

Altadis Cigars

Overview and Premium Cigars

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Group C.F.O.

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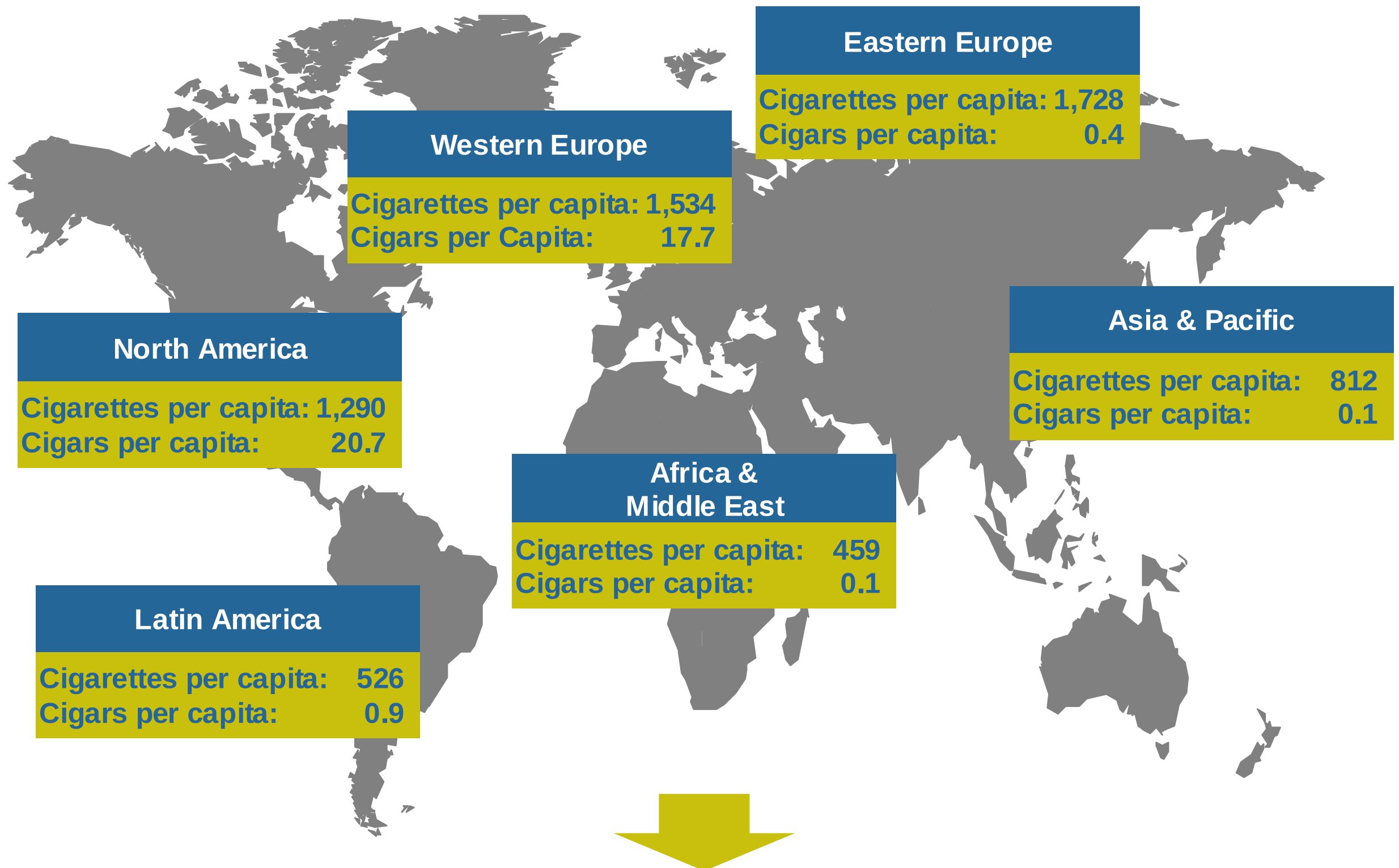
Content

- ❑ Altadis position today in the cigar market
- ❑ Altadis in premium cigars
 - ➔ US Market
 - ➔ Habanos
- ❑ Conclusion

