AUTOGRILL CONFERENCE CALL - 10th November 2016

Elisabetta Cugnasca – Investor Relations Manager*:* Good afternoon and welcome to 3Q2016 results conference call. Joining me today are Gianmario Tondato, our group CEO, and Alberto De Vecchi, our group CFO. As usual, I have to draw your attention to the disclaimer on page 2, all the numbers to which we are referring to are on a constant exchange rate basis, unless we say otherwise. Let me remind you that according to the international accounting principle, the disposal of Autogrill Nederland are all subsidiary, managing motorways and hotels in Holland is discontinued at the IFRS number 5. So in our accounts the contribution of this subsidiary is shown in a single line, below profit from continued operations. We restated the 2015 figures accordingly. Now let me turn the call over to Gianmario Tondato and Alberto De Vecchi, who will take you through all the numbers. Following the presentation we will open the flow to questions. Thank you.

Gianmario Tondato – Chief Executive Officer: Thank you Elisabetta, good afternoon everybody and welcome to our 9M results. We are pleased with our results for the period, revenue was up about 5% and EBITDA up around 12%. All regions contributed. With North-America and International driving the top line growth, thanks to a very strong performance at the airports. Europe delivered significant improvement in EBITDA and EBITDA margins, despite a lack of growth and the Brussels terror attacks. Our net profit was up over 70% and net operating cash flow after capex increased by around 40m Euros. This confirms that we are delivering on our strategy, which is based on leveraging on our leadership position in North America, growing in new geographies such as Northern Europe and emerging markets and focusing on efficiency in continental Europe. In the 9M, we also made excellent progress on our portfolio. We have cemented our leadership position in North America, winning and rewinning and renewing a number of contracts and I must say I am particularly proud of the renewal for a period that goes from 2020 to 2030 at Charlotte airport, a top-ten US airport, where we have delivered over under 20m of sales in 2015, so a very important piece of portfolio extended. We also acquired CMS, reinforcing our position in Los Angeles and Las Vegas airports. As you know both acquisitions are part of our strategy to grow, especially in North America. And in addition we also purchased Stellar Partners, a well reputed and innovative retail operator in the convenience sector at the airports. Stellar has a skilled and experienced team and we remain independent in order to leverage its know-how. We think that with our help Stellar has the opportunity to grow in the convenience sector, in which we are not yet, with a market value in the US airport infrastructure that is around 1.5b. This acquisition will give a further boost to our growth in the region, in a sector that is complimentary to the rest of the group. International. International also won a number of contracts, both in Northern Europe, Middle East and Far East, including Beijing, Abu Dhabi and Bergen, this is the second largest airport in Norway. At the same time we continue to optimize our portfolio in Europe by selling our French railway business, as it had a limited growth potential. We also sold the Dutch motorway business, which includes hotels, that are not part of our core competence and that required significant investments. In Italy I am satisfied with what we have achieved so far in the ongoing Italian motorway renewals. The renewal process has been long and complex, with different landlords and operators in a variety of bid processes, which are still going on. 18 months ago I expected a lower rent environment due to a weak economy, but it is changing. Now I see growth in traffic and the first sign of an improving economy environment. This is leading to more competition in the renewal process and as a result we have been more aggressive too. Going for volume as we have seen potential to grow sales in the years ahead. We have already won 190m Euros of contracts, this is of course yearly based, resulting in a retention rate of more than 80%. And there are still 110m of contracts up for renewal, of which we have about 50%. The bid process regarding these contracts has not yet been launched. In conclusion, a solid performance by the group in the 9M, and now Alberto as usual will take you through the numbers in much more details.

Alberto De Vecchi – Chief Financial Officer: Thank you Gianmario and good afternoon. Sales within the group are running at different pace. North America and International driving sales at high speed and Europe more stable. In the first 9M our group sales grew by 4.9%, driven by an increase of our L-f-L sales of 2.8%, and net contract gains exceeding losses by 2.5%. This growth was reflected in an increase in a EBITDA of 12% and in an improvement of EBITDA margin of around 70bp. If we exclude the capital gain on the disposal of the French railway stations, our EBITDA has grown by around 7% and EBITDA margin is up 20bp.

