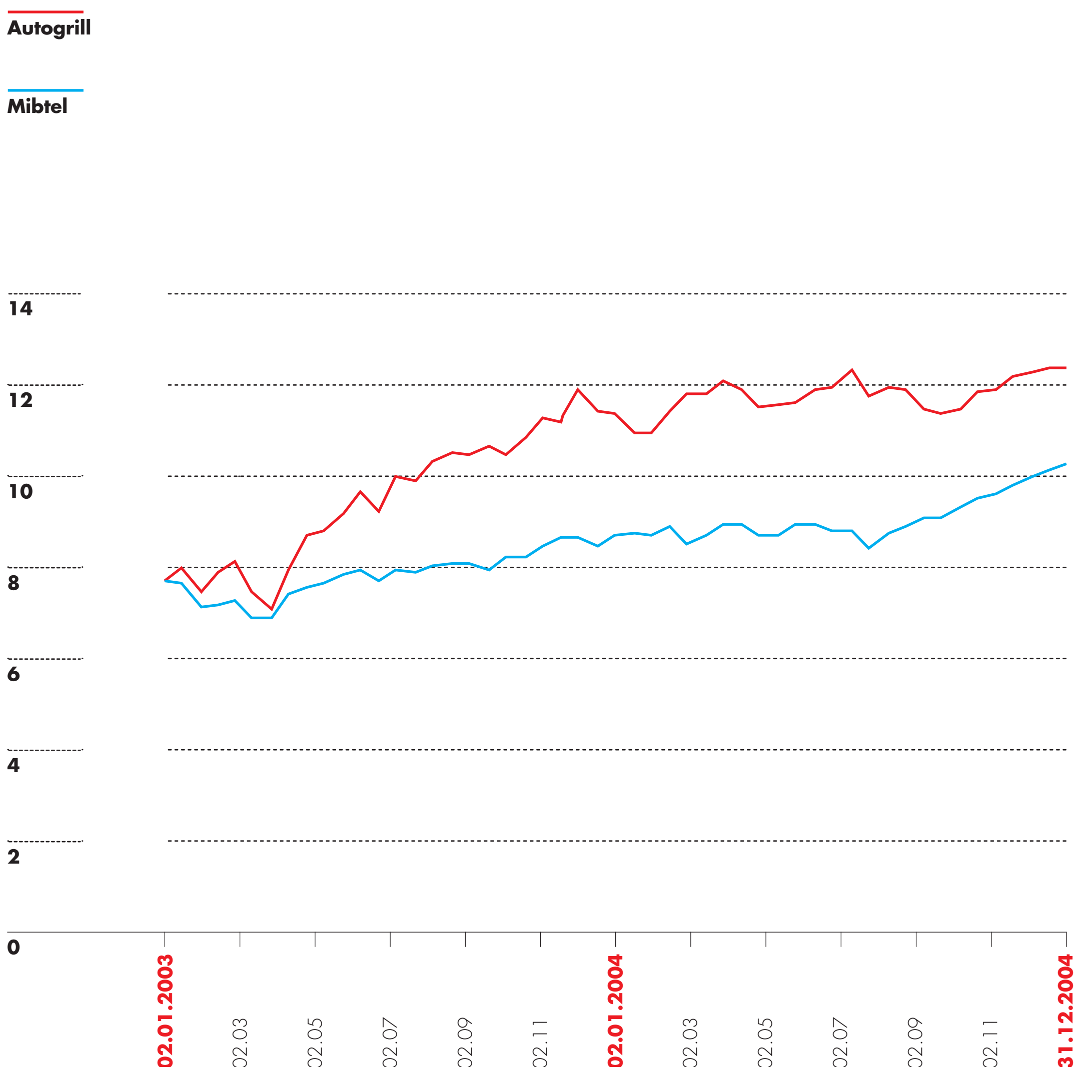
Key financial data for the Group

(€m)	2004	2003	2002	2001	2000
Net revenues	3,182.1	3,142.7	3,315.8	3,266.5	3,041.1
Ebitda [2]	435.9	417.5	402.2	381.4	372.9
% on revenues	13.7%	13.3%	12.1%	11.7%	12.3%
Ebita [3]	258.6	240.9	224.4	225.8	234.6
% on revenues	8.1%	7.7%	6.8%	6.9%	7.7%
Net result	52.7	50.2	7.5	(12.9)	14.9
% on revenues	1.6%	1.6%	0.2%	(0.4%)	0.5%
Cash flow [4]	295.9	333.5	289.1	260.0	258.0
% on revenues	9.3%	10.6%	8.7%	8.0%	8.5%
Investments [5]	153.6	176.1	174.7	171.8	181.2
Net working capital	(335.1)	(296.5)	(341.7)	(335.8)	(274.9)
Net invested capital	941.2	1,083.4	1,156.6	1,354.7	1,394.9
Net financial debt	609.3	800.2	919.8	1,118.4	1,137.7
Average exchange rate $/€	1.2439	1.1312	0.9455	0.8955	0.9234

Note:
€ k/m: thousands/millions of euros, $/$m: US dollar/millions of US dollars, Chf k/m: thousands/millions of Swiss francs

[1] Net financial debt is adjusted using year-end exchange rates. The US dollar exchange rate at 31 December 2004 was 1:1.3621 compared to 1.2630 at 31 December 2003.
[2] Profit before amortisation and depreciation, extraordinary income/charges, financial income/charges and taxation.
[3] Profit before amortisation of goodwill and consolidation differences, extraordinary income/charges, financial income/charges and taxation.
[4] Net result + amortisation, depreciation and write-downs.
[5] Excluding investments in financial fixed assets and equity investments.

Autogrill share performance 2003 - 2004 (€)



Network by geographical area

The Group has approximately 4,200 outlets in 888 different locations. These outlets can include mix of restaurant, bar and retail concepts so that customers can take advantage of a wide range of options under the same roof. Moreover, the multi-concept strategy maximises outlet operating efficiency and profitability.

Locations [1]	2004	2003	2002	2001	2000
Europe	**689**	**701**	**701**	**701**	**721**
Motorways	534	537	527	533	530
Airports [2]	13	13	13	10	8
Railway stations	36	40	37	33	29
Other	106	111	124	125	154
North America [2]	**195**	**197**	**183**	**165**	**166**
Motorways	110	108	101	79	81
Airports	78	79	72	73	73
Other	7	10	10	13	12
Pacific (region) [2]	**4**	**4**	**4**	**4**	**5**
Airports	4	4	4	4	5
Total	**888**	**902**	**888**	**870**	**892**

[1] (1) As of year-end

[2] North America, Pacific (Region) and one European airport (Amsterdam) are part of Autogrill Group, Inc.

Group corporate macrostructure

Autogrill SpA – Italy

- **Autogrill Finance SA** – Luxembourg – 99.999%

- **Autogrill Europe Nord-Ouest SA** – Luxembourg – 99.999%
- **Autogrill Côté France SAS** – France – 100%
- **Autogrill Restauration Services SA** – France – 100%
- **Autogrill Belgie NV** – Belgium – 100%
  - **AC Restaurants & Hotels SA** – Luxembourg – 100%
- **Autogrill Nederland BV** – The Netherlands – 100%

- **Autogrill España SA** – Spain – 100%
  - **RECECO SA** – Spain – 85%
- **Autogrill Austria AG** – Austria – 100%
- **Autogrill Hellas EpE** – Greece – 100%

- **Autogrill International Srl** [1] – Italy – 100%
- **Autogrill Group, Inc.** – USA – 100%
  - **HMSHost Corp.** – USA – 100%
  - **Anton Airfood, Inc.** – USA – 95%
- **Autogrill Schweiz AG** – Switzerland – 100%

[1] Formerly known as Autogrill Café. On 28 December 2004, Autogrill SpA sold its 99.999% controlling stake in Autogrill Overseas SA as part of the overall strategy to adjust the Group's shareholding structure, described on page 54.

Letter from the Chairman

Dear Shareholders,

Autogrill's results for the 2004 financial year were in line with its stated targets in terms of turnover, margin improvement and capitalising on its contract portfolio, all against a backdrop that has proven to be difficult for more than one major competitor and for the sector as a whole.

The company is active in three geographic areas, each with its own dynamic. The major contributor to revenue growth was North America where the increase in motorway traffic showed no sign of slowing and airport traffic also continued to grow.

Profitability increased in all our macro-regions, demonstrating the Group's ability to adapt to differing economic scenarios. In Europe, as a result of sluggish GDP growth, margins moved further into line with a Group average and in Italy Ebitda remained substantially stable notwithstanding increases in concession fees.

In Italy, the Company successfully managed an important period notable for the number and frequency of concession renewals and competitions.

After the end of year under review, the company extended its presence in the European airport channel implementing a policy of alliances with major sector operators.

In Germany we acquired 49.9% of Steigenberger Gastronomie, the long-standing operator of restaurant facilities at Frankfurt airport.

In Spain, in partnership with Altadis, one of Europe's leading tobacco and logistics businesses, we launched a public tender offer for 100% of the share capital at Aldeasa, Spain's leading airport retailer that is also active in the Middle East and numerous countries in Latin America.

This transaction leverages the complementary nature of food & beverage, retail and commercial distribution activities enabling the company to increase its diversification.

Autogrill still has many growth opportunities to seize upon in its traditional business and to develop in channels where it can differentiate itself from the competition.

The company's potential for further growth ensures that it continues to represent a significant investment opportunity for the market and its shareholders.

Finally I am delighted to confirm, as already anticipated, the Group's ability to pay a dividend for the year under review.

Gilberto Benetton
Autogrill Chairman

Directors' report

1 Review of the Group's economic and financial performance

1.1 Consolidated profit and loss account

(€m)	2004		2003		Change			
							At constant exchange rates	
Revenue from sales and services	3,182.1	-	3,142.7	-	39.4	1.3%	184.3	6.1%
Other income and revenues	99.6	-	89.4	-	10.2	11.4%	12.5	14.4%
Value of production	**3,281.7**	**100.0%**	**3,232.1**	**100.0%**	**49.6**	**1.5%**	**196.8**	**6.4%**
Cost of production	(1,839.7)	-56.1%	(1,796.1)	-55.6%	(43.6)	2.4%	(124.0)	7.2%
Added value	**1,442.0**	**43.9%**	**1,436.0**	**44.4%**	**6.0**	**0.4%**	**72.8**	**5.3%**
Personnel costs	(955.7)	-29.1%	(955.7)	-29.6%	(0.0)	0.0%	(45.6)	5.0%
Write-down of current assets, provisions for contingencies risks and other provisions	(15.9)	-0.5%	(18.0)	-0.6%	2.1	-11.6%	1.8	-10.0%
Other operating margin	(31.5)	-1.0%	(35.9)	-1.1%	4.4	-12.1%	2.9	-8.3%
Gross operating margin	**438.9**	**13.4%**	**426.4**	**13.2%**	**12.5**	**2.9%**	**31.9**	**7.8%**
Amortisation and write-down of goodwill and consolidation differences	(60.0)	-1.8%	(93.1)	-2.9%	33.1	-35.6%	28.6	-32.3%
Other depreciation and write-down of fixed assets	(177.3)	-5.4%	(176.6)	-5.5%	(0.7)	0.4%	(8.4)	5.0%
Ebit	**201.6**	**6.1%**	**156.7**	**4.8%**	**44.9**	**28.7%**	**52.1**	**34.9%**
Net financial charges	(57.9)	-1.8%	(64.6)	-2.0%	6.7	-10.4%	4.6	-7.4%
Value adjustments and losses on disposal of long-term investments	1.1	0.0%	(6.8)	-0.2%	7.9	n.s.	8.0	n.s.
Profit before extraordinary items and tax	**144.8**	**4.4%**	**85.3**	**2.6%**	**59.5**	**69.8%**	**64.7**	**80.7%**
Net extraordinary income/(charges)	(5.2)	-0.2%	12.5	0.4%	(17.7)	n.s.	(17.7)	n.s.
Profit before tax	**139.6**	**4.3%**	**97.8**	**3.0%**	**41.8**	**42.8%**	**47.0**	**50.8%**
Income taxes for the year	(79.8)	-2.4%	(40.8)	-1.3%	(39.0)	95.6%	(39.0)	95.6%
Profit for the year	**59.8**	**1.8%**	**57.0**	**1.8%**	**2.8**	**4.9%**	**4.9**	**9.1%**
Minority interests	**7.1**	**0.2%**	**6.8**	**0.2%**	**0.3**	**4.6%**	**0.9**	**14.2%**
Group's net profit	**52.7**	**1.6%**	**50.2**	**1.6%**	**2.5**	**5.0%**	**4.0**	**8.2%**
Ebitda [1]	**435.9**	**13.7%**	**417.5**	**13.3%**	**18.4**	**4.4%**	**37.9**	**9.5%**

[1] the impact of Ebitda in percentage terms is calculated on revenues from sales and services.

In 2004, Autogrill reported consolidated revenues of €3,182.1m, up 1.3% at current exchange rates and up 6.1% at constant exchange rates compared with 2003, due to the contribution from North America (+12.2% at constant exchange rates), partly offset by the slower growth in Europe (+0.5% at constant exchange rates).

The 6.1% growth in consolidated revenues is attributable to the following

- a 13% increase in the airport sector, buoyed by healthy growth in traffic across all the markets served by the Group;
- a 3.1% increase in revenues from the motorway sector, due to the performance in North America (+9.2%), while Europe experienced more modest growth of 1.5%;
- a 6.5% reduction in the 'Other' sector, which includes shopping centres, trade fairs and city centres, due to the rationalisation of the contracts portfolio in 2003, which continued into 2004.

Note:
€k/m: thousands/millions of euros, $/$m: US dollar/millions of US dollars, Chf k/m: thousands/millions of Swiss francs.

For a breakdown of sales by geographical area, please see the relevant section in this report.
The following table provides a breakdown, by sector, of revenues generated in the two geographical areas where the Group is present.

	Europe				Autogrill Group, Inc.				Group			
			% Change				% Change				% Change	
(€m)	2004	2003		At constant exchange rates	2004	2003		At constant exchange rates	2004	2003		At constant exchange rates
Motorways	1,236.6	1,218.4	1.5%	1.5%	339.8	342.4	-0.7%	9.2%	1,576.4	1,560.8	1.0%	3.1%
Airports	72.8	68.7	5.9%	6.6%	1,230.7	1,193.7	3.1%	13.4%	1,303.5	1,262.4	3.3%	13.0%
Railway stations	87.4	85.5	2.3%	2.5%	-	-	-	-	87.4	85.5	2.3%	2.5%
Other	173.0	190.4	-9.1%	-8.9%	41.8	43.6	-4.2%	5.4%	214.8	234.0	-8.2%	-6.5%
Total	**1,569.8**	**1,563.0**	**0.4%**	**0.5%**	**1,612.3**	**1,579.7**	**2.1%**	**12.2%**	**3,182.1**	**3,142.7**	**1.3%**	**6,1%**

In terms of business segment, the food & beverage business generated revenues of €2,388.9m, up 6% at constant exchange rates. During the year, retail operations also increased by 7.6%, mainly due to tobacco and lottery sales in Italy.
Hotel revenues fell by 6.5% due to the economic downturn in the Benelux region, where this type of service tends to be concentrated.

			% Change	
(€m)	2004	2003	Total	At constant exchange rates
Sales to the public				
Food & beverage	2,388.9	2,375.5	0.6%	6.0%
Retail	733.8	705.4	4.0%	7.6%
Hotels and other services	20.4	21.8	-6.7%	-6.5%
Total direct sales to the public	**3,143.1**	**3,102.7**	**1.3%**	**6.2%**
Sales to third parties and affiliates	39.0	40.0	-2.4%	-2.3%
Grand total	**3,182.1**	**3,142.7**	**1.3%**	**6.1%**

Costs of production rose by 7.2% at constant exchange rates (+2.4% at current exchange rates), with an additional impact on revenues of 0.5 percentage points. This was mainly due to the rise in prices of some raw materials in North America and an increase in the fees paid for new Italian motorway concessions, combined with a change in sales mix that has resulted in a shift towards products with a lower gross margin.

The 2004 financial year saw a 0.5 percentage point margin reduction in personnel costs largely due to improved productivity of the workforce. In absolute terms, personnel costs rose by 5% to € 955.7 million (no change at current exchange rates) compared with last year.

Profitability improved across all macro-regions during the year, highlighting the Group's ability to adapt to a range of economic scenarios. In 2004, the gross operating margin stood at € 438.9m, up 7.8% (+2.9% at current exchange rates) compared with € 426.4m in 2003 (excluding cost dynamics). Work on refining the Group's operating models continued in 2004, leading to growth in the gross operating margin to sales ratio from 13.2% in 2003 to 13.4% in 2004.
The gross operating margin does not take into account the € 6m partial release in provisions for the cost of restoring leased assets on the motorway network run by the Parent Company. The estimate of these costs was revised based on the evidence gathered in preparation for the contractual deadline of 31 December 2003.

Amortisation, depreciation, and write-downs of fixed assets totalled € 237.3m, a € 20.2m reduction compared to 2003 (€ -32.4m at current exchange rates). These results include amortisation of goodwill and consolidation differences (goodwill) of € 60m, down € 28.6m over 2003 at constant exchange rates (€ -33.1m at current exchange rates). The decrease for the year is mainly due to the revision and standardisation of the useful life of goodwill on US operations (€ -27 million) arising from the merger between the two regional operators (HMSHost and Anton). Write-downs of € 9,411,000 were made in the period, based on updated revenue forecasts of some outlets located in Europe, whereas the US subsidiary restated previous write-downs of € 939,000 following the consolidated improvement in revenues of the relevant sales outlets.

Net financial charges totalled € 57.9m, compared to € 64.6m in 2003, a decrease of 7.4% at constant exchange rates and a decrease of 10.4% at current exchange rates. It is worth noting that the 2003 results were adversely affected by a loss of € 20.8m incurred in relation to transactions in financial derivatives.

Net financial charges for the period included:

- the valuation of interest rate derivatives at market values which were higher than the related debt exposure, equaled to less €4.7m;
- upfront fees on finance agreements of €6.6m, which were fully expensed in the year. Group finance will probably be restructured to reflect the new business development prospects and to benefit from the more favourable conditions that are currently available.

Net extraordinary charges totalled €5.2m (€12.5m income from the previous year) and are mainly attributable to the settlement of a dispute relating to foreign exchange derivative contracts, previously not recorded, which could have resulted in the purchase of $30m by the Parent Company.

In view of the uncertain outcome of the dispute and the harm it could have done to the relations with the banks, it was decided to reach a settlement, to limit the loss that at the beginning of the dispute had been estimated at €5.8m, and which, given the evolution of the US exchange rate, could have been much greater. On the other hand, the Parent Company was quick to take the necessary organisational measures.

Income tax of €79.8m included €15.3m of IRAP, the Regional Tax on Productive Activities.
The incidence of Other items (€64.5m) on profit before tax, adjusted by amortisation of non-deductible goodwill, was equal to 35.6% which is essentially in line with the average nominal rate of the countries in which the Group operates.
Note that previous year taxation was reduced by a credit of €31.8m due to changes in deferred taxes following tax reform which came into force in Italy on 1 January 2004.
The Group's share of net profit was therefore €52.7m, compared with €50.2m in 2003.

Financial management

1.2 Consolidated balance sheet

(€m)	31.12.2004	31.12.2003	Change Total	Change At constant exchange rates
A) Fixed assets				
Intangible	912.1	990.8	(78.7)	(33.9)
Tangible	453.9	489.5	(35.6)	(25.6)
Financial	18.1	20.3	(2.2)	(1.5)
	1,384.1	**1,500.6**	**(116.5)**	**(61.0)**
B) Working capital				
Inventories	87.3	87.9	(0.6)	1.8
Trade receivables	49.0	50.0	(1.0)	-
Other assets	196.6	216.0	(19.4)	(10.6)
Trade payables	(431.2)	(407.2)	(24.0)	(34.3)
Provisions for contingencies and charges	(67.3)	(58.4)	(8.9)	(9.6)
Other current liabilities	(169.5)	(184.8)	15.3	9.1
	(335.1)	**(296.5)**	**(38.6)**	**(43.6)**
C) Capital invested, less working capital	**1,049.0**	**1,204.1**	**(155.1)**	**(104.6)**
D) Employee termination benefits and other medium to long-term liabilities, other than financial liabilities	**(107.8)**	**(120.7)**	**12.9**	**11.7**
E) Net capital invested	**941.2**	**1,083.4**	**(142.2)**	**(92.9)**
Financed by:				
F) Net equity				
Group's net equity	309.5	261.4	48.1	52.7
Total minority interests	22.4	21.8	0.6	1.4
	331.9	**283.2**	**48.7**	**54.1**
G) Convertible bonds	**39.5**	**383.0**	**(343.5)**	**(343.4)**
H) Medium - to long-term financial debt	**657.0**	**321.1**	**335.9**	**362.4**
I) Current net debt				
Current financial debt	183.3	253.5	(70.2)	(47.8)
Liquid funds and current receivables	(270.5)	(157.4)	(113.1)	(118.2)
	(87.2)	**96.1**	**(183.3)**	**(166.0)**
Net financial debt (G+H+I)	**609.3**	**800.2**	**(190.9)**	**(147.0)**
L) Total as in E) above	**941.2**	**1,083.4**	**(142.2)**	**(92.9)**

Tangible and intangible fixed assets changed mainly due to the combined effect of investments (€153.6m) and depreciation, amortisation and write-downs (€237.3m), of which €60m related to goodwill.

The different dynamics shown by the two key reference markets (the North American airports, where numerous contracts have been renewed and won over the last two years, and the Italian motorways, where the contract renewal process is still under way) led to a net reduction in investments amounting to 9.4% (-12.8% at current exchange rates). This was largely due to the deferral of motorway investments in Italy.

Based on the analysis of investments by type and sector, as provided in the tables below, it emerged that the amount allocated to development, as opposed to maintenance, and the amount earmarked for the airport sector, as opposed to the motorway sector, have both increased.

Investments by function

(€m) Purpose	2004		2003	
Development	113.0	73.6%	110.8	62.9%
Maintenance	28.6	18.6%	44.1	25.1%
Other	12.0	7.8%	21.2	12.0%
Total	**153.6**	**100%**	**176.1**	**100%**

Investments by sector

(€m) Distribution channel	2004		2003	
Airports	82.8	53.9%	71.0	40.3%
Motorways	48.1	31.3%	75.7	43.0%
Railway stations	3.7	2.4%	6.9	3.9%
Non-concession	7.1	4.6%	7.0	4.0%
Non-allocatable	11.9	7.8%	15.5	8.8%
Total	**153.6**	**100%**	**176.1**	**100%**

Financial fixed assets have remained largely unchanged and consist mainly of long-term receivables from third parties and the US joint venture partners.

Working capital has deficit of €335.1m. The change, equal to -€43.6 million (-€38.6 million at current exchange rates), was mainly due to an increase in trade payables linked to additional trading volumes and increased fees associated with the deferred settlement on Italian motorway concessions contracts.

The application of a specific tax relief in 2004 and the review of the procedures relating to investments have resulted in an acceleration of tax depreciation and amortisation which subsequently led to a reduction in deferred tax assets classified under other assets.

Empolyee termination benefits and other long-term liabilities fell by €11.7 million (€12.9 million at current exchange rates), mainly owing to the revision of the estimated costs of restoring leased assets on the Italian motorway network. This cost revision was based on evidence gathered in preparation for the contractual deadline of 31 December 2003, as mentioned on page 20.

Net equity increased mainly due to the addition of net income for the period and the change in the translation reserve (-€4.6 million) relating to the net equity of investments denominated in currencies other than the euro, mainly US dollars and Swiss francs.

Net financial debt totalled €609.3m, down by €147m (€190.9m at current exchange rates) compared with 31 December 2003 and consisted of the following:

(€m)	31.12.2004	31.12.2003
Convertible bond	39.5	383.0
Due to banks	377.1	22.8
Bands	271.6	293.0
Due to other financers	8.3	5.3
Medium- to long-term financial debt	**657.0**	**321.1**
Due to banks	154.1	179.1
Due to other financial backers	4.0	3.3
Accruals on exchange risk and interest rate hedging transactions	3.5	2.9
Bank accounts and short-term loans	11.2	47.3
Financial payables on derivatives	10.5	20.9
Short-term financial debt	**183.3**	**253.5**
Bank and postal accounts	(223.3)	(104.2)
Cash-in-hand and cash equivalents	(33.3)	(38.3)
Accruals on exchange risk and interest rate hedging transactions	(9.2)	(6.5)
Loan arrangement fees	(1.2)	(1.5)
Other investment securities	0.0	(4.2)
Loan interest accrued	(0.4)	(0.1)
Receivables from affiliated companies	(3.1)	(2.6)
Liquid funds and short-term financial receivables	**(270.5)**	**(157.4)**
Net financial debt	**609.3**	**800.2**

The major components of the debt structure illustrated in the table relate to:

- Convertible bond (€39.5m). This represents the outstanding amount of a bond (Lyon) issued by Autogrill Finance SA on 15 June 1999 for €471m.
  The difference between the Autogrill SpA share price and the conversion price on 15 June 2004 of €15.79 persuaded most bondholders to exercise their early redemption option, which was allowed on the fifth and 10th anniversaries of the issue. The resulting cash outflow was €344.2m, equal to approximately 90% of the loan.
  The bonds in circulation have a face value of €47.7m, including interest payable relating to subsequent periods amounting to €8.2m.
  The convertible bond is zero-coupon and at the time of placement, it generated a cash inflow net of the implicit yield: such yield (the so-called "OID") was set at 2% per annum with half-yearly compounding.
- Bonds (€271.6m). This represents the face value of unlisted bonds securities (private placement) issued on 19 January 2003 by HMSHost for $370m. The issue - underwritten by Autogrill SpA - is comprised of three tranches of $44m, $60m and $266m, maturing in 2010, 2011, 2013 respectively. The tranches are provided with half-yearly fixed-rate coupons.
- Amounts due to Banks totalled €531.2m (of which €377.1m is medium term and €154.1m is short term). The main component (€492.4m) relates to a syndicated loan arranged by the Parent Company on 19 March 2004 totalling €800m, comprising of several tranches with varying durations (from 12 months to five years), has a weighted average maturity of three years. More specifically, the syndicated loan is made up of:
  - two tranches totalling €350m, repayable as from September 2006 until March 2009. At 31 December 2004, these were fully drawn down;
  - a tranche of €300m, repayable within 12 months. After the early redemption of €150m, at 31 December the line was reduced to €150m, corresponding to the remaining balance of the loan;
  - a revolving tranche of €150m, maturing in March 2009. At 31 December 2004, this was not utilized.

At 31 December 2004, approximately 63% of the bank credit lines granted to the Group was utilized. Amounts due to Banks are subject to variable-rate interest. The average maturity of bank line, including unused lines of credit, is approximately 2.5 years.

The entire exposure to interest rate risk on the US dollar is covered either by the payment of fixed-rate interest (private placement) or by derivative contracts, with a weighted average life of 4.7 years.

The average cost of the Group debt, including hedging, is approximately 5.50%.

Net financial debt includes short-term financial assets totalling €270.5m, up €118.2m (€113.1m at current exchange rates).

Steady cash flow generated during the year, together with the postponement of some investment programmes and purchase opportunities, have made the drawing on the tranches of the syndicated loan unnecessary, resulting in an increase in financial assets. These assets were temporarily invested in time deposits (€223.4m), earning interest at rates close to the LIBOR/EURIBOR. The remaining liquid funds are largely comprised of cash-in-hand and cash equivalents (€33.3m), consisting of the physical transfer of cash to outlets and amounts which were not yet been credited.

1.3 Consolidated cash flow statement

(€m)	2004	2003
Opening net short-term debt	**(96.6)**	**(283.2)**
Net income for the period (including minority interest)	59.8	57.0
Amortisation, depreciation and write-downs of fixed assets, net of revaluations	237.3	269.7
Value adjustments and (gains)/losses in disposal of long-term investments	(1.1)	6.8
(Gains)/losses on the disposal of fixed assets	(2.0)	(13.0)
Provisions for contingencies and charges, net of release of provisions	9.6	(27.2)
Changes in working capital [1]	15.5	(27.5)
Net change in employee termination benefits and other medium-/long-term liabilities	(11.7)	5.9
Cash flow from operations	**307.4**	**271.7**
Investments in fixed assets:		
tangible and intangible [2]	(153.6)	(176.1)
net proceeds from assets sales	2.3	22.4
net acquisition of consolidated investments	(4.4)	(123.2)
net change in financial fixed assets	2.6	0.4
Cash flow from investments	**(153.1)**	**(276.5)**
Cash flow before acquisitions and financing	**154.3**	**(4.8)**
Bond issue (redemption)	(344.2)	323.8
Medium/long-term finance raised	362.0	134.5
Repayment and short-term transfer of medium/long-term financing commitments	(0.6)	(267.7)
Interest due on convertible bonds (zero coupon)	0.8	7.5
Other changes	(5.8)	1.5
Cash flow from financing operations	**12.2**	**199.6**
Cash flow for the period	**166.5**	**194.8**
Exchange rate differences on short-term loans	17.3	(7.7)
Short-term financial position	**87.2**	**(96.1)**
Medium- to long-term financial debt [3]	**(696.5)**	**(704.1)**
Total net financial debt	**(609.3)**	**(800.2)**

[1] Includes translation adjustments related to Income Statement items
[2] Excludes goodwill and consolidation difference relating to subsidiaries acquired during the period
[3] These balances are affected by the following:

(€m)	2004	2003
Effect of changes in the scope of consolidation	(1.4)	(2.3)
Exchange rate differences on medium/long-term finance	26.9	123.0

1.4 Analysis by geographical area

(€m)	Autogrill Group, Inc. 2004	2003	% Change Total	% Change At constant exchange rates	Europe 2004	2003	% Change Total	% Change At constant exchange rates	Not allocated 2004	2003	% Change	Group 2004	2003	% Change Total	% Change At constant exchange rates
Sales	1,612.3	1,579.7	2.1%	12.2%	1,569.8	1,563.0	0.4%	0.5%	-	-	-	3,182.1	3,142.7	1.3%	6.1%
Ebitda	221.5	213.7	3.6%	14.0%	231.5	221.0	4.8%	4.8%	(17.1)	(17.2)	0.6%	435.9	417.5	4.4%	9.5%
% on revenues	13.7%	13.5%	-	-	14.7%	14.1%	-	-	-	-	-	13.7%	13.3%	-	-
Amortisation	88.7	82.2	7.9%	18.7%	86.6	86.9	-0.4%	-0.2%	62.0	100.6	-38.4%	237.3	269.7	-12.0%	-9.5%
Investments	93.5	92.8	0.8%	8.7%	60.1	83.3	-27.9%	-27.9%	-	-	-	153.6	176.1	-12.8%	-9.4%

North America (Autogrill Group, Inc.)

To eliminate the distorting effect of the exchange rate fluctuations with the euro, the following figures are stated in $m.

In 2004, revenues of Autogrill Group, Inc. reached $2,005.6m, up 12.2% over the previous year. In particular, the sectors in which Autogrill Group, Inc. operates performed as follows:

- Airports. Revenues totalled $1,530.8m, up 13.4% over 2003; on a like-for-like basis (i.e. excluding outlet openings, closures and refurbishments) the increase was 15% compared to 5.7% growth in traffic (source: ATA).
  This amazing result reflects the company's ability to understand the different needs of travellers and to develop concepts as well as products and services that satisfy these needs.
- Motorways. Sales totalled $422.8m ($339.8m in 2003), an increase of 9.2% on 2003, mainly due to the completion of the refurbishment of outlets at various rest stops on the New Jersey and Florida Turnpikes, which yielded particularly encouraging results.
- Shopping centres. Sales recorded by the seven malls managed by the Group totalled $52m, a 5.4% increase compared to 2003 thanks to increased footfalls.

The Ebitda of this geographical area increased by 14% compared with the previous year, totalling $275.5m, or 13.7% of sales (13.5% in 2003).
Management of labour hours have helped offset an increase in the cost of sales which was due to the rise in the price of raw materials.

Investments totalled $127.3m, compared with $117.2m in 2003, equanting to 6.3% incidence of sales (6.6% in 2003). Following the renewal of several major contracts which had been secured in previous years, resources were expended mainly for development activities in the airport sector. More specifically, investments in development activities absorbed 90% (75% in 2003) of resources, whereas the impact of investments in the airport sector was approximately 83% of the total (69% in 2003). These include investments in the Orlando, Toronto and Amsterdam airports. In the latter one, 10 new food & beverage outlets were opened. In the motorway sector, the refurbishing and rebranding of the outlets on the New Jersey and Florida Turnpikes were completed, and construction commenced on outlets at the Illinois Turnpike.

With regards to contracts renewed and awarded to Autogrill Group, Inc. during the period, two major food & beverage and retail concessions were renewed before the related contracts expired, enabling the Group to strengthen its presence in the North American airport sector. These are as follows:

- in June, a contract was signed with McCarran International Airport in Las Vegas (one of the top 10 US hubs) to extend the food & beverage concession for an additional 10 years. The operation is projected to generate total sales of approximately $1.3 billion over the period 2004-2018;
- in July, the Group was awarded contracts for the refurbishment and development of 78 outlets at St. Paul International Airport in Minneapolis, ranked third in the world for customer satisfaction (after Frankfurt and Denver). The operation is projected to generate total sales of approximately $680m during the period 2005-2015, is part of a major expansion plan for this hub.

In January, a three-year agreement was signed to extend food & beverage services at the Detroit airport, which is projected to generate total revenues of $40m. This means that the Group now operates at 17 of the 20 most important hubs in North America in traffic terms.

Additional food & beverage were also opened at Pearson International Airport in Toronto.

During the period, the Group exited or reduced operations at Baltimore, Memphis and San Francisco airports, and at an off-airport site (Detroit Hotel), where sales for the year totalled around $45m.

Winning these major contracts, with the resulting extension of the average concession duration, confirms the strategic importance of the merger between HMS and Anton and the consequent uniformity of the amortisation rates applied to goodwill and consolidation differences, assuming that the useful economic life will continue up to 2023.

Europe

In Europe, sales were up 0.5% at €1,569.8m (+0.4% at current exchange rates), despite the general economic slowdown in the region.
Ebitda, at €231.5m, was up 4.8% over 2003, resulting in an increase in Ebitda margin from 14.1% to 14.7%. Switzerland and Belgium experience continued upturns in profitability.

2004 (€m)	Italy	France	Switzerland	Spain	Belgium	Netherlands	Austria	Germany	Greece	Annulled and not allocated	Total
Revenues	1,057.3	208.3	106.9	87.2	39.4	42.9	20.7	-	7.9	(0.8)	1,569.8
Ebitda	169.7	25.7	10.8	13.2	4.1	5.3	1.9	-	1.1	(0.3)	231.5
% on revenues	*16.1%*	*12.3%*	*10.1%*	*15.1%*	*10.3%*	*12.4%*	*9.3%*	-	*13.5%*	-	*14.7%*
Depreciation and amortisation	41.9	23.3	7.5	5.1	4.0	3.0	1.3	-	0.5	-	86.6
Investments	33.3	8.9	5.5	7.5	1.4	1.9	0.9	-	0.4	0.3	60.1

2003 (€m)	Italy	France	Switzerland	Spain	Belgium	Netherlands	Austria	Germany	Greece	Annulled and not allocated	Total
Revenues	1,043.2	200.1	117.4	83.5	39.5	45.9	21.4	5.1	7.5	(0.6)	1,563.0
Ebitda	170.2	24.2	4.4	11.7	2.8	5.5	1.4	(0.2)	1.0	-	221.0
% on revenues	*16.3%*	*12.1%*	*3.7%*	*14.0%*	*7.2%*	*11.9%*	*6.6%*	*-4.3%*	*13.1%*	-	*14.1%*
Depreciation and amortisation	43.3	16.2	12.0	4.6	2.3	5.3	2.6	0.2	0.4	-	86.9
Investments	52.9	10.2	8.8	6.2	3.2	1.8	0.2	-	0.0	-	83.3

Italy

In 2004, sales in Italy reached €1,057.3m, up 1.4% over 2003. Concessions which are the Group's core activity and account for more than 86% of the country's total revenues, grew by more than 2.8%. Sales increased despite the current macro-economic situation in Italy (where there has been a downturn in consumption), poor weather conditions that were less conducive to sales compared with 2003, and the loss of 24 outlets on the motorway network following the renewal of the concessions portfolio. In terms of sectors, the following changes took place:

- Motorways. Revenues totalled $862.7m, up 2.6% over 2003, despite the impact of the concession renewal procedures. On a like-for-like basis, growth was 4.3%, higher than the 2.1% increase in motorway traffic recorded for the same period (source: AISCAT, November 2004 survey). In terms of food & beverage (54% of sales), cafeterias (+3%), snacks (+4.6%) and Spizzico outlets (+4%) where largely responsible for the growth. Conversely, beverage and ice creams products decreased due to poor weather conditions during the summer season. In retail (23% of sales), sales of books (+45%) and regional produce, sold at La Bottegaccia outlet units experienced strong performance. Sales of complementary products also performed well, especially lotteries sales (+36%).
- Airports. Airport revenues totalled €39m (+6.7% on 2003), outstripping the growth in traffic (4.6%; source: Assoaeroporti) at airports where the Group is present.
- Railway stations. Sales increased by 7.8% to €12.8m.
- Shopping centres, city centres and trade fairs. Non-concession operations generated total sales of €142.8m, down 7.1% on 2003. The closure in 2003 of a number of unprofitable outlets magnified the effect of weak consumption and poor weather conditions which were less conducive to sales compared to the previous summer when, due to the soaring temperatures, the number of visitors was way above the seasonal average due to air-conditioned places like shopping centres.

Ebitda in Italy was €169.7m, essentially in line with that of the previous year (€170.2m), equanting to a margin of 16.1%. Management of labour hours and the constant monitoring of operating costs at outlets helped minimise the impact of a series of unfavourable factors, such as the change in mix towards less profitable products, higher fees on new motorway concessions, the increase in the hourly pay rate following the renewal of the national labour contract signed in the spring of 2003, and the downsizing of the operating network mentioned previously.

In 2004, investments in Italy totalled €33.3m, compared with €52.9m in the previous year (the impact on the country's sales falling from 5.1% to 3.1%). This reduction is due to the postponement of the refurbishment programme at those motorway sites where contracts were either renewed or won during the period. More than 40% of resources were expenses to develop the motorway sector (Villarboit, S.

Rocco, Esino Ovest and 12 new outlets on non-toll motorways) as well as two shopping centres (Assago and Vicolungo).

With regard to the contract portfolio, in the two years from 2003 to 2004, a large number of competitive bids were held in Italy due to the expiry of numerous motorway concession agreements.

In total, 146 areas came up for tender across the entire national network, 96 of which were managed by Autogrill. The Parent Company submitted 92 bids, securing 68 contracts estimated to be worth more than €1,700m in sales. An additional 12 bids are still under way.

There was a substantial competition for tenders to provide refuelling and food & beverage services on the motorways managed by Autostrade per l'Italia group and a large number of legal disputes subsequently ensued. As a result, the Italian Competition Authority (AGCM) stepped in to issue an injunction against Edizione Holding SpA for alleged breach of regulations.

Autogrill was the defendant in some 107 administrative and civil proceedings relating to tender procedures, 65 of which concerned contracts awarded to the Company.

Where contracts awarded to the Parent Company were questioned, a set of formal procedures, which were proposed by Edizione Holding SpA and endorsed by the AGCM, were proposed to resolve the situation.

At the same time, the company tried to enter into settlement agreements with several petitioners and this helped resolve some 58 administrative and civil disputes.

The set of measures proposed by Edizione Holding and the settlements agreements entered into by the company were arranged to resolve the most critical situations, i.e. the cases where the assignees had asserted a pre-emptive right through temporary joint venture agreements. These forms of tender participation were not approved by the AGCM as the latter ruled that this procedure could result in an extension of the pre-emptive right to parties other than the entitled holder.

The implementation of the abovementioned set of measures led to:

1. the cancellation of 18 tenders and the related two-year concession agreements awarded to ATI, the temporary joint venture in which the Parent Company was a partner;
2. the award of seven of these 18 contracts to parties which, in the tender procedures, turned out to be assignees before the pre-emptive right had been exercised;
3. the reopening of 11 tender procedures for contracts of between 12 and 15 years duration. Due to the separation of services in two areas and the suspension of one procedure, the original number of services tendered increased from 11 to 12.

Although the Parent Company was well aware that it had always complied with the regulations, it would be best to go along with the set of measures mentioned previously, which helped settle the disputes with the competition authority as well as with private subjects.

The various actions and related effects enabled the Group to secure a number of disputed concession contracts and to take part in the new tenders, which happened to have a longer duration and thus were worth more than the cancelled ones.

France

Sales in France totalled €208.3m, up 4.1% over the previous year. Performance by sector of activity was as follows:

- Motorways. Sales stood at €148.7m, an increase of 2.9% compared with 2003. Excluding the impact of the newly consolidated SGRR SA (€4.1m), sales were in line with the previous year, and were influenced by a decline in motorway traffic, partly caused by the rise in petrol prices. This phenomenon was particularly apparent during the summer, when the company generates most of its annual revenue.
- Railway stations. Sales stood at €53.6m, slightly down versus the €54.3m in 2003 due to the closure of outlets at the Eole station and the fall in Eurostar traffic at the Gare du Nord station in Paris.
- Airports. At the beginning of the year, the Group was awarded a contract to provide food & beverage services at Marseille airport which acted as an excellent stepping stone into this market. Outlets which opened in the spring generated revenues of €5.3m. For the period 2004-2011, total sales are projected to total approximately €77m.

