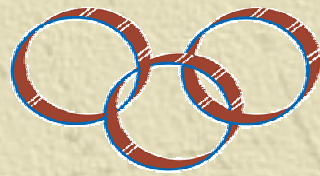


REGIE DES TABACS
PRESENT SITUATION
AND PERSPECTIVES



JANUARY 20 th, 2004

Larbi Bellaha - Yves Rica



Summary

- **Overview**
- **Key assets**
- **Development strategy for 2008 onwards**
- **Conclusion**



OVERVIEW



Overview

➤ **Founding date** : 1967

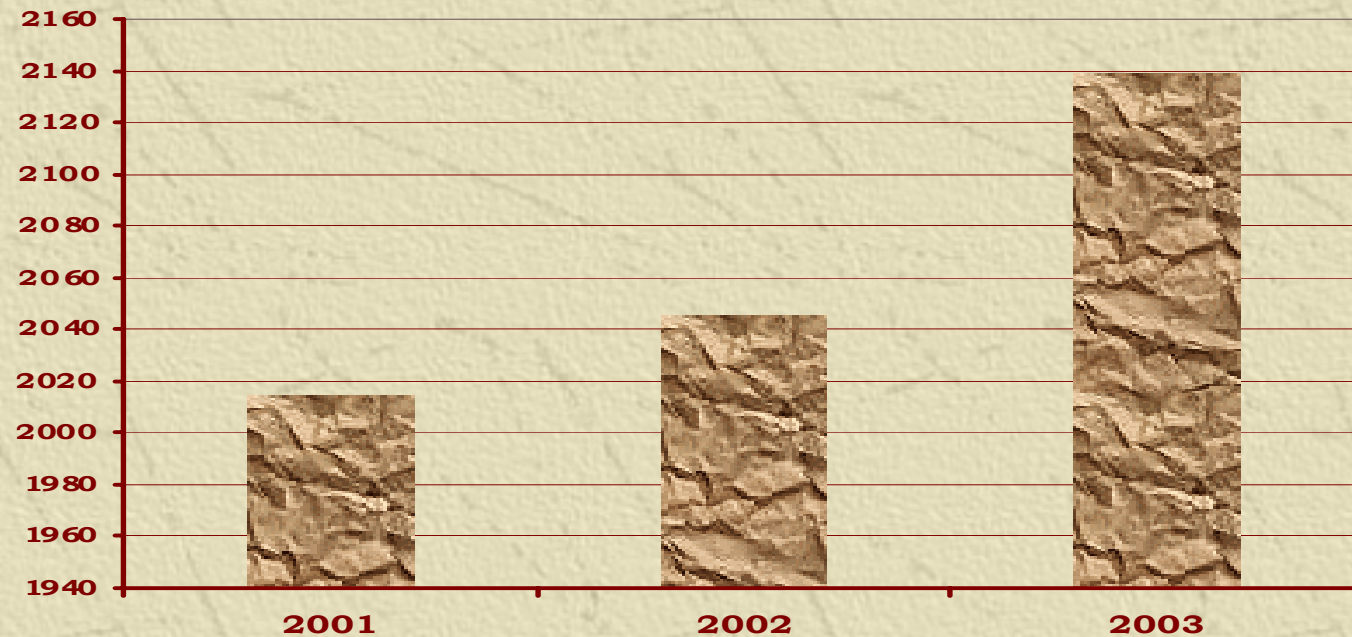
➤ **Legal form** : « Société Anonyme à Directoire et à Conseil de Surveillance »

(Joint Stock Company with Executive and Supervisory Boards)

➤ **Activities** : Monopoly of raw tobacco import and of manufacturing, imports and wholesale distribution of manufactured tobacco products



Economic sales



1999.2
M MAD

2045.5
M MAD

2130 *
M MAD

1USD = 8.75 MAD (January the 14th)
1EUR = 11.10 MAD

* Preliminary results



Overview

- **2003 Sales Volume : 14.2 GU**
 - Moroccan blond cigarettes : 6.1 GU (43 %)
 - Moroccan dark cigarettes : 5.8 GU (41 %)
 - Imported cigarettes : 2.3 GU (16 %)

- **Local products take advantage of a large brand awareness : three key brands own 75% of the market**



Key products



Blond cigarette
Soft pack
K.S



Dark cigarette
Without filter
Soft pack R.S



Filter dark cigarette
Soft pack R.S



Blond cigarette
Box pack
K.S



Overview

➤ Production units :

- One blond cigarettes manufacturing plant
- Three factories of dark cigarettes
- One threshing centre
- One printing unit



