

# Logista FY 2019 Results

November 5, 2019



# Logista reports FY 2019 Results

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

- The growth recorded by Revenues and Economic Sales<sup>1</sup> that grew 7.1% and 2.8% respectively
- The positive evolution of Adjusted Operating Profit<sup>1</sup>, progressing by 6.5% and Profit from Operations increasing by 7.3%, as a consequence of the good performance recorded by the activity
- The increases in Profit Before Taxes and Net Income, 6.9% and 5.1% respectively, despite recording a higher corporate income tax rate than in the preceding fiscal year

## Key Metrics Summary

Data in million euros	1 Oct. 2018 – 30 Sept. 2019	1 Oct. 2017 – 30 Sept. 2018	% Change
Revenues	10,148.3	9,476.5	+7.1%
Economic Sales <sup>1</sup>	1,149.0	1,118.2	+2.8%
Adjusted Operating Profit <sup>1</sup>	261.9	245.9	+6.5%
Margin over Economic Sales <sup>1</sup>	22.8%	22.0%	+80 b.p.
Profit from Operations	204.3	190.5	+7.3%
Net Income	164.6	156.7	+5.1%

The Group closed a very positive fiscal year in which, once more, its capacity to obtain growing results, even under complicated macroeconomic and regulatory circumstances, has been demonstrated.

In fact, the main uncertainties existing during the last fiscal year (the US-China commercial tensions, as well as the way UK is going to leave the European Union) not only have not cleared up, but also have continued being very much present. On the other hand, Italy entering into technical recession and its following stagnation, the French social protests or the situation of the Spanish Government have not contributed to achieve a significant recovery of private consumption in the countries where the Group operates.

Additionally, as it was expected, the Group has successfully met the challenge of providing distribution services of tobacco products after the entry into force, on 20 May 2019, of the new traceability regulation required by the European Union for that sector.

In this context, the Group has recorded a positive activity evolution practically in all business lines. Per activities, distribution of convenience products in all geographies and channels, Pharma, 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 7.1% over the 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 €194.3 million. The increase registered in the Group's Revenues, excluding this effect, has been of 5.0%.

**Economic Sales<sup>1</sup>** grew by 2.8%, reaching €1,149.0 million, thanks to the improvements recorded by the activity in Iberia and France, which more than offset the reduction experienced in Italy.

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

The evolution of tobacco volumes (cigarettes plus RYO and others) distributed in this fiscal year vs. fiscal year 2018 (-1.5%) was much less negative than the -3.0% yearly variation in fiscal year 2018 vs. fiscal year 2017. France recorded reductions of distributed volumes of cigarettes and RYO while Spain and Portugal distributed volumes increased. In the case of Italy, the reduction was very slight and the distributed volumes stood practically stable.

The movements in prices, taxes and commissions on tobacco products occurred during this and past fiscal years had a positive impact in the results, derived from the Group's inventory valuation. This impact was not very significant in either period.

Total operating costs<sup>1</sup> grew by 1,7%, below the increase of Economic Sales<sup>1</sup> despite the cost base in France during a large part of the year was over-dimensioned with respect to the distributed volumes (reason why a restructuring process in the country was implemented during this fiscal year) and the important growth experienced by the Transport activity cause a certain dilution effect in the margins at Group level.

**Adjusted EBIT**<sup>1</sup> reached €261.9 million (+6.5% above previous year) which, together with a much higher restructuring costs<sup>1</sup> during the period (€11.4 million compared to €3.6 million) partially offset by the capital gain from the sale of a building in Portugal (€2.5 million) and by the positive result of the impairment test of one of the business of the Group (€2.5 million), contributed to a 7.3% **Profit from Operations** increase vs. last year, reaching €204.3 million.

The Adjusted EBIT margin over Economic Sales<sup>1</sup> advanced to 22.8% compared to the 22.0% obtained in fiscal year 2018.

**Financial Results** in this fiscal year stood practically flat at €12.8 million compared to €12.7 million registered in fiscal year 2018.

The Tax rate in the period increased to 24.1% from 23.0% recorded during last year.

Because of all the above mentioned, the **Net Income** went up by 5.1% to €164.6 million.