Altadis Cigars: Overview

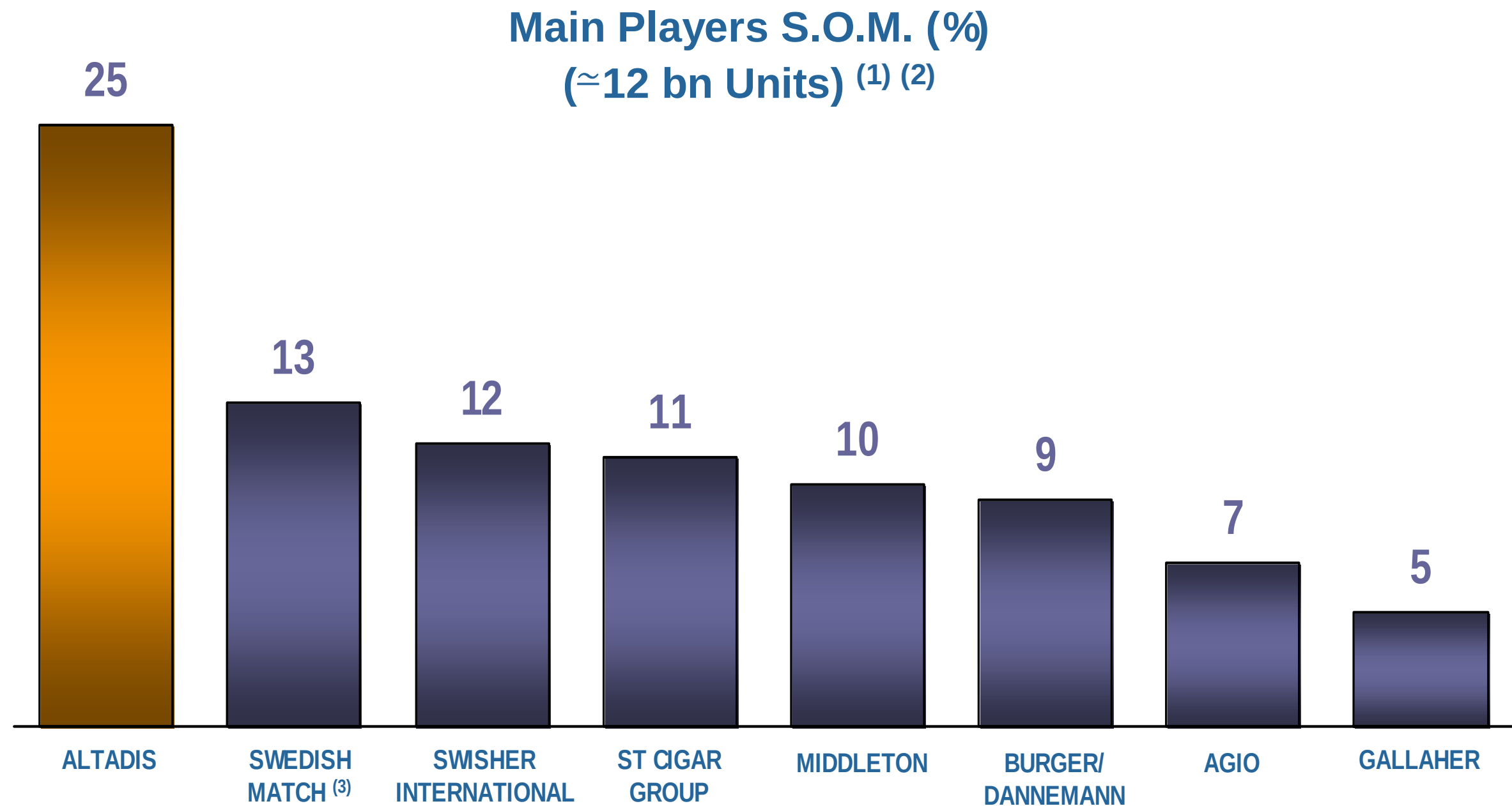
	2006
Worldwide penetration	>120 markets (rank n°1)
Volume	3.3 bn units
Economic Sales	€ 888 mn (22% of Group's)
EBITDA	€ 281 mn (24% of Group's)
EBITDA Margin	31.7% (+3.0 points vs. 2005)
Headcount	10,218 (37% of Group's)

