



# Analyst Presentation

*October 1, 1999*



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# Agenda

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1. Introduction
2. Company Description
3. Growth Strategy
4. Financial Review

## Appendices

# 1. Introduction

*Enrique Villalba*

*Director of Corporate Development of Tabacalera*

# Equity Offering Details

<b>Initial Issue Size:</b>	Minimum 12,274,370 Shares (25% of Shares Outstanding) Other shareholders may participate in the offer
<b>Current Free Float:</b>	10%
<b>Greenshoe:</b>	To be decided
<b>Listing:</b>	Madrid, Barcelona, Bilbao and Valencia (Mercado Continuo) LOG.MC / LOG SM
<b>Distribution:</b>	Spanish Retail Tranche (Inc. Employee Tranche) International Institutional Tranche (Inc. 144A Private Placement of Ordinary Shares into the U.S.) Spanish Institutional Tranche
<b>Use of Proceeds:</b>	Selling Shareholders
<b>Lock-Up:</b>	180 Days (Both Primary and Secondary)
<b>Global Co-ordinators:</b>	BBV Interactivos Salomon Smith Barney

## Key Dates & Contacts

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Submit Final Draft of Research for Review: October 15

Syndicate Briefing: October 18

Research Publication Deadline: October 22

Research Blackout: October 25

Contact Person	Position	Tel/Fax	E-mail
<b>Teresa Casla</b> <i>Logista</i>	<b>Director Corporate Development</b>	<b>+34 91 481 9823/360 9031</b>	<b>tcasla@logista.es</b>
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<b>Angel Campos</b> <i>BBV Interactivos</i>	<b>Assistant Director</b>	<b>+34 91 374 7847/374 3160</b>	<b>angel.campos@grupobbv.com</b>

## Rationale for Spin-Off / Merger

### Spin-Off

- ◆ Independence and transparency of tobacco distribution
- ◆ Improve flexibility
- ◆ Facilitate future growth

### Merger

- ◆ Diversify sources of revenue and reduce operating risk
- ◆ Achieve critical mass and consolidate market position
- ◆ Expand product range and channels of distribution
- ◆ Better serve customers and improve value-added services

## Rationale for the Equity Offering

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- ◆ Consolidate independence and transparency of management
- ◆ Increase company profile domestically and internationally
- ◆ Enhance free float and liquidity
- ◆ Broaden shareholder base
- ◆ Facilitate an accurate and fair market representation of Logista's equity value
- ◆ Provide an incentive mechanism for employees



## Shareholder Structure

Shareholder	Pre-Offering	Share Offering	Post-Offering <sup>(1)</sup>
Tabacalera	76%	25%	51%
Grupo Planeta	14%	(*)	-
Free Float	10%	-	-
	<b>100%</b>	<b>-</b>	<b>-</b>
<b>Total Number of Shares</b>			<b>49,097,482</b>

(1) Assuming fully exercise of the greenshoe.

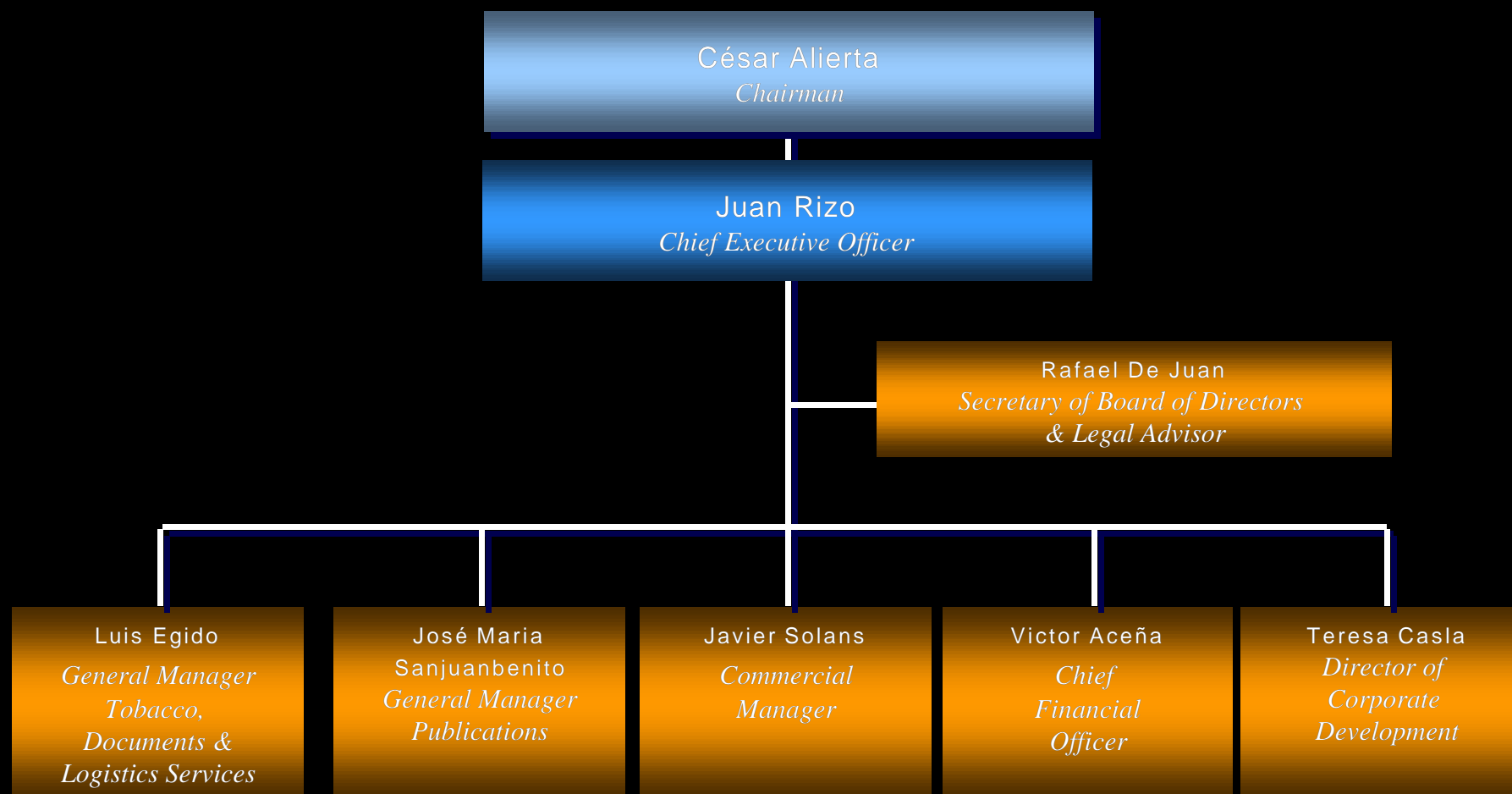
(\*) Expected to participate in the offering.

## 2. Company Description

*Juan Rizo*

*CEO*

# Management Team



## Investment Case

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*Leader in tobacco and publications distribution in Spain and Portugal*

- ◆ Strong and steady cash flow generation
- ◆ High margins
- ◆ Significant barriers to entry

*Unique business platform to provide logistic and value-added services*

- ◆ Extensive distribution network
- ◆ State-of-the-art technology and information systems
- ◆ Know-how and experienced management team
- ◆ Financial soundness

## Investment Case

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### *High growth opportunities leveraging on existing platform*

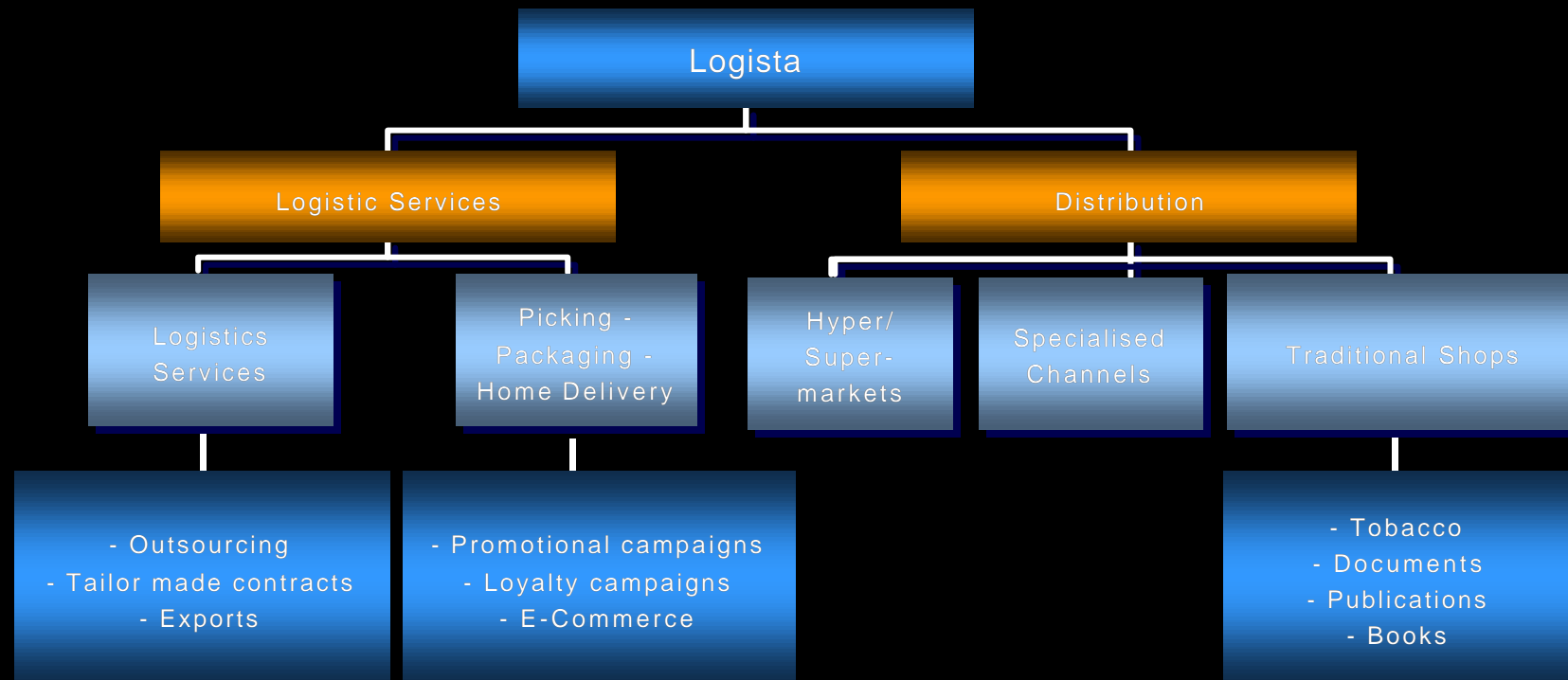
- ◆ New products into existing channels
- ◆ Cross-selling
- ◆ New channels
  - E-commerce
  - Telesales
  - Other
- ◆ Outsourcing of logistics/distribution services

### *Consolidator in a highly fragmented industry*

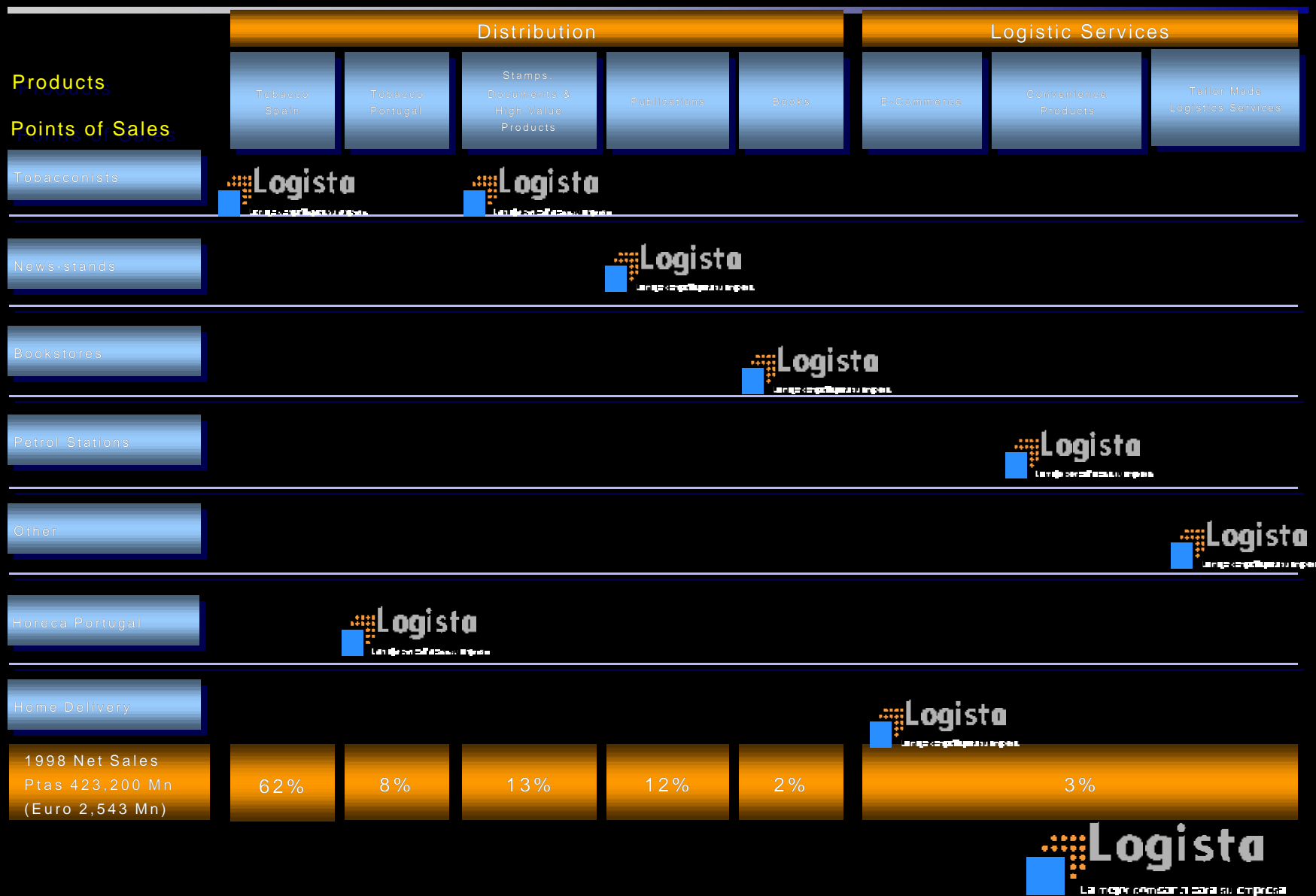
- ◆ Merger of Logista with Midesa
- ◆ Other acquisitions under analysis

# Positioning

*Logista operates in the logistic services sector and in the wholesale business, providing high value-added services through the entire distribution chain down to retail*



