

Investor update

April, 2007

Altadis: Substantial value upsides

Clear business strengths

- Cigarettes: Significant market positions in key continental European markets
 - ➔ Three key brands – Gauloises, Fortuna and Gitanes
 - ➔ A growing international business outside Europe
 - ➔ Morocco – now an Altadis key profit contributor
- No.1 in cigars in the world
 - ➔ No.1 in US
 - ➔ No.1 in premium cigars
 - ➔ Unrivalled portfolio of global, multilocal and local cigar brands (Montecristo, Cohiba, Backwoods, Dutch Masters, Farias,...)
- No.1 in tobacco logistics in Southern Europe
 - ➔ Integrated logistics business model (tobacco and non tobacco)
 - ➔ Broad range of products delivered to more than 450,000 points of sale
 - ➔ Highly profitable and cash generative

Unique and diversified portfolio of tobacco assets

Strong diversification and resilient cash flows



Millions of Euros

	2002	2003	2004 ^(*)	2005 ^(*)	2006 ^(*)
Sales	3,182	3,385	3,557	4,112	3,970
EBITDA	971	1,078	1,104	1,232	1,148
Capital Expenditure ^(**)	-137	-143	-150	-171	-149
EBITDA - CAPEX	834	935	954	1,061	999

C.A.G.R.
5.7%
4.3%
2.1%
4.6%

(*) Figures under IFRS

(**) 2006 Capital expenditure: After €39m restatement related to the extension of the monopoly status in Morocco

- Attractive assets
- Mature industry – Limited capital expenditure requirements
- Diversified businesses reduce operating risk
- The strong operating performance translates into a stronger cash flow generation

Cash flow generation contributes to make Altadis a unique asset

Sources of value upsides

	Cigarettes	Cigars	Logistics	HQ & other
Top-line				n/a
Efficiencies				
Others	n/a	n/a	n/a	

**There are further significant sources of value within Altadis
on top of current guidance**

New 2010 guidance



	<u>Prior 2007-09 guidance p.a.</u>			<u>2007-10 guidance p.a.</u>	
	Sales	Margin		Sales	Margin
Cigarettes	+2-4%	> +100 bps	→	+2.5-4.5%	> +250 bps
Cigars	+4-6%	+100 bps	→	> +8%	> +150 bps
Logistics	+3-5%	Stable	→	+3-5%	+25 bps
HQ & Other Non core asset disposals	> €200m		→	Reduction in effective tax rate €650m	

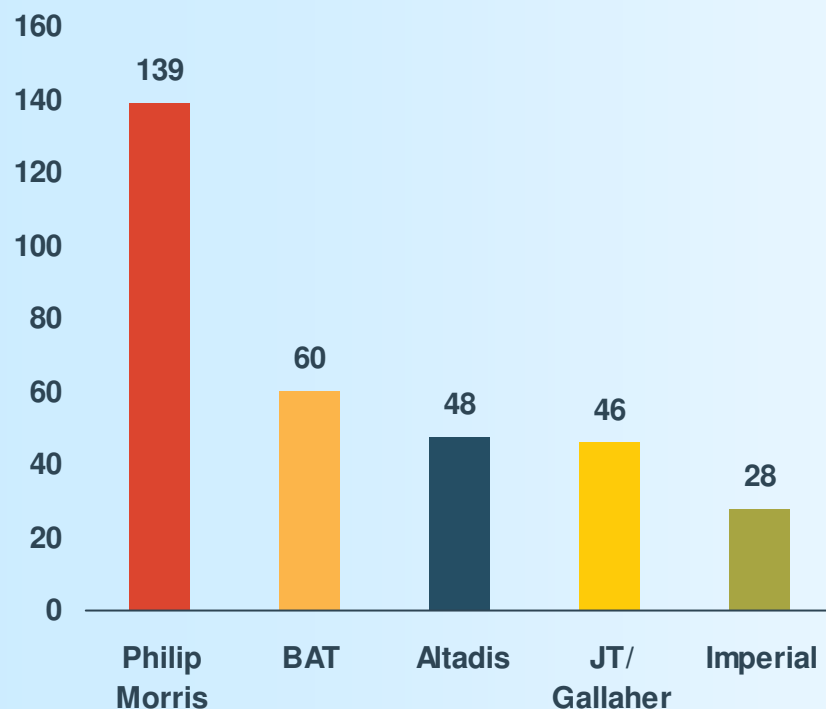
Significant EBITDA upside available

Altadis

Cigarettes

A leading player in Western Europe

Cigarette volumes in four largest markets in Continental Europe (bn)



