



2016 Results presentation

November 2016

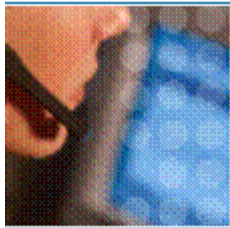


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- **Results Highlights**
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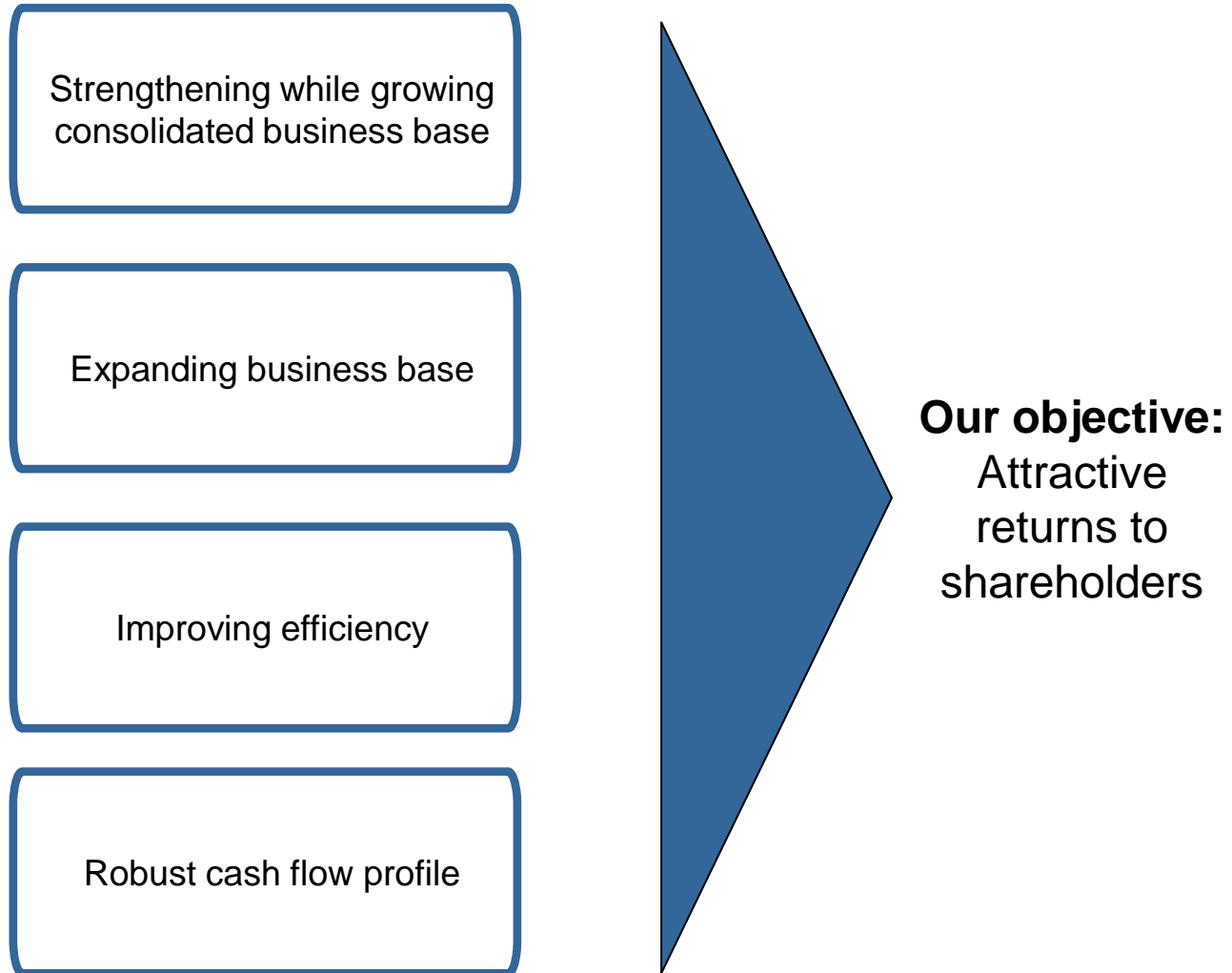
- c. +3% Economic Sales growth
 - Revenues increasing by 1.7% to €9,632m
 - Economic Sales reached €1,038m, up by 2.8%
- +5.3% adjusted EBIT growth to €235m
 - Positive impact of litigation provision's reversal in Q2 2015 affecting comparison
 - Further expansion of Adjusted EBIT margin: +50 b.p.
- Net Income strongly increased to €132m (+21.0%)
- Economic Free Cash Flow: €340m
 - More than doubling previous year's
- Total dividends per share: €0.90
 - Proposal of €0.65 final dividend to be paid in Q2 2017

