Logista H1 2019 Results

May 8, 2019

Logista reports H1 2019 Results

Logista announces today its H1 Results for 2019. Main highlights:

- The progress of Revenues and Economic Sales[1] that grew 6.7% and 4.1% respectively
- The positive evolution of Adjusted Operating Profit[1], progressing by 10.5% and Profit from operations increasing by 7.6%, as a consequence of the good performance recorded by the activity
- The increases in Profit Before Taxes and Net Income despite recording a higher corporate income tax rate than in the first half last year

Key Metrics Summary

Data in million euros	1 Oct. 2018 – 31 March 2019	1 Oct. 2017 – 31 March 2018	% Change
Revenues	4,764.6	4,466.5	+6.7%
Economic Sales[1]	567.4	545.2	+4.1%
Adjusted Operating Profit[1]	126.1	114.1	+10.5%
Margin over Economic Sales[1]	22.2%	20.9%	+130 b.p.
Profit from Operations	93.6	87.0	+7.6%
Net Income	74.7	71.1	+5.0%

During the first semester of current fiscal year, the Group has faced a political, social and macroeconomic environment relatively complicated, during which much of the uncertainties existing in the previous months continued being present (the US-China commercial tensions, the way UK is going to leave the European Union, Italy entering into technical recession, the French social protests, etc.). All these factors did not contribute to see a clear recovery of private consumption, which largely continues to be stagnant in France and Italy and is slowing down in Spain.

Despite these circumstances, the Group has recorded a positive activity evolution practically in all business lines. Per activities, Pharma, distribution of convenience products in all geographies and channels as well as Transport recorded the most positive performance whereas the activities linked to Tobacco distribution in Spain and Italy recorded the weakest performance.

Group **Revenues** grew by 6.7% over the six first months of preceding year. During the period, the accounting criteria of tobacco sales in Portugal has been modified to adequate it to the practice of the rest of the Group. This change exclusively affects to the Revenues figure, in €96.2 million. The increase registered in the Group's Revenues, excluding this effect, has been of 4.5%.

Economic Sales[1] grew by 4.1% thanks to the improvements recorded by the activity in Iberia and France, which offset the slight reduction experienced in Italy.

The evolution of distributed volumes (cigarettes plus RYO and others) during the first semester vs. the same period of fiscal year 2018 (-1.4%) was slightly better than the -2.2% yearly variation in fiscal year 2018 vs. fiscal year 2017. France recorded reductions of distributed cigarettes volumes while in Spain and Portugal distributed volumes increased and remained stable in Italy.

The movements in prices, taxes and commissions on tobacco products occurred in the first six months of this fiscal year had a positive impact in the results of the semester, derived from the Group's inventory

[1] See appendix "Alternative Performance Measures"

valuation, that was slightly above the positive impact registered in the first half of the preceding fiscal year.

Total operating costs[1] grew by 2.4%, below the increase of Economic Sales[1] and recurring activity (not taking into consideration the positive impact on inventories recorded in both fiscal years), in spite of the fact that the cost base in France is still over-dimensioned with respect to the current volumes (reason why a restructuring process has been started in the country) and the margin dilution effect as a consequence of the important growth experienced by the Transport activity.

Adjusted EBIT[1] reached €126.1 million (+10.5% above previous year) which, together with a much higher restructuring costs[1] during the period (€9.6 million compared to €1.7 million) but partially offset by the capital gain from the sale of a building in Portugal (€2.5 million), contributed to a 7.6% **Profit from Operations** increase vs. last year, reaching €93.6 million.

The Adjusted EBIT margin over Economic Sales[1] reached 22.2% compared to the 20.9% obtained in the same period of fiscal year 2018.

Financial Results this fiscal year reached €5.8 million compared to €5.3 million registered in the first half of fiscal year 2018.

The Tax rate in the period was 24.7% vs. the 23.0% recorded during the same period of last year.

Because of all the above mentioned, the **Net Income** went up by 5.0% to €74.7 million.

