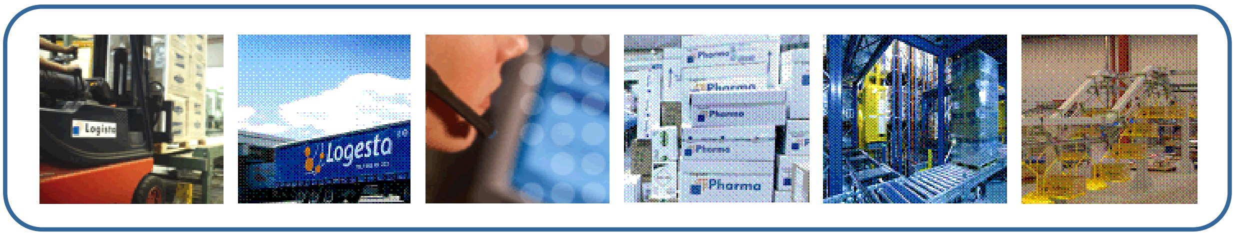
Logista FY 2018 Results

November 6, 2018



Logista reports FY 2018 Results

Logista announces today its FY Results for 2018. Main highlights:

- Significant Economic Sales[1] growth, +6.5%, improving the 0.2% drop in Revenues
- Very positive growth rates in Adjusted Operating Profit[1] and Profit from Operations rising by 12.4% and 20.6%, reflecting the good performance recorded by the activity and the lower impact from negative non-recurring results[1]
- Net Income progressing by 1.8%, despite a high comparison base that last fiscal year included the capital gain obtained on the sale of an affiliate

Key Metrics Summary

Data in million euros	1 Oct. 2017 – 30 Sep. 2018	1 Oct. 2016 – 30 Sep. 2017	% Change
Revenues	9,476.5	9,493.2	(0.2)%
Economic Sales[1]	1,118.2	1,049.7	6.5%
Adjusted Operating Profit[1]	245.9	218.8	12.4%
Margin over Economic Sales[1]	22.0%	20.8%	+120 b.p.
Profit from Operations	190.5	158.0	20.6%
Net Income	156.7	153.9	1.8%

The Group has recorded again a positive set of results in fiscal year 2018, despite the challenges faced at a macroeconomic level as well as, in some cases, regulatory.

Economic growth in the main countries where the Group operates (Spain, France and Italy), suffered a slow down due to the political uncertainties, social protests, meteorological factors during some months and even to the trade tension between the United States and China. This conjuncture ended up translating as well into a generally weak consumption data in France and Italy and into a less robust growth than in the previous fiscal year in Spain.

Additionally, the first phase of the significant increase on the tobacco products taxation in France already announced by the Government at the end of the previous fiscal year that will last until year 2020, was implemented.

However, the unique business model of the Group and its proven capacity to offer value added to its clients allowed to close the fiscal year recording a positive growth in the results that benefited too from a yearly comparison base affected by certain negative events not repeated in fiscal year 2018.

Group's **Revenues** remained practically stable, going down by 0.2% over the preceding year whilst **Economic Sales**[1] grew by 6.5% thanks to the significant improvements recorded by all business lines in Iberia and Italy, as well as by the distribution of convenience products in France, that easily offset the reduction experienced by the tobacco distribution in France. The Economic Sales[1] growth confirms once more the capacity of the Group to offer value added services to its clients over and above the value of the distributed products.

Per activities, Pharma, Tobacco Portugal and Transport as well as distribution of convenience products in all geographies and channels recorded the best performance whereas Tobacco and Electronic transactions in France presented the weakest performance.

[1] See appendix "Alternative Performance Measures"

The tobacco distribution has recorded growth at global level, despite a 3.0% decline of distributed volumes (cigarettes and RYO) during the fiscal year compared to fiscal year 2017, while in said fiscal year the yearly variation vs. fiscal year 2016 was -3.6%. All geographies recorded reductions of distributed cigarettes volumes but Portugal.

The taxation framework of the tobacco products remained stable in Spain and Italy (except for the yearly automatic update) whereas in France the significant increase announced by the Government in the Social Security Financing Law 2018 took effect. Tobacco manufacturers raised the retail-selling price of their products in all geographies. The global impact of these movements was slightly positive on Group's results in the fiscal year, contrasting with the negative effect recorded for this reason in the previous year.

