

# Presentation of 3Q2012 Results



Operator: Welcome to Autogrill's third quarter 2012 financial results presentation.

*Elisabetta Cugnasca - Investor Relations Manager.* Good evening to everybody, welcome to our third quarter 2012 results conference call. As usual, I draw your attention to the forward looking statement slide. And now I'll pass the word to Mr. Gianmario Tondato, our group's CEO.

*Gianmario Tondato - Chief Executive Officer.* Thank you. Thank you for not demoting me but... thank you for attending the conference call. I'm glad to tell you that we finally have a decent/good quarter and I think the third quarter was quite good, if we also consider the environment in which we operated. And there are 4 four things that define this quarter, in my opinion: the first is the performance of the travel retail, that is astonishing and really extremely positive; the second thing is that we see a better management of our P&L in Italy and in the US, in the most important countries in which we are in; third, and very important to me, we have a better cash-flow generation with... even with the presence of a higher capex, so an interesting result really; fourth we have taken successfully some steps to develop our activities in the fast-growing part of the world in which we weren't before.

So let's start with the easiest thing, you know, that is the travel retail. This business goes from strength to strength, we presented really a strong set of numbers, we are outperforming traffic even more and once again, our profitability is increasing more than our sales. So our sales are up, our top line is up 5% and our EBITDA is up 14%. So really, I'm very pleased with the management team that we have, an incredible result, and they keep on going really very, very well. The second thing is that we... in addition to that, we also win with our travel retail division, which also won Dusseldorf, that is an important contract, and we also won our first concession in Brazil, preparing ourselves for the future mid process that, you know, is going to take place starting from next year, and Jamaica as well. So, an important effort on the development side. And, of course, there is the pending process of the extension, renewal of the big process for Spain and, but, as you know probably, by the end of December I think everything is going to be clear, so we are going to know soon where we are in this country, you know.

Let's now move on to what I think is the most problematic but also the most interesting part of our business, that is the food&beverage, you know. Let me tell you two things, now: there are things that we can control and things that we cannot control. Let's start with the second part of the statement, you know. Traffic is a given, GDP is a given. Country GDP that is really strongly related to traffic is a given for us, price of oil, of petrol, you know, is a given for us. So we can do little about these factors, you know, we can really do little to manage the impact of this negative environment that especially in Europe, but in some cases also in other countries, is happening right now, you know. The price of raw materials is somehow a given, we can do something, not a lot, but we can do something to ease down the tension: so pricing, of course, is one strategy, the second thing that we can do is to change our menus, you know, move out things that cost more and put in things that cost less and try to... to really change the mix of

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what we do in the F&B, it's something we can do something about but then again it's another area in which we can do very little. Cost of health insurance, health system, as you know, that's another factor, you know. In the last three-four years, you know, this has been improving and... actually not improving, deteriorating, it's costing more to us to manage labor, especially in the United States. Again, it's a given, it's a factor that is not in our control and this is something that is really compressing our margin. What we *can* do, so the positive attitude of the management team I think has been really impressive and important in what is in our control. Okay, our operations, if you look at the productivity, labor productivity in two main countries in which we are operating, one is Italy and the other one is the US... to give you an idea, the US, in the US, airport US is comp, you know, in this sector our productivity was down 1% at the beginning of the year, now it was up in the last quarter almost 1%, you know. So it's an important management effort, an important planning effort that took place and I'm very pleased to see that we are taking more and more control over our P&L. Italy as well, you know, in this declining, almost disastrous, scenario, in which we lost almost 8% of traffic in the motorway business, you know, productivity was down 5% at the beginning of the year and now is down less than 1% in the third quarter. So there are a lot of actions that are happening... a lot of things that are happening in our operations and I'm very pleased to tell you that we're getting there, little by little, even in this difficult environment. Second our cost structure... G&A cost structure, or central cost structure, as you know, we are streamlining all Europe, we are putting together... trying to put together all the G&A for Italy and... most of the G&A for Italy and the rest of European countries, it's a massive process, it's costing us a lot of management effort and also it means more cost now, frankly speaking, hoping that we are going to have a leaner and meaner structure next year and in the near future, you know. Third: our cash-flow generation is being selective in the F&B, really, in our investments. We are focusing in the most growth part of the business. Overall, what I can tell you is that we are closing the wide gap that we started the year with and so the third quarter is really showing some good improvements, you know, in our operation. Overall, so looking at the global business, the duty free and the F&B we can say the following things, you know: we have seen improvements in North America and Italy, especially thanks to labor productivity, we have delivered a better cash-flow generation despite, or in addition to, I would say, not despite, the fact that we have invested more capex, so I think it's really an important achievement for our organization. We have concentrated our investments in what we think is the most interesting channel, that is the airport channel, and we have reached some important milestones, consolidating and developing activities, including the important... one of the most important contracts that is now in our portfolio, that is Amsterdam, Schiphol airport, but we are developing an important airport in Turkey, operations in Dubai and what I said before for the duty free.

