Presentation of 1Q2013 Results

AUTOGRILL

Tuesday, 14th May 2013

Operator: Ladies and gentlemen, welcome to Autogrill's first quarter 2013 financial results presentation.

Elisabetta Cugnasca - ***Investor Relations Manager*** *:* Good afternoon and welcome to our first quarter 2013 results conference call. As usual, I have to draw your attention to 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 hand over to Gianmario Tondato, our CEO, who will introduce you to our quarterly results. We will take your questions at the end. Thank you**.**

Gianmario Tondato - Chief Executive Officer: Thank you, Elisabetta. Hello, everybody. Thank you for joining us. With me today there are Alberto De Vecchi, our Group CFO, whom you know very well, and Tom Fricke, the Head of our North American F&B business, who, as you probably remember, joined the Group 18 months ago and who is going to tell us about some actions that we have taken on the ground, you know. Talking about the first quarter, we have delivered a very good set… very good results. What the results confirm is that in the F&B there are two different returns in three different core geographies that we operate in: the US is starting to show signs of real improvement. Europe is still slow from a macroeconomic context. As you know, the vast majority of our business is on the motorway, and this is the channel that is suffering the most. In the rest of the world, we are seeing that our development work is starting to pay off. In fact, we have recently entered into a JV in Vietnam that is very important for us. Our travel retail business delivered another very good quarter. Now our work is focused on realizing the full potential of the plan after our wins in Spain. We are working our muscles to generate resources to deleverage and to go on the offensive on the upcoming tenders like Brazil. And now let's focus on why we are really here: the demerger, you know, is the main focus of the… of the moment of Autogrill. For me it is a fantastic opportunity which, if approved by the shareholders in June, will close a chapter which this management team thought, planned and delivered on. We had a vision, a sort of dream of growth and diversification which began from a small idea with 50% of a local business in 2005 and that has now become a key player on the global stage with the best EBITDA before rent and the most solid portfolio duration in the global industry of travel retail. I'm very proud and very happy about this achievement, and the final step will be the separate listing of this business. Personally for me it's like seeing my child grown up and now leave for college. So, it is an important moment, also personally. The travel retail listing will give the ability to pursue the additional opportunities out there, whilst we focus on the opportunities that exist in the F&B business. In the F&B, there are many things to achieve and develop, based on further reducing costs, redeveloping the business, for instance by penetrating more the traffic and growing in emerging markets. We know how to do this and Tom will walk you through what we have already achieved in North America. Now Alberto will comment on the numbers.

Alberto De Vecchi - Chief Financial Officer: Good afternoon. Gianmario has spoken about the rationale of the proposed demerger. If in June the shareholders approve the demerger, we might report the travel retail and duty free figures as discontinued operations already in our semiannual figures. This is not the case for the first quarter, where you will see the travel retail and duty free business consolidated line by line. But in the light of the possible demerger, I think it makes little sense to comment the numbers of the Group as a whole and I prefer to focus on the two businesses separately.
Let's start with the travel retail and duty free. Our travel retail business grew by 3.5%, driven by the UK and our operations in the rest of the world. That, the performance in these two areas, made up for the fall in sales in Spain. In the UK we continue to outperform traffic, with sales growing by 4.4% against traffic growing by

1.5%. Once again, Heathrow recorded solid results, with traffic up by 1.8%, sales increased by 3.9%. Sales at Gatwick were excellent: up by 9.1% also thanks to the World True refurbishment. Sales in Spain fell by 6.5%, but performing better than the traffic, which declined by 8.2%. Madrid was particularly penalized, recording a 14.8% reduction in sales. This fall includes our exit from the luxury shops at the Madrid airport, as these shops were not part of the contracts renewed in December. If you exclude this impact, the reduction in sales at the Madrid airport would be limited to 5%, 5.1%, compared to a decline of 14.3% in traffic. The outperformance on traffic has been driven by the increase of the spend-per-head. Not all the Spanish airports show declining sales: in Barcelona sales grew by 2.5% notwithstanding traffic was down by 4.7%; in Alicante sales improved by 11% against flat traffic, thanks to high-spending Russian passengers. In the rest of the world, sales grew by 8.9%, our best performance was seen in Vancouver, followed by Jordan, Kuwait and Chile. EBITDA grew by 4.4%, with a margin that reached 10.1%. Also in this quarter we captured the best-performing passengers and the best product/mix. In Europe, non-EU sales reached 58% of the total, while it was 56% in the same period of 2012. In terms of product categories, duty sales increased by 4%, driven by effective promotion activities implemented in the UK. As a consequence of winning the Spanish tenders in December, we extended to 2020 the useful life of the Spanish concessions booked as intangible assets. This accounted for 3 million out of the 5 million decline in depreciation in the period. On cash-flow, the first quarter of 2013 saw the outflows related to the Spanish renewal. These include 27 million of cash deposits to be included in fixed assets and 279 million of advanced payments of future rents included in current and non-current working capital. Before the inclusion of the 279 million outflow to AENA, the operational cash generation of travel retail improved by 64%, moving from around 20 million in the quarter to 32.6 million.

