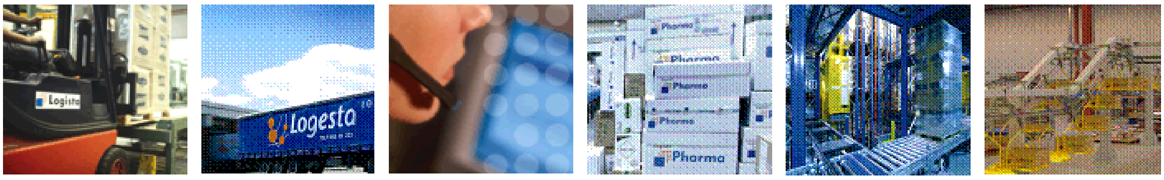
Grupo Logista FY2014 Results

November 4, 2014



Grupo Logista reports Full Year 2014 Results since relisting in the Spanish Stock Markets

Grupo Logista announces today its first Full Year Results since relisting in the Spanish Stock Markets on 14 July 2014. Main highlights:

- Net Income up by 16.8% to €102.3 million
- Economic Sales[1] up by 2.4% to €1,036 million despite Revenues reduction to €9,507 million
- Adjusted Operating Profit up by 4.5% to €220.6 million
  - Adjusted Operating Profit 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 and typical margins of the Group. In the following table reconciliation between Profit from Operations and Adjusted Operating Profit for fiscal years 2014 and 2013 is shown (data in million Euros):

Data in million euros	2014	2013
Profit from Operations	**139**	**123**
Restructuring Costs	10	20
Amortisation of Intangibles Logista France	52	52
Net Loss on Disposal and Impairment of Non-Current Assets	16	14
Share of Results of Companies and Others	4	1
Adjusted Operating Profit	**221**	**211**

- Dividend per share: €0.56.

Grupo Logista has registered a positive fiscal year in a still difficult market environment characterised by a progressive reduction on the tobacco volumes declining trend, a slightly better macroeconomic and consumption environment in Spain during the first months of the year and the benefits derived from the continuous efficiency improvement and cost control measures implemented since the beginning of the crisis.

Higher revenues from diversification contributed to mitigate the impact that drop in tobacco consumption and substantially lower increase in cigarette retail selling prices compared to previous year had on Group Revenues.

Economic Sales increase and operating cost restraint policies contributed to Adjusted Operating Profit growth (+4.5%). Additionally, lower restructuring costs and impairments and the improvement in financial results, boosted Net Income growth (+16.8%) despite the rise in the effective corporate tax rate caused by Logista France integration.

The advantages associated to Grupo Logista business model that proved its resilience under adverse macroeconomic circumstances, are confirmed again during a fiscal year in which our main markets have begun to signal a slight recovery.

[1] *Economic Sales: This terms equals Gross Profit and is used without distinction by the Management to refer to the figure resulting of subtracting Procurements to the Revenue figure.*

Key Metrics Summary

Data in million euros	Oct. 2013-Sept. 2014	Oct. 2012-Sept. 2013	% Change
Revenues	9,507	9,863	(3.6%)
Economic Sales	1,036	1,012	2.4%
Adjusted Operating Profit	221	211	4.5%
Margin over Economic Sales	*21.3%*	*20.9%*	*+40p.p.*
Profit from Operations	139	123	12.8%
Net Income	102	88	16.8%

Revenues Evolution (By Segment and Activity)

Data in million euros	Oct. 2013-Sept. 2014	Oct. 2012-Sept. 2013	% Change
Iberia	**2,558**	**2,608**	**(1.9)%**
Tobacco & Related	2,183	2,242	(2.7)%
Transport Services	316	316	+0.2%
Other Businesses	110	85	+29.3%
Other & Adjustments	(51)	(34)	(48.2)%
Italy	**2,530**	**2,749**	**(8.0)%**
Tobacco & Related	2,530	2,749	(8.0)%
France	**4,455**	**4,543**	**(2.0)%**
Tobacco & Related	4,218	4,348	(3.0)%
Other Businesses	247	206	+19.6%
Adjustments	(10)	(10)	+5.9%
Corporate & Others	**(36)**	**(38)**	**+6.9%**
Total Revenues	**9,507**	**9,863**	**(3.6)%**

