



# **Altadis Logistics Business unit To acquire Etinera**



**July 30, 2004**

# Scope of the transaction

- LOGISTA, our Spanish logistics subsidiary, has reached an agreement with British American Tobacco (BAT) to acquire 96% of the capital in its Italian affiliate company ETINERA. This transaction will reinforce Altadis' leading position in the tobacco distribution in the South of Europe and Morocco, enlarging its presence into Italy.
- ETINERA Spa., a 100% affiliate of the Italian tobacco manufacturer ETI (Enti Tabacchi Italiani), offers the logistic services for the tobacco distribution in Italy, running long term distribution contracts with the main tobacco manufacturers in the industry: BAT/ETI, PHILIP MORRIS....
- The transaction is expected to be completed during Q4 2004, being subject to the receipt of satisfactory tax clearance and approvals from the Italian Government and Anti Trust Authorities.

# Etinera transaction - Highlights

## ■ Transaction rationale

- Logistics is a core activity for Altadis
- Activity of Etinera perfectly matches that of Altadis in Spain, France, Morocco, Portugal
- Prospects of modernisation and development in Italy for both tobacco and general logistics
- Synergies, mostly in know-how transfer and scale effect
- Profit enhancement

## ■ Key characteristics

- Finalisation in Q4 2004
- Consideration for 96% of the company of Euro 566.4 million. The company's net cash position at 30 September 2003 was Euro 373 million
- Etinera at 30 September 2003:
  - **Economic sales**      **Euro 194 million**
  - **Ebitda**                      **Euro 60.4 million** (31.1% of economic sales)
  - **Net result**                      **Euro 39.7 million** (20.4% of economic sales)

# Etinera's overview

- ETINERA was created in September 2001 as a “spin off” from ETI's tobacco distribution division in order to gain neutrality in its sector and management's independence.
- Currently ETINERA distributes around 103,000 Tons in tobacco products, 99% cigarettes, equivalent to 5,150 packets of 20 sticks.
- Key operating figures are:
  - 115,000 m2 storage capacity
  - 2 central warehouses
  - 14 territorial warehouses
  - 540 local warehouses, operated under a management contract
  - Staff 228 employees
  - Subcontracted 150 trucks fleet
  - Subcontracted rail transport

# Etinera - Company profile

<b>Economic sales</b>	<b>Euro 194 million</b>		
<b>Ebitda</b>	<b>Euro 60.4 million</b>	<b>Ebit</b>	<b>Euro 44.1 million</b>
<b>Net result</b>	<b>Euro 39.7 million</b>		

- **Currently offering tobacco logistic services in Italy**
- **Distribution contracts with the main tobacco manufacturers in the market : BAT, PHILIP MORRIS, ALTADIS, ...**
- **Ongoing contracts to January 2005, renewal agreed with BAT**
- **58,000 tobacconists reached**
- **Modernisation initiated in 2001, particularly in IT, is in course**

# Etinera - Altadis distribution facilities post-transaction

W = Warehouse

## Morocco

- **41,223** m2 storage
  - 4 regional W
  - 27 local platforms
- **Subcontracted fleet**
  - 9 trucks
  - 20 delivery vans
- **Company fleet:**
  - 7 trucks
  - 24 delivery vans
- Access to **23,000** POS

## Portugal

- **10,000** m2 storage
  - 3 regional W
  - 36 local platforms
  - 5 Integra 2 delegations, 3 Nacex franchises
- **Subcontracted fleet**
  - 200 delivery vans
- Access to **20,000** POS

## Spain

- **511,000** m2 storage
  - 11 regional W
  - 79 local platforms
  - 50 Integra 2 delegations, 246 Nacex franchises
- **Subcontracted fleet**
  - 1 cargo airplane
  - 510 trucks
  - 2,500 delivery vans
- Access to **45,000** POS

## France

- **200,000** m2 storage
  - 21 W
  - 36 supply centers
  - 8 regional distribution centers
- **Subcontracted fleet**
  - 162 delivery vans + express deliveries
- Access to **75,000** POS

## Italy

- **115,000** m2 storage
  - 2 central W
  - 14 regional W
  - 540 local platforms
- **Subcontracted fleet**
  - 150 trucks
  - rail transport
- Access to **58,000** POS

# Taking full advantage of Altadis' know how

- Altadis' logistic business unit will support the ETINERA's management team plans directed towards achieving efficiency gains.
- Altadis will use its current know how for implementing new automatic processes in the following steps of the supply chain:
  - Security
  - Warehousing
  - Radiofrequency
  - Automatic picking lines
  - Fleet track and trace systems
  - CRM & Telematics
- We estimate productivity investments at 35 mill € until 2007. Capex will be at 4 mill € annually.