Sources: AFCF, price lists, MSI, ERC, Logista
 Note: Included France, Germany, Italy and Spain (2005 data)

Brands



- Rapidly growing international brand
- €375m Sales outside France in 2006 (22% of the total cigarette sales)
- Mid to premium pricing



- Growing international presence
- Latin positioning, value pricing



- Premium international brand

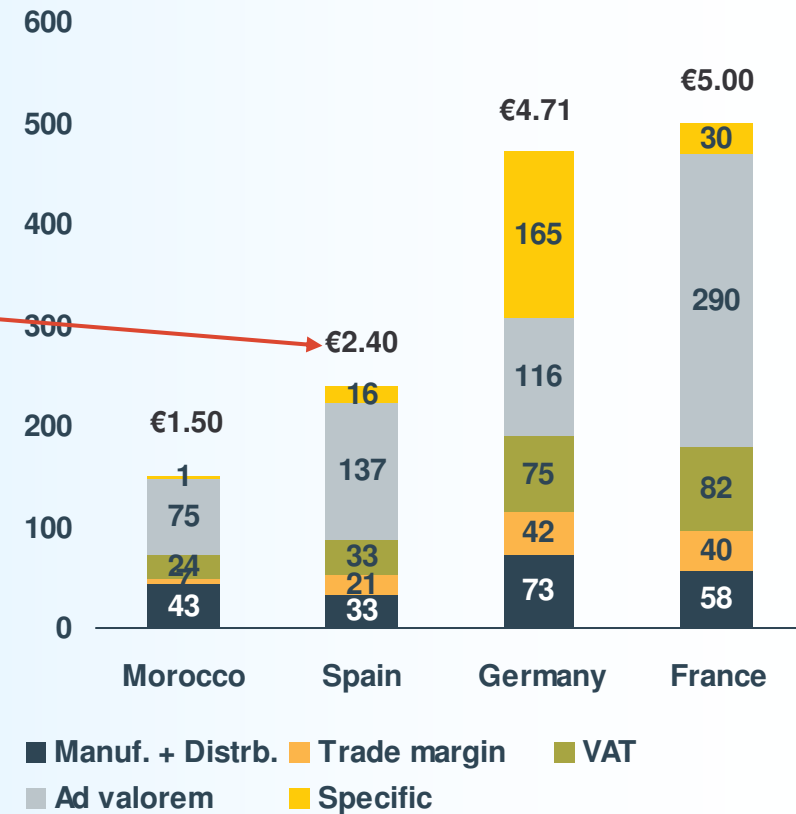
A leading player in world's most profitable region

Pricing power

Price development in Spain



Comparison of cigarette pricing (MPPC)



MPPC: Most Popular Price Category

Tax regime in Spain now normalised allowing pricing to converge to EU practices

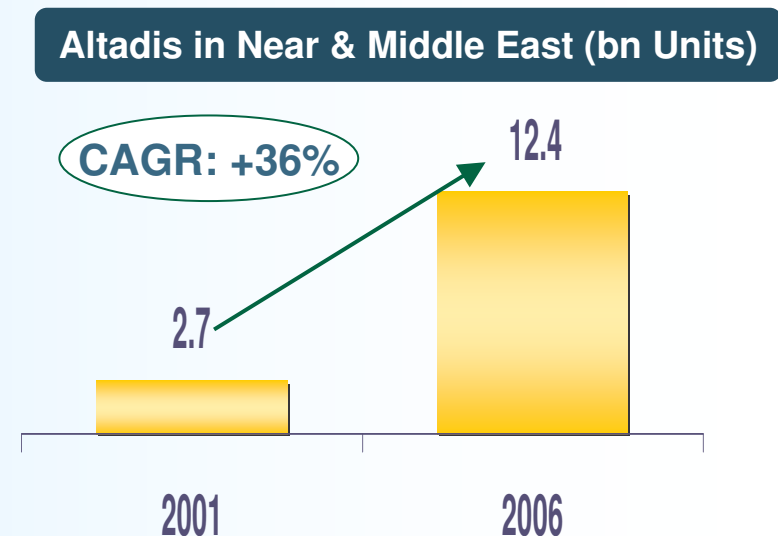
Other growth prospects

■ Morocco

- Altadis International brands excellent performance (Fortuna: 8.1% Blond SoM in 2006)
- Monopoly status extended 3 more years (until end 2010)