Ebitda was €25.7m, up 6.3% amounting to 12.3% impact on sales (12.1% in 2003). Activities undertaken to contain costs and improve the efficiency of outlets helped offset start-up costs at Marseille airport and the increased impact of operating costs of the motorway sector which was due to the unforeseen drop in sales at the start of the summer.

Investments (€8.9m, or 4.3% of sales) were mainly due to the construction costs associated with the Marseille airport (€1.9m), while most of the remaining resources were allocated to the motorway sector.

With reference to the contracts portfolio, the Group won the contract for the refurbishment and upgrade of the concession at a service station serving both sides of the A62 Toulouse-Bordeaux motorway in October. The 15-year contract is projected to yield a total turnover of approximately €60m.

Switzerland

Sales totalled Chf 165m, down versus the Chf 178.6m recorded in 2003. This reduction reflects the company's decision to rationalise its outlet portfolio in order to boost profitability. Performance of the main sectors was as follows:

- **Motorways.** Revenues totalled Chf 75.7m, in line with the previous year due to adverse weather conditions over the summer and motorway construction carried out in the vicinity of some of the Group's outlets.
- **Airports.** The fall in sales from Chf 43.4m to Chf 37.4m was due to the rationalisation of operations at Zürich airport and the closure of operations at Basel airport which took place in 2003.
- **Railway stations.** Revenues totalled Chf 15.9m, up 1.8% on 2003;
- **Shopping centres, city centres and retail parks.** Sales were down 18.3% to Chf 35.9m due to a general decline in consumption and the withdrawal from two outlets in the retail park sector.

Ebitda more than doubled, from Chf 6.6m in 2003 to Chf 16.7m in 2004 (from 3.7% to 10.1% of sales), despite the abovementioned downturn in revenues. Profitability improvement recorded by all the sectors was achieved due to the focus on labour productivity, containment of operating costs and the company's decision to divest non-core segments and contracts that were not sufficiently profitable for the Group. Furthermore, the restructuring carried out in 2003 also helped to contain central costs.

Investments of Chf 8.5m were mainly allocated to Zürich airport and to the refurbishment of the motorway premises at Pratteln, the Group's largest outlet.

Spain

In Spain, revenues stood at €87.2m, up 4.5% over 2003. All sectors experienced growth:

- **Motorways.** Revenues increased from €74.1m to €76.6m in 2004, due to the positive effect of refurbishment of some outlets in previous years.
- **Railway stations.** Sales totalled €9.3m, a 15.5% increase, due to the growth in passenger traffic following the opening of the high-speed Madrid-Llerida rail link at the end of 2003.
- **Airports.** Revenues from Santander airport totalled €0.4m, up 36.9% over the previous year due to the growth in low-cost passenger routes.

Ebitda totalled €13.2m, up 12.9% over 2003, resulting in 15.1% margin on sales (14% in 2003). This improvement is attributable to the increase in sales, labour productivity and a reduction in the cost of sales margin.

Refurbishment of the Briviesca and Desfiladero outlets on the A1 motorway required investments of €3.5m, out of a total of €7.5m

The contract portfolio expanded with concessions renewed at four service areas along the A8 Bilbao-Belobia motorway (Basque Country). The 15-year contract (2004-2018) is projected to yield total sales of approximately €175m.

Belgium

Sales in Belgium reached €39.4m, essentially in line with the previous year.
The sectors performed as follows:

- **Motorways.** Sales of €32.6m were down 1.2% due to construction carried out on the E411 motorway and the Antwerp bypass, where a number of Group outlets are located.
- **Railway stations.** The opening of new premises and the launch of new products contributed a €1.5m growth in sales, compared with €1m in 2003.
- **Shopping centres.** Revenues fell from €5.4m to €5.3m, being adversely affected by the closure of the Dudelange outlet.

Ebitda increased from €2.8m in 2003 to €4.1m in 2004, an increase of more than 40% resulting in a margin of 10.3% (+310 b.p.). This result was possible as specific measures were taken to contain the cost of sales and operating costs.

The completion in 2003 of new outlets at railway stations and the optimisation of measures in the motorway sector explain the fall in investment from €3.2m to €1.4m.

Netherlands

In 2004, turnover totalled €42.9m, down 6.6% over the previous year due to the continuing weakness in the Dutch economy, which had a negative impact on the food & beverage business, and on the hotel sector in particular.

The reduction in overhead helped to contain the impact of the fall in revenues on Ebitda, which although experienced a reduction, in absolute terms, of €0.2m dropping to €5.3m, the margin improved to 12.4% (11.9% in 2003).

Investments totalled approximately €1.9m.

Austria

In Austria, where the Group is present only in the motorway sector, revenues totalled €20.7m, below the €21.4m achieved in 2003. This decrease was caused by the presence of motorway construction near some of the Group's outlet and the temporary closure of one outlet for refurbishment.

Ebitda totalled €1.9m, an increase of 36% resulting in a margin of 9.3% incidence on sales (+270 b.p.). The improvement in Ebitda, despite the slump in revenues, was possible due to the improved labour productivity, the reduction in the cost of sales due to the reorganisation of the purchasing department and a close monitoring of costs in general.

Austria made investments for €0.9m (4.1% of 2004 sales).

Greece

In Greece, sales reached €7.9m, up over the previous year's total of €7.5m, mainly due to the performance of the airport sector. More specifically:

- **Airports.** Due to the positive effect of the Olympic Games on air traffic, revenues increased by 15.2% to €3.8m.
- **Motorways.** Sales fell by €4.2m in 2003 to €4.1m in 2004.

Ebitda improved by 8.6%, reaching €1.1m, mainly as a result of lower production costs, resulting in a 13.5% margin (+40 b.p. on 2003).

Most of the investments totalling €0.4m were allocated to the outlets at Athens airport.

In the same month, HMSHost Europe upgraded its contracts portfolio, signing two new five-year agreements which are expected to generate a turnover of €1.5m at Athens International Eleftherios Venizelos airport.

2 Research & Development

Autogrill is continually investing in R&D to refine its products and services mix, using market research and studies; fine-tuning products, processes, concepts and locations and making architectural improvements. Autogrill aims to offer better quality products, with more hygiene guarantees and greater customer satisfaction, at increasingly welcoming and functional food & beverage outlets, ensuring high standards of quality and customer service.
An example is provided by the ongoing development of new sales formats in response to the changing needs of customers as well as peak hours and seasons.
In practice, R&D activity ranges from researching the products, production processes, production equipment and sales equipment to devising training tools for sales personnel and defining new sales formats.

Research and development: products, processes and formats

The majority of the products and recipes on the Autogrill's menus in the different countries have been studied and created by food experts and chefs who work in the laboratory kitchens of the Group's main companies (USA, Italy, France, Spain and Switzerland). These products are then included on the menu of the various countries: one example is the new coffee blend, known as "Acafé", which is the result of extensive research involving not only the product itself but also the espresso machines, redefining management and maintenance procedures to ensure precise and constant control over all parameters in the production process, including specialist training for thousands of employees. In Italy in particular, sales of espresso coffee at Autogrill outlets, after the launch of the new blend, increased by 3.4%, compared with a widespread fall in consumption of this product.

Research and development: sales formats

Autogrill has gradually acquired the right skills for the ongoing development of new food & beverage concepts (sales formats) and for improving existing formats, from the definition of the brand (brand identity) and its positioning, to the study and definition of the outlets' image (retail design, layout definition), product mix, production process and administration to the customers.
In order to be constantly at the forefront of technological development, Autogrill works closely with suppliers of equipment such as ovens, coffee machines and refrigerators so that they can tailor these to the company's requirements and improve their efficiency.
In addition to the above activities, the Group has established partnerships with leading nationally and internationally-renowned brands and with local operators. One example of these partnerships comes from North America where Autogrill collaborates with Starbucks Corporation with a view towards expanding its product range.

3 Human resources and organisation

Employees are the Group's most important resource, enabling it to pursue its aims of value creation and customer service.

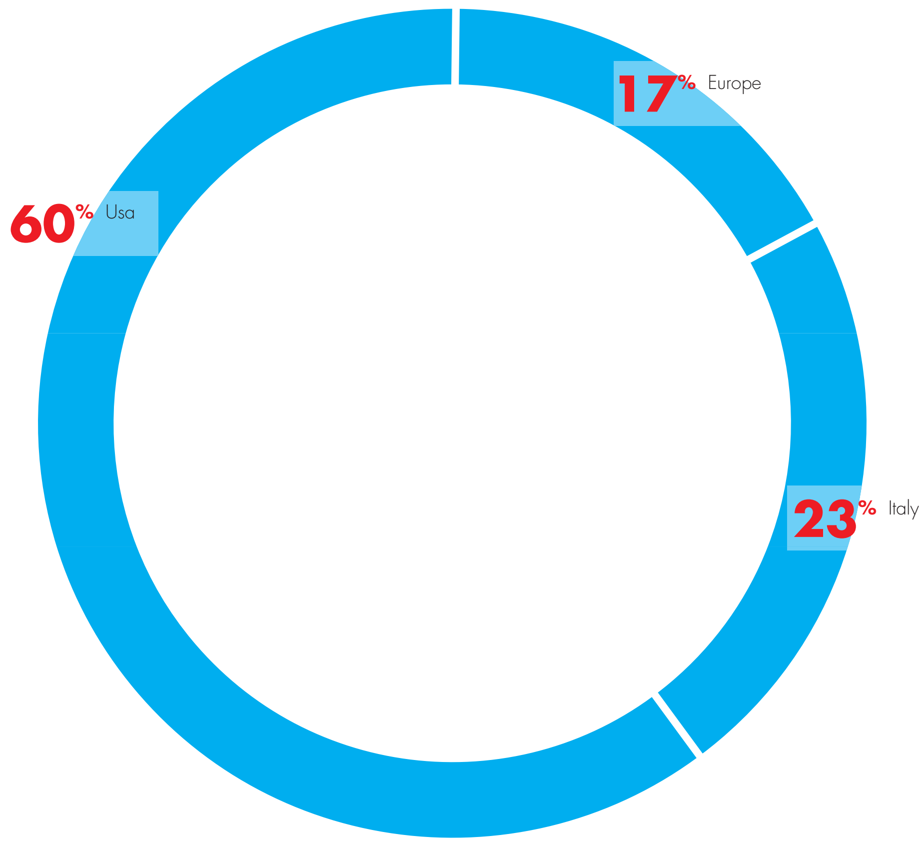
In a "service" company, the expertise, motivation and team spirit of each individual are the key to success, giving the Group a constant, ever-increasing competitive edge. The majority of the Group's employees (96%) have direct contact with customers, while support staff at the head office account for 4% of the workforce on average.

At 31 December 2004, Autogrill Group had a workforce of approximately 48,000, more than 28,000 of whom are in the US, 11,000 in Italy and more than 8,000 in other European countries. Compared with 31.12.2003, the workforce has grown by 3%, or 1,364 employees.

Given the extensive use of part-time workers, typical of the sector, the average employed workforce, expressed in FTE (Full Time Equivalent), was 35,685, compared with 33,781 in 2003. The increase was mainly concentrated in North America.

This has led to the adoption of HR management policies and tools aimed at increasing the professionalism and motivation of staff, and at the development of personal and organisational skills.

Autogrill Group: human resources by geographical area



Recruitment and selection

The purpose of recruitment and selection is to provide teams with resources that match the Company's needs in terms of headcount and skills.
The corresponding processes involve modern assessment tools, specially designed for the various professional roles.

Autogrill SpA has designed an IT application which, through a web interface with the central SAP system, allows outlet managers to access candidates' profiles directly, fast-tracking and shaping the employee selection process online.

Particular focus is on the graduate recruitment channel; partnerships have been set up with top universities and local business schools to ensure that young people joining the company - often on work placements - are high-calibre candidates.

Training

In 2004, Autogrill Group invested €5.1m in training.
The main training programmes implemented concerned three principal areas of expertise:

- an understanding of and compliance with the proper hygiene procedures for the storage, preparation and serving of food;
- an understanding of health and safety in the workplace;
- an understanding of the operating standards of the various outlet concepts and of customer management.

Training mainly took place at training centres where dedicated programs and tools were used to transfer specialist knowledge of process standards and product quality, accompanied by detailed analysis of customer service and relationship skills. At the same time, the Group uses e-learning methods so that sales personnel can update their skills on the job, using methods that exploit the hardware/software synergies of the cash registers themselves and/or other technologies.

Development

The ongoing commitment to the training and development of human resources and investment in young people recruited to outlets or central offices drives internal growth both in terms of management roles within the sales network and at head office. This means that internal selection is also important, since this allows flexible employees with potential to pursue career paths in other company departments worldwide.

Autogrill SpA recently launched a new skills model, developed in consultation with management based on the business challenges that the Group now faces. The entire performance management system has also been redefined.

The integrated performance management system unveiled in 2004 brings together in a single model every aspect of service management and development, including the assessment of target feasibility and staff conduct, compared against skill requirements, the definition of the development and training plan and the distribution of the following year's targets.

Depending on the outcome of the performance management process, specific initiatives are deployed: training plans, job rotation, career plans, bonus schemes, etc.

Remuneration policy

In 2004, as part of a remuneration strategy aimed at attracting and holding onto key resources, the annual variable bonus scheme for Group management (MBO) was redesigned, making it more attractive and improving the correlation between targets and economic performance.
A three-year bonus scheme (2004-2006) was launched for senior management to increase the Group's economic value in the medium to long term and to foster management loyalty. The plan is linked to the growth in value of the company, measured based on accumulated ROI for the period 2004-2006 and the value of the contract portfolio at 31 December 2006.
The short-term cash bonus scheme (quarterly/annual) was designed and implemented in 2004 for area manager and outlet manager roles.

4 Financial communication

Autogrill believes that financial communication is a vital strategic element in building trust with market operators and with the business community.

Autogrill provides the utmost transparency and is proactive in its communication strategy, through which it relays current information and longer term strategic objectives. Development plans, economic and financial results and sector performance are the main components of the information flow.
Autogrill uses all of the standard financial communication tools and dialogues with institutional investors through one-on-one meetings, analyst meetings, road shows in Europe and the US, press releases, the Investor Relations pages of its website (www.autogrill.com), economic and financial publications and institutional advertising.

Autogrill management is convinced that increasing distribution and penetration among listed companies of the communication and transparency culture will have positive effects on the market and on the wider economy.

Institutional activity was particularly and unusually intense in 2004, consisting of:

- 135 investor meetings (one-on-one),
- eight road shows,
- one analyst meeting, during the presentation of the 2003 results,
- three conference calls in relation to quarterly reports,
- one event organised by the Parent Company for the unveiling of the 2004-2006 Business Plan to the financial community.

2005 calendar of corporate events

Date	Event
21.03.2005	Board of Director's meeting for the examination and approval of the consolidated financial statements of Autogrill Group and the draft annual financial statements for Autogrill SpA for the year ended 31 December 2004
21/27.04.2005	Shareholders' Meetings for the approval of the 2004 financial statements (1st and 2nd call)
12.05.2005	Board of Director's meeting for the examination and approval of the quarterly report for the year to 31 March 2005
04.08.2005	Board of Director's meeting for the examination and approval of the interim report for the year to 30 June 2005
09.11.2005	Board of Director's meeting for the examination and approval of the quarterly report for the year to 30 September 2005

5 Corporate responsibility

Committed to maintaining a socially responsible business approach, capable of integrating social and environmental aspects in each economic operation and relationship, Autogrill aims to pursue a sustainable development model that can incorporate, anticipate, satisfy and if necessary exceed the expectations of all its current stakeholders, maximising the economic, social and environmental value for each of them and maintaining its ability to create even more value for future stakeholders.
Autogrill thus plans to generate value in a permanent and sustainable fashion for all its stakeholders; in other words, for its clients, human resources and organisations that deal with the company (suppliers, financial community, trade unions, associations and government), and its shareholders.
The underlying values of the company and the responsibilities that the Group assumes both inwardly and outwardly in the name of these principles are defined and explained in the Code of Conduct adopted by the Group. The Code of Conduct also sets out the guidelines with which all personnel are expected to comply in their everyday work in order to achieve the company's goals. The aim is to maintain a consistent record of Autogrill's operations, conscious of the fact that business ethics, transparency and sound Corporate Governance must form part of day-to-day management in accordance with the principles of lawfulness, fairness and propriety.

Autogrill for customers
Autogrill aims to satisfy its customers by offering quality products and services for people on the go, under competitive conditions and at competitive prices and in complete accordance with the rules and regulations applicable in the markets in which it operates.
Autogrill offers the best choice of food & beverage options, characterised by a first-class service and by a willingness and ability to integrate with local cultural and gastronomic traditions. The range of products and services offered has also been extended in order to cater more to the tastes of more demanding consumers (such as vegetarians and vegans) and to satisfy the needs of particular types of customer (lorry drivers, people travelling with pets, etc.).
In 2004, Autogrill embarked on a quality certification process in accordance with UNI EN ISO 9001:2000, having already obtained Quality Management System certification in Italy in December 2003. HACCP-based procedures, the scrupulous implementation of production and supply standards and supplier and food inspections mean that a quality product can be offered at all Autogrill Group outlets worldwide.
Apart from special customer satisfaction surveys, Autogrill has opened direct channels of communication with its customers to encourage feedback and suggestions on how the service can be improved and to allow it to deal with requests quickly. For this purpose, it has set up dedicated email addresses and toll-free telephone numbers. In addition, customers can use the forms available from outlets to make suggestions or complaints.

Autogrill for suppliers
Autogrill's aim is to procure, from the various markets, quality products, equipment and services under the most advantageous conditions for the Group in terms of quality, service and price.
When dealing with its suppliers, Autogrill seeks to emphasise the partnership approach, as well as its willingness and ability to work alongside suppliers to develop highly innovative and distinctive products and services.
Economic visibility and opportunities have been offered to local, regional and national suppliers through the sale and point-of-sale promotion of products and organisation of special events. At many Autogrill outlets in Italy, it is possible to taste or buy local produce which has been carefully selected by Autogrill for its customers.

Autogrill for franchisors
Autogrill places enormous importance on partnerships and mutual trust with its franchisors in a bid to guarantee access to this market and thus win customer satisfaction.
By meeting the customer's needs and expectations, the concepts developed or utilized by Autogrill have helped generate significant sales by location and square metre, thus establishing the Group as a first-rate business partner for franchise companies.

Autogrill and institutional systems
Autogrill maintains the necessary relationships with government agencies, public bodies, local authorities and private bodies governed by public-sector regulations in accordance with the various roles and functions and in a spirit of complete collaboration.
In addition to the usual statutory obligations, Autogrill works with regional and local authorities to promote culture and the area in which it operates and liaises with the relevant authorities to maintain law and order and safety during major events where large numbers of people congregate, particularly by stepping up supervision or suspending the serving of alcoholic beverages, or by managing events and emergencies, lending assistance and in general offering aid to the public in case of major traffic delays or problems along the main traffic routes.

6 IAS/IFRS information

Application of International Financial Reporting Standards

EC regulations imposed by national governments stipulate that from 2005, IAS/IFRS international accounting standards must be adopted for the drafting of consolidated financial statements of companies listed on regulated markets in the European Union. In 2004, the Group embarked on a special project to introduce the necessary managerial and administrative/accounting changes to ensure that the IAS/IFRS were implemented correctly. In the short term, the project also seeks to quantify accounting entries in accordance with the timetable for the introduction of the IAS/IFRS, in the light of the provisions laid down by Regulation (EC) No. 1606/2002, by the Committee of European Securities Regulators (CESR), in its recommendation published on 30 December 2003 and by the Italian Securities and Exchange Commission (CONSOB) in the consultation document of 17 February 2005.
In this respect, it is the Group's intention to adopt the IAS/IFRS from the drafting of the quarterly report for the year to 31 March 2005.

The following are currently being prepared:

- the opening consolidated balance sheet at 1 January 2004;
- schedules relating to the consolidated balance sheet and profit and loss account for the year ended 31 December 2004, to be used for comparative purposes only;
- schedules relating to consolidated 2004 annual figures (quarterly and half-yearly), also for comparative purposes.

The Group's guidelines for the transition to the IAS/IFRS be summarised as follows:

- analysis and definition of the impact of the principal IAS/IFRS for the Group;
- analysis and applicability of the exceptions provided for in IFRS 1;
- adaptation of the relevant processes and accounting procedures for IAS/IFRS purposes;
- adaptation of information systems dedicated to the production of accounting information.

Please see the notes to the financial statements for an analysis of the main differences between the IAS/IFRS and the national accounting standards applicable to Autogrill Group, the chosen treatments, exceptions during the initial application and specific issues.

7 Operations with related parties

Operations with the Parent Company

Operations during the year and figures at 31 December 2004 can be summarised as follows:

	Edizione Holding SpA
(€k)	31.12.2004
Profit and loss account	
Revenues from sales and services	6
Services	67
Leases and rentals	-
Other operating expenses	-
Balance sheet	
Trade receivables	6
Other debtors	3,447
Trade payables	54
Other creditors	7,000

The relationship during the period with Edizione Holding SpA consisted of involvement in a Group-wide insurance scheme.

'Other debtors' refers to surplus payments on account for IRES (corporation tax) in 2004, calculated according to the historic method and transferred to Edizione Holding SpA owing to its participation in the national tax consolidation process for the three years from 2004 to 2006.

'Trade payables' relates to the provision set aside to cover the fee of a Director of Autogrill SpA, an office held by one of the company's directors. Receivables and payables are current.

'Other creditors' refers to the fee for the transfer of an IRPEG (local business tax) credit (pursuant to Article 43-c of Presidential Decree 602/1973) for the same amount and used by Autogrill SpA to offset the second payment on account for 2004 IRES (corporation tax). The amount was paid in full on 4 January 2005.

Relations with companies in Edizione Holding SpA Group are exclusively with Autogrill SpA and can be summarised as follows:

	Benetton Group SpA	Verde Sport SpA	Fabrica SpA	S.I.G.I. Srl
(€k)	31.12.2004	31.12.2004	31.12.2004	31.12.2004
Profit and loss account				
Revenues from sales and services	-	50	-	-
Other income	4	2	-	-
Purchases	16	-	-	-
Services	11	55	136	-
Leases and rentals	31	-	-	65
Other operating expenses	-	-	-	215
Balance sheet				
Trade payables	9	-	112	-
Trade receivables	13	14	-	-

Specifically:

- Other income and services rendered to Benetton Group SpA relate to the involvement of Autogrill SpA in the "Benetton Card" promotional scheme. Purchases relate to uniforms for sales personnel. Leases and rentals relate to the hire of meeting rooms.
- Verde Sport SpA has renewed the business affiliation contract for management of the Spizzico outlet at La Ghirada - Città dello Sport and has handled a promotional campaign for Autogrill SpA.
- Fabrica SpA has been entrusted with the task of preparing the Group's financial statements and profile, to which these costs and payables relate.
- On 31 May 2004, the cancellation of the lease for an affiliated outlet in Catania was finalised with S.I.G.I. Srl. In return, €215,000 was paid as compensation for the early cancellation of the contract and for the lack of notice.

As for collaboration with Autostrade Group and with Grandi Stazioni SpA, new initiatives have been launched to maintain each relationship. Details of all transactions for the previous year and the balance at 31 December 2004 is given below for Autogrill SpA only.

(€k)	Autostrade group	Grandi Stazioni SpA
	31.12.2004	31.12.2004
Profit and loss account		
Revenues from sales and services	20	-
Other income	557	-
Purchases	-	-
Services	2,310	-
Leases and rentals	29,777	1,110
Balance sheet		
Trade payables	18,711	758
Trade receivables	846	-

In December, a lease was signed with Grandi Stazioni SpA for new rented premises at Rome Termini railway station. 'Trade payables' includes the provision for the agreed fee of €500,000, as partial repayment of the costs incurred by Grandi Stazioni for the conversion and refitting of the leased premises, which will become available in January 2005.

With reference to relations with Autostrade Group, 'Other income' relates to discounts on the distribution of Viacard passes, while the costs relate to concession fees and related expenses. Following the renewal of motorway concessions, the number of directly operated sites has increased.

The main operations between the Parent Company and subsidiaries and affiliated companies are summarised in the table below.

(€k)	Autogrill Group, Inc.	Autogrill Overseas SA	Autogrill Europe Nord Ouest SA	Autogrill Finance SA	Autogrill Finance BV	Autogrill Belgie NV	Autogrill Nederland BV
Income statement							
Products sold	-	-	-	-	-	-	-
Other operating revenues	100	-	-	-	-	25	46
Finance income	4,876	1,968	9	5,026	47	-	-
Finance (loss)	-	-	-	-	-	-	-
Purchases	-	-	-	-	-	5	-
Services costs	-	-	-	-	-	-	-
Expenses relating to the use of third party assets	-	-	-	-	-	-	-
Balance sheet							
Trade accounts payable	-	-	-	-	-	5	-
Financial accounts payable	-	-	-	-	-	-	-
Trade accounts receivable	15	-	-	-	-	12	12
Financial accounts receivable	222,935	88,389	-	311,917	250	-	-

(€k)	Autogrill España SA	Autogrill Deutschland GmbH	Autogrill Austria AG	Autogrill Hellas EpE	Autogrill Schweiz SA	Autogrill Côté France SAS	Nuova Sidap Srl	Nuova Estral Srl	Autogrill International Srl	Aviogrill Srl
Income statement										
Products sold	190	-	147	133	-	1	-	-	-	1,196
Other operating revenues	74	-	285	32	232	268	2	2	2	249
Finance income	279	15	144	-	16	-	-	-	-	-
Finance (loss)	-	-	-	-	-	-	-	-	-	(8)
Purchases	-	-	-	-	-	-	-	-	-	3
Services costs	-	-	-	-	-	-	-	-	-	9
Expenses relating to the use of third party assets	-	-	-	-	-	-	175	130	-	-
Balance sheet										
Trade accounts payable	-	-	12	-	-	-	27	43	-	8
Financial accounts payable	-	32	-	-	-	-	8	3	10	272
Trade accounts receivable	42	-	255	31	184	82	1	1	2	167
Financial accounts receivable	11,065	-	5,733	350	-	-	-	-	32,910	-

The most significant trading amounts relate to the sale of food & beverage and retail products to Aviogrill Srl.

'Financial receivables' include dividends which will be paid out by Autogrill International Srl (formerly Autogrill Café Srl), Autogrill Finance SA, Autogrill España SA, Autogrill Hellas EpE and Aviogrill Srl. During the year, finance for Autogrill Group, Inc., Autogrill Overseas SA and Autogrill Finance SA steadily increased as part of the gradual centralisation of bank loans. Conversely, this led to a reduction in the personal guarantees given by Autogrill SpA for finance arranged directly by subsidiaries, summarised as follows:

(€k)	Autogrill Overseas SA	Autogrill Finance SA	Autogrill Belgie NV	Autogrill Group, Inc.
Guarantees for financial payables	-	39,541	-	271,639

No material transaction took place with other affiliated parties.

8 Corporate Governance

The Parent Company's Corporate Governance model centres on the general management and control carried out by the Board of Directors. The model revolves around a set of codes, principles and procedures which are constantly monitored and updated, if necessary following changes in the law and in international best practice, as well as in operating requirements.

Board of Directors

Role of the Board of Directors
The role of the Board of Directors is the general management and control of Company operations and business. To that end, it takes the necessary decisions to achieve the objects of the company.

The following powers are reserved exclusively for the Board of Directors:

1. examination of the strategic, industrial and financial plans of the Company and the Group;
2. examination of the budget and the investment plans of the Company and the Group;
3. examination of material operations as regards the economic, financial and equity position of the company. Specifically, these include:
    - investments, acquisitions, disposals, disposition of shareholdings, companies and branches of the company, joint ventures and participation in tenders for concession contracts over €3m;
    - medium- and long-term financing operations with credit institutions;
    - the issue of guarantees and sureties for more than €3m;
4. preliminary briefing on the operations described in paragraph 3 concerning Group companies;
5. examination and evaluation of the key aspects of the Group's corporate and organisational structure and the suitability of the organisational and administrative structure of the Company;
6. definition of the fundamental rules of Corporate Governance of the Company and the fundamental principles of the Group's Corporate Governance guidelines;
7. establishment of guidelines and periodic examination of the suitability and practicality of the internal audit system, ensuring that the main business risks are identified and adequately managed;
8. creation of a supervisory body pursuant to Legislative Decree 231 of 8 June 2001;
9. conferral and withdrawal of the authority and powers of Directors and the Executive Committee, where applicable, defining at six-monthly intervals the limits, procedures and frequency with which the relevant organs must report back to the Board of Directors and the Board of Auditors on the work carried out under the powers assigned to them;
10. examination of the proposals of the Managing Director relating to the identification of criteria for the position of Director within key subsidiaries;
11. calculation of the emoluments and salary of the Managing Director, the Deputy Managing Director and other Directors with specific powers after examining the proposals of the Remuneration Committee and after consulting the Board of Auditors, dividing the overall amount due to individual members of the Board of Directors and the Committees where necessary;
12. examination and evaluation, based on the proposals of the Managing Director and the Remuneration Committee, of the remuneration criteria for managers and long-term and/or annual bonus schemes for Company and Group management;
13. monitoring general management performance, particularly with reference to any conflicts of interest, intra-company operations and operations with related parties, specifically taking into account the information received from the Managing Director, from the Executive Committee, where applicable, and from the Internal Audit Committee;
14. examination, evaluation and approval of the periodic accounting documents required by law.

Meetings
In 2004, the Board of Directors met 12 times. Attendance was high, at more than 85%. In total, 10 meetings have been scheduled for 2005. On 19 January 2005, the Company circulated the timetable of meetings for executive bodies.

Appointments
On 27 April 2004, the Shareholders' Meeting amended Article 10 of the Articles of Association, introducing voting lists for the appointment of directors.
Each shareholder or group of shareholders representing at least 3% of shares with voting rights at ordinary general meetings may submit a voting list.

The new regulation will take effect at the next meeting that appoints the new Board of Directors.

Members
The current Board of Directors, which will remain in office until the approval of the 2004 financial statements, is composed of 11 members, one of whom - Gianmario Tondato da Ruos, Managing Director - is an executive director and 10 of whom are non-executive directors:

Messrs Gilberto Benetton (Chairman), Livio Buttignol (Vice-Chairman), Alessandro Benetton, Giorgio Brunetti, Antonio Bulgheroni, Marco Desiderato, Sergio Erede, Gianni Mion, Gaetano Morazzoni and Alfredo Malguzzi.

Pursuant to Article 1.3 of the self-regulatory code for listed companies, the company directors who hold positions within other companies listed on regulated markets, including foreign markets, in financial, banking and insurance companies or other material companies, are as follows:

List of positions

Director	Position	Company
Gilberto Benetton	Chairman	Edizione Holding SpA
	Vice-Chairman	Olimpia SpA
	Vice-Chairman	Telecom Italia SpA
	Director	Autostrade SpA
	Director	Banca Antoniana Popolare Veneta SpA
	Director	Benetton Group SpA
	Director	Lloyd Adriatico SpA
	Director	Mediobanca SpA
	Director	Pirelli e C. SpA
	Director	Schemaventotto SpA
Alessandro Benetton	Director and Vice-Chairman	Nord Est Merchant SpA
	Shareholder and Sole Administrator	Saibort Srl
	Director and member of the Executive Committee	Benetton Group SpA
	Director	Permasteelisa SpA
	Director and Chairman of the Board of Directors	21 Partners SGR SpA
	Member of the Supervisory Board	21 Centrale Partners SA
	Chairman of the Board of Directors	21,Investimenti Partners SpA
	Director	Sirti SpA
	Chairman of the Board of Directors and MD	21,Investimenti SpA
	Director	Edizione Holding SpA
Giorgio Brunetti	Director	Carraro SpA
	Director	Messaggerie Libri SpA
	Director	Messaggerie Libri SpA
Antonio Bulgheroni	Chairman and Managing Director	Lindt & Sprüngli SpA
	Chairman	Caffarel SpA
	Chairman	Ferro Tubi Lamiere Rossi SpA
	Chairman	Bulgheroni SpA
	Vice-Chairman	Banca Popolare Commercio e Industria
	Director and member of the Executive Committee	Chocoladefabriken Lindt & Sprüngli AG
	Director	Banche Popolari Unite Scrl
Marco Desiderato	Chairman	Millennium Sim SpA
	Director	Sviluppo Italia Aree Produttive SpA
	Director	FILSE SpA
	Director	Lames SpA
	Director	Istituto Ligure Mobiliare SpA
	Director	Capitalimpresa SpA
	Director	Ligurcapital SpA
	Director	Fidimpresa Liguria Scrl
	Director	Lertora & Partners Insurance Brokers Srl
Sergio Erede	Chairman	Egidio Galbani SpA
	Director	Manifatture Lane Gaetano Marzotto & Figli SpA
	Chairman	Interpump Group SpA
	Director	Manuli Rubber Industries SpA
	Director	Carraro SpA
	Director	Società Italo Britannica L. Manetti - H. Roberts SpA
	Director	Luxottica Group SpA
Gianni Mion	Director	21,Investimenti SpA
	Director	Autostrade SpA
	Director and member of the Executive Committee and Remuneration Committee	Benetton Group SpA
	Director and member of the Executive Committee, Management Committee and Remuneration Committee	Banca Antoniana Popolare Veneta SpA
	Managing Director	Edizione Holding SpA
	Director	Olimpia SpA
	Managing Director	Schemaventotto SpA
	Director and Vice-Chairman	Tim SpA
	Director	Telecom Italia SpA
	Director	Telecom Italia Media SpA
	Director	Cartiere Burgo SpA
	Director	Fondazione Cassa di Risparmio di Venezia
	Director	Grandi Stazioni SpA
	Director	Luxottica Group SpA
Alfredo Malguzzi	Director	Ditta Michele Ratti SpA
	Director	Locman SpA
	Auditor	Egidio Galbani SpA
	Auditor	Moschino SpA
Gaetano Morazzoni	Chairman	Spea Ingegneria Europea SpA
	Director	Autostrada Autocamionale della Cisa SpA
	Vice-Chairman	Fondazione Fiera Milano SpA

Independent directors

At its meeting of 23 February 2005, the Board of Directors unanimously ruled that Giorgio Brunetti, Antonio Bulgheroni, Marco Desiderato, Gaetano Morazzoni and Alfredo Malguzzi were independent directors, based on the information supplied by each one.

Independent members of the Board of Directors must satisfy the criteria laid down by Article 3 of the self-regulatory code for listed companies.

Powers

The Board of Directors is a uniform, harmonious body, balancing the management powers vested in the Managing Director, Gianmario Tondato da Ruos, with contributions from executive and non-executive members equipped to take part in the discussions required before decisions can be taken in the company's interests.

The Managing Director has general powers of management, some of which are subject to restrictions: a) investments: maximum of €3,000,000; b) contracts for the purchase, exchange and sale of machinery, installations, equipment, materials and vehicles: maximum of €3,100,000 per contract; c) consultancy, intellectual property and service agreements: maximum of €1,000,000 per contract; d) corporate acquisitions and/or disposals: maximum of €1,000,000; e) business leasing or subleasing of businesses, property letting and/or subletting: maximum of nine years; f) bank and/or insurance guarantees, including those for subsidiaries: maximum of €3,100,000; g) settling disputes through arbitration: maximum of €1,000,000.

Operations exceeding these limits come within the purview of the Board of Directors.

At each meeting of the Board of Directors, and as required by law, the Managing Director and other Directors who have been vested with specific powers report back to the Board of Directors and to the Board of Auditors.

Remuneration Committee

On 15 May 2001, the Board of Directors passed a resolution setting up the Remuneration Committee and linking the remuneration system to the creation of value.

The Remuneration Committee, as recommended by the self-regulatory code for listed companies, is composed of non-executive directors. Its members, appointed on 24 April 2003, are currently the directors Gianni Mion (Committee chairman), Antonio Bulgheroni and Sergio Erede.

In 2004, the Remuneration Committee met three times to examine and make proposals to the Board of Directors concerning the pay and remuneration of the Managing Director and Vice-Chairman, details of which can be found in a special paragraph in the notes to the 2004 financial statements.

On 27 January 2004, the Board of Directors, on the proposal of the Remuneration Committee, approved the following for the Vice-Chairman, Managing Director and management: (i) the three-year cash bonus scheme for 2004-2006, which uses accumulated ROI for 2004-2006 and the order book value at the end of 2006 as objective parameters; (ii) the variable pay scheme for 2004, based on the attainment of economic/financial criteria and the personal targets of each manager.

In 2004, the Remuneration Committee made a proposal to the Board of Directors, which approved, for guidelines for a management pay review for 2004, changes to some minor terms of the current 2004-2006 cash bonus scheme, applicable in case of change in control of the company, and the integration of new managers into the scheme.

Internal Control

Responsibility for internal control lies with the Board of Directors, which establishes the guidelines for internal control and corporate risk management. The Board occasionally monitors the internal control system with the help of the Internal Control Committee and the Internal Auditing Department.

The aims of the internal control system, implemented throughout all Group companies to ensure proper management, are as follows:

A. to verify the suitability of company processes in terms of efficiency and effectiveness;
B. to guarantee the reliability and accuracy of the accounting records and protect the company's assets;
C. to ensure conformity between operating requirements and internal and external regulations.

The system works through:

- 'front-line control' carried out by each operating division or by Group companies in relation to their own processes; responsibility for this control is delegated to operational management and is an integral part of every company process.
- the Internal Auditing Department, represented by the Internal Control Manager (hierarchically independent from line managers and reporting directly to the Managing Director, the Internal Control Committee and the Board of Statutory Auditors), who monitors front-line control based on a risk analysis of all activities and processes mapped out within Group companies.

The audit results are promptly submitted to the Managing Director and to senior management, and on a quarterly basis to members of the Internal Control Committee and the Board of Statutory Auditors, which supervises, in accordance with Article 149 of Legislative Decree 58 of 24 February 1998 (TUF, or the Single Finance Act), the adequacy of the internal control system.

Internal Control Committee

On 24 April 2002, the Board of Directors set up the Internal Control Committee, consisting of independent non-executive directors with the power to consult and make proposals and with the task of analysing problems and preparing key decisions relating to control of company operations.
The tasks currently entrusted to the Committee are:

A. to help the Board of Directors, with the support of the Internal Auditing Department, carry out periodic checks on the suitability and effectiveness of the internal control system, and thus ensure that the company's main risks are identified and adequately managed;
B. to assess the Audit Plan prepared by the Internal Control Manager, from whom the Committee receives periodic reports;
C. to assess, together with the company's managers and external auditors, the suitability of the accounting standards used and their uniform application in preparing the consolidated financial statements;
D. to assess audit proposals tendered by auditing firms;
E. to report back to the Board of Directors, at least once every six months, when the draft financial statements for the year and half-year are approved, on the work undertaken and on the adequacy of the internal control system.

The Board of Directors has appointed the directors Professor Giorgio Brunetti, Marco Desiderato and Gaetano Morazzoni to the Internal Control Committee. Professor Giorgio Brunetti has been appointed chairman.

On 7 July 2004, following the resignation of Gaetano Morazzoni, the Board of Directors named his replacement as Alfredo Malguzzi, a non-executive independent director.
In 2004, the Internal Control Committee met 11 times. It chiefly examined:

- the method used to define the 2005 Audit Plan, drawn up based on a risk analysis of all the Group's operations;
- reports issued by Internal Auditing during 2004;
- the adequacy of the accounting standards in agreement with the Group Director of Administration, Finance and Taxation, the Board of Statutory Auditors and the external auditors;
- the updating of the organisational and management model in accordance with Legislative Decree 231/01, with the aim of preventing and, as far as reasonably possible, limiting the company's inherent business risks;
- the plan to adapt to IAS accounting standards;
- the definition of the national tax consolidation procedure.

Shareholders' meetings

In 2004, the Shareholders' Meeting met once, on 27 April. During the extraordinary part of this meeting, shareholders resolved to align the Articles of Association with the "Vietti Reform", while during the ordinary proceedings, the financial statements and Shareholders' Meeting Regulations were approved.

Code of Ethics

The Code of Ethics of Autogrill Group (the "Code of Ethics") was approved by the Board of Directors of the Company at the meeting of 6 November 2002 and was subsequently amended at the meeting of 12 November 2003.

The Code of Ethics defines the principles and values that underpin the conduct expected from all members of staff.

The Code of Ethics has been gradually adopted and implemented, with the necessary adjustments, throughout the entire Group.

To make it effective and binding, the Code of Ethics has been published on the Company's website (www.autogrill.com) and on Company notice boards; a copy is also given to all new employees of the company as soon as they start work, and is distributed to all parties who deal with the Autogrill Group.

Operations with related parties

At every meeting, the Board of Directors is provided with relevant information about operations with related parties, even when these involve the exercise of delegated powers. Operations undertaken by the Parent Company with related parties (as defined by IAS 24 and by CONSOB recommendations) and inter-company operations are regulated under market conditions, i.e. those that would have applied to operations between two independent parties in accordance with the principles of substantive and procedural integrity.

