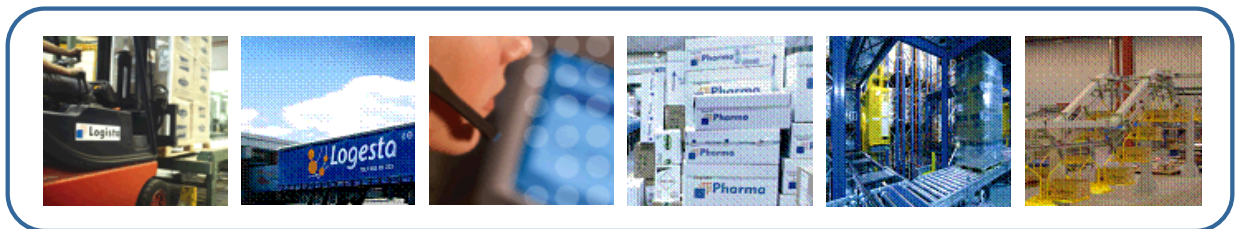


# Grupo Logista Q3 2015 Results

July 30, 2015



# Grupo Logista reports Third Quarter 2015 Results

Grupo Logista announces today its third quarter results for 2015. Main highlights:

- Announcement of an interim dividend payment of 0.24 € per share next August 27
- Positive evolution of Net Income that continues growing above 10%
- Slight Revenues recovery, declining 1.2%, and Economic Sales<sup>1</sup>, reducing decline to 2.9%
- Adjusted Operating Profit recorded a similar growth to first half, growing by 1.8% while Profit from Operations increased by 17.5%

## Key Metrics Summary

Data in million euros	1 Oct. 2014 – 30 June 2015	1 Oct. 2013 – 30 June 2014 (*)	% Change
Revenues	6,929.4	7,012.8	(1.2)%
Economic Sales	749.1	771.3	(2.9)%
Adjusted Operating Profit	160.4	157.6	1.8%
Margin over Economic Sales	21.4%	20.4%	+100 b.p.
Profit from Operations	110.5	94.0	17.5%
Net Income	74.4	67.3	10.6%

(\*) Restated

During the quarter there were not relevant changes in the macroeconomic situation in our countries, beyond the acceleration of GDP growth in Spain and the irregular evolution of consumption data in France.

The tobacco sector was characterised by the lack of retail selling price movements during the period and the higher relative importance of the lower price categories in Spain and Italy. Distributed tobacco volumes have continued registering much lower falls than in previous years that for the total Group reached 0.9% (cigarette and RYO volumes) versus a drop of 3.3% during the same period last year.

The evolution of Revenues has been marked by the drop in tobacco volumes not offset by average retail selling prices increases (either due to lack of price increases in France or due to the higher relative weight of low price brands in the case of Italy) and by the reduction of Revenues in Other businesses in Spain and France, partially offset by the growth in Tobacco and Related and Transport in Iberia.

Economic Sales were below last year mainly as a consequence of the favourable settlement of some litigations during the previous year in Iberia. Excluding this non-recurring effect, Economic Sales grew by 1.0%. The important growth recorded in Italy and the good performance of Transport and Pharma in Iberia offset the lower tobacco retail selling price increases and the negative evolution of the Other businesses in France.

The Adjusted Operating Profit margin over Economic Sales reached 21.4%, 100 basis points ahead of the margin obtained in the same period in 2014, 20.4%. This evolution confirms the effectiveness of the constant measures implemented to improve the efficiency and the advantages of the vertical wholesaler business model that the Group operates.

The reduction of operating costs, despite the increase experienced by the recurring activity, resulted in 1.8% growth in Adjusted Operating Profit.

<sup>1</sup> Economic Sales: This term equals Gross Profit and is used without distinction by the Management to refer to the figure resulting of subtracting Procurements to the Revenue figure.

The lack of impairment of non-current assets results during the period and the improvement recorded by the Share of Results of Companies (that includes now the results from the Books<sup>2</sup> distribution activity) translated into a substantial improvement of Operating Profit that grew by 17.5% despite higher restructuring charges.

