



Altadis International cigarette operations



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INTRODUCTION



Highlights of 2004 Results

2004 key figures

Euro mn

	2003	2004	Var. 04-03
Economic Sales	3,385	3,518	(+ 3.9%)
EBITDA	1,078	1,113	(+ 3.3%)
Net Income	293⁽¹⁾	413	(+ 41.0%)⁽¹⁾
Pre-goodwill normalised net income⁽²⁾	567⁽¹⁾	570	(+ 0.5%)⁽¹⁾
Pre-goodwill normalised EPS⁽³⁾ (eurocent)	195⁽¹⁾	201	(+3.0%)⁽¹⁾
Headcount		27,436	

(1) In Q4 2003, Euro 240 mn were charged for restructuring.

(2) Pre-goodwill normalised net income: Normalised net income + goodwill amortisation

Normalised net income = Net income + Restructuring charge net of taxes

(3) Pre-goodwill normalised EPS: Pre-goodwill normalised net income / Average number of shares.

Average number of shares: Average of (total number of shares – treasury stock)

2004 highlights: Altadis weathered adverse conditions and delivered growth

- **Altadis resisted to adverse market conditions (in France particularly) during this past year: the Group achieved growth of sales (+ 3.9%), pre-goodwill normalised net income (+0.5 %) and pre-goodwill normalised EPS (+3.0 %)**
- **Operations of the Cigar Division performed outstandingly:
in constant currency sales were up +14.9 % and Ebitda +32.2%**
- **Generation of Operating Free Cash Flow was very strong
at Euro 1,156 million (Euro 700 million in 2003).**

Note: Operating free cash flow = Operating flow – Corporate tax – CAPEX – Credit to tobaccoists

Key P&L evolutions

FY 2003 vs FY 2004 (Euro mn)

**Economic sales:
+133**

Organic: +15

Perimeter: +185

Foreign exchange: -67

- Cigarette volume improve on international markets, drop in France, excellent Cigar performance
- RTM, JR Cigar, Balkan Star
- Detrimental dollar change

- French volumes, mix impact
- RTM and France
- RTM, JR Cigar, Balkan Star
- Detrimental dollar change

Organic: -40

Restructuring and synergies: +11

Perimeter: +79

Foreign exchange: - 15

Ebitda: +35

EBITDA: + 3.3% to Euro 1,113 million

(Euro mn)

	2003	2004	Growth***
<i>Economic Sales</i>	3,385.4	3,518.3	+3.9%
EBITDA*	1,078.0	1,113.2	+3.3%
<i>EBITA</i>	954.9	984.5	+3.1%
Operating Income (EBIT)	915.3	938.4	+2.5%
<i>Financial Results</i>	(82.9)	(100.6)	-21.4%
<i>Goodwill Amortisation</i>	(118.0)	(156.9)	-33.0%
<i>Associates</i>	15.7	33.7	+114.6%
<i>Extraordinary Results</i>	(250.7)	10.5	n.s.
<i>Corporate Income Tax</i>	(142.5)	(255.6)	-79.4%
<i>Minority Interests</i>	(43.7)	(56.2)	-28.6%
Net Income Group Share	293.2	413.3	+41.0%
EPS (eurocent)	101	146	+44.4%
<i>Average number of shares (million)**</i>	290.9	283.9	2.4% decrease
Pre-goodwill EPS (eurocent) ****	141	201	+42.1%

* Ebitda: Ebit + Depreciation & brand, and other intangible assets amortisation

** Average number of shares = average of (total number of shares - treasury stock)

*** + symbols are used for beneficial evolution, and reversely, - symbols for detrimental evolution

**** Pre-goodwill EPS: (Net Income + Goodwill Amortisation) / Average number of shares

Sizeable and recurrent cash flow: operating free cash flow in 2004 at Euro 1,156 million

(Euro mn)

