



2015 Results presentation

November 2015

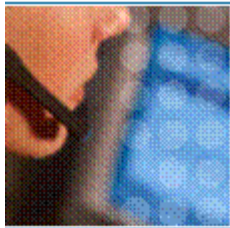


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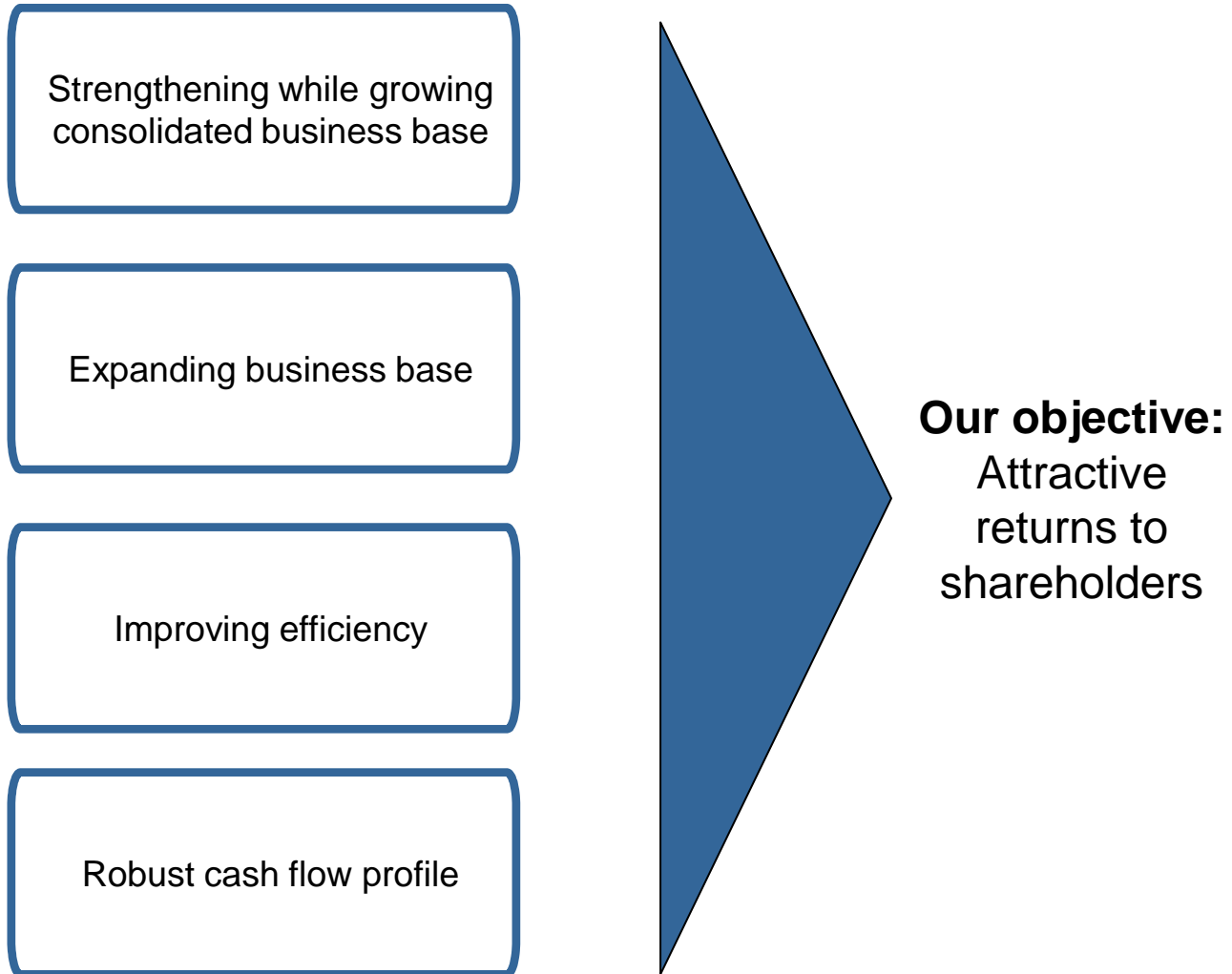
- **Results Highlights**
- **Delivering on our objectives**
- **Business Review**
- **Financial Review**
- **Outlook**

