



Presentation to Investors



Paris, Thursday June 29th, 2006

www.altadis.com

CIGARETTE



 **Altadis**

Introduction

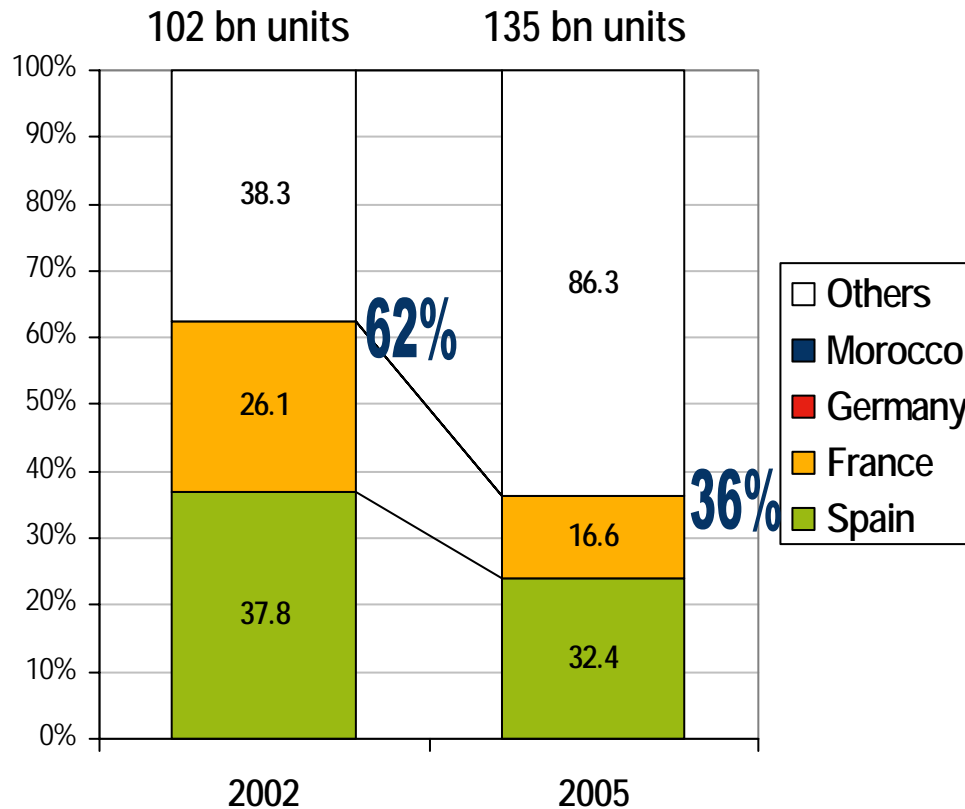
France + Spain

Altadis' Cigarette Business Unit has moved from a **two** pillars to a **four** pillars based model