Total operating costs[1] grew by 5.0%, below Economic Sales increase. If the €6.8 million non-recurring cost[1] from a litigation provision, accounted for in the Iberia segment in the first half of fiscal year 2017, is eliminated from the base, operating costs[1] recorded as well as a lower increase than the growth of Economic Sales, going up 5.9%.

Therefore, the Adjusted EBIT margin over Economic Sales[1] reached 22.0% compared to the 20.8% obtained in fiscal year 2017 and **Adjusted EBIT**[1] reached €245.9 million (+12.4% above previous year). This, together with the lower restructuring costs[1] registered during the period (€3.6 million compared to €9.0 million), contributed to a 20.6% **Profit from Operations** increase vs. fiscal year 2017, to €190.5 million.

Financial Results this fiscal year reached €12.7 million, well below the €30.0 million registered in the last fiscal year. This decrease was mainly due to the capital gain derived from the sale of an affiliated company in the Italy segment registered in that period. Without considering the mentioned capital gain, the yearly variation in the financial results was not significant.

Likewise, the fact that the capital gain from the sale of this affiliate was taxed at a very low rate, resulted in a tax rate significantly lower than the 23.0% recorded during current fiscal year.

Because of all the above mentioned, the **Net Income** slightly increased (+1.8%) to €156.7 million.

[1] See appendix "Alternative Performance Measures"

Revenues Evolution (By Segment and Activity)

Data in million euros	1 Oct. 2017 – 30 Sep. 2018	1 Oct. 2016 – 30 Sep. 2017	% Change
Iberia	**2,812.6**	**2,695.3**	**4.4%**
Tobacco & Related*	2,402.2	2,326.5	3.3%
Transport Services	366.2	341.1	7.3%
Other Businesses*	141.8	121.9	16.4%
Adjustments	(97.6)	(94.2)	(3.6)%
France	**4,021.6**	**4,234.1**	**(5.0)%**
Tobacco & Related	3,840.1	4,049.9	(5.2)%
Other Businesses	189.3	190.8	(0.8)%
Adjustments	(7.8)	(6.6)	(17.5)%
Italy	**2,688.1**	**2,598.6**	**3.4%**
Tobacco & Related	2,688.1	2,598.6	3.4%
Corporate & Others	**(45.8)**	**(34.8)**	**(31.6)%**
Total Revenues	**9,476.5**	**9,493.2**	**(0.2)%**

** The lottery distribution activity previously reported in Other Businesses is now included in Tobacco & Related. Revenues related to the fiscal year 2017 have been restated with the goal of being comparable with the revenues for the fiscal year 2018.*

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

Data in million euros	1 Oct. 2017 – 30 Sep. 2018	1 Oct. 2016 – 30 Sep. 2017	% Change
Iberia	**561.4**	**533.4**	**5.2%**
Tobacco & Related*	272.1	269.6	0.9%
Transport Services	253.0	236.1	7.2%
Other Businesses*	84.2	72.3	16.4%
Adjustments	(47.9)	(44.6)	(7.5)%
France	**264.2**	**273.6**	**(3.4)%**
Tobacco & Related	218.6	228.7	(4.4)%
Other Businesses	51.6	50.1	3.0%
Adjustments	(6.0)	(5.2)	(14.9)%
Italy	**290.4**	**240.9**	**20.6%**
Tobacco & Related	290.4	240.9	20.6%
Corporate & Others	**2.2**	**1.8**	**18.4%**
Total Economic Sales[1]	**1,118.2**	**1,049.7**	**6.5%**

** The lottery distribution activity previously reported in Other Businesses is now included in Tobacco & Related. Economic Sales[1] related to the fiscal year 2017 have been restated with the goal of being comparable with the economics sales[1] for the fiscal year 2018.*

[1] See appendix "Alternative Performance Measures"

Adjusted EBIT[1] Evolution (By Segment)

Data in million euros	1 Oct. 2017 – 30 Sep. 2018	1 Oct. 2016 – 30 Sep. 2017	% Change
Iberia	**114.2**	**104.8**	**8.9%**
France	**65.8**	**67.8**	**(3.1)%**
Italy	**79.5**	**59.0**	**34.7%**
Corporate & Others	**(13.6)**	**(12.9)**	**(5.4)%**
Total Adjusted EBIT[1]	**245.9**	**218.8**	**12.4%**

