AUTOGRILL'S FIRST HALF 2017 FINANCIAL RESULTS CONFERENCE CALL - 28TH JULY 2017

Operator: Good afternoon and welcome to Autogrill First Half 2017 Financial Results Conference Call. All participants will be in listen mode. To ask a question you may press *1 on your telephone keypad. Lorenza Rivabene, Group Investor Relations Manager is going to start the call. Please go ahead.

Lorenza Rivabene, Investor Relations Manager: Good afternoon and welcome to Autogrill first half 2017 earnings call. Joining me on the call are Gianmario Tondato, our Chief Executive Officer and Alberto De Vecchi, our Chief Financial Officer. Before we begin, we would like to remind you that some of the information discussed in this call contain forward-looking statements that involve risk and uncertainty. Our results may differ materially from those set forth in such statements. For a discussion of these risks and uncertainties, you should review the disclaimer in the earnings presentation we issued today. Now we are available to take your questions. Thank you.

Q&A Session

Operator: We will now begin the question and answer session. To ask a question you may press *1 on your touchtone phone. If you are using a speakerphone, please pick up your handsets before pressing the keys. The first question comes from Ali Naqvi of HSBC. Please go ahead.

Ali Naqvi, HSBC: Hi Ali Naqvi from HSBC. Hello…

Lorenza Rivabene: Hi Ali, we can hear you.

Ali Naqvi, HSBC: Great, I just thought I'd ask regarding the current trading in the second half in terms of seasonality in the business. If you can sort of give any guidance or thoughts around there. Also with respect to the contracts you have been winning and losing, particularly sort of in International and in North America. Are you sort of winning or losing in these from established players or from new entrants, so could you give some color too around that? And finally, just in terms of the like-for-like recovery and margin recovery in Europe, what is driving that particularly around Italy, if you could give any detailed guidance there? Thanks.

Alberto De Vecchi, Chief Financial Officer: I'll start from the end. With respect to the margin improvement in Italy, I think the main driver is, there are several drivers, but the main driver is probably the quality of the sales. In the first half of 2017, we have had a composition of our sales more favorable, that is more revenues from restaurants and less revenues in ancillary products that are driving quite a different margin. And then the rest is the obvious attention to the productivity of labor that is part of our life. With respect to the other European countries, there has been also an improvement. In that case it's in part due to the return to normality of the situation that we had last year in Belgium because of the consequences of the terrorist attacks in Brussels. And now obviously, this is gone and that factor resulted in a better performance. These are the main drivers of the improvement in profitability in Europe. With respect to current trading, what we can say obviously this is for us the most important part of the year because it's summer. And what we have seen is that, in our geographies, the main 2 geographies that is in North America, we have had in July a bit softer start of the period, of the summer period and now it's improving. And in Europe, on the contrary, the summer started rather well, both in terms of traffic and in terms also…the weather is quite hot so that should be also positive for the margins. Then Ali, can you repeat the very first question?

Ali Naqvi, HSBC: Yes, so what I'm trying to find is in terms of the contracts that you've won and lost, are you losing these or winning these from established players? Or could you just give an idea of the competitive background there with respect to the net contract wins?

Alberto De Vecchi, Chief Financial Officer: Well, with respect to the, in fact, the first half of the year has been a positive half for us in terms of new contracts awarded, whether it is renewals and new contracts. And let's say the wins had been distributed, quite obviously, mainly in reflecting our relative size in the geography. So the bulk of the wins and renewals has been in North America in terms of size. And then International runs second in terms of the wins, and the last one is Europe. The competitive scenario, we don't, we haven't seen changes, so there are, the situation is rather stable. In terms, and then obviously, this is not, when we speak about renewals and awards, this is not yet reflected in the opening of new stores. And if you are referring to that in the first half of 2017, as you see, the main driver of our sales growth has been like-for-like because the net balance in between closures and opening has been negative. And the negative is mainly driven by the reduction in perimeter in Italy that we already described in previous occasions, the decision of being very selective in the renewals that we had last year. And through a reduction in the perimeter in one US airport, these are the main drivers, that is Tampa, that we already announced last year. All the rest, I think that all the business is performing, is growing very nicely.

***Ali Naqvi, HSBC*:** And just on the recovery in margins just to the earlier question. The acceleration there, were you expecting that in the first half or is that sort of faster than expected?