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

## Revenues Evolution (By Segment and Activity)

Data in million euros	1 Oct. 2018 – 30 Sept. 2019	1 Oct. 2017 – 30 Sept. 2018	% Change
<b>Iberia</b>	<b>3,157.4</b>	<b>2,812.6</b>	<b>12.3%</b>
Tobacco & Related	2,753.9	2,402.2	14.6%
Transport Services	385.7	366.2	5.3%
Other Businesses	152.2	141.8	7.3%
Adjustments	(134.4)	(97.6)	(37.7)%
<b>France</b>	<b>4,069.5</b>	<b>4,021.6</b>	<b>1.2%</b>
Tobacco & Related	3,891.7	3,840.1	1.3%
Other Businesses	187.2	189.3	(1.1)%
Adjustments	(9.4)	(7.8)	(20.6)%
<b>Italy</b>	<b>2,961.6</b>	<b>2,688.1</b>	<b>10.2%</b>
Tobacco & Related	2,961.6	2,688.1	10.2%
<b>Corporate &amp; Others</b>	<b>(40.1)</b>	<b>(45.8)</b>	<b>12.4%</b>
<b>Total Revenues</b>	<b>10,148.3</b>	<b>9,476.5</b>	<b>7.1%</b>

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

Data in million euros	1 Oct. 2018 – 30 Sept. 2019	1 Oct. 2017 – 30 Sept. 2018	% Change
<b>Iberia</b>	<b>581.6</b>	<b>561.4</b>	<b>3.6%</b>
Tobacco & Related	278.4	272.1	2.3%
Transport Services	270.0	253.0	6.7%
Other Businesses	86.4	84.2	2.6%
Adjustments	(53.2)	(47.9)	(10.9)%
<b>France</b>	<b>277.7</b>	<b>264.2</b>	<b>5.1%</b>
Tobacco & Related	233.2	218.6	6.7%
Other Businesses	51.7	51.6	0.3%
Adjustments	(7.2)	(6.0)	(20.3)%
<b>Italy</b>	<b>286.1</b>	<b>290.4</b>	<b>(1.5)%</b>
Tobacco & Related	286.1	290.4	(1.5)%
<b>Corporate &amp; Others</b>	<b>3.6</b>	<b>2.2</b>	<b>64.5%</b>
<b>Total Economic Sales<sup>1</sup></b>	<b>1,149.0</b>	<b>1,118.2</b>	<b>2.8%</b>

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

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

Data in million euros	1 Oct. 2018 – 30 Sept. 2019	1 Oct. 2017 – 30 Sept. 2018	% Change
<b>Iberia</b>	<b>120.2</b>	<b>114.2</b>	<b>5.3%</b>
<b>France</b>	<b>74.3</b>	<b>65.8</b>	<b>13.0%</b>
<b>Italy</b>	<b>81.0</b>	<b>79.5</b>	<b>1.9%</b>
<b>Corporate &amp; Others</b>	<b>(13.6)</b>	<b>(13.6)</b>	<b>(0.2)%</b>
<b>Total Adjusted EBIT<sup>1</sup></b>	<b>261.9</b>	<b>245.9</b>	<b>6.5%</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 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<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 fiscal years 2019 and 2018:

Data in million euros	1 Oct. 2018 – 30 Sept. 2019	1 Oct. 2017 – 30 Sept. 2018
<b>Adjusted Operating Profit<sup>1</sup></b>	<b>261.9</b>	<b>245.9</b>
(-) Restructuring Costs <sup>1</sup>	(11.4)	(3.6)
(-) Amortization of Assets Logista France	(52.2)	(52.3)
(+/-) Net Loss of Disposal and Impairment of Non-Current Assets	4.8	(0.5)
(+/-) Share of Results of Companies and Others	1.2	1.0
<b>Profit from Operations</b>	<b>204.3</b>	<b>190.5</b>

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

# I. Business Review

## A. Iberia: Spain and Portugal

The Iberia segment's Revenues increased to €3,157.4 million compared to €2,812.6 million in fiscal year 2018, recording a 12.3% growth (including the effect from a change in the accounting criteria of the Revenues of the tobacco distribution in Portugal for a total of €194.3 million). The Economic Sales<sup>1</sup> of the segment reached €581.6 million, a 3.6% ahead of the €561.4 million recorded in the preceding fiscal year.

