



ALTADIS 2004 IFRS RESULTS



Monday, April 11th, 2005

Content

■ Introduction	3
■ Section I – P&L	12
■ Section II – Balance sheet	21
■ Section III – Shareholders' equity	26
■ Section IV – IAS 32 & 39	29
■ Appendices	33
Review of standards one by one	38
Quarterly figures	42

Altadis share and bonds particulars

Share : Isin code - ES0177040013 Reuters - ALT.MC (Madrid) ALDS.PA (Paris) Bloomberg - ALT.SM (Madrid) ALD.SM (Paris)

Bonds : 5 years - ES017683730 (Reuters) ED147823 / Isin XS0176837309 (Bloomberg)
2 10 years - ES017683837 (Reuters) ED147819 / Isin XS0176838372 (Bloomberg)

INTRODUCTION



Context

- This information has been prepared on the basis of accounting principles and interpretations as of to date. Some projects, resolutions and interpretations are still under review and discussion by IASB, IFRIC and/or market authorities (CNMV - *Comisión Nacional del Mercado de Valores*), therefore the information provided in this presentation is proforma. If any of them were approved to be effectively applied as of December 31st, 2005, this financial information could be modified.
- The time frame for adopting IFRS is as follows:
 - Opening IFRS balance sheet: January 1st, 2004 (Transition Date)
 - First complete IFRS reporting: December 31st, 2005, including 2004 Proforma information for comparison purposes, except for IAS 32 and 39.
 - Interim information will be presented based on existing IFRS with the 2004 Proforma figures also restated for comparison purposes, except for IAS 32 and 39.
 - Statutory accounts of Altadis SA will continue to be reported under Current GAAPs.
- This presentation provides a proforma review of transition to IFRS for key financial statements.

Transition to IFRS in snapshot

(Euro mn)	Current GAAPs	Change	IFRS	Major impacts
REVENUE FY 2004	9,707	(161) / - 1.7%	9,546	No major impact
ECONOMIC SALES FY 2004	3,518	39 / + 1.1%	3,557	No major impact
EBITDA FY 2004	1,113	(9) / - 0.8%	1,104	No major impact
NET INCOME FY 2004	413	126 / + 30.5%	539	No goodwill or brand amortisation: Euro +122 mn
EQUITY 31/12/04	1,044	382 / + 36.6%	1,426	Increase of Net income: Euro +126 mn Minorities inclusion: Euro +286 mn
NET DEBT 31/12/04	1,939	6 / + 0.3%	1,945	No major impact

Major changes, key messages : the one major change is the cancellation of most goodwill and brand amortisation

- IFRS reporting will improve comparability with peers.

Profit and loss account

- 2004 net income improves by Euro 126 mn resulting, basically, from elimination of most goodwill and brands amortisation under IFRS.

Cash flow and use of cash

- The application of IFRS does not and will not bring any change to the actual cash generation of the Company.
- The application of IFRS will not lead to a change of the Group's policy with respect to dividends (yearly double digit increase) and share buy-backs (5% a year, subject to existing sufficient distributable reserves).

Major changes, key messages (continued)

Balance sheet

▪ **No significant impact on Shareholders' Equity as of January 1st, 2004 (see section III). (IFRS record minority interest within shareholders' equity).**

▪ **No significant impact on Net debt position or Short-term Investment and Cash position.**

In addition

Altadis is not significantly exposed to other possible material changes that IFRS triggers in certain cases.

Among these :

1. Pensions and fringe benefits.
2. Leasing.
3. Impairment test : Altadis has already reviewed the valuation of all of its assets.
4. Puts and calls on minorities : being a two-ways possibility in both cases, there is no clear commitment that can be booked upfront. Therefore there is no balance sheet impact of puts and calls on RTM and JR Cigar.

Key ratios

	Current		Comments
	GAAPs	IFRS	
▪ Ebitda margin *	31.6 %	31.0 %	Limited change due to slightly inflated sales and slightly deflated Ebitda.
▪ ROCE **	16.2 %	17.8 %	Improvement as a result of the elimination of most goodwill and brand amortisation despite inflated equity.
▪ Pay-out ratio ***	61.6 %	47.3 %	Rebasing of payout as a result of improved net result.
▪ P&L Corporate tax rate ****	30.1 %	33.4 %	P&L corporate tax under IFRS does not reflect some tax benefit transferred in the balance sheet.

* Ebitda / Economic sales

** $(\text{Net result} + \text{Financial result} - \text{Tax on financial result}) / (\text{Shareholders' equity} + \text{Net debt position})$

*** Dividend per share / Earnings per share

**** Corporate tax / Operating result + Financial result + Extraordinary result (Current GAAPs).

How Altadis managed its IFRS project

1.- WHAT HAS BEEN DONE

- Project team was set up at a very early stage : September 2002
- Statutory auditors involved from the beginning of the diagnosis phase which ended in June 2003. They have also performed a limited review on the 2004 fiscal year IFRS Proforma figures prepared on IFRS as of today. Nevertheless this review is not a full audit in accordance with generally accepted auditing standards.
- IT tools have obviously been updated for IFRS
- IFRS led to a close review of all distribution and commercial contracts, previous acquisitions ...
- Extensive training has been implemented across the Group
- Transition has been facilitated by :
 - Accounting options taken since the Group was created in 1999 (segmental information, securitisation, approach by component...)
 - Anticipations allowed by Current GAAPs (reclassification of credit to tobaccoists, impairment tests,...)
- Internal reporting for 2005 is already applying IFRS.

2.- WHAT REMAINS TO BE DONE

- Organise information system for Notes to the financial statements
- Implement latest changes or interpretations of IFRS if any.

Options chosen by Altadis

IFRS norms leave a certain number of options to companies.

Here are Altadis major decisions.

1.- REPORTING

- Altadis will provide the information necessary for reconciliation between current GAAPs and IFRS financial statements. Therefore the Group will continue to report Economic Sales and Ebitda, and will also distinguish Result from ordinary activity and Operating result (the latter including Other income and expenses).
- Segmental reporting:
 - Primary segmental information by Business Units, Cigarette, Cigar, Logistics.
 - Secondary segmental information for sales according to geography.
- The Balance Sheet will be presented distinguishing current and non-current items.