Economic Sales Evolution (By Segment and Activity)

Data in million euros	Oct. 2013-Sept. 2014	Oct. 2012-Sept. 2013	% Change
Iberia	**527**	**521**	**+1.2%**
Tobacco & Related	283	274	+3.5%
Transport Services	208	201	+3.5%
Other Businesses	50	47	+8.4%
Other & Adjustments	(14)	(0)	n.a.
Italy	**210**	**192**	**+9.4%**
Tobacco & Related	210	192	+9.4%
France	**297**	**298**	**(0.5)%**
Tobacco & Related	247	254	(2.5)%
Other Businesses	58	51	+9.9%
Adjustments	(7)	(7)	(6.1)%
Corporate & Others	**2**	**0**	**n.a.**
Total Economic Sales	**1,036**	**1,012**	**+2.4%**

Adjusted EBIT Evolution (By Segment)

Data in million euros	Oct. 2013-Sept. 2014	Oct. 2012-Sept. 2013	% Change
Iberia	**109**	**95**	**+14.8%**
Italy	**45**	**38**	**+18.2%**
France	**79**	**91**	**(13.7)%**
Corporate & Others	**(12)**	**(13)**	**+8.6%**
Total Adjusted EBIT	**221**	**211**	**+4.7%**

I. Business Review

A. Iberia: Spain and Portugal

Revenues in Iberia reached €2,557.8 million compared to €2,608.3 million in 2013, which represents a reduction of 1.9%. However, Economic Sales were €527 million growing by 1.2% from € 520.7 million in the previous year.

The drop in Revenues in **Tobacco and related products** and in Other and adjustments was partially compensated thanks to the important progress registered by Other Businesses which grew 29.3% (mainly from the direct distribution to pharmacies activity).

Revenues from Tobacco and related products were essentially impacted by the tobacco consumption drop in Spain and Portugal and a substantially lower cigarette retail selling price increases compared to the previous year.

It is worth mentioning that, for the first time since 2010, cigarette volumes distributed in Spain registered a year-on-year drop below double digit, being -3.8% vs. -12% in the previous year.

The reduction on this declining trend may be supported by various factors:

- Slight recovery in unemployment and consumption
- Lower increase of retail selling prices (+5 cents per pack compared to +25 cents per pack in 2013)
- The partial shift from RYO consumption to cigarettes as a consequence of the reduction in price differential between both categories as a result of higher excise taxation over RYO. This change has caused a decline in RYO volumes for the first time in recent years (-12.3% vs. 11.3% the previous year).

The illicit products and contraband volumes during the year continued representing a significant portion of tobacco consumption in Spain despite a small reduction (around 11% compared to 12%).

The sale of other products in the tobacconist channel was affected by the drop in RYO consumption (directly linked to the sales of papers, tubes and filters) in spite of sales growth in other products.

Economic sales in this activity grew by 3.5% up to €283.2 million due to the increase gross profit per unit derived from a higher distribution complexity and the invoice of other value added services as well as sales of other products through the tobacconist channel. Additionally, at the beginning of the year most of the litigation regarding Excise Duty assessments from 2004 to 2006 was settled with positive resolutions in respect to 2006, so the associated provisions were released.

Revenues in **Transport** were almost stable compared to previous year reaching €316.3 million after several years of contraction. The general activity recovery in Spain contributed to this change in a trend, especially relevant in the courier segment.

Economic Sales recorded a positive performance to €207.7 million (+3.5%)

The rise in flows from high margin products as pharmaceutical and electronic combined with an adequate management of subcontracting transport costs mitigated the impact of tobacco volumes decline in the international transport activity.

Regarding parcel and courier activities, there was a progressive improvement in the number of shipments and volumes during the year, but the pressure on tariffs was similar to previous years.

