



US Assets Acquired

15 June 2015



Disclaimer



Certain statements in this presentation constitute or may constitute forward-looking statements. Any statement in this presentation that is not a statement of historical fact including, without limitation, those regarding the Company's future expectations, operations, financial performance, financial condition and business is or may be a forward-looking statement. Such forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from those projected or implied in any forward-looking statement. They reflect the beliefs and expectations of the Board of Directors of Imperial Tobacco Group PLC as at the date of this presentation and are not guarantees of future performance. These risks and uncertainties include, among other factors, changing economic, financial, business or other market conditions. These and other factors could adversely affect the outcome and financial effects of the plans and events described in this presentation. As a result, you are cautioned not to place any reliance on such forward-looking statements. The forward-looking statements reflect knowledge and information available at the date of this presentation and the Company undertakes no obligation to update its view of such risks and uncertainties or to update the forward-looking statements contained herein. Nothing in this presentation should be construed as a profit forecast or profit estimate and no statement in this presentation should be interpreted to mean that the future earnings per share of the Company for current or future financial years will necessarily match or exceed the historical or published earnings per share of the Company. This presentation has been prepared for, and only for, the members of the Company, as a body, and no other persons. The Company, its directors, employees, agents or advisers do not accept or assume responsibility to any other person to whom this presentation is shown or into whose hands it may come and any such responsibility or liability is expressly disclaimed.

This presentation has been prepared and issued by, and is the sole responsibility of, Imperial Tobacco Group PLC (the "Company"). No responsibility or warranty, express or implied, is or will be made as to, or in relation to, and no responsibility or liability is or will be accepted by Credit Suisse Securities (Europe) Limited ("Credit Suisse") or by any of their respective affiliates or agents, as to or in relation to, the accuracy or completeness of this presentation or any other written or oral information made available to or publicly available to any interested party or its advisers, and any liability therefore is expressly disclaimed.

Goldman Sachs International, which is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority in the United Kingdom, is acting for Imperial Tobacco Group PLC and no one else in connection with the Transaction and will not be responsible to anyone other than Imperial Tobacco Group PLC for providing the protections afforded to clients of Goldman Sachs International, or for giving advice in connection with the Transaction or any matter referred to herein.

Our Priorities for 2015

Target of at least 10% increase in dividend

Strengthen Portfolio

- Enhance brand equity to build sustainability
- Build on success of early migrations
- Investment focused on primary brands in all markets
- New launches from Fontem

Develop Footprint

- Building momentum across Growth Markets
- Continue to optimise performance in Returns Markets
- **Rapid and efficient integration of US assets**

Cost Optimisation

- Deliver further savings as part of £300m pa 2018 target
- Continue to refine ways of working

Capital Discipline

- Embedding cash conversion discipline
- Further improvements to capital deployment
- Continue to manage structure and level of debt