Options chosen by Altadis (continued)

2.- FIRST TIME ADOPTION

- **Business Combinations - IFRS 3** will not be applied retrospectively to business combinations occurred before the Transition Date (January 1st, 2004).
- **Shared based payments – IFRS 2** will not be applied to stock-options plans granted before November 7, 2002.
- **Cumulative translation differences – IFRS 1**, Euro 279.8 mn under current GAAPs are deemed to be zero in the opening balance sheet under IFRS (December 31st, 2003).
- **Financial instruments - IAS 32 and 39** will be applied from January 1st, 2005.
- **Property, plant and equipment revaluations – IAS 16** : Altadis decided to use previous legal revaluations as deemed cost for fixed assets. Previous carrying amounts remain unchanged except for one minor voluntary revaluation as permitted by IFRS 1 (paragraph 16).



SECTION I



P&L



2004 IFRS Profit and loss account

(Euro mn)	Current GAAP	Change	IFRS	SEE
Revenue	NA	NA	9,545.9	1
(Cost of distributed products) + (Consignment fees) + Discount	NA	NA	(5,988.4)	
Economic Sales	3,518.3	39.1	3,557.4	2
EBITDA	1,113.2	(9.5)	1,103.7	3
(Amortization) + (Depreciation)	(174.7)	6.7	(168.0)	4
Ordinary activities result	NA	NA	935.6	5
Other income and expenses	NA	NA	0.2	6
Operating result	938.4	(2.7)	935.8	7
Financial Results	(100.6)	8.3	(92.3)	8
Extraordinary result	10.5	(10.5)	0.0	9
Associates	33.7	0.6	34.4	
Goodwill Amortization	(156.9)	156.9	0.0	10
Corporate Tax	(255.6)	(26.0)	(281.6)	11
Minority Interests	(56.2)	(0.6)	(56.8)	
Net Income Group Share	413.3	126.1	539.4	12
Basic EPS (eurocent)	146.0	44.0	190.0	
Diluted EPS (eurocent)	146.0	44.0	190.0	

Comments on the P&L

Bold type is used for important comments.

- 1 Revenue. This aggregate (and previously Net sales) is seldom referred to by the Group since Altadis operations are a mix of manufacturing and marketing on one side (Cigarette and Cigar divisions) and distribution on the other side (Logistic division) with a huge content of CODs (Cost of distributed products) for the latter albeit of lesser operational meaning.
- 2 **Economic sales.** Altadis will continue to report this important aggregate, defined as *Revenue + (Cost of distributed goods) + (Consignment fees) + Discount* with **very limited change between current GAAPs and IFRS**. The change of Euro 39.1 mn is due to export sales to BAT (Germany, Netherlands, Switzerland, ...) have been identified as consignment sales, therefore distribution and commercial fees are reintegrated as revenues.
- 3 **Ebitda.** Altadis will continue to report this important aggregate, defined as *Result from ordinary activity before Depreciation and Amortisation*. The limited change of Euro (9.5) mn is due to discounts for early payment (mainly in the US) now directly impacting negatively revenue (versus the financial result under current GAAPs).
- 4 The Euro 6.7 mn change is due to cancellation of brands amortisation, 30.6 mn, and to reclassification of monopoly in Morocco, (17.8) mn, and technology contracts (previously recorded as goodwill amortisation), (6.3) mn.
- 5 **Result from ordinary activity.** It is very much equivalent to Operating result under current GAAPs. This new aggregate will be reported as a result of a Company option. It obviously implies reporting of Other income and expenses, which will be in fact, practically the equivalent of the Extraordinary result under current GAAPs.
- 6 Other income and expenses. The Euro (0.2) mn change results mainly from former Extraordinary result, 10.5 mn, from goodwill amortisation of Altadis Polska, (8.1)mn, and of Supergroup, (11.7) mn, now recorded as a impairment charge, from credit to tobacconist, 11.3 mn, and from change in the scope of consolidation, (5.2) mn.

Comments on the P&L (continued)

Bold type is used for important comments.

- 7** Operating result. Practically no change except for Extraordinaries which are charged to the Operating result under IFRS.
- 8** Financial result. A limited change due to discounts for anticipated payment Euro (9.5) mn. Under IFRS they lower the Revenue (as opposed to the Financial result).
On the other hand 1.2 mn is due to unrealised exchange gains.
- 9** Extraordinary result. Most current GAAPs Extraordinaries will be recorded as Other income and expenses under IFRS. See earlier note for this caption.
- 10** **Goodwill amortisation.** As mentioned, there is no goodwill amortisation under IFRS. Instead, a yearly impairment test will be made which might result in an impairment charge as part of the Other income and expenses. Out of the Euro (156.9) mn, (102.0) mn, have been eliminated, (24.1) mn have been charged to amortisation (monopoly in Morocco, being limited in time, is amortisable), (19.8) mn have been charged to Other income and expenses (impairment of Altadis Polska and Supergroup), and (11.0) mn from exchange rate.
- 11** Corporate tax. Under IFRS the tax benefit from Goodwill amortisation Euro (26.9) million is not booked in the P&L but in the Balance sheet, as mentioned. However there is not change to the cash outlay for Corporate tax. The resulting effective P&L tax rate under IFRS amounts to 33.4 % calculated on the base of Operating result + Financial result.
- 12** **Net income.** As mentioned, the strongly positive change of the net income is mainly due to the absence of most goodwill amortisation under IFRS.

2004 IFRS - Cigarette Profit and loss account

(Euro mn)	Current GAAP	Change	IFRS	SEE
Revenue	NA	NA	1,945.5	
(Cost of distributed products) + (Consignment fees) + Discounts	NA	NA	(68.8)	1
Economic Sales	1,837.6	39.1	1,876.7	2
EBITDA	643.8	25.5	669.3	3
(Amortization) + (Depreciation)	(90.7)	(5.1)	(95.8)	4
Ordinary activities result	553.1	20.3	573.4	
Other income and expenses	NA	NA	(21.5)	5
Segmental operating result	NA	NA	551.9	
Associates	NA	NA	(3.4)	

1 All (68.8) are cost of distributed products.

2 The 39.1 mn change is due to logistic and marketing fees of some export contracts (Germany, Austria and Netherlands) and assimilated, recorded as revenue under IFRS.