In addition, contractual relations with related parties concerning the concession of food & beverage and retail services located along motorways managed by Autostrade Group are based on competitive and transparent procedures managed by an independent advisor in accordance with the provisions set out by the Italian competition authority.

Operations with related parties are described in a special section of the Board of Directors' Report.

In operations with related parties, directors who have a potential or indirect interest in the operations:
(i) must inform the Board of Directors of the possible existence of the interest and of its details;
(ii) must leave the meeting while the matter is being decided.

To date, no operations have been undertaken with related parties or completed via subsidiaries, which from the point of view of the sums involved, or the means by which, or the period in which they are carried out, fall into the category of operations which must be disclosed to the market in accordance with Article 71-a of CONSOB Resolution No. 11971 of 14 May 1999, as subsequently amended.

Treatment of confidential information

Information concerning the Parent Company, including price-sensitive information, must be treated in the necessary confidence. On 23 January 2001, the Board of Directors specifically approved the Confidential Information Management Procedure, an internal procedure applicable to all Autogrill Group companies. This procedure sets out, the prompt and timely disclosure of events that could influence the value of financial instruments issued.

This procedure identifies the Investor Relations department and the Communication and Institutional Affairs division as being responsible for disclosing information to the public, subject to approval by the Managing Director and in accordance with primary and secondary regulations. The Communication and Institutional Affairs division also has the task of managing and updating the company's website.

The Parent Company, which is acutely sensitive to market fluctuations and new communication methods and to maintaining its integrity vis-à-vis the market, has borrowed the 10 principles enshrined in the "Market Information Guide" published by Borsa Italiana SpA, which embraces existing statutory and regulatory provisions.

Internal Dealing Code

At its meeting on 23 February 2005, the Board of Directors deemed it advisable to amend the Internal Dealing Code (the "Code") adopted on 6 November 2002, pursuant to the regulation issued in this respect by Borsa Italiana SpA.

According to this regulation, the Code identifies the heads of key departments of the Parent Company as Relevant Persons, besides the Directors, Auditors and General Managers. These key departments chiefly consist of Administration, Finance, Control, Legal and Corporate Affairs, Communication and Institutional Affairs and Investor Relations, as well as the Directors, Auditors, General Managers and heads of these departments of the Group's main subsidiaries, to be identified by the Managing Director. This reflects their ability to access price- and/or business-sensitive information by virtue of their position within the company.

The Code makes provision for the timely disclosure of information by Relevant Persons to the Company, in the person of the Vice-President of Legal and Corporate Affairs, as the person responsible for implementing the Code, concerning trading in the Company's financial instruments by Relevant Persons and/or by their spouses, unless legally separated, dependent children, third parties, trustees and subsidiaries, within the limits set out in the Code itself.

In turn, the Parent Company will inform the market immediately of any transactions involving its financial instruments which, individually or together, are equal to or more than €50,000. For transactions that, individually or together with other transactions in the same calendar quarter (and which have not been disclosed to the Parent Company or to the market), exceed €100,000, the market will be informed on a quarterly basis. No account will be taken of transactions relating to managed investment portfolios where the Relevant Person has forfeited their right to issue instructions.
Relevant Persons may not trade in the Parent Company's financial instruments at certain times of the year, namely prior to the approval of periodic financial data.

The clauses of the Code, by which Relevant Persons are bound, should be considered cogent and binding provisions issued by the Board of Directors. Failure to comply with these regulations will lead to sanctions being imposed.

Meeting regulations
On 27 April 2004, the Shareholders' Meeting adopted the meeting regulations published on the Company's website to ensure that meeting proceedings take place in an orderly and functional fashion.

Investor Relations
The department responsible for dealing with the national and international financial community can be contacted at the following addresses:

Mark Ratych - VP Treasury & Strategic Planning
Autogrill Group, Inc. and Group Investor Relations Manager

Elisabetta Cugnasca - Investor Relations contact
Centro Direzionale Milanofiori - Strada 5, Palazzo Z - 20089 Rozzano (MI)
Tel: +39 02 48263246
Fax: +39 02 48266246
investor.relations@autogrill.net

Organisational and management model in accordance with Legislative Decree 231/2001
In accordance with the provisions of Legislative Decree 231/01, Autogrill has adopted the model approved by the Board of Directors on 9 July 2003 in order to guarantee the propriety and transparency of its business affairs.

The actions taken by the Parent Company have provided an overview of the activities of the various organisational structures, the identification of departments involved in activities most exposed to the risks set out in Legislative Decree 231 of 8 June 2001, and the formation of a company archive for "sensitive" activities. For each sensitive activity identified, a risk assessment sheet has been prepared containing:
- (i) a description of the various offences and how they might occur;
- (ii) a description of the existing prevention system;
- (iii) an assessment of the latter's adequacy.

In light of the above, the model makes provision for the appropriate policies and measures to ensure that business is conducted legally and to identify and eliminate risk situations, as well as sanctioning any non-compliance with the provisions of the model.

A periodic review is proposed, together with the necessary changes to the model, whenever there is a risk - potential or otherwise - of infringement or when there are changes in the organisation or business.

On 23 February 2005, the Board of Directors updated the model, legislating for new types of offence in accordance with Confindustria guidelines and recognising the supervisory body as a board, appointing an auditor, Dr. Gianluca Ponzellini, a member of the Internal Control Committee, Dr. Alfredo Malguzzi and the head of Internal Auditing, Mr. Silvio De Girolamo, as its members.

Personal data protection
For 2004, the Parent Company has implemented and updated the "Security Planning Document" required by law for personal data protection, specifically drafted to take account of company requirements.

In 2004, the Parent Company continued its work to guarantee respect for the laws in force. In particular, it took steps to:
- (i) ensure that data processing managers attend special training courses;
- (ii) update the list of databases containing sensitive information;
- (iii) adopt new security procedures, particularly with reference to computer access at catering outlets;
- (iv) adapt video surveillance procedures to current legislation.

9 Events occurred after 31 December 2004

After the year-end, Autogrill began operations aimed at expanding the retail business and boosting its presence in the European airport channel, forming strategic alliances with leading operators who are well established in their area.

In January, the Parent Company expanded its presence at Milan Malpensa airport, adding three new outlets to the seven already present there. These new outlets are projected to generate turnover of €6.5m in the period 2005-2010.

On 28 January, the Parent Company, via Retail Airport Finance SLU, submitted a takeover bid to the CNMV (Comisión Nacional del Mercado de Valores) for 100% (21,000,000 shares) of Aldeasa SA at a price of €33.00 per share. The bid was approved by the authority. In accordance with Spanish market regulations, the CNMV set the deadline for the submission of new bids as 21 March.

In March, the Parent Company made its debut at Frankfurt airport by acquiring 49.9% of Steigenberger Gastronomie GmbH, with an exclusive call option for the remaining 50.1%. Operational management was entrusted to HMSHost Europe, in a bid to spread Group synergies and best practice.

At the same time, development continued in other business channels. In North America, the Group was awarded a new concession contract for food & beverage and retail services at two service stations on the Indiana Toll Road, which are projected to generate a combined turnover of more than $60m during the period 2005-2015.

10 Management outlook

Management performance in the first few months of the year essentially confirmed the trend witnessed in 2004, with positive signs in all channels in North America. Meanwhile in Europe, the business paid for the loss of contracts and the unseasonable weather at the start of the season.

Notably, in week eight, Group sales increased at constant exchange rate of 4.1% and 5.7% on a like-for-like basis.

11 Other information

11.1 Equity investments held by Directors, Statutory Auditors and General Managers

In accordance with Article 79 of the regulation implementing Legislative Decree 58 of 24 February 1998, adopted by CONSOB in its Resolution No. 11971 of 14 May 1999, the following table illustrates the shareholdings held in Autogrill SpA and in its subsidiaries by all parties who, in 2004, held the office of Director, Auditor or General Manager of Autogrill SpA, even for only part of that time.

		No. shares			
Full name	Shareholding	Held at 31.12.2003	Bought	Sold	Held at 31.12.2004 [1]
Livio Buttignol	Autogrill SpA	33,500	-	33,500	-
Gianmario Tondato da Ruos	Autogrill Côté France SAS	2	-	2	-
	Autogrill Restauration Services SAS	2	-	2	-
Carmine Meoli [2]	Autogrill SpA	132,250	-	-	132,250
	Autogrill Finance SA	1	-	-	1
	Autogrill Europe Nord-Ovest SA	1	-	-	1

[1] Or on the date of resignation from office, whichever was the sooner.

[2] Resigned on 13 February 2004 (later sold 40,000 shares).

11.2 Treasury shares

On 31 December 2004, neither the Parent Company nor other consolidated companies held treasury shares or shares in subsidiaries, nor did they buy or sell such shares in 2004.

12 Overview of the economic and financial performance of the Group's key companies

12.1 Autogrill SpA

Autogrill SpA is directly responsible for the Group's business activities in Italy, with the single exception of food & beverage operations at Bologna airport G. Marconi, which are handled by Aviogrill Srl. This generated revenues of €5m and a net profit of €0.3m.

Autogrill SpA leases Nuova Sidap Srl and Nuova Estral Srl, while Autogrill International Srl is gradually taking over the management and coordination of foreign holdings. In 2004, it was not involved in any public relation activities.

Income for the period can be summarised as follows:

Summary profit and loss account for Autogrill SpA

(€m)	2004		2003		Change	
Revenues from sales and services to customers	1,054.3	-	1,039.2	-	15.1	1.5%
Other revenues and income	72.2	-	66.3	-	5.9	8.9%
Value of production	**1,126.5**	**100.0%**	**1,105.5**	**100.0%**	**21.0**	**1.9%**
Costs of production	(687.5)	-61.0%	(665.7)	-60.2%	(21.8)	3.3%
Added value	**439.0**	**39.0%**	**439.8**	**39.8%**	**(0.8)**	**-0.2%**
Personnel costs	(259.4)	-23.0%	(255.3)	-23.1%	(4.1)	1.6%
Provisions for contingencies and risks and other provisions	(6.7)	-0.6%	(8.3)	-0.8%	1.6	-19.3%
Other operating charges	(15.3)	-1.4%	(12.1)	-1.1%	(3.2)	26.6%
Gross operating margin	**157.6**	**14.0%**	**164.2**	**14.9%**	**(6.6)**	**-4.0%**
Depreciation, amortisation and write-downs	(58.6)	-5.2%	(60.2)	-5.4%	1.6	-2.7%
Ebit	**99.0**	**8.8%**	**104.0**	**9.4%**	**(5.0)**	**-4.8%**
Net financial income	6.6	0.6%	(4.3)	-0.4%	10.9	-253.6%
Adjustments to financial assets	0.1	0.0%	(56.6)	-5.1%	56.7	-100.1%
Profit before extraordinary items and tax	**105.7**	**9.4%**	**43.1**	**3.9%**	**62.6**	**145.3%**
Extraordinary income and expenses	6.5	0.6%	(1.3)	-0.1%	7.8	-598.7%
Profit before tax	**112.2**	**10.0%**	**41.8**	**3.8%**	**70.4**	**168.4%**
Income tax for the year	(35.0)	-3.1%	(28.3)	-2.6%	(6.7)	23.8%
Profit for the year	**77.2**	**6.8%**	**13.5**	**1.2%**	**63.7**	**471.6%**
Ebitda [1]	**154.0**	**14.6%**	**153.3**	**14.8%**	**0.7**	**0.5%**

[1] the impact of Ebitda in percentage terms is calculated on revenues from sales and services.

For comments on revenue growth, please see the relevant section in the analysis by geographical area.

The increase in 'Other revenues and income' is mainly due to the revised estimate of the cost of refurbishing transferable goods, based on evidence gathered following the expiry of several contracts on 31 December 2003, which resulted in a surplus of €6m being recorded.

The cost of production increased by 0.80 percentage points due to the change in sales mix, with a higher proportion of less profitable "complementary" products. Fiscal year 2004 was also penalised by the additional concession fees paid for new motorway outlets.

Personnel costs increased by 1.6%, with a slightly lower margin impact. This reduction is due not only to the change in sales mix, but also to the increase in productivity made possible by constant adjustments to operating models.

Depreciation, amortisation and write-downs rose to €58.6m (€60.2m in 2003), including write-downs of €0.7m (€4.3m in 2003).

Ebit fell 5% to €99m (€104.0m in 2003). During the period, net financial income of €6.6m was recorded, compared with net expenses of €4.3m in 2003.

This item consists of:

- dividends of €38m (€5.6m in 2003);
- loan arrangement fees of €6.6m;
- €13m expense relating to the loss-making sale to Autogrill Group Inc., under market conditions, of interest rate swaps for a national value $260m;
- the market valuation of the remaining interest rate swaps (-€4.7m), which owing to the reduction in debt are no longer correlated to exposure.

Conversely, value adjustments and losses on the disposal of financial assets fell by €56.6m to €0.1m and relate to the effects of the valuation of equity investments according to the equity method. The improvement in the contribution from subsidiaries, analysed earlier on in this Board of Directors' Report from the point of view of performance of ordinary operations, benefited from the €27m reduction in goodwill depreciation and the gain on acquisitions of North American part-owned companies following the revision of useful life, the reasons for which have already been commented on, and the €9.5m compensation paid to Autogrill Overseas for losses on financial derivatives caused by the Parent Company.

Extraordinary items generated net income of €6.5m, compared with the net expense of €1.3m in 2003, resulting from:

1. the reversal of previous depreciation, excluding the corresponding tax effect, for €21.1m, due to 'tax adjustments';
2. the €5.3m expense incurred to settle a dispute over derivatives which arose during the period, illustrated on page 22;
3. the aforementioned compensation of €9.5m paid to Autogrill Overseas SA.

Pre-tax earnings totalled €112.2m (€41.8m in 2003), while net income was €77.2m (€13.5m in 2003), after local business tax of €15.2m (€15.1m in 2003) and corporation tax of €19.8m.

Balance sheet

(€m)	31.12.2004	31.12.2003	Change
A) Fixed assets			
Intangible	97.7	86.6	11.1
Tangible	105.0	106.7	(1.7)
Financial	90.5	93.4	(2.9)
	293.2	**286.7**	**6.5**
B) Working capital			
Inventories	41.6	39.4	2.2
Trade receivables	35.4	34.5	0.9
Other assets	39.6	59.1	(19.5)
Trade payables	(233.9)	(201.7)	(32.2)
Provisions for contingencies and charges	(15.6)	(12.8)	(2.8)
Other current liabilities	(50.0)	(60.9)	10.9
	(182.9)	**(142.4)**	**(40.5)**
C) Capital invested, less working capital	**110.3**	**144.3**	**(34.0)**
D) Employee termination benefits and other medium to long-term liabilities, other than financial liabilities	**(94.5)**	**(103.1)**	**8.6**
E) Net capital invested	**15.8**	**41.2**	**(25.4)**
Financed by:			
F) Net equity	**218.8**	**142.0**	**76.8**
G) Medium to long-term financial debt	**367.4**	**88.3**	**279.1**
H) Short term positive net financial position			
Current financial debt	163.0	32.0	131.0
Liquid funds and current receivables	(733.4)	(221.1)	(512.3)
	(570.4)	**(189.1)**	**(381.3)**
Positive net financial position (G+H)	**(203.0)**	**(100.8)**	**(102.2)**
I) Total, as in E)	**15.8**	**41.2**	**(25.4)**

The main changes were as follows:

- a net increase of €6.5m in fixed assets, originating from capital investments net of depreciation, amortisation and write-downs;
- a change in capital for the period of €40.5m, mainly due to a reduction in 'other assets' of €19.5m and an increase in trade payables of €32.2m;
- an increase of €76.8m in capital funds, mainly linked with the profit posted in 2004;
- a €102.2m increase in net financial assets (which stood at €203m in 2004, compared with €100.8m in 2003), mainly used to increase finance for subsidiaries, replacing some of the amounts borrowed from banks.

Statement of cash flows

(€m)	2004	2003
Opening net short-term debt	**189.1**	**95.5**
Net income for the period	77.2	13.5
Depreciation and amortisation, excluding reversals for 'tax adjustments'	22.7	59.0
(Gains)/losses on the disposal of fixed assets	(0.4)	(6.0)
Write-down of long-term investments, excluding revaluations	2.8	57.6
Provisions for risks and liabilities, net	2.8	(6.4)
Changes in working capital	37.7	5.3
Net change in employee termination benefits and other medium/long-term liabilities	(8.5)	5.1
Cash flow from operations	**134.3**	**128.1**
Investments in fixed assets:		
intangible	(12.3)	(17.6)
tangible	(21.1)	(35.2)
financial	0.0	(35.4)
Selling-off price of assets sold:		
tangible	1.3	18.3
financial	0.0	5.2
Cash flow from investments	**(32.1)**	**(64.7)**
Medium/long-term finance raised	342.4	
Repayment and short-term transfer of medium/long-term financing commitments	(63.3)	(16.8)
Medium and medium/long term investments	0.0	47.0
Cash flow from financing operations	**279.1**	**30.2**
Cash flow for the period	**381.3**	**93.6**
Short term positive net financial position	**570.4**	**189.1**
Medium- to long-term financial debt	**(367.4)**	**(88.3)**
Positive net financial position	**203.0**	**100.8**

Employee termination benefits and selling-off price of assets sold need to be changed.

Operations during the period generated cash flow of €134.3m, equivalent to 12% of the value of production and up €6.2m on 2003.
Investments in the sales network totalled €33.3m. These consisted of the following:

Purpose	Amount (€m)	Percentage
Development	13.6	41.0%
Maintenance of sales network	13.8	41.3%
Other	5.9	17.7%
Total	**33.3**	**100.0%**

Distribution channel	Amount (€m)	Percentage
Motorways	20.8	62.5%
Railway stations	0.7	2.1%
Airports	0.5	1.5%
Non-concession	5.1	15.3%
Not allocated	6.2	18.6%
Total	**33.3**	**100.0%**

Investment on the Motorway channel involved the construction of a new two-storey bar at Esino Ovest service station and restructuring at Flaminia Est and Lario Est. New outlets also opened at Civitanova Sud and Nord, Terni Nord and Sud, Potenza and Bagali Est.

In the Railway Stations channel, development chiefly related to the expansion of operations at Roma Termini station.

At non-concession sites, investment was insuerred on a new Spizzico outlet in Piazza Brà in Verona, and construction began on the restyling of the ground floor of the Duomo Store outlet in Milan. New outlets also opened at shopping centres in Assago (Milano) and Vicolungo (Novara), two new company food & beverage outlets opened at Vodafone's head office in Milan, one of them public, and new bars were set up at the Padova and Torino fairs.

Investments in Information Technology, classified as "not-allocated", absorbed €4.9m, mainly to set up a management system for outlet staff.

Personnel and organisation

At year-end, 10,898 employees were on the payroll, 476 less than the previous year, largely owing to the non-renewal of some motorway concessions. At the Italian and Corporate head offices, the year-end headcount was 419 (three less than at 31 December 2003).

12.2 Key subsidiaries

The Group's corporate structure reflects the geographical distribution of operations.
In terms of organisation, some operating companies are controlled by subholding companies.
In 2004, the Group implemented a plan to concentrate resources dedicated to the coordination and development of international operations at Autogrill International Srl and to streamline areas of operation within the corporate structure.
At 31 December 2004, the Parent Company directly controlled the following holding companies:

Autogrill International Srl (100% controlled)

Formerly known as Autogrill Café until September 2003 this company was involved in catering at Roma Termini station. In 2004, the company took over management, coordination and development of the Group's international operations, its first task being to acquire control of Autogrill Overseas SA (Luxemburg), which coordinates Group operations outside the European Union through Autogrill Group, Inc. (formerly HMSHost Corp.) and Autogrill Schweiz AG.
The 2004 financial year closed on a profit of €33.1m, largely due to the dividend the subsidiary was expected to distribute.

Autogrill Europe Nord-Ouest SA (99.999% controlled)

This company is responsible for coordinating the Group's operations in Belgium, France, Luxembourg and the Netherlands.
It ended the year on a loss of €0.9m, reflecting the economic situation in this area.

Autogrill Finance SA (99.999% controlled)

This company provides financial support for Group development. In June 2004, it repaid approximately 90% of the fifteen-year debenture loan, convertible into Autogrill SpA shares issued in June 1999.
At 31 December 2004, the residual debenture loan totalled a nominal €47m (€39m excluding the implicit accrued interest). It ended the year with a net profit of €1.2m.

Key data for the main operating subsidiaries

	2004	2003
Holding de Participations Autogrill SAS - France (consolidated)		
(€k)		
- Turnover	208,307	200,063
- Net income	1,138	1,755
- Net debt	58,970	64,584
- Net equity	84,586	83,448
Autogrill Belgie NV - Belgium (consolidated)		
(€k)		
- Turnover	39,423	39,546
- Net income	(545)	(1,891)
- Net debt	16,584	13,607
- Net equity	24,854	28,528
Autogrill Nederland BV - The Netherlands (consolidated)		
(€k)		
- Turnover	42,900	45,913
- Net income	1,172	(570)
- Net debt	25,438	27,186
- Net equity	59,549	60,319
Autogrill España SA - Spain (consolidated)		
(€k)		
- Turnover	87,237	83,484
- Net income	3,426	2,794
- Net debt	31,369	33,362
- Net equity	12,873	12,241
Autogrill Austria AG - Austria		
(€k)		
- Turnover	20,653	21,416
- Net income	1,785	(649)
- Net debt	5,566	6,540
- Net equity	6,635	6,944
Autogrill Hellas EpE - Greece		
(€k)		
- Turnover	7,880	7,471
- Net income	608	659
- Net debt	(2,046)	(1,529)
- Net equity	1,784	1,827
Autogrill Group, Inc. - (U.S.A.) (consolidated)		
(k$)		
- Turnover	2,005,576	1,786,900
- Net income	48,407	19,114
- Net debt	331,246	425,056
- Net equity	221,601	169,169
Autogrill Schweiz AG - Switzerland (consolidated)		
(kChf)		
- Turnover	164,962	178,565
- Net income	4,195	(14,067)
- Net debt	25,768	28,870
- Net equity	(5,847)	(9,984)

Proposals to the shareholders' meeting

Allocation of profit for the year

The year ended 31 December 2004 closed with a net profit of €77,165,000.
The Board of Directors recommends a dividend payment, excluding any statutory deductions, of €0.20 per share.

Shareholders,

In the event that you agree to this proposal, we would invite you to ratify the following resolution:

The Ordinary Shareholders' Meeting, in acknowledgement of the Board of Auditor's report and having examined the financial statements for the year ended 31 December 2004, which closed with a net profit of €77,165,000,

resolves

A to approve
- the Board of Directors' Report;
- the balance sheet, profit and loss account and notes to the financial statements for the year ended 31 December 2004, which show a profit of €77,165,000;

B to allocate the profit of €77,165,000 for the period as follows:

• 5% to the legal reserve	€3,858,250
• €0.20 to 254,400,000 shares, totalling	€50,880,000
• to other suitable reserves	€22,426,750

Reappointment of the Board of Directors

Shareholders,

As you know, our mandate expires once the financial statements for the 2004 financial year have been approved. We would therefore ask you to appoint the new Board of Directors today.
Thank you for the trust placed in us.

Proposed purchase of treasury shares

Shareholders,

We hereby submit for your approval a request for authorisation to buy and sell own shares. Pursuant to Articles 73 and 93 of CONSOB Regulation No. 11971 of 14 May 1999, as subsequently amended, we have illustrated the terms and conditions of the operation below.

1. **Reasons why authorisation to buy and/or sell own shares is requested.**
   Since available reserves have been set up for this purpose, and in line with the policy adopted by your company recently, this request is intended to help safeguard the value of your company and allow directors to support the share price, particularly with regard to market contingencies, encouraging normal trading and allowing the Board to have a stabilising effect on the market.
2. **Maximum number, category and nominal value of the shares to which the authorisation refers.**
   The maximum number of shares which we propose to buy and subsequently resell, on one or more occasions, is 2,000,000 (two million) ordinary shares in the company with a nominal value of €0.52 (fifty-two euro cents) each.
3. **Relevant information used to assess conformity with the provisions laid down by Article 2357, paragraph 3 of the Civil Code.**
   The maximum number of shares to which the authorisation in question relates is equivalent to 0.8% of the 254,400,000 ordinary shares comprising the share capital. Therefore, this is strictly in accordance with the terms of Article 2357, paragraph 3 of the Civil Code. To date, neither the company nor its subsidiaries possess any ordinary shares of the company.
   To implement the proposed operation, available reserves totalling €29,352,281 (twenty-nine million three hundred and fifty-two thousand two hundred and eight-one euros) have been recognised in the company's financial statements for the year ended 31 December 2004 (approved). For this purpose, €28,000,000.00 (twenty-eight million euros) will be allocated to a special 'Treasury shares purchase reserve'.
4. **The period during which the authorisation is requested.**
   The authorisation is requested for a period of 18 (eighteen) months from the date on which the Meeting adopts the corresponding resolution, during which time the operations mentioned concerning own shares will be carried out on one or more occasions.
5. **Minimum and maximum fee and market valuation based on which these will be determined.**
   The fee, including purchase costs, which we propose paying in consideration of the share purchase is at least €0.52 (corresponding to the nominal share value) and no more than the average official share price for the previous three (3) sessions, plus 5% (five per cent).
   However, with regard to the fee for the sale of shares, this will at least be the average weighted price at which own shares occasionally held in portfolio are purchased from the company.
6. **Terms and conditions of buying and selling.**
   Shares will be bought and sold on the market, in accordance with procedures agreed with the market regulator, to ensure fair treatment of shareholders in accordance with Article 132 of Legislative Decree 58 of 24 February 1998.
7. **Information in cases where the purchase operation is instrumental to the reduction of capital**
   Buying is not instrumental to the reduction of share capital by cancelling own shares which have been purchased.

Proposal for a resolution

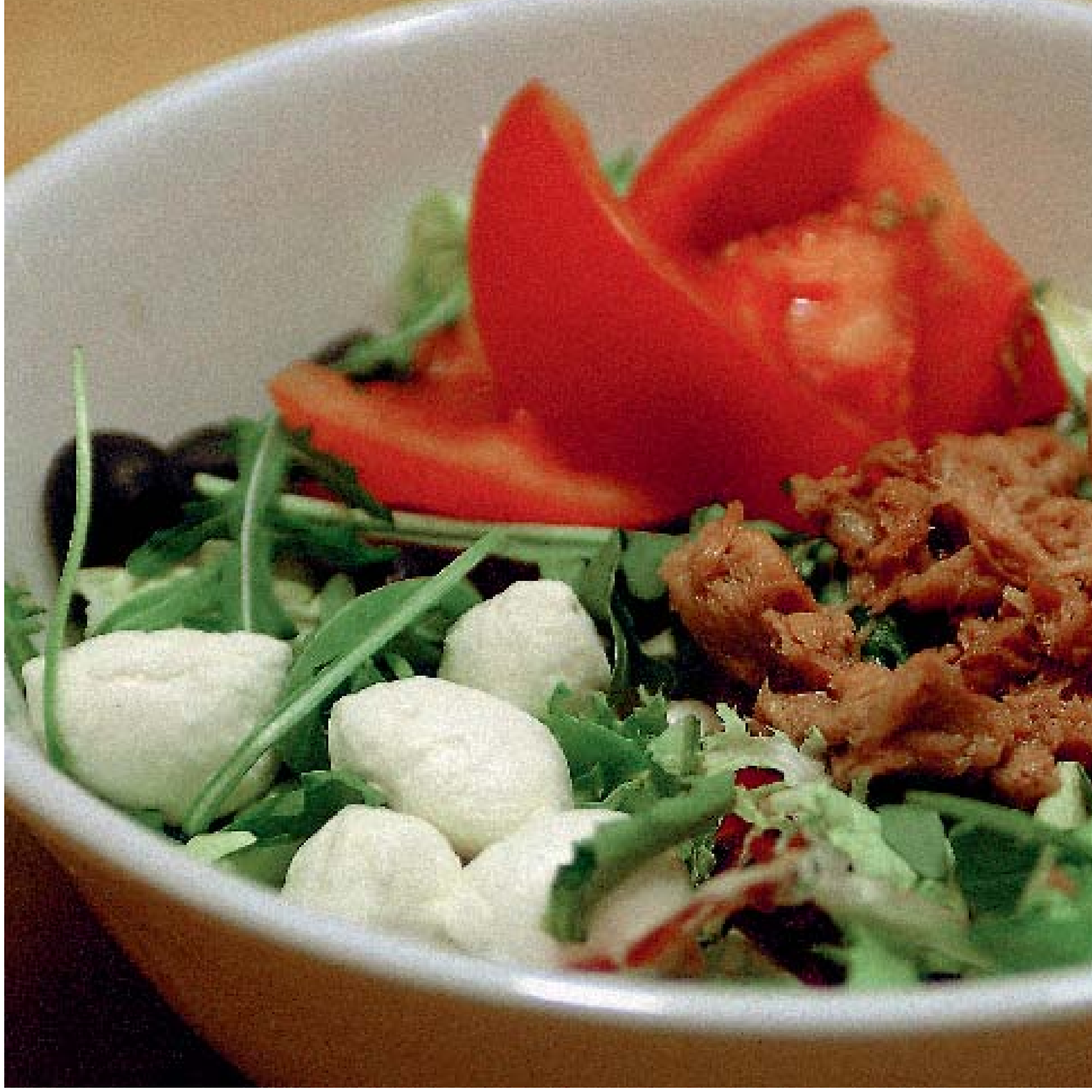
Shareholders,

Provided you agree to this proposal, we hereby submit the following resolution for your approval:
"The Ordinary Meeting of the Shareholders of Autogrill SpA, having examined the Board of Directors' report, having read the financial statements for the year ended 31 December 2004, approved this day by the Ordinary Meeting of the Shareholders, and in consideration of the favourable opinion of the Board of Auditors,

resolves

1. to authorise, in accordance with Article 2357 of the Civil Code, for a period of 18 (eighteen) months from the date of this meeting resolution, to buy and subsequently sell, on one or more occasions and at any time, a maximum of 2,000,000 (two million) ordinary shares in Autogrill SpA with the nominal value of €0.52 (fifty-two euro cents) each. The fee for the share purchase, including purchase costs, is at least €0.52 (nominal share value) and no more than the average official share price for the previous three sessions, plus 5% (five per cent).
   However, with regard to the fee for the sale of shares, this will at least be the average weighted price at which own shares occasionally held in portfolio are purchased from the company. Own shares will be bought subject to the maximum appropriation of the own shares purchase reserve of €28,000,000 (twenty-eight million) and in accordance with the law, and thus subject to available reserves as evidenced by the most recent approved financial statements. Shares will be bought and sold on the market, in accordance with procedures agreed with the market regulator, to ensure fair treatment of shareholders in accordance with Article 132 of Legislative Decree 58 of 24 February 1998.
2. to authorise the Board of Directors to identify, in accordance with the statutory requirements applicable to the release of existing reserves, which reserves will be used to set up, with reference to each purchase of own shares, the non-disposable reserve referred to in the last paragraph of Article 2357-b of the Civil Code;
3. to stipulate that, in the case of the sale of own shares, the reserve set up in accordance with Article 2357-b, final paragraph of the Civil Code will be reduced proportionately so that the reserves made available can be used again for further purchases, subject to the terms and conditions of this resolution;
4. to authorise the Chairman of the Board of Directors and the Managing Director so that, separately and if necessary via special representatives, they can implement the operations described in this resolution, carry out the relevant assessments and inspections and draw up the necessary contracts, in addition to performing any other related tasks, obligations and formalities, barring none."

Autogrill Group
Consolidated financial statements at 31 December 2004



Consolidated balance sheet

(€k) ASSETS	31.12.2004	31.12.2003	Variation
A) Due from shareholders for unpaid capital	-	-	-
B) Fixed assets			
I - Intangible assets			
1) Start-up and expansion costs	55	162	(107)
4) Concessions, licences, trademarks and similar rights	27,263	29,209	(1,946)
5) Goodwill	364,869	422,484	(57,615)
5 bis) Consolidation difference	265,320	293,330	(28,010)
6) Intangible assets in progress and advances	3,874	4,015	(141)
7) Other:			
a) leasehold improvements	229,259	218,821	10,438
b) other	21,421	22,805	(1,384)
Total	**912,061**	**990,826**	**(78,765)**
II - Tangible assets			
1) Land and buildings	56,716	58,038	(1,322)
2) Plant and machinery	50,566	54,388	(3,822)
3) Industrial and commercial equipment	125,689	119,471	6,218
3 bis) Freely transferable assets	148,015	154,936	(6,921)
4) Other assets	7,526	8,518	(992)
5) Construction in progress	65,357	94,193	(28,836)
Total	**453,869**	**489,544**	**(35,675)**
III - Financial assets			
1) Investments in:			
b) affiliated companies	1,903	2,337	(434)
d) other companies	157	99	58
2) Receivables:			
b) due from affiliated companies	373	567	(194)
d) due from others:			
* amount due within one year	3,326	1,263	2,063
* amount due after one year	13,180	15,769	(2,589)
3) Other fixed investments	295	295	-
Total	**19,234**	**20,330**	**(1,096)**
Total fixed assets	**1,385,164**	**1,500,700**	**(115,536)**
C) Working capital			
I - Inventories	**87,299**	**87,912**	**(613)**
II - Accounts receivable			
1) Trade receivables	49,004	49,970	(966)
3) Due from affiliated companies	3,002	2,606	396
4) Due from Parent Company	3,447	-	3,447
4 bis) Tax credits	10,402	6,919	3,483
4 ter) Tax advances:			
* amount due within one year	21,993	23,755	(1,762)
* amount due after one year	86,241	119,612	(33,371)
5) Due from other	67,261	55,172	12,089
Total	**241,350**	**258,034**	**(16,684)**
III - Current financial assets	-	-	-
IV - Cash and cash equivalents			
1) Cash at bank	223,309	104,215	119,094
3) Cash in hand	33,342	38,329	(4,987)
Total	**256,651**	**142,544**	**114,107**
Total working capital	**585,300**	**488,490**	**96,810**
D) Prepayments and deferred income			
a) bond discounts	8,138	88,077	(79,939)
b) other prepayments and deferred income	17,000	22,846	(5,846)
Total	**25,138**	**110,923**	**(85,785)**
TOTAL ASSETS	**1,995,602**	**2,100,113**	**(104,511)**

(€k) NET EQUITY & LIABILITIES	31.12.2004	31.12.2003	Variation
A) Net equity			
I - Share capital	**132,288**	**132,288**	-
II - Share premium account	-	-	-
III - Revaluation reserve	-	-	-
IV - Legal reserve	**2,387**	**1,712**	**675**
V - Reserves required by the memorandum and articles of association or by contract	-	-	-
VI - Non-distributable reserves	-	-	-
VII - Other reserves	**122,172**	**77,257**	**44,915**
VIII - Profit carried forward	-	-	-
IX - Profit for the year	**52,683**	**50,174**	**2,509**
Group net equity	**309,530**	**261,431**	**48,099**
Minority interests	**22,400**	**21,786**	**614**
Total	**331,930**	**283,217**	**48,713**
B) Provisions for contingencies and charges			
1) For redundancy schemes and similar obligations	10,262	9,507	755
2) Tax reserve (inc. deferred taxes)	27,371	25,478	1,893
3) Other provisions	37,125	41,031	(3,906)
Total	**74,758**	**76,016**	**(1,258)**
C) Employee termination benefits	**94,405**	**94,117**	**288**
D) Accounts payable			
1) Bonds:			
* amount due after one year	271,639	292,955	(21,316)
2) Convertible bonds:			
* amount due within one year	-	471,055	(471,055)
* amount due after one year	47,680	-	47,680
4) Payables to bank:			
* amount due within one year	157,392	214,678	(57,286)
* amount due after one year	377,074	22,852	354,222
5) Payables to other financial institutions:			
* amount due within one year	4,007	3,338	669
* amount due after one year	8,329	5,330	2,999
6) Advances	115	136	(21)
7) Trade payables	423,987	406,545	17,442
11) Payables due to Parent companies	7,054	426	6,628
12) Payables due to tax authorities	26,463	43,090	(16,627)
13) Social security and welfare liabilities	28,768	28,125	643
14) Payables due to others:			
* amount due within one year	118,372	128,158	(9,786)
* amount due after one year	5,460	7,414	(1,954)
Total	**1,476,340**	**1,624,102**	**(147,762)**
E) Prepayments and deferred income	**18,169**	**22,661**	**(4,492)**
TOTAL LIABILITIES	**1,995,602**	**2,100,113**	**(104,511)**

MEMORANDUM ACCOUNTS	31.12.2004	31.12.2003	Variation
Surety and personal guarantees given	**67,375**	**41,088**	**26,287**
Collateral security for payables recorded in the accounts	**2,354**	**2,354**	-
Purchase and sale commitments	**1,171,741**	**1,033,884**	**137,857**
Other commitments	**25,980**	**26,014**	**(34)**
TOTAL MEMORANDUM ACCOUNTS	**1,267,450**	**1,103,340**	**164,110**

Consolidated profit and loss account

(€k)	2004	2003	Variation
A) Value of production			
1) Revenues from sales and services	3,245,611	3,180,742	64,869
5) Other income & revenues	96,324	87,899	8,425
Total	**3,341,935**	**3,268,641**	**73,294**
B) Costs of production			
6) Raw materials and consumables	1,159,867	1,113,299	46,568
7) Services	300,817	306,681	(5,864)
8) Leases and rentals	441,701	419,978	21,723
9) Personnel:			
a) wages and salaries	754,887	758,685	(3,798)
b) social security contributions	134,892	131,337	3,555
c) employee termination benefits	15,690	15,996	(306)
d) redundancy schemes and similar	1,684	592	1,092
e) other costs	48,501	49,097	(596)
10) Amortisation, depreciation and write-downs:			
a) Amortisation of intangible assets	146,010	169,868	(23,858)
b) Depreciation of tangible assets	82,779	82,914	(135)
c) write-down of tangible and intangible assets	8,472	16,890	(8,418)
d) provisions for doubtful accounts receivable listed under current and liquid assets	3,787	4,435	(648)
11) Change in inventory	(2,359)	(7,086)	4,727
12) Provisions for contingencies	11,380	9,712	1,668
13) Other provisions	712	3,820	(3,108)
14) Other operating costs	31,539	35,729	(4,190)
Total	**3,140,359**	**3,111,947**	**28,412**
Difference between value and cost of production (A-B)	**201,576**	**156,694**	**44,882**
C) Financial income and charges			
15) Income from equity investments	-	-	-
16) Other financial income:			
d) other income	6,898	13,456	(6,558)
17) Interest and other financial charges:			
a) due to credit institutions	(15,036)	(10,520)	(4,516)
b) losses on investments in affiliated companies	-	(7,221)	7,221
c) due to third parties	(22,315)	(26,301)	3,986
d) due to others	(33,327)	(42,978)	9,651
17 bis) Foreign exchange gains and losses	5,924	1,745	4,179
Total	**(57,856)**	**(71,819)**	**13,963**
D) Adjustments to the value of financial assets			
18) Revaluation of securities recognised as current assets:			
a) equity investments	1,119	498	621
19) Write-downs:			
a) equity investments	-	(97)	97
Total	**1,119**	**401**	**718**
E) Extraordinary income and expenses			
20) Other income	93	15,437	(15,344)
21) Other expenses	(5,288)	(2,945)	(2,343)
Total	**(5,195)**	**12,492**	**(17,687)**
Profit before tax	**139,644**	**97,768**	**41,876**
22) Income taxes for the year (current, deferred and prepaid)	(79,848)	(40,822)	(39,026)
Profit for the year	**59,796**	**56,946**	**2,850**
23) Minorities	7,113	6,772	341
Net profit for the year (Group)	**52,683**	**50,174**	**2,509**

Notes to the consolidated financial statements at 31 December 2004

Basis of preparation

Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with the regulations of Legislative Decree 127/1991, para III, which implements the EC VII Directive.

The Notes are provided to illustrate, analyse and, in certain cases, add further details to the financial statements, and contain the information required by Article No. 38 and other regulations set out in Legislative Decree 127/1991.

The valuation criteria adopted for the preparation of the financial statements at 31 December 2004 are consistent with those adopted to prepare the financial statements for the year ended 31 December 2003.

In addition, to ensure uniformity and comparability of the financial statements at 31 December 2004 with the financial statements at 31 December 2003, previously published, a number of reclassifications were made to the latter without any effect on the net equity and profit amounts stated therein.

In order to comply with Legislative Decree 6/2003, the following reclassifications were made:

- exchange rate profits and losses at line 17 bis have been reclassified by indicating them separately under line 16 d). and 17 d) respectively.
- Other credits at line 5) have been reclassified by specifying the amount relating to Tax credits under line 4-bis and the one relating to Tax advances under line 4-ter.

Other reclassifications, the nature and entity of which is provided in the relevant detailed notes, are as follows:

- From 'Other financial income' to 'other income'.
- From'Costs for services' to 'Provision for contingencies and risks'.
- From 'Plant and machinery' to 'Land and buildings'.
- From 'Land and buildings' to 'Revertible assets'.
- From 'Concessions' to 'Other intangible fixed assets'.
- From 'Other receivables' under working capital to 'Trade receivables'.
- From 'Provision for taxation, including deferred taxes' to 'Sums due to taxation authorities'.

The amounts indicated in the notes are stated in thousands of Euros (represented with the symbol k€).