Alberto De Vecchi, Chief Financial Officer: Well, obviously, what we expect, but this is obvious, is that the second half of the year would be more contributive in terms of margins because of the seasonality. And it is really crucial that we make a nice summer because especially in Europe the business is really very seasonal. So this is really the key driver for the performance, at least in Europe. North America is more even during the year, but for Europe and especially outside Italy the vast majority of the business is generated basically in less than three months. So, and so far the opening of, the start, the opening of Summer, as I said before is positive, unfortunately we are still in July, so we have to confirm in August and then in September.

Ali Naqvi, HSBC: Great. Thank you.

Operator: Again, if you have a question, please press * and 1. The next question comes from Jafaar Mestari of JP Morgan. Please go ahead.

Jafaar Mestari, JP Morgan: Hi, good morning. I have two questions, please. The first one is on the guidance, just to check that although you are not changing the headline guidance of 5% to 7% revenue growth, we need to take into account a couple of percentage points of deterioration just to FX. So is your budget rate something you would be able to share with us, you issued your guidance that 1.06 USD to Euro? And my second question is on net contract wins, which were negative minus 1.1…minus 1.9 sorry for H1. Do you expect this to become positive for the full year? I know, Tampa is probably going to impact you in H2 as well, but what about Europe, do you see a positive net new business performance there?

Alberto De Vecchi, Chief Financial Officer: As far as the guidance, as you correctly reminded, we gave the guidance for the 3 years at exchange rate of 1.06. And in the first half of 2017, the average was 1.08, and today the dollar is even weaker. So obviously we don't know how it's going to progress in the second half, but definitely we may expect that this year…at least this year, we will have a less favorable exchange rate compared to the 3-year guidance. Apart from the FX, however, at the moment we don't see reasons to believe that the trajectory we gave for the 3-year, for the 3-year guidance, are different, so we think we are on track on the guidance also for the first…of the 3 years. Then on the exchange rate, obviously it is impossible to make a forecast.

With respect to the other question you made, for that, probably it is a bit easier for us to answer by geography. And so our three main geographies, that is North America and Europe and International. International will continue to be positive as it has been so far. And what we expect in North America is that with the year the impact of the reduction in perimeter in Tampa will fade away because, in fact, we changed the perimeter in the last quarter last year. So we will have for another quarter of the second half, not for the full second half, and the rest should be positive. In Europe, let's say the impact of the reduction in perimeter in the Italian motorways will continue to be evident. So we don't expect to be positive in Europe in terms of the net opening and closures.

Jaafar Mestari, JP Morgan: Okay, thank you. And then maybe just to follow-up on that. And I think you just said that you are on track to meet guidance, including for the first year. Does that mean between 5% and 7% excluding currency is achievable? It looks like the comparable number to that has been the 2.8% constant currency growth in H1. That suggests quite some material acceleration into H2. Is that…would that be a new business do you think getting better or like-for-like?

Alberto De Vecchi, Chief Financial Officer: No, I confirm that, it is quite normal for us that we build up momentum in the third quarter, in fact. So it is, it was already foreseen also in our budget that we will recover in, we will speed up the business more than recover in the second half. Obviously, summer is still in front of us, so we cannot be sure at the moment, but the indication so far are that we can achieve the target.

Jaafar Mestari, JP Morgan: Thank you very much.

Operator: The next question comes from Marco Baccaglio of Kepler. Please go ahead.

Marco Baccaglio, Kepler Cheuvreux: Good afternoon. Two quick questions, the first one is the stock option costs, if I understood well, half of the cost is related to the increase in the stock price and half is the accrual of first half. So if you can give us an idea of how this number will evolve, if the stock price stays flat maybe also next year? And the second question is, you briefly talked about the separation in the video. So I was wondering if you have any expectation about the timing at when this operation will be completed. Thank you.

Alberto De Vecchi, Chief Financial Officer: Well, with respect to the stock option plan. Well, first of all, we have to remind you that it is named phantom stock option, but, in fact, they are not, this is not, it is not a stock plan, it is a cash plan. So it is a cash incentive plan to the management, which is, and the amount of the incentive is determined based on the Autogrill total share of the return. So in fact, that is a cash plan it's not, it doesn't imply any dilution. And the amount that has being provisioned in the first half of 2017, it is 10.4 million, and this is, we can split it approximately 60% are in terms of true-up of previous accruals, determined by the fact that after the announcement of the result in 2016, and also after the announcement of the 3 years guidance, the stock price increased significantly and by more than 20%. So we had to re-evaluate all the waves that were in place at the time, at the end of 2016. And this implied an amount that is close to 6 million. So the rest, on the contrary is the amount that is pertaining to the first half of 2017. Just to guide you on what you can expect on the second part of the year.