3 Ebitda. The change is due to the end of G&A allocation.

4 Cancellation of brands amortisation mainly for RTM, 12.4 mn. On the other hand is recorded under this caption RTM monopoly amortisation (17.8) mn, previously booked as goodwill amortisation.

5 Other income and expenses impacted by impairment of Altadis Polska, (8.1) mn, enlarged scope of consolidation, (3.5), and some restructuring costs (mobility, accelerated depreciation,...), (9.9)mn.

2004 IFRS - Cigar Profit and loss account

(Euro mn)	Current GAAP	Change	IFRS	SEE
Revenue	NA	NA	1,000.4	
(Cost of distributed products) + (Consignment fees) + Discount	NA	NA	(183.3)	1
Economic Sales	817.2	0.0	817.2	2
EBITDA in	213.7	(4.9)	208.8	
(Amortization) + (Depreciation)	(36.5)	11.2	(25.3)	3
Ordinary activities result	177.2	6.3	183.5	
Other income and expenses	NA	NA	12.2	4
Segmental operating result	NA	NA	195.7	
Associates	NA	NA	4.2	

1 For the record, (181.3) mn from cost of distributed products, 10.1 mn from discount for early payment, (12) mn for cigar consignment fees between Altadis S.A. and Logista.

2 Ebitda. The (4.9) mn change is due to discounts for early payment, (10.1) mn (Altadis USA and JR Cigar), and to the end of G&A allocation, 5.2 mn.

3 Cancellation of brands amortisation mainly for Altadis USA and Habanos, 18 mn, and reclassification from goodwill amortisation to amortisation for technology contracts, (6.8)mn.

4 Impact of a provision reversal (premium brands in the US), 12.2mn.

2004 IFRS - Logistic Profit and loss account

(Euro mn)	Current GAAP	Change	IFRS	SEE
Revenue	NA	NA	7,901.6	
(Cost of distributed products) + (Consignment fees) + Discount	NA	NA	(7,040.2)	1
Economic Sales	861.4	0.0	861.4	
EBITDA	251.9	5.4	257.3	2
(Amortization) + (Depreciation)	(27.8)	0.5	(27.2)	
Ordinary activities result	224.1	6.0	230.1	
Other income and expenses	NA	NA	(16.8)	3
Segmental operating result	NA	NA	213.4	
Associates	NA	NA	15.0	

1 For the record, mostly cost of distributed products, save for tobacconist distribution fees in France (sales to tobacconists in France are consignment sales), (1,176)mn.

2 Ebitda change is due to discounts for early payment, 0.9 mn, and to the end of G&A allocation, 4.5 mn.

3 Other income and expenses includes capital gains, 4.9 mn, on fixed assets disposal, (10.0) mn some restructuring costs and the negative impact coming from the impairment on Supergroup, (11.7) mn.

2004 Full year IFRS

Other Businesses & Adjustments Profit and loss account

(Euro mn)	OTHER			ADJUSTMENTS			SEE
	Current GAAP	Change	IFRS	Current GAAP	Change	IFRS	
Revenue	NA	NA	69.0	NA	NA	(1,370.7)	
(Cost of distributed products) + (Consignment fees)	NA	NA	(23.5)	NA	NA	1,327.4	
Economic Sales	45.5	(0.0)	45.5	(43.3)	0.0	(43.3)	1
EBITDA	7.3	(37.0)	(29.7)	(3.5)	1.5	(2.0)	
(Amortization) + (Depreciation)	(19.8)	0.1	(19.7)	0.0	0.0	0.0	
Ordinary activities result	(12.5)	(36.9)	(49.4)	(3.5)	1.5	(2.0)	2
Other income and expenses	NA	NA	27.3	NA	NA	(1.1)	
Segmental operating result	NA	NA	(22.1)	NA	NA	(3.1)	
Associates	NA	NA	18.6	NA	NA	0.0	

1

End of G&A allocation.

2

Major impact is capital gain on sale of property.

2004 Quarterly IFRS figures

Group Profit and loss account

(Euro mn)	2004 YTD March	2004 YTD June	2004 YTD Sept	2004 YTD Dec
Revenue	2,181.0	4,623.7	7,124.7	9,545.9
(Cost of distributed products) + (Consignment fees) + Discount	(1,374.2)	(2,915.4)	(4,497.7)	(5,988.4)
Economic Sales	806.8	1,708.3	2,626.9	3,557.4
EBITDA	228.4	512.7	825.2	1,103.7
(Amortization) + (Depreciation)	(43.2)	(87.3)	(126.3)	(168.0)
Ordinary activities result	185.2	425.5	698.9	935.6
Other income and expenses	(4.0)	(19.5)	3.0	0.2
Operating result	181.2	406.0	701.9	935.8
Financial Results	(18.1)	(37.8)	(55.5)	(92.3)
Associates	6.1	13.0	20.2	34.4
Corporate Tax	(51.7)	(109.8)	(188.0)	(281.6)
Minority Interests	(8.0)	(23.2)	(39.4)	(56.8)
Net Income Group Share	109.6	248.2	439.3	539.4
Basis EPS (eurocent)	38.0	87.0	154.0	190.0
Diluted EPS (eurocent)	38.0	87.0	154.0	190.0