Revenues in **Other Businesses** recorded a very positive performance, growing by 29.3% up to €109.7 million.

The sales in Pharma continued showing an important development mainly derived from the growth registered in the direct distribution to pharmacies activity and, to a lesser extent in the pre-wholesaling distribution.

The pharmaceutical sector in Spain has experienced a certain recovery during the year (data from Farmaindustria):

- The drop in the pharmaceutical expenditure in prescriptions from the National Health System was slowed down (+3% y-o-y July 2014/July 2013 vs. -6% y-o-y December 2013/December 2012)
- The pharmaceutical public expenditure in hospitals was up by 2.5% during calendar year 2013.
- The private expenditure, particularly in OTC and healthcare, grew by 11% in the first seven months of 2014.
- The percentage of direct distribution from laboratories to pharmacies continued growing, reaching 18%

Pharma continued advancing in its strategy to increase the average sale by pharmacy with especial focus on the biggest pharmacies (those with annual sales above €600,000) having increased substantially the number of clients among these pharmacies as well as their average purchase.

The growth in Economic sales in Pharma was lower compared to the previous year than the growth in revenues due to the relative weight increase of the direct distribution to pharmacies activity with respect to vis-a-vis the pre-wholesaling segment. This is the result of the specific accounting of the pre-wholesaling segment given the fact that Economic Sales equal the Revenues from logistics services.

Both Revenues and Economic sales in Books in Spain have risen after the addition of new business lines (distance and internet sales distribution) despite the fact that the sales in the sector have continued to fall in line with previous year.

Revenues in **Others and adjustments** declined due to the divestments undertaken in 2013 and the adaptation of the distribution contract of ONCE games to the difficult market environment.

As a result of the new contract signed in December 2013, Logista now provides logistics and administrative management of the point of sales services to ONCE, and the Logista-GTECH joint venture has terminated the commercialization of products. This new collaboration scheme ensures that at least breakeven is achieved. However, the revenues from the distribution of ONCE lottery games were significantly reduced.

Revenues in publications distribution declined reflecting the general trend in the sector and the divestment of the Portuguese activities, despite the addition of new contracts during 2014.

Adjusted operating profit was €109.1 million, up by 14.8% compared to previous year.

This growth was partially due to the evolution in 2013 and 2014 of recurring the irregular results (variation of inventories' valuation, following tobacco retail selling prices or taxation changes) and to the release of certain provisions associated to litigation.

Not taking into consideration these effects, the regular activity has shown a positive performance thanks to the constant cost savings and efficiency improvement measures and the recovery experienced by the transport activity.

Profit from operations reached €91.8 million compared to €76.5 million in 2013, up by 20%, after lower non-recurring effects (especially impairments of assets and goodwill) were recorded during the year.

During 2014 an impairment of the Lottery assets was recorded and now these assets are fully provisioned (in line with the new scope of the contract with ONCE).

B. Italy

This has been the first complete year since the implementation of the new operating model in 2013. During the transition process, the level of service to our clients was kept and was considered by them a success.

The new operating model required the transformation of the old network of local warehouses (540 at the time of acquisition) into 175 local service points, consolidating picking activities in 6 central/regional warehouses. This allows a more flexible management of inventories and operations and improves, at the same time, the level of service. In the same way, commercial coverage in the wholesale activity of other products was reinforced by the presence in all the stores and/or cash & carries of the local points of service of not only tobacco but also other products portfolio.

Revenues in Italy reached €2,529.8 million compared to €2,749.3 million in 2013, down by 8%

Although tobacco consumption in the Italian market was practically equal to the previous year, the effect of lower cigarette retail selling prices resulted in a revenues figure below previous year.

Cigarette distributed volumes in Italy showed a slightly negative trend but well below 2013 levels (-0.4% vs. -6.1%) with declines in cigarette retail selling prices per pack after the repositioning of certain brands to the low-price segment.

As opposed to what happened in the Spanish and French markets, the RYO category registered a positive performance (+3.4% vs. -1.2% in 2013).