Let's start with the last point, you know, the fourth quarter: the fourth quarter we are in already, unfortunately we had this bad storm in the US that is really impacting our P&L, because we still have a couple of plazas flooded in the New Jersey Turnpike right now, so it's really... it has been a massive disruption for us. Of course it's a one-off, so it's not something that's going to stay with us, fortunately, for a long time, but it has an impact, of course, on our operations. We

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will continue to focus our operations on productivity, on generating more cash-flow, on extending, or re-winning important contracts and developing fast-growing markets to compensate the scenario that in Europe is becoming really difficult and more negative.

Now I'll let Alberto, our group... Alberto De Vecchi, our CFO, to take you through the numbers. Thank you for your attention.

**Alberto De Vecchi - Chief Financial Officer.** Thank you Gianmario and good afternoon. The summer is over and, as expected, the macro-environment in which we operate continues to be difficult. Traffic was weaker in the third quarter, but thanks to a good August, we achieved satisfactory results in both our businesses. Overall, F&B delivered better results than in the first two quarters of the year, thanks to improving margins in North America and slightly better sales in Italy. Now, starting with the United States: traffic at US airports was flat in the third quarter, while it was up by 1.4% in the first six months. So, that is not good news because the slowdown in traffic happened in the most important quarter of the year. Despite the slowdown in traffic, we continued to deliver a robust sales growth. Comparable airport sales were up by 6.6% in the third quarter, double what we achieved both in Q1 and Q2. This brought an increase in comparable airport sales year-to-date of 4.4%, with traffic only growing by 1%. The same trend was observed on motorways: on the one side, traffic flattening and on the other side improving performance in terms of sales, with comparable sales up 6%. This is a very different scenario from what we see in Europe. Margins in the US are still lagging behind sales growth. This was in part forecasted due to closures and the start-up of new points of sales, the final tail of the huge increase in raw material prices, which manifested in 2011, and the characteristics of the new local concept we introduced in (...), which generated more sales because of the higher average ticket, but they are also less efficient to run both in terms of cost-of-goods-sold and labor. In the first half, the impact of these elements was comparatively stronger, as a result of more disruption caused by the closures and the new openings. In the third quarter we are still behind, but closing the gap, mostly thanks to an improving labor productivity. And, in fact, in the US airports productivity in the first half was down by 0.7% compared to 2011, while it was up by 0.7% in the third quarter compared to the same period of the previous year. In motorways we did, in the US, even better, because while we were growing our productivity by 1.5% in the first half, we were up by 3.4% in the third quarter. The net result of better sales and managerial actions on cost is the closure of the gap on EBITDA. In fact, while AGI was down by 19 million, approximately, million dollars, as of June, the gap of the third quarter 2012 compared to the third quarter 2011 was reduced to 1.5 million. The EBITDA margin of the third quarter, in fact, is already close to the margin of the previous year and is around 14.1%... 39... excuse me, 13.7% compared to 14.1%. In summary, we are satisfied with the results we have delivered so far in the US, but we think we may do better. Most likely, this will not be possible starting from last quarter of 2012, as the quarter is impacted by Hurricane Sandy, which forced the closure of airports along its path, the cancellation of 14,000 flights in the North-Eastern US and damages to motorways. We estimate that Sandy has, up to now, had an impact on our numbers in this