	2003	2004
<i>Ebitda</i>	1,078	1,113
<i>CTA + Var. WCR</i>	(62)	430
<i>Operating flow (Ebitda + CTA+ Var. WCR)</i>	1,016	1,543
<i>Corporate tax payment</i>	(160)	(237)
<i>Restructuring cash out & other extraordinary cash out</i>	(40)	(60)
Cash flow from operating activities	816	1,246
<i>CAPEX</i>	(143)	(150)
<i>Credit to tobaccoists</i>	(24)	-
<i>Acquisitions and financial investments</i>	(1,328)	(797)
<i>Divestment cash in</i>	293	92
<i>Cash flow from investing activities</i>	(1,202)	(855)
<i>Financial interest payment</i>	(80)	(101)
<i>Net dividends</i>	(198)	(233)
<i>Purchase of shares (of Group companies)</i>	(210)	(255)
<i>Cash flow from financing activities</i>	(488)	(589)
Net change in cash and cash equivalent	(874)	(198)
Initial net financial position	(1,086)	(2,036)
<i>Net debt/cash of acquired/disposed companies</i>	(87)	308
<i>Net cash change</i>	(874)	(198)
<i>Effect of exchange rate fluctuations on banking and acquisitions debt</i>	11	(13)
Final net financial position	(2,036)	(1,939)
Operating Free cash flow*	700	1,156

* Operating free cash flow = Operating flow- Corporate tax – Maintenance CAPEX (Euro 132 mn in 2003) – Credit to tobaccoists
CTA: Cumulative translation adjustment

ALTADIS CIGARETTE DIVISION



International operation

SECTION I

DIRECTIONS



Five years overall data : Volume and Value

Cigarette sales growth was driven by pricing power and acquisitions

	2000	2001	2002	2003	2004	CAGR
Volume Cigarettes (Mu)	100,200	102,200	102,300	99,500	112,600	3.0%
Manufacturing (Mu)	94,100	95,500	95,300	92,800	105,300	2.9%
Licensing (Mu)	6,100	6,700	7,000	6,700	7,300	4.6%
Economic Sales (M€)	1,578	1,619	1,669	1,721	1,838	3.9%

Five years overall data : Regions

Sales in volume outside domestic markets are rising fast driven by organic growth and acquisitions

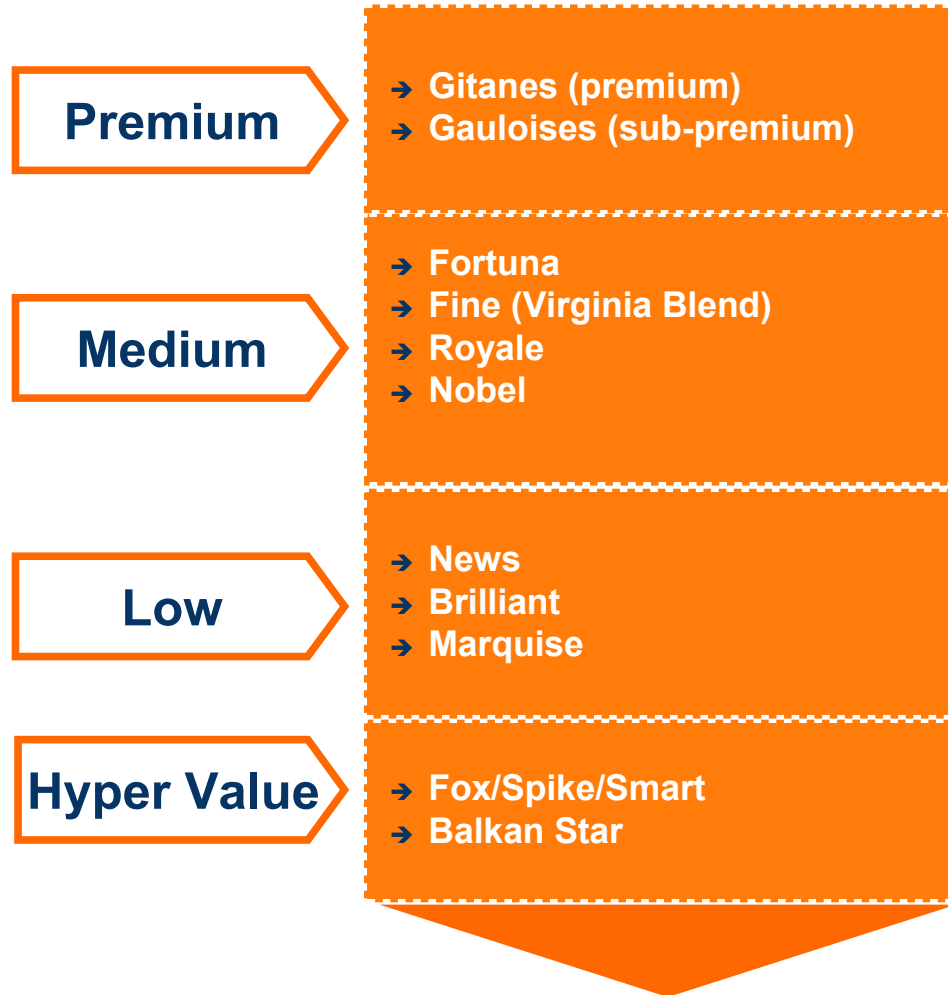
Volumes (Mu)	2000	2001	2002	2003	2004	CAGR
Manufacturing cigarettes	94,100	95,500	95,300	92,800	105,300	2.9%
France	28,200	27,500	26,100	22,500	17,800	-10.9%
Spain	40,400	39,700	37,800	36,800	33,800	-4.4%
Europe	20,000	22,300	24,000	24,200	27,900	8.7%
Other countries	5,500	6,000	7,400	9,300	25,800	47.2%

