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Strategy



Macroeconomic context

Various business activities within the geographical range of Logista's operations may be affected by political, social and/or macroeconomic conditions, both at the global level and, in particular in Spain, France, Italy and Portugal and, to a much lesser extent, in Poland.

During the financial year, the macroeconomic context can be divided into two distinct periods: the period to February 2020 and the period from March to September 2020. During the first period, the situation in Spain and in Portugal was positive, with GDP growth, while the situation France and Italy was one of economic stagnation and a slight economic downturn.

However, from March onwards, the major health emergency due to COVID-19 and the measures adopted to combat it have led to a significant downturn in the global economy, particularly in Spain and Italy, and it is difficult to evaluate or predict what its impact will be in the medium term. This will depend on the pace of economic recovery.

Some of our businesses, such as transport lines, are more subject to changes in GDP than others, but Logista's business model has demonstrated significant resilience in previous economic crises. This has been reflected in similar levels of economic/financial performance and shareholder remuneration, limited impact on employment and technological advances focused on developing new value-added services for clients. Based on this past experience, we are confident that the impact of this macroeconomic context will not be too significant in the coming years.

Context



Regulatory context

Due to the regulatory context in the tobacco and pharmaceutical sectors, there are increasingly exhaustive checks on the distribution of those products, and companies therefore need to be able to comply with those requirements if they wish to continue operating in the future.

Logista not only complies with regulatory requirements, but it is capable of anticipating them and offering its clients new services that go beyond strict compliance with the rules. This helps to strengthen our relationships with them.



Cybersecurity

Logista is investing heavily in its cybersecurity because, through our digital transformation, we are accumulating significant volumes of electronic data from clients, employees and suppliers who need protection from increased cybernetic threats. Logista completed an exhaustive review of external security, is implementing the latest security technologies and is focused on staying alert to phishing and ransomware attacks.



Environmental standards

There is growing client demand for services that meet certain environmental standards, a demand which has risen amid the COVID-19 crisis due to greater societal awareness about these issues.

Logista's actions are guided by a Quality and Environment Master Plan, and a Quality, Environment and Energy Efficiency Policy that establish guidelines and good practices for optimising the use of resources and preventing pollution throughout its business processes. Pursuant to the ISO 14064 standard, Logista verifies its main structures and processes of every business in Spain, France, Italy, Portugal and Poland, using the methodology set out in the GHG Protocol.

In addition, Logista is incorporating environmental concerns into the development of its strategy and has committed to reducing direct and indirect emissions generated by its activity by 30% by 2030 compared with 2013 levels, with scientific backing for this target as an approved Science-Based Target.

Logista's efforts in this area have won recognition from several international bodies. CDP, for example, has included Logista in its prestigious "A List" as a global leader in the fight against climate change – the only European distribution company to have achieved this recognition in the last four years.

In addition, Logista is part of the FTSE4Good index, a list of companies that have demonstrated their soundness in environmental, social and corporate governance practices, and has signed up to the 'manifesto for a sustainable recovery' in Spain.

This year, KPIs linked to environmental management have been included in the targets for employees' long-term incentive plans, to reflect our commitment to continue progress in the integration of environmental sustainability in the day-to-day management of the business.



Consumption in proximity channels

The COVID-19 pandemic has changed consumer habits in the countries in which we operate, favouring purchases at smaller points of sale that are also closer to home. Logista's strategy is based on offering manufacturers simple, rapid access so that their products can be available in those establishments. The company's positioning will enable it to benefit from this opportunity in the coming years.



Next-Generation Products

New tobacco and related products are emerging, with many more choices available to consumers than just a few years ago. Logista offers manufacturers the fastest and most effective route to consumers in Spain, France, Italy and Portugal, thanks to its extensive presence in its national markets.



E-commerce consumption

The strong growth experienced by online sales during the lockdown months demonstrated the vital role of logistics in this area. Some manufacturers or vendors have seen deliveries of their products come to a standstill, and this has created dissatisfaction in consumers and damaged their image. This situation is leading manufacturers to seek logistics partners that can provide high levels of service, and they are considering their final choice of supplier not solely on the basis of low prices, but on a balance between price and service level.



Digitalisation

Digitalisation is driving change in how we do business, with several disruptive technologies introducing new digital products and services. Fully digitalised data and processes are increasing automation and making the smart supply chain and warehouse a reality, mainly supported by artificial intelligence. Decisions are based on the data available and enable future results to be simulated.

Logista has developed several notable projects in this area:

– **Digitalisation of the supply chain for the distribution of pharmaceutical products and tobacco products.**

By going far beyond strict compliance with traceability regulations in both sectors, Logista is applying the very latest scanning and image recognition technologies to capture all product movements digitally in warehouses and on cross-docking platforms and delivery vehicles. This enables monitoring of the entire supply chain.