# Etinera transaction - Impact on Altadis

## ■ Financing

- Payment will be made using available cash within the group and existing financing facilities
- Credit ratings are expected to stay unchanged

## ■ Tax

- Tax rules for goodwill will be applicable

## ■ Result

- Profit enhancement post goodwill is expected from year 1
- IRR > 17%
- Payback < 5 years



# Enclosures

# Etinera's key figures

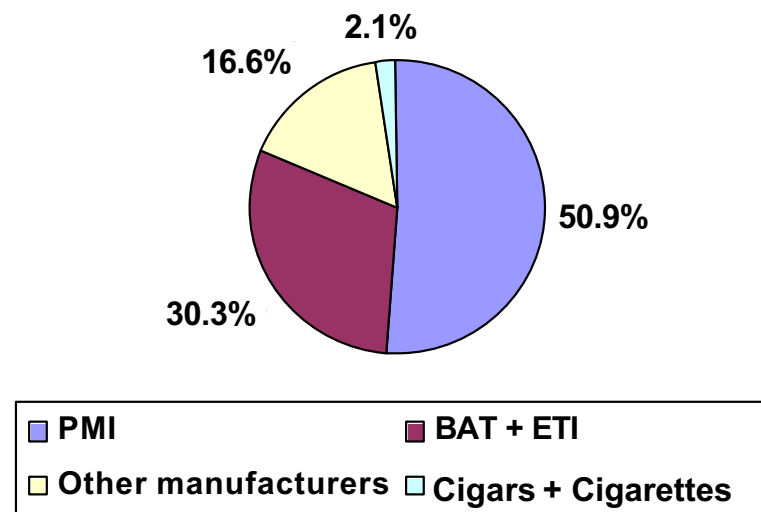
- The company's main economic figures for the last full year closing at September 2003 are shown below:

(mill €)	
Economic Sales	194.0
Ebitda	60.4
Ebit	44.1
Financial Income	16.4
Ebt	64.8
Net Result	39.7
Ebitda margin	31.1%
Net Result margin	20.4%