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. In the following table reconciliation between Profit from Operations and Adjusted Operating Profit[1] for fiscal years 2018 and 2017 is shown:

[1] See appendix "Alternative Performance Measures"

Data in million euros	1 Oct. 2017 – 30 Sep. 2018	1 Oct. 2016 – 30 Sep. 2017
Adjusted Operating Profit[1]	**245.9**	**218.8**
(-) Restructuring Costs[1]	(3.6)	(9.0)
(-) Amortization of Assets Logista France	(52.3)	(52.2)
(+/-) Net Loss of Disposal and Impairment of Non-Current Assets	(0.5)	(0.3)
(+/-) Share of Results of Companies and Others	1.0	0.7
Profit from Operations	**190.5**	**158.0**

I. Business Review

A. Iberia: Spain and Portugal

The Iberia segment's Revenues increased to €2,812.6 million compared to €2,695.3 million in the fiscal year 2017, recording a 4.4% growth. The Economic Sales[1] of the segment reached €561.4 million, a 5.2% ahead of the €533.4 million recorded in the preceding fiscal year.

Revenues in **Tobacco and related products** increased by 3.3%, mainly because of the growth of the activity in Portugal and despite the drop suffered by tobacco volumes distributed in Spain.

The cigarette volumes distributed in Spain during the fiscal year dropped by 1.6% compared to the preceding fiscal year, improving the trend in that fiscal year compared to the fiscal year 2016 (-2.6%). Distributed volumes of RYO and cigars also maintained a more favourable trend than the previous fiscal year, increasing by 1.8% and reducing by 2.4%, respectively compared to -2.8% and -4.4% in the yearly comparison of the preceding year.

During current fiscal year, tobacco manufacturers increased, in general, the retail selling price of the pack of cigarettes in 5 cents, in a scenario of stability in excise taxes on tobacco. In the preceding fiscal year, most of tobacco manufacturers decided to increase the retail selling price of the pack of cigarettes in 10 cents, after the rise in excise taxes announcement by the Spanish Government in December 2016. The positive impact on the inventories of the Group derived from these movements was lower than in the preceding year.

The Economic Sales[1] from the distribution of convenience products increased over 10% compared to the fiscal year 2017 thanks to a higher penetration in tobacconists and the good performance of the activity.

During the fiscal year, the number of tobacconists purchasing convenience products from the Group increased at the same time that the average sales per ticket grew, while the focus in the development of sales from other channels complementary to the traditional sales force, specially web, call centre and cash & carry was maintained.

Additionally, new petrol stations belonging to small and medium groups were recruited in pilot provinces to extend the service currently rendered to Repsol to other operators in Spain. This strategy of business expansion in the petrol station is also being followed in the Portuguese market, broadening the catalogue of products offered and incorporating new points of sale to the portfolio of clients.

Thus, Economic Sales[1] in Tobacco and related products grew by 0.9% comparing to previous fiscal year due to the good performance of the distribution of convenience products, of the activity in Portugal and the increase of value added services.

Revenues in **Transport** recorded again, as a whole, a very positive performance, growing by 7.3%. The three activities (Long distance, Courier and Industrial parcel) increased significantly Revenues and Economic Sales[1]. Economic Sales[1] in Transport went up by 7.2% to €253.0 million.

The activity of Long distance and full-load has offset the drop on tobacco volumes benefiting from the addition in the precedent year of the flows derived from the services provided in the NGP category for a client in Italy. The rest of transported flows (technology, pharmaceutical and perishables) continued recording solid growth and has benefited as well from the incorporation of new agreements.

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 positive growth indicators in the fiscal year.

[1] See appendix "Alternative Performance Measures"

In the Parcel activity we have continued expanding the temperature services, especially relevant for the pharmaceutical and food industries and investments were carried out to face the significant increase of deliveries with these value added requirements.

Regarding the Courier activity, in 2018 has continued recording double-digit rises, well above the growth of the sector in Spain. The general consumption improvement and the constant growth of the on-line sales, key driver of the market development that in the case of our subsidiary Nacex adds to the higher tariffs from urgent services, contributed to that performance.