Now moving to the food & beverage: as Gianmario said, we are very satisfied with the performance in North America. In 2012 our sales already performed positively, but 2013 has started very well both in terms of sales growth and EBITDA. You will hear more on how HMSHost did from Tom Fricke shortly, but before let me summarize some numbers. On a comparable basis, sales at US airports grew by 7.5% with traffic growing by 1.3%. Sales benefited from both more transactions and a higher average ticket, which respectively grew by 2.8% and 4.6% versus first quarter 2012. Actual sales in North American airports increased by 3.5%, that is significantly less than comparable sales, due to the exit from some contracts and our reduced presence in San Diego and L.A. We also delivered a strong performance on the US motorways on a comparable basis, with an increase in sales of 6.6%, with traffic falling by 1.2% at the end of February. Our EBITDA grew by 9.5%, significantly higher than the growth in sales. This result was driven by a recovery on sales price on past years' raw material inflation, improvement on waste and shrink management, and lower G&A expenses. In Europe, where we are predominantly on motorways, it continues to be hard work, especially in Italy. In Italy sales fell by 6.7%, with sales on motorways falling by 6.4%. And at the end of February, traffic was down 1.6%, the fall in traffic is compounded by the economic environment, which leads people to cut spending. The flow-through of lower sales on EBITDA has been tough in Italy, with labor costs and rents which are of a nearly fixed nature, significantly increasing their incidence on sales. The rest of Europe, thanks to a more balanced portfolio than the one we have in Italy, the situation is stable. We delivered good results at airports and at railway stations, which in part compensated for the poor performance on motorways. Excluding rents and royalties, costs remained stable in the rest of Europe. The increase in rents is mostly driven by the higher sales performance in airports, where we have higher rents compared to motorways. On cash-flow, the first quarter of 2013 resulted for food & beverage in a cash absorption of 100 million compared to around 77 million in first quarter 2012. The difference has been generated by working capital, which worsened by more than 25 million mainly in Italy as a result of the declining sales. Stabilizing our sales in Italy is one of our priorities, but at the moment this target still seems out of reach.

Now I would like to ask Tom Fricke to give you some color on what he and his team have been doing in North America.