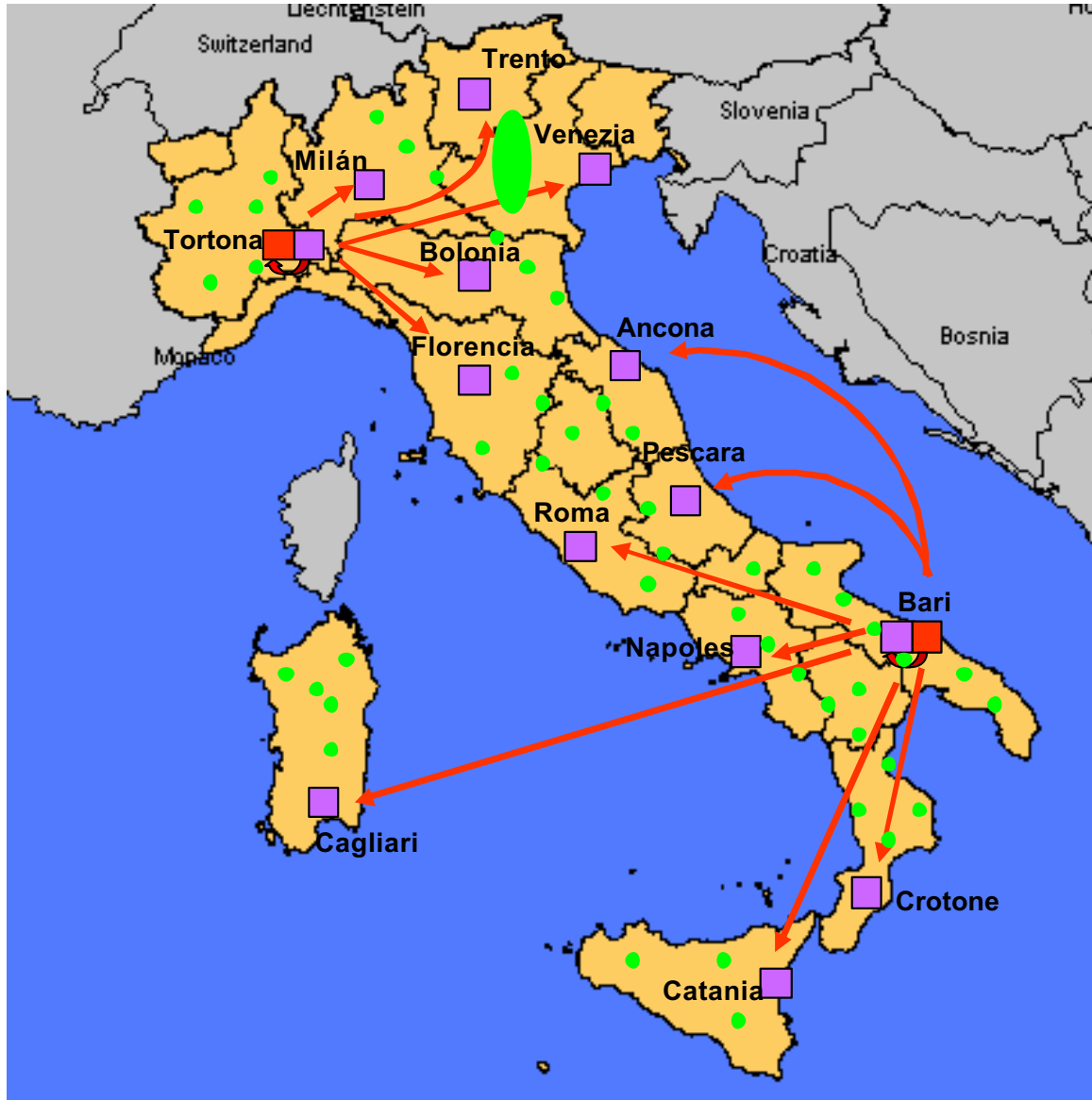
# Distribution Contracts

- ETINERA has signed distribution contracts with the main tobacco multinationals in the industry, among others, BAT/ETI, PHILIP MORRIS, ALTADIS.
- Current contracts have been signed for three years until January 2005.
- The distribution fee has been established related to the distributed volume by each reference on an annual basis. The following chart shows the manufacturers market share in Italy:

## DISTRIBUTION BY MANUFACTURER



# Distribution Network



TORTONA (CFW)	
TFW	
	Tortona
	Milán
	Venezia
	Bologna
	Florenzia
	Trento

BARI (CFW)	
TFW	
	Bari
	Ancona
	Roma
	Cagliari
	Catania
	Pescara
	Napoli
	Crozone