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last quarter in between 1 and 2 million dollars, in terms of EBITDA. Now, looking at Italy, the very bad situation of Italian motorways continues, but the summer performed slightly better. Initial available data suggests that traffic in the third quarter fell by less than 7%, compared to a fall of 7.7% in the first semester. Our like-for-like motorways sales fell by 8.6% in the quarter, while they fell 12.6% in the first six months. Our sales underperformed compared to traffic as a result of several issues... facts, and just to enumerate some of them, the shift to lower average price concepts. Just to give you an example, at lunchtime our sales at snack bars were down by 4.8% and in the same period of the day the sales at Ciao were down by 5.7%. So not a big difference but unfortunately the average ticket of a lunch at a snack bar is around 6 euros, while it is around 12 euros at Ciao. Also the poor performance on the market also did not help our sales to perform and also the fact that petrol prices continue to stay high in the motorways and, even more importantly, promotion run by oil companies outside the motorways further worsened the disaffection of customers to stop at motorway service stations. And, finally, of course, the recession, that is hitting hard, with a negative GDP of 2.6% in August in Italy and consumer confidence was at a minimum in September. In this poor and very complicated scenario, our Italian food&beverage business is managing to reduce the profitability gap, mainly thanks to a strict management of labor productivity. You cannot keep productivity when your sales go down, but while in the first half our productivity decreased by close to 5% in the semester, the decline has been limited to less than 1% in the third quarter. Thanks to this improvement, the third quarter has shown, as in the US, a strong reduction in the EBITDA gap. While in June our Italian EBITDA was lagging 26 million behind the first half 2011, the EBITDA gap of the third quarter has been limited to 6.4 million. As Gianmario said, our goal in Italy is to ride out the storm without being scared of further falls, as they help us better position our business for the future. We must be realistic, and cannot be thinking of a reversal of fortunes, unless we see a solid recovery in the economy. Given the situation in the euro zone, such reversal is unlikely in the short term future. What we did not expect in F&B, even when we last talked to you at the end of July, was the worsening performance of the other European countries. The rest of Europe, in fact, has had a very bad quarter. This has been especially negative given that this area is highly reliant on the summer holiday season. While in the first half the weakness was mostly concentrated in Southern Europe, namely Spain and Greece, the summer did not go well also in France and Belgium, due to increases in fuel prices and toll charges. In general, the persistent confused situation in the euro zone is not helping neither the traffic nor the consumption. In fact, the countries of this area where we performed better are Switzerland, Denmark and Sweden, all outside the euro zone. As a result of this, our sales fell by 4.4% in the third quarter and our EBITDA also fell, more importantly, by 20.4% due to higher incidence of fixed costs on lower sales and an increase in the average hourly wage. In fact, in several countries we operate in the increase in the hourly wage is due to inflation-linked clauses either provided for by law, like in Belgium, or by our labor contract, like it is in the Netherlands. As the third quarter is by far the most important for this area, the delay we have accumulated here so far in the area can hardly be recovered in the months to come. We continue to work hard on developing our F&B business especially in airports, we have renewed important contracts, including Atlanta and Amsterdam.

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Amsterdam is our most important contract worldwide, not just because of the importance of the airport, but also because we have always delivered excellent results here. In the last 10 years, sales have increased by 6.3% on average, compared to a traffic growth of 2.2%. We also won new contracts in emerging markets, including Turkey and Dubai.