Positive performance in all P&L lines:

Low single digit growth in Revenues progressing into a solid double digit growth in Net Income



Delivering on our objectives



Maintaining leadership in tobacco (contracts renewal depends on expiry calendar):

- Spain: British American Tobacco and Japan Tobacco International

Growing services:

- Expansion of revenues from route-to-consumer information to tobacco sector
- International transport in Italy and Spain continued growing
- In transport: enlarging service level through new dedicated routes for the pharmaceutical sector
- Supporting start up operations of new NGP factory in Italy for a client

Supporting industry/anticipating changes:

- Preparing for Track & Trace requirements in tobacco distribution: a year of joint work
- Additional services to prepare for plain packaging implementation in France
- Illicit trade: Security investments/proactivity

Consolidated business base: Positive Economic sales performance

Boosting sales into existing pipeline (wholesale):

- Partnership agreements with manufacturers increasing: new contracts in the 3 countries
- Multichannel deployment: websites, PoS terminals showing solid expansion (+1,500) in Spain and continue growing in Italy...
- Developing our presence at PoS with new services: coolers, furniture sets, store layout, etc.
- Very successful start of distribution agreement to wholesalers with FMCG multinational in Spain
- Focus on improving sales in Italy

Developing Pharma (special focus on distribution to pharmacies):

- Additional contracts in pre-wholesaling: reinforcing our leadership position
- Positive development in first year of the new contracts in distribution to pharmacies

Economic Sales from convenience and Pharma growing at double digit

Vertical business model:

- Continuous reduction of headcount in tobacco warehouses in Spain
- Restructuring of service points in Italy: 5 transformed into transit points
- Ending the centralisation of orders in Italy

Synergies:

- Reorganisation of transport routes
- Boosting omnichannel ordering
- Streamlining network in Italy: 19 closures

Continuous improvements:

- Increasing efficiency in picking preparation in Italy
- Reusable boxes' project: roll-out in Italy
- Environmental measures: accelerating carbon footprint reduction, recognised for the first time on the Climate "A" list by CDP

+50 b.p. in Adjusted EBIT margin over Economic Sales

High cash conversion:

- FCF / EBITDA increased to 125%

High pay out ratio:

- 90% of Net Profit distributed as dividends

Bi-annual dividend payments:

- 0.50 Euros/share paid in February (corresponding to final dividend fiscal year 2015)
- 0.25 Euros/share paid in August (interim fiscal year 2016)

€100m paid during fiscal year 2016

Strengthening while growing consolidated business base

Tobacco and Transport: Positive Economic sales performance

Expanding business base

Economic Sales from convenience and Pharma growing at double digit

Improving efficiency

+50 b.p. in Adjusted EBIT margin over Economic Sales

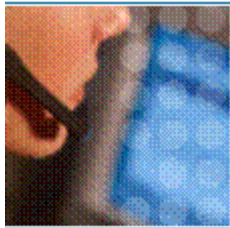
Robust cash flow profile

€100m dividends paid during fiscal year 2016



Dividend Yield
in FY2016:
4.4%*

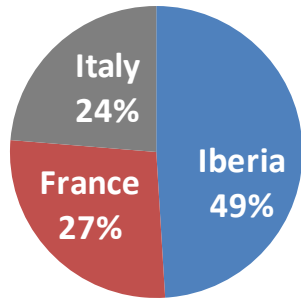
* €0.75 dividends paid during 2016; share price on 30 September 2015: €16.86



