

LOGISTICS B.U.



Luis Egido From Tobacco distribution
to Specialised logistics

Teresa Casla The Pharma sector

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Why logistics in Altadis (I)

Logistics B.U. Provides to Altadis strategy:

- Growth
- Profitability
- Diversification

Why logistics in Altadis (II)

- Formerly, Altadis either in France and in Spain had its own tobacco distribution business
- This activity strenghted Altadis brand's position and provided other incomes source
- Tobacco distribution efficiency was progressively improved and brought know-how and financial capabilities, beeing the base for developping new logistics activities

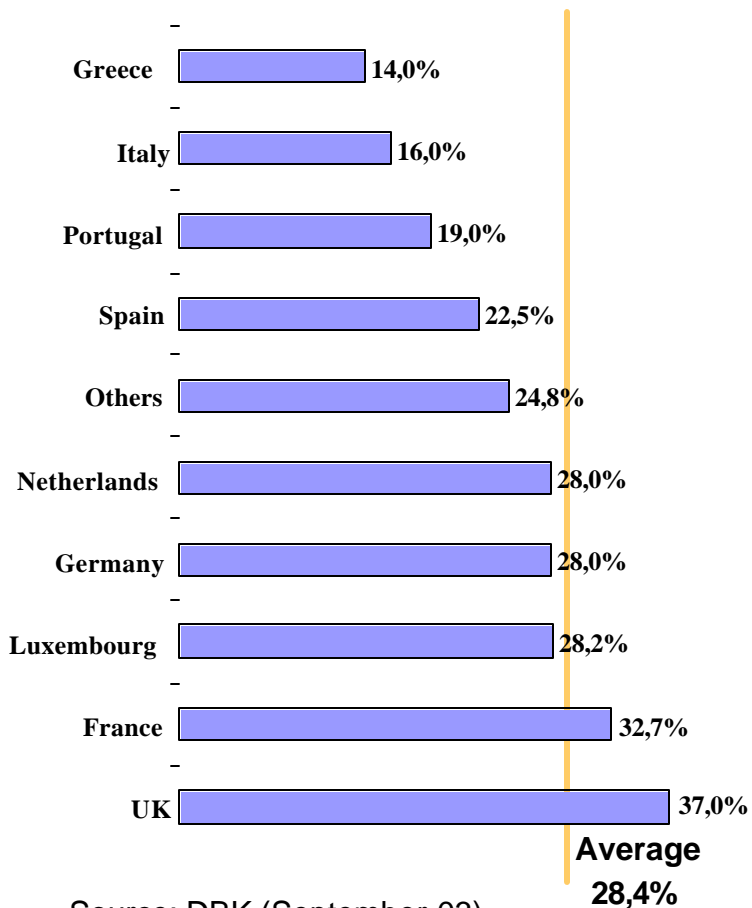
Tobacco distribution value chain



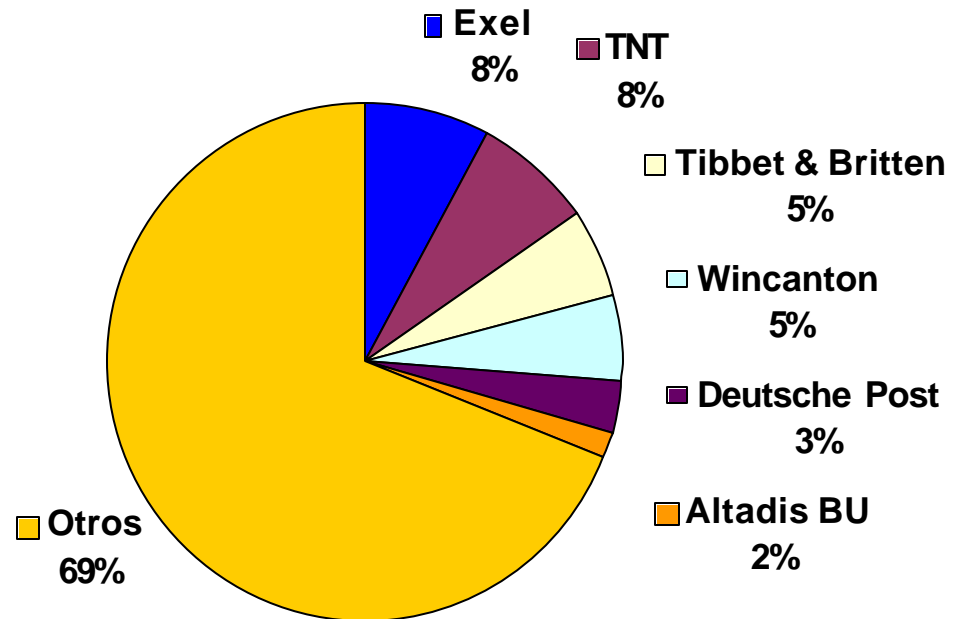
- The most complete value chain for a logistics operator
- Tobacco distribution needs strength in every link

