

Altadis Cigar

Returning the US Market to Growth

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London, December 1st, 2006



www.altadis.com

Altadis Cigar Division Overview

- Altadis is the **worldwide leader in the cigar sector**, being also the leader in 3 of the major cigar markets (United States, France, Spain)
- Is the **number one in the Premium Segment worldwide** through Habanos brands.
- The cigar products of the company are **present in more than 120 countries** around the world.



Altadis Cigar Division in 2005

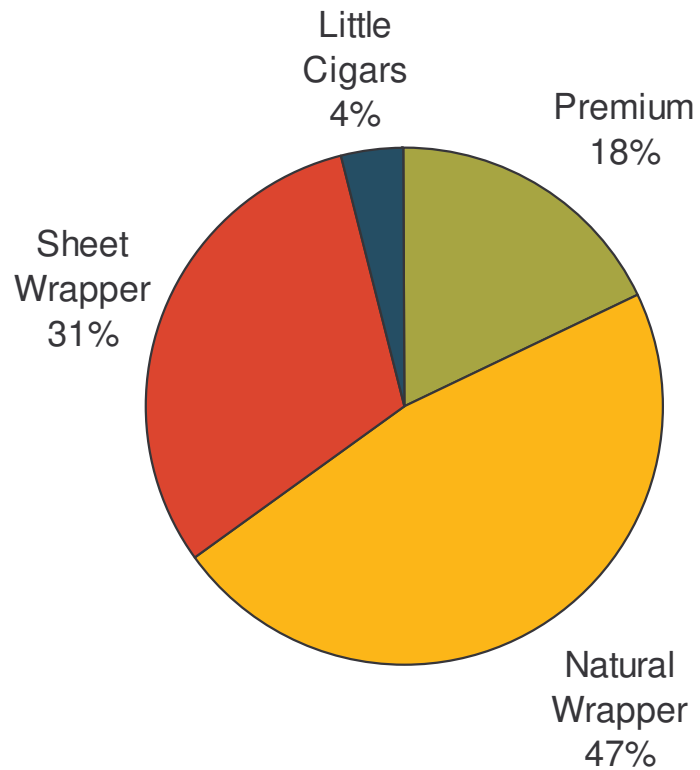
	2005
Volume	3.4 bn units
Economic Sales	€ 885 mn (22% of Group's)
EBITDA	€ 254 mn (21% of Group's)
EBITDA Margin	28.7% (+3.1 points vs. 2004)
Headcount	10,760 (37% of Group's)

- Unique portfolio of brands and products
- Portfolio upgrading and cost efficiency
- Innovation and maximum quality
- Solid distribution network