Consumption by Region



**Western Europe (54%) and North America (41%)
= 95% of worldwide cigar market**

Altadis Cigars: Worldwide Leadership Position



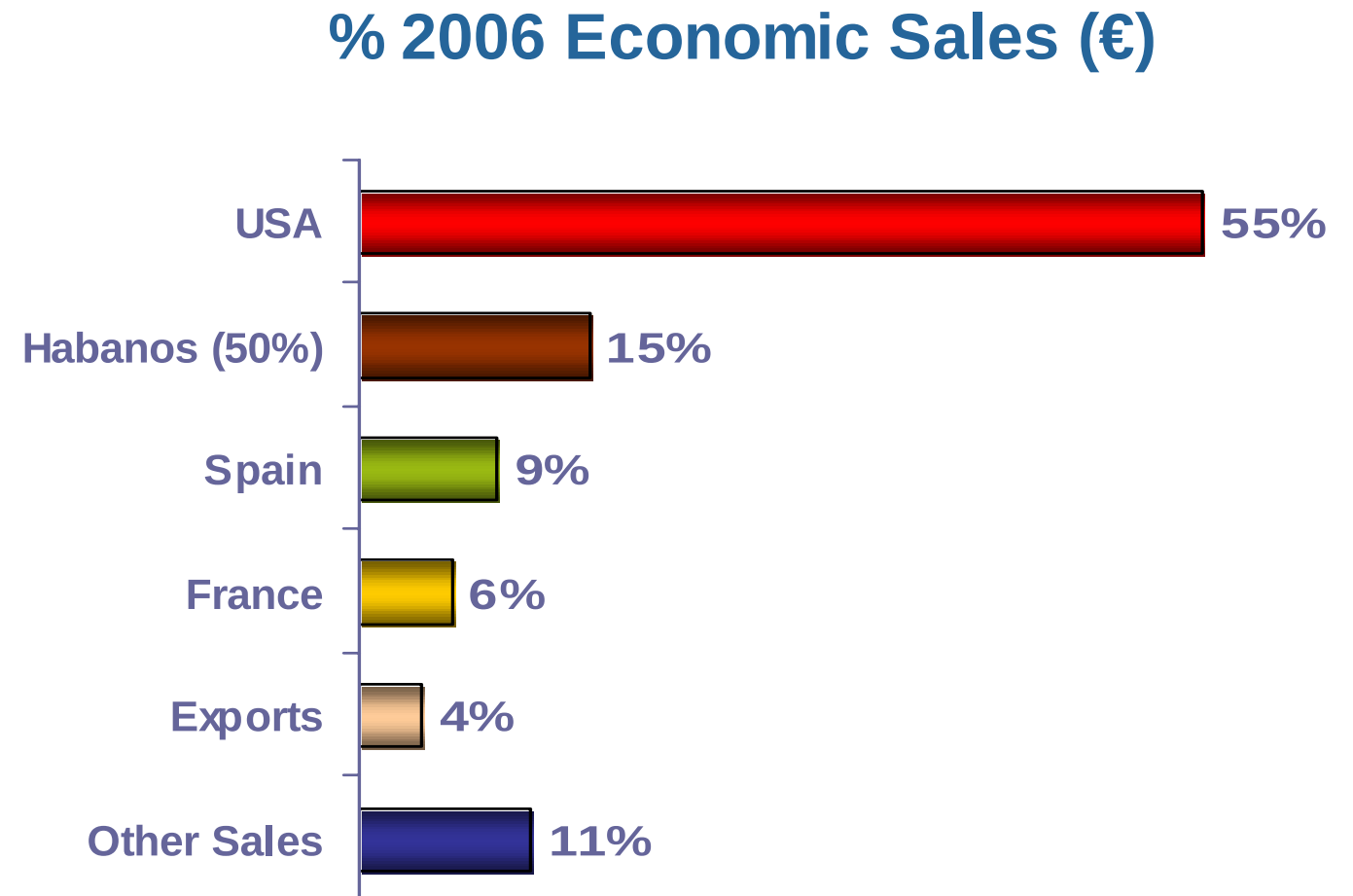
(1) Source: ERC and Altadis estimation (Excluding China & India)

(2) Excluding Eco-Cigarillos and Little Cigars

(3) Including Arnold André

Altadis Cigars: A Position that Provides a Strong Platform for Growth

- N° 1 in the US
- N° 1 in Spain
- N° 1 in France
- N° 1 in the Premium Segment worldwide



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

Altadis Cigars: Unrivaled brand portfolio

GLOBAL (Cuban)

Cohiba
Montecristo
Romeo y Julieta
Partagás
Hoyo de Monterrey
H. Upmann



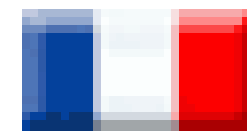
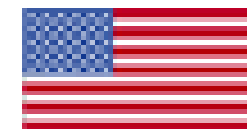
MULTILOCAL