The sales of other related products to the tobacconist channel were supported by the implementation of the new operating model and the boost of other commercialisation channels as point of sales terminal, website, call centre, etc. All these factors contributed to a significant growth in revenues from other products with respect to 2013.

Despite the fall experienced by Revenues, Economic sales in Italy grew by 9.4%, reaching €210.4 million compared to €192.2 million in 2013. During the previous year, Economic Sales were affected by a provision amounting €8.4 million as a consequence of a rise in VAT not followed by a rise in retail selling prices by tobacco manufacturers.

The distribution fees and the additional services invoiced mitigated the impact of the slight decline in tobacco volumes, significantly lower that previous year. Additionally, the growth in sales of other products to the tobacconist channel and the higher margin of Economic sales over Revenues contributed to Economic sales growth in the Italian segment.

Adjusted operating profit was up by 18.2% to €44.9 million from €37.9 million the year before, as a result of lower irregular results from variations in retail selling prices and taxes. Profit from operations performed in a similar way and, after lower restructuring costs, reached €43.8 million increasing by 19.8%.

C. France

Revenues were €4,454.5 million down 2% from €4,543.3 in 2013 while Economic Sales experienced a slight decline (-0.5%) reaching €296.9 million from €298.4 million in 2013.

The positive evolution of Other businesses Revenues, which grew 19.6%, did not fully offset the decline in Tobacco and related products Revenues (-3.0% compared to 2013).

As in the Iberian segment, the revenues in **Tobacco and related products** were mainly affected by the tobacco consumption decline and by retail selling price increases not compensating the volumes reduction and well below those of previous year.

Distributed cigarette volumes in France followed a lower negative trend than in 2013 (-4.6% vs. -9%) despite the fact that the retail selling price increases per pack, as mentioned before, were lower than in the previous year (+20 cents compared to +60 cents in 2013).

The RYO category registered as well a negative performance (-2.6% vs. +2.2% in 2013) as a consequence of the reduction in the price differential with cigarettes.

These drops were a consequence of several factors, among others:

- Lower macroeconomic growth and unemployment rate increasing
- Reduction on RYO consumption due to a lower price differential to cigarettes
- Increase in cross border sales (that has derived in a downward review of the authorized quantities to be transported from other countries)
- A considerable increase of illicit products and contraband volumes during the year, reaching 25% of consumption (according to a report by KPMG).

The sales of other products to the tobacconist channel were mainly affected by the decline in electronic transactions that kept a similar decline trend as the mobile top-ups market shrank following the launch of aggressive offers from some telephony operators in the last few years. However, the growth in other electronic transaction products mitigated the impact of this decline.

Economic sales were down by 2.5% reaching €246.4 million due to tobacco consumption fall, partially offset by higher gross profit per unit derived from the increase in distribution complexity and by invoiced value added services to manufacturers and other products sales.

Revenues in **Other Businesses** (wholesale distribution of convenience products in non-tobacconist channels) reached €246.5 million, showing an important rise (+19.6%) from the previous year as a result of the strong market share gain of the group in this sector.

After the bankruptcy of one of our competitors at the beginning of the fiscal year, the group added new clients in the different channels in which we operate. The commercial effort undertaken allowed to reinforce our leading position in the food distribution at ambient temperature to the petrol station channel and to continue growing in the distribution to vending machine operators.

Economic sales showed a positive performance too (+9.9%) reaching €57.6 million. A lower growth rate than in Revenues was due to the addition of a higher percentage of customers, lower margin of Economic sales over Revenues and to the relative weight increase of drinks in the distributed products mix due to the growth in distribution to vending machine operators.

Adjusted Operating profit in France was €78.4 million vs. €90.9m in the previous year, down by a 13.7%. This decline was mainly driven by the lower cigarette retail selling price increases and the growth in cost related to the addition of new clients in Other Businesses.

Operating Profit increased to €23.8 million, up by 0.3%, as a result of the lower restructuring costs.

During the fiscal year, a regional warehouse placed in Nancy was closed to adapt the structure to the volume decreases in the French market.

