Logista Q3 2019 Results

July 24, 2019

Logista reports Q3 2019 Results

Logista announces today its Q3 Results for 2019. Main highlights:

- The progress of Revenues and Economic Sales[1] that grew 6.6% and 2.3% respectively
- The positive evolution of Adjusted Operating Profit[1], progressing by 6.6% and Profit from operations increasing by 7.2%, as a consequence of the good performance recorded by the activity
- The increases in Profit Before Taxes and Net Income despite recording a higher corporate income tax rate than in the same period last year

Key Metrics Summary

Data in million euros	1 Oct. 2018 – 30 June 2019	1 Oct. 2017 – 30 June 2018	% Change
Revenues	7,379.7	6,920.2	+6.6%
Economic Sales[1]	854.4	835.6	+2.3%
Adjusted Operating Profit[1]	190.3	178.6	+6.6%
Margin over Economic Sales[1]	22.3%	21.4%	+90 b.p.
Profit from Operations	147.7	137.8	+7.2%
Net Income	117.6	112.9	+4.1%

During the first nine months of current fiscal year, the circumstances, which marked the macroeconomic environment in the countries where the Group operates, are very similar to the ones recorded at the beginning of fiscal year.

The political, social and macroeconomic environment stood relatively complicated and much of the uncertainties existing in the previous months continued being present to some extent (the US-China commercial tensions, the way UK is going to leave the European Union, Italy entering into technical recession, the French social protests, etc.). All these factors have not contributed to achieve a significant recovery of private consumption.

Despite these circumstances, the Group has recorded a positive activity evolution practically in all business lines. Per activities, Pharma, distribution of convenience products in all geographies and channels as well as Transport recorded the most positive performance whereas the activities linked to Tobacco distribution in Spain and Italy recorded the weakest performance.

Group **Revenues** grew by 6.6% over the first nine months of the preceding year. During the period, the accounting criteria of tobacco sales in Portugal has been modified to adequate it to the practice of the rest of the Group. This change exclusively affects to the Revenues figure, in €134.3 million. The increase registered in the Group's Revenues, excluding this effect, has been of 4.7%.

Economic Sales[1] grew by 2.3% thanks to the improvements recorded by the activity in Iberia and France, which more than offset the reduction experienced in Italy.

The evolution of distributed volumes (cigarettes plus RYO and others) during the first nine months of this fiscal year vs. the same period of fiscal year 2018 (-1.8%) was better than the -3.2% yearly variation at the third quarter in fiscal year 2018 vs. fiscal year 2017. Reductions of distributed volumes of

[1] See appendix "Alternative Performance Measures"

cigarettes and RYO were recorded in France and to a lesser extent in Italy while in Spain and Portugal distributed volumes increased.

The movements in prices, taxes and commissions on tobacco products occurred in the first nine months of this fiscal year had a positive impact in the results at the end of the third quarter, derived from the Group's inventory valuation, higher than the positive impact registered in the first nine month of the preceding fiscal year.

Total operating costs[1] grew by 1,1%, below the increase of Economic Sales[1] despite the cost base in France is still over-dimensioned with respect to the current volumes (reason why a restructuring process has been started in the country during this fiscal year) and the fact that, as a consequence of the important growth experienced by the Transport activity, the margin at Group level has experienced a certain dilution effect.

Adjusted EBIT[1] reached €190.3 million (+6.6% above previous year) which, together with a much higher restructuring costs[1] during the period (€10.0 million compared to €2.5 million) partially offset by the capital gain from the sale of a building in Portugal (€2.5 million) and by the positive result of the impairment test of one of the business of the Group (€2.5 million), contributed to a 7.2% **Profit from Operations** increase vs. last year, reaching €147.7 million.

The Adjusted EBIT margin over Economic Sales[1] reached 22.3% compared to the 21.4% obtained in the same period of fiscal year 2018.

Financial Results in this fiscal year reached €8.9 million compared to €8.6 million registered at the end of the third quarter of fiscal year 2018.

The Tax rate in the period was 24.8% vs. the 23.0% recorded during the same period of last year.