Backwoods
Fleur de Savane
VegaFina

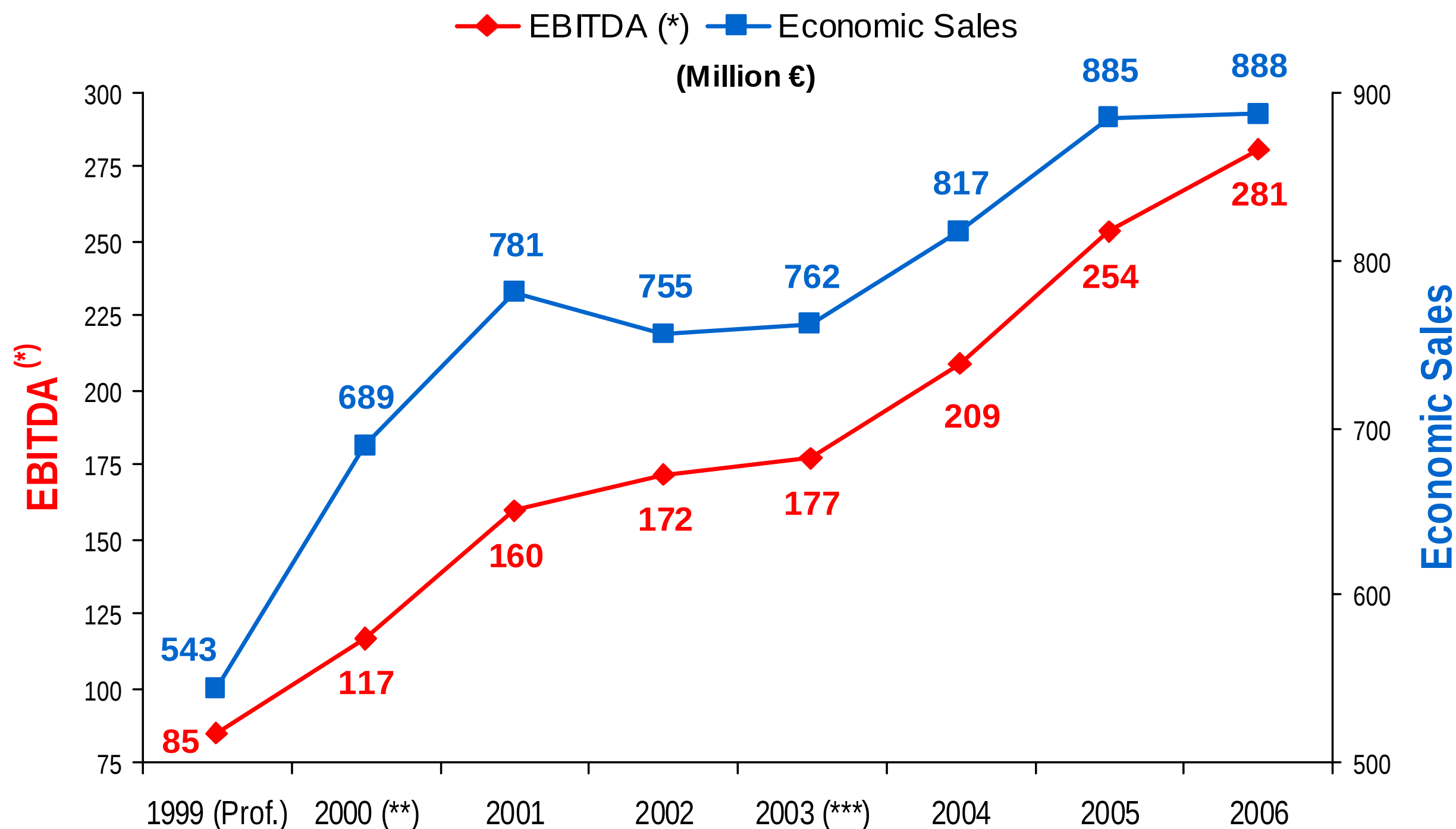


LOCAL

Phillies
Dutch Masters
Farias
Dux
Havanitos
Ninas



Altadis Cigars: Growth Development



% EBITDA Margin (*)	15.6	16.9	20.5	22.7	23.3	25.6	28.7	31.7
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(*) From 2004 EBITDA prepared in accordance with IFRS

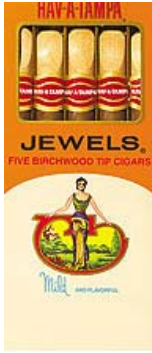
(**) Acquisition of 50% HSA and merger of USA entities

(***) Acquisition of 800 JR Cigar

Altadis Premium Cigars



Market Segmentation (I)

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	☐ Machine-made ☐ Man-made wrapper ☐ Short Filler	☐ Machine-made ☐ Man-made binder and wrapper ☐ Short filler	☐ Machine-made ☐ Natural wrapper ☐ Generally man-made binder ☐ Short Filler	☐ Hand-made ☐ Natural wrapper and binder ☐ Long filler
		 	 	

Market Segmentation (II)