[1] See appendix "Alternative Performance Measures"

Revenues Evolution (By Segment and Activity)

Data in million euros	1 Oct. 2018 – 31 March 2019	1 Oct. 2017 – 31 March 2018	% Change
Iberia	**1,468.9**	**1,315.9**	**11.6%**
Tobacco & Related	1,262.2	1,108.5	13.9%
Transport Services	193.9	184.6	5.0%
Other Businesses	76.9	71.1	8.2%
Adjustments	(64.1)	(48.3)	(32.7)%
France	**1,923.6**	**1,938.0**	**(0.7)%**
Tobacco & Related	1,841.5	1,853.6	(0.7)%
Other Businesses	86.7	88.0	(1.4)%
Adjustments	(4.6)	(3.6)	(26.4)%
Italy	**1,391.4**	**1,236.9**	**12.5%**
Tobacco & Related	1,391.4	1,236.9	12.5%
Corporate & Others	**(19.3)**	**(24.3)**	**20.8%**
Total Revenues	**4,764.6**	**4,466.5**	**6.7%**

Economic Sales[1] Evolution (By Segment and Activity)

Data in million euros	1 Oct. 2018 – 31 March 2019	1 Oct. 2017 – 31 March 2018	% Change
Iberia	**292.0**	**276.8**	**5.5%**
Tobacco & Related	134.0	131.8	1.7%
Transport Services	136.7	126.2	8.3%
Other Businesses	44.0	41.4	6.3%
Adjustments	(22.7)	(22.6)	(0.3)%
France	**134.9**	**125.6**	**7.4%**
Tobacco & Related	113.8	105.0	8.4%
Other Businesses	24.6	23.5	4.7%
Adjustments	(3.5)	(2.9)	(21.1)%
Italy	**139.0**	**142.1**	**(2.2)%**
Tobacco & Related	139.0	142.1	(2.2)%
Corporate & Others	**1.5**	**0.8**	**91.6%**
Total Economic Sales[1]	**567.4**	**545.2**	**4.1%**

[1] See appendix “Alternative Performance Measures”

Adjusted EBIT[1] Evolution (By Segment)

Data in million euros	1 Oct. 2018 – 31 March 2019	1 Oct. 2017 – 31 March 2018	% Change
Iberia	**59.6**	**56.5**	**5.5%**
France	**33.0**	**26.0**	**26.9%**
Italy	**40.6**	**37.8**	**7.2%**
Corporate & Others	**(7.2)**	**(6.2)**	**(14.6)%**
Total Adjusted EBIT[1]	**126.1**	**114.1**	**10.5%**

Adjusted Operating Profit[1] (or indistinctly Adjusted EBIT[1]) 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[1] and typical margins of the Group. The following table shows the reconciliation between Profit from Operations and Adjusted Operating Profit[1] for H1 fiscal years 2019 and 2018:

Data in million euros	1 Oct. 2018 – 31 March 2019	1 Oct. 2017 – 31 March 2018
Adjusted Operating Profit[1]	**126.1**	**114.1**
(-) Restructuring Costs[1]	(9.6)	(1.7)
(-) Amortization of Assets Logista France	(26.1)	(26.2)
(+/-) Net Loss of Disposal and Impairment of Non-Current Assets	2.5	0.0
(+/-) Share of Results of Companies and Others	0.9	0.8
Profit from Operations	**93.6**	**87.0**

[1] See appendix "Alternative Performance Measures"

I. Business Review

A. Iberia: Spain and Portugal

The Iberia segment's Revenues increased to €1,469.9 million compared to €1,315.9 million in the first six months of fiscal year 2018, recording an 11.6% growth (including the effect from a change in the accounting criteria of the Revenues of the tobacco distribution in Portugal for a total of €96.2 million). The Economic Sales[1] of the segment reached €292.0 million, a 5.5% ahead of the €276.8 million recorded in the preceding fiscal year.

Revenues in **Tobacco and related products** increased by 13.9%, because of the growth of the activity both in Spain and in Portugal, as well as of the effect of he mentioned change in the accounting criteria of the Revenues of the tobacco distribution in Portugal. Excluding this effect, the Revenues of this business line increased by 5.2%.

The cigarette volumes distributed in Spain during the first semester of current fiscal year went up by 1.3% compared to the preceding fiscal year, turning around the negative trend in that period compared to the fiscal year 2017 (-2.6%). Distributed volumes of RYO (that includes the heated tobacco consumables) and cigars also maintained a more favourable trend than the previous fiscal year, increasing by 9.0% and reducing by 1.9%, respectively compared to -1.5% and -3.3% in the yearly comparison of the first half of the preceding year.

Generally, tobacco manufacturers maintained the retail selling price of their products stable during the first semester of the fiscal year. This behaviour contrasts with the 5 cents increase in the pack of cigarettes during the first months of last year that translated into a positive impact on the results in the first semester of that fiscal year.