EBIT increased by 33.6% as a consequence of our growth and a reduction in depreciation and amortisation. This led to a net profit of close to 98m Euros, and an increase of over 75% on last year figures. Our strong profitability and all our regions contributed to the very positive free cash flow, which so far amounted to around 150m after capital expenditure, 40m more than in the first 9M of 2015. This cash generation allowed us to fund acquisitions and also distribute more than 40m in dividends. Let me now take you through the regions, starting with North America where in the 9M we delivered strong sales which gained momentum in the 3Q. In the 9M performance was driven by L-f-L of 4.1% and by net contract gains contributing about 2%. The net balance of acquisitions and disposals is slightly negative in the region, as the newly acquired CMS contributed sales for just one month in the last quarter in fact, while 2015 was still including some residual revenue of the US retail business sold to World Duty Free.

At the beginning of the summer season we were aware that our margins would have been impacted by an increase of the average hourly wages, as this is a phenomenon that has been relevant for the whole rest of the industry in US. Hourly wages have increased in the area of 5% in the industry, and we are no exception, as we are the leading operator in the conception catering in US and wanted to remain attractive to keep and hire talent people in our organization. As a consequence we decided to push hard on commercial initiatives and go after sales, as this is the short-term action that better allows us to keep increasing margins in absolute terms and as a matter of fact in the 3Q our revenue was up close to 7% outpacing a growth of the region in the first 6M, and our EBITDA grew by close to 2%.

The quarter has shown increases of both the number of transactions and the average ticket. The strategy of pushing the sales was particularly rewarding in our US airports, where we grew by 8.7% in the quarter, beside our commercial efforts, we also benefitted from TSA actions, to reduce queues, which led to longer dwell times in the commercial areas. Our sales in motorways grew by 3%, a good result if we consider that in general capture is more difficult in motorways than at airports. As I said before, the single line in our cost structure which is under pressure is labour. Coincidence, on sales increased by 60bp in 3Q2016, equally split between pay roles and other labour costs, mainly health care insurance. On the 9M however, the pressure on percent margins was eased by a very positive performance in terms of cost the group sold, driven by sales mix and still relative low prices of food raw materials.

Moving to International, in the first 9M we delivered sales up over 30%, one third of the results from L-f-L and the rest from net contract gains. In 3Q sales grew by 23%, driven by both regions, with Europe reflecting our entry into Dutch railway channel. We delivered strong sales performance at Amsterdam airport, up over 12%, as well as in Vietnam, up 45%, and India, up 20%. EBITDA for the quarter increased by over 15%. The margin of the region is still very high, close to 15% and dilution is due to the start-up phase of our new Dutch railway station business, which is a lower margin business compared to the rest of the region. And finally to Europe, let's go to Europe. Starting with Italy that in the first 9M produced sales slightly down compared to previous year, also due to a continuous rationalisation of the portfolio. The decline in sales in 3Q is mostly due to the lack of one event, the Expo in Milan, which contributed significantly to the performance of last year, especially in the Northern part of our network.

Notwithstanding the slight reduction in sales and consistent with the first half, EBITDA grew also in absolute terms in 3Q, the margin in the quarter was up 100bp in Italy, mainly due to a sales mix with more F&B and less ancillary products, the renewal of the snacks and the coffee related offer at our coffee shops, the new labour contract, and the enhancement of our product manufacturing and logistics.

In the rest of Europe sales were down 0.7%, for the 9M, due to the disposal of the French railway stations and the performance of Belgium, which has been affected by the bombing in March. If we exclude this extraordinary events, our L-f-L sales in the region grew by 2.3% and the net balance between contract gain and lost was positive by 2.6%. Moving to 3Q, the reduction you see in sales and EBITDA in this region is only due to the disposal of the railway stations in France and the poor performance in Belgium. Moving now to the current trading, after the closure of 3Q, sales as of week 43 continue to grow in line with the trend for the year, with North America accelerating further, International continuing at a strong pace and Europe stable.