SECTION II



BALANCE SHEET



Opening balance sheet : December 31st, 2003

Assets

Assets

(Euro mn)	Current GAAP	Change	IFRS	
Fixed Assets	2,468	(358)	2,110	1 – Reclassification of some limited items previously recorded within Goodwill, 178 mn. (leasing of head-office, (49) mn, additions to scope of consolidation, 26mn)
1 Intangible fixed assets	595	190	785	2 – Reclassification of the leasing contract, 49 mn, previously recorded within Intangible assets and revaluation of lands, 25mn, switch of Tacisa from subsidiaries to associates, (13) mn.
2 Tangible fixed assets	803	59	862	
3 Financial fixed assets	1,070	(607)	463	
4 Goodwill	1,999	(332)	1,667	3 – Reclassification of the long term deferred tax assets, (294) mn, to Deferred tax assets and integration of the goodwill of Associates, 112mn.
5 Deferred tax assets		485	485	Reclassification of the tobaccoconists loan previously recorded within Financial assets to Currents assets, (325) mn.
6 Current assets	3,665	147	3,812	
7 Cash & ST fin. Inv.	1,021	(18)	1,003	4 – Counterpart of reclassifications described above ((1) and (3), (178) and (112) mn).
TOTAL	9,153	(76)	9,077	Cancellation of badwill against goodwill, (43) mn.
				5 – Reclassifications of short term, 138 mn, and long term, 294 mn, deferred tax assets previously recorded, the former within Current assets, and the latter within Financial assets. Impacts coming from other IFRS adjustments, 53mn.
				6 – Counterpart of the reclassifications described above (5) for the short term deferred tax assets, (138) mn. Counterpart of the tobaccoconists loan reclassification described above (3), 325 mn.
				7 – Reclassification of some subsidiaries' short term shares to Goodwill and financial assets.

Opening balance sheet : December 31st, 2003

Liabilities

Liabilities

(Euro mn)	Current GAAP	Change	IFRS	
1 Shareholders' Equity	1,131	235	1,366	1 – Minority interests, once adjusted to 256 mn, now within Equity, impacted by FTA (21) mn.
Provisions	851	(851)	0	2 – Reclassification of provisions according to lifespan to Other long term liabilities, (529) mn.
1 Minority interests	279			
2 Provisions	529			
3 Badwill	43			3 – Cancellation of Badwill against Goodwill, (43) mn.
4 Deferred tax liabilities		150	150	4 – Reclassification of the short term deferred tax liabilities, 169 mn, previously recorded within Current liabilities and other IFRS adjustments (19) mn.
5 Other long term liabilities		645	645	5 – Counterpart of (2) for the long term provisions, 529mn, and impact of long term liabilities previously recorded within Other current liabilities, 100mn.
6 Long term debt		2,059	2,059	6 – Financial debt has been split into short and long term.
7 Short term debt		1,008	1,008	8 – Counterpart of the reclassifications described above (4) and(5), (169) mn and (100) mn.
8 Other current liabilities	4,114	(265)	3,849	
9 Financial debt	3,057	(3,057)	0	9 – Counterpart of (6) and (7).
TOTAL	9,153	(75)	9,077	

December 31st, 2004 Balance sheet

Assets

Assets

In the course of 2004, Altadis has implemented as many changes to statutory accounts as possible in order to limit IFRS impact to the Dec 31st, 2004 balance sheet. Therefore IFRS changes to the 2004 balance sheet are limited compared to 2003.

(Euro mn)	Current GAAP	Change	IFRS
Fixed Assets	2,085	11	2,096
1 Intangible fixed assets	560	158	718
2 Tangible fixed assets	853	61	914
3 Financial fixed assets	672	(208)	464
4 Goodwill	2,605	(203)	2,401
5 Deferred tax assets		442	442
6 Current assets	4,802	(125)	4,677
7 Cash & ST fin. Inv.	1,120	(17)	1,103
TOTAL	10,612	108	10,720

1 -> Reclassification of some limited items previously recorded within Goodwill, 169 mn.

2 -> Reclassification of the leasing contract previously recorded in Intangible assets, 39 mn, revaluation of lands, 25mn, and impairments, (3) mn.

3 -> Reclassification of the long term deferred tax assets, (289)mn, to Deferred tax assets and integration of the goodwill of Associates, 103mn.

4 -> Counterpart of reclassifications described above ((1) and (3), (169) and (103) mn).
Cancellation of the goodwill amortisation of the current fiscal year, 102 mn, and badwill, (42) mn.

5 -> Reclassifications of short term, 102 mn, and long term, 289 mn, deferred tax assets previously recorded, the former within Current assets, and the latter within Financial assets.

Impacts coming from other IFRS adjustments, 51 mn.

6 -> Counterpart of the reclassifications described above (5) for the short term deferred tax assets, (102) mn.

7 -> Reclassification of some subsidiaries' short term shares to Goodwill and Financial assets.

December 31st, 2004 Balance sheet

Liabilities

Liabilities

(Euro mn)	Current GAAP	Change	IFRS
1 Shareholders' Equity	1,044	382	1,426
Provisions	1,004	(1,004)	0
1 Minority interests	291		
2 Provisions	670		
3 Badwill	42		
4 Deferred tax liabilities		168	168
5 Other long term liabilities		423	423
6 Long term debt		1,785	1,785
7 Short term debt		1,263	1,263
8 Other current liabilities	5,505	150	5,655
9 Financial debt	3,059	(3,059)	0
TOTAL	10,612	198	10,720
Net debt position	1,939	6	1,945

In the course of 2004, Altadis has implemented as many changes to statutory accounts as possible in order to limit IFRS impact to the Dec 31st, 2004 balance sheet. Therefore IFRS changes to the 2004 balance sheet are limited compared to 2003.

- 1** - Minority interests now within Equity, and 2004 net result increase due to IFRS restatements (as shown in the P&L Statement).
- 2** - Reclassification of provisions according to lifespan to Other long term liabilities, (365) mn, and to Other current liabilities, (305) mn.
- 3** - Cancellation of Badwill against Goodwill, (42) mn.
- 4** - Reclassification of the short term, 21 mn, and long term, 101 mn, deferred tax liabilities previously recorded within Current liabilities plus impacts coming from other IFRS adjustments, 46mn.
- 5** - Counterpart of (2) for the long term provisions, 365mn, impact of long term liabilities previously recorded within Other current liabilities, 54 mn, and deferred revenues, 4 mn.
- 6 - 7** - Financial debt has been split into short and long term.
- 8** - Counterpart of reclassifications described above (2) and (4), 305 and (122) respectively.
- 9** - Counterpart of (6) and (7).



