

2014 Results presentation

November 2014

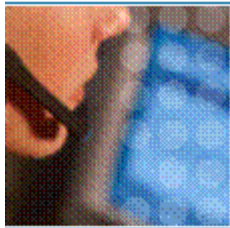


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Index:

- **Results Highlights**
- **Business Model**
- **Business Review**
- **Financial Review**
- **Outlook**

- +2.4% Economic Sales growth to €1,036m
 - Revenues declining 3.6% to 9,507 due to tobacco volume decline (-3% cigarette + RYO) and lower retail selling price increase
 - Higher margin over revenues due to additional services and increased complexity
- +4.5% adjusted EBIT growth to €221m
 - Adjusted EBIT margin growth continues
- Reported Net Income increased to €102m (+16.8%)
- Economic Free Cash Flow: €150m
 - Includes non-recurring impact of the litigation settlement
- Dividends per share: €0.56

Solid Business Model: Resilient in tough conditions and prepared to benefit from recovery



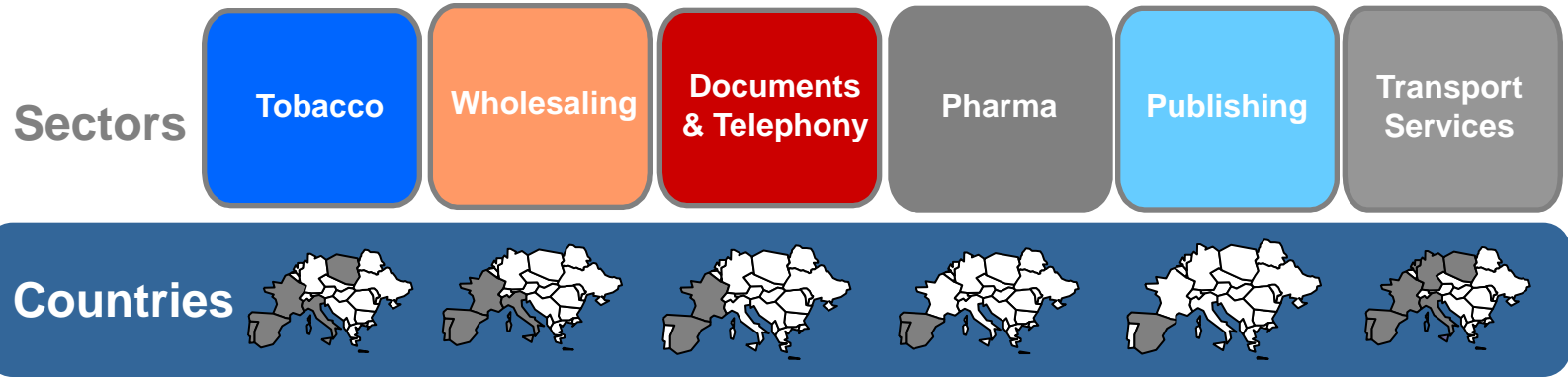
Business Model

Manufacturers



Sales Channels / Retail Networks

Combination of wholesale and logistics capabilities, together with exclusive value added services, to facilitate manufacturers' products route to the consumer



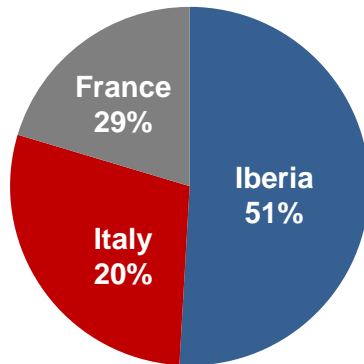
Channels

Tobacconists	✓	✓	✓	✓	✓
Kiosks		✓	✓	✓	✓
Bookshops		✓	✓	✓	✓
Petrol Stations		✓	✓	✓	✓
Hospitals				✓	✓
Pharmacies		✓		✓	✓
Convenience shops		✓	✓	✓	✓
Restaurants		✓			✓
Others	✓	✓	✓	✓	✓