Because of all the above mentioned, the **Net Income** went up by 4.1% to €117.6 million.

[1] See appendix "Alternative Performance Measures"

Revenues Evolution (By Segment and Activity)

Data in million euros	1 Oct. 2018 – 30 June 2019	1 Oct. 2017 – 30 June 2018	% Change
Iberia	**2,280.0**	**2,037.9**	**11.9%**
Tobacco & Related	1,970.1	1,730.0	13.9%
Transport Services	290.9	278.6	4.4%
Other Businesses	117.1	108.6	7.8%
Adjustments	(98.1)	(79.3)	(23.8)%
France	**2,976.1**	**2,971.9**	**0.1%**
Tobacco & Related	2,846.1	2,838.8	0.3%
Other Businesses	137.1	138.8	(1.3)%
Adjustments	(7.1)	(5.7)	(24.4)%
Italy	**2,153.4**	**1,946.3**	**10.6%**
Tobacco & Related	2,153.4	1,946.3	10.6%
Corporate & Others	**(29.8)**	**(35.9)**	**17.2%**
Total Revenues	**7,379.7**	**6,920.2**	**6.6%**

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

Data in million euros	1 Oct. 2018 – 30 June 2019	1 Oct. 2017 – 30 June 2018	% Change
Iberia	**436.1**	**421.4**	**3.5%**
Tobacco & Related	204.0	200.9	1.5%
Transport Services	204.6	192.1	6.5%
Other Businesses	65.9	63.3	4.1%
Adjustments	(38.4)	(34.9)	(9.9)%
France	**206.0**	**193.1**	**6.7%**
Tobacco & Related	172.9	159.9	8.1%
Other Businesses	38.5	37.7	2.1%
Adjustments	(5.4)	(4.5)	(20.8)%
Italy	**209.8**	**219.7**	**(4.5)%**
Tobacco & Related	209.8	219.7	(4.5)%
Corporate & Others	**2.5**	**1.4**	**85.2%**
Total Economic Sales[1]	**854.4**	**835.6**	**2.3%**

[1] See appendix “Alternative Performance Measures”

Adjusted EBIT[1] Evolution (By Segment)

Data in million euros	1 Oct. 2018 – 30 June 2019	1 Oct. 2017 – 30 June 2018	% Change
Iberia	**89.7**	**85.6**	**4.8%**
France	**52.5**	**42.5**	**23.6%**
Italy	**58.9**	**60.2**	**(2.2)%**
Corporate & Others	**(10.8)**	**(9.7)**	**(11.0)%**
Total Adjusted EBIT[1]	**190.3**	**178.6**	**6.6%**

Adjusted Operating Profit[1] (or indistinctly Adjusted EBIT[1]) is the principal indicator used by Management to assess the recurring results of operations of the business. This indicator is basically calculated by deducting from the Profit from Operations all those expenses that are not directly linked to the Revenue obtained by the Group during each period, which facilitates the analysis of the evolution of operating expenses[1] and typical margins of the Group. The following table shows the reconciliation between Profit from Operations and Adjusted Operating Profit[1] for Q3 fiscal years 2019 and 2018:

Data in million euros	1 Oct. 2018 – 30 June 2019	1 Oct. 2017 – 30 June 2018
Adjusted Operating Profit[1]	**190.3**	**178.6**
(-) Restructuring Costs[1]	(10.0)	(2.5)
(-) Amortization of Assets Logista France	(39.2)	(39.2)
(+/-) Net Loss of Disposal and Impairment of Non-Current Assets	5.1	(0.3)
(+/-) Share of Results of Companies and Others	1.5	1.2
Profit from Operations	**147.7**	**137.8**

[1] See appendix "Alternative Performance Measures"

I. Business Review

A. Iberia: Spain and Portugal

The Iberia segment's Revenues increased to €2,280.0 million compared to €2,037.9 million in the first nine months of fiscal year 2018, recording an 11.9% growth (including the effect from a change in the accounting criteria of the Revenues of the tobacco distribution in Portugal for a total of €134.3 million). The Economic Sales[1] of the segment reached €436.1 million, a 3.5% ahead of the €421.4 million recorded in the preceding fiscal year.