# Business Areas



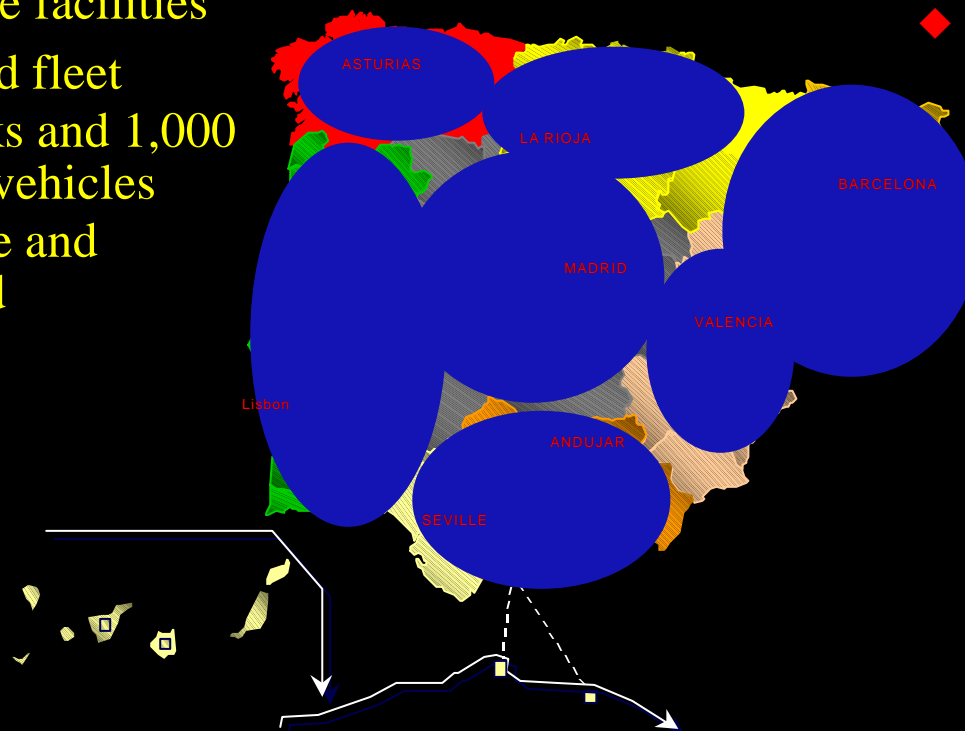
# Distribution Network

## Spain

- ◆ Storage facilities of 330,000m<sup>2</sup>
  - One fully automated central warehouse
  - 7 regional warehouses (One fully automated)
  - 80 storage facilities
- ◆ Subcontracted fleet
  - 282 trucks and 1,000 delivery vehicles
  - Exclusive and identified

## Portugal

- ◆ Storage facilities of 10,000m<sup>2</sup>
  - One central warehouse
  - 3 warehouses
  - 36 storage facilities
- ◆ Subcontracted fleet
  - 170 delivery vehicles





## Points of Sales

	Spain	Portugal	Total
Tabacconists	15,100	-	15,100
Petrol Stations	2,000		2,000
Newsstands	28,600	6,000	34,600
Bookstores	3,500		3,500
Others	2,100	7,400	9,500
<b>Total</b>	<b>51,300</b>	<b>13,400</b>	<b>64,700</b>

- ◆ Extensive and unique distribution network
- ◆ Strong platform to develop new businesses

*Note: Rounded to the nearest hundredth*  
*Source: Company*

## IT Systems

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- ◆ Only company in Spain with state-of-the-art integration software SAP\R3, incorporating in-house ancillary developments:
  - Telematics
  - GPS Route Control
  - Automatic Warehouses
  - Automatic Picking Systems
  - Online connection with all links of business chain
  - Bar code I.D.
  - Extensive Databases
  - Expert Systems (Artificial Intelligence)
- ◆ Euro 10 million invested in IT systems in the last three years
- ◆ Euro and Y2K compliant as reported to CNMV

# Human Resources

- ◆ Well dimensioned and incentivised workforce
- ◆ Attractive social benefits
- ◆ Fully integrated workforce
- ◆ In the process of developing a management stock option plan

Employees	Aug. 1999	%
Fixed	1,371	
Temporary	294	82%
Total	1,665	18%
Management	36	
Middle Management	186	
Higher Education	95	
Average Age	38 Years	
Average Seniority	17 Years	

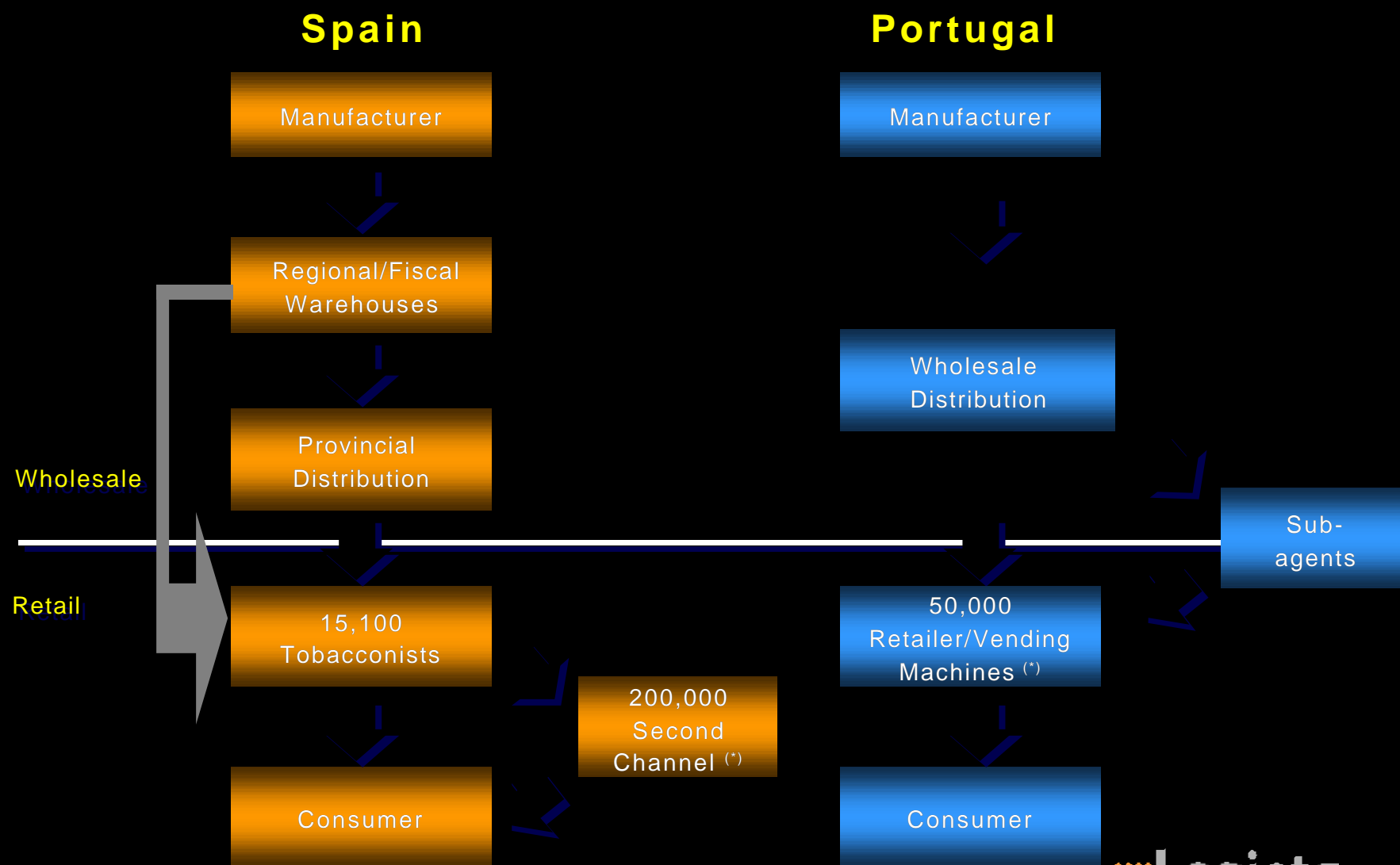
Source: Company

# Tobacco

*Luis Egido*

*General Manager Tobacco, Documents and  
Logistics Services*

# Tobacco Cycle



(\*) Vending machines, bars, restaurants

## Wholesale - Spain

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- ◆ Fully liberalised since 1986
- ◆ Administrative license granted by the *Comisionado para el Mercado de Tabacos* (Tobacco Market Commission)
  - Logista, McLane España, Ditralsa, Tamco, Comet
  - Granted for 3 years and automatically renewable
  - Obligation to distribute to all the tobacconists on equal terms: delivery time, service and financing (payment / replacement period)

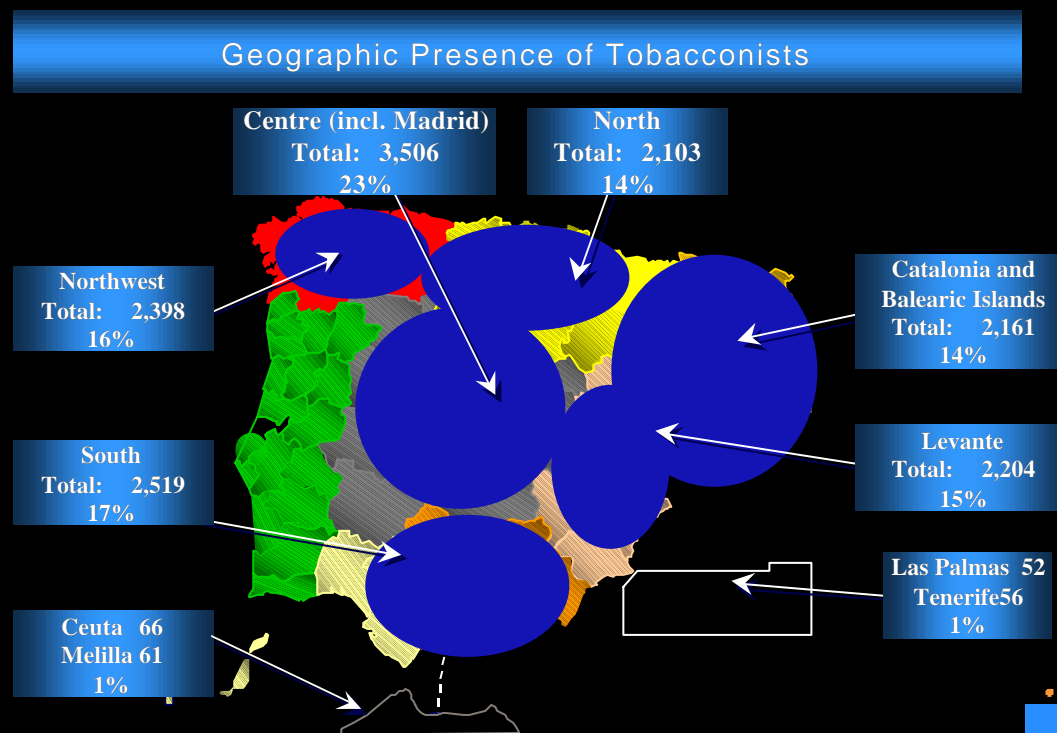
Total Market 1998: Ptas 1,220 billion (Euro 7.3 billion) (\*)

<b>Logista</b>	<b>Other</b>
95%	5%

(\*) Including Canary Islands, at retail price  
Source: Company

# Retail - Spain

- ◆ **Tobacconist licenses granted by Ministerio de Economia y Hacienda (Ministry of Finance)**
  - 15,100 tobacconists
  - Retail price set by manufacturer
  - Fixed retail fees: 8.5% on cigarettes and 9.0% on cigars
- **Criteria for granting of license:**
  - Individuals
  - Available premises
  - Clean financial track record
  - Geographical restrictions
- ◆ **Expected new tobacconists licenses in 2000**



Source: Ministerio de Economia y Hacienda

# Trends - Spain

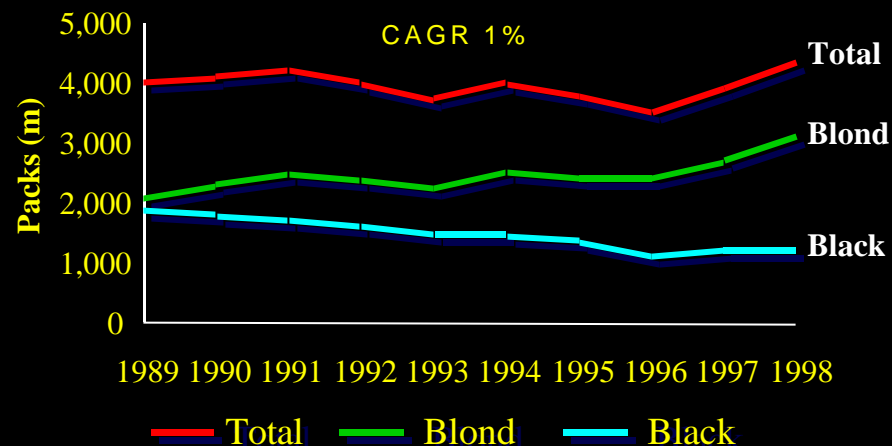
## Cigarettes

- ◆ Stable consumption
  - Health awareness
  - Legal restrictions on advertising
- ◆ Increasing number of references
- ◆ Smuggling reduced to European standards
- ◆ Potential for increasing distribution fees
  - Higher manufacturers' prices
  - Additional services
- ◆ Retail prices lower than Europe

## Cigars

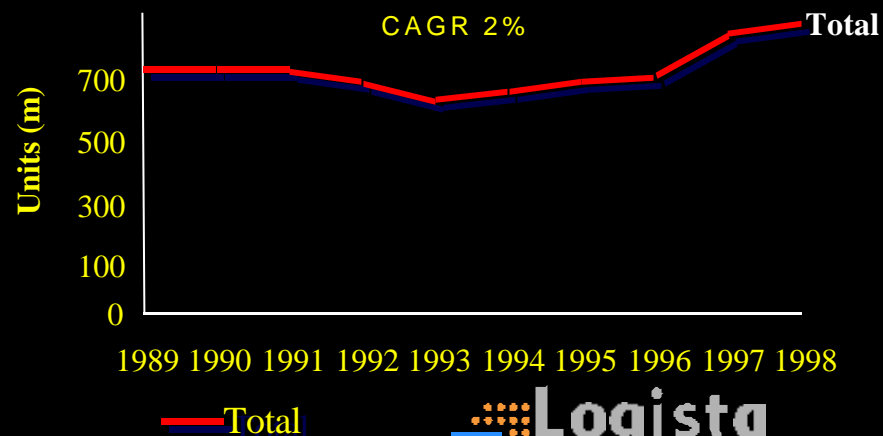
- ◆ Recent significant increase in consumption
- ◆ Strong consumption of small cigars
  - Substitution
  - Fashion
  - Natural product

## Cigarette Consumption



Source: Tabacalera 1998 Annual Report

## Cigar Consumption



Source: Tabacalera 1998 Annual Report



# Tobacco Portugal

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- ◆ Fully liberalised market
- ◆ Wholesale distribution highly fragmented:
  - 370 wholesale distributors
  - No distributors with a significant market share
  - Slow consolidation process
  - Manufacturers favour professional wholesalers
- ◆ Single retail channel with 50,000 points of sale
  - News-stands, restaurants, coffee shops, grocery shops, etc

Total Market 1998, PTE 209 billion (Euro 1,049 million)