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Tom Fricke - CEO, HMSHost: Thank you, Gianmario and Alberto and good afternoon, everybody. As today's my first opportunity to participate in this call, I wanted to begin by introducing myself and discussing some of the more strategic objectives I have. As Gianmario said, I arrived at HMSHost about 16 months ago, at a time when the business had secured some important and large contracts. But despite these successes, there were indications that we were slowly disconnecting from our landlords and our customers and, as you know, margins have been under pressure. The experience I bring to HMSHost is from a customer, product and retailing perspective, having spent 12 years at PepsiCo and 6 years with various retailers. As a result, in the first months on board I saw the opportunity, and more importantly, the need for accelerated revenue growth, as well as the need to develop deeper and more meaningful relationships with our customers, our partners and our employees. The latter two groups, I think you would agree, are critical in our efforts to find new and better ways to keep our customers happy. Today the management team of HMSHost North America is fully committed to developing and implementing the plans and programs we need to restore earnings growth to this business. In the coming years, as we pursue this goal, we will continually look to identify opportunities to improve our productivity and reduce our overheads. But it is our belief that at the same time we will also have to continue to increase our revenue growth above the level of recent years. Our longer-term internal revenue growth targets are roughly in line with comparable sales growth achieved today. For HMSHost to achieve this, we of course will rely on traditional factors, like enplanements, which is forecasted to increase but only in the range of 1 or 2%. We will also continue to work on growing our average ticket, both through strategic pricing opportunities and up-selling. But to ensure we can deliver at the higher level, we have to look beyond traditional growth variables. In early 2012, we delivered a new KPI we call "capture": capture simply is the measure of the percentage of the customers in an airport or passing a motorway facility that were stopping to purchase from any of our units. As a result of our new focus, we saw consistent improvement in our capture performance in 2012 and in 2013 we continued to develop new and exciting ways to reach our customers. In fact, why don't we look at some of those now: if we go to page 16 in the materials that have been forwarded to you, the first way you see we're going after capture is through convenience. As we have continuing dialogue with our customers, we understand that quality is important to them and obviously we have been focusing on the quality of the food that we serve and the products that we sell. But increasingly customers are concerned about getting their offering fast. As a result, we're developing new units, and the pictures on the slide 2 Ciao Market and Pronto, which allow us to make our offerings, or get our offerings closer to our consumer. The units are visually appealing and really start to leverage some of the earnings that have recently developed in visual merchandising through consumer product companies and retailers. So the units will also improve the ease of the transaction and we hope drive impulse purchasing as well. And because these are new locations in the airports, the footprint tends to be smaller, which also improves our capital efficiency and productivity. On the second page, as we mentioned before, we are working very hard to deepen our relationships and improve our working relationships with our key brand partners. Today we are literally working with dozens, but I wanted to highlight two, two of the biggest with us, Starbucks and Coca-Cola. In Starbucks we have many initiatives underway but two that we want to focus on are… I'll describe in some detail. For any of you who have had the opportunity to visit a Starbucks in the United States particularly during peak hour, you know that one of our key challenges is the line: the lines at Starbucks during peak hours are quite long and we know that we're losing customers and transactions and some people are either unwilling or unable to wait for their coffee. Starbucks has developed a new labor management tool that is Playbook and we are working very hard with them today to thus modify it for and evaluate in the airport and roadway environments. And we are very pleased with the results that we are seeing. In addition, at Starbucks they have developed a quite successful "warming" program: they principally serve sandwiches and breakfast offerings but also has food available in other day parts. We are working equally aggressively with them in our units and hope to have over 100 units this year offering warming to our customers, which will be a great income on our sales. With Coca-Cola, obviously one of the premium marketing organizations in the world, our teams are working very hard with their units to develop the latest customer value promotions with the Coca-Cola brand. In addition, we are working with them to develop some of the first-ever promotional activities in social media channels and they are working with our marketing group to develop our own social media strategies. Finally, on the last slide, just to give you… there are lots of other things we are pursuing, we wanted to give you a list. It ranges from trying to drive through personal units by creating value seating outside of the four walls of our restaurants to social media strategies and developing programs for deplaning passengers and loyalty programs as well. So is all that working? Yes. Now, of course I know it's early in the process, but as Alberto mentioned earlier, Q1 comparable sales in the US airports in Q1 was 7.5%. I mean, we're quite pleased with that and in fact it's in line with our new more aggressive internal revenue targets. We work through the impact of the fragmentation with experience at some airports in past years we're confident that we can continue to achieve these goals. From a cost perspective, we're looking aggressively at the middle of out P&L and there are several programs in place to drive improvements. Today we are focused on several tactical initiatives. Some are designed to improve cost-to-sales by reducing waste and shrink, others are designed to improve payroll to a more effective management of overtime and break compliance. We now are also developing a more structured program that will help us better align our staffing levels to the main variability we see on a daily basis at the unit level. And finally we continue to look aggressively at all non-customer fronted costs to be sure they are held at the most productive levels possible. To align our teams on our strategy, we hosted a National Operations Conference in February. This actually was the first time this critical group has been together in the past ten years. The meeting was essential for aligning our management team to the challenges we face in the coming years, as well as fully informing on the programs and initiatives we'll be executing. For example, one of the critical initiatives discussed was the aggressive redeployment of pre-Chef meetings throughout our business. These daily meetings are a great way to align teams on the current challenges and issues they face, to establish personal targets and objectives, for associates to listen to ideas and suggestions from the staff and build teamwork and morale. Already in March we see a significant impact against some critical business problems at the first units to adopt pre-Chef meetings. Let me give you an example: on the Ontario motorways, our teams decided to use the meetings to address an issue we had with our average drive-through transaction times that our Tim Hortons units. Our 74 second average was substantially above the 29 seconds standard established by the brand. Within three weeks of starting the process, our teams dropped the times dramatically and we are now basically at the brand standard. And more importantly in these locations we are now processing up to 34% more transactions during peak hours and that was done without any incremental labor or capital investment. So in summary we are very pleased with our first quarter. Initial progress and focusing on capture has helped drive our comparable and total sales growth. More tactical initiatives focused on the middle of the P&L have helped to drive some improvements in cost, and therefore store cash-flow, and the continued focus on overhead has helped the business deliver some solid improvement to our EBITDA margins. But most importantly to me, our employee base has enthusiastically embraced their increased engagement through pre-Chef meetings. We are bullish on 2013.

