**AUTOGRILL CONFERENCE CALL - 29th July 2016**

**Operator:** Good afternoon and welcome to Autogrill first half 2016 financial results presentation. We remind you that at the end of today’s presentation there will be a Questions and Answers session. To ask a question you may press star then 1 on your telephone keypad. Mrs. Elisabetta Cugnasca, Head of Investor Relations, is going to chair the meeting. Please go ahead.

**Mrs. Cugnasca:** Good afternoon and welcome to our first half 2016 results conference call. Here with me today are Gianmario Tondato, our group CEO, and Alberto De Vecchi, our group CFO. As usual, I have to draw your attention on the disclaimer on page 2, all the numbers we will be referring to are on a constant exchange rate basis, unless we say otherwise. Now let me turn the call over to Alberto De Vecchi, who will take you through all the numbers. Following the presentation we will open the phone to questions. Thank you.

**Mr. De Vecchi:** Good afternoon, welcome to our first half 2016 results, which show our group evolving in line with our strategy, a strategy which is based on leveraging our leadership position in North America, our ability to grow in new geographies, and our focus on efficiency in Europe, and in fact in North America where we are the undisputed industry leader, we have grown by close to 6%, split almost equally between like-for-like and new openings. International continues to grow by over 30%, not just thanks to new contracts, but also thanks to like-for-like performance, in Europe our focus is not growth but efficiency and in fact in the first half we have very effectively worked on margins. We have also continued to improve our portfolio of activities across the board. In the US we have strengthened our airport portfolio with new wins and through the acquisition of the CMS concessions in Los Angeles and Las Vegas, further expanding our presence in these two very important airports. In France we have rationalised our presence through the disposal of our French railways business. In the first half of the year we have delivered a set of numbers. Sales growing 5.4% and EBITDA increasing by close to 14%. EBITDA nearly going from 22 million to 60 million Euros, thanks to strong operating performance, the gain from the disposal of our French railways business and lower depreciation. This resulted in a net profit of 17 million Euros, compared to a large of close to 16 million in the first half of 2015. These strong results are also reflected in positive cash flow of close to 32 million Euros before dividend distribution, compared to about 5 million in the first half of 2015. In June we distributed a dividend of around 30 million Euros. Let me know take you through this performance of our regions, starting with our North American business, which is the solid foundation of our group. In the first half of 2016 sales grew by 5.7%, mainly thanks to airports growing by 6.4% with xxx and higher average tickets. New openings also had a positive impact, especially at George Bush international airport in Huston. Performance at airports was positive throughout the period, supported by good traffic numbers. We are pleased with how we have performed at airports, as we have delivered a solid growth notwithstanding traffic close are more complex to manage this days, also due to the slow TSA checks, which has disrupted passengers waiting times. Sales in North America in motorways also grew but less than in airports, due to a wet spring in the US, with many consecutive days of rain in some states we operate in. EBITDA North America grew in line with sales, with the increase in the cost of labour or set by an improvement in the cost of goods sold. Lower cost of the good sold comes from more favourable raw material prices and the pay-out of efficiency initiatives undertaken in the last two years. The increasing cost of labour is driven by a rise in the wage and the medical insurance cost, which are both industry wide phenomena. We have partly compensated for this with the initiative to drive more sales per employee. In the first half of 2016 we were very successful in terms of business developed in North America, with new contract wins, like Baltimore and Louisville airport, and through xxx acquisitions. As you know we are pursuing the acquisition of concessions operated by CMS, in Los Angeles and Las Vegas. We have analysed sales in the region of 50 million dollars. Our international division, which had the objective to grow, grew significantly with sales increasing by over 30% again. Two-third of this grow were driven by the new contracts won, including the ongoing openings of railway stations in the Netherlands. We also saw a strong contribution to sales growth on a like-for-like basis, driven by a very strong performance once again at Amsterdam airport. EBITDA margins in international was 9.4, the recent new openings only having a 20 bits in part on margins. Now moving to Europe, where you really can see all the hard work we are doing in rationalising our portfolio and focusing on efficiency. Sales were slightly higher, as a result of flat revenues in Italy, positive performance in other European countries and despite the disposal of our French railways business in June. We decided to sell this asset as the channel is very crowded and despite the good position we have, we did not see any opportunity to expand further. This disposal will allow us to simplify our organization in France, which is still a key market for us and pursue the opportunities. Sales in Italy grew by 0.1% on a like-for-like basis, more than compensated for by the reduction in perimeter. If you keep in mind when Easter was this year and the additional day in February, Italy’s performance is stable in the half. In other European countries sales grew by 2.3%, thanks to new openings at airports and motorways. From a country standpoint, France, Spain and Germany must be mentioned as areas where we have performed well, which allowed us to absorb the impact of the terrorist attacks in the region, especially in Brussels. With stable sales EBITDA in Europe grew by close to 38% before accounting for the capital gain from disposal. All countries of the region contributed to this strong result, the main driver of the improvement was the effective management of the cost of labour. In summary, as xxx results for the first half of 2016. Now looking at our current lading, as of week 28, sales confirm the trends across the regions. Group sales are up 5% with North America also up 5%, international up almost 28% and Europe up 0.8%. We are seeing an acceleration of our North America sales, compared to the weak 17 which we showed you last May at our first quarter call. The acceleration is the result of continuing strong performance at airports and the recovery of motorways. International is continuing at a very strong pace, Europe is slightly improving compared to 17, when sales were up to 0.7%, this is mainly thanks to good performance still in France, Germany and Spain. First half results the current lading and the positive traffic we have seen across the board allow us to confirm our guidance, which is still based on an exchange rate of 1.10 Dollars to the Euro, and is only modified to take into account the impact of the sales of our French railway business. This impact is 35 million Euros of French railway stations revenues that were in the main guidance and now we eliminate because of the disposal, an 11 million Euros increase in EBITDA, due to the 15 million capital gain on the disposal, partially reduced by 4 million stock cash flow on the eliminated revenues, and no material impact on the Capex guidance. The impact of the acquisition of the CMS contracts is not included in the guidance as this is still an ongoing process and we do not have yet any visibility of the timing for the final closing. Now Gianmario and I are happy to take your questions.