Logista

18%

369  
Distributors

Rest

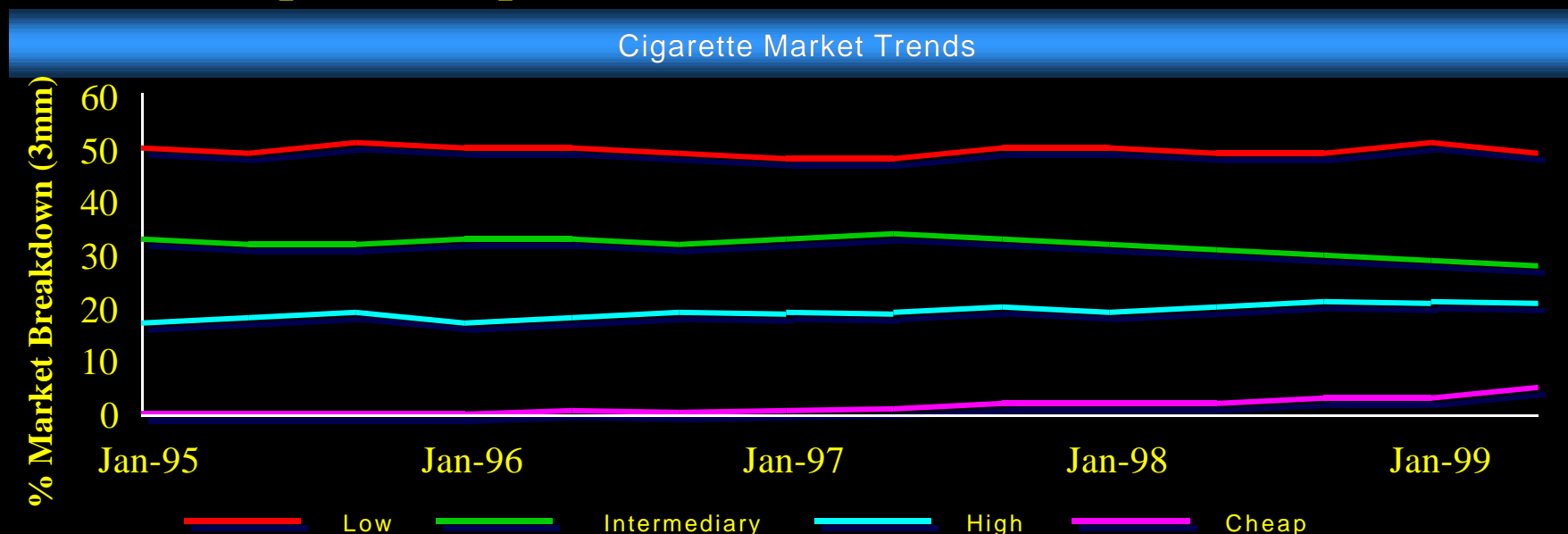
82%

*Source: Company*



## Trends - Portugal

- ◆ Stable market
- ◆ Increasing preference for “light” cigarettes
- ◆ Potential for further consolidation of wholesale distribution
- ◆ Potential retail price increases by manufacturers as lowest price in Europe after Spain



Source: Philip Morris

# Logista - Clients

	Contracts	% of Tobacco Sales PVP	Length	Fees
Spain		<b><u>1998</u></b>	<b>3 year initial contract</b>	<b>Cigarettes:</b>
	<b>Tabacalera</b>	<b>41.2</b>	<b>• Renewable</b>	<b>• Ptas/pack</b>
	<b>Philip Morris</b>	<b>31.8</b>		<b>Cigars:</b>
	<b>Reynolds</b>	<b>10.2</b>		<b>• % of Retail price</b>
	<b>BAT</b>	<b>5.6</b>		<b>Pipe &amp; rolling tobacco:</b>
	<b>Cita</b>	<b>4.3</b>		<b>• Ptas/kg</b>
	<b>Canariense</b>	<b>1.0</b>		
	<b>Other</b>	<b>5.9</b>		
Portugal	<b>Tabaqueira</b>	<b>88.0</b>	<b>• Open to any wholesaler with a minimum level of purchases</b>	<b>• 8.15% margin for Tabaqueira's products</b>
	<b>Philip Morris</b>	<b>2.0</b>		
	<b>RJR</b>	<b>1.7</b>		
	<b>BAT</b>	<b>3.6</b>		<b>• 8.50% - margin for rest of competitors' products</b>
	<b>Other</b>	<b>4.7</b>		

Source: Company

# Logista - Products & Services

## Products

	Spain			Portugal	
	1996	1997	1998	1997	1998
<b>Number of references</b>					
Blond	128	153	168	78	79
Black	39	41	43	6	5
Cigars	552	605	694	-	-
Pipe tobacco	85	84	92	-	-
Rolling tobacco	23	25	29	-	-
Others	3	4	4	-	-
<b>Volume of sales</b>					
Cigarettes (million packs)	3,605	3,908	4,344	120.6	121.3
Cigars (million units)	709.3	832	855	-	-
Pipe & Rolling tobacco (million packs)	14.1	16.6	18.0	-	-

Source: Company

## Services

- Warehousing and stock management
- Picking, labelling and packaging
- Billing and collections
- Tax and customs warehouses
- After sale service

## Logista - Points of Sales

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- ◆ Delivery to 15,100 tobacconists in Spain and 13,400 retail outlets and 900 vending machines in Portugal
- ◆ On line connection with more than 7,000 tobacconists in Spain (80% of the sales)
- ◆ High level of service provision to tobacconists:
  - Information on products, prices, minimum stock, request calendar
  - Tobacco deliveries every 10 days
  - Payment from retail due on next delivery
  - Special requests attended in 24 hours
- ◆ Increasing importance of Cash & Carry facilities
  - Dedicated facilities in all 50 provinces (15 Cash & Carry and 35 Tobacco Shops)
  - 15% of sales in 1998 (12% in 1996)
  - Cash payment
  - No distribution costs

## Logista - Competitive Advantages

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- ◆ Controls approximately 95% of the Spanish market and 18% of the Portuguese market
- ◆ Contracts with all major manufacturers
- ◆ Efficient distribution with significantly lower fees than Southern European comparables
- ◆ Distribution network reaches 29,400 points of sales
- ◆ High degree of loyalty of points of sale
- ◆ Provision of high value-added services to both manufacturers and tobacconists/points of sales
- ◆ Proprietary in-house information technology systems
- ◆ High barriers to entry for competitors
- ◆ High barriers to exit for customers

# Stamps, Documents and High-Value Products

## Stamps, Documents and High-Value Products

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### *Postage & Fiscal Stamps*

- ◆ Sole concession granted to Tabacalera until 2002
  - License operated by Logista
  - Distribution through tobacconists
  - Fixed distribution fee of 6% of retail price
- ◆ Full liberalisation after 2002

### *Documents and High Value Products*

- ◆ Includes phone cards, parking cards, travel passes, greeting cards, income tax forms, standard contracts and others
- ◆ Distribution under private contract or public tender offers (Public sector)



# Logista - Clients

Main Contracts	Product	Length	Terms
<b>Tabacalera</b> <b>2 Ministerio de Economia y Hacienda</b> <b>Post Office</b>	<b>Fiscal Stamps</b> <b>Postage Stamps</b>	<b>Until 2002</b>	<b>Exclusive distribution rights granted by Ministry of Finance</b> <b>Breakdown of fees:</b> <b>4% of retail price to tobacconist 2% to Tabacalera of which 1.5% is paid to Logista</b>
<b>Public entities</b> <b>Diputaciones Forales</b> — Guipuzcoa — Navarra — Vizcaya <b>Canary Government</b> <b>Madrid Municipality</b>	<b>Fisc. Stamps &amp; Income tax forms</b> <b>Fisc. Stamps &amp; Income tax forms</b> <b>Fisc. Stamps &amp; Income tax forms</b> <b>Income tax forms</b> <b>Parking cards</b>	<b>Depends on contract</b>	<b>Different distribution rates depending on contract and product</b>
<b>Private Entities</b> — Telefónica — Airtel — Transport consortium Madrid Valencia — Public Transport Companies <b>38 Companies, (15Provinces)</b> — Unicef	<b>Phone cards</b> <b>Phone cards</b> <b>Travel passes</b>  <b>Travel passes</b>  <b>Greeting cards</b>	<b>Depends on contract</b>	<b>Different distribution rates depending on contract</b>

# Logista - Products

## 1998 Market Breakdown

Other Documents  
46%

Postage & Fiscal Stamps  
54%

	1996	1997	1998
<i>Number of References</i>			
Postage & Fiscal Stamps	555	545	624
Documents	645	640	1,276
<i>Sales volume (million units)</i>			
Postage & Fiscal Stamps	911	887	737
Documents	60	62	61

Source: Company

## Logista - Services

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- ◆ Specific expertise in handling high value documents
  - Numbering
  - Automatic picking
  - Control of returns
  - Security in storage and distribution
  - 10 day delivery
  - 50 owned dedicated selling facilities (15 Cash & Carry and 35 shops)
  - Payment from retail due on next delivery
  - Special requests attended in 24 hours
- ◆ Creating loyalty of points of sales by providing additional high margin products

## Logista - Competitive Advantage

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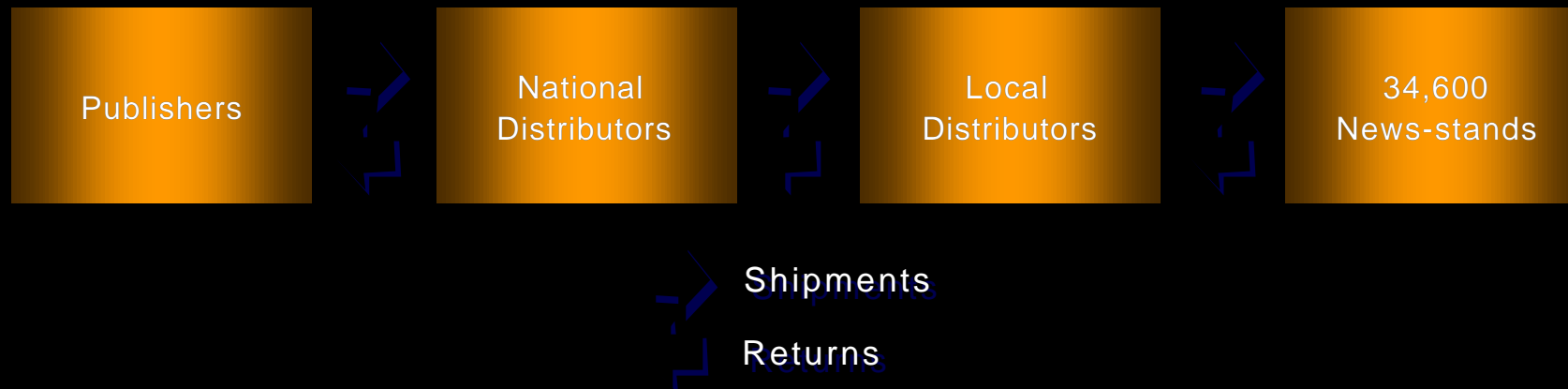
- ◆ Contract with concessionaire Tabacalera for distribution of postage and fiscal stamps
- ◆ Efficient and wide distribution network
- ◆ Highly integrated security systems
- ◆ Well positioned to be granted distribution concession of postage and fiscal stamps in 2002
  - Specialised know-how
  - Critical mass
- ◆ Distribution synergies with tobacco
- ◆ Cross-selling through news-stands

# Publications

*José María Sanjuanbenito*

*General Manager, Publications & Books*

# Publications



- ◆ Increasing number of references
- ◆ Daily delivery
- ◆ Exclusive distribution
- ◆ Firm purchase with an option to return
- ◆ Retail price set by publisher
- ◆ Distribution fee, as a percentage of the retail price defined

# Publications - Spain & Portugal

## Collectibles

- ◆ Periodical publication which builds up to form book
- ◆ High unit value
- ◆ Highest margin of all publications
- ◆ Long tradition in Spain and growing in Portugal
- ◆ More complicated physical distribution
- ◆ Information permits planning of printing and distribution
- ◆ Sales strongly depend on publishers' new issues

## Magazines

- ◆ Medium unit value
- ◆ Titles per inhabitant lower than European average
- ◆ Increasing number of specialised magazines
- ◆ Portugal: Drop in sales of weeklies
- ◆ Portugal: Stable sales of monthlies with increasing number of titles

## Newspapers

- ◆ Low unit value
- ◆ Publishers only outsource local distribution
- ◆ Complexity of delivery schedule

### Portugal

- ◆ Decrease in cover price from 140 to 100 escudos
- ◆ Proportional increase in circulation

# Publications - Spain & Portugal

## Spain

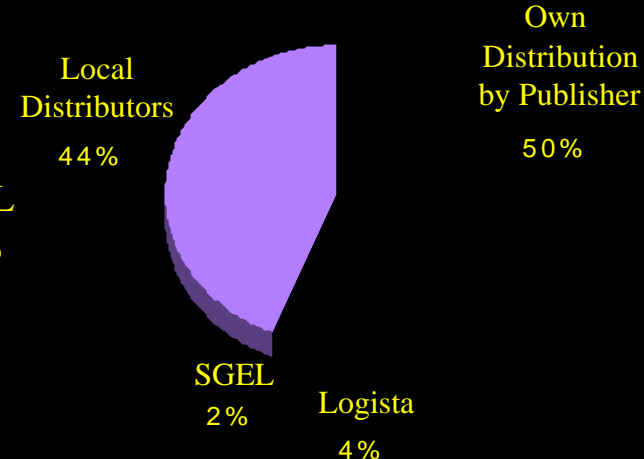
Collectibles - Total Market 1998  
Ptas 37,000 million (Euro 222 million)

SGEL  
15%

Magazines - Total Market 1998  
Ptas 88,000 million (Euro 529 million)

Logista  
15%

Newspapers - Total Market 1998  
Ptas 148,000 million (Euro 889 million)



Logista  
85%

Own  
Distribution  
by Publishers  
66%

SGEL  
19%

## Portugal

Collectibles - Total Market 1998  
PTE 6,100 million (Euro 30 million)

Other  
25%

Magazines - Total Market 1998  
PTE 32,100 million (Euro 160 million)

Logista  
12%

Newspapers - Total Market 1998  
PTE 23,600 million (Euro 118 million)

Logista  
0.2%

Logista  
75%

Other  
88%

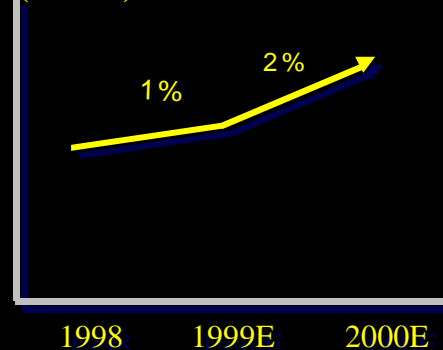
Other  
99%



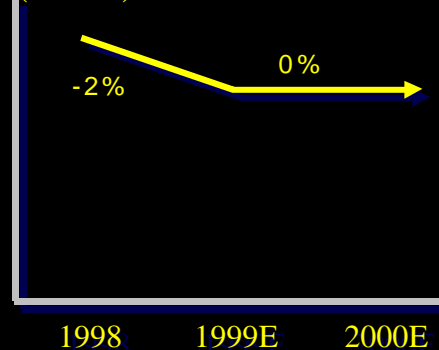
# Trends

Collectibles	Magazines	Newspapers
<ul style="list-style-type: none"> <li>♦ Market expansion into new high-priced products driven by new technologies (e.g. DVD)</li> <li>♦ Increasing importance of Latin American market for publishers</li> </ul>	<ul style="list-style-type: none"> <li>♦ Loss of circulation of weeklies in favour of fortnightly or monthly specialised magazines</li> <li>♦ Increasing importance of Latin American market for publishers</li> </ul>	<ul style="list-style-type: none"> <li>♦ Continuation of the integration of provincial and regional distribution</li> <li>♦ Acquisition of provincial/regional newspapers by national media groups</li> <li>♦ National dailies undertaking a regional diversification via state acquisitions</li> </ul>

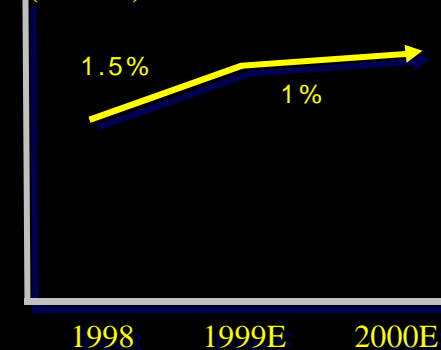
Circulation  
(Units)



Circulation  
(Units)



Circulation  
(Units)



Source: Company Estimates

# Logista - Clients

## Clients

Main Contracts	Product	Length *	Terms
Editorial Planeta De Agostini, S.A.	Collectibles and Comics	7 years renewable Warning: 6 months Date of Contract: 01/05/99	Exclusive, under commission, margin over sales, 2 advanced payments and 90 days payment.
Grupo RBA Editores S.A.	Collectibles Magazines and other publications	1 year renewable Warning: 3 months Date of Contract: 01/06/99	Exclusive, under commission, margin over sales, 2 advanced payments and 90 days payment.
Ediciones Orbis S.A.	Collectibles	3 years, renewable annually Warning: 3 months Date of Contract: 01/09/92	Exclusive, under commission, margin over sales, 2 advanced payments and 90 days payment.
Edition Altaya S.A.	Collectibles	1 year renewable Warning: 3 months Date of Contract: 02/05/94	Exclusive, under commission, margin over sales, 2 advanced payments and 90 days payment.
International Book Club ("Club Internacional del libro, División Coleccionables, s.l.")	Collectibles	Indefinite Warning: 3 months Date of Contract: 18/09/97	Exclusive, under commission, margin over sales, 2 advanced payments and 90 days payment.