Revenues in **Tobacco and related products** increased by 13.9%, because of the growth of the activity both in Spain and in Portugal, as well as of the effect of he mentioned change in the accounting criteria of the Revenues of the tobacco distribution in Portugal. Excluding this effect, the Revenues of this business line increased by 5.3%.

The cigarette volumes distributed in Spain during the first nine months of current fiscal year went up by 0.5% compared to the same period of the preceding fiscal year, turning around the negative trend in that period compared to the fiscal year 2017 (-2.4%). Distributed volumes of RYO (that includes the heated tobacco consumables) and cigars also maintained a more favourable trend than the previous fiscal year, increasing by 8.7% and reducing by 2.8%, respectively compared to 0.2% and -2.8% in the yearly comparison of the end of the third quarter of the preceding year.

Generally, tobacco manufacturers maintained the retail selling price of their products stable during current fiscal year. This behaviour contrasts with the 5 cents increase in the pack of cigarettes during the first months of last year that translated into a positive impact on the results at the end of the third quarter of that fiscal year.

The activity of distribution of convenience products in tobacconists as well as in other channels as, for example, petrol stations continued its positive trend, so the Economic Sales[1] continued growing significantly compared to fiscal year 2018.

Thus, Economic Sales[1] in Tobacco and related products grew by 1.5% comparing to fiscal year 2018 thanks to the good performance of the activity in the current that more than offset the positive impact of tobacco selling price increases in the preceding year.

Revenues in **Transport** recorded again, as a whole, a very solid performance, growing by 4.4%. However, the Economic Sales[1] performance has differed among the activities, being stable in Long distance while in Courier and Industrial parcel increased significantly. Economic Sales[1] in Transport went up by 6.5% to €204.6 million.

The Parcel and Courier subsidiaries have maintained the leadership position in their respective market segments, derived from a continuous bet on differentiation, which has allowed them to continue achieving solid growth indicators in the fiscal year, especially significant in courier.

Revenues in **Other Businesses** (which includes Pharma and publications activities) increased by 7.8% reaching €117.1 million and Economic Sales[1] went up by 4.1% to €65.9 million.

The Revenues of the Pharma business grew double digit in the period, joining growth of pre-existing activity and incorporation of new agreements during the period.

During current fiscal year, the distribution of publications in Spain has suffered reductions in Revenues and Economic Sales[1] because of the difficult situation the sector is living.

[1] See appendix "Alternative Performance Measures"

Total operating expenses[1] in the Iberia segment increased by 3.1% in the period, below the increase reported in Economic Sales[1].

Adjusted Operating Profit[1] reached €89.7 million, an increase of 4.8% with respect to the first nine months of last year.

In the fiscal year the restructuring costs[1] amounted €1.8 million (€1.4 million in the preceding year), that together with, among other factors, the capital gain from the sale of a building in Portugal (€2.5 million) and the positive result of the impairment test of one of the business of the segment (€2.5 million). The **Profit from Operations** increased by 10.9% to reach €94.6 million versus €85.2 million recorded at the end of the third quarter of fiscal year 2018.

B. France

Revenues from the France segment stood practically flat, increasing by 0.1% to €2,976.1 million while Economic Sales[1] increased by 6.7%, to reach €206.0 million.

Tobacco and related products Revenues grew by 0.3% to €2,846.1 million due to the decline experienced by distributed tobacco volumes vs. last year, both in cigarettes (-7.1%) and in RYO, that includes as well heat-not-burn consumables (-5.6%).

The decline experienced by tobacco volumes was mainly due to the significant rise in the retail selling price of these products during fiscal year 2018 and current fiscal year, as a consequence of the schedule by the French Government to raise excise taxes until 2020.

As of 1 March 2019 the increase of 50 cents of the tobacco excise taxes foreseen in the mentioned excise tax increase plan which target is to raise the price of a cigarette pack to 10 euros in year 2020 took place. Additionally, as happened last fiscal year, a new increase in the commission the tobacconists receive on the sale of tobacco products entered into force on 1 January.