PREMIUM & PREMIUM IMAGE



POPULAR



NATURAL

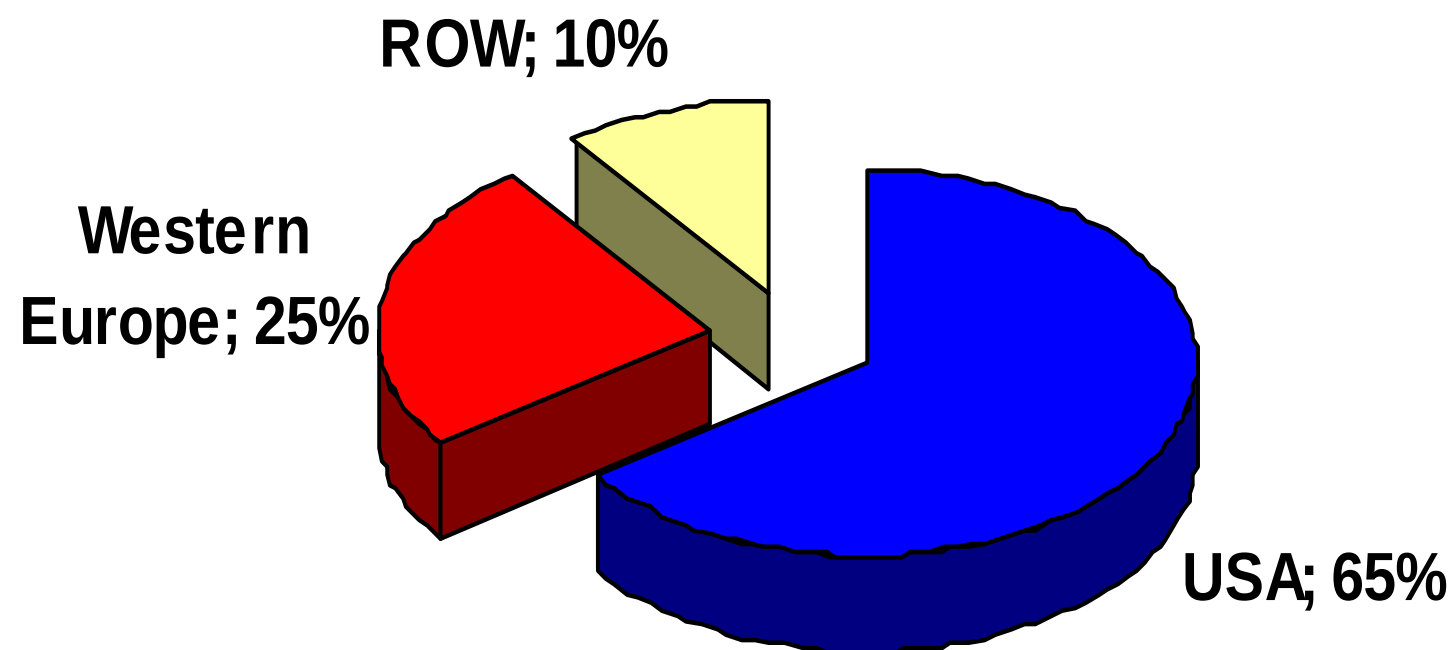


LITTLE CIGARS



Premium Cigar Main Markets and Origins

Geographical Areas



Origins

❑ Cuban origin represents 25% S.O.M. worldwide and over 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

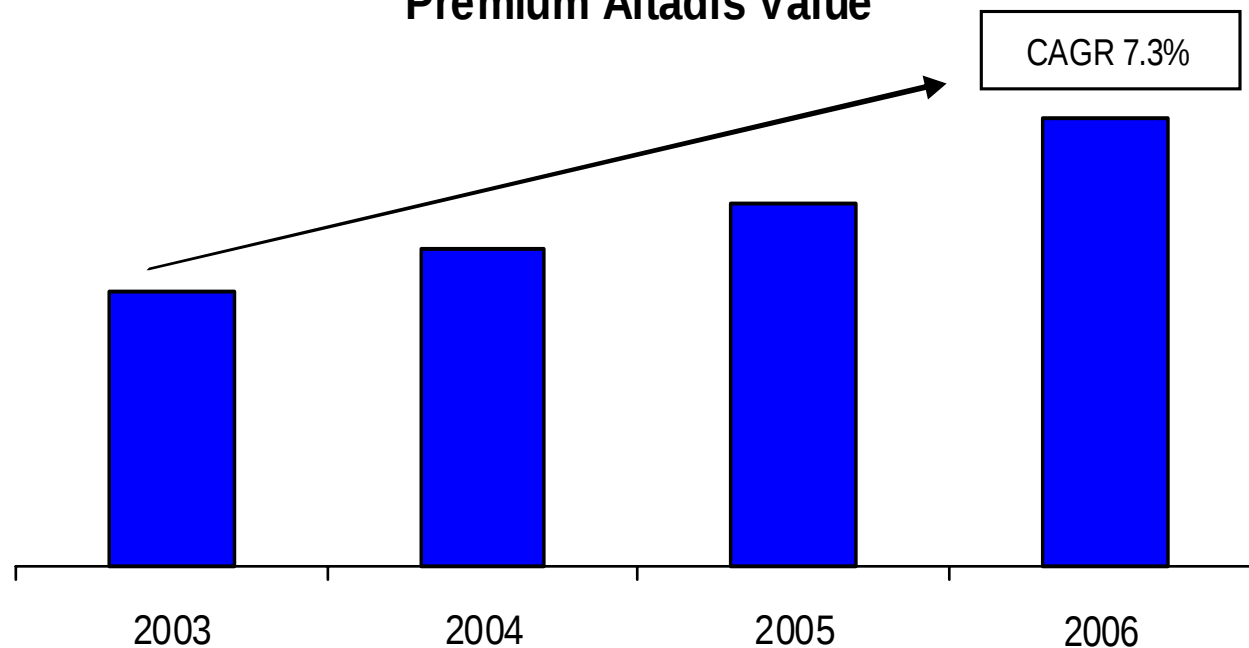
- ❑ Altadis USA (one of the most important players in the US): Manufacturing and Wholesaling
- ❑ 800 JR Cigars (the largest Premium cigar distributor): Distributing and Retailing

Europe and R.O.W.