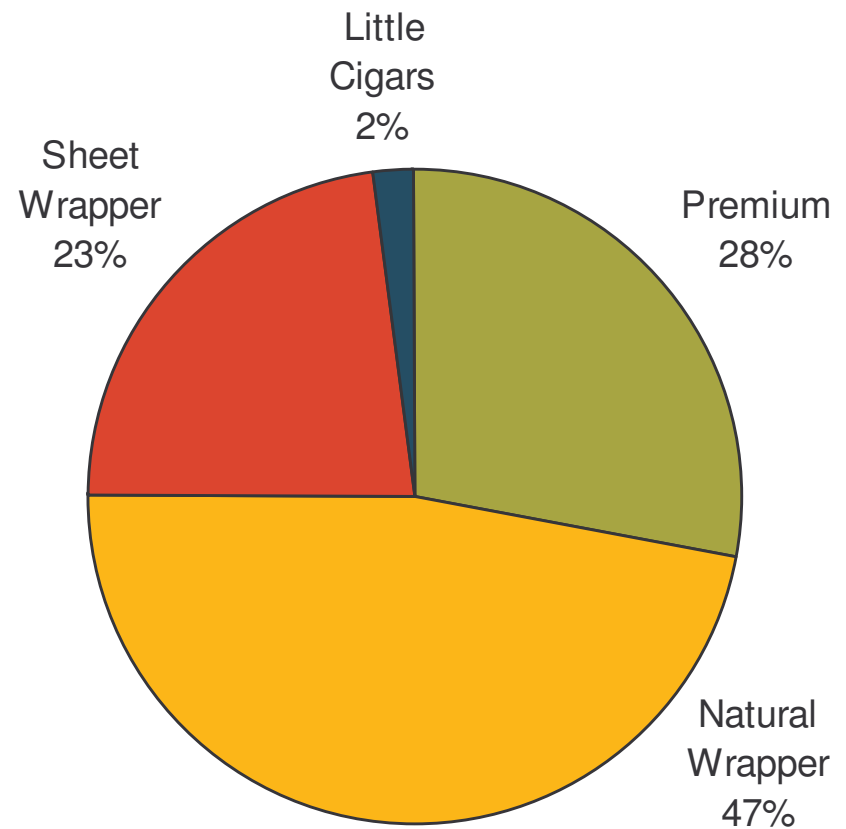
Altadis Cigar: Portfolio Upgrade

Cigar Sales (€) by SEGMENT

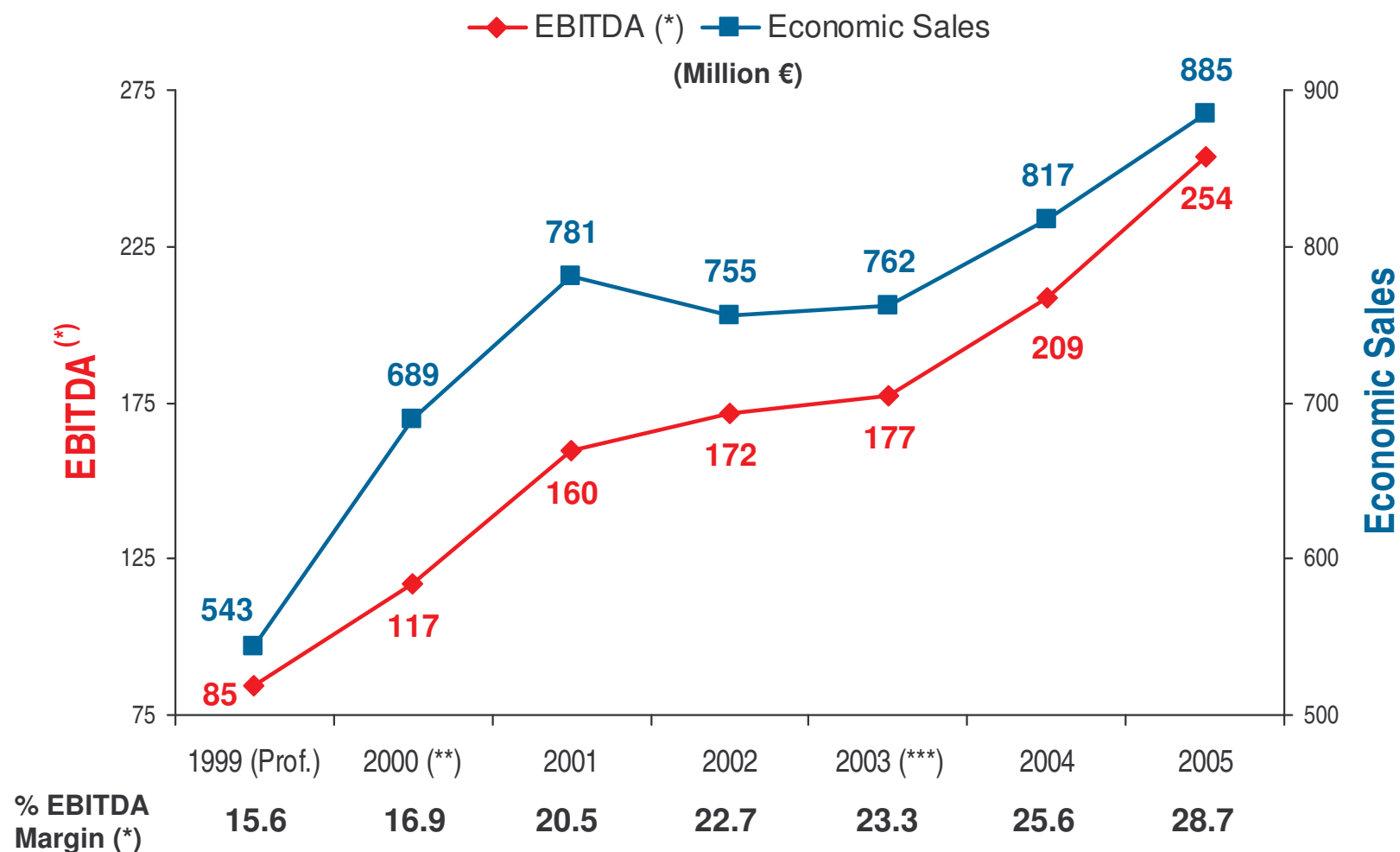
1999: 520 M€



2005: 774 M€



Altadis Cigar: Growth Development



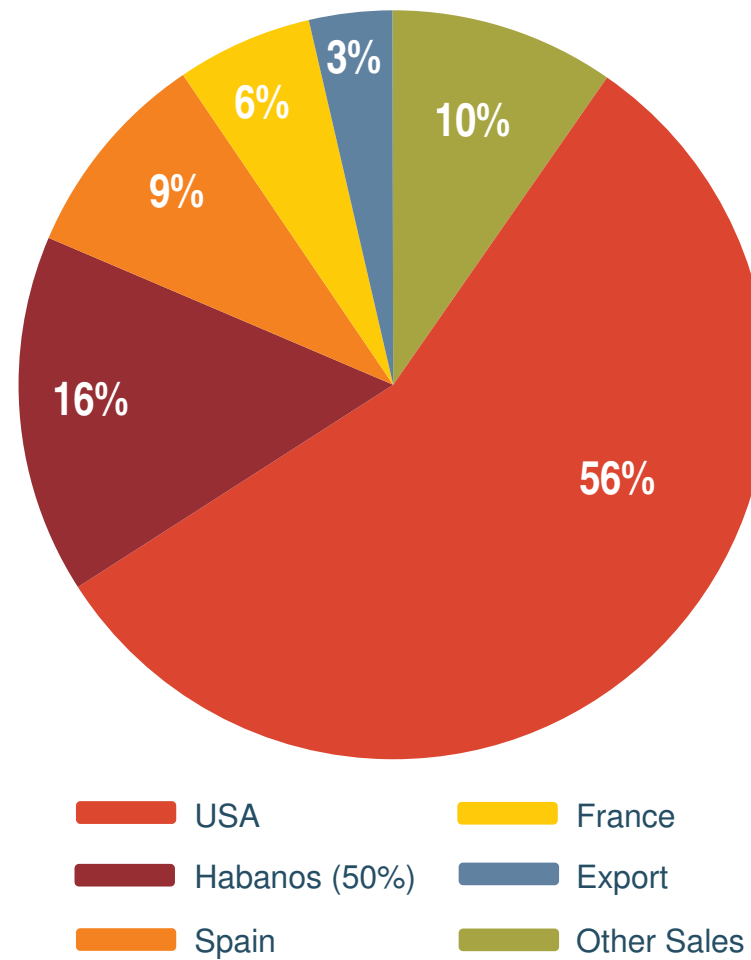
(*) From 2004 EBITDA prepared in accordance with IFRS