Group activities

Autogrill SpA, directly and through its subsidiary companies, operates in 14 countries in the food & beverage retail and other services market for travellers, as well as in the modern quick service food & beverage market, in areas with considerable consumer traffic.

Format and content of financial statements

In accordance with Article No.26 of Legislative Decree 127/1991, the consolidated financial statements include the financial statements, at 31 December 2004, of Autogrill SpA and all the companies in which the Parent Company, either directly or indirectly, holds the majority of the voting rights or has a dominant influence. This latter category includes the following: Soborest SA, Sorebo SA, Soberest SA, Volcarest SA and SRSRA SA, which are considered to be subsidiary companies by virtue of a 50% stake in the companies' share capital and a contract entitling the Group to manage their activities.

The financial year-end of HMSHost Corp. and its subsidiaries is the last Friday of December and their financial year is divided into 13 periods of four weeks each, in turn, grouped into "quarters" of 12 weeks, with the exception of the last quarter, which is of 16 weeks. As a result, the financial statements of these companies, which are included in the consolidated financial statement presented hereinafter, relate to the period 3 January - 31 December 2004, whereas comparatives relate to the period 4 January 2003 - 2 January 2004.
The companies included in the scope of the consolidation are listed in the Appendix on page 97.
The financial statements of subsidiary companies have been reclassified to ensure that their format was consistent with the one adopted by the Parent Company, in accordance with the regulations of the Italian Civil Code, as amended by Legislative Decree 6/2003.

Unlike the financial statements at 31 December 2003, starting from June 2004 the scope of consolidation of the current financial year includes also SGRR SA (Société de Gestion de Restauration Routière) which generated 0.1% of consolidated revenues.
As the above acquisition is not considered to be material, pro forma comparatives have not been prepared. Similarly, with regard to the 95% takeover of Anton Airfood Inc., on 10 June 2003, no pro forma data were required for the purposes of comparing the profit and loss accounts of the years 2003 and 2004 as costs and revenues had been consolidated taking into account the entire 2003 financial year, apart from eliminating the proportion of minority's pre-acquisition profit included in the profit and loss account under the item 'Minority interests'.
Any significant effect on balance sheet items is specified in the detailed notes to the financial statements.

The following is the balance sheet of SGRR SA at the time of acquisition:

(€m)	SGRR SA
Fixed assets	6,0
Working capital	(1.5)
Net capital invested	4.5
Group's net equity	2.1
Medium-long term financial indebtedness	1.4
Short-term net financial position	1.0
Net financial position	2.4
Total	**4.5**
Carrying value of the investment	4.4
Consolidation difference	2.3

The consolidation difference is amortised over seven years, corresponding to the average duration of concessions at the time of acquisition.

Consolidation principles

The most significant consolidation principles adopted for preparing the financial statements are the following:

A. The consolidated financial statements include the total amount of assets, liabilities, revenues and expenses of the companies consolidated on a line-by-line basis, the carrying value of the relevant investments being offset against the related share of the underlying net assets. In the year in which a company is included in the scope of consolidation for the first time, any excess in the acquisition cost of the investment over the value of the corresponding interest in net equity at the date of acquisition is posted as an adjustment to the relevant asset accounts. Any unallocated balance is posted to Consolidation difference.
Any deficit arising from the elimination of the value of the investment is added to the Consolidation reserve for future risks and charges, if attributable to the expectation of poor operating results, otherwise it is recorded under Consolidation reserve.
The consolidation differences are amortised on a straight-line basis over their useful lives as detailed in the section 'Comments on the main balance sheet assets' under Intangible fixed assets.

B. Elimination of all significant intercompany debit and credit balances as well as intercompany revenues and costs of companies included in the consolidation area, including dividends distributed within the Group.
Any profits arising on intragroup transactions and which have not yet been realised through transactions with third parties, as well as any capital gains and losses deriving from intragroup transactions are also eliminated.

C. As regards the application by the Parent Company of the provision prescribed by Legislative Decree 6/2003 in relation to the elimination of tax interferences in the preparation of the financial statements for the year, the effect on the profit and loss account of the Parent Company included under Extraordinary income and expense has been offset by a corresponding increase in Retained earnings carried forward as the tax interference had already been offset in the consolidated financial statements of previous years.

D. as regards the financial statements of subsidiaries in non-EMU countries, all assets and liabilities are translated into euros by applying the exchange rate in force at the balance sheet date, and all profit and loss account items by applying the average exchange rate for the period. Any exchange rate differences arising from the conversion of opening net equity and of the profit/loss for the period at year-end exchange are booked directly to net equity under 'Other reserves'.
The exchange rates used to translate foreign currency financial statements into euros are as follows:

	2004		2003	
	year-end exchange rate	average exchange rate	year-end exchange rate	average exchange rate
U.S. dollar	1.3621	1.2439	1.2630	1.1312
Canadian dollar	1.6416	1.6168	1.6234	1.5817
Swiss franc	1.5429	1.5438	1.5579	1.5212

E. Uniform valuation and classification criteria used by the companies included in the scope of consolidation.

Valuation criteria

The valuation criteria adopted for the most significant financial statement items, which are the same as those adopted in the previous financial year, are as follows:

Intangible assets: intangible fixed assets are stated at acquisition or production cost, including directly attributable accessory costs, and are amortised based on their useful economic lives. The cost of improvements made to third parties' property or businesses has been amortised over the shorter of the useful economic life of the costs incurred and the unexpired term of the lease.

Intangible fixed assets other than the above are usually amortised over a period of five years, which corresponds to their expected useful economic life. With regard to the valuation and amortisation criteria applied to goodwill and concessions, licences and trademarks, please refer to the comments under the specific heading. When there is a permanent loss in value, intangibles are written down to their realizable value, regardless of the amortisation already charged. The write-down is reversed if, at a later date, the reasons for the adjustment no longer apply.

Tangible assets: tangible fixed assets are stated at purchase or construction cost, or revalued amount where monetary revaluation laws apply, and depreciated using depreciation rates which reflect the estimated useful economic life of the various categories of fixed assets. As regards reversible assets, these rates are replaced by the ones specified in the financial depreciation plan, if higher. When there is a permanent loss in value, intangibles are written down to their realizable value, regardless of the amortisation already charged. The write-down is reversed if, at a later date, the reasons for the adjustment no longer apply.

Financial leases: assets acquired through "financial leases" are booked under tangible fixed assets at their contractual value with an offsetting entry of equal amount entered among loans payable. The interest share for the period is charged to the profit and loss account under 'Interest and other financial charges'. The contractual value is depreciated using the same criteria as those applied to own tangible fixed assets.

Financial assets: investments in affiliated companies are valued using the equity method. Investments in other companies are valued at cost, using the LIFO method (last in - first out) with annual layers. This is written down for any permanent loss in value, the write-downs being reversed in subsequent years if the reasons for the adjustment no longer apply.

State securities and bonds which the Group intends to hold until their expiry and securities deposited as guarantees are included under financial fixed assets and are stated at purchase cost, adjusted by the current share of the dealing loss calculated over the maximum duration of the loan. In addition, the value of the bonds that are redeemable in advance, by drawing, is adjusted by the loss expected to be incurred in case they are redeemed in advance of maturity.

Inventories: inventories are stated at the lower of purchase or production cost, including any directly attributable accessory costs, and estimated realizable value based on market conditions. The purchase cost is established using the FIFO (first in - first out) method. The companies controlled by Autogrill Group, Inc. determine the cost of goods for resale by applying the detail (or summation) method. Given the high inventory turnover rate, this valuation method approximates the FIFO method.
The value of inventories is adjusted to take into account obsolete or slow-moving items.

Receivable and payables: amounts receivable are stated at their net realisable value. Amounts payable are stated at nominal value. Short-term receivables and payables denominated in foreign currencies are translated into euros using year-end exchange rates. Any exchange profits or losses arising on the conversion of receivables and payables are credited and debited to the profit and loss account pursuant to the provisions of the Italian Civil Code.

If the result of the conversion is a net exchange profit, a special non-distributable net equity reserve is set up.

Prepayments, deferrals and accruals: these include prepayments and accrued income as well as accrued expenses and deferred income, that is income or expense items which relate to more than one financial year and which are therefore included in the financial statements based on the accruals concept of accounting.

In particular, where the fees of concession contracts increase over time they are charged to the profit and loss account by making an accrual calculated on a straight-line basis over the term of the concession.

Employee termination benefits: this provision reflects all liabilities existing at the financial year end in respect of employees on the payroll and is calculated in accordance with legislation and labour contracts currently in force.

Provision for contingencies and charges: these provisions are set up to cover known or foreseeable losses or liabilities of Group companies, based on prudent estimates of the actual amount which will eventually become due. This provision includes specific accruals for maintenance costs which are expected to be incurred at the expiry of current contracts, taking into account normal wear and tear, to comply with the rules governing revertible assets upon returning them and for preservation costs to be incurred in respect of leased businesses, in accordance with current legislation and contractual terms.

Revenue and expenses: revenues from sale of goods and their related purchase costs are recorded at the time ownership changes. Revenue and the costs for services are recorded at the time they are received or rendered. Interest payable and receivable and other income and expenses are recorded on an accruals basis.

Tax payable: the tax charge for the year is calculated by each consolidated company on the basis of a reasonable estimate of taxable income, in accordance with current tax regulations. Italian account Principle No.25 'accounting treatment of income tax' is applied, whereby, complying also with the prudence concept, both tax credits and liabilities are included in the financial statements taking into account the timing differences between the values attributed to assets and liabilities for tax and statutory purposes and taking into account items that, while not attributable to assets and liabilities, can have a deferred-tax impact (e.g. tax loss carry forward). Deferred taxes are also calculated as a result of the consolidation adjustments. These provisions are made taking into account the tax regimes in force at the time the tax is due, if known.

Following the introduction in Italy of the Domestic Tax Consolidation enacted by Legislative Decree no. 344 of 12 December 2003, the controlling company Edizione Holding opted for Group taxation with effect from the 2004 tax year and exercised the joint option, which applies for a three-year period and is irrevocable except for specific cases, also for Autogrill SpA. The election for the Domestic Tax Consolidation regime allows the consolidating company to calculate and record the taxable income or loss, and at the same time record a corresponding amount receivable from or payable to the controlling company. The arrangement between the parties, which is regulated by a contract, provides for the recognition of the value calculated by multiplying the amount of the tax profits/losses transferred by the IRES (corporate income tax) rate.

Derivative financial instruments: off-balance sheet financial instruments, used to hedge against exchange rate and interest rate risks, are included in Memorandum accounts, under Commitments, at their notional amount at the time the contract is signed. In particular, the sale and purchase contracts of foreign currency are stated at their equivalent in Euros at the forward exchange rate whereas Interest Rate Swaps are stated at their equivalent in Euros at the balance sheet date. Income and charges relating to these contracts are credited/debited to the profit and loss account over the duration of the contract, with a corresponding prepayment, accrual or deferral in the balance sheet.

Options acquired or transferred are included in the Memorandum accounts at the notional value of the contract.

Premiums received or paid on options exercised are recognised over the term of the contract.

If negative, the fair value of the options transferred is included under the Other amounts payable, with a corresponding debit in Financial charges. If positive, the fair value is included in the Memorandum accounts. The same applies to derivative financial instruments which are no longer used for hedging.

Memorandum accounts: besides the notional value of the derivative financial instruments described above, the main accounting criteria are as follows:

- personal guarantees provided: these are stated depending on the entity of the commitment undertaken;
- real guarantees provided: if these are pledges on bonds, State securities or non-listed shares, they are stated at their book value; if they are pledges on listed shares, they are stated at market value; if they are represented by property, they are stated at the mortgage value;
- other commitments: if they relate to third parties' assets, used or deposited, they are stated at the value assigned to them by the owner, while if they relate to commitments for the purchase of fixed assets, they are stated at purchase cost.

Other information

Departures from Article No. 2423, para 4 of the Italian Civil Code

None

Impact of exchange rate fluctuations

The Group pursues an exchange rate risk management policy, carried out by financing the main net assets denominated in foreign currencies, that is, US dollars, Swiss francs and Canadian dollars, through amounts payable denominated in the same currency or by carrying out exchange rate transactions which have the same effect.

This does not neutralise the effects of the exchange rate fluctuations on the individual financial statement items. If the effects are significant, they are indicated in the detailed notes of the relevant heading.

Application of the International Financial Reporting Standards

Main differences between IAS/IFRS and the main Italian accounting standards applicable to the Autogrill Group

- Goodwill and consolidation differences: these items must no longer be systematically amortised but regularly evaluated to verify if there are any permanent losses in value (impairment test);
- Employee termination benefits: a debate about the valuation of employee termination benefits is still under way between national and international institutions. The differing views about the nature of employee termination benefits, pursuant to the recommendations of IAS 19 which deals in particular with employee benefits, could lead to different assessments and results. In particular, according to one interpretation, employee termination benefits is similar to "benefits subsequent to the working relationship", just like the "defined benefit plan", where the liability is represented by the present value of expected future payments due to the employees at the end of the working relationship, calculated using the "project unit credit method", to take into account the time lapsing before the actual payment is made. According to another view, this interpretation does not fully reflect the peculiarities of the employee termination benefits, which cannot be found in the labour and employment laws of other countries, therefore, the current method of accounting for this cost according to the Italian Civil Code should be confirmed. Given the interpretative uncertainty, considerations of any sort can only be made when definite interpretations are eventually provided. In any case, the valuation of the employee termination benefits using the two different criteria should not have any significant effects on its representation in the financial statements.
- Derivative instruments: the derivative instruments should be stated in the financial statements and valued at their "fair value". The methods of accounting for derivatives vary depending on whether coverage instruments are in place.
- Extraordinary items: according to the principles stated in the IAS/IFRS, extraordinary items, whatever their nature, may no longer be classified separately in the profit and loss account, but must be classified among ordinary items.

Accounting methods chosen by the Autogrill Group within regard to the available accounting options

- Inventories: the method chosen for the cost calculation is FIFO, already used in the consolidated financial statements
- Valuation of tangible and intangible assets and real estate investments: the Group opted to state these assets, subsequent to their initial entry, at cost net of amortisation or depreciation and any permanent loss in value.

Departures allowed by IFRS 1, which the Autogrill Group intends to take advantage of for the first application of IAS/IFRS (1 January 2004)

- Valuation of revertible tangible fixed assets and intangible assets: the Group will opt to use the book value of these assets, established on the basis of the previous accounting principles, as a replacement of the cost on 1 January 2004, as this complies with the requirements specified by IFRS 1.
- Business combinations: IFRS 3 specifies that business combinations must be accounted for using the "purchase method", by stating the assets and liabilities at the corresponding fair value at the date of acquisition. The Group, in accordance with IFRS 1, will not apply IFRS 3 retroactively to the business combinations which took place before the date of the transition to IAS/IFRS, therefore they will still be accounted for in accordance with the previous accounting principles.
- Financial instruments: as a general rule, IAS/IFRS should be applied retrospectively, however, IFRS 1 allows IAS 39 to be applied to financial statements starting from 1 January 2005. Thus the Group decided to apply it to prepare the consolidated financial statements for 2005 and the related interim accounts starting from the quarterly report at 31 March 2005. The reason behind this decision is the major financial restructuring that took place in 2004 of which the market has been regularly informed in an accurate and timely manner. Therefore, the solution adopted allows, except for the disclosures required by IFRS 1, to show only the financial instruments in place on 1 January 2005, which are already managed and monitored using methods which can guarantee the information required.

Main impacts deriving from the application of IAS/IFRS to the consolidated financial statements (excluding the matters dealt with in the next paragraph concerning revertible assets)

- **Consolidation differences:** this item is no longer amortised but it is subject to an impairment test to establish if any permanent loss in value has occurred. The application of this procedure will lead presumably to an improvement in earnings of future financial years, as the item will no longer be amortised but it will be accounted for in accordance with Italian accounting principles and no significant write-downs are expected to be booked in future financial years due to permanent losses in value.
- **Intangible assets:** 'Leasehold improvements' must be reclassified under tangible fixed assets as, from 1 January 2004, this fixed asset category no longer meets the definition of intangible fixed assets as defined in IAS 38. In addition, any financial charges of loans taken out to carry out such improvements shall be reclassified, as a specific "transaction cost", to establish the effective interest rate to determine the amount of the liability according to the amortised cost method.
- **Derivative instruments:** for the Group, these are "cash flow hedging" derivative hedging instruments (which must be valued and stated in the financial statements at their "fair value". The accounting method adopted involves, as of 1 January 2005, an increase in financial debts and this amount, net of tax, will give rise to a reduction in net equity.

Specific accounting problems not yet defined in relation to the application of IAS/IFRS

- **Revertible assets and restoration and replacement funds:** considering the fact that the IAS/IFRS do not include specific provisions for the accounting criteria applicable to concession services, SIC 29 specifies only the disclosure requirements for financial statements relating to individual service concession arrangements. On 3 March 2005, the IFRIC (international Financial Reporting Interpretation Committee), issued three proposed interpretations which, however, interpret accounting principles and methods already covered by the IAS/IFRS. These documents, in respect of which the IFRIC invites those who may be concerned to send comments by 3 May 2005, are structured as follows:
  - **Draft interpretation No.12 - Determining the accounting model**
    This document proposes two accounting models to be used, depending on the terms of the service concession agreement, namely the "Financial asset model" and the "Intangible asset model".
  - **Draft interpretation No.13 - The financial asset model**
    Under this model, which applies only if the grantor, rather than the users, has the primary responsibility to pay the operator for the concession services, the assets in question are accounted for by the operator as financial assets.
  - **Draft interpretation n. 14 - The intangibile asset model**
    Under this model, which applies in all other cases, the assets in question are accounted for by the operator as intangible assets.

According to the abovementioned draft interpretations, these models apply only to situations where the grantor has "control" of the assets, meaning that it controls or regulates (i) the type of services the operator must provide, (ii) to whom it must provide them and (iii) at what prices. In addition, the grantor must have control of the residual interest in the assets involved at the end of the concession and this interest is significant.
With regard to the Restoration fund, a typical item of the financial statements of concession operators, these interpretation documents confirm the possibility of making provisions, under "IAS 37 - Provision, Contingent Liabilities and Contingent Assets", relating to the estimation of the expenses required to meet the obligations specified in the contracts.

Finally, it is worth noting that these documents provide for:

- the change of accounting criteria to be applied retroactively, unless the effects on the opening balances cannot be reasonably established. To this end, the amounts previously recorded in accordance with the Italian accounting principles can be reclassified as financial or intangible assets depending on which accounting model applies.
- the proposed interpretations to be issued in final form by the end of 2005; therefore, the obligation to adopt the interpretation applies to annual periods beginning on or after 1 January 2006.

Currently, there is no definite interpretation of the criteria applicable to individual cases, in fact, the documents themselves highlight a number of unresolved issues. We may therefore witness a major debate on the matter in the coming months. Based on the above, at present it is not possible to predict the effects on the profit/loss and the net equity.

Comments on the main asset items

Fixed assets

Intangible assets

Intangible fixed assets amounted to €912,061k. For variations occurred since 31 December 2003, please refer to the table of movements on pages 78-79. The newly consolidated entity accounted for €2,803k of Group intangible assets, of which €2,311k relates to the difference arising on consolidation. Translation differences gave rise to an increase of €32,838k.

This item can be broken down as follows:

(€k)	31.12.2004	31.12.2003	Variation
Start-up and expansion costs	55	162	(107)
Concessions, licences, trademarks and similar rights	27,263	29,209	(1,946)
Goodwill	364,869	422,484	(57,615)
Consolidation difference	265,320	293,330	(28,010)
Intangible assets in progress and advances	3,874	4,015	(141)
Other:			
leasehold improvements	229,259	218,821	10,438
other	21,421	22,805	(1,384)
Total	**912,061**	**990,826**	**(78,765)**

Goodwill relates to the residual value of amounts paid for the purpose on the acquisition of food & beverage activities. Goodwill consists mainly of the following:

- commercial goodwill, which accounts for €54,865k of the original €158,644k. The item includes the difference arising on the merger of Autogrill SpA and Finanziaria Autogrill SpA into the Parent Company, which took place in 1997, based on the respective balance sheet values at 31 December 1996. Most of this goodwill relates to the Italian motorway concession activities and is therefore amortised over 12 years, corresponding to the average unexpired term of the concession at the time of the merger;
- the goodwill booked by HMSHost Corp. at the time of the merger with Autogrill Acquisition Co. ($422m of the original $690m, equal to €310,004k). This was amortised over a period of 10 years up to 2001 financial year and then over a period of 15 years up to 2003. As regards the integration with Anton Airfood and the markedly improved profit performance, starting from 2004, the useful economic life of the asset has been aligned to the estimated useful life of the consolidation differences of Anton Airfood. As a result, the amortisation of the goodwill on the American operations will start from 2004 and will be completed by the end of 2023. Compared to the previous financial year, the extension of the useful economic life due to the abovementioned changes entailed a lower amortisation charge of $19m (€15,145k).

Consolidation differences include the differences between the consideration paid to acquire investments and the value of the corresponding net assets at the time of acquisition, attributed to goodwill. Generally, the amortisation period corresponds to the weighted average unexpired term of the concessions awarded to the company at the time of acquisition.

However, in accordance with the prudence concept, the consolidation difference relating to the companies acquired by Autogrill Nederland BV is amortised over 30 years, while the average life of the concessions awarded to them was more than 70 years, and the share of the consolidation difference relating to Anton Airfood Inc., attributable to the possibility of renewing existing concessions and being awarded new ones, which is amortised over 20 years.

Similarly to goodwill, the useful economic life of the consolidation difference of Anton Airfood Inc. was reviewed in 2004 to take into account the consolidated profit improvements and the gradual integration of the activities of Anton Airfood Inc. within the Group, and changed from 5 to 20 years.

Compared to the previous financial year, the review caused a depreciation reduction of €12,586k. Net of the related tax effect, the result for the year benefits from a lower charge of €24,826k.

The current performance of subsidiary companies provides some comfort regarding the possible recovery of the residual value of the consolidation difference through adequate future income flows.

Consolidation differences can be analysed as follows:

	Amortisation period (in years)	Gross value (€k)	Accumulated amortisation (€k)	Net value (€k)
Autogrill Schweiz AG	20	140,224	43,991	96,233
Anton Airfood Inc.	20	83,168	13,535	69,633
Autogrill Côté France S.A.	13	80,414	43,259	37,155
Autogrill Nederland BV	30	28,916	6,755	22,161
Autogrill Restauration Services SA	7	36,709	31,464	5,245
Autogrill Belgie NV	15	23,863	11,179	12,684
Autogrill España SA	10	19,528	19,007	521
Receco SA	15	22,256	4,375	17,881
Autogrill Deutschland GmbH	9	3,125	3,125	-
Société de Gestion de Restauration Routière SA	7	2,311	192	2,119
Minor items	-	3,706	2,018	1,688
Total		**444,220**	**178,900**	**265,320**

In addition to the amortisation for the period,, the change in net book value compared to 31 December 2003 is attributable to the consolidation of SGRR (€2,311k), acquired in June, and to the impact of translation (less €4,450k overall) of the consolidation differences relating to Autogrill Schweiz, denominated in Swiss francs, and Anton Airfood Inc, denominated in US dollars.

Assets under development and payments on account relate mainly to charges incurred for the restoration of leased premises which had not yet been completed at year-end.

Leasehold improvements, included under the item 'Other', relate to the costs incurred to build or make additions to premises and businesses under lease or concession arrangements. In particular, the costs thus classified are those incurred to set up outlets at airports, motorway service areas and US shopping malls, as well as many European outlets.

The increases are due to investment and refurbishment work and further details are provided in the analysis by nature and geographical distribution included in the Directors' Report.

Compared to the figure contained in the published accounts, the 2003 Concession figure is reduced by €636k due to the reclassification of part of the balance under Other intangible fixed assets.

The sellers of the Receco SA shares initiated arbitration proceedings against Autogrill Participaciones SL, asking for the cancellation of the sale contract and the payment of a penalty, not quantified.

This relates to the alleged bad management of the Company and the direct effect this would have on the final selling price, given the contractual mechanism which links the final selling price to the normalised Ebit for 2006.

Autogrill, supported also by the opinions of its legal advisors, is confident that the Arbitration Board will rule that the company had been well run, which is further substantiated, among other things, by the improved profitability despite the unexpected adverse exogenous factors (the Madrid bombing of 11 March 2003 at the Atocha station and the delayed opening of the Madrid-Lérida high-speed line).

The amortisation periods used are as follows:

Start-up and development costs		5 years
Concessions, licences, trademarks		5 years; 30 years for outlet surface rights, corresponding to the duration of the right; duration of the licence for the costs incurred to obtain the authorizations to resell State monopoly goods; 3 years for application software licences.
Goodwill		12 years for the Goodwill relating to the 1997 merger of companies into the Parent Company; 10 years up to 2001 financial year, 15 years up to 2003 and 20 years starting from the 2004 financial year for the Goodwill on the 1999 merger with HMSHost Corp.; maximum 10 years for the goodwill relating to single outlets.
Consolidation differences		Generally, the unexpired term of the concessions at the time of acquisition; 5 years until 2003 for the share attributable to AAI potential new concessions, revised to 20 years starting from 2004.
Other:	Leasehold improvements	The lower of useful economic life and the unexpired contract term.
	Bespoke application software	3 years
	Other	5 years

Tangible assets

This item can be broken down as follows:

(€k)	31.12.2004			31.12.2003		
	Historic cost	Accum. depreciation	Net book value	Historic cost	Accum. depreciation	Net book value
Land and buildings	99,179	42,463	56,716	98,145	40,107	58,038
Plant and machinery	144,353	93,787	50,566	155,099	100,711	54,388
Industrial and commercial equipment	500,660	374,971	125,689	496,751	377,280	119,471
Freely transferable assets	409,163	261,148	148,015	385,807	230,871	154,936
Other assets	46,098	38,572	7,526	44,292	35,774	8,518
Construction in progress	65,357	-	65,357	94,193	-	94,193
Total	**1,264,810**	**810,941**	**453,869**	**1,274,287**	**784,743**	**489,544**

Changes in the scope of consolidation contributed to the final balance of €5,536k while exchange rate translations resulted in a €6,912k decrease.

Assets under construction (€48,973k) relate to the sites under construction in the USA (€94,193k at the end of 2003), mainly in the motorway and airport sectors, and €15,991k for sites under construction in Europe (€17,064k at the end of 2003). Please refer to the Report for details on the main projects under way.

Mortgages have been registered on land and buildings for €2,354k as collateral for loans in principal amount of €1,439k.

Write-downs were made in the year amounting to €9,411k, on the basis of the updated income projections of a number of European outlets. Moreover, the US affiliated company made some reinstatements relating to write-downs booked in previous years for €939k, following the significant and steady income growth of the outlets concerned.

'Land and buildings' and 'Plant and machinery' include, in accordance with the financial asset method, the contract value of fixed assets held under finance leases.

(€k)	31.12.2004			31.12.2003		
	Historic cost	Accum. depreciation	Net book value	Historic cost	Accum. depreciation	Net book value
Land and buildings	4,703	1,585	3,118	3,709	1,210	2,499
Plant and machinery	1,635	836	799	1,635	766	869
Freely transferable assets	13,630	6,502	7,128	2,335	1,406	929
Total	**19,968**	**8,923**	**11,045**	**7,679**	**3,382**	**4,297**

The effects of the revaluations made to the Italian operations pursuant to Law No.72 of 13 March 1983 and Law No. 413 of 30 December 1991 which, at 31 December 2004 amounted to €1,368k net, are set out below:

(€k)	L. 72/83			L. 413/91		
	Cost	Accum. depreciation	Net book value	Cost	Accum. depreciation	Net book value
Land and buildings	65	-	65	66	-	66
Plant and machinery	947	(731)	216	3,592	(2,670)	922
Industrial and commercial equipment	398	(398)	-	-	-	-
Freely transferable assets	1,155	(1,155)	-	-	-	-
Other assets	3,158	(3,158)	-	11,460	(11,361)	99
Construction in progress	23	(23)	-	-	-	-
Total	**5,746**	**(5,465)**	**281**	**15,118**	**(14,031)**	**1,087**

Detailed information about the increases and decreases for the period is included in the Directors' Report and the movements in the table on pages 78-79.

Following a close examination of the various items, carried out in preparation for the transition to IAS/IFRS, the following reclassifications were deemed appropriate with regard to the 2003 data included in the published accounts:

- from Land and buildings to Revertible assets (€39,813k).
- from Plant and machinery to Industrial and commercial equipment (€3,141k);
- from Plant and machinery to Revertible assets (€2,896k);

The main depreciation rates used by Group companies on "own" assets are as follows:

	Percentage rate
Land and buildings	3
Plant and machinery	10-30
Industrial and commercial equipment	15-33.3
Fixtures and fittings [1]	10-20
Motor vehicles [1]	25

[1] Classified in other

Financial assets

Investments in affiliated companies

This item refers to the following investments:

Corporate name	Head office	Local currency	Share capital (thousand)	Equity (€k)	Net profit/(loss) (€k)	(%) ownership	Book value (€k)
Union Services Sàrl	Luxembourg (L)	€	51	115	41	50.00	26
HMSC - AIAL Ltd	Auckland (New Zealand)	Nzd	40	3,023	780	50.00	1,512
Other [1]	USA						365
Total							**1,903**

[1] This item relates to the Anton Airfood Inc. joint-venture investments.

Compared to 31 December 2003, this item showed a net reduction of €434k due to the effect of the variations in the net equity of the companies listed above and to minor investments under Other investments of the US affiliate.

Investments in other companies

The item relates to the following investments:

Corporate name	Head office	Local currency	Share capital (thousand)	Equity (€k)	Net profit/(loss) (€k)	(%) ownership	Book value (€k)
Unique Airport/FIG	Zurich (CH)	Chf	245,615	499,021	11,213	0.11	112
Other	Italy						45
Total							**157**

The investments in Unique Airport are stated at market value.

Receivable from affiliated companies

These amounted in total to €373k (€567k at 31 December 2003) and relate entirely to amounts receivable from North American affiliated companies.

Receivable from others

These amounted to €16,506k and are analysed as follows:

(€k)	31.12.2004		31.12.2003	
	Current	Non-current	Current	Non-current
Interest-bearing deposits with oil companies	-	5,283	-	5,249
Guarantee deposits	654	3,715	289	3,482
Advance tax recoverable from Italian taxation authorities	1,089	-	-	2,574
Other	1,583	4,182	974	4,464
Total	**3,326**	**13,180**	**1,263**	**15,769**
Total current and non-current	**16,506**		**17,032**	

Considering the expected development of the transactions to which they refer, the amounts relating to 'Interest-bearing deposits with oil companies' will be entirely collected after the upcoming fifth financial year.

The interest-bearing advance payments of Italian tax are revalued using the same criteria applied to the employee termination benefits provided for by the Parent Company (2,792% for the year). The recovery of these tax credits, which started in 2000, is expected to take place next year.

The amounts relating to Guarantee deposits and Other amounts receivable will be collected five years from the end of the financial year and amount to €1,190k and €1,015k, respectively.

Other amounts receivable relate mainly to amounts receivables by the US subsidiary from joint-venture partners.

Other investments

These amounted to €295k, unchanged compared to 31 December 2003. The item relates to investments which it intends to hold until maturity. The carrying value does not differ significantly from their market value at 31 December 2004.

Statement of changes in intangible, tangible and financial fixed assets for the year ended 31 December 2004

(€k)

	31 December 2003			Change in gross value						Change in amortization					31 December 2004		
	Gross lordo	Accum. amortisation	Net value	Change in consol. area	Exchange rate differences	Additions	Decrease	Other movements [1]	Total	Change in consol. area	Exchange rate differences	Additions [2]	Decrease	Total	Gross value	Accum. amortisation	Net value
Intangible fixed assets																	
Incorporation and start-up costs	2,761	(2,599)	162	-	-	63	(244)	-	(181)	-	-	(117)	191	74	2,580	(2,525)	55
Concessions, licenses and brands	69,062	(39,853)	29,209	483	(434)	2,194	(1,491)	1,650	2,402	(18)	186	(5,969)	1,453	(4,348)	71,464	(44,201)	27,263
Goodwill	728,749	(306,265)	422,484	-	(40,357)	500	(119)	-	(39,976)	-	14,478	(32,235)	118	(17,639)	688,773	(323,904)	364,869
Consolidation difference	446,000	(152,670)	293,330	2,311	(4,091)	-	-	-	(1,780)	-	1,508	(27,738)	-	(26,230)	444,220	(178,900)	265,320
Assets under development	4,015	-	4,015	-	-	3,556	-	(3,697)	(141)	-	-	-	-	-	3,874	-	3,874
Other	726,087	(484,461)	241,626	70	(38,029)	21,391	(65,565)	75,378	(6,755)	(43)	33,901	(81,580)	63,531	15,809	719,332	(468,652)	250,680
Total	**1,976,674**	**(985,848)**	**990,826**	**2,864**	**(82,911)**	**27,704**	**(67,419)**	**73,331**	**(46,431)**	**(61)**	**50,073**	**(147,639)**	**65,293**	**(32,334)**	**1,930,243**	**(1,018,182)**	**912,061**

	31 December 2003			Change in gross value						Change in depreciation					31 December 2004		
	Gross value	Accum. depreciation	Net value	Change in consol. area	Exchange rate differences	Additions	Decrease	Other movements	Total	Change in consol. area	Exchange rate differences	Additions [2]	Decrease	Total	Gross value	Accum. depreciation	Net value
Tangible fixed assets																	
Land and buildings	98,145	(40,107)	58,038	7	481	435	(579)	690	1,034	-	(208)	(2,707)	559	(2,356)	99,179	(42,463)	56,716
Operating facilities	155,099	(100,711)	54,388	100	779	8,562	(21,485)	1,298	(10,746)	(89)	(547)	(12,144)	19,704	6,924	144,353	(93,787)	50,566
Commercial and operating equipment	496,751	(377,280)	119,471	123	(15,570)	17,509	(31,867)	33,714	3,909	(96)	14,340	(43,555)	31,620	2,309	500,660	(374,971)	125,689
Freely transferable assets	385,807	(230,871)	154,936	10,845	-	8,278	(2,598)	6,831	23,356	(5,382)	-	(27,386)	2,491	(30,277)	409,163	(261,148)	148,015
Other	44,292	(35,774)	8,518	117	(275)	2,450	(1,032)	546	1,806	(108)	235	(3,830)	905	(2,798)	46,098	(38,572)	7,526
Assets under construction & advances [3]	94,193	-	94,193	19	(6,147)	89,202	(392)	(111,518)	(28,836)	-	-	-	-	-	65,357	-	65,357
Total	**1,274,287**	**(784,743)**	**489,544**	**11,211**	**(20,732)**	**126,436**	**(57,953)**	**(68,439)**	**(9,477)**	**(5,675)**	**13,820**	**(89,622)**	**55,279**	**(26,198)**	**1,264,810**	**(810,941)**	**453,869**

	31 December 2003			Change in gross value						Change in adjustment to value					31 December 2004		
	Gross value	Adjustment to value	Net value	Change in consol. area	Exchange rate differences	Additions	Decrease	Other movements	Total	Change in consol. area	Exchange rate differences	Additions	Decrease	Total	Gross value	Adjustment to value	Net value
Financial assets																	
Investments in affiliated companies	9,143	(6,806)	2,337	-	(38)	11		(1,407)	(1,434)	-	(95)	1,095	-	1,000	7,709	(5,806)	1,903
Investments in other enterprises	1,798	(1,699)	99	-	30	33	-	-	63	-	(29)	24	-	(5)	1,861	(1,704)	157
Investment securities	295	-	295	-	0	-	-	-	0	-	-	-	-	-	295	-	295
Financial receivables from others	17,032	-	17,032	6	(776)	3,659	(3,061)	(354)	(526)	-	-	-	-	-	16,506	-	16,506
Fin. receivables from affiliated companies	567	-	567	-	(47)	-	(147)	-	(194)	-	-	-	-	-	373	-	373
Total	**28,835**	**(8,505)**	**20,330**	**6**	**(831)**	**3,703**	**(3,208)**	**(1,761)**	**(2,091)**	**-**	**(124)**	**1,119**	**-**	**995**	**26,744**	**(7,510)**	**19,234**

[1] The net balance of the Other movements reflects the restructuring the nature leasing contracts, now represented using the financial method.

[2] They include devaluations of intangible fixed assets for €1,629k, devaluations and restoration of devaluations of tangible fixed assets for €7,782k and €939k, respectively.

[3] The other movements of the fixed assets in progress reflect reclassifications of the North American activities to the Others entry in the tangible fixed assets for the completion of investments definitively assigned on concession assets.

Working capital

Inventories
This amounted to €87,299k, with a net decrease of €613k due to the exchange rate translation effect, less €3,192k, and changes in the scope of consolidation for a total of plus €220k. The increase, in real terms, is related to the seasonal nature of sales. Inventories can be analysed as follows:

(€k)	31.12.2004	31.12.2003	Variation
Food and beverage and retail	83,530	83,898	(368)
Sundry goods and items	3,769	4,014	(245)
Total	**87,299**	**87,912**	**(613)**

Total inventory is stated net of a €3,385k provision (€2,870k at 31 December 2003) calculated on the basis of management estimates of obsolete and slow-moving inventories.

Accounts receivable

Trade receivables
Trade receivables amounted to €49,004k, down €966k compared to the end of 2003, due to exchange rate translation differences (less €986k).
Receivables arise mainly from supply contracts and franchise agreements and airline vouchers.

The balance shown in the financial statements also includes amounts credited subject to legal dispute of €5,450k (€4,682k on 31 December 2003) and is net of provisions for doubtful debts of €10,594k (€8,857k on 31 December 2003). The provision for bad and doubtful debts changed due to an increase in provision of €3,787k, translation differences of less €138k and utilisations relating mainly to the write-off of bad debts of €1,912k.

The figure shown in last year published accounts included 'Receivables for trade rebates from suppliers' relating to the US affiliate (€3,368k) which had been erroneously recorded in that account and therefore had to be reclassified under Other receivables.

Receivable from affiliated companies
Amounts receivable from affiliated companies amounted to €3,002k and relates mainly to amounts due by North American affiliated companies.

Receivable from Parent companies
These amounted to €3,447k and are represented by amounts receivable from Edizione Holding SpA in respect of 2004 excess tax paid in advance (IRES - Corporation income tax), attributed to Edizione Holding following the election for the Domestic Consolidated Tax regime.

This credit will be claimed in the 2005 financial year.

Tax credits
These amounted to € 10,402k, an increase of €3,483k compared to the 2003 year-end balance. The credits relate to tax advances and other amounts receivable from the Inland Revenue. The increase for the year is mainly due a tax credit of €1,370k relating to the French government's recognition of the contributions made by companies operating in the food & beverage sector and to the tax credit of €840k established following a tax audit of the 2002 and 2003 tax periods of a French subsidiary.

Tax advances
These amounted to €108,234k, a decrease of €35,133k compared to the 2003 year-end balance.

Tax advances (deferred tax assets) include €67,275k (€99,791k on 31 December 2003) relating to Autogrill Group, Inc. and are calculated based on the difference between tax and book depreciation primarily Leasehold improvements. The variation, which includes a translation effect of less €7,260k, relates mainly to the acceleration of the current deductions claimed pursuant to a specific tax regulation granted for the 2004 tax year and to the effect of a revision of the investment procedures.
An amount of €22,933k (€30,333k on 31 December 2003) relates to the Parent Company and are mainly related to the deferred deduction of the write-downs of investments made in the 2002-2003 period. They are reduced by the reversal of the current shares of these costs, and are stated net of deferred taxes of €9,563k for which compensation is allowed as they relate to timing differences of the same tax period.

The verifications carried out to establish the possible recovery of the abovementioned tax credits, based on the expectations of sufficient future taxable income by the Parent Company and each subsidiary company, confirmed the forecast of future taxable income.

Given improved income prospects, the €2,977k write down made in previous years based on conservative criteria with respect to tax assets relating to losses brought forward by the Belgian and Austrian subsidiaries, were reversed.

The reversal of timing differences and the utilisation of the tax losses which can be carried forward, which generated tax advances, are deferred over time. In particular, the share of deferred taxes which are expected to be realised in the current period is estimated to be €21,993k. The tax asset shown, amounting to approximately €21m can be recovered after five years starting from the current financial year. However, in the meantime, further net deferred tax assets may arise, in particular from the US companies.

Receivable from others
The item can be analysed as follows:

(€k)	31.12.2004	31.12.2003	Variation
Trade suppliers	29,779	26,030	3,749
Tax office and public administration	396	523	(127)
Personnel	2,797	3,083	(286)
Differentials on FOREX hedging transactions	9,111	6,468	2,643
Other debtors	25,178	19,068	6,110
Total	**67,261**	**55,172**	**12,089**

Suppliers relate mainly to trade rebates receivable.

The item 'Forex hedge contract unrealized gains' includes the effect of the translation of the notional values of outstanding hedging transactions to exchange rate ruling at 31 December 2004 compared to their purchase value.

Other debtors relates mainly to receivables connected with commercial investments carried out on behalf of grantors or sub-grantors; it also includes receivables relating to amounts collected through credit cards and commissions receivable arising from activities yielding premium income as well as sums receivable from insurance companies.