SECTION III



Shareholders' Equity



December 31st, 2004 Changes in Shareholders' Equity

From current GAAP to IFRS

(Euro mn)	Current GAAP	Change	IFRS
31/12/03 GROUP SHAREHOLDER'S EQUITY	1 131	(21)	1 110
Net Result	413	126	539
Dividends	(228)		(228)
Cumulative Translation Adjustments	(28)	(17)	(45)
Perimeter variation	(7)	7	0
Share buyback	(237)		(237)
31/12/04 GROUP SHAREHOLDER'S EQUITY	1 044	96	1 140
Minority interests			286
31/12/04 SHAREHOLDER'S EQUITY			1 426

End of 2003 Shareholders' Equity

From current GAAP to IFRS

(Euro mn)

CURRENT GAAP GROUP SHAREHOLDER'S EQUITY	1 131	
+		
Fringe benefits (IAS 19)	(2)	(21)
+		
Cancellation of Deferred charges (IAS 1)	(6)	
+		
French Tobacconists and BAT Revenue recognition (IAS 18)	(12)	
+		
Impairment tests (IAS 36)	(2)	
+		
Lands re-evaluation (IFRS 1)	10	
+		
Reclassification of Badwill (IAS 38)	8	
+		
Treasury stocks within subsidiaries (IAS 27)	(15)	
+		
Cancellation of deferred tax (IAS 12)	(2)	
=		
IFRS GROUP SHAREHOLDER'S EQUITY	1 110	
+		
Minority interests	256	
=		
IFRS SHAREHOLDER'S EQUITY	1 366	



SECTION IV

IAS 32 / 39

IAS 32 and IAS 39

I - Guidelines

Based on IFRS 1, IAS 32 and IAS 39 on financial instruments will be applied prospectively from 1st January 2005, and consequently the restated figures for 2004 **do not reflect** the impact of these standards.

Accounting policies to be adopted from 01/01/2005:

- **All financial instruments will be recognized** in the financial statements when the Group becomes a party of the contract.
- Financial instruments **must be classified** in accordance to guidelines provided in IAS 32 and 39. In accordance to the standards we can distinguish:
 - Financial Assets (Non derivative instruments)
 - Financial liabilities (Non derivative instruments)
 - Derivative instruments: Stated at **fair value**.
 - Cash Flow Hedge
 - Fair Value Hedge
 - Net Investment Hedge

IAS 32 and IAS 39

II – Quantification for Altadis

II. 1. First Time Application (ETA)

Impact of the FTA of IAS 32 and 39 can be quantified as a decrease **in Equity** amounting to 19 M€, as a result of :

- Valuating derivatives at fair value
- Treasury stocks as a reduction of Equity

January, 1st 2005 Shareholders' Equity

Impact of IAS 32/39

(Euro mn)	IFRS
GROUP SHAREHOLDER'S FUNDS	1 426
IAS 32/39 impacts (Forex exchange and interest rate)	(3)
Altadis SA Treasury stocks	(16)
GROUP SHAREHOLDER'S FUNDS	1 407

IAS 32 and IAS 39

II – Quantification for Altadis (continued)

II.2. Future Impacts

We do not expect big volatility in the coming years, nevertheless we forecast some impacts in P&L due to:

→ **Cash Flow Hedging:**

- Recycling of Efficient part in operational result.
- Inefficient part to financial result.

→ Economic hedging not qualified as accounting hedging under the standards, and therefore subject to **Fair Value changes**.

- It will affect some derivative tools, held by Altadis, focused on the hedging of foreign exchange risk but which also contain a hedging of rates.
- Variations within this category will have a direct effect in the financial result.



Appendices

Appendices Content

■ Corporate calendar and contacts	35
■ Glossary	36
■ Ebitda reconciliation per division	37
■ Review of standards one by one	38
■ Quarterly P&Ls Group and Divisions	42
March	42
June	49
September	56
December	63

Altadis share and bonds particulars

Share : Isin code - ES0177040013 Reuters - ALT.MC (Madrid) ALDS.PA (Paris) Bloomberg - ALT.SM (Madrid) ALD.SM (Paris)

Bonds : 5 years - ES017683730 (Reuters) ED147823 / Isin XS0176837309 (Bloomberg)
34 10 years - ES017683837 (Reuters) ED147819 / Isin XS0176838372 (Bloomberg)

Corporate Calendar - Contacts

CALENDAR

April 11th, 2005	2004 IFRS accounts presentation
May 11th, 2005 (tentative date)	2005 Q1 Results
May 2005	Annual Report
June 14th, 2005	Annual General Meeting
June 21st, 2005 (tentative date)	Complementary dividend payment
August 31st, 2005 (tentative date)	2005 Q2 Results
November 8th, 2005 (tentative date)	2005 Q3 Results
February 15th, 2006 (tentative date)	2005 FY Results

Closed periods start one month ahead of publications

CONTACTS

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Glossary

Consignment sale. A sale is a consignment sale when the company retains the ownership of the inventories even stored in the depository warehouses, the property and risk transfer taking place when the goods are sold to the final consumer.

Consignment fee. The consignment fee of a consignment sale has to be recorded as an expense and therefore the Revenue must record the retail price net of taxes, when the product is actually sold to the consumer.

GAAPs. Generally accepted accounting principles. Current GAAPs applying to Altadis are Spanish GAAPs.

IAS. International Accounting Standards.

IFRS. International Financial Reporting Standards.