Revenues in **Other Businesses** (which from this fiscal year includes only Pharma and publications activities, while lottery distribution is included in Tobacco and related products) increased by 16.4% reaching €141.8 million and Economic Sales[1] went up by 16.4% to €84.2 million.

The significant growth recorded by the Pharma business was achieved thanks to the development of pre-existing activity as well as the incorporation of some clients along the year.

In this respect, it is worth noting the incorporation of most of the activity coming from Sanofi in October 1, 2017, as well as its distribution to hospitals since January 1, 2018. The vaccines' portfolio of Sanofi will be managed from January 1, 2019, when the incorporation of the distribution for this manufacturer to all channels (hospitals, wholesalers and pharmacies) for all its portfolio of product will finalise.

Additionally, the constant commercial work that the Group has carried out in Pharma allowed to continue adding clients under exclusive distribution of some of their products in the pharmacy channel, according to the strategy for the future development of this line of activity.

Likewise, the launch of new value added services to the clients in the pharmaceutical sector has continued developing, in line with the general strategy of the Group, in the distribution to pharmacies and to hospitals. Among others, it is worth to mention order capture to hospitals via telematics EDI (Electronic Data Interchange) y also, thanks to the development of specific OCR (Optical Character Recognition) tools, for the manual order capture (Fax, email, call centre, etc.), the billing and collection management service for hospitals and pharmacies (O2O – Order to Cash) or the special transport service dedicated for hospital deliveries (specific bi-temperature vehicles equipped with on line tracking and temperature alarms).

This differentiating offer redounds, not only to new clients capture but also to increased loyalty, therefore contributing to consolidate the long term relation with the Group.

Despite the difficult environment in the distribution of publications in Spain, the Group's efforts have enabled to maintain the sales at a similar level to the preceding year, having closed distribution agreements with new publishers.

Total operating expenses[1] reported in the Iberia segment increased by 4.3% in the fiscal year. However, as previously mentioned, in the previous fiscal year a non-recurrent expense was recorded for €6.8 million so the yearly comparison base was high. Nevertheless, and even adjusting the base for this concept, the 6.0% increase of recurring operating expenses[1] was lower than the growth registered by the activity, if positive impact over results from the valuation of inventories due to tobacco price increases was excluded.

Adjusted Operating Profit[1] reached €114.2 million, a progress of 8.9% with respect to last year. If the impact of the non-recurring cost[1] recorded in the previous fiscal year is not considered, the increase was 2.3%.

In the fiscal year the restructuring costs[1] amounted €2.0 million, while in the preceding year were €1.7 million. The Profit from Operations reached €111.6 million versus €102.9 million recorded in fiscal year 2017.

[1] See appendix "Alternative Performance Measures"

B. France

Revenues from the France segment reduced by 5.0% to €4,021.6 million while Economic Sales[1] declined by 3.4%, to reach €264.2 million.

Tobacco and related products Revenues fell by 5.2% to €3,840.1 million due to the decline experienced by distributed tobacco volumes vs. last year, both in cigarettes (-8.0%) and in RYO (-8.6%).

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 taking effect in the period.

Throughout the fiscal year, the French government has carried out the tax increases corresponding to fiscal year 2018, included in the pack of excise tax increases planned till the year 2020 and aimed to increase the price of the pack of cigarettes to €10 in that year.

In concrete, there were increases in the months of November (first quarter) and March (second quarter). Additionally, in January 1, 2018 and according to the calendar announced by the Government last year, a new raise in the commission the tobacconists receive on the sale of tobacco products entered into force.

In general, tobacco manufacturers passed-through practically the total amount of this tax increase to the retail prices of their products (approximately 35 cents and 1 euro per pack respectively in November and March), although not all of them in the same amount and did it in an uneven way depending on the different references. However, the majority of tobacco manufacturers 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 fiscal year.

In the preceding year, after the rise in taxation on tobacco products and the increase of the tobacconists’ commission on the sale of these products (all them effective from January 1, 2017), tobacco manufacturers increased the price of a pack of cigarettes below the total amount of said measures what resulted in a negative impact in the results of that year.

On the other hand, the growth registered in the revenues of convenience products during the fiscal year mitigated the significant decrease experienced by the revenues from electronic transactions with respect to the previous fiscal year.