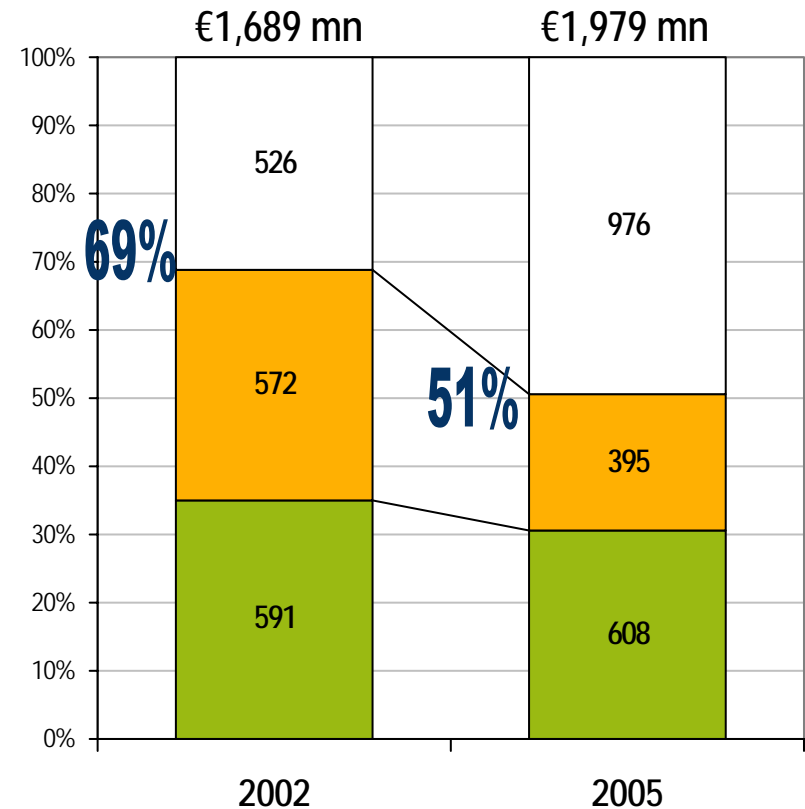
France + Spain + Germany + Morocco

PREVIOUS SITUATION: Altadis Cigarette Business was based on 2 key markets

VOLUMES



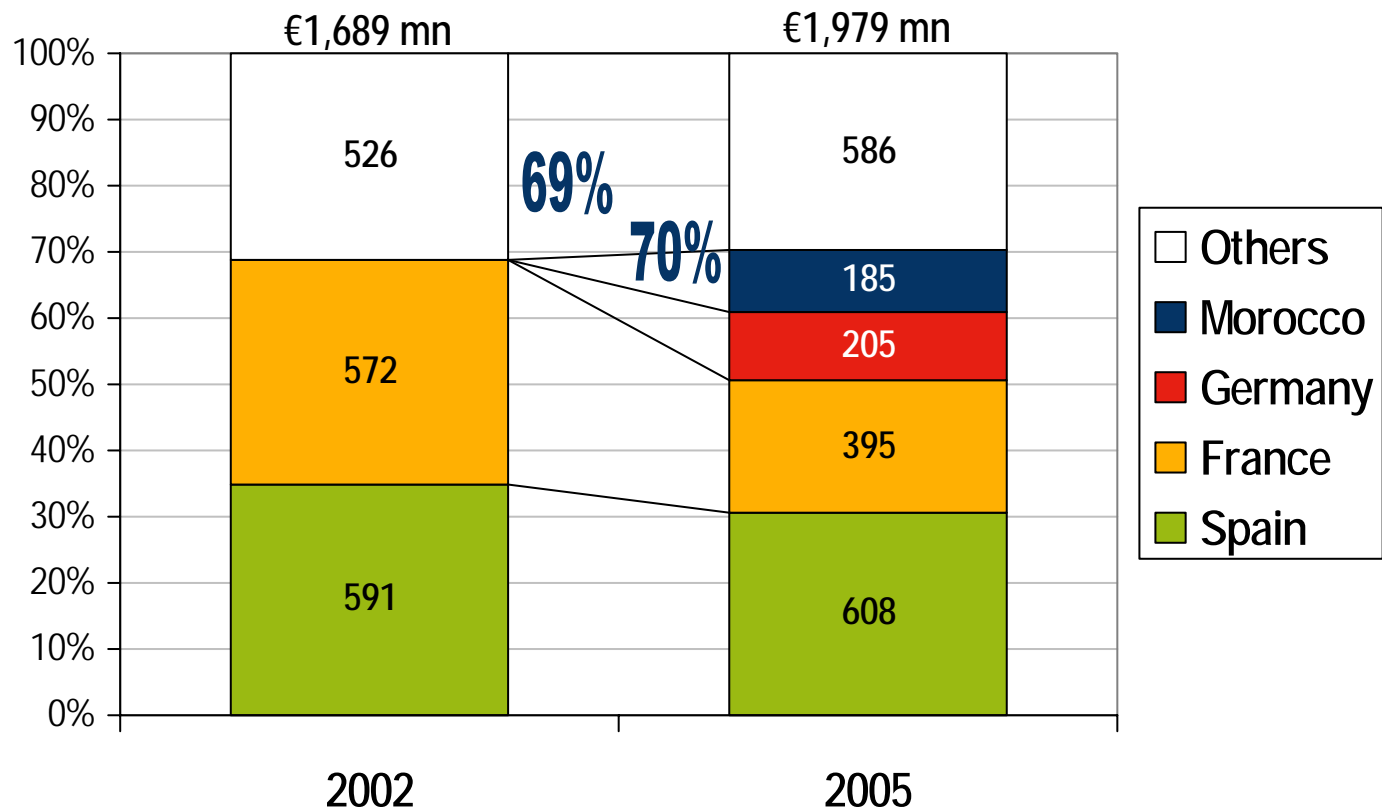
SALES



- Altadis is less vulnerable as business has grown outside of its traditional domestic markets

CURRENT SITUATION: Altadis Cigarette Business now relies very strongly on 4 key markets