This item increased especially due to the rise in commercial investments by the US affiliated company (plus €3,093k), in particular with regard to the Motorway sector.
For the financial year ended on 31 December 2003, 'trade rebates receivable from suppliers' which relate to the US affiliated company (€3,368k), and had been previously classified under Trade receivables, were reclassified in Other receivables.

Cash and cash equivalents
These amounted to €256,651k, an increase of €114,107k compared to 31 December 2003, despite the effect of translation differences of less €4,661k. The change in the scope of consolidation contributed €3,529k to the year-end balance.

Specifically, bank and postal accounts increased by €119,094k, to €223,309k. This item consists mainly of time deposits with interest rates very close to the LIBOR/EURIBOR. The delay in making investments and acquisitions together with a general positive liquidity over and above the level expected, rendered the two instalments of the medium term Syndicate Loan, amounting to €342,440k, excess to requirements. The item Cash-in-hand and cash equivalents, which includes cash at outlets and amounts being credited, fell by €4,987k to €33,342k.

Prepayments and deferred income
These amounted to €25,138k, a decrease of € 85,785k compared to 31 December 2003, the effect being less €1,192k.

(€k)	31.12.2004	31.12.2003	Variation
Accrued income:			
interest on FOREX and interest rate hedging transactions	136	3,895	(3,759)
other accrued income	949	804	145
Total accrued income	**1,085**	**4,699**	**(3,614)**
Bond issue discounts	8,138	88,077	(79,939)
Other prepaid expenses:			
concessions and lease rentals	9,255	9,955	(700)
other	6,660	8,192	(1,532)
Total prepaid expenses	**15,915**	**18,147**	**(2,232)**
Total prepayments and accrued income	**25,138**	**110,923**	**(85,785)**

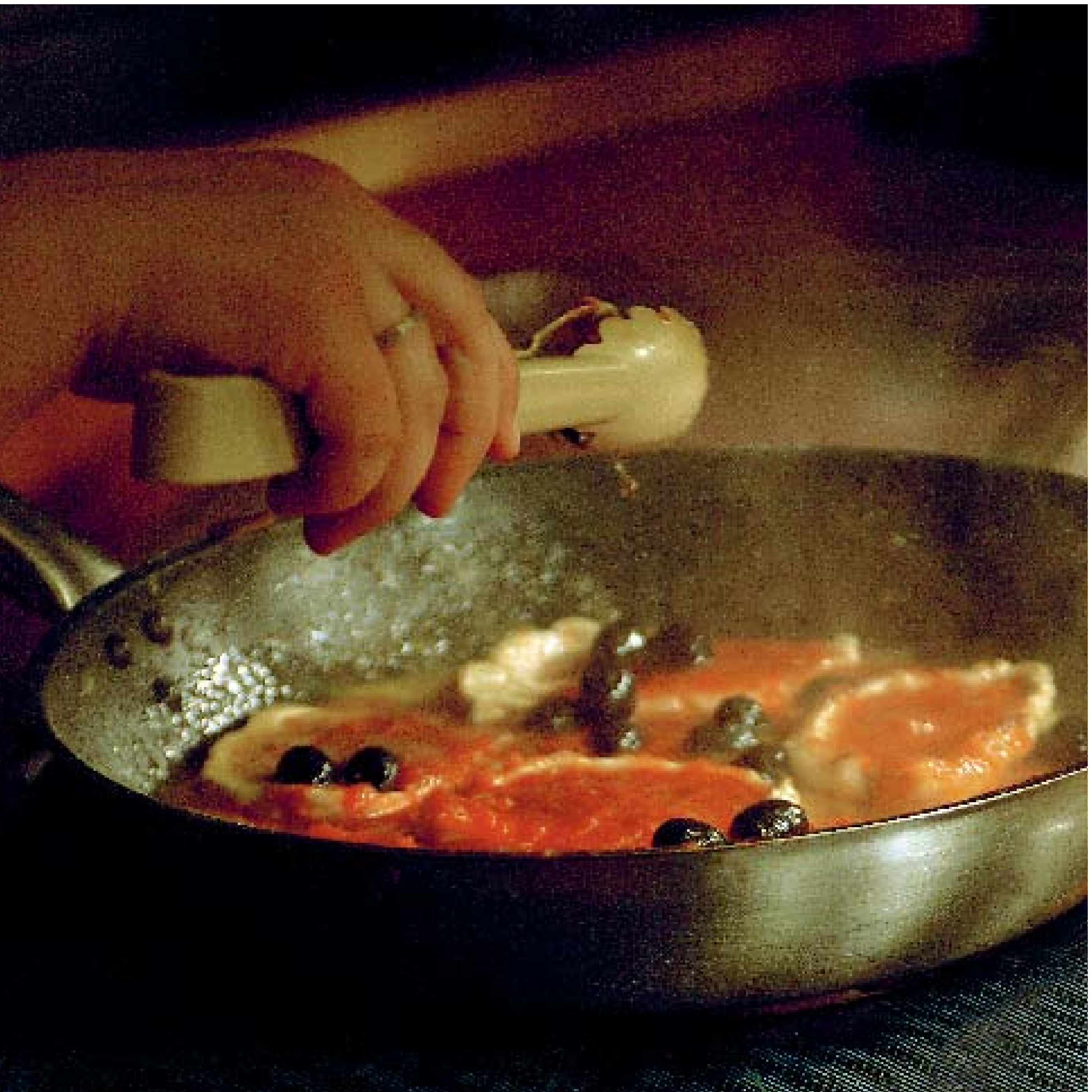
Bond issue discounts relate to the zero-coupon convertible bond issued by Autogrill Finance SA at a discount to face value (the so-called Original Issue Discount (OID) Bonds). The discounts are amortised using the yield-to-redemption method over the fifteen-year term of the loan, the amortisation charge is being treated as a financial charge.

The significant reduction in this item is related to the repayment, on 15 June 2004, of about 90% of the loan after bondholders exercised the specific option for early repayment.

Other prepaid expenses include the following:

- prepaid concessions and lease rentals in respect of fees paid in advance, generally subject to subsequent adjustment either on a monthly or an annual basis.
- other, which mainly refers to:
  - maintenance fees paid in advance (€3,069k);
  - initial costs relating to the bond issued in January 2003 by the US subsidiary (€1,228k).

The above prepayments and accrued income will expire within one year, except for €3,140k, of which €813k will expire after five years, and relate mainly to concession fees and lease rentals of future years and to the initial costs incurred in relation to the bond issue mentioned above.



Comments on the main liability items

Net equity

Share capital

The share capital of Autogrill SpA, fully subscribed and paid up, amounted to €132,288k and was made up of 254,400,000 ordinary shares of 0.52 € nominal value each.

The Shareholders' Meeting held on 30 April 1999 approved the share capital increase by issuing up to a maximum of 33,500,000 ordinary shares, in order to service the 471,055,000 € nominal value convertible bond issued by the subsidiary company Autogrill Finance SA on 15 June 1999, which generated a total cash inflow of 349,993,865 €, net of implicit interest and gross of issue costs.

With regard to the terms and conditions of the above operation, and the repayment of about 90% of the loan on 15 June 2004, the maximum number of shares that can be issued in relation to the conversion of the bond is approximately 2,478,000 shares. Note that the bond may be repaid in advance, at any time by the issuer, and on the 10th anniversary by the bondholders.

The shares making up the share capital have been traded on the electronic market of the Italian Stock Exchange since 1 August 1997.

Legal reserve

Legal reserve amounted to €2,387k, an increase of €675k compared to 31 December 2003, following the allocation of a share of the profit for the year ended 31 December 2003, resolved at the Shareholders' Meeting held on 27 April 2004.

Other reserves

These amounted to €122,172k and include the conversion reserve, a negative balance of less €10,307k. There are no revaluation reserves.

The movements in consolidated net equity were as follows:

(€k)	Share capital	Legal reserve	Other reserves and non-distributed profits	Profit for the period	Total
Balances at 31.12.2002	**132,288**	**1,712**	**77,678**	**7,463**	**219,141**
Appropriation of 2002 profit	-	-	7,463	(7,463)	-
Conversion differences and other movements	-	-	(7,884)	-	(7,884)
Profit for the period	-	-	-	50,174	50,174
Balances at 31.12.2003	**132,288**	**1,712**	**77,257**	**50,174**	**261,431**
Appropriation of 2003 profit	-	675	49,499	(50,174)	-
Conversion differences and other movements	-	-	(4,584)	-	(4,584)
Profit for the period	-	-	-	52,683	52,683
Balances at 31.12.2004	**132,288**	**2,387**	**122,172**	**52,683**	**309,530**

Set out below is the reconciliation of net equity and profit of Autogrill SpA and the corresponding consolidated figures at 31 December 2004.

(€k)	Net profit/(loss)	Net equity
Autogrill SpA (Parent Company)	77,165	218,765
Adjustments for Parent Company valuation criteria	30	112
Effects of elimination of intragroup profits on disposal of fixed assets	-	(1,722)
Reversal of the elimination of the effects of tax interferences in the Parent Company financial statements	21,146	-
Effect of the consolidation of subsidiaries' financial statements, adjusted to align them with the Group's valuation criteria and to eliminate the impact of intragroup transfers of investments	(45,658)	92,375
Autogrill Group (consolidated)	**52,683**	**309,530**

In 2004, the Parent Company reversed the tax-driven adjustments represented by anticipated depreciation for the years 1997-1999; the net extraordinary income realised in the current year is not relevant for consolidation purposes as the value adjustments made had been already eliminated from the consolidated financial statements at 31 December 2003.

Provisions for contingencies and charges

An analysis of this balance sheet item and the related movements during the period are set out in the table below:

	Balance at 31.12.2003	Other movements	Provisions	Utilisations	Balance at 31.12.2004
Redundancy schemes and similar obligations	9,507	(424)	1,684	(505)	10,262
Tax reserve	25,478	(507)	4,634	(2,234)	27,371
Other provisions for:					
restoration costs	17,578	-	402	(10,552)	7,428
legal disputes and others	15,101	(887)	11,380	(3,077)	22,517
sundry expenses	8,352	19	310	(1,501)	7,180
Total other provisions	**41,031**	**(868)**	**12,092**	**(15,130)**	**37,125**
Total	**76,016**	**(1,799)**	**18,410**	**(17,869)**	**74,758**

The amounts indicated under 'Other movements' relate to the translation difference of the opening balances.

Provision for redundancy schemes and similar obligations
Besides the translation effect, the movements for the year were generated by increases in provision and utilisations made in connection with normal turnover of personnel.

Provision for taxation
This item includes mainly deferred taxes relating to consolidation adjustments (€20,267k) and revaluations of property located in the Netherlands, that had been made before being acquired by the Group (€5,187k), as well as provisions for current disputes relating to indirect taxes of US companies (€1,710k).

Utilisations relate mainly to the settlement of charges payable in connection with the 'automatic settlement of past years (the so-called "Tombstone tax amnesty") for the direct and assimilated taxes of the Italian companies for 2002, pursuant to Law No.350/2003, for which a provision for the same amount had been set up at the end of the 2003 financial year.

Compared to the figure previously published, the opening balance of Provision for taxation includes a reclassification of €661k to 'Sums payable to tax authorities' relating to the Swiss affiliated company.

During 2004, the Michigan Department of Treasury sent Michigan Host, Inc. (a 100% subsidiary of Autogrill Group, Inc.) a "Notice of Intent to Assess" the state taxes on sales and cigarettes relating to periods prior to 31 March 2002, the date on which the activity ceased.

The overall assessment indicated in the Notice, including sanctions ($1.1m) and interest ($3.0 m), amounts to $9.6m.

The company filed a request for an informal hearing as provided by the Law, within the stated deadline. At present, the Department of Treasury referee in charge of the hearing has been designated but the date of the hearing has not yet been set.

After the informal hearing, the referee will make a recommendation to the commissioner of revenue who will review the file, make a final decision and notify the taxpayer as to whether it accepts the recommendation totally or only in part.

If the communication envisages a tax payment, the taxpayer will receive an assessment notice, which the taxpayer can appeal against.

The Group believes it has evidence to prove that it had operated correctly.

Provision for restoration costs
This provision relates to restoration costs which are expected to be incurred to ensure that revertible or leased assets are returned in pristine conditions as specified in the agreements.

Utilisations, which relate mainly to the Parent Company, arise from the revised estimate of the restoration costs for works to be carried out on the concessions expired on 31 December 2003 which, in 2004, were less than the conservative amount previously estimated taking into account the specific terms of the concession agreement.

Provision for legal disputes and other risks
This provision was set up to cover the risks connected with legal disputes involving Group companies, based on assessments made by the Group's legal advisors.

The provision mainly comprises of:

- a provision relating to the Self-insurance fund for the US affiliated amounting to €5,357k.
- provisions, relating to the Parent Company, for disputes in progress (€1,740k) and compliance costs associated with new legal regulations (€4,353k).

Utilisations relate mainly to settlement payments made by the Parent Company (€2,160k) during the year.

Furthermore, it is worth noting that the verdict issued by the Brussels Court favouring the Belgian affiliated company against a claim for compensation which had been filed by a company that its food & beverage activities in shopping centres based in Belgium and Luxembourg, may still be appealed against. However, the affiliated company's legal advisors think it is unlikely that the petitioner will appeal, hence no specific provision was made for the claim of €10m.

Funds for sundry expenses
Utilisations mainly relate (€1,255k) to the settlement of an Autogrill Schweiz AG dispute relating to the sale of a food & beverage outlet at Basle airport.

Employee termination benefits
The movements which occurred in this balance sheet item were as follows:

(€k)	31.12.2004	31.12.2003
Opening balance	94,117	91,336
Increase in provision	15,690	15,996
Utilisations and reversals	(14,744)	(11,553)
Translation difference	(658)	(1,662)
Closing balance	**94,405**	**94,117**

The provision for the year includes the revaluation of €2,120k, calculated at the legal rate in force in Italy (2,792%), relating to the Parent Company.

Accounts payable
Accounts payable amounted to €1,476,340k (€1,624,102k at 31 December 2003) and can be analysed as follows:

Bonds
The balance relates to the bonds issued by HMSHost on 23 January 2003 for a total of $370m. The issue - guaranteed by Autogrill SpA - consists of three tranches of $44m, $60m and $266m respectively, with maturities of 7, 8 and 10 years, and carry a fixed interest rates of 5.38%, 5.566%, 6.01%, respectively, representing spreads of 185, 190, 195 basis points over corresponding US Government bonds.

Private Placement regulations require regular verifications to ensure that the financial indices relating to the degree of coverage of the debt and interest as well as the ratio of net financial indebtedness to net equity do not exceed predetermined limits.

At 31 December 2004, these requirements had been fully complied with.

Convertible bonds
These amounted to €47,680k and represent the residual nominal value of the loan issued by Autogrill Finance SA on 15 June 1999 for a total of €471,055k, following the abovementioned repayment of approximately 90% of the loan on 15 June 2004.

The convertible bond is zero-coupon and, at the time of placement, it generated a cash inflow net of the implicit yield: such yield (the so-called "OID") was set at 2% p.a. with half-yearly compounding.

The convertible bond can be repaid in advance, at any time by the issuer and on the 10th anniversary by the bondholder. In the latter case, the amount repaid will be equal to the amount matured at the time the early repayment option is exercised in order to ensure the 2% annual yield originally agreed upon or, if initiated by the issuer, the conversion value if greater. The conversion may be requested by the subscribers at any time, with the exception of certain periods of technical suspension.

The probabilities of exercising the various options are also linked to the performance of the share price attached to the bond compared to the conversion price.

On 31 December 2004, the conversion price showed a premium of approximately 23% on share price, compared to 30% at the time of issue.

Interest payable is pro-rated and the share relating to periods following the current financial year is accounted for as a prepayment and at 31 December 2004 it amounted to €8,138k.

Payables to banks

These amounted to €534,466k, an increase of €296,936k compared to 31 December 2003, mainly due to the refinancing of convertible bonds. In addition, the newly consolidated company contributed a total of €2,044k to the total balance while translation differences accounted for less €1,285k.

(€k)	Balance at 31.12.2004			Balance at 31.12.2003		
	Within one year	After one year	Total	Within one year	After one year	Total
Bank accounts and short term financing	153,277	-	153,277	35,649	-	35,649
Unsecured medium-long term financing	3,984	375,766	379,750	178,898	21,028	199,926
Secured borrowings	131	1,308	1,439	131	1,824	1,955
Total	157,392	377,074	534,466	214,678	22,852	237,530

On 19 March 2004, a syndicated loan facility of €800m divided into tranches, was arranged for the following purposes:

- to replace short-term financing;
- to finance any further requirements in the medium term;
- to cover the requirements connected with the early repayment of the bond issued in 1999 by Autogrill Finance SA, convertible into Autogrill SpA shares, carried out on 14 June 2004 for €347m.

The duration of the instalments varies from 12 months to 5 years, for a weighted average of 3 years.

Short term financing increased mainly as a result of the use of a €300m tranche of the syndicated loan, of which €150m was subsequently repaid in advance, to refinance the convertible bond. This tranche expires on 12 June 2005 and the yield is equal to the EURIBOR rate + 0.50%. Therefore, at current market rates, the refinancing of the convertible bond costs less than one extra percentage point.

The increase in the medium-long term bank financing relates to the use of the instalment of the syndicated loan, for a total of €350m, to refinance the short-term exposure.

At 31 December 2004, approximately 63% of the bank credit lines granted to the Group was used. In particular, €150m will expire in 2005, €350m between 2006 and 2009 and €150m in 2009.

Payables to banks have floating interest rates.

Secured borrowings relate to the Group's entities operating in Belgium and the instalments falling due after more than 5 years total €785k.

The policy for managing the interest and exchange rate risk is described under the Memorandum accounts heading.

Payables to other financial institutions

These amounted to €12,336k (€8,668k at 31 December 2003) of which €8,329k are due after one year and €5,772k after more than 5 years. They include financial lease liabilities and interest-free loans to purchase IT equipment.

The increase compared to the previous financial year is due to the Belgian affiliated company's accounting for leasing contracts as finance leases.

Trade payables and advances

These amounted to €424,102k, including advances, of which €1,455k relate to the newly consolidated companies. Compared to 31 December 2003, they increased by €17,421k, mainly due to the increase in deferred settlements of concession fees. The change in the translation rate gave rise to a decrease of €10,223k, while the newly consolidated company accounted for €1,288k of the balance.

Payables to Parent companies

These amounted to €7,054k, an increase of €6,628k compared to the previous financial year. They include the consideration for the transfer (as per art. 43 ter of Italian Presidential Decree No.602/73) of an IRES credit (€7,000k) of Edizione Holding SpA, used by the Parent Company to offset the second IRES advance payment. The entire amount will be repaid in the next financial year.

Payables due to tax authorities

These amounted to €26,463k; the translation differences accounted for less €1,762k.

(€k)	31.12.2004	31.12.2003	Variation
Income taxes and indirect taxes	14,173	31,787	(17,614)
Withholding taxes	10,005	9,430	575
Other sums due	2,285	1,873	412
Total	26,463	43,090	(16,627)

Indirect taxes relate mainly to US indirect taxes due in respect of the US operations (€7,086k) and the VAT payable by the French affiliated company (€2,040k).

The reduction in the income taxes for the year and indirect taxes is due to the cancellation of the tax liability of the previous year but also to the effects of the deductions from taxable income of accelerated depreciation charges calculated on North American fixed assets.

'Other sums due' relate mainly to tax liabilities on property used to carry out corporate activities, even if most of the premises are not owned.

Compared to the figure previously published, the opening balance of Income taxes includes an amount of €661k reclassified from the Provision for taxation, relating to the Swiss affiliated company.

In addition, 'Payables due to tax authorities' includes a reclassification of €756k, relating to the US affiliated company, from Other sums due to Income taxes and indirect taxes.

Social security and welfare liabilities

These all due within one year and are as follows:

(€k)	31.12.2004	31.12.2003	Variation
INPS and other Italian institutes	13,969	14,336	(367)
Foreign social security institutes	14,799	13,789	1,010
Total	28,768	28,125	643

The translation differences account for less €203k.

Payables due to other within one year

These are as follows:

(€k)	31.12.2004	31.12.2003	Variation
Payables to personnel	97,575	95,813	1,762
Other:			
customers for credit notes to be issued	1,564	1,684	(120)
differentials on FOREX hedging transactions	2,550	502	2,048
financial payables on derivative contracts	7,630	20,863	(13,233)
sundries	14,513	16,710	(2,197)
Total other	26,257	39,759	(13,502)
Total	123,832	135,572	(11,740)

The variation in the above balance is due to translation differences amounting to less €4,761k, of which less €2,934k relates to Payables to personnel, as well as to changes in the scope of consolidation amounting to plus €732k, of which plus €263k relates to Payables to personnel.

'Forex and interst-rate hedge unrealized losses' includes the effect of the translation of the notional value of FOREX hedge transactions as at 31 December 2004 at the exchange rate ruling at that date, compared to their purchase value.

'Financial liabilities from derivative contracts' are commented in the notes to the Memorandum accounts. The reduction is mainly due to the termination of a contract, already included in the 2003 financial statements at its settlement value.

'Miscellaneous' includes a liability of €3,067k relating to option incentive plans of Host Marriott Corporation, the company which originally controlled HMSHost and which had signed a specific agreement with the latter, which was terminated at the time it was taken over by Autogrill. This liability will gradually disappear over time, as the rights of the employees of Host Marriott Corporation become due. The item includes €5,460k which are due after one year but not after more than five years. Compared to the figure previously published, the comparative figure of Payables to personnel includes a reclassification of €3,157k for payables relating to the US affiliated company which had been previously stated under Miscellaneous.

Prepayments and deferred income

These are as follows:

(€k)	31.12.2004	31.12.2003	Variation
Prepayments:			
insurance premiums	1,291	214	1,077
interest payable	7,211	7,793	(582)
interest on FOREX hedging transactions	3,548	3,793	(245)
lease rentals	446	1,853	(1,407)
other	1,810	2,822	(1,012)
Total prepayments	14,306	16,475	(2,169)
Deferred income	3,863	6,186	(2,323)
Total deferred income	3,863	6,186	(2,323)
Total prepayment and deferred income	18,169	22,661	(4,492)

Lease rental accruals relate to the straight-lining of minimum guaranteed payments relating to certain concessions, which contractually increase over time.
Interest payable relates mainly to the interest accrued on the bond issued by Autogrill Group, Inc., which pays half-yearly coupons on 23 January and 23 July each year.
An amount of €728k of the balance of Accrued expenses and deferred income is due after one year.

Memorandum accounts

This item is made up as follows:

(€k)	31.12.2004	31.12.2003	Variation
Surety and personal guarantees given	67,375	41,088	26,287
Collateral security for payables recorded in the accounts	2,354	2,354	-
Purchase and sale commitments	1,171,741	1,033,884	137,857
Other commitments	25,980	26,014	(34)
Total	1,267,450	1,103,340	164,110

'Performance and personal guarantees provided' represent mainly the risks that, on default, the commercial partners in favour of which such guarantees were given will call on the banks for the settlements of any amounts due, in accordance with market practices.

Real guarantees provided balance sheet liabilities relate to mortgages registered on the lands and buildings by a Belgian affiliated company as a loan collateral.

Purchase and sale commitments include:

- €756,941k (€384,430k at 31 December 2003) relating to the notional value of FOREX hedge contracts;
- €407,459k (€641,536k at 31 December 2003) relating to the notional value of the interest rate hedge contracts;
- €7,341k, relating to the price agreed for purchasing the remaining 5% of Anton Airfood Inc., to be settled by the end of 2005.

The Group's financial policy focuses considerably on the management and control of financial risks, as these may have a significant effect on the Group's profitability.

The Group adopts a single system for managing financial risks. The individual companies cover, in line with the Group's policy, their own exposure to exchange rate risks. Up to 2003, interest rate risks have been managed by the Parent Company and by Autogrill Overseas SA based on the single companies' credit rating.
During 2004, derivative instruments used to hedge against foreign exchange rate risk have been reallocated to the companies directly involved by transferring them from the Parent Company to Autogrill Group, Inc.

Exposure to both risks reached a significant level due to the acquisition of HMSHost, in September 1999. The transaction value was close to $1bn and was financed with variable interest rate loans.

The Group therefore defined a policy aimed at providing almost total coverage of foreign exchange rate risk and stabilizing financial charges. In order to achieve this objective, up to 2002 the Group has implemented a strategy to reduce the exposure to interest rate fluctuations within a range of 40% and 60% of total indebtedness. The financial instruments generally used include interest rate swaps, forward rate agreements and rate options or any combination thereof.

Interest rate swaps have been the most commonly used instruments so as to transform floating rate loans into fixed rate ones.

In order to consolidate financial sources, on 23 January 2003 variable-interest rate loans of $370m were replaced with private placements, which pay fixed coupons in order to optimise placement conditions. In this way exposure was almost completely covered.

The difference between short-term and long-term rates led the Group to adopt, until 2003, strategies to transform part of its private placements into variable interest rate instruments, in particular for the 10-year maturity term, in order to contain the current financial charges. To this end, options were sold to enter into interest rate swaps which transform fixed-rate coupons into variable-rate ones.

At the beginning of 2004, a review of the financial risk management policy was undertaken also with the objective of conforming to IAS/IFRS, due to come into force. In this respect, the Group company that had signed variable-rate contracts decided to cancel them with a payment of $12.5m (€10 m) which had been provided for in the 2003 financial statements. The market value (less €4.1 m) of derivative contracts where the hedge is no longer required are recorded in the profit and loss account for the year.

The Group's derivative contracts still in place, for a total notional value of $360m, have an average interest rate of 5.3%, spread over an average duration of 4.2 years.

The notional value of transactions in progress at 31 December 2004 is not a measurement of risk exposure itself, which is limited only to interest flows to be received from time to time.

Derivative contracts were entered into with reputable and sound financial institutions in order to minimise the risk of breach of contract.

The foreign exchange rate risk management policy required the Group to fully hedge against exchange rate risks on borrowings denominated in currencies other than the local currency. The financial instruments commonly used for the purpose are foreign currency swaps.

At 31 December 2004, the market valuation of interest rate swaps falling within the hedging objectives, was a loss of €15.1m (less €26.4m at 31 December 2003).
'Other Memorandum accounts' relate to the value of leased assets either in use or deposited with Group companies.

Comments on the main consolidated profit and loss account items

Value of production

Revenues from sales and services

Revenues amounted to €3,245,611k and can be divided by business segment as follows:

(€k)	2004	2003	Variation
Food and beverage	2,395,268	2,376,390	18,878
Retail	792,035	743,720	48,315
Hotel	19,727	21,322	(1,595)
Third parties and franchisees	38,581	39,310	(729)
Total	**3,245,611**	**3,180,742**	**64,869**

The translation difference gave rise to a reduction of €145,147k. The newly consolidated entity accounted for €4,122k of the total.

An analysis of sales performance and a breakdown by geographical area is provided in the Directors' Report.

'Retail' which amounted to €56,965k (€40,530k in 2003) represents revenues from fuel sold mainly at Swiss and Italian motorway service stations.

In the summarised profit and loss statement discussed in the Directors' Report, these revenues are reclassified under the Other income and revenues, net of related purchase costs.

Other income and revenues

These are as follows:

(€k)	2004	2003	Variation
Promotional contributions from suppliers	34,534	26,688	7,846
Newspaper distribution	8,135	8,095	40
Business lease fees	9,674	10,603	(929)
Royalty income	4,876	5,244	(368)
Recovery of costs from third parties	3,586	3,021	565
Profit on sale of tangible fixed assets	2,426	13,833	(11,407)
Other	33,093	20,415	12,678
Total	**96,324**	**87,899**	**8,425**

The translation differences accounted for less €2,137k.

Other income relates mainly to commissions earned for managing activities involving collection of excise taxes and adjustments of previous year provisions.

The commissions earned from excise tax collection activities increased considerably with regard to tobaccos and lottery sales.

The increase in 'Promotional contributions from suppliers' is related to the dynamics of purchases as well as to improvements in contract terms.

In 2003, 'Profit on sale of tangible fixed assets' included the profit on the disposal of the property located at Via Orefici in Milan of approximately €11,719k.

Costs of production

Raw materials and consumables

These costs amounted to €1,159,867k, of which €1,120k is attributable to the change in the scope of consolidation. They are as follows:

(€k)	2004	2003	Variation
Food and beverage and retail	1,091,383	1,041,802	49,581
Sundry materials	68,484	71,497	(3,013)
Total	**1,159,867**	**1,113,299**	**46,568**

Similarly to revenues, the comparison with 2003 was affected by the $/€ exchange rate fluctuation, which accounted for a decrease of less €42,173k.

Services, leases and rentals

They are as follows:

(€k)	2004	2003	Variation
Cost of services			
Energy and water	59,018	61,994	(2,976)
Maintenance costs	51,335	47,437	3,898
Cleaning and disinfestation services	30,979	30,406	573
Consulting and professional services	21,499	25,000	(3,501)
Advertising and market research	14,859	16,321	(1,462)
Travel expenses	18,769	19,313	(544)
Transport and storage costs	13,939	14,538	(599)
Insurance	13,287	15,377	(2,090)
Credit card commissions	13,248	11,980	1,268
Postage and telephone	11,388	11,737	(349)
Temporary staff	2,140	3,113	(973)
Transport of valuables	3,908	4,340	(432)
Security	3,912	4,446	(534)
Recruiting costs	2,400	2,263	137
Bank commissions and charges	3,695	3,254	441
Staff training	2,636	2,341	295
Other services	33,805	32,821	984
Total services	**300,817**	**306,681**	**(5,864)**
Concessions and lease rentals	386,984	364,385	22,599
Hiring and leasing of movable property	9,112	11,116	(2,004)
Trademark royalties	45,605	44,477	1,128
Leases and rentals	**441,701**	**419,978**	**21,723**
Total	**742,518**	**726,659**	**15,859**

The impact of the exchange rate fluctuation is less €13,337k with regard to services and less €25,501k with regard to the use of third parties' assets.

The newly consolidated entity accounted for €433k of the total.

Compared to the figure previously published in the 2003 financial statements, a reclassification was made of €4,325k from 'Insurance' costs to 'Provisions for contingencies and other charges' with regard to a provision relating to the Self-Insurance fund which had been incorrectly included under 'Insurance' costs.

Personnel costs

Personnel costs amounted in total to €955,654k, apparently unchanged compared to 2003, as it is affected by a translation effect of less €45,548k. The newly consolidated entity accounted for €1,449k of the total.

(€k)	2004	2003	Variation
Wages and salaries	754,887	758,685	(3,798)
Social security contributions	134,892	131,337	3,555
Employee termination benefits	15,690	15,996	(306)
Other costs	50,185	49,689	496
Total	**955,654**	**955,707**	**(53)**

Due to productivity improvements the increase in this costs was lower than that of sales revenue. The average headcount, expressed in terms of full-time equivalents, reached 35,685 (33,781 in 2003).

Amortisation, depreciation and write-downs

These amounted to €241,048k, a net decrease of €33,059k, of which €11,093k was due to translation differences.

They are as follow:

(€k)	2004	2003	Variation
Amortisation, depreciation and write-downs:			
Amortisation of intangible fixed assets	146,010	169,868	(23,858)
Depreciation of tangible fixed assets	63,642	66,850	(3,208)
Depreciation of tangible fixed assets (revertible assets)	19,137	16,064	3,073
Write-down of intangible and tangible fixed assets	8,472	16,890	(8,418)
Provisions for doubtful accounts	3,787	4,435	(648)
Total	**241,048**	**274,107**	**(33,059)**

Amortisation of intangible fixed assets includes amounts relating to goodwill and consolidation differences of €59,973k (€93,089k in 2003). The reduction in this item is due to conversion differences of €5,123k, as well as to the revised estimate of the economic useful life of the consolidation difference relating to Anton Airfood Inc. and to the goodwill of HMSHost for €27,731k, as specified on page 72. The balance of the amortisation charges of intangible fixed assets relate to Leasehold improvements.

The depreciation of revertible assets was determined using economic and technical criteria based on the shorter of the expected useful life or the unexpired term of the concession agreement.

Write-downs of €9,411k were made in the year based on the revised income projections of a number of European outlets. Moreover, the US affiliated company reversed write-downs of €939k, previously made in relation to the steady income growth of the relevant outlets.

Provisions for contingencies and other provisions

The provisions made in the year are as follows:

(€k)	2004	2003	Variation
Legal disputes and other risks	11,380	9,712	1,668
Other provisions:			
restoration costs	402	3,619	(3,217)
sundry expenses	310	201	109
Total other provisions	**712**	**3,820**	**(3,108)**
Total	**12,092**	**13,532**	**(1,440)**

The decrease in the provisions for restoration costs relates, as specified on page 84, to the revised estimate of the costs for construction to be carried out on the motorway concessions of the Parent Company that expired on 31 December 2003 and which, in 2004, were less than the conservative amount previously estimated taking into account the specific terms of the concession agreement.

Other operating costs

These amounted to €31,539k and are as follows:

(€k)	2004	2003	Variation
Taxation and indirect taxes	17,275	18,286	(1,011)
Taxation and indirect taxes	2,826	3,238	(412)
Losses on disposals of fixed assets	396	1,518	(1,122)
Other costs	11,042	12,687	(1,645)
Total	**31,539**	**35,729**	**(4,190)**

'Other costs' relate mainly to extraordinary items regarding adjustments made to previous years provisions as well as fees paid to directors and statutory auditors.

Financial income and charges
Net financial charges amounted to €57,856k, a decrease of €13,963k.

Financial charges decreased as a result of the higher costs of the new borrowing structure, the Group's policy to provide full coverage of the exposure to a rise in interest rates on the US dollar, and the adjustment of the market value of derivatives of €4,091k (€20,863k in 2003) as described in the note to the Memorandum accounts.

An analysis of Financial income and charges is provided below.

Other financial income
These amounted to €6,898k, a decrease of €6,558k compared to 2003.

They are as follows:

(€k)	2004	2003	Variation
Other income:			
bank interest receivable	1,682	1,320	362
premiums received	786	-	786
interest differentials on FOREX hedge contracts	2,428	6,170	(3,742)
other	2,002	5,966	(3,964)
Total	6,898	13,456	(6,558)

Compared to the figure previously published for 2003, temporary investments of liquidity have been reclassified from 'Income from securities included under assets forming part of working capital', where they had been erroneously recorded, to 'Other income'.

Interest and other financial charges
They total €70,678k.

(€k)	2004	2003	Variation
Interest on bonds	22,286	26,298	(4,012)
Interest on bank borrowings	15,036	10,520	4,516
Other	29	3	26
	37,351	36,821	530
Other:			
commissions	7,358	-	7,358
interest differential on interest rate hedge contracts	19,945	21,078	(1,133)
market value of derivative instruments	4,091	20,863	(16,772)
capital loss on sale of investments in affiliates	-	7,221	(7,221)
other	1,933	1,037	896
	33,327	50,199	(16,872)
Total	70,678	87,020	(16,342)

Commissions (€4,906k) relate mainly to the initial costs of the syndicated loan taken out by the Parent Company, and fully charged to the profit and loss account for the year, in view of the planned restructuring of the financial debt from 2005.

Market value of derivative instruments is discussed in the notes to the Memorandum accounts.

Capital loss on sale of investments in affiliated companies' for 2003 relates to the sale of the original 21,61% stake in the share capital of Pastarito SpA.

Adjustments to the value of financial asset
These amounted to €1,119k and relate entirely to the valuation of the US affiliated company's investments in affiliated companies on the basis of the net equity method.

Extraordinary income and expenses
Net extraordinary expenses amounted to €5,195k (extraordinary income of €12,492k in 2003).

The amount (€5,148k) relates entirely to costs incurred for the settlement of a dispute relating to foreign exchange derivative contracts, previously not recorded, which could have resulted in the purchase of $30m by the Parent Company. In view of the uncertain outcome of the dispute and the harm it could have done to the relations with the banks, it was decided to reach a settlement, to limit the loss that at the beginning of the dispute had been estimated at €5.8m, and which, given the evolution of the US exchange rate, could have been much greater.

On the other hand, the Parent Company was quick to take the necessary organisational measures.

Income taxes
The net figure of €79,848k (€40,822k in 2003) is made up of current year taxes of €32,178k (€53,020k in 2003) and deferred taxes of 32,418 (benefit of €27,147k in 2003): IRAP (regional tax on productive activities), which has a different taxable income base, basically equal to operating result less personnel costs, accounts for €15,252k (€14,022k in 2003).

Finally, the following is the summary table of the timing differences which give rise to deferred taxes and tax paid in advance.

(€k)	2004		2003	
	Temporary differences	Tax effect	Temporary differences	Tax effect
Tax advances:				
entertainment expenses and gifts	227	75	163	54
write-downs of investments	52,358	17,278	74,040	24,433
write downs of receivables	6,962	2,297	5,317	1,755
write-downs for permanent loss in value	10,757	3,570	5,389	1,778
write-down of inventories	1,186	39	532	176
provision for legal disputes	3,801	1,254	3,266	1,078
provisions for contingencies and other charges	35,404	12,754	25,868	9,313
tax credits	6,505	6,505	-	7,568
Accrued expenses:				
lease rentals	792	313	2,929	1,157
directors' and statutory auditors' fees, bonuses and incentives	48,929	18,686	33,397	12,772
other	14,334	6,842	16,369	6,265
Total tax advances	**272,567**	**105,537**	**351,497**	**138,916**
Deferred taxes:				
extraordinary income pro-rated	7,442	2,456	6,923	2,285
anticipated depreciation	36,895	12,616	32,379	11,154
provision for restoration of revertible assets	3,871	1,277	1,383	456
other	55,474	18,199	40,636	13,298
Total deferred taxes	**103,682**	**34,548**	**81,321**	**27,193**
Net tax advances	168,885	70,989	270,176	111,723
Tax advances relating to tax losses	**25,677**	**12,259**	**29,382**	**10,141**
Net tax advances	194,562	83,248	299,558	121,864

The balances shown under Assets and Liabilities in the balance sheet differ from those shown in the Table due to the effect of set-offs, which are legally permitted, of timing differences falling within the same tax period.