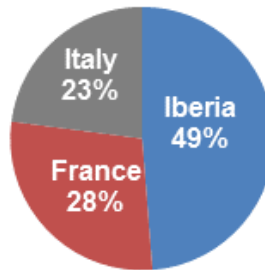
Business Review

Geographical Split

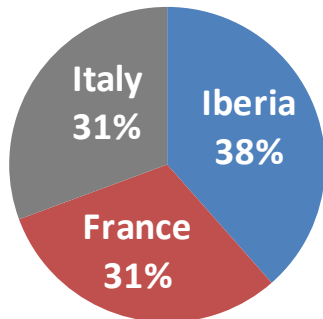
Eco. Sales: €1,038m ¹



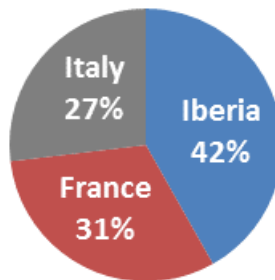
FY 2015: €1,010m ¹



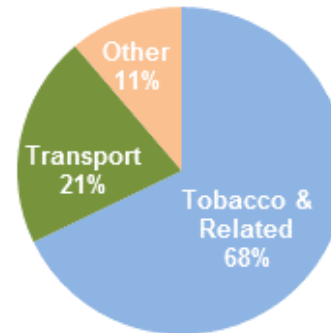
Adj. EBIT: €235m ²



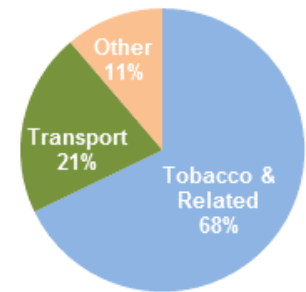
FY 2015: €223m ²



Breakdown of activities: Ec. Sales ³



FY 2015: 1,010m ³



- **Tobacco & Related in all 3 regions**
 - Italy, less developed in Related
- **Transport in Iberia**
 - Margins below Group's average
- **Other Businesses**
 - Iberia: Pharma, Publications and Lottery
 - France: wholesale in other channels

¹ Breakdown calculated over Eco. Sales before Corporate Centre & Others: FY 2016 €1,033m / FY 2015 €1,004m

² Breakdown calculated over Adj. EBIT before Others & Adjustments: FY 2016 €247m / FY 2015 €235m

³ Breakdown calculated over Ec. Sales before Corporate Centre & Others and Adjustments: FY 2016 €1,081m / FY 2015 €1,052m

Iberia

- Macroeconomic environment: significant growth
- Positive litigation results last year, affecting comparison
- Stable tobacco volume and no change in RSP vs. increase in FY2015
- Convenience products sales boosted by our business model
- Transport continued benefitting from activity recovery
- Significant growth in Pharma business

Revenues: €2,640m (+2.5%)

Ec. Sales: €507m (+3.5%)

Adj. EBIT: €95 (-3.0%)

France

- Macroeconomic environment: initial recovery but then stagnating
- Positive tobacco volumes, no RSP increase for the 2nd consecutive year
- Convenience and other businesses reflected irregular consumption performance

Revenues: €4,411m (+0.1%)

Ec. Sales: €282m (-0.8%)

Adj. EBIT: €76m (+3.9%)

Italy

- Macroeconomic environment: fragile recovery
- Almost stable tobacco volumes, RSP increase similar to last year's in a market increasingly turning towards low-price brands
- Reorganisation of the distribution network

Revenues: €2,611m (+3.7%)

Ec. Sales: €245m (+6.4%)

Adj. EBIT: €76m (+19.8%)