The reaction in the retail selling price of the pack of 20 cigarettes has been a rise that reached, depending on the manufacturers and for most of the brands, between 50 and 90 cents (increasing the price of the most sold brand to €8.80). Due to these movements, at positive net global impact in the valuation of Group's inventories was recorded in the results at the end of the third quarter.

In the same period last year, tobacco manufacturers passed-through only partially the tax increases in November and March (€1.35 in total) and did not pass-through the increase of the tobacconists' commission to the consumers. The global impact on the Group's valuation of inventories of these movements of prices, taxes and commissions was negative at the end of the third quarter of fiscal year 2018.

The revenues of convenience products as well as electronic transactions suffered declines in the current fiscal year. However, the performance of the Economic Sales[1] of the distribution of convenience products was positive, while the difficult situation that the electronic transactions' sector is suffering for a long time, did not allow maintaining the slight increase recorded at the end of the first half.

Thus, Economic Sales[1] of Tobacco and related products increased significantly, +8.1%, to €172.9 million, despite the Revenues stood stable, growing by 0.3% over the same period in the previous year.

The **Other Businesses** activity (wholesale distribution of convenience products in non-tobacconist channels) experienced a slight decrease of 1.3% in Revenues, in a still difficult consumption environment, characterised by a strong price competition. However, the strategic selection of clients by profitability as well as by category of products with a higher margin help improving Economic Sales[1], that grew by 2.1% compared to the same period of the previous fiscal year.

[1] See appendix "Alternative Performance Measures"

The total operating costs[1] of the France segment increased by 1.9% so **Adjusted Operating Profit**[1] improved to €52.5 million, a 23.6% higher than in the preceding year.

In the first months of current fiscal year, a plan for restructuring the operations of distribution of both tobacco and convenience products to tobacconists that will imply the closure of two of the warehouses operating in the country has been started, as well as the reorganisation of activities among the rest of the centres.

This way, the restructuring expenses[1] in the period (€6.7 million) were much higher than the €0.7 million registered at the third quarter of 2018 and drove **Profit from Operations** to €6.7 million, vs. the €2.6 million recorded in the same period of the previous fiscal year. The main adjustment in this segment is the Amortization of Assets generated from the acquisition of Logista France that was €39.2 million in both periods.

C. Italy

The Revenues in the Italy segment increased by 10.6% to €2,153.4 million driven by a significant increase in the sale of convenience products, as well as by the higher prices of tobacco products.

The volumes of cigarettes distributed reduced in the period, 3.9%, and the RYO category, (that includes as well heat-not-burn consumable) continued growing in a significant manner and increased by 32.4% vs. 18.0% recorded in the first nine months of the preceding fiscal year.

In current fiscal year, retail selling prices of tobacco in general increased during the second quarter, as a consequence of the excise tax increases in the traditional tobacco categories entering into force on 1 January 2019. The price increase was generalized and ranging from 10 to 20 cents per pack of 20 cigarettes. Likewise, during current fiscal year, a reduction of excise taxes on the new categories of products (heat-not-burn tobacco and e-cigarettes) took place, which provoked that the retail selling price of some of these products was reduced. The global net impact in the valuation of the Group's inventories of these movements has been positive at the end of the third quarter, although much lower than in the same period of fiscal year.

During the second and third quarter of the preceding fiscal year, some tobacco manufacturers raised too the price of some of their products between 10 and 20 cents, although this increase was not accompanied by an increase of taxation (beyond the slight automatic update of excise taxes derived from the weighted average price of the previous year).

The trend in the distribution of convenience products during the year has been very positive and translated into a growth rate close to 30% compared to the first nine months of ast year.

However, the revenues from services rendered to manufacturers linked to NGP (Next Generation Products) have reduced vs. last year.

Because of all trends mentioned before, Economic Sales[1] in the Italy segment went down by 4.5% in the first nine months of current fiscal year.

Total operating costs[1] of the segment reduced by 5.4% with respect to last fiscal year, improving the drop registered in Economic Sales[1], leading **Adjusted Operating Profit**[1] to €58.9 million, a 2.2% lower than in the same period the preceding year.

