



# Presentation to Investors



Paris, Thursday June 29<sup>th</sup>, 2006

[www.altadis.com](http://www.altadis.com)

# CIGAR B.U.

## Premium Cigar Market



# Introduction: Cigars global segmentation (I)

## **PREMIUM** ***PREMIUM IMAGE***

100% tobacco, long filler, hand made  
*100% tobacco (origin defined), short filler, machine made*

## **NATURAL**

100% tobacco, short filler, machine made

## **POPULAR**

Sheet Wrapper (homogenised tobacco), short filler, machine made

## **LITTLE CIGARS**

Homogenised tobacco, short filler, flavours, machine made

# Introduction: Cigars global segmentation (II)

**PREMIUM & PREMIUM IMAGE**



**POPULAR**



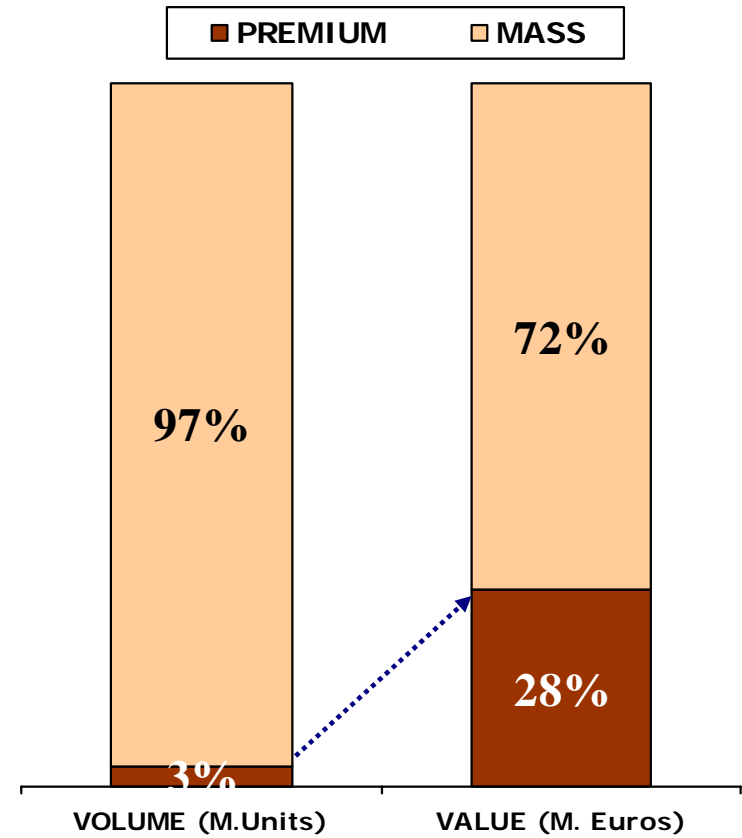
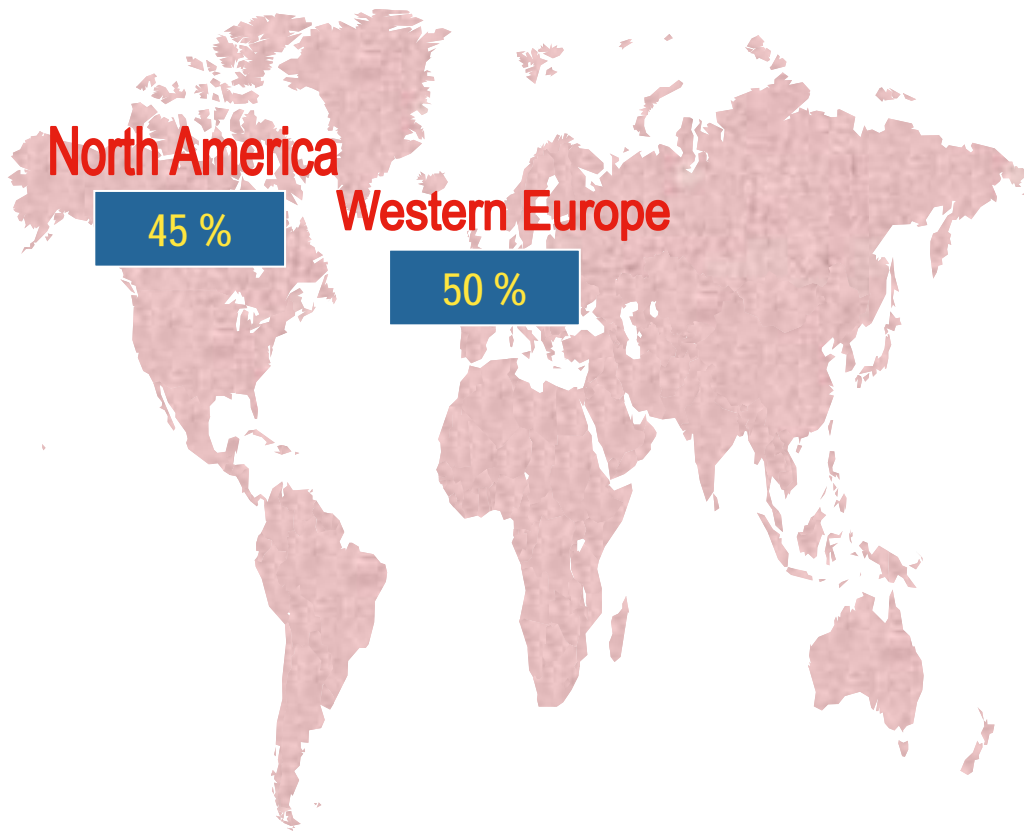
**NATURAL**