■ CFW : 2

■ TFW : 14

● LFW : 540

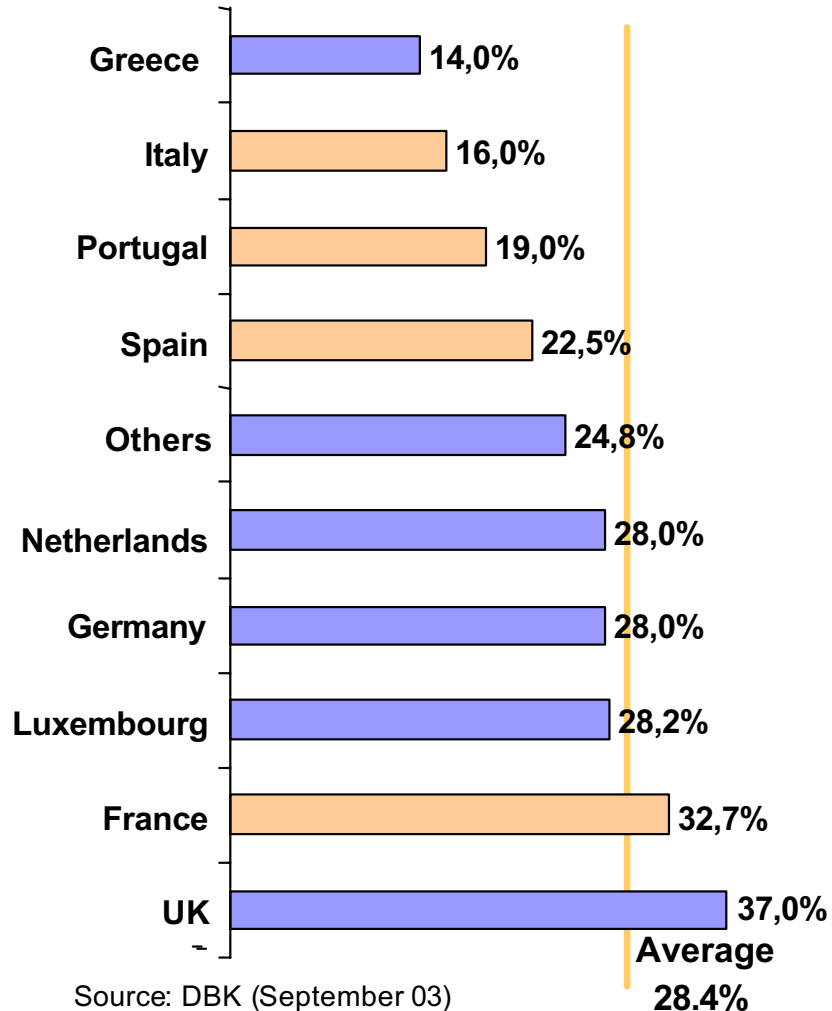
Supply to 58,000 points of sale

# Implementing state of the art technology

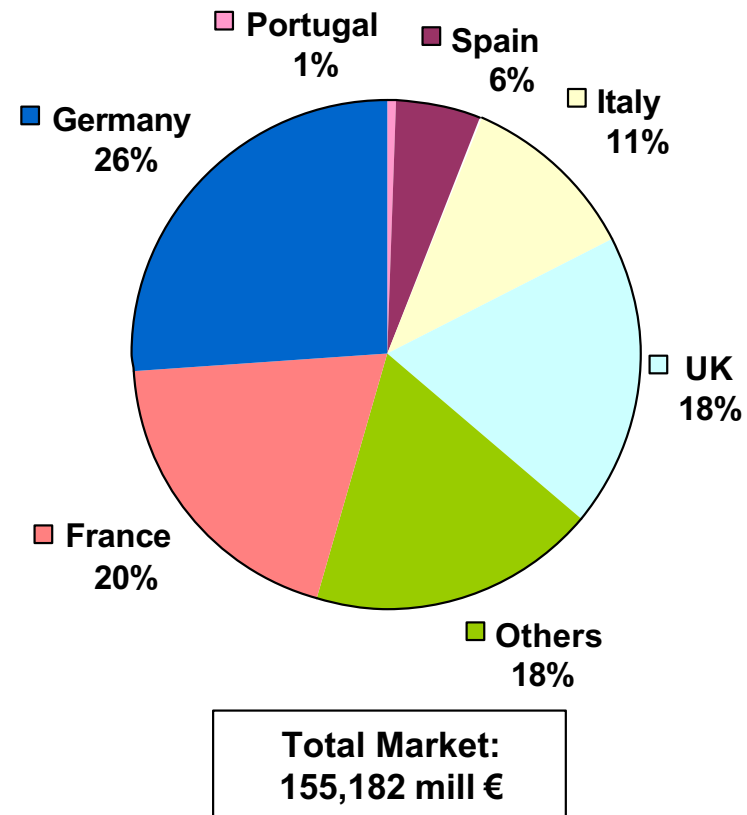
- During the last two years, ETINERA's management team has successfully developed an ambitious plan searching for efficiencies in the operations management and control:
  - Real time connection along the network
  - SAP/R3
  - Management capacity to handle daily up to 10,000 invoices and 9,000 orders.
  - Real time track and trace along the supply chain
  - On line stocks management information
  - On line sales information
- This strong commitment in updating IT systems over the last two years has entailed IT costs of around 20 mill € on an annual basis, mainly allocated to development, maintenance on systems and software purchases.

# Italy: potential for outsourcing growth

## OUTSOURCING RATE



## EUROPEAN LOGISTICS MARKET



- The Italian logistics market ranks fourth in Europe by size