



Proposed Acquisition of US Assets

General Meeting
Imperial Tobacco Group PLC

28 January 2015



Mark Williamson

Chairman

Acquisition Overview

asset deal for brands and infrastructure

Transaction Description

- Acquisition of certain brands and infrastructure for \$7.1bn
 - ◆ Brands currently owned by Reynolds: **Winston, Salem, Kool**
 - ◆ Brands currently owned by Lorillard: **blu** (e-cigarettes) and **Maverick**
 - ◆ Infrastructure: Lorillard's factory, national sales team and marketing resource
- Builds upon strategy; establishes stronger, diversified platform for growth
- Strong financials
 - ◆ ROIC > 10%, materially exceeds WACC in first full year
 - ◆ Significantly EPS enhancing in first full year post completion
- Fully debt financed

Process Considerations

constitutes a class 1 transaction

- Completion subject to:
 - ◆ Reynolds and Lorillard merger proceeding
 - ◆ Imperial shareholder approval
 - ◆ Approval of the US regulatory authority, the Federal Trade Commission (FTC)
 - ◆ Imperial becoming subject to the DoJ case order
 - ◆ No other law or governmental prohibition or restriction

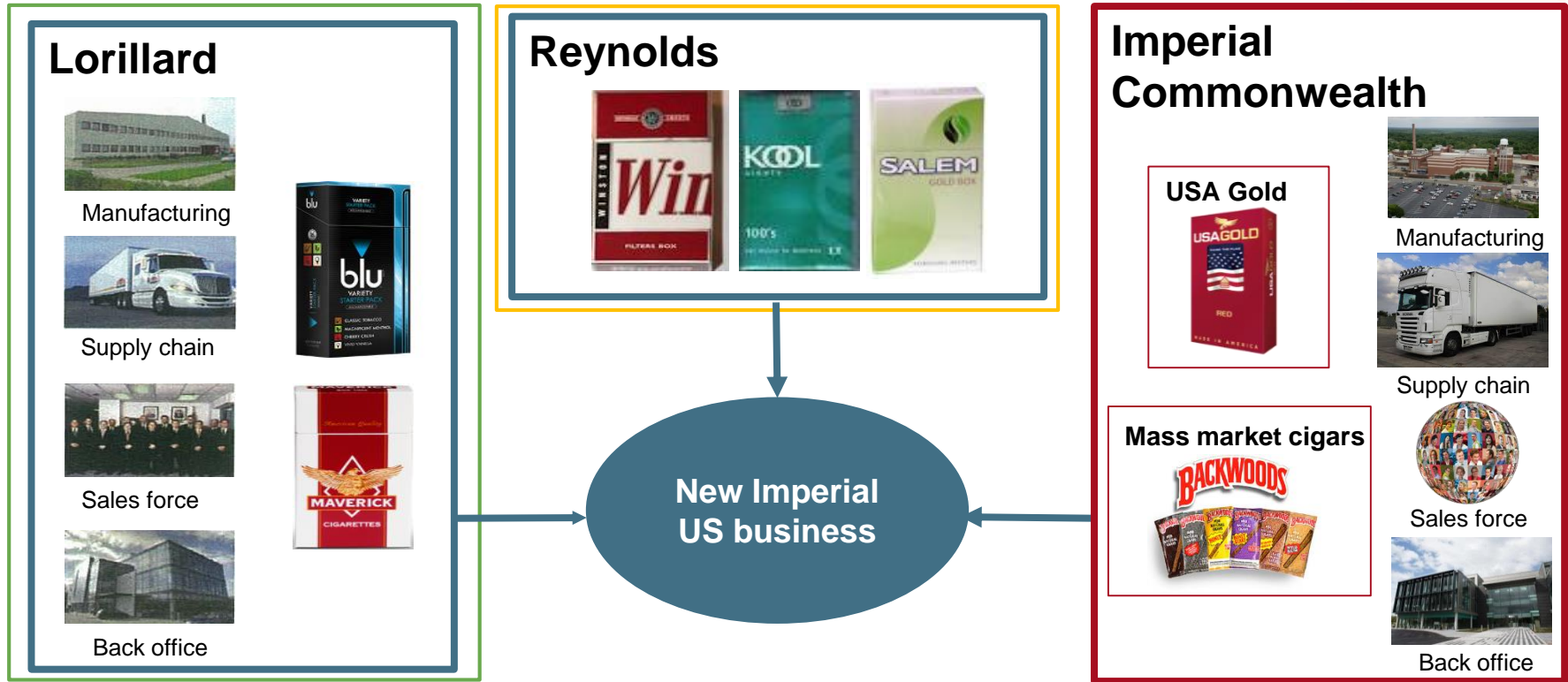
- Expected completion date spring of 2015



Alison Cooper

Chief Executive

Transaction Overview



The US Market

opportunity to grow in large and profitable market

- World's largest profit pool ¹(> \$14bn²) - equal to c.25% of world tobacco profits
- No.3 market by volume ¹ (c.270bn SE)
- Growing profit pool
- Stable regulatory environment
- Large and developing e-vapour market