The restructuring costs[1] linked to the gradual efficiency improvement in operations were slightly higher (€1.6 million vs. €0.3 million in 2018), so **Operating Profit** declined by 4.5% to €57.3 million.

[1] See appendix "Alternative Performance Measures"

D. Corporate and Others

This segment includes corporate expenses and the Polish operations.

Adjusted Operating Profit[1] was €1.1 million lower than in the previous year, reaching -€10.8 million.

II. Financial Overview

A. Financial Result Evolution

The Group has a reciprocal credit facility agreement, with its majority shareholder (Imperial Brands Plc.) by which daily lends its cash excess, or receives the necessary cash to meet their payment obligations. The remuneration of the balances is set at the base rate of the European Central Bank, plus a 0.75% margin. The base rate of the European Central Bank stood at 0.0% during the first nine months of both fiscal years.

The average cash position during the first nine months of the fiscal year reached €1,758 million compared to €1,648 million in the same period of the preceding fiscal year.

Financial results in the fiscal year went up by 4.2% to €8.9 million compared to €8.6 million in fiscal year 2018.

B. Net Income Evolution

The capital gain from the sale of a building in Portugal (€2.5 million) and the improvement of Financial Results allowed to practically offset the impact of the higher restructuring costs[1] recorded in the period (€10.0 million vs. €2.5 million) drove Earnings Before Taxes to €156.6 million, a 7.0% above the recorded in the first nine months of previous year.

The corporate tax rate registered in the period reached 24.8% compared to 23.0% the preceding year.

Net Profit climbed by 4.1% in the first nine months of current fiscal year to €117.6 million.

Earnings per Share were €0.89 vs. €0.85 in the first nine months of fiscal year 2018, with no variations in the number of shares of the share capital.

At 30th of June 2019, the Company owned 486,013 own shares.

C. Cash Flow

The seasonality of the Group's business results in a negative cash flow during the first and second quarters of the fiscal year that is recovered during the second half, usually reaching its peak around year-end.

The increase of the results obtained in the period, the financial flows, the lower payments of corporate income tax, the similar level of investments vs. the preceding year and the variation of working capital translated into a positive cash generation.

In the first nine months of the preceding fiscal year, the working capital variation temporarily had a different performance from its customary trend, reason why the positive cash generation was much higher at 30th of June 2018.

During the second quarter of fiscal year 2019 as well as in the same period of fiscal year 2018, the final dividends corresponding to fiscal years 2018 and 2017, respectively, were paid.

D. Dividend Policy

The Board of Directors approved in the Meeting of 23rd of July 2019, the distribution of an interim dividend corresponding to fiscal year 2019 of €48.9 million (€0.37 per share) that will be paid on the 29th of August, 2019. This interim dividend represents a growth of 5.7% over the interim dividend paid in the fiscal year 2018 (€0.35 per share).

Additionally, the Board of Directors approved in the General Shareholders Meeting of 26th of March 2019, the distribution of a final dividend corresponding to fiscal year 2018 of €101.84 million (€0.77 per share) that was paid on the 29th of March, 2019.

E. Outlook

As announced at the end of the first half, the performance of the business during the first nine months of current fiscal year allows expecting that, at fiscal year end, the estimates announced at fiscal year 2018 closing to be beaten.

Current trading environment and the performance of our businesses suggest that in fiscal year 2019, Adjusted EBIT[1] could record a mid to high-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 during the first months of current fiscal year, a restructuring of the network has been started to adapt it to the new level of activity, reason why restructuring costs[1] will be well ahead those recorded in fiscal year 2018. Savings derived from this restructuration will be only recovered partially in this fiscal year, but will allow obtaining an infrastructure more adapted to the lower level of activity.

On the other hand, financial results will be similar to those obtained in the past fiscal year if, as look likely, there are not variation in the reference rate of the European Central Bank, if that is the case, it would have an 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.

As a consequence of all the above, it can be expected that Net Profit records mid-single digit growth over fiscal year 2018.