The Economic Sales[1] from Tobacco and related products declined to a lower extent than Revenues vs. the previous fiscal year (-4.4% to €218.6 million) due to the positive performance of the convenience products distribution, despite the lower sales from electronic transactions and lower distributed volumes.

The **Other Businesses** activity (wholesale distribution of convenience products in non-tobacconist channels) experienced a fall of 0.8% in Revenues, in a practically stable consumption environment, which encourages an increasing price competition. The better performance registered by the Economic Sales[1], that increased by 3.0% compared to the previous fiscal year, was due to the improvement on margins.

The total operating costs[1] of the France segment decreased by 3.6% so **Adjusted Operating Profit**[1] declined to €65.8 million, a 3.1% lower than in the preceding year.

The restructuring expenses[1] (€1.0 million) were much lower than the €5.2 million registered in 2017 and drove Profit from Operations to €12.5 million, €2.1 million above the obtained 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 €52.2 million in both periods.

[1] See appendix “Alternative Performance Measures”

C. Italy

The Revenues in the Italy segment increased by 3.4% to €2,688.1 million driven by the significant increase in the sale of convenience products, as well as by the higher prices of tobacco products.

In contrast with the 6.1% decrease registered in the last fiscal year, the cigarette distributed volumes declined by 2.5% in the period, and the RYO category increased its growth rate, raised by 19.7% vs. 12.6% registered last fiscal year.

During the fiscal year, some tobacco manufacturers increased the price of their products between 10 and 20 cents per pack of cigarettes, in a context of constant taxation (except for the slight automatic update of excise taxes derived from the weighted average price on the previous year). Also during the fiscal year, some manufacturers opted for slightly reducing the retail selling price of some of their SKUs. The net impact of these movements on the valuation of inventories was positive in the fiscal year.

However, in the previous year, the general trend in the retail selling prices was stability, despite the increase in taxation of these products, what translated into a negative impact on the Group's 2017 results.

During the first quarter of current fiscal year, the tobacco distribution contract with BAT was renewed in Italy for 3 years.

The activity of distribution of convenience products has maintained a significant growth rate in the fiscal year (above 15%), achieving growth in the average order and at the same time improving penetration in the point of sales.

In addition, there was a significant increase in the new value added services rendered to manufacturers, including those related to NGP (Next Generation Products).

Because of all trends mentioned before, Economic Sales[1] in the Italy segment grow by 20.6% in the fiscal year.

Total operating costs[1] of the segment went up by 16.0% with respect to last fiscal year, well below the growth registered in Economic Sales, leading **Adjusted Operating Profit**[1] to €79.5 million, a 34.7% higher than the preceding year. The operating costs[1] increased slightly above the growth recorded by the activity, excluding the impact in the valuation of inventories, due, to a great extent, to the increase of the relative weight of the revenues from the logistics services offered to a client in the NGP category.

The restructuring costs[1] (€0.4 million) were not significant and were lower than in the fiscal year 2017 (€1.2 million). Therefore, the Operating Profit was at the same level (€79.1 million) that the Adjusted Operating Profit[1].

D. Corporate and Others

This segment includes corporate expenses and the Polish operations.

Adjusted Operating Profit[1] was €0.7 million lower than in the previous year, reaching -€13.6 million.

[1] See appendix "Alternative Performance Measures"

II. Financial Overview

A. Financial Result Evolution

The capital gain recorded in the preceding fiscal year on the divestment of an affiliated company in the Italy segment, caused a 57.7% reduction on financial results to €12.7 million vs. €30.0 million obtained in fiscal year 2017. The financial revenues, excluding that capital gain, have not experienced significant variations.

Since 12 June 2014, the Group has a reciprocal credit facility agreement, with a maximum disposal limit of 2,600 million euros, with its majority shareholder (Imperial Brands Plc.) by which daily lends its cash excess, or receives the necessary cash to meet their payment obligations.

On 21 March 2018, the Board of Directors authorised the extension of the term of that contract until 12 June 2024, under the current terms and conditions, including the remuneration 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 reached €1,796 million compared to €1,659 million in the fiscal year 2017.

B. Net Income Evolution

Earnings Before Taxes increased by 8.1% over the previous year, to €203.2 million and Net Income raised by 1.8% to reach €156.7 million.

