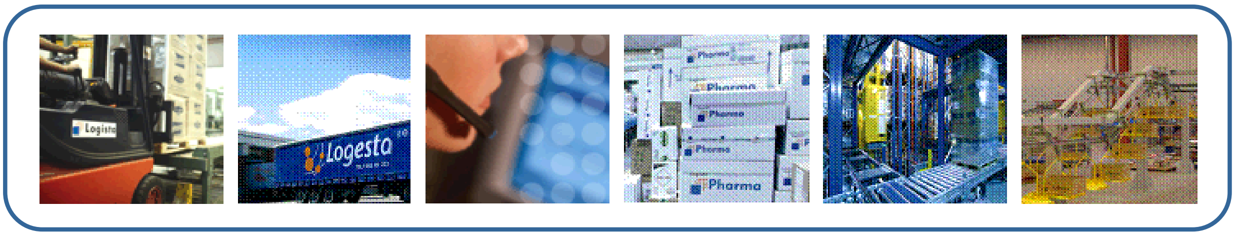
Logista Q1 2019 Results

January 31, 2019



Logista reports Q1 2019 Results

Logista announces today its Q1 Results for 2019. Main highlights:

- The progress of Revenues and Economic Sales[1] that grew 5.0% and 2.3% respectively
- The positive evolution of Adjusted Operating Profit[1], progressing by 0.4% and Profit from operations, declining by 1.4%, as a consequence of the impact of negative non-recurring results[1] that masked the good performance recorded by the activity
- The practically stable Profit Before Taxes which, however, translated into a slightly reduced Net Income after recording a higher corporate income tax rate

Key Metrics Summary

Data in million euros	1 Oct. 2018 – 31 Dec. 2018	1 Oct. 2017 – 31 Dec. 2017	% Change
Revenues	2,400.8	2,286.5	5.0%
Economic Sales[1]	280.9	274.6	2.3%
Adjusted Operating Profit[1]	59.6	59.3	0.4%
Margin over Economic Sales[1]	21.2%	21.6%	-40 b.p.
Profit from Operations	44.2	44.9	(1.4)%
Net Income	36.0	36.8	(1.9)%

During the first three months of the current fiscal year, the Group has faced a political, social and macroeconomic environment similar to the one observed at the end of previous fiscal year. The global uncertainties linked to the US-China commercial tensions, the brexit, the Italian public deficit evolution have continued and the French social protests have even worsened.

None of these factors contributed 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 that allowed to fully offsetting the negative impact on the valuation of Group's inventories because of the movements in prices, taxes and commissions on tobacco products, which had a positive impact during the first quarter of the previous fiscal year.

Group **Revenues** grew by 5.0% over the three first month of preceding year whilst **Economic Sales**[1] grew by 2.3% thanks to the improvements recorded by the activity in Iberia and France, which offset the reduction experienced in Italy.

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.

The evolution of distributed volumes (cigarettes plus RYO and others) during the first quarter vs. the same period of fiscal year 2018 (-0.6%) was slightly better than the -1.2% yearly variation in the first quarter of fiscal year 2018 vs. fiscal year 2017. France and Italy recorded reductions of distributed cigarettes volumes while in Spain and Portugal distributed volumes increased.

The taxation framework of the tobacco products remained generally stable in the quarter (except for a certain category in Italy) but some increases were announced which, despite entering into force from 1

[1] See appendix "Alternative Performance Measures"

January 2019, impacted the Group inventories' valuation. Tobacco manufacturers raised the retail-selling price of some not very representative products in Spain and Italy. The global impact of these movements was slightly negative on Group's results in the fiscal year, contrasting with the positive effect recorded for this reason in the same period last year.

Total operating costs[1] grew by 2.8%, slightly above Economic Sales[1] increase. This performance is mainly due to three factors: the unfavourable comparison base at Economic Sales[1] level derived from the inventories valuation (positive in the preceding year and negative in this year), a cost base in France still over-dimensioned with respect to the volumes reduction started last year and margin dilution effect as a consequence of the important growth experienced by the Transport activity. Therefore, the Adjusted EBIT margin over Economic Sales[1] reached 21.2% compared to the 21.6% obtained in the same period of fiscal year 2018.

Adjusted EBIT[1] reached €59.6 million (+0.4% above previous year) which, together with a much higher restructuring costs[1] during the period (€5.2 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 1.4% **Profit from Operations** decrease vs. last year, reaching €44.2 million.

Financial Results this fiscal year reached €3.2 million compared to €2.8 million registered in the first quarter of fiscal year 2018.