- >1% Economic Sales growth, excluding non-recurring in 2014
 - Revenues almost stable, decreasing by 0.3% to €9,471m
 - Economic Sales reached €1,010m, down by 1.8%
 - Positive impact of litigation provision's reversal in Q2 2014 affecting comparison
- +1.1% adjusted EBIT growth to €223m
 - Adjusted EBIT margin growth continues
- Reported Net Income increased to €109m (+6.7%)
- Economic Free Cash Flow: €152m
 - Increasing 1.3% over previous year
- Total dividends per share: €0.74
 - 0.5 € final dividend to be paid in Q2 2016

Solid Business Model: Growth in Results despite positive impact of non-recurring during Q2 2014



Delivering on our objectives



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

- Spain: Philip Morris

Growing services:

- Route-to-consumer information to tobacco sector in Spain, France and Italy
- Distribution of NGP launches/tests in Spain, France and Italy
- International transport in Italy: gained new contracts and enlarged some of the existing
- In transport: fulfillment of GDP requirements for pharmaceutical sector

Supporting industry/anticipating changes:

- Preparing for Track & Trace requirements in tobacco distribution: show case in France
- Illicit trade: Security investments/proactivity

Consolidated business base: Positive Economic sales performance
excluding one-offs in FY 2014

Boosting sales into existing pipeline (wholesale):

- Enlargement of portfolio for tobacconists in Spain, developing our presence at PoS
- Strong development of convenience network (stores, cash & carries at service points) in Italy
- Partnership agreements with manufacturers (consolidating convenience wholesale sector)
- PoS terminals: launch of Strator in Spain, continue growing in France and Italy

Developing Pharma (special focus on distribution to pharmacies):

- Additional contracts in pre-wholesaling
- New contracts enlarging our current regular coverage of pharmacies

New geographies:

- Hungary: legislation change (wholesale monopoly) prevented short term entry

Double-digit growth in sales of convenience products in Italy and Pharma

Vertical business model:

- Continuous reduction of headcount in tobacco warehouses in Spain
- Reorganisation of activity in South Eastern France
- Increasing service level in convenience activities in France

Synergies:

- Reorganisation of transport routes
- Implementation of new ERP (SAP) in convenience in France
- Streamlining network in Italy

Continuous improvements:

- Reusable boxes' project: consolidation in Spain, launch in Italy
- Environmental measures: carbon footprint reduction, installation of high performance lighting...

+70 b.p. in Adjusted EBIT margin over Economic Sales

High cash conversion:

- FCF / EBITDA is maintained at 58%

High pay out ratio:

- 90% of Net Profit distributed as dividends

Bi-annual dividend payments:

- 0.56 Euros/share paid 26 February (corresponding to fiscal year 2014)
- 0.24 Euros/share paid 27 August (interim fiscal year 2015)

€106m paid during fiscal year 2015

Strengthening while growing consolidated business base

Tobacco and Transport: Positive Economic sales performance excluding one-offs in FY 2014