Appendix:

List of the companies included in the consolidation and other investments

List of companies included in the consolidation

Company name	Head office	Currency	Share capital	% owned	Holding company
Parent Company					
Autogrill SpA	Novara	€	132,288,000	57.093	Edizione Holding SpA
Subsidiaries					
Autogrill International Srl	Novara	€	1,000,000	100.000	Autogrill SpA
Aviogrill Srl	Bologna	€	10,000	51.000	Autogrill SpA
Nuova Estral Srl	Novara	€	10,000	100.000	Autogrill SpA
Nuova Sidap Srl	Novara	€	10,000	100.000	Autogrill SpA
Autogrill Austria AG	Gottlesbrunn	€	7,500,000	100.000	Autogrill SpA
Autogrill Deutschland GmbH	München	€	205,000	100.000	Autogrill SpA
Autogrill España SA	Madrid	€	1,800,000	100.000	Autogrill SpA
Autogrill Participaciones SL	Madrid	€	6,503,006	100.000	Autogrill España SA
Restauracion de Centros Comerciales SA (RECECO)	Madrid	€	108,182.18	85.000	Autogrill Participaciones SL
Autogrill Finance SA	Luxembourg	€	250,000	99.996	Autogrill SpA
Autogrill Doo	Lubjana	Sit	2,100,000	100.000	Autogrill SpA
Autogrill Hellas EpE	Avlona Attikis	€	1,696,350	100.000	Autogrill SpA
Autogrill Overseas SA	Luxembourg	€	60,650,000	99.999	Autogrill International Srl
Autogrill Europe Nord-Ouest SA	Luxembourg	€	41,300,000	99.999	Autogrill SpA
Autogrill Belgie SA	Antwerpen	€	26,250,000	99.999 0.001	Autogrill Europe Nord-Ouest SA Ac Restaurants & Hotels SA
Ac Arlux SA	Arlon	€	1,258,233	99.998 0.002	Autogrill Belgie SA Ac Restaurants & Hotels SA
Ac Restaurants & Hotels Beheer SA	Antwerpen	€	4,420,000	99.999 0.001	Autogrill Belgie SA Ac Restaurants & Hotels SA
Ac Restaurants & Hotels SA	Luxembourg	€	495,787	99.995 0.005	Autogrill Belgie SA Ac Restaurants & Hotels Beheer SA
Ac Restaurants & Hotels Beteiligungs GmbH, in liquidazione	Niederzissen	€	76,706	95.000 5.000	Ac Restaurants & Hotels SA Ac Holding NV
Ac Restaurants & Hotels Betriebs GmbH, in liquidazione	Niederzissen	€	25,575	100.000	Ac Restaurants & Hotels Beteiligungs GmbH
Autogrill Nederland BV	Breukelen	€	41,371,500	100.000	Autogrill Europe Nord-Ouest SA
Maison Ledeboer BV	Zaandam	€	69,882	100.000	Autogrill Nederland BV
Ac Holding NV	Breukelen	€	136,134	100.000	Maison Ledeboer BV
The American Lunchroom Co BV	Zaandam	€	18,151	100.000	Ac Holding NV
Ac Apeldoorn BV	Apeldoorn	€	45,378	100.000	The American Lunchroom Co BV
Ac Bodegraven BV	Bodegraven	€	18,151	100.000	The American Lunchroom Co BV
Ac Heerlen BV	Heerlen	€	23,142	100.000	The American Lunchroom Co BV
Ac Hendrik Ido Ambacht BV	Hendrik Ido Ambacht	€	15,882	100.000	The American Lunchroom Co BV
Ac Holten BV	Holten	€	34,033	100.000	The American Lunchroom Co BV
Ac Leiderdorp BV	Leiderdorp	€	18,151	100.000	The American Lunchroom Co BV
Ac Meerkerk BV	Meerkerk	€	18,151	100.000	The American Lunchroom Co BV
Ac Nederweert BV	Weert	€	34,033	100.000	The American Lunchroom Co BV
Ac Nieuwegein BV	Nieuwegein	€	18,151	100.000	The American Lunchroom Co BV
Ac Oosterhout BV	Oosterhout	€	18,151	100.000	The American Lunchroom Co BV
Ac Restaurants & Hotels BV	Oosterhout	€	90,756	100.000	The American Lunchroom Co BV
Ac Sevenum BV	Sevenum	€	18,151	100.000	The American Lunchroom Co BV
Ac Vastgoed BV	Zaandam	€	18,151	100.000	The American Lunchroom Co BV
Ac Vastgoed I BV	Zaandam	€	18,151	100.000	The American Lunchroom Co BV
Ac Veenendaal BV	Veenendaal	€	18,151	100.000	The American Lunchroom Co BV
Ac Zevenaar BV	Zevenaar	€	57,176	100.000	The American Lunchroom Co BV
Holding de Participations Autogrill SAS	Marseille	€	119,740,888	99.999 0.001	Autogrill Europe Nord-Ouest SA Autogrill SpA
Autogrill Aeroports SAS	Marseille	€	1,368,000	99.999	Holding de Participations Autogrill SAS
Autogrill Côté France SAS	Marseille	€	31,579,526.40	99.999	Holding de Participations Autogrill SAS
Société Berrichonne de Restauration SA (Soberest)	Marseille	€	288,000	50.005	Autogrill Côté France SAS
Société Bordelaise de Restauration SAS (Soborest)	St. Savin	€	788,000	49.994	Autogrill Côté France SAS

Company name	Head office	Currency	Share capital	% owned	Holding company
Société de la Porte de Champagne SA (SPC)	Perrogney Les Fontaines	€	153,600	51.900	Autogrill Côté France SAS
Société de Restauration Autoroutière Dromoise SA (SRAD)	Marseille	€	1,136,000	49.996 49.998	Autogrill Côté France SAS SRSRA SA
Société de Restauration de Bourgogne SA (Sorebo)	Marseille	€	144,000	50.000	Autogrill Côté France SAS
Société de Restauration de Troyes-Champagne SA (SRTC)	Marseille	€	1,440,000	69.978	Autogrill Côté France SAS
Société Régionale de Saint Rambert d'Albon SA (SRSRA)	St. Rambert d'Albon	€	515,360	50.000	Autogrill Côté France SAS
Volcarest SA	Champs	€	1,050,144	50.000	Autogrill Côté France SAS
Société de Gestion de Restauration Routière SG2R SA	Nancy	€	879,440	99.994	Autogrill Côté France SAS
SCI Vert Pré Saint Thiebaut	Nancy	€	457.35	99.999	SG2R SA
SARL Toul Mirabelier Hotel TMH	Nancy	€	221,279.72	100.000	SG2R SA
SNC TJ2D	Chaudeney sur Moselle	€	1,000	99.000	SG2R SA
Autogrill Restauration Services SAS	Marseille	€	15,394,500	99.999	Holding de Participations Autogrill SAS
Autogrill Gares Province Sàrl	Marseille	€	274,480	100.000	Autogrill Restauration Services SAS
Autogrill Gares Metropoles Sàrl	Marseille	€	17,396,850	100.000	Autogrill Restauration Services SAS
Autogrill Gares Lille Snc	Marseille	€	40,000	99.960 0.040	Autogrill Restauration Services SAS Autogrill Gares Metropoles Sàrl
Autogrill Schweiz AG	Olten	Chf	10,000,000	100.000	Autogrill Overseas SA
ARH Management AG, in liquidazione	Zug	Chf	700,000	100.000	Autogrill Schweiz AG
Autogrill Pieterlen AG	Pieterlen	Chf	2,000,000	100.000	Autogrill Schweiz AG
Autogrill Pratteln AG	Pratteln	Chf	3,000,000	95.000	Autogrill Schweiz AG
Autogrill Basel Airport SAS	St. Louis	Chf	40,000	100.000	Autogrill Schweiz AG
Restoroute de Bavois SA	Bavois	Chf	2,000,000	70.000	Autogrill Schweiz AG
Restoroute de la Gruyère SA	Avry devant Pont	Chf	1,500,000	54.300	Autogrill Schweiz AG
Vorstatt Egerkingen AG	Egerkingen	Chf	2,000,000	100.000	Autogrill Schweiz AG
Autogrill Group Inc.	Bethesda	Usd	225,000,000	100.000	Autogrill Overseas SA
HMSHost Corp.	Bethesda	Usd	=	100.000	Autogrill Group Inc.
HMSHost Europe Corp.	Wilmington	Usd	=	100.000	Autogrill Group Inc.
HMSHost International Inc.	Wilmington	Usd	=	100.000	Autogrill Group Inc.
HMS Host Tollroads Inc.	Bethesda	Usd	125,000,000	100.000	HMSHost Corp.
Host International Inc.	Bethesda	Usd	125,000,000	100.000	HMSHost Corp.
Sunshine Parkway Restaurants Inc.	Bethesda	Usd	125,000,000	50.000 50.000	HMSHost Corp. Gladieux Corp.
Cincinnati Terminal Services Inc.	Bethesda	Usd	125,000,000	100.000	Host International Inc.
Cleveland Airport Services Inc.	Bethesda	Usd	125,000,000	100.000	Host International Inc.
HMS-Airport Terminal Services Inc.	Bethesda	Usd	125,000,000	100.000	Host International Inc.
HMS-Airport Terminal Services	Bethesda	Usd	125,000,000	100.000	HMS-Airport Terminal Services Inc.
HMS B&L Inc.	Bethesda	Usd	125,000,000	100.000	Host International Inc.
HMS Holdings Inc.	Bethesda	Usd	125,000,000	100.000	Host International Inc.
HMS Host Family Restaurants Inc.	Bethesda	Usd	125,000,000	100.000	HMS Holdings Inc.
HMS Host Family Restaurants LLC	Bethesda	Usd	125,000,000	100.000	HMS Host Family Inc.
Gladieux Corporation	Bethesda	Usd	125,000,000	100.000	HMS Holdings Inc.
Host (Malaysia) Sdn Bhd	Kuala Lumpur	Myr	100,000	100.000	Host International Inc.
Host Gifts Inc.	Bethesda	Usd	125,000,000	100.000	Host International Inc.
Host International of Canada Ltd	Vancouver	Cad	4,600,000	100.000	Host International Inc.
Host International of Canada (RD) Ltd	Toronto	Cad	1	100.000	Host International of Canada Ltd
SMSI Travel Centres Inc.	Toronto	Cad	1	100.000	Host International of Canada Ltd
Host International of Kansas Inc.	Bethesda	Usd	125,000,000	100.000	Host International Inc.
Host International of Maryland Inc.	Bethesda	Usd	125,000,000	100.000	Host International Inc.
HMS Host USA Inc.	Bethesda	Usd	125,000,000	100.000	Host International Inc.
Host International (Poland) Sp zo o, in liquidazione	Warsaw	Plz	6,557,600	100.000	HMS Host USA Inc.
Host of Holland BV	Haarlemmermeer	€	90,756	100.000	Host International Inc.
Horeca Exploitatie Maatschappij Schiphol BV	Schiphol	€	45,378	100.000	Host of Holland BV
Host Services (France) SAS	Paris	€	38,115	100.000	Host International Inc.

Company name	Head office	Currency	Share capital	% owned	Holding company
Host Services Inc.	Bethesda	Usd	125,000,000	100.000	Host International Inc.
Host Services of New York Inc.	Bethesda	Usd	125,000,000	100.000	Host International Inc.
Host Services Pty Ltd	North Cairns	Aud	12	100.000	Host International Inc.
Las Vegas Terminal Restaurants Inc.	Bethesda	Usd	125,000,000	100.000	Host International Inc.
Marriott Airport Concessions Pty Ltd	Tullamarine	Aud	999,998	100.000	Host International Inc.
Michigan Host Inc.	Bethesda	Usd	125,000,000	100.000	Host International Inc.
Shenzen Host Catering Company Ltd	Shenzen	Usd	2,500,000	100.000	Host International Inc.
The Gift Collection Inc.	Bethesda	Usd	125,000,000	100.000	Host International Inc.
Turnpike Restaurants Inc.	Bethesda	Usd	125,000,000	100.000	Host International Inc.
AAI Investments Inc.	Bethesda	Usd	100,000,000	100.000	Autogrill Group Inc.
Anton Airfood Inc. (AAI)	Washington	Usd	1,000	95.000	AAI Investments Inc.
AAI Terminal 7 Inc.	Washington	Usd	1,000	100.000	Anton Airfood Inc.
AAI Terminal One Inc.	Washington	Usd	200	100.000	Anton Airfood Inc.
Airport Architects Inc.	Washington	Usd	1,000	100.000	Anton Airfood Inc.
Anton Airfood JFK Inc.	Washington	Usd	1,000	100.000	Anton Airfood Inc.
Anton Airfood of Bakersfield Inc., in liquidaz.	Washington	Usd	1,000	100.000	Anton Airfood Inc.
Anton Airfood of Cincinnati Inc.	Washington	Usd	1,000	100.000	Anton Airfood Inc.
Anton Airfood of Minnesota Inc.	Washington	Usd	10	100.000	Anton Airfood Inc.
Anton Airfood of New York Inc.	Washington	Usd	1,000	100.000	Anton Airfood Inc.
Anton Airfood of North Carolina Inc.	Washington	Usd	10	100.000	Anton Airfood Inc.
Anton Airfood of Ohio Inc.	Washington	Usd	1,000	100.000	Anton Airfood Inc.
Anton Airfood of Rhode Island Inc.	Washington	Usd	1,000	100.000	Anton Airfood Inc.
Anton Airfood of Texas Inc.	Washington	Usd	100,000	100.000	Anton Airfood Inc.
Anton Airfood of Virginia Inc.	Washington	Usd	1,000	100.000	Anton Airfood Inc.
Palm Springs AAI Inc.	Washington	Usd	1,000	100.000	Anton Airfood Inc.
Lee Airport Concession Inc.	Washington	Usd	1,600	25.000	Anton Airfood Inc.
Anton Airfood of Boise, Inc.	Washington	Usd	n.a.	100.000	Anton Airfood Inc.
Anton Airfood of Tulsa, Inc.	Washington	Usd	n.a.	100.000	Anton Airfood Inc.
AAI Islip, Inc.	Washington	Usd	n.a.	100.000	Anton Airfood Inc.
Fresno AAI, Inc.	Washington	Usd	n.a.	100.000	Anton Airfood Inc.
Anton Airfood of Newark, Inc.	Washington	Usd	n.a.	100.000	Anton Airfood Inc.
Anton Airfood of Seattle, Inc.	Washington	Usd	n.a.	100.000	Anton Airfood Inc.

Companies valued at equity

Company name	Head office	Currency	Share Capital	% owned	Holding company
Union Services Sàrl	Luxembourg	€	51,000	20.000	Autogrill Europe Nord-Ouest SA
				20.000	Autogrill Overseas SA
				10.000	Autogrill Finance SA
Dewina Host Sdn Bhd	Kuala Lumpur	Myr	250,000	49.000	Host International Inc.
HMSC-AIAL Ltd	Aukland	Nzd	111,900	50.000	Host International Inc.

Independent Auditor's report

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AUDITORS' REPORT PURSUANT TO ART. 156 OF LEGISLATIVE DECREE No. 58 OF FEBRUARY 24, 1998

To the Shareholders of
AUTOGRILL S.p.A.

We have audited the consolidated financial statements of AUTOGRILL S.p.A. and subsidiaries (the Autogrill Group) as of December 31, 2004. These consolidated financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the Auditing Standards recommended by CONSOB, the Italian Commission for listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated 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 consolidated financial statements of the prior year, which are presented for comparative purposes as required by law, reference should be made to the auditors' report issued by us on April 6, 2004.

In our opinion, the consolidated financial statements present fairly the financial position of Autogrill S.p.A. and subsidiaries (the Autogrill Group) as of December 31, 2004, and the results of its operations for the year then ended in accordance with the Italian law governing financial statements.

As more detailed in the notes to the consolidated financial statements, in 2004 the Company revised and extended the period of amortization of both the goodwill and the consolidation difference related to the U.S. operations as a consequence of the integration into the Group of the Anton Airfood Inc. operations as well as of the stable improvement of the related profit performance; consequently, the amortization of the intangible fixed assets of the year decreased by Euro 27.7 million and the result of the year, net of the related tax effect, increased by Euro 24.5 million.

DELOITTE & TOUCHE S.p.A.

Signed by
Ernesto Lanzillo
Partner

Milan, Italy
April 6, 2005

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

Autogrill SpA
Financial statements
at 31 December 2004

Balance sheet

(€) ASSETS	31.12.2004	31.12.2003	Variation
A) Due from shareholders for unpaid capital	-	-	-
B) Fixed assets			
I - Intangible assets			
4) Concessions, licences, trademarks and similar rights	2,839,187	2,361,281	477,906
5) Goodwill	54,865,568	44,384,874	10,480,694
6) Intangible assets in progress and advances	3,873,921	4,014,804	(140,883)
7) Other	36,148,398	35,815,772	332,626
Total	97,727,074	86,576,731	11,150,343
II - Tangible assets			
1) Land and buildings	14,026,173	14,211,069	(184,896)
2) Plant and machinery	7,415,754	7,332,853	82,901
3) Industrial and commercial equipment	33,242,950	34,885,373	(1,642,423)
3 bis) Freely transferable assets	38,272,762	39,116,625	(843,863)
4) Other assets	3,440,375	3,119,072	321,303
5) Construction in progress	8,636,679	8,010,991	625,688
Total	105,034,693	106,675,983	(1,641,290)
III - Financial assets			
1) Investments in:			
a) subsidiaries	84,119,023	84,539,743	(420,720)
d) other companies	18,287	17,682	605
2) Receivables:			
d) due from others	7,495,313	8,845,645	(1,350,332)
Total	91,632,623	93,403,070	(1,770,447)
Total fixed assets	294,394,390	286,655,784	7,738,606
C) Working capital			
I - Inventory	**41,603,161**	**39,424,839**	**2,178,322**
II - Accounts receivable			
1) Trade receivables	31,920,743	33,812,238	(1,891,495)
2) Due from subsidiaries	673,901,107	179,731,401	494,169,706
4) Due from Parent company	3,447,350	-	3,447,350
4 bis) Tax credits	650,043	652,680	(2,637)
4 ter) Tax advances:			
* amount due within one year	9,300,000	-	9,300,000
* amount due after one year	23,196,495	36,025,180	(12,828,685)
5) Due from other	25,183,163	25,375,758	(192,595)
Total	767,598,901	275,597,257	492,001,644
III - Current financial assets	-	-	-
IV - Cash and cash equivalents			
1) Cash at bank	39,067,616	15,723,317	23,344,299
3) Cash in hand	19,210,175	24,242,108	(5,031,933)
Total	58,277,791	39,965,425	18,312,366
Total working capital	867,479,853	354,987,521	512,492,332
D) Prepayments and deferred income	**3,253,770**	**4,842,529**	**(1,588,759)**
TOTAL ASSETS	1,165,128,013	646,485,834	518,642,179

(€) NET EQUITY AND LIABILITIES	31.12.2004	31.12.2003	Variation
A) Net equity			
I - Share capital	**132,288,000**	**132,288,000**	-
II - Share premium account	-	-	-
III - Revaluation reserve	-	-	-
IV - Legal reserve	**2,386,500**	**1,711,753**	**674,747**
V - Reserves required by the memorandum and articles of association or by contract	-	-	-
VI - Non-distributable reserves	-	-	-
VII - Other reserves	**1,688,063**	**(5,470,577)**	**7,158,640**
VIII - Profit carried forward	**5,237,388**	-	**5,237,388**
IX - Profit for the year	**77,165,085**	**13,494,953**	**63,670,132**
Total net equity	218,765,036	142,024,129	76,740,907
B) Provisions for contingencies and charges			
2) Tax reserve (inc. deferred taxes)	22,440,977	7,551,979	14,888,998
3) Other provisions	23,360,359	27,941,587	(4,581,228)
Total	45,801,336	35,493,566	10,307,770
C) Severance indemnity fund for employees	**86,530,491**	**86,164,469**	**366,022**
D) Accounts payable			
4) Payable to banks:			
* amount due within one year	153,278,856	30,819,328	122,459,528
* amount due after one year	367,440,350	87,645,690	279,794,660
5) Payables to other financial institutions:			
* amount due within one year	1,024,774	1,054,051	(29,277)
* amount due after one year	-	733,101	(733,101)
7) Trade payables	226,275,626	200,651,292	25,624,334
9) Payables due to subsidiaries	424,558	587,014	(162,456)
10) Payables due to affiliated companies	59,141	-	59,141
11) Payables due to Parent Company	7,054,000	425,712	6,628,288
12) Payables due to tax authorities	9,017,898	11,528,821	(2,510,923)
13) Social security and welfare liabilities	14,066,973	14,273,015	(206,042)
14) Other current liabilities	29,675,036	26,237,760	3,437,276
Total	808,317,212	373,955,784	434,361,428
E) Prepayments and deferred income	**5,713,938**	**8,847,886**	**(3,133,948)**
TOTAL LIABILITIES	1,165,128,013	646,485,834	518,642,179

MEMORANDUM ACCOUNTS			
Surety and personal guarantees given	**63,254,884**	**36,638,988**	**26,615,896**
Collateral security for payables recorded in the accounts:			
* for subsidiaries' debts	311,180,197	803,295,013	(492,114,816)
Purchase and sale commitments	**353,671,619**	**475,986,299**	**(122,314,680)**
Other commitments	**25,978,583**	**26,013,702**	**(35,119)**
Total memorandum accounts	754,085,284	1,341,934,002	(587,848,718)

Profit and loss account

(€)	31.12.2004	31.12.2004	Variation
A) Value of production			
1) Revenues from sales and services	1,092,204,236	1,060,583,662	31,620,574
5) Other income and revenues:			
* government grants	31,525	45,788	(14,263)
* profit on sale of fixed assets	623,586	13,802,545	(13,178,959)
* other income and revenue	68,907,525	51,817,065	17,090,460
Total	**1,161,766,872**	**1,126,249,060**	**35,517,812**
B) Costs of production			
6) Raw materials and consumables	521,202,946	492,387,936	28,815,010
7) Services	89,506,605	91,000,567	(1,493,962)
8) Leases and rentals	116,889,962	105,766,034	11,123,928
9) Personnel:			
a) wages and salaries	185,621,884	182,337,052	3,284,832
b) social security contributions	58,148,020	57,230,376	917,644
c) severance indemnity provision	14,603,186	14,709,163	(105,977)
e) other costs	973,501	1,015,671	(42,170)
10) Amortisation, depreciation and write-downs:			
a) amortisation of intangible assets	33,939,684	32,823,457	1,116,227
b) depreciation of tangible assets	21,855,147	21,866,933	(11,786)
c) write-down of tangible and intangible assets	737,764	4,299,034	(3,561,270)
d) provisions for doubtful accounts receivable listed under current and liquid assets	2,043,255	1,185,343	857,912
11) Change in inventory	(2,178,322)	(2,741,637)	563,315
12) Provisions for contingencies	1,816,921	1,182,655	634,266
13) Other provisions	4,877,127	7,097,517	(2,220,390)
14) Other operating costs	12,687,513	12,065,629	621,884
Total	**1,062,725,193**	**1,022,225,730**	**40,499,463**
Difference between value and cost of production (A-B)	**99,041,680**	**104,023,330**	**(4,981,650)**
C) Financial income and charges			
15) Income from equity investments	37,974,588	5,609,530	32,365,058
16) Other financial income:			
d) other income:			
* subsidiary companies	12,379,471	3,825,102	8,554,369
* other	4,162,320	6,832,792	(2,670,472)
17) Interest and other financial charges:			
* subsidiaries	(8,536)	(3,626)	(4,910)
* losses on equity investment disposals	-	(7,221,434)	7,221,434
* other	(47,622,846)	(20,425,226)	(27,197,620)
17 bis) Foreign exchange gains and losses	(280,746)	(78,877)	(201,869)
Total	**6,604,250**	**(11,461,739)**	**18,065,989**
D) Adjustments to the value of financial assets			
18) Revaluation of securities recognised as current assets	959,280	21,287	937,993
19) Write-down of investments	(890,700)	(49,447,053)	48,556,353
Total	**68,580**	**(49,425,766)**	**49,494,346**
E) Extraordinary income and expenses			
20) Other income	33,698,319	-	33,698,319
21) Other expenses	(27,167,345)	(1,301,728)	(25,865,617)
Total	**6,530,974**	**(1,301,728)**	**7,832,702**
Profit before tax	**112,245,484**	**41,834,097**	**70,411,387**
22) Income taxes for the year (current, deferred and prepaid)	(35,080,399)	(28,339,144)	(6,741,255)
Net profit for the year	**77,165,085**	**13,494,953**	**63,670,132**

Autogrill SpA Notes to the financial statements at 31 December 2004

Company activities

Autogrill SpA operates in Italy and, through subsidiary companies, in other countries in the modern restaurant market. The main activity sectors are food and beverage services for travellers (who are also offered accessory services) and modern Quick Service restaurants in places with high consumer presence or traffic.

Format and content of financial statements

The financial statements for the year were prepared in accordance with current legislation and consist of the Balance Sheet (prepared in accordance with the format set out in Articles No. 2424 and 2424 bis of the Italian Civil Code), the profit and loss account (prepared in accordance with the format set out in Articles No. 2425 and 2425 bis of the Italian Civil Code), based on the version following the amendments made by Legislative Decree No. 6/2003 and these Notes, which provide the information required by Article No. 2423 of the Italian Civil Code and ff., the other provisions of the Italian Civil Code concerning financial statements and other relevant laws. Moreover, all additional information considered to be necessary to give a true and fair view is also provided, even if not required by specific legal regulations.

The valuation criteria adopted to prepare the financial statements at 31 December 2004 are consistent with those adopted to prepare the financial statements at 31 December 2003.

However, to guarantee uniformity and comparability of the financial statements at 31 December 2004 with the financial statements at 31 December 2003, the latter have been re-classified to comply with the changes in the classification of Balance sheet and profit and loss account items introduced by Legislative Decree No. 6/2003, as illustrated below. These classifications did not have any impact on net equity at 31 December 2003 or the result for the year ended on the same date.

To ensure uniformity with the accounts at 31 December 2004, the balance at 31 December 2003 of telephone cards and motorway passes at outlets and warehouses amounting to €2,119k has been reclassified under 'Other receivables' (working capital) as specified on page 122.

Reversal of tax-driven adjustments (tax interferences) from the financial statements for the year

As a result of the cancellation of the second paragraph of Article No. 2426 of the Italian Civil Code, as provided by Legislative Decree No. 6 of 17 January 2003, starting from the 2004 financial statements, tax interferences have been eliminated from the financial statements. This entailed the reversal of depreciation charges made in previous years for a total of €33,698k and the recording of deferred taxes amounting to €12,552k, as well as higher depreciation rates compared to 2003 of €1,778k. The overall effect of the operation, equal to €21,146k, is recorded, as specified by the OIC 1 document (OIC - Organismo Italiano di Contabilità), under Extraordinary income and charges in the 2004 profit and loss account.
In particular, the following have been reversed:

- amortisation of goodwill, calculated at a higher value of 20% in 1997, and 10% in 1998 and 1999, for a total of €23,797k.
- amortisation of development and restructuring costs incurred on leased property in 1998 and 1999, calculated over a shorter period of three years, as permitted by Italian Law No.449/1997 (related to the 1998 Financial Law) for a total of €9,901k.

Reconciliation table

(€k)	2004	2003	
	Result for the year	Result for the year	Net equity
Result before elimination of interferences	**56,019**	**14,846**	**142,024**
Excess depreciation	33,698	(2,734)	36,432
Related deferred taxes	(12,552)	1,383	(13,935)
Total tax interferences net of related taxes	**21,146**	**(1,351)**	**22,497**
Result after elimination of interferences	**77,165**	**13,495**	**164,521**

Note that the elimination of tax interferences does not affect the consolidated financial statements, as the adjustments under review had already been eliminated from these.

On the basis of the new legal regulations, in particular, Article No. 109, para 4, letter b of the TUIR (Income Tax Consolidation Act), certain items of cost (provisions, amortisation of intangible assets and depreciation of tangible assets as well as value adjustments) can de deducted from taxable income regardless of whether they are charged in the profit and loss account.

According to the above rule, in the event of a distribution, both net equity reserves and profit for the year are treated as income, if and to the extent that the residual amount of net equity reserves, excluding the legal reserve and retained earnings carried forward, is lower than the total amount of the items of cost mentioned above, deducted only for the purpose of calculating the taxation charge, net of related deferred taxes.

Valuation criteria and basis of preparation of financial statements

The valuation criteria and the basis of preparation of financial statements have been adopted in accordance with Article No. 2426 of the Italian Civil Code and, where necessary, the accounting principles established by the Italian Accounting Profession and comply with the accounting principles issued by the International Accounting Standards Board (IASB).

No departures were made from paragraph 4 of Article No. 2423 of the Italian Civil Code.

The criteria applied to the most important financial statement items are as follows:

Intangible assets: intangible fixed assets are stated at acquisition or production cost, including directly attributable accessory costs, and are amortised based on their useful economic lives. In the event of a permanent loss in value, the fixed asset is written down accordingly. The asset is restored to its original value less accumulated depreciation to date, if in subsequent years, the reasons for such write-down no longer apply. The amortisation periods adopted for the various intangible fixed assets are as follows:

Concessions, licences, trademarks and similar rights		• 3 years for application software licences • duration of the licence for the costs for the authorisation for selling monopoly goods
Goodwill		Maximum 10 years for the Goodwill paid to purchase the individual restaurants 12 years for the Goodwill which includes the merger difference
Other	Leasehold improvements	The shorter of the useful economic life and the unexpired term of the contract
	Bespoke application software	3 years
	Other	5 years, or duration of the underlying contracts

Tangible assets: tangible fixed assets are stated at purchase or construction cost, or revalued amount where monetary revaluation laws apply, and depreciated using depreciation rates which reflect the estimated useful economic life of the various categories of fixed assets.

Buildings	3%
Plant and machinery	10% - 30%
Industrial and commercial equipment	15% - 33%
Fixtures and fittings	10% - 20%
Motor vehicles	25%
Other assets	12% - 20%

These rates are reduced to half in the first year of use of the fixed asset.
As regards revertible assets, these rates are replaced by those in the financial depreciation plan, if higher.

In the event of a permanent loss in value, the fixed asset is written down accordingly. The asset is restored to its original value less accumulated depreciation to date, if in subsequent years, the reasons for such write-down no longer apply.

Financial assets: investments in main subsidiary and aaffiliated companies are valued using the net equity method, in accordance with the provisions set out in para 1, point 4, Article No. 2426 of the Italian Civil Code.

Minority shareholdings and investments in dormant or non-significant subsidiaries are valued using the cost method, following LIFO (last in - first out) with annual layers. The value is written down for any permanent loss in value, the write-downs being reversed in subsequent years if the reasons for the adjustment no longer apply.

Dividends from subsidiary companies are credited in the year to which they relate, when their distribution has been resolved at the Shareholders' Meeting held before the Shareholders' Meeting of Autogrill SpA called to approve the financial statements for the year.

Inventories: inventories are stated at the lower of the purchase or production cost, including any directly attributable accessory costs, calculated using the FIFO (first in - first out) method, and market value; the value of inventories is adjusted to take into account obsolete or slow-moving items.

Receivable and payables: amounts receivable are stated at their net realisable value. Amounts payable are stated at nominal value. Short-term receivables and payables denominated in foreign currencies are translated into euros using year-end exchange rates. Any exchange profits or losses arising on the conversion of receivables and payables are credited and debited to the profit and loss account. Any net exchange rate profit arising is credited to a specific non-distributable reserve until disposed of.

Prepayments, deferrals and accruals: these include prepayments and accrued income as well as accrued expenses and deferred income, that is income or expense items which relate to more than one financial year and which are therefore included in the financial statements based on the accruals concept of accounting.

Severance indemnity fund for employee: this provision reflects all liabilities existing at the financial year end in respect of employees on the payroll at that date and is calculated in accordance with legislation and labour contracts currently in force.

Provision for contingencies and charges: this provision is set up to cover known or foreseeable losses or liabilities of Group companies, based on prudent estimates of the actual amount which will eventually become due. This provision includes specific accruals for maintenance costs expected to be incurred at the expiry of current contracts, taking into account normal wear and tear, to ensure that revertible assets are returned in good working order and for preservation costs to be incurred in respect of leased businesses, in accordance with current legislation and contractual terms.

Revenues, income, costs and expenses: revenues from sale of goods and their related purchase costs are recorded at the time ownership changes. Revenue and the costs for services are recorded at the time they are received or rendered. Interest payable and receivable and other income and expenses are recorded on an accruals basis.

Tax payable: the tax charge for the year is calculated on the basis of a reasonable estimate of taxable income, in accordance with current tax regulations. Moreover, in accordance with the concept of prudence, entries are made also for tax assets and liabilities related to timing differences between the amounts included in the Company's statutory accounts (as per Italian Civil Code) and those calculated for the Income Tax Return as well as deferred tax assets relating to losses carried forward.
Starting from the 2004 tax period, Autogrill SpA, together with its 100% Italian subsidiary companies (Autogrill International Srl, Nuova Sidap Srl and Nuova Estral Srl), joined the Domestic Tax Consolidation which had been opted for by Edizione Holding SpA, on the basis of Articles No. 117-129 of the TUIR (Income Tax Consolidation Act), as modified by Legislative Decree No. 344 of 12 December 2003, for the three-year period 2004-2006.
The agreement signed by the parties provides for the total recognition of the value calculated by multiplying the amount of the tax profits/losses transferred by the IRES (corporate income tax) rate, as well as the transfer of any tax credits.
Therefore, the net amount receivable or payable with regard to current year IRES tax only, is calculated by the Parent company Edizione Holding SpA.

Derivative financial instruments: off-balance sheet financial instruments, used to hedge against exchange rate and interest rate risks, are included in the Memorandum accounts at their notional amount at the time the contract is signed. In particular, the sale and purchase contracts of foreign currency are stated at their equivalent in Euros at the forward exchange rate whereas Interest Rate Swaps are stated at their equivalent in Euros at the reference date. Income and charges relating to these contracts are credited/debited to the profit and loss account over the duration of the contract, with a corresponding prepayment, accrual or deferral in the balance sheet. Options acquired or transferred are included in the Memorandum accounts at the notional value of the contract. Premiums received or paid on options exercised are recognised over the term of the contract. If negative, the fair value of the options transferred is included under the Other amounts payable, with a corresponding debit in Financial charges. If positive, the fair value is included in the Memorandum accounts. The same applies to derivative financial instruments which are no longer used for hedging.

Memorandum accounts: the main accounting principles adopted are as follows:

- Personal guarantees provided: these are stated depending on the entity of the commitment undertaken; in particular, the guarantee granted to the holders of the bonds convertible into Autogrill SpA ordinary shares issued at a discount from par value (the so-called "OID"- Original Issue Discount) by Autogrill Finance SA is shown at the amount due at the balance sheet date;
- Purchase and finance lease commitments: commitments to purchase fixed assets are stated at purchase cost; finance lease commitments reflect the total amount of lease rentals agreed. Commitments relating to exchange rate and interest rate hedging transactions are recorded as detailed above under Derivative financial instruments;
- Other commitments: if they relate to third parties' assets, used or deposited, they are stated at the value assigned to them by the owner.

Assets

B. Fixed assets

B.I. Intangible assets

These amount to €97,727k in total. The balance between investments and depreciation determines an increase of €11,150k compared to the previous financial year. They consist of the following:

(€k)	31.12.2004	31.12.2003	Variation
Concessions, licences, trademarks and similar rights	2,839	2,361	478
Goodwill	54,866	44,385	10,481
Intangible assets in progress and advances	3,874	4,015	(141)
Other:			
leasehold improvement	30,460	29,452	1,008
other	5,688	6,364	(676)
Total	**97,727**	**86,577**	**11,150**

€38,986k of the goodwill entry refers to the residual value of the cancellation deficit which emerged from the merger of Autogrill SpA and Finanziaria Autogrill SpA into Schemaventidue SpA on the basis of the respective asset-liability situations as at 31 December 1996.
As indicated on page 111, we eliminated the tax elements on the financial statements for the year. This led to the reversal of higher depreciation assigned in previous years amounting to €23,797k in total.

This did not lead to variations in the depreciation amount for the year compared to 2003.
The same entry includes the residual value of the amounts paid for these purposes for the taking over of commercial activities.

The Improvements of third party assets refer to third party property and companies leased.
Again for this entry, due to the effect of the aforementioned "tax reversal", we reversed the higher depreciation assigned in previous years amounting to €9,901k in total. As a result of this, depreciation for the year exceeded the figure for 2003 by €1,778k.

The remaining Others entry does not include the types specified by art. 2426, paragraph 1, point 5 of the Italian Civil Code.

The movements in this entry over the year are summarised in the table on pages 118-119. The depreciation for the year of €33,940k, exceeded the increase for new investments of €13,570k, mainly consisting of Improvements of third party assets. The balance is also affected by the correction of the incorrect classification of equipment for a net value of €5,787k among the Improvements of third party assets.
Write-downs amounted to €418k (€2,212k in 2003) and are commented on in the specific profit and loss account entry on page 134.

The balance of the Fixed assets in progress and advances entry relates to restructuring and modernising of property or companies leased, which are expected to be completed in the first half of 2005. The investments in progress on 31 December 2003 are entirely completed.

B.II. Tangible assets

On 31 December 2004, the entry totalled €105,035k and was broken down as follows:

	31.12.2004				31.12.2003			
	Historic cost	Dep. fund	Write-downs	Net value	Historic cost	Dep. fund	Write-downs	Net value
Civil land	242	-	-	242	242	-	-	242
Industrial land and buildings	28,382	(14,598)	-	13,784	27,836	(13,867)	-	13,969
Plant and machinery	33,447	(25,817)	(214)	7,416	31,523	(24,029)	(161)	7,333
Industrial and commercial equipment	186,542	(150,679)	(2,620)	33,243	176,956	(139,557)	(2,514)	34,885
Freely transferable assets	157,408	(119,113)	(22)	38,273	151,815	(112,672)	(26)	39,117
Other assets	21,531	(18,091)	-	3,440	19,586	(16,368)	(99)	3,119
Construction in progress	8,637	-	-	8,637	8,011	-	-	8,011
Total	**436,189**	**(328,298)**	**(2,856)**	**105,035**	**415,969**	**(306,493)**	**(2,800)**	**106,676**

The values indicated above include the effects of the revaluations applied as per Italian Law 72 of 13 March 1983 and Italian Law 413 of 30 December 1991, for the amounts specified below:

(€k)	Italian Law 72/83			Italian Law 413/91		
	cost	Dep. fund	Net value	cost	Dep. fund	Net value
Civil land	65	-	65	66	-	66
Industrial land and buildings	947	(731)	216	3,592	(2,670)	922
Plant and machinery	398	(398)	-	-	-	-
Industrial and commercial equipment	1,155	(1,155)	-	-	-	-
Freely transferable assets	3,158	(3,158)	-	11,460	(11,361)	99
Other assets	23	(23)	-	-	-	-
Total	**5,747**	**(5,465)**	**281**	**15,118**	**(14,031)**	**1,087**

The movements for the year are summarised in the table on pages 118-119.

Refer to the Board of Directors' Report for comments on the increases in 2004, which amounted to €19,761k. The decreases, for a net value of €5,328k, as well as the ordinary renewal due to obsolescence, refer to the sales of assets to the new assignees of the motorway concessions.

The write-downs of €320k (€2,087k in 2003) are commented on in the note for the specific entry in the profit and loss account, on page 134.

Over the year, reclassifications of investments to the Intangible fixed assets entry were carried out amounting to €5,787k, as is commented on in detail in the note on the Improvements of third party assets entry.
The Fixed assets in progress and advances entry includes the advances, amounting to €3,512k out of an overall price of about €5,681k, paid in 1992 to Agip Petroli SpA to purchase two premises on the "Grande Raccordo Anulare" (Ring Road) in Rome, run by the company since they were created. The sale was suspended due to a ruling of illegality of the decision taken by the Conference of Services, which had permitted the expropriation of the land on which the premises were built.
The impasse has so far made it impossible to depreciate the assets used. The corresponding expense is set aside in the Motorway management risk fund.

A share of €5,125k refers to operations for adapting and restructuring premises not yet completed as at 31 December 2004. The fixed assets in progress as at 31 December 2003 were completed in 2004.

B.III. Financial assets

These amount to €90,544k in total, having fallen by €2,859k compared to 31 December 2003 as a result of the events illustrated below with reference to the individual entries, whose effects are summarised in the movement table on pages 118-119.

B.III.1. Shareholdings

B.III.1.a. In subsidiary companies

These amount to €84,119k in total, having fallen by €421k compared to the previous financial year, and are as follows:

Corporate name	Head office	Currency	Company capital (000)	Number of shares (000)	Net equity at 31.12.2004 [2]	2004 Profit (Loss) [1]	% Ownership	Net value
Autogrill International Srl	Novara	€	1,000	-	32,219	33,074	100.00	31,690
Autogrill Europe Nord-Ouest SA	Luxembourg	€	41,300	4,130	19,475	(87)	100.00	18,880
Autogrill Finance SA	Luxembourg	€	250	25	274	1,174	100.00	622
Holding de Participations Autogrill SA	Marseille	€	119,741	787,769	84,587	1,139	0.01	-
Autogrill España SA	Madrid	€	1,800	300	9,540	3,426	100.00	10,579
Autogrill Austria AG	Gottlesbrunn	€	7,500	7,500	6,635	1,785		9,144
Autogrill Deutschland GmbH	München	€	205	-	10,255	58	100.00	10,410
Autogrill Hellas EpE	Avlona Attikis	€	1,696	57,797	1,434	608	100.00	1,848
Aviogrill Srl	Bologna	€	10	10	444	299	51.00	894
Other companies		€	-	-	-	-	-	52
Total								**84,119**

[1] Variation of the net equity for Autogrill Europe Nord-Ouest SA.

[2] The net equity of Autogrill International Srl, Autogrill España SA, Autogrill Finance SA and Autogrill Hellas EpE is reduced by the dividend for the year measured as due.

The variation compared to the previous year is due to the following movements:

1. Autogrill Europe Nord-Ouest SA: write-down of €891k in accordance with the net equity assessment method, with full impact on the profit and loss account.
2. Autogrill Austria AG: increase of €476k, in accordance with the net equity assessment method.
3. Autogrill Deutschland GmbH: increase of €128k, in accordance with the net equity assessment method.
4. Autogrill International Srl (previously Autogrill Café Srl): increase in the value of the shareholding of €31,992k as a result of the transfer of the shareholding in Autogrill Overseas SA at the book value, and subsequent net write-down of €302k, resulting from a write-down of €501k assigned to the conversion reserve and an increase of €199k assigned to the profit and loss account in accordance with the net equity assessment method, after measuring the dividend due, as decided by the Shareholders' Meeting of the subsidiary company before the approval of the financial statements of Autogrill SpA, relating to the Profit for the period 2004, equal to €32,910k. The net income of Autogrill Overseas SA is affected by the significant progress achieved in the ordinary profitability of the subsidiary companies (Autogrill Group, Inc. and Autogrill Schweiz AG.) as well as by the benefit resulting from the review of the useful life of the goodwill relating to the American activities which led to a reduced charge of €22,671k and the compensation paid by Autogrill SpA to restore the loss on derivates attributable to it (€9,467k).
5. Aviogrill Srl: increase of €149k, entered in accordance with the net equity assessment method.
6. Nuova Sidap Srl: increase of €5k, entered in accordance with the net equity assessment method.
7. Nuova Estral Srl: increase of €2k, entered in accordance with the net equity assessment method.

The book value of Autogrill España SA, Autogrill Finance SA and Autogrill Hellas EpE remained unchanged, after measuring the dividend due as decided by the Shareholders' Meeting of the subsidiary companies before the approval of the financial statements of Autogrill SpA relating to the Profit for the period 2004, for €3,333k, €1,194k and €350k, respectively.

Note that the sellers of the Receco SL shares began arbitration proceedings against Autogrill Participaciones SL, asking for the cancellation of the sale and purchase contract and recognition of a penalty, not quantified.

This related to the alleged bad management of the Company and the direct effect which it would have on the final sale and purchase price, given the contractual mechanism which relates the final sale and purchase price to the normalised Ebit for 2006.

Autogrill, also supported by the opinions of its legal representatives, is sure that the Arbitration Panel will find that the company was run well, this being backed up, among other things, by the improved profitability despite the unexpected adverse exogenous factors (the bomb at Madrid Atocha station on 11 March 2003 and the delay in the opening of the Madrid-Lérida line).

The application of the net equity assessment criteria thus led to allocation of the total proceeds of €69k to the profit and loss account.