The Tax rate in the period was 23.7% vs. the 23.0% recorded during first quarter of the previous year.

Because of all the above mentioned, the **Net Income** slightly reduced (-1.9%) to €36.0 million.

[1] See appendix "Alternative Performance Measures"

Revenues Evolution (By Segment and Activity)

Data in million euros	1 Oct. 2018 – 31 Dec. 2018	1 Oct. 2017 – 31 Dec. 2017	% Change
Iberia	**708.7**	**679.0**	**4.4%**
Tobacco & Related	600.5	576.9	4.1%
Transport Services	97.2	93.0	4.5%
Other Businesses	36.7	33.4	9.7%
Adjustments	(25.7)	(24.3)	(5.8)%
France	**977.9**	**990.7**	**(1.3)%**
Tobacco & Related	936.6	949.4	(1.4)%
Other Businesses	43.4	43.0	1.0%
Adjustments	(2.1)	(1.7)	(19.5)%
Italy	**724.0**	**628.8**	**15.2%**
Tobacco & Related	724.0	628.8	15.2%
Corporate & Others	**(9.8)**	**(11.9)**	**18.2%**
Total Revenues	**2,400.8**	**2,286.5**	**5.0%**

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

Data in million euros	1 Oct. 2018 – 31 Dec. 2018	1 Oct. 2017 – 31 Dec. 2017	% Change
Iberia	**143.8**	**140.8**	**2.1%**
Tobacco & Related	66.2	69.1	(4.2)%
Transport Services	69.3	63.4	9.3%
Other Businesses	21.0	19.7	6.5%
Adjustments	(12.7)	(11.4)	(11.4)%
France	**67.2**	**61.9**	**8.5%**
Tobacco & Related	57.2	52.3	9.1%
Other Businesses	11.7	10.9	7.6%
Adjustments	(1.7)	(1.3)	(24.1)%
Italy	**69.2**	**71.3**	**(3.0)%**
Tobacco & Related	69.2	71.3	(3.0)%
Corporate & Others	**0.7**	**0.5**	**52.6%**
Total Economic Sales[1]	**280.9**	**274.6**	**2.3%**

[1] See appendix “Alternative Performance Measures”

Adjusted EBIT[1] Evolution (By Segment)

Data in million euros	1 Oct. 2018 – 31 Dec. 2018	1 Oct. 2017 – 31 Dec. 2017	% Change
Iberia	**30.1**	**31.0**	**(2.8)%**
France	**13.7**	**12.7**	**7.7%**
Italy	**19.4**	**18.8**	**3.1%**
Corporate & Others	**(3.6)**	**(3.2)**	**(15.1)%**
Total Adjusted EBIT[1]	**59.6**	**59.3**	**0.4%**

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 Q1 fiscal years 2019 and 2018:

Data in million euros	1 Oct. 2018 – 31 Dec. 2018	1 Oct. 2017 – 31 Dec. 2017
Adjusted Operating Profit[1]	**59.6**	**59.3**
(-) Restructuring Costs[1]	(5.2)	(1.7)
(-) Amortization of Assets Logista France	(13.1)	(13.1)
(+/-) Net Loss of Disposal and Impairment of Non-Current Assets	2.5	0.0
(+/-) Share of Results of Companies and Others	0.4	0.3
Profit from Operations	**44.2**	**44.9**

[1] See appendix "Alternative Performance Measures"

I. Business Review

A. Iberia: Spain and Portugal

The Iberia segment's Revenues increased to €708.7 million compared to €679.0 million in the first three months of fiscal year 2018, recording a 4.4% growth. The Economic Sales[1] of the segment reached €143.8 million, a 2.1% ahead of the €140.8 million recorded in the preceding fiscal year.

Revenues in **Tobacco and related products** increased by 4.1%, mainly because of the growth of the activity in Portugal.

The cigarette volumes distributed in Spain during the first quarter of current fiscal year went up by 0.2% compared to the preceding fiscal year, improving the trend in that fiscal year compared to the fiscal year 2017 (-4.9%). 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 7.7% and reducing by 2.4%, respectively compared to -1.6% and -2.5% in the yearly comparison of the first quarter of the preceding year.

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

The Economic Sales[1] from the distribution of convenience products increased very significantly compared to the fiscal year 2018 and continued gaining penetration, especially in tobacconists.

Thus, Economic Sales[1] in Tobacco and related products declined by 4.2% comparing to fiscal year 2018 due to the positive impact of tobacco selling price increases in the preceding year, which masked the good performance of the activity in current fiscal year.