The previously mentioned capital gain derived from the sale of an affiliated company in the previous fiscal year affected to the year-on-year comparison at both Profit Before Taxes and Net Profit level, not only by the amount of the aforementioned capital gain, but also for its very reduced tax rate. The nominal corporate tax rate increase registered in the period that stood at 23.0% vs 18.3% in the previous year is mainly explained by this reason.

Earnings per Share were €1.18 vs. €1.16 in fiscal year 2017, with no variations in the number of shares of the share capital.

At closing of current fiscal year, the Company owned 425,496 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 significant increase of the results, as well as a negative working capital and the lower payments for the corporate tax during the fiscal year, resulted in a cash generation increase, despite the cash outflow from investments was practically double than in the preceding fiscal year.

The main investments that drove this increase are related to an update of servers, the expansion of capacity and services in the aforementioned Transport area and a part of the those necessary to ensure compliance to the requirements according to the European Union regulation on traceability, whose expected date of entry into force is May 2019.

During the fiscal year, dividends for a total of €145.6 million were paid, corresponding to the payment of the final dividend of fiscal year 2017 and the payment of the interim dividend of this fiscal year.

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.

Additionally, the Board of Directors agreed past 24 July 2018 to distribute an interim cash dividend corresponding to fiscal year 2018 of €0.35 per share (slightly more than €46.3 million). The payment was effective on 30 August 2018.

Therefore, 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

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.

[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 FY2018 results presentation for analysts and investors today, November 6, 2018, 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.

For more information:

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Appendix

P&L

Data in million euros	1 Oct. 2017 – 30 Sep. 2018	1 Oct. 2016 – 30 Sep. 2017	% Change
Revenues	**9,476.5**	**9,493.2**	**(0.2)%**
Economic Sales[1]	**1,118.2**	**1,049.7**	**6.5%**
(-) Distribution Operating Costs[1]	(726.0)	(685.9)	(5.9)%
(-) Sales and Marketing Operating Expenses[1]	(66.8)	(64.8)	(3.1)%
(-) Research and G&A Operating Expenses[1]	(79.5)	(80.2)	(0.9)%
Total Operating Costs[1]	**(872.3)**	**(830.9)**	**(5.0)%**
Adjusted EBIT[1]	**245.9**	**218.8**	**12.4%**
Margin[1] %	*22.0%*	*20.8%*	*+120 b.p.*
(-) Restructuring Cost[1]	(3.6)	(9.0)	60.0%
(-) Amort. of Assets Logista France	(52.3)	(52.2)	(0.2)%
(-) Net Loss on Disposal and Impairments	(0.5)	(0.3)	n.r.
(-) Share of Results of Companies and Others	1.0	0.7	43.0%
Profit from Operations	**190.5**	**158.0**	**20.6%**
(+) Financial Income	14.3	31.4	(54.5)%
(-) Financial Expenses	(1.6)	(1.4)	(12.1)%
Profit before taxes	**203.2**	**188.0**	**8.1%**
(-) Corporate Income Tax	(46.7)	(34.3)	(36.1)%
Effective Income Tax Rate	*23.0%*	*18.3%*	*(470) b.p.*
(+/-) Other Income / (Expenses)	0.0	(0.0)	n.r.
(-) Minority Interest	0.3	0.3	4.2%
Net Income	**156.7**	**153.9**	**1.8%**

[1] See appendix "Alternative Performance Measures"

Cash Flow Statement

Data in million euros	**1 Oct. 2017 – 30 Sep. 2018**	**1 Oct. 2016 – 30 Sep. 2017**	**Change**
EBITDA	**295.3**	**253.4**	**41.9**
Working Capital Variations and Others	(12.8)	(71.2)	58.4
Corporate Income Tax Paid	(96.5)	(109.2)	12.7
Financial and Others Flows	12.7	30.0	(17.3)
Cash Flow From Operating Activities	**198.6**	**103.0**	**95.6**
Net Investments	(55.9)	(28.7)	(27.2)
Economic Free Cash Flow	**142.7**	**74.3**	**68.4**
% over EBITDA	*48%*	*29%*	