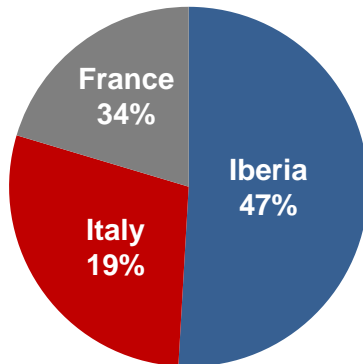
The highest capillarity: covering 300,000 delivery points in convenience/proximity in Spain, France, Italy and Portugal

Geographical Split

Eco. Sales: €1,036m



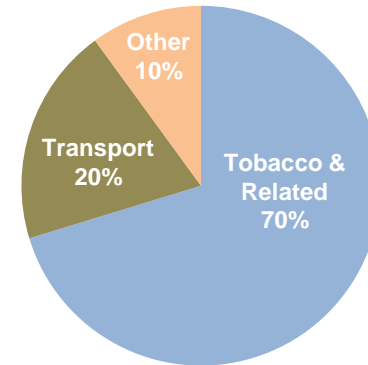
Adj. EBIT: €221m ¹



¹ Breakdown calculated over Adj. EBIT before Corporate Centre and Others: €232m

² Breakdown calculated over Ec. Sales before Others & Adjustments: €1,056m

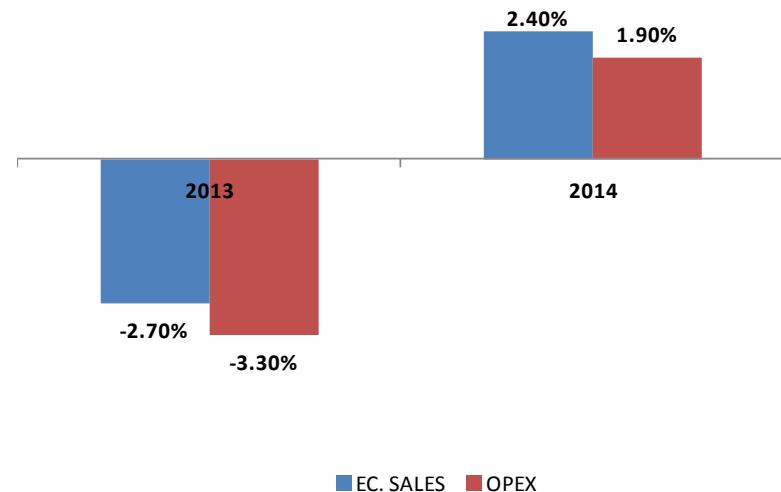
Breakdown of activities: Ec. Sales ²



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



- Main warehouses are owned, others rented
 - Inventories. Picking automation
- Some activities outsourced, integrated with our systems. Managed and controlled by Logista, complying with high security and operational standards:
 - Means of transport: fully outsourced
 - Service locations: mostly outsourced, close to PoSs
- Cost base is highly variable:



o Advanced IT Systems

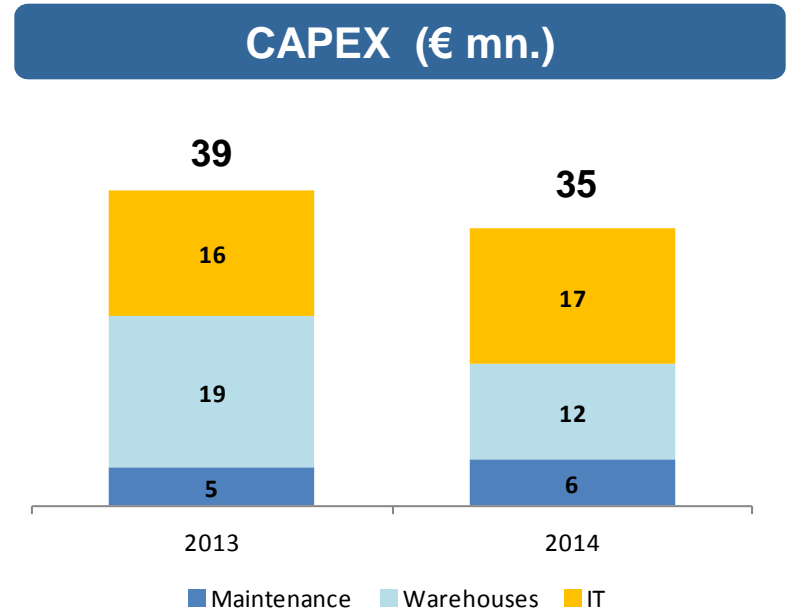
- Full integration with manufacturers
- Efficiency in operations. Automatic handling
- Routes' control and design in transport
- Telematic connection with point of sales