The Economic Sales[1] from the distribution of convenience products increased significantly compared to the fiscal year 2018 and continue gaining penetration, especially in tobacconists, and at the same gaining weight in other channels as, for example, petrol stations.

Thus, Economic Sales[1] in Tobacco and related products grew by 1.7% comparing to fiscal year 2018 due to the good performance of the activity in the current that more than offset the positive impact of tobacco selling price increases in the preceding year.

Revenues in **Transport** recorded again, as a whole, a very solid performance, growing by 5.0%. However, the Economic Sales[1] performance has differed among the activities, being stable in Long distance while in Courier and Industrial parcel increased very significantly. Economic Sales[1] in Transport went up by 8.3% to €136.7 million.

The Parcel and Courier subsidiaries have maintained the leadership position in their respective market segments, derived from a continuous bet on differentiation, which has allowed them to continue achieving solid growth indicators in the fiscal year, especially significant in courier.

Revenues in **Other Businesses** (which includes Pharma and publications activities) increased by 8.2% reaching €76.9 million and Economic Sales[1] went up by 6.3% to €44.0 million.

Pharma business grew double digits in the period, joining growth of pre-existing activity and incorporation of new agreements during the period.

In the first six months of current fiscal year, the distribution of publications in Spain has suffered reductions in Revenues and Economic Sales[1] as the difficult competitive situation in the sector has worsened.

[1] See appendix "Alternative Performance Measures"

Total operating expenses[1] in the Iberia segment increased by 5.5% in the first semester, in line with the increase reported in Economic Sales[1]. However, the rise in costs was below the increase in Economic Sales[1] if last year's positive impact over results from the valuation of inventories due to tobacco price increases is excluded.

Adjusted Operating Profit[1] reached €59.6 million, an increase of 5.5% with respect to the first half of last year.

In the fiscal year the restructuring costs[1] amounted €0.4 million, while in the preceding year were €1.0 million that together with, among other factors, the capital gain from the sale of a building in Portugal (€2.5 million) allowed to increase by 11.4% **Profit from Operations** to reach €62.7 million versus €56.3 million recorded in the first half of fiscal year 2018.

B. France

Revenues from the France segment reduced by 0.7% to €1,923.6 million while Economic Sales[1] increased by 7.4%, to reach €134.9 million.

Tobacco and related products Revenues fell by 0.7% to €1,841.5 million due to the decline experienced by distributed tobacco volumes vs. last year, both in cigarettes (-7.3%) and in RYO, that includes as well heat-not-burn consumables (-6.1%).

The decline experienced by tobacco volumes was mainly due to the significant rise in the retail selling price of these products during fiscal year 2018 and current fiscal year, as a consequence of the schedule by the French Government to raise excise taxes until 2020.

As of 1 March 2019 the increase of 50 cents of the tobacco excise taxes foreseen in the mentioned excise tax increase plan which target is to raise the price of a cigarette pack to 10 euros in year 2020 took place. Additionally, as happened last fiscal year, a new increase in the commission the tobacconists receive on the sale of tobacco products entered into force on 1 January.

The reaction in the retail selling price of the pack of 20 cigarettes has been a rise that reached, depending on the manufacturers and for most of the brands, between 50 and 80 cents during the second quarter of this fiscal year (increasing the price of the most sold brand to €8.80), which has represented a slight positive net global impact in the valuation of Group's inventories at the end of the first semester.

In the same period last year, tobacco manufacturers passed-through only partially the tax increases in November and March (€1.35 in total) and did not pass-through the increase of the tobacconists' commission to the consumers. The global impact on the Group's valuation of inventories of these movements of prices, taxes and commissions was negative in the first semester of fiscal year 2018.

The revenues of convenience products as well as electronic transactions suffered declines in the first half of current fiscal year. However, in both cases the performance of Economic Sales[1] was positive in the period, being this performance noteworthy in electronic transactions as this is the first time, after a long period of declining trend, that they grow.

As a consequence of all these, thanks to the positive performance of all business lines, Economic Sales[1] of Tobacco and related products increased vs. the previous fiscal year (+8.4% to €113.8 million), despite lower distributed volumes that caused a reduction of 0.7% of Revenues.