(**) Acquisition of 50% HSA and merger of USA entities

(***) Acquisition of 800 JR Cigar

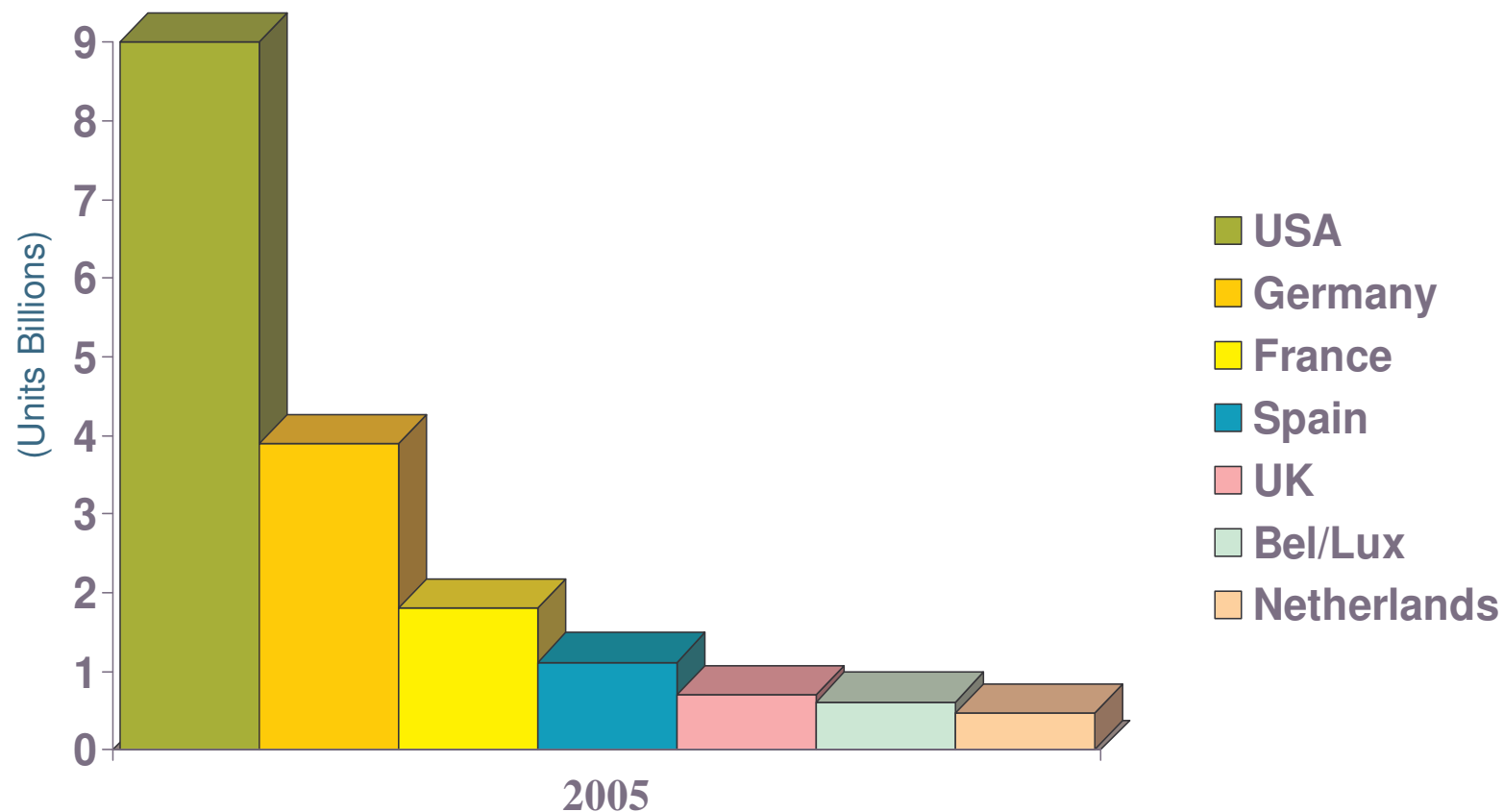
Altadis Cigar: Sales

2006 YTD September
Economic Sales breakdown (€)



U.S. is the Largest Cigar Market in the World