\* Average length of relationships over 15 years

# Logista - Products & Services

## *Products*

	Number of Titles - Spain & Portugal		
	1996	1997	1998
<b>Collectibles</b>	352	338	371
<b>Magazines</b>	246	296	304
<b>Newspapers</b>	25	25	25

- ◆ In 1998 distribution of 14,000 references and 500 million units from 110 publishers

## *Services*

- National and local distribution through subsidiaries and affiliates
- Advisory on printing and distribution volume
- Final allocation of total volume to points of sale
- Ongoing sales information and market feedback
- Market survey through 1,200 “rotational” control points
- Billing and collection
- Control of returns
- Availability of past issues

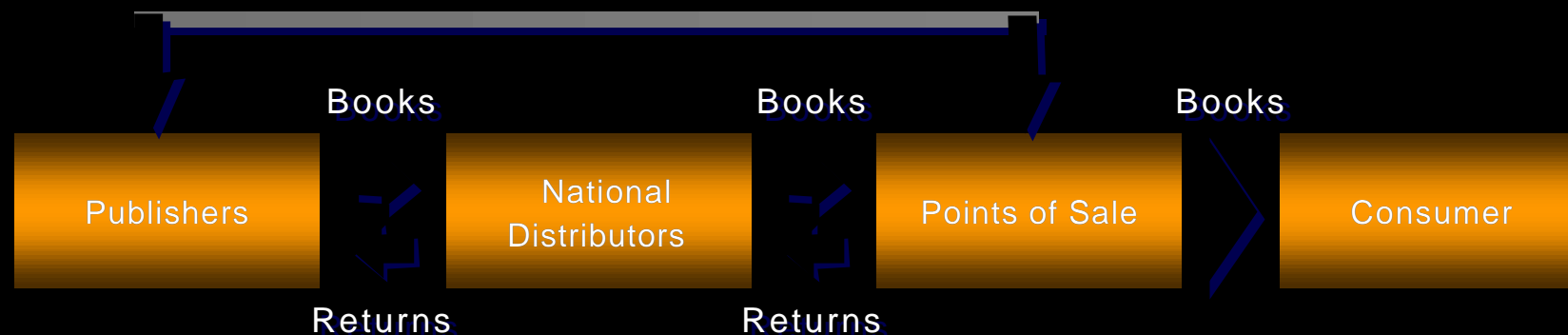
## Logista - Competitive Advantage

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- ◆ Critical mass in high volume and break-even point business
- ◆ Specialised know-how for handling returns and retail volume allocation
- ◆ Guaranteed retrieval of past-issues
- ◆ Market information to clients:
  - Historical databases since 1964
  - On-line information on sales and market conditions
- ◆ Proximity of warehouses to points of sales
- ◆ High degree of trust built over the years

# Books

# Books



- ◆ Large publishing houses dominate the market and engage in self distribution
- ◆ Marketing done by publishers
- ◆ Publishers assign circulation
- ◆ Guaranteed gross margin

Total Market 1998 Ptas 140,000 million (Euro 841 million) (\*)

Logista  
11%

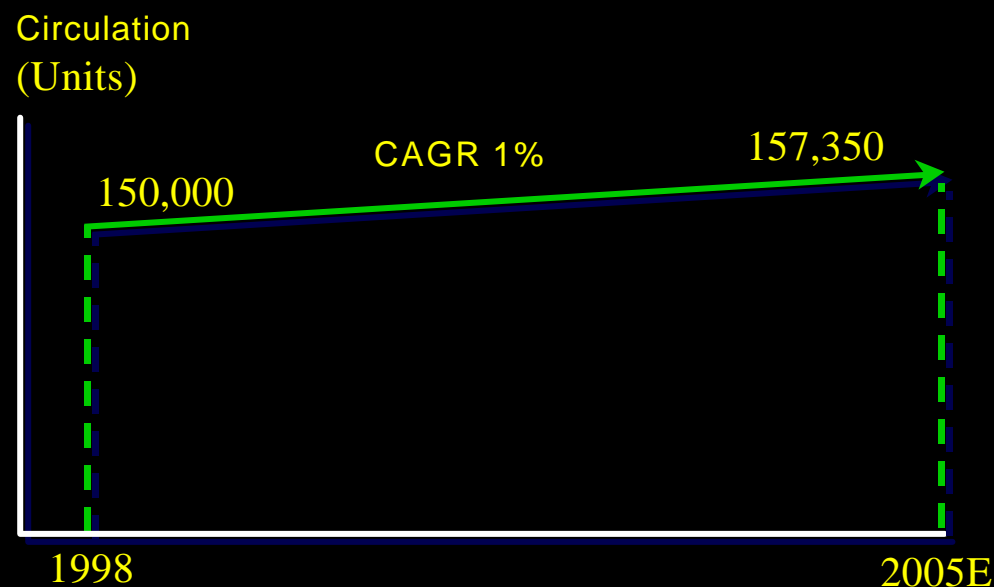
Self-Distribution  
89%

(\*) Excluding direct sales and text books. Total size of market Ptas 370,000 million (Euro 2,224 million)

Source: Company

## Books - Trends

- ◆ Stable market
- ◆ Publishing houses outsourcing distribution activities
- ◆ New distribution channels (Internet)



Source: Company Estimates

# Logista - Clients, Products & Services

## *Clients & Products*

Main Contract	Product: Books	Length	Terms
Grupo Planeta	Seix Barral Editorial Ariel Ediciones Martínez Roca Ediciones de Bolsillo Ediciones Temas de Hoy Ediciones Destino Espasa Calpe Ediciones Deusto Editorial Crítica	10 years, renewable for periods of 3 years  Warning: 12 months  Date of Contract: October 1998, except Editorial Critica (June 1999)	Exclusive, under commission, margin over sales

## *Services*

- Warehousing
- Picking
- Billing and collection
- Information on sales and margins by product and region
- Handling of returns



## Logista - Competitive Advantage

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- ◆ Only distributor with nation-wide platform
- ◆ Exclusive rights of distribution of Grupo Planeta's publications
- ◆ Possibility to engage in new distribution contracts
- ◆ Synergies in the distribution of publications with the 3,500 bookstores (50% overlap)
- ◆ Lower cost of outsourcing for publishers
- ◆ Well positioned for new channels (Internet)

# Other Products:

Customised Logistics Services  
Home Delivery

*Luis Egido*

*General Manager Tobacco, Documents and  
Logistics Services*

# Customised Logistics Services

# Customised Logistics Services

Total Market 1998 Ptas 200,000 million (Euro 1,202 million) - Spain

## Top 10 Largest Companies

Top 10

56%

Grupo Cat  
Danzas  
Grupo Gerposa  
Exel Logistics  
Tibbett & Britten  
Grupo SDF  
Gefco  
Frans Maas  
Grupo Transaher  
Grupo Aldeasa-Climadis

Others

44%

## Segment Distribution

Food & Drink

30%

Automotive

20%

Other

23%

Drugs &  
Perfume

15%

Electric Machinery  
& Electronics

12%

Source: DBK

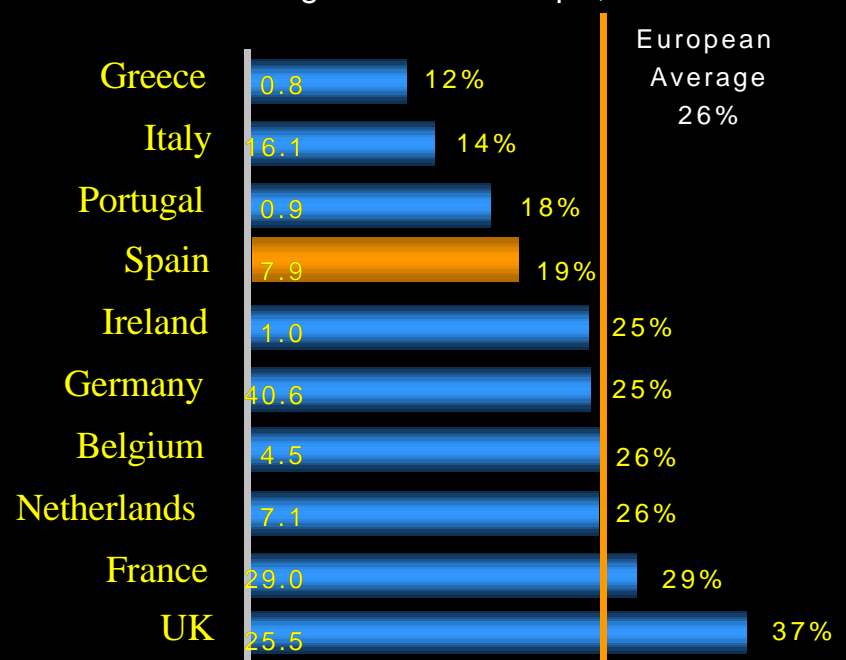
Source: DBK

# Customised Logistics Services - Industry Features

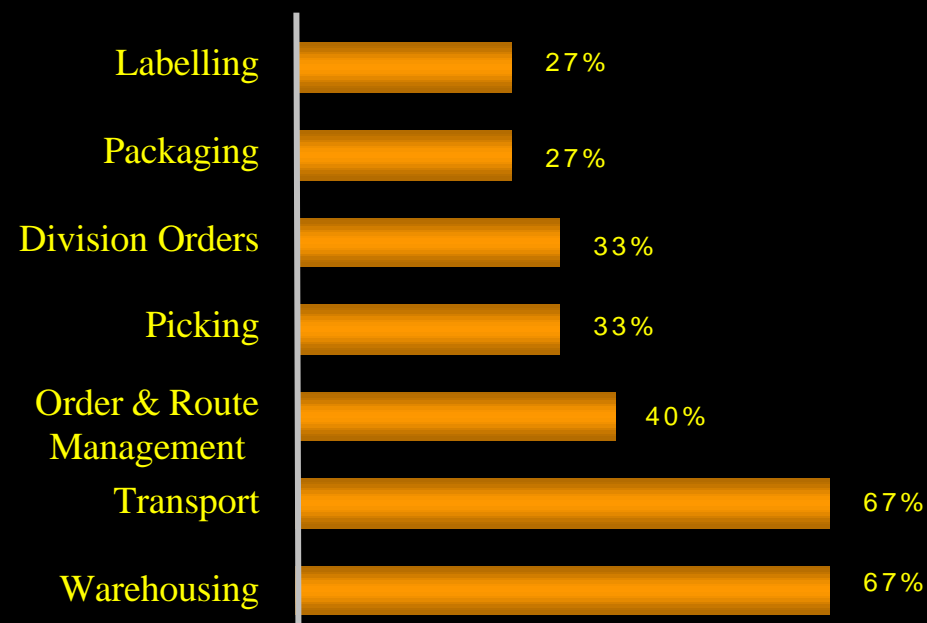
## Potential for Outsourcing

- ◆ 19% outsourcing in 1998 below the European average
- ◆ Operations such as handling have lower outsourcing rates than transport and delivery

Outsourcing levels in Europe, 1998



Outsourcing rates by service - Spain, 1998



Note: Numbers within bars refer to market size in billions of dollars

Source: Datamonitor

Source: DBK

## Logistics & Warehousing - Industry Features

---

### Highly Fragmented

- ◆ Strong market growth has attracted numerous operators
- ◆ 45% of companies in the sector have less than 50 employees  
(Source: DBK)
- ◆ Largest operators are generally subsidiaries/affiliates of multinationals
- ◆ Consolidation expected to accelerate
- ◆ Strong price competition

### Integration of Services

- ◆ Trend to form strategic alliances (transportation, delivery, logistics)
- ◆ Driven by need to increase customer loyalty

### Strong Growth

- ◆ Market growth of 19% in 1998 and 24% in 1997 (Source: DBK)
- ◆ Market expected to grow 17 to 20% in the short and medium term  
(Source: DBK)

# Logista - Products & Services

---

## *Products*

- ◆ Niche markets
- ◆ Value-added services
- ◆ High unit value products and complex services
- ◆ Profitable contracts
- ◆ Rationale - Take advantage of:
  - Large critical mass
  - Extensive distribution network
  - Accumulated know-how
- ◆ Examples:
  - Petrol Stations
  - Euro