The **Other Businesses** activity (wholesale distribution of convenience products in non-tobacconist channels) experienced a slight decrease of 1.4% in Revenues, in a still difficult consumption environment, characterised by a strong price competition. However, the strategic selection of clients by

[1] See appendix "Alternative Performance Measures"

profitability as well as by category of products with a higher margin help improving Economic Sales[1], that grew by 4.7% compared to the same period of the previous fiscal year.

The total operating costs[1] of the France segment increased by 2.3% so **Adjusted Operating Profit**[1] improved to €33.0 million, a 26.9% higher than in the preceding year.

In the first months of current fiscal year, a plan for restructuring the operations of distribution of both tobacco and convenience products to tobacconists that will imply the closure of two of the warehouses operating in the country has been started, as well as the reorganisation of activities among the rest of the centres.

This way, the restructuring expenses[1] in the period (€7.7 million) were much higher than the €0.3 million registered in the first half of 2018 and drove **Profit from Operations** to -€0.9 million, vs. the -0.4 million recorded in the 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 periods.

C. Italy

The Revenues in the Italy segment increased by 12.5% to €1,391.4 million driven by a significant increase in the sale of convenience products, as well as by the higher prices of tobacco products.

The volumes of cigarettes distributed registered a slight drop in the period, 2.9%, and the RYO category, (that includes as well heat-not-burn consumable) accelerated in a significant manner its growth rate, raised by 31.8% vs. 16.0% recorded in the first half of the preceding fiscal year.

In current fiscal year, retail selling prices of tobacco in general increased during the second quarter, as a consequence of the excise tax increases in the traditional tobacco categories entering into force on 1 January 2019. The price increase was generalized and ranging from 10 to 20 cents per pack of 20 cigarettes. Likewise, during the semester, a reduction of excise taxes on the new categories of products (heat-not-burn tobacco and e-cigarettes) took place. During the first days of April the retail selling price of some of these products reduced. The global net impact of these movements in the valuation of the Group’s inventories was positive in the first half results of current fiscal year.

During the first semester of the preceding fiscal year, some tobacco manufacturers raised too the price of some of their products between 10 and 20 cents, although this increase was not accompanied by an increase of taxation (beyond the slight automatic update of excise taxes derived from the weighted average price of the previous year). The net impact was positive on first half results in fiscal year 2018.

The growing trend in the distribution of convenience products has strongly accelerated in the semester and translated into a growth rate above 30% compared to the same period last year.

However, the revenues from services rendered to manufacturers linked to NGP (Next Generation Products) have reduced vs. last year.

Because of all trends mentioned before, Economic Sales[1] in the Italy segment went down by 2.2% in the first half of current fiscal year.

Total operating costs[1] of the segment reduced by 5.6% with respect to last fiscal year, improving the drop registered in Economic Sales[1], leading **Adjusted Operating Profit**[1] to €40.6 million, a 7.2% higher than in the same period the preceding year.

The restructuring costs[1] linked to the gradual efficiency improvement in operations were slightly higher (€1.5 million vs. €0.2 million in 2018) translating into a 3.9% growth in **Operating Profit** to €39.1 million.

[1] See appendix “Alternative Performance Measures”

D. Corporate and Others

This segment includes corporate expenses and the Polish operations.

Adjusted Operating Profit[1] was €1.0 million lower than in the previous year, reaching -€7.2 million.

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 the first half of both fiscal years.

The average cash position during the first six month of the fiscal year reached €1,684 million compared to €1,543 million in the same period of the preceding fiscal year.

Financial results in the fiscal year went up by 8.1% to €5.8 million compared to €5.3 million in the first half of fiscal year 2018.

B. Net Income Evolution

The capital gain from the sale of a building in Portugal (€2.5 million) and the improvement of Financial Results allowed to practically offset the impact of the higher restructuring costs[1] recorded in the semester (€9.6 million vs. €1.7 million) and drove Earnings Before Taxes to €99.4 million, a 7.7% above the recorded in the first six months of previous year.

The corporate tax rate registered in the period reached 24.7% compared to 23.0% the preceding year.

Net Profit climbed by 5.0% in the first half of current fiscal year to €74.7 million.

Earnings per Share were €0.56 vs. €0.55 in the first semester of fiscal year 2018, with no variations in the number of shares of the share capital.

At closing of current fiscal year, the Company owned 486,013 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 increase of the results in the period, the financial flows and the return of corporate income tax in the period stood well above the slight increase recorded by the investments and translated into a generation of cash in the first half, while the variation of working capital followed the customary negative trend due to the seasonality during the year. By contrast, in the first six months of the preceding fiscal year, the working capital variation temporarily had a different performance from its customary trend, reason why the cash generation was positive in the first semester of 2018.