Main Markets ⁽¹⁾⁽²⁾

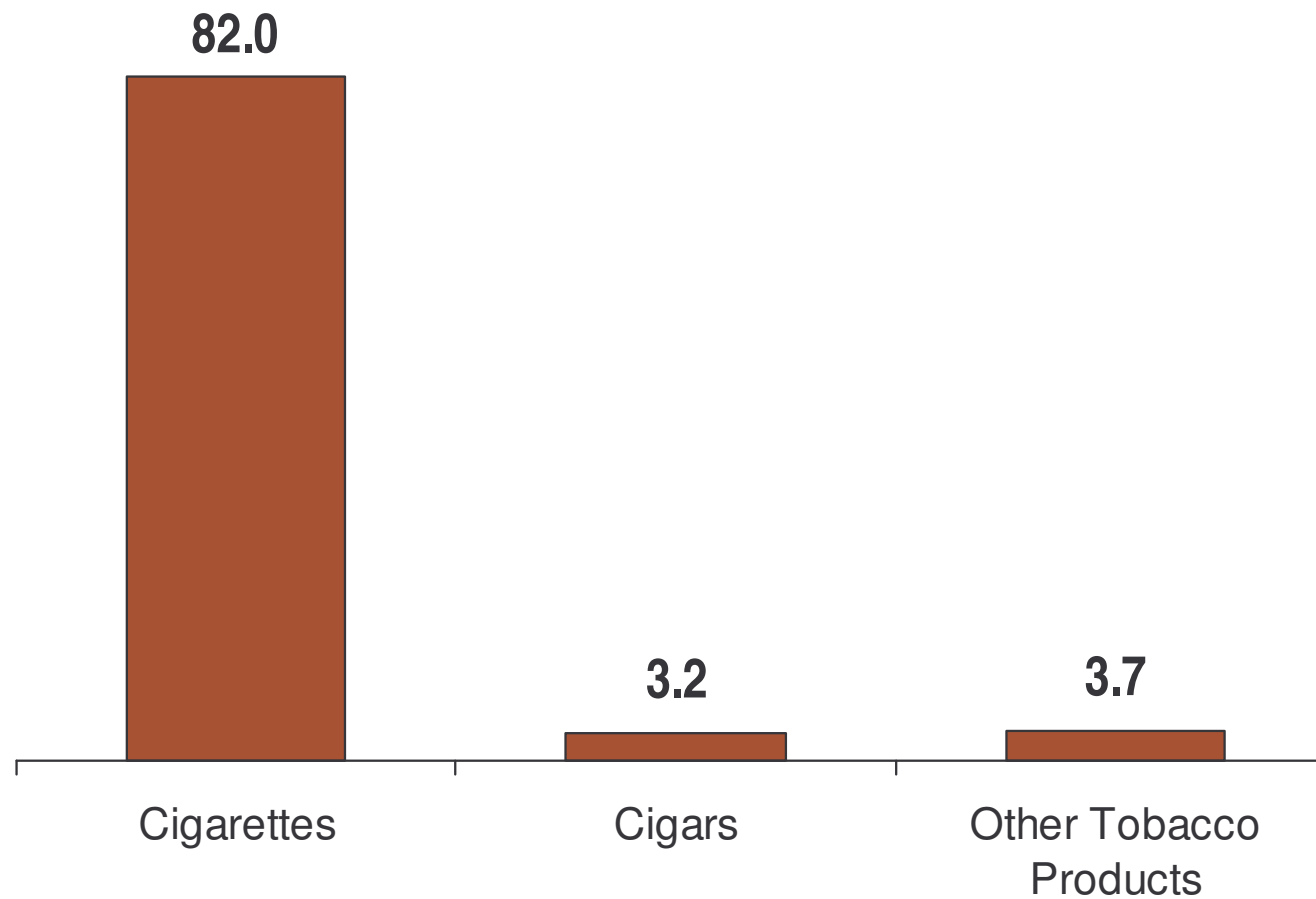


(1) Source: ECMA and TTB


(2) Including Little Cigars and Eco-Cigarillos

U.S. Tobacco Market Dimension

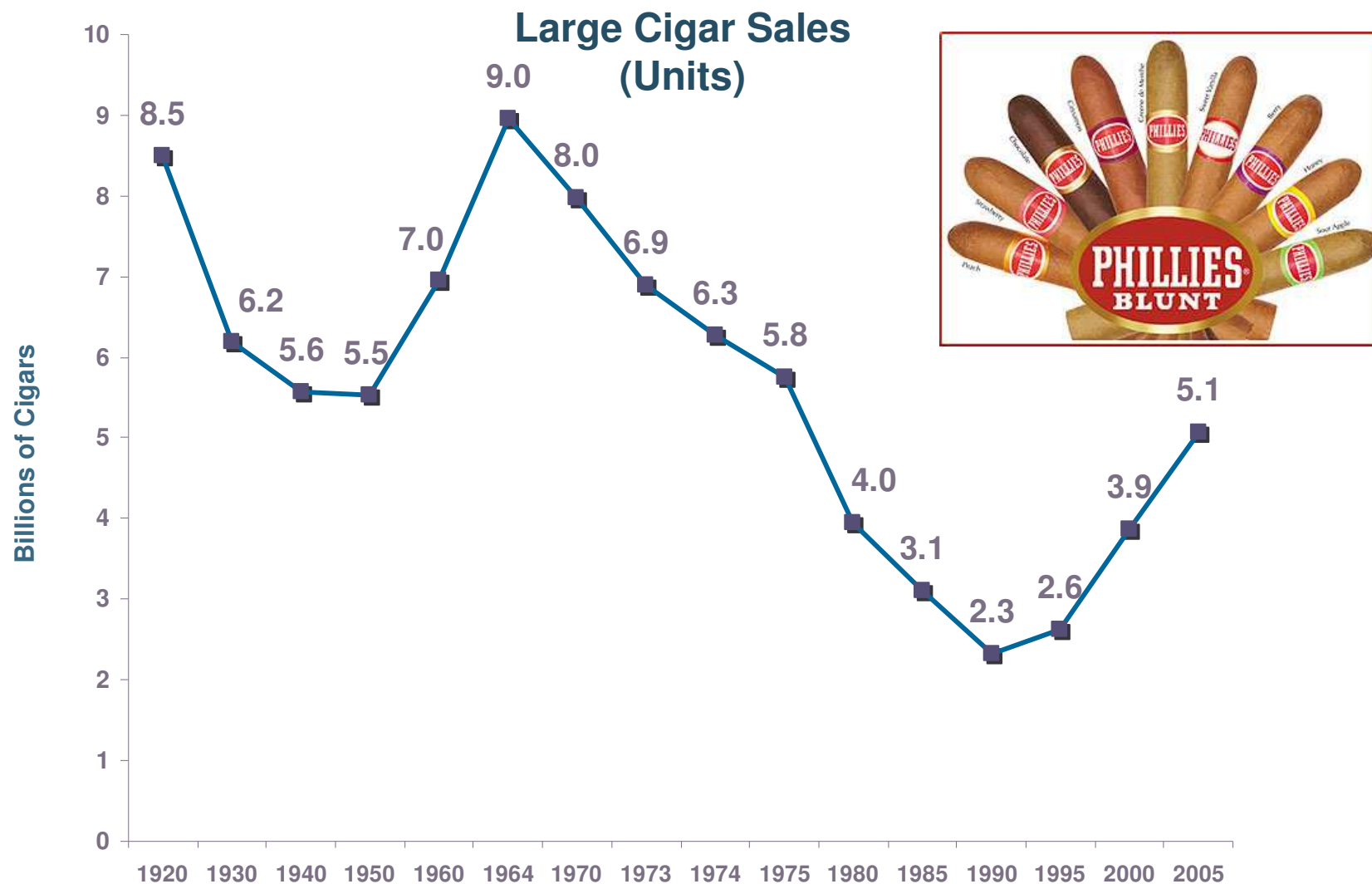
**Consumer Expenditures 2005
(Billion of Dollars)**