**LITTLE CIGARS**



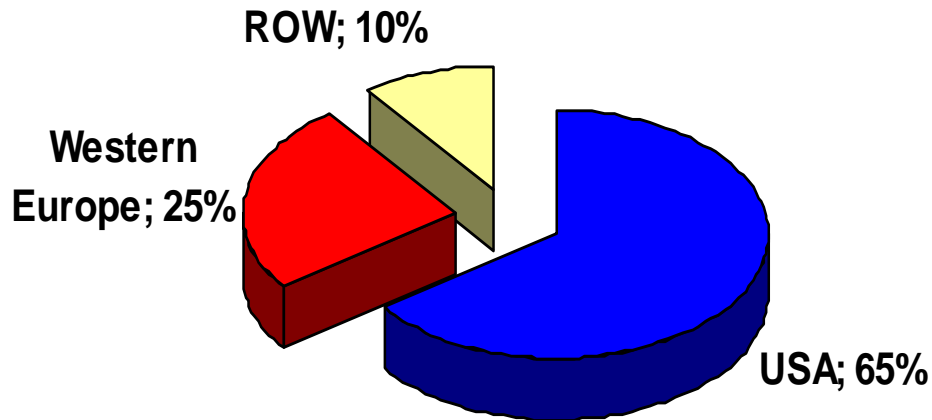
# Premium cigar market represents low volume and high value



95% in W.Europe & North America

# Premium cigar main markets and origins

Geographical Areas



## Origins

■ Cuban origin represents 25% S.O.M. worldwide and 70% excluding US market

■ More than 40% of the worldwide consumption is manufactured in Dominican Republic, mainly for the US Market

■ Other manufacturing origins: Honduras, Nicaragua, Mexico,...

# Altadis is the most important player in the Premium cigar market

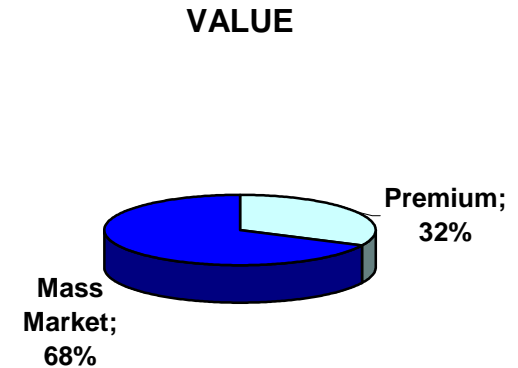
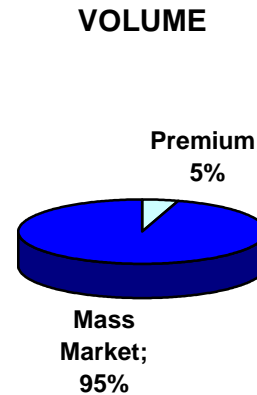
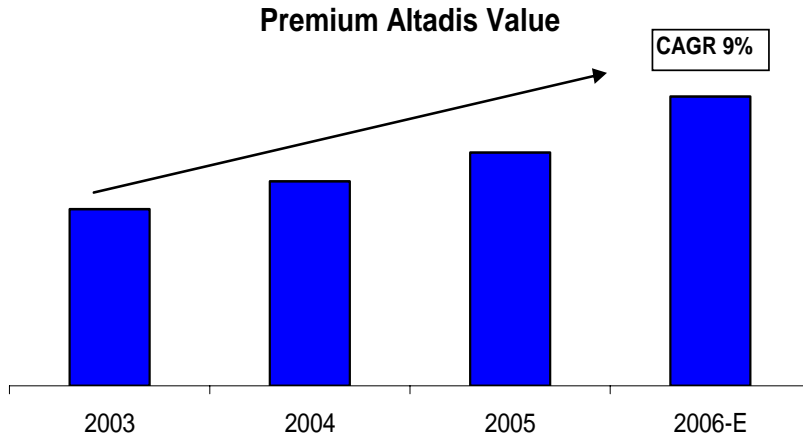
USA