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[1] See appendix “Alternative Performance Measures”

Appendix

P&L

Data in million euros	1 Oct. 2018 – 30 June 2019	1 Oct. 2017 – 30 June 2018	% Change
Revenues	**7,379.7**	**6,920.2**	**6.6%**
Economic Sales[1]	**854.4**	**835.6**	**2.3%**
(-) Distribution Operating Costs[1]	(548.6)	(546.1)	(0.4)%
(-) Sales and Marketing Operating Expenses[1]	(53.5)	(51.1)	(4.6)%
(-) Research and G&A Operating Expenses[1]	(62.0)	(59.8)	(3.8)%
Total Operating Costs[1]	**(664.1)**	**(657.0)**	**(1.1)%**
Adjusted EBIT[1]	**190.3**	**178.6**	**6.6%**
Margin[1] %	*22.3%*	*21.4%*	*+90 b.p.*
(-) Restructuring Cost[1]	(10.0)	(2.5)	(295.2)%
(-) Amort. of Assets Logista France	(39.2)	(39.2)	0.2%
(-) Net Loss on Disposal and Impairments	5.1	(0.3)	n.r.
(-) Share of Results of Companies and Others	1.5	1.2	23.8%
Profit from Operations	**147,7**	**137.8**	**7.2%**
(+) Financial Income	10.4	9.7	6.3%
(-) Financial Expenses	(1.5)	(1.2)	(21.5)%
Profit before taxes	**156.6**	**146.3**	**7.0%**
(-) Corporate Income Tax	(38.9)	(33.6)	(15.5)%
Effective Income Tax Rate	*24.8%*	*23.0%*	*180 b.p.*
(+/-) Other Income / (Expenses)	0.0	0.0	n.r.
(-) Minority Interest	(0.0)	0.2	n.r.
Net Income	**117.6**	**112.9**	**4.1%**

[1] See appendix “Alternative Performance Measures”

Cash Flow Statement

Data in million euros	1 Oct. 2018 – 30 June 2019	1 Oct. 2017 – 30 June 2018	Change
EBITDA	**223.5**	**211.5**	**12.0**
Working Capital Variations	13.5	843.4	(830.0)
Corporate Income Tax (Paid) / Collected	(16.0)	(72.0)	56.1
Financial Flows	9.4	8.6	0.9
Cash Flow From Operating Activities	**230.4**	**991.4**	**(761.0)**
Net Investments	(29.8)	(30.9)	1.1
Free Cash Flow	**200.7**	**960.6**	**(759.9)**
Shareholders' Remuneration	(103.4)	(99.9)	(3.5)
Cash Generation	**97.3**	**860.7**	**(763.4)**

Balance Sheet

Data in million euros	30 June 2019	30 September 2018
PP&E and other Fixed Assets	209.3	221.5
Net Long Term Financial Assets	33.7	6.8
Net Goodwill	920.8	920.8
Other Intangible Assets	470.6	505.2
Deferred Tax Assets	19.1	18.6
Net Inventory	1,271.3	1,188.5
Net Receivables and Others	2,025.7	1,939.3
Cash & Cash Equivalents	2,165.0	2,064.5
Total Assets	**7,115.5**	**6,865.2**
Group Equity	523.3	510.0
Minority interests	1.7	1.6
Non-Current Liabilities	41.8	43.1
Deferred Tax Liabilities	267.5	279.7
Short Term Financial Debt	36.7	32.9
Short Term Provisions	12.3	11.6
Trade and Other Payables	6,232.2	5,986.3
Total Liabilities	**7,115.5**	**6,865.2**