■ Near & Middle East

- After strong take off, remaining potential for growth
- Focus on increasing margins



■ Montecristo super premium brand launching

Growth opportunities in cigarettes outside Western Europe

Excellent efficiency track record



- Altadis resulted from the merger of 2 former state owned monopolies in the late 90's
- Altadis has significantly accelerated the optimisation of its cost base in all business lines, improving it by 3 per cent since 2004

European listed players	Cost savings 2004-2006 (m€)	Relative to FY06 sales	Relative to FY06 costs
Gallaher	44	1.8%	3.0%
Imperial	71	1.5%	2.8%
BAT	158	1.1%	1.6%
Altadis	86	2.2%	3.0%

Source: Company announcements and annual reports

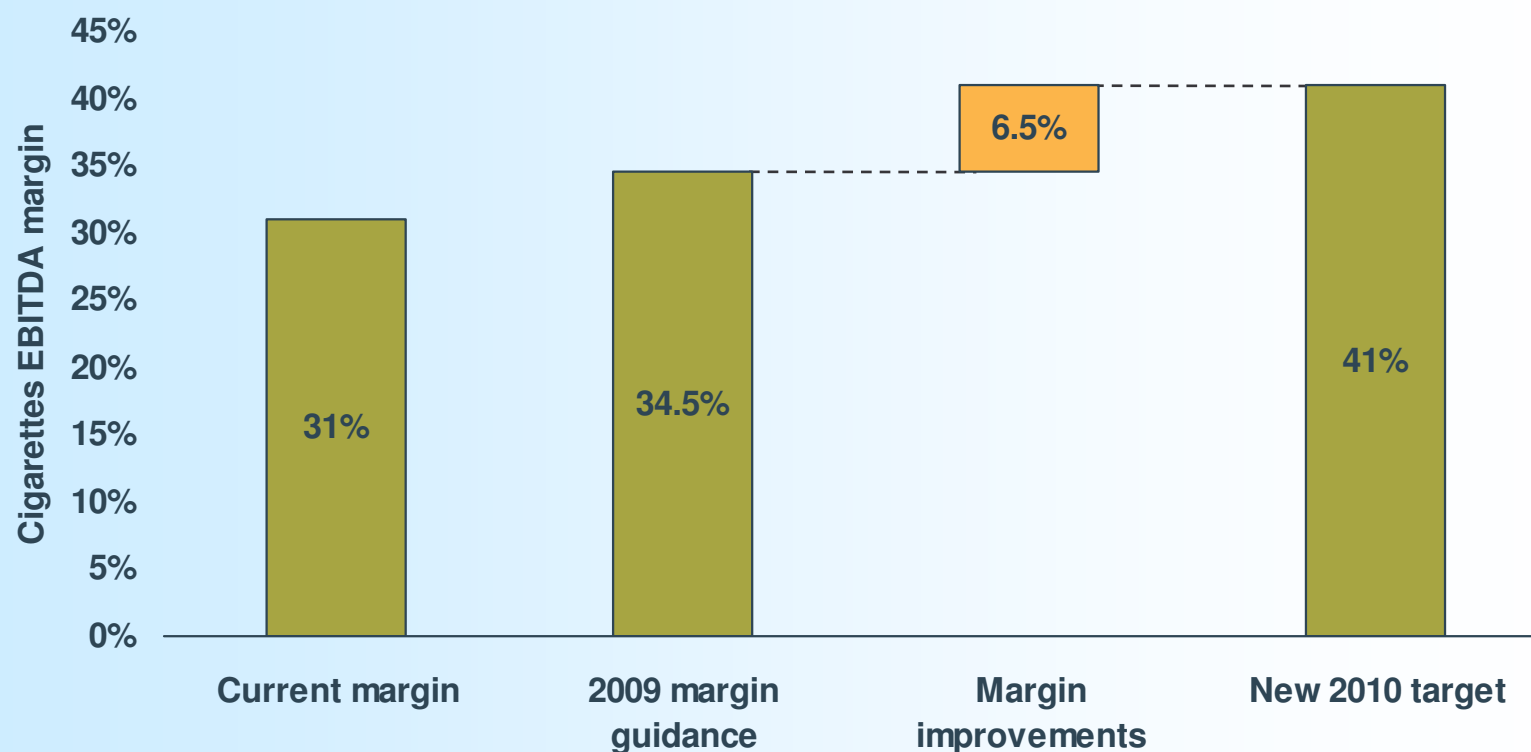
Notes:

1. Gallaher, Imperial and BAT announced cost saving 2004-2006. Altadis actual cost savings in the period (excluding A&P savings)
2. Gallaher percentages and EBITDA margin excludes logistic business

Best recent cost reduction story in the industry

Further margin improvement

- 2009 Existing guidance 34.5%
- 2010 target after price increases 41%



Significant value upsides on top of existing guidance

Altadis

Cigars



Cigars summary

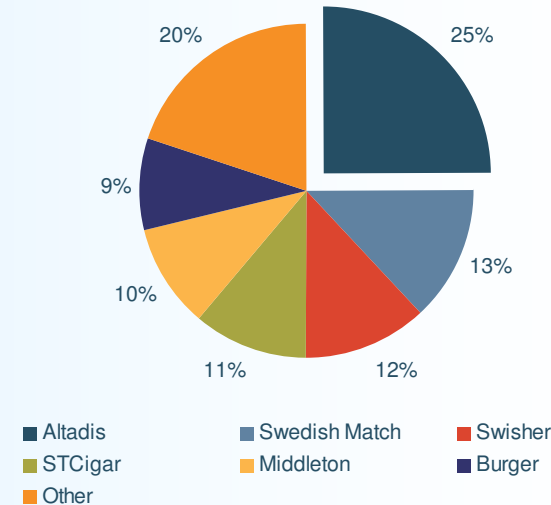
- Strong global leadership position and brands in a dynamic category
- Facing as leader changing trends and increasing competition
- Clear potential in many markets, which Altadis is ready to capture
 - ➔ Cuban cigars in US + Pricing power worldwide
 - ➔ Emerging markets growth
- Significant efficiency upside to increase margins

#1 Cigars business worldwide

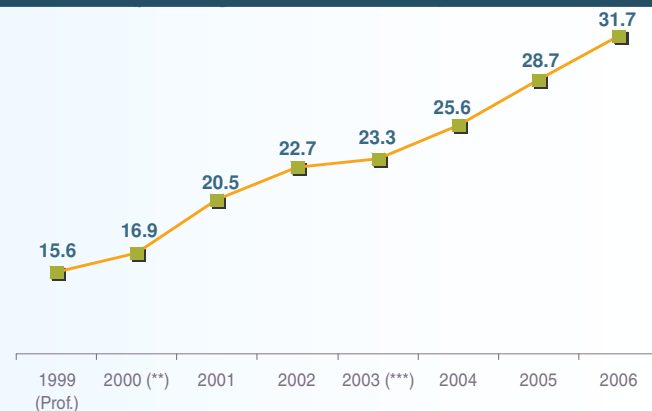


- Leadership in core markets, including USA and premium segment
- Broadest portfolio with presence in all segments
 - ➔ Unique premium business with Cuban brands
- Proven ability for margin improvement
 - ➔ Portfolio mix improvement towards premium and natural
 - ➔ Further efficiency improvement possible

Global market share



Cigars EBITDA margin evolution



(*) From 2004 EBITDA prepared in accordance with IFRS
(**) Acquisition of 50% HSA and merger of USA entities
(***) Acquisition of 800 JR Cigar

