

1H 2018 Results

Madrid, September 24, 2018

The European Platform for
Workspace Solutions



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Key Messages 1H 2018

Results continue to be impacted by the limited stock availability

- First half results are penalized due to the lack of stock availability, although the prioritization of strategic categories and the reduction of structural costs after the actions undertaken in Germany, France and Spain allow the Group to perform a minimum level of EBITDA.
- Agreement with the banks to have, from August 16, an additional tranche of € 20 million financing that has allowed the business to regularize the situation with creditors and improve the availability levels. This process, subject to certain conditions that are described later, has been imposed on the initially announced proposal that involved the entry of an investment fund.
- For this reason, ADVEO Group, in coordination with the banks that sign the syndicated financing, is undergoing a due diligence process. Once it is concluded, the banks expect to receive a binding offer on the total financial debt that will be expected to be subsequently capitalized. This transaction, subject to EU and Spanish Securities Market regulations, would definitively solve the structural high indebtedness of the Group and would contribute to building a leading multichannel group in Europe in the market of workspace solutions.

About the financing process

Facts occurred in the period and after the closing

- Once the financial debt restructuring process was completed in 2017, ADVEO Group entrusted the investment bank Houlihan Lokey with the start-up of a new process with the aim of incorporating a new investor, to contribute around € 30 million in the form of long-term financing. The aforementioned process has been carried out in full coordination with the current banks of the syndicated financing.
- On June 26, the Board of Directors in coordination with the banks, agreed to sign an exclusivity agreement in the terms of the binding offer presented by an international investor that involved the injection of € 33 million of immediate liquidity and the modification of the terms of the current bank financing. For this purpose, its final approval was expected at the Extraordinary General Shareholders' Meeting called for on July 27.
- In addition, on July 25, a purchase option agreement was signed for the Tres Cantos warehouse (Madrid, Spain) for an amount of € 22 million, which is expected to be effective no later than October 2 and which would imply a capital gain of € 6,7 million approximately.
- On July 26, financial institutions choose not to accept the binding offer mentioned above, and therefore cancel the process with this investor, and consequently, ADVEO dismisses the Extraordinary General Meeting.

About the financing process

Facts occurred in the period and after the closing

- As a consequence, it is necessary to formalize an additional € 20 million loan between the Company and the financial entities, in order to provide the Group with the necessary liquidity to recover stock levels and operational activity.
- The provision of this loan is subject to the receipt of a non-binding offer on the total financial debt by an industrial investor proposed by the financial entities. This offer, whose conditions have not been provided to ADVEO, was accepted by the financial institutions on August 14, and on August 16, the loan was formalized and became available.
- On September 5, it is announced that financial entities have requested the Company to provide the information required by the offeror, for the execution of a due diligence that would lead to a binding offer. The offeror has formally informed the Company of the initial will to acquire all of the Group's financial debt for capitalization, which would mean a significant dilution for the shareholders. This capitalization would be subject to the regime of waiver of obligation to make a public takeover bid as provided for in article 8.1 of Spanish *Real Decreto 1066/2007*, of July 27, on the regime of public bids for the acquisition of securities.
- Finally, on September 7, it is communicated through a Relevant Fact that the industrial investor that made the non-binding offer is Staples Solutions B.V., whose registered office is in the Netherlands.

Consolidated Results 1H 2018

The delay in the financing process decreases even more the inventory availability

- **Total revenue** of the first half reduced by 21.3% due to the lack of stock availability, which has negatively impacted the business in recent months, and especially those in Germany and Spain.
- The **gross margin** stands at 28.4%, slightly lower than same period 2017.
- **Total costs** are reduced by € 12.7 million (€ 4.4 million in personnel costs) by collecting different savings and efficiencies after the actions carried out relative to the strategic plan.
- **Net result** for the period was € -18.3 million.

