

# Logista H1 2020 Results

April 29, 2020



# Logista reports H1 2020 Results

Logista announces today its H1 Results for 2020. Main highlights:

- The 5.0% growth recorded by Revenues, maintaining Economic Sales<sup>1</sup>, that reduced by 0.1%
- The evolution of Profit from Operations and Adjusted Operating Profit<sup>1</sup> that went down by 9.5% and 11.1% respectively over a base that included in the precedent year a positive impact from the variations of valuation of tobacco inventories, while in this period it has been negative and additionally recorded the impact, during the last month of the period of the measures adopted by the Governments to combat the COVID-19 pandemic
- The positive performance of Profit from Operations (reported and adjusted<sup>1</sup>), if neither the impact of variations in valuation of inventories in both periods, nor the impact of COVID-19 in this half, are considered
- The continuity of all Logista's main activities, despite the measures to combat COVID-19

## Key Metrics Summary

<i>Data in million euros</i>	1 Oct. 2019 – 31 March 2020	1 Oct. 2018 – 31 March 2019	% Change
Revenues	5,004.2	4,764.6	+5.0%
Economic Sales <sup>1</sup>	566.9	567.4	(0.1)%
Adjusted Operating Profit <sup>1</sup>	112.1	126.1	(11.1)%
Margin over Economic Sales <sup>1</sup>	19.8%	22.2%	(240) b.p.
Profit from Operations	84.8	93.6	(9.5)%
Net Income	65.9	74.7	(11.8)%

The macroeconomic environment in the main countries in which the Company operates during the first five months of current fiscal year was, in general, similar to the observed at the end of last fiscal. However, the events triggered by the international spread of the pandemic originated by COVID-19 in the last most of the semester have altered deeply the social and economic context in these countries.

Since the last week of February in the case of Italy and since mid-March in Spain and France, the quick spread of the virus drove the Governments of the said countries, and soon after the Governments of Portugal and Poland, to adopt several measures trying to control the pandemic propagation. Among the measures finally adopted in all countries where Logista operates, it is worth mentioning the closure of a majority of commercial facilities, mobility restrictions, different degrees of confinement of the population at home and, in some cases, even the temporary halt of production in those industries operating in sectors not considered as essential by the each of the Governments.

Almost the totality of points of sale and products distributed by Logista were included on the list of goods and activities classified as essential by the Governments adopting the most drastic measures. Therefore, despite the general impact on the economy that the said measures may have had, the Company has continued rendering service to its clients without any incident that could be classified as major, save in the exceptional case of a certain activity, not considered as essential and that was halted almost completely.

Group **Revenues** grew by 5.0% over the same period last year, recording increases in the three geographical segments. All activities got higher revenues than in the same period last fiscal year except distribution of publications in Spain and of convenience products to all channels in France. Despite the

<sup>1</sup> See appendix "Alternative Performance Measures"

slight decline of 1.4% of total distributed volumes of cigarettes and RYO and others in the first six months of the fiscal year, the tax and subsequent RSP increases in France and Italy translated as well in an increase of revenues of tobacco distribution in all countries.

**Economic Sales**<sup>1</sup> stood almost stable, reducing by 0.1%, reaching €566.9 million because of the improvements recorded by the activity in Iberia and Italy, which more than offset the reduction experienced in France.

Total operating costs<sup>1</sup> grew by 3.1%, in a first half of fully operational traceability services, although the tariffs in the different countries covered them unevenly during the period (this effect was not very significant yet in the second quarter), the France segment suffered inflationary pressures in some of the costs and the mix of activities caused certain dilution effect in the margins at Group level.

Additionally, the special circumstances under which the activity was performed in the last month of the period and caused, among other reasons, by the security measures adopted to protect the health of the employees and collaborators as well as the high level of absenteeism associated to COVID-19, the reintroduction of border control inside Schengen area, etc.

**Adjusted EBIT**<sup>1</sup> reached €112.1 million declining by 11.1% compared to the first half of previous year.

The drop in Profit from Operations, adjusted<sup>1</sup> as well as reported, was largely due to the fact that, during the first half of 2020 the negative impact on results of the changes of valuation of inventories from the tax and price movements of tobacco products was slightly above €6 million contrasting with the positive impact of more than €5 million recorded in the same period in 2019. Therefore, the decline of Profit from Operations (adjusted<sup>1</sup> and reported) linked to the activity was significantly lower if these impacts are not considered in both periods.