Well, with respect to the reorganization. Yes, we don't have news on the subject. We are working on it. What we can confirm is that, if our Board resolved to go on with the reorganization, that our target is to complete it by the end of the year. In fact, it is important to underline that it is not a separation. So we don't separate anything, so the Group perimeter remains exactly as it is. What we do is contributing the operations, the Italian operations in subsidiaries, but it is not changing anything of the Group perimeter.

Marco Baccaglio, Kepler Cheuvreux: Thank you.

Alberto De Vecchi, Chief Financial Officer: Welcome.

Operator: The next question comes from Luca Bacoccoli of Banca IMI. Please go ahead.

Luca Bacoccoli, Banca IMI: Yes, good afternoon. Luca Bacoccoli from Banca IMI. I have a few question from my side. The first one is on the US motorway business which in the first semester grew by 1.7%. So it seems that the performance rolled down significantly vis-à-vis the performance at the end of April, when the top line was growing about 3% on this channel. So I was wondering if you can explain what happened in the last 2 months of the second quarter. I don't know, maybe I am missing something? And the second question is on the CAPEX for this year. If you can give us an indication of the CAPEX in the first semester of the net investment were about €130 million, so if you can just double that amount for the rest of the year? And finally, my third question is the…on the growth opportunities arising from new geographies. I am referring mainly to the Spanish market, mister Tondato during the AGM was mentioning the tenders in the Barcelona airport. So if there are any update that you can share with us, it would be appreciated. Thank you.

Gianmario Tondato, Chief Executive Officer: Hello, talking about Spain. Spain is doing, the market is doing very well for us, it's recovering very nicely. Talking about the…I think you are referring to the bid, the process of Barcelona…the tender process of Barcelona.

Luca Bacoccoli, Banca IMI: Yes

Gianmario Tondato, Chief Executive Officer: The tender has been temporarily suspended because there is a, they have an issue with the unions. And so, the unions are fighting the authority, AENA, and the process has been stopped. So, of course, we will participate to the process, as long as it is in place, and, but what I can tell you is we will be very disciplined, we won't win at any cost, you know, that's important for us to spread our market share and our presence in Spain but not at any cost. So we will see, for now I have no news basically.

Luca Bacoccoli**, **Banca IMI: Okay.

Alberto De Vecchi, Chief Financial Officer: On the question regarding the motorways, just to be sure that we have understood, because sometimes the line was fading away. Is the request referred to the to the US model, not to the Italian?

Luca Bacoccoli, Banca IMI: No, yes to the US motorways.

Alberto De Vecchi, Chief Financial Officer: Okay, well in that case, yes, the slowdown is not really a slowdown related to a different economic environment or whatever. I think that when you consider the performance of the first 2 to 3 months, especially in North America, the performance is really highly influenced by the weather conditions. So the weather, last year, as you know, it is quite usual in US, we had a very cold winter and this year the winter has been quite mild and so that was beneficiary.

On the contrary, exactly in the period of April and May, they had very, very tough floods, and that had an impact, negative impact. So I wouldn't really try to stretch the performance of each month in order to capture a new trend. What we can say is that in general, capturing traffic, and transforming into sales in motorways is more difficult than in airports. And this is valid in both part of the ocean. And this is valid also in North America as it is valid in Europe. But I don't see really a very significant change in the underlying trend apart from these differences that are temporary.

Luca Bacoccoli, Banca IMI: The other question was on the CAPEX guidance for this year.

Alberto De Vecchi, Chief Financial Officer: Yes, on the CAPEX, it is, the difference, the higher CAPEX in the first half of 2017 compared to previous year, it's mainly an issue of timing, you know, the phasing of the CAPEX. We don’t, you can, I don't say that you had to double the amount that you have or to double the amount of the variance that you see in the first 6 months for predicting the amount of the full year. I think that is more of an issue of phasing.

Luca Bacoccoli, Banca IMI: Okay, thank you. Very clear.

Operator: The next question comes from Simon LeChipreof Raymond James. Please go ahead.

Simon LeChipre, Raymond James: Good afternoon, Simon LeChipre, Raymond James. First of all, could you please update us on the labor cost pressure in North America, and especially your expectation for H2? And then do you have any update on the remainder of the Italian motorway contracts that still have to be renewed? Thank you.