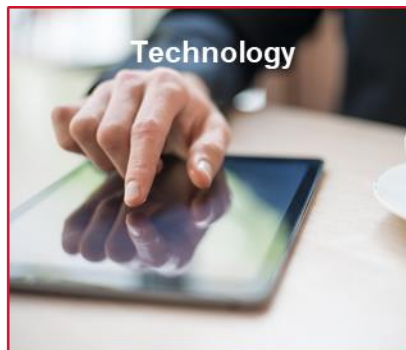
Total Group (€'000)	1H 2018	1H 2017	Var.
Net Turnover	181,068	232,911	(22.3%)
Other Revenue	15,989	17,372	(8.0%)
Total Revenue	197,057	250,284	(21.3%)
Gross Margin	55,908	73,867	(24.3%)
% Gross Margin	28.4%	29.5%	(1.1 pp)
EBITDA	2,044	7,286	(71.9%)
% EBITDA	1.0%	2.9%	(1.9 pp)
EBITDA Conversion Ratio	3.7%	9.9%	(6.2 pp)
EBIT	-4,648	839	(654.1%)
Net Financials	-4,624	-2,495	(85.3%)
Extraordinaries	-6,481	-4,886	(32.6%)
EBT	-15,753	-6,542	(140.8%)
Taxes	-2,537	732	(446.6%)
Net Result	-18,290	-5,810	(214.8%)

Other highlights from the Quarter

Making progress in our Strategic Plan 2017-2020



- ✓ European Partner Event 2018
- ✓ Launch of renewed Calipage branding
- ✓ New managing director in Benelux



- ✓ Go-live of the new ERP in France
- ✓ ADVEO and Econocom, a success story



- ✓ Implementation of a new sales and operations planning model
- ✓ Agreement with the insolvency administration of Unipapel

Other highlights from the Quarter

Markets

- Under the slogan "**New & More**", ADVEO celebrated its **European Partner Event 2018** in Paris on June 29th. The event was the presentation to about 100 vendors about the latest news of Group around the organizational and business model, as well as transparency on the progress of the financing process. The feedback received from the vendors attending was very positive, and is an endorsement of all of them to provide continuity and enhance the ADVEO Project.
- In this same event, the communication of the **new branding of Calipage** was carried out, which will begin its implementation in an orderly manner since the second half of the year in the different countries throughout the more than 800 physical points where it is currently present.
- On July 1, 2018, **Roland Laschet** joined the Group as the new Managing Director of ADVEO Benelux. Roland has more than 15 years of experience in the sector. Previously, he had held various positions at Staples since 2002, where he was Managing Director of Retail & Online in Benelux, Managing Director Office Centre Belgium and General Manager Office Centre. Previously he was Director of Retail Development at EXEL Logistics and Business Director at ALDI.



Other highlights from the Quarter

Technology



- In this last semester, **the business unit of ADVEO in France has successfully launched its ERP**, adding to those already executed in Italy, Germany and Corporate, together with which will start taking advantage of the synergies by working on the same processes and system

Integrated ERP environments

- ✓ Head office
- ✓ Shared Services Center
- ✓ Italy
- ✓ Germany
- ✓ France

Next implementations 2018-2019

- Iberia
- Benelux

- ADVEO established at the end of 2017 **an agreement with Econocom** to integrate the activities of distribution and logistics, installation and configuration of computer equipment, services associated with maintenance, financing and on-site support and a helpdesk in Europe. The implementation of this agreement is a reality today, and allows the Group to streamline all these processes by providing a more efficient response and a higher quality in the delivery of services.