Although Financial Results went down by 61.8% compared to the previous year, due to the reversal of the provisions associated to the litigation previously mentioned and to the lower interest rates during the period, Net Income went up 10.6% thanks to the increase of Operating Profit.

These results confirm the Management expectations, already announced at first half closing, for low single digit growth in Adjusted Operating Profit during this fiscal year due to tobacco retail selling prices stability.

## Revenues Evolution (By Segment and Activity)

<i>Data in million euros</i>	1 Oct. 2014 – 30 June 2015	1 Oct. 2013 – 30 June 2014 (*)	% Change
<b>Iberia</b>	<b>1,875.7</b>	<b>1,856.9</b>	<b>1.0%</b>
Tobacco & Related	1,597.5	1,578.3	1.2%
Transport Services	251.5	238.0	5.7%
Other Businesses <sup>3</sup>	91.2	99.3	(8.2)%
Adjustments	(64.5)	(58.7)	(9.8)%
<b>France</b>	<b>3,254.8</b>	<b>3,316.4</b>	<b>(1.9)%</b>
Tobacco & Related	3,094.3	3,138.4	(1.4)%
Other Businesses	165.9	185.9	(10.8)%
Adjustments	(5.5)	(8.0)	31.5%
<b>Italy</b>	<b>1,822.1</b>	<b>1,863.1</b>	<b>(2.2)%</b>
Tobacco & Related	1,822.1	1,863.1	(2.2)%
<b>Corporate &amp; Others</b>	<b>(23.2)</b>	<b>(23.6)</b>	<b>1.6%</b>
<b>Total Revenues</b>	<b>6,929.4</b>	<b>7,012.8</b>	<b>(1.2)%</b>

(\*) Restated

<sup>2</sup> In appliance of IFRS 11 "Joint Arrangements", data related to the Fiscal Year 2014 of this document have been restated, to make them comparable to fiscal year 2015 data

<sup>3</sup> Redefinition of activities included in this line: this line includes Pharma activities, lottery and publication distribution (these last activities were previously included in "Other and Adjustments" line) and does not include the book distribution, which is separated from this line and it is consolidated under the equity method. Data related to the FY14 of this document have been restated with the goal of being comparable with the data for the fiscal year 2015.

## Economic Sales Evolution (By Segment and Activity)

Data in million euros	1 Oct. 2014 – 30 June 2015	1 Oct. 2013 – 30 June 2014 (*)	% Change
<b>Iberia</b>	<b>366.4</b>	<b>390.2</b>	<b>(6.1)%</b>
Tobacco & Related	180.5	212.7	(15.2)%
Transport Services	167.0	157.0	6.4%
Other Businesses	49.8	47.7	4.4%
Adjustments	(30.9)	(27.3)	(13.0)%
<b>France</b>	<b>210.4</b>	<b>222.7</b>	<b>(5.6)%</b>
Tobacco & Related	176.3	184.0	(4.2)%
Other Businesses	38.4	44.3	(13.4)%
Adjustments	(4.3)	(5.6)	23.0%
<b>Italy</b>	<b>167.5</b>	<b>153.7</b>	<b>9.0%</b>
Tobacco & Related	167.5	153.7	9.0%
<b>Corporate &amp; Others</b>	<b>4.8</b>	<b>4.7</b>	<b>(1.6)%</b>
<b>Total Economic Sales</b>	<b>749.1</b>	<b>771.3</b>	<b>(2.9)%</b>

(\*) Restated

## Adjusted EBIT Evolution (By Segment)

Data in million euros	1 Oct. 2014 – 30 June 2015	1 Oct. 2013 – 30 June 2014 (*)	% Change
<b>Iberia</b>	<b>72.9</b>	<b>81.1</b>	<b>(10.1)%</b>
<b>France</b>	<b>52.1</b>	<b>55.0</b>	<b>(5.2)%</b>
<b>Italy</b>	<b>44.1</b>	<b>30.2</b>	<b>45.8%</b>
<b>Corporate &amp; Others</b>	<b>(8.7)</b>	<b>(8.7)</b>	<b>0.6%</b>
<b>Total Adjusted EBIT</b>	<b>160.4</b>	<b>157.6</b>	<b>1.8%</b>