Revenues in **Transport** recorded again, as a whole, a very solid performance, growing by 4.5%. However, the performance has differed among the activities, being stable in Long distance while in Courier and Industrial parcel increased significantly. Economic Sales[1] in Transport went up by 9.3% to €69.3 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 9.7% reaching €36.7 million and Economic Sales[1] went up by 6.5% to €21.0 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 three 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.

Total operating expenses[1] in the Iberia segment increased by 3.5% in the first quarter. However, as previously mentioned, in the previous fiscal year Economic Sales[1] recorded a positive impact derived from tobacco price increases so the yearly comparison base was high. The increase of operating expenses[1] is lower than the growth registered by the activity, if last year's positive impact over results from the valuation of inventories due to tobacco price increases is excluded.

[1] See appendix "Alternative Performance Measures"

Adjusted Operating Profit[1] reached €30.1 million, a decline of 2.8% with respect to last year.

In the fiscal year the restructuring costs[1] amounted €0.2 million, while in the preceding year were €0.9 million, that together with the capital gain from the sale of a building in Portugal (€2.5 million) allowed to increase by 8.3% **Profit from Operations** to reach €32.5 million versus €30.1 million recorded in the first quarter of fiscal year 2018.

B. France

Revenues from the France segment reduced by 1.3% to €977.9 million while Economic Sales[1] increased by 8.5%, to reach €67.2 million.

Tobacco and related products Revenues fell by 1.4% to €936.6 million due to the decline experienced by distributed tobacco volumes vs. last year, both in cigarettes (-6.4%) 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 as a consequence of the excise tax increases during fiscal year 2018, as a consequence of the calendar announced by the French Government last year, to raise excise taxes until 2020.

In the first quarter of current fiscal year there were not movements of the tobacco excise taxes, in line with the mentioned excise tax increase plan which target is to raise the price of a cigarette pack to 10 euros in year 2020. However, as happened last fiscal year, a new increase in the commission the tobacconists receive on the sale of tobacco products was announced to enter into force on 1 January which has represented a negative impact (although not very significant) in the valuation of Group's inventories at the end of the quarter.

In the same period last year, tobacco manufacturers passed-through practically the total amount of the tax increase in November (approximately 35 cents) although most of them decided not to pass-through the increase of the tobacconists' commission to the consumers. The global impact on the Group's stock value of these movements of prices, taxes and commissions was negative in the first quarter of fiscal year 2018.

The revenues of convenience products as well as electronic transactions suffered declines in the first quarter 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, although not in a significant manner.

Is worth to mention as well the recognition, during the first quarter of current fiscal year, of revenues from a service rendered to tobacco manufacturers at no margin ("eco-emballage") which was recorded last year during the second quarter an despite not having any impact on results distorts the interannual comparison.

Because of all these factors, Economic Sales[1] of Tobacco and related products increased vs. the previous fiscal year (+9.1% to €57.2 million) due to the positive performance of all business lines and despite lower distributed volumes that caused a reduction of 1.4% of Revenues.

The **Other Businesses** activity (wholesale distribution of convenience products in non-tobacconist channels) experienced a slight increase of 1.0% 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[1], that grew by 7.6% compared to the same period of the previous fiscal year.

The total operating costs[1] of the France segment increased by 8.7% so **Adjusted Operating Profit**[1] improved to €13.7 million, a 7.7% higher than in the preceding year.

[1] See appendix "Alternative Performance Measures"

In the first months of current fiscal year, a plan for restructuring the operations of distribution of convenience products to tobacconists has been announced. This plan will imply the closure of one of the three warehouses operating in the country, located in the East region.

This way, the restructuring expenses[1] in the period (€3.9 million) were much higher than the €0.4 million registered in the first quarter of 2018 and drove **Profit from Operations** to -€3.2 million,vs. the -0.9 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 €13.1 million in both periods.

C. Italy

The Revenues in the Italy segment increased by 15.2% to €724.0 million driven by the 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, 0.8%, and the RYO category, (that includes as well heat-not-burn consumable) accelerated in a significant manner its growth rate, raised by 35.0% vs. 14.5% recorded in the first quarter of the preceding fiscal year.

During the first quarter of current fiscal year, retail selling prices of tobacco have not suffered variations, in general despite the increases implemented in some brands holding a not very meaningful market share. However, the reduction of excise taxes on heat-not-burn tobacco applied during the last fortnight of the quarter and the announcement of excise tax increases on the rest of categories had globally a negative net impact, although not very significant, in the period.

During the first three months of fiscal year 2018, some tobacco manufacturers raised too the price of some of their products in a context of constant taxation. The net impact of these movements on the valuation of Group's inventories was not much significant, although positive.