Now, moving to travel retail: as Gianmario said before, we delivered another excellent quarter, with EBITDA growing more than sales, despite weak traffic in the two key countries we operate in. In line with our expectations, since the beginning of the year, the Olympics were not a boost to sales for World Duty Free, but what even we didn't expect was the fact that the traffic fell in the UK by 2.3% in July and 1% in August. The fear of chaos, as well as high tickets and hotel prices, in fact, kept seasonal tourists away. This notwithstanding, our sales performance was good across the board. At the current exchange rate, our sales in the quarter grew by 11.2%, totaling 612 million euros in the quarter. We keep outperforming strongly in the UK, driven by the continued increase in spent per head, with sales growing by 4.4% in the third quarter, compared to a traffic fall of 0.9%. Heathrow performed in line with the whole UK, with sales up by 3.6% compared to a traffic down by 2%. Gatwick, which has now become a world true experience, also performed extremely well, growing by 10.8%. In Spain our sales grew by 4.9% despite traffic falling by 3%. We saw a huge contrast between the two most important airports we manage in Spain. In Madrid, sales were down by 5.6% but still much better than the fall of 8.9% that the airport experienced in traffic, which has been driven by a heavy decrease in domestic business travel and problems at Iberia. In Barcelona, on the contrary, we continue to see important growth, both in terms of sales, which went up by 15.7%, largely outperforming the traffic increase of 5.9%. In the rest of the world we keep growing, adjusting for the exit from Atlanta and Orlando concessions, sales in the rest of the world have grown in the quarter by 7.6%, on a constant exchange rate. Vancouver continues to outperform strongly, notwithstanding refurbishment activities in our premises, and thanks to the flow of passengers towards Asia. In South America we have seen a slowdown of the growth compared to first quarter and second quarter, due to less passengers and lower average spending by Brazilian passengers, but overall, the sale performance in the area remains very positive. Our profitability in third quarter for the sector continues to be strong with an EBITDA that increased by an amazing 19.2%, far above the 11.2% increase in sales. In the third quarter the EBITDA margin was about 14.8%, compared to 13.8% in 2011, further enhancing the year-to-date growth of the margin. And, in fact, for the first nine months of 2012 the EBITDA margin improved to 14.4% from 12.7%. As in previous quarters, our strong performance continues to be driven by a favorable sales mix. We had to work hard on our travel retail business to expand the portfolio of concessions under management and we are pleased to have already won in 2012 110 million euros annual sales of new contracts, including new presences in new geographies, like... in travel retail, like Germany, Jamaica and Brazil. We have... we are especially proud to have won the prestigious Dusseldorf contract, one of the largest contracts up for renewal this year. We are now focusing our efforts on the renewal of our Spanish contracts, and we have included in the pack a flow chart of the process between now and when we expect to hear the outcome in December.

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Now, moving to financial figures and cash-flow, overall, in the first nine months 2012 we may see a significant improvement in net cash-flow from operations, that grew from 276 million in the first nine months 2011 to 315 million. The around 35... 3-5 million difference comes from one-offs: in 2011 we cashed 4 million as a final consideration of the flight disposal but we also disbursed around 39 million to unwind some interest rate swaps related to the debt repaid in August last year. Part of the improvement in working capital is related... that we achieved in the first nine months of 2012... is related to the increase in payables on supplies of capital goods which are related to the strong increase in capital expenditures in the period, which have increased from approximately 120 million in the first nine months of 2011 to 190 million. The year-to-date free cash-flow generation before dividends has amounted to approximately 226 million compared to 156 million of the same period of last year. Looking at operating cash-flow performance by business, not surprisingly our travel retail has been the most contributive: the business generated more than 187 million of free cash-flow, also thanks to the very limited amount of capex done in the period. And compared to the... and if we compare this 187 million with the result of travel retail last year, we see an increase of approximately 40 million. 4-0. The food&beverage inclusive of corporate cost has generated 212 million of cash but also invested more than 174 million in the period. The net free cash-flow for the period is approximately 38 million, that is 28 million better than the first nine months of last year. In the year Autogrill paid 71 million of dividend to shareholders and they were 61 million in 2011. As a consequence of those changes, the net financial indebtedness of the group at the end of September was amounting to 1 billion 427 million, with a decrease of 126 million with respect to the end of the year figures of 2011.