o The best standards of control

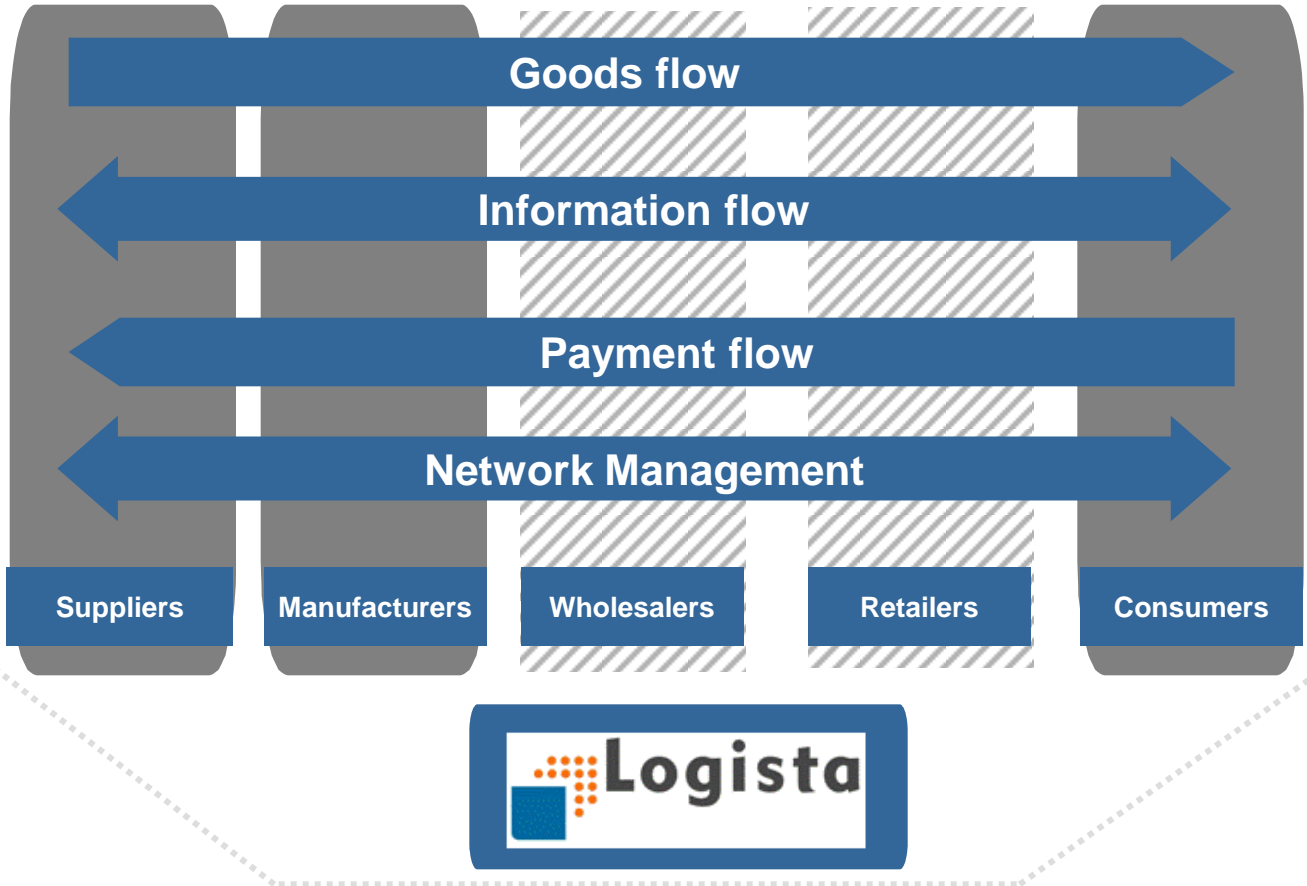
- Track and trace
- Advanced active and passive security systems

o Business Intelligence Tools

- Cross-selling opportunities identification
- Real time information to manufacturers