Reception  
of Orders

Supplying

Warehousing  
and  
Management

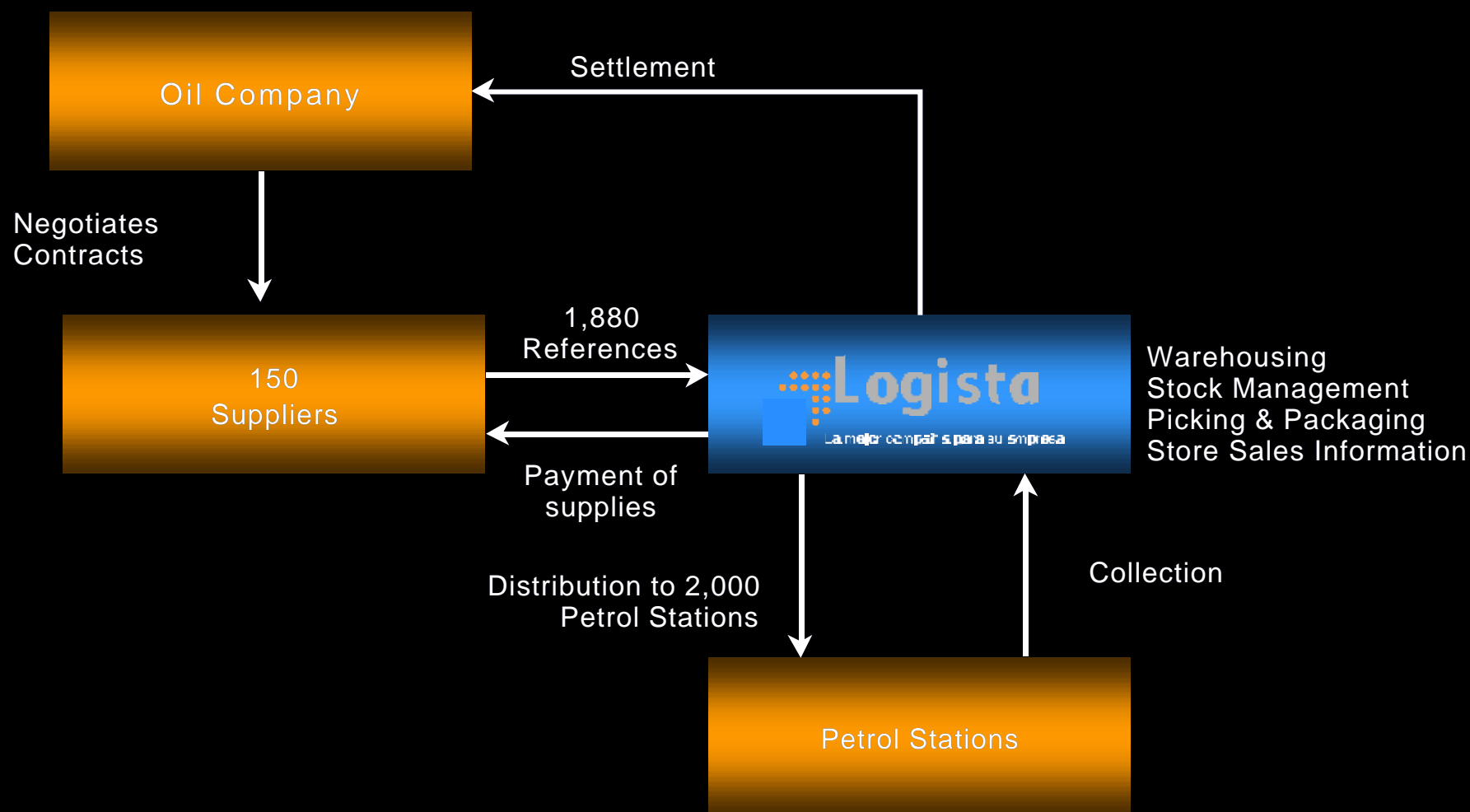
Picking

Distribution

Billing  
and  
Collection

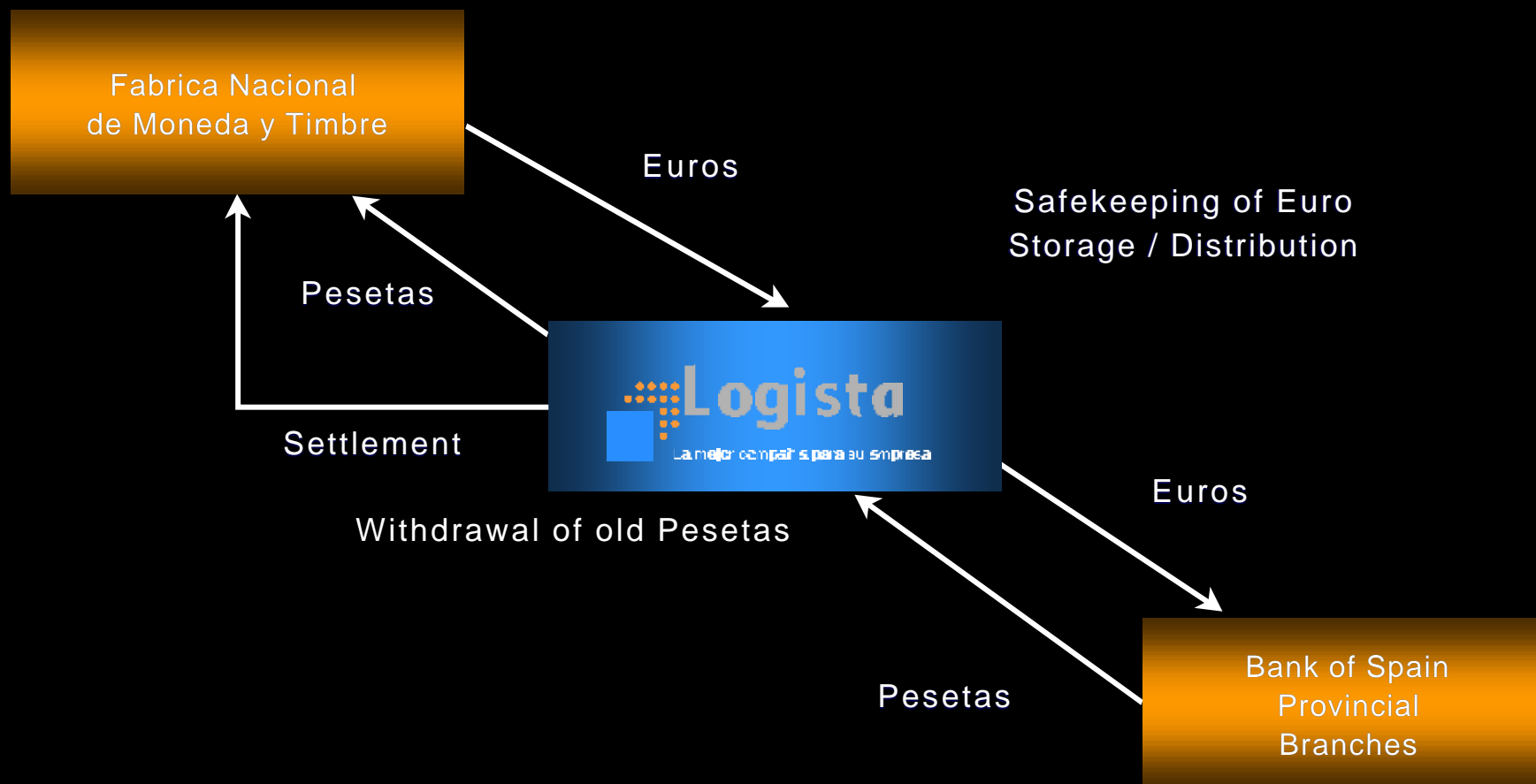
Client  
Service

# Petrol Stations Logistics Services





# Euro Contract



# Home Delivery

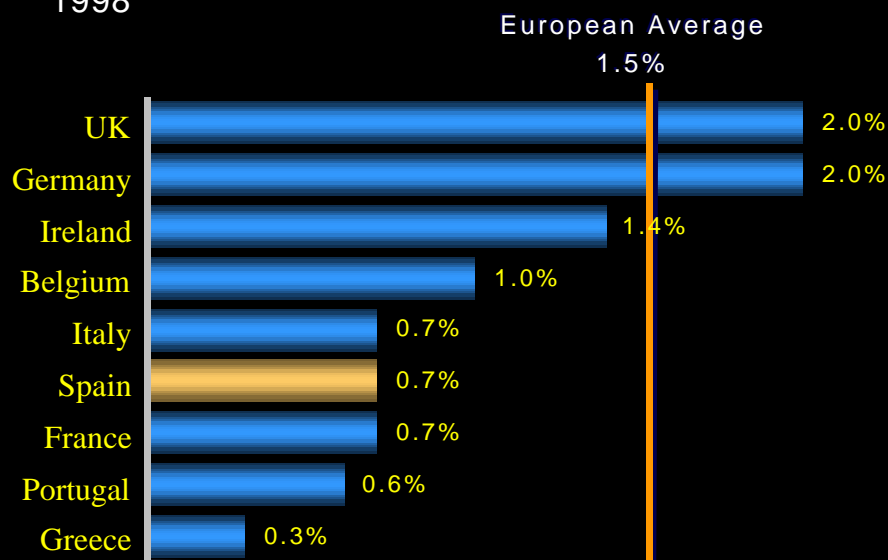
# Home Delivery

## Approach to Home Delivery

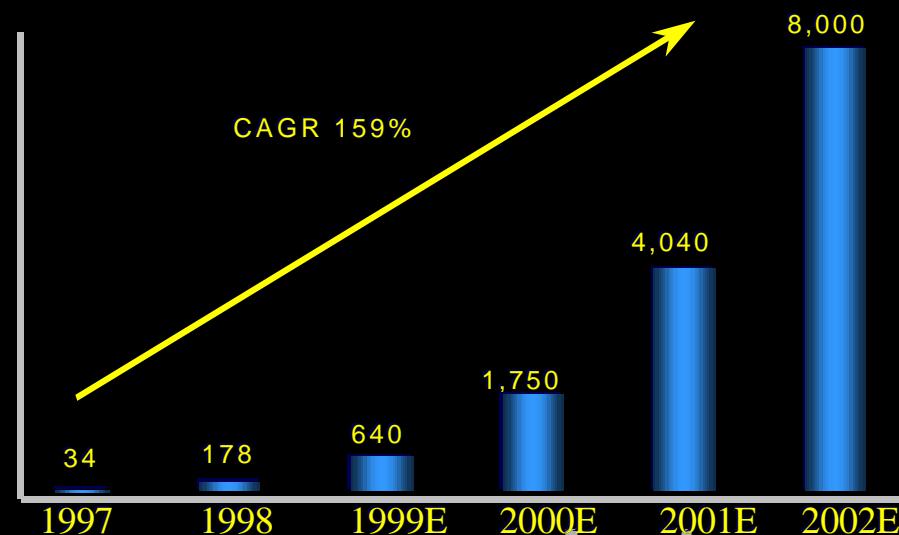
- ◆ Integral logistics services to home delivery
- ◆ Examples
  - Manufacturers loyalty programs
  - E-Commerce

## E-Commerce

Quarterly Web Buyers as Share of Population, 1998

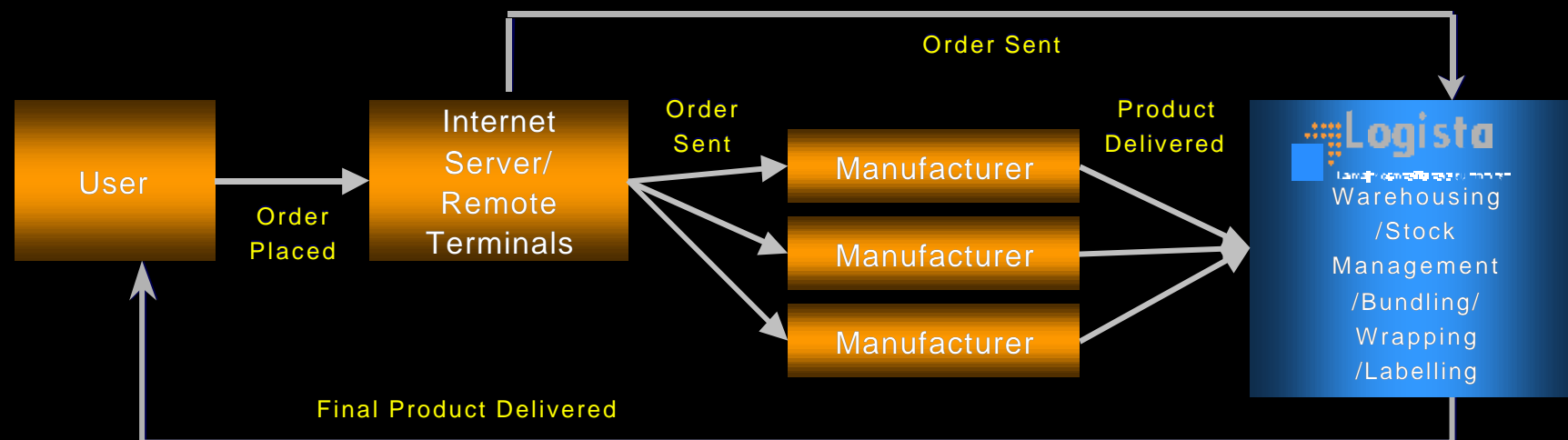


Internet Commerce Revenue - Spain (US\$ millions)



Source: IDC

# Logista - E-Commerce



- ◆ **Innovative sales method: Via Plus**
  - Owned by Tabacalera (75%) and Cortefiel (25%)
  - 40,000 references from 40 suppliers
  - Delivery in less than a week
- ◆ 800,000 deliveries in 1998 and expected 1,300,000 in 1999 (total home delivery, including loyalty programs)
- ◆ New projects/alliances under study

## Logista - Competitive Advantage

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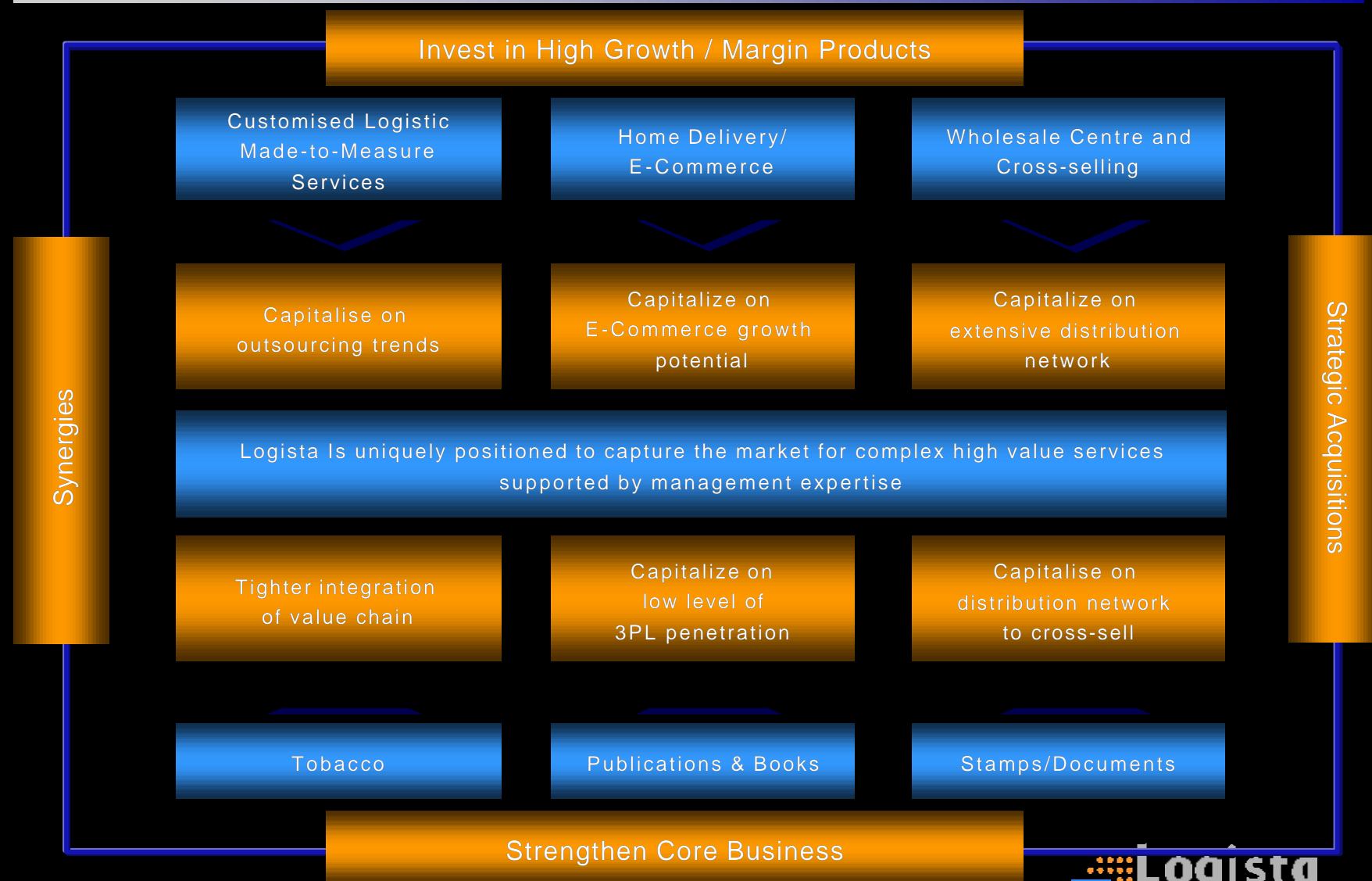
- ◆ Early mover
- ◆ Distribution and warehouse infrastructure in place
- ◆ Specific in-house technology in operation
- ◆ Product bundling reduces costs for consumers
- ◆ Facilitates management of distribution to manufacturer