The world leader in cigars

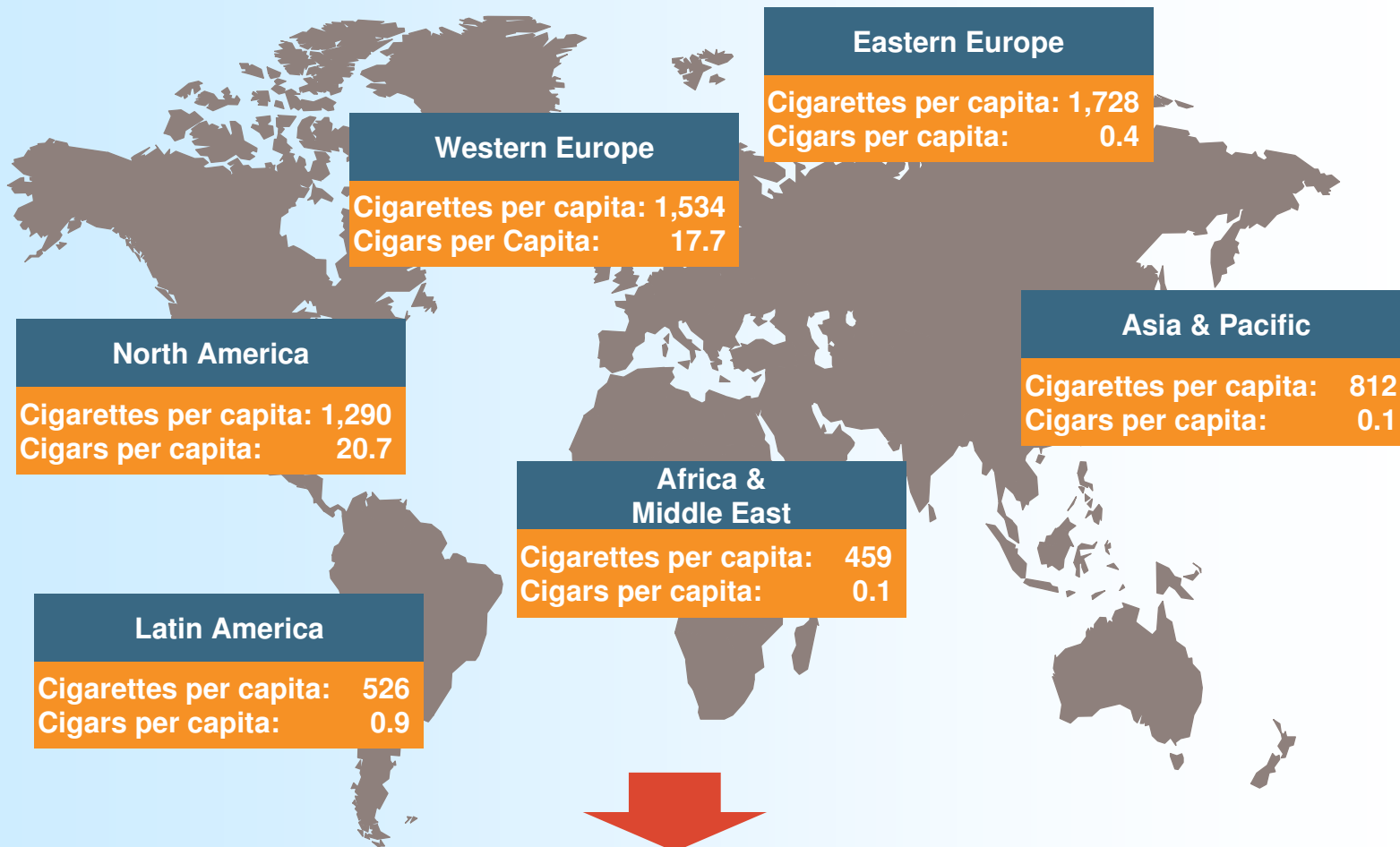
Brands support substantial upside

- Altadis premium cigar portfolio moving towards luxury-end
 - ➔ Higher price and margin
- Significant opportunities in many markets
 - ➔ Further growth in low consumption areas
 - Asia & Pacific, Eastern Europe, Africa & Middle East, Latin America
 - ➔ Further opportunity for premium cigars in the US, enhancing the whole category