econocom

Other highlights from the Quarter

Supply Chain

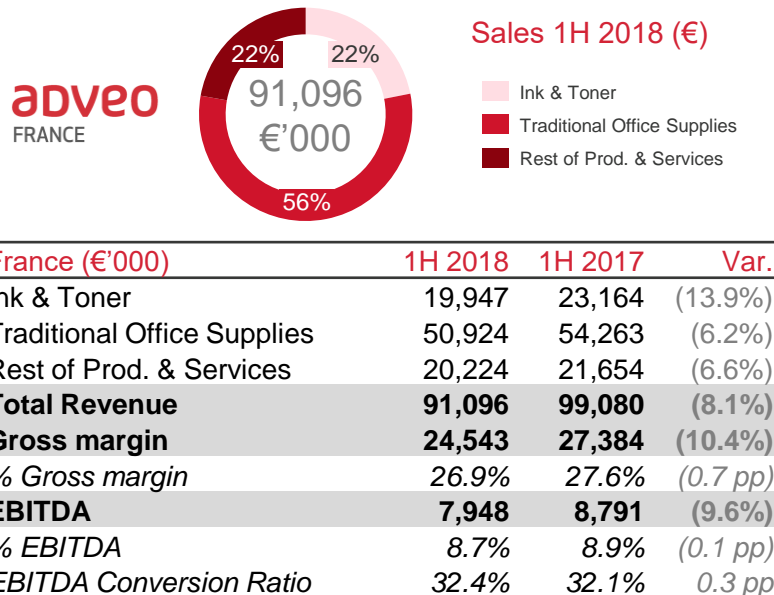


- Within the new strategic model where the consumer becomes the centre of all our decisions, we have just launched a **new model of demand management (Sales & Operations Planning)** that involves a total coordination between sales, logistics and purchasing teams. This is an important milestone in our operations, which will allow ADVEO to have new, more optimal levels of working capital and cash flow.
- On May 18, ADVEO reached an **agreement with the legal administration of Unipapel to cancel the lease contract for the three factories (Tres Cantos, Logroño and Aduna)** owned by ADVEO, which to date had been occupied by Unipapel, and the subsequent reinstatement of these facilities to ADVEO. In this way, ADVEO can once again have its warehouses in these three Spanish cities and continue with its divestment plan, contemplated in the 2017-2020 Strategic Plan.

Market Results: France

Less impacted by lack of availability, produces 8 million EBITDA in the semester

- Transport strikes at the beginning of the year and the lower availability penalize 8% of French **revenues** in the quarter.
- The **gross margin** stands at 26.9%, improving in Ink and Toner and remaining in the other categories.
- Reduction of € 2.0 million in the **structure costs** after the actions carried out in recent months.
- **Improvement of service levels** with the new logistics configuration defined according to the Company's Strategic Plan.
- All in all, the **EBITDA** for the period was € 7.9 million, decreasing by 9.6% compared to the previous year.



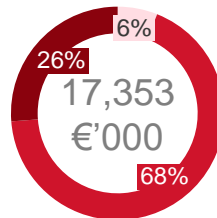
Note: 2017 restated

Market Results: Iberia

Despite the lack of product availability, Iberia sustains similar EBITDA

- Very impacted by the lack of availability, **sales** of the period are reduced by 51%, although the **gross margin** improves by 6.6 pp with positive management of the strategic categories.
- Improvement of € 2.4 million in the **structure costs** after the actions carried out for organizational simplification and improvement of logistics efficiency.
- **EBITDA** for the period fell by 12.5%, closing the period at € -3.6 million.
- The new financing allows Iberia to move towards regularization with its creditors and start recovering lost sales in recent months.

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IBERIA



Sales 1H 2018 (€)