Corporate & Others

- Polish activities strongly growing, although very small
- Slightly higher Corporate costs

Revenues: €(30)m (+5.1%)

Ec. Sales: €5m (-24.4%)

Adj. EBIT: €(12)m (-4.6%)

Tobacco and Related

- Good performance of tobacco volumes:
 - Cigarette: 0.0% vs. -0.8%
 - RYO: -1.6% vs. -0.8%
- Stable RSP vs. rise last fiscal year: +5 cents per pack
- Value added services increased
- Very positive activity in Portugal (gaining market share)
- Strong growth in sales of non-tobacco related products, new agreements

Revenues: €2,271m
(+2.4%)

Ec. Sales: €248m
(+1.3%)

Transport

- Long haul: Growth excluding last year's divestment of a subsidiary in Q3
- Parcel: Increasing differentiation through value added service, very positive performance
- Courier: Shipment growth around double digit continued

Revenues: €330m
(+0.1%)

Ec. Sales: €227m
(+3.2%)

Other Businesses

- Pharma increased market share in hospitals and pharmacies
 - Positive track-record in first year of contract with FMCG multinational
- Publications: contracts with new publishers mitigating sector weakness
- Lottery sales slightly increasing

Revenues: €130m
(+11.5%)

Ec. Sales: €74m
(+10.9%)

Adjusted EBIT

- Positive litigation results last year (€8.2m) reduced costs and affected comparison between periods:
 - Excluding non-recurring: +5.8%
- Customary cost control measures boosted recurring Adj. EBIT margin

Adj. EBIT: €95m
(-3.0%)

Tobacco and Related

- Growing tobacco volumes:
 - Cigarette: +1.1% vs. -0.5%
 - RYO: +3.0% vs. +4.4%
- No RSP increases in FY2016 and FY2015
- Ec. Sales of convenience rising despite irregular consumption trend
- Declining prepaid telephony sector mitigated by increase in other e-transactional products

Revenues: €4,208m
(+0.4%)

Ec. Sales: €236m
(-0.9%)

Other Businesses

- Declining trend softened despite disruptive factors along the year: strikes, social protests/riots and terrorist attacks affecting tourist season
- Portfolio of clients reorganisation almost finished
- Still difficult trading environment

Revenues: €209m
(-5.6%)

Ec. Sales: €51m
(-2.3%)

Adjusted EBIT

- Some measures to prepare operations for plain packaging implementation
- Reorganisation undertaken in the last 2 years translating into higher Adjusted EBIT margin

Adj. EBIT: €76m
(+3.9%)

**Tobacco and
Related**

- Stable tobacco volumes:
 - Cigarette: -0.1% vs. -0.7%
 - RYO: +4.4% vs. +4.2%
- RSP increase similar to last year's: +20 cents per pack followed by a price reduction of some RYO brands
- Cigarette low price segment continues driving market dynamics
- Growth of value added services to manufacturers
- Several commercial actions to continue fuelling convenience products' sales growth

Revenues: €2,611m
(+3.7%)**Ec. Sales: €245m**
(+6.4%)**Adjusted EBIT**

- Continuous measures to control costs and improve efficiency
- Reorganization of distribution network
- New expansion of Adj. EBIT margin

Adj. EBIT: 76m
(+19.8%)