Expanding business base

Convenience products in Italy and Pharma delivering double-digit growth in sales

Improving efficiency

+70 b.p. in Adjusted EBIT margin over Economic Sales

Robust cash flow profile

€106m dividends paid during fiscal year 2015



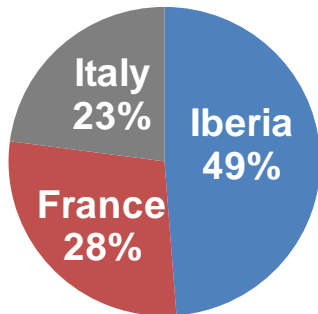
Dividend Yield
in FY2015:
5.6%



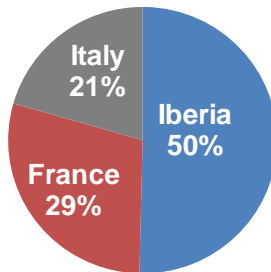
Business Review

Geographical Split

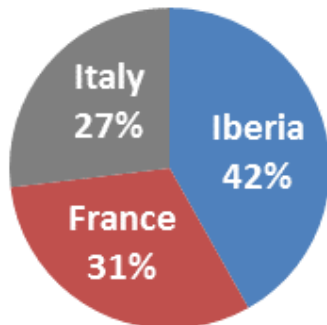
Eco. Sales: €1,010m ¹



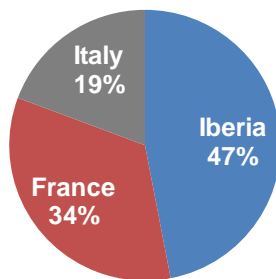
FY 2014*: €1,029m ¹



Adj. EBIT: €223m ²

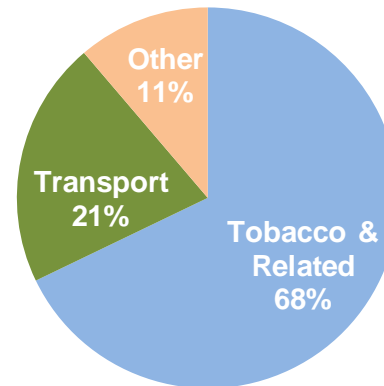


FY 2014*: €221m ²

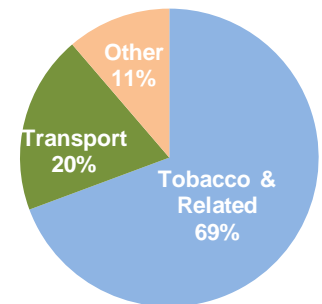


(*) Restated

Breakdown of activities: Ec. Sales ³



FY 2014*: 1,029m ³



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

¹ Breakdown calculated over Eco. Sales before Corporate Centre & Others: FY 2015 €1,004m / FY 2014 €1,023m

² Breakdown calculated over Adj. EBIT before Others & Adjustments: FY 2015 €235m / FY 2014 €233m

³ Breakdown calculated over Ec. Sales before Corporate Centre & Others and Adjustments: FY 2015 €1,052m / FY 2014 €1,070m

Iberia

- Macroeconomic environment: strong acceleration of growth
- Litigation settlements affecting comparison
- Slowing down in tobacco volume drop, moderate RSP increase (in line with 2014) and growth of low-price brands
- Transport continued benefitting from activity recovery, significant growth in Pharma business
- Books activity: now equity method consolidation (non-material impact)

Revenues: €2,577m (+1.2%)

Ec. Sales: €490m (-5.0%)

Adj. EBIT: €98 (-10.2%)

France

- Macroeconomic environment: not showing clear recovery signals
- Lower decline of tobacco volumes, no RSP increase
- Consumption weakness impacted convenience and other businesses
- Reorganisation of operations in South Eastern region

Revenues: €4,407m (-1.1%)

Ec. Sales: €284m (-4.3%)

Adj. EBIT: €73m (-6.4%)

Italy

- Macroeconomic environment: slight recovery
- Moderate tobacco volume drop, RSP increase for the first time in 3 years and significant growth of low-price brands
- Consolidation of Group's business model (operations and convenience activity): profitability levels more aligned with other geographies

Revenues: €2,519m (-0.4%)

Ec. Sales: €230m (+9.4%)

Adj. EBIT: €63m (+40.8%)

Corporate & Others

- Polish activities strongly growing, although very small
- Corporate costs stable

Revenues: €(32)m (-1.9%)

Ec. Sales: €6m (-0.7%)

Adj. EBIT: €(12)m (+1.7%)

Tobacco and Related

- Substantial reduction in tobacco volume rate of decline:
 - Cigarette: -0.8% vs. -3.8%
 - RYO: -0.8% vs. -12.3%
- Modest RSP increase in line with 2014: +5 cents per pack
- Strong growth in sales of non-tobacco related products
- Enlarged portfolio of convenience products to tobacconists, commercial boost (point of sale terminals, sales force, loyalty campaigns...)