During the second quarter of fiscal year 2019 as well as in the same period of fiscal year 2018, the final dividends corresponding to fiscal years 2018 and 2017, respectively, were paid.

D. Dividend Policy

The Board of Directors approved in the General Shareholders Meeting of 26th of March 2019, the distribution of a final dividend corresponding to fiscal year 2018 of €101.84 million (€0.77 per share) that was paid on the 29th of March, 2019.

Additionally, during the third quarter of fiscal year 2018, an interim dividend of €0,35 was paid, therefore the total dividend corresponding to fiscal year 2018 amounted c. €149 million (€1.12 per share), a 6.7% higher than the total dividend distributed in fiscal year 2017.

E. Outlook

The performance of the business during the semester of current fiscal year allows to expect that, at fiscal year end, the estimates announced at fiscal year 2018 closing are beaten.

Current trading environment and the performance of our businesses suggest that in fiscal year 2019, Adjusted EBIT[1] could record a mid to high-single digit growth with respect to fiscal year 2018.

Due to the significant reduction of the tobacco volumes distributed in France during the fiscal year 2018 and during the first months of current fiscal year, a restructuring of the network has been started to adapt it to the new level of activity, reason why restructuring costs[1] will be well ahead those recorded in fiscal year 2018. Savings derived from this restructuration will be only recovered partially in this fiscal year, but will allow obtaining an infrastructure more adapted to the lower level of activity.

On the other hand, financial results will be similar to those obtained in the current fiscal year if, as look likely, there are not variation in the reference rate of the European Central Bank; if that is the case, it would have an impact on results.

Finally, a rise in the effective Corporate Income Tax of the Group is expected, as the deductions applicable for the Group were completed in the last two fiscal years.

As a consequence of all the above, it can be expected that Net Profit records mid-single digit growth over fiscal year 2018.

[1] See appendix "Alternative Performance Measures"

Results presentation

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

The company's Management will hold a H1 2019 results presentation for analysts and investors today, May 8, 2019, at 12:00h (CET), which could be attended on real time through an audio-webcast in the company's website (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.

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Appendix

P&L

Data in million euros	1 Oct. 2018 – 31 March 2019	1 Oct. 2017 – 31 March 2018	% Change
Revenues	**4,764.6**	**4,466.5**	**6.7%**
Economic Sales[1]	**567.4**	**545.2**	**4.1%**
(-) Distribution Operating Costs[1]	(364.1)	(357.5)	(1.9)%
(-) Sales and Marketing Operating Expenses[1]	(36.2)	(34.1)	(6.1)%
(-) Research and G&A Operating Expenses[1]	(41.0)	(39.6)	(2.4)%
Total Operating Costs[1]	**(441.3)**	**(431.2)**	**(2.4)%**
Adjusted EBIT[1]	**126.1**	**114.1**	**10.5%**
Margin[1] %	*22.2%*	*20.9%*	*+130 b.p.*
(-) Restructuring Cost[1]	(9.6)	(1.7)	(456.4)%
(-) Amort. of Assets Logista France	(26.1)	(26.2)	0.3%
(-) Net Loss on Disposal and Impairments	2.5	0.0	n.r.
(-) Share of Results of Companies and Others	0.9	0.8	9.5%
Profit from Operations	**93.6**	**87.0**	**7,6%**
(+) Financial Income	6.7	6.1	8.6%
(-) Financial Expenses	(0.9)	(0.8)	(11.7)%
Profit before taxes	**99.4**	**92.3**	**7.7%**
(-) Corporate Income Tax	(24.5)	(21.2)	(15.5)%
Effective Income Tax Rate	*24.7%*	*23.0%*	*170 b.p.*
(+/-) Other Income / (Expenses)	0.0	0.0	n.r.
(-) Minority Interest	(0.2)	0.0	n.r.
Net Income	**74.7**	**71.1**	**5.0%**

[1] See appendix "Alternative Performance Measures"