Five years brand data

Decline of dark products volume is more than offset by the development of blond cigarettes

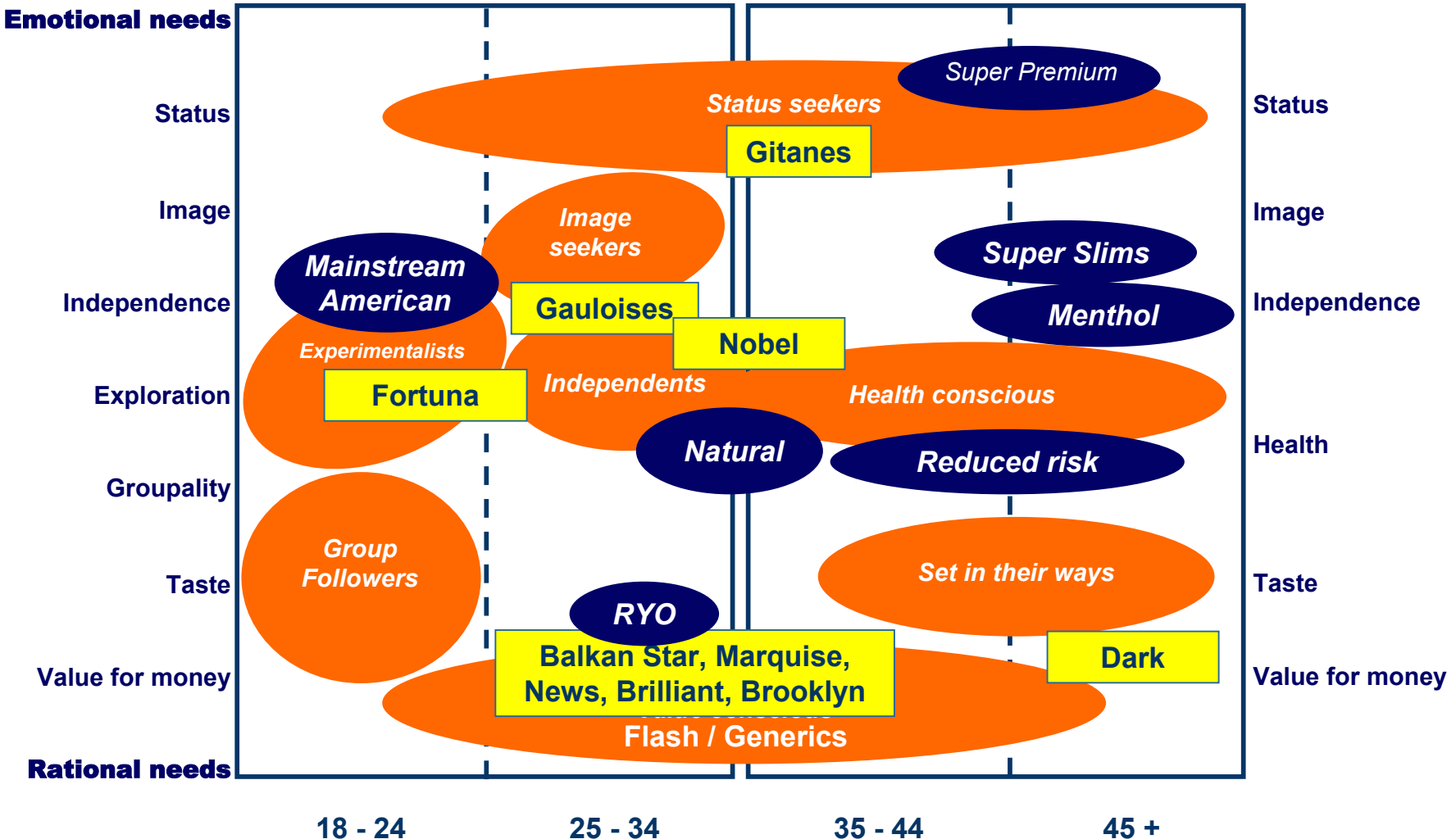
Volumes (Mu)	2000	2001	2002	2003	2004	CAGR
Total cigarettes	94,100	95,500	95,300	92,800	105,300	2.9%
Blond	56,300	59,600	62,900	64,600	75,800	7.7%
Gauloises Blondes	15,400	17,300	18,900	19,700	21,000	8.1%
Fortuna	18,800	19,200	19,000	19,700	19,800	1.3%
Gitanes Blondes	900	1,200	2,100	2,700	3,600	41.4%
Dark	34,100	32,000	28,600	24,600	25,700	-6.8%
RYO	3,700	3,900	3,800	3,600	3,800	0.7%