SALES

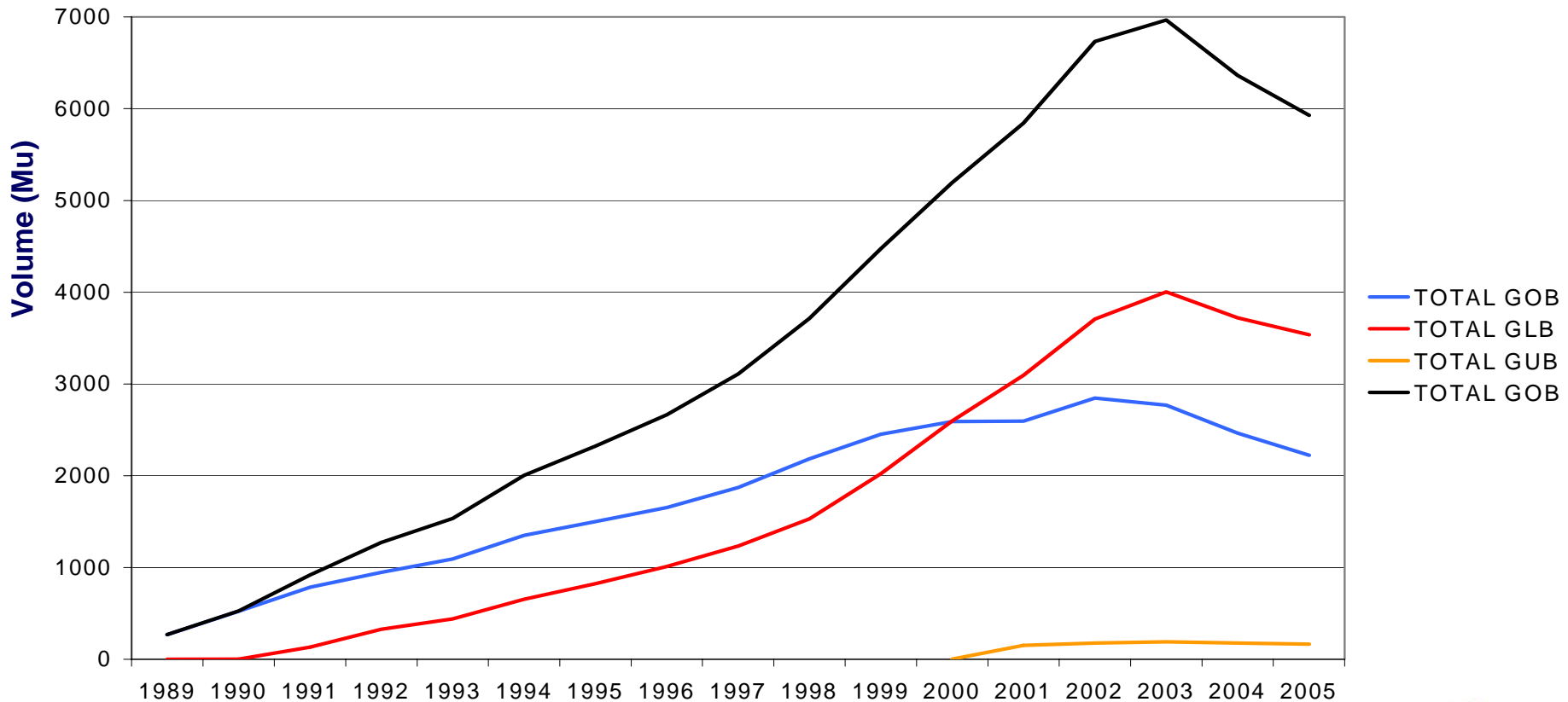


Lower vulnerability achieved through
organic and external growth

Organic Growth: Gauloises Blondes in Germany (Volumes)

This has been achieved through two different approaches:

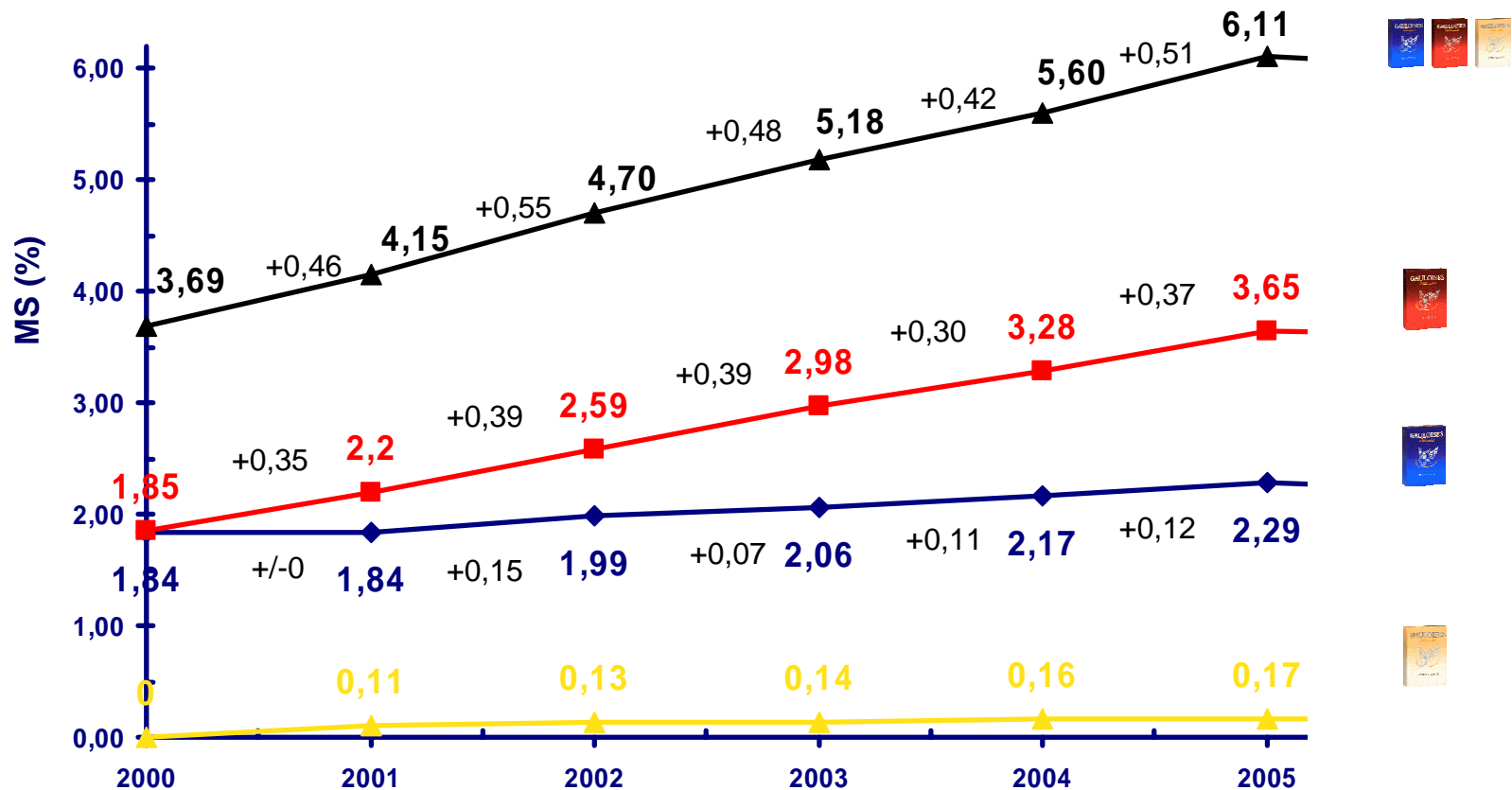
- Long term organic growth based on one key driving brand
- Recent drop in volumes reflects continued market share gain, but in a declining total market



Organic Growth: Gauloises Blondes in Germany (share of market)

This has been achieved through two different approaches:

- Long term organic growth based on one key driving brand

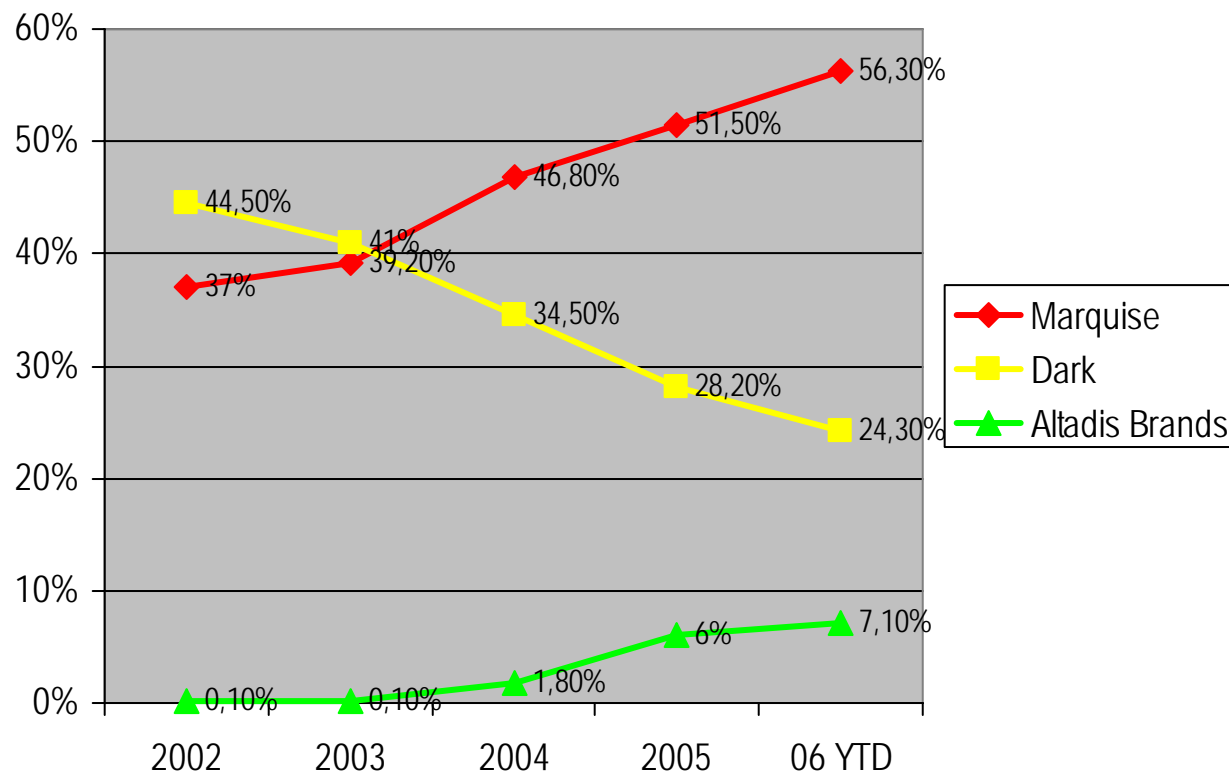


Acquisition: Morocco

This has been achieved through two different approaches:

- Short term external acquisition (Morocco), based on national and traditional upgraded portfolio, and driven by our international brands

Morocco: Market shares estimated on total cigarette market



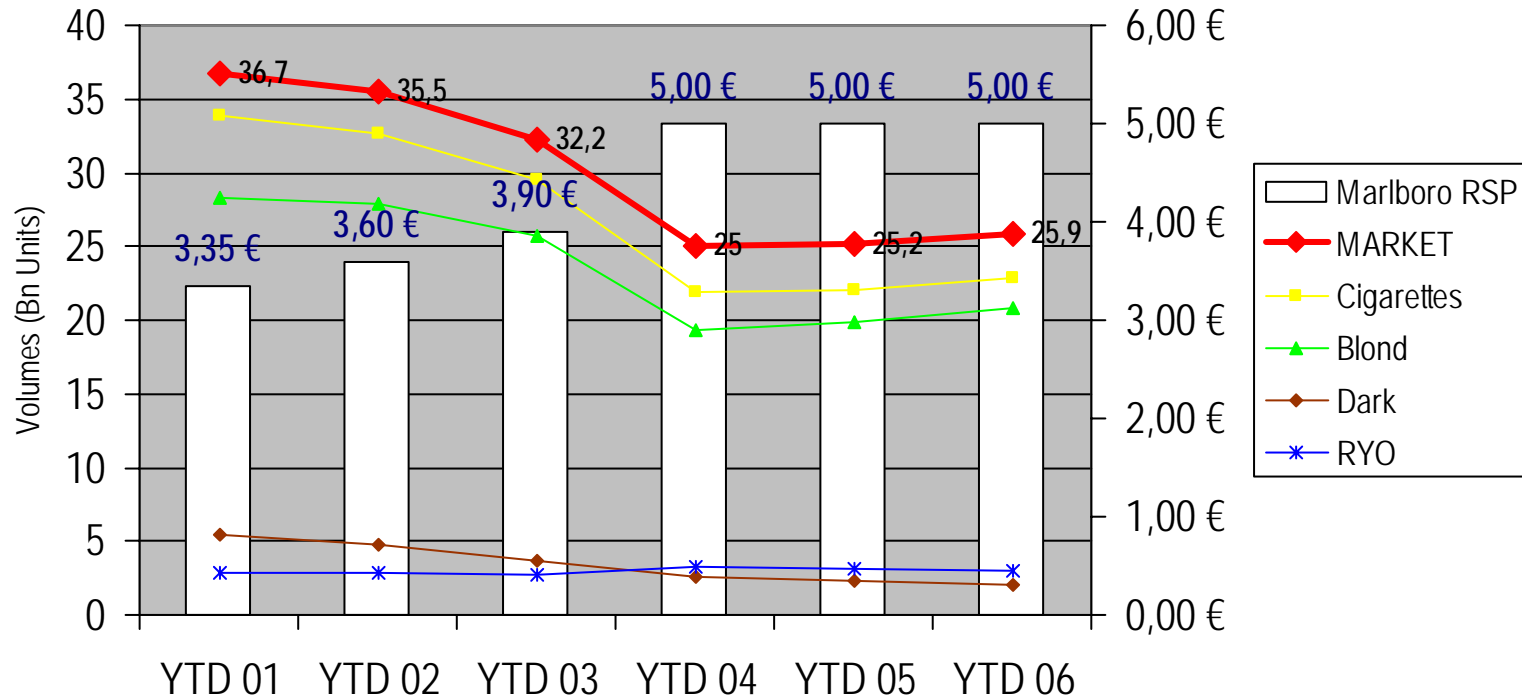
Capacity to react

Cigarette Business Unit has proved its capacity to react against external factors in its domestic markets:

- France: Recovery after 2003 crisis
- Spain: Reaction to 2006 price war

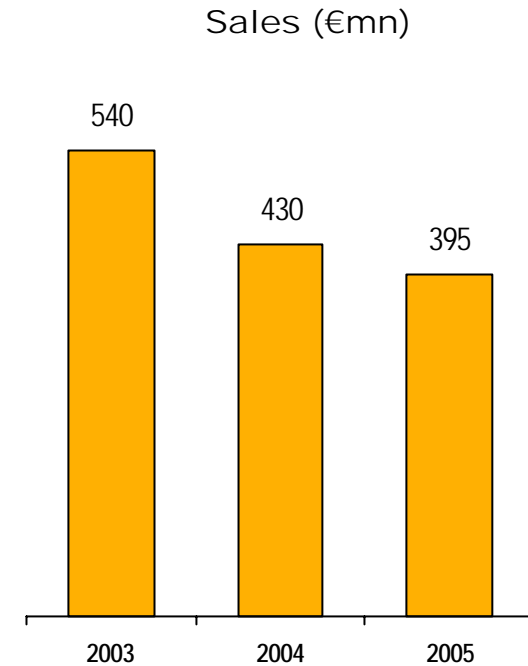
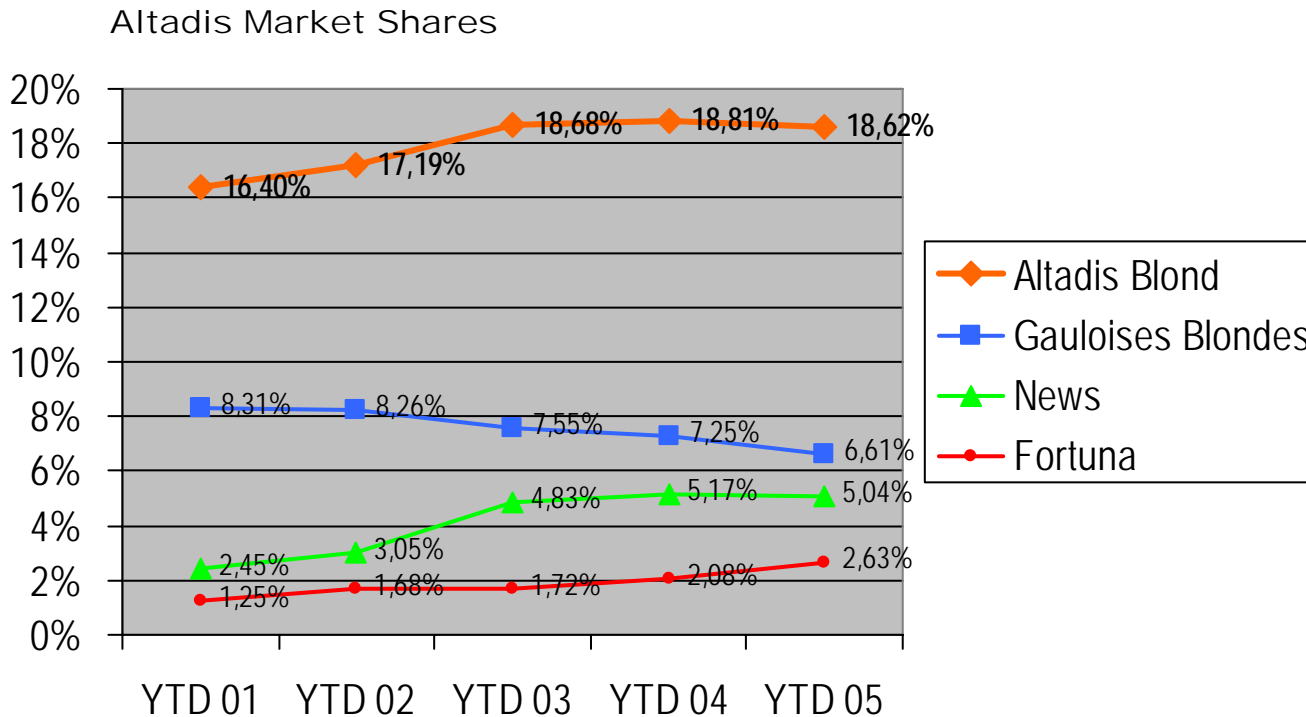
France: Market stabilization after 2003 / 2004 shake-up

Market Evolution (YTD May)



- Market deeply impacted by tax increase in 2003/2004 (Prices-CAGR 01-04: +14%; Volumes-CAGR 01-04: -12%)
- Price stabilisation allows market recovery (Volumes-CAGR 04-06: +1.8%)
- No price increase forecast before elections in Spring 2007

