

Proposed Acquisition of Altadis

18 July 2007

Imperial Tobacco Group PLC

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Chief Executive

Disclaimer



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Transaction Summary



- **Proposed offer of €50 per Altadis share in cash**
 - equity value of €12.6bn (£8.5bn*)
 - Enterprise Value of €16.2bn (£11.0bn*)
- **To be recommended by Altadis board**
- **Financed by new debt and a rights issue**
- **Additional value from operational efficiencies, non-core asset divestments and tax structuring**
- **Operational efficiencies of c.€300m pa**
- **Returns expected to exceed WACC by second full financial year of ownership**

*Note: *illustrative exchange rate used of €1.4757 = £1*

Strategic Rationale



- A great strategic fit
- Meets our established acquisition criteria
- Strengthens position as world's no.4
- Major enhancement to operating platform and scale
- Mature and developing market opportunities
- Stronger & more diversified brand and product portfolios
- Revenue benefits and substantial cost savings
- Significant value for Imperial shareholders

Process Considerations

- **Process driven by Spanish takeover laws**
 - new laws effective from 13 August 2007
- **Offer document filed with CNMV today**
 - approval expected in September
- **Shareholder approval required at EGM**
 - shareholder circular to be posted today
- **Anti-trust clearance requirements**
 - EU Commission and US Hart-Scott Rodino
- **Potential completion in Q1 FY08**

Debt

- **New bank facilities of £9.2bn**
 - refinance certain existing Imperial & Altadis facilities
 - additional borrowings for acquisition
- **No material change to average cost of debt**

Equity

- **£5.4bn standby underwriting & equity bridge facility**
- **Estimated £5bn rights issue within 12 months**
 - sized at launch to retain investment grade

Key Financials



- Price represents EV/EBITDA multiple of 14.2x*
 - 11.1x* including synergies and costs
- 32% premium to 12 March 2007 closing price**
- Returns expected to exceed WACC
 - by the second full financial year of ownership
 - approaching WACC in first full financial year
- EPS enhancement expected in first full financial year of ownership
 - returns more favourable than buybacks
- Adjusted tax rate of c.26.5% for Enlarged Group

*Note: *based on results to 31 December 2006 pre exceptional costs; **since when €1.10 per share has been paid to Altadis shareholders in dividends; WACC estimated to be c.6.5%*

Operational Efficiencies



- **Operational efficiencies of c.€300m* pa by end of second full financial year**
 - lower production and purchasing costs
 - sales and marketing synergies
 - rationalisation of corporate overheads
- **Estimated one-off cash costs of c.€470m**
- **Sale of non-core assets of €650m**

*Note: *operating efficiencies are in addition to the €70m unrealised savings announced as part of Altadis' restructuring plans in 2003 and 2006*

Altadis

overview



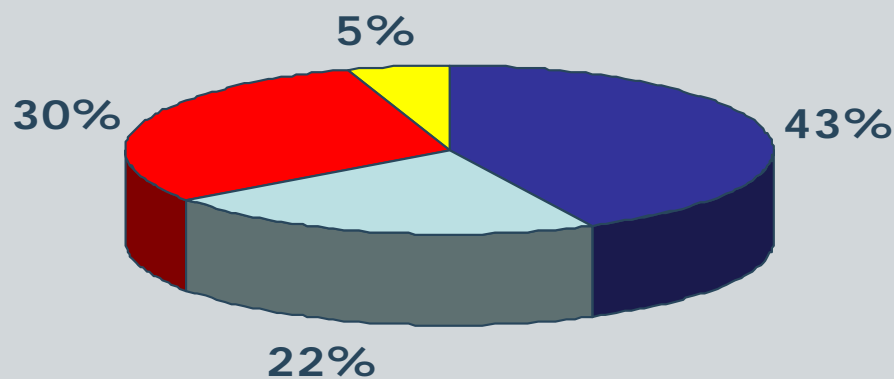
- **Three core businesses**
 - cigarettes, cigars, logistics
- **Well known cigarette and cigar brands**
- **Broad international presence**
- **c.27,400 employees**
- **27 manufacturing sites***
- **Similar litigation profile to Imperial**