The growing trend in the distribution of convenience products has accelerated in the quarter 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) has reduced vs. last year.

Because of all trends mentioned before, Economic Sales[1] in the Italy segment went down by 3.0% in the first quarter of current fiscal year.

Total operating costs[1] of the segment reduced by 5.2% with respect to last fiscal year, improving the drop registered in Economic Sales, leading **Adjusted Operating Profit**[1] to €19.4 million, a 3.1% higher than the preceding year.

The restructuring costs[1] linked to the gradual efficiency improvement in operations were slightly higher (€1.0 million vs. €0.2 million in 2018) translating into a 1.5% drop in **Operating Profit** to €18.3 million.

D. Corporate and Others

This segment includes corporate expenses and the Polish operations.

Adjusted Operating Profit[1] was €0.5 million lower than in the previous year, reaching -€3.6 million.

[1] See appendix "Alternative Performance Measures"

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 quarter of both fiscal years.

The average cash position during the first three month of the fiscal year reached €1,838 million compared to €1,632 million in the same period of the preceding fiscal year.

Financial results in the fiscal year went up by 12.4% to €3.2 million compared to €2.8 million in the first quarter 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 recorded in the quarter (€5.2 million vs. €1.7 million) and drove Earnings Before Taxes to €47.7 million, a 0.6% less than in the previous year.

The corporate tax rate registered in the period reached 23.7% compared to 23.0% the preceding year.

As a consequence of all the above, Net Profit dropped by 1.9% to €36.0 million.

Earnings per Share were €0.27 vs. €0.28 in the first quarter 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 483.906 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, the return of corporate income tax in the period, as well as a slightly lower investments in the first months of the fiscal year, translated into a generation of cash in the first quarter while the variation of working capital followed the customary negative trend due to the seasonality during the year, although this trend was much lower than the one observed during the first quarter of last year.

There were not dividend payments during the first quarter of fiscal year 2019 or fiscal year 2018.

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 2018 of €102.27 million (€0.77 per share) that will be paid at the end of the second quarter of the fiscal year 2019.

The total dividend corresponding to fiscal year 2018 will amount near €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 first months of the fiscal year allows the Group to maintain the estimates already announced regarding results at closing of fiscal year 2018.

Current trading environment suggests that in fiscal year 2019, Adjusted EBIT[1] could record a mid 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 the calendar of taxes increases on these products in the coming fiscal years, an adaptation to the new level of activity of the distribution structure could occur and for that reason, restructuring costs[1] might increase compared to fiscal year 2018.

On the other hand, financial results will be similar to those obtained in the current fiscal year, if the rate of the European Central Bank maintains at the current level. Upward variations in this rate would have a positive 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.

Regarding the modifications on the corporate taxes that the government is considering in Spain, in case they are finally approved, they would enter into force for the fiscal years starting from January 2019. Therefore, they would not have impact in the Group's results until the fiscal year 2020.

As a consequence of all the above, it can be expected that Net Profit will be similar to the recorded in fiscal year 2018.

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[1] See appendix "Alternative Performance Measures"

Appendix

P&L

Data in million euros	1 Oct. 2018 – 31 Dec. 2018	1 Oct. 2017 – 31 Dec. 2017	% Change
Revenues	**2,400.8**	**2,286.5**	**5.0%**
Economic Sales[1]	**280.9**	**274.6**	**2.3%**
(-) Distribution Operating Costs[1]	(183.0)	(178.6)	(2.4)%
(-) Sales and Marketing Operating Expenses[1]	(18.2)	(16.6)	(9.8)%
(-) Research and G&A Operating Expenses[1]	(20.1)	(20.0)	(0.4)%
Total Operating Costs[1]	**(221.3)**	**(215.2)**	**(2.8)%**
Adjusted EBIT[1]	**59.6**	**59.3**	**0.4%**
Margin[1] %	*21.2%*	*21.6%*	*-40 b.p.*
(-) Restructuring Cost[1]	(5.2)	(1.7)	-209.5%
(-) Amort. of Assets Logista France	(13.1)	(13.1)	0.6%
(-) Net Loss on Disposal and Impairments	2.5	0.0	n.r.
(-) Share of Results of Companies and Others	0.4	0.3	17.6%
Profit from Operations	**44.2**	**44.9**	**(1.4)%**
(+) Financial Income	3.7	3.2	12,5%
(-) Financial Expenses	(0.5)	(0.4)	(12,6)%
Profit before taxes	**47.4**	**47.7**	**(0.6)%**
(-) Corporate Income Tax	(11.2)	(11.0)	(2.5)%
Effective Income Tax Rate	*23.7%*	*23.0%*	*(70) b.p.*
(+/-) Other Income / (Expenses)	0.0	0.0	n.r.
(-) Minority Interest	(0.1)	0.0	n.r.
Net Income	**36.0**	**36.8**	**(1.9)%**