Now, moving to what has happened after the end of the third quarter: our group's store sales up to week 43 were flat compared to 2011, with airports up by 2.5% and motorways down by 6.9%. Breaking down by business, sales in travel retail were up by 5.4% and sales in F&B were down 2.5%. Summer results, more recent events and FX trends, prompted us to update our July forecast. In these new projections we are using an average exchange rate of 1.28 instead of 1.26 for the dollar-euro and an average exchange rate of 0.80 instead of 0.86 for pound... for the pound. We forecast to deliver overall sales of around 6.1 billion, that is the same guidance we gave in July, while with respect to EBITDA we expect to deliver an exceptional result in travel retail that, however, cannot fully make up for the difficulties that we faced in our F&B business. In North America and Italy we keep on our focus and steps forward on operations and efficiencies. These actions will mitigate the impact of the very poor performance of the other European countries in the third quarter and the consequences of Sandy in the Eastern part of the US. Based on those assumptions, and the recalculation based on the different exchange rates, we expect to generate a group EBITDA for the year between 585 million and 590 million euros. Capex will be around 280 million, above guidance as a result of the exchange rate movement, and pushing some programs forward.

Now, we are more than happy to answer to your questions.

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## Q&A session:

*Operator:* The Q&A session is now open. You can register for your questions by pressing star followed by 1. To cancel your reservation, press star followed by 2.

### 1. Mr. Tim Ramskill from Credit Suisse:

*Q – Tim Ramskill:* Thank you, good evening. I have two questions, please. The first question is with regards to your guidance for the year: could you just help us understand firstly what you are assuming for the impacts of Hurricane Sandy for the whole of the quarter? Obviously, you commented that you exposed...

*A – Gianmario Tondato - Chief Executive Officer:* Excuse me... we cannot... we're barely able... I mean, we cannot hear you. Really.

*Q – Tim Ramskill:* Is that better?

*A – Alberto De Vecchi - Chief Financial Officer:* You should speak a bit louder, probably.

*Q – Tim Ramskill:* Okay. Is that better? Can you hear me now?

*A – Alberto De Vecchi - Chief Financial Officer:* We try. Thank you.

*Q – Tim Ramskill:* Okay. I'll pick up the handset and try again. So, first question is just on your guidance for the rest of the year: so what are you assuming for the impacts of Hurricane Sandy through the course of the fourth quarter? Are you assuming kind of a long-growing impact? Just a bit of help there. And then your views now versus July, clearly you said that the rest of Europe was difficult in Q3: Italy actually looked pretty good. Are you feeling more positive now about Italy than you were three months ago? That's the first question. And then the second question was just with regards to a press release I saw on the HMSHost website talking about the sort of acquisition of the retail businesses of HMSHost by World Duty Free, so effecting a repositioning of those activities into World Duty Free. Can you confirm that's going to take place? Can you confirm when that's going to be and what the likely transfer of EBITDA will be from HMSHost into World Duty Free? Thank you.

*A – Gianmario Tondato - Chief Executive Officer:* Yes, Sandy, you know, just happened, so we... we are not ready to release any number but, you know, the impact... it's difficult to understand right now the impact... the EBITDA impact of Sandy. We have, of course, quite clear what the

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impact is on the top line... if you... just watching TV, you know, you've seen what... they cancelled a lot of flights and also and also... but it's around a couple of million, you know, that's the impact. The second question...

**A – Alberto De Vecchi - Chief Financial Officer:** In general with the guidance, we were... now, of course, the difference in the exchange rate is responsible for some million of the difference in the guidance, if I remember well, around 7 million. Then we have to consider the very negative result, especially of France, I think this is the country that disappointed us more, and unfortunately it's the largest country we have outside Italy in the rest of Europe, they made a very negative summer and as it's so dependent on the vacation period the other three quarters cannot... even if the last quarter is very positive, it cannot recover what we lost in the third quarter. And in the third quarter we lost approximately 9 million. So these are the two main impacts. Then Sandy, as Gianmario said, is... we know already that it's around 2 million, the question mark we still don't know yet is when the situation goes back to normality. Because there are still parts of the area of New York that are still in a difficult situation because of the floods. So that and there are some service areas that have been hit by the bad weather. So this is something that we cannot still completely evaluate but we don't think that if the situation comes back to normality it's going to be much higher than what it has already been calculated. Italy it's true that it's a bit better, but to some extent we were already including this in our guidance. So, the fact that Italy did not have a bad result in the summer was already factored in the 600 million guidance we gave. So for that reason we think that we came out with this indication of a forecast of 585 and 590. With respect to the transfer of US retail operations to World Duty Free, this has not yet been executed. So, we are in the process because it's a quite long, extensive process, we have to ask the consent of the landlord, it takes time, there are many municipalities involved in the process, so we expect to finalize it, in fact, in the first months of 2013. So it's not going to be done, probably... we hope to finish at the time of the approval of the figures of 2012. That is around March or April. As a size, just to give you an indication of size, we are talking about around 10% of the size of sales of our... of AGI, so around 260 million US dollars. This is in terms of sales. In terms of EBITDA, we still don't have a precise number, because we know, of course, which is the contribution we have today in AGI, but we probably will have some structure to put in place because we do think that... we have done this transfer because we think that in this way we can be much more effective in winning new concessions in North America. So what we want is also to build up a new business development group, that may imply some extra cost, but we do expect to generate much more growth in the future than what we have been able to do with AGI. Otherwise we would have kept the business there.