– **Incorporation of artificial intelligence into the digital marketing and sales platform in the convenience products distribution businesses,**

in order to be able to clearly segment clients and products, to develop specific marketing initiatives tailored to the needs of each segment. Artificial intelligence technologies based on recognising search history and previous sales patterns are also helping marketing experts to identify market potential and simulate promotions and customer loyalty initiatives.

– **Introduction of a variety of innovative technologies such as Big Data analysis and artificial intelligence,**

enabling Logista's retail clients to digitalise their businesses and enhance their profitability.

– **Carrying out concept testing of state-of-the-art technologies,**

such as the use of drones in warehouses for inventory management, the use of augmented reality and transport sensors, etc.

Strategic priorities

1. To strengthen our consolidated businesses.
2. To bring sustainable future growth, expanding our business base.
3. To offer excellence in our services and increase profitability through continued improvements in operational efficiency.
4. To protect our financial soundness, in order to maintain our shareholder remuneration policy.

The maturity profile of some of the sectors served by Logista, usually accompanied by diminishing activity levels, means that it is essential to develop services that are complementary to national distribution. These services help our clients to identify and develop new growth areas and help Logista to maintain a stable level of revenue in the most consolidated businesses.

Looking to the future, close collaboration with our clients in these sectors and conduct based on continually seeking mutual benefit will be the mainstays that enable us to continue our success, just as they have in recent years.

Long-term growth is based on developing new verticals such as distribution for the pharmaceutical industry, the distribution of convenience products to the channels we serve, and on driving certain high growth areas such as e-commerce transport.

Geographic expansion into new countries where we export our business model is another core component of our future plans that will lessen and offset the macroeconomic risks that may affect each of the countries in which we operate, in addition to bringing future growth.

Operating in a way that is environmentally efficient and sustainable, and preserving and developing internal know-how, is a fundamental part of maintaining sound financial profitability and creating long-term value for all our stakeholders.

This means that it is not only important that we broaden our revenue base, but that we do so at the right cost levels that enable all those involved to be remunerated fairly, and to offer prices that reflect the level of service offered. By conducting ourselves in this way, we create a virtuous circle of value creation for all of society.

Greater importance of proximity shops and e-commerce.

Relevance of environmental policies.

Uncertainties associated with the economic recovery and the potential need to once again adopt drastic measures in the event of new waves of the pandemic.

Business outlook

MARKET TRENDS



LOGISTA RESPONSE

Increased significance of local stores in developed countries: buying local, flexible hours	Distribution networks that repeatedly access around 250,000 points of sale in the main proximity channels
Manufacturers require transparency in their route to consumers	Development of Business Intelligence capacities, dedicating between 35% and 50% of the Group's total investment in technology each year
Manufacturers' need for global management of pricing policies by channel; very difficult to guarantee in local stores	Retail offering based on pricing per service, rather than on the products' positioning, which avoids distortion and leaves it up to manufacturers to set the prices for their products
Requirement from society as a whole for a better overall use of resources in carrying out operations	As a one-stop shop for points of sale and for manufacturers, we offer the streamlining of service and the flexibility needed to translate that into resource savings for participants and for society as a whole
Development of beneficial relationships for all stakeholders	Business model that seeks to establish long-term relationships that create value through fair, non-discriminatory prices based on service level for suppliers and for clients; performance-based pay and professional development for employees; ongoing dialogue and collaboration with authorities and with shareholders
Greater attention paid to the effective management of the finished product distribution chain from origin to point of sale.	We anticipate regulatory requirements, and through our retail offering we can take direct responsibility for the entire distribution from our clients' factory door to the point of sale, with oversight at all times of the means used to carry out the distribution, while offering exhaustive knowledge of the specifications and specific needs of the products we distribute. Ongoing investment in the development of technological tools to ensure the integrated management and online oversight of operations. This enables us to differentiate our service and improve our competitive position
Reduced specialisation of local stores and a need to broaden the catalogue of products and services	Our business relationship with manufacturers active in different sectors results in a cross-sector service offer that supports the commercial development of points of sales and enriches their own retail offering in a simple and efficient way
Increased last-mile transport needs for e-commerce	Retail offering tailored to sectors that demand a high level of service in the delivery of their products 'Smart Lockers' and delivery and collection points to meet demand, while also controlling emissions from deliveries
Flexibility throughout the route to market, proximity of inventories to points of sale	Our business model for operations, which offers proximity to points of sale and brings flexibility and agility in adapting to products' location-specific needs
Reduced volumes in some product categories	We help manufacturers to adapt their offering and improve their products' route to market, facilitating the launch and distribution of new categories