Financial Review

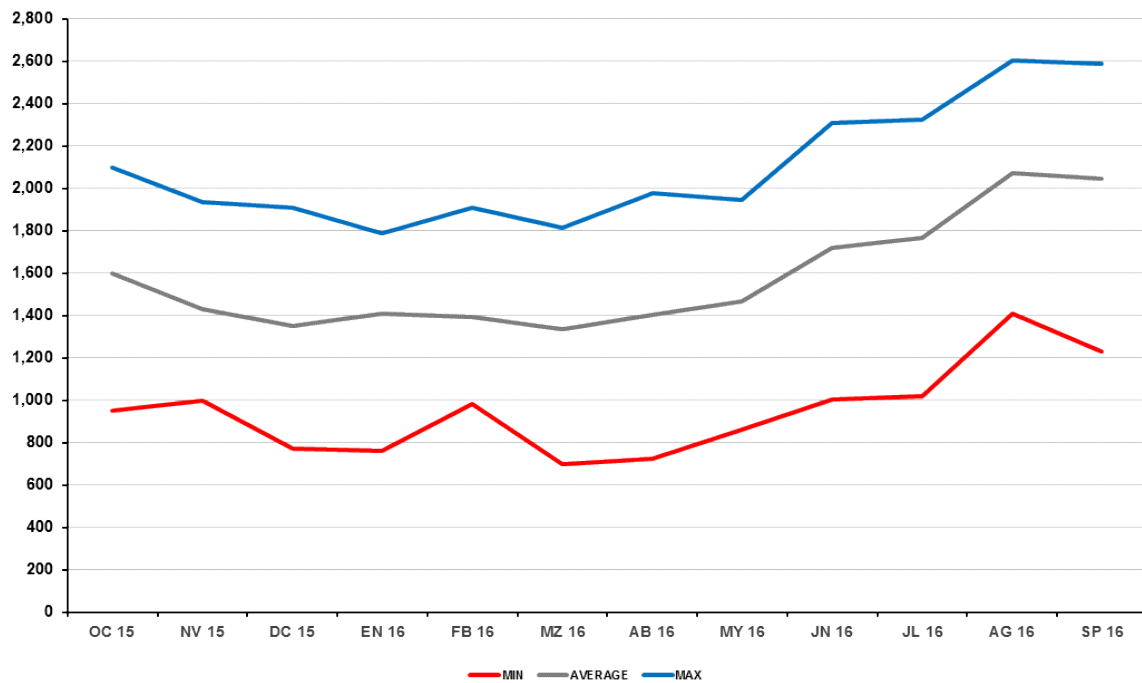
(€m)	2016	2015	Δ%
Revenues	9,632.0	9,471.0	+1.7%
Eco. Sales	1,038.1	1,010.1	+2.8%
(-) Distribution Costs	(662.5)	(647.6)	(2.3)%
(-) Sales and Marketing Expenses	(64.3)	(63.1)	(1.9)%
(-) Research Expenses and G&A Expenses	(76.5)	(76.4)	(0.1)%
Total Costs	(803.3)	(787.1)	(2.0)%
Adjusted EBIT	234.8	222.9	+5.3%
Margin %	22.6%	22.1%	+50 b.p.
(-) Restructuring Cost	(6.6)	(12.7)	48.0%
(-) Amort. of Intangibles Logista France	(52.2)	(52.2)	0.0%
(-) Net Loss on Disposal and Impairments	0.2	1.8	(88.2)%
(-) Share of Results of Companies and Others	0.9	0.2	+418.3%
Profit from Operations	177.1	159.9	+10.8%

- Revenues: Good performance of Tobacco and related in all geographies and Pharma in Iberia more than offset the decline of Other businesses in France
- Ec. Sales increased in almost all activity (specially Pharma, Transport and Tobacco and Related in Spain and Italy) above the decline in France
- Cost growing well below recurring activity: not fully comparable to last year's (-1.0% LFL)
- New expansion of Adj. EBIT margin

- Lower restructuring costs reflecting activity improvement
- No impairment needed
- Profit from Operations growing above Adj. EBIT and Ec. Sales

(€m)	2016	2015	Δ%
Profit from operations	177.1	159.9	+10.8%
(+) Financial Income	13.7	12.4	+10.8%
(-) Financial Expenses	(3.1)	(4.3)	+28.0%
Profit before taxes	187.8	167.9	+11.8%
(-) Corporate Income Tax	(55.3)	(58.0)	(4.8)%
<i>Effective Income Tax Rate</i>	<i>29.4%</i>	<i>34.6%</i>	<i>+520 b.p.</i>
(+/-) Other Income / (Expenses)	(0.1)	(0.3)	+60.0%
(-) Minority Interest	(0.3)	(0.4)	+21.1%
Net Income	132.1	109.2	+21.0%