Revenues in **Tobacco and related products** increased by 14.6%, because of the growth of the activity both in Spain and in Portugal, as well as of the effect of the 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 6.6%.

The volumes of cigarettes and RYO and others distributed in the Iberia segment showed a very positive performance in the year, increasing a 1.9% compared to fiscal year 2018 and growing in Spain as well as in Portugal, in the case of the later because of the increase in market share of the Group in that country.

In Spain, cigarette volumes distributed went up by 0.5% vs. the preceding fiscal year, turning around the negative trend in that year compared to the fiscal year 2017 (-1.6%). 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 9.7% and reducing by 2.7%, respectively compared to 1.8% and -2.4% in the yearly comparison of the preceding year.

Generally, tobacco manufacturers maintained the retail selling price of their products stable during 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 at the end of that fiscal year.

The activity of distribution of convenience products in tobacconists as well as in other channels as, for example, petrol stations continued its positive trend, so the Economic Sales<sup>1</sup> grew significantly compared to fiscal year 2018.

The Group continues focusing its growth strategy in this activity, through distribution agreements with manufacturers and networks of points of sale, which allows keeping on expanding its capillarity at the same that growing its penetration in the points of sale in which is already present.

In this sense, it is worth noting that in the last quarter of the fiscal year the Group reached an agreement with Cepsa by which the Group will be responsible of the distribution of the different products commercialised in the stores located in their petrol stations in Spain. This agreement, signed for three years, is currently reaching 900 point of sales, that could increase in the future and it joining the services that the Group was already providing to Cepsa in the Portuguese market.

Thus, Economic Sales<sup>1</sup> in Tobacco and related products grew by 2.3% comparing to fiscal year 2018 thanks 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 5.3%. However, the Economic Sales<sup>1</sup> performance has differed among the activities, being stable in Long distance while in Courier and Industrial parcel increased significantly. Economic Sales<sup>1</sup> in Transport went up by 6.7% to €270 million.

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

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 7.3% reaching €152.2 million and Economic Sales<sup>1</sup> went up by 2.6% to €86.4 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, the distribution of publications in Spain has suffered reductions in Revenues and Economic Sales<sup>1</sup> because of the difficult situation the sector continues living.

Total operating expenses<sup>1</sup> in the Iberia segment increased by 3.2% in the period, below the increase reported in Economic Sales<sup>1</sup>.

**Adjusted Operating Profit**<sup>1</sup> reached €120.2 million, an increase of 5.3% with respect to last year.

In the fiscal year the restructuring costs<sup>1</sup> amounted €2.2 million (slightly above preceding year, that reached €2.0 million in the preceding year), that together with, among other factors, the capital gain from the sale of a building in Portugal (€2.5 million) and the positive result of the impairment test of one of the business of the segment (€2.5 million) allowed The **Profit from Operations** increased by 11.3% to reach €124.2 million versus €111.6 million recorded at the end of fiscal year 2018.

## B. France

Revenues from the France segment grew by 1.2% to €4,069.5 million while Economic Sales<sup>1</sup> increased by 5.1%, to reach €277.7 million.

**Tobacco and related products** Revenues grew by 1.3% to €3,891.7 million due to the increase in tobacco prices and despite the decline experienced by distributed tobacco volumes vs. last year, both in cigarettes (-6.5%) and in RYO, that includes as well heat-not-burn consumables (-5.5%).

This evolution, despite being negative, could be considered as positive, considering 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 90 cents (increasing the price of the most sold brand to €8.80). Due to these movements, at positive net global impact in the valuation of Group's inventories was recorded in the results.

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 at the end of the fiscal year 2018.

The performance of the Economic Sales<sup>1</sup> of convenience products and electronic transactions was positive in both cases.

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

Thus, Economic Sales<sup>1</sup> of Tobacco and related products increased significantly, +6.7%, to €233.2 million, despite the Revenues grew by 1.3% over the same period in the previous year.

The **Other Businesses** activity (wholesale distribution of convenience products in non-tobacconist channels) experienced a slight decrease of 1.1% in Revenues, in a still difficult consumption environment, characterised by a strong price competition. However, the strategic selection of clients by profitability as well as by category of products with a higher margin help improving Economic Sales<sup>1</sup>, that grew slightly (0.3%) compared to the previous fiscal year.