Following the performance of our regions and the fact that in 2016 our recent acquisitions of CMS and Stellar offset our divestment of the Dutch motorways, we confirm the FY guidance we gave you in July. In conclusion, we are delivering on our strategy, 3Q was defined by strong sales especially in North America and on the 9M we have delivered strong results and cash flow generation coupled with sizeable announcement of our portfolio across the board. Thank you and now Gianmario and I will take your questions.

Q&A Session

Operator: Again if you have a question please press *1.

The first question comes from Tim Ramskill of Credit Suisse.

Tim Ramskill: Thank you, it's Tim Ramskill from Credit Suisse. Two questions please. The first is could you just talk a little bit more about the outlook for wage inflation in the US in terms of hiring expected to set a trend in terms of 4Q and in 2017. And then, I guess a similar question, maybe in Italy, so as you have mentioned in a strong progress of margins, do you again expect that benefit to still be showing through in 4Q and in 2017, please.

Gianmario Tondato – Chief Executive Officer: Can you repeat the second question, please?

Tim Ramskill: Yes sorry, in terms of the margin outlook in Italy, in a statement you mentioned actions in the previous year, I guess SP1 etc. have benefitted you, just want to know if you expect that benefits still to be shown in through 4Q and also in 2017. Thank you.

Gianmario Tondato – Chief Executive Officer: Talking about the labour you know in the US, the rise in the cost, the cost in the F&B industry in the US, you know, the unemployment rate is calmed down substantially, and wages pressure continue to bill as well as the employer cost for providing health benefits, in the short term we are of course continuing to fine tune our operation, our strategy approach, I must say we are getting pretty good in doing this, and so working on productivity and trying to gain what we are losing or may lose actually in the hourly cost, in the longer term I think you know the margin can be preserved, because the industry of course is not something that is affecting us but it is something that is affecting the whole industry, so the margin is going to pass on the prices, and the higher cost of labour is going to be somehow passed on the price, just no question about that, that's the trend that everybody is pursuing. And the second thing is I think digital is an important answer to this labour cost pressure, because you now just to give you an idea the sales for ordering kiosks you know that is something that we see every day you know in different industries is becoming, we are testing a lot of them, it's becoming very popular, it's something that is going to really do, to improve our top line in also our cost of sales, I think this, sorry cost of labour, and that's something that is very effective so far, so we have a strategy also that is going to be deployed very soon on that.

Alberto De Vecchi – Chief Financial Officer: On the second question, regarding the margin on Italy, the sum of the actions that we mentioned are all continuing and possibly, hopefully we will continue in 2017, one of the most important elements for the improvement in the profitability in the first 9M is in fact the new labour contract, that has been introduced last year in the 3Q, so starting from the 4Q of the year we don't have any more the advantage of the comparative of the previous year, because the contract that we applied in the 4Q2015 is the one that we are applying today. So this part will disappear, will be digested, the rest will continue.

Tim Ramskill: Thanks, very helpful, thank you.

Operator: The next question is from Cecchini Alessandro of Equita.

Alessandro Cecchini: Hello everybody, I have some questions. The first one is about the networking capital that provided some cash, 20m over the first 9M, we would like to better understand this trend. Secondly, we'd like to focus on the margins of Europe, so actually -80bp in 3Q I would like to better understand what kind of trend we could have excluding the new concession of the Dutch railways, just to understand the underlying trend. Thank you.

Alberto De Vecchi – Chief Financial Officer: I start answering to the first question that is the working capital. Well the improvement and the cash generation through the working capital is mainly related to more sales, in fact when we generate more sales, we generate out of the working capital. The single line that had the most of the effects is the reduction in inventory, that is driven by the strong sales especially in North America.

Alessandro Cecchini: Ok.

Alberto De Vecchi – Chief Financial Officer: The second, because we are recapping about your second question, just a second.

Alessandro Cecchini: Yes.

Alberto De Vecchi – Chief Financial Officer: Because what we couldn't understand which kind of let's say dilution of margin you are referring to whether to the rest of Europe, Europe as a whole including Italy, so if you can explain.