*Note: *excludes Seville cigarette factory as closure announced*

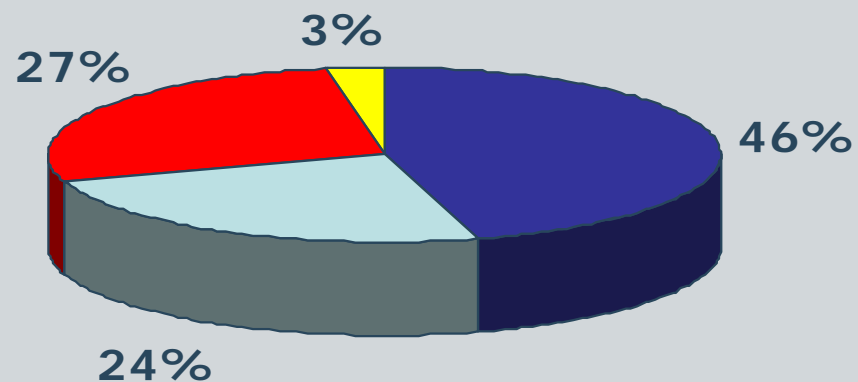
Altadis

2006 results

Economic sales*
€3,970m



EBITDA
€1,148m



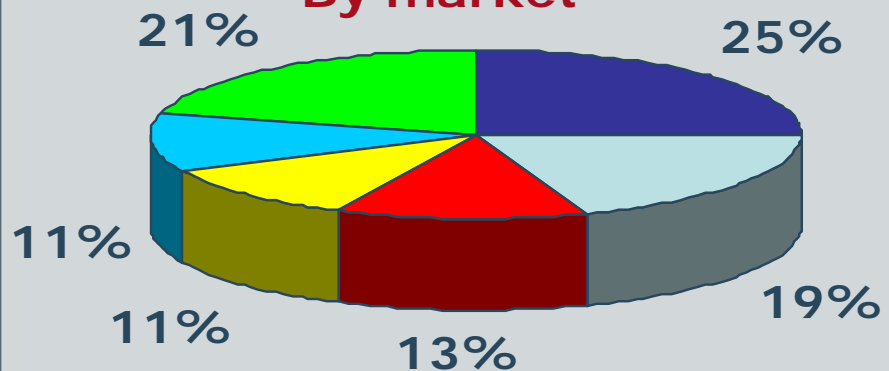
■ Cigarette ■ Cigar ■ Logistics ■ Other

Note: figures for year ended 31 December 2006; *as defined by Altadis

Altadis cigarette (1)

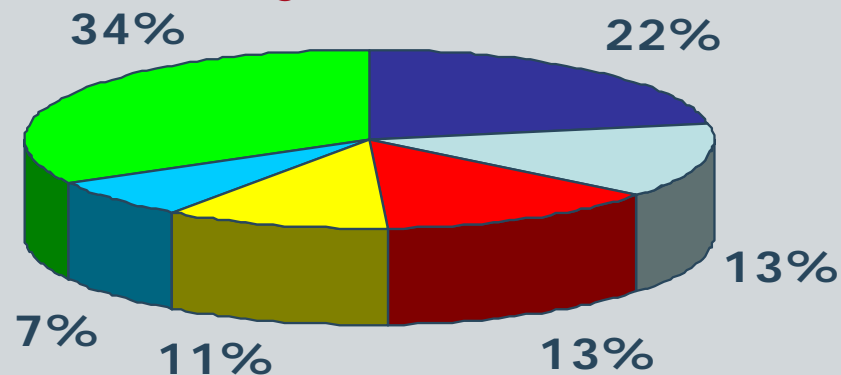
2006 cigarette volumes: 112bn*

By market



- Spain
- France
- Morocco
- Russia
- Rest of Europe
- Other

By brand



- Gauloises
- Ducados
- Fortuna
- Marquise
- Balkan Star
- Other

Note: *excludes fine cut tobaccos and brands licensed to Imperial totalling c.7bn stick equivalents

Altadis *cigarette (2)*



Gauloises Blondes

- Sold 21.4bn sticks in FY06
- Major markets: France, Germany, Austria and Middle East
- Q1, 2007 recovery in France and Middle East

Fortuna

- Sold 15.1bn sticks in FY06
- Major markets: Spain, Morocco, France and Italy
- Recovery in Spain following increase in MIOD*