It is worth highlighting that the most important adjustment in this segment is the Intangible Assets Amortization related to the Logista France's acquisition at the beginning of the fiscal year 2013, reaching €52.2 million per year for a period of 15 years.

D. Corporate and Others

Regarding the Adjusted Operating Profit, the expenses related to this segment decreased by 8.6% to €11.7 million, reflecting the constant cost control efforts and adaptation of the corporate structure to the activity evolution during the last years.

II. Financial Overview

A. Financial Result Evolution

Financial results reached €14.7 million vs. -€4.2 million in the fiscal year 2013, driven by a financial income increase as well as the lower financial expenses.

Financial income increased to €21.8 million vs. €7.4 million in the previous year, as a result of several factors: the higher remuneration of the group's cash, the lower average cash position (the average cash position was € 1,126 million in 2014 and €1,243 million in the previous year) and the release of provisions for delayed interests payments related to the pending litigation regarding the Excise Tax settlement, which was solved with favorable judgments in the first semester of this fiscal year.

Cash in fiscal year 2013 was remunerated at the EONIA interest rate plus a differential of 12.5 basis points in the case of France, and in the case of Spain and Italy at the reference rate of the European Central Bank plus 75 basis points. In fiscal year 2014, cash remuneration for the entire Group was based on the reference rate of the European Central Bank plus 75 basis points.

Financial expenses fell from €11.6 million in 2013 to €7.1 million in 2014, mainly driven by the reduction of the provision for possible delayed interests payments related to pending litigation.

B. Net Income Evolution

Earnings before Taxes increased to €153.6 million, up 29.2%, while the Net Income increased by 16.8% mainly as a result of a higher consolidated effective tax rate, which reached 35.2% from 25.5% in the previous year.

The effective rate of the period was in line with what we can be considered a normalized effective rate for the group because the consolidated effective rate for the fiscal year 2013 was abnormally low as it was positively affected by the benefits obtained by Logista France from its previous fiscal group, before the acquisition by Grupo Logista.

Basic earnings per Share reached €1.4 (€0.77 if calculated over existing shares on September 30th 2014).

C. Cash Flow

The total flow from operating activities reduced from €217 million to €181 million, mainly due to the payment of €54 million due to Court settlements that had already been provisioned by the Company. This impact was partially offset by a higher Result before taxes from continuing activities, an improvement of working capital variation and a higher financial income obtained as a result of the higher interest rate of the group's cash during the fiscal year 2014.

Additionally, dividend payments increased from €74 million to €119 million.

D. Dividend Policy

The Grupo Logista's Board of Directors intends to propose to the General Shareholders Meeting the distribution of a dividend of €74 million for fiscal year 2014(€0.56 per share).

E. Outlook

For next fiscal year, the Group expects to maintain its leadership position in the distribution to extensive points of sale networks in Southern Europe.

Considering the recent evolution of the tobacco volumes, we expect that this decreasing trend is maintained at a similar level, not expecting significant variations in taxation in any of our main geographies.

The commercial efforts will be focused on increasing the sales of other products different to tobacco in the tobacconist channel, as well as in other channels (petrol stations, newsstands, press-shops, convenience shops, etc) in our three geographical segments. Also, a progressive improvement in the macroeconomic conditions could imply acceleration in the growth rate of these products' sales.

Particularly in Iberia, the first signs of economic recovery in Spain during the first months of 2014 could allow us to expect a good performance in our transport activity given its high correlation with the macroeconomic situation.

Additionally, we will continue working to increase our market share in the direct distribution to pharmacies. The main actions will focus on extending the product portfolio offered to the pharmacies through new agreements with laboratories and manufacturers, as well as on increasing the loyalty level of the pharmacies with highest sales, generally related to OTC and healthcare products.

Regarding the cost structure, we will continue implementing our programmed plans to improve the efficiency and to obtain synergies derived from the integration of different businesses. We will also continue working on the cost reduction to adapt cost structure to the activity level taking advantage from the "vertical distributor" model of Logista in which stock management is concentrated at the central/regional warehouses, providing capillarity through the network of points of service. The aim is to continue reaching improvements in the adjusted operating profit over economic sales.