Gianmario Tondato, Chief Executive Officer: Yes, on the second question, we don't have any update. The bids are not out, I think they are slowing down from some reasons that we don't know, I mean, but there is nothing new to be said.

Alberto De Vecchi, Chief Financial Officer: With respect to labor in US. Yes, the pressure is still there. What we have seen in the first half is that the pressure is rather similar to what we have experienced in 2016. They are positives obviously, because now the company is more prepared to that. So we are working hard on productivity. And the other positive is that the portion of the business we acquired…it is a small portion obviously that we acquired in the airport convenience retail business is, in fact, helping because the incidence of labor of this part of the business is much lower. So at the end, when we look at the overall profitability of the North American business, we have seen an increase in the incidence of the cost of labor, but it has been limited because of this mix effect. In fact, the increase has been in the first half 20 basis points compared to previous year. For the rest of the year, honestly, at the moment we don't see reasons to foresee something different, there's still pressure. Sooner or later, we expect that the pressure is also transferred onto prices but this, obviously, will require time and which should be general. But I think that what we want to really to continue to work is on productivity, enhancing our ability to really use our people at the best.

Simon LeChipre, Raymond James: Okay. Thank you.

Operator: The next question comes from Tim Ramskill of Crédit Suisse. Please go ahead.

Tim Ramskill, Crédit Suisse: Thank you, good afternoon. So 3 brief questions for me, please. Firstly, just in terms of your 3-year 5% to 7% growth target. Could you help us understand sort of the Group level, what contribution you expect of that growth to come from the like-for-like component, net contract gains and M&A, if M&A is potentially part of that. Second question, just coming back to the €10 million cost from the management incentive plan. I've got 2 sub-questions. One, the share price is giving back a bit of ground obviously given currency movements. So is that likely to partially reverse based to where the share price is right now in the second half. And then secondly, in terms of your 3-year EPS growth target of 15%, does that allow for the inclusion for these management incentive costs or rather like you're reporting today, do you consider that to be a underlying earnings growth that's not inclusive of those costs? Thank you.

Alberto De Vecchi, Chief Financial Officer: For the first question that is our guidance, the 5% to 7% is organic growth, that means that the only acquisitions that we have included are the acquisitions that we had already made at the time when we launched the guidance, that is the acquisitions done by the US business, done by North America, and that are becoming like-for-like in the next months because we acquired in the second half of 2016. There are no other let's say M&A contribution to the guidance. But that doesn't mean that we don't want to look for opportunities. But it is impossible to predict which impact these opportunities may have in our growth rate. So in principle, it is only organic, honestly it is very different by each geography, which is the component of the like-for-like and the net of the gains in a plan, that is the 3-year plan. But I tend to believe that in the 3-year plan, the bulk of the growth is generated by the like-for-like, also because it is a bit difficult to predict openings and closures for each of the year in the 3 years, because it depends on the renewals and the percentage that you may have.

With respect of the management incentive plan, yes, if there was a reversal in the stock price, there are certain waves, not all the waves, but certain waves that may go out of the money, and in that case we may have a reversal. As well as, if we continue to see increases in the value of the stock that…considered however that, as I said in one of the previous questions, our plan has, each of the wave has a cap. So at the moment, for the existing waves we are, for certain existing waves we already at the cap. So whatever happens to the stock price as an increase, we cannot increase further because we have already arrived to the cap. For next waves, obviously they adapted to the evolution of the share price and that means that also in order for us to vest the plan, we have to improve not with respect to the today price but the tomorrow price.

So with respect to the EPS, whether the EPS guidance is including or not this phantom stock option plan, yes, obviously it includes. We had done an evaluation based on what we have at the moment and making assumptions obviously of the evolution. I think that our target is, in fact, to generate shareholder value. So if there is an increase in the stock price that is triggering an increase of the cost of the plan, we will work on all other lines in order to confirm our guidance because our job is to create value for shareholders. And so we hope that if we are able to generating value to the shareholder; that is also reflected in the stock price and that will be good also for our incentive plan.

Tim Ramskill, Crédit Suisse: Great. Can I follow-up with a separate question. I just wondered how the two retail businesses, Stellar and CMS, how they're performing and whether you also have hopes for those businesses as you really sort of get to fully control them?

Alberto De Vecchi, Chief Financial Officer: Can you repeat the question because at a certain moment I missed you, excuse me?