(\*) Restated

- Adjusted Operating Profit (or indistinctly Adjusted EBIT) is the principal indicator used by Management to assess the recurring results of operations of the business. This indicator is basically 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 and typical margins of the Group. In the following table reconciliation between Profit from Operations and Adjusted Operating Profit for third quarter 2015 and 2014 is shown (data in million Euros):

Data in million euros	1 Oct. 2014 – 30 June 2015	1 Oct. 2013 – 30 June 2014 (*)
<b>Profit from Operations</b>	<b>110.5</b>	<b>94.0</b>
Restructuring Costs	11.4	7.8
Amortization of Assets Logista France	39.2	39.2
Net Loss of Disposal and Impairment of Non-Current Assets	0.0	15.2
Share of Results of Companies and Others	(0.7)	1.4
<b>Adjusted Operating Profit</b>	<b>160.4</b>	<b>157.6</b>

(\*) Restated

# I. Business Review

## A. Iberia: Spain and Portugal

Revenues in Iberia reached €1,875.7 million compared to €1,856.9 million at the end of the third quarter 2014, which represents an increase of 1.0%. Economic Sales were €366.4 million declining by 6.1% from €390.2 million in the same period of previous year.

Revenues in **Tobacco and related products** increased by 1.2% despite the decline of tobacco volumes in Spain and the growth of the low price segment thanks to retail selling price increases of these products in the fourth quarter last year and second quarter of current year and the good performance of Revenues in Portugal.

Cigarette volumes distributed in Spain declined year-to-date by 1.5% (compared to a 4.4% reduction in the same period last year). The growth in demand prior to the price increase occurred between the end of June and the beginning of July 2014 explains, among other factors, this drop after a first half in which the volumes remained practically stable.

RYO volumes declined at a substantially lower rate than in the previous year (-0.7% compared to -14.7%) while cigar volumes declined 1.0% vs. 2.3% in the same period last year.

Tobacco distribution gross margin growth per unit derived from higher distribution complexity, higher invoicing of value added services used by manufacturers and the evolution of sales of other products to the tobacconists' channel allowed offsetting to a large extent the impact of volumes fall on Economic Sales that, however, including the release of the litigation provision already mentioned, reduced by 15.2% to €180.5 million.

The sale of other convenience products continues showing a different evolution depending on the categories, declining in those related to RYO and strongly growing in those non-tobacco related.

Revenues in **Transport** reached €251.5 million up 5.7% compared to the same period last year due to a better macroeconomic environment while Economic Sales grew by 6.4% to €167.0 million. All the activities in transport (long distance, parcel and courier) recorded increases both in Revenues and Economic Sales.

Revenues in **Other Businesses** (which includes Pharma, lottery and publications distribution activities) were down by 8.2% reaching €91.2 million while Economic Sales went up by 4.4% to €49.8 million.

In appliance of IFRS 11 "Joint Arrangements", our 50% subsidiary Logista Libros will be consolidated under the equity method and not the proportional method as in the past. As a consequence, sales of this activity are neither included in Group Revenues nor in Group Economic Sales. Additionally, in order to facilitate interpretation of the performance of consolidation adjustments in Iberia, it was decided to separate them from the distribution of lottery and publications, jointly reported in the past and to include these activities in the Other businesses line. All 2014 data has been restated considering these two effects to make them fully comparable to 2015 figures.

Per activity, the higher increase in Economic Sales came from Pharma while Lottery and Publications distribution recorded reductions due to the declining trend in both sectors.

**Adjusted Operating Profit** reached €72.9 million, down by 10.1% compared to previous year, despite the good general performance recorded by the businesses, as a consequence of the provision movements in both periods and, mainly, due to the effect of the litigation provision release on second quarter results last year.