Balance Sheet

Data in million euros	**30 September 2018**	**30 September 2017**
PP&E and other Fixed Assets	221.5	206.0
Net Long Term Financial Assets	6.8	6.1
Net Goodwill	920.8	925.7
Other Intangible Assets	505.2	547.8
Deferred Tax Assets	18.6	19.9
Net Inventory	1,188.5	1,122.6
Net Receivables and Others	1,939.3	1,791.0
Cash & Cash Equivalents	2,064.5	1,923.6
Total Assets	**6,865.2**	**6,542.7**
Group Equity	510.0	500.6
Minority interests	1.6	1.9
Non-Current Liabilities	43.1	41.6
Deferred Tax Liabilities	279.7	299.0
Short Term Financial Debt	32.9	34.4
Short Term Provisions	11.6	13.7
Trade and Other Payables	5,986.3	5,651.5
Total Liabilities	**6,865.2**	**6,542.7**

Tobacco Volumes Evolution

	Million units			% Y-o-Y Change	
	1 Oct. 2017 - 30 Sep. 2018	1 Oct. 2016 - 30 Sep. 2017	1 Oct. 2015 - 30 Sep. 2016	1 Oct. 2017 - 30 Sep. 2018	1 Oct. 2016 - 30 Sep. 2017
TOTAL					
Cigarettes	155,821	161,646	168,300	(3.6)%	(4.0)%
RYO/MYO/Others	21,106	20,791	20,955	1.5%	(0.8)%
Cigars	4,028	4,022	3,842	0.2%	4.7%
SPAIN					
Cigarettes	44,247	44,960	46,144	(1.6)%	(2.6)%
RYO/MYO/Others	6,443	6,330	6,509	1.8%	(2.8)%
Cigars	1,929	1,976	2,066	(2.4)%	(4.4)%
PORTUGAL					
Cigarettes	2,351	2,058	1,786	14.2%	15.3%
RYO/MYO/Others	104	110	139	(5.6)%	(20.6)%
Cigars					
FRANCE					
Cigarettes	41,637	45,273	46,545	(8.0)%	(2.7)%
RYO/MYO/Others	8,468	9,262	9,787	(8.6)%	(5.4)%
Cigars	1,246	1,264	1,296	(1.5)%	(2.4)%
ITALY					
Cigarettes	67,587	69,355	73,825	(2.5)%	(6.1)%
RYO/MYO/Others	6,091	5,089	4,520	19.7%	12.6%
Cigars	854	782	480	9.2%	63.0%

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. 2017 – 30 Sept. 2018	**1 Oct. 2016 – 30 Sept. 2017**
Revenue	9,476.5	9,493.2
Procurements	(8,358.3)	(8,443.5)
Gross Profit	**1,118.2**	**1,049.7**

- **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. 2017 – 30 Sept. 2018	**1 Oct. 2016 – 30 Sept. 2017**
Adjusted Operating Profit	**245.9**	**218.8**
(-) Restructuring Costs	(3.6)	(9.0)
(-) Amortization of Assets Logista France	(52.3)	(52.2)
(+/-) Net Loss of Disposal and Impairment of Non-Current Assets	(0.5)	(0.3)
(+/-) Share of Results of Companies and Others	1.0	0.7
Profit from Operations	**190.5**	**158.0**

- **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. 2017 – 30 Sept. 2018	**1 Oct. 2016 – 30 Sept. 2017**	**%**
Economic Sales	1,118.2	1,049.7	6.5%
Adjusted Operating Profit	245.9	218.8	12.4%
Margin over Economic Sales	**22.0%**	**20.8%**	**+120 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 Annual Accounts:

Million €	**1 Oct. 2017 – 30 Sept. 2018**	**1 Oct. 2016 – 30 Sept. 2017**
Cost of logistics network	780.6	744.0
Commercial expenses	67.2	65.9
Research expenses	2.1	2.1
Head office expenses	78.3	80.2
(-) Restructuring costs	(3.6)	(9.0)
(-) Amortization of Assets Logista France	(52.3)	(52.2)
Operating Costs or Expenses in management accounts	**872.3**	**830.9**

- **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.

Million €	**1 Oct. 2017 – 30 Sept. 2018**	**1 Oct. 2016 – 30 Sept. 2017**
Operating costs or expenses	872.3	830.9
Non-recurring costs	0	(6.8)
Recurring operating expenses	**872.3**	**824.1**

- **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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