Tim Ramskill, Crédit Suisse: No problem, I was just wondering if you could give an update on the performance of the two acquired businesses in the US in the retail segments, so CMS and Stellar? How are they performing, and what sort of what are you changing now that you've got full control of those businesses?

Alberto De Vecchi, Chief Financial Officer: Okay, now thank you. First, obvious, CMS, it is not a retailer. So CMS is our beverage core business. So that has been, that in these months we have fully integrated in our business because as we explained the main reason for this acquisition is to increase our presence in two very important airports for us, and we had integrated, and we are very happy with this acquisition. It's not changing anything in our businesses. It is equivalent to win a contract.

As far as Stellar is concerned, this is the company that is in the airport retail business or convenience retail business. It is performing well, it is a very good company, so, and we detained the management, so they are continuing to work as they were doing when they were independent. I think that it is a very promising area. So far we have not seen big opportunities for us to win and therefore, announce new contracts, but we are still very positive that supporting this very good company with our business development, that is very strong in the US, we can deliver value. So far the integration is going on smoothly. In fact, it is not really an integration because we want to keep the company independent from the managerial standpoint, differently from CMS that is been fully integrated, but we are very happy with them. And also, as I said in one of the previous answers, it's also helping us to complement a labor intensive business with a lighter business unfortunately it is still a very small company, so it's not really moving our numbers.

Tim Ramskill, Crédit Suisse: Okay, excellent. Thank you.

Operator: The next question comes from Alessandro Cecchini of Equita. Please go ahead.

Alessandro Cecchini, Equita: Hello, everybody. I have some questions. The first one is about raw material, if you could give us your feeling about this item, your outlook for the year and just to have some ideas on that? My second question is about wins, you spoke about 1 billion, that is great amount. Could you elaborate a little bit on potential loss contracts if any, of course? And finally about M&A, we spoke about the convenience retail segment. Do you expect to continue to pursue this kind of M&A opportunities, also in order to offset some labor cost pressure? Thank you.

Gianmario Tondato, Chief Executive Officer: The last question, of course, if there are opportunities, we said since the beginning that we are re-entering the convenience sector, because it is a sector that is very interesting for us. And so, if there are opportunities why not, you know, there is no question about that. Of course, not at any cost, and as usual, and also if they have to make sense and to create value for the company.

Alberto De Vecchi, Chief Financial Officer: With respect to cost of goods sold, I would say that the main answer is we had to speak about North America, because in general the trends are earlier in North America than in the rest of the world. And in North America, the tailwind which we benefited from last year is less evident. But we don't see a clear reversal. So at the moment, compared to last year, it is not helping us to digesting the whole impact of the increase in labor cost, so we have to work harder if we want to keep our margins, but we have seen a reversal. In Europe, as I said before, at the moment the composition of our sales is very positive, very contributive for our gross margin, because we sell, say more profitable products than last year. And with respect to average cost, we haven't seen clear new trends on that. Then in terms of new wins, what we have won as contract that are new wins for us, that is that we are not operating. We have been awarded a new point of sales in San Francisco and Newark. And also, we entered New Orleans airport that was not one of our airport until now, so this is a new win also in terms of a new presence in US.

And internationally, we had been awarded a point of sales in Jakarta, in Da Nang airport in Vietnam and in Copenhagen. While in terms of contracts that we have renewed, mainly there are important contracts in North America, because we have been renewed point of sales in Los Angeles, Dallas and Grand Rapids. And also in Italy at Orio**.** So these are the wins and the renewals.

In terms of the contracts that we lost in the first half of the year, not significant, I think that there are few contracts in certain motorways in Europe, but not relevant in terms of size.

Alessandro Cecchini**, **Equita: Okay. Thanks. You a spoke about that your mix in Europe is towards more profitable products. And there are specific reasons or a strategy behind or it's a question of dynamics that you are experiencing in the market. So just to understand a little bit?

Alberto De Vecchi, Chief Financial Officer: A dynamic in the market; and this trend is especially in Italy more than in Europe, it is mainly in Italy. In Italy, we sell more tickets in our F&B concepts and as a retailer and much less lotteries, that is trend. We follow what our customers ask.

Alessandro Cecchini, Equita: Okay. Many thanks.

Operator: Again, if you have a question, please press * and 1. There is no question at the moment.

Lorenza Rivabene, Investor Relations Manager: Thank you very much for your time. Bye

Operator: The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.