Alessandro Cecchini: Ah ok, sorry. So just on Europe, so excluding Italy, because you stated during the call that the dilution was in other Europe was related to the new concession that you acquired with the lower margin, just wanted to understand if we excluded this kind of addition, which kind of trend we could have in Europe, so just to maybe qualitative, just to understand if also in Europe your actions to cut the cost to be more efficient are paying off as well in Europe. Thank you.

Alberto De Vecchi – Chief Financial Officer: Now I got it. No, unfortunately probably I was not, I didn't explain myself well, because when I was mentioning the Dutch railways in fact there are in International, they are not in Europe.

Alessandro Cecchini: Ah ok.

Alberto De Vecchi – Chief Financial Officer: International and when we said that this is a low margin business, because we are comparing with the margin that we do in International, in airports like in Asia, where the margins are by far larger and much more important than in railway stations, so it is a channel issue, it is not an issue related to a good contract or a bad contract. This is as far as the margin of the Dutch railways, in fact when we are speaking about a dilution in margins regarding the rest of Europe, it is mainly driven by the fact that it mainly is in Belgium and because in Belgium we still have some stores that have been closed in Brussels airports, because of the bombs in March and in that cases obviously we had some inefficiency because you have the food in there and you are not able to generate the sales that the airport might be able to do in a normal situation. I think that...

Alessandro Cecchini: Yes, yes, thank you very much.

Alberto De Vecchi – Chief Financial Officer: Welcome.

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

Jaafar Mestari: Hi, good afternoon, I have two questions please. The first one is on the US labour cost inflation, this was already happening in 1Q and in 2Q but so far you had been able to compete the offset with gross margin benefits and with productivity initiative, so what was different in 3Q? And going forward, when you say that there is probably more you can do, you have already talked about kiosks, etc. as a FH1, so are there any new initiatives that have being launched specifically in 4Q and in next year? And my second question is on the acquisition of Stellar Partners, can you maybe discuss why going into convenience stores is interesting here, one year ago you sold your US retail business as part of the World Duty Free, this merger how different is this new core business in terms of exactly the products mix and why is it more relevant to existing food offer?

***Gianmario Tondato – Chief Executive Officer*:** Let me start with the last question, think you know, it was three years ago, not last year, but so we sold to World Duty Free our retail operation in the US, and it was very different, because you know it was a division of HSMHost, and it wasn't an independent company, so basically as a result of that every time we were bidding for the F&B, generally we had to sort of collect our damage, we were really under pressure on the retail side of the business, because it was very small you know compared to the F&B, now we took a completely different approach, so it is an independent company, it is not a division, it is run by independent people, we acquired 100% of the shares and they stay with us, we provide them with funds, we have a couple of board members, one of the two, we are going to design a strategy to grow this sector, have the idea so to position the company as an independent company as it is first.

Second thing there are only two players now in the US in very convenience retail left. One is Abso and the other one is Paradies, so I think there is room you know for a third player and space for a third player to grab some market shares in the market. Considering also that the market right now in the US is more or less 1.5b, so it's a material market, last but not least you can see travelling is blurring, the situation is blurring, so the convenience stores are starting to sell, or they are selling actually, they are not starting, they are selling drinks, soft drinks, you know sandwiches, so I think it is a must for us to enter this market, to gain control and to gain market shares in something that tomorrow can become a sort of competitor in our sector.

Talking about also the big F&B market, talking about the US labour, what I can say is that you know of course to pass through into the prices of you know the cost labour takes a while, it is not something that you can do overnight, also in a situation like our situation in which we are linked and locked with a strict pricing, so we basically when we have a brand it is an outside brand, we have to wait for the pricing of the outside brand, that's the first consideration. The second is you know in the past the trend was here but it was not so consistent, now in the last, in this it is fuelled also because of the low unemployment rate, you know, and basically now it is really a though matter, I don't know if you follow but it is a though market to hire people in this situation in the US, I don't know if you follow what is happening with Starbuck's that is increasing the wages in a very important way, and the whole market in many retails in the US, we are in the same situation.