The total operating costs<sup>1</sup> of the France segment increased by 2.5% so **Adjusted Operating Profit**<sup>1</sup> improved to €74.3 million, a 13.0% higher than in the preceding year.

During current fiscal year, a plan for restructuring the operations of distribution of both tobacco and convenience products to tobacconists implying the closure of two of the warehouses operating in the country has been implemented, as well as the reorganisation of activities among the rest of the centres.

This way, the restructuring expenses<sup>1</sup> in the period (€7.4 million) were much higher than the €1.0 million registered in 2018 and drove **Profit from Operations** to €14.6 million, vs. the €12.5 million recorded in the same period of the previous fiscal year. The main adjustment in this segment is the Amortization of Assets generated from the acquisition of Logista France that was €52.2 million in both fiscal years.

## C. Italy

The Revenues in the Italy segment increased by 10.2% to €2,961.6 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 reduced in the fiscal year, 3.5%, slightly above the yearly comparison in fiscal year 2018 (-2.5%) while the RYO category, (that includes as well heat-not-burn consumable) continued growing in a significant manner and increased by 32.1% vs. 19.7% recorded in 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 current fiscal year, a reduction of excise taxes on the new categories of products (heat-not-burn tobacco and e-cigarettes) took place, which provoked that the retail selling price of some of these products was reduced. The global net impact in the valuation of the Group's inventories of these movements has been positive at the end of current fiscal year, although much lower than in the same period of the previous fiscal year.

During the fiscal year 2018, 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 trend in the distribution of convenience products during the year has been very positive and translated into a growth rate higher than 20% compared to the 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<sup>1</sup> in the Italy segment went down by 1.5% in current fiscal year.

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



Total operating costs<sup>1</sup> of the segment reduced by 2.8% with respect to last fiscal year, improving the drop registered in Economic Sales<sup>1</sup>, allowing a 1.9% growth on **Adjusted Operating Profit**<sup>1</sup> to €81.0 million.

The restructuring costs<sup>1</sup> linked to the gradual efficiency improvement in operations were slightly higher (€1.8 million vs. €0.4 million in 2018), so **Operating Profit** stood practically flat around €79.2 million.

## D. Corporate and Others

This segment includes corporate expenses and the Polish operations.

**Adjusted Operating Profit**<sup>1</sup> was -€13.6 million, at the same level than in the preceding year.

## 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 €1,904 million compared to €1,796 million in the preceding fiscal year.

Financial results in the fiscal year stood at a similar level to the preceding fiscal year (+0.7%) in €12.8 million vs. €12.7 million in fiscal year 2018.

### B. Net Income Evolution

The capital gain from the sale of a building in Portugal (€2.5 million) and the positive result of the impairment test in one of the businesses, mitigated the impact of the higher restructuring costs<sup>1</sup> recorded in the period (€11.4 million vs. €3.6 million) and drove Earnings Before Taxes to €217.1 million, a 6.9% above the recorded in the previous year.

The corporate tax rate registered in the period reached 24.1% compared to 23.0% the preceding year.

Net Profit climbed by 5.1% in to €164.6 million.

Earnings per Share were €1.24 vs. €1.18 in fiscal year 2018, with no variations in the number of shares of the share capital.

At 30<sup>th</sup> of September 2019, 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 obtained in the period, the financial flows, the lower payments of corporate income tax, a level of investments more in line with the customary investments by the Group than the ones made in the preceding year, more than offset the variation of working capital in the year and translated into a higher free cash flow than in the previous year. This higher free cash flow translated into a higher cash generation even after the growth recorded in the remuneration to shareholders.

## D. Dividend Policy

The Board of Directors intends to propose to the General Shareholders Meeting the distribution of a final dividend corresponding to fiscal year 2019 of €107.5 million (€0.81 per share) that will be paid at the end of the second quarter of fiscal year 2020.

Additionally, the Board of Directors approved in the Meeting of 23<sup>rd</sup> of July 2019, the distribution of an interim dividend corresponding to fiscal year 2019 of €0.37 per share (€48.9 million) that was paid on the 29<sup>th</sup> of August, 2019.

Therefore, the total dividend corresponding to fiscal year 2019 will amount around €156.4 million (€1.18 per share), a 5.4% increase over the total dividend distributed in fiscal year 2018.