Portfolio Approach



Altadis' portfolio covers all major price segments

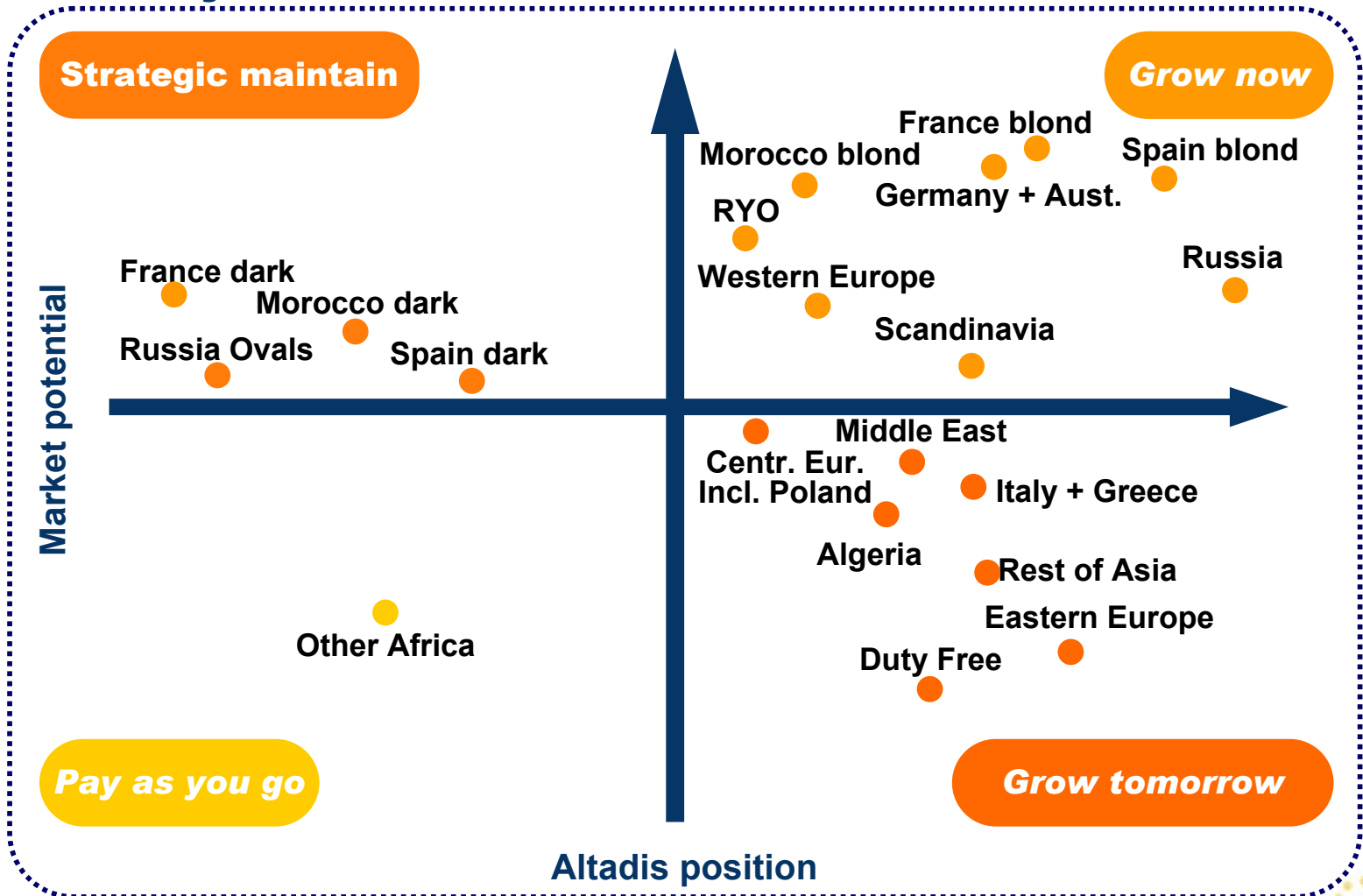
A segmentation based on age and needs / attitudes to smoking