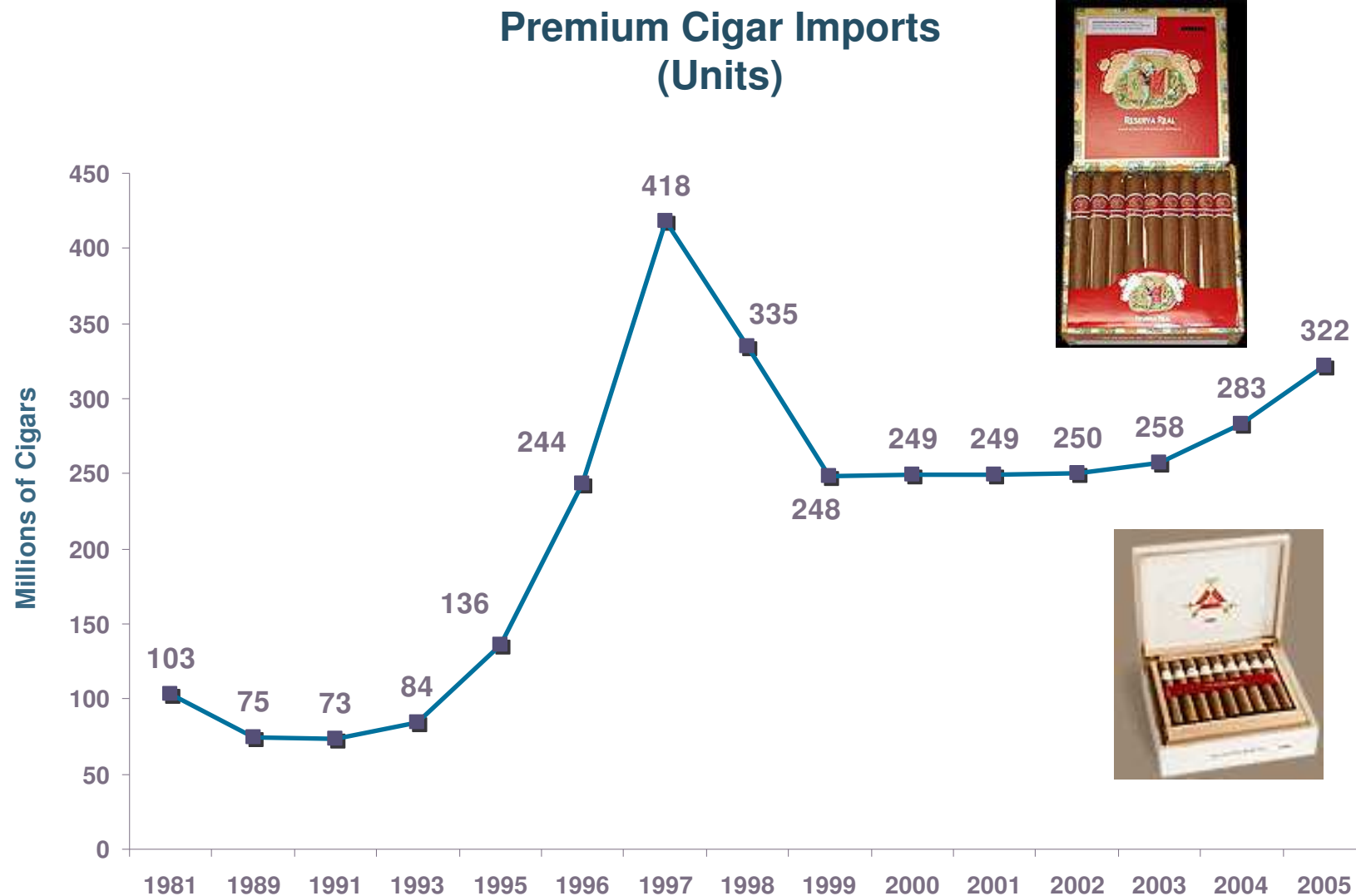
U.S. Market Segmentation

SEGMENT	Little Cigars	Sheet-Wrapper Mass-Market Large Cigars	Natural-Wrapper Mass-Market Large Cigars	Premium/Super- Premium Cigars
RETAIL PRICE	\$0.05 - \$0.12	\$0.15-\$0.60	\$0.30-\$1.65	\$1.00-\$20.00
DESCRIPTION	<ul style="list-style-type: none"> Machine-made Man-made wrapper Short Filler 	<ul style="list-style-type: none"> Machine-made Man-made binder and wrapper Short filler 	<ul style="list-style-type: none"> Machine-made Natural wrapper Generally man-made binder Short Filler 	<ul style="list-style-type: none"> Hand-made Natural wrapper and binder Long filler
		 	 	

U.S. Market: Positive Trend Fueled by Innovative Products



U.S. Market: Current Growing Trend After 1994-1997 « Boom »