## E. Outlook

Current trading environment and the performance of our businesses suggest that in fiscal year 2020, Adjusted EBIT<sup>1</sup> could record a mid-single digit growth with respect to fiscal year 2019.

After the restructuring of the network taking place in France in fiscal year 2019 to adapt it to the new level of activity, the Group do not have the intention to implement new measures of that relevance, so it can be expected that restructuring costs<sup>1</sup> will be below those recorded in fiscal year 2019.

On the other hand, financial results will be similar to those obtained in the past 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 slight rise in the effective Corporate Income Tax of the Group is expected, as the deductions applicable for the Group were completed in the last fiscal years.

As a consequence of all the above, it can be expected that Net Profit records mid-single digit growth over fiscal year 2019.

<sup>1</sup> 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](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 FY2019 results presentation for analysts and investors today, November 5, 2019, 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. 2018 – 30 Sept. 2019	1 Oct. 2017 – 30 Sept. 2019	% Change
<b>Revenues</b>	<b>10,148.3</b>	<b>9,476.5</b>	<b>7.1%</b>
<b>Economic Sales<sup>1</sup></b>	<b>1,149.0</b>	<b>1,118.2</b>	<b>2.8%</b>
(-) Distribution Operating Costs <sup>1</sup>	(735.6)	(726.0)	(1.3)%
(-) Sales and Marketing Operating Expenses <sup>1</sup>	(69.2)	(66.8)	(3.6)%
(-) Research and G&A Operating Expenses <sup>1</sup>	(82.3)	(79.5)	(3.5)%
<b>Total Operating Costs<sup>1</sup></b>	<b>(887.1)</b>	<b>(872.3)</b>	<b>(1.7)%</b>
<b>Adjusted EBIT<sup>1</sup></b>	<b>261.9</b>	<b>245.9</b>	<b>6.5%</b>
<i>Margin<sup>1</sup> %</i>	22.8%	22.0%	+80 b.p.
(-) Restructuring Cost <sup>1</sup>	(11.4)	(3.6)	(215.2)%
(-) Amort. of Assets Logista France	(52.2)	(52.3)	0.2%
(-) Net Loss on Disposal and Impairments	4.8	(0.5)	n.r.
(-) Share of Results of Companies and Others	1.2	1.0	23.2%
<b>Profit from Operations</b>	<b>204.3</b>	<b>190.5</b>	<b>7.3%</b>
(+) Financial Income	15.0	14.3	5.2%
(-) Financial Expenses	(2.2)	(1.6)	(41.0)%
<b>Profit before taxes</b>	<b>217.1</b>	<b>203.2</b>	<b>6.9%</b>
(-) Corporate Income Tax	(52.3)	(46.7)	(12.1)%
<i>Effective Income Tax Rate</i>	24.1%	23.0%	(110) b.p.
(+/-) Other Income / (Expenses)	0.0	0.0	n.r.
(-) Minority Interest	(0.1)	0.3	n.r.
<b>Net Income</b>	<b>164.6</b>	<b>156.7</b>	<b>5.1%</b>

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

## Cash Flow Statement

<i>Data in million euros</i>	1 Oct. 2018 – 30 Sept. 2019	1 Oct. 2017 – 30 Sept. 2018	Change
<b>EBITDA</b>	<b>309.6</b>	<b>295.3</b>	<b>14.3</b>
Working Capital and Others Variation	26.8	133.3	(106.4)
Corporate Income Tax (Paid) / Collected	(5.8)	(96.5)	90.7
Financial Flows	14.2	12.7	1.5
<b>Cash Flow From Operating Activities</b>	<b>344.8</b>	<b>344.7</b>	<b>0.1</b>
Net Investments	(49.1)	(55.9)	6.8
<b>Free Cash Flow</b>	<b>295.7</b>	<b>288.9</b>	<b>6.8</b>
Shareholders' Remuneration	(152.3)	(146.2)	(6.1)
<b>Cash Generation</b>	<b>143.4</b>	<b>142.7</b>	<b>0.7</b>