Source : 2000 and 2001 brand image study databases

International expansion will be based on country prioritisation along profit potential and Altadis competitive position

Country Matrix



Strategical Approach

SHORT TERM

- Continue pushing GOB as an international brand
Drive Fortuna multi-locally
- Defend blond business in Spain and France while driving up profitability
- Milk dark business to finance blond growth



MID / LONG TERM

- Drive GOB globally while optimizing the portfolio approach
- Consider driving further growth via entering Grow Tomorrow countries (North Africa, Middle East, Eastern Europe, Asia)

SECTION II

FOCUS ON KEY BRANDS

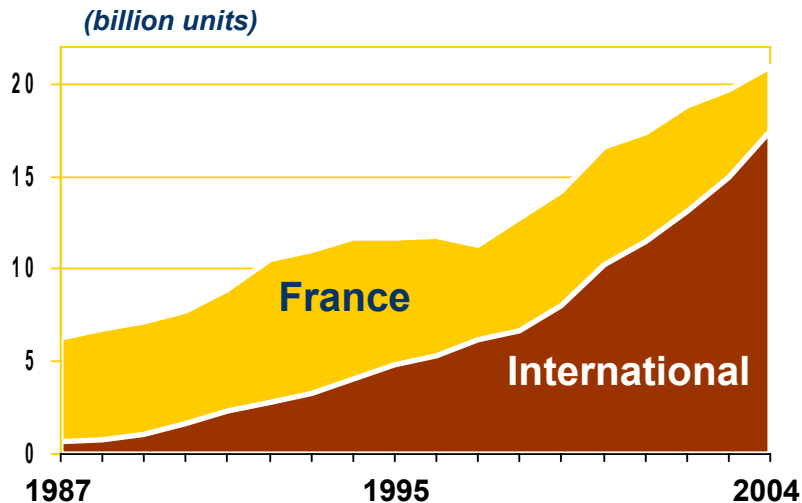


Gauloises Blondes: a strategic international brand

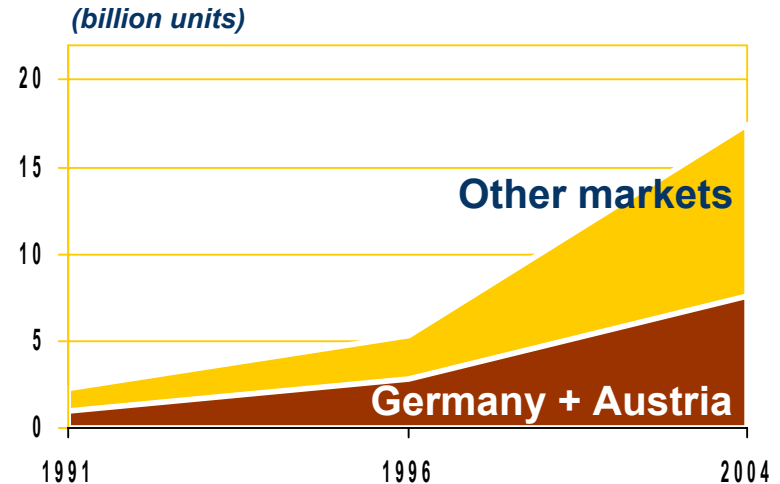


- Immediate recognition, wide awareness, differentiating brand name
- Symbol of freedom together with courage and independence, via its logo
- « *Liberté toujours* » (Liberty forever) brand foundation
- Sub-premium pricing
- Aesthetics and originality conveyed by the design
- Higher appeal of the brand mix in mature markets which are priority target
- Consistent communication