Transforms US business

**Strengthen
Portfolio**

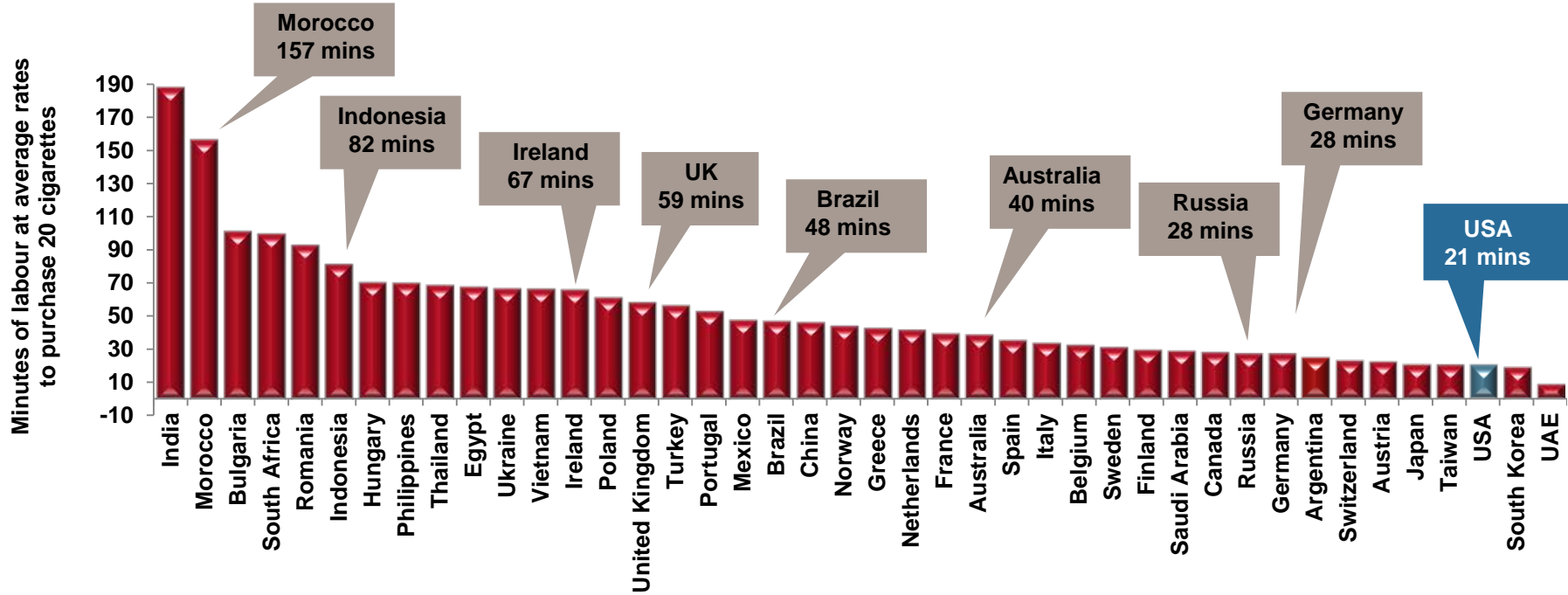
**Develop
Footprint**

**Cost
Optimisation**

**Capital
Discipline**

- Enhanced brand portfolio, capabilities, scale and influence
- Greater market share in a large profitable market
- Stable regulatory environment and relative affordability support long term growth
- Diversifying Group Revenues and profits
- Cost synergies support brand investment
- Increased cash flow extends dividend cover and supports further debt repayment

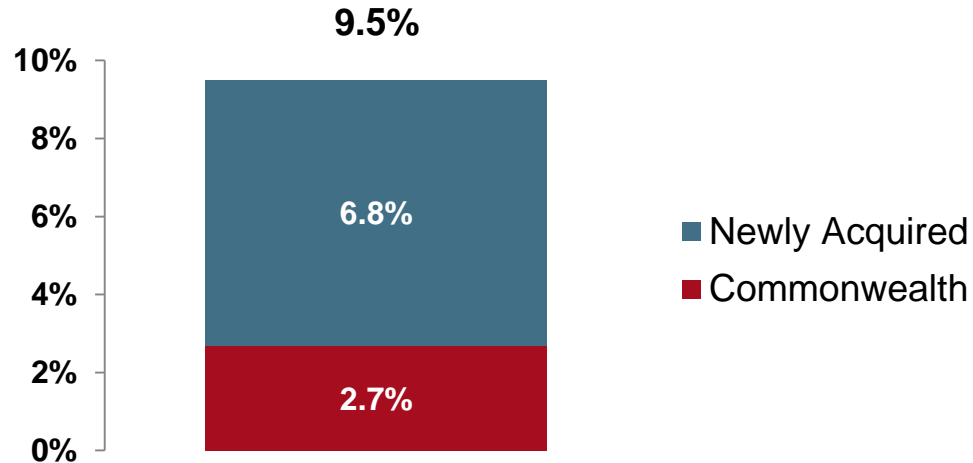
Relative Affordability



Execution strategy on track

- Acquisition of assets completed following approval from FTC and DOJ
- No change to deal structure
- Consideration of \$7.1bn settled; evaluating re-financing plans
- ITG Brands now operational; execution of integration plan underway
- Commercial and operational strategies in place

Brand Performance



- Acquired cigarette brand share 6.8%*
- Day one market share of ITG Brands 9.5% of cigarette market
- Not expecting to receive Doral

* Based upon quarterly MSAi data for 13 weeks to week ending 9 June 2015

Brand Strategy



Sales &
Marketing

- Sales team in place; brand training complete
- New account coverage plan in place
- Brand investment plans finalised with significant investment behind portfolio; A&P, price, trade.
- Primary national focus on Winston plus state specific focus on Kool, Maverick and USA Gold
- First objective : market share stabilisation
- Structured route to market transition



Blu & e-Vapour

- blu to be included in enlarged Fontem business
- UK distribution of blu already underway
- Strengthens existing platform for development
- Combining blu leading offer and innovation with IP and technical expertise in Fontem



Integration Underway



Manufacturing



Supply Chain



Back office

- Leadership team in place, organisational structure defined
- Close cultural alignment between Lorillard and Commonwealth teams
- All critical functions in place for Day 1
- Over 1,000 integration processes completed
- Back office systems and processes aligned
- Distribution and logistics in place and operational
- Machine transfer plan ensures continuous supply
- Changes communicated to trade

Financials

Financing and Cost of Debt

- Consideration of \$7.1bn (£4.6bn at current FX) drawn against US dollar denominated bank facilities
- Evaluating near term opportunity to re-finance; market rates currently around 4%
- Ratings agencies fully updated

Profit

- Significantly earnings enhancing in first full year
- All cost related synergies to be fully re-invested
- December circular provides good proxy for profit from incremental US business