Every year between 1/3 to 1/2 of Capital Expenditure is dedicated to IT investments



Full integration of goods, payments and information flows and full access to widespread retail networks through a single distributor



Business Review

Iberia

- Macroeconomic environment slowly easing
- Slowdown in tobacco volumes decline, lower RSP increases
- Settlement of tax litigations
- Transport benefitting from activity recovery, Other businesses growth mainly driven by Pharma
- Divestment of Publications Portugal and change of scope in Lottery contract impacting Other and Adjustments

Revenues: €2,558m (-1.9%)

Ec. Sales: €527m (+1.2%)

Adj. EBIT: €109m (+14.8%)

Italy

- Macroeconomic environment still difficult
- Stable tobacco volumes, but RSP decreases
- New operating model boosting wholesale growth

Revenues: €2,530m (-8.0%)

Ec. Sales: €210m (+9.4%)

Adj. EBIT: €43m (+18.2%)

France

- Macroeconomic environment worsening
- Lower tobacco volumes decline, lower RSP increases
- Market share gains in Other businesses

Revenues: €4,455m (-2.0%)

Ec. Sales: €297m (-0.5%)

Adj. EBIT: €79m (-13.7%)

Corporate & Others

- Polish activities almost flat
- Corporate costs reducing

Revenues: €(36)m (+6.9%)

Ec. Sales: €2m (n.a.)

Adj. EBIT: €(12)m (+8.6%)

Tobacco and Related

- Tobacco volume in Spain, first single digit decline in 5 years:
 - Cigarette: -3.8% vs. -12%
 - RYO: -12.3% vs. +11.3%
- Lower RSP increases: +5 cents vs. +25 cents
- New services
- Market decline in smoking items partially compensated by other products' growth

Revenues: €2,183m
(-2.7%)

Ec. Sales: €283m
(+3.5%)

Transport

- Long haul: tobacco volumes decline offset by new clients and growth in other sectors (pharma and food)
- Parcel: growing volumes (+7%), pressure on tariffs continue
- Courier: growing shipments for the first time in recent years (+13%)

Revenues: €316m
(+0.2%)

Ec. Sales: €208m
(+3.5%)

Other Businesses

- Pharma growth, mainly in direct distribution to pharmacies
 - Focus on the 1,000 biggest pharmacies
- Books growth coming from new activities

Revenues: €110m
(+29.3%)

Ec. Sales: €50m
(+8.4%)

Adjusted EBIT

- Continues cost control and efficiency improvement measures
- Litigation settlement impact offset by lower irregular results

Adj. EBIT: €109m
(+14.8%)

Tobacco and Related

- Tobacco volume decline slightly decreasing:
 - Cigarette: -4.6% vs. -9%
 - RYO: -2.7% vs. +2.2%
- Lower RSP increases: +20 cents vs. +60 cents
- Wholesale activity affected by general economic environment in H2
- Lower telephony recharges sales due to aggressive offers by some operators

Revenues: €4,218m
(-3.0%)

Ec. Sales: €247m
(-2.5%)

Other Businesses

- Strong gain in market share from sector consolidation
- Margin mix (clients and products) reducing Ec. Sales/Revenues margin
- Warehouses reorganization

Revenues: €247m
(+19.6%)

Ec. Sales: €58m
(+9.9%)

Adjusted EBIT

- Adapting tobacco cost structure to activity level: closure of 1 warehouse
- Other networks reorganization

Adj. EBIT: €79m
(-13.7%)

Tobacco and Related

- Stable tobacco volume:
 - Cigarette: -0.4% vs. -6.1%
 - RYO: +3.4% vs. -1.2%
- RSP movements: some brands repositioning to low price segment
- Wholesale activity benefitting from a stronger commercial presence after new operational model:
 - 175 cash & carry and service points
- Last year Ec. Sales included a provision for VAT increase not followed by an increase in retail selling price by manufacturers