2004 Full year IFRS result - EBITDA

in M€	EBITDA		
	Current GAAP	Change	IFRS
Cigarettes	643.8	25.5	669.3
Cigars	213.7	(4.9)	208.8
Logistic	251.9	5.4	257.3
Other	7.3	(37.0)	(29.7)
Adjustments	(3.5)	1.5	(2.0)
TOTAL	1 113.2	(9.5)	1 103.7

Review of standards

one by one

List of standards with their major impacts

Standard	Description	Estimated Impact			Comments
		12-31-03	Year 2004	Year 2005	
IFRS 1	First-time Adoption	Major	No impact	No impact	See options chosen by Altadis
IFRS 2	Shared Based Payments	No impact	No impact	Potential	Potential effect on future stock option plans.
IFRS 3	Business Combinations	No impact	Major	Major	No goodwill amortization. New methods to allocate goodwill.
IFRS 5	Non-current Assets Held for Sale	Limited	Limited	Limited	

List of standards with their major impacts (continued)

Standard	Description	Estimated Impact			Comments
		12-31-03	Year 2004	Year 2005	
IAS 1	Presentation of Financial Statements	No impact	No impact	Major	New requirements for financial statements reporting. 2004 figures
IAS 2	Inventories	Limited	Limited	Limited	
IAS 7	Cash Flow Statements	Limited	Limited	Limited	New requirements for financial statements reporting. 2004 figures
IAS 12	Income Taxes	Limited	Major	Major	
IAS 14	Segment Reporting	No impact	Limited	Limited	Tax effect of all adjustments.
IAS 16	Property, Plant & Equipment	Limited	Limited	Limited	
IAS 17	Leases	No impact	No impact	No impact	
IAS 18	Revenue	No impact	Limited	Limited	
IAS 19	Employee Benefits	Limited	Limited	Limited	
IAS 21	The Effects of Changes in Foreign Exchange Rates	No impact	Limited	Limited	
IAS 24	Related Party Disclosures	No impact	Limited	Limited	New requirements for financial statements reporting. 2004 figures

List of standards with their major impacts (continued)

Standard	Description	Estimated Impact			Comments
		12-31-03	Year 2004	Year 2005	
IAS 27	Consolidated and Separate Financial Statements	Limited	Limited	Limited	
IAS 28	Investments in Associates	Limited	Limited	Limited	
IAS 31	Interests in Joint Ventures	No impact	No impact	Potential	
IAS 32	Financial Instruments - Disclosure and Presentation	No impact	No impact	Major	
IAS 33	Earnings per Share	No impact	No impact	Limited	New requirements for financial statements reporting. 2004 figures
IAS 34	Interim Financial Reporting	No impact	No impact	Limited	New requirements for financial statements reporting. 2004 figures
IAS 36	Impairment of Assets	Limited	Limited	Potential	
IAS 37	Provisions, Contingent Liabilities and Contingent Assets	Limited	Limited	Limited	
IAS 38	Intangible Assets	No impact	Major	Major	No amortization of brands.
IAS 39	Financial Instruments - Recognition and Measurement	No impact	No impact	Major	Valuation of assets, liabilities and derivatives in 2005.
IAS 40	Investment Property	Limited	Limited	Limited	

Year to date

MARCH 2004

2004 First quarter result - Profit and loss account

(Euro mn)	Current GAAP	Change	IFRS
Revenue	NA	NA	2,181.0
(Cost of distributed products) + (Consignment fees) + Discount	NA	NA	(1,374.2)
Economic Sales	800.3	6.5	806.8
EBITDA	232.9	(4.5)	228.4
(Amortization) + (Depreciation)	(45.9)	2.7	(43.2)
Ordinary activities result	NA	NA	185.2
Other income and expenses	NA	NA	(4.0)
Operating result	187.0	(5.8)	181.2
Financial Results	(20.8)	2.7	(18.1)
Extraordinary result	2.3	(2.3)	0.0
Associates	6.4	(0.3)	6.1
Goodwill Amortization	(35.6)	35.6	0.0
Corporate Tax	(47.1)	(4.6)	(51.7)
Minority Interests	(7.9)	(0.1)	(8.0)
Net Income Group Share	84.3	25.3	109.6
Basic EPS (eurocent)	29.0	9.0	38.0
Diluted EPS (eurocent)	29.0	9.0	38.0

2004 First quarter result by Business Unit

(Euro mn)	Cigarettes	Cigars	Logistic	Other	Adjustments	TOTAL
Revenue	488.4	225.0	1,805.0	16.9	(354.3)	2,181.0
(Cost of distributed products) + (Consignment fees) + Discount	(13.5)	(41.4)	(1,615.0)	(3.8)	299.5	(1,374.2)
Economic Sales	474.8	183.5	190.0	13.1	(54.7)	806.8
EBITDA	174.7	36.6	46.4	(7.1)	(22.2)	228.4
(Amortization) + (Depreciation)	(26.0)	(6.4)	(6.5)	(4.4)	0.0	(43.2)
Ordinary activities result	148.7	30.2	40.0	(11.5)	(22.2)	185.2
Other income and expenses	(1.7)	(0.3)	(1.9)	(0.1)	(0.1)	(4.0)
Operating result	147.0	29.9	38.1	(11.6)	(22.3)	181.2
Financial Results						(18.1)
Associates						6.1
Corporate Tax						(51.7)
Minority Interests						(8.0)
Net Income Group Share						109.6

2004 First quarter result - Cigarette Profit and loss account

(Euro mn)	Current GAAP	Change	IFRS
Revenue	NA	NA	488.4
(Cost of distributed products) + (Consignment fees) + Discount	NA	NA	(13.5)
Economic Sales	468.4	6.5	474.8
EBITDA	173.0	1.7	174.7
(Amortization) + (Depreciation)	(25.0)	(0.9)	(26.0)
Ordinary activities result	147.9	0.8	148.7
Other income and expenses	NA	NA	(1.7)
Segmental operating result	NA	NA	147.0
Associates	NA	NA	(0.4)

2004 First quarter result - Cigar Profit and loss account

(Euro mn)	Current GAAP	Change	IFRS
Revenue	NA	NA	225.0
(Cost of distributed products) + (Consignment fees) + Discount	NA	NA	(41.4)
Economic Sales	183.5	0.0	183.5
EBITDA	37.5	(0.9)	36.6
(Amortization) + (Depreciation)	(9.8)	3.4	(6.4)
Ordinary activities result	27.7	2.5	30.2
Other income and expenses	NA	NA	(0.3)
Segmental operating result	NA	NA	29.9
Associates	NA	NA	0.0

2004 First quarter result - Logistic Profit and loss account

(Euro mn)	Current GAAP	Change	IFRS
Revenue	NA	NA	1,805.0
(Cost of distributed products) + (Consignment fees) + Discount	NA	NA	(1,615.0)
Economic Sales	190.0	0.0	190.0
EBITDA	45.1	1.3	46.4
(Amortization) + (Depreciation)	(6.6)	0.2	(6.5)
Ordinary activities result	38.5	1.5	40.0
Other income and expenses	NA	NA	(1.9)
Segmental operating result	NA	NA	38.1
Associates	NA	NA	2.8