***Alberto De Vecchi - Chief Financial Officer*:** Thank you, Tom. First quarter 2013 can be summarized as follows: travel retail and duty free continues on its growth trajectory, we had a clear understanding of where we need to work in F&B. We have started to see real improvement in the US. So what real developments have we seen since the closing of the first quarter 2013? Group sales to week 18 are up by 0.5% with food & beverage down by 0.4 and travel retail up by 2.5%. In North America, the work Tom and his team are doing is continuing to pay off and in travel retail we continue to see strong spend-per-head. As you know, two weeks ago the Board approved the process for the demerger. The next step is the extraordinary shareholder meeting on the 6th of June. As a result, any guidance we could give now might be perceived as an anticipation of the shareholders' decision. Our intention is to give you the appropriate guidance when we announce our half-year results. Thank you. And now we are very pleased 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 dialing star followed by 1. To cancel the reservation, dial star followed by 2. Thank you.

1. Mr. **Tim Ramsey** from **Credit Suisse:**

Q – Tim Ramsey: Thank you. I've got two questions, please. Just following off from the discussion about the performance and the initiatives in the US business, you referred there in the preparatory remarks to "capture" as a new KPI. I just wondered if you could share with us how that's progressing and if you have any… if you can share with us any targets of where you think you can increase that capture percentage to? And then secondly through the, you know, big focus on the US, but one of the most problematic areas of your business is clearly Italy, when do you think you'll be in a position to share with us what your plan for addressing the clear structural pressure there might be? It feels as if we're not quite yet in a position to discuss that but we hope to do so in the next 3-6 months. Thank you.

A – Tom Fricke - CEO, HMSHost: Yes, with respect to the capture metric, it's a metric that we today calculate by a formula of transactions that we know are current at terminals with enplaning passenger counts that we get from the Federal government. Like any metric, it will get better and we will refine it over time. Today we… you know, our capture rates are in the low 20s, it depends on the airport, it depends on the location, but in general nationally it's in the low 20s, I mean, so we think that there's tremendous opportunity. We do have some growth metrics that are put in place at all levels in the field organization around capture and, you know, it's very important now that we watch on a monthly basis.

Q – Tim Ramsey: Okay, thank you.

A – Alberto De Vecchi - Chief Financial Officer: With respect to, say, a more precise, say, explanation, and going more in detail about the plans of the Group with respect to the food & beverage business, we are planning in connection with the demerger to make an Investors Day on the two businesses, and specifically on the food & beverage. This will be the occasion that we expect that most likely will happen at the beginning of September.

Q – Tim Ramsey: Okay, thank you very much.

Operator*:* No questions at the moment. I'd like to remind you that to register for your questions, you can press star followed by 1.

2. Ms. **Elisa Corghi** from **Intermonte:**

Q – Elisa Corghi: Hi. Thanks for taking my questions. One question is on your capex this year, your capex plan this year. Can you give us a sort of sense of how much you're going to spend on capex on both businesses, so as a consolidated figure? And then another question is really on keeping your Q1 results and I would like to know if in your results you build some restructuring costs in Q1. Thank you.

A – Alberto De Vecchi - Chief Financial Officer: With respect to the capex, I think that this year will be the… as a Group, say, the traditional number that is around 250 million. This year probably a bit more in travel retail, because we have to start the programs of refurbishment of the Spanish airports. So travel retail I expect that will be, say, almost twice the size that we're used to, that is more in the range of 70-80 million, and the rest in the food & beverage. Because this year, compared to the previous year, we had less… less renewals in the F&B, so a bit less capex than what we experienced in the last two years. With respect to restructuring cost, we had made some provisions, but they are not particularly material.