Revenues: €2,530m
(-8.0%)

Ec. Sales: €210m
(+9.4%)

Adjusted EBIT

- First full year of implementation new operational model:
 - Improved service level and efficiency
 - Our clients have considered the transformation a success
- Some costs duplicity during transition

Adj. EBIT: €45m
(+18.2%)



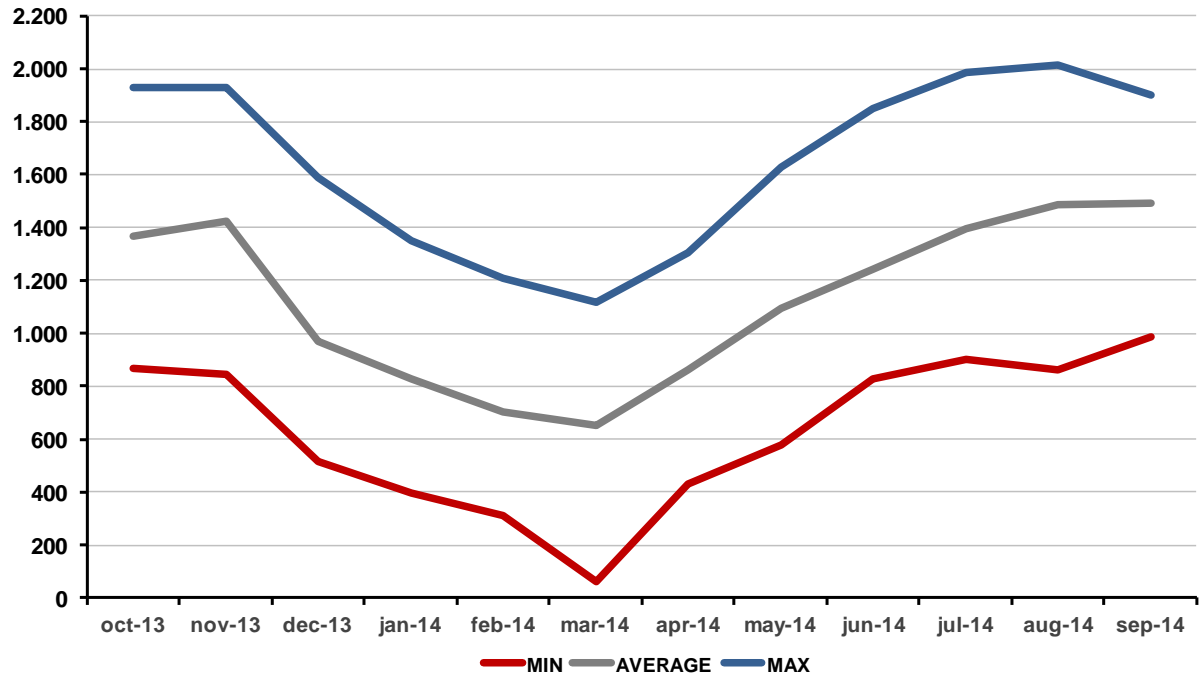
Financial Review

(€m)	2014	2013	Δ%
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%

- Revenues: Higher diversification and lower tobacco RSP increases not compensating tobacco volume declines
- Ec. Sales increase supported by lower rate of tobacco volume declines, higher services and growth in other businesses and transport
- Higher efficiency: costs increase below Ec. Sales growth
- Continued margin Adj. EBIT expansion
- Improved activity indicators resulting in lower restructuring needs
- Impairment on Lottery, adapting to new contract's scope
- Profit from Operations well above Ec. Sales growth

(€m)	2014	2013	Δ%
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)%
<i>Effective Income Tax Rate</i>	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%

- Positive Financial Result:
 - Higher remuneration rate
 - Lower expenses linked to litigation (carrying cost)
- Corporate Income Tax :
 - Logista France not benefiting from previous tax-group