Gauloises Blondes in the world



Gauloises Blondes abroad

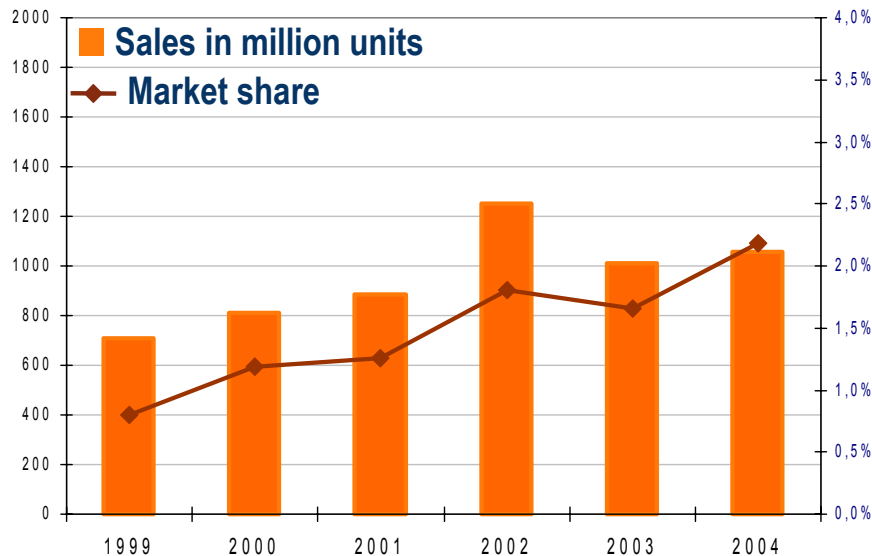


Fortuna has demonstrated its potential for regional growth

Spain: Strong starting base – 21.1% market share

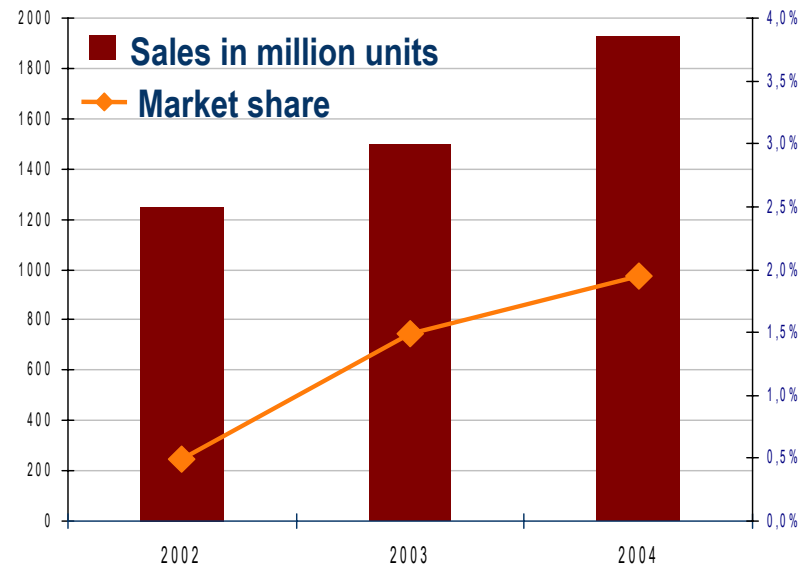
- Capitalise on Spanish and Latin roots: both universal and aspirational
- Strong potential versus international brands with weaker image
- Strong potential versus local mainstream brands that are much less aspirational
- Medium-to-value priced
- Attractive value-added offer for the core target group: 18/25 years old, urban male/female

France: Market share growth since 1997



Market share in France FY'04: 2.2%

Italy: Quick ramp up



Market share in Italy FY'04: 2.0%

In Morocco (launch in June 2004): 1.5% market share over 12 months (3.0 % spot)
Other 2004 launches: Luxembourg, Austria, Poland & Finland

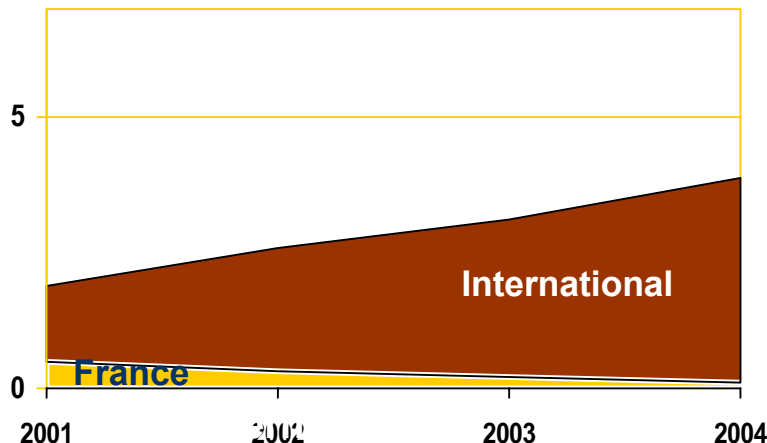
Gitanes Blondes: a successful international Premium brand