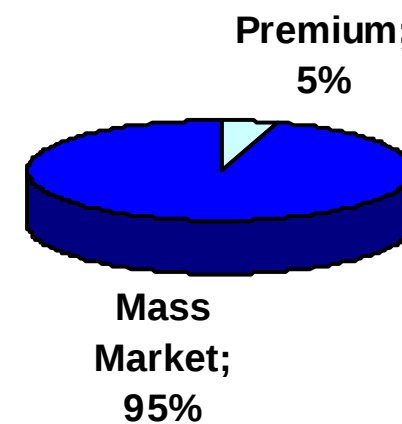
- ❑ HABANOS through its International Distribution Network. Market leader excluding US market
- ❑ Altadis Brands. Mainly in:
 - ➔ Spain: Vegafina
 - ➔ France: Pléiades, Flor de Copán
- ❑ Increasing presence in other markets driven by Cuban mechanised cigars (Mini Cuban)

Altadis Premium: Outstanding Sales Track Record

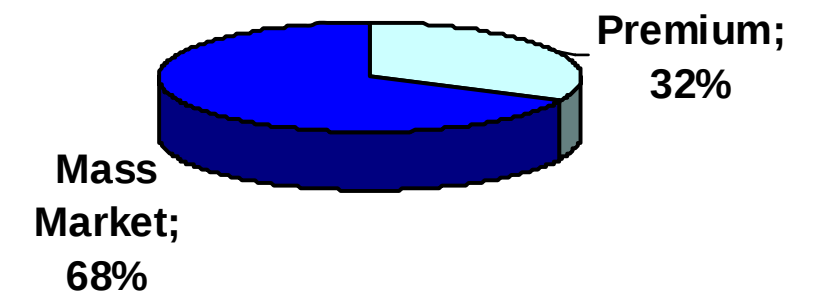
Premium Altadis Value



VOLUME



VALUE

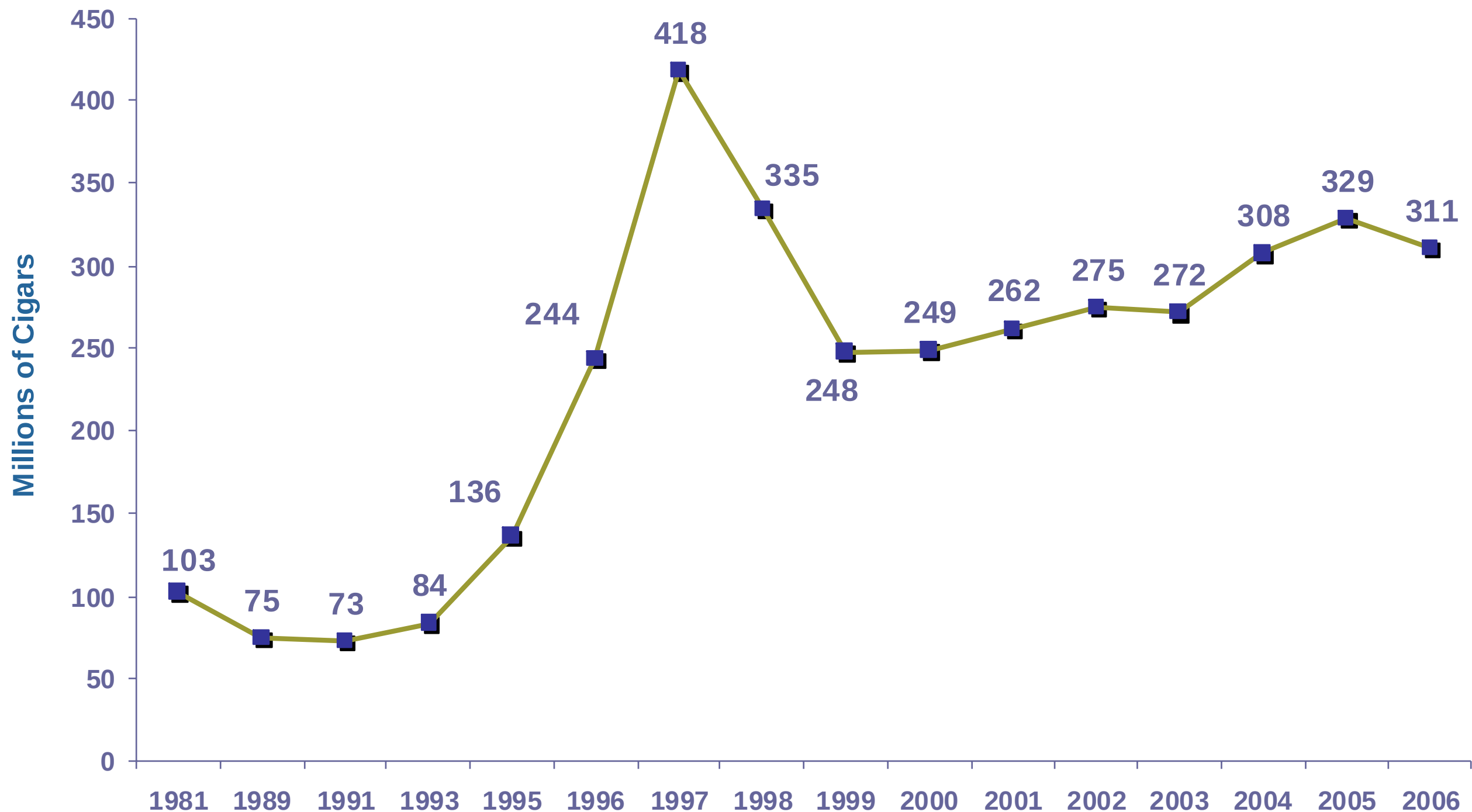


❑ Premium segment is an essential element of the Altadis cigar strategy, focusing on value and profitability