Likewise, Logista estimates that the impact of the COVID-19 crisis on the first half results was negative between €5 and €6 million.

If the impact of the variations of valuation of inventories in both periods and the estimated impact of COVID-19 in the current half are not considered, Adjusted EBIT<sup>1</sup> grew slightly above 2%.

The restructuring costs<sup>1</sup> during the period strongly reduced, from €9.6 million to €2.2million. Additionally, during the first six months of current fiscal year, there were not significant capital gains from the sale of assets whereas in the previous year, €2.5 million were obtained from the sale of a building in Portugal. **Profit from Operations** decreased by 9.5% vs. the same period last year, reaching €84.8 million. If the impact of the variations of valuation of inventories in both periods and the estimated impact of COVID-19 in the current half are not considered, Profit from Operations grew close to 8%.

The Adjusted EBIT margin over Economic Sales<sup>1</sup> was 19.8% compared to 22.2% in the first half of 2019.

**Financial Results** were a 6.3% higher than in the first six month of the preceding year and reached €6.1 million.

The Tax effective rate in the period raised to 27.3% from 24.7% recorded during first half last year due to the end of the application of some tax deductions. The rate will slightly decrease in the next two years (by around 0.5% each year) because of the reduction in the normative rates foreseen under the French law.

Because of all the above mentioned, the **Net Income** reduced by 11.8% to €65.9 million.

## Revenues Evolution (By Segment and Activity)

<i>Data in million euros</i>	1 Oct. 2019 – 31 Mar. 2020	1 Oct. 2018 – 31 Mar. 2019	% Change
<b>Iberia</b>	<b>1,578.6</b>	<b>1,468.9</b>	<b>7.5%</b>
Tobacco & Related	1,361.2	1,262.2	7.8%
Transport Services	199.0	193.9	2.6%
Other Businesses	82.5	76.9	7.2%
Adjustments	(64.1)	(64.1)	0.0%
<b>France</b>	<b>1,951.2</b>	<b>1,923.6</b>	<b>1.4%</b>
Tobacco & Related	1,874.2	1,841.5	1.8%
Other Businesses	81.4	86.7	(6.1)%
Adjustments	(4.4)	(4.6)	4.1%
<b>Italy</b>	<b>1,494.0</b>	<b>1,391.4</b>	<b>7.4%</b>
Tobacco & Related	1,494.0	1,391.4	7.4%
<b>Corporate &amp; Others</b>	<b>(19.6)</b>	<b>(19.3)</b>	<b>(1.5)%</b>
<b>Total Revenues</b>	<b>5,004.2</b>	<b>4,764.6</b>	<b>5.0%</b>

## Economic Sales<sup>1</sup> Evolution (By Segment and Activity)

<i>Data in million euros</i>	1 Oct. 2019 – 31 Mar. 2020	1 Oct. 2018 – 31 Mar. 2019	% Change
<b>Iberia</b>	<b>295.8</b>	<b>292.0</b>	<b>1.3%</b>
Tobacco & Related	141.6	134.0	5.7%
Transport Services	140.6	136.7	2.9%
Other Businesses	42.5	44.0	(3.5)%
Adjustments	(28.9)	(22.7)	(27.3)%
<b>France</b>	<b>124.3</b>	<b>134.9</b>	<b>(7.9)%</b>
Tobacco & Related	106.4	113.8	(6.6)%
Other Businesses	21.4	24.6	(13.0)%
Adjustments	(3.5)	(3.5)	0.9%
<b>Italy</b>	<b>144.6</b>	<b>139.0</b>	<b>4.1%</b>
Tobacco & Related	144.6	139.0	4.1%
<b>Corporate &amp; Others</b>	<b>2.1</b>	<b>1.5</b>	<b>41.0%</b>
<b>Total Economic Sales<sup>1</sup></b>	<b>566.9</b>	<b>567.4</b>	<b>(0.1)%</b>

<sup>1</sup> See appendix "Alternative Performance Measures"

## Adjusted EBIT<sup>1</sup> Evolution (By Segment)

Data in million euros	1 Oct. 2019 – 31 Mar. 2020	1 Oct. 2018 – 31 Mar. 2019	% Change
Iberia	56.9	59.6	(4.6)%
France	21.7	33.0	(34.2)%
Italy	41.1	40.6	1.4%
Corporate & Others	(7.7)	(7.2)	(7.4)%
<b>Total Adjusted EBIT<sup>1</sup></b>	<b>112.1</b>	<b>126.1</b>	<b>(11.1)%</b>