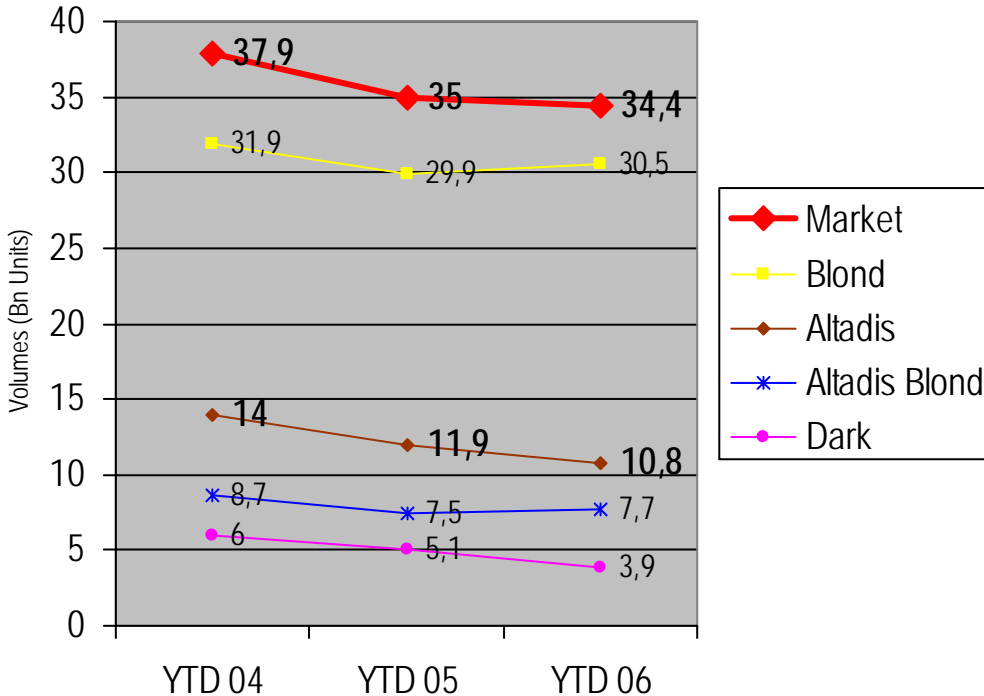
France: Altadis resists through portfolio management



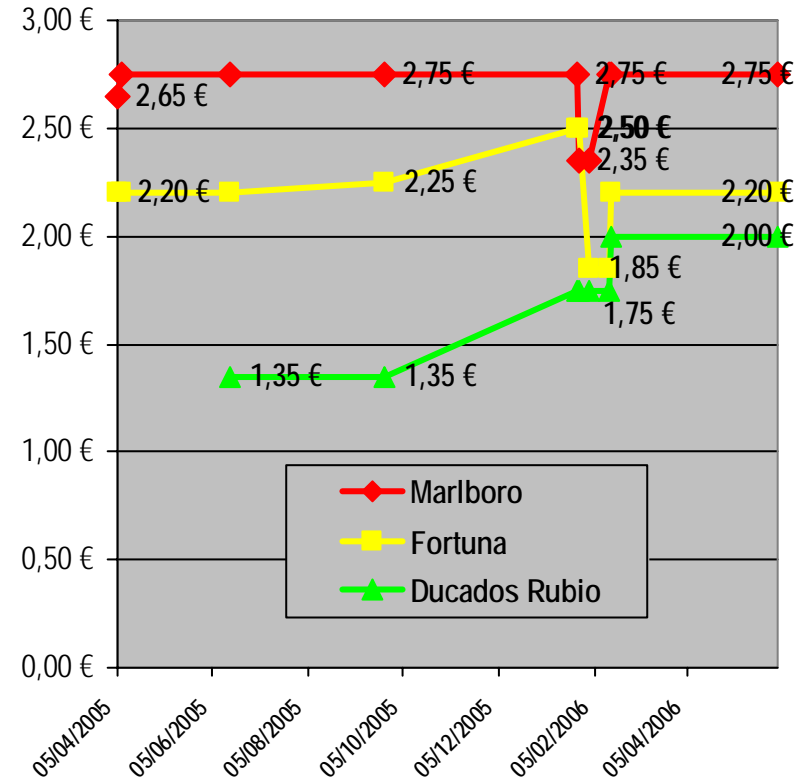
- Fortuna and News grow and compensate the erosion of Gauloises Blondes
- Stabilisation of sales after 2003 / 2004 crisis

Spain: Altadis has overcome the crisis of early 2006

Market Evolution (YTD May)