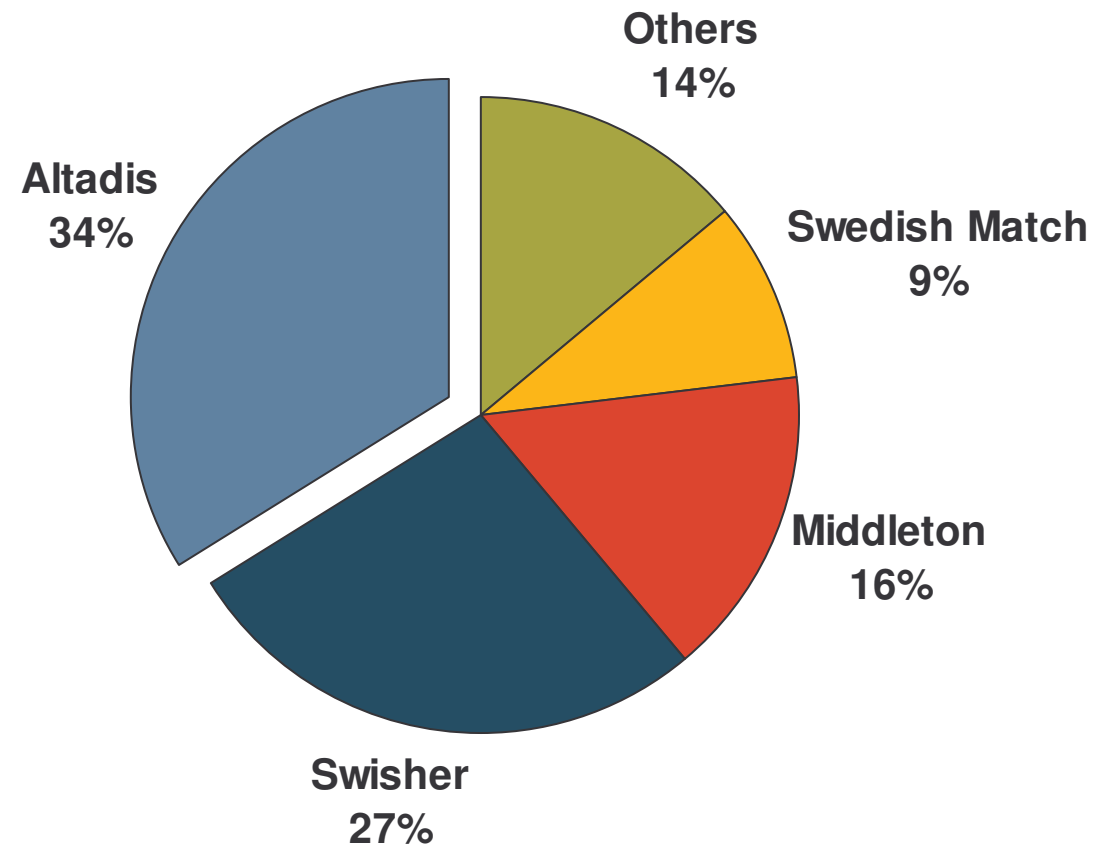


U.S. Market: Dynamic Growth Due to New Entrants to Category



Altadis U.S.A.: The Market Leader in the Large Cigar Segment

**2005 Large Cigar Market Share
(Units)**



Source: Altadis Estimates

Altadis U.S.A.: The Market Leader in the Large Cigar Segment

Altadis USA has 6 of the top 10 selling brands

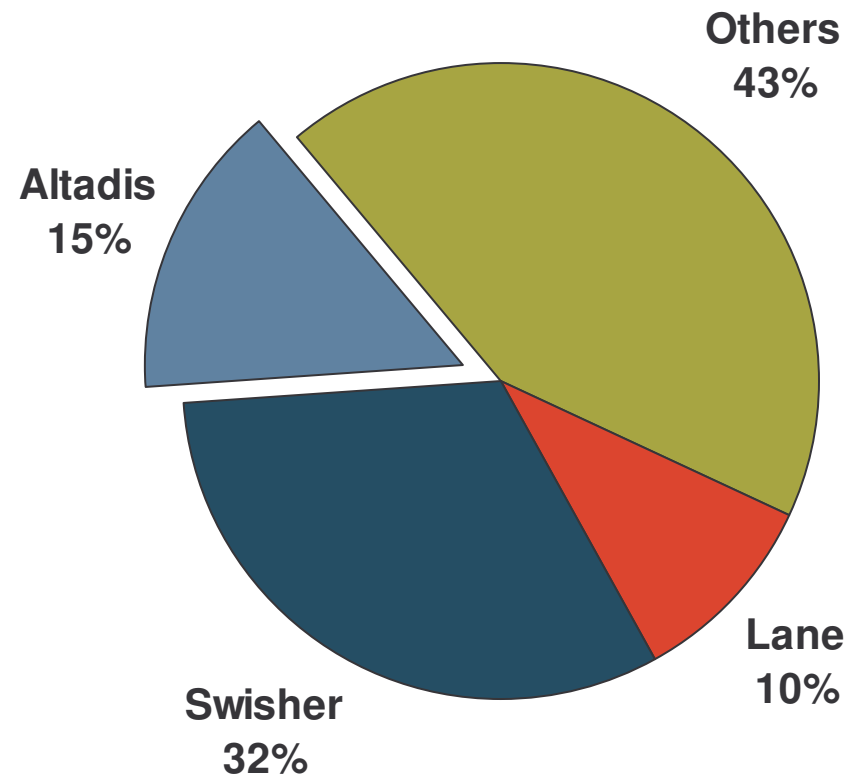
Cigar Rank	Cigar Brand	Company
1	Swisher Sweets	Swisher
2	Phillies	Altadis USA
3	Middleton	John Middleton
4	Dutch Masters ⁽¹⁾	Altadis USA
5	White Owl	Swedish Match
6	Backwoods	Altadis USA
7	Havatampa	Altadis USA
8	Garcia y Vega	Swedish Match
9	Antonio y Cleopatra	Altadis USA
10	Muriel	Altadis USA

(1) Dutch Masters is the Number One in Natural Wrapper category.