- Ink & Toner
- Traditional Office Supplies
- Rest of Prod. & Services

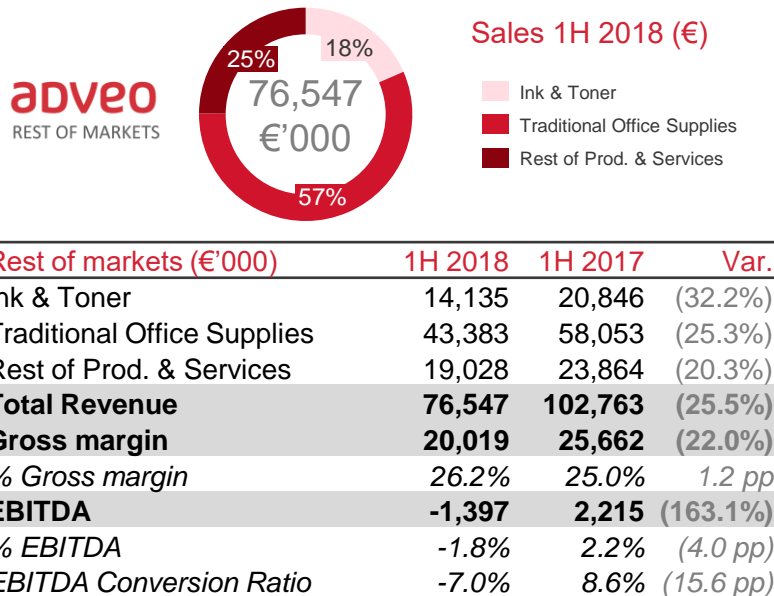
Iberia (€'000)	1H 2018	1H 2017	Var.
Ink & Toner	1,048	6,478	(83.8%)
Traditional Office Supplies	11,758	21,346	(44.9%)
Rest of Prod. & Services	4,548	7,609	(40.2%)
Total Revenue	17,353	35,433	(51.0%)
Gross margin	4,897	7,678	(36.2%)
% Gross margin	28.2%	21.7%	6.6 pp
EBITDA	-3,648	-3,244	(12.5%)
% EBITDA	-21.0%	-9.2%	(11.9 pp)
EBITDA Conversion Ratio	-74.5%	-42.2%	(32.2 pp)

Note: 2017 restated

Market Results: Rest of markets

The lack of availability in Germany impacts the results obtained in Rest of markets

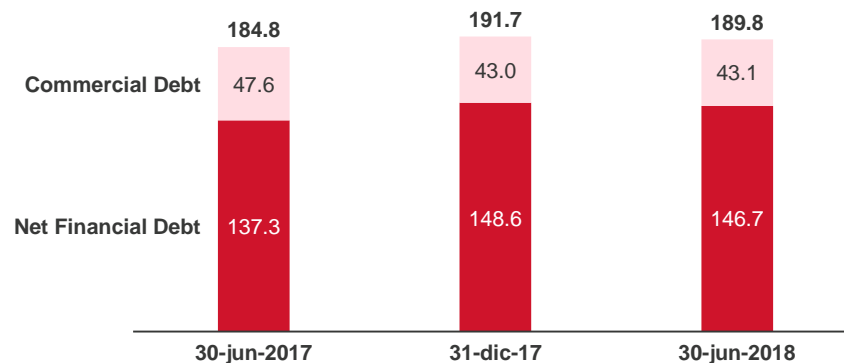
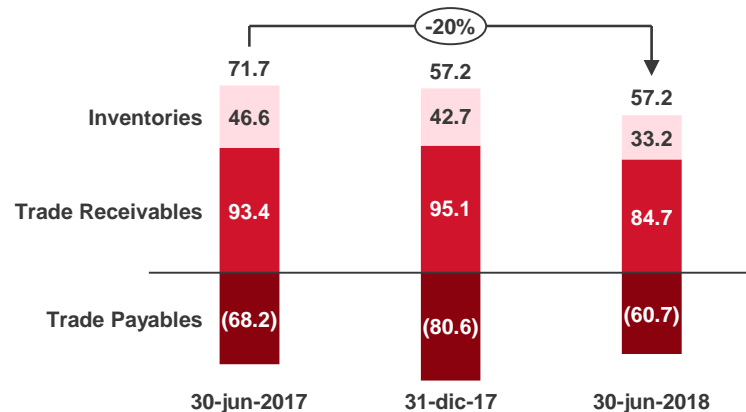
- Reduction of **sales** to June due to the impact of low availability in the German business, while Italy and Benelux, less penalized, remain at 2017 levels.
- Good management of the **gross margin**, which improves 1.2 pp to € 20.0 million.
- EBITDA** for the period was € -1.4 million, reflecting a reduction in costs of € 2.0 million.
 - Germany**, strong reduction in its EBITDA due to lack of volume. Progress is being made in its efficiency plan and a sales recovery plan has been defined after the new financing obtained.
 - Benelux and Italy**, slightly reduced their operating result due to the impacts already described related to the financing process, and slightly higher costs than the previous year.