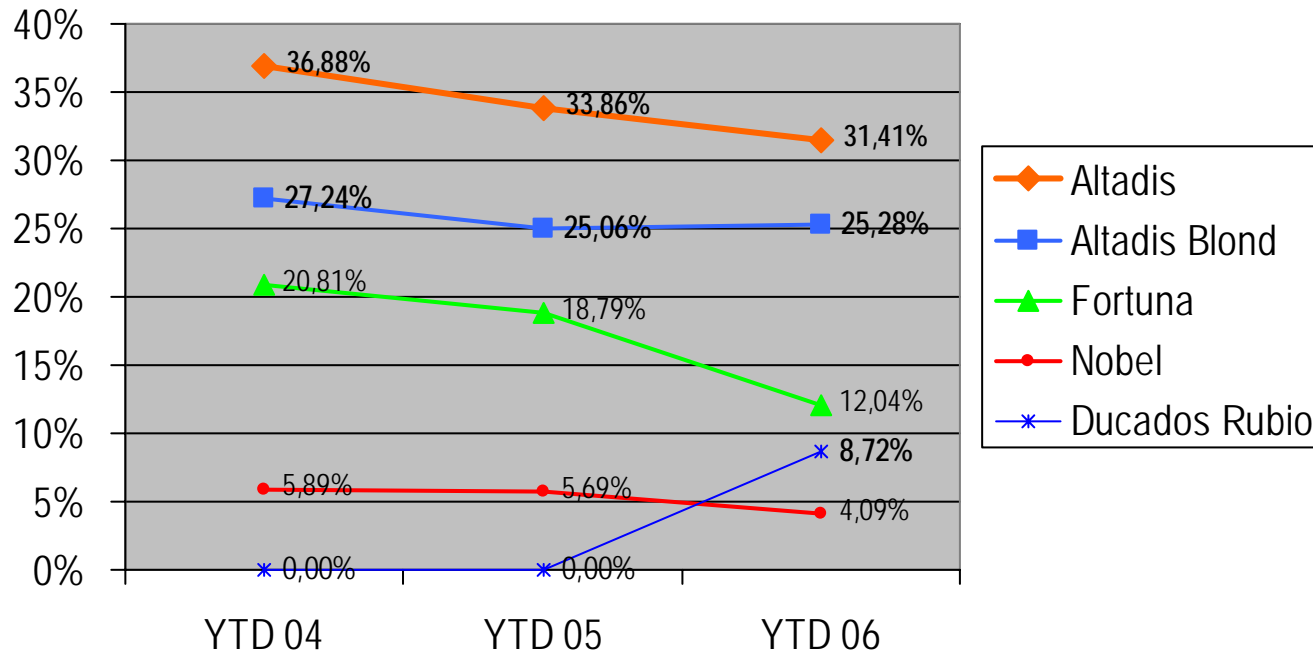
Retail Price Evolution



- Ultra low price brands attack in 2005: Altadis reacts successfully with the launch of Ducados Rubio
- January 2006: Price war (depositioning of Marlboro, followed by all brands)
- Mid 2006: Altadis holds a sustainable position with larger portfolio (Ducados Rubio now an installed brand)

Spain: new starting point for margin improvement

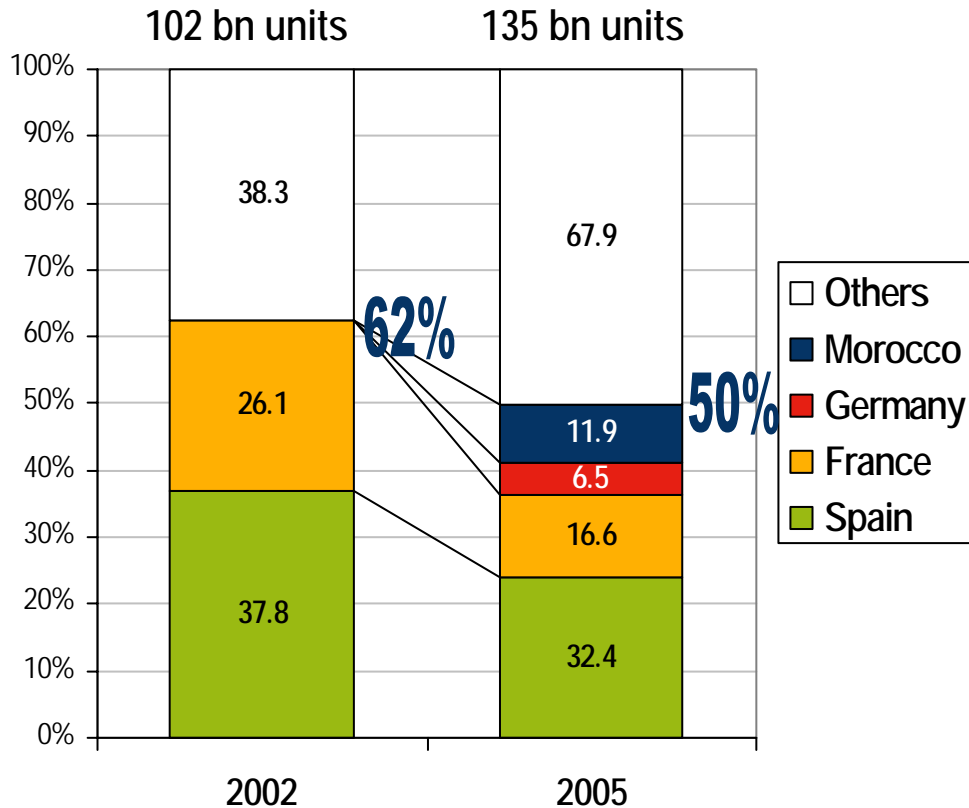
Altadis Market Shares



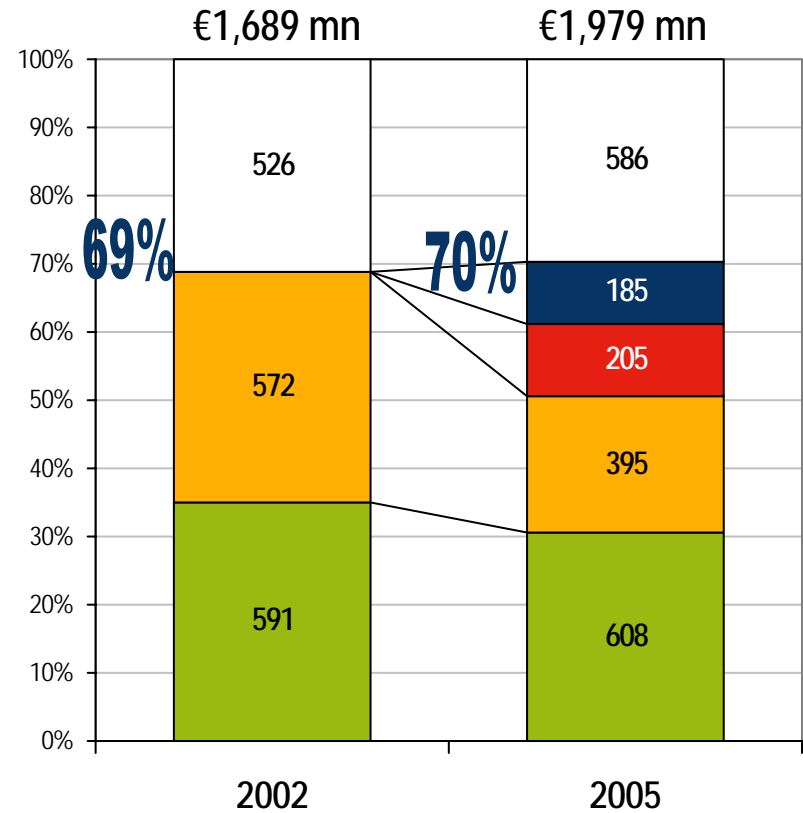
- Altadis resists in Blond Market Share thanks to efficient portfolio extension
- But price war context harms sales and profitability
- Potential of growth and recovery for the coming years (after minimum collectible tax implementation)