The european outsourcing growth opportunity

OUTSOURCING RATES



RANKING AMONG THE TOP TEN PLAYERS

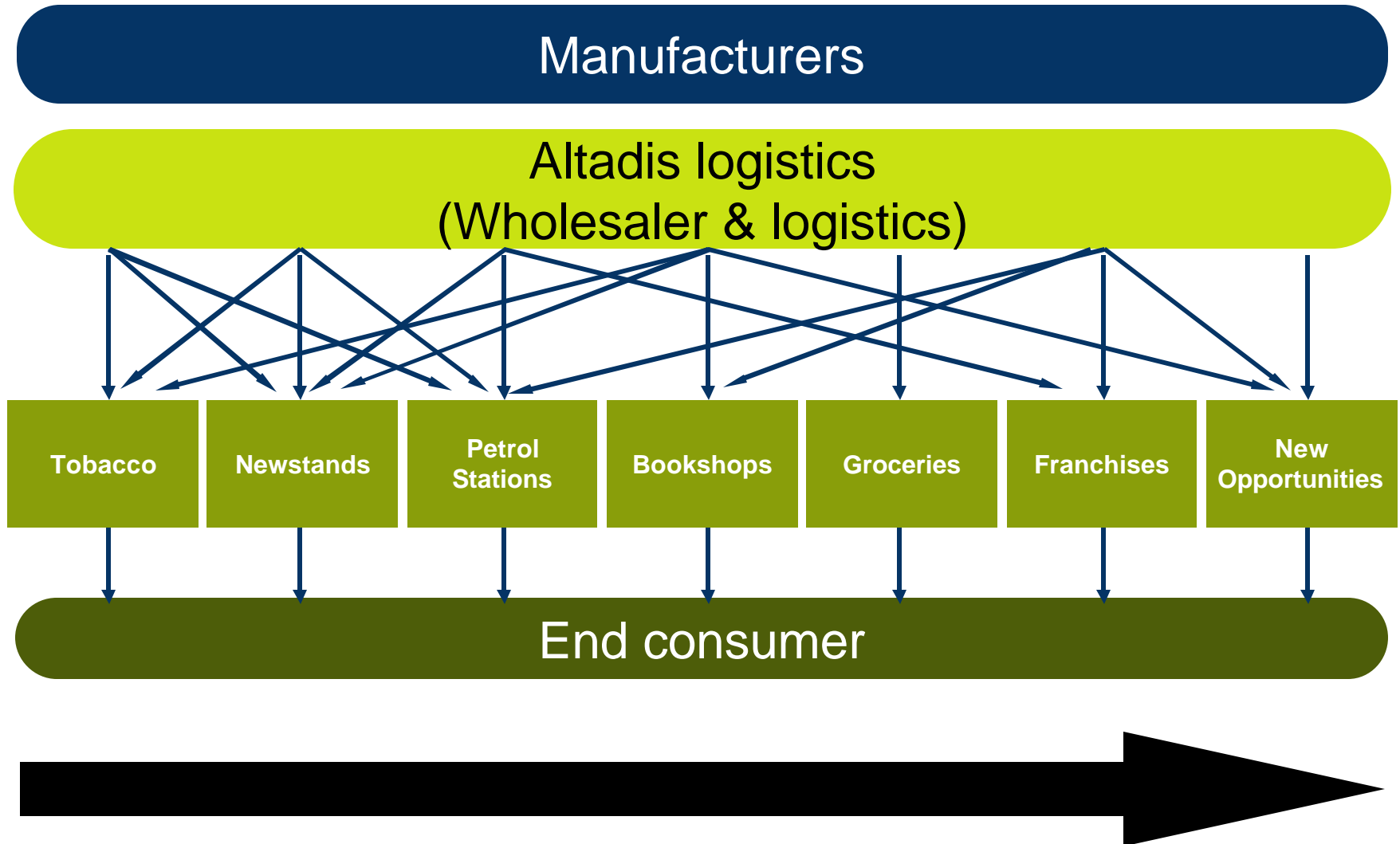


**Outsourced Market:
44.072 mill €**

Altadis logistics evolution

- Altadis logistics enlarged its distribution activities to other networks and sectors
- Sectors targeted have been specialised small retail channels, implying more complexity and profitability
- This diversification provided altadis an important leverage in crossing know-how and products among different sectors