Profit from Operations reached €68.5 million versus €64.7 million recorded in the previous year, up by 5.9%, including a similar level of restructuring costs (around €5 million in both years), but not impairment results that reached €10.1 million in the previous year.

## B. France

Revenues in France declined by 1.9% to €3,254.8 million while Economic Sales reached €210.4 million falling by 5.6%.

The drop in tobacco consumption and the lack of retail selling price increases on these products caused a slight decline in Tobacco and related products Revenues in addition to the rationalisation of customers' portfolio and the weak general consumption that drove to a reduction in Other businesses Revenues.

**Tobacco and related products** Revenues were down by 1.4% to €3,094.3 million due to the contraction experienced by distributed tobacco volumes that, despite a slower rate of decline, continued the negative trend recorded at closing last year.

The stability in retail selling prices during the year seems to have favoured a much softer drop in distributed cigarette volumes in France than in the previous year (-1.1% versus -4.9%). During the first nine months of current year there were no retail selling price increases compared to an increase of 20 cents per pack in the second quarter of 2014.

The RYO category continued showing a positive performance, already growing by 3.2% and contrasting with a decline of 3.5% recorded during the same period in 2014.

The sales of electronic transactions declined well below the telephony top-ups sector's decline thanks to the growth in other e-transaction products whereas the rest of categories of convenience products continued reflecting the weak general consumption, more pronounced in channels offering a somehow higher retail selling price. Sales of e-cigarette were substantially lower compared to the precedent year, contrasting with the good performance of the smoking items category (paper, filter, etc.).

Economic Sales reduced by 4.2% to €176.3 million due to the lack of retail selling price increases and the reduction in consumption of tobacco products and the weak evolution on the rest of the products.

Revenues in **Other Businesses** (wholesale distribution of convenience products in non-tobacconist channels) declined by 10.8% to €165.9 million and Economic Sales were down 13.4% to €38.4 million.

This negative performance was caused by two main factors, the rationalisation of customers' portfolio carried out in the last months and the contraction experienced by consumption in the country, affecting the convenience channel and, in particular, the small retail stores.

**Adjusted Operating profit** in France reduced to €52.1 million versus €55.0 million in the same period previous year, a drop of 5.2%.

Profit from Operations that during the nine first months of 2014 was €13.9 million reached €7.6 million due to higher restructuring charges (as a consequence of reorganisation measures undertaken to counteract the last quarters' activity contraction) amounting €5.3 million compared to €1.8 millions in the same period last year. The Assets Amortization related to the Logista France's acquisition was €39.2 million in both years.

## C. Italy

**Revenues** in Italy amounted €1,822.1 million compared to €1,863.1 million last year, down by 2.2%.

However, during the third quarter, Revenues showed a positive evolution compared to last year due to the retail selling price increases implemented by manufacturers in January that allowed offsetting the reduction in tobacco consumption and the increase in market share of the low price brands' segment.

Cigarette distributed volumes declined by 1.1% compared to the 0.4% drop recorded in the same period last year, probably due to the impact of the above mentioned retail selling price increase after more than two years of no prices increases in the market.

RYO volume grew by 3.6% vs. an increase of 2.8% in the same period of the precedent year.

The sale of convenience products to the tobacconist channel continued registering a strong increase. Thanks to the higher commercial strength derived from the business model. Since last year, it is similar to the business model used in the rest of countries.

Economic sales in Italy reached €167.5 million compared to €153.7 million during the first nine months of 2014, growing by 9.0%.

The good performance of sales of other products to the tobacconists channel as well as higher additional services contracted by manufacturers had a higher impact than the reduction in distributed tobacco volumes over Economic sales during the period.

**Adjusted Operating Profit** recorded again a significant growth during the third quarter, reaching €44.1 million from €30.2 million during the first nine months of 2014, up by 45.8%. This improvement is due to the good performance in Economic Sales as well as a reduction of costs, once the new operating model stabilised.

Profit from operations was €43.6 million vs. €29.3 million in the precedent year.