- A reference name in Premium tobaccos on 4 continents worldwide
- Highly specific brand icon : gypsy silhouette, conveying Status & Personality
- « *Le Charme Irrésistible* » (Irresistible Charm) : emotional brand foundation
- Premium pricing, both in dynamic export Blond & well-known Dark specialties
- Sober elegant pack designs : fully consistent range for demanding smokers >30
- Significant appeal of the brand mix in both mature & developing markets
- Well performing communication (targeted Media & POS) : L.C.I. campaign

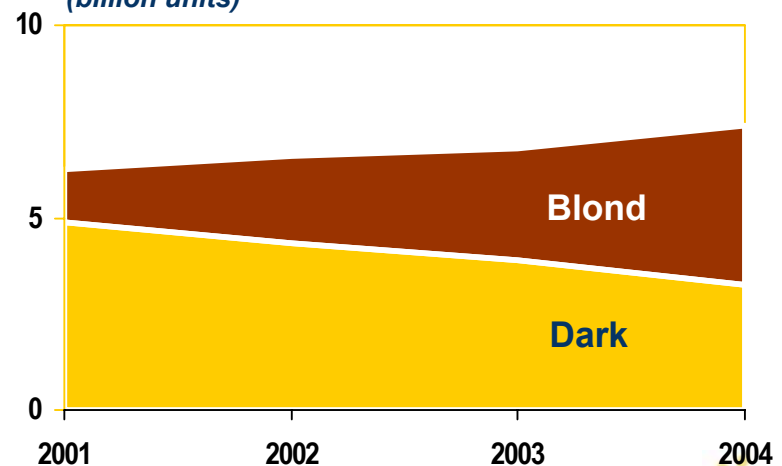
Gitanes Blondes in the world

(billion units)



Gitanes Family (Blond & Dark)

(billion units)



SECTION III

FOCUS ON KEY MARKETS AND REGIONS



GERMANY



Germany : Volumes & Market Share

- German market declines due to price increases
- Altadis performs better than the market and increases its share

Volumes (Mu)	2000	2001	2002	2003	2004	CAGR
Market size (Mu)	140,700	141,000	143,300	134,400	113,600	-5.2%
Altadis Sales (Mu)*	5,700	6,200	7,100	7,300	6,700	4.1%
Market Share	4.1%	4.4%	5.0%	5.4%	5.9%	0.5 pp

** Market performance which differs somehow from sales invoiced to distribution*

Germany : Pricing

■ Retail Prices

€ / Pack of 19	2000	2001	2002	2003	2004	2005	CAGR
Marlboro	2,74	2,81	3,00	3,20	3,60	4,00	7,9%
Gauloises Blondes	2,63	2,71	2,90	3,10	3,50	3,90	8,2%
West	2,56	2,63	2,80	3,00	3,40	3,90	8,8%
Low	2,56	2,63	2,80	2,85	3,30	3,80	8,3%
Hyper Value	2,38	2,48	2,65	2,75	3,20	3,60	8,7%
Generic	2,05	2,15	2,30	2,50	3,00	3,50	11,3%

Germany : Outlook

- **Tax and price increase in September 2005 : cancellation is probable**
- **Cigarette market expected to continue to decline in 2005**
- **OTP segment expected to continue its increase through Stick in 2005**
- **Gauloises Blondes keeps on growing in Market Share**

AUSTRIA



Austria : Volumes & Market Share

- Decreasing market due to border sales
- Gauloises ranks 3rd on the 2004 Austrian market, and keeps growing its market share
- Fortuna launched by end 2004

Volumes (Mu)	2000	2001	2002	2003	2004	CAGR
Market size (Mu)	15,400	15,200	15,400	15,100	14,500	-1.5%
Altadis Sales (Mu)	900	1,000	1,100	1,200	1,200	7.5%
Market Share	6.0%	6.5%	7.4%	7.9%	8.3%	0.6 pp

Austria : Pricing

■ Retail Prices

- Price increase triggered better profitability
- Wider price range (minimum of collectable tax was not increased)
- Government allowed small wholesalers to have an aggressive price strategy to enter into the market