I think it is a temporary, I've been in this situation many times in my professional life, it is something that is temporary, because you know the market reacts and the prices go up, you know, more people are looking for jobs, you know, and that's a temporary situation, I don't think it's something that is going to affect our profitability in the long run and that's important. On the other hand we have to, we have also to consider the technology. Technology is changing our industry and we are working on that, it is not something that we can do overnight of course you know.

Jaafar Mestari: Ok, I mean just a clarification on this. In 1Q and in 2Q you were absorbing all of that, so in 3Q what's different, is the increase in labour cost much stronger? Or ..

***Alberto De Vecchi – Chief Financial Officer*:** Yes.

Jaafar Mestari: Ok.

Alberto De Vecchi – Chief Financial Officer: No, no, if you can allow me to give some more details on this subject, is that on the first half of the year, as well as in 2015 in fact, we have continued to see increases mainly in let's say the other cost of labour, that is mainly in what you call indirect cost of labour, that is especially health insurance, that is consistent with also the ObamaCare and so on, and this is quite normal in the industry and that has been digested through an improvement in the cost of goods sold. In the 3Q we had the two effects, because we continue to see the increase in the direct cost but we also had an increase in the pay roles and this is also driven by the fact that in the 2Q and 3Q we hired a lot of people because of the season, so we got more the impact than in the previous two quarters, that is the reason you have to impact on the cost of labour, and although you are good in managing the cost of the goods sold, you cannot completely digest the impact.

Jaafar Mestari: Ok thank you, very clear.

***Operator*:** The next question comes from Sala Francesco of Banca Akros.

Francesco Sala: Yes good evening, thanks for taking my questions, I would like to have an update on the timing of the renewal process in Italy and secondly I was wondering whether what you have seen in terms of pricing and locations and whether you see any need to adjust your strategy accordingly, or to change it. Thank you.

***Gianmario Tondato – Chief Executive Officer*:** I'll give you some numbers so I think it is the ideal that the total amount of sales, of course this is an estimate, you know, that goes for bidding in 2016 and 2017 is around total market for 170m, something like that, what we are talking about is xxx, so far the process has been xxx to 131 locations, of which 77 were owned or run by Autogrill, and now Autogrill won 60 locations so far you know, so as I said 80% of potential retention rate and that. So we have still 83 locations that are going out for bid, and that's what we know today. The timing of the process, we are talking about a very long process, the timing of the process is not in our control so far is that what happened you know, we are waiting for new RFP almost every week, and that's what it is you know, I think we adapted our strategy because you know the when we, talking about what we did you know, I think the market is definitely xxx that in Italy so we have more competition, the starting if you want a little bit of flavour the starting point of a rent that is important but not the key thing in which we bid because it is a brand portfolio, a lot of capex, and the quality of the operation so it is not the major thing that we are going to have evaluated, it is a little bit lower than what it was in the past and so far we have seen competition and we are also competing quite hard you know and I am quite satisfied and I think you know we are extending our base and it is going to be an interesting process, I think it is going, what I find very very positive it is that you know for the next five, six, seven years we are not going to have any major big process to work on our network, work on products, work on brand, it is a sort of situation, perfect situation to rebuild the network in Italy.

Francesco Sala: Thank you.

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

Jaafar Mestari: Hi, then just a follow-up question which I am actually wondering whether it relates to Italy and the situation you have with the contract. Somewhere in the release you explained depreciation coming down, by the fact that some contracts have reached their natural end of life, are we talking about those that are expired but which de facto you continue to operate and in which case you fully depreciated them, but in that case when you get the renewal will depreciation go back up as you start the investment, so it is something that is completely structural and will stay as it is.

***Gianmario Tondato – Chief Executive Officer*:** No, a part of the decline is in fact what you were mentioning, that is we continue to manage in some cases contracts that we meant to be finished before, and in that case you don't have any more the depreciation on assets that are still generating revenues, so that is part of the effect, it is not all the effect, but part of it is there.

Jaafar Mestari: Thank you.

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

Elisabetta Cugnasca – Investor Relations Manager: Thank you very much for your attention and have a nice evening.