## D. Corporate and Others

**Adjusted Operating Profit** in this segment that includes corporate expenses and the Polish operations was practically in line with the previous year, slightly increasing by 0.6% to reach -€8.7 million.

## II. Financial Overview

### A. Financial Result Evolution

Financial results reduced from €12.8 million to €4.9 million mainly due to two factors, lower interest rates and the settlement of litigations during the second quarter of last year mentioned before. The impact of this second factor on the Financial results in the same period last year was €7.3 million.

Regarding the evolution of the interest rate used as a reference in the treasury agreement with our majority shareholder, during the first nine months of 2014, the European Central Bank base rate (over which a 75 b.p. spread is obtained under the previously mentioned agreement) moved between 0.5% (until beginning of November 2013), 0.25% (effective during most of November and until beginning of June 2014) and 0.15% (in force since 11 June to 30 June 2014); however, during the first nine months of current year the base rate was 0.05%.

The average cash position during the period was €1,190 million compared to €1,015 million in the same period last year.

### B. Net Income Evolution

Earnings before Taxes increased by 8.1% to €115.4 million, while Net Income increased by 10.6%. The effective tax rate of the period was 35.0% vs. 36.4% in 2014 mainly due to a lower relative weight of the results in France that holds the highest corporate income tax among the countries in which the Group operates.

Earnings per Share were €0.56.

### 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, being already positive at third quarter closing.

The lower working capital investments and the increase in profits led to a free cash flow generation of €213.1 million, well above last year.

During the second quarter, dividends amounting €74.3 million were paid charged to the premium share.

### D. Dividend Policy

Grupo Logista Board of Directors agreed past 24 July to distribute an interim cash dividend corresponding to 2015 fiscal year of 0.24 cents per share (close to €31.9 million). The payment will be effective next 27 August, 2015.

### E. Outlook

These results confirm the Management expectations, already announced at first half closing, for low single digit growth in Adjusted Operating Profit during this fiscal year due to tobacco retail selling prices stability.



# Appendix

## P&L

<i>Data in million euros</i>	<b>1 Oct. 2014 – 30 June 2015</b>	<b>1 Oct. 2013 – 30 June 2014 (*)</b>	<b>% Change</b>
<b>Revenues</b>	<b>6,929.4</b>	<b>7,012.8</b>	<b>(1.2)%</b>
<b>Eco. Sales</b>	<b>749.1</b>	<b>771.3</b>	<b>(2.9)%</b>
(-) Distribution Costs	(463.3)	(481.3)	3.7%
(-) Sales and Marketing Expenses	(47.6)	(51.8)	8.1%
(-) Research Expenses and G&A Expenses	(77.8)	(80.6)	3.6%
<b>Total Costs</b>	<b>(588.6)</b>	<b>(613.7)</b>	<b>4.1%</b>
<b>Adjusted EBIT</b>	<b>160.4</b>	<b>157.6</b>	<b>1.8%</b>
<i>Margin %</i>	<i>21.4%</i>	<i>20.4%</i>	<i>100 b.p.</i>
(-) Restructuring Cost	(11.4)	(7.8)	(45.6)%
(-) Amort. of Intangibles Logista France	(39.2)	(39.2)	0.0%
(-) Net Loss on Disposal and Impairments	(0.0)	(15.2)	n.a.
(-) Share of Results of Companies and Others	0.7	(1.4)	n.a.
<b>Profit from Operations</b>	<b>110.5</b>	<b>94.0</b>	<b>17.5%</b>
(+) Financial Income	8.0	18.2	(56.1)%
(-) Financial Expenses	(3.1)	(5.4)	42.7%
<b>Profit before taxes</b>	<b>115.4</b>	<b>106.8</b>	<b>8.1%</b>
(-) Corporate Income Tax	(40.4)	(38.9)	(3.8)%
<i>Effective Income Tax Rate</i>	<i>35.0%</i>	<i>36.4%</i>	<i>140 b.p.</i>
(+/-) Other Income / (Expenses)	(0.2)	(0.5)	50.0%
(-) Minority Interest	(0.3)	(0.1)	(148.4)%
<b>Net Income</b>	<b>74.4</b>	<b>67.3</b>	<b>10.6%</b>