**Q – Tim Ramskill:** Okay. That's great. Thank you very much.

**A – Alberto De Vecchi - Chief Financial Officer:** You're welcome.



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## 2. Ms. Oriana Bastianelli from Kairos:

*Q – Oriana Bastianelli:* Hi, good afternoon. I have several questions. First of all, I want a clarification on the impact of forex for the guidance, for the revised guidance: it is true that you have moved the euro-dollar from 1.26 to 1.28 but at the same time you also moved the assumptions for the pound impact. So if you can help us a bit in more detail with the forex impact? Second is on the US private placement, we discussed during the last call about the impossibility at the status at that time to allocate the private placement separately to the two divisions and, if I understand correctly, there is eventually a penalty associated: if you can elaborate a bit on the state of the art of this process now? The third question is related to the European rationalization that you were mentioning before, so including Italy: if you are including in the 2012 guidance extraordinary costs in order to have better operations in 2013? And then if you can please give us some qualitative message at this stage clearly on 2013 for the two divisions? And last, sorry, is on capex, if you can help us understand what would be your capex need for the following years and where the capex in the food&beverage business went in 2012 so far? Thank you.

*A – Elisabetta Cugnasca - Investor Relations Manager:* E' caduta la linea...

*A – Alberto De Vecchi - Chief Financial Officer:* So, I'll just start by answering to your first two questions. The first question is some help in understanding the impact of forex and in general of the changes on the guidance. The impact of forex at the end is approximately 3 million minus, because it's around 8 million the impact on AGI results and also some... there is also some impact on the dollars that are generated by the travel retail, because also in travel retail we generate dollars. And there is an improvement of around 5 million on the pound. So, the net is a negative of around 3 million. Then you have to add a negative of around 10 million in the rest of Europe, this is what more or less we have calculated as a negative impact compared to our previous rest of Europe in the guidance. And finally there is this couple of million worsening of... generated by Sandy, as we already know. So, if you add -3 that is the capex, -2 that is the Sandy and 10 that is Europe you end up with 15 and 600 minus 15 is 585. That is more or less, roughly, the calculation we have done. Of course, we still see some possibility for improvement. That's why we gave this 590-585. For the US PP we are working on that, so I think that we have a very good relationship with lenders so, frankly speaking, I'm not too worried that we can find an effective structure to continue to finance our operations in the US.

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**Q – Oriana Bastianelli:** Okay, and can I just ask you: are you working on both the private placement expiring early 2013 and the other one expiring in 2016 in order to avoid potential penalties? For the...

**A – Alberto De Vecchi - Chief Financial Officer:** No, I want to be clear: we don't have to pay any penalty, frankly speaking. I don't know how this idea that we have problems of penalties came up.

**Q – Oriana Bastianelli:** No, it's not a problem, it's... I was not saying that. I mean, it was... my understanding was, and clearly you can clarify if I'm not correct...