- Positive Financial Result:
 - Improvement of results from an affiliate company dedicated to electronic banking for the tobacconist channel in Italy
 - Lower interest rates on higher average cash position
- Lower effective corporate income tax rate:
 - Reduction of nominal rate in Spain
 - Deductions linked to IPO in Spain for 3 years (including FY2016)
 - Adjustments in Deferred Taxes due to future announced CIT reductions



- Seasonality driving cash position to its peak towards year end
- Dividend payments:
 - February (€66.4m) Final 2015
 - August (c. €33.1m) Interim 2016

(€m)	Mínimum	Average	Maximum
Cash	699	1,582	2,603

(€m)	2016	2015	Δ%
Maintenance	3.1	4.3	(27.9)%
Infrastructure	11.7	13.2	(11.4)%
IT investments (technology)	10.1	13.2	(23.5)%
Total investments	24.9	30.7	(18.9)%

- > 40% dedicated to technology
- Limited investment in warehouses: asset light business model

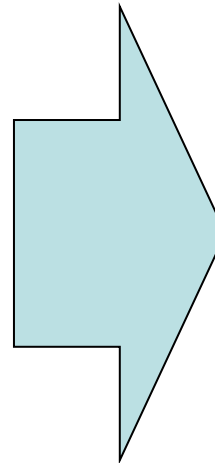
(€m)	2016	2015	Δ
EBITDA	273	261	12
Working Capital Variations and Others	119	(19)	138
Corporate Income Tax Paid	(40)	(70)	30
Financial Income and Expenses Flows	11	8	3
Cash Flow From Operating Activities	363	180	183
Net Investments	(23)	(28)	5
Economic Free Cash Flow	340	152	188
% over EBITDA	125%	58%	

- Substantial improvement due to:
 - Increase in results
 - More favourable working capital position at year end (average position during the year was stable compared to preceding year)
- Increase in FCF generation

- Directors will propose a dividend distribution for year ended September 2016 of €119.3 million
 - Interim dividend paid in August 2016 (€0.25 per share, c. €33.1m)
 - Final dividend per share: €0.65 (number of shares: 132,750,000, treasury stock: 275,614)
 - Payable at the end of second quarter of fiscal year 2017

- Directors intend for the next years to distribute, at least, 90% of reported net profit in dividends
 - Interim dividend: 1/3 of the previous year's total dividend, in the fourth quarter of the relevant fiscal year
 - Final dividend: in function of reported net profit, in the second quarter of the next fiscal year

- Highly resilient business model
- Superior profitability with improving margins
- Robust Economic Cash Flow profile
- Attractive Dividend Pay-out profile



TSR 2016* :+22.2%

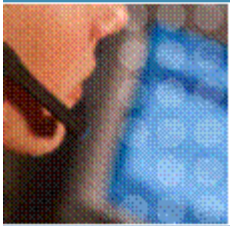
* Source: Bloomberg, from 30 September 2015 to 30 September 2016 (without dividends' reinvestment)



Outlook

- Current trading environment suggests a similar Adjusted EBIT growth rate in FY2017
- Slightly higher restructuring costs, depending on activity evolution
- Positive impact in Financial Results from divestment of Italian subsidiary (e-bank ITB)
- Existing deductions in Corporate Income Tax could translate into Net Income growing at double digit given +4% to +5% Adjusted EBIT growth

The uncertainties surrounding the impact of plain packaging implementation in France at the beginning of Q2 2017 is difficult to evaluate and may hamper the achievement of the expected results