Q – Elisa Corghi: *Okay, very helpful. Thank you.*

3. Mr. **Stefano Lustig** from **Equita SIM:**

Q – Stefano Lustig: Good afternoon. I have three questions. The first one is on profitability, on the EBITDA margin of the retailing business, which grew to 10.1% coming from 10% in the quarter. I mean, the first quarter is not that relevant in terms of indication, but I wonder if after many years of fantastic expansion in the margin of the retailing business we are almost close to reaching a limit, even without taking into consideration the increase of concession fees that will be experienced from the next quarter. But even without taking into account that element, if the recent slowdown in the increase in profitability it means that we are quite close to a limit after a fantastic expansion in the recent years. The second question is on duty free: once again, the first quarter is very complicated to have an indication in terms of what could be the taxation rate, but if you have a rough indication of the taxation rate for the retailing business for 2013. And the final question: when looking at the top line you report for the first 18 weeks, it seems that there has been a slight improvement when compared to the one of the first quarter. I was wondering if you can tell us in which areas there has been a bigger improvement. Thank you.

A – Gianmario Tondato - Chief Executive Officer: But, frankly speaking, I was thinking… we were thinking about what you said about the retail. I hope you are wrong, you know, but, frankly speaking, going through the numbers I don't see a real slowdown, neither in the average ticker nor in the spending attitude. What we see right now in the retail, take out for a moment the rents and the concession fees we are going to pay in Spain, we are paying in Spain, there's a slowdown in traffic in Madrid that's important. Actually, if you look at the number of the traffic in Madrid, I think it's down by 15% and now our sales are down by 6%, 5-6%. So, I mean, we are outperforming traffic and actually the average ticket is up, you know. And if I look at the sales in the UK and particularly in some airports like, of course you can guess, Heathrow, I think we are 4-5%, you know, we have traffic of 1%. So, I don't think we can… we don't see a trend like you… like you see or, I don't know, I don't see a… this trend coming yet. So, again, it's a changing mix, it's changing in the quality of enplanement, quality of the traffic, we are selling more expensive stuff, the mix is going up, actually, in our sales, so, so far it looks like a healthy business, again, not considering the additional fees and not considering the slowdown in traffic, of course we are experiencing in some airports, like Madrid, but if you

look, for instance, I mean, at Peru or Chile, for instance, there is a change in the… Brazilians are traveling less, you know, so are spending less in this… so there is a… traffic is much lighter in this, but it's still growing. That's what we see, you know.

Q – Stefano Lustig: Can I ask a follow-up, sorry?

A – Gianmario Tondato - Chief Executive Officer: Of course.

Q – Stefano Lustig: No, no, I totally agree with the healthy condition. I was referring to the EBITDA margin that, well, the yearly expansion of the EBITDA margin was still positive, but less accelerating, let's say, when compared to previous quarters. But, obviously, as you were saying, the fact that in Q1 the conditions in Spain were quite challenging obviously represented a challenge and this was probably one of the reasons.

***A – Gianmario Tondato - Chief Executive Officer**:* Again, you said it, I mean, the first quarter is very… in our opinion the trend is… there is no material change in the trend. That's what I can tell you. Talking about the margin and… yet, it could be, it could happen but so far…

Q – Stefano Lustig: Yes, okay.

A – Gianmario Tondato - Chief Executive Officer: I hope you're wrong, and we are right. For the future, for the past.

A – Alberto De Vecchi - Chief Financial Officer: With respect to the capture rate for the travel retail, I think that you can consider the one that we have in the UK as an indication of what we have overall for the Group, and we are around 22-23% and I think that if you use 22% it's a reasonably precise indication. While with respect to sales up to week 18, for food & beverage I think that there has been some slight improvement with respect to the quite negative performance in Italy that we had in the first quarter. So some improvement but, of course, still in the negative area, but a bit less negative than in the first three months. US is continuing to perform very well, so that's not a change with respect to the first three months and in the travel retail the positive is in the rest of the world, while Spain is still struggling.

Q – Stefano Lustig: Thank you very much.