(\*) Restated

## Cash Flow Statement

<i>Data in million euros</i>	1 Oct. 2014 – 30 June 2015	1 Oct. 2013 – 30 June 2014 (*)	% Change
<b>EBITDA</b>	<b>188.7</b>	<b>186.9</b>	<b>1.8%</b>
Movements in Prov. and Other Fixed Liabilities	(10.5)	(94.2)	83.7%
Working Capital Variations and Other	121.6	24.9	96.7%
Corporate Income Tax Paid	(53.5)	(46.3)	(7.2)%
Other Income and Expenses	(11.4)	(7.9)	(3.5)%
<b>Cash Flow From Operating Activities</b>	<b>234.8</b>	<b>63.3</b>	<b>171.5%</b>
Capex	(21.7)	(26.1)	4.3%
<b>Economic Free Cash Flow</b>	<b>213.1</b>	<b>37.2</b>	<b>175.8%</b>
% over EBITDA	112.9%	19.9%	

(\*) Restated

## Balance Sheet

<i>Data in million euros</i>	30 June 2015	30 Sept. 2014 (*)
PP&E and other Fixed Assets	216.0	224.2
Net Long Term Financial Assets	9.4	8.8
Net Goodwill	919.2	919.2
Other Intangible Assets	675.4	713.2
Deferred Tax Assets	53.6	59.0
Net Inventory	1,085.0	1,066.7
Net Receivables	1,769.0	1,777.3
Cash & Cash Equivalents	1,838.3	1,700.9
<b>Total Assets</b>	<b>6,565.8</b>	<b>6,469.3</b>
Group Equity	441.2	440.5
Minority interests	2.2	1.9
Non Current Liabilities	48.9	60.5
Deferred Tax Liabilities	342.9	357.5
Short Term Financial Debt	31.2	31.6
Short Term Provisions	17.9	16.1
Trade and Other Payables	5,681.6	5,561.2
<b>Total Liabilities</b>	<b>6,565.8</b>	<b>6,469.3</b>

(\*) Restated

## Tobacco Volumes Evolution

	Million units			% Change	
	1 Oct. 2014 – 30 June 2015	1 Oct. 2013 – 30 June 2014	1 Oct. 2012 – 30 June 2013	1 Oct. 2014 – 30 June 2015	1 Oct. 2013 – 30 June 2014
<b>TOTAL</b>					
Cigarettes	122,031	123,513	127,171	(1.2)%	(2.9)%
RYO/MYO	15,140	14,870	15,918	1.8%	(6.6)%
Cigars	2,931	2,982	3,060	(1.7)%	(2.5)%
<b>SPAIN</b>					
Cigarettes	33,163	33,662	35,226	(1.5)%	(4.4)%
RYO/MYO	4,867	4,902	5,747	(0.7)%	(14.7)%
Cigars	1,567	1,583	1,620	(1.0)%	(2.3)%
<b>PORTUGAL</b>					
Cigarettes	1,193	1,234	1,329	(3.3)%	(7.2)%
RYO/MYO	125	144	190	(13.1)%	(23.9)%
Cigars					
<b>FRANCE</b>					
Cigarettes	33,923	34,290	36,046	(1.1)%	(4.9)%
RYO/MYO	6,978	6,764	7,006	3.2%	(3.5)%
Cigars	1,011	1,042	1,083	(2.9)%	(3.8)%
<b>ITALY</b>					
Cigarettes	53,752	54,328	54,570	(1.1)%	(0.4)%
RYO/MYO	3,170	3,059	2,975	3.6%	2.8%
Cigars	353	358	356	(1.3)%	0.5%

**For more information:**

**[investor.relations@grupologista.com](mailto:investor.relations@grupologista.com)**

**+34 91 481 98 26**

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