Unrivalled brand portfolio

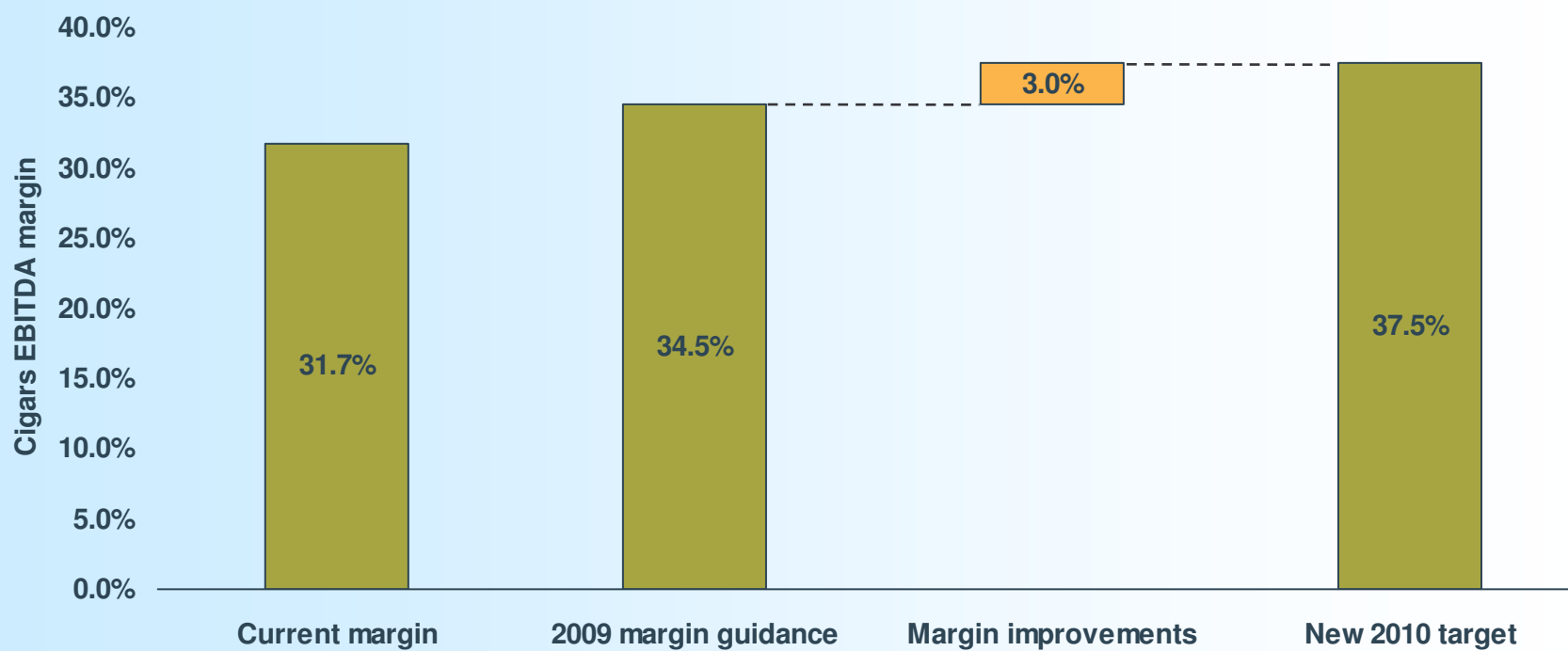


Cigars consumption by region



**Western Europe (54%) and North America (41%)= 95%
of worldwide cigar market with significant growth potential in
other markets**

Further margin improvement



Significant value upsides on top of existing guidance



Logistics

- #1 tobacco logistics platform in Europe
 - Spain, France, Italy, Morocco, Portugal
- #1 logistics service provider in Southern Europe
- #1 wholesaler in France
- Strong sales growth and EBITDA margins
 - 2002-06 sales CAGR of 12.6%
 - 26% EBITDA margin
- Merger of Altadis French distribution and Logista
- Opportunities to unlock cash

Strong business with some sources of incremental value

Existing markets

- Organic expansion reinforcing our position in core sectors and markets:
 - ➔ Productivity improvement
 - ➔ Cross selling opportunities
 - ➔ Know how exchange
 - ➔ Improved integration with manufacturers