- Currently altadis leads distribution to proximity Shops (150.000 points of sales across france, spain & portugal)

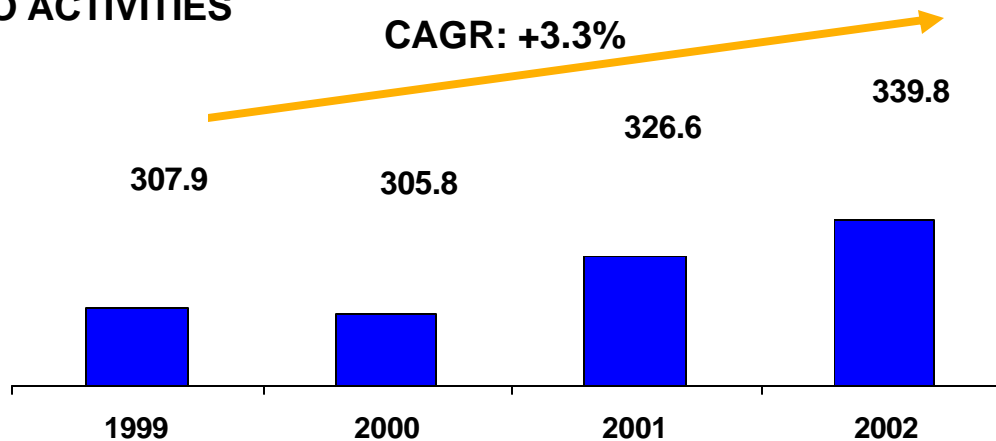
Current scope Altadis distribution



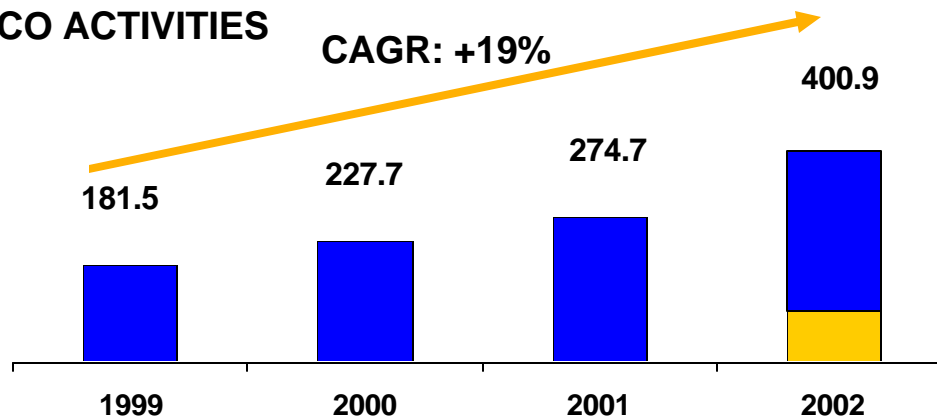
Proven track record in achieving profitable growth

ECONOMIC SALES (in million €)

TOBACCO ACTIVITIES



NON TOBACCO ACTIVITIES



Including Burgal cagr:

30,2%

- Altadis Logistics, has been able to maintain its high ebitda margins (31% at the end of the period) despite this impressive growth