- **Altadis USA** (one of the most important players in the US): Manufacturing and Wholesaling
- **800 JR Cigars** ( the largest Premium cigar distributor): Distributing and Retailing

Europe and  
R.O.W.

- **HABANOS** through its International Distribution Network. Market leader excluding US market
- **Altadis Brands**. Mainly in:
  - ➔ Spain: Vegafina
  - ➔ France: Pléiades, Flor de Copán
- Increasing presence in other markets driven by **Cuban mechanised cigars** (Mini Cuban)

# Altadis Premium: outstanding sales track record



■ Premium segment is an essential element of the Altadis cigar strategy, focusing on value and profitability

■ And at the same time, it is a key tool for the development of the Cigars market in emerging areas, which show high potential of future organic growth.



# Company profile

- Owner of the famous cuban trade marks registered in most of the countries around the world
- Exclusive exporter of cuban tobacco leaves and all the Havana cigar brands
- World leader in premium cigar sales
- Present in more than 120 countries from all five continents

# Habanos' business approach

- Total Quality as a main concept: product, packaging, logistics. We sale image, brands and quality as a luxury appeal
- Focus on Global Brands
- Cover all the segments of the market through the appropriate brand
- Novelties: launch of new cigars
- Create trends in the market, keep alive the tobacco culture, appeal new consumers
- Portfolio upgrade: Limited Editions, Special Humidors, Vintage Cigars, Reserves,...

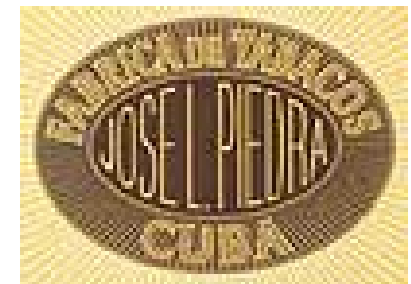
# Habanos' brands and products

- 28 Havana brands of hand made cigars
- 80 factory sizes (vitolas de galera)
- 240 references
- Each brand has its own particular style and personality

# Brands

**Habanos** s.a.

Global brands:



**HOYO DE MONTERREY**



# Brands

## Global brands:

### Flavour

### Identity

**Cohiba**

Medium

- “The Master’s choice”
- Success

**Montecristo**

Half-strong

- “The reference”
- Classic

**Romeo y Julieta**

Medium

- “The passion”
- Aroma

**Partagás**

Strong

- “The character”
- Personality

**Hoyo de Monterrey**

Light

- “The discovery”
- Smoothness

# Brands

## Multilocal & local brands

- Bolivar
- Diplomáticos
- Fonseca
- Juan López
- La Gloria Cubana
- La Flor de Cano
- Por Larrañaga
- Punch
- Quai d'Orsay
- Quintero
- Rafael González
- Ramón Allones
- Rey del Mundo
- Saint Luis Rey
- Sancho Panza
- Vegas Robaina
- Vegueros

## Niche brands

- Trinidad
- San Cristóbal de la Habana
- Cuaba

# Pricing strategy

- Luxury product: lower price sensitivity
- Clear price positioning per brand
- Margins enhanced by specialties
- Trend toward harmonizing prices by similar group of markets