# Growth Strategy

*Juan Rizo*

*CEO*

# Strategic Objectives



## Core Business - Tobacco

### *Growth through value-added services*

#### Manufacturers

- ◆ Increased quality service
- ◆ Optimisation of stocks
- ◆ Real time information of sales

#### Tobacconists

- ◆ Information systems to improve management
- ◆ New products
- ◆ Transfer of marketing know-how

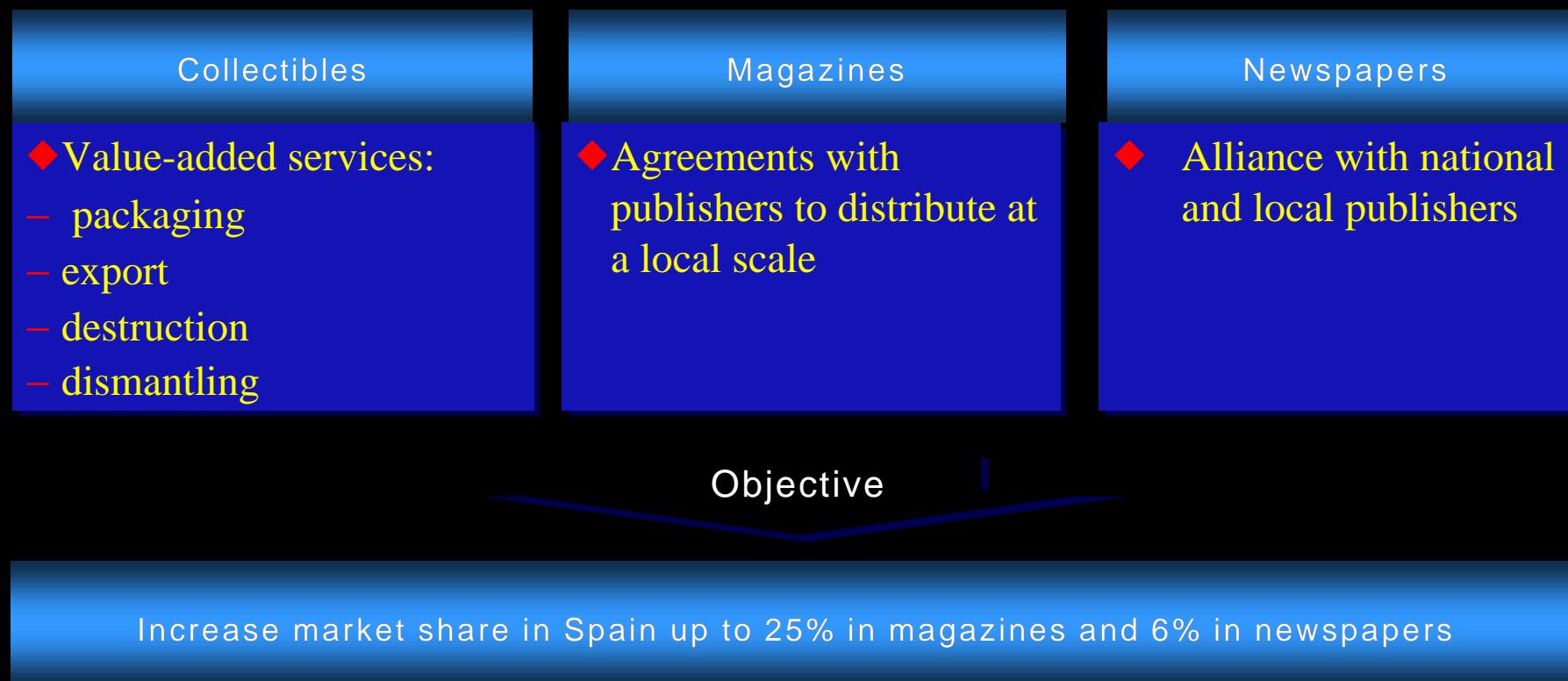
Objective

Promote manufacturer and points of sales loyalty



## Core Business - Publications

*Growth through new services, synergies and cost cutting*



## Core Business - Books

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*Growth through new contracts*

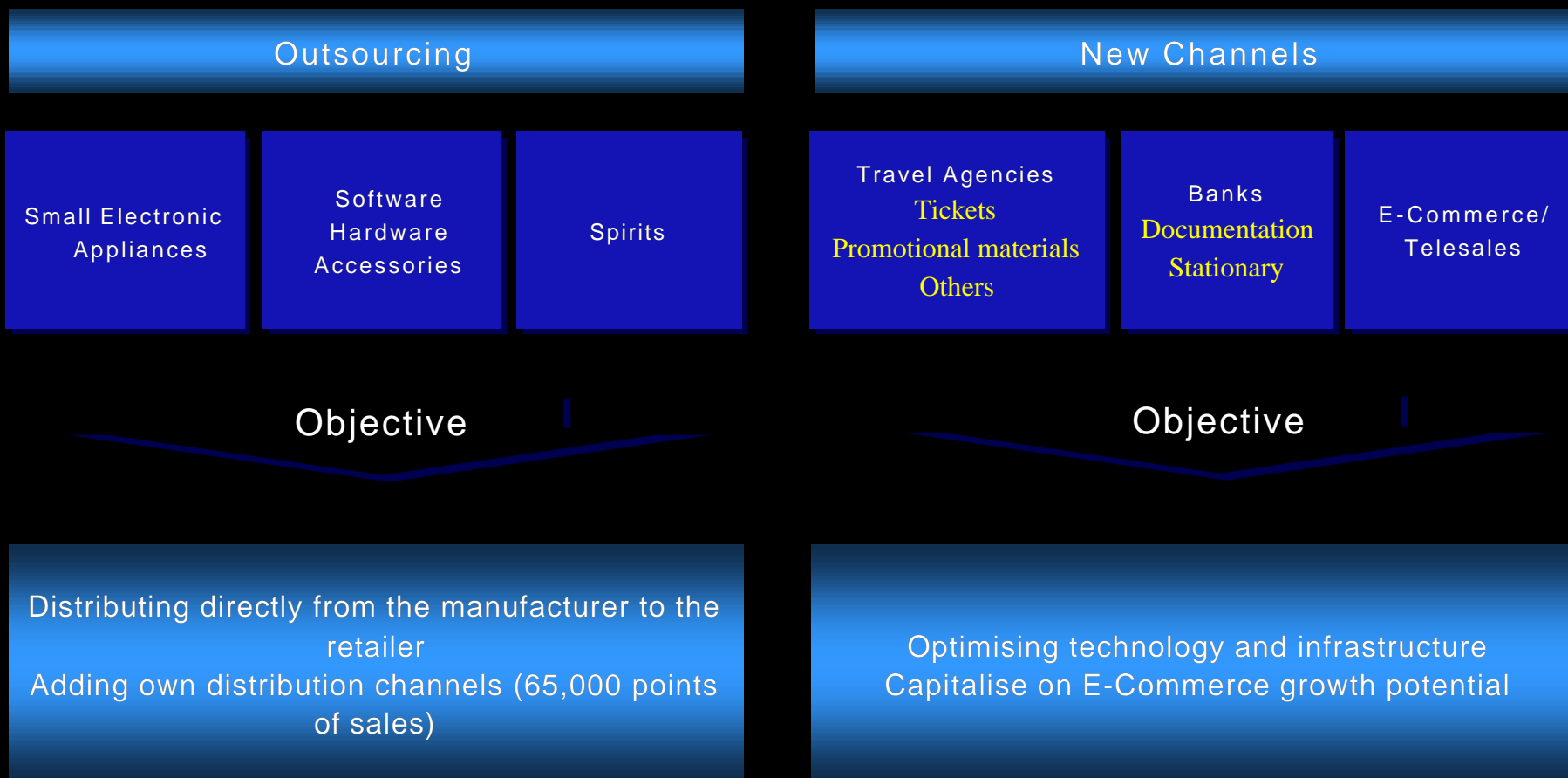
Books

- ◆ Distribution for the main Spanish publishers
- ◆ Customised services

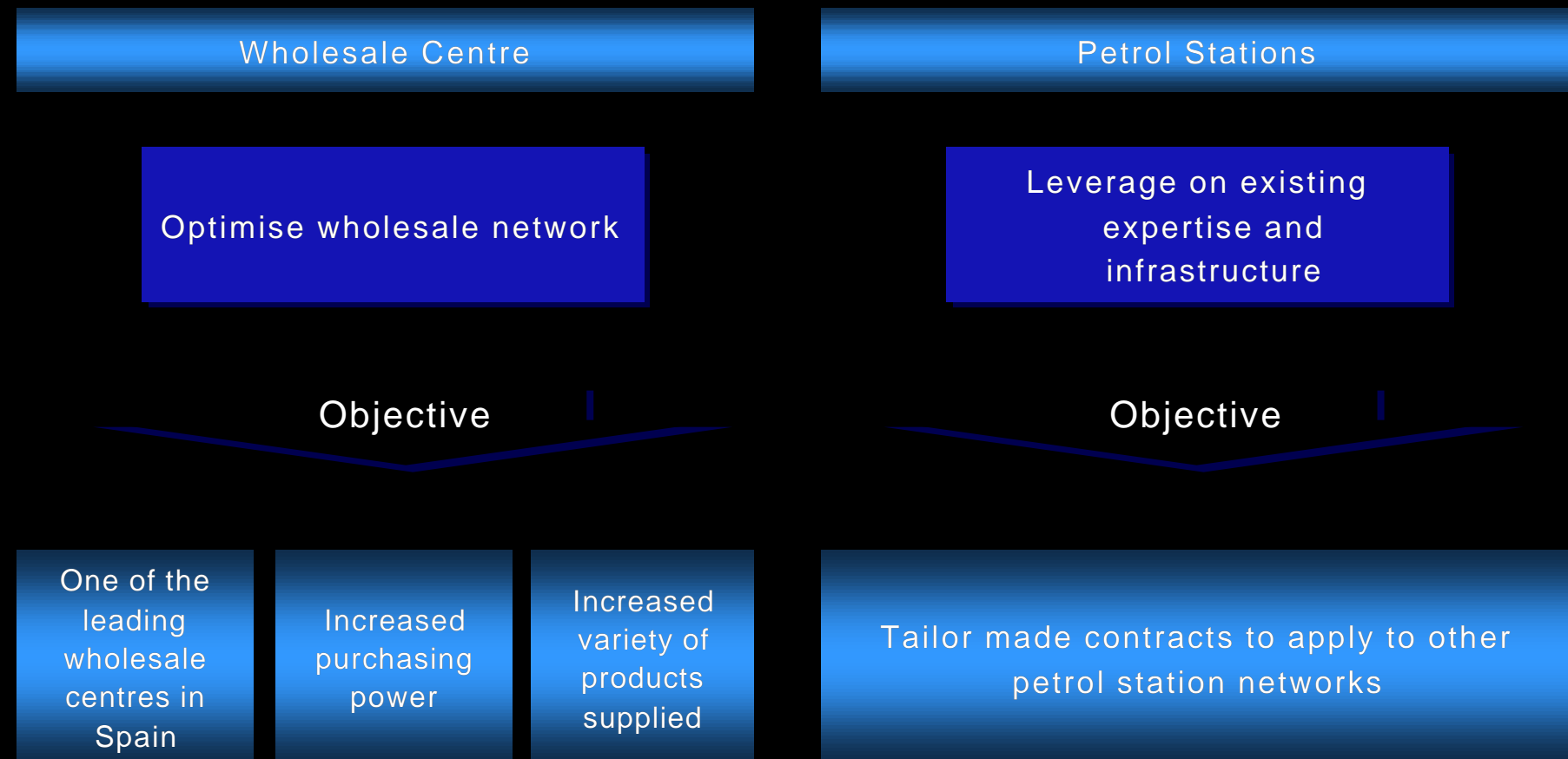
Objective

To reach a 18-20% market share in 3 years

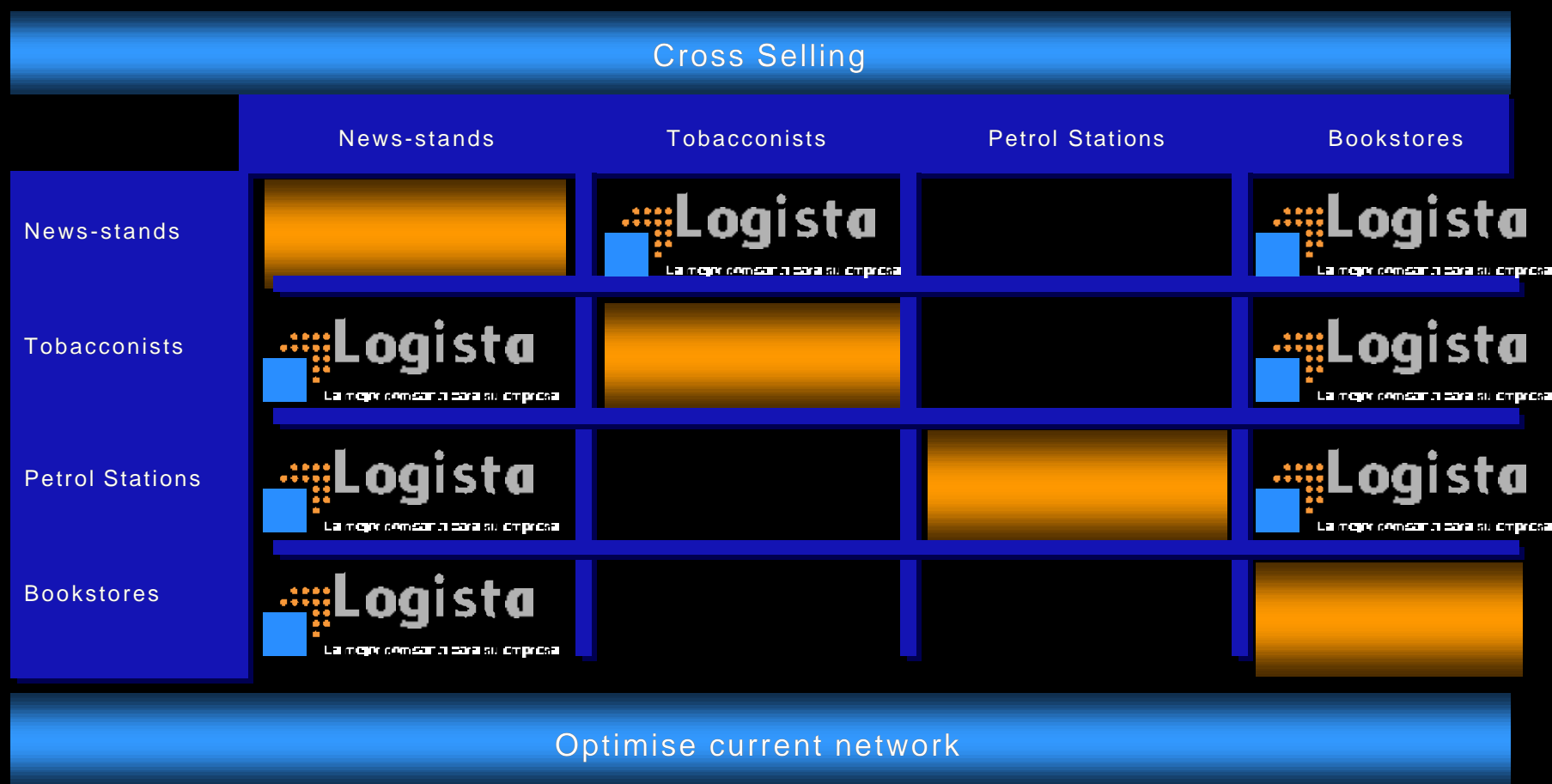
# High Growth/Margin - Customised Logistics Services & Home Delivery