Revenues: €2,217m
(+1.6%)

Ec. Sales: €246m
(-13.5%)

Transport

- Long haul: enlarged contracts' scope and new clients incorporation
- Parcel: growing volumes (+8%), pressure on tariffs continues but increasing demand on GDP compliant services
- Courier: growing shipments in all services (above 10%)

Revenues: €330m
(+4.2%)

Ec. Sales: €220m
(+6.0%)

Other Businesses

- Pharma increased market share in hospitals and pharmacies
 - 3 new agreements enlarging current regular coverage in distribution to pharmacies
- Publications: other products ("flow pack" type) to mitigate sector decline
- Change of scope in Lottery contract in Q2 2014 affected comparison

Revenues: €117m
(-9.3%)

Ec. Sales: €66m
(+5.3%)

Adjusted EBIT

- Impact of litigation settlements affected comparison between periods:
 - Excluding non-recurring: +4.5%
- Cost control measures and efficiency improvement taking advantage of vertical business model: continuous headcount reductions, transport route reorganisations, cross synergies...

Adj. EBIT: €98m
(-10.2%)

Tobacco and Related

- Tobacco volume slightly decreasing:
 - Cigarette: -0.5% vs. -4.6%
 - RYO: +4.4% vs. -2.7%
- No RSP increases vs. +20 cents in 2014
- Positive evolution of smoking items category, other non-tobacco related products reflected weak consumption and lower e-cigarette sales
- Declining prepaid telephony sector mitigated by increase in other e-transactional products

Revenues: €4,193m
(-0.8%)

Ec. Sales: €238m
(-3.9%)

Other Businesses

- Portfolio of clients' rationalisation after the activity increase derived from disappearance of a competitor in 2014
- Irregular evolution of consumption
- Convenience channel more affected in a market driven by prices

Revenues: €222m
(-8.0%)

Ec. Sales: €52m
(-10.2%)

Adjusted EBIT

- Reorganisation of tobacco activities in South East area
- SAP implementation, service level and efficiency improvements in convenience activity

Adj. EBIT: €73m
(-6.4%)

**Tobacco and
Related**

- Moderate tobacco volume drops:
 - Cigarette: -0.7% vs. -0.4%
 - RYO: +4.2% vs. +3.4%
- First RSP increase in 3 years: +20 cents per pack
- Significant market share increase of cigarette low price segment
- Growth of additional services invoiced to manufacturers
- Sales of convenience products boosted by commercial effort and Group's business model consolidation

Revenues: €2,519m
(-0.4%)

Ec. Sales: €230m
(+9.4%)

Adjusted EBIT

- Very positive performance of costs: network reorganisation, service level and efficiency improvements linked to the operating model
- Costs duplicity during 2014 disappeared in 2015
- Adj. EBIT margin now more aligned with other geographies

Adj. EBIT: €63m
(+40.8%)



Financial Review

(€m)	2015	2014 (*)	Δ%
Revenues	9,471	9,499	(0.3)%
Eco. Sales	1,010	1,029	(1.8)%
(-) Distribution Costs	(621)	(637)	+2.5%
(-) Sales and Marketing Expenses	(63)	(66)	+5.2%
(-) Research Expenses and G&A Expenses	(103)	(105)	+1.4%
Total Costs	(787)	(808)	+2,6%
Adjusted EBIT	223	221	+1.1%
Margin %	22.1%	21.4%	+70 b.p.
(-) Restructuring Cost	(13)	(10)	(33.9)%
(-) Amort. of Intangibles Logista France	(52)	(52)	0.0%.
(-) Net Loss on Disposal and Impairments	2	(16)	+110.5%
(-) Share of Results of Companies and Others	0	(4)	+105.6%
Profit from Operations	160	138	+15.5%