Note: 2017 restated

Working Capital and Total Net Debt

A 20% reduction in Working Capital compared to the same period of last year



- **Working capital** is € 57.2 million, a reduction of € 14.5 million versus last year, having reduced balance in all components

- **Commercial debt** in charge of handling the management of working capital is € 43.1 million. On the other hand, the **net financial debt** in June 2018 was € 146.7 million

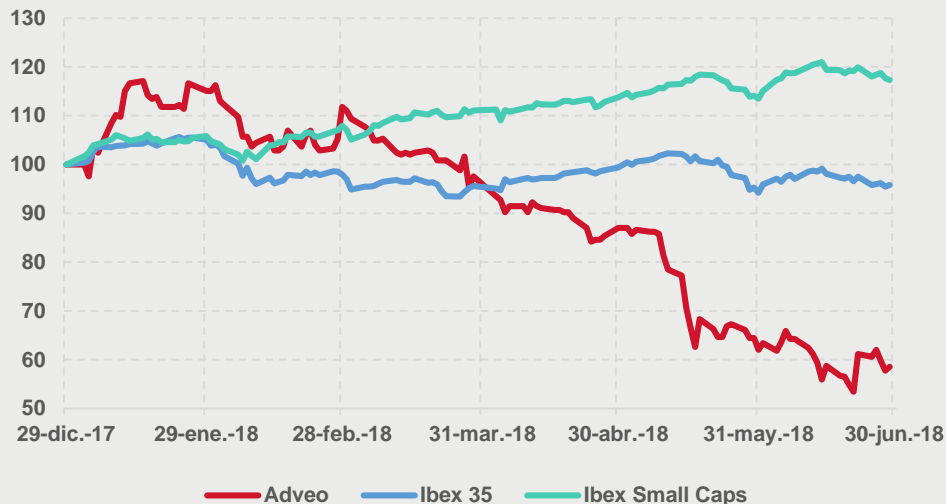
Conclusions

Results 1H 2018

- ✓ **Semi-annual results very penalized due to lack of stock availability**
- ✓ **ADVEO receives in August an additional financing of 20 M Eur from the current syndicated banks, and signs the option for the sale of Tres Cantos for 22 M Eur, which will become effective in the coming days**
- ✓ **The eventual closing of the purchase transaction and subsequent capitalization of all of the current debt by Staples Solutions BV, currently in valuation with the syndicated banks, would definitively resolve the structural debt problem that the Group is involved in and would contribute to building a leading multichannel group for workspace solutions in Europe**

Stock quote performance in the period

Evolution of ADVEO price in relation to the main Spanish indices - Base 100



30/06/2018

Market Capitalization (in M Euros)	30.8
Number of shares outstanding ⁽¹⁾ (Thousands)	21,130

Price (Eur/share)

At the beginning of the period (31/12/2017)	2.46
At the end of the period (31/06/2018)	1.44
Variation	-41.5%
Maximum price ⁽²⁾	2.88
Minimum price ⁽²⁾	1.32

Traded volume (shares)

Maximum daily volume	524,670
Minimum daily volume	224
Average daily volume	54,881

⁽¹⁾ Excluding treasury stock

⁽²⁾ Price at end of session

Glossary

Alternative performance measures

According to the Guidelines on Alternative Performance Measures (APM) published by the European Securities and Markets Authority (ESMA) in October 2015, we attach a glossary of terms and definitions used in this document:

- **Gross margin** Total revenue from products and services, less associated buying expenses including rappels and discounts
- **EBITDA** Earnings before interest, tax, depreciation, amortizations and exceptionals
- **EBITDA Conversion Ratio** EBITDA / Gross Margin
- **EBIT** Earnings before interest, tax, and exceptional items
- **EBT** Profit before taxes
- **Total Gross Debt** Total financial liabilities (bank loans and Supply chain)
- **Cash & Equivalents** Cash and Short-term financial investments (loans and deposits)
- **Total Net Debt** Total Gross Debt - Cash & Equivalents
- **Supply chain** Confirming agreements
- **Factoring** Discounted customer invoices made cash (non recourse)
- **Net Financial Debt** Total Net Debt - Supply Chain - Factoring

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