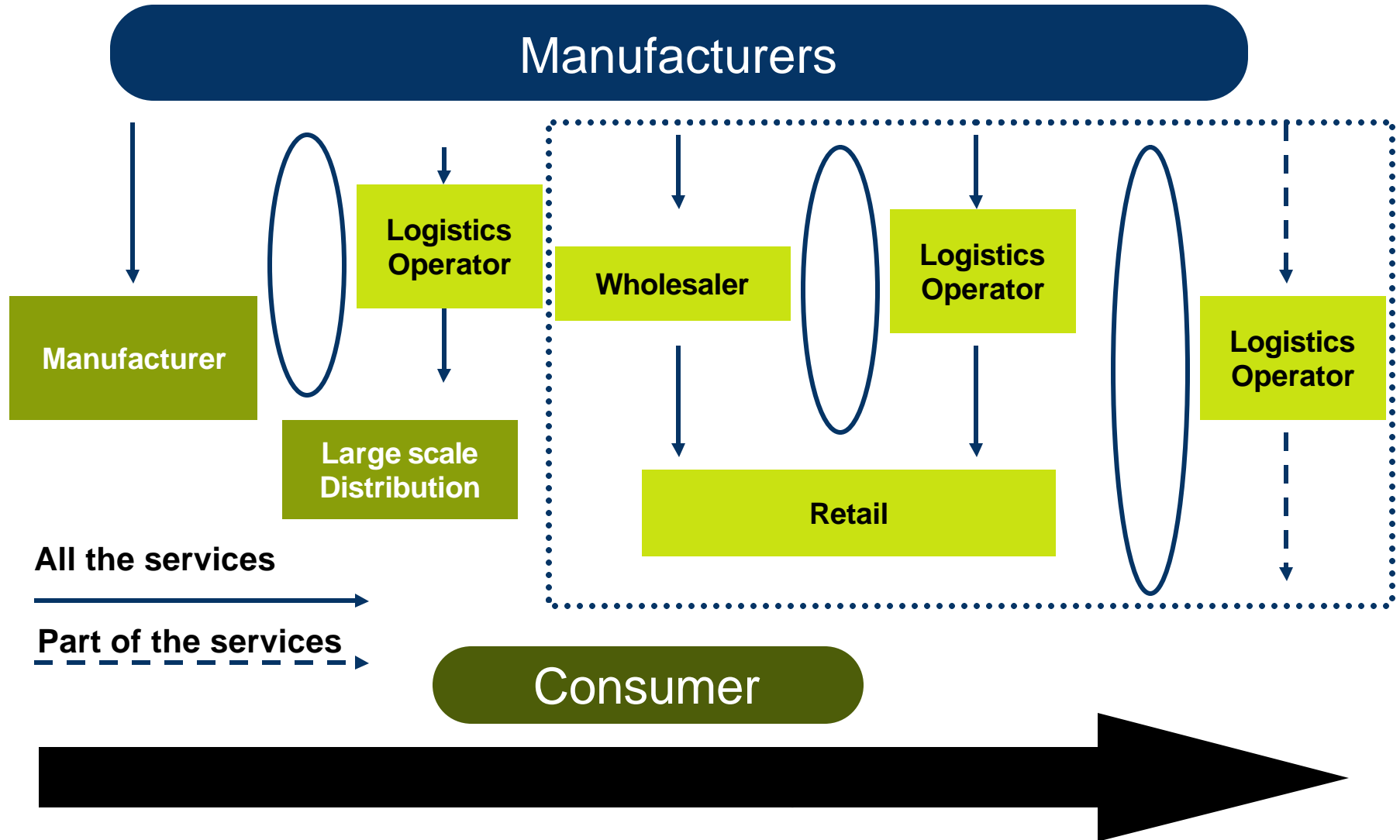
Evolution of the distribution channels

- Reduction of the links in the distribution chains
- Focus on manufacturers' and retailers' core activities
- Globalisation and concentration of business speed up developments in distribution
- Manufacturer or large-scale distribution customise the offer to the consumer - (“clienting”)
- Logistics tends towards specialisation and providing an integrated service

Evolution of profitability in logistics (I)

- The greater the number of destinations, the higher the degree of complexity
- Simple operations are commoditised, leading to a surplus offer
- Competition diminishes as more destinations and more services are included in the value chain
- The greatest margin is obtained from integrated handling of the supply chain in widespread networks

Evolution of profitability in logistics (II)