Cash Flow Statement

Data in million euros	1 Oct. 2018 – 31 March 2019	1 Oct. 2017 – 31 March 2018	Change
EBITDA	**148.5**	**132.5**	**16.0**
Working Capital Variations	(211.2)	294.7	(505.8)
Corporate Income Tax (Paid) / Collected	27.4	(21.9)	49.3
Financial Flows	5.9	5.3	0.5
Cash Flow From Operating Activities	**(29.4)**	**410.6**	**(440.0)**
Net Investments	(22.1)	(16.4)	(5.8)
Free Cash Flow	**(51.5)**	**394.2**	**(445.7)**
Shareholders' Remuneration	(105.4)	(102.6)	(2.8)
Cash Generation	**(156.9)**	**291.6**	**(448.5)**

Balance Sheet

Data in million euros	31 March 2019	30 September 2018
PP&E and other Fixed Assets	221.5	221.5
Net Long Term Financial Assets	18.0	6.8
Net Goodwill	920.8	920.8
Other Intangible Assets	481.6	505.2
Deferred Tax Assets	19.1	18.6
Net Inventory	1,191.6	1,188.5
Net Receivables and Others	1,899.1	1,939.3
Cash & Cash Equivalents	1,914.4	2,064.5
Total Assets	**6,666.1**	**6,865.2**
Group Equity	479.6	510.0
Minority interests	1.8	1.6
Non-Current Liabilities	41.7	43.1
Deferred Tax Liabilities	270.1	279.7
Short Term Financial Debt	39.8	32.9
Short Term Provisions	15.1	11.6
Trade and Other Payables	5,818.0	5,986.3
Total Liabilities	**6,666.1**	**6,865.2**

Tobacco Volumes Evolution

	Million units			% Y-o-Y Change	
	1 Oct. 2018 - 31 Mar. 2019	1 Oct. 2017 - 31 Mar. 2018	1 Oct. 2016 - 31 Mar. 2017	1 Oct. 2018 - 31 Mar. 2019	1 Oct. 2017 - 31 Mar. 2018
TOTAL					
Cigarettes	72,275	74,348	76,171	(2.8)%	(2.4)%
RYO/MYO/Others	10,837	9,951	10,067	8.9%	(1.1)%
Cigars	1,933	1,911	1,874	1.1%	2.0%
SPAIN					
Cigarettes	20,732	20,471	21,009	1.3%	(2.6)%
RYO/MYO/Others	3,218	2,952	2,996	9.0%	(1.5)%
Cigars	907	925	956	(1.9)%	(3.3)%
PORTUGAL					
Cigarettes	1,159	1,073	892	8.0%	20.3%
RYO/MYO/Others	51	50	55	1.0%	(9.6)%
Cigars					
FRANCE					
Cigarettes	18,979	20,476	21,605	(7.3)%	(5.2)%
RYO/MYO/Others	3,937	4,194	4,638	(6.1)%	(9.6)%
Cigars	591	589	603	0.4%	(2.3)%
ITALY					
Cigarettes	31,404	32,328	32,665	(2.9)%	(1.0)%
RYO/MYO/Others	3,632	2,756	2,377	31.8%	16.0%
Cigars	434	397	315	9.3%	26.1%

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. 2018 – 31 March 2019	**1 Oct. 2017 – 31 March 2018**
Revenue	4,764.6	4,466.5
Procurements	(4,197.2)	(3,921.3)
Gross Profit	**567.4**	**545.2**

- **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. 2018 – 31 March 2019	**1 Oct. 2017 – 31 March 2018**
Adjusted Operating Profit	**126.1**	**114.1**
(-) Restructuring Costs	(9.6)	(1.7)
(-) Amortization of Assets Logista France	(26.1)	(26.2)
(+/-) Net Loss of Disposal and Impairment of Non-Current Assets	2.5	0.0
(+/-) Share of Results of Companies and Others	0.9	0.8
Profit from Operations	**93.6**	**87.0**

- **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. 2018 – 31 March 2018	**1 Oct. 2017 – 31 March 2017**	**%**
Economic Sales	567.4	545.2	4.1%
Adjusted Operating Profit	126.1	114.1	10.5%
Margin over Economic Sales	**22.2%**	**20.9%**	**+130 b.p.**

- **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. 2018 – 31 March 2019	1 Oct. 2017 – 31 March 2018
Cost of logistics network	398.8	384.5
Commercial expenses	36.6	34.3
Research expenses	1.4	1.0
Head office expenses	40.2	39.3
(-) Restructuring costs	(9.6)	(1.7)
(-) Amortization of Assets Logista France	(26.1)	(26.2)
Operating Costs or Expenses in management accounts	**441.3**	**431.2**

- **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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