- Growth through acquisitions will be driven by geographic and sectorial focus, reinforcing our leadership positions on that sectors

Reinforce the leading position combining organic growth and acquisitions

Other

Disposals and capital structure

- Opportunity for lower average tax rate

- Initiatives to unlock significant distributable reserves
 - ➔ French distribution activity contribution to Logista underway

- Disposals of non core assets
 - ➔ Total non core assets of €650m
 - ➔ Most achievable by end of 2008

Summary

New 2010 guidance



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Significant EBITDA upside available

Significant unrecognised value

- Substantial EBITDA uplift above current guidance
- Significant EPS and cash flow benefits also from:
 - ➔ Reduction in tax rate
 - ➔ Disposals of non core assets
- Corporate restructuring to improve capital efficiency underway

Imperial's approach

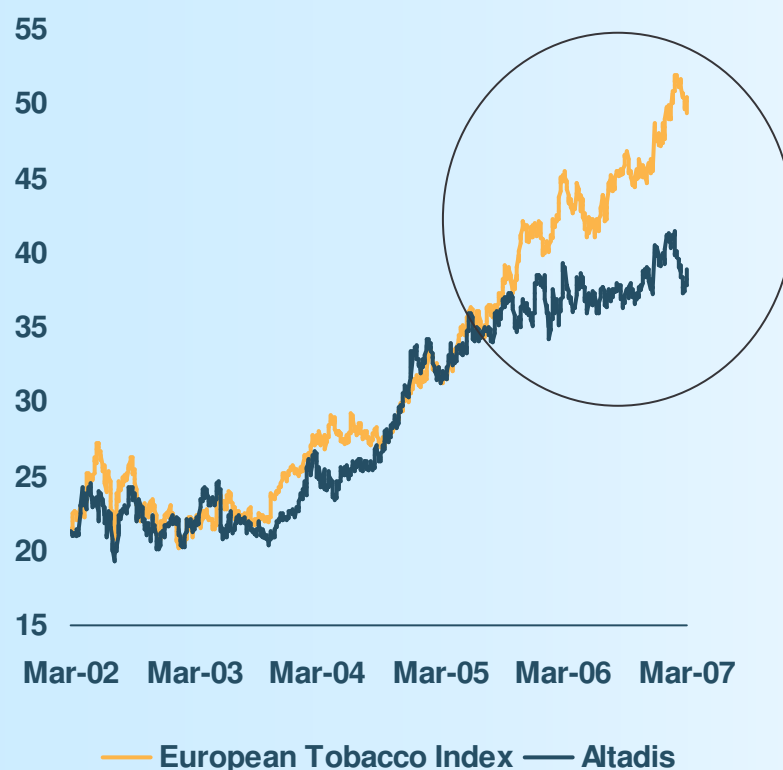
Imperial's proposal

- Imperial's indicative proposal of €47 has been rejected because it fails to reflect:
 - The strategic value of the Company
 - The diversity of its unique assets
 - Its prospects for future growth

Imperial's conditional proposal does not reflect full value

Opportunistic timing

- Altadis share price in line with peers until decoupling in 2006



Note: Index includes BAT, Imperial and Gallaher

- Altadis results temporarily depressed in 2006 due to exceptional conditions
- Underperformance due to Spanish tax situation
- Situation normalised, pricing power returned

Approach from Imperial does not reflect full value for Altadis

Multiples do not capture Altadis growth potential and strategic value



- Multiple implied by Imperial's proposal does not reflect the following:
 - Altadis EBITDA in 2006 depressed by exceptional factors
 - Altadis offers a faster growth profile than industry average
 - Material upsides within Altadis today
 - High synergies potential
 - Diversified business with leadership positions and premium brands
 - Strategic value of the Company

Altadis should command a higher multiple than the one implied by Imperial's proposal

Additional synergies for Imperial



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Top-line			-	n/a
Efficiencies			-	
Others	n/a	n/a	n/a	