Altadis Cigarette Business now relies on 4 key markets

VOLUMES



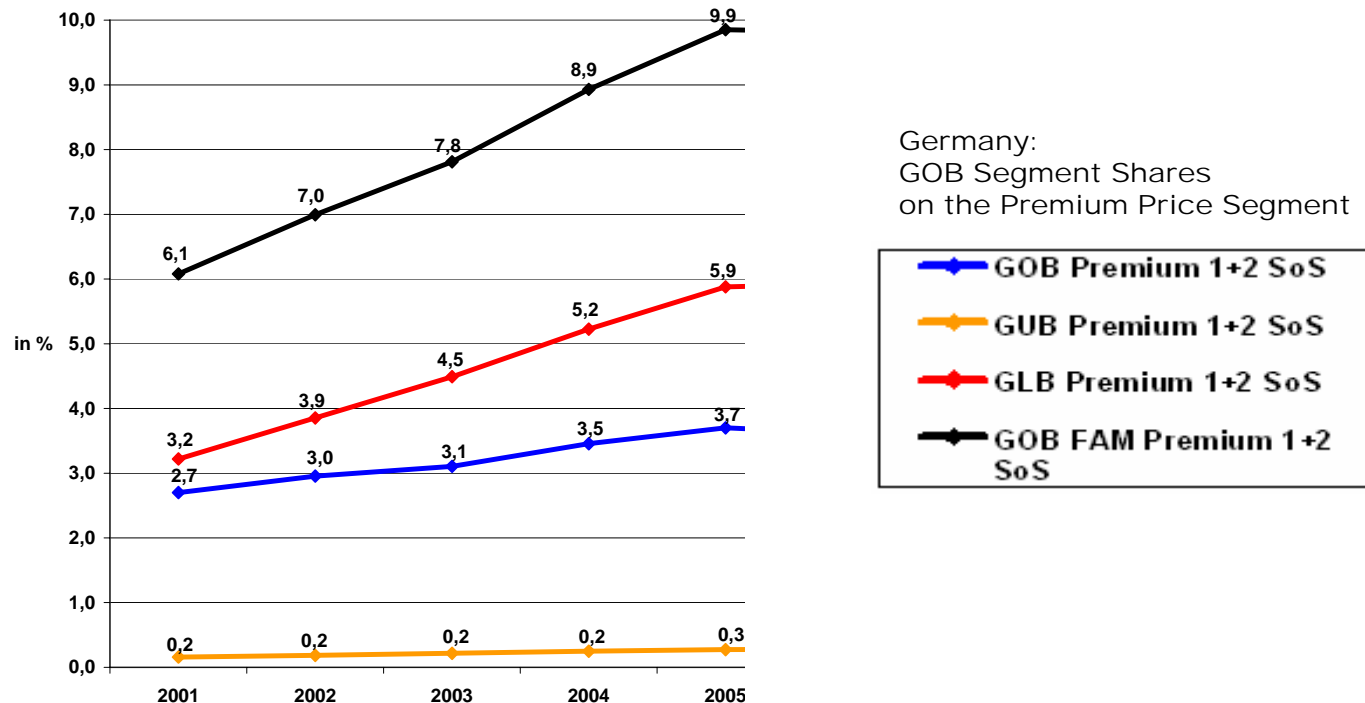
SALES



Conclusion

■ Altadis Cigarette Business Unit has become:

- Less vulnerable (4 pillars instead of 2)
- More international (Europe + Maghreb)
- More international portfolio driven
 - Gauloises: the exception to resist to value for money brands in Germany
 - Fortuna: real success story in Morocco
 - Ducados Rubio: new key brand in Altadis portfolio in Spain

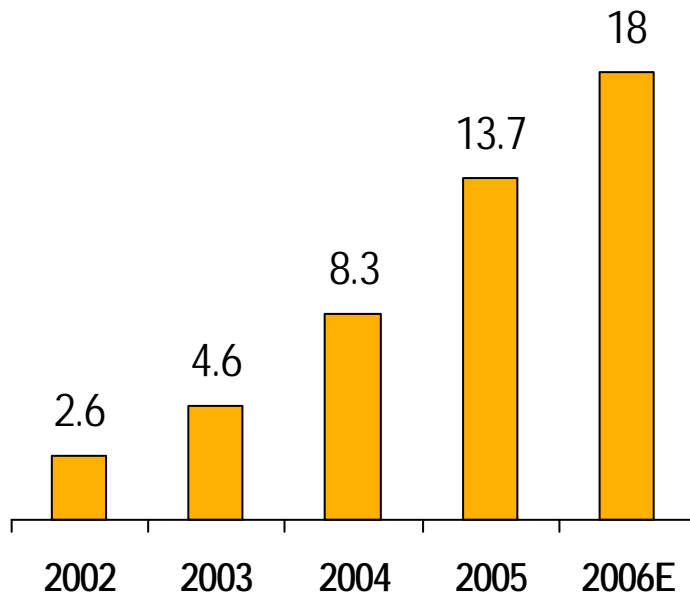


Conclusion (continued)

- This will reinforce our capacity to enlarge our internationalisation:

- Middle East

Altadis Volumes
in Near & Middle East
(bn Units)



- Russia (driven by upgraded portfolio):

- Feb 2006: Gauloises extension in 10 key cities
- Apr 2006: Launch of Brilliant
- May 2006: Relaunch of traditional brand Balkanskaya Zvezda (Balkan Star)
- Sep 2006: Launch of a second international brand