Adjusted Operating Profit<sup>1</sup> (or indistinctly Adjusted EBIT<sup>1</sup>) is the principal indicator used by Management to assess the recurring results of operations of the business. This indicator is calculated by deducting from the Profit from Operations all those expenses that are not directly linked to the Revenue obtained by the Group during each period, which facilitates the analysis of the evolution of operating expenses<sup>1</sup> and typical margins of the Group. The following table shows the reconciliation between Profit from Operations and Adjusted Operating Profit<sup>1</sup> for H1 fiscal years 2020 and 2019:

Data in million euros	1 Oct. 2019 – 31 Mar. 2020	1 Oct. 2018 – 31 Mar. 2019
<b>Adjusted Operating Profit<sup>1</sup></b>	<b>112.1</b>	<b>126.1</b>
(-) Restructuring Costs <sup>1</sup>	(2.2)	(9.6)
(-) Amortization of Assets Logista France	(26.1)	(26.1)
(+/-) Net Loss of Disposal and Impairment of Non-Current Assets	0.4	2.5
(+/-) Share of Results of Companies and Others	0.7	0.9
<b>Profit from Operations</b>	<b>84.8</b>	<b>93.6</b>

<sup>1</sup> See appendix "Alternative Performance Measures"

# I. Business Review

## A. Iberia: Spain and Portugal

The Iberia's Revenues increased to €1,578.6 million compared to €1,468.9 million in fiscal year 2019, recording a 7.5% growth. The Economic Sales<sup>1</sup> of Iberia reached €295.8 million, a 1.3% ahead of the €292.0 million recorded in the first half of preceding fiscal year.

Revenues in **Tobacco and related products** increased by 7.8%, because of the growth of the activity both in Spain and in Portugal.

The volumes of cigarettes and RYO and others distributed in Iberia recorded a positive performance similar to that experienced in the first six months of the preceding fiscal year, increasing a 2.7% compared to the same period of fiscal year 2019 and growing in Spain as well as in Portugal, in the case of the later because of the increase in market share in that country.

In Spain, cigarette volumes distributed increased by +0.7% compared to the first half last fiscal and the distributed volumes of RYO (that includes the heated tobacco consumables) increased by 14.5% as a consequence, among other factors, of the general stability of retail selling prices of these products during the period both in current and last fiscal years.

The Economic Sales<sup>1</sup> of tobacco distribution were affected by COVID-19, due to the slight drop in volumes recorded in the month of March.

During the first five months of the fiscal year, the distribution of convenience products performed very positively after the incorporation of new agreements reached in the preceding year (for example with CEPESA) and the increase in clients-points of sale. The impact of COVID-19, in the case of the sales of convenience products, was not significant in the last days of the period. The Economic Sales<sup>1</sup> grew double digit in the first half compared to the same period of fiscal year 2019.

The Economic Sales<sup>1</sup> in Tobacco and related products grew by 5.7% comparing to previous fiscal year.

Revenues in **Transport** grew by 2.6%. However, the Economic Sales<sup>1</sup> performance has differed among the activities, standing stable in Long distance and slightly growing in Industrial parcel and Courier, being the later the highest growth rate contributor. As a whole, Economic Sales<sup>1</sup> in Transport went up by 2.9% to €140.6 million.

With respect to the impact recorded by the Transport business because of the COVID-19 crisis, the long distance transport and parcel recorded increases close to 3% whereas courier suffered a sales reduction above 6%. However, the rise in costs caused by the exceptional circumstances under which the operations performed, increased by the drop in courier sales caused a more pronounced decline in the results of the business in the month of March.

Revenues in **Other Businesses** (which includes Pharma and publications distribution) increased by 7.2% reaching €82.5 million and Economic Sales<sup>1</sup> went down by 3.5% to €42.5 million.

The Revenues of the Pharma business grew double digit in the year, joining growth of pre-existing activity and incorporation of new agreements during the period. However, towards the end of previous fiscal year, certain services to a client billed on a tariff (same amount as Economic Sales<sup>1</sup> as in Revenues) were discontinued what has affected negatively the year-on-year comparison at the Economic Sales<sup>1</sup> level. The costs associated to these services were largely direct and its margin limited so the impact of discontinuation was not negative for the results of the business.