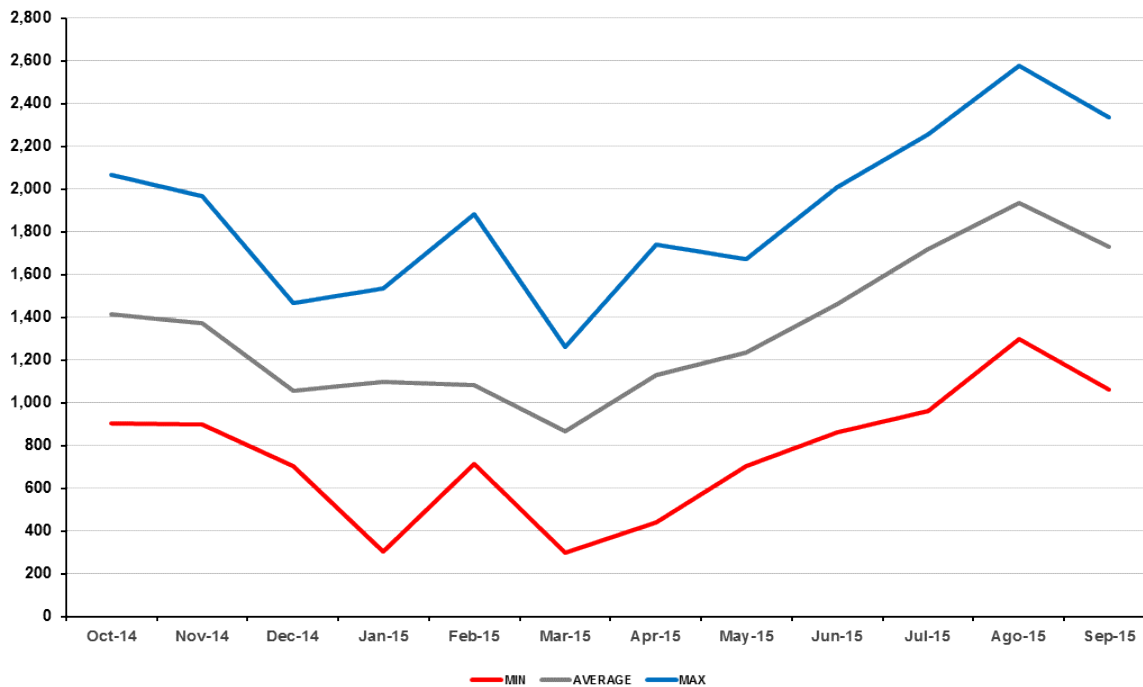
(*) Restated

- Revenues: Good performance of Transport and Tobacco and related in Iberia almost fully offsetting the impact of stable RSP and higher low price segment over dropping volumes in France and Italy
 - Ec. Sales increased excluding non-recurring effect due to good performance of Transport and Other businesses in Iberia and growth in Italy
 - Reduction of costs despite activity increase
 - Improvement of Adj. EBIT margin
-
- Higher restructuring costs associated to weakness in France
 - No impairment needed
 - Books consolidated using equity method
 - Profit from Operations growing above Adj. EBIT and Ec. Sales

(€m)	2015	2014 (*)	Δ%
Profit from operations	160	138	+15.5%
(+) Financial Income	12	22	(43.2)%
(-) Financial Expenses	(4)	(7)	+38.1%
Profit before taxes	168	153	+9.6%
(-) Corporate Income Tax	(58)	(54)	(8.1)%
<i>Effective Income Tax Rate</i>	<i>34.6%</i>	<i>35.0%</i>	<i>+40 b.p.</i>
(+/-) Other Income / (Expenses)	(0)	3	(110.1)%
(-) Minority Interest	(0)	0	(143.9)%
Net Income	109	102	+6.7%