The measures mentioned above and the expected restructuring cost reduction and impairments allow us to expect again an increase of Net Income in fiscal year 2015 and consequently, an increase of the dividend, which will remain as 90% of the Net Income, except in exceptional situations.

Appendix

P&L

Data in million euros	Oct. 2013-Sept. 2014	Oct. 2012-Sept. 2013	% Change
Revenues	**9,507**	**9,863**	**(3.6)%**
Eco. Sales	**1,036**	**1,012**	**+2.4%**
(-) Distribution Costs	(643)	(623)	(3.3)%
(-) Sales and Marketing Expenses	(67)	(68)	+1.8%
(-) Research Expenses and G&A Expenses	(106)	(110)	+3.4%
Total Costs	**(816)**	**(801)**	**(1,9)%**
Adjusted EBIT	**221**	**211**	**+4.5%**
Margin %	*21.3%*	*20.9%*	*40 b.p.*
(-) Restructuring Cost	(10)	(20)	+50.0%
(-) Amort. of Intangibles Logista France	(52)	(52)	n.a.
(-) Net Loss on Disposal and Impairments	(16)	(14)	(14.3)%
(-) Share of Results of Companies and Others	(4)	(1)	n.a.
Profit from Operations	**139**	**123**	**+12.8%**
(+) Financial Income	22	7	+198.6%
(-) Financial Expenses	(7)	(11)	+38.8%
Profit before taxes	**154**	**119**	**+29.2%**
(-) Corporate Income Tax	(54)	(30)	(78.3)%
Effective Income Tax Rate	*35.2%*	*25.5%*	*970 b.p.*
(+/-) Other Income / (Expenses)	3	(1)	n.a
(-) Minority Interest	0.2	0	n.a.
Net Income	**102**	**88**	**+16.8%**

Cash Flow Statement

Data in million euros	Oct. 2013-Sept. 2014	Oct. 2012-Sept. 2013	% Change
EBITDA	**259**	**251**	**3.1%**
Movements in Prov. and Other Fixed Liabilities	(57)	(6)	(803.8)%
Working Capital Variations and Other	30	33	(9.5)%
Corporate Income Tax Paid	(54)	(56)	(3.4)%
Financial Income and Expenses Flows	8	(4)	289.2%
Cash Flow From Operating Activities	**186**	**217**	**(15.0)%**
Capex	(35)	(36)	(2.4)%
Economic Free Cash Flow	**150**	**181**	**(17.5)%**
% over EBITDA	*58%*	*72%*	

Balance Sheet

Data in million euros	Sept. 2014	Sept. 2013
PP&E and other Fixed Assets	226	257
Net Long Term Financial Assets	10	12
Net Goodwill	919	919
Other Intangible Assets	713	756
Deferred Tax Assets	59	57
Net Inventory	1,067	1,208
Net Receivables	1,793	1,585
Cash & Cash Equivalents	1,701	1,752
Total Assets	**6,488**	**6,546**
Group Equity	440	459
Minority interests	2	2
Non Current Liabilities	61	167
Deferred Tax Liabilities	357	375
Short Term Financial Debt	35	120
Short Term Provisions	18	10
Trade and Other Payables	5,575	5,413
Total Liabilities	**6,488**	**6,546**

Results presentation

The company will publish its FY2014 results on November 4, 2014 before Market opening. This results presentation will be available in the web page of the CNMV (Comisión Nacional del Mercado de Valores, www.cnmv.es) as well as in the company's web page (www.grupologista.com).

Luis Egido, CEO, and Manuel Suárez, Chief Financial Officer of Grupo Logista, will hold a FY2014 results presentation at 12:00h in the Palacio de la Bolsa de Madrid (Madrid Stock Exchange Palace) for analysts and investors.

This presentation could be attended on real time through audio-webcast in the company's web site (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 will be available in the company's web page during one month.

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