<sup>1</sup> See appendix "Alternative Performance Measures"

During the month of March, Economic Sales<sup>1</sup> of Pharma recorded a positive performance compared to the same month of the preceding year, but the growth was limited because of the negative impact of COVID-19, that caused a decline in the distribution of parapharmacy products.

On the other hand, the distribution of publications in Spain recorded slight declines in Revenues and Economic Sales<sup>1</sup>. The drastic drop of activity in newsstands after the confinement measures during the last month of the period added to the negative sector trend, translating into declines of Economic Sales<sup>1</sup> above 15%.

Total operating expenses<sup>1</sup> in the Iberia segment increased by 2.8%.

The impact, at the beginning of the fiscal year, of some temporary differences between rendering the tobacco traceability service and the application of the new tariffs and the drop in Economic Sales<sup>1</sup> accompanied by increases in costs, in the vast majority of businesses, during the month of March, translated into a 4.6% decline vs. the preceding year of **Adjusted Operating Profit<sup>1</sup>**, that reached €56.9 million.

Logista estimates that the impact of the COVID-19 crisis on the results of Iberia in March was negative by approximately €3 million.

During the period, higher restructuring costs<sup>1</sup> than in the first six month of fiscal year 2019 were recorded (€1.1 million vs. €0.4 million), as well as lower capital gains from the sale of assets (€0.4 million vs. €2.6 million).

Almost the totality of the results from associates in Iberia came from the books distribution in Spain. This business has been hit the most by the situation resulting from the COVID-19 crisis, as the point of sales to which Logista distribute were obliged to close since 14 March. Only the home delivery of the books sold by one of our clients through internet could be maintained..

**Profit from Operations** reached €56.9 million vs. €62.7 million recorded in the first half of last year, a 9.3% decline.

## B. France

Revenues of France grew by 1.4% to €1,951.2 million while Economic Sales<sup>1</sup> reduced by 7.9%, to reach €124.3 million.

**Tobacco and related products** Revenues grew by 1.8% to €1.874.2 million due to the increase in tobacco prices and despite the decline experienced by distributed tobacco volumes vs. last year, both in cigarettes (-9.8%) and in RYO, that includes as well heat-not-burn consumables (-2.0%).

Considering the significant price increases undertaken in the last two years by manufacturers, as a consequence of the schedule set by the French Government to raise excise taxes until 2020, the drop recorded by the tobacco volumes continues being limited.

Since the announcement of the tax schedule till the closing of this first quarter, the retail selling price of the most popular brand has increased from €7 per pack to €10 per pack (which represents a 42.9% rise) while cigarette volumes have reduced by 16.4% compared to those distributed in the first half of fiscal year 2018.

The current and at first half closing RSP of the top selling brand that has already achieved the target €10 per pack set by the Government for 2020, includes the general increase taken by all manufacturers to pass through to RSP the rises foreseen in the tax schedule announced by the Government for this fiscal year (1 November 2019 and 1 March 2020), amounting €1 per pack in total. Likewise, the increase

<sup>1</sup> See appendix "Alternative Performance Measures"

of €0.20 that corresponds to the conversion of the tax over the tobacco distributors' revenues into a higher excise tax that entered into force on 1 March 2020 and that, in this case, was not generally passed through by all manufacturers to RSP.

The net effect of the price and tax movements in this fiscal year had a negative impact in the first half results between €3 and €4 million, contrasting with the positive effect close to €2 million recorded in the first half of fiscal year 2019. This difference negatively affected the yearly comparison of Economic Sales<sup>1</sup> and Profit from Operations (adjusted<sup>1</sup> and reported).

The Economic Sales<sup>1</sup> of tobacco distribution in France were almost not affected by COVID-19, as the volumes during the .process of stockpiling and the following destocking balanced in the period.

The performance of the Economic Sales<sup>1</sup> of convenience products and electronic transactions in the first half was slightly positive but not enough to offset the drop in Economic Sales<sup>1</sup> of tobacco distribution. Therefore, the Economic Sales<sup>1</sup> of Tobacco and related products reduced by 6.6% to €106.4 million.

During March, the Economic Sales<sup>1</sup> of electronic transactions stood practically stable, whereas that of convenience products reduced by close to 20%.