(*) Restated

- Positive Financial Result:
 - Litigation settlement in 2014 affecting comparison
 - Lower interest rates on higher average cash position
- Lower effective corporate income tax rate:
 - Reduction in France



Seasonality driving cash position to its peak towards year end:

- Dividend payments:
 - February (€74.3m) Final 2014
 - August (c. €32m) Interim 2015

(€m)	Mínimum	Average	Maximum
Cash	295	1,341	2,575

(€m)	2015	2014	Δ%
Maintenance	4.3	5.8	(25.9)%
Infrastructure	13.2	12.0	10.0%
IT investments (technology)	13.2	17.2	(22.7)%
Total investments	30.7	35.0	(12.3)%

- Total investment slightly below previous year due to IT projects calendar
- c. 50% dedicated to technology
- Limited investment in warehouses: asset light business model

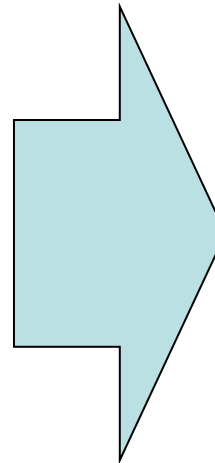
(€m)	2015	2014	Δ
EBITDA	261	259	2
Movements in long term Prov. (payment)	(6)	(57)	51
Working Capital Variations and Others	(13)	30	(43)
Corporate Income Tax Paid	(70)	(54)	(16)
Financial Income and Expenses Flows	8	8	0
Cash Flow From Operating Activities	180	186	(6)
Net Investments	(28)	(35)	7
Economic Free Cash Flow	152	150	2
% over EBITDA	58%	58%	

- Impacted by litigations settlement payments in 2014 (c.€54m)
- Good performance of working capital variation
- Increase in FCF generation

- Directors will propose a dividend distribution for year ended September 2015 of €98 million
 - Interim dividend paid in August 2015 (€0.24 per share, c. €32m)
 - Final dividend per share: €0.5 (number of shares: 132,750,000)
 - Payable at the end of second quarter of fiscal year 2016

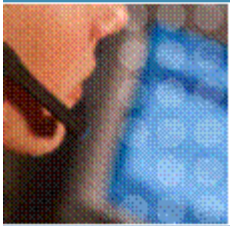
- Directors intend for the next years to distribute, at least, 90% of reported net profit in dividends
 - Interim dividend: 1/3 of the previous year's total dividend, in the fourth quarter of the relevant fiscal year
 - Final dividend: in function of reported net profit, in the second quarter of the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

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



TSR 2015* :+22.6%

* Source: Bloomberg, from 30 September 2014 to 30 September 2015 (without dividends' reinvestment)



Outlook

- Tobacco:
 - Volumes: slightly higher decline rate
 - RSP increases in all geographies (no significant tax increases expected)
 - No relevant impact expected in France as a consequence of a potential Plain Packaging implementation, presumably coming into effect in fiscal year 2017
- Wholesale: gaining SoM in Other products
 - Adding exclusive/preferred contracts
 - Omni-channel strategy (sales force, call centre, web, cash & carry and strong focus on PoS terminals), enlarged catalogue in Spain, loyalty programs...
- Transport improvement boosted by better activity especially in Spain
- Growth in direct distribution to pharmacies, doubling base of regularly covered pharmacies after incorporating new agreements
- Cost control measures and efficiency improvement programs taking advantage of our vertical business model (Adj. EBIT margin expansion)
- Higher Adj. EBIT and lower restructuring costs resulting in Net Profit growth
 - Pay-out: 90% of Net Profit