- Reserves



- Specialties



- Limited Editions





# Habanos' distribution

## ***Worldwide Distribution Network***

### ■ Import & Wholesales:

→ 31 Exclusive distributors

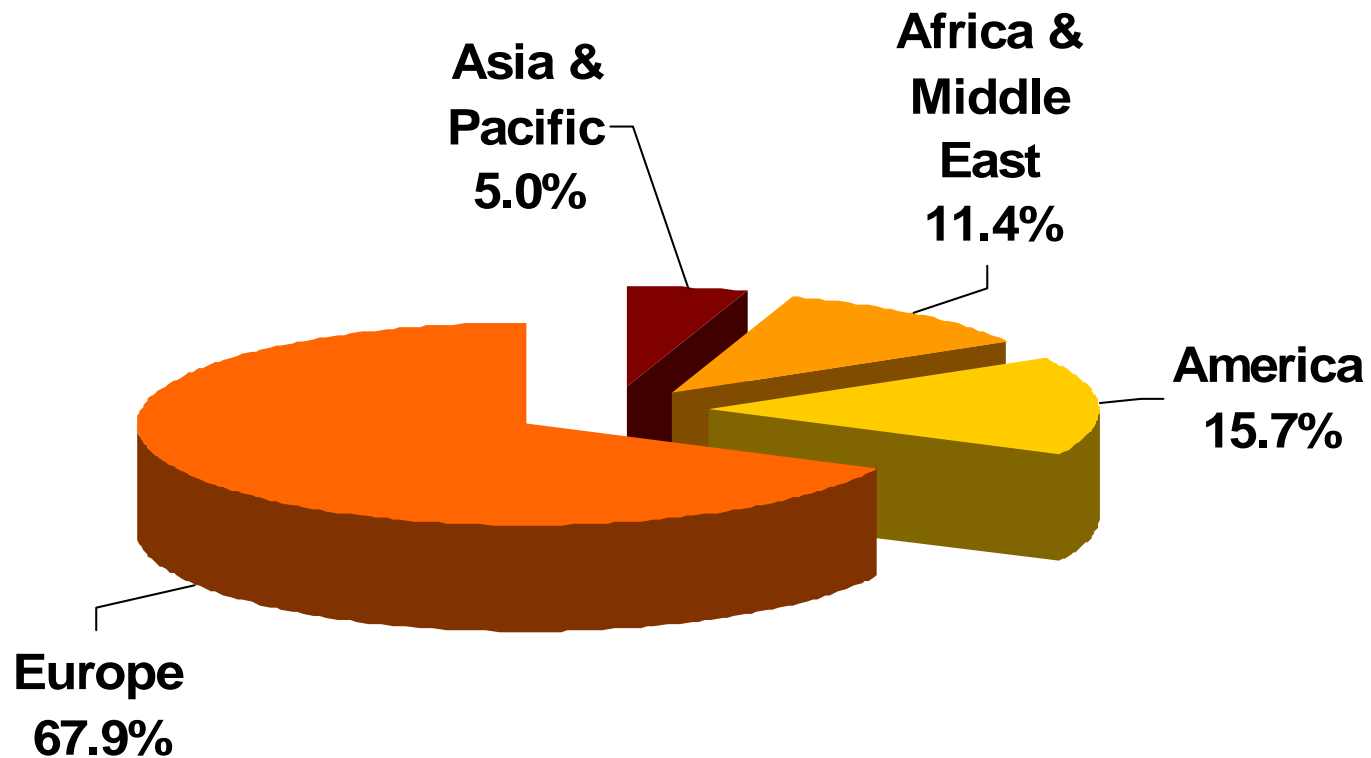
### ■ Retail:

→ Skimming approach toward specialized outlets

→ Franchise concept: **"Casa del Habano"**

# Exclusive distributors

Geographical breakdown of the sales – 2005



# Casas del Habano

100 Casas del Habano in 46 countries

- Exclusivity
- Quality
- Assortment



# Promotional approach

## ■ Luxury products management:

- Based upon brands/origin
- Focus on global brands

## ■ Enables:

- Consumer to product (pull)

## ■ Through:

- Public Relations and Events
- Very selective advertising

# Conclusion

- Main role of the Premium segment: high value and profitability vs. low volume
- Altadis is N° 1 worldwide in the Premium cigar market
- Significant opportunity to improve our position in the biggest Premium world market (US)
- HABANOS is the key driver for developing business, specially in emerging markets