The **Other Businesses** activity (wholesale distribution of convenience products in non-tobacconist channels) experienced a decrease of 6.1% in Revenues and of 13.0% in Economic Sales<sup>1</sup> compared to the same period of previous fiscal year.

This business suffered the most the measures adopted by the French Government to face the COVID-19 crisis, recording sharp drops in the last two weeks of the first half that in the case of Economic Sales<sup>1</sup> of March were above 35%.

The total operating costs<sup>1</sup> of France increased by 0.7%. The transport costs in the period experienced a slight upward pressure together with an upturn in the insurance premiums, due to the rise in thefts suffered by the business.

**Adjusted Operating Profit**<sup>1</sup> reduced to €21.7 million, a 34.2% lower than in the first half of the preceding year. This drop was below 20% if the impact of variations of valuation of inventories due to tax and price movements are not considered in both periods.

Logista estimates that the impact of the COVID-19 crisis on the results of France in March was, approximately, €1.5 million.

The lower restructuring expenses<sup>1</sup> in the period (€0.3 million vs. €7.7 million) drove **Profit from Operations** to -€4.7 million, improving the -€0.9 million recorded in previous fiscal year. The main adjustment in this segment is the Amortization of Assets generated from the acquisition of Logista France that was €26.1 million in both fiscal years.

## C. Italy

The Revenues in the Italy segment increased by 7.4% to €1,494.0 million because of the increase in the sale of convenience products, as well as of higher prices of tobacco products than in the first half of fiscal year 2019.

The volumes of cigarettes distributed reduced in the first half of the fiscal year a 3.6% were more than offset by rise of the RYO category, (that includes as well heat-not-burn consumable) that increased by 34.1% over the distributed in the first six months of the preceding fiscal year.

During the first half, the Italian Government increased taxes of tobacco products and some manufacturers raised the RSP between €0.10 and €0.20. The net impact of both movements was negative on the results of the period, reaching close to €3 million. However, the tax and price movements



during the first six months of the preceding year had a net positive impact between €3 and €4 million in that period.

Since the beginning of the second quarter of fiscal year 2020, the Italian Government imposed a new excise taxes on smoking papers and filters, and made compulsory the sale of these products through the tobacconist channel.

The activity during the first half in Italy can be considered very positive, even taking into consideration that was the first country suffering the effect of COVID-19 and that was the one adopting the earliest and most drastic confinement measures that included, in some cases the almost total halt of the economic activity. Not only tobacco distribution, but also revenues from services to manufacturers as well as derived from convenience products distribution were higher than the obtained in the first six months of the previous year, allowing a 4.1% increase of Economic Sales<sup>1</sup> in current fiscal year, reaching €144.6 million.

In contrast to what happened in the rest of the countries, the Economic Sales<sup>1</sup> in Italy suffered a lower impact in March and continued recording growth.

Total operating costs<sup>1</sup> of Italy raised by 5.1% with respect to last fiscal year, translating into a 1.4% growth on **Adjusted Operating Profit**<sup>1</sup> to €41.1 million. The increase was above 15% if the impact of changes in valuation of inventories due to tax and price movements are not considered in both periods.

Logista estimates that the impact of the COVID-19 crisis on the results of Italy in March was, approximately, €1 million.

The restructuring costs<sup>1</sup> linked to the gradual efficiency improvement in operations were smaller than in the last fiscal year (€0.3 million vs. €1.5 million in 2019), so **Operating Profit** reached €40.8 million, a 4.5% above the first half of the preceding fiscal year.

## D. Corporate and Others

This segment includes corporate expenses and the Polish operations.

**Adjusted Operating Profit**<sup>1</sup> was -€7.7 million compared to -€7.2 million recorded in the first six months of the fiscal year 2019.

## II. Financial Overview

### A. Financial Result Evolution

The Group has a reciprocal credit facility agreement, with its majority shareholder (Imperial Brands Plc.) by which daily lends its cash excess, or receives the necessary cash to meet their payment obligations. The remuneration of the balances is set at the base rate of the European Central Bank, plus a 0.75% margin. The base rate of the European Central Bank stood at 0.0% during both fiscal years.

The average cash position during the fiscal year was €1,911 million compared to €1,684 million in the first half of the preceding fiscal year.

Financial results in the fiscal year were a 6.3% higher than in the preceding fiscal year and reached €6.1 million.