2004 First quarter result

Other Businesses & Adjustments Profit and loss account

(Euro mn)	OTHER			ADJUSTMENTS		
	Current GAAP	Change	IFRS	Current GAAP	Change	IFRS
Revenue	NA	NA	16.9	NA	NA	(354.3)
(Cost of distributed products) + (Consignment fees)	NA	NA	(3.8)	NA	NA	299.5
Economic Sales	13.1	0.0	13.1	(54.7)	0.0	(54.7)
EBITDA	1.1	(8.2)	(7.1)	(23.8)	1.6	(22.2)
(Amortization) + (Depreciation)	(4.4)	0.0	(4.4)	0.0	0.0	0.0
Ordinary activities result	(3.3)	(8.2)	(11.5)	(23.8)	1.6	(22.2)
Other income and expenses	NA	NA	(0.1)	NA	NA	(0.1)
Segmental operating result	NA	NA	(11.6)	NA	NA	(22.3)
Associates	NA	NA	3.7	NA	NA	0.0

Year to date

JUNE 2004

2004 First half year result - Profit and loss account

(Euro mn)	Current GAAP	Change	IFRS
Revenue	NA	NA	4,623.7
(Cost of distributed products) + (Consignment fees) + Discount	NA	NA	(2,915.4)
Economic Sales	1,694.6	13.6	1,708.3
EBITDA	517.6	(4.8)	512.7
(Amortization) + (Depreciation)	(91.5)	4.2	(87.3)
Ordinary activities result	NA	NA	425.5
Other income and expenses	NA	NA	(19.5)
Operating result	426.1	NA	406.0
Financial Results	(41.3)	3.5	(37.8)
Extraordinary result	(5.1)	5.1	0.0
Associates	13.3	(0.3)	13.0
Goodwill Amortization	(80.8)	80.8	0.0
Corporate Tax	(99.7)	(10.1)	(109.8)
Minority Interests	(22.5)	(0.7)	(23.2)
Net Income Group Share	190.0	58.2	248.2
Basic EPS (eurocent)	66.0	21.0	87.0
Diluted EPS (eurocent)	66.0	21.0	87.0

2004 First half year result by Business Unit

(Euro mn)	Cigarettes	Cigars	Logistic	Other	Adjustments	TOTAL
Revenue	965.5	486.2	3 826.3	33.5	(687.8)	4 623.7
(Cost of distributed products) + (Consignment fees) + Discount	(32.2)	(90.0)	(3 415.6)	(9.7)	632.1	(2 915.4)
Economic Sales	933.3	396.2	410.7	23.8	(55.8)	1 708.3
EBITDA	334.8	92.5	122.6	(19.8)	(17.4)	512.7
(Amortization) + (Depreciation)	(51.1)	(12.8)	(14.0)	(9.3)	0.0	(87.3)
Ordinary activities result	283.7	79.6	108.6	(29.1)	(17.4)	425.5
Other income and expenses	8.8	(0.9)	(16.8)	(8.9)	(1.6)	(19.5)
Operating result	292.5	78.7	91.8	(38.0)	(18.9)	406.0
Financial Results						(37.8)
Associates						13.0
Corporate Tax						(109.8)
Minority Interests						(23.2)
Net Income Group Share						248.2

2004 First half year result - Cigarette Profit and loss account

(Euro mn)	Current GAAP	Change	IFRS
Revenue	NA	NA	965.5
(Cost of distributed products) + (Consignment fees)	NA	NA	(32.2)
Economic Sales	919.7	13.6	933.3
EBITDA	325.2	9.6	334.8
(Amortization) + (Depreciation)	(49.2)	(1.9)	(51.1)
Ordinary activities result	276.0	7.7	283.7
Other income and expenses	NA	NA	8.8
Segmental operating result	NA	NA	292.5
Associates	NA	NA	(0.5)

2004 First half year result - Cigar Profit and loss account

(Euro mn)	Current GAAP	Change	IFRS
Revenue	NA	NA	486.2
(Cost of distributed products) + (Consignment fees) + Discount	NA	NA	(90.0)
Economic Sales	396.2	0.0	396.2
EBITDA	94.8	(2.4)	92.5
(Amortization) + (Depreciation)	(18.5)	5.7	(12.8)
Ordinary activities result	76.3	3.3	79.6
Other income and expenses	NA	NA	(0.9)
Segmental operating result	NA	NA	78.7
Associates	NA	NA	0.0

2004 First half year result - Logistic Profit and loss account

(Euro mn)	Current GAAP	Change	IFRS
Revenue	NA	NA	3,826.3
(Cost of distributed products) + (Consignment fees) + Discount	NA	NA	(3,415.6)
Economic Sales	410.7	0.0	410.7
EBITDA	120.0	2.6	122.6
(Amortization) + (Depreciation)	(14.4)	0.4	(14.0)
Ordinary activities result	105.5	3.1	108.6
Other income and expenses	NA	NA	(16.8)
Segmental operating result	NA	NA	91.8
Associates	NA	NA	5.6

2004 First half year result

Other Businesses & Adjustments Profit and loss account

(Euro mn)	OTHER			ADJUSTMENTS		
	Current GAAP	Change	IFRS	Current GAAP	Change	IFRS
Revenue	NA	NA	33.5	NA	NA	(687.8)
(Cost of distributed products) + (Consignment fees)	NA	NA	(9.7)	NA	NA	632.1
Economic Sales	23.8	0.0	23.8	(55.8)	0.0	(55.8)
EBITDA	(3.4)	(16.4)	(19.8)	(19.1)	1.7	(17.4)
(Amortization) + (Depreciation)	(9.4)	0.0	(9.3)	0.0	0.0	0.0
Ordinary activities result	(12.7)	(16.4)	(29.1)	(19.1)	1.7	(17.4)
Other income and expenses	NA	NA	(8.9)	NA	NA	(1.6)
Segmental operating result	NA	NA	(38.0)	NA	NA	(18.9)
Associates	NA	NA	7.9	NA	NA	0.0