Overview

- **2003 Production volume :11.5 GU**
 - **Blond cigarettes : 5.9 GU (51 %)**
 - **Dark cigarettes without filter : 3.8 GU (33 %)**
 - **Dark cigarettes with filter : 1.8 GU (16 %)**



Overview

Tobacco growing :

- **Régie des Tabacs carries out on behalf of the State and during a transition period (5 years) the technical assistance in tobacco growing through :**
 - 3 cultivation centres
 - 1 experimental facility
- **The cost of this technical assistance is taken in charge by the State**
- **Moroccan tobacco covers about 40% of the needs of Régie des Tabacs (mainly used for dark tobacco cigarettes)**



Overview

➤ **Distribution :**

- **Régie des Tabacs supplies 23,000 retail outlets**
- **The distribution network fully covers the national territory through :**
 - 4 Regional distribution divisions
 - 27 Distribution centres



Geographical implantation of the distribution network





KEY ASSETS



Key assets

- **Monopoly status, until December 31st 2007, on a market offering considerable growth potential :**
 - Population structure and evolution
 - Changes in consumer behaviour
 - Increase of spending power
 - Tourism development



Key assets

➤ A favourable regulatory and legal environment:

- **Fiscal system :**
 - **Tax incidence stable and lower than in most of the European countries (66% of retail sale price)**
 - **The tax structure is made up of VAT and Excise Tax (TIC)**



Key assets

➤ A favourable legal and regulatory environment :

- Retail sale prices will be fixed by the Moroccan authorities until July 2006 and afterwards will have to be authorized by them: (barrier against price war)
- Price tree :
 - ✓ International : 30 MAD/ Pack
 - ✓ Local blond : 15 MAD / Pack
 - ✓ Dark with filter : 7.5 MAD / Pack
 - ✓ Dark without filter : 6 MAD / Pack



Key assets

- **Régie des Tabacs owns a large real estate patrimony with a market value of nearly 2 billion MAD (lands, factories, buildings...)**
- **Some unused assets can be divested :**
 - Potential gains on the sale of assets
 - Reduction of operating costs



DEVELOPMENT STRATEGY UNTIL 2008 AND ONWARDS



Principal axes of the development strategy

- **Sales development**
- **Industrial restructuring of the dark cigarettes sector**
- **Distribution upgrading and development**
- **Management styles and organization evolution**



Development of cigarette sales

➤ To develop and enhance ALTADIS position on the Moroccan market and to prepare the sector liberalization in 2008

- Improvement of quality and image of local products
- Take advantage of ALTADIS international brands
 - launches of Gauloises Blondes and Fortuna during the 1st half of the year 2004
 - subsequent launches of other brands
- Price strategy adaptation
- Commercial and marketing actions development
- Creation of a professional sales force



Development of cigar sales

- **Dramatic drop of the tax incidence on cigars in 2004 :**
 - ◆ **Excise Tax rate : 59,4% ⇒ 15%**
 - ◆ **Total tax incidence : 66% ⇒ 29%**
- **Drop of retail sale prices :**
 - ◆ **- 55% in average**
- **Introduction of ALTADIS international brands :**
 - ◆ **Cohiba, Montecristo, Romeo&Julieta, Partagas...**
- **Creation of a specialised sales force**
- **Commercial and marketing actions**



Industrial restructuring of the dark cigarettes factories

➤ **The industrial restructuring of the dark cigarettes factories will be initiated by :**

- The closing down of Casablanca factory in November 2004
- Optimisation of the organisation
- Upgrading of the dark production tool



Distribution upgrading and development

- **Régie des Tabacs will take advantage of the density of the present network and of the historical commercial relationships in order to :**
 - **Set up an efficient and customer oriented logistic system**
 - **Remain the unique and unavoidable tobacco logistician on the market**
 - **Become a leading distribution operator in complementary products and services to the network (Contract concluded in 2003 with Maroc Telecom for the distribution of phone cards)**



Phone cards distribution

- **Three years exclusive contract with Maroc Telecom for distribution of prepaid telephonic cards (fixed and mobile)**
 - A fast growing market of which Maroc Telecom controls 75%
 - An important potential development due to the density of our distribution network
 - Market share target:
 - 10% in 2004
 - 40% in 2008