# High Growth/Margin - Wholesale Centre and Cross Selling



# High Growth/Margin - Cross Selling



# High Growth/Margin - Cross Selling



 *Already operating*

 *Opportunities*

(\*) *Potential of 10,000,000 homes*

## Iberia

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- ◆ As part of the privatisation of Iberia by SEPI. Logista, together with other strategic and financial investors, has been awarded a 6.7% stake
- ◆ Estimated investment value - Ptas 38,860 million subject to adjustments to value of non-core assets
- ◆ Completion of acquisition dependent on agreement reached among core shareholders' agreement

### Strategic Fit:

- ◆ Integration of ground and air transport
- ◆ Develop airline cargo business
- ◆ Financial investment
- ◆ Distribute newspapers and magazines in airlines

# Financial Review

*Victor Aceña*

*CFO*



## Pro Forma Financial Information

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All financial information presented for **full year ended 1997 and 1998** and **eight months ended 1998** is pro forma and assumes that Logista was operating with the same structure as it had on August 31, 1999, as an independent company.

**Eight months ended 1999** is based on actual financial information except pro forma January financial information for tobacco, stamps & other documents and, logistics services.

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	Pending
FY 1997	Audited
FY 1998	Audited
Aug. 1998	Limited Review
Aug. 1999	Audited

# Summary Income Statement

(Ptas millions)

	Pro Forma					
	Full Year Ended Dec. 31			Eight Months Ended Aug. 31		
	1997	1998	% Growth	1998*	1999**	% Growth
Gross Sales	1,031,244	1,215,998	17.9%	-	-	-
Net Sales	368,267	423,200	14.9%	270,218	288,410	6.7%
EBITDA	8,887	10,689	20.3%	6,543	7,317	11.8%
EBIT	6,940	8,773	26.4%	5,247	5,890	12.3%
Financial Income (Expense)	2,344	1,807	-22.9%	1,355	1,572	16.0%
Extraordinary Income (Expense)	203	205	1.0%	286	155	-45.8%
EBT	9,541	10,827	13.5%	6,898	7,627	10.6%
Net Income	6,145	7,179	16.8%	4,516	5,250	16.3%

\* Waiting for limited review of audited numbers

\*\* Waiting for review of audited numbers

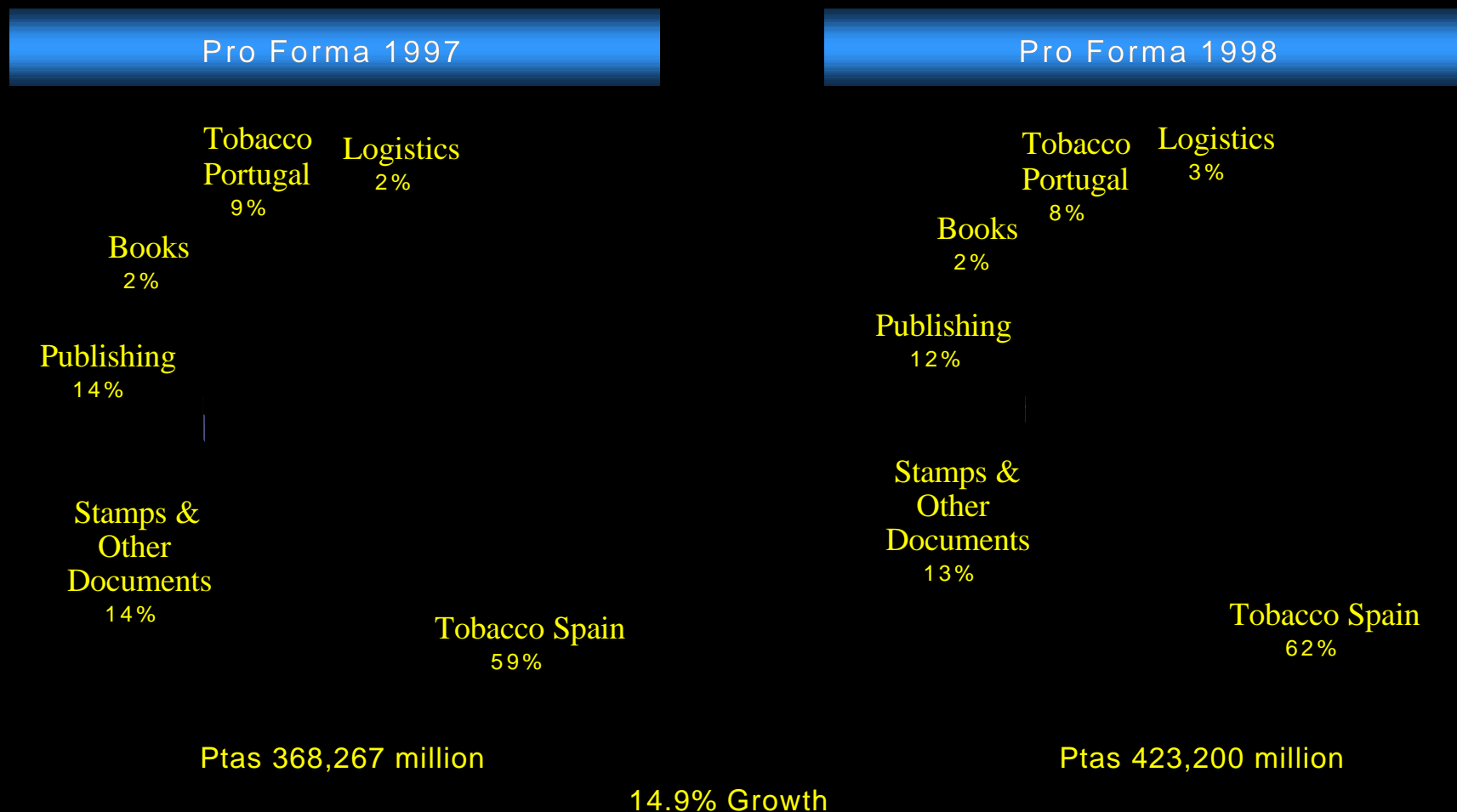
Source: Audited Accounts

# Breakdown of Revenue

(Ptas in millions)	Pro Forma Full Year Ended Dec. 31		
	1997	1998	% Growth
<b>Gross Sales</b>			
Tobacco Spain	851,415	1,025,087	20.4 %
Stamps & Other Documents	55,803	57,901	3.8 %
Publishing	66,691	68,106	2.1 %
Books	14,740	14,580	-1.1 %
Tobacco Portugal	35,906	38,407	7.0 %
Other	6,689	11,917	78.2 %
<b>Total Gross Sales</b>	<b>1,031,244</b>	<b>1,215,998</b>	<b>17.9 %</b>
Special Taxes	(549,973)	(663,192)	20.6 %
<b>Commissions</b>			
Tobacco Spain	(84,105)	(101,268)	20.4 %
Stamps & Other Documents	(3,782)	(4,221)	11.6 %
Tobacco Portugal	(3,371)	(2,501)	-25.8 %
Discounts - Publishers	(16,150)	(16,197)	0.3 %
Discounts - Books	(5,596)	(5,419)	-3.2 %
<b>Total Commissions</b>	<b>(113,004)</b>	<b>(129,606)</b>	<b>14.7 %</b>
Tobacco Spain	217,337	260,627	19.9 %
Stamps & Other Documents	52,021	53,680	3.2 %
Publishing	50,541	51,909	2.7 %
Books	9,144	9,161	0.2 %
Tobacco Portugal	32,535	35,906	10.4 %
Logistics	6,689	11,917	78.2 %
<b>Total Net Sales</b>	<b>368,267</b>	<b>423,200</b>	<b>14.9 %</b>

Source: Audited Accounts

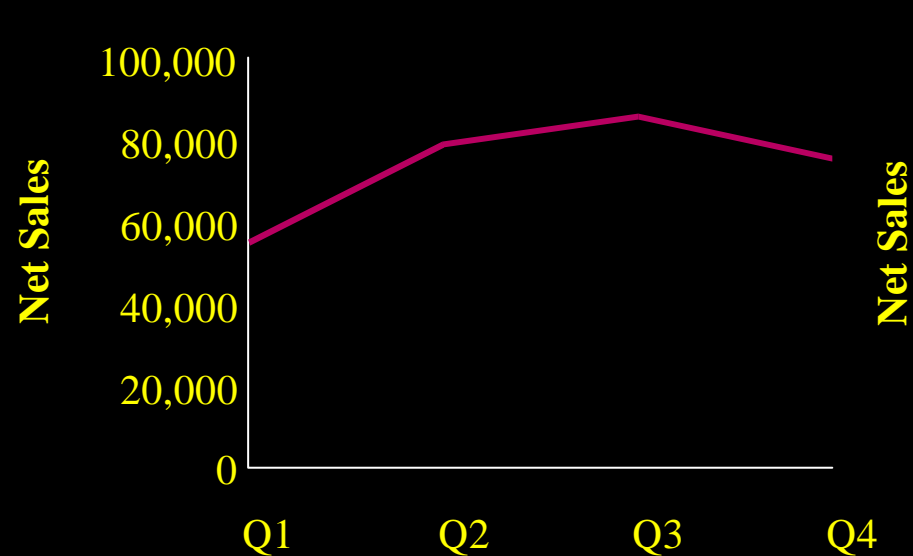
# Contribution to Net Sales by Activity



Source: Audited Accounts

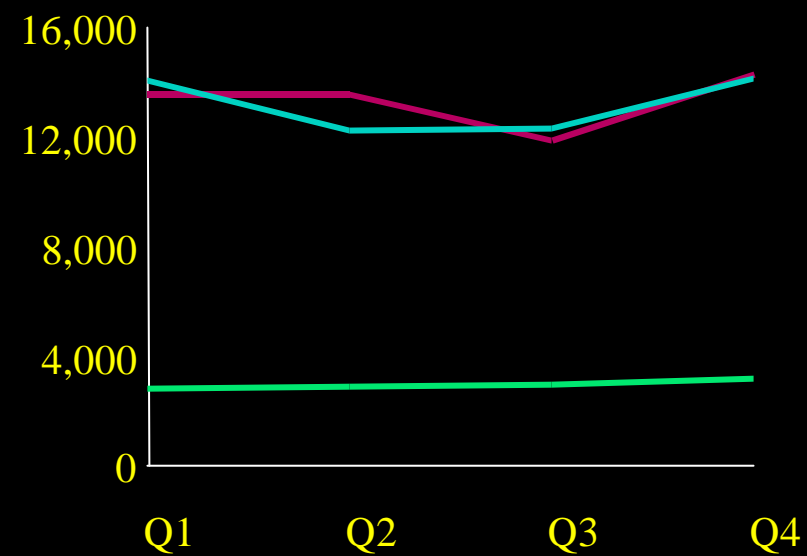
# Seasonality

(Ptas in millions)



1998

Tobacco



1998

Stamps and Other Documents  
Publications  
Other Products

Source: Company

# Cost Breakdown

(Ptas millions)

	Pro Forma							
	Full Year Ended Dec. 31				Eight Months Ended Aug. 31			
	1997	% Total	1998	% Total	1998*	% Total	1999**	% Total
Cost of Sales	333,020	92.7%	386,029	93.6%	247,069	93.7%	263,618	93.8%
Transportation	6,232	1.7%	6,902	1.7%	-	-	-	-
Personnel Costs	7,457	2.1%	7,923	1.9%	5,031	1.9%	5,464	1.9%
Other Operating Costs	10,550	2.9%	9,446	2.3%	11,575 <sup>(1)</sup>	4.4%	12,011 <sup>(1)</sup>	4.3%
Tabacalera Outsourcing Contract	2,065	0.6%	2,274	0.5%	-	-	-	-
<b>Total Costs <sup>(2)</sup></b>	<b>359,324</b>	<b>100.0%</b>	<b>412,574</b>	<b>100.0%</b>	<b>263,675</b>	<b>100.0%</b>	<b>281,093</b>	<b>100.0%</b>