Year to date

SEPTEMBER 2004

2004 September result - Profit and loss account

(Euro mn)	Current GAAP	Change	IFRS
Revenue	NA	NA	7,124.7
(Cost of distributed products) + (Consignment fees)	NA	NA	(4,497.7)
Economic Sales	2,598.4	28.5	2,626.9
EBITDA	832.6	(7.4)	825.2
(Amortization) + (Depreciation)	(131.5)	5.2	(126.3)
Recurring result	NA	NA	698.9
Other income and expenses	NA	NA	3.0
Operating result	701.1	0.8	701.9
Financial Results	(61.4)	6.0	(55.5)
Extraordinary result	16.7	(16.7)	0.0
Associates	19.9	0.3	20.2
Goodwill Amortization	(116.4)	116.4	0.0
Corporate Tax	(172.9)	(15.1)	(188.0)
Minority Interests	(39.6)	0.2	(39.4)
Net Income Group Share	347.4	91.9	439.3
Basic EPS (eurocent)	122.0	32.0	154.0
Diluted EPS (eurocent)	122.0	32.0	154.0

2004 September result by Business Unit

(Euro mn)	Cigarettes	Cigars	Logistic	Other	Adjustments	TOTAL
Revenue	1 445.0	744.8	5 904.6	51.4	(1 021.1)	7 124.7
(Cost of distributed products) + (Consignment fees) + Discount	(53.4)	(136.8)	(5 277.1)	(17.2)	986.9	(4 497.7)
Economic Sales	1 391.6	608.0	627.4	34.2	(34.2)	2 626.9
EBITDA	511.5	153.2	193.0	(30.9)	(1.6)	825.2
(Amortization) + (Depreciation)	(71.8)	(18.6)	(21.7)	(14.2)	0.0	(126.3)
Ordinary activities result	439.7	134.6	171.3	(45.0)	(1.6)	698.9
Other income and expenses	4.2	(2.5)	(14.6)	16.0	(0.1)	3.0
Operating result	443.9	132.1	156.7	(29.0)	(1.7)	701.9
Financial Results						(55.5)
Associates						20.2
Corporate Tax						(188.0)
Minority Interests						(39.4)
Net Income Group Share						439.3

2004 September result - Cigarette Profit and loss account

(Euro mn)	Current GAAP	Change	IFRS
Revenue	NA	NA	1,445.0
(Cost of distributed products) + (Consignment fees)	NA	NA	(53.4)
Economic Sales	1,363.0	28.5	1,391.6
EBITDA	493.7	17.8	511.5
(Amortization) + (Depreciation)	(67.9)	(3.9)	(71.8)
Ordinary activities result	425.8	13.9	439.7
Other income and expenses	NA	NA	4.2
Segmental operating result	NA	NA	443.9
Associates	NA	NA	(1.5)

2004 September result - Cigar Profit and loss account

(Euro mn)	Current GAAP	Change	IFRS
Revenue	NA	NA	744.8
(Cost of distributed products) + (Consignment fees) + Discount	NA	NA	(136.8)
Economic Sales	608.0	(0.0)	608.0
EBITDA	156.9	(3.7)	153.2
(Amortization) + (Depreciation)	(27.1)	8.5	(18.6)
Ordinary activities result	129.8	4.8	134.6
Other income and expenses	NA	NA	(2.5)
Segmental operating result	NA	NA	132.1
Associates	NA	NA	2.9

2004 September result - Logistic Profit and loss account

(Euro mn)	Current GAAP	Change	IFRS
Revenue	NA	NA	5,904.6
(Cost of distributed products) + (Consignment fees) + Discount	NA	NA	(5,277.1)
Economic Sales	627.4	0.0	627.4
EBITDA	189.0	4.0	193.0
(Amortization) + (Depreciation)	(22.2)	0.5	(21.7)
Ordinary activities result	166.8	4.5	171.3
Other income and expenses	NA	NA	(14.6)
Segmental operating result	NA	NA	156.7
Associates	NA	NA	8.4

2004 September result

Other Businesses & Adjustments Profit and loss account

(Euro mn)	OTHER			ADJUSTMENTS		
	Current GAAP	Change	IFRS	Current GAAP	Change	IFRS
Revenue	NA	NA	51.4	NA	NA	(1,021.1)
(Cost of distributed products) + (Consignment fees)	NA	NA	(17.2)	NA	NA	986.9
Economic Sales	34.2	0.0	34.2	(34.2)	0.0	(34.2)
EBITDA	(4.2)	(26.7)	(30.9)	(2.8)	1.2	(1.6)
(Amortization) + (Depreciation)	(14.2)	0.1	(14.2)	0.0	0.0	0.0
Ordinary activities result	(18.4)	(26.6)	(45.0)	(2.8)	1.2	(1.6)
Other income and expenses	NA	NA	16.0	NA	NA	0.1
Segmental operating result	NA	NA	(29.0)	NA	NA	(1.7)
Associates	NA	NA	10.4	NA	NA	0.0

Year to date

DECEMBER 2004

2004 December result by Business Unit

(Euro mn)	Cigarettes	Cigars	Logistic	Other	Adjustments	TOTAL
Revenue	1,945.5	1,000.4	7,901.6	69.0	(1,370.7)	9,545.9
(Cost of distributed products) + (Consignment fees) + Discount	(68.8)	(183.3)	(7,040.2)	(23.5)	1,327.4	(5,988.4)
Economic Sales	1,876.7	817.2	861.4	45.5	(43.3)	3,557.4
EBITDA	669.3	208.8	257.3	(29.7)	(2.0)	1,103.7
(Amortization) + (Depreciation)	(95.8)	(25.3)	(27.2)	(19.7)	0.0	(168.0)
Ordinary activities result	573.4	183.5	230.1	(49.4)	(2.0)	935.6
Other income and expenses	(21.5)	12.2	(16.8)	27.3	(1.1)	0.2
Operating result	551.9	195.7	213.4	(22.1)	(3.1)	935.8
Financial Results						(92.3)
Associates						34.4
Corporate Tax						(281.6)
Minority Interests						(56.8)
Net Income Group Share						539.4