Note: *minimum incidence of duty

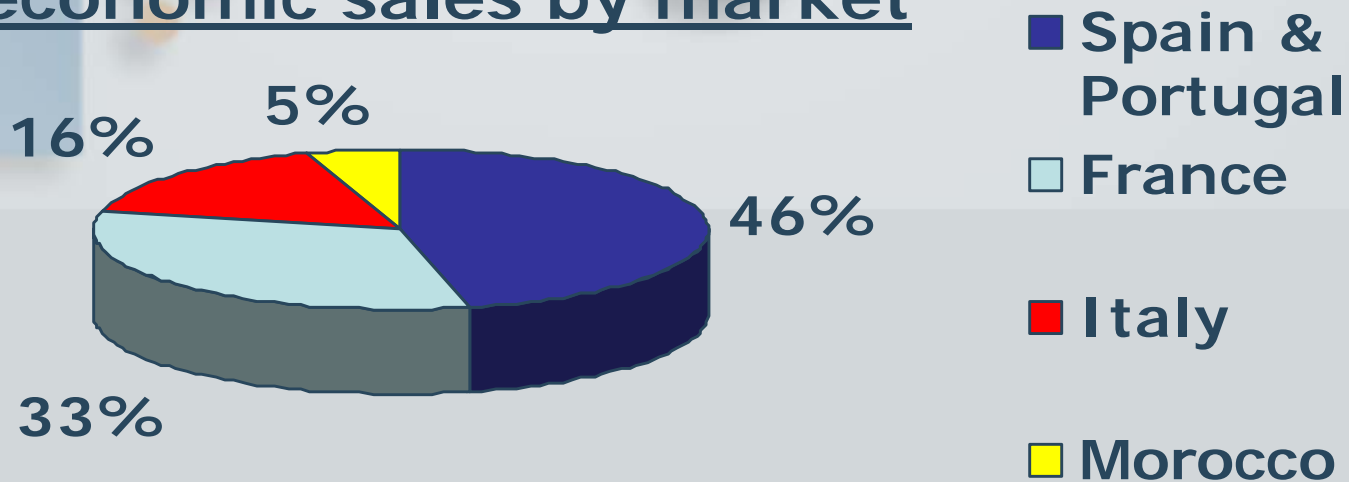
Altadis *cigar*



- **World No.1 in cigars**
 - market leader in US, Spain and France
- **Key US premium brands**
 - Montecristo, Romeo y Julieta, H. Upmann
- **Key US mass market brands**
 - Backwoods, Dutch Masters, Phillies
- **50% interest in Corporacion Habanos**

- Servicing > 510k PoS in Western Europe and Morocco
- Tobacco 47% of total FY06 Logistics economic sales
- Positions in Spain, Portugal and Italy (through Logista) as well as in France and Morocco

FY06 economic sales by market



The Enlarged Group

a stronger no.4 cigarette player



Sales of FMC sticks

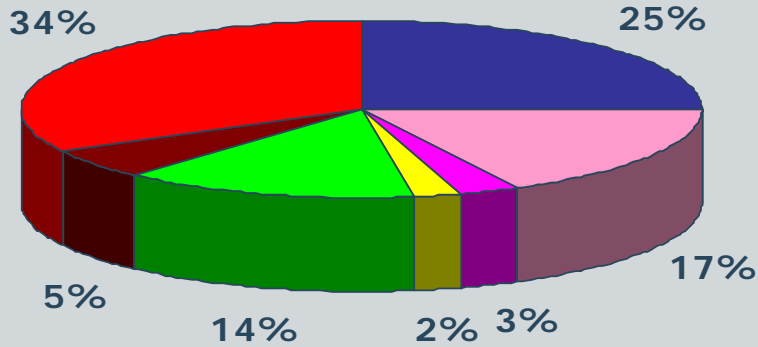
PMI	1,015bn
BAT	930bn
JT & Gallaher	603bn
Enlarged Group	312bn
Imperial Tobacco	200bn*
Altadis	112bn**
KT&G	94bn

*Note: figures for 2006; *including 14bn for Commonwealth Brands; **excludes fine cut tobaccos and brands licensed to Imperial*

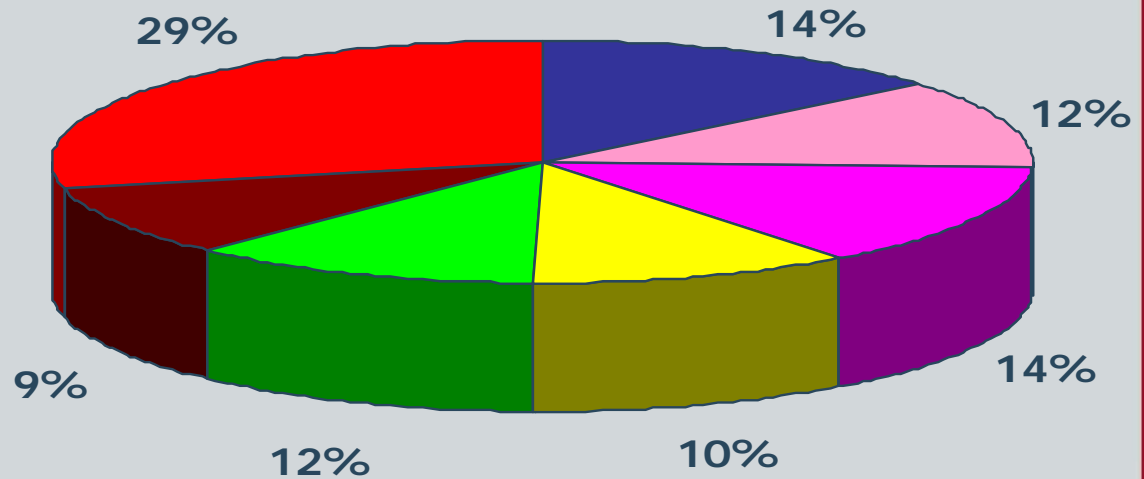
The Enlarged Group *broadens geographic footprint*