€ / Pack of 20	2001	2002	2003	2004	2005	CAGR
Marlboro	3.20	3.30	3.40	3.40	3.70	3.7%
Lucky Strike	3.20	3.30	3.30	3.30	3.60	3.0%
Gauloises Blondes	2.98	3.10	3.20	3.20	3.50	4.1%
Fortuna	---	---	---	---	3.40	---
Memphis	2.69	3.00	3.00	3.10	3.30	5.3%
Hobby, Smart	0.00	2.90	2.90	3.00	3.30	4.4%
Smart Export	0.00	2.90	2.90	3.00	3.30	4.4%

■ Manufacturer Price

€ / Ku	2000	2001	2002	2003	2004	CAGR
Premium (estimated)	24.13	25.45	25.37	26.49	25.88	1.8%
Gauloises Blondes	21.70	23.00	23.13	24.25	23.64	2.2%

Austria : Outlook

- Decreasing market due to new EU accessing countries -> no price parity until 2008 and to smoking bans (public places/offices)
- Gauloises Blondes growth (+/-0,3 pts market share / year) on the way to a plausible 10% market share
- Still a profitable market tomorrow

MOROCCO



Morocco : Volumes & Market Share

- Moroccan total duty-paid market volume declines
- Altadis performs better than the market and increases its share

€ / Pack of 20	2003	2004	Change
Market	14,200	13,700	-3.4 %
Dark	4,700	3,600	-18.8 %
Blond	8,400	9,000	5.6 %
Altadis Blond	6,100	8,900	12.5 %
International	2,300	2,100	-6.9 %
Marquise	5,400	6,400	15.3 %
Fortuna		200	n.a.

Morocco : Pricing

■ Retail Prices

€ / Pack of 20	2000	2001	2002	2003	2004	CAGR
Marlboro	2.46	2.46	2.46	2.63	2.81	3.4%
Gauloises					2.19	---
Fortuna					1.75	---
Marquise	1.27	1.27	1.27	1.32	1.36	1.7%
Olympic	0.57	0.57	0.57	0.66	0.70	5.3%
Casa	0.46	0.46	0.46	0.53	0.57	5.7%

■ Manufacturer Price

€ / Ku	2000	2001	2002	2003	2004	CAGR
Gauloises					31.60	---
Fortuna					25.20	---
Marquise	18.20	18.20	18.20	18.80	19.40	1.6%
Olympic	8.10	8.10	8.10	9.40	10.00	5.4%
Casa	6.20	6.20	6.20	7.50	8.10	6.9%

Morocco : Outlook

- **Price increase for Dark & local blonds cigarettes & stable level of all internationals**
- **More brand launches by Altadis to be expected in 2005**
- **Modernisation of the brand Marquise (“relifting”, range extension)**

MIDDLE EAST



Middle East : Volumes & Market Share

Strong dynamics for Altadis in the Middle East

	2000	2001	2002	2003	2004	CAGR
Market Size (Mu)	95,700	97,600	99,550	101,540	103,550	2.0%
Altadis Sales (Mu)	1,360	2,284	4,369	6,436	10,498	66.7%
Market Share	1,42%	2,34%	4,39%	6,34%	10,14%	---

Iran not included

Middle East : Pricing

■ Retail Prices

€ / Pack of 20	KSA	LBN	SYR	UAE	JOR
Premium	1.17	1.06	1.20	1.31	1.13
Gitanes	1.06	0.98	0.80	1.09	0.95
Gauloises	0.85	0.80	0.72	1,09	0.80
Medium	0.85	0.80	0.70	0.98	0.80
Royale 100'S	nd	0.53	0.56	nd	nd
Low	0.64	0.53	0.40	0.76	0.74
Hyper Value	nd	0.40	0.24	0.54	0.60

■ Manufacturer Price

€ / Ku	KSA	LBN	SYR	UAE	JOR
Premium (estimated)	22.40	16.80	16.80	22.00	16.70
Gauloises	11.20	11.60	11.60	17.20	11.85
Gitanes	17.60	14.00	14.00	17.20	14.32
Royale 100'S	nd	7.44	10.00	nd	nd

1 EUR = 1,25 USD

Middle East : Outlook

- **Gitanes and Royale in 100mm will be manufactured in Syria starting from 2005**
- **Increase of taxes and manufacturer prices is likely in Gulf countries**
- **Altadis reinforces its logistics and sales platform for the region in Dubai**