### B. Net Income Evolution

The reduction of restructuring costs<sup>1</sup> recorded in the quarter compared to the same period last year (€2.2 million vs. €9.6 million) mitigated the impact of the reduction of capital gains from the sale of assets that amounted €0.3 million in current fiscal year and reached €2.5 million in the same period of fiscal year 2019. Because of that, Profit Before Taxes decreased an 8.6% to €90.9 million.

On the other hand, the corporate tax rate registered in the period reached 27.3% compared to 24.7% in the preceding year driving Net Profit to €65.9 million (-11.8%).

Earnings per Share were €0.50 vs. €0.56 in the first half of fiscal year 2019, with no variations in the number of shares of the share capital.

At 31 March 2020, the Company owned 532,181 own shares.

### C. Cash Flow

The seasonality of the Group's business results in a negative cash flow during the first and second quarters of the fiscal year that is recovered during the second half, usually reaching its peak around year-end.

The Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA<sup>1</sup>) in the first half of current fiscal year, increased by 1.7% compared to the same period in the last year due to the positive performance of the activity and the positive effect (€16.6 million) of the first time application of IFRS 16, that had not effect in EBIT. Excluding this impact the EBITDA<sup>1</sup> declined by 9.0%.

The increase of the financial results in the period, the lower investments and normalized taxes in the first months of the fiscal year do not offset fully the drop of operating results and translated into a cash reduction slightly lower than the recorded in the same period of last fiscal year.

The variation of working capital followed its customary negative trend due to seasonality in the year, which together with the effect of the cut-off date of final payment/collection of corporate income taxes, resulted in a negative generation of free cash flow at 31 March 2020.

## D. Dividend Policy

The General Shareholders Meeting held on 24 March 2020 approved the distribution of a final dividend corresponding to fiscal year 2019 of €107 million (€0.81 per share) that was paid on 27 March 2020. Therefore, the total dividend corresponding to fiscal year 2019 reached around €156 million (€1.18 per share), a 5.4% increase over the total dividend distributed in fiscal year 2018.

## E. Outlook

Given the current trading environment and the performance of our businesses in the last month of the first semester, the guidance communicated in the first quarter for the closing of the current fiscal year cannot be expected to be met. Additionally, the many uncertainties regarding the timing and the gradual phasing of the lifting of the confinement measures make it impossible to quantify new estimates at the moment.

However, the resilience shown in the past by Logista's business model, as well as the fact that operations in most of our activities continue, give cause to expect that the reduction of results at closing of 2020 compared to fiscal year 2019 will not be very significant, given the current circumstances.

## Results presentation

Results presentation is available at the web page of the CNMV (Comisión Nacional del Mercado de Valores, [www.cnmv.es](http://www.cnmv.es)) as well as at the company's web page ([www.grupologista.com](http://www.grupologista.com)).

The company's Management will hold a H1 2020 results presentation for analysts and investors today, 29 April, 2020, at 12:00h (CET), which could be attended on real time through an audio-webcast in the company's website ([www.grupologista.com](http://www.grupologista.com)), and analysts and investors will have the opportunity of making questions to the company from the publication of these results to the end of the presentation.

This audio-webcast will be available in the company's website at least during one month.

**For more information:**

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# Appendix

## P&L

<i>Data in million euros</i>	1 Oct. 2019 – 31 Mar. 2020	1 Oct. 2018 – 31 Mar. 2019	% Change
<b>Revenues</b>	<b>5,004.2</b>	<b>4,764.6</b>	<b>5.0%</b>
<b>Economic Sales<sup>1</sup></b>	<b>566.9</b>	<b>567.4</b>	<b>(0.1)%</b>
(-) Distribution Operating Costs <sup>1</sup>	(377.2)	(364.1)	(3.6)%
(-) Sales and Marketing Operating Expenses <sup>1</sup>	(35.0)	(36.2)	3.4%
(-) Research and G&A Operating Expenses <sup>1</sup>	(42.6)	(41.0)	(3.9)%
<b>Total Operating Costs<sup>1</sup></b>	<b>(454.8)</b>	<b>(441.3)</b>	<b>(3.1)%</b>
<b>Adjusted EBIT<sup>1</sup></b>	<b>112.1</b>	<b>126.1</b>	<b>(11.1)%</b>
<i>Margin<sup>1</sup> %</i>	19.8%	22.2%	(240) b.p.
(-) Restructuring Cost <sup>1</sup>	(2.2)	(9.6)	77.1%
(-) Amort. of Assets Logista France	(26.1)	(26.1)	0.0%
(-) Net Loss on Disposal and Impairments	0.4	2.5	(85.0)%
(-) Share of Results of Companies and Others	0.7	0.9	(25.1)%
<b>Profit from Operations</b>	<b>84.8</b>	<b>93.6</b>	<b>(9.5)%</b>
(+) Financial Income	7.7	6.7	15.3%
(-) Financial Expenses	(1.6)	(0.9)	(72.3)%
<b>Profit before taxes</b>	<b>90.9</b>	<b>99.4</b>	<b>(8.6)%</b>
(-) Corporate Income Tax	(24.8)	(24.5)	(1.2)%
<i>Effective Income Tax Rate</i>	27.3%	24.7%	(262) b.p.
(+/-) Other Income / (Expenses)	0.0	0.0	n.r.
(-) Minority Interest	(0.2)	(0.2)	(3.2)%
<b>Net Income</b>	<b>65.9</b>	<b>74.7</b>	<b>(11.8)%</b>