Significant recent Altadis moves

Adapting to these evolutions through acquisitions: The Burgal Group

- Spain's # 5 company in courier and express parcel sector, operating under two brands:
 - Integra2: # 3 in the industrial parcel activity
 - Nacex: # 6 in the courier activity
- The acquisition included OPELOG, a small logistics operator for the pharmaceutical sector
- Adds critical capabilities for logistics expansion (express and refrigerated services), that allows for:
 - Reducing manufacturers inventory levels
 - Get access to final customer
 - Expand into sectors with refrigerated logistics needs



Overview of logistics B.U. strategy

Strategy of logistics B.U. Is also based on:

- Growth
- Profitability
- Diversification

Growth

■ Defense of our channels / sectors

- Increase our market share at each P.O.S.
- Cross Selling
- Added Value Services
- Optimate Operations
 - **Examples:** Promotional materials, ONE DIS, LOGISTA DIS, international transport, STRATOR, SPACE TABAC, ETC...

■ Expansion through new products / channels / sectors

- Complete value chain (acquisitions)
- One stop-shop offer to manufacturers or wholesalers
- Focus on sectors with a complete value chain and high added value (Pharmacy,
- Electronics, Telecom, etc...)
 - Recent moves. Adquisition BURGAL & NORDIPA, setting up ROUGE PAPIER & PHARMA PROJECT, LOGESTA, etc

PROFITABILITY By Integrating The Value Chain

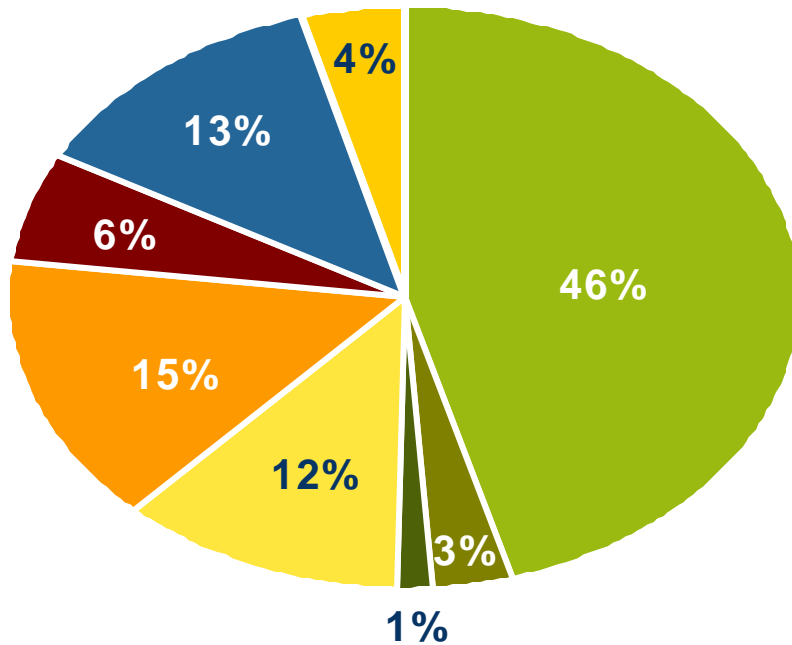


Full integration of the goods, payment and information flow in a single supplier

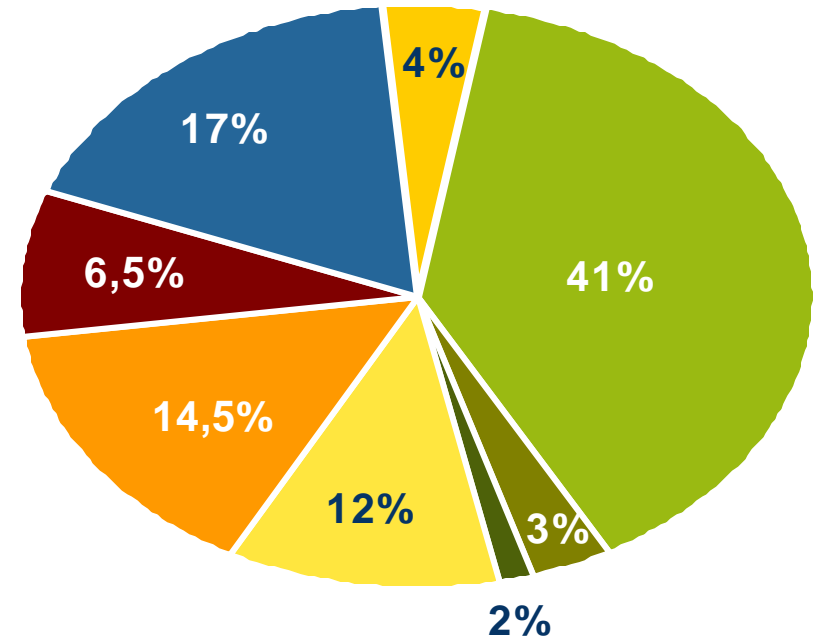
Diversification (I)