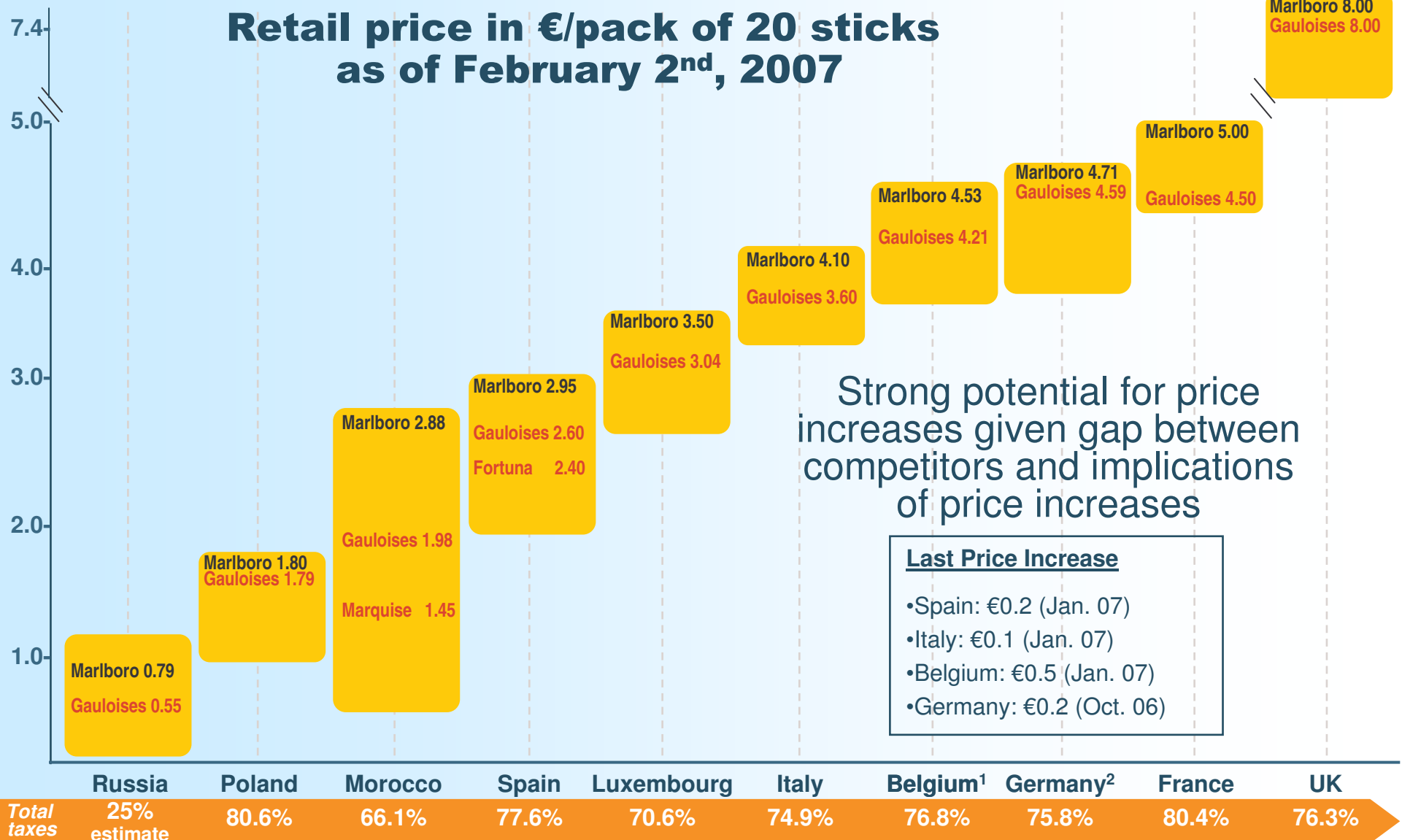
On top of the Altadis' upsides, significant synergies could be achieved by Imperial, essentially in cigarettes

Appendix

Pricing power in Spain & Morocco



**Retail price in €/pack of 20 sticks
as of February 2nd, 2007**



Total taxes (excise tax + VAT) on retail price, for MPPC - Most popular price category

¹ Retail price for packs equivalent of 20 cigarettes. For 19 cigarettes (which is the standard) prices are respectively € 4.30, € 4.00

² Retail price for packs equivalent of 20 cigarettes. For 17 cigarettes (which is the standard) prices are respectively € 4.00, € 3.90