<sup>1</sup> See appendix "Alternative Performance Measures"

## Cash Flow Statement

<i>Data in million euros</i>	1 Oct. 2019 – 31 Mar. 2020	1 Oct. 2018 – 31 Mar. 2019	Change
<b>EBITDA</b>	<b>150.2</b>	<b>148.5</b>	<b>1.7</b>
Restructuring & Other Payments	(8.0)	(7.2)	(0.8)
Rental Payments	(16.6)	0.0	(16.6)
Financial Results	7.0	5.9	1.1
Normalized Taxes	(30.4)	(34.6)	4.2
Capex	(18.2)	(22.1)	3.9
<b>Normalized Cash Flow</b>	<b>83.8</b>	<b>90.3</b>	<b>(6.5)</b>
WC Variation	(384.3)	(205.9)	(178.3)
Cut off effect on Taxes	(31.4)	62.1	(93.5)
<b>Free Cash Flow</b>	<b>(331.9)</b>	<b>(53.5)</b>	<b>(278.3)</b>

## Balance Sheet

<i>Data in million euros</i>	31 March 2020	30 September 2019
PP&E and other Fixed Assets	382.2	228.9
Net Long Term Financial Assets	18.8	18.1
Net Goodwill	920.8	920.8
Other Intangible Assets	433.3	457.1
Deferred Tax Assets	18.3	19.0
Net Inventory	1,508.1	1,282.8
Net Receivables and Others	1,722.9	1,945.8
Cash & Cash Equivalents	1,772.3	2,211.1
<b>Total Assets</b>	<b>6,776.7</b>	<b>7,083.6</b>
Group Equity	473.5	518.6
Minority interests	1.9	1.7
Non-Current Liabilities	175.7	44.0
Deferred Tax Liabilities	259.3	264.9
Short Term Financial Debt	68.9	37.6
Short Term Provisions	10.3	11.7
Trade and Other Payables	5,787.1	6,205.1
<b>Total Liabilities</b>	<b>6,776.7</b>	<b>7,083.6</b>

## Tobacco Volumes Evolution

	Million units			% Y-o-Y Change	
	1 Oct. 2019 – 31 Mar. 2020	1 Oct. 2018 – 31 Mar. 2019	1 Oct. 2017 – 31 Mar. 2018	1 Oct. 2019 – 31 Mar. 2020	1 Oct. 2018 – 31 Mar. 2019
<b>TOTAL</b>					
Cigarettes	69,501	72,275	74,348	(3.8)%	(2.8)%
RYO/MYO/Others	12,466	10,837	9,951	15.0%	8.9%
Cigars	1,898	1,933	1,911	(1.8)%	1.1%
<b>SPAIN</b>					
Cigarettes	20,879	20,732	20,471	0.7%	1.3%
RYO/MYO/Others	3,684	3,218	2,952	14.5%	9.0%
Cigars	882	907	925	(2.7)%	(1.9)%
<b>PORTUGAL</b>					
Cigarettes	1,212	1,159	1,073	4.6%	8.0%
RYO/MYO/Others	54	51	50	6.5%	1.0%
Cigars					
<b>FRANCE</b>					
Cigarettes	17,125	18,979	20,476	(9.8)%	(7.3)%
RYO/MYO/Others	3,858	3,937	4,194	(2.0)%	(6.1)%
Cigars	572	591	589	(3.3)%	0.4%
<b>ITALY</b>					
Cigarettes	30,285	31,404	32,328	(3.6)%	(2.9)%
RYO/MYO/Others	4,870	3,632	2,756	34.1%	31.8%
Cigars	444	434	397	2.1%	9.3%

## Alternative Performance Measures

- **Economic Sales:** equals Gross Profit and is used without distinction by the Management to refer to the figure resulting of subtracting Procurements to the Revenue figure.