Increased cash position at the year end based on working capital improvement and in spite of extraordinary items in the year:

- payment on final tax assessment resolution (€53.9m)
- May interim dividend (€39.8m)

(€m)	Mínimum	Average	Maximum
Cash	60	1,126	2,015

(€m)	2014	2013	Δ%
Maintenance	5.8	4.8	20.8%
Infrastructure	12.0	18.7	(35.8)%
IT investments (technology)	17.2	15.6	10.3%
Total investments	35.0	39.1	(10.5)%

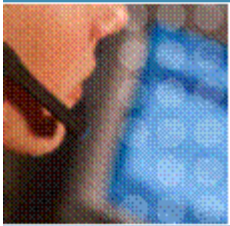
- Investment in line with previous years
- Around 50% dedicated to technology
- Limited investment in warehouses: asset light business model

(€m)	2014	2013	Δ%
EBITDA	259	251	3.1%
Movements in long term Prov. (payment)	(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%	

- Impacted by payments from pending litigations settlement (c.€54m)
- Good performance of working capital variation
- Improvement in financial income following increase in applicable interest rates

- Directors will propose a dividend distribution for year ended September 2014 of €74 million, in line with the commitment expressed during the IPO past July
 - Dividend per share: €0.56 (number of shares: 132,750,000)
 - Payable in the second quarter of fiscal year 2015
- 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
 - The intention regarding interim dividend for 2015 is to distribute €31 million, 1/3 of the notional 2014 total dividend corresponding to 90% of net profit 2014

- Highly resilient business model in terms of sales and profits
- Superior profitability with improving margins
- Robust Economic Cash Flow profile
- Attractive Dividend Pay-out profile



Outlook

- Tobacco volumes: similar trend
 - No significant tax increases expected
- Commercial efforts focus: wholesale growth (gaining SoM in Other products)
 - Macroeconomic environment may accelerate this growth
- Transport improvement boosted by better activity in Spain
 - Higher than GDP growth
- Growth in direct distribution to pharmacies
- Constant cost control measures and efficiency improvement programs
 - Adjusted EBIT margin expansion
- Lower restructuring costs and impairments resulting in Net Profit growth
 - Pay-out: 90% of Net Profit



Appendix

Tobacco Volumes Evolution

Lower declining trend in all geographies

	Million Units				% Variation Y-o-Y		
	2014	2013	2012	2011	2014	2013	2012
	TOTAL				TOTAL		
Cigarettes	168,895	173,349	189,684	207,638	-2.6%	-8.6%	-8.6%
RYO/MYO	20,126	21,229	20,339	17,275	-5.2%	4.4%	17.7%
Cigars	4,040	4,134	4,059	3,734	-2.3%	1.9%	8.7%
	SPAIN				SPAIN		
Cigarettes	46,528	48,342	54,952	62,742	-3.8%	-12.0%	-12.4%
RYO/MYO	6,675	7,611	6,840	5,955	-12.3%	11.3%	14.9%
Cigars	2,153	2,205	2,053	1,688	-2.4%	7.4%	21.6%
	PORTUGAL				PORTUGAL		
Cigarettes	1,694	1,845	1,928	2,470	-8.2%	-4.3%	-21.9%
RYO/MYO	192	247	283	181	-22.3%	-12.7%	56.4%
Cigars							
	ITALY				ITALY		
Cigarettes	74,412	74,675	79,538	86,797	-0.4%	-6.1%	-8.4%
RYO/MYO	4,154	4,018	4,068	2,474	3.4%	-1.2%	64.4%
Cigars	486	487	499	506	-0.2%	-2.4%	-1.4%
	FRANCE				FRANCE		
Cigarettes	46,261	48,487	53,266	55,629	-4.6%	-9.0%	-4.2%
RYO/MYO	9,105	9,353	9,148	8,665	-2.7%	2.2%	5.6%
Cigars	1,401	1,442	1,507	1,540	-2.8%	-4.3%	-2.1%

(€m)	2014	2013	Δ%
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)%

(€m)	2014	2013	Δ%
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%

(€m)	2014	2013	Δ%
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%

(€m)	2014	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

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