- **Extension of phone cards distribution to the second national operator**



Management Styles and organization evolution

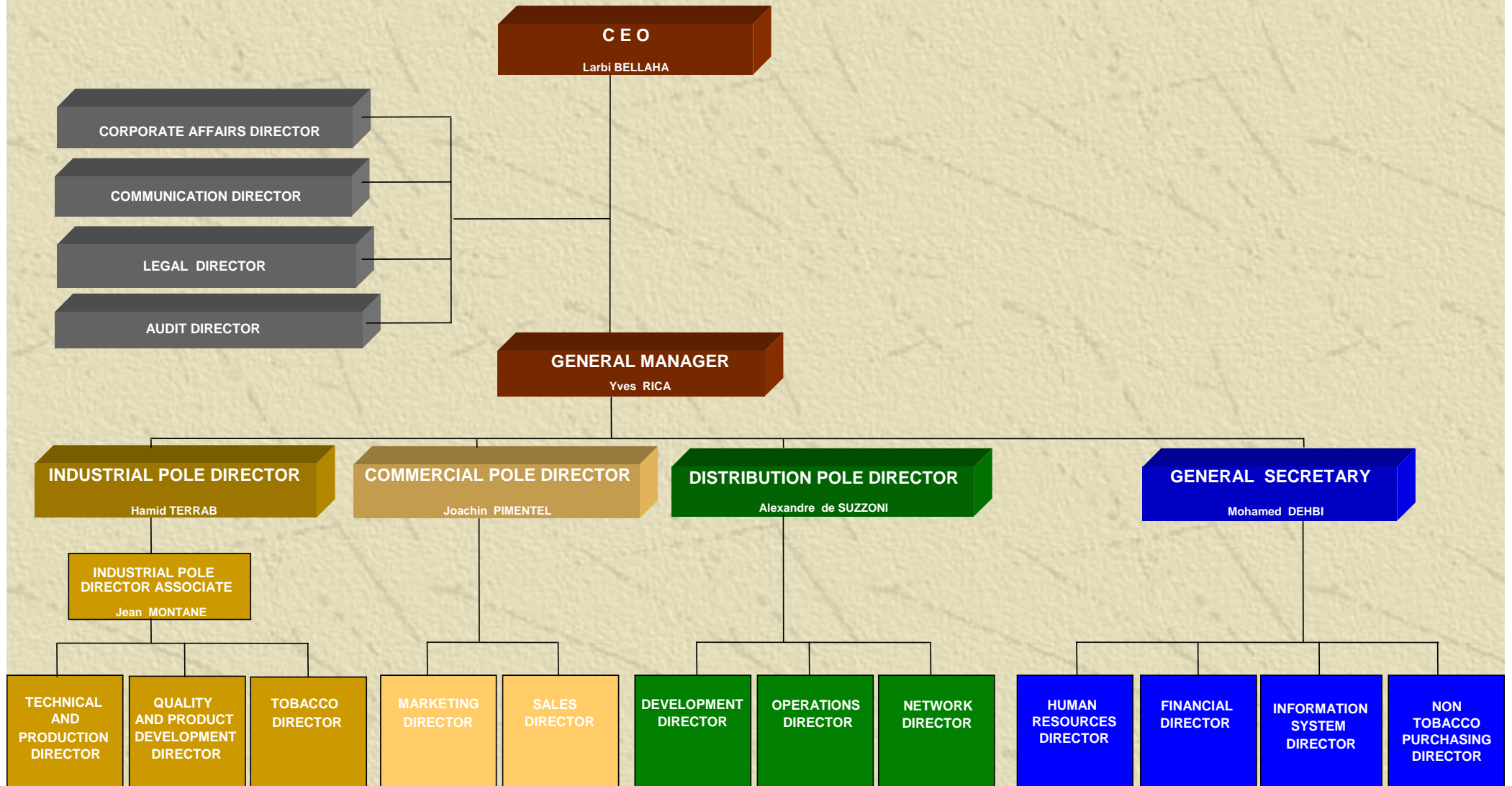
- **Through introduction of new management tools :**
 - **Setting up of the operational management control**
 - **Introduction of management by objectives**
 - **Human resources developement**



Management styles and organization evolution

- **A new organization has already been set up, targeting :**
 - **Development of synergies with Altadis group**
 - **Upgrading of key functions**
 - **Focusing on core businesses**

Organisation chart





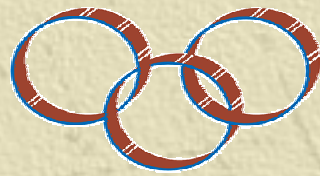
CONCLUSION



Conclusion

- A clear and ambitious strategy
- Key actions already launched
- A motivated and efficient team focused on its objectives and results

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