Source: The Maxwell Report 2005

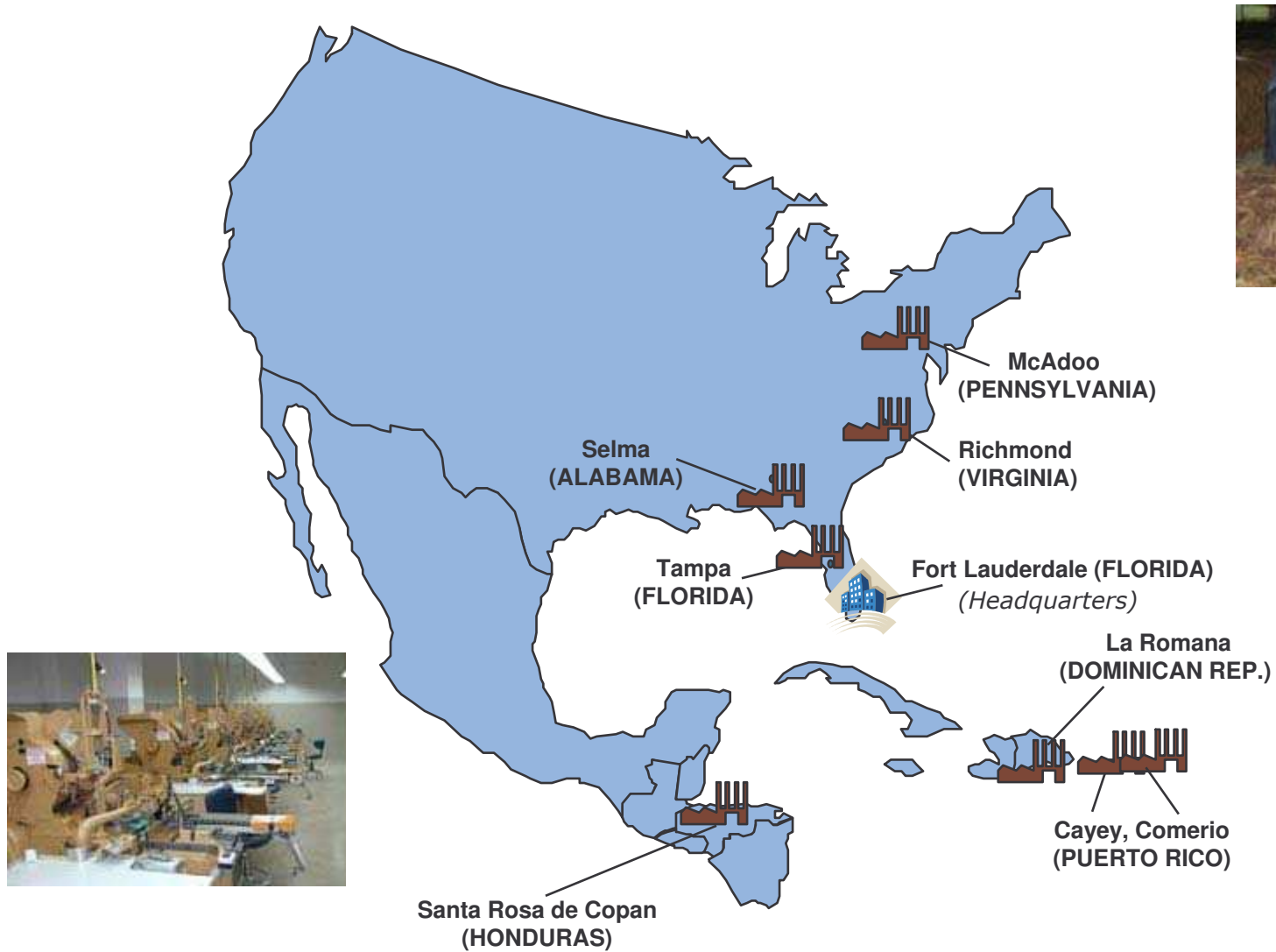
Altadis U.S.A.: One of the Key Players in the Little Cigar Segment

2005 Little Cigar Market Share
(Units)



Source: Altadis Estimates

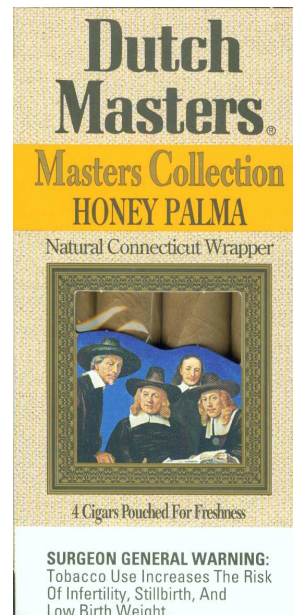
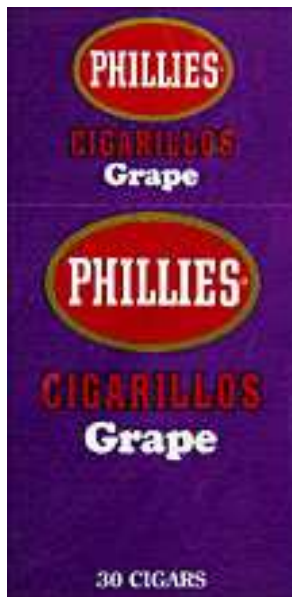
Diverse Manufacturing Locations



Continues Leading Innovation

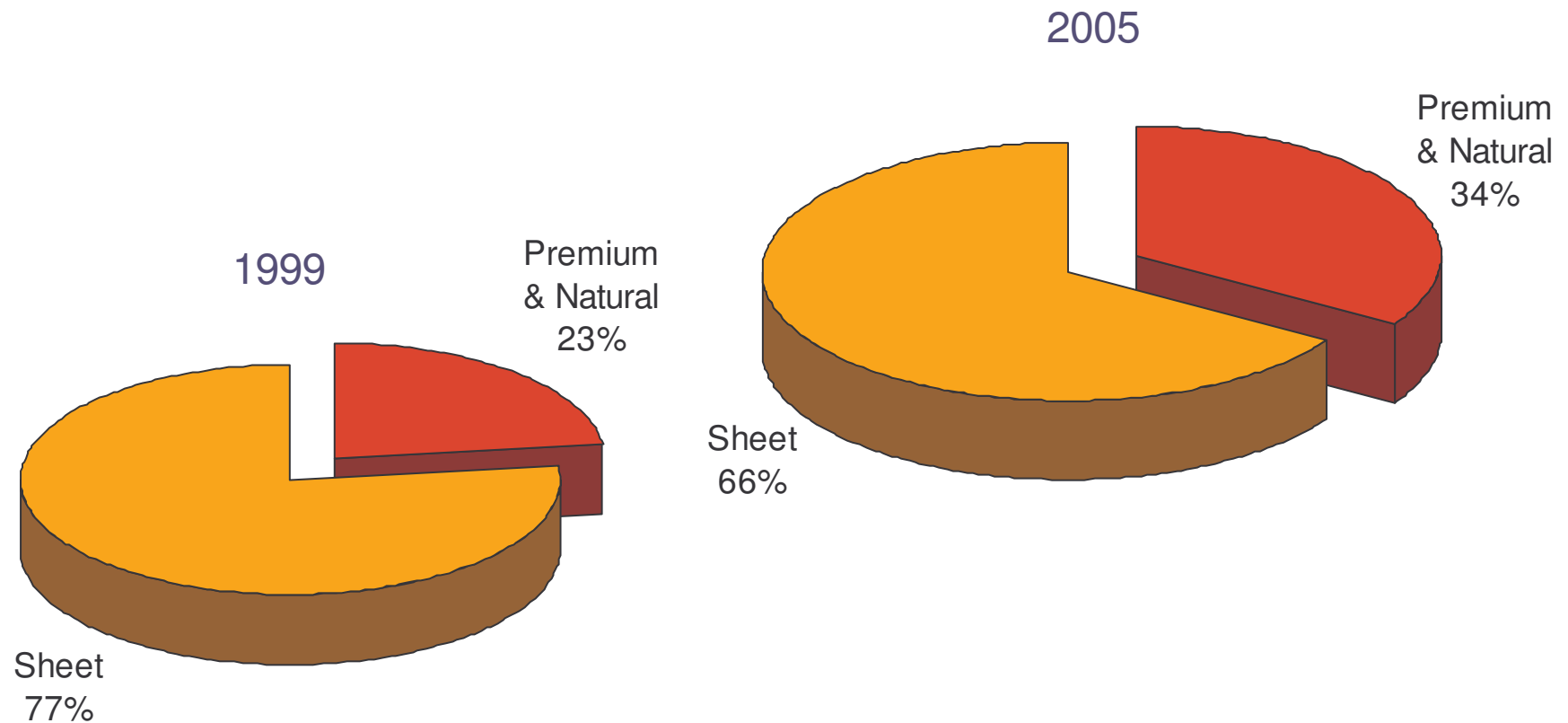
- Product innovation (flavored cigars, sizes, packaging,...) supported with aggressive marketing has proven to be a key in producing sales results