Management believes that gross profit is a meaningful measure of the fee revenue we generate from performing our distribution services and provides a useful comparative measure to investors to assess our financial performance on an on-going basis.

	Million €	
	1 Oct. 2019 – 31 Mar. 2020	1 Oct. 2018 – 31 Mar. 2019
Revenue	5,004.2	4,764.9
Procurements	(4,437.3)	(4,197.5)
<b>Gross Profit</b>	<b>566.9</b>	<b>567.4</b>

- **Adjusted Operating Profit (Adjusted EBIT):** This item is calculated, fundamentally, discounting from the Operating Profit those costs that are not directly related to the revenue obtained by the Group in each period, facilitating the performance of Group's the operating costs and margins.

The Adjusted Operating Profit (Adjusted EBIT) is the main indicator used by the Group's Management to analyse and measure the progress of the business.

	Million €	
	1 Oct. 2019 – 31 Mar. 2020	1 Oct. 2018 – 31 Mar. 2019
<b>Adjusted Operating Profit</b>	<b>112.1</b>	<b>126.1</b>
(-) Restructuring Costs	(2.2)	(9.6)
(-) Amortization of Assets Logista France	(26.1)	(26.1)
(+/-) Net Loss of Disposal and Impairment of Non-Current Assets	0.4	2.5
(+/-) Share of Results of Companies and Others	0.7	0.9
<b>Profit from Operations</b>	<b>84.8</b>	<b>93.6</b>

- **Adjusted Operating Profit margin over Economic Sales:** calculated as Adjusted Operating Profit divided by Economic Sales (or indistinctly, Gross Profit).

This ratio is the main indicator used by the Group's Managements to analysis and measure the performance of the profitability obtained by the Group's typical activity in a period.

	Million €		
	1 Oct. 2019 – 31 Mar. 2020	1 Oct. 2018 – 31 Mar. 2019	%
Economic Sales	566.9	567.4	(0.1)%
Adjusted Operating Profit	112.1	126.1	(11.1)%
<b>Margin over Economic Sales</b>	<b>19.8%</b>	<b>22.2%</b>	<b>(240) b.p.</b>



- **Operating costs:** this term is composed by the costs of logistics networks, commercial expenses, research expenses and head offices expenses that are directly related to the revenue obtained by the Group in each period. It is the main figure used by the Group's Management to analyse and measure the performance of the costs structure. It does not include restructuring costs and amortization of assets derived from the Logista France acquisition, due to are not directly related to the revenues obtained by the Group in each period.

- **Reconciliation with Interim Consolidated Financial Statements:**

Million €	1 Oct. 2019 – Mar. 2020	1 Oct. 2018 – 31 Mar. 2019
Cost of logistics network	404.8	398.8
Commercial expenses	35.1	36.6
Research expenses	1.4	1.4
Head office expenses	41.9	40.2
(-) Restructuring costs	(2.2)	(9.6)
(-) Amortization of Assets Logista France	(26.1)	(26.1)
<b>Operating Costs or Expenses in management accounts</b>	<b>454.8</b>	<b>441.3</b>

- **Non-recurring expenses:** refers those expenses that, although they might occur in more than one period, do not have a continuity in time (as opposed to operating expenses) and affect only the accounts in a specific moment.

This magnitude helps the Group's Management to analyse and measure the performance of the Group's activity in each period.

- **Recurring operating expenses:** this term refers to those expenses occurred continuously and allow sustain the Group's activity. They are estimated from the total operating costs less the non-recurring costs defined in the previous point.

This magnitude helps the Group's Management to analyse and measure the performance of efficiency in the activities carried out by the Group.

- **Restructuring costs:** are the costs incurred by the Group to increase the operating, administrative or commercial efficiency in our company, including the costs related to the reorganization, dismissals and closes or transfers of warehouses or other facilities.
- **Non-recurring results:** refers to the results of the year that do not have a continuity during the year and affect the accounts in a specific moment. It is included in the Operating Profit.

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