Economic sales composition

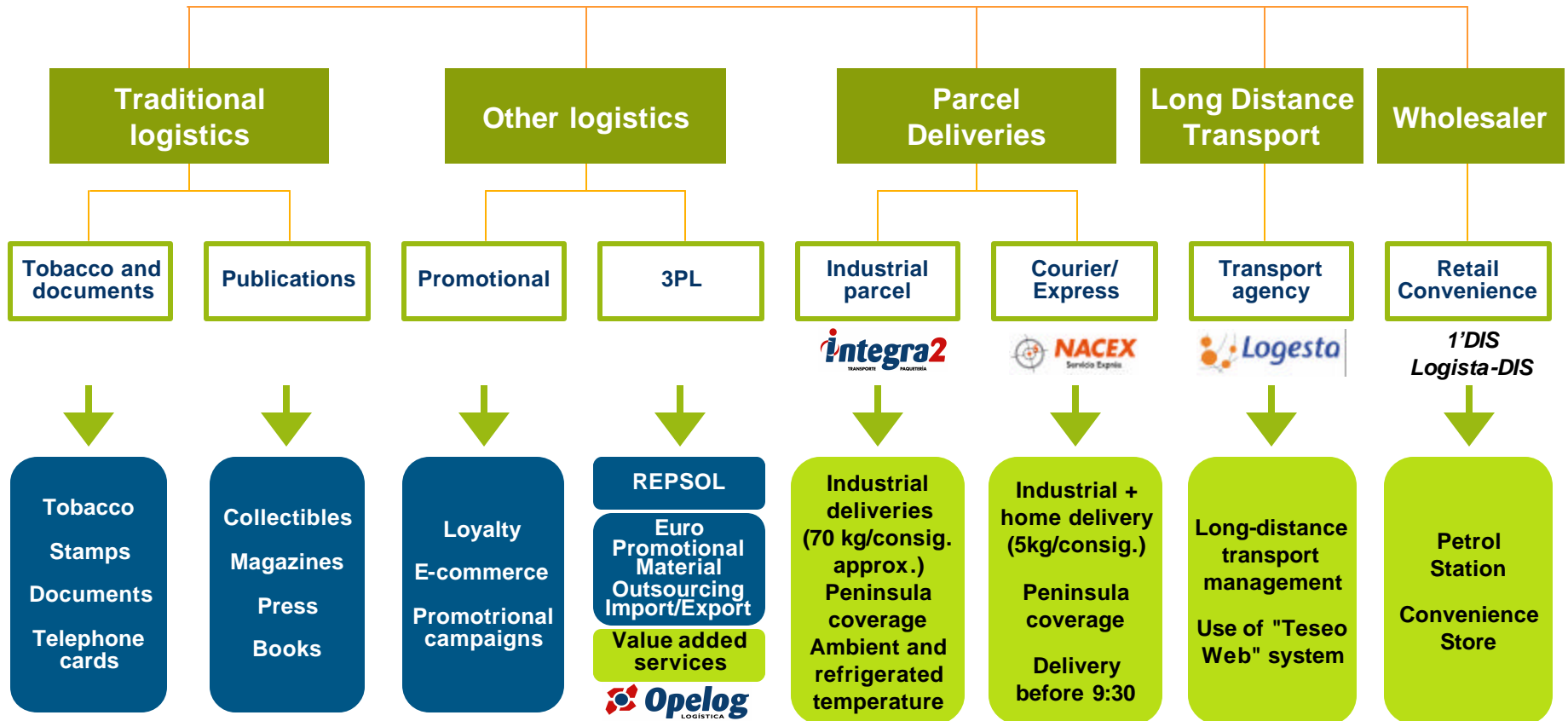
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Altadis Logistics BU



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