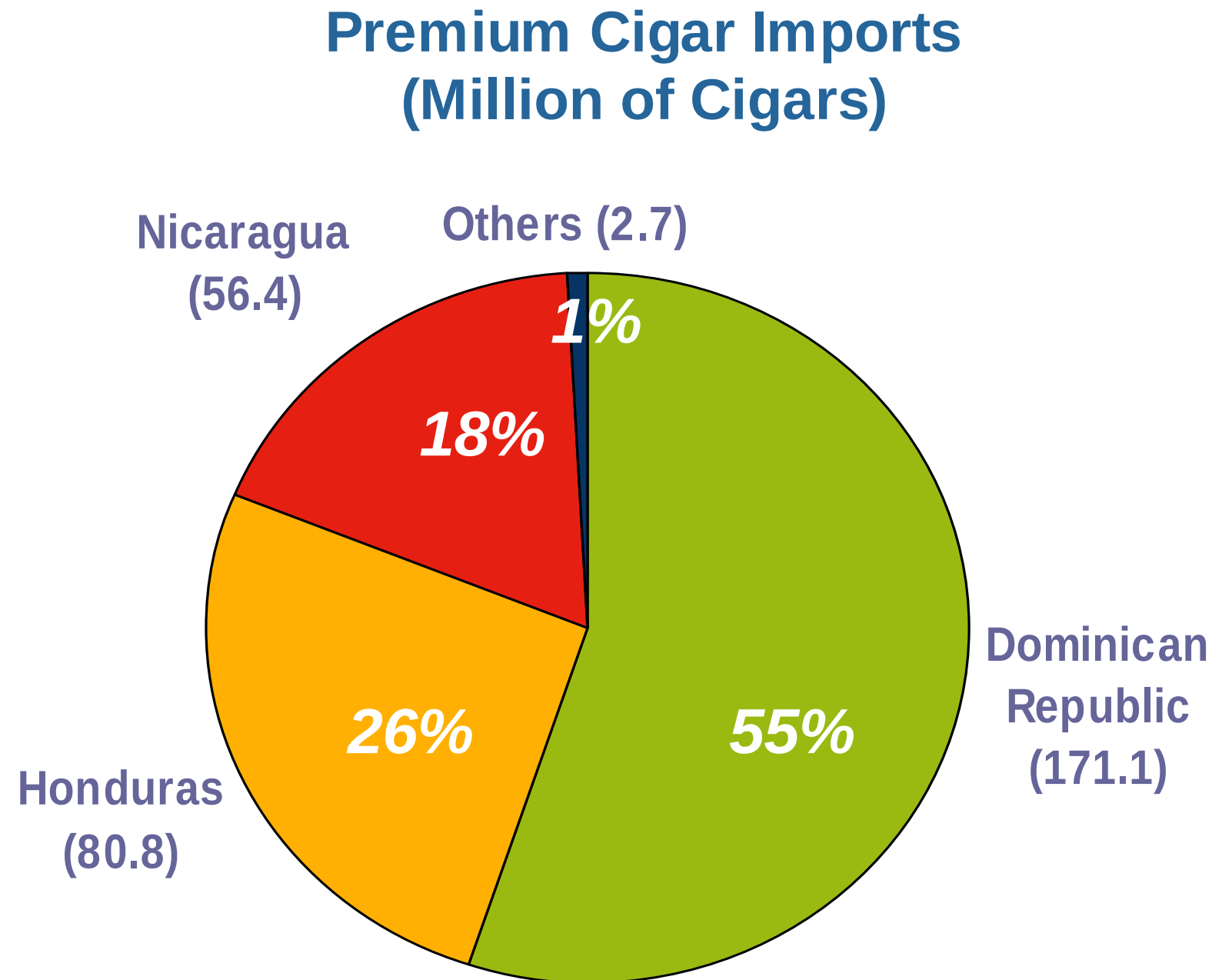
❑ And at the same time, it is a key tool for the development of the Cigars market in emerging areas, which show high potential of future organic growth.