**A – Alberto De Vecchi - Chief Financial Officer:** It is very simple: we have a US private placement that is expiring in January 2013 next year, so obviously we have to repay and refinance. And, of course, as we did this transaction in 2003 in a moment in which we were the only Italian F&B company, much smaller and completely different, we will shape differently, and of course, as we don't like to have two different contracts, we want to shape the 2017 maturity with the same structure we are now organizing for the 2013 maturity. That is the only thing we are doing on the US private placement, there are not other issues. Keep in mind that we are generating close to 3 billion dollars of sales there and we have I think around 32,000 people. So we have... our interest is to keep this market open, because it's a market where we can finance in an environment that is quite different compared to Europe and where you have to rely upon capital markets and not only onto banks, in order to finance the company. So obviously this is an important market, we have a very good relationship with lenders and I think... frankly speaking, I don't think we have a problem there. So I'm very positive that we can refinance even the amount that is expiring in January with a new facility, but in the event that we run out of time we also have back-up facilities in order not to have any problem of liquidity.

**Q – Oriana Bastianelli:** Okay.

**A – Alberto De Vecchi - Chief Financial Officer:** That is the situation for US. Then I remember that you asked for...

**Q – Oriana Bastianelli:** The European rationalization that you were mentioning, that Mr. Tondato was mentioning before.

**A – Gianmario Tondato - Chief Executive Officer:** Can you wait a second, sorry?

**Q – Oriana Bastianelli:** Yes, sure.

**A – Gianmario Tondato - Chief Executive Officer:** We... I think we are planning a cost reduction of something like 9-10 million for next year. That's what we are looking for. It's an important

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chunk of money. And talking about... your last question was 2013: I think, you know, I don't see any change in the business environment or business behavior of travel retail. Of course taking for a moment aside the big process in Spain. But I think it's quite strong, I mean, especially in airports like Heathrow, I don't see any additional problem, actually I see a quite positive environment. I think we're going to win something in emerging markets, something else. I see some improvements, frankly speaking, coming... I hope some improvements in Italy, at least a stabilization of the market, and I think in the United States it's too early to say, because we don't know exactly what Mr. Obama is going to do, but I think we're going to... I think that the economy, as far as I see today, you know, our environment is going to be a little bit more stable. I don't see any problem of... really in traffic coming. So, of course, Europe won't be over... the crisis, we're going to have a lot of, again, redundancy and cost, to take action on, but overall I think, I hope, you know, that some of the issues that we have been facing this year are somehow easing down next year.

*Q – Oriana Bastianelli:* Okay. The last one is just on capex: if you can provide a guidance, a broad guidance, for capex going forward and explain where the year-to-date capex went, especially in the food&beverage division?

*A – Gianmario Tondato - Chief Executive Officer:* I mean, we, we're not... we made a good effort, you know, but we didn't finalize the budget yet, so... so it's too early, I think, you know.

*Q – Oriana Bastianelli:* Okay. Thank you.

*Operator:* No questions at the moment. I remind you that you can register for your questions by pressing star followed by 1.

### 3. Mr. Riccardo Romiati from One Investments:

*Q – Riccardo Romiati:* Hi, thanks for taking my question. I have just one. On the Spanish concession, are you considering the need to pay an upfront fee in order to secure the concession?

*A – Gianmario Tondato - Chief Executive Officer:* We cannot hear you, sorry, if you can... I don't know if you can speak a bit louder...

*Q – Riccardo Romiati:* Yes, sorry. So, on the Spanish concession, are you considering the need to pay an upfront fee in order to secure the concession?

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*A – Gianmario Tondato - Chief Executive Officer:* It's a bid process, if you... we're already in the bid process of how much we should pay, so of course we are.

*Q – Riccardo Romiati:* Okay, okay, that's fine. Thank you.

*A – Alberto De Vecchi - Chief Financial Officer:* It is... just to clarify: it isn't a bid process, it is an advance payment of rent. That means that the amount is going to be deducted from the rents that the awarded company will pay in the future. So it's not an amount that will stay for the whole duration of the contract, but it will decrease with the time of the concession. And it is a formula: so the winner has to pay based on a certain formula.

*Operator:* There are no questions at the moment. I confirm: there are no more questions.

*Elisabetta Cugnasca – Investor Relations Manager:* Thank you very much for your time. Have a nice evening.

*Operator:* Ladies and gentlemen, the conference call is over. Thank you for calling.