New products in 2006



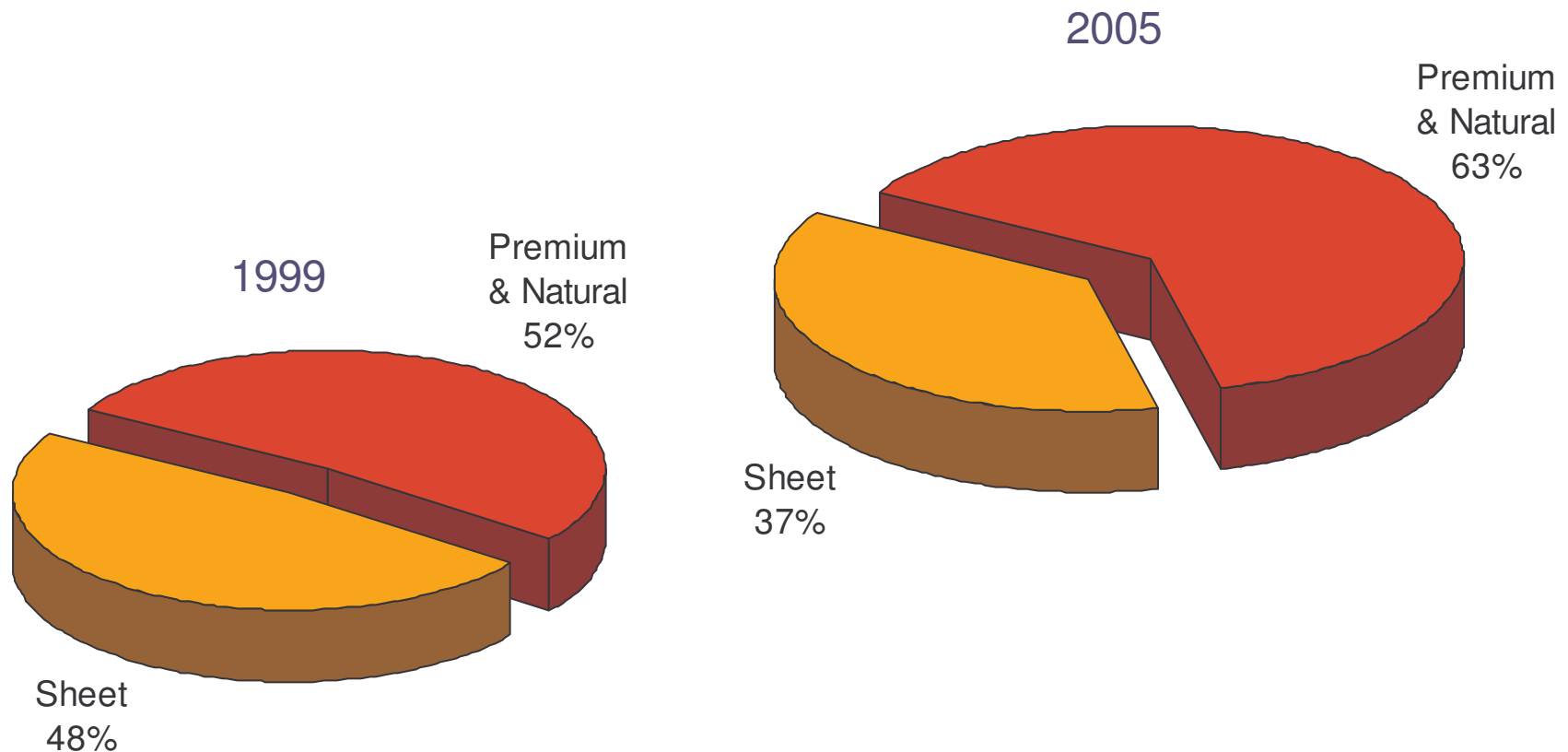
Portfolio Trends Towards Natural and Premium Cigars (I)

**Altadis USA Domestic Sales
(Units)**



Portfolio Trends Towards Natural and Premium Cigars (II)

**Altadis USA Domestic Sales
(Dollars)**



Access to the Market

■ Premium Cigars:

Sold primarily in tobacconists, mail order, and internet

- Over 3,000 tobacconists buy directly from the company

■ Mass Market Cigars:

Sold primarily in convenience stores, cigarette/tobacco stores, mail order, chain drugstores, mass market discounters, independents and wholesalers

- Over 1,500 wholesalers and chains buy directly from the company

Key Drivers

- Our people and their dedication
- Our dedicated Sales Force
- Portfolio of well-known brands
- Major presence in every sub-category of cigars
- Creativity of new products and concepts
- Focus on margins
- Speed to market – fastest in industry
- Speed to meet competition when required



Altadis U.S.A. Performance