This corresponds, considering the regulation in art. 2426, paragraph 1, point 4 of the Italian Civil Code and excluding the variation of the conversion reserve, to the changes in the net accounting equity of the subsidiary companies, as specified in the corresponding financial statements for the year which will be approved before the Autogrill SpA financial statements.

The residual excess of the book value of the shareholding in Aviogrill Srl and Autogrill Austria is justified by the income prospects of the company.

B.III.1.c. In other companies

These amount to €18k in total and are substantially unchanged compared to the previous financial year.

B.III.2. Receivable from others

This item amounts to €7,495k and shows a net decrease of €1,351k with respect to 31 December 2003, as detailed below:

	31.12.2004 Non-current	31.12.2003 Non-current	Variation
Interest-bearing deposits with oil companies	5,283	5,249	34
Advance tax recoverable from Italian taxation authorities	1,089	2,574	(1,485)
Guarantee deposits	1,108	1,009	99
Other	15	14	1
Total	**7,495**	**8,846**	**(1,351)**

Amounts relating to the 'Interest bearing deposits on behalf of oil companies' and 'Caution money' are expected to be recovered beyond the 5th successive period. The increase in the former is due to accrual of interest.

The 'Interest bearing advances to tax authorities' were made pursuant to law 662/96 and were repaid by offsetting withholding tax payables on staff termination benefits settlements. The net change of €1,485k was the result of a recovery by offsetting debt (€1,540k) and revaluation at 2.792% (€55k).

Statement of changes in intangible, tangible and financial fixed assets for the year ended 31 December 2004

(€k)

	31 December 2003			Change in gross value					Change in accumulated amortisation				31 December 2004		
	Gross value	Accum. amortisation	Net value	Addition	Decrease	Write-downs	Other movements	Total	Addition	Decrease	Other movements [1]	Total	Gross value	Accum. amortisation	Net value
Intangible fixed assets															
Concessions, licenses, trademarks and similar rights	7,456	(5,095)	2,361	981	(232)	(47)	913	1,662	(1,311)	174	-	(1,137)	9,118	(6,279)	2,839
Goodwill	168,041	(123,656)	44,385	500	(85)	-		415	(13,815)	85	23,796	10,066	168,456	(113,590)	54,866
Other	159,914	(124,098)	35,816	8,577	(10,481)	(371)	(3,047)	(4,951)	(18,814)	10,077	14,391	5,654	154,963	(118,815)	36,148
Intangible assets in progress and advances	4,015	-	4,015	3,512	-	-	(3,653)	(141)	-	-	-	-	3,874	-	3,874
Total	**339,426**	**(252,849)**	**86,578**	**13,570**	**(10,798)**	**(418)**	**(5,787)**	**(3,015)**	**(33,940)**	**10,336**	**38,187**	**14,583**	**336,411**	**(238,684)**	**97,727**

	31 December 2003			Change in gross value					Change in accumulated depreciation				31 December 2004		
	Gross value	Accum. depreciation	Net value	Addition	Decrease	Write-downs	Other movements	Total	Addition	Decrease	Other movements	Total	Gross value	Accum. depreciation	Net value
Tangible fixed assets															
Civil land	242	-	242	-	-	-	-	-	-	-	-	-	242	-	242
Industrial land and buildings	27,836	(13,868)	13,969	207	(21)	-	360	546	(730)	1	(1)	(730)	28,382	(14,598)	13,784
Plant and machinery	31,522	(24,189)	7,333	1,262	(534)	(78)	1,197	1,925	(1,889)	401	(276)	(1,764)	33,447	(26,031)	7,416
Industrial and commercial equipment	176,957	(142,072)	34,885	7,343	(3,813)	(242)	6,055	9,585	(10,903)	3,503	(3,585)	(10,985)	186,542	(153,299)	33,243
Freely transferable assets	151,814	(112,697)	39,117	4,909	(868)	-	1,553	5,594	(7,253)	811	4	(6,438)	157,408	(119,135)	38,273
Other assets	19,587	(16,468)	3,119	985	(92)	-	1,051	1,944	(1,080)	90	(633)	(1,623)	21,531	(18,091)	3,440
Construction in progress	8,011	-	8,011	5,055	-	-	(4,429)	626	-	-	-	-	8,637	-	8,637
Total	**415,969**	**(309,294)**	**106,676**	**19,761**	**(5,328)**	**(320)**	**5,787**	**20,220**	**(21,855)**	**4,806**	**(4,491)**	**(21,540)**	**436,189**	**(331,154)**	**105,035**

	31 December 2003			Change in gross value					Depreciation/Revaluation				31 December 2004		
	Gross value	Value adjustments	Net value	Addition	Decrease		Other movements	Total	Depreciation	Revaluation	Other movements	Total	Gross value	Depreciation/ Write-downs	Net value
Financial fixed assets															
Investments in subsiadiaries	505,446	(420,906)	84,540	12	-		-	12	(891)	959	(501)	(433)	505,458	(421,339)	84,119
Investments in affiliated companies	-	-	-	-	-		-	-				-	-	-	-
Investments in other companies	18	-	18	-	-		-	-				-	18	-	18
Receivables due from others	8,845	-	8,845	243	(1,593)		-	(1,350)				-	7,495	-	7,495
Total	**514,309**	**(420,906)**	**93,403**	**255**	**(1,593)**		**-**	**(1,338)**	**(891)**	**959**	**(501)**	**(433)**	**512,971**	**(421,339)**	**91,632**

[1] They mainly relate to the impact of the tax interferences, as described on pag. 111

C. Working capital

C.I. Inventory

These amount to €41,603k in total, having increased by €2,178k compared to 31 December 2003 and are as follows:

(€k)	31.12.2004	31.12.2003	Variation
Products for supply and sale	28,399	29,645	(1,246)
Monopoly goods, lotteries and newspapers	10,871	8,425	2,446
Fuel and lubricants	1,114	723	391
Various articles and goods	1,219	632	587
Total inventories	**41,603**	**39,425**	**2,178**

The variation in the stock of assets in the first two categories is correlated with the income dynamics. For fuel, on the other hand, the variation is related to the increase in the number of service stations managed.
The warehouse value is net of the goods obsolescence fund, amounting to €1,252k (624 on 31 December 2003), established on the basis of the expected use value for the slow turnover stock or for the articles excluded from the sales stock.

C.II. Accounts receivable

These amount to €746,572k in total, having increased by €476,667k compared to 31 December 2003 and they are as follows:

(€k)	31.12.2004	31.12.2003	Variation
C.II.1. Receivables from customers	31,921	33,812	(1,891)
C.II.2. Receivables from subsidiary companies	673,901	179,731	494,170
C.II.4. Receivables from Parent companies	3,447	-	3,447
C.II.4. (ii) Tax credits	650		650
C.II.4. (iii) Tax advances	10,380	30,333	(19,953)
C.II.5. Receivables from others	26,272	26,029	243
C.II. Total accounts receivables	**746,572**	**269,905**	**476,667**

C.II.1. Trade receivables

This entry totals €31,921k, having decreased by €1,891k compared to 31 December 2003. The more favourable liquidation of entries relating to promotional activities carried out over the year contributed to this decrease. The net increase in the provision for doubtful receivables is €1,647k.

This entry is broken down as follows:

(€k)	31.12.2004	31.12.2003	Variation
Receivables from third parties	34,342	35,087	(745)
Disputed receivables	4,753	4,252	501
Provision for doubtful receivables	(7,174)	(5,527)	(1,647)
C.II.1 Total trade receivables	**31,921**	**33,812**	**(1,891)**

The Receivables from third parties mainly relate to agreements for catering services and commercial affiliation relations, as well as the promotional activities carried out on behalf of suppliers.
The provision for doubtful receivables varied due to the amount of potential doubtful receivables, amounting to €396k, and the appropriation for the year of €2,043k.
The receivables indicated will all expire within the next 12 months.

C.II.2. Receivables from subsidiaries

These amount to €673,901k in total (€179,731k in 2003). €673,096k are financial (€179,077k as at 31 December 2003). The entry refers to financing for the subsidiary companies of €635,309k, (Autogrill Group, Inc. €222,922k, Autogrill Finance €311,850k, Overseas €87,071k, Autogrill España €7,732k and Autogrill Austria AG €5,734k), which increased not only due to the use of the increased financial assets generated by the operations but, above all, due to the concentration of the bank credit lines achieved with the syndicated loan specified above. The remaining €37,787k refer to the dividends due to be paid in 2005 by Autogrill Finance (€1,194k), Autogrill Hellas (€350k), Autogrill International (€32,910k) and Autogrill España (€3,333k), as commented on above in the Financial fixed assets entry.

C.II.4. Receivables from parent company

These amount to €3,447k in total and refer to receivables from the controlling company Edizione Holding that relate to the adherence to the consolidated tax scheme and the excess IRES advance paid on the 2004 taxable figure.

C.II.4. (ii) Tax credits

This sub-entry was introduced in 2004 following the changes made to financial statements by the reform of the Italian Civil Code and involved reclassification of the comparative values for the previous year.

They amount to €650k in total, they are substantially unchanged compared to the previous financial year, and refer to taxes for which a refund has been requested.

The company paid the tax advances - in both 2004 and 2003 - by applying the historic method, based on the taxable income for the previous year. This led to an IRES credit, as a result of the adherence to the Italian Tax Consolidation, with Edizione Holding SpA.

As for IRAP, the excess on the 2004 taxable figure for the tax advances paid is entered in the Tax debts payable within the next year entry.

C.II.4. (iii) Tax advances

This sub-entry was also introduced in 2004 following the changes made to the financial statements schemes made by Italian Civil Code and involved reclassification of the comparative values for the previous year.
The tax advances entry refers to the tax assets entered to apply Italian Accounting Principle 25, equal to €32,496k. The decrease of €3,529k is related to the reversal of temporary differences. Information is provided in the note on Income taxes on page 136.

On the basis of the updated forecasts for future taxation, the above credit is recoverable in 2005 in the amount of €9,300k.

Statement of tax advances and consequent effects

(€k)	2004		2003	
	Temporary differences	Tax effect (33%)	Temporary differences	Tax effect (33%)
Tax advances:				
entertainment expenses and free gifts	227	75	163	54
write-down of shareholdings	52,358	17,278	74,040	24,433
write-down of receivables	6,962	2,297	5,317	1,755
write-downs due to long-term losses on fixed assets	4,657	1,537	5,389	1,778
warehouse write-downs	1,186	391	532	176
provision for disputes	3,801	1,254	3,266	1,078
provisions for future risks and charges	17,689	5,837	12,599	4,158
payments to Directors, Auditors, premiums and incentives	6,904	2,278	4,264	1,407
depreciation rate differences	4,689	1,547	3,596	1,187
Total tax advances	**98,473**	**32,496**	**109,166**	**36,025**

C.II.5. Receivables due from others

These amount to €25,183k in total, having fallen by €193k compared to 31 December 2003.

	31.12.2004	31.12.2003	Variation
From suppliers	14,081	15,637	(1,556)
From the Treasury, Social security organisations and Public Administrations	73	654	(581)
From personnel	2,545	2,638	(93)
Sundry receivables	8,484	6,447	2,038
Total	**25,183**	**25,376**	**(193)**

The Receivables from suppliers entry mainly includes credit notes to be received for end of year premiums paid and returns, lease fees paid in advance before due and advances. The decrease compared to the previous financial year mainly relates to the more timely payment of the amounts.

The Sundry receivables entry includes the receivables from credit card issuing organisations for payments made by customers over the year but not yet credited, amounting to €2,251k (€2,014k as at 31 December 2003) and the receivables from Insurance companies for advanced premiums and compensation applied but not yet credited, amounting to €425k (€1,581k as at 31 December 2003). The variation compared to 2003 is mainly due to a one-off payment paid to the company Autostrade per l'Italia SpA of €2,813k related to the granting of operating licences for motorway areas and, in respect of €1,382k (€2,119k as at 31 December 2003) to the value of telephone cards and motorways passes at the sales outlets and warehouses on 31 December 2004.

The receivables from others expire within the next year.

C.IV. Cash and cash equivalents

These amount to €58,278k in total, having increased by €18,313k compared to 31 December 2003; they are broken down as follows:

(€k)	31.12.2004	31.12.2003	Variation
C.IV.1. Bank and post office deposits	39,068	15,723	23,345
C.IV.3. Money and cash values	19,210	24,242	(5,032)
C.IV. Cash and cash equivalents	**58,278**	**39,965**	**18,313**

The increase in the Bank and post office deposits entry is mainly due to short term deposits for using the excess liquid assets generated at the end of the year at favourable conditions.
The Money and cash values entry includes €8,142k (€10,170k in the previous year) of end-of-year receipts from the sales outlets not yet credited to the current bank accounts and €7,285k (€8,108k in the previous year) of receipts not yet collected from the sales outlets.

These components can vary even significantly depending on the frequency of collection of the receipts by specialised carriers.

The residual amount of €3,783k (€5,964k as at 31 December 2003) relates to the values at the sales outlets as at 31 December 2004. To ensure homogeneity with the situation as at 31 December 2004, the value as at 31 December 2003 of the telephone cards and motorway passes in stock the sales outlets and warehouses, amounting to €2,119k in total, was reclassified to Other floating asset credits.

D. Prepayments and deferred income

These amount to €3,254k in total, compared to €4,843k as at 31 December 2003, and consist of the following:

(€k)	31.12.2004	31.12.2003	Variation
Prepaid assets	1,954	2,285	(331)
Deferred income:			
financial lease fees	733	1,466	(733)
concession and lease fees	468	494	(26)
other	99	598	(499)
Total deferrals	**1,300**	**2,558**	**(1,258)**
Total prepayments and deferred income	**3,254**	**4,843**	**(1,589)**

The Prepaid assets, virtually unchanged compared to the previous year, mainly relate to the exchange rate variation risk management operations.

The Financial lease fees entry refers to the advance fees relating to 2005. The decrease of €733k refers to the amount assigned to the profit and loss account for 2004.

The Concession and lease fees entry includes amounts relating to 2006-2022 of €441k (€280k of which are beyond the fifth year).

The decrease in the Various entry is mainly due to the entry in the profit and loss account of €442k for registration tax for subsequent years, referring to the "Duomo Centre" sales outlet in Milan, which was closed over the course of 2004 and previously deferred over the duration of the lease contract.

Comments on the main liability entries

A. Net equity

Net equity as at 31 December 2004 was €218,765k in total, an increase of €76,741k on the previous year. The variations for the last two years are indicated in the table on page 124.

The Shareholders' Meeting on 27 April 2004 decided to use the Profit for the year 2003 of €13,495k as follows:

- Legal reserve €675k
- Reserve for advance depreciation €7,583k
- Profit brought forward €5,237k

A.I. Share capital

The share capital, fully subscribed and paid up, on 31 December 2003, consists of 254,400,000 ordinary shares, each with a nominal value of 0.52 €. This entry remained unchanged compared to the end of the previous year.

Note that the Shareholders' Meeting held on 30 April 1999 decided to increase the share capital by issuing up to 33,500,000 ordinary shares to service the convertible bond loan with a nominal value of €471,055,000 issued in June 1999 by the subsidiary company Autogrill Finance SA, which generated receipts of €350m, net of the implicit interest and gross of the issuing expenses.

Under the conditions of this operation, the maximum number of shares which can be issued to service the conversion of the loan is about 24,475,000 shares. Note that the conversion right can be exercised by the holder of the bonds at any time during the life of the loan. Compared to the 30% on issue, the conversion premium on 31 December 2003 was equal to 40%.

The shares making up the share capital have been traded on the electronic market of the Italian Stock Exchange since 1 August 1997.

A.IV. Legal reserve

This amounts to €2,387k in total (€1,712k as at 31 December 2003) and increased due to the above mentioned use of the profit for 2003, as resolved by the Shareholders' Meeting held on 27 April 2004.

A.VII. Other reserves

These amount to €1,688k in total and are as follows:

Share swap profit reserve: corresponds to the residual value of the share swap profit relating to the merger by incorporation of Finanziaria Autogrill SpA, after the suspended tax reserves had been recreated; it amounts to €1,908k in total, unchanged from the previous year.

Capital account contributions - available shares: these also derive from the takeover of Finanziaria Autogrill SpA and total €230k, with an increase of €77k compared to 2003 relating to the share transferred in 2003 from the fund that contains the unavailable shares.

Net equity shareholdings assessment reserve: €1,043k, unchanged compared to the previous year and created in accordance with the method adopted to value the shareholdings in the foreign subsidiary companies.

Net equity assessed shareholdings conversion reserve: amounts to less €9,972k in total; the negative balance having increased by €501k. It varied due to the variations in the exchange rates between the Euro and the currencies used for the financial statements of the indirectly-controlled companies.

Reserve for advance depreciation: zeroed (€7,583k as at 31 December 2003), as envisaged by Document OIC 1; reclassified to the Other available profit reserves entry.

Other available profit reserves: amount to €8,481k in total, having increased by €7,583k compared to the previous financial year due to the reclassification specified above.

Table required by art. 2427, no. 7-b

(€k)	Amount available	Possibility of use for loss coverage	Share	Summary of uses in previous three years	
				for loss coverage	for other reasons
Capital stock	132,288	-	-	-	-
Profit reserves:					
legal reserve	2,387	A, B, C	-	-	-
merger reserve	1,908	A, B, C	1,908	6,122	-
capital account contribution	230	A, B, C	230	-	-
shareholding conversion reserve (net equity method)	(9,972)	-	-	-	-
net equity assessment reserve	1,043	-	-	-	-
other reserves	8,481	A, B, C	8,481	3,793	-
retained earnings	5,237	A, B, C	5,237	-	-
Total	-	-	**15,856**	-	-
Share not available for distribution	-	-	0	-	-
Residual share available for distribution	-	-	**15,856**	-	-

A: for capital increase
B: for loss coverage
C: for distribution to shareholders

Net equity account variation table

(€k)	Share capital	Monetary revaluation reserves	Legal reserve	Other reserves/ unused profits	Net income (loss) for the year	Total
Balances at 31 December 2002	**132,288**	-	**1,712**	**10,825**	**(9,915)**	**134,909**
Loss coverage 2002	-	-	-	(9,915)	9,915	0
Capital account contributions amount available increase	-	-	-	77	-	77
Shareholding assessment reserve increase (net equity method)	-	-	-	599	-	599
Variation in shareholding assessment conversion differences (net equity method)	-	-	-	(7,055)	-	(7,055)
Profit for 2003	-	-	-	-	13,495	13,495
Balances at 31 December 2003	**132,288**	-	**1,712**	**(5,470)**	**13,495**	**142,024**
Use of profit 2003	-	-	-	5,237	(13,495)	(8,258)
Increase in legal reserve	-	-	675	-	-	675
Capital account contributions amount available increase	-	-	-	77	-	77
Increase in profit available for advance depreciation reserve	-	-	-	7,583	-	7,583
Other reserves	-	-	-	(500)	-	(500)
Profit for 2004	-	-	-	-	77,165	77,165
Balances at 31 December 2004	**132,288**	-	**2,387**	**6,928**	**77,165**	**218,765**

Note that following the elimination of the tax elements (commented on in detail in the Intangible fixed assets entry), the share of the Profit for the period in respect of which tax is suspended as per art. 109, clause 4, letter b of the TUIR (Consolidation Act on Income Tax), which can be distributed according to the conditions and within the limits specified therein, amounts to €6,657k in total.

B. Provisions for contingencies and charges

The composition as at 31 December 2004 and the movements for the year are as follows:

(€k)	Balance at 31.12.2003	Other movements	Provisions	Use	Balance at 31.12.2004
B.2. Provisions for taxes	**7,552**	**16,424**	**-**	**(1,535)**	**22,441**
B.3. Other provisions:					
For charges relating to:					
restoration of assets which can be transferred free of charge	11,375	-	-	(9,278)	2,097
restoration of third party leased assets	5,596	-	402	-	5,998
motorway/urban management	2,733	-	199	-	2,932
capital account contributions - unavailable shares	205	(77)	-	-	129
other	4,498	-	5,385	(1,748)	8,135
For risks relating to:					
legal proceedings	3,266	-	1,740	(1,206)	3,800
other	269	(77)	77	-	269
Total other provisions	**27,942**	**(154)**	**7,803**	**(12,232)**	**23,360**
Total provisions for contingencies and charges	**35,494**	**16,271**	**7,803**	**(13,767)**	**45,801**

The B.2. Funds for taxes entry, including deferred taxes, also modified following the variations introduced in 2004 to financial statement schemes by the changes in the Italian Civil Code, required reclassification of the comparative values of the previous year.
The movements in this entry indicate the use that was made of the funds for the automatic settlement under art. 9 of Italian Law 289/2002 (the so-called "Tombale" tax amnesty) of the potential claims relating to direct taxes for 2002, amounting to €1,535k. A fund of €325k covers the potential charges relating to settlement of the findings following a general inspection relating to the year 1999 carried out during 2003 by the Regional Tax Authority.
Due to the effect of these automatic settlements and the expiry of the periods allowed for inspections, in addition to 2003 and 2004, the years 2000-2002 are still open to inspection with reference to indirect taxes only. Due to the effect of these reclassifications, the residual amount of the Deferred taxes fund entry also includes the taxes on the temporary differences detailed in the table below:

(€k)	2004		2003	
	Temporary difference amount	Tax effect (rate: 33%)	Temporary difference amount	Tax effect (rate: 33%)
Deferred tax:				
capital gains	7,442	2,456	6,923	2,285
advance depreciation	14,875	4,909	8,942	2,951
restoration charge fund for assets returnable free of charge	3,871	1,277	1,383	456
tax reversal depreciation	33,698	12,553	-	-
other	2,792	921	-	-
Total deferred taxes	**62,678**	**22,116**	**17,248**	**5,692**

The Restoration charge fund for assets returnable free of charge entry includes, pro-rata temporis, the charges that are expected to be incurred when assets are returned, in relation to the duty to return assets created under concession in accordance with the conditions agreed in the contract.

The estimated charge was updated on the basis of the figures collected in 2004 in respect of the delivery of the premises whose concession contract terminated on 31 December 2003. These figures showed a significant reduction in the charges actually incurred compared to the estimate that had been applied up to 31 December 2003 on the basis of the contract specifications.

The Restoration charge fund for third party leased assets refers to the assets in the leased companies, which the lessee is also obliged to replace. The periodic provisions are calculated by applying to the assets at their book value, as communicated by the lessors, the same depreciation rates applied to "own" assets.

The Fund for motorway/urban management charges mainly includes the figurative depreciation rates for two motorway premises which are already being used but the ownership of which has not yet been fully transferred, as described in the Tangible fixed assets section.

The Others entry includes the prudential estimate of the potential charges related to the possible unfavourable outcome of disputes relating to contracts and adaptation to standards.

The Risks for legal proceedings fund was used for the actual payments carried out over the year.

C. Severance indemnity fund for employees

This entry amounts to €86,530k in total, having increased by €366k compared to the previous financial year.
The movements of this entry were as follows:

(€k)	31.12.2004	31.12.2003	Variation
Initial balance	86,164	82,178	3,986
Provision for the year	14,603	14,709	(106)
Uses and reversals for the year	(13,189)	(9,690)	(3,499)
Additional social security/pension fund share	(1,048)	(1,033)	(15)
Final balance	**86,530**	**86,164**	**366**

The provision for the year includes the revaluation, at the rate specified by Italian Law of 2.792%, amounting to €2,120k.

The personnel in the personnel book on 31 December 2004 reached the level and structure indicated here, with a significant incidence of part time contracts:

	31.12.2004	31.12.2003	Variation
Management	48	49 [1]	(1)
White collar	1,578	1,673	(95)
Blue collar	9,269	9,652	(383)
Total	**10,895**	**11,374**	**(479)**
of whom part-time	6,036	6,260	(224)

[1] The figure was recalculated to ensure uniformity with 2004 and include the units employed at the central offices abroad.

The slight drop in the numbers is related to the network being reduced by 13 sales units, for a total of 380 people.

D. Accounts payable

These amount to €808,317k in total, having increased by €434,361k compared to 31 December 2003. They are broken down as follows:

(€k)	31.12.2004	31.12.2003	Variation
D.4. Payables to banks:			
* part due within next year	153,278	30,819	122,459
* part due after next year	367,440	87,646	279,794
D.5. Payables to other financial institutions:			
* part due within next year	1,025	1,787	(762)
D.7. Trade payables	226,276	200,651	25,625
D.9. Debts to subsidiaries	425	587	(162)
D.10. Debts to affiliated companies	59	-	59
D.11. Debts to Parent Company	7,054	426	6,628
D.12. Payables due to tax authorities (within next year)	9,018	11,529	(2,511)
D.13. Social security and welfare liabilities	14,067	14,273	(206)
D.14. Payables to others (within next year)	29,675	26,238	3,438
D. Total accounts payable	**808,317**	**373,956**	**434,361**

D.4. Payables to banks

This entry amounts to €520,718k in total and mainly refers to loans contracts with banks participating in the syndicated loan signed on 19 March 2004.
The residual amount refers to the balances on 31 December 2004 of the current bank accounts.
The Payables to the banks are settled at variable rates.

The uses of the syndicated loan are as follows:

- €342m for full use of the five year instalment, repayable from the 30th month.
- €150m for residual use of the instalment used for the repayment of the €347m of the bonded loan issued in 1999 by Autogrill Finance SA on 14 June 2004 using the excess cash generated over the year.
- with regard to the initial figure of €300m, the residual amount expires on 12 June 2005.

Refer to the Note to the Memorandum accounts for a detailed description of the Autogrill Finance SA 1999-2014 bonded loan convertible into Autogrill SpA shares and guaranteed by Autogrill SpA, and the interest rate fluctuation risk management strategies.

D.5. Payables to other financial institutions

This entry, which mainly includes loans obtained to purchase IT equipment, amounts to €1,025k, having decreased by €762k due to the repayments made in accordance with the financial plan defined. The entry refers to financing which all expires within the next year.

D.7. Trade payables

This entry, which amounts to €226,276k, presents an increase of €25,625k compared to 31 December 2003, mainly due to the increased deferred settlement of concession fees.
The Trade payables expire within the next year.

D.9. Payables to subsidiaries

This entry amounts to €425k and is basically unchanged compared to the previous financial year. €325k refers to the negative balance of the third party current accounts held by the Company, settled at market rates. The company settles all payments for these third party current accounts. For the remainder, the entry refers to current commercial items.
These debts expire within the next year.

D.10. Payables to affiliated companies

This entry, which amounts to €59k, refers to the debt to Union Services SA for the "Group Service Program" promotion services.

D.11. Payables to Parent Company

This entry, which amounts to €7,054k, increased by €6,628k compared to the previous financial year. It includes the payment for the sale (as per art. 43 (iii) of Italian Presidential Decree 602/73) of a credit for IRES (€7,000k) held by Edizione Holding SpA and used by the company to compensate for the 2nd IRES advance. The full amount will be repaid within the next year.

D.12. Payables due to tax authorities

This entry, which amounts to €9,018k, fell by €2,511k compared to 31 December 2003 and is broken down as follows:

(€k)	31.12.2004	31.12.2003	Variation
IRPEF for employee and independent work	6,863	6,556	308
Debts for VAT	407	751	(344)
Direct taxes for the year	732	947	(215)
Tax offices	942	865	77
Other	74	2,410	(2,336)
Total	**9,018**	**11,529**	**(2,511)**

The Direct taxes for the year entry refers to the tax debt net of the advances paid for IRAP for 2004.

The Other entry fell due as a result of the payment of a residual debt of €2,254k for the automatic settlement of direct taxes for the years 1998-2001 (the so-called "Tombale" tax amnesty).

D.13. Social security and welfare liabilities

The entry amounts to €14,067k, having decreased by €206k compared to the previous financial year. €8,124k of the debt refers to payables to INPS (€8,256k as at 31 December 2003).
The social security expenses set aside for deferred amounts total €5,943k compared to €5,118k as at 31 December 2003.
These debts all refer to current entries, which will expire within the year.

D.14. Payables due to other

These amount to €29,675k, having increased by €3,437k compared to 31 December 2003. They are as follows:

(€k)	31.12.2004	31.12.2003	Variation
Debts related to personnel management:			
amounts to pay	21,932	21,209	723
various debts	40	39	1
Total	**21,972**	**21,248**	**724**
Other:			
other debts to customers	1,623	1,783	(160)
Directors and Auditors	638	491	147
debts for freely assigned funds	12	7	5
guarantee deposits from third parties	368	368	-
various debts	5,062	2,341	2,721
Total	**7,703**	**4,990**	**2,713**
Total	**29,675**	**26,238**	**3,437**

The Other debts to customers mainly relate to premiums to be paid to affiliates.

The variation in the Various debts entry mainly refers to the reduction in the Debts to third parties for instant lottery wins (less €430k) and Other short term debts (less €744k) entries and determination of the fair value of the derivative financial instruments on interest rates, equal to €3,770k, for which the hedging relations no longer exist due to the reduction of the underlying exposure.
The entry, with the exception of the guarantee deposits, does not include debts which expire after the next 12 months.

E. Prepayments and deferred income

This entry amounts to €5,714k in total (€8,848k as at 31 December 2003) and is broken down as follows:

(€k)	31.12.2004	31.12.2003	Variation
Deferred income	4,531	2,910	1,621
Prepayments:			
for premiums cashed on derivative financial instruments	242	5,077	(4,835)
for lease fees and accessory expenses	301	335	(34)
other	640	526	114
Total	**5,714**	**8,848**	**(3,134)**

€4,515k of the prepayments refer to accruals on the interest payable on loans (€2,169k as at 31 December 2003) and to the negative exchange rate difference amount of €2,346k, referring to the exchange rate variation risk management operations as at 31 December 2004. The reduction in the deferrals of premiums on derivative financial instruments is mainly due to the transfer of the interest rate risk management contracts to which they refer. The deferrals will be eliminated within the next year.

Memorandum accounts

The Memorandum accounts as at 31 December 2004 amount to €754,085k compared to €1,341,934k as at 31 December 2003 and are as follows:

(€k)	31.12.2004	31.12.2003	Variation
Surety and personal guarantees given	63,254	36,639	26,615
Guarantees in favor of subsidiaries	311,180	803,295	(492,115)
Collateral security for payables recorded in the accounts			
Purchase and sale commitments	353,672	475,986	(122,314)
Other	25,979	26,014	(35)
Total	**754,085**	**1,341,934**	**(587,849)**

The sureties provided to third parties mainly represent the regression risks on the bank guarantees issued in the interest of the Company for commercial partners, in accordance with market practices. The increase is mainly due to the guarantees issued during the tenders for renewing the concession contracts which expired in 2003.

The reduction in the bank guarantees for subsidiary companies is mainly related to the repayment by Autogrill Finance SA of convertible bonds, guaranteed by the Company, for €347m, and the repayment of bank financing granted to subsidiary companies and guaranteed by the Company.

The nominal value of these bonds is €47,680k and is the amount to be repaid on 15 June 2014. As the loan is zero-coupon, the placement generated net proceeds minus the implicit yield (the so-called "OID") set at a nominal rate of 2% per annum with half-year compounding.

The conversion may be requested by the subscribers at any time, with the exception of certain periods of technical suspension.
The loan may now be repaid in advance, at the initiative of the issuer, at any time and, at the initiative of the holder, on the 10th anniversary. In such cases, the matured value up to the time of the exercising of the option would be repaid, in order to ensure the annual yield of 2% originally agreed.

The probability of the various options being exercised is related to the progress on the Stock Exchange of the portfolio share compared to the conversion price.

As at 31 December 2004, this had a premium of about 23% on the share price. Compared to 30% at the time of the issue, the premium had been reduced to 13% at the end of 2000, then rose 45% at the end of the financial year 2001, to 100,6% at the end of the financial year 2002 and fell again to 40% at the end of the financial year 2003.

Finally, €271,639k is the corresponding value in Euros of the $370m of the "Private placement" loan issued on 23 January 2003 by HMSHost Corp. (now Autogrill Group, Inc.), with a guarantee provided by the Company.

The Purchase and sale commitments entry refers:

1. in respect of €272,914k (€159,280k as at 31 December 2003) to the notional value of exchange rate fluctuation risk coverage contracts on financing granted to the subsidiary company Autogrill Group, Inc.
2. in respect of €80,758k (€316,706k as at 31 December 2003) to the notional value of the Interest Rate Swap, agreed to pursue the interest rate risk management objectives for the risks to which the Group is exposed.

The financial policy of the Group focuses considerably on the management and control of the financial risks, as these can have a significant effect on company profitability.

The management of the financial risks is unitary for the entire Group. The individual companies cover, as per the Group policy, their own exposure to exchange rate risks. Up until the financial year 2003, however, the exchange rate risk was managed by the Parent Company and by Autogrill Overseas SA in accordance with the credit rating applied to the individual companies.

Over the course of 2004, there was a reallocation of the derivative instruments for managing the exchange rate risk to the companies directly exposed, by transferring these from the Parent Company to Autogrill Group, Inc.

The sale, which was carried out at market conditions, required an expense of €8,624k for the Parent Company.

The exposure to both risks reached a significant level due to the effect of the acquisition of HMSHost, in September 1999. The value of the transaction was close to a billion dollars and was financed with variable rate loans.

The Group then defined a policy which aims to hedge the exchange rate risk almost completely and to stabilise financial charges.

To achieve the latter objective, until 2002 the Group implemented a strategy to contain the exposure to interest rate fluctuations within a range of 40% and 60% of total debt.

The financial instruments used mainly come under the contractual categories of 'Interest Rate Swaps', 'Forward Rate Agreements' and 'options on rates' and these financial instruments may be combined.

Interest Rate Swap, which essentially transforms the variable rate on financing into a fixed rate, was normally used.

In order to consolidate the sources of financing, on 23 January 2003 variable rate financing of $370m was replaced by "Private Placement" which pays fixed coupons, in order to optimise its placement conditions.

This created virtually total hedging of the exposure.

The considerable difference between short term and long term rates led the Group to adopt strategies to make part of the "Private Placement" variable, specifically for the ten year term, in order to contain the current financial expenses.

For these purposes, options were sold to access an Interest Rate Swap which essentially transformed the fixed coupon to a variable rate.

At the start of 2004, there was a review of the financial risk management policy, which also involved the objective of compliance with the soon to be introduced IAS/IFRS standards.

In this area, the Group company that had drawn them up proceeded to cancel the variable rate contracts, with payments of $12.5m (€10 m) recorded in the financial statements for 2003 and referred to in summary form in the Company financial statements, due to the effect of the shareholdings being valued by the net equity method.

The residual derivative financial instruments contracted by the Parent Company, for which the hedging relation with the exposure incurred no longer existed, have a residual market value of less €4,3m, assigned to the profit and loss account for the year.

This notional value for the operations under way on 31 December 2004 is not a measurement of the exposure to risk, which is limited to just the interest flows to be received from time to time.

The derivative contracts were agreed with partners selected from the most financially solid ones, in order to reduce the risk of contract breaches to a minimum.

The exchange rate risk management policy required total hedging of loans in currencies other than the currency used in the accounts. The financial instruments used for these purposes are usually forward currency sales.

The Other memorandum accounts entry refers to the value of the third party assets used by the company (€1,516 k); the value of the assets of leased companies (€20,022k); the value of the motorway passes on sale at the premises of the Company (€2,169 k) and, in respect of €2,272k, to the amount yet to be paid for the purchase of two premises on the "Grande Raccordo Anulare" Ring Road in Rome, as specified in the comment notes on the Fixed assets in progress and advances entry in the tangible fixed assets on page 115.

Profit and loss account

A. Value of production

A.1. Revenues from sales and services

The proceeds types are as follows:

(€k)	2004	2003	Variation
Food & beverage	620,422	629,148	(8,726)
Sale of products to customers	188,413	189,555	(1,142)
Sale of monopoly goods, lotteries, newspapers and fuel	247,053	206,798	40,255
Various services to customers	506	488	18
Sales and services to consumers	**1,056,394**	**1,025,989**	**30,405**
Sale of products to affiliates	32,434	31,000	1,434
Sale of products to subsidiary and affiliated companies	1,667	2,198	(531)
Other items sold	1,709	1,397	312
Total	**1,092,204**	**1,060,584**	**31,620**

Refer to the Board of Directors' Report for analysis and comments on this entry. Note that the fuel sale proceeds, €38,688k (€21,414k in 2003), in the summary profit and loss account and commented on in the Board of Directors' Report, are included among the Other proceeds net of the purchase costs. The proceeds refer almost totally to Italy.

A.5. Other income and revenues

They are as follows:

(€k)	2004	2003	Variation
Operating account contributions	32	46	(14)
Capital gains from sale of fixed assets	666	13,803	(13,137)
Promotional contributions from suppliers	33,976	26,487	7,489
Proceeds from company lease	8,724	9,777	(1,053)
Royalty income	4,816	5,200	(384)
Proceeds from distribution of telephone cards	3,238	3,517	(279)
Recovery of costs from third parties and affiliates	1,923	1,281	642
Other	16,188	5,554	10,634
Total	**69,563**	**65,665**	**3,898**

The increase in the Promotional contributions from suppliers is related to the improvements in the commercial contractual conditions for 2004.

The value to the public of the pre-paid motorway passes and telephone cards distributed in 2004 was €75m (€76m in the previous year).

The main components of the residual Others entry are as follows:

- contingent assets of €10,990k (€2,364k in 2003) which mainly include the aforesaid release of the Restoration charge fund for assets returnable free of charge (€5,996 k) and adjustments to previous year entries;
- compensation of €1,090k received in view of the settlement agreed between Autogrill SpA and Fintecna SpA (previously IRI SpA) and GS SpA for repayment of the expenses resulting from the Nestlé proceedings;
- recovery of costs for seconded personnel, €675k (€728k in 2003).

B. Costs of production

B.6. Raw materials and consumables

They total €521,203k and are as follows:

(€k)	2004	2003	Variation
Food & beverage and retail	269,792	282,670	(12,878)
Monopoly goods, newspapers, national lotteries and fuels	238,926	195,076	43,850
Other	12,485	14,642	(2,157)
Total	**521,203**	**492,388**	**28,815**

Considering, among other things, the variation in stock-in-trade, the cost of raw materials for supply and sales reduces the incidence on sales as a result of the favourable evolution of ranges and of smaller deviations from standards.

The increase in the costs for monopoly goods, newspapers, national lotteries and fuels is related to the performance of sales. Note that the summary profit and loss account, commented on in the Board of Directors' Report, includes the sales of fuels entered net of the corresponding purchase costs, for €37,890k (€20,947k in 2003).

The decrease in the Various materials entry mainly relates to the reformulation of the maintenance contracts. From the financial year 2004, unlike before, the amounts for maintenance operations also include the cost of the materials used.

B.7. Services

These amount to €89,507k and are as follows:

(€k)	2004	2003	Variation
Energy and water use	19,385	22,207	(2,822)
Storage and transport	11,237	12,271	(1,034)
Cleaning and disinfecting services	11,819	11,257	562
Promotional and advertising initiatives	8,704	8,731	(27)
Professional services and consultancy	10,922	9,932	990
Maintenance	11,055	8,504	2,551
Travel expenses for employees	3,670	4,991	(1,321)
Post and telephone	2,810	2,608	202
General and administrative services	2,607	2,420	187
Security	1,777	2,146	(369)
Insurance	1,717	1,391	326
Temporary work	182	785	(603)
Other	3,621	3,757	(136)
Total	**89,507**	**91,001**	**(1,494)**

The €2,822k decrease in the Energy and water use costs is partly due to the sale of 13 sales units and the more favourable climate conditions compared to 2003.

The €1,034k decrease in the Storage and transport costs is related to the renewal of the contract for managing the logistics services.

The increase in the Maintenance costs is mainly due to the reformulation of the maintenance contracts. The maintenance costs, unlike before, now also include the cost of the materials used.

The Professional services and consultancy totals €10,922k, as follows:

(€k)	2004	2003	Variation
Consultancy:			
commercial	1,552	2,946	(1,394)
IT	1,376	1,395	(19)
legal and notarial	2,445	955	1,490
technical	567	870	(303)
administrative	806	510	296
organizational	483	332	151
other and services	3,693	2,924	769
Total	**10,922**	**9,932**	**990**

B.8. Leases and rentals

This totals €116,890k, with an increase of €11,124k, as follows:

(€k)	2004	2003	Variation
Leasing of property and companies and accessory expenses	48,166	52,407	(4,241)
Concessions	65,390	49,710	15,680
Licenses for the use of trademarks	1,043	1,005	38
Other fees	2,291	2,644	(353)
Total	**116,890**	**105,766**	**11,124**

The lease and concession fees are generally correlated with the proceeds. Refer to the Board of Directors' Report for corresponding analysis and comments.
The Other fees entry mainly refers to the leasing of IT equipment, motor vehicles and special transport means.

B.9. Personnel

These amount to €259,347k, with an overall increase of 1.59% compared to the previous financial year.
The Staff costs are as follows:

(€k)	2004	2003	Variation
Remuneration	185,622	182,337	3,285
Social charges	58,148	57,230	918
Severance indemnity provision	14,603	14,709	(106)
Other costs	974	1,016	(42)
Total	**259,347**	**255,292**	**4,055**

Despite the slight reduction in the average number of staff, the average unit cost increased due to the effect of the increase in the variable component and the regulations specified by the Italian Collective Work Contract renewed in 2003.