(1) Includes Transportation and Tabacalera Outsourcing Contract

(2) Excludes change in provisions

\* Waiting for limited review of audited numbers

\*\* Waiting for review of audited numbers

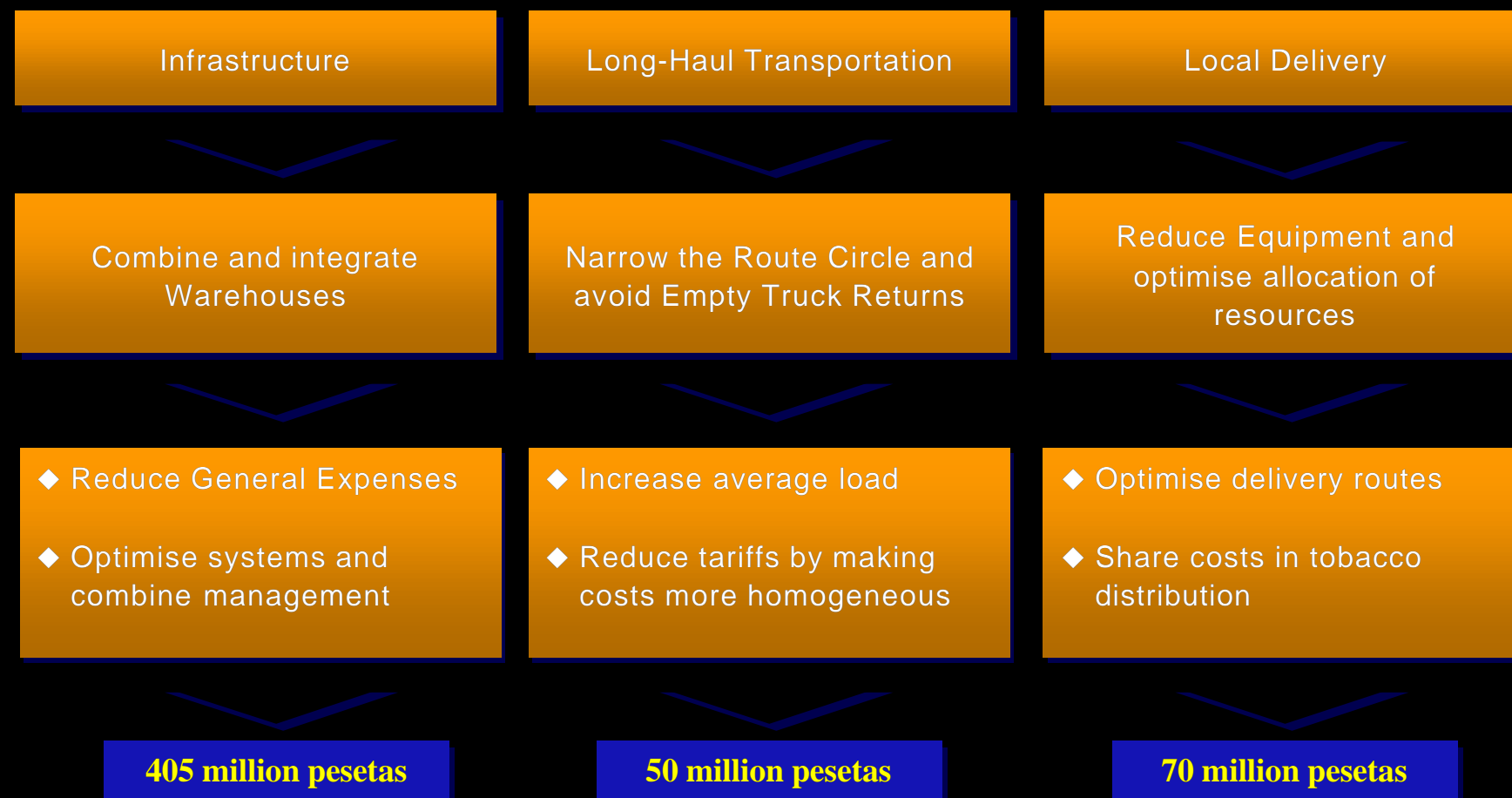
Source: Audited Accounts

## Outsourcing Contracts with Tabacalera

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- ◆ Management and supporting services
  - Human resources
  - Accounting
  - Corporate development
  - Planning
  - Legal, fiscal and tax
  - Information systems
  - Internal audit
  - Institutional Relations
- ◆ Treasury functions
- ◆ Management and control of the Cádiz warehouse

## Cost Synergies from Merger



Estimated Annual Cost Savings of 525 million pesetas by end of 2001



## Gross Margin per Line of Business 1998

	Full Year Ended Dec. 31 1998	
	Gross Sales	Gross Margin
Tobacco (Spain & Portugal) (a)	1,063,494	1.5 - 2.2%
Stamps (b)	61,587	1.5%
Documents	54,513	2 - 3.5%
Publications (Spain & Portugal)	68,106	12 - 15%
Books	14,580	10 - 12%
Other Logistics Services	11,917	(c)

*(a) Tobacco margin estimated based on retail price net of VAT.*

*(b) The sales figure is indicative as Logista invoices 5.5% of sales of stamps*

*(c) 85% of logistics services correspond to distribution of specialised products, with different gross margins according to product.*

*The remaining 15% correspond to the sales of logistics services.*

# Summary Balance Sheet

(Ptas millions)	Pro Forma			
	Full Year Ended Dec. 31			Eight Months Ended Aug. 31
	1997	1998	% Growth	1999*
Cash & Equivalents	78,290	95,370	21.8%	107,741 <sup>(1)</sup>
Accounts Receivable	43,306	50,129	15.8%	46,325
Inventories	14,673	20,127	37.2%	34,994
Other Current Assets	958	990	3.3%	17,949
Fixed Assets (Incl. Goodwill)	23,802	23,169	-2.7%	21,129
<b>Total Assets</b>	<b>161,041</b>	<b>189,793</b>	<b>17.9%</b>	<b>229,005</b>
Current Liabilities	116,099	144,222	24.2%	182,919
Long Term Liabilities	4,320	4,370	1.2%	1,097
Other Liabilities & Minority Interests	1,206	1,150	-4.6%	670
Shareholders' Equity	39,416	40,051	1.6%	44,319
<b>Total Liabilities &amp; Equity</b>	<b>161,041</b>	<b>189,793</b>	<b>17.9%</b>	<b>229,005</b>

(1) Average treasury position for the year is Ptas 72,000 million

\* Waiting for review of audited numbers

Source: Audited Accounts

# Capital Structure

(Ptas millions)	Pro Forma
	Eight Months Ended Aug. 31
	1999*
<b>Total Capitalisation</b>	
<b>Shareholders' Equity</b>	44,319
<b>Long Term Debt</b>	-
<b>Short Term Debt</b>	1,562
<b>Number of Shares</b>	49,097,482

- ◆ Complying with legal equity requirements of 1/30 of gross tobacco sales in Spain
- ◆ Excess cash (not working capital)
- ◆ Significant debt capacity
  - leverage vs. cash financing decisions based on pure cost analysis

\* Waiting for review of audited numbers  
Source: Audited Accounts

# Working Capital

(Ptas millions)	Pro Forma		
	Full Year Ended Dec. 31		Eight Months Ended Aug. 31
	1997	1998	1999*
Current Assets			
Accounts Receivable	43,306	50,129	46,325
Inventories	14,673	20,127	34,994
Other Current Assets	958	990	17,949
Current Liabilities			
Accounts Payable	34,612	38,453	25,720
Public Entities	74,028	96,929	123,682
Other Current Liabilities	6,748	7,513	31,954
Net Working Capital	(56,451)	(71,649)	(82,088)

\* Waiting for review of audited numbers  
Source: Audited Accounts

# Key Financial Ratios

	Pro Forma			
	Full Year Ended Dec. 31		Eight Months Ended Aug. 31	
	1997	1998	1998	1999
<b>Profitability</b>				
ROA (EBIT / Total Assets)	4.31%	4.62%	-	2.57%
ROE (Net Income / Shareholder's Equity)	15.59%	17.92%	-	11.85%
ROCE (Net Income / Fixed Assets)	25.82%	30.99%		24.85%
EBITDA Margin	2.41%	2.53%	2.42%	2.54%
EBIT Margin	1.88%	2.07%	1.94%	2.04%
Net Income Margin	1.67%	1.70%	1.67%	1.82%
<b>Working Capital</b>				
Days Receivable	15	15	-	-
Days Payable	38	36	-	36
<b>Liquidity Ratios</b>				
Current Ratio	1.18	1.16	-	1.13
CR minus Inventories	1.06	1.02	-	0.94

Source: Audited Accounts

# Investment Plan

## *Recurrent Investments*

(Ptas millions)

	1996	1997	1998	Total
Maintenance	281	529	975	1,785
New Investments	782	935	1,394	3,111
Information Technology	41	550	905	1,496
Total	1,104	2,014	3,274	6,392

## *New Investments*

- ◆ Ptas 8,000 million forecasted for 1999 to 2001 (excluding possible strategic acquisitions)

Source: Company

# Conclusions

*Juan Rizo*  
*CEO*

# Financial Targets and Dividend Policy

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## Financial Targets

- ◆ IRR between 15% and 18% in new investments

## Dividend Policy

- ◆ 40% to 60% pay-out
- ◆ Reduced gradually
- ◆ Subject to investment needs



## Investment Case Summary

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- ◆ Leader in tobacco and publications distribution in Spain and Portugal
- ◆ Unique business platform to provide logistic and value-added services
- ◆ High growth opportunities leveraging on existing platform
- ◆ Consolidator in a highly fragmented industry

# Appendices

# A. Corporate Background

# Management Team

## Profiles

**Juan Rizo - Chief Executive Officer**

Engineer, MBA. 25 years of experience in management positions

**Luis Egido - General Manager**

Industrial Engineer, PADE. 25 years of experience in the logistics sector

**José María Sanjuanbenito - General Manager**

Lawyer, Master in Human Resources. 19 years of experience in the publications sector

**Javier Solans - Commercial Manager**

Industrial Engineer, MBA. 19 years of experience in the sale of mass consumption products

**Victor Aceña - Chief Financial Officer**

State Accountant. 25 years of experience in the financial sector

**Teresa Casla - Director of Corporate Development**

Economist. 10 years of experience in the financial markets

**Rafael De Juan - Legal Advisor**

State Attorney. 15 years of experience in the public sector and 15 years in the private sector

# Recent Corporate Developments

## LOGISTA SPIN-OFF

### September 2, 1998:

Founded Logista with capital of 500,000 pesetas

### January 25, 1999:

Tobacco Marketing Commission granted license for importing and wholesale distribution

### January 30, 1999:

Began operations following the transfer of assets and liabilities from Tabacalera to Logista

## MIDESA / CONTYDIS MERGER

### June 9, 1999:

Midesa issued 3,742,542 new shares amounting to 374,254,200 pesetas to purchase all of the net assets of Contydis

### June 18, 1999:

Merger was recorded with the Mercantile Registry Office and became effective

- Espasa Calpe S.A. received 3,742,442 shares plus 745,780 pesetas; Planeta Corporation S.R.L received 100 shares plus 20 pesetas

## MIDESA / LOGISTA MERGER

### March 11, 1999:

The Boards of Midesa / Contydis and Logista decided to merge

### June 15, 1999:

Merger was approved by shareholders subject to the Midesa / Contydis merger being registered with the Mercantile Registry Office

- ◆ Midesa issued 34,464,940 new shares plus 665 pesetas in cash amounting to 3,446,494,000 pesetas in exchange for all of Logista's net assets
- ◆ Merger was based on valuation of both companies' 1998 earnings and March 10, 1999 P/E multiple of Midesa shares
- ◆ Combined entity was valued at 216,155,276,781 pesetas at the time of the merger

# Strategic Rationale for Logista Spin-Off

Improve flexibility to  
operate independently

Spin-Off Rationale



Designated Purpose

Marketing, storage,  
transportation and  
distribution primarily of  
tobacco products



# Strategic Rationale for Mergers

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Take advantage of new opportunities by expanding the range of products and the channels of distribution

Better serve customers and improve value-added services by combining know-how of organisations

Leading Logistics Enterprise in the Iberian Peninsula

Diversify sources of revenue and reduce operating risk

# B. Legislation



## Legislation

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### Distribution of Tobacco

- ◆ Regulated market “Law 13/1998 (May 4) & Decree 119/1999 (July 9)”
- ◆ Import and Wholesale Distribution Licenses
  - Logista has licenses PA 990053 and PB 990084, respectively, granted by the “Comisionado para el Mercado de Tabacos”

### Distribution of Stamps

- ◆ “Law 13/1998 (May 4)” grants Tabacalera the concession to operate the wholesale distribution until 2002

# Tobacco Tax Rates

	1996*	1997	1998
<b>Special Tax</b>			
<b>Ad Valorem (% of Retail Price)</b>			
Blond Cigarettes	54	54	54
Dark Cigarettes	54	54	54
Cigars	12.5	12.5	12.5
Rolling Tobacco	37.5	37.5	37.5
Pipe Tobacco	22.5	22.5	22.5
<b>Specific (Cigarettes)</b>			
(Ptas/20 units pack)	10	10	10
<b>Vat (% of Retail Price)</b>			
Cigarettes & Leaf Tobacco	15.25	13.79	13.79
Cigars	15.17	13.72	13.72

\*

*Since 31/07/96*

*Since 01/01/97 VAT has been reduced because of the decrease on equivalent tax to 1,75%*

*Source: Company*

## Effects of Taxation

- ◆ The effect of taxation on packs of light and dark cigarettes and a box of 20 cigars is shown below

	Light Fortuna		Dark Ducados		Cigars Farias Club	
Recommended Retail Price	100.00%	275	100.00%	200	100.00%	500
VAT	13.79%	37.92	13.79%	27.58	13.72%	68.6
<b>Total Sales Logista</b>	<b>86.21%</b>	<b>237.08</b>	<b>86.21%</b>	<b>172.42</b>	<b>86.28%</b>	<b>431.4</b>
Ad Valorem Tax	54.00%	148.5	54.00%	108	12.50%	62.5
Specific Tax	3.64%	10	5.00%	10	0.00%	-
Retail Premiums	8.50%	23.38	8.50%	17	9.00%	45
<b>Net Sales Logista</b>	<b>20%</b>	<b>55.20</b>	<b>18.71%</b>	<b>37.42</b>	<b>64.78%</b>	<b>323.9</b>

Source: Company

- ◆ Retail Premiums represent commissions determined by law and received by tobaccoists
- ◆ This commission is about 8.5% for cigarettes, 9% for cigars and 4% on the retail price of tax stamps and postage

# C. Publications

# Logista - Clients

Main Contracts	Product	Length	Terms
Editorial Planeta De Agostini, S.A.	Collectibles and Comics	7 years renewable Warning: 6 months Date of Contract: 01/05/99	Exclusive, under commission, margin over sales, 2 advanced payments and 90 days payment. Reciprocal punitive condition
Grupo RBA Editores S.A.	Collectibles Magazines and other publications	1 year renewable Warning: 3 months Date of Contract: 01/06/99	Exclusive, under commission, margin over sales, 2 advanced payments and 90 days payment.
Ediciones Orbis S.A.	Collectibles	3 years, renewable annually Warning: 3 months Date of Contract: 01/09/92	Exclusive, under commission, margin over sales, 2 advanced payments and 90 days payment.
Edition Altaya S.A.	Collectibles	1 year renewable Warning: 3 months Date of Contract: 02/05/94	Exclusive, under commission, margin over sales, 2 advanced payments and 90 days payment.
International Book Club ("Club Internacional del libro, División Coleccionables, s.l.")	Collectibles	Indefinite Warning: 3 months Date of Contract: 18/09/97	Exclusive, under commission, margin over sales, 2 advanced payments and 90 days payment.

# Logista - Clients

Main Contracts	Product	Length	Terms
Globus Comunicación, S.A.	Collectibles	1 year renewable Warning: 6 months Date of Contract: 15/05/93	Exclusive, under commission, margin over sales, 2 advanced payments and 90 days payment.
	Magazines	4 years renewable Warning: 6 months Date of Contract: 01/03/92	Exclusive, under commission, margin over sales, 2 advanced payments and 90 days payment.
Multimedia Ediciones S.A.	Collectibles	3 years renewable Warning: 3 months Date of Contract: 10/01/93	Exclusive, under commission, margin over sales, 2 advanced payments and 90 days payment.
Ediciones Pleyades S.A.	Leisure publications	Indefinite Warning: 3 months Date of Contract: 30/06/78	Exclusive, under commission, margin over sales, 2 advanced payments and 90 days payment.
Ediciones Del Prado	Collectibles	Indefinite	Exclusive, under commission, margin over sales, 2 advanced payments and 90 days payment.
Warner Home Video España S.A.	Collectibles	Indefinite	Exclusive, under commission, margin over sales, 2 advanced payments and 90 days payment.