¹ Excludes China ² SEC reports, Wells Fargo

Transaction Rationale

transformational for our US business

Pre-transaction

No.5 in market, c.3% share

Less than 10% of group net revenues

Limited tobacco portfolio

Not in e-cigarette market

Focus on 19 states

Weak presence in retail

Management with growing track record



Post-transaction

No.3 in market, c.10% share

c.24% of group net revenues ¹

Enhanced portfolio with increased equity

A leader in e-cigarettes

Broad national coverage

Stronger retail influence & visibility

Experienced management team

Share data taken from Maxwell and MSAi

¹Combined net revenue based on company data FY 14 (end Sept) plus acquired brand net revenue for 12 months to September 2014

Brand Strategy

strengthened brand portfolio

Winston, Maverick & Koal - all US top 10 brands

Primary

- Primary brands will receive a national focus with significant investment



Acquired brands

Secondary

- Focus will be based on the brands respective regional strengths and potential for growth in each state



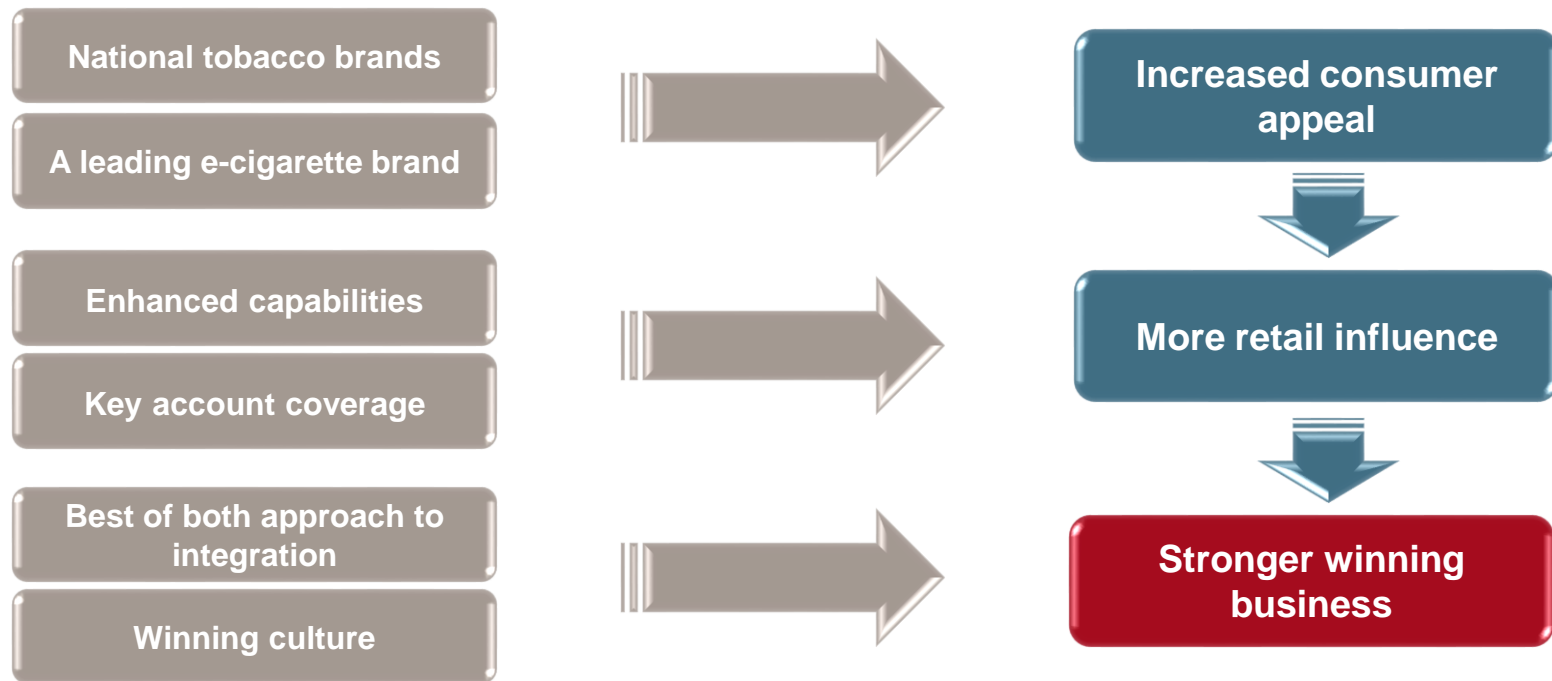
Other

- Remaining brands within the portfolio will be managed for cash



Creating a Winning Business

stronger offer, better execution, more influence



Strengthening the Group

- Builds on our strategy of investing in Growth Markets and Growth Brands
- Establishes stronger, diversified platform for growth
 - ◆ US contribution to Group net revenue increases from 10% to 24%
- Financially attractive deal
 - ◆ ROIC > 10%, materially exceeds WACC in first full year
 - ◆ Significantly EPS enhancing in first full year post completion
- An outstanding opportunity to create value for shareholders



Mark Williamson

Chairman

Ordinary Resolution

- To approve the acquisition of certain US cigarette and e-cigarette brands and assets as set out in the Notice of Meeting

Proxy Votes

to approve the acquisition of US assets

Proxy voting position:	
For	98.75%
Against	0.03%
Abstentions	1.22%



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Extraordinary General Meeting
Imperial Tobacco Group PLC

28 January 2015