Appendix

Million units

% Y-o-Y Change

	1 Oct. 2015 – 30 Sept. 2016	1 Oct. 2014 – 30 Sept. 2015	1 Oct. 2013 – 30 Sept. 2014	1 Oct. 2015 – 30 Sept. 2016	1 Oct. 2014 – 30 Sept. 2015
TOTAL					
Cigarettes	168,300	167,734	168,895	+0.3%	(0.7)%
RYO/MYO	20,955	20,617	20,126	+1.6%	+2.4%
Cigars	3,842	3,968	4,040	(3.2)%	(1.8)%
SPAIN					
Cigarettes	46,144	46,136	46,528	+0.0%	(0.8)%
RYO/MYO	6,509	6,618	6,675	(1.6)%	(0.8)%
Cigars	2,066	2,128	2,153	(2.9)%	(1.2)%
PORTUGAL					
Cigarettes	1,786	1,675	1,694	+6.6%	(1.1)%
RYO/MYO	139	166	192	(16.5)%	(13.3)%
Cigars					
FRANCE					
Cigarettes	46,545	46,027	46,261	+1.1%	(0.5)%
RYO/MYO	9,787	9,501	9,105	+3.0%	+4.4%
Cigars	1,296	1,356	1,401	(4.4)%	(3.2)%
ITALY					
Cigarettes	73,825	73,896	74,412	(0.1)%	(0.7)%
RYO/MYO	4,520	4,330	4,154	+4.4%	+4.2%
Cigars	480	484	486	(0.9)%	(0.4)%

(€m)	2016	2015	Δ%
Iberia	2,639.9	2,576.7	+2.5%
Tobacco & Related	2,270.9	2,218.1	+2.4%
Transport Services	329.9	329.5	+0.1%
Other Businesses	129.9	116.5	+11.5%
Adjustments	(90.8)	(87.4)	(3.9)%
France	4,410.8	4,406.9	+0.1%
Tobacco & Related	4,207.9	4,193.0	+0.4%
Other Businesses	209.3	221.6	(5.6)%
Adjustments	(6.4)	(7.7)	+17.6%
Italy	2,611.2	2,518.9	+3.7%
Tobacco & Related	2,611.2	2,518.9	+3.7%
Corporate & Others	(29.9)	(31.5)	+5.1%
Total Revenues	9,632.0	9,471.0	+1.7%

(€m)	2016	2015	Δ%
Iberia	506.7	489.5	+3.5%
Tobacco & Related	248.4	245.1	+1.3%
Transport Services	227.3	220.2	+3.2%
Other Businesses	73.6	66.4	+10.9%
Adjustments	(42.6)	(42.2)	(0.9)%
France	281.8	284.2	(0.8)%
Tobacco & Related	236.3	238.6	(0.9)%
Other Businesses	50.5	51.7	(2.3)%
Adjustments	(5.0)	(6.2)	+18.4%
Italy	244.9	230.2	+6.4%
Tobacco & Related	244.9	230.2	+6.4%
Corporate & Others	4.7	6.3	(24.4)%.
Total Economic Sales	1,038.1	1,010.1	+2.8%

(€m)	2015	2016	Δ%
Iberia	95.1	98.1	(3.0)%
France	76.2	73.3	+3.9%
Italy	75.7	63.1	+19.8%
Corporate & Others	(12.2)	(11.6)	(4.6)%
Total Adjusted EBIT	234.8	222.9	+5.3%

(€m)	2016	2015
PP&E and other Fixed Assets	208.7	216.0
Net Long Term Financial Assets	10.0	9.5
Net Goodwill	919.1	919.1
Other Intangible Assets	602.4	660.7
Deferred Tax Assets	22.4	40.9
Net Inventory	1,085.8	1,060.5
Net Receivables	1,793.1	1,773.0
Cash & Cash Equivalents	2,062.7	1,798.3
Total Assets	6,704.2	6,478.0
Group Equity	471.4	442.6
Minority interests	2.1	1.8
Non Current Liabilities	37.6	48.2
Deferred Tax Liabilities	328.5	328.1
Short Term Financial Debt	33.6	31.7
Short Term Provisions	17.1	16.8
Trade and Other Payables	5,813.9	5,608.8
Total Liabilities	6,704.2	6,478.0



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