Appendix

	Million units			% Y-o-Y Change	
	1 Oct. 2014 – 30 Sept. 2015	1 Oct. 2013 – 30 Sept. 2014	1 Oct. 2012 – 30 Sept. 2013	1 Oct. 2014 – 30 Sept. 2015	1 Oct. 2013 – 30 Sept. 2014
TOTAL					
Cigarettes	167,734	168,895	173,349	(0.7)%	(2.6)%
RYO/MYO	20,617	20,126	21,229	2.4%	(5.2)%
Cigars	3,968	4,040	4,134	(1.8)%	(2.3)%
SPAIN					
Cigarettes	46,136	46,528	48,342	(0.8)%	(3.8)%
RYO/MYO	6,618	6,675	7,611	(0.8)%	(12.3)%
Cigars	2,128	2,153	2,205	(1.2)%	(2.4)%
PORTUGAL					
Cigarettes	1,675	1,694	1,845	(1.1)%	(8.2)%
RYO/MYO	166	192	247	(13.3)%	(22.3)%
Cigars					
FRANCE					
Cigarettes	46,027	46,261	48,487	(0.5)%	(4.6)%
RYO/MYO	9,501	9,105	9,353	4.4%	(2.7)%
Cigars	1,356	1,401	1,442	(3.2)%	(2.8)%
ITALY					
Cigarettes	73,896	74,412	74,675	(0.7)%	(0.4)%
RYO/MYO	4,330	4,154	4,018	4.2%	3.4%
Cigars	484	486	487	(0.4)%	(0.2)%

(€m)	2015	2014 (*)	Δ%
Iberia	2,577	2,545	+1.2%
Tobacco & Related	2,217	2,182	+1.6%
Transport Services	330	316	+4.2%
Other Businesses	117	128	(9.3)%
Adjustments	(87)	(81)	(7.6)%
France	4,407	4,455	(1.1)%
Tobacco & Related	4,193	4,225	(0.8)%
Other Businesses	222	241	(8.0)%
Adjustments	(8)	(11)	+31.0%
Italy	2,519	2,530	(0.4)%
Tobacco & Related	2,519	2,530	(0.4)%
Corporate & Others	(32)	(31)	(1.9)%
Total Revenues	9,471	9,499	(0.3)%

(*) Restated

(€m)	2015	2014 (*)	Δ%
Iberia	490	516	(5.0)%
Tobacco & Related	246	283	(13.5)%
Transport Services	220	209	+6.0%
Other Businesses	66	63	+5.3%
Adjustments	(42)	(39)	(9.0)%
France	284	297	(4.3)%
Tobacco & Related	238	248	(3.9)%
Other Businesses	52	58	(10.2)%
Adjustments	(6)	(9)	+31.8%
Italy	230	210	+9.4%
Tobacco & Related	230	210	+9.4%
Corporate & Others	6	6	(0.7)%
Total Economic Sales	1,010	1,029	(1.8)%

(*) Restated

(€m)	2015	2014 (*)	Δ%
Iberia	98	109	(10.2)%
France	73	78	(6.4)%
Italy	63	45	40.8%
Corporate & Others	(12)	(12)	1.7%
Total Adjusted EBIT	223	221	1.1%

(*) Restated

(€m)	2015	2014(*)
PP&E and other Fixed Assets	216	224
Net Long Term Financial Assets	9	9
Net Goodwill	919	919
Other Intangible Assets	661	713
Deferred Tax Assets	41	59
Net Inventory	1,061	1,067
Net Receivables	1,768	1,771
Cash & Cash Equivalents	1,803	1,707
Total Assets	6,478	6,469
Group Equity	443	441
Minority interests	2	2
Non Current Liabilities	48	60
Deferred Tax Liabilities	328	357
Short Term Financial Debt	32	32
Short Term Provisions	17	16
Trade and Other Payables	5,608	5,561
Total Liabilities	6,478	6,469

(*) Restated



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