**Operator:** The first question comes from Jaafar Mestari from JP Morgan.

**Mr. Mestari:** Hi good afternoon, I have two questions please. The first one is on the French railway sale and US CMS acquisition, the amounts seem to be quite similar, is it a coincidence or are you actively trying to divest some businesses to redirect the money elsewhere, and do you have any other ideas of businesses that could be slightly subscaled, they are selling and reinvesting in all of your scale market. And my second question is on motorways in Europe, maybe particularly in France, we’ve seen also a quite negative performance on that channel from xxx yesterday, if I’m correct, the +0.6% constant currency that you’re doing in H1, given the strong Q1 means that your motorway channel for Europe ex Italy went negatively in Q2, can you help us understand what part of that negative is also properly one of the effects, such as calendar of loading, etc., what the underlined trends are there in terms of the traffic and the demand. Thank you.

**Mr. Tondato:** Talking about CMS…can you hear? Talking about CMS and the disposal of the French railways, I think it is a coincidence, of course we didn’t plan to go for the same sales and the same, and it is just a coincidence, but as we said before, we are actively doing all good acquisition, looking into potential disposal, basically it is a portfolio efficiency, so I think it is really a coincidence, it’s not that we were looking for 15 million more or less. That’s the first question.

**Mr. De Vecchi:** As far as the second question is concerned, motorways for us, in the second quarter the motorway for us in Europe is in fact a tale of two different situations, in fact as far as other European countries, we had continued to see a good performance also in the second quarter, both in France and in Spain, also in Germany, that are our main countries, the only country in which we had in motorways a difficult second quarter was in fact Belgium, but mainly for external reasons, not in fact for traffic. The slow-down has been mainly driven by Italy and in Italy there are two reasons, the first reason is calendar, the second quarter has performed much less than the second quarter of 2015, because Easter was in the first quarter this year, was in the second last year, but in general we have also seen a slow-down also driven by the effect that unfortunately all the holidays in the period between April and May that we have in our calendar, we are characterized by rainy days, so we had less traffic basically and we could exploit the traffic less effectively.

**Mr. Mestari:** Thank you, maybe just a short follow-up on this, if I refer only to other European countries motorways the constant currency growth was 5% in Q1 and 0.6% in H1 as a whole, so I didn’t understand correctly that you are saying most countries were still doing positive growth as a whole off the negative Q2 was Belgium.

**Mr. De Vecchi:** Correct, I consider that in Belgium in the second quarter we had for a considerable part of the quarter the Brussels Airport closed, so our shops were closed. The majority of the shops now are opening again, so we have only five shops at the moment that are still closed so the majority of our offer in the Brussels Airport is back again, but the second quarter was affected.

**Mr. Mestari:** Sorry to be again on this, but I was mentioning mostly the motorways growth which look like to become negative in Q2, is that still valid for a look just at the motorway channel?

**Mr. De Vecchi:** No no, I repeat that as far as the motorways are concerned in other European countries, we didn’t see a weak second quarter.