Tobacco Volumes Evolution

	Million units			% Y-o-Y Change	
	1 Oct. 2018 - 30 June 2019	1 Oct. 2017 - 30 June 2018	1 Oct. 2016 - 30 June 2017	1 Oct. 2018 - 30 June 2019	1 Oct. 2017 - 30 June 2018
TOTAL					
Cigarettes	110,389	114,237	118,488	(3.4)%	(3.6)%
RYO/MYO/Others	16,939	15,465	15,474	9.5%	(0.1)%
Cigars	2,968	2,964	2,957	0.1%	0.2%
SPAIN					
Cigarettes	32,103	31,930	32,717	0.5%	(2.4)%
RYO/MYO/Others	5,083	4,675	4,665	8.7%	0.2%
Cigars	1,386	1,426	1,467	(2.8)%	(2.8)%
PORTUGAL					
Cigarettes	1,781	1,679	1,446	6.0%	16.2%
RYO/MYO/Others	77	76	83	1.1%	(8.1)%
Cigars					
FRANCE					
Cigarettes	28,752	30,947	33,564	(7.1)%	(7.8)%
RYO/MYO/Others	5,977	6,332	7,011	(5.6)%	(9.7)%
Cigars	910	915	945	(0.5)%	(3.2)%
ITALY					
Cigarettes	47,753	49,680	50,761	(3.9)%	(2.1)%
RYO/MYO/Others	5,802	4,382	3,715	32.4%	18.0%
Cigars	671	623	544	7.6%	14.5%

Alternative Performance Measures

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

  Management believes that gross profit is a meaningful measure of the fee revenue we generate from performing our distribution services and provides a useful comparative measure to investors to assess our financial performance on an on-going basis.

	Million €	
	1 Oct. 2018 – 30 Jun. 2019	**1 Oct. 2017 – 30 Jun. 2018**
Revenue	7.379,7	6,920.2
Procurements	(6.525,3)	(6,084.6)
Gross Profit	**854,4**	**835.6**

- **Adjusted Operating Profit (Adjusted EBIT)**: This item is calculated, fundamentally, discounting from the Operating Profit those costs that are not directly related to the revenue obtained by the Group in each period, facilitating the performance of Group's the operating costs and margins.

  The Adjusted Operating Profit (Adjusted EBIT) is the main indicator used by the Group's Management to analyse and measure the progress of the business.

	Million €	
	1 Oct. 2018 – 30 Jun. 2019	**1 Oct. 2017 – 30 Jun. 2018**
Adjusted Operating Profit	**190.3**	**178.6**
(-) Restructuring Costs	(10.0)	(2.5)
(-) Amortization of Assets Logista France	(39.2)	(39.2)
(+/-) Net Loss of Disposal and Impairment of Non-Current Assets	5.1	(0.3)
(+/-) Share of Results of Companies and Others	1.5	1.2
Profit from Operations	**147.7**	**137.8**

- **Adjusted Operating Profit margin over Economic Sales**: calculated as Adjusted Operating Profit divided by Economic Sales (or indistinctly, Gross Profit).

  This ratio is the main indicator used by the Group's Managements to analysis and measure the performance of the profitability obtained by the Group's typical activity in a period.

	Million €		
	1 Oct. 2018 – 30 Jun. 2019	**1 Oct. 2017 – 30 Jun. 2018**	**%**
Economic Sales	854.4	835.6	2.3%
Adjusted Operating Profit	190.3	178.6	6.6%
Margin over Economic Sales	**22.3%**	**21.4%**	**+90 b.p.**

- **Operating costs**: this term is composed by the costs of logistics networks, commercial expenses, research expenses and head offices expenses that are directly related to the revenue obtained by the Group in each period. It is the main figure used by the Group's Management to analyse and measure the performance of the costs structure. It does not include restructuring costs and amortization of assets derived from the Logista France acquisition, due to are not directly related to the revenues obtained by the Group in each period.

- **Non-recurring expenses**: refers those expenses that, although they might occur in more than one period, do not have a continuity in time (as opposed to operating expenses) and affect only the accounts in a specific moment.

  This magnitude helps the Group's Management to analyse and measure the performance of the Group's activity in each period.

- **Recurring operating expenses**: this term refers to those expenses occurred continuously and allow sustain the Group's activity. They are estimated from the total operating costs less the non-recurring costs defined in the previous point.

  This magnitude helps the Group's Management to analyse and measure the performance of efficiency in the activities carried out by the Group.

- **Restructuring costs**: are the costs incurred by the Group to increase the operating, administrative or commercial efficiency in our company, including the costs related to the reorganization, dismissals and closes or transfers of warehouses or other facilities.

- **Non-recurring results:** refers to the results of the year that do not have a continuity during the year and affect the accounts in a specific moment. It is included in the Operating Profit.

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