4. Mr. **Marco Baccaglio** from **Kepler Cheuvreux:**

Q – Marco Baccaglio: Good afternoon. I have a question on the Italian motorways. On the 29th of March, the Minister of Economic Development issued a document with some, I would say, quite convinced suggestions for the way in which the motorway service station contracts should be renewed in the next round. So I was wondering if you have any comment on the document and if you have made any simulation about what could be the impact in terms of cost base of a service station if these actions are implemented in terms of flexibility of opening hours and so on. Thank you.

A – Gianmario Tondato - Chief Executive Officer: First of all, the document is, of course, very positive, it is just a framework, it's not… we don't know anything about the big process that we are facing now, so it's too early to say. Of course, it gives some general rules to a sector that didn't have any rules before, you know, so I think it's a little bit narrowing the power, if you want, of the concessionaire. And so it's telling… you have to… but, generally speaking, it's too early to say. Simulation for sure is impossible, because we don't know what we're going to face, you know, and it's too early to say if this is something that is going to help the process or not. Generally speaking, I am happy and we are happy, you know, to see that there is a little bit of attention, a little bit of attention from the government on a sector that is important, in my opinion crucial, for the future, not only for Autogrill, but for the future of the country**.**

5. Mr. **Michael Heider** from **Bank Am Bellevue:**

Q – Michael Heider**:** Yes, good afternoon. I have one question regarding your travel retail business and excuse me if you have already answered it, but have you confirmed or can you confirm that you are planning to list it on the Milan Stock Exchange*?*

A – Gianmario Tondato - Chief Executive Officer: Yes**.**

Q – Michael Heider: Okay. And is there a timeframe for that?

A – Gianmario Tondato - Chief Executive Officer: Yes, we can say that we are… we are going for the end of September-beginning of October. That's the timeline**.**

Q – Michael Heider: Okay, thanks. That's good, thanks.

6. Mr. **Thomas Baumann** from **Mirabaud Securities:**

Q – Thomas Baumann: Yes, good afternoon, everybody. Thanks for taking my question. I have a detailed question to your Belem concession in Brazil, it obviously concerns the travel retail and duty free business: can you comment on that, having received the license to operate in the meantime? And have you started operations and how is business developing in connection with, well, some slowdown in Brazilian consumption based on various factors? Thank you very much*.*

A – Gianmario Tondato - Chief Executive Officer: We didn't start the operation yet, and I think we… it's a matter of weeks, so… so that's the state-of-the-art on Belem. It's very small.

Q – Thomas Baumann**:** I know it's very small, it's rather small, but I think you've received the go-ahead last August. Can you comment what delayed the start of operations to that extent?

A – Gianmario Tondato - Chief Executive Officer: Well, the figures are a normal delay, I mean, probably it's a normal delay on authorizations. So I don't see any problems on that, frankly speaking, but...

Q – Thomas Baumann: Okay. Thank you.

A – Alberto De Vecchi - Chief Financial Officer: And consider that for… for Brazil we are totally new operators. So we had to be accredited and that takes more time. When you enter a new country normally it's a bit longer. We hope not as long as we did in Saudi Arabia, because it took us years in that case. But that is not the case. But it's normal. So, there's nothing particularly strange and we, of course, for us you know it's a very small contract, but it's also an opportunity to get to know a bit better exactly the environment, because for the next renewals it is important for us to understand exactly these kinds of issues with respect to authorizations and so on. We hope to have more occasions in larger contracts in the future**.**

Q – Thomas Baumann: Okay. Thank you very much. I understood.

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

7. Mr. **Luca Orsini** from **One Investment:**

Q – Luca Orsini: Good afternoon. Just two simple questions. The first is on your… if we should expect, if you can quantify the integration cost inside your food & beverage business by putting together businesses which used to be under different divisions. And the second question is that with the new contract in Spain starting, when will you start to see the impact of the new contract in Iberia? Thank you. And if you can… if you are able to, of course, quantify it.

(…)

Q – Luca Orsini: *Hello?*

A – Alberto De Vecchi - Chief Financial Officer: Yes, no, no, we got your questions. I think that with respect to integration restructuring, of course, I assume that you refer to the… the integration that we are aiming to in our F&B organization in Europe?

Q – Luca Orsini: Yes.

A – Alberto De Vecchi - Chief Financial Officer: Yes. In that case…

Q – Luca Orsini: Putting together the food, which was in some cases inside… inside the airport business. And also whether there is more integrated need with the food in the US and the food in Europe.