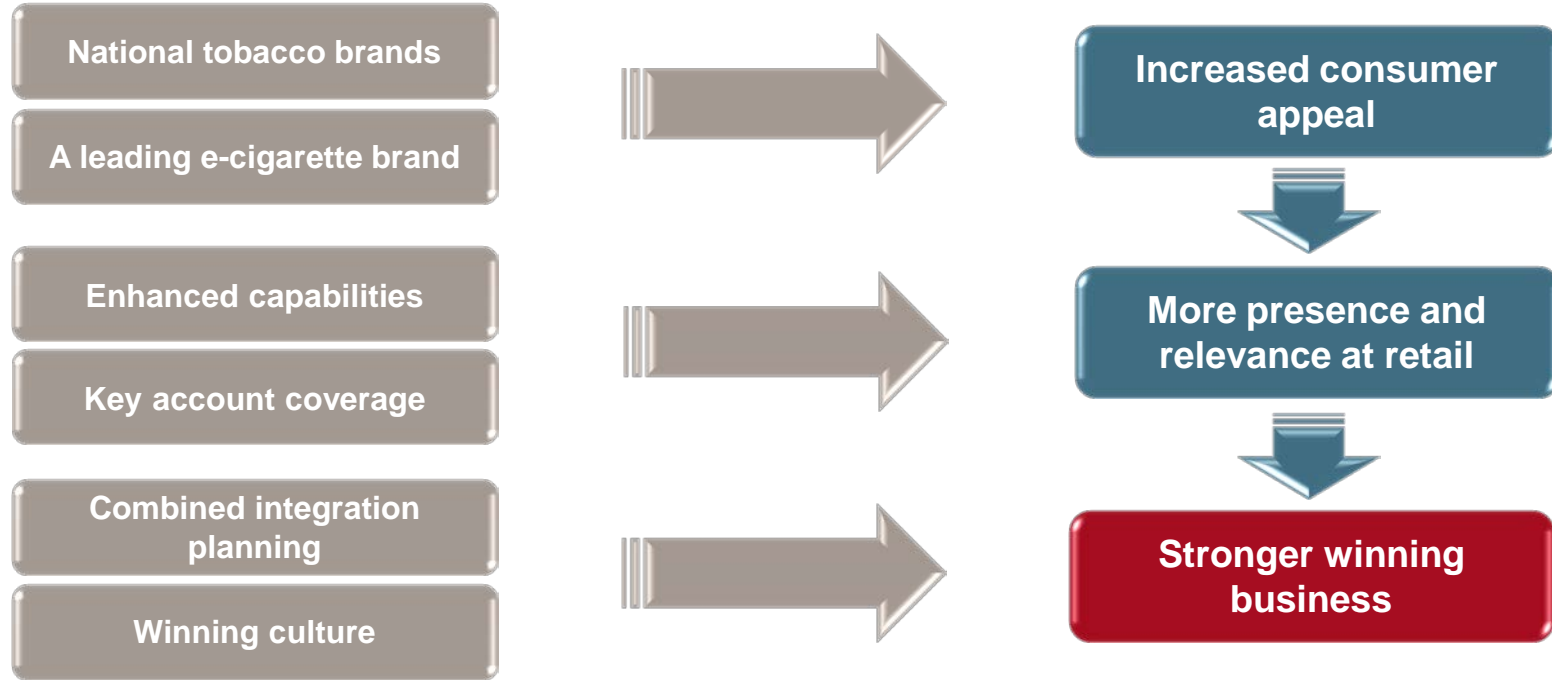
Taxation

- Intangibles generate \$170m (c.£100m) tax credit p.a. over 15 years
- Overall Group effective adjusted tax rate expected to remain c.21%

Other

- Expect one off deal related P&L charges to be c.£100m in total across FY15 and FY16

Stronger Winning Business





US Assets Acquired

15 June 2015





Appendix

Historical Financials

US now disclosed as a separate market

	HY 2014			FY 2014			HY 2015		
	Growth Markets as Reported	US Market	Growth Markets Restated	Growth Markets as Reported	US Market	Growth Markets Restated	Growth Markets as Reported	US Market	Growth Markets Restated
Volume (bn SE)	49.4	3.7	45.7	106.3	9.1	97.2	48.2	3.6	44.6
Tobacco net revenue (£m)	864	188	676	2,020	507	1,513	895	185	710
Adjusted operating profit (£m)	195	67	128	570	236	334	266	70	196

- Above shows historical financials for the existing business in new presentational format; US is disclosed as separate market having previously been included in Growth Markets

Historical Financials

US market

	FY 2013	
	'Americas' as Reported	US Market
Volume (bn SE)	9.0	8.7
Tobacco net revenue (£m)	653	512
Adjusted operating profit (£m)	219	206

- FY2013 published 'Americas' segment net revenue and adjusted operating profit included other Americas (i.e. non-USA) markets and allocations of central items in respect of those markets and Premium cigars