## Balance Sheet

<i>Data in million euros</i>	30 September 2019	30 September 2018
PP&E and other Fixed Assets	228.9	221.5
Net Long Term Financial Assets	18.1	6.8
Net Goodwill	920.8	920.8
Other Intangible Assets	457.1	505.2
Deferred Tax Assets	19.0	18.6
Net Inventory	1,282.8	1,188.5
Net Receivables and Others	1,945.8	1,939.3
Cash & Cash Equivalents	2,211.1	2,064.5
<b>Total Assets</b>	<b>7,083.6</b>	<b>6,865.2</b>
Group Equity	518.6	510.0
Minority interests	1.7	1.6
Non-Current Liabilities	44.0	43.1
Deferred Tax Liabilities	264.9	279.7
Short Term Financial Debt	37.6	32.9
Short Term Provisions	11.7	11.6
Trade and Other Payables	6,205.1	5,986.3
<b>Total Liabilities</b>	<b>7,083.6</b>	<b>6,865.2</b>

## Tobacco Volumes Evolution

	Million units			% Y-o-Y Change	
	1 Oct. 2018 - 30 Sept. 2019	1 Oct. 2017 - 30 Sept. 2018	1 Oct. 2016 - 30 Sept. 2017	1 Oct. 2018 - 30 Sept. 2019	1 Oct. 2017 - 30 Sept. 2018
<b>TOTAL</b>					
Cigarettes	151,106	155,821	161,646	(3.0)%	(3.6)%
RYO/MYO/Others	23,218	21,106	20,791	10.0%	1.5%
Cigars	4,017	4,028	4,022	(0.3)%	0.2%
<b>SPAIN</b>					
Cigarettes	44,484	44,247	44,960	0.5%	(1.6)%
RYO/MYO/Others	7,068	6,443	6,330	9.7%	1.8%
Cigars	1,876	1,929	1,976	(2.7)%	(2.4)%
<b>PORTUGAL</b>					
Cigarettes	2,473	2,351	2,058	5.2%	14.2%
RYO/MYO/Others	105	104	110	1.0%	(5.6)%
Cigars					
<b>FRANCE</b>					
Cigarettes	38,926	41,637	45,273	(6.5)%	(8.0)%
RYO/MYO/Others	8,000	8,468	9,262	(5.5)%	(8.6)%
Cigars	1,236	1,246	1,264	(0.8)%	(1.5)%
<b>ITALY</b>					
Cigarettes	65,222	67,587	69,355	(3.5)%	(2.5)%
RYO/MYO/Others	8,045	6,091	5,089	32.1%	19.7%
Cigars	905	854	782	6.0%	9.2%

## 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 – 30 Sept. 2019	1 Oct. 2017 – 30 Sept. 2018
Revenue	10,148.3	9,476.5
Procurements	(8,999.3)	(8,358.3)
<b>Gross Profit</b>	<b>1,149.0</b>	<b>1,118.2</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. 2018 – 30 Sept. 2019	1 Oct. 2017 – 30 Sept. 2018
<b>Adjusted Operating Profit</b>	<b>261.9</b>	<b>245.9</b>
(-) Restructuring Costs	(11.4)	(3.6)
(-) Amortization of Assets Logista France	(52.2)	(52.3)
(+/-) Net Loss of Disposal and Impairment of Non-Current Assets	4.8	(0.5)
(+/-) Share of Results of Companies and Others	1.2	1.0
<b>Profit from Operations</b>	<b>204.3</b>	<b>190.5</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. 2018 – 30 Sept. 2019	1 Oct. 2017 – 30 Sept. 2018	%
Economic Sales	1,149.0	1,118.2	2.8%
Adjusted Operating Profit	261.9	245.9	6.5%
<b>Margin over Economic Sales</b>	<b>22.8%</b>	<b>22.0%</b>	<b>+80 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 Annual Accounts:

<i>Million €</i>	<b>1 Oct. 2018 – 30 Sept. 2019</b>	<b>1 Oct. 2017 – 30 Sept. 2018</b>
Cost of logistics network	798.5	780.6
Commercial expenses	70.4	67.2
Research expenses	2.7	2.1
Head office expenses	79.1	78.3
(-) Restructuring costs	(11.4)	(3.6)
(-) Amortization of Assets Logista France	(52.2)	(52.3)
<b>Operating Costs or Expenses in management accounts</b>	<b>887.1</b>	<b>872.3</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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