Premium Cigars: US Market - 65% of Worldwide Consumption

Premium Cigar Imports
(Units)



Premium Cigars: US Market – Main Countries of Origin and Access to the Market



- ❑ Premium Cigars sold primarily in tobacconists, mail order, and internet
- ❑ Over 3,000 tobacconist buy directly from the Company

Premium Cigars: Habanos – 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

Premium Cigars: 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 (Cohiba Siglo VI, Montecristo Edmundo, Partagás Serie P, Cohiba Maduro V)
- ❑ Portfolio upgrade: Limited Editions, Special Humidors, Vintage Cigars, Reserves,...
- ❑ Create trends in the market, keep alive the tobacco culture, appeal new consumers

Premium Cigars: Habanos – Brands (I)

Global Brands



Premium Cigars: Habanos – Brands (II)

Multilocal & Local Brands

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

Niche Brands

- ☐ Trinidad
- ☐ San Cristóbal de la Habana
- ☐ Cuaba

Premium Cigars: Habanos – 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

Premium Cigars: Habanos – Portfolio Upgrade

Reserves



Limited Editions



Specialties



Premium Cigars: Habanos – Distribution

Worldwide Distribution Network

□ Import & Wholesales:

→ 31 Exclusive distributors

□ Retail:

→ Skimming approach toward specialized outlets

→ Franchise concept: **“Casa del Habano”**

Premium Cigars: Habanos – Casas del Habano

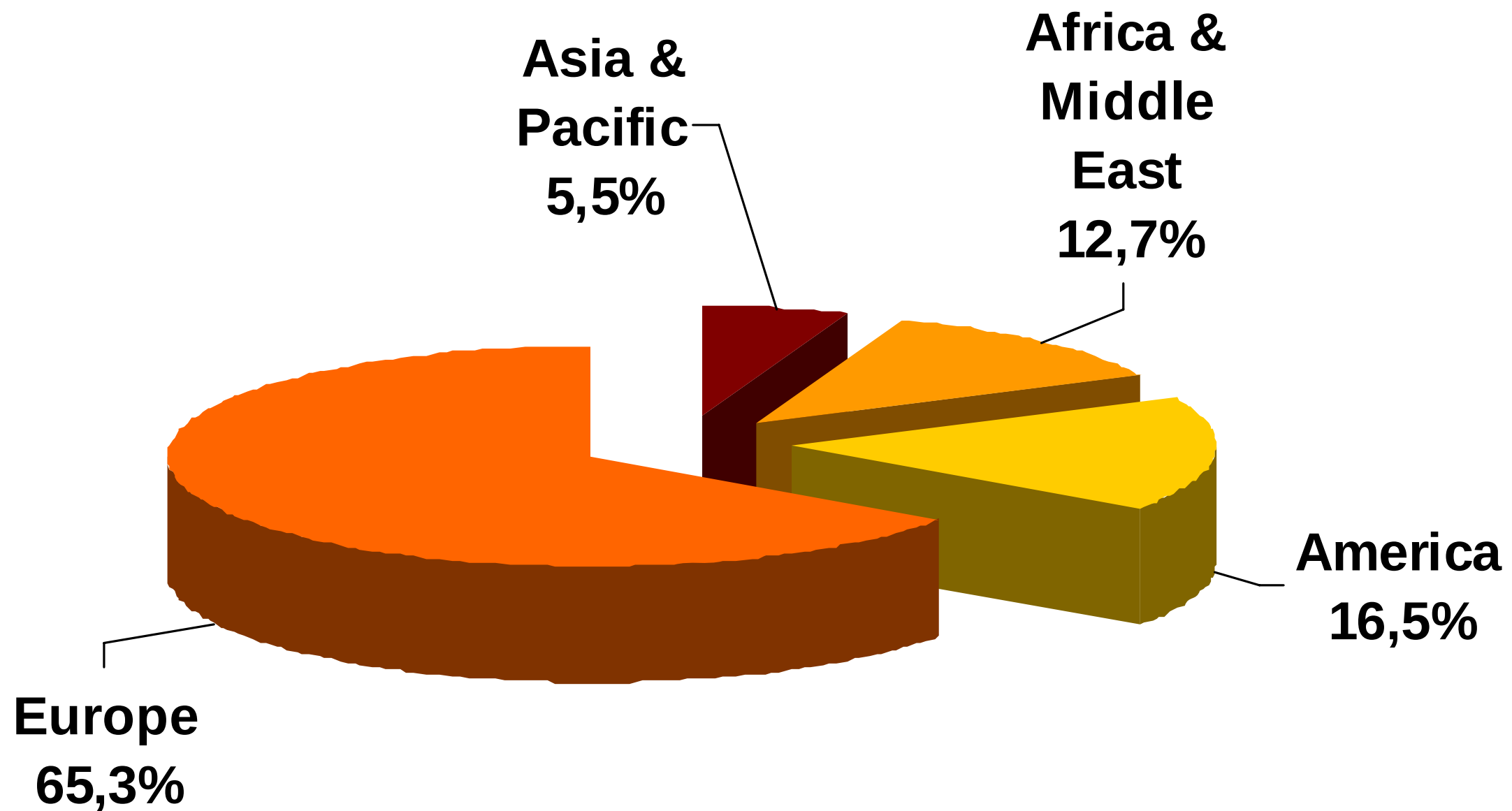
115 Casas del Habano in 55 countries

- Exclusivity
- Quality
- Assortment



Premium Cigars: Habanos – Sales by Region

Volume (units)



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