Current ITG Net Revenue £3.3bn



Proforma Net Revenue £6.0bn



- UK
 Germany
 Spain & Portugal
 France
- Rest of W Europe
 US
 Rest of World

Note: 2006 numbers plus Commonwealth and using exchange rates of \$1.95 and €1.50 = £1

The Enlarged Group

strong cigarette brand fit



Imperial



Altadis



The Enlarged Group

strong cigarette positions in Europe



Market	FMC Market Volumes (bn sticks)	Imperial Current Share (%)	Combined Share (%)	Combined Market Position
UK	49	46.4	46.4	1
Germany	93	21.2	26.9	2
Spain	87	5.4	36.6	1
France	56	3.9	28.5	2
Russia	337	5.6	11.4	4
Italy	89	1.3	3.0	4

Note: Imperial estimates; market volumes for 12 months to 31 March 2007; current cigarette shares are average for six months to 31 March 2007

The Enlarged Group

enhanced cigarette shares



Market	FMC Market Volumes (bn sticks)	Imperial Current Share (%)	Combined Share (%)	Combined Market Position
Morocco	14	-	87.0	1
Poland	73	16.6	24.0	2
Cambodia	6	0.1	18.1	3
Finland	5	-	16.1	2
Belgium	10	10.1	16.0	3
Austria	14	7.3	14.3	3
Netherlands	12	10.5	12.7	3
Czech Rep	26	11.9	12.2	3
Greece	31	8.2	9.0	6
Switzerland	12	0.8	2.4	4
Argentina	40	-	1.7	4

Note: Imperial estimates; market volumes for 12 months to 31 March 2007; current cigarette shares are average for six months to 31 March 2007

The Enlarged Group *strong tobacco and cigar brands*



Imperial

Fine cut tobaccos



Snus



Cigars



Altadis

Cigars



The Enlarged Group

logistics



- **Attractive and complementary business**
 - continue to be run on a standalone basis
- **Good margins**
- **Strongly cash generative**
- **No final decision on acquisition of Logista minority**
 - offer to buy out minority or reduce to below 30%*

*Note: *percentage specified under proposed new Spanish takeover laws*

The Enlarged Group

management and employees



- **Antonio Vázquez and Jean-Dominique Comolli invited to join the Imperial Board**
- **Headquarters in Bristol**
 - continued presence in Madrid and Paris
- **Swift integration of two businesses**

Imperial Acquisitions *a track record of value creation*



GUNNAR STENBERG A/S
TOBAKK

(2006)



CIGARETTES

(2006)



(2007)

skruf
(2005)

£6.2bn invested



(2007)

CTC
(2004)



(1997)



REEMTSMA
(2002)



(1998)

Tobaccor
(2001)

**Mayfair
Vending**
(2000)



(2000)



(2000)



(1999)

Summary



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Imperial Tobacco Group PLC

Appendices

Enterprise Value & Multiples



	€bn	€bn
Offer equity value (252.4m shares at €50/share)		12.6
(+) Altadis net debt (Q1 2007)	2.6	
(+) Minorities	1.0	
Total adjustments to equity value		3.6
Enterprise value		16.2
FY06 EV/EBITDA		14.1x
FY07 EV/EBITDA (consensus*)		13.1x
FY06 P/E		27.9x
FY07 P/E (consensus*)		22.4x

*Source: Reuters Knowledge

Estimated Timetable

principal events



EVENT

TIMING

Offer filed with CNMV	18 July 2007
Imperial shareholder circular posted	18 July 2007
Last date for receipt of proxies for Imperial EGM	11 August 2007
Imperial EGM	13 August 2007
Expected approval of offer by CNMV and offer acceptance period commences	September 2007
Altadis EGM	November 2007
Expected closing of offer	November 2007
Expected payment to Altadis shareholders	1-2 weeks after closing
Launch of rights issue	Within 12 months