**Mr. Mestari:** Ok, thank you very much.

**Operator:** The next question comes from Tim Ramskill from Credit Suisse.

**Mr. Ramskill:** Thank you, I’ve got two questions please. The first is you mentioned there is some labour cost inflation in the US during the quarter, just wondering why do you felt it was likely to change of you of when North American margins could get to give an approximate anticipated when you gave a guidance on nice margins a couple of years ago, and then the second question I think it’s really coming back to the question Jaafar just asked, maybe didn’t touch on so, in regards to using the French contract as an example, do you feel there are other parts of your business that are maybe subscaled where that could be further disposal, do you see the industry overall is looking a little bit more rational in terms of everybody looking at their own businesses and see whether I think they may want to change. Thank you.

**Mr. Tondato:** So let’s talk about the labour, the cost, there is no doubt that there is pressure in the US in the cost of labour, and often direct pressure in the minimum wage, more or less there is an employment very low in the US now, and they are also indirect, because of the medical, the expenses, you know. This is a trend for all the industries, not just for us, I think we, as you see, you know we’ve been working to contain this you know, both in the US and also in Europe, and you see the numbers in Italy for instance are pretty interesting you know if you look at the percentage of labour on the PNL, and of course we are increasing productivity and I think partially technology is the answer of this problem. So what I mean is for instance that with some kiosks we are testing a lot of new solutions I think we can improve our even further, you know, quite an important rule for improvement you know in term of productivity, so there is no doubt there is some pressure but I think we have some solutions you know that we are undergoing, I feel comfortable that this is not going to be a major problem on our margins, especially mentioning the US. Talking about the further potential disposal in our portfolio of course in Europe I think we can, if we have the opportunity, to optimize let’s say our portfolio, you know that’s a possibility, we need to have the right chance to, not under pressure frankly speaking, but there is a potential optimization, frankly speaking, some of our small operations you know, channels, so a combination of potential ideas, you know, that’s it.

**Mr. Ramskill:** Thank you.

**Operator:** The next question comes from Alessandro Cecchini of Equita.

**Mr. Cecchini:** Hallo everybody, I have some questions. The first one in the second quarter we saw some margin decrease in both the US and the international, while in the first quarter we saw a very good trend, improvement trend in margins, so I would like to better understand this trend quarter on a quarter basis. My second question is about in Europe and in the US for the industry I would like to understand what kind of concessions, big important concessions, do you expect that are close to expire, so for you some opportunities of the next couple of quarters. And finally we saw some cash xxx from working capital in the first half, we’d like to for some specific reasons that you declared in the xxx, we’d like to better understand what kind of trend you expect for the full year 2016. Thanks.

**Mr. De Vecchi:** Well, I start from the last one, the one regarding, in fact there is nothing structural, it is simply a timing set, we had a different distribution with respect to the moment when during the year we pay xxx, so what we have paid in the first half we do not pay in the second half, so nothing that is going to remain in the xxx for the full year.

**Mr. Cecchini:** Thanks.

**Mr. Tondato:** Talking about the bids you know that are undergoing, there is a big chunk of renewal extension on Italy that is still undergoing, the process is not closed yet because of course we have not showed the results yet, so it is difficult to say something on this, there is a good important opportunity for us in Spain, because there is Malaga, Ibiza and…what’s the name of the other, Forte Ventura sorry, Forte Ventura that is going now out for bids, of course these are major airports, especially Malaga, we are talking about a 24 million passenger airport, so almost a size close to something like Malpensa, we are lucky because we do not have any presence in these airports, so I think we are going to have the opportunity to increase our market share you know. Sorry, Palma, not Malaga, the third airport in Spain, so I think that’s a great opportunity for Autogrill and it’s just the first starting of the process of a bid that is going to affect all the portfolio, but Madrid, because also Barcelona is going to come up for bids very soon, it is of course a major operation. On the US business as usual, we don’t have any news, so that’s basically the landscape, you know…

**Mr. De Vecchi:** As far as margins are concerned, your first question, I think that as far as North America, the main driver of the fact the second quarter has been less contributive than the first is the fact that I mentioned before, on the performance of the motorways. Obviously when you are seeing soft sales, soft traffic and soft sales, you tend to be much less effective imaging the cost, so this is the only reason. As far as the international you know when you see a company that is growing your sales by 30% and your margins by 30%, it may happen that you don’t have exactly the same progression of the margins each quarter, but this is also because of, as we mentioned before, a lot of openings that may affect the quarters differently, but there is nothing structural.

**Mr. Cecchini:** Ok thanks, so just to understand basically you didn’t see a different pressure in term of labour cost in the US from the first quarter and the second one, similar…

**Mr. De Vecchi:** No, the pressure in labour is there and was there also in the first quarter.

**Mr. Cecchini:** Ok, many thanks.

**Mr. De Vecchi:** Welcome.

**Operator:** There are no questions at the moment. Again, if you have a question please press star followed by 1. There are no further questions.

**Mrs. Cugnasca:** Thank you very much for your attendance and have a good vacation.