[1] See appendix “Alternative Performance Measures”

Logista

Cash Flow Statement

Data in million euros	1 Oct. 2018 – 31 Dec. 2018	1 Oct. 2017 – 31 Dec. 2017	Change
EBITDA	**70.2**	**67.1**	**3.1**
Working Capital Variations and Others	(517.4)	(772.4)	255.0
Corporate Income Tax Paid / Charged	32.7	(18.5)	51.2
Financial and Others Flows	3.3	2.8	0.5
Cash Flow From Operating Activities	**(411.2)**	**(721.0)**	**309.8**
Net Investments	(6.0)	(7.5)	1.5
Economic Free Cash Flow	**(417.2)**	**(728.5)**	**311.3**

Balance Sheet

Data in million euros	31 December 2018	30 September 2018
PP&E and other Fixed Assets	219.6	221.5
Net Long Term Financial Assets	7.4	6.8
Net Goodwill	920.8	920.8
Other Intangible Assets	493.8	505.2
Deferred Tax Assets	18.6	18.6
Net Inventory	1,256.7	1,188.5
Net Receivables and Others	1,996.8	1,939.3
Cash & Cash Equivalents	1,650.8	2,064.5
Total Assets	**6,564.5**	**6,865.2**
Group Equity	545.7	510.0
Minority interests	1.7	1.6
Non-Current Liabilities	42.8	43.1
Deferred Tax Liabilities	276.8	279.7
Short Term Financial Debt	37.5	32.9
Short Term Provisions	12.6	11.6
Trade and Other Payables	5,647.4	5,986.3
Total Liabilities	**6,564.5**	**6,865.2**

Tobacco Volumes Evolution

	Million units			% Y-o-Y Change	
	1 Oct. 2018 - 31 Dec. 2018	1 Oct. 2017 - 31 Dec. 2017	1 Oct. 2016 - 31 Dec. 2016	1 Oct. 2018 - 31 Dec. 2018	1 Oct. 2017 - 31 Dec. 2017
TOTAL					
Cigarettes	37,525	38,249	38,829	(1.9)%	(1.5)%
RYO/MYO/Others	5,547	5,081	5,027	9.2%	1.1%
Cigars	1,016	1,009	927	0.8%	8.8%
SPAIN					
Cigarettes	10,710	10,684	11,239	0.2%	(4.9)%
RYO/MYO/Others	1,645	1,528	1,552	7.7%	(1.6)%
Cigars	480	492	504	(2.4)%	(2.5)%
PORTUGAL					
Cigarettes	603	549	430	9.8%	27.6%
RYO/MYO/Others	26	26	28	(0.1)%	(8.4)%
Cigars					
FRANCE					
Cigarettes	9,839	10,515	10,629	(6.4)%	(1.1)%
RYO/MYO/Others	2,025	2,157	2,249	(6.1)%	(4.1)%
Cigars	310	313	290	(0.8)%	7.9%
ITALY					
Cigarettes	16,374	16,500	16,530	(0.8)%	(0.2)%
RYO/MYO/Others	1,851	1,371	1,198	35.0%	14.5%
Cigars	226	204	132	10.9%	54.1%

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 Dec. 2018	**1 Oct. 2017 – 31 Dec. 2017**
Revenue	2,400.8	2,286.5
Procurements	(2,119.9)	(2,011.9)
Gross Profit	**280.9**	**274.6**

- **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 Dec. 2018	**1 Oct. 2017 – 31 Dec. 2017**
Adjusted Operating Profit	**59.6**	**59.3**
(-) Restructuring Costs	(5.2)	(1.7)
(-) Amortization of Assets Logista France	(13.1)	(13.1)
(+/-) Net Loss of Disposal and Impairment of Non-Current Assets	2.5	0.0
(+/-) Share of Results of Companies and Others	0.4	0.3
Profit from Operations	**44.2**	**44.9**

- **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 Dec. 2018	**1 Oct. 2017 – 31 Dec. 2017**	**%**
Economic Sales	280.9	274.6	2.3%
Adjusted Operating Profit	59.6	59.3	0.4%
Margin over Economic Sales	**21.2%**	**21.6%**	**-40 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.

- **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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