A – Alberto De Vecchi - Chief Financial Officer: No, no, I think that in this case there is no integration, in the sense that two businesses, the food & beverage and the travel retail, if you're referring to that, are doing two different businesses. We are not exiting from airports, we are of course… we continue to deal in… as far as food & beverage in the two main channels, which are airports and motorways, and the two activities are already split. So that is not something that we have to be worried about. On the contrary, as we are always striving to have, say, a more efficient structure, we want to react to the slowdown in motorways in Europe also to be more effective and more efficient, and there is a program ongoing on the subject and I think that we will give all the market details on that when we have our Investors Day in September. With respect to the travel retail, in terms of the impact of the Spanish renewal, in terms of cost, that is a higher rent we will start paying the new conditions starting this month, in May, while in order to see some impact of the refurbishment of the airports that are on the basis of what we expect the pickup in sales, of course we had to make the refurbishments and we still have to start, so I expect that we may see something by the end of the year, but most likely in 2014.

Q – Luca Orsini: Can you remind us of the increase in rental in Spain on a monthly basis or a yearly basis as you want?

A – Alberto De Vecchi - Chief Financial Officer: Yes. The increase is not in one shot, because our offer includes that the rents are… are adjusted in the course of the concession and the concession is seven years long, but we moved from an average of about 28% that was the previous conditions to a 38%, but this is not happening in one shot, so the impact in the first, especially in the first year, is more limited. But even here, as I said, let's say, we will take the occasion of the split, assuming that the shareholders meeting will make this decision in June in order to have meetings with investors and basically to hold two Investors Days, one for the food & beverage and the other one for the travel retail, in which we will explain to the market not only the change in conditions in terms of rents but also our expectations in terms of expansion of sales.

Q – Luca Orsini: Thank you very much.

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

8. Ms. **Elisa Corghi** from **Intermonte:**

Q – Elisa Corghi: Thanks. I have three more questions, if I may. Going back to your performance in Madrid, but really the question can also be applied to your performance in Barcelona: how did you manage to limit the decline of your like-for-like sales to -5 with traffic down almost 15% in Madrid? Second question is on your start-up in Dusseldorf: how long will it take to have your operations there fully up and running? And, well, one more question on Italy: I know Q1 is a small one, but your profitability in Italy was severely down. Well, can we assume some exceptional measures to be taken to make your business model more cost-effective in Italy? Thank you.

***A – Gianmario Tondato - Chief Executive Officer**:* Starting from the last, I think that if you look at our P&L in Italy basically it's a problem of sales. That's what it is, because, you know, if you look at what goes up, it's the cost of labor, the actual number is flat, it's around… I'm just trying to remember on the top of my head but it's 67 million, something like that, so it's… the real, the actual cost is flat, what is missing is the sales. So if the negative flow-through of the sales is what we're missing, you know… So additional measures, you know, we need traffic, you know, otherwise… and we need to stop the decline. What we see, as Alberto said before, is… to say that there is an improvement, you know, is a little bit too optimistic, but we see a slower decline or, if you want, a little bit of flattening of this decline in Italy. So that's the good news, if there is good news in Italy. But I don't think we can keep on cutting and... also because, as you know, we are facing the next big process, you know, in some months. So it's to… what we're going to do is going to be done after this big process, because we don't want to give any advantage to anybody to see what we are planning to do in terms of strategic repositioning of the business.

Q – Elisa Corghi: *Okay.*

A – Alberto De Vecchi - Chief Financial Officer: On the other two questions, with respect to Dusseldorf, we expect that, say, in the third quarter probably we will start seeing normal operations there. So the end of the start-up phase. While with respect to Madrid, basically the aim is to improve the spend-per-head, and this is mainly done because we tried to extract the most from the passengers, to some extent the quality of the passengers in Madrid to some extent is improving, because domestic passengers are declining and in favor of international passengers who have a higher spend-per-head, and also with a lot of management of categories. So, say, by declining, for instance, low-margin, at least in Spain, categories, like tobacco, increasing beauty and liquor, that are high-margin. So at the end, this means that this led to an increase in spend-per-head of around 8%, that accounted for the outperformance with respect to the traffic.

Q – Elisa Corghi: Very clear. Thank you.

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

Operator: There are no more questions.

A – Elisabetta Cugnasca – Investor Relations Manager: Okay. Thank you very much for joining us and have a good evening.

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