The Other costs mainly include the expenses for advance termination of employment contracts connected with the organisational development of the Company.

The changes in the average number of staff in terms of the number of full-time employees summarised in the table below, reveal the developments of the company's organisational structure.

	2004	2003	Variation
Managers	46	46	-
White collar	1,530	1,604	(74)
Blue collar	7,109	7,238	(129)
Total	**8,685**	**8,888**	**(203)**

B.10. Amortisation, depreciation and write-downs

This entry totals €58,576k with a decrease of €1,598k compared to the previous financial year. It is broken down as follows:

(€k)	2004	2003	Variation
Amortisation and depreciation:			
intangible fixed assets	33,940	32,823	1,117
tangible fixed assets	21,855	21,867	(12)
Total amortisation and depreciation	**55,795**	**54,690**	**1,105**
Write-downs of fixed assets	738	4,299	(3,561)
Write-downs of floating asset receivables	2,043	1,185	858
Total	58,576	60,174	(1,598)

The Amortisation of intangible fixed assets includes €13,220k, unchanged compared to 2003, for goodwill taken over following the merger by incorporation of Finanziaria Autogrill SpA, in 1997, and the amortisation of the goodwill paid for individual restaurants, amounting to €595k (€577k in 2003).

The increase is affected by the higher amortisation rates, worth €1,778k, applied as a result of the elimination of the effects of the tax elements, referred to above.

The devaluation of floating asset credits, €2,043k (€1,185k in 2003), accounts for the updated estimate of the recoverability of the credits.

B.12. Provision for contingencies

This amounts to €1,817k, having increased by €634k compared to the previous financial year. €1,740k refers to the provision for disputes with third parties and employees (€1,077k in 2003) and €77k refers to the provision for minor funds (€105k in 2003).

B.13. Other provisions

This amounts to €4,877k, having decreased by €2,220k compared to the previous financial year, mainly due to the failure to appropriate funds to the Restoration charge fund for assets returnable free of charge (€3,008k in 2003) due to the review of the fund valuation criteria referred to above.

€601k refers to the appropriation to the restoration charge fund for the assets of leased companies (€611k in 2003).

The remainder relates to expenses related to adaptation to various standards.

B.14. Other operating costs

This totals €12,688k (€12,066k in 2003) and is broken down as follows:

(€k)	2004	2003	Variation
Indirect taxes and taxes for the year	3,878	3,228	650
Capital losses and contingent liabilities	2,843	2,817	26
Negative cash differences	1,546	1,581	(35)
Payments to Directors and Auditors	1,541	1,278	263
Other expenses	2,880	3,162	(282)
Total	12,688	12,066	622

The Indirect taxes and taxes for the year entry includes €1,518k (€1,349k in 2003) relating to the tax for refuse disposal; €778k (€772k in 2003) relating to the City Council property tax; €523k (€505k in 2003) relating to the City Council advertising tax and €541k (90 in 2003) to stamp duty and registration taxes. The registration tax includes €38k for expenses paid for the year and €442k for release of the deferred asset due to advance termination of the multi-year concession contract for urban commercial buildings during the year.

The Capital losses and contingent liabilities entry includes €229k for capital losses on sales of assets (€602k in 2003), with the remainder referring to adjustments of entries made in previous years.

C. Financial income and charges

The financial policy of the Company is illustrated in the Notes to the Memorandum accounts.

C.15. Income from equity investments

These amount to €37,974k (€5,609k in the previous year). €37,787k refers to dividends due for 2004 and €187k refers to dividends in excess of the measurements in the previous year.

C.16. Other financial income

These amount to €16,542k, having increased by €5,884k compared to the previous financial year; they are as follows:

(€k)	2004	2003	Variation
Exchange differences on hedging operations	-	80	(80)
Differences between interest rates due on interest rate risk management operations	-	275	(275)
Differences between interest rates due on exchange rate risk management operations	1,070	2,094	(1,024)
Interest on loans to subsidiary companies	12,379	3,825	8,554
Interest and commissions from others and various proceeds	3,093	4,384	(1,291)
Total	16,542	10,658	5,884

Interest on financing to subsidiaries and Differences between interest rates due on exchange rate risk management operations are similar, as they depend on the financing currency, as well as the extent. In 2004, the average financing for the subsidiary companies increased significantly, with a higher amount in Euros, while in the previous year, the financing was mainly in US dollars and Yen.

The residual amount mainly refers to the interest due on term bank deposits, applied to make use of temporary liquid asset excesses. The decrease is due to lower premiums on options received during the year.

C.17. Interests and other financial charges

They total €47,631k, with an increase of €19,981k compared to 2003. They are broken down as follows:

(€k)	2004	2003	Variation
Interest payable on financing	13,199	5,250	7,949
Interest differences on interest rate risk management operations	12,711	13,261	(550)
Market value of derivative instruments	3,770		3,770
Derivative instruments	8,624	-	8,624
Interest differences on exchange rate risk management operations	205	470	(265)
Exchange differences on hedging operations	-	556	(556)
Interest and commissions from others and various expenses	9,122	892	8,230
Capital loss from the sale of shareholdings	-	7,221	(7,221)
Total	47,631	27,650	19,981

The increase in the Interest payable on financing originated from the increased use of credit lines, applied as part of the Group's policy for gradual concentration of banking relations.

The Interest rate differences are due to the application of Interest Rate Swaps for which the company settled the difference between the short-term rate and a fixed average rate of 5.32 %.

The increase in the residual entry mainly relates to the full assignment to the profit and loss account for the year of the advance commissions, paid in relation to the syndicated loan, to which multi-year use is not applied.

The Market value of derivative instruments relates to the residual Interest Rate Swaps for which the relation with the underlying exposure no longer exists.

The Derivative instruments relate to the sale to Autogrill Group, Inc. of Interest Rate Swaps for a nominal value of $260m at non-market conditions, corresponding to the negative assessment at current values of the contract sold on 31 December 2004.

C.17. (ii) Foreign exchange gains and losses

Following the modifications to the financial statements schemes brought in by the Italian Civil Code reforms, the exchange rate profits and losses are now entered in a special profit and loss account entry and the corresponding values for the previous year, entered among the Financial proceeds and expenses in the past, have been reclassified accordingly.

This entry, a net expense of €281k, with an increase of €202k compared to the previous financial year, is broken down as follows:

(€k)	2004	2003	Variation
C.17 b. Exchange rate gains:			
* in the year	60	52	8
* from end of year exchange rate conversion	48	43	5
C.17 b. Exchange rate losses:			
* in the year	(373)	(163)	(210)
* from end of year exchange rate conversion	(16)	(11)	(5)
Total	**(281)**	**(79)**	**(202)**

D. Adjustments to the value of financial asset

The main component, which refers to the effects of the net equity valuation of the shareholdings, is commented on above in the note relating to the asset entry.

E. Extraordinary income and expenses

This entry, which amounts to €6,531k, includes proceeds of €33,698k relating to the reversal of the previous depreciation applied for the "tax reversal" already commented on; total expenses of €27,167k, of which 12,552 for deferred taxes relating to the elimination of the tax elements, €9,467k for the payment to Autogrill Overseas commented on in the Board of Directors' Report and €5,148k for the expense for the settlement of a claim relating to derivative contracts on exchange rates, not known previously, which could have led to the acquisition by the Parent Company of 30 m$.

Given the uncertain outcome of the dispute and the prejudice which this would have created for the general bank relations, we decided it was best to opt for a settlement, thereby also containing the loss which, at the start of the dispute was estimated as €5.8m and which, given the subsequent trends in the exchange rate with the dollar, could have increased significantly.

The company then adopted the appropriate organizational changes in good time.

22. Income taxes

These amount to €35,080k in total, calculated with reference to the estimated taxable income, and include IRES of €19,732k, €12,332k relating to current taxes and €7,400k to deferred taxes.

IRAP, which has a different taxable base, accounts for €15,348k.

The ordinary IRES (which replaced IRPEG) rate for 2004 is 33%.

The following is a reconciliation between the IRES tax charges as per the financial statements and the theoretical IRES tax charges.

(€k)	Taxable	IRES
Result before taxes and theoretical IRES	**124,798**	**41,183**
Accounting for temporary differences from previous years	(33,288)	(10,985)
Permanent differences	(29,944)	(10,181)
of which: dividends	(34,684)	-
write-downs of non-deductible shareholdings	-	-
tax reversal effect depreciation	1,779	-
others	2,961	-
Temporary differences taxed and deductible in subsequent years	9,502	3,136
Tax reversal	(33,698)	(11,120)
Current taxable and IRES	**37,370**	**12,332**
Variation of deferred taxes	-	7,400
IRES to profit and loss account	**-**	**19,732**

Payments to the Directors, Auditors and General Managers

In accordance with art. 78 of Consob Resolution no. 11971/1999, note that:

1. The title of General Manager is assigned to managers with divisional responsibilities. Therefore, they are not to be included among the subjects to whom these Regulations refer.
2. There is no Executive Committee.
3. The Directors are not assigned stock options; the Managing Director is assigned an annual variable amount related to the achievement of annual and three-year targets and objectives set in advance and related to the increase in the value of the Company.

The payments due in 2004 are as follows:

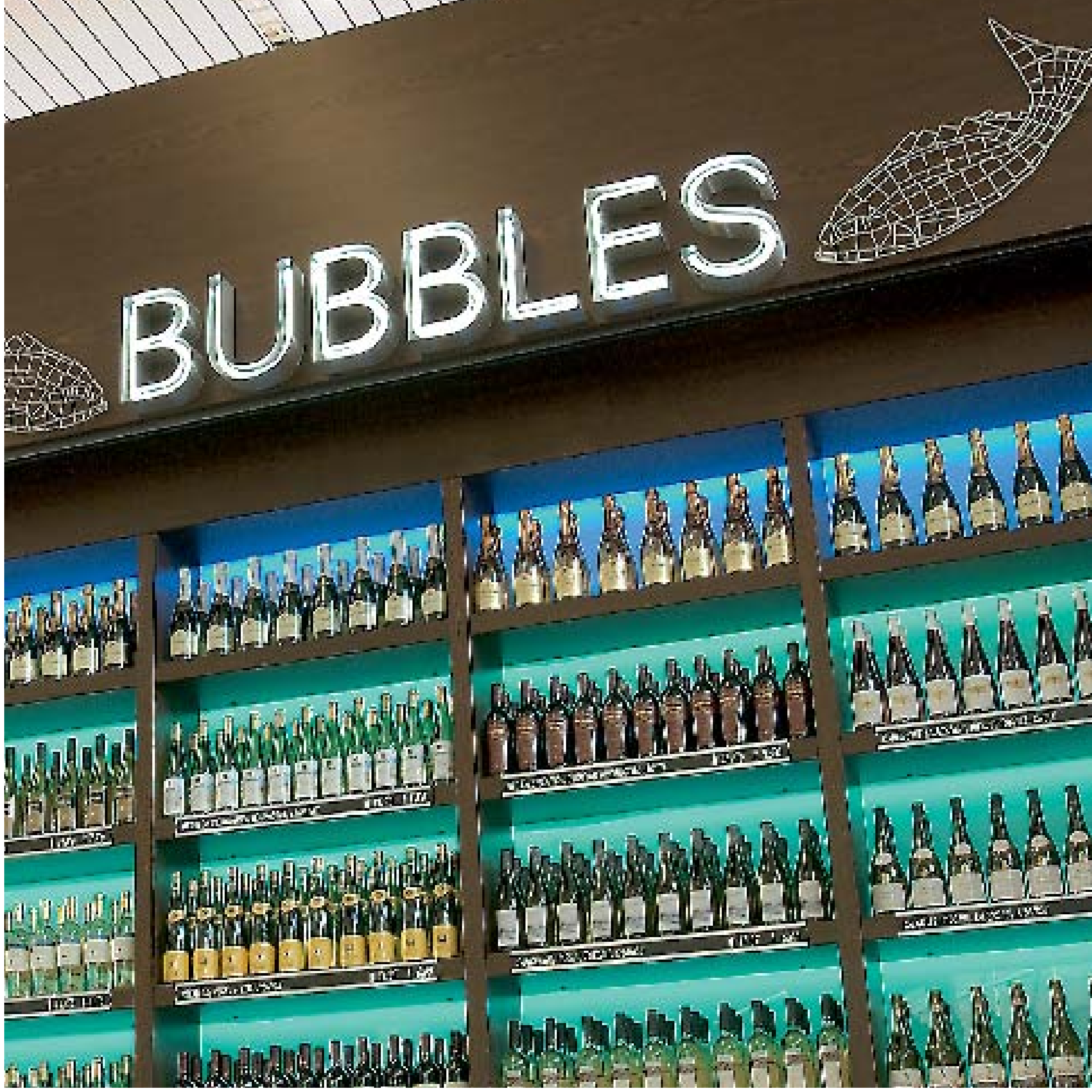
Surname and name	Role	Duration	Monetary payments	Benefits	Bonus and other incentives	Other payments
Benetton Gilberto	Board Chairman	01.01-31.12.04	46,600	-	-	-
Buttignol Livio	Board Deputy Chairman	01.01-31.12.04	620,000	10,535	310,000	-
Gianmario Tondato da Ruos [1]	Managing Director	01.01-31.12.04	281,200 [2]	76,738 [2]	360,000 [2]	395,050 [2]
Benetton Alessandro	Director	01.01-31.12.04	44,200	-	-	-
Brunetti Giorgio	Director	01.01-31.12.04	58,800	-	-	-
Bulgheroni Antonio	Director	01.01-31.12.04	52,800	-	-	-
Desiderato Marco	Director	01.01-31.12.04	58,800	-	-	-
Erede Sergio	Director	01.01-31.12.04	54,000	-	-	743,528 [3]
Mion Gianni	Director	01.01-31.12.04	54,000	-	-	-
Morazzoni Gaetano	Director	01.01-31.12.04	51,800	-	-	-
Malguzzi Alfredo	Director	28.04-31.12.04	40,778	-	-	-
Total Directors			**1,362,978**	**87,273**	**670,000**	**1,138,578**
Gianluca Ponzellini	Chairman of the Board of Statutory Auditors	01.01-31.12.04	55,269	-	-	-
Marco Reboa	Standing Auditors	01.01-31.12.04	37,813	-	-	-
Ettore Maria Tosi	Standing Auditors	01.01-31.12.04	37,491	-	-	-
Total Auditors			**130,573**	**-**	**-**	**-**
Total			**1,493,551**	**87,273**	**670,000**	**1,138,578**

Amounts expressed in €

[1] The agreement signed between the company and Gianmario Tondato da Ruos envisages, as well as the fixed components and variable elements - annual and every three years - of the payment, an all-inclusive payment of 1,360,000 to be paid in the event of the early termination of the agreement, if this is done by the company without good reason or by Mr. Tondato with good reason.

[2] The amounts are due for the year in respect of the employment contracts with the company and with Autogrill Group, Inc.

[3] Payments due to Studio BEP - in which Sergio Erede is a partner - for services to the Company.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Key data of subsidiary undertakings and affiliated companies

Company name	Registered office	Country	Currency	Capital stock	Net equity	Profit/(loss) of the period	% ownership held at 31.12.2004		Book value * (in euro)
							directly	indirectly	
Subsidiaries									
Autogrill Overseas SA	Luxembourg	Luxembourg	€	60,650,000	37,464,964	3,648,755	-	100.00%	-
Autogrill Finance SA	Luxembourg	Luxembourg	€	250,000	1,468,343	1,174,052	100.00%	-	621,600
Nuova Estral Srl	Novara	Italy	€	10,000	10,547	190	100.00%	-	13,650
Nuova Sidap Srl	Novara	Italy	€	10,000	22,835	1,308	100.00%	-	26,278
Autogrill Europe Nord-Ouest SA	Luxembourg	Luxembourg	€	41,300,000	19,475,086	(86,907)	100.00%	-	18,880,781
Aviogrill Srl	Bologna	Italy	€	10,000	443,643	298,771	51.00%	-	-
Autogrill International Srl	Novara	Italy	€	1,000,000	65,129,042	33,073,634	100.00%	-	31,690,364
Autogrill Austria AG	Gottlesbrunn	Austria	€	7,500,000	6,634,950	1,784,610	100.00%	-	9,144,317
Autogrill Partecipaciones SL	Madrid	Spain	€	6,503,006	1,030,566	(1,982,604)	-	100.00%	1,032,611
Restauracion de Centros Comerciales SA	Madrid	Spain	€	108,182	1,988,800	334,616	-	85.00%	19,568,983
Autogrill Belgie NV	Antwerpen	Belgium	€	26,250,000	9,432,441	(198,823)	-	100.00%	1,444,369
Ac Restaurants & Hotels Beheer SA	Antwerpen	Belgium	€	4,420,000	782,141	(726,715)	-	100.00%	(15,400,354)
Ac Arlux SA	Arlon	Belgium	€	1,447,512	1,520,953	166,071	-	100.00%	(656,918)
Ac Restaurants & Hotels SA	Grevenmacher	Luxembourg	€	500,000	(231,427)	(48,708)	-	100.00%	(495,787)
Ac Restaurant & Hotels Beteiligungs GmbH - in liquidazione	Niederzissen	Germany	€	76,694	47,940	(3,778)	-	95.00%	(51,000)
Ac Restaurant & Hotels Betriebs GmbH - in liquidazione	Niederzissen	Germany	€	25,565	(126,584)	(1,474)	-	100.00%	(1)
Autogrill Deutschland GmbH	München	Germany	€	205,000	10,254,605	57,986	-	100.00%	10,409,871
Autogrill España SA	Madrid	Spain	€	1,800,000	12,873,014	3,426,143	100.00%	-	10,578,797
Autogrill Hellas EpE	Avlona Attikis	Greece	€	1,696,350	1,783,971	608,362	100.00%	-	1,848,171
Autogrill Nederland BV	Breukelen	Netherlands	€	41,371,500	37,126,230	(167)	-	100.00%	4,463,697
Ac Ledeboer BV	Zaandam	Netherlands	€	69,882	7,627,880	(337,837)	-	100.00%	15,486,139
AC Holding NV	Breukelen	Netherlands	€	136,134	28,037,569	(185,766)	-	100.00%	25,701,649
The American Lunchroom Co, BV	Zaandam	Netherlands	€	18,151	16,690,162	-	-	100.00%	16,711,537
Ac Apeldoorn BV	Apeldoorn	Netherlands	€	45,378	706,501	130,840	-	100.00%	716,501
Ac Bodegraven BV	Bodegraven	Netherlands	€	18,151	18,151	-	-	100.00%	18,151
Ac Heerlen BV	Heerlen	Netherlands	€	22,689	(78,292)	(36,157)	-	100.00%	(150,147)
Ac Hendrik Ido Ambacht BV	Hendrik Ido Ambacht	Netherlands	€	15,882	965,333	1,662	-	100.00%	965,333
Ac Holten BV	Holten	Netherlands	€	34,034	2,128,620	176,786	-	100.00%	2,128,620
Ac Leiderdorp BV	Leiderdorp	Netherlands	€	18,151	18,151	-	-	100.00%	18,151
Ac Meerkerk BV	Meerkerk	Netherlands	€	18,151	18,151	-	-	100.00%	18,151
Ac Nederweert BV	Wert	Netherlands	€	34,034	1,769,199	313,329	-	100.00%	34,034
Ac Nieuwegein BV	Nieuwegein	Netherlands	€	18,151	312,304	153,193	-	100.00%	312,304
Ac Oosterhout BV	Oosterhout	Netherlands	€	18,151	18,151	-	-	100.00%	18,151
Ac Restaurants & Hotels BV	Oosterhout	Netherlands	€	91,212	(1,097,054)	631,309	-	100.00%	908,575
Ac Sevenum BV	Sevenum	Netherlands	€	18,151	18,151	-	-	100.00%	18,151
Ac Vastgoed BV	Zaandam	Netherlands	€	18,151	178,852	(7,343)	-	100.00%	202,622
Ac Vastgoed I BV	Zaandam	Netherlands	€	18,151	(1,295,772)	-	-	100.00%	(1,295,772)
Ac Veenendaal BV	Veenendaal	Netherlands	€	18,151	245,437	162,681	-	100.00%	245,437
Ac Zevenaar BV	Zevenaar	Netherlands	€	56,723	2,550,883	31	-	100.00%	2,547,723
Holding de Participation Autogrill SAS	Marseille	France	€	119,740,888	84,586,859	1,138,764	0.01%	99.00%	996,444
Autogrill Côté France SAS	Marseille	France	€	31,579,526	44,541,746	4,608,373	-	100.00%	114,760,266
Soberest SA	Marseille	France	€	288,000	1,322,855	174,234	-	50.01%	518.418
Soborest SAS	St. Savin	France	€	788,000	908,159	(82,994)	-	50.00%	380,786
Sorebo SAS	Marseille	France	€	144,000	468,333	300,953	-	50.00%	68,602
S.P.C. SA	Perrogney les Fontaines	France	€	153,600	1,945,689	184,758	-	51.90%	343,447
S.R.A.D. SA	Marseille	France	€	1,136,000	2,261,941	263,931	-	75.00%	3,918,260
S.R.T.C. SA	Marseille	France	€	1,440,000	2,049,668	418,775	-	70.00%	960,429
Autogrill Restauration Services SA	Marseille	France	€	15,394,500	10,803,401	(4,594,538)	-	100.00%	10,803,402
Autogrill Gare Lille Snc	Marseille	France	€	40,000	65,408	25,408	-	100.00%	39,984
Volcarest SA	Champs	France	€	1,050,144	3,902,937	786,101	-	50.00%	1,329,303
Autogrill Gares Métropoles Sàrl	Marseille	France	€	17,396,850	6,386,071	(5,326,487)	-	100.00%	6,386,061
Société Régionale de Saint Rambert d'Albon SA (SRSRA)	Saint Rambert	France	€	515,360	4,464,542	342,042	-	50.00%	3,926,369
Autogrill Gares Province Sàrl	Marseille	France	€	274,480	3,738,959	(502,281)	-	100.00%	3,738,959
Autogrill Aeroport SAS	Marseille	France	€	1,368,000	960,048	(407,952)	-	100.00%	1,368,000
SGRR SA	Nancy	France	€	879,440	1,581,043	42,208	-	100.00%	4,399,975
TJ2D Snc	Nancy	France	€	1,000	16,862	15,862	-	100.00%	1,000

Company name	Registered office	Country	Currency	Capital stock	Net equity	Profit/(loss) of the period	% ownership held at 31.12.2004 directly	% ownership held at 31.12.2004 indirectly	Book value * (in euro)
TMH Sàrl	Nancy	France	€	221,279	(55,959)	30,542	-	100.00%	1
SCI Vert Pré St. Thirbault	Nancy	France	€	457	(91,972)	(36,923)	-	100.00%	1,489
HMS Host Corp.	Bethesda	USA	Usd	n.a.	230,135,785	-	-	100.00%	168,956,600
HMSHost Tollroads, Inc.	Bethesda	USA	Usd	125,000,000	22,580,837	(2,549,795)	-	100.00%	16,577,958
Host International Inc.	Bethesda	USA	Usd	125,000,000	(128,985,101)	39,890,739	-	100.00%	(94,695,765)
Sunshine Parkway Restaurants Inc.	Bethesda	USA	Usd	125,000,000	(294,757)	-	-	100.00%	(216,399)
Cincinnati Terminal Services Inc.	Bethesda	USA	Usd	125,000,000	(502,187)	-	-	100.00%	(368,686)
Cleveland Airport Services Inc.	Bethesda	USA	Usd	125,000,000	(312)	-	-	100.00%	(229)
Autogrill Group, Inc.	Bethesda	USA	Usd	225,000,000	225,777,921	(34,639,712)	-	100.00%	165,757,228
SMSI Travel Centres, Inc.	Toronto	Canada	Cad	1	7,338,647	(930,739)	-	100.00%	6,353,084
Host International of Canada (RD-GTAA) Ltd	Toronto	Canada	Cad	1	1,778,672	56,280	-	100.00%	1,582,262
HMSHost DFW Coffee Concessions, LLC.	Bethesda	USA	Usd	n.a.	-	-	-	100.00%	-
HMSHost Europe Corp.	Wilmington	USA	Usd	n.a.	n.a.	n.a.	-	100.00%	n.a.
HMSHost International Inc.	Wilmington	USA	Usd	n.a.	n.a.	n.a.	-	100.00%	n.a.
Host International (Poland) Sp zo, in liquidazione	Warsaw	Poland	Plz	6,557,600	-	-	-	100.00%	-
HMS-Airport Terminal Services Inc.	Bethesda	USA	Usd	125,000,000	(416,631)	(12,997)	-	100.00%	(305,874)
HMS B&L Inc.	Bethesda	USA	Usd	125,000,000	(3,621,921)	(502,622)	-	100.00%	(2,659,072)
HMS Holdings Inc.	Bethesda	USA	Usd	125,000,000	336,931,555	-	-	100.00%	247,361,835
HMS Host Family Restaurants Inc.	Bethesda	USA	Usd	125,000,000	(11,735,057)	20,298,900	-	100.00%	(8,615,415)
HMS Host Family Restaurants, LLC	Bethesda	USA	Usd	125,000,000	(18,491,987)	(323,892)	-	100.00%	(13,576,086)
Gladieux Corporation	Bethesda	USA	Usd	125,000,000	(82,901,332)	(28,938)	-	100.00%	(60,862,882)
Host (Malaysia) Sdn Bhd	Kuala Lumpur	Malaysia	Myr	26,319	(78,456)	8,973	-	100.00%	(200,408)
Host Gifts Inc.	Bethesda	USA	Usd	125,000,000	(880,789)	-	-	100.00%	(646,641)
Host International of Canada Ltd	Vancouver	Canada	Cad	2,680,901	14,784,117	(1,034,786)	-	100.00%	12,925,226
Host International of Kansas Inc.	Bethesda	USA	Usd	125,000,000	(1,912)	-	-	100.00%	(1,404)
Host International of Maryland Inc	Bethesda	USA	Usd	125,000,000	(1,832)	-	-	100.00%	(1,345)
HMS Host USA Inc.	Bethesda	USA	Usd	125,000,000	(51,558,988)	2,121,025	-	100.00%	(37,852,572)
Host of Holland BV	Haarlemmermeer	Netherlands	€	18,151	17,907,736	5,807,098	-	100.00%	17,907,736
Horeca Exploitatie Maatschappij Schiphol BV	Schiphol	Netherlands	€	1,000	15,273,210	6,359,826	-	100.00%	15,273,210
Host Services (France) (in liquidazione) [1]	Paris	France	€	38,110	-	-	-	100.00%	-
Host Services Inc.	Bethesda	USA	Usd	125,000,000	(1,350,590)	33,841	-	100.00%	(991,550)
Host Services of New York Inc.	Bethesda	USA	Usd	125,000,000	(3,979,585)	(281,890)	-	100.00%	(2,921,654)
Host Services Pty Ltd	North Cairns	Australia	Aud	13	(4,439,456)	(581,393)	-	100.00%	(2,875,534)
Las Vegas Terminal Restaurants Inc.	Bethesda	USA	Usd	125,000,000	(22,042,320)	228,828	-	100.00%	(16,182,601)
Marriott Airport Concessions Pty Ltd	Tullamarine	Australia	Aud	1,281,884	1,201,286	241,252	-	100.00%	826,168
Michigan Host Inc.	Bethesda	USA	Usd	125,000,000	746,830,089	27,217,904	-	100.00%	548,290,907
The Gift Collection Inc.	Bethesda	USA	Usd	125,000,000	(610,800)	(87,399)	-	100.00%	(448,425)
Turnpike Restaurants Inc.	Bethesda	USA	Usd	125,000,000	(202,298)	-	-	100.00%	(148,519)
Autogrill Schweiz AG	Zurich	Switzerland	Chf	26,000,000	(9,346,000)	4,640,000	-	100.00%	90,869,308
Raststatte Pratteln AG	Pratteln	Switzerland	Chf	3,000,000	11,890,064	1,853,282	-	95.00%	7,829,412
Vorstatt Egerkingen AG	Egerkingen	Switzerland	Chf	2,000,000	3,916,557	173,876	-	100.00%	1,532,569
Restoroute de la Gruyère	Avry devant I.	Switzerland	Chf	1,500,000	4,802,463	126,970	-	54.30%	680,537
Restoroute de Bavois SA	Bavois	Switzerland	Chf	2,000,000	1,976,199	138,124	-	70.00%	907,382
Autogrill Pieterlen AG	Pieterlen	Switzerland	Chf	2,000,000	1,415,931	(114,349)	-	100.00%	1,296,260
Autogrill SAS, Basel Airport	St. Louis	Switzerland	Chf	58,680	(4,380,429)	(1,225,423)	-	100.00%	39,406
AAI Investments, Inc.	Washington	USA	Usd	100,000,000	131,105,276	1,895,043	-	100.00%	96,252,313
Airport Architects, Inc.	Washington	USA	Usd	1,000	(126,792)	(129,234)	-	95.00%	(93,085)
AAI Terminal 7, Inc.	Washington	USA	Usd	1,000	647,825	95,844	-	95.00%	475,607
Anton Airfood of Ohio, Inc	Washington	USA	Usd	1,000	4,533,943	683,031	-	95.00%	3,328,642
Anton Airfood of Cincinnati, Inc.	Washington	USA	Usd	1,000	(764,380)	(990,537)	-	95.00%	(561,178)
Anton Airfood, Inc.	Washington	USA	Usd	1,000	27,431,979	(2,787,596)	-	95.00%	20,139,475
Anton Airfood of Texas, Inc.	Washington	USA	Usd	100,000	610,991	376,178	-	95.00%	448,565
Anton Airfood of Newark, Inc.	Washington	USA	Usd	n,d,	(815,020)	(79,788)	-	95.00%	(598,355)
Anton Airfood JFK, Inc.	Washington	USA	Usd	1,000	(1,963,779)	(418,083)	-	95.00%	(1,441,729)
Anton Airfood of New York, Inc.	Washington	USA	Usd	1,000	183,900	(602,008)	-	95.00%	135,012
Anton Airfood of Minnesota, Inc.	Washington	USA	Usd	10	2,612,338	2,004,299	-	95.00%	1,917,875
Anton Airfood of Virginia, Inc.	Washington	USA	Usd	1,000	4,769,389	1,174,212	-	95.00%	3,501,497
Palm Springs, AAI Inc.	Washington	USA	Usd	1,000	125,783	233,027	-	95.00%	92,345

Company name	Registered office	Country	Currency	Capital stock	Net equity	Profit/(loss) of the period	% ownership held at 31.12.2004		Book value * (in euro)
							directly	indirectly	
Anton Airfood of R.I., Inc.	Washington	USA	Usd	1,000	3,747,910	1,389,360	-	95.00%	2,751,568
Anton Airfood of N.C., Inc.	Washington	USA	Usd	10	2,429,337	790,630	-	95.00%	1,783,523
AAI/Terminal One, Inc.	Washington	USA	Usd	200	1,162,850	4,293	-	95.00%	853,718
Anton Airfood of Boise, Inc.	Washington	USA	Usd	n.a.	(472,456)	(406,282)	-	95.00%	(346,858)
Fresno AAI, Inc.	Washington	USA	Usd	n.a.	(205,535)	(169,116)	-	95.00%	(150,896)
Consolidation Corp. AAI/Anton	Washington	USA	Usd	n.a.	86,049,438	(5,119,636)	-	n.a.	63,174,097
Anton Airfood of Seattle, Inc.	Washington	USA	Usd	n.a.	-	-	-	n.a.	-
Anton Airfood of Tulsa, Inc.	Washington	USA	Usd	n.a.	14,885	22,074	-	n.a.	10,928
Islip AAI, Inc.	Washington	USA	Usd	n.a.	(377,037)	(377,037)	-	n.a.	(276,806)
Islip Airport Joint Venture	Washington	USA	Usd	n.a.	(5,511)	(5,511)	-	n.a.	(4,046)
Anton Elimination Corp.	Washington	USA	Usd	n.a.	(129,636,880)	(973,575)	-	n.a.	(95,174,275)
Anton Airfood of Bakersfield, Inc., in liquidazione	Washington	USA	Usd	1,000	-	-	-	95.00%	-
Lee Airport Concession, Inc.	Washington	USA	Usd	1,600	58,409	58,409	-	95.00%	42,882

* 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

Key data of the affiliated companies *

Company name	Registered office	Country	Currency	Capital stock	Net equity	Profit/(loss) of the period	% ownership held at 31.12.2004		Book value * (in euro)
							directly	indirectly	
Union Services Sàrl	Luxembourg	Luxembourg	€	51,000	115,250	59,150	-	50.00%	25,823
Dewina Host Sdn Bhd	Kuala Lumpur	Malaysia	Myr	250,000	(174,140)	54,660	49.00%	-	(238,019)
HMSC-AIAL Ltd	Auckland	New Zealand	Nzd	110,000	5,706,394	736,368	50.00%	-	1,511,748

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

Deloitte.

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AUDITORS' REPORT PURSUANT TO ART. 156 OF LEGISLATIVE DECREE No. 58 OF FEBRUARY 24, 1998

To the Shareholders of AUTOGRILL S.p.A.

We have audited the financial statements of AUTOGRILL S.p.A. as of December 31, 2004. 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 financial statements of the prior year, which are presented for comparative purposes as required by law, reference should be made to the auditors' report issued by us on April 6, 2004.

In our opinion, the financial statements present fairly the financial position of Autogrill S.p.A. as of December 31, 2004, and the results of its operations for the year then ended in accordance with the Italian law governing financial statements.

For a better understanding of the financial statements, we draw your attention to the following information more detailed reported in the notes to the financial statements:

a) During the year 2004 the Company revised and extended the period of amortization of the goodwill related to the U.S. operations as a consequence of the integration into the Group of the Anton Airfood Inc. operations as well as of the stable improvement of the related profit performance. The benefit of such revision of the amortization period both on the evaluation of the investments in controlled entities with the equity method according to the article n. 2426 of the Italian Civil Code, and on the profit of the year amounts to Euro 22,7 million.

b) the Company adopted the new dispositions on the financial statements introduced by the Legislative Decree n. 6 dated January 17, 2003 and following modifications; in particular, the valuation allowances applied exclusively in application of tax rules have been eliminated and accounted for among the extraordinary result of the income statement.

DELOITTE & TOUCHE S.p.A.

Signed by
Ernesto Lanzillo
Partner

Milan, Italy
April 6, 2005

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

Report of the Board of Statutory Auditors

Dear Shareholders,

Over the course of the financial year ending on 31 December 2004, we carried out the Security activity envisaged by Law in accordance with the code of conduct of the Board of Auditors, recommended by the Italian National Associations of Graduate Accountants, considering the recommendations provided by Consob in its communications, especially Recommendation 1025564 of 6 April 2001 and subsequent modifications.

In relation to this, we hereby acknowledge that we:

- participated in all the Shareholders' Meetings and the Meetings of the Board of Directors held over the year and obtained, at regular intervals, information from the Directors about the activities carried out and the most significant operations carried out by the company and by the subsidiary companies;
- acquired information about and monitored the activities carried out by the Group, within the limits of our role. The information in question was obtained by means of direct checks, by gathering information from the managers of the various functions involved, by taking part in all the meetings of the Internal Control Committee and by exchanging data and information with the audit company Deloitte & Touche SpA;
- set up meetings with the main representatives of the various company functions to ensure that the initiatives in progress aimed to pursue the main objectives of the company and to strengthen the internal control system;
- monitored the adequacy of the administrative and accounting system and its reliability in terms of correct representation of the management details, also by examining the results of the work carried out by the external auditors who referred to us over the course of the year on the results of their quarterly controls for the regular maintenance of the company accounts, without indicating any censurable matters;
- checked compliance with the legal standards for the formation of company financial statements, the consolidated Group financial statements and the Board of Directors' Reports, by means of direct checks and specific information provided by the audit company.

In addition, to comply with the communications from Consob specified above, we provide the following information:

1. The most significant economic, financial and asset-related operations carried out by the company and its subsidiary companies were carried out in accordance with the Law and the company by-laws. On the basis of the information gathered, we were able to verify that these operations were not manifestly imprudent, risky or such as to compromise the integrity of the company's assets.
2. We did not discover any atypical and/or unusual operations carried out during the year with third parties, related parties or inter-Group parties which required notification. The Directors, in their Report and the Notes, indicate and illustrate the main operations with third parties, related parties and inter-Group parties and describe the features and economic effects of these. We also verified that the ordinary operating procedures used by the Group aim to guarantee that all the operations with the related parties are concluded as per market conditions.
3. We find that the information provided by the Directors in their Report in relation to the operations specified above in point 2 are adequate.
4. The Report by the audit company Deloitte & Touche SpA on the consolidated financial statements to 31.12.2004 of the Autogrill Group SpA, issued on 5 April last, does not contain any significant findings but it does include a reference to the information note provided by the Directors relating to the economic effect, amounting to approximately €24.8m, on the net income for the year of the review of the depreciation period for the goodwill of HMS Host and the capital gain recorded at the time of the acquisition of Anton Airfood Inc. Equally, the report by Deloitte & Touche SpA on the financial statements to 31.12.2004 of Autogrill SpA does not contain any significant findings but it does include a reference to the information provided by the Directors relating to the positive economic effect, amounting to approximately €22.7m, due to the review of the depreciation period specified above and included in the profit for the period of the US shareholdings, in turn considered in the financial statements of the main Group company with the "net equity" method, as well as the economic effect related to the elimination of the tax elements, backdated to 31.12.2003, between tax standards and the financial statements for the year.
5. Over the course of 2004, no reports were made to the Board of Auditors as per art. 2408 of the Italian Civil Code.
6. Over the course of 2004, no findings were presented to the Board of Auditors.
7. Over the course of 2004, the Auditors Deloitte & Touche SpA assisted the company with the preliminary activities for applying the IAS/IFRS accounting principles, receiving payment of €85,000 (net of VAT) for this.
8. Also note that Autogrill SpA and its subsidiary companies assigned to persons "tied to Deloitte & Touche SpA by permanent contracts" certain roles other than those specifically related to the auditing of the financial statements, as follows:

Company involved	Nature of role	Payments (€) (net of VAT)
Autogrill SpA	Tax assistance	5,400
Autogrill Finance SA BV	Tax assistance	11,100
A.C. Restaurant et Hotels SA	Tax assistance	11,400
A.C. Holding NV	Tax assistance	19,300
	Administrative assistance	6,500
A.C. Restaurant et Hotels SA, Beheer SA	Tax assistance	12,300
Autogrill Schweiz AG	Tax assistance 2004	37,100
Autogrill Group, Inc.	Tax assistance 2004	586,900
	Auditing for complying with concession contracts	151,600
	Checks for employee incentives	60,300
Autogrill España SA	Legal assistance	28,000
	Administrative assistance	9,000
Total		**938,900**

9. Over the course of 2004, the Auditors, Deloitte & Touche SpA, did not express opinions as per Law other than those relating to the Audit assigned to them by the Shareholders' Meeting.

10. Over the course of 2004, there were 12 meetings of the Board of Directors and 11 meetings of the Internal Control Committee. There were also 12 meetings of the Board of Auditors.

11. We have no particular observations to make in terms of the compliance with correct administration principles, which seems to have been observed constantly and in the interests of the company.

12. The company, in 2004, maintained the overall functioning of the company structure by means of systematic management and updating of the various leading positions.
There are, therefore, no observations to be made in relation to the general adequacy of the organisational structure for pursuing the Group company objectives efficiently.

13. The activities for controlling and managing the risks continued by means of updating and developing the organisational structures and procedures. Note here that there was a revision of the management process for the Treasury and Finance which led to a more efficient allocation of roles and responsibilities. Given this, the Board of Auditors finds that the internal control system is able to support the ordered management of Autogrill SpA and its subsidiary companies.

14. In 2004, the also Group developed and documented the administrative processes required to adopt the international IAS/IFRS principles to be adopted to comply with the Consob communication of 17 February 2005.
Finally, there are no specific comments to be made about the adequacy and reliability of the administrative and accounting in providing an accurate description of management events. This opinion was shared with the Deloitte & Touche SpA Auditors.

15. The Parent Company launched a process aimed at updating the company guidance and control methods for subsidiary companies. This translated, on one hand, into a simplification of the organisational structure of the Group, with the creation of a sub-holding (Autogrill International) for coordinating the international activities of the Group and, on the other hand, into the formalisation of rules for the governance of subsidiary companies.

16. During systematic meetings held between the Board of Auditors and the Auditors, in accordance with art. 150, clause 2, Italian Legislative Decree no. 58/1998, no significant aspects emerged.

17. The Company is continuing with the work aimed at raising the quality of governance in compliance with the guidelines of the Self-discipline Code. In addition, the company is continuing with the work aimed at applying the management and organisational model envisaged by Italian Legislative Decree 231/2001. For a broader representation of the management system adopted by the company, refer to the content in the Corporate Governance sections of the Board of Directors' Report to the individual and consolidated financial statements on 31.12.2004.

18. To conclude, we hereby certify that our monitoring activities did not reveal any omissions, censurable matters or irregularities to inform the Shareholders about.
Furthermore, we express our consent, within the limits of our role, to the approval of the financial statements for 2004 accompanied by the Board of Directors' Report as presented by the Board of Directors and the consequent proposal for use of the net profit as formulated by the Board of Directors itself.

Milan, 6 April 2005

The Board of Statutory Auditors

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AUTOGRILL

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